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corporate offices
and independent
auditors

1.

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BOARD OF DIRECTORS

Chairman	Alessandro Rivera
Chief Executive Officer	Marina Natale
Directors	Domenico Iannotta

BOARD OF STATUTORY AUDITORS

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.¹

Manager in charge of preparing the Company's Financial Reports

Manager in charge	Silvia Guerrini ²
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PARTIES APPOINTED TO CARRY OUT THE FINANCIAL CONTROL BY THE COURT OF AUDITORS (IT. LAW no. 259/58)

Principal Appointee	Giulia De Franciscis
Substitute Appointee	Carmela de Gennaro

SUPERVISORY BODY pursuant to Italian Legislative Decree no. 231/2001

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

At the date of closing the consolidated financial statements as at 31 December 2019

¹ The new mandate for the regulatory audit was assigned with resolution of the Shareholders' Meeting of 12th February 2019 and with effect from the date of approval of the 2018 Financial statements by the Shareholders' Meeting.

² Appointment was approved by the Board of Directors of 15 March 2019 effective from the date of approval of the 2018 financial statements by the Shareholders' Meeting.

2.

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introduction



On 19 July 2019 the Extraordinary Shareholders' Meeting of the Parent Company approved the change of the Company's name from Società per la Gestione di Attività – SGA S.p.A. (hereinafter also "SGA") to AMCO – Asset Management Company S.p.A. (hereinafter also "AMCO" or "AMCO S.p.A." or the "Parent Company"), which is combined with an overall review of the Company's image, in order to highlight the change of its position and its new mission statement. The Shareholders' Meeting resolution was recorded in the Naples Register of Companies on 4 September 2019, date on which the change of name became effective with regard to third parties.

The change of name and the review of the brand identity are part of AMCO's evolution process, started in the second half of 2017, with the objective of allowing the company to play a significant role in Non Performing Exposures (NPE) in Italy.

The change of name intends to promote the value of a historical company with a 20-year track record in a modern and innovative manner, but also the commitment to transform portfolios of problematic loans into new opportunities for creditors.

The new brand identity reflects the nature of AMCO as a full credit management company, able to fully ensure the management and recovery of non-performing loans, operating with promptness, strength, sustainability of processes and innovation of management approaches. AMCO reflects the already consolidated identity of SGA, but also highlights its process of innovation, making it at the same time recognisable, also at international level.

AMCO - Asset Management Company S.p.A., is a Financial Intermediary pursuant to art. 106 of the Consolidated Banking Act (TUB), specialised in the management and recovery of non-performing loans.

Since 1997 AMCO 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.

The transfer had as its object the loans classified or classifiable as bad loans, unlikely to pay and past due as of the date of the launch of the administrative compulsory liquidation procedures and not transferred to and/or retroceded by Intesa Sanpaolo S.p.A. (hereinafter ISP) in accordance with Articles 3 and 4 of the afore-mentioned Decree Law, together with assets, agreements and legal rights and obligations accessory to the same, including securitisation securities issued by the securitisation company Flaminia SPV S.r.l. (hereinafter also "Flaminia") and Ambra SPV S.r.l.

(hereinafter also “Ambra”), with the exclusion from this scope of certain assets, liabilities, agreements and rights and obligations identified in the transfer agreements on a consistent basis with the criteria laid down by Ministerial Decree of 22 February 2018.

During 2018 AMCO also acquired the ownership of foreign loans relative to banks already controlled by Veneto Banca in Croatia, Albania and Moldavia, as well as the Romanian branch for an overall gross book value of around EUR 700 million. Management and collection of loans, partially outsourced to foreign companies specialised in credit recovery, as well as to Società per la Gestione di Attività S.r.l. (now AMCO – Asset Management Co. S.r.l.), the newly established Romanian company fully owned by AMCO, started in the second half of 2018 and initially affected loans to residents in Romania, Croatia and Albania and, subsequently, also those resident in Moldavia.

Furthermore, the LCAs granted AMCO, again on 11 April 2018, a full outsourcing mandate to manage the exposures deriving from credit operations through which the purchase of shares or subordinated bonds of the former Veneto Banks (“Financed Capital”) were financed, in total or in part, as these loans remained in the ownership of the LCAs.

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

“1. The Company’s corporate purpose involves the purchase and management for selling purposes, according to economic criteria, of loans originating from banks enrolled in the register set forth in 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 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. 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.

5. The Company can also issue bonds in compliance with current legislative and statutory provisions. It is for the Board of Directors to decide on the issue of financial instruments other than shares or non-convertible into such. The adoption of a 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."

On 14 September 2019 the securitisation transaction of Non Performing Exposure portfolio of Banca Fucino was finalised with effect from 1 January 2019, for a Gross Book Value of EUR 297 million. The portfolio, composed of around 3,000 debtors, includes both bad loans (for a Gross Book Value as at 31 December 2019 of EUR 201 million) and loans classified as unlikely to pay/past due (for a Gross Book Value as at 31 December 2019 of EUR 96 million). In this transaction the Parent Company AMCO plays the role of Master Servicer and Special Servicer, as well as underwriting all tranche equity (junior and mezzanine notes) issued by the securitisation vehicle Fucino NPL's S.r.l. 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 has a significant position of control on the securitisation vehicle and, in accordance with the accounting standard, therefore AMCO is responsible for the preparation and presentation of the consolidated financial statements. Specifically, from internal analyses carried out, it has emerged that AMCO controls Fucino NPL's S.r.l. as it simultaneously has:

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

In the light of the above considerations, it follows that 2019 represents the first financial year requiring preparation of consolidated financial statements; as a consequence there is no comparison with the previous year data.

3.

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corporate
structure



In accordance with Article 12 of Italian Law no. 259 dated 21 March 1958, since AMCO is a company entirely invested in by the Ministry of Economy and Finance, it is subject to control over its financial operations by the Court of Auditors.

Currently the Parent Company owns the entire shareholding of Immobiliare Carafa S.r.l. in liquidation (resolution of the sole shareholder during the shareholders' meeting of subsidiary held on 13 June 2019), a company constituted to best realise mortgages and used for auctions and acceptance in lieu transactions, and of Società per la Gestione di Attività S.r.l. (now called AMCO – Asset Management Co. S.r.l.), a Rumanian company dealing with the management of non-performing loans to Rumanian residents, held by the Veneto Group Segregated Estates.

The liquidation of Immobiliare Carafa S.r.l. is linked to a wider and more complex ReoCo company aimed at the organised management of property assets. This Project requires, as an element to maximise the performance of recoveries on AMCO managed portfolios, the possibility to use protection and value-enhancing strategies for collateral property assets through the active and direct management of property assets (valuation, marketing, sale or lease), once ownership has been acquired through the action adjudication/assignment of property assets, acceptance in lieu agreements with debtors, repossession of property assets from lease agreements or other formats from time to time identified.

The Parent Company's corporate structure as at 31 December 2019 is shown in the following diagram:

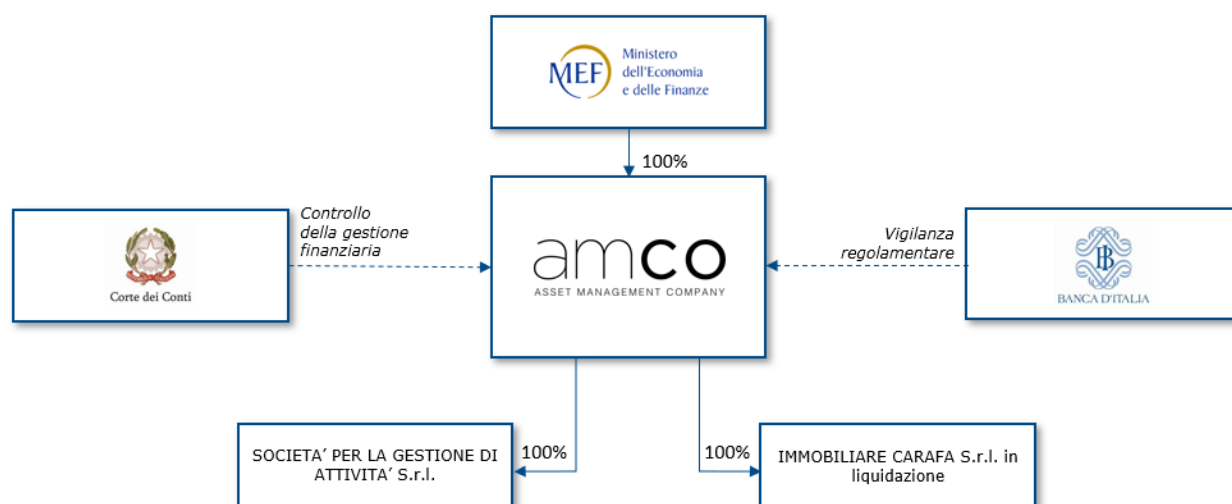


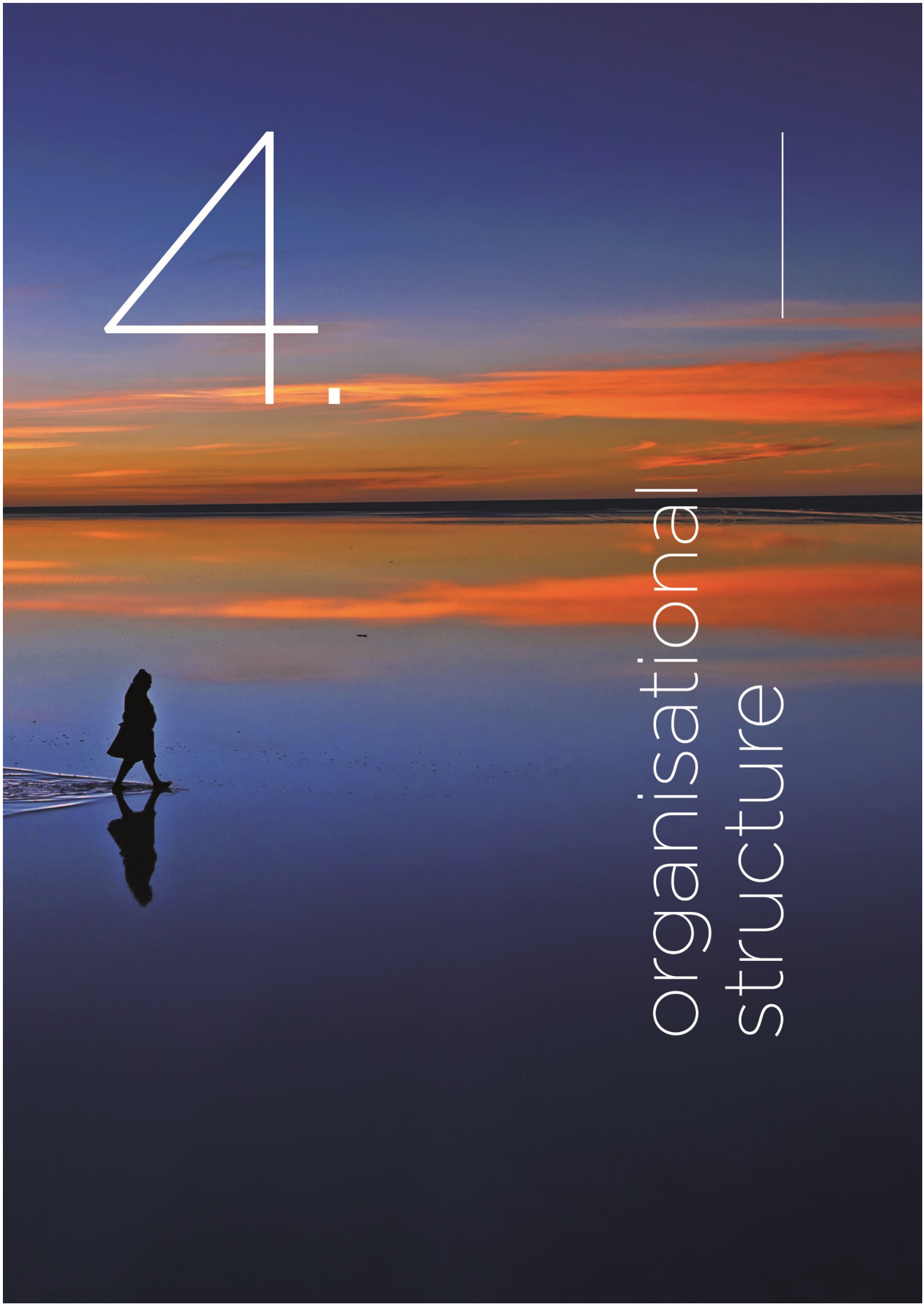
Diagram 1 - Corporate Structure as at 31 December 2019

As already expressed in the "Introduction", this report on operations was prepared by exclusively including in the scope of consolidation the securitisation vehicle "Fucino NPL's S.r.l.", but not the fully owned subsidiaries Immobiliare Carafa S.r.l. and SGA S.r.l., taking into account the negligible impact of these at aggregate level.

Again with exclusive reference to the Parent Company, during the Shareholders' Meeting of 29 November 2019 the Ministry of Economy and Finance approved the share capital increase of AMCO for a total of EUR 1,000,000,000, of which EUR 597,000,000 to the nominal share capital and EUR 403,000,000 to the share premium reserve. Following the full subscription of the above mentioned share capital increase by the Parent Company's sole shareholder, the share capital of the company went from EUR 3,000,000 (represented by 3,000,000 ordinary shares without nominal value) to EUR 600,000,000 (represented by 600,000,000 ordinary shares without nominal value).

4.

organisational
structure



The Parent Company's organisational structure as at 31 December 2019 is shown below:

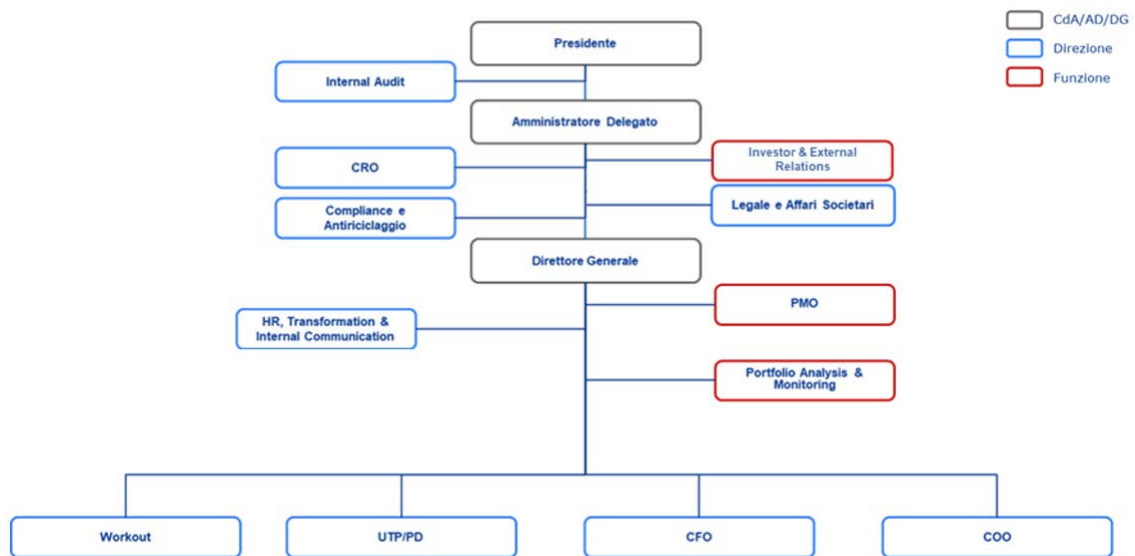


Diagram 2 - Organisational structure as at 31 December 2019

As at 31 December 2019, the following activities were outsourced:

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

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

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

Breakdown of the workforce

As at 31 December 2019 the AMCO Group's number of employees is 233 in total, entirely attributable to the Parent Company, taking into account the nature of the securitisation vehicle of the consolidated Fucino NPL's S.r.l.

As at 31 December 2019, there are no coordinated and continuous collaboration contracts in place.

The following table provides the breakdown of the Parent Company headcount as at 31 December 2019 by gender, actual age and working age, qualification.

	Senior managers	Middle managers	White-collar workers	Coordinated and continued collaborators	Consultants	Total
Men (number)	12	93	33	-	-	138
Women (number)	3	53	39	-	-	95
Total	15	146	72	-	-	233
Average age	53	46	39	-	-	46
Length of service (*)	2	5	8	-	-	5
Permanent contract	14	146	71	-	-	231
Fixed-term contract	1		1	-	-	2

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

Table 1 - Composition of the headcount as at 31 December 2019

Disputes

There were no legal disputes outstanding with employees as at 31 December 2019.

Turnover

With regard to the Parent Company's turnover of personnel, during 2019 recruitment continued following the changed organisational and personnel requirements of the Parent Company, due mainly to the consolidation of the management of non-performing loans portfolio of the former Veneto Banks and the start of the recovery activities on the portfolio of the former Banca Carige.

Permanent contract	01.01.2019	Recruitment	Change from fixed-term to permanent contract	Resignations, retirements and terminations	Change in category	31.12.2019
Senior managers	11	3				14
Middle managers	71	64		(5)	16	146
White-collar workers	62	29		(4)	(16)	71
Total	144	96		(9)	0	231

Fixed-term contract	01.01.2019	Recruitment	Change from fixed-term to permanent contract	Resignations, retirements and terminations	Change in category	31.12.2019
Senior managers	0				1	1
Middle managers	0	3		(2)	(1)	0
White-collar workers	0	1				1
Total	0	4		(2)	0	2

Table 2 - Staff turnover in 2019

Training

During 2019, the training of the Parent Company's staff was mainly focused on refresher courses preparatory to the management of the business and the improvement of soft skills. Refresher

courses were also held on the General Data Protection Regulation (GDPR) as envisaged by legislation.

The total training hours carried out in 2019 were 7,654, broken down as shown in the table below.

Training hours	Senior managers	Middle managers	White-collar workers	Total
Permanent contract	338	5,084	2,206	7,628
Fixed-term contract	1		25	26
Total	339	5,084	2,231	7,654

Table 3 - Staff training as at 31 December 2019

Health and safety

With reference to sickness, accident and maternity days recorded during 2019 by the Parent Company's employees, these amounted to a total of 1,229 days in 2019.

	Sick leave (days)	Accident (days)	Maternity leave (days)	Total
Permanent contract	1,097	88	5	1,190
Fixed-term contract	12			12
Part-time contract	27			27
Total	1,136	88	5	1,229

Table 4 - Health and safety as at 31 December 2019

Salaries

The table below provides a specific analysis of the salary brackets of the Parent Company personnel, broken down by position in the company hierarchy.

Position	Minimum social-security taxable income	Maximum social-security taxable income
Senior manager	55,608	253,904
Middle Manager	38,936	180,009
White-collar workers	29,747	55,698

Table 5 - Salaries as at 31 December 2019

Geographic location

As at 31 December 2019, the registered office of the Parent Company was located in Via Santa Brigida no. 39 in Naples, and the General Management was in Via del Lauro no. 5/7 in Milan. The Company also operates from offices in Viale Europa 23 in Vicenza.

The consolidated Fucino NPL's S.r.l. has its registered and administrative offices in Via Vittorio Betteloni, no. 2 in Milan.

5.

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report on
operations



MACROECONOMIC SCENARIO

During 2019 low growth which started in mid 2018 continued to affect the international economy. Specifically, the uncertainty deriving from tensions on future international trading relationships (in particular between the USA and China and between the United Kingdom and Europe), the geopolitical tensions and the weakening of growth in emerging economies continued to impact global economy performance.

Both the American economy and, to a greater extent, the European economy showed signs of a slowdown, in part also in relation to Brexit, which was completed in January 2020, and to the USA tariffs on European imports. However, the last few months of the year showed slight recovery signs supported by the expansive monetary policies adopted by most of the major central banks, whose impact on 2019 and 2020 is estimated at 0.5% of global growth³, still lower in relation to the concerns linked to the slowdown in the Chinese economy, due to the pandemic outbreak it is suffering.

The Italian economy, influenced by the international outlook and European political tensions, during the first half of 2019 remained stationary⁴, confirming the essential stagnation that started during 2018. The trend continued also in the third quarter (-0.3% on the third quarter of the same year)⁵; according to the data from the Bank of Italy, Italian production grew by 0.2% in 2019⁶. This change derived from a decrease in the added value in the public and industrial sectors, as well as the slowdown of internal demand, in spite of the consolidation of its balance of trade.

The improvement in the conditions of the labour market continued, with an unemployment rate of 9.8% in December 2019⁷, down 5.3% over the year, with an increase in employment of 0.1% in the last quarter of 2019.

The banking sector showed a further reduction in the riskiness of assets, thanks to a lower formation of non-performing loans and the activity for the management of non-performing positions, but also mainly to the process of disposal of NPLs. The stock of NPEs in Italy continues to contract from the highs of 2015, standing at EUR 165 billion at the end of the first half of 2019⁸.

On the basis of data from the Bank of Italy, as at 30 June 2019 the incidence of non-performing loans held by Italian banks on the loans totals was further reduced (-5.0%)⁹ compared to the first quarter of the same year.

This trend was confirmed also by the latest available data on net bad loans, which amounted to EUR 32.5 billion in August 2019, showing a significant decrease from EUR 40.5 billion in August 2018 (-19.8% year on year), while the proportion of net bad loans of total loans was of 1.87% (from 2.36% in August 2018)¹⁰.

³ IMF: World Economic Outlook, January 2020

⁴ Istat: Quarterly Income Statements, II quarter 2019

⁵ Istat: Preliminary GDP forecast, IV quarter 2019, January 2019

⁶ Bank of Italy: Economic Bulletin no. 1 – 2020

⁷ Istat: Employed and unemployed people, December 2019

⁸ PwC: The Italian NPL market, December 2019

⁹ Bank of Italy: Economic Bulletin no. 4 – 2019

¹⁰ Abi: Monthly Outlook, October 2019

OPERATING PERFORMANCE

Relevant events of 2019

In 2019 the Parent Company continued the organic growth started in 2018, 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 23 billion. The most significant events regarding the assets under management were as follows:

- on 11 May 2019 Intesa Sanpaolo exercised the option offered by Italian Decree Law no. 99 of 25 June 2017, at art. 4, paragraph 5, letter b), for the retrocession to the LCAs of part of the assets (performing at the time of the purchase operation by ISP) relative to the former Veneto Banks High-Risk positions. These positions were subsequently disposed by the LCAs to the AMCO-managed Segregated Estates. The overall Gross Book Value of the **first High Risk retrocession** was of around EUR 400 million;
- on 14 September 2019 the true sale **securitisation transaction** of the Non Performing Exposure portfolio of **Banca Fucino**, for a Gross Book Value of EUR 297 million, was finalised. The portfolio, composed of around 3,000 debtors, includes both bad loans (for a Gross Book Value as at 31 December 2019 of EUR 201 million) and loans classified as unlikely to pay/past due (for a gross value as at 31 December 2019 of EUR 96 million). The closing has economic effectiveness from 1 January 2019;
- on 12 October 2019 Intesa Sanpaolo exercised the option to dispose of a second tranche of high risk positions. The **second High Risk retrocession** related to positions with an overall Gross Book Value of EUR 214 million;
- on 20 December 2019 the Parent Company acquired from **Banca Carige Group S.p.A.** the ownership of a true sale **portfolio** with a Gross Book Value of EUR 2.3 billion, constituted for approximately 60% by positions classified as unlikely to pay (UTP) and for the remaining portion by positions classified as “Bad loans”. In addition to these assets, another EUR 0.5 billion (inclusive of a leasing finance portfolio) can be transferred to AMCO in 2020, on the occurrence of some conditions precedent whose contractually defined terms are also described in the Prospectus published by Banca Carige in December 2019. The cost of the entire operation amounted to EUR 1,059 million, with economic effectiveness from 1 July 2019;
- in December the Parent Company acquired without recourse a portfolio of mortgage loans, constituted by positions classified as “Bad loans” from **Istituto per il Credito Sportivo**, for a Gross Book Value of EUR 47 million. The economic effectiveness of the operation was fixed at 1 April 2019;
- on 23 December 2019 the Parent Company subscribed an agreement for the constitution of 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. The operation, called “**Cuvée**”, saw the creation of a management platform operation on several levels through:
 - o the disposal of UTP loans by Banca Monte dei Paschi di Siena, MPS Capital Services per le Imprese, UBI Banca, Banco BPM and the Parent Company itself to a securitisation vehicle (called “Ampre SPV Srl”);

- the subscription of securities issued by the vehicle by a closed-end investment mutual fund reserved to professional investors (called “Back2Bonis”) and managed by Prelios SGR;
- assignment of the fund shares to the transferring shareholders in proportion to the value of the loans transferred.

The Cuvée operation, with the objective of maximising the recovery through synergies and mechanisms of loans transferred otherwise not fully realisable (or in any case not realisable at the same economic conditions) requires the Parent Company, as master and special servicer and Prelios S.p.A. in its role of property advisor, to manage in partnership the loans portfolio derived from loans from EUR 3 million to EUR 30 million, aiming to strengthen the economic conditions of the debtor companies, where possible, to enhance the value of the property assets underlying the loan.

It is planned for the operation to be implemented in several stages; in the first stage, completed in December 2019, the positions of around 50 debtors were conferred to Ampre SPV S.r.l. for a total Gross Book Value of around EUR 450 million, of which EUR 111 million from MPS Group, EUR 121 million from UBI Banca, EUR 66 million from Banco BPM and EUR 154 million from AMCO, also through the Segregated Estates. The objective is to achieve a portfolio of EUR 1.5 billion managed through subsequent contributions.

In this operation, therefore, the Parent Company plays the role of:

- direct transferor of loans with subsequent deconsolidation of transferred loans;
- transferor via the loans Segregated Estates;
- shareholder of the Back2Bonis Fund with a third-party fund of around 23%;
- master and special servicer of the securitisation company Ampre SPV S.r.l.;
- subject issuing New Finance to the Back2Bonis Fund within the limits of the financing agreement subscribed.

Performance of managed assets

Following the acquisition of non-performing loans of the former Veneto Banks and Banca Carige Group, the AMCO Group is today one of the main players in the Italian market for the management of Non Performing Exposure (NPE). AMCO is the 5th Italian operator in the management of NPE positions with around EUR 23 billion of assets under management across over 120,000 counterparties. In particular, with regard to the management of unlikely to pay and past due loans, AMCO is the 2nd operator with almost EUR 10 billion under management, and is able to fully ensure the management process of the positions relating to over 30,000 enterprises distributed across the territory, also through agreements with specialist partners and the possibility to directly provide new finance to allow the continuity and the relaunch of some of these industrial entities.

In terms of Gross Book Value, assets under management as at 31 December 2019 amount to around EUR 23.3 billion, broken down as follows:

- EUR 1.7 billion for 2,500 debtors relating to the **portfolio** originating from the **former Banco di Napoli**;

- EUR 7.7 billion for 42,000 debtors relating to the **Veneto Group Segregated Estates** (inclusive of the Flaminia securitisation for EUR 2.2 billion and High Risk loans of EUR 223 million);
- EUR 9 billion for 61,000 debtors relating to the **Vicenza Group Segregated Estates** (inclusive of the Ambra securitisation for EUR 4.3 billion and High Risk loans of EUR 391 million);
- EUR 1.8 billion for 900 debtors relating to **Financed Capital**;
- EUR 0.3 billion for 3,000 debtors relating to the **securitised portfolio in Fucino NPL's S.r.l.**;
- EUR 2.3 billion for 13,400 debtors relating to the **portfolio** acquired by **Banca Carige**;
- EUR 47 million for 10 debtors relating to the portfolio acquired by **Istituto per il Credito Sportivo**;
- EUR 0.5 billion for 50 debtors relating to the **Back2Bonis portfolio**.

Main indicators as at 31 December 2019

The profit and loss result of the 2019 financial year shows a net operating profit of EUR 42.9 million.

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

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

Furthermore, the Group's main economic and financial indicators relative to the 2019 financial year are indicated in the tables below, alongside the comparative data for the previous financial year.

Reclassified balance sheet

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

Item (Data EUR/000)	31/12/2019
Loans and receivables with banks	324,338
Loans and receivables with customers	979,400
Financial assets measured at fair value	1,404,511
Equity investments	14
Property, plant and equipment and intangible assets	6,816
Tax assets	79,912
Other asset items	24,717
Total assets	2,819,708

Table 3 – Reclassified balance sheet assets as at 31 December 2019

Item (Data EUR/000)	31/12/2019
Financial liabilities at amortised cost	915,507
Tax liabilities	8,201
Provisions for specific purposes	20,784
Other liabilities	52,353
Share capital	600,000
Share premium	403,000
Reserves	779,011
Valuation reserves	(1,460)
Profit/loss for the year	42,311
LIABILITIES AND NET EQUITY	2,819,708

Table 4 – Reclassified balance sheet liabilities and net equity as at 31 December 2019

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 both recorded in the balance sheet and managed through servicing mandates. This category also includes the revenues deriving from investment instruments, such as securitisation notes and shares in mutual funds, for which the Parent Company has the mandate to manage the underlying impaired assets, as the performance of the Company as servicer has a direct impact on the value enhancing of investment instruments. However, costs and revenues deriving from the financial and ancillary management activities of the Group are reclassified under the EBITDA.

Income statement (Data EUR/000)	31/12/2019
Servicing commissions	47,139
Interests and commissions from business with customers	29,195
Other income/expenses from ordinary operations	15,320
TOTAL REVENUES	91,654
Personnel costs	(23,580)
Net operational costs	(19,915)
- of which gross costs	(26,014)
- of which recoveries	6,099
TOTAL COSTS	(43,496)
EBITDA	48,158
Net value adjustments/reversals on receivables and securities from ordinary operations	(393)
Value adjustments/reversals on tangible and intangible fixed assets	(1,514)
Net provisions for risks and charges	(3,611)
Other operating income/expenses	(12,054)
Financial activity result	20,845
EBIT	51,430
Interests and commissions from financial assets	(6,095)
PRE-TAX PROFIT	45,335
Current taxes	(3,024)
RESULT FOR THE YEAR	42,311
EBITDA MARGIN	52.5%
COST/INCOME	47.5%

Table 6 – Reclassified income statement as at 31 December 2019

Reconciliation of Balance Sheet and Income statement

Item (Data EUR/000)	31/12/2019
Loans and receivables with banks	324,338
+ 40 (a). Loans and receivables with banks	324,338
Loans and receivables with customers	979,400
+ 40 (b). Financial assets measured at amortised cost: loans and receivables with financial companies	6,660
+ 40 (c). Financial assets measured at amortised cost: loans and receivables with customers	972,740
Financial assets measured at fair value	1,404,511
+ 20 (c). Financial assets measured at fair value through profit and loss: other financial assets compulsorily measured at fair value	559,709
+ 30. Financial assets measured at fair value through other comprehensive income	844,803
Equity investments	14
+ 70. Equity investments	14
Property, plant and equipment and intangible assets	6,816
+ 80. Property, plant and equipment	6,237
+ 90. Intangible assets	579
Tax assets	79,912
+ 100 (a). Current tax assets	11,238
+ 100 (b). Prepaid tax assets	68,673
Other asset items	24,717
+ 10. Cash and cash equivalents	0
+ 120. Other assets	24,717
Total assets	2,819,708

Table 8 – Reconciliation of reclassified balance sheet assets as at 31 December 2019

Item (Data EUR/000)	31/12/2019
Financial liabilities at amortised cost	915,507
+ 10 (a). Financial liabilities measured at amortised cost: payables	5,787
+ 10 (b). Financial liabilities measured at amortised cost: debt securities in issue	909,720
Tax liabilities	8,201
+ 60 (a). Current tax liabilities	6,543
+ 60 (b). Deferred tax liabilities	1,658
Provisions for specific purposes	20,784
+ 90. Employee severance indemnities	593
+ 100 (b). Provisions for risks and charges: pensions and similar obligations	48
+ 100 (c). Provisions for risks and charges: other provisions for risks and charges	20,143
Other liabilities	52,353
+ 80. Other liabilities	52,353
Share capital	600,000
+ 110. Share capital	600,000
Share premiums	403,000
+ 140. Share premiums	403,000
Reserves	779,011
+ 150. Reserves	779,011
Valuation reserves	(1,460)
+ 160. Valuation reserves	(1,460)
Profit for the year	42,311
+ 170. Profit (Loss) for the year	42,311
Total liabilities and equity	2,819,708

Table 9 – Reconciliation of reclassified balance sheet liabilities as at 31 December 2019

Item (Data EUR/000)	31/12/2019
Servicing commissions	47,139
+ 40. Fees and commissions income (partial)	47,139
Interests/commissions from business with customers	29,195
+ 10. Interest income (partial)	29,195
+ 40. Fees and commissions income (partial)	0
Other income/expenses from ordinary operations	15,320
+ 100 (a). Profit/loss from sales or repurchase of accounts receivables	(993)
+ 110 (b). Net result of financial assets and liabilities measured at fair value through profit and loss - bonds at full value	0
+ 130 (a). Net value adjustments/reversals for credit risk of: assets measured at fair value with impact on OCI (partial)	16,313
+ 250. Profit/loss from sale of investments (partial)	0
TOTAL REVENUES	91,654
Personnel costs	(23,580)
+ 160 (a). Personnel costs	(23,580)
Operational costs	(19,915)
+ 160 (b). Other administrative expenses	(24,913)
+ 200. Other operating income and expenses (partial)	6,099
+ 50. Fees and commissions expense (partial)	(1,101)
TOTAL COSTS	(43,496)
EBITDA	48,158
Net value adjustments/reversals on receivables and securities from ordinary operations	(393)
+ 110 (b). Net result of financial assets and liabilities measured at fair value through profit and loss - bonds at full value	(384)
+ 130 (a). Net value adjustments/reversals for credit risk of: assets measured at amortised cost	(3,197)
+ 10. Interest income (partial)	3,187
Value adjustments/reversals on tangible and intangible fixed assets	(1,514)
+ 180. Net value adjustments/reversals on property, plant and equipment	(1,477)
+ 190. Net value adjustments/reversals on intangible assets	(38)
Net provisions for risks and charges	(3,611)
Other operating income/expenses	(12,054)
+ 200. Other operating income and expenses	(5,955)
- 200. Other operating income and expenses (partial)	(6,099)
Financial activity result	20,845
+ 100 (b). Profit/loss from sale or repurchase of financial assets measured at fair value through other comprehensive income (partial)	4,100
+ 110 (b). Net result of other financial assets and liabilities measured at fair value through profit and loss - other financial assets compulsorily measured at fair value (partial)	18,187
+ 130 (b). Net value adjustments/reversals for credit risk of: assets measured at fair value with impact on OCI (partial)	(1,297)
+ 220 Profit/loss from equity investments	(144)
EBIT	51,430
Interests and commissions from financial assets	(6,095)
+ 10. Interest income (partial)	2,385
+ 20. Interest expenses	(8,681)
+ 40. Fees and commissions income (partial)	201
+ 50. Fees and commissions expense (partial)	0
PRE-TAX PROFIT	45,335
+ 270. Current taxes	(3,024)
RESULT FOR THE YEAR	42,311

Table 10 – Reconciliation of reclassified income statement as at 31 December 2019

Solidity of balance sheet structure and Key Performance Indicators

EUR/millions - %	2019
Regulatory capital	1,780.0
Weighted risk assets	2,792.6
CET 1	63.7%
Total Capital Ratio	63.7%

Table 11 - Main economic and financial indicators as at 31 December 2019

For the 2019 financial year, the Parent Company has a high level of balance sheet strength, with a Total Capital Ratio of 63.7%, well above regulations' requirements (8%), also taking into account the already mentioned share capital increase of EUR 1 billion deliberated by the Shareholders' Meeting of the Parent Company on 29 November 2019 and fully paid-up in December.

Analysis of the main financial indicators

Financial assets measured at amortised cost account for 46.2% of total assets and include:

- EUR 324.3 million relative to loans to banks, mainly from balances in correspondence current accounts;
- EUR 979.3 million of loans to customers and financial companies, relative to the portfolio of former Banca Carige (for EUR 754 million), the portfolio of the former Istituto per il Credito Sportivo (for EUR 9 million), the portfolio of the former Fucino (for EUR 92.4 million, the portfolio of the former Banco Napoli, Isveimer and GRAAL (for EUR 119.9 million) and the loan to the Back2Bonis fund (for EUR 4 million).

Total Assets consisted for 49.8% by investments in **financial assets measured at fair value**, whose breakdown is indicated below:

- EUR 840.9 million relative to investments in Government securities (gross of value adjustment);
- EUR 501.3 million relative to the investment in the Italian Recovery Fund;
- EUR 13.1 million relative to loans deriving from the portfolio of former Banca Carige which do not meet the criteria for registration under assets measured at amortised cost;
- EUR 45.2 million relative to the investment in Back2Bonis.

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

The **Group's capital structure** highlights equity capital as its main financing instrument, against total assets of EUR 2,820 million: Net equity was EUR 1,823 million as at 31 December 2019.

Financial debt includes, in addition to payables due to the first application of the IFRS 16 accounting standards for EUR 5.8 million, third-party funds which amount to EUR 850.5 million and which make reference to the following issues:

- on 6 February 2019 the AMCO Group placed its first unsecured senior bond for EUR 250 million, under the European programme for the issue of medium/long-term financial instruments ("EMTN Programme") of EUR 1 billion, agreed with resolution of the Shareholders' Meeting of 10 May 2018 and approved by the Luxembourg stock exchange on 25 May 2018. The issue was settled, for the entire amount, on 13 February 2019. The bond has a five-year maturity and confers the right to the payment of a fixed annual coupon equal to 2.625%. The issue, which was reserved to qualified and institutional investors and

required a minimum investment of EUR 100,000, obtained a rating of BBB- from Fitch and is listed on the Luxembourg stock exchange;

- on 1 October 2019 the AMCO Group placed its second unsecured senior bond for EUR 600 million, also using the EMTN Programme. The issue of EUR 600 million was settled for the whole amount on 7 October 2019. The bond is due to mature on 27 January 2025 and requires the payment of an annual fixed coupon of 1.375%. The transaction, which received orders for around EUR 800 million from 80 institutional investors, received a good level of interest in particular from banks (around 52% of the total) and asset managers (around 36%), both Italian and European, and received a BBB- rating from Fitch and BBB from Standard&Poor's.

Management of impaired assets

NPLs from former Banca Carige and Istituto per il Credito Sportivo

Following the acquisition of the loan portfolio from Banca Carige, the Parent Company started management and recovery activities for these positions, classified for 60% as UTPs and for 40% as bad loans. More specifically, the on-boarding of the portfolio took place on 21 December 2019: from the time it took over, the Parent Company has received revenues of around EUR 2 million up to 31 December 2019. In addition to direct revenues, the Parent Company was granted revenues correlated to the positions, from the start of the economic effectiveness of the operation (1 July 2019) to 20 December 2019 recorded by Banca Carige, for an amount of EUR 55.2 million (already net of revenues later returned to the Ampre SPV Srl vehicle in the context of the Cuvée operation).

With reference to loans transferred in December 2019, it is noted that, in the context of a wider set of contractually issued guarantees, the retrocession of loans to transferors is planned when documentary evidence in relation to the ownership of the same is lacking. It is noted that currently all the electronic and physical document on-boarding activities for parts of the loans acquired are still ongoing.

With regard to the loans of the portfolio of former Istituto per il Credito Sportivo, the first revenues were received in 2020.

In the context of the provision of IFRS 9, the Parent Company provided to recognise in the financial statements the assets of the portfolio of former Banca Carige and Istituto per il Credito Sportivo as purchased or originated credit impaired assets (hereinafter also "POCI"), recognising as at 31 December 2019 loans for a total of EUR 763 million and interest income for EUR 23.6 million (of which EUR 22.8 million relative to loans of the former Banca Carige and EUR 0.8 million to the ICS portfolio). In addition to the POCI accounting treatment, loans have compulsorily been valued at fair value for EUR 13.1 million (as they do not meet the SPPI test required by IFRS 9) only for the portfolio from the former Banca Carige Group.

NPLs from former Banca Fucino

On 14 September 2019 the securitisation transaction of a Non Performing Exposure portfolio of Banca Fucino was finalised, for a Gross Book Value of EUR 297 million. The portfolio, composed of around 3,000 debtors, includes both bad loans (for a Gross Book Value as at 31 December 2019 of EUR 201 million) and loans classified as unlikely to pay/past due (for a Gross Book Value as at 31 December 2019 of EUR 96 million). In this operation the Parent Company plays the role of Master Servicer and Special Servicer as well as having subscribed 100% of the equity tranches (junior and mezzanine notes) issued by the securitisation vehicle Fucino NPL's S.r.l., included in these consolidated financial statements.

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

During 2019, the Parent Company continued with the management of the assets of former Banco di Napoli, comprising non-performing loans, agreements and other problematic assets (unsecured loans exposed to country risk, securities, equity investments), for an original gross value of around EUR 8,980 million, acquired by Parent Company in 1996 for a price equating to roughly EUR 6,426 million, of which EUR 6,273 million relating to loans and receivables and EUR 153 million relating to securities and equity investments.

The recovery activity of this portfolio continued during 2019, with recoveries realised since the acquisition of the portfolio up to 31 December 2019 of EUR 5,180 million, equal to 82.6% of the opening value paid by the Parent Company for the acquisition of these loans.

During 2019 the activity for the recovery of the portfolio by the Parent Company, initiated by now over 20 years ago, recorded overall revenues for EUR 26.4 million, equal to a recovery percentage of 19% of the value of the portfolio at the start of the financial year.

During the financial year the recovery activity of non-performing loans deriving from purchases of the liquidation of ISVEIMER S.p.A. and of the former GRAAL S.r.l. also continued.

The original transaction envisaged the acquisition of non-performing loans for an original gross value of EUR 1,161 million, acquired by the Parent Company at a price equal to the net book value of EUR 324 million.

With reference to the residual portfolios of former ISVEIMER and former GRAAL, revenues amounting to EUR 1.9 million were recognised in 2019.

Financial investments

During the 2019 financial year the Group, in accordance with its new corporate purpose, continued with the implementation of a new investment strategy in financial assets.

Investment in government securities

In order to actively manage the liquidity deriving from revenues from managed portfolios, in 2019 the Parent Company made investments in liquid financial assets represented by Italian Government securities, applying a prudent investment profile. At the end of the financial year, the portfolio amounted to a nominal total of EUR 810 million, which generated interest income of EUR 2.2 million recognised in the Income Statement, in addition to capital gains of around EUR 4 million deriving from the transfer of a security during the year. The increase in fair value of securities was recognised in the net equity reserve and amounts to EUR 5.0 million.

Italian Recovery Fund

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

The Italian Recovery Fund is a closed-end alternative investment fund governed by Italian law, reserved for professional investors, set up for the purchase of financial instruments of different seniority, issued by one or more vehicles set up and/or to be set up for the purchase of bank NPLs.

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

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

On the basis of the Annual Report of the fund as at 31 December 2019, prepared by DeA Capital Alternative Funds SGR S.p.A. (which took over from Quaestio Capital Management SGR S.p.A. in November 2019, following the acquisition of the business unit relating to the mandate for the management of the fund) and audited by PricewaterhouseCoopers S.p.A., the overall value of the fund as at that date came to EUR 2,390,995,361 and the unit value of 2,480 units came to EUR 964,111.033.

As at 31 December 2019, AMCO paid EUR 472.4 million by way of drawdown of its own commitment, net of the reimbursements already received.

The determination of the fair value of the investment was carried out on the basis of the Net Asset Value of the units communicated by DeA Capital Alternative Funds SGR S.p.A. on occasion of report on the management of the fund as at 31 December 2019, taking into account both the capital repayments received in March (EUR 16.8 million) and August 2019 (EUR 8.4 million), and of the drawdown payment paid in July 2019 (EUR 6.3 million). On the basis of this value, the fair value of the investment at the date of these financial statements is of EUR 501.3 million, giving rise to a capital gains of EUR 18.2 million.

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

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

Banca Carige S.p.A.

Due to the share capital increase resolved by the Shareholders' Meeting of the Bank, the Parent Company subscribed no. 1,073,765,139 shares at a unit price of EUR 0.001 per share. The total investment held by the Parent Company in Banca Carige was therefore increased from 698,156,788 to 1,804,489,911 shares, with a value increasing from EUR 0.2 million to EUR 1.8 million, with a valuation as at 31 December 2019 based on the official price of the share capital increase.

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

Back2Bonis

In relation to this operation the Parent Company transferred loans recognised under its own assets for EUR 45.2 million, receiving no. 112.2912 shares in the Back2Bonis Fund in return. As the loans directly transferred by AMCO related to the portfolio of the former Banca Carige (with juridical ownership from 21 December 2019), the Company valued the fund shares at EUR 45.2 million as at 31 December 2019.

It is specified that AMCO's shareholding in the Fund in relation to the portfolio of former Banca Carige is equal to around 23% of the total subscribed shares, while its participation through the Fund's Segregated Estates is of 16%.

Analysis of the economic result

The Group recorded an **EBITDA** as at 31 December 2019 of EUR 48.2 million. This is broken down as reported below.

The total of fees and commissions income as at 31 December 2019 is of EUR 47.1 million.

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

The figure indicated above was calculated as a sum of:

- EUR 35.1 million, represented by commissions received by the Parent Company for the management of non-performing loans included in the Veneto Group and Vicenza Group Segregated Estates;
- EUR 11.5 million, for the Parent Company's Special Servicing activity on loans included in the Ambra and Flaminia securitisations by Credito Fondiario S.p.A., which acts as Master Servicer;
- EUR 0.5 million deriving from the mandate to manage Financed Capital.

Interest income from customers recognised in the financial statements for 2019 amounts to EUR 29.2 million, and mainly originate from the recognition of:

- interest income deriving from assets acquired from Banca Carige and Istituto per il Credito Sportivo and recognised as purchased or originated credit-impaired ("POCI") in compliance with the provisions of IFRS 9, which recorded revenues for an amount equal to, respectively, EUR 22.8 million and EUR 0.8 million;
- interest income, also recognised as "POCI", deriving from the loans portfolio of the securitisation vehicle Fucino NPL's S.r.l., of EUR 5.6 million.

In addition to interests and commissions, revenues include **other income** from ordinary operations for EUR 15.3 million, mainly deriving from write-backs on the collections from loans of the portfolio of former Banco di Napoli.

The costs total, in consideration of the Group's new operational phase following the development of business as well as managing activities, in its role of Special and Master Servicer, of the portfolio held by the Fucino NPL's securitisation vehicle was of EUR 43.5 million, due to:

- **personnel costs**, of EUR 23.6 million, mainly linked to wages and salaries and relative contributions paid to the Parent Company's employees (no. 233 as at 31 December 2019);
- **other administrative expenses**, equal to EUR 19.9 million, determined by:

- EUR 18.8 million (net of recovery expenses of the Segregated Estates and Financed Capital for a total of EUR 6.1 million) due to charges for the recovery of loans, consultancies and set up costs linked to the structural growth of the Parent Company's activities, in accordance with the development of new managed assets;
- EUR 1.1 million for commissions paid to the Romanian subsidiary SGA S.r.l. for the management of non-performing loans of the Veneto Group Segregated Estates to Romanian residents.

The consolidated EBIT for the 2019 financial year was of EUR 51.4 million, due to the effect of:

- **value adjustments/reversals on receivables and securities** negative for EUR 0.4 million. The item includes value adjustments linked to the passing of time, corresponding to interests accrued on financial assets in the portfolio of the former Banco di Napoli for EUR 3.1 million, offset by valuation value adjustments for EUR 3.2 million, inclusive of value adjustments on liquid funds in current accounts for EUR 0.4 million;
- **provisions for risks and charges** of EUR 3.6 million. Provisions are due to possible legal costs for the management of current disputes with the customers of Banca Carige and Istituto per il Credito Sportivo relative to the period between the economic and juridical effectiveness of the transfer;
- **other operating income and expenses** of EUR 12 million. This amount is mainly due to the mechanism required by transfer contracts with the two former Veneto Banks according to which, at the end of every three-year period, an adjustment of the Parent Company's fees is determined (so called Collar) with the objective of correlating the same to the involvement of the costs actually sustained for the management and recovery activities of legal relationships and assets transfers carried out by AMCO on behalf of the two Segregated Estates. In view of these possible adjustments, provision is made with regard to the 2019 financial year to recognise a cost of EUR 12.6 million;
- **net result of financial assets** for EUR 20.8 million, mainly derived from the investment in Italian Recovery Fund for EUR 18.2 million. The determination of the fair value of this investment was carried out on the basis of the Net Asset Value of the units communicated by the management company DeA Capital Alternative Funds SGR S.p.A. within the sphere of the Report on Operations as at 31 December 2019. The recognition in the income statement of the changes in the financial instrument valuation was carried out in the light of the accounting classification given to the investment, i.e. fair value through profit and loss (FVTPL), in accordance with the provisions of IFRS 9. The item also includes the profit from the sale of financial assets for EUR 3.1 million, constituted by the sale of government securities for EUR 4.1 million, partially offset by the loss of EUR 1 million due to the sale of loans from the portfolio of the former Banco di Napoli.

The Group recognised a **net profit** in 2019 of EUR 42.3 million and discounted, with respect to the EBIT, the negative result of interest expenses from financial liabilities, offset by interest income from government securities, and of taxes.

Interest expenses deriving from financial liabilities are represented by bonds issued during 2019 by the Parent Company and amounted to EUR 8.2 million, in addition to EUR 0.4 million represented by interest expenses recognised by Fucino on the securitisation notes underwritten by third parties, and to EUR 0.2 million represented by interest expenses deriving from the application of the new IFRS 16 accounting standard on lease contracts for which AMCO is the lessee.

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

Current taxes include the negative value of EUR 3.0 million and refer to the provisions for the current year for IRAP amounting to EUR 3.3 million, for IRES for the financial year result amounting to EUR 2.1 million, offset by deferred tax assets for EUR 4 million and the recognition of EUR 1.6 million for deferred tax liabilities; the amount of deferred tax assets is in turn generated by the positive effect of temporary differences for EUR 6.3 million and by a negative effect related to the reversal of deferred tax assets for EUR 2.3 million.

TRANSITION TO INTERNATIONAL ACCOUNTING STANDARD IFRS 16

The new accounting standard IFRS 16, issued by the IASB on 23 January 2016 and approved by the European Commission through Regulation no. 1986 on 31 October 2017, from 1 January 2019 replaces IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement Contains a Lease”, SIC 15 “Operating Leases - Incentives” and SIC 27 “Evaluating the Substance of Transactions in the Legal Form of a Lease”, and sets out the requirements for the accounting of lease contracts.

The new standard requires to identify if a contract is (or if it includes) a lease, based on the concept of control of the use of an identified asset for a determined time period; in consequence rentals, hires, leases or gratuitous leases also fall within the scope of the new regulations.

In the light of what indicated above, the new standard introduces significant amendments to the accounting of lease operations in the financial statements of the lessee/user, requiring the introduction of a single accounting model of lease contracts by the lessee, on the basis of the right of use model.

The application of the new accounting standard therefore required the Group to recognise, as at 1 January 2019, rights of use for EUR 5.5 million and financial liabilities for leases for EUR 5.6 million, with the recognition of an opening FTA reserve for EUR 0.1 million, while interest expenses and amortisation/depreciation recognised for the year 2019 amounted, respectively to EUR 0.2 million and EUR 1.3 million. These effects, both economic and financial, are entirely attributable to the Parent Company’s passive leases portfolio.

RATING

Following the amendments to the Articles of Association in 2016 and for the purpose of endowing itself with the necessary requirements to intervene as servicer in NPL securitisation transactions, in 2017 the Parent Company obtained the rating as servicer from Fitch Ratings. During 2017, the appointed agency assigned the Parent Company the ratings RSS2- CSS2- and ABS2-, confirmed in August 2018, following the rating agency’s annual review.

With regard to the Issuer Default Rating, in September 2018 Fitch Ratings assigned the Parent Company a LTIDR of BBB- and a STIDR of F3, with negative outlook. This rating was confirmed on 20 September 2019.

On 23 July 2019 the Parent Company also obtained from S&P Ratings a LTIDR and a Senior Unsecured Debt IDR of BBB with a negative outlook. The rating was confirmed on occasion of the second bond issue of EUR 600 million placed in October 2019.

On 12 December 2019 Fitch Rating amended its outlook rating to “positive”, following the share capital increase di EUR 1 billion by the sole shareholder and the participation of the Parent Company in the derisking of Banca Carige.

RELATED PARTY TRANSACTIONS

Currently the Parent Company holds the entire shareholding of Immobiliare Carafa S.r.l in liquidation, a company constituted for the optimal realisation of mortgages and used for auction and acceptance in lieu operations, placed into liquidation with resolution of the shareholders' meeting of 13 June 2019. During the 2019 financial year no operations were carried out with the company.

In addition to Immobiliare Carafa S.r.l., the Parent Company fully controls Società per la Gestione di Attività S.r.l. (now AMCO – Asset Management Co. S.r.l.), a Romanian registered company dealing with the management of deteriorated loans to Romanian residents, held by the Segregated Estate of Veneto Group. A contract referred to servicing activities is in place with the latter, for which commissions expense of EUR 1.1 million was recognised during the 2019 financial year.

The financial transactions carried out with other subsidiaries of the Ministry of Economy and Finance, realised at market conditions, refer to current accounts with Monte Paschi di Siena S.p.A. and Poste Italiane, in addition to securities lending transactions with Monte Paschi di Siena S.p.A., which generated commissions income for EUR 0.2 million during the 2019 financial year, all relating to the Parent Company.

Further transactions of a commercial nature with other investees of the Ministry of Economy and Finance (ENEL) are part of the normal use of services as a user, also obtained at market conditions.

BUSINESS OUTLOOK

The Company's development will follow the main 2019-2023 strategic Guidelines approved on 18 October 2018 by the Board of Directors of AMCO. These guidelines aim to recognise opportunities in the market to consolidate and develop managed assets, based on the scalability of its business model. The objective is the maximising of economies of scale and the effective and sustainable management of recovery activities, obtaining new managing mandates, in particular for the management of "UTP going concern" loans (i.e. UTPs with unrevoked lines).

With the objective of maximising the value of asset management and loans recovery, AMCO can assess the opportunity to grant loans to facilitate the continuity of operation of companies and create the premises for an industrial relaunch also during a restructuring process.

The development of human capital is considered to be a priority which requires specific development strategies and dedicated investments that allow, on the one hand, to have employees who are prepared and competent in their relationship with customers and debtors and, on the other, to create value for the sustainable growth of AMCO. In addition to the promotion of professional skills and the effective management/recovery of NPE positions, there is the adoption 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.

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

RISKS AND UNCERTAINTIES

Considering the mission and operations, as well as the market context in which the AMCO Group 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 Group business, are essentially linked to the macroeconomic situation, which could have repercussions on the general economic performance and therefore on the ability of debtors to repay their exposures.

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

CORPORATE GOVERNANCE REPORT

Introduction

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

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

During the 2019 financial year, the Manager in Charge of preparing the Company’s Financial Reports pursuant to art. 154-*bis* of the TUF (hereinafter, also only the “Manager in Charge”) defined a methodological framework which describes the criteria adopted and the relative roles and responsibilities in the context of the definition, implementation, monitoring and updating over time of the internal control and risk management system relative to the financial reporting process and the assessment of its adequacy with the aim of ensuring the reliability, accuracy, dependability and timeliness of the financial reporting itself.

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

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

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

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

(b) Risk assessment of financial reporting

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

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

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

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

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

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

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

Roles and functions involved

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

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

The Independent Auditors

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

Manager in Charge of preparing the Company's Financial Reports

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

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

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

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

- ensures the preparation, also providing their support with respect to Company policies in relation to the management of internal regulations, of adequate administrative and accounting procedures for the preparation of the financial statements and any other communication of a financial nature;
- attests, in conjunction with the Chief Executive Officer, in a specific report, annexed to the separate financial statements and consolidated financial statements, as well as the abbreviated interim report:
 - o to the adequacy and effective application of the above mentioned procedures in the period to which the documents refers;
 - o that the documents are drafted in compliance with the applicable international accounting standards recognised by the European Community pursuant to Regulations (EC) no. 1606/2002 of the European Parliament and Council of 19 July 2002, where applicable;
 - o to the correspondence of documents to the accounting entries and records;
 - o according to their knowledge, that the documents are suitable to provide a truthful and correct representation of the financial, economic and assets situation of the Company;

- that the Report on Operations annexed to the separate financial statements includes a reliable analysis of the Company's performance and result as well as the Company's situation, together with a description of the main risks and uncertainties to which the Company is exposed.

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

The following powers are conferred to the Manager in Charge:

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

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

OTHER INFORMATION

In accordance with the provisions of paragraph 125 of Law 124/2017 of 4 August 2017, it is noted that during the 2019 financial year the Group had not received subsidies, contributions, paid positions and in any case economic advantages of any type from public administrations.

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

- the Group has not carried out any research and development activities during the year;
- the Group does not hold any treasury shares or 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.

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CONSOLIDATED BALANCE SHEET

ASSETS

Amounts expressed in thousand of Euros

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

CONSOLIDATED BALANCE SHEET LIABILITIES AND NET EQUITY

Amounts expressed in thousand of Euros

Amount in thousand of Euros	31/12/2019
LIABILITIES AND NET EQUITY ITEMS	
10. Financial liabilities measured at amortised cost	
a) payables	5,787
b) debt securities in issue	909,720
20. Financial liabilities for trading	
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	6,543
b) deferred	1,658
70. Liabilities associated to assets held for disposal	
80. Other liabilities	52,353
90. Post-employment benefits	593
100. Provisions for risks and charges	
a) commitments and guarantees issued	
b) pensions and similar obligations	48
c) provisions for risks and charges	20,143
110. Share capital	600,000
120. Treasury shares (-)	
130. Equity instruments	
140. Share premiums	403,000
150. Reserves	779,011
160. Valuation reserves	(1,460)
170. Profit (Loss) for the year	42,311
180. Non-controlling interests	
Total liabilities and net equity	2,819,708

CONSOLIDATED INCOME STATEMENT

Amounts expressed in thousand of Euros

Amount in thousand of Euros	31/12/2019
ITEMS	
10. Interest and similar income	34,767
of which: net interest income calculated with the effective interest method	34,609
20. Interest and similar expenses	(8,681)
30. Interest margin	26,087
40. Fees and commissions income	47,340
50. Fees and commissions expense	(1,101)
60. Net fees and commissions	46,239
70. Dividends and similar revenues	
80. Trading activity net result	
90. Hedging activity net result	
100. Profit/loss on sale/repurchase of:	
a) financial assets measured at amortised cost	(993)
b) financial assets measured at fair value through other comprehensive income	4,100
c) financial liabilities	
110. Net result of other financial assets and liabilities measured at fair value through profit and loss:	
a) financial assets and liabilities measured at fair value	
b) other financial assets compulsorily measured at fair value	17,803
120. Brokerage margin	93,235
130. Net value adjustments/reversals for credit risk of:	
a) financial assets measured at amortised cost	13,115
b) financial assets measured at fair value through other comprehensive income	(1,297)
140. Profit/loss from contractual amendments without cancellation	
150. Net result of financial management	105,053
160. Administrative expenses:	
a) personnel costs	(23,580)
b) other administrative expenses	(24,913)
170. Net provisions for risks and charges	(3,611)
a) commitments and guarantees issued	
b) other net provisions	
180. Net value adjustments/reversals on property, plant and equipment	(1,477)
190. Net value adjustments/reversals on intangible fixed assets	(38)
200. Other operating income and expenses	(5,955)
210. Operational costs	(59,574)
220. Net gains (losses) on equity investments	(144)
230. Net result of the measurement at fair value of property, plant and equipment and intangible assets	
240. Vale adjustments on goodwill	
250. Profits (losses) on disposal of investments	(0)
260. Profit (loss) of current operating activities before taxes	45,335
270. Income taxes for the year on current operating activities	(3,024)
280. Profit (loss) of current operating activities after taxes	42,311
290. Profit (loss) from discontinued operations after taxes	
300. Profit (Loss) for the year	42,311
310. Profit (loss) for the year attributable to third-party funds	
320. Profit (loss) for the year attributable to the parent company	42,311

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

Amounts expressed in thousand of Euros

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Direct method

Amounts expressed in thousand of Euros

Amount in thousand of Euros	31/12/2019
A. OPERATING ACTIVITIES	
1. Business activities	37,398,656
- Interest income received (+)	2,385,370
- Interest expenses (-)	(175,267)
- dividends and similar revenues (+)	
- net fees and commissions (+/-)	59,578,971
- personnel costs (-)	(23,580,284)
- other costs (-)	(4,951,359)
- other revenues (+)	8,147,767
- levies and taxes (-)	(4,006,542)
- charges/revenues relating to discontinued operations net of taxes (+/-)	
2. Cash flow generated/absorbed by financial assets	(1,994,127,854)
- financial assets held for trading	
- financial assets measured at fair value	
- other financial assets compulsorily measured at fair value	(39,883,340)
- financial assets measured at fair value through other comprehensive income	(836,141,583)
- financial assets measured at amortised cost	(1,050,121,191)
- other assets	(17,981,740)
3. Cash flow generated/absorbed by financial liabilities	914,713,950
- financial liabilities measured at amortised cost	907,280,491
- financial liabilities held for trading	
- financial liabilities measured at fair value	
- other liabilities	7,433,459
Net cash flow generated/absorbed by operating activities	(992,015,247)
B. INVESTMENT ACTIVITIES	
1. Cash flow generated by	
- sales of equity investments	
- dividends collected from equity investments	
- sales of property, plant and equipment	
- sales of intangible assets	
- sales of company business units	
2. Cash flow absorbed by	(7,984,784)
- purchases of equity investments	
- purchases of property, plant and equipment	(7,529,792)
- purchases of intangible assets	(454,992)
- purchases of company business units	
Net cash flow generated / absorbed by investment activities	(7,984,784)
C. FUNDING ACTIVITIES	
	0
- issues/purchases of treasury shares	1,000,000,000
- issues/purchases of equity instruments	
- distribution of dividends and other distributions	
- sales/purchase of third party control	
Net cash flow generated/absorbed by funding activities	1,000,000,000
NET CASH FLOW GENERATED/ABSORBED IN THE YEAR	(31)

RECONCILIATION

Amounts expressed in thousand of Euros

Amount in thousand of Euros	31/12/2019
Cash and cash equivalents at the start of the year	148
Total net cash flow generated/absorbed in the year	(31)
Cash and cash equivalents: effect of changes in foreign exchange	0
Cash and cash equivalents at the end of the year	116



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PART A – ACCOUNTING POLICIES

A.1 - GENERAL PART

Section 1 – Statement of compliance with international accounting standards

These consolidated financial statements as at 31 December 2019 were drawn up in compliance with the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as well as the relative interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the European Commission on 31 December 2019 in accordance with the requirements of community Regulations no. 1606/2002.

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

In the preparation of the consolidated financial statements the IAS/IFRS standards adopted and effective as at 31 December 2019 were applied (including the SIC and IFRIC interpretative documents), without any derogation to their application.

Section 2 – Basis of preparation

These consolidated financial statements are made up of the Balance Sheet, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Net equity, the Statement of Cash flows and the Notes to the Financial Statements, as well as the Directors' Consolidated Report on Operations.

In compliance with the provisions of Article 5 of Italian Legislative Decree no. 38/2005, the Group consolidated financial statements are prepared using the Euro as the reporting currency. The amounts in the Financial Statements and Notes to the Financial Statements are expressed in Euros and are not compared to those for the 2018 financial year as 2019 is the first year for which the Company was required to prepare the consolidated financial statements.

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

The Statement of Cash Flows during the reference period was prepared using the direct method.

Section 3 – Subsequent events after the end of the year

With specific reference to the provisions of IAS 10, it is advised that after 31 December 2019, the financial statements reference date, and up to 11 March 2020, the approval date of the same financial statements by the Board of Directors, no events have occurred such as to require an adjustment of the values included in the financial statements.

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

The following corporate events, which occurred after 31 December 2019 and which will have an impact on the Group's operations in the following financial year are reported.

The following events are noted, however, as during 2020, on the basis of the agreements signed on 15 and 16 November 2019 between Banca Carige and the Parent Company AMCO S.p.A., the conditions precedent should occur for the completion of the assignment of credits relating to the Messina Group (gross book value of EUR 310 million with completion expected by 31 March 2020) and of the transfer of the non-performing lease portfolio for a gross book value of EUR 177 million, with completion expected by 30 June 2020 (1st wave) and 30 September 2020 (2nd wave), with economic effectiveness of the operation from 1 January 2020.

The Parent Company has also submitted a binding offer to Banca Carige for the concession of a summary form protection of a portion of the risk on a performing high risk credit portfolio of EUR 1.1 billion. The guarantee can be finalised by 31 March 2020 and will have a duration of 7 years, against the payment from Banca Carige of quarterly premiums. The offer also provides for the Parent Company AMCO to manage, in the role of servicer, the positions included in the high risk portfolio reclassified as NPE on the basis of a contract that will be defined between the parties.

In line with the provisions of the development Strategic Lines for the 2019-2023 five-year period, approved on 18 October 2018 by the Board of Directors of the Parent Company, the Group is systematically active in the search for opportunities for the development of business volumes. With regard to this, it is highlighted that:

- in January 2020 a binding offer was submitted for the acquisition of a secured bad loans portfolio originating from a primary Italian bank for a gross book value of EUR 180 million (for around 1,500 counterparties); The completion of the operation is expected in the first quarter of 2020;
- in February 2020 a binding offer was submitted for the acquisition of a non-performing loans portfolio originating from a local banking group for a gross book value of EUR 33 million (for around 200 counterparties); The portfolio consists for 60% of positions classified as bad loans and for 40% of positions classified as unlikely to pay. The completion of the operation is expected in the second quarter of 2020.

Section 4 – Other aspects

4.1 International accounting standards in force since 2019

The accounting standards, amendments and IFRS interpretations applicable from 1 January 2019 are reported below:

- on 13 January 2016 IASB published IFRS 16 - Leases, which replaced IAS 17 - "Leases", as well as the interpretations IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases—Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". The Standard provides a new definition of lease and introduces a criterion based on the notion of right of use of an assets to

differentiate lease contracts from contracts for the provisions of services, identifying those characterising leases: the identification of the asset, the right of replacement of the same, the right to obtain essentially all the economic benefits deriving from the use of the asset and, lastly, the right to direct the use of the asset under contract;

- on 12 October 2017 IASB published an amendment to IFRS 9 “Prepayment Features with Negative Compensation”. This document specifies that the instruments that require an early redemption could respect the Solely Payments of Principal and Interest (“SPPI”) test also in the case the “reasonable additional compensation” to be paid in case of early redemption is a “negative compensation” for the financing body. The adoption of this amendment has not involved any effect on the Company’s consolidated financial statements;
- on 7 June 2017 IASB published “Uncertainty over Income Tax Treatments (IFRIC Interpretation 23)”. The interpretation deals with the issue of uncertainty on the tax treatment to be adopted in relation to income tax. The new interpretation is applicable from 1 January 2019. The adoption of this amendment has not involved any effect on the Company’s consolidated financial statements;
- on 12 December 2017 IASB published the document “Annual Improvements to IFRSs 2015-2017 Cycle” which includes amendments to some standards made in the annual review process to improve the same. The main changes relate to:
 - o IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: the amendment clarifies that at the time an entity gains control of a business that represents a joint operation, it must re-evaluate the interest previously held in such business. This process is not, however, required in the case of joint control;
 - o IAS 12 Income Taxes: the amendment clarifies that all tax effects linked to dividends (inclusive of payments on financial instruments classified under net equity) should be recognised in a manner consistent with the transaction that generated such profits (income statement, OCI or net equity);
 - o IAS 23 Borrowing Costs: the amendment clarifies that in case of loans that continue to apply also after the reference qualifying asset is ready for use or for sale, the same become part of the overall set of loans used for calculating the cost of finance.

The adoption of this amendment has not involved any effect on the Company’s consolidated financial statements.

- on 7 February 2018 IASB published the document “Plant Amendment, Curtailment or Settlement (Amendments to IAS 19)”. The document clarifies how an entity must recognise a change (i.e. a curtailment or a settlement) of defined-benefit plans. The changes require the entity to update its own hypothesis and remeasure the net liability or asset resulting from the plan. The adoption of this amendment has not involved any effect on the Company’s consolidated financial statements;
- on 12 October 2017 IASB published the document “Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)”. This document clarifies the necessity to apply IFRS 9, including the requirements linked to the impairment, to the other long-term interests in associates and joint ventures for which the net equity method is not applied. The adoption of this amendment has not involved any effect on the Company’s consolidated financial statements.

4.2 Accounting standards, amendments and IFRS and IFRIC interpretations approved by the European Union, not yet compulsorily applicable and not adopted in advance by the Group as at 31 December 2019

- On 31 October 2018 IASB published the document “Definition of Material (Amendments to IAS 1 and IAS 8)”. The document introduced an amendment to the definition of “relevant” in IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. This amendment has the objective to make the definition of “relevant” more specific and introduces the concept of “obscured information” alongside the concepts of omitted or incorrect information already present in the two standards subject to amendment. The amendment clarifies that information is obscured when it has been described in a manner such as to produce for primary readers of financial statements an effect similar to that which would have been produced if the information had been omitted or incorrect. The amendments introduced by the document were incorporated on 29 November 2019 and are applicable to all transactions after 1 January 2020. Directors do not expect the adoption of this amendment to have a significant effect on the Company’s financial statements.

- On 29 March 2018, IASB published an amendment to the “References to the Conceptual Framework in IFRS Standards”. The amendment is effective for periods starting on or after 1 January 2020, but its early adoption is allowed.
The Conceptual Framework defines the fundamental concepts for financial reporting and guides the Council in the development of IFRS standards. The document helps to guarantee that the Standards are conceptually coherent and that similar transactions are treated in the same way, so as to provide useful information to investors, lenders and other creditors.
The Conceptual Framework supports companies in the development of accounting standards when no IFRS standard is applicable to a specific transaction and, more generally, helps interested parties to understand and interpret Standards.

- On 26 September 2019, IASB published the amendment called “Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform”. The same amends IFRS 9 - Financial Instruments, and IAS 39 - Financial Instruments: Recognition and Measurement as well as IFRS 7 - Financial Instruments: Disclosures. In particular, the amendment modifies some of the requirements for the application of hedge accounting, providing for temporary derogation to the same, in order to mitigate the impact deriving from the uncertainty of the IBOR reform (ongoing) on future cash flows in the period before its completion. The amendment also requires companies to provide further information in their financial statements with regard to their hedge transactions which are directly affected by the uncertainties generated by the reform and to which the above mentioned derogations apply.

The amendments came into force on 1 January 2020, but companies may choose to apply them early.

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

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

- On 18 May 2017 IASB published accounting standard IFRS 17 – Insurance Contracts which will replace standard 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 new standard also anticipates presentation and information requirements to improve the comparability between entities in this sector. The standard is applicable from 1 January 2021 but the early application is permitted only for entities that apply IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers. Directors do not expect the adoption of this standard to have a significant effect on the Group's financial statements.
- On 22 October 2018 IASB published the document "Definition of a Business (Amendments to IFRS 3)". The document provides some clarifications with regard to the definition of a business for the purposes of the correct application of standard IFRS 3. In particular, the amendment clarifies that while a business normally produces an output, the presence of an output is not strictly necessary to identify a business in the presence of an integrated set of activities/processes and assets. However, to satisfy the definition of business, an integrated set of activities/processes and assets must include, as a minimum, an input and a substantial process that together significantly contribute to the capability of creating an output. For this purpose, IASB replaced the term "capacity to create an output" with "capacity of contributing to the creation of an output" to clarify that a business can also exist without the presence of all the inputs and processes necessary to create an output. Directors do not expect the adoption of this amendment to have an effect on the Group's financial statements.
- On 31 October 2018 IASB published the document "Definition of Material (Amendments to IAS 1 and IAS 8)". The document introduced an amendment to the definition of "relevant" in IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. This amendment has the objective to make the definition of "relevant" more specific and introduces the concept of "obscured information" alongside the concepts of omitted or incorrect information already present in the two standards subject to amendment. The amendment clarifies that information is obscured when it has been described in a manner such as to produce for primary readers of financial statements an effect similar to that which would have been produced if the information had been omitted or incorrect. The amendments introduced by the document are applicable to all transactions after 1 January 2020. Directors do not expect the adoption of this amendment to have a significant effect on the Group's financial statements.

4.4 Use of estimates and assumptions in the preparation of the financial statements for the year

The preparation of the consolidated financial statements requires the recourse to estimates and assumptions that may determine significant effects on the values recognised in the balance sheet and in the income statement, as well as the information provided in the financial statements. The

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

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

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

4.5 Other

Veneto Group and Vicenza Group Segregated Estates

As reported in the introduction to the Consolidated Report on Operations, on 11 April 2018 the Parent Company 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 on the part of the LCAs;
- estimate of the net future financial flows of loans in the hypothesis that there has not been a transfer of assets by the LCAs but in the hypothesis of adoption of a different same business model and pricing of the activities of master and special servicing with respect to the two previous hypotheses.

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

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

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

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

Please refer to the separate annual statements, attached to these consolidated financial statements at the specific section, pursuant to art. 2447 septies of the Italian Civil Code, for more information on this matter.

Section 5 – Scope and method of consolidation

Scope and method of consolidation

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

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

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

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

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

5.1 Equity investments in wholly owned subsidiaries

Denominations	Operational office	Registered office	Type of relationship	Participatory relationship		Votes available %
				Participating entity	Interests %	
Immobiliare Carafa S.r.l.	Naples	Naples	1	AMCO S.p.A.	100%	100%
SGA S.r.l.	Bucharest	Bucharest	1	AMCO S.p.A.	100%	100%
Fucino NPL’s S.r.l.	Milan	Milan	1	n.a.	n.a.	n.a.

As already explained in the Directors’ Report on operations in the section “Organisational structure”, currently the Parent Company AMCO owns the entire shareholding of Immobiliare Carafa S.r.l. in liquidation (resolution by the sole shareholder during the shareholders’ meeting of subsidiary held on 13 June 2019), a company with offices in Naples constituted to best realise mortgages and used for auctions and acceptance in lieu transactions, and of Società per la Gestione di Attività S.r.l., a Rumanian company with offices in Bucharest, dealing with the management of non-performing loans to Rumanian residents, held by the Veneto Group Segregated Estates. Furthermore, even though it holds no equity instruments with voting rights, AMCO S.p.A. 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 2019 represents the first year for the preparation of these consolidated financial statements, in consideration of the fact 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 has a significant position of control on the securitisation vehicle and, in accordance with the accounting standard, therefore AMCO is responsible for the preparation and presentation of the consolidated financial statements. Specifically, from internal analyses carried out, it has emerged that AMCO controls Fucino NPL’s S.r.l. as it simultaneously has:

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

However, taking into account the Framework for the preparation and presentation of financial statements and the concepts of “significance” and “relevance” it refers to, it was deemed that the inclusion in the consolidated financial statements of the wholly owned subsidiaries Immobiliare

Carafa S.r.l. in liquidation and SGA S.r.l. was unnecessary in consideration of the negligible impact of the latter at aggregate level due to: This in consideration of:

- the irrelevance of the assets of the subsidiaries, Immobiliare Carafa S.r.l. in liquidation and SGA S.r.l., compared to total consolidated assets;
- the absence of third-party funds in the shareholding structure of both AMCO and the subsidiaries;
- the relevance of any additional information deriving from the possible consolidation of the subsidiaries 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 subsidiaries,
- the substantial representation of the Group's assets and the profitability already reflected in the financial statements of the Parent Company AMCO S.p.A. and in these consolidated financial statements, which takes into account the inclusion, in its scope, only of the securitisation vehicle Fucino NPL's S.r.l.

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

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

5.4 Significant restrictions

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

5.5 Other information

The financial statements of Fucino NPL's S.r.l. used in the preparation of the consolidated financial statements have the same closing date (31 December 2019).

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

The valuation criteria used for the preparation of the consolidated financial statements in application of the IAS/IFRS accounting standards and relative interpretations issued by IASB and applicable as at 31 December 2019 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 compulsorily 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 Group information.

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

Derecognition criteria

Financial assets are 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 qualifying as controlling, associated or of joint control, that are not held for trading, for which the option of the measurement at fair value through other comprehensive income was chosen.

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

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

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

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

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

Recognition criteria

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

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

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

Measurement and recognition criteria of income items

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

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

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

Derecognition criteria

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

Financial assets measured at amortised cost

Classification criteria

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

Recognition criteria

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

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

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

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

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

Measurement and recognition criteria of income items

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

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

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

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

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

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

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

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

Derecognition criteria

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

Other assets

This item essentially includes pending entries, tax entries other than those identified separately as well as entries not attributable to other Assets items in the Balance Sheet.

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 Group's capacity to generate sufficient taxable income in future years and taking into account the specific regulations laid down by Italian Decree Law no. 225 of 29 December 2010 as amended.

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

With Italian Decree Law no. 59 of 3 May 2016, converted into Italian Law no. 119 of 30 June, regulations concerning DTAs were amended, in order to avoid the classification as "State aid" of the national regulations that establish the automatic convertibility of "qualified" DTAs 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 balance of 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 for the portion of staff termination indemnities accrued until 31 December 2006. The determination of the relative liability is carried out by an external expert using the "Projected Unit Credit Method".

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

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

Provisions for risks and charges

Classification, recognition and measurement criteria

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

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

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

Where the effect of the timing deferral in bearing the estimated charge is objectively foreseeable and assumes a material aspect, the Group calculates the amount of the provisions and allocations

to an extent equal to the present value of the outlays that are expected to be necessary to settle the obligations.

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

Revenues and costs

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

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

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

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

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

A.4 - INFORMATION ON FAIR VALUE

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

There are three levels:

Level 1

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

Level 2

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

The measurement of such an instrument is based on prices or credit spreads derived from official listings on active markets of substantially similar instruments in terms of risk factors (comparable

approach), using an appropriate method of calculation (pricing model). The methods used in the comparable approach make it possible to reproduce the prices of instruments quoted in active markets without including discretionary parameters, such as to have a decisive influence on the final price of measurement.

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

Level 3

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

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

Qualitative disclosures

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

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

- for financial items (assets and liabilities) with a residual maturity of 18 months or less, the fair value is reasonably assumed to be approximated by their carrying amount. This includes bank current accounts;
- for UCITS, the fair value corresponds to the Net Asset Value (NAV) provided by the Fund Administrator, in any case supported by internal analyses carried out by the Group in order to identify any distorting effects, for example from the application of different accounting standards;
- for other financial assets commonly adopted assessment methods are used, which take into account all the 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 company is in a going concern situation and has no need to liquidate and/or significantly reduce its assets under unfavourable conditions. The fair value thus determined reflects the credit quality of non-performing assets.

A.4.2 Measurement processes and sensitivity

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

A.4.3 Fair value hierarchy

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

For equity instruments, the transfer level takes place:

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

Quantitative disclosures

A.4.5 Fair value hierarchy

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

Assets/liabilities measured at fair value	31/12/2019		
	L1	L2	L3
1. Financial assets measured at fair value through profit and loss			
a) financial assets held for trading			
b) financial assets measured at fair value			
c) other financial assets compulsorily measured at fair value			559,709
2. Financial assets measured at fair value through other comprehensive income	842,987		1,816
3. Hedging derivatives			
4. Property, plant and equipment			
5. Intangible assets			
Total	842,987		561,525
1. Financial liabilities held for trading			
2. Financial liabilities measured at fair value			
3. Hedging derivatives			
Total			

Item "Financial assets measured at fair value through other comprehensive income" at Level 1 include investments in government securities in the Group's securities portfolio as at 31 December 2019, net of the relative write-down.

The item "Financial assets measured at fair value through other comprehensive income" of Level 3 includes the Parent Company AMCO's equity investment in Banca Carige S.p.A. (for a value of EUR 1.8 million). The evaluation as at 31 December 2019 is based on the official price of the share capital increase to which the Parent Company participated in December 2019. The item also includes the value of the foreign debt securities portfolio (Bosnia) not quoted on regulated markets, for EUR 12 thousand.

The item "Assets compulsorily measured at fair value" at Level 3 refers to the portion of the units already paid in the Italian Recovery Fund for EUR 501.3 million, in addition to the units of the Back2Bonis fund for EUR 56.2 million, as well as the Non Performing Loan Exposure of the portfolio of the former Banca Carige which do not meet the criteria of IFRS 9 for recognition at amortised cost (SPPI test).

The Italian Recovery Fund invests in financial instruments of different seniority not listed on an active market, issued by one or more vehicles set up and/or to be set up for the purchase of NPLs. The value of these assets is reflected in the fund's management report containing the calculation of the NAV, used by the Group to measure the investment as at 31 December 2019.

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

	Financial assets measured at fair value through profit and loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Property, plant and equipment	Intangible assets
	Total	Of which: a) Financial assets held for trading	Of which: b) Financial assets measured at fair value	Of which: c) Other financial assets compulsorily measured at fair value				
1. Opening balances	502,022			502,022	200			
2. Increases								
2.1. Purchases	64,607			64,607	1,073			
2.2. Profits attributable to:								
2.2.1. Income statement	18,187			18,187	16			
- of which: capital gains	18,187			18,187				
2.2.2. Net equity		X	X	X	547			
2.3. Transfers from other levels								
2.4. Other increases	438			438				
3. Decreases								
3.1. Sales								
3.2. Reimbursements	25,161			25,161	20			
3.3. Losses attributable to:								
3.3.1 Income statement	384			384				
- of which: capital losses	384			384				
3.3.2 Net equity		X	X	X				
3.4. Transfers to other levels								
3.5. Other decreases								
4. Final balances	559,709			559,709	1,816			

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

Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	31/12/2019			
	CA	L1	L2	L3
1. Financial assets measured at amortised cost	1,303,739			1,303,739
2. Financial assets held for investment				
3. Non-current assets and groups of assets held for disposal				
Total	1,303,739			1,303,739
1. Financial assets measured at amortised cost	915,507			915,507
2. Liabilities associated to assets held for disposal				
Total	915,507			915,507

PART B - INFORMATION ON THE BALANCE SHEET

Section 1 – Cash and cash equivalents – Item 10

	31/12/2019	31/12/2018
Cash and cash equivalents	0	0

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

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

Items / Values	31/12/2019		
	L1	L2	L3
1. Debt securities			
1.1 Structured securities			
1.2 Other debt securities			
2. Equity securities			
3. UCITS units			546,584
4. Loans			13,125
4.1 Repurchase agreement			
4.2 Others			13,125
Total			559,709

The item UCITS units include:

- the investment in Italian Recovery Fund for EUR 501.3 million. As at 31 December 2019, the Company held no. 520 units with unit value of EUR 964,111.033 (compared to the value of the units as at 31 December 2018, equal to EUR 965,427.168). The valuation of the investment was made on the basis of the unit value communicated by the Asset Management Company as at 31 December 2019;
- the units of the Back2Bonis fund, assigned to the company in the context of the Cuvée operation, valued at EUR 45.2 million as at 31 December 2019.

Loans include credits from the portfolio of former Banca Carige which do not meet the SSPI test and for which the measurement at fair value is mandatory. As these are receivables whose juridical transfer to the Group took place on 21 December 2019, the valuation as at 31 December 2019 is equal to the purchase price net of any write-downs resulting from events which occurred between the purchase date and the date of approval of these financial statements.

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

Items / Values	31/12/2019
1. Equity securities	
- of which: banks	
- of which: other financial companies	
- of which: non financial companies	
2. Debt securities	
a) Public administrations	
b) Banks	
c) Other financial companies	
- of which: insurance companies	
d) Non financial companies	
3. UCITS units	546,584
4. Loans	13,125
a) Public administrations	
b) Banks	
c) Other financial companies	
- of which: insurance companies	
d) Non financial companies	13,125
e) Households	
Total	559,709

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

3.1 Financial assets measured at fair value through other comprehensive income: breakdown by type

Items / Values	31/12/2019		
	L1	L2	L3
1. Debt securities			
1.1 structured securities			
1.2 other debt securities	842,987		12
2. Equity securities			1,804
3. Loans			
Total	842,987		1,816

As at 31 December 2019 this item had a balance of EUR 844.8 million. In detail:

- Other debt securities: the amount of EUR 843 million, net of the interest accrued and the write-down, refers almost entirely to investment in Italian government securities. A residual part, equal to EUR 12 thousand, refers to Bosnian government securities unlisted on regulated markets with maturity on 17 December 2021.
- Equity securities: the amount of EUR 1.8 million refers to the investment in Banca Carige S.p.A. which has increased from 698,156,788 to 1,804,489,911 shares

following the participation in the Bank's capital increase. The evaluation as at 31 December 2019 is based on the official price of the share capital increase.

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

Items / Values	31/12/2019
1. Debt securities	842,998
a) Public administrations	842,998
b) Banks	
c) Other financial companies	
- of which: insurance companies	
d) Non financial companies	
2. Equity securities	1,804
a) Public administrations	
b) Banks	1,804
c) Other financial companies	
- of which: insurance companies	
d) Non financial companies	
3. Loans	
a) Public administrations	
b) Banks	
c) Other financial companies	
- of which: insurance companies	
d) Non financial companies	
e) Households	
Total	844,803

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

	Gross value			Total value adjustments			Overall partial write-offs	
	First stage		Second stage	Third stage	First stage			
		of which: instruments with low credit risk			Second stage	Third stage		Third stage
Debt securities	842,998	842,987			1,314			
Loans								
Total at 31/12/2019	842,998	842,987			1,314			
of which: acquired or originated impaired financial assets	X	X			X			

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

4.1 Financial assets measured at amortised cost: breakdown of loans and receivables with banks

Breakdown	31/12/2019					
	Carrying amount			Fair value		
	First and second stage	Third stage	of which: acquired or originated impaired	L1	L2	L3
1. Deposits and current accounts	307,449					307,449
2. Loans						
2.1 Repurchase agreement						
2.2 Financial leases						
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	16,889					16,889
Total	324,338					324,338

Other assets relate mainly to the credit to Banca Carige relative to collections made by the Bank in the interim period for the management of loans in the NPE portfolio acquired by the Group. These receivables were collected in January 2020.

4.2 Financial assets measured at amortised cost: breakdown of loans and receivables with financial companies

Breakdown	31/12/2019					
	Carrying amount			Fair value		
	First and second stage	Third stage	of which: acquired or originated impaired	L1	L2	L3
1. Loans						
1.1 Repurchase agreement						
1.2 Financial leases						
1.3 Factoring						
- with recourse						
- without recourse						
1.4 Other loans		6,640	6,640			6,640
2. Debt securities						
2.1 structured securities						
2.2 other debt securities						
3. Other assets	20		20			20
Total	20	6,640	6,660			6,660

The item as at 31 December 2019 shows a balance of EUR 6.7 million mainly composed of the Portfolio of the former Carige, inclusive of revenues for the second half of 2019 and interests matured on the portfolio.

4.3 Financial assets measured at amortised cost: breakdown of loans and receivables with customers

Breakdown	31/12/2019					
	Carrying amount			Fair value		
	First and second stage	Third stage	of which: acquired or originated impaired	L1	L2	L3
1. Loans	3,968	968,772	968,772	972,740		
1.1 Financial leases						
of which: without option of final purchase						
1.2 Factoring						
- with recourse						
- without recourse		433	433			433
1.3 Consumer credit						
1.4 Credit cards						
1.5 Pawn lending						
1.6 Loans granted in relation to payment services rendered						
1.7 Other loans	3,968	968,339	968,339			972,307
of which: from enforcement of guarantees and commitments						
2. Debt securities						
2.1 structured securities						
2.2 other debt securities						
3. Other assets						
Total	3,968	968,339	968,772	972,740		

As at 31 December 2019 this item had a balance of EUR 973 million, made up of:

- Portfolio of former Banco di Napoli, Isveimer and GRAAL for EUR 119.9 million;
- Portfolio of former Carige: for EUR 747.2 million, inclusive of revenues for the second half of 2019 and accrued interest on the portfolio;
- Portfolio of former ICS: for EUR 9.5 million, equal to the price paid plus accrued interest;
- Portfolio of former Banca Fucino for EUR 92.4 million;
- Loan to the Back2Bonis fund for EUR 4 million.

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

Type of operations/Values	31/12/2019		
	First and second stage	Third stage	of which: acquired or originated impaired assets
1. Debt securities			
a) Public administrations			
b) non financial companies			
2. Loans to			
a) Public administrations		998	998
b) Non financial companies	3,968	738,924	738,924
c) Households		228,850	228,850
3. Other assets			
Total	3,968	968,772	968,772

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

	Gross value			Total value adjustments			Overall partial write-offs	
	First stage		Second stage	Third stage	First stage	Second stage		Third stage
		of which: instruments with low credit risk						
Debt securities								
Loans	328,791	290,638	1,786,426	485		810,629	315	
Other assets	20	20						
Total at 31/12/2019	328,811	290,658	1,786,426	485		810,629	315	
of which: acquired or originated impaired financial assets	X	X	1,786,426	X		810,629		

4.6 Financial assets measured at amortised cost: guaranteed assets

	31/12/2019					
	Loans and receivables with banks		Loans and receivables with financial companies		Loans and receivables with customers	
	VE	VG	VE	VG	VE	VG
1. Non-impaired assets guaranteed by:						
- Assets in financial leases						
- Factoring credits						
- Mortgages						
- Pawns						
- Personal guarantees						
- Credit derivatives						
2. Impaired assets guaranteed by:						
- Assets in financial leases						
- Factoring credits						
- Mortgages			4,217	4,217	561,376	551,376
- Pawns			49	49	6,126	6,126
- Personal guarantees			1,967	1,967	299,522	299,522
- Credit derivatives						
Total			6,233	6,233	867,025	867,025

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

Section 7 – Equity investments – Item 70

7.1 Equity investments: information on equity investment relations

Denominations	Registered office	Operational office	Shareholding interest		Votes	Valore di Bilancio	Fair value
			Participating company	Interest %			
A. Company under common control							
B. Company under significant interest/Imprese							
a. SGA S.r.l.	Bucarest	Bucarest	AMCO S.p.A.	100%	100%	4	n.a.
b. Immobiliare Carafa S.r.l.	Napoli	Napoli	AMCO S.p.A.	100%	100%	10	n.a.
Totale						14	

The balance of the item refers to equity investments held by the Parent Company AMCO S.p.A. as at 31 December 2019, and not consolidated in these financial statements, in particular:

- EUR 4 thousand, net of impairment, for the control interest held in the company Immobiliare Carafa S.r.l. in liquidation, constituted by SGA S.p.A. on 12 October 1999 and relating to the acquisition, management and sale of properties and the completion of relative construction works, finalised to the realisation of parts of SGA S.p.A. receivables;
- EUR 10 thousand for the equity investment in SGA S.r.l., a Romanian-registered company constituted during the year having as its object the recovery of the Romanian portfolio of the Segregated Estates of Veneto Group.

7.2 Annual changes in equity investments

Items / Values	Group equity investments	Non group equity investments	Total
A. Opening balances			
B. Increases			
B.1 Purchases			
B.2 Reversals			
B.3 Revaluations			
B.4 Other changes	158		158
C. Decreases			
C.1 Sales			
C.2 Value adjustments			
C.3 Impairments	(144)		(144)
C.4 Other changes			
D. Final balances	14		14

The item "Value adjustments" refers to the adjustment made to the value of the interest in Immobiliare Carafa S.r.l. in liquidation following the loss for the year recorded by the subsidiary and the valuation of recoverability of the assets it holds.

7.5 Non-significant equity investments: accounting information

Denominations	Profit/Loss	Total assets	Net equity	Revenues
---------------	-------------	--------------	------------	----------

Immobiliare Carafa S.r.l. in liquidation	(74)	73	4	5
SGA S.r.l.	643	936	276	896
Total	569	1,009	280	901

Section 8 – Property, plant and equipment – Item 80

8.1 Operating property, plant and equipment: breakdown of assets measured at cost

Assets/Values	31/12/2019
1. Owned assets	
a) land	
b) buildings	
c) movable assets	162
d) electronic equipment	72
e) others	364
2. Right of use acquired through leases	
a) land	
b) buildings	5,404
c) movable assets	
d) electronic equipment	78
e) others	157
Total	6,237
of which: from enforcement of guarantees and commitments	

The rights of use granted by the first application of IFRS 16. The category “others” also includes company cars.

8.6 Operating property, plant and equipment: annual changes

	Land	Buildings	Moveable assets	Electronic equipment	Others	Total
A. Initial gross balances						
A.1. Total net impairments						
A.2 Net initial balances						
B. Increases						
B.1. Purchases		1,297	173	119	441	2,030
B.2. Capitalised improvement costs						
B.3. Reversals						
B.4. Positive change in fair value attributable to						
a) net equity						
b) income statement						
B.5. Positive exchange rate differences						
B.6. Transfers from financial assets held for investment			X	X	X	
B.7. Other changes		5,368	3	80	268	5,719
C. Decreases						
C.1. Sales						
C.2. Amortisation and depreciation		(1,226)	(14)	(49)	(188)	(1,477)
C.3. Value adjustments attributable to						
a) net equity						
b) income statement						
C.4. Negative change in fair value attributable to						
a) net equity						
b) income statement						
C.5. Negative exchange rate differences						
C.6. Transfers to						
a) Property, plant and equipment held for investment			X	X	X	
b) Non-current assets and groups of assets held for disposal						
C.7. Other changes		(35)			(0)	(35)
D. Net final balances		5,404	162	150	521	6,237
D.1. Total net impairments		(1,226)	(19)	(82)	(211)	(1,539)
D.2. Gross final balances		6,630	181	232	732	7,776
E. Valuation at cost		5,404	162	150	521	6,237

8.9 Commitments for the purchase of property, plant and equipment

In accordance with the provisions of IAS 16, paragraph 74, letter c), please note that as at 31 December 2019 the Group does not have any commitments for the purchase of property, plant and equipment.

Section 9 – Intangible assets – Item 90

9.1 Intangible assets: breakdown

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

9.2 Intangible assets: annual changes

	Total
A. Opening balances	
B. Increases	
B.1 Purchases	531
B.2 Reversals	
B.3 Positive change in fair value	
- net equity	
- income statement	
B.4 Other changes	85
C. Decreases	
C.1 Sales	
C.2 Amortisation and depreciation	38
C.3 Value adjustments	
- net equity	
- income statement	
C.4 Negative change in fair value	
- net equity	
- income statement	
C.5 Other changes	
D. Final balances	579

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

10.1 Tax assets: current and deferred: breakdown

	31/12/2019	31/12/2018
Advance payments on taxes	5,356	1,233
Receivables for overpayments	5,853	4,833
Prepaid taxes	68,674	64,710
Withholding tax charged	29	0
Total	79,912	70,776

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 65.1 million to IRES DTAs generated by temporary deductible differences (of which EUR 54.7 million for write-downs of assets not yet deducted pursuant to article 106, paragraph 3, TUIR (Consolidated Act on Income Taxes), according to the provisions of art. 2 of the Italian Decree Law no. 225 of 29/12/2010 as amended (Law 214/2011));
- EUR 3.6 million to IRAP DTAs relative to deductible temporary differences relating to provisions for risks and charges and to assets impairments not previously recognised.

The Group does not have any tax losses to carry forward.

10.2 Tax liabilities: current and deferred: breakdown

	31/12/2019
Payables for current IRAP tax	3,250
Payables for current IRES tax	3,293
Deferred IRES tax	1,658
Total	8,201

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

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

The increase for taxes on income components relating to previous financial years refers to temporary differences treated as an increase in previous years, mainly relating to the allocation in 2018 for the so-called Collar, then considered an allocation to a reserve for future charges, therefore viewed as an adequate allocation to DTAs following the probability test carried out on 31 December 2019.

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

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

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

		31/12/2019
1.	Opening balances	0
2.	Increases	
	2.1 Deferred taxes recognised during the year	
	a) relating to previous years	
	b) due to change in accounting criteria	
	c) others	1,658
	2.2 New taxes or increases in tax rates	
	2.3 Other increases	
3.	Decreases	
	3.1 Deferred taxes derecognised during the year	
	a) transfers	
	b) due to change in accounting criteria	
	c) others	
	3.2 Reduction in tax rates	
	3.3 Other decreases	
4.	Final amount	1,658

Section 12 – Other assets – Item 120

12.1 Other assets: breakdown

		31/12/2019
	Loans and receivables to lessor	
	Guarantee deposits	587
	Improvements to third party assets	591
	Tax credit for paid taxes to be returned	
	VAT credit	
	Miscellaneous receivables for register fees and expenses to be recovered	278
	Receivables from Segregated Estates	15,966
	Receivables for invoices/services to be issued or collected	5,176
	Prepaid expenses	450
	Others	1,669
	Total	24,717

As at 31 December 2019 the item “Other assets” had a balance of EUR 24.7 million, mainly made up of:

- the “Receivables from Segregated Estates” include amounts relating to the expenses anticipated by Parent Company AMCO and reallocated to Segregated Estates, in addition to commissions to be collected accrued in the fourth quarter of 2019 and collected in the first quarter of 2020;
- “Receivables for invoices/services to be issued” include amounts relative to recovery of expenses paid in advance by Parent Company AMCO in the management of Financed Capital in addition to the relative commissions;

LIABILITIES

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

1.1 Financial liabilities measured at amortised cost: breakdown of payables

Items	31/12/2019			31/12/2018		
	With banks	With financial companies	With customers	With banks	With financial companies	With customers
1. Loans						
1.1 Repurchase agreement						
1.2 Other loans						
2. Lease payables			5,782			
3. Other payables		5			5	
Total		5	5,782		5	
Fair value – level 1						
Fair value – level 2						
Fair value – level 3		5	5,782		5	
Fair value total		5	5,782		5	

1.2 Financial liabilities measured at amortised cost: breakdown of debt securities in issue

Items	31/12/2019			
	CA	Fair value		
		L1	L2	L3
A. Securities				
1. bonds				
1.1 structured	59,205			59,205
1.2 others	850,516	850,516		
2. other securities				
2.1 structured				
2.2 others				
Total	909,721	850,516		59,205

This item refers to senior unsecured bonds issued by the Company in February and October 2019, as well as the senior notes of the securitisation issued by the subsidiary Fucino NPL's S.r.l.

1.5 Lease payables

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

Time bands	Payments to be made
	31/12/2019
- up to 1 year	1,421
- from over 1 year to 2 years	1,456
- from over 2 years to 3 years	1,302
- from over 3 years to 4 years	1,123
- from over 4 years to 5 years	774
- beyond 5 years	21
Total expected cash flows	6,097
Effect of discounting	(315)
Lease liabilities	5,782

Section 6 – Tax liabilities – Item 60

See section 10 of assets.

Section 8 – Other liabilities – Item 80

8.1 Other liabilities: breakdown

	31/12/2019
Payables to suppliers	6,624
Payable deductions and social security contributions	1,542
Invoices to be received	6,425
Remuneration, reimbursement of expenses and payables to personnel	445
Sundry payables to LCAs for the fee adjustment mechanism	30,963
Other payables	6,355
Total	52,353

The balance of this item as at 31 December 2019 was mainly due to:

- payables to suppliers and invoices to be received for EUR 13.0 million;
- social security contributions relating to employees for EUR 1.5 million;
- the cost of EUR 31 million relative to the mechanism for the adjustment of the Parent Company AMCO fees to the LCAs indicated in transfer agreement with the latter. This mechanism ensures the correlation of fees due to the Parent Company AMCO to the costs actually sustained for the management and recovery activities of the obligations of the transferred assets. The liquidation of the amounts is carried out on a three-year basis.

Section 9 – Post-employment benefits – Item 90

9.1 Post-employment benefits: annual changes

		31/12/2019
A.	Opening balances	612
B	Increases	
	B1. Provision for the year	16
	B2. Other increases	42
C.	Decreases	
	C1. liquidations paid	68
	C2. other decreases	9
D.	Final balances	593

9.2 Other information

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

		31/12/2019
Annual discount rate		0.8%
Annual inflation rate		1.2%
Post-employment benefits annual increase rate		2.4%

9.2.a Sensitivity analysis

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

Sensitivity analysis	Annual discount rate		Annual inflation rate		Annual turnover rate	
	+0.50%	-0.50%	+0.25%	-0.25%	+2.00%	-2.00%
Past service Liability	565,323	621,682	601,753	584,346	583,719	603,296

9.2.b Future Cash Flows

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

Years	Cash Flows
0-1	51,899
1-2	71,299
2-3	23,311
3-4	22,593
4-5	21,883

Section 10 - Provisions for risks and charges – Item 100*10.1 Provisions for risks and charges: breakdown*

Items/Values	31/12/2019
1. Provision for credit risk relating to commitments and guarantees issued	
2. Provision for other commitments and guarantees issued	
3. Company pension funds	
4. Other provisions for risks and charges	
4.1 legal and tax disputes	15,508
4.2 personnel costs	3,232
4.3 others	1,451
Total	20,191

The provisions for risks and charges as at 31 December 2019 amounted to EUR 20.2 million, composed as follows:

- Legal and tax disputes where the provision mainly includes:
 - o Provisions for EUR 8.7 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;
 - o Provisions for EUR 5.3 million for disputes and future charges relative to legal costs following the recovery of the loan.
- Personnel expenses: the item refers to the provision for the company bonus set forth in Article 48 of the National Collective Labour Agreement;
- Others: this item includes the provision for the risk of the retrocession of ISMEA (former SGFA) to cover the expected disbursements for the forfeited portion of revenues already enforced to be reversed to the guarantor, as required by the relative regulations.

It is also noted that in addition to the reasons for which the risk of an adverse outcome is considered to be probable and for which a provision for future risks has been set, the Company currently has 10 further pending disputes where the risk of an adverse outcome is considered to be “possible”, for overall claims amounting to EUR 14.1 million.

10.2 Provisions for risks and charges: annual changes

	Provision for other commitments and guarantees issued	Pension funds	Other provisions for risks and charges	Total
A. Opening balances				
B. Increases				
B.1 Provision for the year		43	7,655	7,698
B.2 Changes due to the passing of time				
B.3 Changes due to adjustments to the discount rate				
B.4 Other changes		5	16,783	16,787
C. Decreases				
C.1 Use for the year			4,294	4,294
C.2 Changes due to adjustments to the discount rate				
C.3 Other changes			0	0
D. Final balances		48	20,143	20,191

10.6 Provisions for risks and charges: other provisions

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

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

11.1 Share capital: breakdown

Types	Amount
1. Share capital	600,000
1.1 Ordinary shares	600,000
1.2 Other shares (to be specified)	

Following the share capital increase deliberated on 29 November 2019 by the Shareholders' Meeting of the Parent Company AMCO, the share capital of the Group, originally constituted by no. 3,000,000 ordinary shares without nominal value, was increased to no. 600,000,000 ordinary shares without nominal value.

Nature/description	Amount	Possibility of use*	Available portion	Summary of use in last 3 years	
				To cov. Losses	For other reasons
- Share capital	600,000				
- Profit reserves:					
Legal reserve - mandatory quota	120,000	B			
Legal reserve - quota exceeding 20%	358,301	A B C	358,301		
Other profit reserves**	300,710	A B C	300,710		
Share premium reserve	403,000	A B C	403,000		
- Valuation reserves:					
- Financial assets measured at fair value through other comprehensive income***	(1,208)	B	(1,208)		
- Actuarial profits/losses on defined-benefit plans	(251)	B	(251)		
- Retained earnings (losses)	42,311	A B C	42,311		
Total reserves and profits	1,222,863				
Available portion			504,322		
Non-distributable residual portion			718,541		

* A = for share capital increase; B =to cover losses; C =for distribution

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

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

11.4 Share premium: breakdown

Types	Amount
Share premium reserve	403,000

The amount entirely relates to the share premium following the share capital increase on 29 November 2019 deliberated by the Parent Company AMCO. The share premium is fully paid-up.

11.5 Other information

The item “Other profit reserves” is made up for EUR 291.3 million of reserves for the first-time adoption of international accounting standards and for EUR 10.7 million of retained earnings.

Furthermore, as indicated in Section 6, the profit for the year of EUR 42.3 million will be allocated to a profit reserve.

Other information

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

Items	Nominal value on commitments and financial guarantees issued			Total at 31/12/2019	Total at 31/12/2018
	First stage	Second stage	Third stage		
1. Commitments to disburse funds					
a) Public administrations					
b) Banks					
c) Other financial companies	88,333			88,333	37,206
d) Non financial companies					
e) Households					
2. Financial guarantees issued					
a) Public administrations					
b) Banks					
c) Other financial companies					
d) Non financial companies					
e) Households					

PART C – INFORMATION ON THE INCOME STATEMENT

Section 1 – Interest – Items 10 and 20

1.1 Interest and similar income: breakdown

Items/Technical forms	Debt securities	Loans	Other operations	31/12/2019
1. Financial assets measured at fair value through profit and loss:				
1.1. Financial assets held for trading				
1.2. Financial assets measured at fair value				
1.3. Other financial assets compulsorily measured at fair value				
2. Financial assets measured at fair value through other comprehensive income	2,227		X	2,227
3. Financial assets measured at amortised cost				
3.1 Loans and receivables with banks		720	X	720
3.2 Loans and receivables with financial companies			X	
3.3 Loans and receivables with customers		31,662	X	31,662
4. Hedging derivatives	X	X		
5. Other assets	X	X	41	41
6. Financial liabilities	X	X	X	
Total	2,227	32,382	41	34,650
of which: interest income from impaired financial assets		31,662		31,662
of which: interest income on leases				

Interest and similar income include:

- EUR 29.2 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 acquired during the financial year. More specifically, this amount is composed for EUR 22.7 million of interest income from the portfolio of former Banca Carige (whose economic effectiveness was defined on 1 July 2019) and for EUR 0.9 million of receivables of the former Istituto per il Credito Sportivo (transfer with economic effectiveness on 1 April 2019) and for EUR 5.6 million of the portfolio of the former Banca del Fucino;
- EUR 3.1 million for reversal of impairments connected to the passing of time relative to the portfolio of former Banco di Napoli, corresponding to interests accrued on impaired financial assets;
- EUR 2.2 million relative to interest income accrued on government bond portfolios classified as FVOCI.

1.3 Interest and similar expenses: breakdown

Items/Technical forms	Payables	Securities	Other operations	31/12/2019
1. Financial assets measured at amortised cost				
1.1 Payables to banks	0	X	X	0
1.2 Payables to financial companies		X	X	
1.3 Payables to customers	172	X	X	172
1.4 Debt securities in issue		8,506	X	8,506
2. Financial liabilities for trading				
3. Financial liabilities measured at fair value				
4. Other liabilities	X	X	3	3
5. Hedging derivatives	X	X		
6. Financial assets	X	X	X	
Total	172	8,506	3	8,681
of which: interest expenses relative to lease payables	172			

Interest and similar expenses include:

- EUR 8.2 million relative to interest expenses, accounted at amortised cost, of senior unsecured bonds issued by the Parent Company in February and October 2019;
- EUR 0.3 million relating to interests on the senior notes issued by the vehicle Fucino NPL's S.r.l.;
- EUR 0.2 million resulting from lease contracts where the Company is the lessee, in accordance with the provisions of IFRS 16.

Section 2 – Fees and commissions – Items 40 and 50

2.1 Fees and commissions income: breakdown

Detail	31/12/2019
a) lease operations	
b) factoring operations	
c) consumer credit	
d) guarantees issued	
e) services of:	
- fund management for third parties	
- foreign exchange intermediation	
- product distribution	
- others	
f) collection and payment services	
g) servicing of securitisation operations	
h) other commissions	
- credit recovery for Veneto LCAs	47,139
- securities lending	184
- commitment fee	17
Total	47,340

This account includes servicing commissions received for the management of Segregated Estates relative to the former Veneto Banks for EUR 47.1 million and, in a marginal way: the commissions deriving from the securities lending operations carried out on the government securities portfolio for EUR 0.2 million.

2.2 Fees and commissions expense: breakdown

Detail/Sectors	31/12/2019
a) guarantees received	-
b) distribution of services by third parties	-
c) collection and payment services	-
d) other commissions (to be specified)	1,101
Total	1,101

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

Section 6 – Profit (loss) on sale/repurchase – Item 100**6.1 – Profits (losses) on disposal/repurchase: breakdown**

Items/Income components	31/12/2019		
	Profit	Loss	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	633	1,626	(993)
1.3 Loans and receivables with customers			
2. Financial assets measured at fair value through other comprehensive income			
2.1 Debt securities	4,100		4,100
2.2 Loans			
Total assets (A)	4,733	1,626	3,107
B. Financial assets measured at amortised cost			
1. Payables to banks			
2. Payables to financial companies			
3. Payables to customers			
4. Debt securities in issue			
Total liabilities (B)			

The item Profit/loss from disposal or repurchase shows a positive balance following the net capital gains realised on the sale of government securities (EUR 4.1 million), partially offset by the net loss of EUR 1 million realised on the disposal of loans of the portfolio of the former Banco di Napoli.

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: breakdown of other financial assets compulsorily measured at fair value**

Operations/Income components	Capital gains (A)	Profits on disposal (B)	Capital losses (C)	Losses on disposal (D)	Net result [(A+B) – (C+D)]
¹ Financial assets					
1.1 Debt securities					
1.2 Equity securities					
1.3 UCITS units	18,187				18,187
1.4 Loans			384		(384)
² Financial assets in currency: exchange differences	X	X	X	X	
Total	18,187		384		17,803

The capital gains as at 31 December 2019 amounted to EUR 18.2 million, entirely attributable to the revaluation of the interest in IRF as at 31 December 2019 on the basis of the unit value

communicated by DeA Capital Alternative Funds SGR S.p.A., the Fund management company which took over from Quaestio Management SGR S.p.A. at the end of 2019.

Capital losses, on the other hand, were linked to the valuation of fair value of an impaired credit position part of the portfolio of the former Banca Carige.

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: breakdown

Operations/Income components	Value adjustments			Reversals		31/12/2019
	First and second stage	Third stage		First and second stage	Third stage	
		write-off	others			
1. Loans and receivables with banks						
Acquired or originated impaired loans and receivables						
- for leases						
- for factoring						
- other loans and receivables						
Other loans and receivables						
- for leases						
- for factoring						
- other loans and receivables		(435)				(435)
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			(21,340)	34,915		13,575
Other loans and receivables						
- for leases						
- for factoring						
- for consumer credit						
- pawn lending						
- other loans and receivables		(34)				(34)
Total		(469)	(21,340)	34,915		13,116

Net value adjustments/reversals recorded on loans and receivables with customers originate from the economic effects generated as a result of recovery activities, as well as from the update of the

analytical measurements of managed positions, of the portfolio of former Banco di Napoli, of the former ISVEIMER and the former GRAAL. The item also includes value adjustments to cash in checking current accounts for EUR 0.4 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: breakdown

Operations/Income components	Value adjustments		Reversals		31/12/2019
	First and second stage	Third stage write-off others	First and second stage	Third stage	
A. Debt securities	(1,314)		16		(1,298)
B. Loans					
- With customers					
With financial companies					
- With banks					
of which: acquired or originated impaired financial assets					
Total	(1,314)		16		(1,298)

The value adjustments on financial assets measured at fair value with counterparty in net equity, equal to EUR 1.3 million, refer exclusively to the impairment of government securities in the portfolio on 31 December 2019 in accordance with the provisions of IFRS 9.

Section 10 – Administrative expenses - Item 160

10.1 Personnel costs: breakdown

Type of expenses/Values	31/12/2019
1. Employees	21,779
a) salaries and wages	15,380
b) social security	3,753
c) post-employment benefits	481
d) pension funds	
e) provision for post-employment benefits	16
f) provision for pensions and similar obligations:	
- defined contribution plan	
- defined-benefit plans	
g) payments to external complementary pension funds:	
- defined contribution plan	794
- defined-benefit plans	
h) other benefits for employees	1,355
2. Other active personnel	71
3. Directors and Auditors	230
4. Retired personnel	
5. Recoveries of expenses for personnel seconded to other companies	
6. Reimbursements of expenses for personnel seconded to the company	1,500
Total	23,580

Personnel costs amounted to EUR 23.6 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.

10.2 Average number of employees by category

Position	31/12/2019
Employees	
a) senior managers	13.3
b) middle managers	134.4
c) employees	60.1
Other personnel	0.0

10.3 Other administrative expenses: breakdown

Type of expenses/Values	31/12/2019
1. Expenses for other consultants	5,728
2. Expenses for technical consultancies	431
3. Legal and other recovery expenses	5,261
4. Others	13,493
Total	24,913

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

Type of services	31/12/2019
Audit	249
Other services	217
Total	466

The balances include the fees relative to the activities carried out and do not include VAT, out-of-pocket expenses and any payments to the supervisory authorities. This item Audit includes the fees relative to the audit activity for the 2019 financial statements. The item Other services includes EUR 187 thousand for fees relating to agreed auditing procedures and for EUR 30 thousand for fees relating to the preparation of the offering memorandum prior to the bond issue.

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

The item "Others" as at 31 December 2019 includes:

- EUR 0.9 million for the charge relating to the 2017 DTA fee;
- EUR 3.6 million for non-deductible VAT, taxes and other indirect levies;
- EUR 0.7 million for insurance policies;
- EUR 2.7 million relative to IT expenses and software operations and maintenance;

- EUR 0.2 million for costs relative to short-term and low value leases as well as for expenses representing variable payments not included in the valuation of lease liabilities.

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

11.3 Net provisions to other risks and charges: breakdown

	31/12/2019
a) For HR risks and charges	(285)
b) For risk of sums repayments	137
c) For guaranteed disputes	
d) For employees' supplementary pension scheme	(43)
e) For risk of litigation	(4,028)
f) For risk of compensation for damages	4
g) For risk of reimbursement of expenses	603
h) For risk of TARI-TARSU	
i) For risk of adjustment of servicing payments	
l) For risk of retrocession of ISMEA (former SGFA):	
Total	(3,611)

The item is mainly composed of provisions due to possible legal costs for the management of current disputes with the customers of Banca Carige and Istituto per il Credito Sportivo relative to the period between the economic and juridical effectiveness of the transfer.

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

12.1. Net value adjustments/reversals on property, plant and equipment

Assets/Income components	Amortisation and depreciation	Impairment losses	Reversals	Net result
	(A)	(B)	(C)	(A+B+C)
A. Property, plant and equipment				
A.1 For operating purposes				
- Owned	137			137
- Right of use acquired through leases	1,340			1,340
A.2 Financial assets held for investment				
- Owned				
- Right of use acquired through leases				
A.3 Inventories				
Total	1,477			1,477

Section 13 – Net value adjustments/reversals on intangible assets – Item 190*13.1. Net value adjustments/reversals on intangible assets: breakdown*

Items/Value adjustments and reversals	Amortisation and depreciation	Impairment losses	Reversals	Net result
	(A)	(B)	(C)	(A+B+C)
1. Intangible assets other than goodwill				
1.1 owned	38			38
1.2 Right of use acquired through leases				
2. Assets attributable to financial leases				
3. Asset granted with operating lease				
Total	38			38

Section 14 – Other operating income and expenses – Item 200

	31/12/2019
1. Other operating income	6,778
2. Other operating expenses	(12,733)
Total	(5,955)

14.1 Other operating expenses: breakdown

	31/12/2019
1. No assets	
2. Charges for the fee adjustment mechanism	12,610
3. Other operating expenses	123
Total	12,733

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

14.2 Other operating income: breakdown

	31/12/2019
1. Allocation of expenses	612
2. Other	6,166
Total	6,778

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

Section 15 – Profits (losses) on equity investments – Item 220*15.1 Profits (losses) on equity investments: breakdown*

Items	31/12/2019
1. Income	
1.1 Revaluations	
1.2. Profits on disposal	
1.3 Reversals	
1.4 Other income	
2. Expenses	
2.1 Impairments	
2.2. Losses on disposal	
2.3 Impairment losses	(144)
2.4 Other expenses	
Net result	(144)

Section 18 – Profits (losses) on disposal of equity investments – Item 250*18.1 – Profits (losses) on disposal of equity investments*

Income component/Values	31/12/2019
1. Property	
1.1 Profits on disposal	
1.2 Losses on disposal	
2. Other assets	
2.1 Profits on disposal	
2.2 Losses on disposal	(0)
Net result	(0)

Section 19 - Income taxes for the year on current operating activities - Item 270*19.1 - Income taxes for the year on current operating activities: breakdown*

	31/12/2019
1. Current taxes (-)	(5,397)
2. Changes in current taxes of previous financial years (+/-)	68
3. Reduction of current year taxes (+)	
3bis. Reduction of current year taxes for tax credits pursuant to Law no. 214/2011 (+)	
4. Changes in prepaid taxes (+/-)	3,963
5. Changes in deferred taxes (+/-)	(1,658)
6. Taxes for the year (-) (-1+/-2+3+3 bis +/-4+/-5)	(3,024)

Current taxes refer to EUR 3.3 million for IRAP and EUR 2.1 million for IRES for the financial year.

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

Reconciliation IRES tax charges	Taxable income		IRES	%
	Detail	Total		
Result before taxes		45,335	(12,467)	27.50%
Increases				
Provisions for risks and charges	29		(8)	0.00%
Contingent liabilities	898		(247)	0.00%
Lease charges exceeding fringe benefits	326		(90)	0.00%
Other increases	285		(78)	0.00%
total increases		1,538		
Decreases				
Use of provisions for risks and charges	(632)		174	(0.00)%
Other decreases	(17)		5	(0.00)%
Tax losses and ACE tax for previous years	(28,497)		7,837	(0.02)%
Provisions for risks and charges for previous years	(18,353)		5,047	(0.01)%
Total decreases		(47,498)		
Theoretical taxable income		(626)	172	(0.38)%

Reconciliation IRAP tax charges	Taxable income		IRAP	%
	Detail	Total		
Taxable income before adjustments		69,450	(3,973)	5.72%
Increases				
Provisions for loans impairment	426		(24)	0.00%
Expenses and recoupment chargebacks	5,493		(314)	0.00%
Use of provisions for risks and charges	3,636		(208)	0.00%
Other increases	960		(55)	0.00%
total increases		10,514		
Decreases				
Deduction for personnel	(18,356)		1,050	(0.00)%
Provisions for risks and charges	(4,548)		260	(0.00)%
Overvaluation from greater IRAP for previous financial year	(1,189)		68	(0.00)%
Total decreases		(24,092)		
Theoretical taxable income		55,872	(3,196)	4.60%

PART D – OTHER INFORMATION

Section 1 – Specific references to the activities carried out

B. FACTORING AND TRANSFER OF LOANS AND RECEIVABLES

B.1 – Gross value and carrying amount

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

Item/Values	31/12/2019		
	Gross value	Value adjustments	Net value
1 Bad loans	1,227,595	(808,831)	418,764
2 Unlikely to pay	331,414	(2,182)	329,232
3 Non-performing past due exposures	240,109	-	240,109
Total	1,799,118	(811,013)	988,105

B.2 - Breakdown by residual life

B.2.3 Factoring operations without recourse: exposures

Time bands	Exposures
	31/12/2019
- on demand	
- up to 3 months	
- from over 3 months to 6 months	
- from over 6 months to 1 year	
- beyond 1 year	433
- unspecified life	
Total	433

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

Time bands	Exposures
	31/12/2019
- up to 6 months	24,118
- from over 6 months to 1 year	24,295
- from over 1 year to 3 years	214,732
- from over 3 years to 5 years	384,370
- beyond 5 years	340,591
Total	988,105

D. GUARANTEES ISSUED AND COMMITMENTS***D.1 Value of guarantees (real or personal) issued and commitments***

Operations		31/12/2019
1.	Guarantees of a financial nature issued at first request	
	a) Banks	
	b) Financial companies	
	c) Customers	
2.	Other guarantees of a financial nature issued	
	a) Banks	
	b) Financial companies	
	c) Customers	
3.	Commercial guarantees issued	
	a) Banks	
	b) Financial companies	
	c) Customers	
4.	Irrevocable commitments to disburse funds	
	a) Banks	
	i) funds whose utilisation is certain	
	ii) funds whose utilisation is uncertain	
	b) Financial companies	
	i) funds whose utilisation is certain	
	ii) funds whose utilisation is uncertain	
	c) Customers	
	i) funds whose utilisation is certain	
	ii) funds whose utilisation is uncertain	
5.	Commitments underlying credit derivatives: sales of protection	
6.	Assets used to guarantee third-party obligations	
7.	Other irrevocable commitments	
	a) to issue guarantees	
	b) others	88,333
Total		88,333

The amount indicated under item 7.b refers to the irrevocable commitment undertaken by the company for the subscription and payment of units of the Italian Recovery Fund and the commitment to the Back2Bonis fund.

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

A. SECURITISATION TRANSACTIONS

Qualitative disclosures

In compliance with the “Strategic Guidelines for the Management of the Company for the 2019-2023 five-year period” approved by the Board of Directors, in the last few months of 2018 AMCO had entered negotiations with Banca del Fucino S.p.A. (hereinafter “Banca del Fucino” or “the Bank”) for the evaluation of a possible securitisation transaction, with the acquisition of equity tranches by AMCO, of a portfolio of bad loans and unlikely to pay/past due loans originating from the Bank itself. On 14 June 2019, a transfer agreement was signed by Banca del Fucino and Fucino NPL’s for the transfer for consideration and without recourse of loans from Banca del Fucino to the Vehicle, finalised to the realisation on the part of the latter of a securitisation transaction, also through the issue of several classes of asset backed securities. The transfer was completed on 14 September 2019, with economic effectiveness on 1 January 2019.

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

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

Quantitative disclosures

As at 31 December 2019 AMCO, in its role of the transaction sponsor, holds Junior and Mezzanine securitisation notes for an amount of EUR 34 million. The relative regulatory requirements are calculated by taking into account the regulatory requirements of the underlying portfolio.

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

Cuvée Project

Qualitative disclosures

In the context of a securitisation transaction pursuant to Law 130, relative to loans transferred by different Originating Banks, in accordance with a loan transfer agreement finalised on 23 December 2019, the company Ampre SPV S.r.l. acquired without recourse a loans portfolio mainly deriving from secured or unsecured loans, credit facilities and overdrawn current accounts, arisen in the period between 1999 and 2018 and due from debtors classified by their respective Originating

Banks as unlikely to pay pursuant to Bank of Italy circular letter no. 272 of 30 July 2008 as subsequently amended and/or supplemented.

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

In the context of the securitisation, Ampre SPV S.r.l. mandated AMCO to carry out, in relation to the transferred loans, the role of subject with the task to provide collection of the loans and cash and payment services and responsible for checking the compliance of operations to the law and to the information prospectus pursuant to article 2, paragraph 3, letter (c), paragraph 6 and paragraph 6-bis of Law 130.

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

Quantitative disclosures

AMCO transferred loans to the platform and received fund units estimated EUR 45 million as at 31 December 2019. In consideration of the potential leverage of the fund and the standard approach used in the weighting of exposures, AMCO applied a weighting of 100% to the fund units, as per article 132 of the CRR regulation.

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

		Changes in the discounting rate		
		-1%	0	+1%
Changes in cash flows	+5%	+4.4m (+7.9%)	+2.8m (+5.0%)	+1.3m (+2.2%)
	0	+1.5m (+2.7%)		-1.5m (-2.6%)
	-5%	-1.3m (-2.4%)	-2.8m (-5.0%)	-4.2m (-7.5%)

Italian Recovery Fund

Qualitative disclosures

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

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

Quantitative disclosures

As at 31 December 2019 AMCO holds an exposure with regard to the Italian Recovery Fund of EUR 501 million and a commitment for EUR 20 million. From the regulatory point of view, the investment is considered a high risk exposure as per article 128 of the CRR regulation.

As indicated in Section A.4, the Company uses the NAV communicated by the savings management companies of the UCITS in order to evaluate the fair value of investments, substantiating this data with internal analyses.

These analyses are based on the summary of the current values of the expected distribution cash flows (so called Discounted Cash Flow model). The inputs used are as follows:

- Cash flows referred to the net distributions scheduled for investors in business plans/reports on operations;
- Discounting rate equal to the expected yield rate for the operation, changed to take into account any distorting effect given by the nature of the investment.

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

		Changes in the discounting rate		
		-1%	0	+1%
Changes in cash flows	+5%	+50.4m (+10.0%)	+25.12m (+5.0%)	+1.7m (+0.3%)
	0	+23.7m (+4.7%)	-	-22.3m (-4.4%)
	-5%	-2.6m (-0.5)	-25.1m (-5.0%)	-46.3m (-9.2%)

Section 3 – Information on risks and on relevant hedging policies

Introduction

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

In particular, control structures have been strengthened (with regard to this it is noted that Control Functions have been internalised and that their qualitative and quantitative strengthening is underway) and internal regulations have been entirely reviewed and updated.

In the overall risk management and control process, primary responsibility lies with the governing bodies, each in accordance with their respective competencies. Based on the Company's own governance model, the Board of Directors, in its capacity as Body with strategic supervision function, plays a fundamental role in achieving an effective and efficient risk management and control system. As part of corporate risk governance, this body approves the risk management policies outlined with reference to the main significant risks identified.

The Chief Executive Officer, in line with risk management policies, defines and oversees the implementation of the risk management process, by establishing, among other things, the specific duties and responsibilities of the involved company structures and functions.

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

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

The functions in charge of these audits are separate from the production functions and contribute to the definition of risk management policies and the risk management process.

The Risk Management Function, in particular, has the task to ensure the constant risk protection and monitoring relating to the First and Second Pillar of the prudential framework for financial intermediaries issued by the Bank of Italy.

To this end, the Risk Management Function defines the procedures for the measurement of risks, carries out a constant control and requires, where necessary, the execution of opportune stress tests, reporting the progress of the Company's risk profile to the Corporate Bodies.

The Risk Management Function is also called on to cooperate towards the definition of risk management policies and of the risk management process, as well as of the relative identification and control procedures and modes, continuously checking their adequacy. In 2019 AMCO adopted a Risk Framework which defines the propensity to risk, the tolerance thresholds, the risk limits in accordance with the business model and the maximum risk that the Company may assume in accordance with procedures in line with the Supervisory Review and Evaluation Process (SREP) used by the Supervisory Authority in the evaluation of the risk for banks and financial intermediaries.

- The Risk Framework expresses AMCO risk appetite for all relevant risks through qualitative objectives (Preference) and, only for measurable risks, through the following thresholds:
 - o Risk Capacity: the maximum level of risk that AMCO is technically able to assume without violating regulatory requirements or other constraints imposed by shareholders or the Supervisory Authority;
 - o *Risk Appetite*: level of risk (overall and by type) that AMCO intends to assume in pursuing its strategic objectives;
 - o Risk Tolerance: maximum allowed deviation from the risk appetite fixed so as to ensure in any case sufficient margins for operating, also in stress conditions, within the maximum risk that may be taken (capacity);
 - o Risk Limits: set of limits to be complied with, differentiated by type of risk.

3.1 Credit risk

Qualitative disclosures

1. General aspects

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

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

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

2. Credit risk management policies

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

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

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

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

- bad loans: exposures to subjects who are insolvent or in essentially equivalent positions;
- unlikely to pay: credit exposures for which it is deemed unlikely that, without recourse to actions such as the enforcement of guarantees, the debtor will meet its obligations in full (in terms of capital and/or interests);
- non-performing expired and/or past due: exposures, other than those specified under bad loans or unlikely to pay that, at the reference date, are past due and or expired for over 90 days and which exceed a pre-set material threshold;

- “exposures with forbearance measures”: exposures with forbearance measures are differentiated into:
 - o non-performing exposures with forbearance measures. Depending on the case, these exposures represent a detail of bad loans, unlikely to pay, or non-performing expired and/or past due; therefore, they do not represent a separate category of impaired assets;
 - o other exposures with forbearance measures, corresponding to “Forborne performing exposures”.

In terms of measuring the credit risk of the managed portfolio, already implicit in its particular nature, the Company subjects the value of the managed portfolio to impairment testing on a regular basis, which could consequently determine a reduction in its estimated realisable value.

In terms of valuation of loans, during 2019 the policy was approved for the valuation of loans exposures which defines the evaluation methodology by differentiating originated portfolios from acquired portfolios (POCI).

The information that is considered to be mainly relevant for the purposes of this impairment test is as follows:

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

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

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

3. Non-performing credit exposures

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

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

- bad loans: exposures to subjects who are insolvent or in essentially equivalent positions;
- unlikely to pay: credit exposures for which it is deemed unlikely that, without recourse to actions such as the enforcement of guarantees, the debtor will meet its obligations in full (in terms of capital and/or interests);
- non-performing expired and/or past due: exposures, other than those specified under bad loans or unlikely to pay that, at the reference date, are past due and or expired for over 90 days and which exceed a pre-set material threshold;

- “exposures with forbearance measures”: exposures with forbearance measures are differentiated into:
 - o non-performing exposures with forbearance measures. Depending on the case, these exposures represent a detail of bad loans, unlikely to pay, or non-performing expired and/or past due; therefore, they do not represent a separate category of impaired assets;
 - o other exposures with forbearance measures, corresponding to “Forborne performing exposures”.

Quantitative disclosures

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

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

Portfolios/quality	Bad loans	Unlikely to pay	Non-performing past due exposures	Performing past due exposures	Other performing exposures	Total
1. Financial assets measured at amortised cost	418,764	316,540	240,109		328,326	1,303,739
2. Financial assets measured at fair value through other comprehensive income					842,998	842,998
3. Financial assets measured at fair value						
4. Other financial assets compulsorily measured at fair value		13,125				13,125
5. Financial assets in the process of being disposed						
Total (2019)	418,764	329,665	240,109		1,171,324	2,159,862

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

Items/Income	Impaired				Not impaired			Total (net exposure)
	Gross exposure	Total value adjustments	Net exposure	Total partial write-offs*	Gross exposure	Total value adjustments	Net exposure	
1. Financial assets measured at amortised cost	1,786,042	(810,629)	975,413	315	328,811	(485)	328,326	1,303,739
2. Financial assets measured at fair value through other comprehensive income					844,312	(1,314)	842,998	842,998
3. Financial assets measured at fair value					X	X		
4. Other financial assets compulsorily measured at fair value	13,509	(384)	13,125		X	X		13,125
5. Financial assets in the process of being disposed								
Total (2019)	1,799,551	(811,013)	988,538	315	1,173,123	(1,799)	1,171,324	2,159,862

* Value to be given for information purposes

4. Financial assets, commitments to disburse funds and financial guarantees issued:

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

changes in total value adjustments and total provisions (carrying amounts)

stage	Assets falling within the third stage					Total provisions for commitments to disburse funds and financial guarantees issued			Total
	of which: collective impairments	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	comprehensive income	of which: individual impairments	of which: acquired or originated impaired financial assets	First stage	Second stage	
		810,629			810,629	810,629			812,428
		810,629			810,629	810,629			812,428
		2,927			2,927	2,927			2,927

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

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

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

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

Types of exposure/Values	Gross exposure		Total value adjustments and total provisions	Net exposure	Total partial write-offs*
	Impaired	Not impaired			
A. On-balance sheet credit exposures					
a) Bad loans	2,612			2,612	
- of which: forborne exposures					
b) Unlikely to pay	13,643			13,643	
- of which: forborne exposures					
c) Non-performing past due exposures	1,078			1,078	
- of which: forborne exposures					
d) Performing past due exposures					
- of which: forborne exposures					
e) Other performing exposures		324,809	(451)	324,358	
- of which: forborne exposures					
TOTAL A	17,334	324,809	(451)	341,692	
B. Off-balance sheet credit exposures					
a) Non-performing					
b) Performing					
TOTAL B					
TOTAL A+B	17,334	324,809	(451)	341,692	

* Value to be given for information purposes

The table includes EUR 10,693 thousand of Financial assets measured at fair value through profit and loss, classified as Unlikely to pay.

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

Reasons/Categories	Bad loans	Unlikely to pay	Non-performing past due exposures
A. Initial gross exposure			
- of which: exposures transferred but not derecognised			
B. Increases	2,612	18,373	1,141
B.1 inflows from performing exposures			
B.2 inflows from acquired or originated impaired financial assets	2,512	17,766	1,110
B.3 transfers from other categories of non-performing exposures			
B.4 contractual amendments without derecognition			
B.5 other increases	100	607	31
C. Decreases		(4,730)	(62)
C.1 outflows to performing exposures			
C.2 write-off		(462)	
C.3 collections		(4,268)	(62)
C.4 profits on disposal			
C.5 losses on disposal			
C.6 transfers to other categories of non-performing exposures			
C.7 contractual amendments without derecognition			
C.8 other decreases			
D. Final gross exposure	2,612	13,643	1,078
- of which: exposures transferred but not derecognised			

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

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

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

Types of exposure/Values	Gross exposure		Total value adjustments and total provisions	Net exposure	Total partial write-offs*
	Impaired	Not impaired			
A. On-balance sheet credit exposures					
a) Bad loans	1,224,983	X	(808,831)	416,152	315
- of which: forborne exposures		X			
b) Unlikely to pay	318,204	X	(2,182)	316,022	
- of which: forborne exposures		X			
c) Non-performing past due exposures	239,030	X		239,030	
- of which: forborne exposures	13	X			
d) Performing past due exposures	X	0		0	
- of which: forborne exposures	X				
e) Other performing exposures	X	848,314	(1,348)	846,966	
- of which: forborne exposures	X	17			
TOTAL A	1,782,217	848,314	(812,361)	1,818,170	315
B. Off-balance sheet credit exposures					
a) Non-performing		X			
b) Performing	X	88,333		88,333	
TOTAL B		88,333		88,333	
TOTAL A+B	1,782,217	936,647	(812,361)	1,906,503	315

* Value to be given for information purposes

The table includes EUR 2,432 thousand of Financial assets measured at fair value through profit and loss, classified as Unlikely to pay.

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

Reasons/Categories	Bad loans	Unlikely to pay	Non-performing past due exposures
A. Initial gross exposure	1,902,340	5,160	0
- of which: exposures transferred but not derecognised			
B. Increases	333,014	390,575	242,944
B.1 inflows from performing exposures			
B.2 inflows from acquired or originated impaired financial assets	308,545	380,962	228,306
B.3 transfers from other categories of non-performing exposures			
B.4 contractual amendments without derecognition			
B.5 other increases	24,470	9,613	14,638
C. Decreases	(280,118)	(74,887)	(3,915)
C.1 outflows to performing exposures			
C.2 write-off	(222,274)	(920)	(102)
C.3 collections	(55,710)	(28,721)	(3,813)
C.4 profits on disposal	(2,134)		
C.5 losses on disposal			
C.6 transfers to other categories of non-performing exposures			
C.7 contractual amendments without derecognition			
C.8 other decreases		(45,246)	
D. Final gross exposure	1,955,236	320,848	239,030
- of which: exposures transferred but not derecognised			

The value of this table are inclusive of interest on arrears. The table includes EUR 2,432 thousand of Financial assets measured at fair value through profit and loss, classified as Unlikely to pay.

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

Reasons/Categories	Forborne exposures: non-performing	Forborne exposures: performing
A. Initial gross exposure	0	0
- of which: exposures transferred but not derecognised		
B. Increases		
B.1 inflows from non-forborne performing exposures		
B.2 inflows from forborne performing exposures		X
B.3 inflows from forborne non-performing exposures	X	
B.4 other increases	13	17
C. Decreases		
C.1 outflows to non-forborne performing exposures	X	
C.2 outflows to performing forborne exposures		X
C.3 outflows to non-performing forborne exposures	X	
C.4 write-off		
C.5 collections		
C.6 proceeds from disposals		
C.7 losses on disposal		
C.8 other decreases		
D. Final gross exposure	13	17
- of which: exposures transferred but not derecognised		

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

Reasons/Categories	Bad loans		Unlikely to pay		Non-performing past due exposures	
	Total	- of which: forborne exposures	Total	- of which: forborne exposures	Total	- of which: forborne exposures
A. Opening total adjustments						
- of which: exposures transferred but not derecognised						
B. Increases						
B.1 value adjustments on acquired or originated impaired financial assets	1,830,644	X		X		X
B.2 other value adjustments	24		5,349			
B.3 losses on disposal	2,788					
B.4 transfers from other categories of non-performing exposures						
B.5 contractual amendments without derecognition						
B.6 other increases						
C. Decreases						
C.1. reversals of valuation	55,900		237			
C.2 reversals of cash collection	15,477		122			
C.3 profits on disposal	1,472					
C.4 write-off	195,552		163			
C.5 transfers to other categories of non-performing exposures						
C.6 contractual amendments without derecognition						
C.7 other decreases	25,974					
D. Closing total adjustments	1,539,081		4,826			
- of which: exposures transferred but not derecognised						

The value of this table are inclusive of interest on arrears. The table includes EUR 384 thousand of Adjustment on Financial assets measured at fair value through profit and loss, classified as Unlikely to pay in the item "B.2 Other value adjustments".

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

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

Exposures	External rating classes						Without rating	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Financial assets measured at amortised cost		269,497		37,913			996,328	1,303,739
- First stage		269,497		37,913			20,915	328,326
- Second stage								
- Third stage							975,413	975,413
B. Financial assets measured at fair value through other comprehensive income		842,986					12	842,998
- First stage		842,986					12	842,998
- Second stage								
- Third stage								
TOTAL (A+B)		1,112,484		37,913			996,340	2,146,737
of which: acquired or originated impaired financial assets							979,427	979,427
C. Commitments to disburse funds and financial guarantees issued								
- First stage							88,333	88,333
- Second stage								
- Third stage								
Total (C)							88,333	88,333
Total (A+B+C)		1,112,484		37,913			1,084,673	2,235,070

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

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

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

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

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

9. Concentration of credit

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

	31/12/2019
a) State	843,031
b) Other public institutions	1,100
c) Non financial companies	1,958,612
d) Financial companies	402,973
e) Income-generating households	291,769
f) Other operators	240,528
Total	3,738,013

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

	31/12/2019
a) North West	832,574
b) North East	71,130
c) Centre	1,445,538
d) South and Islands	1,352,893
e) Abroad	35,878
Total	3,738,013

9.3 *Large exposures*

	31/12/2019
a) Amount (carrying amount)	1,578,502
b) Amount (weighted value)	1,434,897
c) Number	3

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

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

3.2 Market risk

During 2019, AMCO did not carry out transactions falling within the trading book in accordance with the regulatory classification.

3.2.1 Interest-rate risk

Qualitative disclosures

1. **General aspects**

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

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

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

In 2019 AMCO defined a policy for the management of the interest rate risk which is inspired by the methodology required by prudential regulations. It provides for the implementation of a sensitivity analysis of the interest rate through a parallel shock of +/- 200 bps. In case of decreases, the constraint of non-negativity of rates is guaranteed.

In particular, the method used requires:

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

In 2019 the Company did not implement any interest rate risk hedging.

Quantitative disclosures

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

Items/residual maturity	On demand	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 years to 10 years	Beyond 10 years	Unspecified life
1. Assets	324,358	884,145	28,626	45,854	682,261	754,401	94,192	
1.1 Debt securities					567,210	226,843	94,192	
1.2 Loans and Receivables	324,358	865,784	23,450	23,450	56,366	26,221		
1.3 Other assets		18,361	5,176	22,405	58,685	501,338		
2. Liabilities		13,265	11,917	8	290,328	596,832		593
2.1 Payables			98	8	5,261	421		
2.2 Debt securities					254,104	596,411		
2.3 Other liabilities		13,265	11,819		30,963			593
3. Financial derivatives								
Option products								
3.1 Long positions								
3.2 Short positions								
Other derivatives								
3.3 Long positions								
3.4 Short positions								

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

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

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

During 2019, AMCO did not carry out transactions falling within the trading book in accordance with the regulatory classification.

3.2.2 Price risk

Qualitative disclosures

1. General aspects

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

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

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

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

3.2.3 Exchange-rate risk

Qualitative disclosures

1. **General aspects**

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

Quantitative disclosures

1. **Breakdown of assets, liabilities and derivatives by currency**

Types of exposure/Values	Currencies					
	US dollars	Pounds sterling	Yen	Canadian dollars	Swiss francs	Other currencies
1. Financial assets						
1.1 Debt securities						
1.2 Equity securities						48
1.3 Loans and Receivables	32,927					
1.4. Other financial assets						
2. Other assets						
3. Financial liabilities						
3.1 Payables						
3.2 Debt securities						
3.3 Financial liabilities						
4. Other liabilities						1,058
5. Derivatives						
5.1 Long positions						
5.2 Short positions						
Total assets	32,927					48
Total liabilities	-					1,058
Imbalance (+/-)	32,927					(1,010)

Exposures in US dollars refer to the individual loan derived from the portfolio of the former Banco di Napoli International, fully written down (for USD 32.6 million) and to foreign currency loans to debtors of the Carige portfolio (for USD 0.3 million).

The exposures in other currencies referred to item 1.2 for the equity investment in SGA S.r.l. and for item 4 for commissions expense due to AMCO, both denominated in RON.

3.3 Operational risks

Qualitative disclosures

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

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

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

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

Quantitative disclosures

The operational risk quantified as at 31 December 2019 is of EUR 94,313 thousand.

3.4 Liquidity risk

Qualitative disclosures

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

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

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

During 2019 unsecured own securities were issued through the EMTN programme for a total amount of EUR 850 million with an average duration of 5 years.

The constant monitoring of the amount and changes of bank deposits currently makes it possible to guarantee the ordinary management and regularity of payments to third parties.

With regard to this, in 2019 AMCO updated its policy for the management of liquidity and investments, which took place in 2018, which defines the liquidity management model and its relative processes in particular with regard to the separation of general assets from Segregated Estates which, according to the regulations (see art. 2447 of the Italian Civil Code), are characterised by a total separation in terms of scope, accounting and assets from the first. The maintenance of the accounting and assets separation is aimed at ensuring the certainty of the separation of assets and liabilities and makes it necessary to consider each asset as an autonomous liquidity centre. On the other hand, in order to guarantee efficient management of liquidity and the correct management of risks connected to it, the central and integrated management of the same are necessary.

The policy also defines the monitoring activities requiring a daily check of cash flows deriving from the operative management of the different liquidity centres and their consistency with respect to the objectives indicated in the liquidity plan.

Quantitative disclosures

1. Temporal breakdown of financial assets and liabilities by residual contractual maturity

Items/Time bands	On demand and revocable	From over 1 day to 7 days	From over 7 days to 15 days	From over 15 days to 1 month	From over 1 month to 3 months	from over 3 months to 6 months	from over 6 months to 1 year	from over 1 year to 3 years	from over 3 years to 5 years	beyond 5 years	unspecified life
On-balance sheet assets	324,358	2,686	2,953	8,170	24,892	25,642	66,937	421,205	905,495	1,152,456	13,125
A.1 Government securities			268	3,094				100,006	440,000	270,000	
A.2 Other debt securities						3	3	6		45,246	
A.3 Loans	324,358	1,257	1,257	2,694	11,770	20,463	44,529	285,843	442,160	335,872	13,125
A.4 Other assets		1,428	1,428	2,382	13,122	5,176	22,405	35,350	23,335	501,338	
On-balance sheet liabilities		1,032	1,032	4,796	15,842	12,211	705	18,248	281,941	612,271	593
B.1 Payables to:											
- Banks											
- Financial institutions							5				
- Customers				32	288	392	701	2,767	1,896	21	
B.2 Debt securities				2,554	6,563				264,563	612,249	
B.3 Other liabilities		1,032	1,032	2,211	8,991	11,819		15,482	15,482		593
Off-balance sheet transactions						88,333					
C.1 Financial derivatives with underlying capital exchange											
C.2 Financial derivatives without underlying capital exchange											
C.3 Loans to be received											
C.4 Irrevocable commitments to disburse funds						88,333					
C.5 Financial guarantees issued											
C.6 Financial guarantees received											

Section 4 – Information on equity

4.1 Corporate equity

4.1.1 Qualitative disclosures

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

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

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

The delta in terms of the amount of own funds is due to the increase in capital of EUR 1 billion which took place on 29 November 2019, divided between share capital for EUR 547 million and share premium reserve for EUR 403 million.

4.1.2 Quantitative disclosures

4.1.2.1 Corporate equity: breakdown

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

4.1.2.2 Valuation reserves of financial assets measured at fair value through other comprehensive income: breakdown

Assets/Values	31/12/2019	
	Positive reserve	Negative reserve
1. Debt securities	5,042	
2. Equity securities		(6,251)
3. Loans		
Total	5,042	(6,251)

The negative reserve is essentially attributable to the adjustment of the investments in Banca Carige S.p.A. shares to the fair value.

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

	Debt securities	Equity securities	Loans
1. Opening balances	0	(6,799)	
2. Changes in the year			
2.1 Increases in fair value	7,828	548	
2.2 Value adjustments for credit risk	1,314	X	
2.3 Reversal to income statement of negative disposal reserves		X	
2.4 Transfers to other components of equity (equity securities)			
2.5 Other changes			
3. Changes in the year			
3.1 Decreases in fair value			
3.2 Reversals for credit risk			
3.3 Reversal to income statement of positive disposal reserves	(4,100)	X	
3.4 Transfers to other components of equity (equity securities)			
3.5 Other changes			
4. Final balances	5,042	(6,251)	

4.2 Own funds and adequacy ratios

4.2.1 Own funds

4.2.1.1 Qualitative disclosures

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

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

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

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

4.2.1.2 Quantitative disclosures

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

4.2.2 Capital adequacy

4.2.2.1 Qualitative disclosures

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

The ICAAP process is broken down in the following phases:

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

Identification of risks to be assessed and stress tests

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

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

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

Measurement/assessment of individual risks and determination of internal capital

Risks identified by AMCO are classified into two categories:

- a. risks quantifiable in terms of internal capital, for which the Company uses specific metrics to measure the capital requirement;
- b. risks that cannot be quantified in terms of internal capital, for which a capital buffer is not determined and for which, in accordance with Circular no. 288, adequate control and mitigation systems are set up.

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

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

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

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

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

4.2.2.2 Quantitative disclosures

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

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

It is noted that the capital requirement relative to credit risk is affected by the impact of regulations on “Large Exposures” in relation to the exposure to the Italian Recovery Fund.

As at 31 December 2018, the investment was considered a position associated with a particularly high risk, by applying a supplementary weighting on the basis of a payment schedule which takes into consideration the provisions relating to so-called Large Exposures.

Section 5 – Analytical statement of comprehensive income

ITEMS	31/12/2019
10. Profit (Loss) for the year	42,311
Other income components net of taxes without reversal to the income statement	
20. Equity securities measured at fair value through other comprehensive income	
a) changes to fair value	549
b) transfers to other components of equity	
30. Financial liabilities measured at fair value through profit and loss (change in its creditworthiness)	
a) changes to fair value	
b) transfers to other components of equity	
40. Hedging of equity securities measured at fair value through other comprehensive income	
a) changes to fair value	
b) transfers to other components of equity	
50. Property, plant and equipment	
60. Intangible assets	
70. Defined-benefit plans	(41)
80. Non-current assets and groups of assets held for disposal	
90. Share of equity investment valuation reserve valued at net equity	
100. Income taxes relative to other income components without reversal to the income statement	
Other income components net of taxes with reversal to the income statement	
110. Hedging of foreign investments	
a) changes to fair value	
b) reversal to income statement	
c) other changes	
120. Currency exchange differences	
a) changes to fair value	
b) reversal to income statement	
c) other changes	
130. Hedging of financial flows	
a) changes to fair value	
b) reversal to income statement	
c) other changes	
140. Hedging instruments (non-designated elements)	
a) changes to fair value	
b) reversal to income statement	
c) other changes	
150. Financial assets (other than equity securities) measured at fair value through other comprehensive income	
a) changes to fair value	9,142
b) reversal to income statement	
- impairment losses	
- profits/losses on disposal	(4,100)
c) other changes	
160. Non-current assets and groups of assets held for disposal	
a) changes to fair value	
b) reversal to income statement	
c) other changes	
170. Share of equity investment valuation reserve valued at net equity	
a) changes to fair value	
b) reversal to income statement	
- impairment losses	
- profits/losses on disposal	
c) other changes	
180. Income taxes relative to other income components without reversal to the income statement	
190. Total other income components net of taxes	5,550
200. Comprehensive income (Item 10+190)	47,861

Section 6 – Related party transactions

6.1 Fees for key management personnel

There are no additional benefits for corporate officers other than those detailed in item 160 "Personnel costs". Therefore, the breakdown of the fees disbursed or accrued during 2019 for the key management personnel, including members of the Board of Statutory Auditors, is provided.

Fees for key management personnel (including the Board of Statutory Auditors)	
Directors	56,000
Remuneration to Chairman of the Board of Directors	30,000
Remuneration to Chief Executive Officer	-
Remuneration to Director (inclusive of the role of member of the Appointments Committee)	26,000
Statutory auditors	70,000
Remuneration to Chairman of the Board of Statutory Auditors	30,000
Remuneration to other Permanent statutory auditors (no. 2)	40,000
General Director	253,510
Short-term benefits	212,000
Post-employment benefits - defined contribution	41,510
Total	379,510

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

It is reminded that the Company, even though exempt from compliance to the provisions of Italian Legislative Decree no. 175/2016, but still subject to public control, in 2019 complied with the provisions of Ministerial Decree no. 166/2013 in terms of the termination and limitation of remuneration to directors. In detail, pursuant to art. 2, paragraph 3 of the above-mentioned Ministerial Decree no. 166/2013, AMCO, having a net equity in excess of EUR 100 million, was placed in "band 2" with the subsequent identification of the limit on remuneration to directors with delegate powers pursuant to art. 2389, paragraph 3, of the Italian Civil Code, to 80% of the economic treatment of the Chief President of the Court of Cassation (currently of EUR 240,000.00 as determined by art. 13 of Italian Decree Law no. 66 of 24 April 2014, converted with amendments into Law no. 89 of 23 June 2014) and therefore EUR 192,000.00.

Furthermore, it is specified that on 13 February 2019 the Company issued an unsecured non-convertible senior bond listed on the regulated market managed by the Luxembourg Stock Exchange and for this reason, pursuant to art. 1 of Italian Ministerial Decree no. 166/2013, it is no longer subject, from that date, to the provisions of the same decree (among others, the maximum limit on remuneration pursuant to art. 3 and the remuneration report pursuant to art. 4).

It is advised that the Chief Executive Officer, before the assignment of delegated powers, was employed by the Company as a manager, with a contract which fixed its annual remuneration to EUR 212,000.00 and which determined that any additional tasks, also administrative ones, would not involve additional payments. In accordance with what was agreed, pursuant to art. 2381, paragraph 3, of the Italian Civil Code, the Chief Executive Officer expressly waived both the remuneration already agreed in the shareholders' meeting pursuant to art. 2389, paragraph 1 of the Italian Civil Code, and the remuneration due pursuant to art. 2389, paragraph 3 of the Italian Civil Code in relation to the delegated powers.

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

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

6.3 Information on transactions with Related Parties

In accordance with the Introduction, this paragraph provides information on the transactions that took place in 2019 with:

- the MEF controlling shareholder;
- direct and indirect subsidiaries of the MEF;
- direct investees of SGA.

Transactions of an "atypical or unusual" nature that, due to their significance or materiality, may have given rise to doubts regarding the safeguarding of corporate equity were not carried out by AMCO during the year, neither with related parties nor with parties other than related parties as defined by IAS 24.

With regard to transactions of a non-atypical or unusual nature carried out with related parties, they fall within the scope of operations of AMCO and are carried out at market conditions and in any case on the basis of evaluations of mutual economic convenience.

Transactions with investees

No financial operations were carried out with the company Immobiliare Carafa S.r.l. in liquidation in 2019.

In 2019 SGA S.r.l., a Romanian registered company dealing with the management of non-performing loans to Romanian residents, held by the Segregated Estates of Veneto Group, earned commissions income to AMCO for EUR 1.1 million.

Transactions with other related companies

The financial transactions carried out with other investees of the Ministry of Economy and Finance refer exclusively to the current account held by Poste Italiane at normal market conditions.

Further transactions of a commercial nature with other investees of the MEF (ENEL) are part of the normal use of services as a user at market conditions.

The table below shows the main transactions outstanding as at 31 December 2018 or the main economic effects recognised in 2019 for transactions with related parties.

	Balance sheet items				Income statement items			
	Other financial assets compulsorily measured at fair value	Loans and receivables with banks	Other liabilities	Other assets	Interest income	Fees and commissions income	Fees and commissions expense	Other operating income and expenses
Investees								
SGA S.r.l.			221				(1,082)	
Other related companies								
Monte Paschi di Siena		36,145			105	184		
Poste Italiane S.p.A.		626						

Section 7 – Leases (lessee)

Qualitative information

The lease agreements that are included in the scope of application of the IFRS 16 accounting standard, stipulated by the Parent Company as lessee, are represented by the lease agreements for property assets (offices and apartments), motor vehicles and office equipment not included in the definition of “low value”.

The Group is marginally exposed to financial outflows for variable payments due for leases not included in the valuation of lease liabilities, mainly represented by balancing payments on expenses linked to rental agreements.

For each agreement, the Parent Company has determined the duration of the lease taking into account the “non cancellable” period during which the same has the right to use the underlying asset and taking into consideration all the contractual aspects that may change this duration, including, in particular, the possible presence of (i) periods covered by a right of termination or by an option to extend the lease, (ii) leases covered by the option to purchase the underlying asset. Generally, with reference to contracts that include the option by the Company to renew the lease by tacit agreement at the end of a first contractual period, the duration of the lease is determined on the basis of historical experience and the information available at that date, considering, in addition to the non cancellable period, also the period relating to the option to extend (first period of contract renewal), unless there are corporate plans to dispose of the leased asset or clear and documented valuations that indicate it to be reasonable not to exercise the option of renewal or the exercise of the termination option.

The Group has not provided guarantees on the residual value of the leased asset and has made no commitment with regard to the stipulation of lease agreements not included in the value of lease liabilities recognised in the financial statements. Please also note that:

- there are no contractual restrictions in place on the use of assets for which the Company is the lessee;
- there are no agreements imposed on the Company by the same lessors;
- there are no lease agreements in place deriving from sale and leaseback operations.

Pursuant to paragraph 60 of IFRS 16, please note that, in compliance with the Standard's provisions, which grants exemptions at this regard, the Group has excluded agreements that have as their object assets of “low value” and lease agreements of a contract duration of 12 months or less from the application of IFRS 16.

Quantitative information

In relation to the quantitative information required from the lessee by IFRS 16, please refer to the following sections of the Notes to the financial statements:

- 1) *in Part A - Accounting Policies, Section 4 - Other aspects "The transition to the IFRS 16 accounting standard";*
- 2) *in part B – Information on the Balance Sheet*
 - a. *Assets Section 8 – Property, plant and equipment – Item 80*
 - b. *Liabilities Section 1 – Financial liabilities measured at amortised cost - Item 10*
- 3) *in part C – Information on the Income Statement*
 - a. *Section 1 – Interest – Items 10 and 20*
 - b. *Section 10 – Administrative expenses - Item 160*
 - c. *Section 12 – Net value adjustments/reversals on property, plant and equipment – Item 180*

Pursuant to paragraph 53 letter a) of IFRS 16, please note that, with regard to a total of EUR 1,340 thousand of amortisation/depreciation recognised for the right of use for the period, the underlying asset classes are as follows:

- offices: EUR 930 thousand;
- apartments: EUR 296 thousand;
- motor vehicles: EUR 87 thousand;
- office equipment: EUR 27 thousand.

Lastly, it is specified that, in accordance with the provisions of paragraph 55 of IFRS 16, at the end of the financial year, the short term leases portfolio object of commitment has not changed with respect to the short-term leases portfolio to which the short-term leases costs recognised during the financial year refer.

Section 8 – Other detailed information

8.1 Segment reporting

The AMCO Group does not disclose information in relation to segment reporting because the company operates in a single sector.

8.2 Earnings per share

The AMCO Group does not disclose information on earnings per share in that this information is optional for unlisted intermediaries and for intermediaries not in the process of being listed.

8.3 Fees to the Independent Auditors

The disclosure on fees paid to the Independent Auditors has been provided in section 10, item 160 of the profit and loss statement to which reference should be made.



section relating to Segregated Estates (“*Patrimoni Destinati*”)



Premise

On 11 April 2018, pursuant to the provisions of article 5 of Decree Law no. 99 of 25 June 2017 (hereinafter also “Decree Law”), converted into Law no. 121 of 31 July 2017, and further to the provisions of Ministerial Decree no. 221 of 22 February 2018 (hereinafter “MD 221/2018”), AMCO signed with Banca Popolare di Vicenza S.p.A. in administrative compulsory liquidation and with Veneto Banca S.p.A. in administrative compulsory liquidation, agreements (hereinafter also “Transfer Contracts”) to acquire the portfolios of non-performing loans of the two banks, via and on behalf of, respectively, the “Vicenza Group Segregated Estates” and the “Veneto Group Segregated Estates” (hereinafter also “Segregated Estates” or “DA”), both established by means of the afore-mentioned MD 221/2018.

The transfer had as its object the loans classified or classifiable as bad loans, unlikely to pay and past due as of the date of the launch of the administrative compulsory liquidation procedures and not transferred to and/or retroceded by Intesa Sanpaolo S.p.A. in accordance with Articles 3 and 4 of the afore-mentioned Decree Law, together with assets, agreements and legal rights and obligations accessory to the same, with the exclusion from this scope of certain assets, liabilities, agreements and rights and obligations identified in the transfer agreements on a consistent basis with the criteria laid down by MD 221/2018.

Furthermore, the above mentioned Decree in article 5, paragraph 4 indicates that “The separate financial statements are prepared in compliance with international accounting standards”. These separate statements, prepared for each Segregated Estate, forms an annex to these financial statements, in accordance with the general provisions on Segregated Estates.

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

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

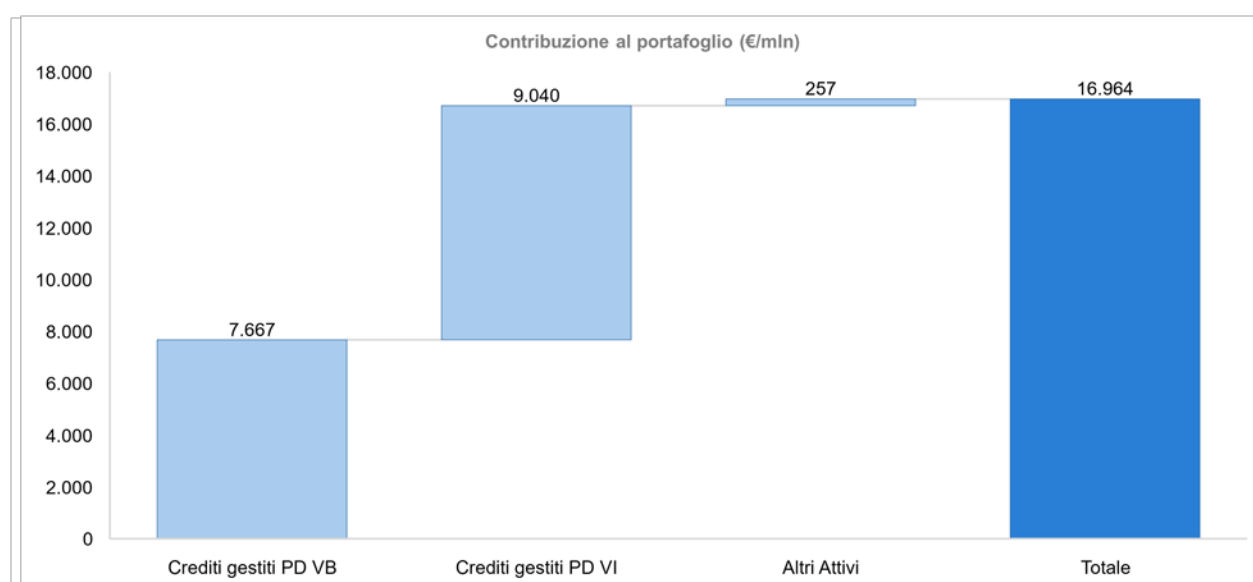
From the analysis carried out on the basis of cash flows currently expected by the acquired loans it has emerged that in all the hypotheses described above, not only the cumulative incidence of the commission components is considerably below 10% (parameter used for the derecognition), but the variability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

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

Introduction

Following the acquisition of the portfolios of the former Veneto Banks, as at 31 December 2019 AMCO manages a portfolio of non-performing exposures (“NPE”) of around EUR 16.7 billion in terms of gross book value. The portfolio, with total assets of EUR 17 billion, breaks down as follows:

Total DA (EUR/mln)	31/12/2019	31/12/2018
Gross Book Value	16,708	16,742
- Italian portfolio	9,715	9,485
- Securitised portfolio	6,342	6,550
- Foreign portfolio	651	707
Net Present Value	5,128	5,185
- Other assets	257	204
Total	5,385	5,389



Information on the GBV of the Segregated Estates and on the portfolios' Net Present Value is included in the statements of the Segregated Estates, which are part of the financial statements of AMCO, basing the estimates on best estimates of the internally processed recovery curves to guarantee the information alignment with respect to the prospects for the loans recovery for the main stakeholders (the LCAs or their creditors).

The Net Present Value¹¹ includes:

- (i) estimated legal expenses for the recovery of loans;
- (ii) commissions for the management of outsourcing;
- (iii) the discount effect of the estimates of recovery over time.

Furthermore, in accordance with Article 3 of the Transfer agreement, the fee for the above transaction is represented by an amount receivable of the administrative compulsory liquidations procedures vis-à-vis the respective Segregated Estates of AMCO, for an amount equal to the net book value of the assets and legal rights and obligations transferred, which will be periodically adjusted to the lower or higher realisable value net of the recovery costs and charges incurred.

¹¹ It is specified that the Net Present Value is based on internal data and valuations and therefore does not represent an IFRS 9 compliant value.

The cash repaid in 2019 on the management agreements of the Segregated Estates is EUR 684.3 million, of which EUR 357.7 million for the Vicenza Group Segregated Estates and EUR 326.6 million for the Veneto Group Segregated Estates.

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

Statement of the Veneto Group Segregated Estate as at 31 December 2019

Introduction

On 11 April 2018, pursuant to the provisions of article 5 of Decree Law no. 99 of 25 June 2017 (hereinafter also "Decree Law"), converted into Law no. 121 of 31 July 2017, and further to the provisions of Ministerial Decree no. 221 of 22 February 2018 (hereinafter "MD 221/2018"), AMCO signed with Banca Popolare di Vicenza S.p.A. in administrative compulsory liquidation and with Veneto Banca S.p.A. in administrative compulsory liquidation, agreements (hereinafter also "Transfer Contracts") to acquire the portfolios of non-performing loans of the two banks, via and on behalf of, respectively, the "Vicenza Group Segregated Estates" and the "Veneto Group Segregated Estates" (hereinafter also "Segregated Estates" or "DA"), both established by means of the afore-mentioned MD 221/2018.

The transfer had as its object the loans classified or classifiable as bad loans, unlikely to pay and past due as of the date of the launch of the administrative compulsory liquidation procedures and not transferred to and/or retroceded by Intesa Sanpaolo S.p.A. in accordance with Articles 3 and 4 of the afore-mentioned Decree Law, together with assets, agreements and legal rights and obligations accessory to the same, with the exclusion from this scope of certain assets, liabilities, agreements and rights and obligations identified in the transfer agreements on a consistent basis with the criteria laid down by MD 221/2018.

Furthermore, the Decree that regulated the operation indicated in article 5, paragraph 4 indicates that "The separate financial statements are prepared in compliance with international accounting standards". These separate statements, prepared for each Segregated Estate, forms an annex to these financial statements, in accordance with the general provisions on Segregated Estates.

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

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

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

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

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

- AMCO is not required to consolidate the Segregated Estates, nor can these be considered joint ventures with the Company;
- AMCO does not have an equity investment in the Segregated Estates, which cannot therefore be considered to be equity investments in non-consolidated structured entities;
- the constitution of two Segregated Estates, in order to pursue the specific statutory safeguards offered by this institution, and the existence of an ongoing management contract between them and AMCO ensures that the relationship between the Company and the Segregated Estates falls within the cases of sponsorship envisaged by IFRS 12. Therefore, the disclosure obligations are those defined by IFRS 12.27 and fulfilled in this reports and accounts, as well as in the Notes to the financial statements of AMCO.

Performance of managed assets

On 11 May 2019 Intesa Sanpaolo exercised the option offered by Italian Decree Law no. 99 of 25 June 2017, at art. 4, paragraph 5, letter b), for the transfer to the LCAs of the performing assets of the former Veneto Banks High-Risk positions at the time of the purchase by the same Intesa Sanpaolo. These positions were successfully transferred to the respective Segregated Estates. With reference to the Veneto Group Segregated Estates the Gross Book Value transferred is around EUR 154 million.

On 12 October 2019 Intesa Sanpaolo exercised the same option for a further portfolio with a Gross Book Value of around EUR 69 million.

On 23 December 2019 AMCO and the Prelios Group signed an agreement with Banca Monte dei Paschi di Siena, MPS Capital Services per le Imprese, UBI Banca and Banco BPM (together the “banks”) for the creation of a multi-originator platform to manage UTP (unlikely to pay) loans relative to the property sector. The transaction, called Cuvée, was executed through an untranching securitisation transaction of loans transferred by the banks and by AMCO (the securitisation vehicle is Ampre SPV S.r.l.) and the investment in a closed common property Fund managed by Prelios SGR (called “Back2Bonis”). In the current first phase the Veneto Group Segregated Estates transferred to the Fund a Gross Book Value of around EUR 28 million.

Report

With reference to the Veneto Group Segregated Estates, the portfolio includes:

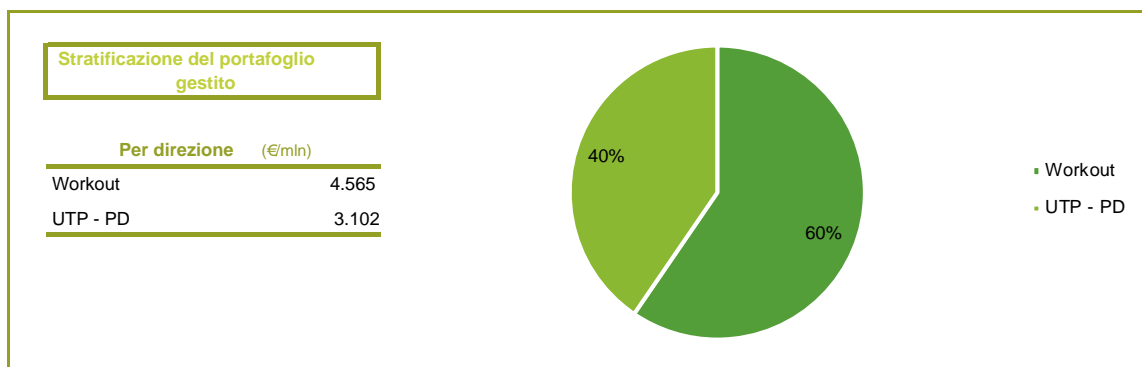
Veneto Group DA (EUR/mln)	31/12/2019	31/12/2018
Gross Book Value	7,668	7,723
- Italian portfolio	4,884	4,808
- Securitised portfolio (Flaminia)	2,133	2,208
- Foreign portfolio	651	707
Net Present Value	2,345	2,426
- Other assets	147	81
Total	2,492	2,507

The Net Present Value is based on internal data and valuations and therefore does not represent the approximation of an IFRS 9 compliant value. It reflects the estimated legal expenses for the recovery of loans as well as the outsourcing management commissions, in addition to the discounting effect on the estimated recoveries over time.

The item Other assets includes:

- Liquidity on current accounts of EUR 138.7 million inclusive of fees for the last quarter of 2019 yet to be liquidated for the servicing activity carried out by AMCO on the portfolio;
- Securities, equity financial instruments and similar instruments for EUR 6.9 million. Please note that the units of the Back2Bonis Fund have not been included as they are already included in the NPV loans;
- Active rate derivatives with a mark to market of EUR 1.7 million.

The following tables report an overview of portfolios:



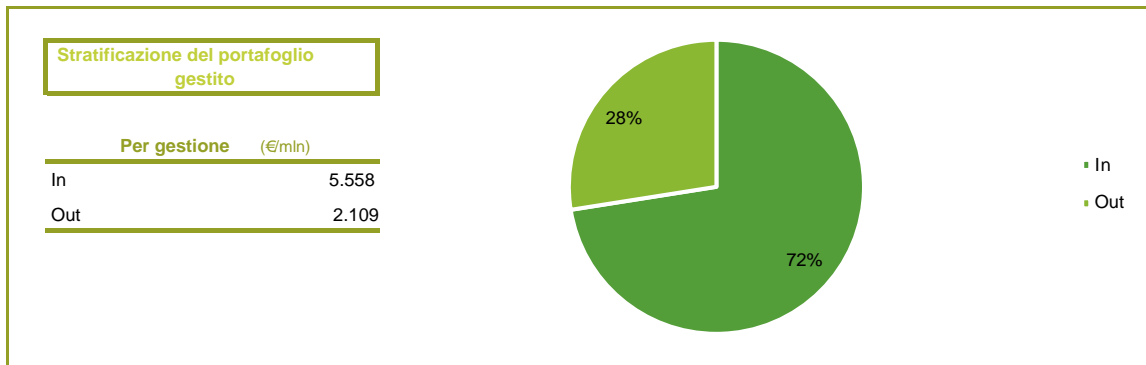
In accordance with sector best practices, also included in the “Guidance to banks on non-performing loans” issued by the European Central Bank, AMCO's management strategies are differentiated in accordance with the characteristics of debtors and their relative credit exposures with the objective of maximising value of positions.

With regard to this, the portfolio management is differentiated in accordance with the following criteria:

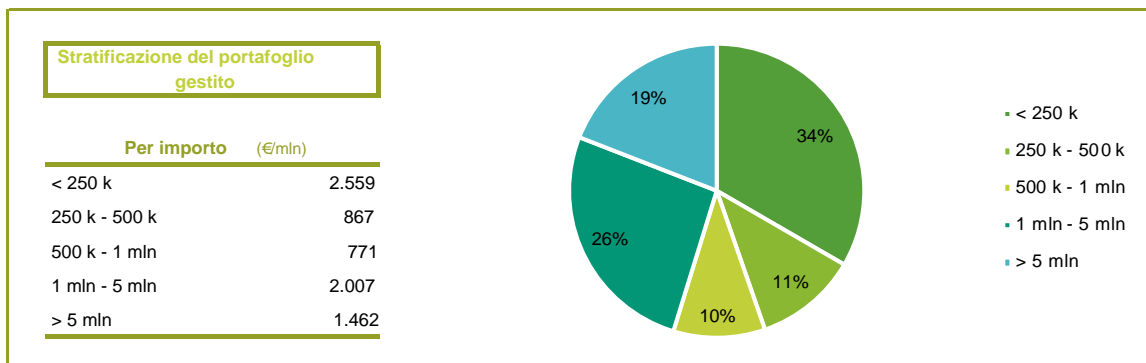
- gone concern loans, or non-performing loans whose operating cash flows from the borrower have ceased, for which the loan recovery strategy requires the maximisation of the value of the collateral or actions for the activation of the exposure also from a liquidation point of view;
- going concern loans,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

reinstatement/safeguard of the going concern also by making recourse to new finance, should the prerequisites for this exist.

If the portfolio is analysed according to business unit, intended as the company division with the task of managing “gone concern” loans (Workout) loans and “going concern” (UTP/PD) loans, it can be observed that the UTP/PD business unit accounts for 40% of the total.



Outsourced management represents 28% of the portfolio, as the strategy defined by the Company determines that economies of scale for low value positions (generally particularly fragmented) are best achieved through specialist servicers (also taking account the level of maturity and standardisation of market solutions).



Analysing the portfolio by amount it can be noted that 45% of the portfolio is made up by positions amounting to more than EUR 1 million, while 34% of the portfolio is represented by positions amounting to less than EUR 250 thousand.

Veneto Group DA (EUR/mln)	31/12/2019	31/12/2018
Collections		
- Non-securitised portfolio	290	110
- Securitised portfolio (Flaminia)	37	18
Total	327	129

The cash repaid in 2019 on the management agreements of the Segregated Estates is around EUR 289.7 million. This cash flow was reported to the LCA on a quarterly basis as required by the transfer agreement.

With regard to the Flaminia securitised portfolio, cash flows transferred to the LCAs amounted to EUR 37.0 million.

Statement of the Vicenza Group Segregated Estate as at 31 December 2019

Introduction

On 11 April 2018, pursuant to the provisions of article 5 of Decree Law no. 99 of 25 June 2017 (hereinafter also “Decree Law”), converted into Law no. 121 of 31 July 2017, and further to the provisions of Ministerial Decree no. 221 of 22 February 2018 (hereinafter “MD 221/2018”), AMCO signed with Banca Popolare di Vicenza S.p.A. in administrative compulsory liquidation and with Veneto Banca S.p.A. in administrative compulsory liquidation, agreements (hereinafter also “Transfer Contracts”) to acquire the portfolios of non-performing loans of the two banks, via and on behalf of, respectively, the “Vicenza Group Segregated Estates” and the “Veneto Group Segregated Estates” (hereinafter also “Segregated Estates” or “DA”), both established by means of the afore-mentioned MD 221/2018.

The transfer had as its object the loans classified or classifiable as bad loans, unlikely to pay and past due as of the date of the launch of the administrative compulsory liquidation procedures and not transferred to and/or retroceded by Intesa Sanpaolo S.p.A. in accordance with Articles 3 and 4 of the afore-mentioned Decree Law, together with assets, agreements and legal rights and obligations accessory to the same, with the exclusion from this scope of certain assets, liabilities, agreements and rights and obligations identified in the transfer agreements on a consistent basis with the criteria laid down by MD 221/2018.

Furthermore, the Decree that regulated the operation indicated in article 5, paragraph 4 indicates that “The separate financial statements are prepared in compliance with international accounting standards”. These separate statements, prepared for each Segregated Estate, forms an annex to these financial statements, in accordance with the general provisions on Segregated Estates.

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

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

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

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

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

- AMCO is not required to consolidate the Segregated Estates, nor can these be considered joint ventures with the Company;
- AMCO does not have an equity investment in the Segregated Estates, which cannot therefore be considered to be equity investments in non-consolidated structured entities;
- the constitution of two Segregated Estates, in order to pursue the specific statutory safeguards offered by this institution, and the existence of an ongoing management contract between them and AMCO ensures that the relationship between the Company and the Segregated Estates falls within the cases of sponsorship envisaged by IFRS 12. Therefore, the disclosure obligations are those defined by IFRS 12.27 and fulfilled in this reports and accounts, as well as in the Notes to the financial statements of AMCO.

Performance of managed assets

On 11 May 2019 Intesa Sanpaolo exercised the option offered by Italian Decree Law no. 99 of 25 June 2017, at art. 4, paragraph 5, letter b), for the transfer to the LCAs of the performing assets of the former Veneto Banks High-Risk positions at the time of the purchase by the same Intesa Sanpaolo. These positions were successfully transferred to the respective Segregated Estates. With reference to the Vicenza Group Segregated Estates the Gross Book Value transferred is around EUR 246 million.

On 12 October 2019 Intesa Sanpaolo exercised the same option for a portfolio with a Gross Book Value of around EUR 145 million.

On 23 December 2019 AMCO and the Prelios Group signed an agreement with Banca Monte dei Paschi di Siena, MPS Capital Services per le Imprese, UBI Banca and Banco BPM (together the “banks”) for the creation of a multi-originator platform to manage UTP (unlikely to pay) loans relative to the property sector. The transaction, called Cuvée, was executed through an untranching securitisation transaction of loans transferred by the banks and by AMCO (the securitisation vehicle is Ampre SPV S.r.l.) and the investment in a closed common property Fund managed by Prelios SGR (called “Back2Bonis”). In the current first phase the Vicenza Group Segregated Estates transferred to the Fund a Gross Book Value of around EUR 54 million.

Report

With reference to the Vicenza Group Segregated Estates, the portfolio includes:

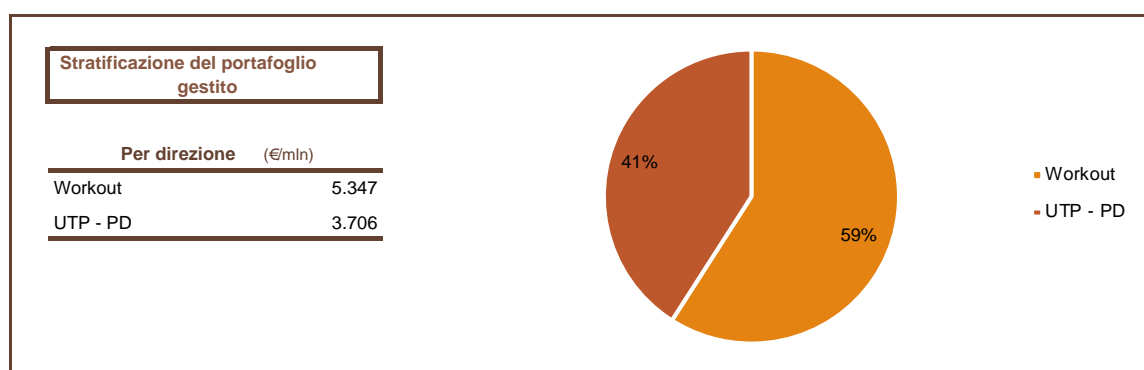
Vicenza Group DA (EUR/mln)	31/12/2019	31/12/2018
Gross Book Value	9,040	9,019
- Italian portfolio	4,831	4,677
- Securitised portfolio (Ambra)	4,209	4,342
- Foreign portfolio	-	-
Net Present Value	2,783	2,759
- Other assets	110	123
Total	2,893	2,882

The Net Present Value is based on internal data and valuations and therefore does not represent the approximation of an IFRS 9 compliant value. It reflects the estimated legal expenses for the recovery of loans as well as the outsourcing management commissions, in addition to the discounting effect on the estimated recoveries over time.

The item Other assets includes:

- Liquidity on current accounts of EUR 79.2 million inclusive of remuneration for the last quarter of 2019 yet to be liquidated for the servicing activity carried out by AMCO on the portfolio;
- Securities, equity financial instruments and similar instruments for EUR 25.6 million. Please note that the units of the Back2Bonis Fund have not been included as they are already included in the NPV loans;
- Active rate derivatives with a mark to market of EUR 5.5 million.

The following tables report an overview of portfolios:



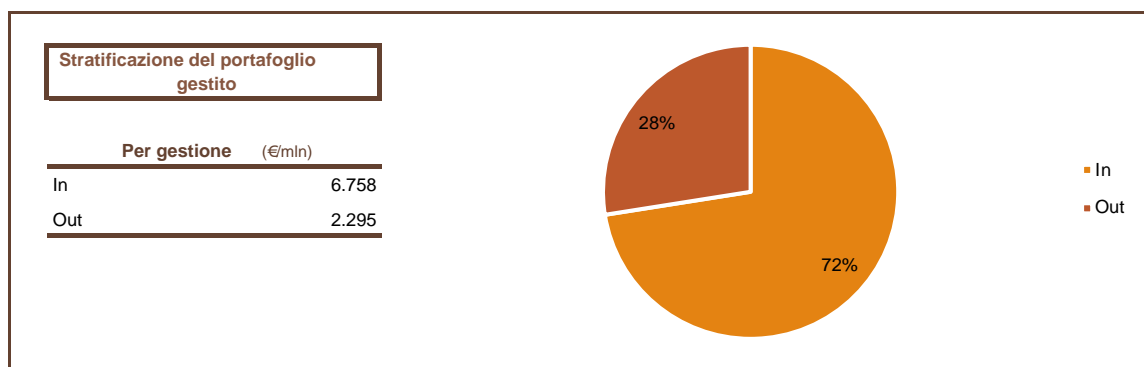
In accordance with sector best practices, also included in the “Guidance to banks on non-performing loans” issued by the European Central Bank, AMCO’s management strategies are differentiated in accordance with the characteristics of debtors and their relative credit exposures with the objective of maximising value of positions.

With regard to this, the portfolio management is differentiated in accordance with the following criteria:

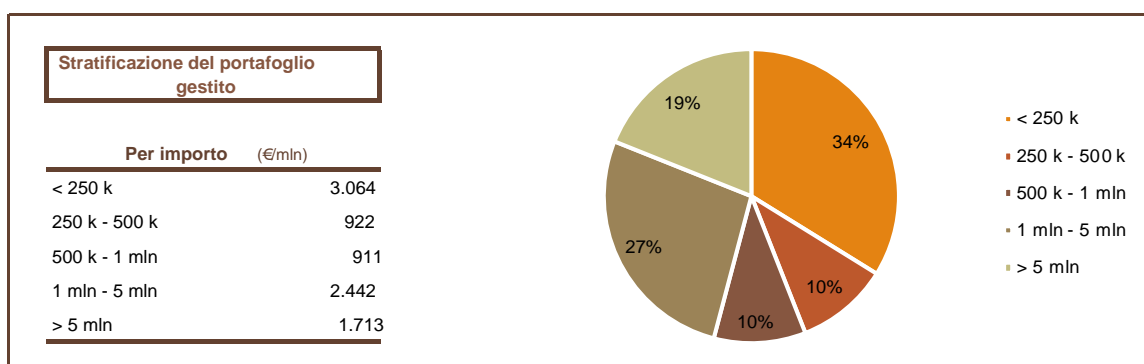
- gone concern loans, or non-performing loans whose operating cash flows from the borrower have ceased, for which the loan recovery strategy requires the maximisation of the value of the collateral or actions for the activation of the exposure also from a liquidation point of view;
- going concern loans,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

reinstatement/safeguard of the going concern also by making recourse to new finance, should the prerequisites for this exist.

If the portfolio is analysed according to business unit, intended as the company division with the task of managing “gone concern” loans (Workout) loans and “going concern” (UTP/PD) loans, it can be observed that the UTP/PD business unit accounts for 41% of the total.



Outsourced management represents 28% of the portfolio, as the strategy defined by the Company determines that economies of scale for low value positions (generally particularly fragmented) are best achieved through specialist servicers (also taking account the level of maturity and standardisation of market solutions).



Analysing the portfolio by amount it can be noted that 44% of the portfolio is made up by positions amounting to more than EUR 1 million, while 34% of the portfolio is represented by positions amounting to less than EUR 250 thousand.

Vicenza Group DA (EUR/mln)	31/12/2019	31/12/2018
Collections		
- Non-securitised portfolio	259	98
- Securitised portfolio (Flaminia)	98	50
Total	358	148

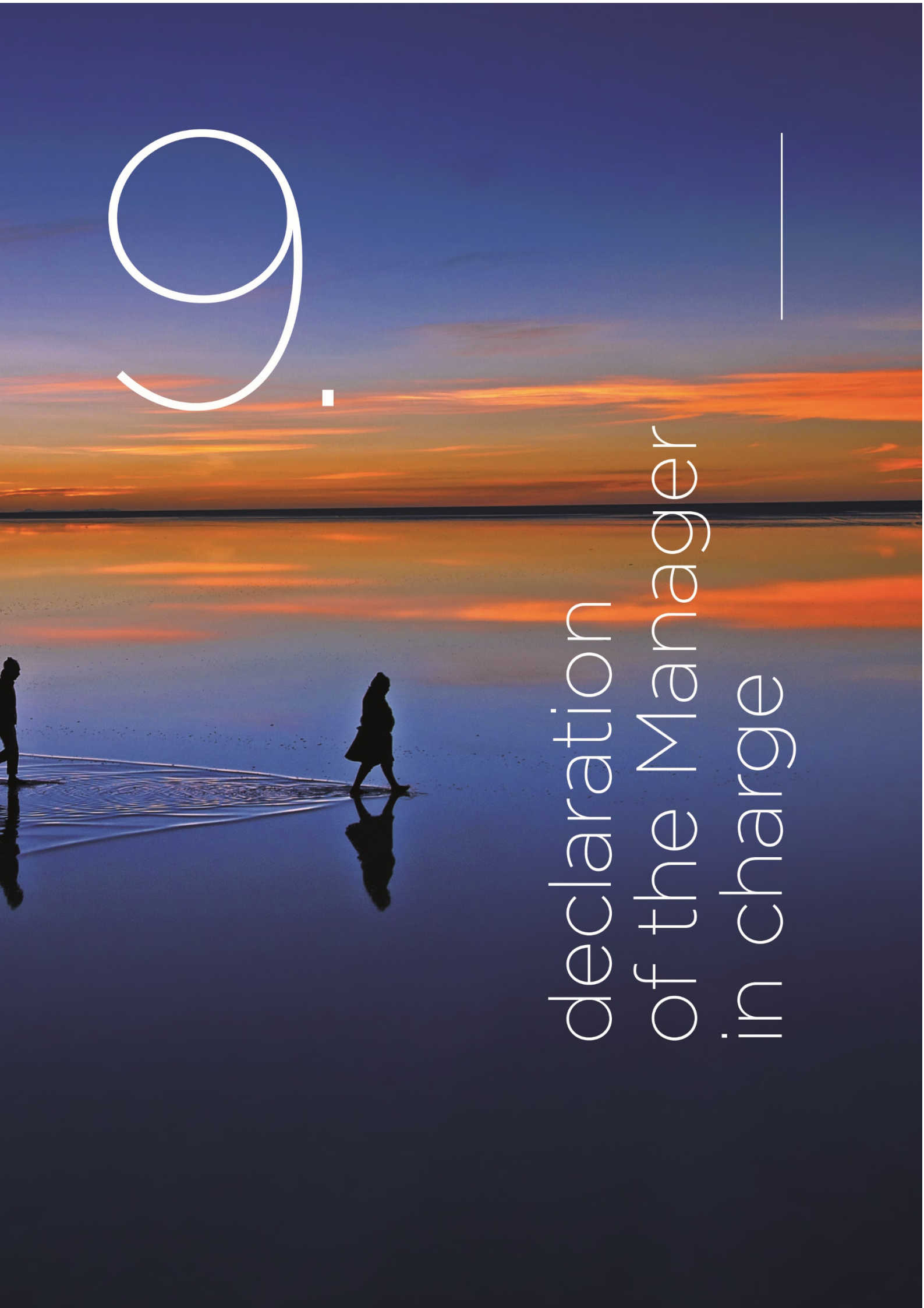
The cash repaid in 2019 on the management agreements of the Segregated Estates is around EUR 259.5 million. This cash flow was reported to the LCA on a quarterly basis as required by the transfer agreement.

With regard to the Flaminia securitised portfolio, cash flows transferred to the LCAs amounted to EUR 98.2 million.

9.

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declaration
of the Manager
in charge

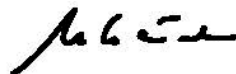


Attestation of the Chief Executive Officer and Manager in charge of preparing the Company's Financial Reports on the Consolidated Financial Statements and Report on Operations as at 31 December 2019 pursuant to art. 154 bis of Italian Legislative Decree 58/1998

1. The undersigned MARINA NATALE, in her role of Chief Executive Officer and SILVIA GUERRINI, in her role of Manager in charge of preparing the Company's Financial Reports of AMCO – Asset management company S.p.A., also taking into account the provisions of art. 154 bis, paragraphs 3 and 4, of Italian Legislative Decree no. 58 of 24 February 1998, art. 13, paragraph 6, of the Articles of Association and what stated at point 2 below, certify:
 - the adequacy in relation to the characteristics of the company and the corporate structure;
 - the effective application of administrative and accounting procedures and practices in the preparation of the Consolidated Financial Statements as at 31 December 2019.
2. In this regard, it should be noted that the undersigned SILVIA GUERRINI has carried out activities useful for the verification of the adequacy and the effective application of current procedures and consolidated administrative and accounting provisions, while at the same time continuing to pursue the rationalisation of the same.
3. The undersigned also certify that the consolidated financial statements as at 31 December 2019:
 - correspond to the accounting entries and records;
 - are suitable to provide a truthful and correct representation of the financial, economic and assets situation of the Company;
 - are drawn in compliance with the IAS/IFRS international accounting standards recognised by the European Community and the Provisions of the Bank of Italy on the subject.
4. Lastly, it is certified that the Consolidated Report on Operations as at 31 December 2019 includes a reliable analysis of the Company's performance and result as well as the Company's situation, together with a description of the main risks and uncertainties to which the Company is exposed.

Milan, 11 March 2020

Marina Natale
Chief Executive Officer

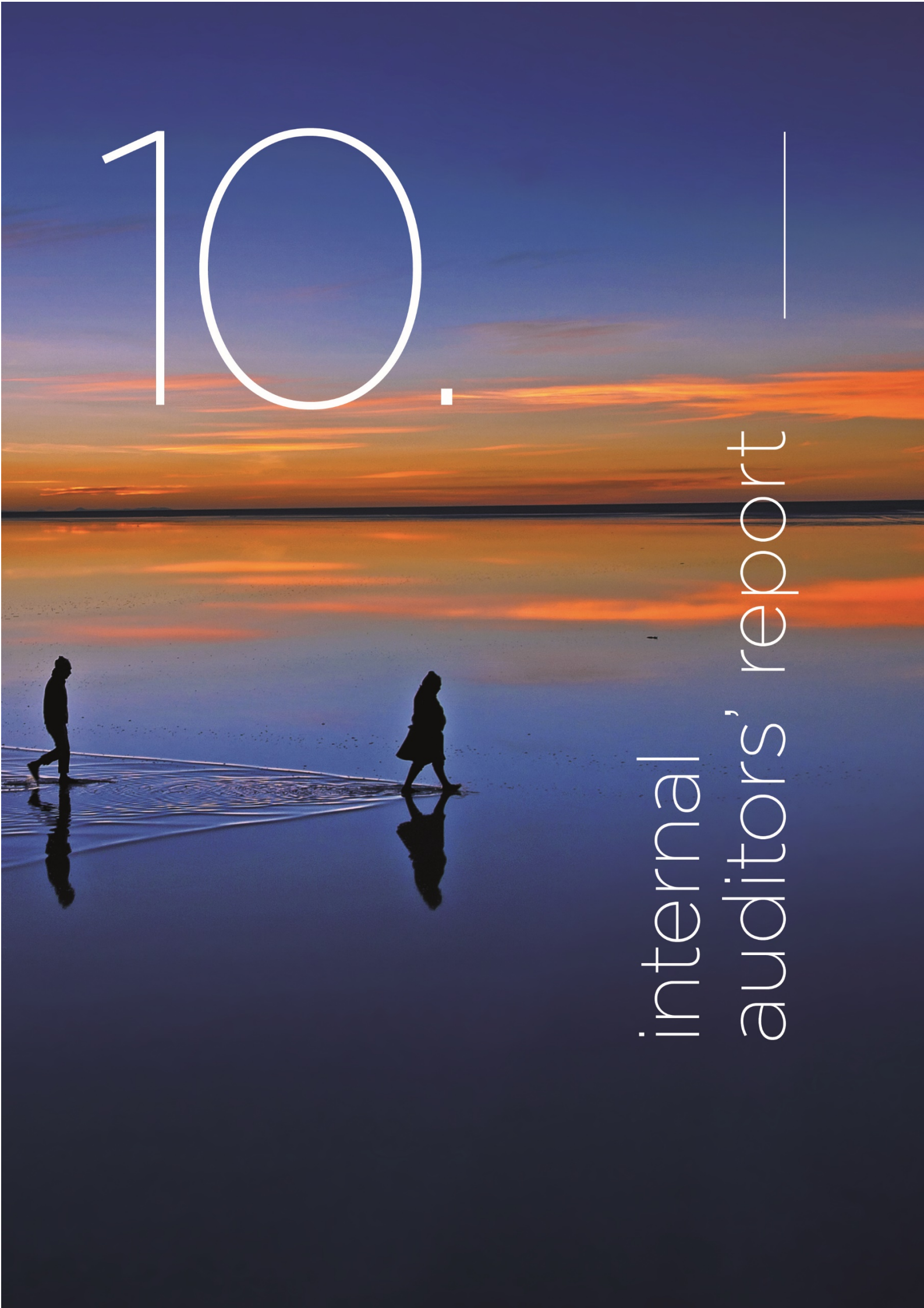


Silvia Guerrini
*Manager in charge of preparing the
Company's Financial Reports*



10.

internal
auditors' report



BOARD OF STATUTORY AUDITORS REPORT ON CONSOLIDATED FINANCIAL STATEMENT

On 19 July 2019 the Extraordinary Shareholders' Meeting of the Parent Company approved the change of the Company's name to AMCO – Asset Management Company S.p.A. (AMCO S.p.A.).

The Company due to the true sale securitisation transaction of the non performing exposure portfolio of Banca Fucino finalized on 14 September 2019, drew up for the first year the consolidated financial statements including only the securitisation vehicle "Fucino NPL's S.r.l. in the scope of consolidation.

Currently the Parent Company holds the entire shareholding of Immobiliare Carafa S.r.l in liquidation, a company established for the optimization of mortgages recoveries and used for auction and acceptance in lieu operations, placed into liquidation with resolution of the shareholders' meeting of 13 June 2019. During the 2019 financial year no operations were carried out with the company.

In addition to Immobiliare Carafa S.r.l. in liquidation, the Parent Company fully controls Società per la Gestione di Attività S.r.l. (now AMCO – Asset Management Co. S.r.l.), a Romanian registered company dealing with the management of deteriorated loans to Romanian residents, held by the Segregated Estate of Veneto Group. A contract referred to servicing activities is in place with the latter, for which commissions expense of EUR 1.1 million was recognised during the 2019 financial year.

Immobiliare Carafa S.r.l. in liquidation and SGA S.r.l. are not included in the scope of consolidation taking into account the negligible impact of these, at aggregate level.

The financial transactions carried out with other subsidiaries of the Ministry of Economy and Finance, realised at market conditions, refer to current accounts with Monte Paschi di Siena S.p.A. and Poste Italiane, in addition to securities lending transactions with Monte Paschi di Siena S.p.A., which generated commission income for EUR 0.2 million during the 2019 financial year, all relating to the Parent Company.

Further transactions of a commercial nature with other investees of the Ministry of Economy and Finance (ENEL) are part of the normal use of services as a user, also obtained at market conditions.

The Group recorded an EBITDA as at 31 December 2019 of EUR 48.2 million and a net profit in 2019 of EUR 42.3 million.

The capital structure is positively affected by the share capital increase approved on 29 November 2019. The share capital of the company went from EUR 3,000,000 (represented by 3,000,000 ordinary shares without nominal value) to EUR 600,000,000 (represented by 600,000,000 ordinary shares without nominal value). At the same time the share premium reserve increased of EUR 403,000,000.

The net commission is equal to EUR 46.3 million. The commission income as at 31 December 2019 amounts to EUR 47.4 million up on last year when it was equal to EUR 37.8 million (+25%).

The Company mainly earns servicing commission for the management of non-performing loans included in the Veneto Group and Vicenza Group Segregated Estates. The commission structure is based on the type of activity carried out (master servicing, special servicing) and the management characteristics of the loan.

Commissions are mainly originated by the management of non-performing loans included in the Veneto Group and Vicenza Group Segregated Estates (EUR 47.1 million) and marginally by the commissions due to the securities lending on government bond (EUR 0.2 million) and for the commission due to the servicing activities on the securitization portfolio Fucino (EUR 0.1 million). Commission expenses are equal to EUR 1.01 million for commissions paid to the Romanian subsidiary SGA S.r.l. for the management of non-performing loans of the Veneto Group Segregated Estates to Romanian residents.

The figure indicated above was calculated as a sum of:

- EUR 35.1 million, represented by commissions received by the Parent Company for the management of non-performing loans included in the Veneto Group and Vicenza Group Segregated Estates;
- EUR 11.5 million, for the Parent Company's Special Servicing activity on loans included in the Ambra and Flaminia securitisations by Credito Fondiario S.p.A., which acts as Master Servicer;
- EUR 0.5 million deriving from the mandate to manage Financed Capital.

The net result is positively influenced by the investment in Italian Recovery Fund that generates a capital gain of EUR 18.2 million due to Net Asset Value of the units communicated by the management company DeA Capital Alternative Funds SGR S.p.A. within the sphere of the Report on Operations as at 31 December 2019.

The other items that positively affect the net result are the Interest income from customers recognised in the financial statements for 2019 amounts to EUR 29.2 million, and mainly originate from the recognition of interest income deriving from assets acquired from Banca Carige and Istituto per il Credito Sportivo and recognised as purchased or originated as credit-impaired ("POCI") in compliance with the provisions of IFRS 9, which recorded revenues for an amount equal to, respectively, EUR 22.7 million and EUR 0.9 million; in addition interest income, also recognised as "POCI", deriving from the loans portfolio of the securitisation vehicle Fucino NPL's S.r.l., of EUR 5.6 million.

In addition to interests and commissions, revenues include other income from ordinary operations for EUR 15.3 million, mainly deriving from write-backs on the collections from loans of the portfolio of former Banco di Napoli.

Analysing the costs, staff costs are equal to EUR 23.6 million, in consideration of the Group's growth (from 144 to 233 units), in particular in consideration of the Group's new operational phase following the development of business as well as managing activities, in its role of Special and Master Servicer, of the portfolio held by the Fucino NPL's securitisation vehicle.

The other administrative expenses amount to EUR 24.9 million due essentially to the costs for the credit recovery, consulting fee and setup costs connected to the structural growth of the Company's activities in line with the development of the new assets managed.

Tax assets are equal to EUR 79.912 million and include only tax assets recognised in accordance with IAS 12 and therefore relating to direct taxes. Recognised deferred tax assets refer mainly for EUR 65.1 million to IRES DTAs of which EUR 54.7 million for write-downs of assets not yet deducted pursuant to article 106, paragraph 3, TUIR (Consolidated Act on Income Taxes). Due to the positive results of the past years the Group does not have any tax losses to carry forward.

Current taxes include the negative value of EUR 3.0 million and refer to the provisions for the current year for IRAP amounting to EUR 3.3 million, for IRES for the financial year result amounting to EUR 2.1 million, offset by deferred tax assets for EUR 4 million and the recognition of EUR 1.6 million for deferred tax liabilities; the amount of deferred tax assets is in turn generated by the positive effect of temporary differences for EUR 6.3 million and by a negative effect related to the reversal of deferred tax assets for EUR 2.3 million.

Taking into account:

- (i) the results of the activity carried out by the subject in charge of the statutory audit of the accounts contained in the auditing report of the Financial Statements,
- (ii) the assessments directed by the same Board, also regarding the legitimacy of the Directors' decisions and the adequacy of the organizational, administrative and accounting structure adopted by the company;
- (iii) according to the consideration already mentioned in our Report on separated financial statements;

The Board of Auditors expresses its favorable opinion regarding the approval of the AMCO consolidated financial statements closed on 31 December 2019.

Rome, April 10, 2020

THE BOARD OF STATUTORY AUDITORS

dott. G. Riccardi (Presidente)

dott.ssa G. Puglisi (Sindaco Effettivo)

dott. G. P. Lo Prejato (Sindaco Effettivo)

11.

independent
auditors' report

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**INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014**

**To the sole Shareholder of
AMCO – Asset Management Company S.p.A.**

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of AMCO – Asset Management Company S.p.A. and its subsidiaries (the Group), which comprise the balance sheet as at December 31, 2019, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and the related notes to the accounts.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and the requirements of national regulations issued pursuant to art. 43 of Italian Legislative Decree no. 136/15.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of AMCO – Asset Management Company S.p.A. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Purchase of Non Performing Exposures

Description of the key audit matter

The financial statements as at December 31, 2019 show, in Report on Operations– paragraph “Relevant events of 2019” and in the notes to the financial statements Part B – Information on the balance sheet, Part C- Information on the income statement and Part D – Other Information, that on December 20, 2019 the Company acquired from Banca Carige Group S.p.A. a portfolio with a Gross Book Value of EUR 2.3 billion, constituted by loans classified for approximately 60% as “Unlikely to pay” (UTP) and for the remaining portion of 40% as “Bad loans”. The cost of this transaction amounted to EUR 854 million, with economic effectiveness starting from July 1st, 2019.

In December the Company also acquired without recourse from Istituto per il Credito Sportivo a portfolio of mortgage loans, composed by exposures classified as “Bad loans”, for a Gross Book Value of EUR 47 million. The cost of this transaction amounted to EUR 8.6 million, with economic effectiveness starting from April 1st, 2019.

The financial assets acquired from Banca Carige Group and Istituto per il Credito Sportivo, accounted for as “Purchased or Originated Credit-Impaired” (“POCI”), generated revenues according to IFRS 9 for, respectively, EUR 22.7 million and EUR 0.9 million.

The Company, in the definition of the Effective Interest Rate ‘credit adjusted’ relating to the purchased Non Performing Exposures, resorted to an evaluation model characterized by subjectivity and complex processes, based on assumptions regarding, among others, expected future cash flows and expected recovery time.

Given the materiality of the purchased Non Performing Exposures and the complexity of the estimate of the relating interest income carried out by the Directors, using highly judgemental inputs (e.g. the expected future cash flows and expected recovery time) in order to fix the Effective Interest Rate ‘credit adjusted’, we deem that the recognition and the evaluation of the purchased Non Performing Exposures and their ‘credit adjusted’ interest income accounting model, represent a key audit matter of the Group’s consolidated financial statements as at December 31, 2019.

Audit procedures performed

The main audit procedures performed were:

- understanding of the purchased Non Performing Exposures transaction, through reading the contracts and Board of Directors’ meeting minutes together with Management enquiries;
- comprehension of the organisational and procedural controls set up by the Company for the definition of the ‘credit-adjusted’ Effective Interest Rate and of the relating monitoring activities;
- analysis of the accounting treatment applied by the Company also through enquiries to operational units and check of its compliance with the requirements of the applicable International Financial Reporting Standards, also with the support of experts belonging to Deloitte network;

- analysis and comprehension of the valuation methods and checks on the reasonableness of the assumptions and key inputs used by the Company for determining and evaluating the 'credit-adjusted' Effective Interest Rate relating to the purchased Non Performing Exposures;
- recomputation of interest income on purchased Non Performing Exposures;
- recomputation, on a sample basis, of purchased Non Performing Exposures book value as at financial statements date;
- analysis, also with the support of experts belonging to Deloitte network, of the "on-boarding process" of the informational background and data relating to purchased portfolios, through understanding of governance, organization and management aspects of IT systems migration, evaluation of Company's activities during migration and post-migration phases, verification of the adequacy and of the operational effectiveness of the controls implemented by the Company on the IT systems involved in the migration process;
- verification of the adequacy and compliance of the disclosure provided in the notes to the accounts with respect to the requirements of the applicable accounting standards.

Cuvée transaction: accounting derecognition of a loan portfolio

Description of the key audit matter

The financial statements as at December 31, 2019 show, in Report on Operations – paragraph " Relevant events of 2019" and in the notes to the financial statements Part B – Information on the balance sheet, Part C- Information on the income statement and Part D – Other Information, that on December 23, 2019 the Company subscribed an agreement for the constitution of a multi-originator platform to manage loans classified as "unlikely to pay" (UTP) deriving from loans and credit facilities with a different nature granted to companies operating in the property sector. The operation, called "Cuvée", saw the set-up of a management platform operating on several levels through the disposal of UTP loans by four banks and the Company itself to a securitization vehicle (called "Ampre SPV S.r.L."), the subscription of the securities issued by the vehicle by a closed-end investment mutual fund reserved to professional investors (called "Back2Bonis") and managed by Prelios SGR and the assignment of the fund shares to the transferring shareholders in proportion to the value of the loans transferred.

The Company derecognized a loan portfolio from its Balance Sheet Assets and recognized "Back2Bonis" shares within "assets compulsorily measured at fair value" for an amount of EUR 45.2 million.

Given the complexity of the deal structure and the relevance of the related accounting impacts, we deem that the accounting derecognition of the loans transferred in the context of Cuvée transaction, represent a key audit matter of the Group's consolidated financial statements as at December 31, 2019.

Audit procedures performed

The main audit procedures performed were:

- understanding of the transaction's structure through reading the

contracts and Board of Directors' meeting minutes reading together with Management enquiries;

- comprehension of the organisational and procedural controls set up by the Company in accounting and evaluating the financial assets involved in the transaction;
- analysis of accounting treatment applied by the Company also through enquiries to operational units and check of its compliance with the requirements of the applicable International Financial Reporting Standards, also with the support of experts belonging to Deloitte network;
- verification of the existence of the conditions required by the IFRS 9 for the application of the accounting derecognition from the balance sheet of the Group of the transferred loans,
- verification of the correct classification and measurement of Back2Bonis shares entered in financial statements line item required by IFRS 9;
- verification of the adequacy and compliance of the disclosure provided in the notes to the accounts with respect to the requirements of the applicable accounting standards.

Consolidation of Non Performing Exposures securitized by Banca del Fucino

Description of the key audit matter

The financial statements as at December 31, 2019 show, in Report on Operations – paragraph “ Relevant events of 2019” and in the notes to the financial statements Part B – Information on the balance sheet, Part C- Information on the income statement and Part D – Other Information, that on September 14, 2019 was closed a securitisation transaction of a Non Performing Exposures portfolio of Banca del Fucino, for a Gross Book Value of EUR 297 million. The portfolio includes both loans classified as “bad loans” (for a Gross Book Value as at December 31, 2019 of EUR 201 million) and loans classified as “unlikely to pay/past due” (for a Gross Book Value as at December 31, 2019 of EUR 96 million). The closing has economic effectiveness starting from January 1st, 2019.

The Company plays the role of Master Servicer and Special Servicer, as well as underwriter of all junior and mezzanine notes issued by the securitization vehicle Fucino NPL's S.r.l. on which relevant activities has a position of control and it is exposed to the majority of the securitized portfolio risks and rewards.

In application of the IFRS 10 accounting standard, the Company is responsible for the preparation and presentation of the consolidated financial statements including the Non Performing Exposures securitized and the vehicle's assets and liabilities.

The Consolidated financial statements of the Group as at December 31, 2019 therefore include financial assets measured at amortised cost deriving from Banca del Fucino's Non Performing Exposures securitized portfolio, accounted for as “Purchased or Originated Credit-Impaired” (“POCI”), for EUR 92.4 million, and revenues for EUR 5.6 million accrued on the same portfolio during 2019.

The Company, in the definition of the Effective Interest Rate 'credit adjusted' relating to the purchased Non Performing Exposures securitized, resorted to an evaluation model characterized by subjectivity and complex processes, based on assumptions regarding, among others, expected future cash flows and expected recovery time.

Given the materiality of the purchased Non Performing Exposures securitized and the complexity of the estimate of the relating interest income carried out by the Directors, using highly judgemental inputs (e.g. the expected future cash flows and expected recovery time) in order to fix the Effective Interest Rate 'credit adjusted', we deem that the recognition and the evaluation of the purchased Non Performing Exposures securitized and their 'credit adjusted' interest income accounting model, represent a key audit matter of the Group's consolidated financial statements as at December 31, 2019.

Audit procedures performed

The main audit procedures performed were:

- understanding of the purchased Non Performing Exposures securitized transaction, through reading the contracts and Board of Directors' meeting minutes together with Management enquiries;
- comprehension of the organisational and procedural controls set up by the Company for the definition of the 'credit-adjusted' Effective Interest Rate and of the relating monitoring activities;
- analysis of the accounting treatment applied by the Company also through enquiries to operational units and check of its compliance with the requirements of the applicable International Financial Reporting Standards, also with the support of experts belonging to Deloitte network;
- analysis and comprehension of the valuation methods and checks on the reasonableness of the assumptions and key inputs used by the Company for determining and evaluating the 'credit-adjusted' Effective Interest Rate relating to the purchased Non Performing Exposures securitized;
- recomputation of interest income on purchased Non Performing Exposures securitized;
- recomputation, on a sample basis, of purchased Non Performing Exposures securitized book value as at financial statements date;
- verification of the adequacy and compliance of the disclosure provided in the notes to the accounts with respect to the requirements of the applicable accounting standards.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and the requirements of national regulations issued pursuant to art. 43 of Italian Legislative Decree

no. 136/15, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of AMCO – Asset Management Company S.p.A. has appointed us on February 12, 2019 as auditors of the Company for the years from December 31, 2019 to December 31, 2020.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of AMCO – Asset Management Company S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of AMCO – Asset Management Company S.p.A. as at December 31, 2019, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98, with the consolidated financial statements of AMCO – Asset Management Company Group as at December 31, 2019 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of AMCO – Asset Management Company Group as at December 31, 2019 and are prepared in accordance with the law.

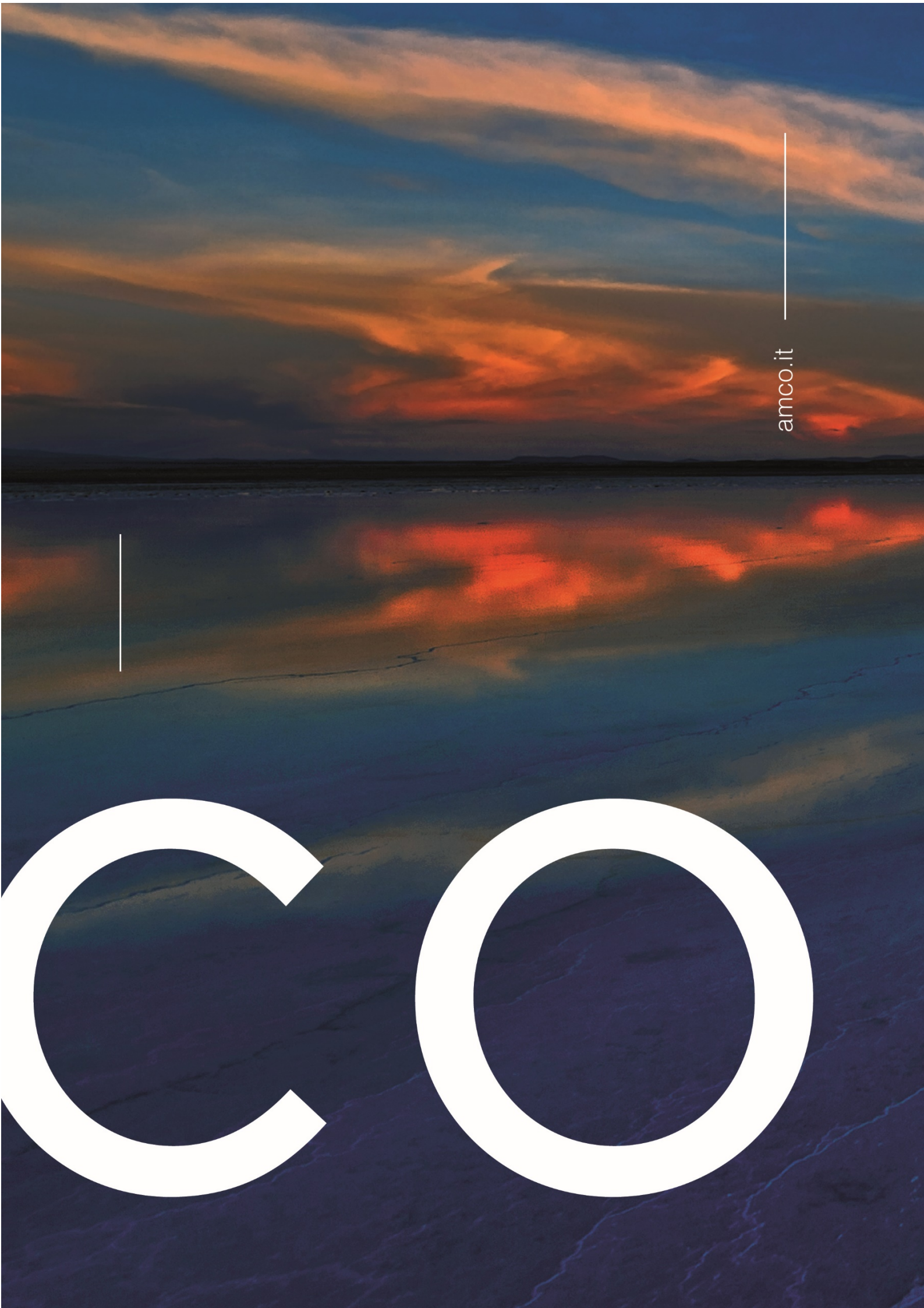
With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Maurizio Ferrero
Partner

Milan, Italy
March 27, 2020

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



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