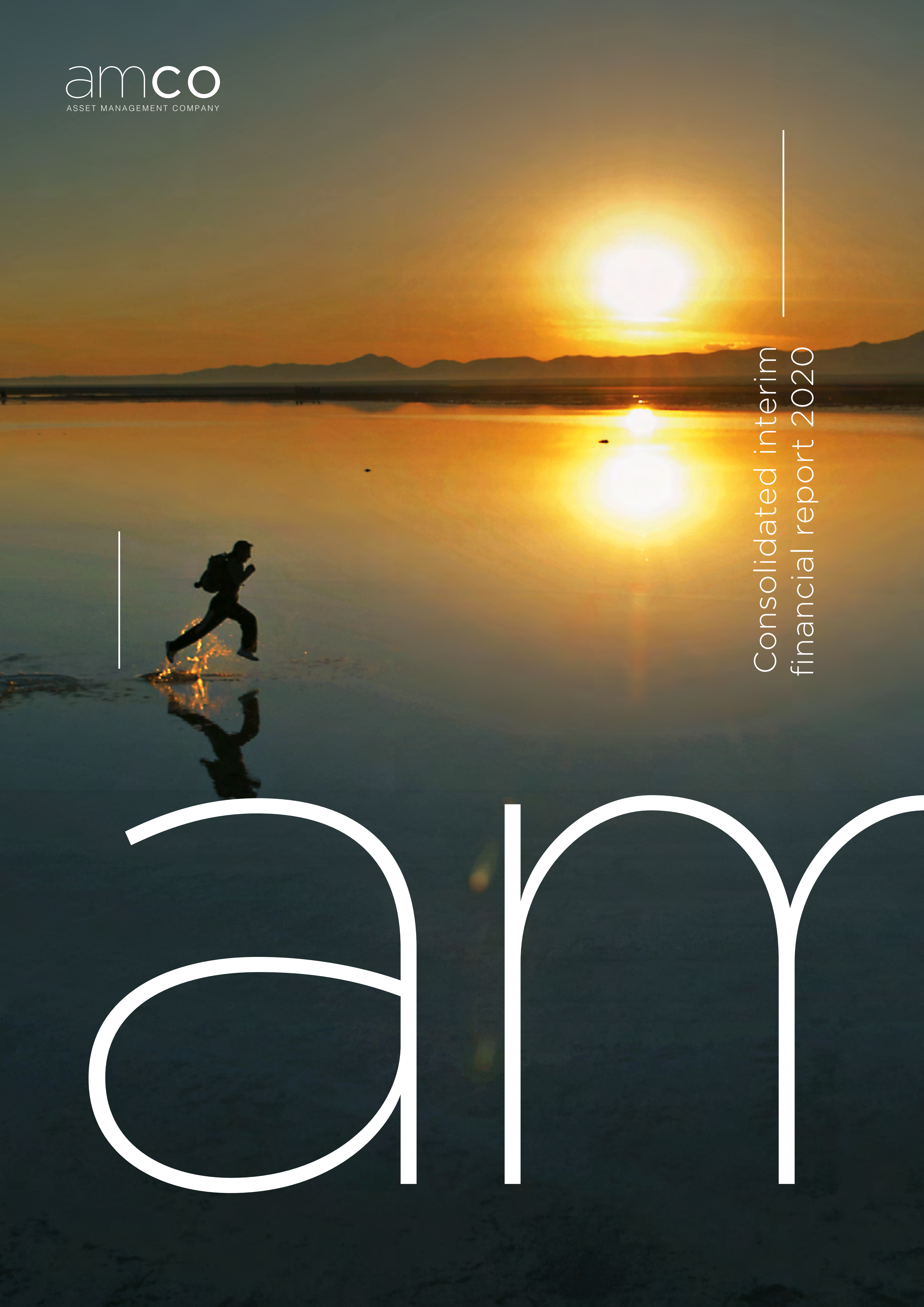

amco
ASSET MANAGEMENT COMPANY

Consolidated interim financial report 2020

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1.

corporate officers and independent auditors

Board of Directors[1]

Chairman	Stefano Cappiello
Chief Executive Officer	Marina Natale
Director	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.

Manager in charge of preparing the Company's Financial Reports

Financial Reporting Manager	Silvia Guerrini

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 closing date of the Consolidated Interim Financial Report as at 30 June 2020

1 With the approval of the Financial Statements as at 31 December 2019, the three-year mandate granted to the Board of Directors has just expired. With resolution of 20 April 2020, the Shareholders' Meeting has appointed the new administrative body composed of three members and has granted a mandate to it that will expire on the date of approval of the 2022 financial statements

2.

introduction

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

On the basis of the Articles of Association in effect at the time of the approval of this Interim Financial Report, 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, 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 established 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 the Non Performing Exposure portfolio of Banca Fucino was finalised with effect from 1 January 2019. In this transaction, the Parent Company AMCO played the role of Master Servicer and Special Servicer, as well as having underwritten 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 light of the above considerations, it follows that 2020 represents the first financial year requiring preparation of the Consolidated Interim Financial Report and as a consequence, as regards the Income Statement items, since comparative figures from the same period of the previous year are not available, they are not reported therein.

3.

corporate structure

Pursuant to 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.

As at 30 June 2020, the Parent Company owns:

- the entire equity investment in Immobiliare Carafa S.r.l. in liquidation (as per resolution by the sole shareholder during the shareholders' meeting of the subsidiary held on 13 June 2019), a company established to best realise mortgages and used for auctions and acceptance in lieu transactions;
- the entire equity investment of AMCO – Asset Management Co. S.r.l., a Romanian registered company dealing with the management of non-performing loans to Romanian residents, held by the Veneto Group Segregated Estates.

The liquidation of Immobiliare Carafa S.r.l. is linked to a wider and more complex project for the organisation of property asset management ("Reoco" Project). 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 AMCO Group's corporate structure as at 30 June 2020 is shown in the following diagram:

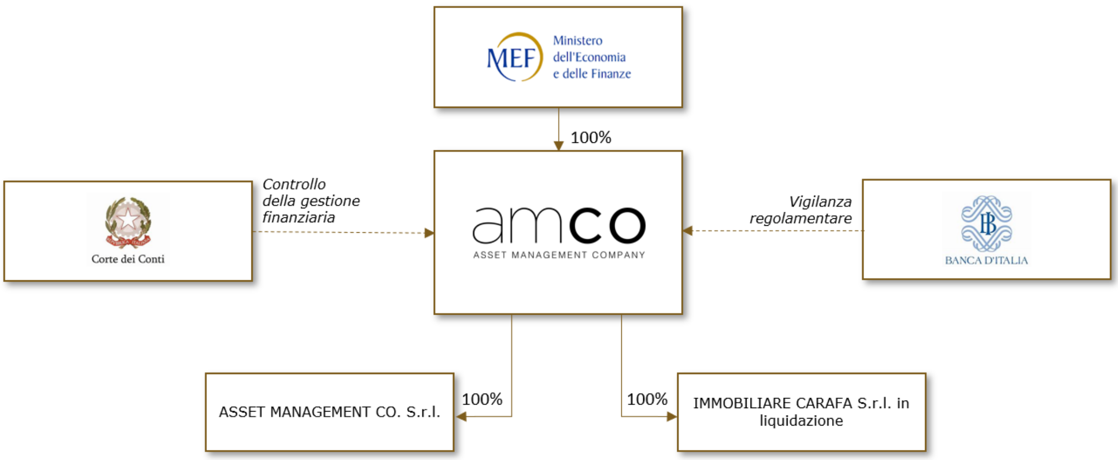


Diagram 1 - Corporate Structure as at 30 June 2020

As already expressed in the "Introduction", this Consolidated Interim Financial Report 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 AMCO S.r.l., taking into account the negligible impact of these at aggregate level.

The share capital of the Parent Company, fully paid-up, is divided into 600,000,000 ordinary shares with no nominal value and amounts to EUR 600,000,000.

4.

organisational structure

The Parent Company AMCO's organisational structure as at 30 June 2020 is shown below:

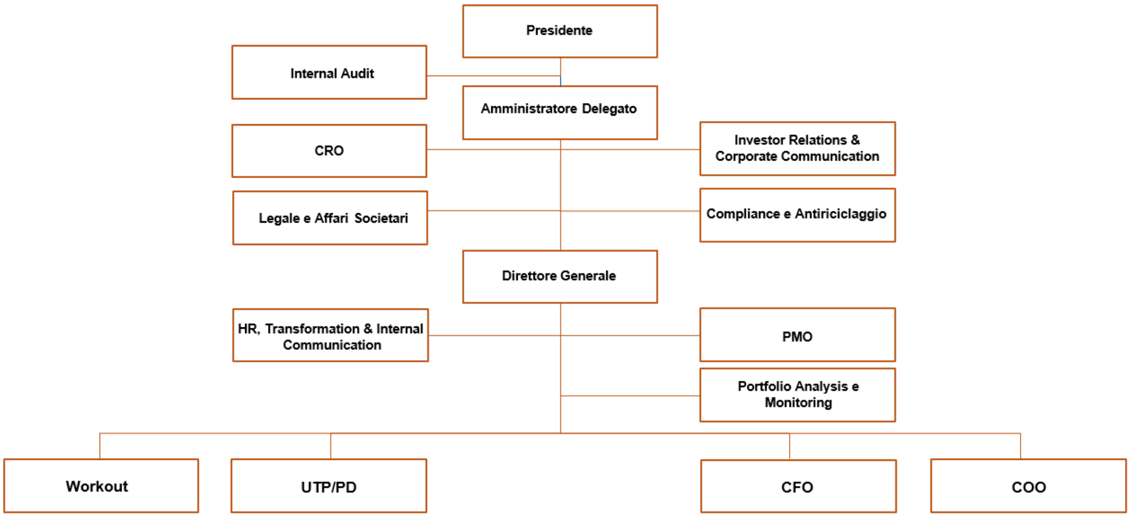


Diagram 2 - Organisational structure as at 30 June 2020

As at 30 June 2020, the following activities were outsourced:

- IT system for administrative and accounting management;
- software and hardware consulting and support;
- management of the activities related to payroll and contribution preparation, as well as of the relationships with public offices;
- analysis and management of fiscal matters related to ordinary and extraordinary operations;
- management of activities related to credit recovery for the so-called "small tickets", based on a valuation aimed at obtaining an effective balance between recovery rates, time frames, accruals, structure and costs.

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

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

Staff composition

As at 30 June 2020, the AMCO Group's number of employees was a total of 258, up compared to the correspondent number as at 31 December 2019 (no. 233 units) 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 30 June 2020, there are no coordinated and continuous collaboration contracts in place.

The following table provides the breakdown of the Parent Company headcount as at 30 June 2020 by gender, actual age and working age, qualification.

	Senior managers	Middle managers	White-collar workers	Coordinated and continued collaborators	Consultants	Total
Men (number)	12	102	37			151
Women (number)	6	55	46			107
Total	**18**	**157**	**83**			**258**
Average age	51	45	38			45
Length of service (*)	2	5	7			5
Permanent contract	17	156	80			253
Fixed-term contract	1	1	3			5

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

Table 1 - Composition of the headcount as at 30 June 2020

Litigations

There were no litigations outstanding with employees as at 30 June 2020.

Turnover

With regard to the turnover of personnel, during 2020 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 portfolios acquired from Banca Carige, ICS and Fucino, and to the start of the recovery activities on the portfolios acquired from Credito Valtellinese, Banca Igea and Banca Fucino.

Permanent contract	01.01.2020	Recruitment	Change from fixed-term to permanent contract	Resignations, retirements and terminations	Change in category	30.06.2020
Senior managers	14				3	17
Middle managers	146	16		(3)	(3)	156
White-collar workers	71	9				80
Total	**231**	**25**		**(3)**	**0**	**253**

Fixed-term contract	01.01.2020	Recruitment	Change from fixed-term to permanent contract	Resignations, retirements and terminations	Change in category	30.06.2020
Senior managers	1					1
Middle managers	1					1
White-collar workers	1	3		(1)		3
Total	**3**	**3**		**(1)**		**5**

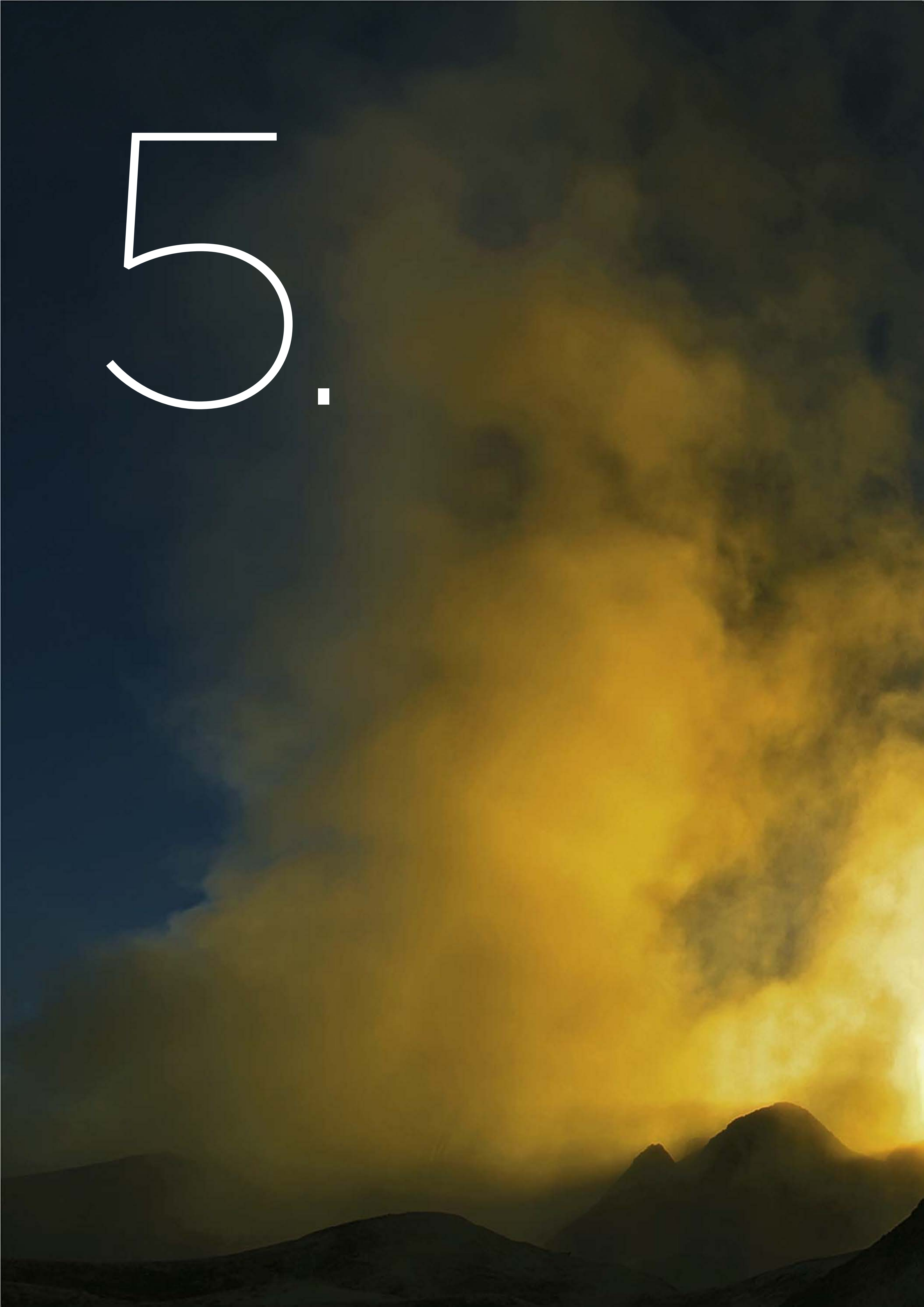
Table 2 - Staff turnover in the first half of 2020

Geographic location

As at 30 June 2020, 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 Parent Company also operates from offices in Viale Europa no. 23 in Vicenza.

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

5.



report on operations

Macroeconomic scenario

The first half of 2020 was characterised by the Covid-19 pandemic which has caused a major shock to the global economy and has introduced many uncertainties for the company's outlook also due to the possibility that some emergency health situations may arise again in the fall of 2020.

The main countries, although responding in different ways to the health crisis, all had in common, in the second quarter of 2020, a significant negative change in their GDP, except for China which in the second quarter recorded a 3.2% increase in GDP after a -6.8% decline over the first three months of 2020. In particular, the United States reported a -9.5% drop in the GDP compared with the previous quarter; the same dynamic, to an even more accentuated extent, was recorded in Europe, with Germany at -10.1%, France -13.8% and Spain -18.5%.[2]

The Italian economy has recorded the same contraction of the other European countries and after the -5.4% of the first quarter, it reported a -12.4% in the second quarter bringing the trend of this figure further down to a -17.3% for 2020.[3]

The response of the governments and the central banks has been strong and the policies in support of the economy, also unprecedented, seem to be producing some positive effects according to some SME indexes, at least based on the first indicators for the month of July.

Already at the end of 2019, the Italian economic situation was showing evident signs of stagnation, only partially mitigated, in early 2020, by some positive signs in the areas of industrial production and foreign trade. Starting from the end of February, the spread of the Covid-19 pandemic has profoundly impacted the economy, thus altering choices and opportunities for production, investments and consumption, as well as the functioning of the labour market. In addition, the rapid spread of the pandemic at a global level has drastically reduced international and consequently the foreign demand for domestic goods.

According to the Bank of Italy estimates, domestic demand has also declined in the first half of 2020 by percentages equal to the GDP contraction, with a greater decrease in durable goods; investments were subject to the same downward trend due to the lock-down months.

The deterioration of the labour market conditions due to the health emergency translated into a strong contraction of the worked hours in the first quarter (-7.5%); the negative effect on employment, down by 0.3%, was significantly mitigated by the exceptional increase in the use of social shock absorbers.[4] However, the most recent data shows that employment decline came to a halt and that there is a recovery in the labour market despite continued uncertainties.

As regards inflation, the July data showed a -0.3% contraction mainly due to a significant fall in energy prices[5]; furthermore, the drop in the demand contributes to maintaining inflation expectations low, despite the strong cash injections carried out by governments and central banks.

The data currently available on the banking sector does not fully reflect the impacts generated by the health emergency, also because of the support that will be provided by state guarantees.

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2 National Bureau of Statistics of China – 15 July 2020. US Bureau of Economic Analysis Gross Domestic Product, 2nd Quarter 2020 (Advance Estimate) – 30 July 2020. Eurostat Gross domestic product tables – 31 July 2020

3 ISTAT preliminary GDP estimate – 31 July 2020

4 Bank of Italy, Financial Bulletin no. 3/2020 – July 2020

5 ISTAT preliminary estimate on consumer prices in July – 31 July 2020

In the first half of 2020, the banking sector continued, although less intensely, its process for minimising the riskiness of assets. In particular, the NPE stock in Italy stood at EUR 132 billion at the end of the first quarter of 2020 (last available data) compared with EUR 135 billion at the end of 2019, a further decrease from EUR 157 billion at the end of the third quarter of 2019[6].

6 Bank of Italy, Banks and financial institutions: Conditions and credit riskiness for sectors and territories - 1st quarter of 2020 – 30 June 2020

Operating performance

Relevant events of the first half of 2020

Information on the effects of the Covid-19 pandemic

Impact on operations and assessments as at 30 June 2020

The Covid-19 pandemic which, starting in February 2020, had significantly affected China first, only to expand later to a worldwide level, had an unprecedented impact on the Italian and international economic and production activities. Nevertheless, the AMCO Group operations were affected only at a limited level. During the lock-down period imposed first at a regional level (two of the three sites of the Parent Company are located in Lombardy and Veneto, the regions most affected by the pandemic and by the measures adopted for containing it), the operational continuity of the Group has always been guaranteed. Beginning on 23 February, with the activation of the protocol for the management of the crisis, the processes that the Parent Company defined for the management of business continuity were implemented and the activities and work modes were promptly changed in order to ensure the containment of the health emergency, thus placing as a top priority the protection and safety of the employees while guaranteeing at the same time full operations through the extension of smart work to all employees.

To facilitate the smart work set up for all employees during the lock-down period and to guarantee the continuation of operations, the Parent Company has brought forward some already planned investments. In particular, in the first half of 2020, they consisted of:

- EUR 0.2 million for optimising remote cooperation instruments as well as the security of IT network connectivity, in order to make it possible to activate the smart work mode for all employees, beginning in the last week of February 2020, and to guarantee continuity also in the second half of the year;
- EUR 0.3 million for the weekly sanitisation protocol of the workplace, in addition to extraordinary interventions on the ventilation and air conditioning systems, activating a planning process to ensure a limited presence of employees at the Company's facilities after the lock-down.

The Parent Company is also planning for additional extraordinary investments, in the second half of 2020, related to the protection and prevention of the Covid-19 pandemic for EUR 0.4 million.

Given the above, the Group did not use any of the financial support measures provided by the government (e.g. the extraordinary lay-off fund).

The necessity to suspend production activities for a significant number of sectors has had, as a consequence, a worsening of the macro-economic scenario, the effects of which on the real economy are still to date uncertain both in terms of their extent and duration. The combination of the afore listed external factors and the types of the AMCO Group's customers has required a careful assessment of some of the financial statement items that, due to their nature, are more exposed to the general economic performance; in particular, to be noted are loans to customers, the fair value of financial assets referring to non-performing loans and deferred tax assets.

As regards loans to customers, special attention was paid to the ability of the "unlikely to pay" debtors to generate cash flows to the service of the debt in an amount sufficient enough to reduce their exposures toward the Parent Company AMCO S.p.A.

In order to assess the possible impacts on the valuation of assets and capital resources, AMCO S.p.A. has carried out, from the beginning of the lock-down period, some targeted sensitivity analyses in compliance with the guidelines issued by the Bank of Italy in terms of the self-assessment of the capital adequacy of the Parent Company (ICAAP) versus its relevant quantifiable risks.[7] This analysis assumes two macroeconomic scenarios, one "Basic" and one "Adverse": the former is characterised by a decline in the 2020 GDP of -7.2% (based on the data recorded in Italy in the two-year period 2008-2009) and a 4.4% recovery in the following year; the latter provides for a greater reduction of the 2020 GDP, equal to -12.4%, and a recovery of 7.8% in 2021. The two scenarios also assume that the general performance of the economy will suffer consequences, in terms of:

- an increase in the so-called danger rate, i.e. a slide into more risky non-performing credit classes of some counterparties that are currently in temporary financial difficulties;
- a change in the revenue timing due to the lengthening of executive and non-executive procedures for the recovery of positions classified as bad loans;
- a recovery from unsecured and secured positions, the latter due to value reduction of the guarantees covering receivables, particularly as regards the real estate market;
- a consequent change in the asset / liability balance with an impact on the interest rate risk and on the liquidity position.

These analyses were used to estimate the impacts on expected collections and to quantify the credit risk, for which the Company has the adequate capital buffers necessary to face any future losses. The same valuations were applied to the portfolio pricing process during the acquisition phase.

Collection forecast, revised based on estimates of the effect of the Covid-19 pandemic, was also used for the pricing applied to the purchase of new portfolios.

As regards instead the interest rate risk, the estimated impacts were not significant since the changes on the prospective payments do not remarkably modify the duration of the portfolio.

No crucial effects are expected as regards the liquidity position, i.e. the funding capacity of the Group, as also demonstrated by the placement, on 9 July 2020, of a senior unsecured bond divided into two tranches, one for a nominal value of EUR 1,250 million, with a 3-year maturity, and the other for EUR 750 million, with a 7-year maturity.

The results provided by the analysis from the above paragraphs, and in particular as regards the sensitivity analyses, were drawn from information and the best estimates made available from time to time. The assessments were carried out based on reasonable and sustainable information, however the current macroeconomic scenario is affected by great uncertainties, the outcome of which cannot be predicted at this time and may require some changes in the performed valuations due to the development of the pandemic, the effects of any economic policy measures implemented and the recovery modes adopted. A possible worsening of the macroeconomic outlook may require a revision of the expected cash flow estimates or of other parameters, unpredictable at this time, as well as adjustments in the recognised values of assets or whether it is necessary to make specific allocations to the provisions for future risks and charges. In addition, the fair value of fixed assets as a guarantee for the loans and the unlisted

7 In the case of AMCO, this refers to credit, operating, concentration, residual and interest rate risks

financial instruments in an active market entails a high degree of uncertainties on the evolution of these fair values in the future and on the possibility of selling the assets at the estimated prices.

During this first half of the year, in its ordinary transactions, the AMCO Group has guaranteed to the eligible subjects the support measures set forth at a national level. In addition to the provisions of the law, within the scope of its broader institutional role, while safeguarding business profitability, the Parent Company has also voluntarily extended its extraordinary support measures to the worthiest customers. Following are details in terms of the numbers, amount (gross credit) of receivables subject to the moratorium pursuant to the law as at 30 June 2020[8]:

Data EUR/000	Requests		Accepted		Rejected		To be processed	
	#	Gross exp.	#	Gross exp.	#	Gross exp.	#	Gross exp.
Receivables subject to moratorium, pursuant to the “Cura Italia” Decree (moratorium pursuant to the law)	86	71,229	37	29,138	33	12,471	16	29,620
Receivables subject to voluntary moratorium (individual voluntary moratorium)	361	367,094	226	134,975	53	14,366	82	217,753
Total	**447**	**438,323**	**263**	**164,113**	**86**	**26,837**	**98**	**247,373**

Initiatives for the staff

In March, AMCO S.p.A. established a Committee in charge of the application of and compliance with the “Protocollo condiviso di regolamentazione delle misure per il contrasto e il contenimento della diffusione del virus Covid-19 negli ambienti di lavoro” [Shared Protocol governing the measures for countering and containing the spread of Covid-19 at the workplace] signed in the same month by employer organisations and labour unions, at a national level. Rappresentanti dei Lavoratori per la Sicurezza (RLS) [Employees Safety Representatives], le Rappresentanze Sindacali Aziendali (RSA) [Corporate Union Representatives], i Medici Competenti [Competent Physicians], i Preposti per la Sicurezza [Safety Officers], Responsabile del Sistema di Gestione Salute e Sicurezza dei Lavoratori [Manager of the Employees Health and Safety System], Presidente del Comitato di Crisi [Crisis Committee Chairman] are all permanent members of the Covid-19 Protocol Committee for the offices of Milan, Naples and Vicenza.

During the health emergency period and to this date, information has been sent on a regular basis to all personnel (as well as to contractors such as professionals, special servicers, suppliers and partners) in order to update them on the operating solutions adopted by the Parent Company, as well as on behavioural rules, including those for accessing the offices of AMCO S.p.A., and on the good practices to be adopted at the offices.

In April, a kit was home delivered to each employee, containing ten protective, washable and reusable masks, made in Italy, following the reconversion of some installations and according to the guidelines issued by Politecnico di Milano.

Video calls, information and training sessions on the health emergency, on the adopted safety measures, on the behaviours to be followed and the instructions to comply with, were organised. This initiative has raised the interest of colleagues, who have had the opportunity to receive answers to the questions asked during these sessions and therefore to contribute with a greater awareness to their health and safety.

A particular attention was also given to subjects in vulnerable conditions, carriers of current pathologies or with pre-existing conditions potentially more susceptible to the infection and/or to possible complications from Covid-19, who have been personally supported, in addition to their general practitioners, also by the Competent Physicians, and who were recommended to continue working remotely for the entire period of the health emergency.

8 The statistics also include the measures in favour of the debtors of the Veneto Group and Vicenza Group Segregated Estates

Among the additional initiatives undertaken for employees, the Parent Company decided to continue to provide meal tickets (for Professional Areas and Middle Managers) also on the days worked remotely. This has allowed the employees to benefit from an immediate monetary fund and at the same time it represented a recognition of the commitment that has been required from and provided by them over this period of remote work.

The most recent initiative undertaken for the prevention of the Covid-19 infection risk, also in view of the growing number of positive cases recorded during the vacation period, was the granting to all employees and their co-habitant family members, as a benefit, the opportunity to take the serum test (IgM or IgG antibodies specific to the SARS-CoV-2 virus).

This initiative is accompanied by all the good practices adopted by the Parent Company for the purpose of containing the risk to which the population is still exposed, and to face with greater confidence the gradual return of colleagues to the company's offices (subject however to a specific access procedure and to a limit of 20% maximum physical presence so as to guarantee the protection of the workers and the containment of the health risk), while also protecting at the same time their families.

Despite the circumstances, the staff of the Parent Company has continued to grow, up from 233 employees at the end of 2019 to 258 resources as at 30 June 2020. Of the 35 newly hired colleagues, 8 were hired before the lock-down, 17 during and 10 after, while still providing the necessary training.

Future scenarios

As also noted in the section "Subsequent events", AMCO S.p.A. has acquired a portfolio of non-performing loans from Banca Popolare di Bari S.c.p.A., under Extraordinary Administration (for a gross book value of approximately EUR 2.0 billion), a portfolio of non-performing loans from Banca Carige S.p.A., referring to a single economic group (for a gross book value of approximately EUR 227 million) and a portfolio of non-performing loans from Credito Valtellinese S.p.A. (for a gross book value of about EUR 270 million).

For these portfolios, an estimate was carried out of the impacts of the Covid-19 pandemic on cash-flows and subsequently reflected in the purchase pricing of the portfolios.

AMCO S.p.A. is continuously monitoring the development of the macroeconomic scenario and some additional in-depth analyses will be carried out with a view to the preparation of the 2020 financial statements.

Business development in the first half year

Transactions that have become legally effective in the first half 2020

In the first half of 2020, the Parent Company carried on the organic growth started in 2018 and that continued throughout 2019, with 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 that contributed to the preparation of this interim report, were as follows:

- on 12 March 2020, AMCO S.p.A. executed with **Credito Valtellinese S.p.A.** an agreement for the bulk purchase, pursuant to article 58 of the Consolidated Banking Act (TUB) and without recourse, of a portfolio of non-performing loans of the bank for a gross book value of about EUR 177 million. The portfolio is entirely composed of bad loans related to 1,600 positions and the economic effective date of the transaction was set for 1 March 2020;

- on 18 April 2020, Banca Intesa Sanpaolo S.p.A. exercised for the third time the option offered by Italian Decree Law no. 99 of 25 June 2017, at art. 4, paragraph 5, letter b), for the retrocession to the LCAs of part of the assets (performing at the time of the purchase operation by ISP) relative to the former Veneto Banks high-risk positions. These positions were subsequently disposed by the LCAs to the AMCO S.p.A.-managed Segregated Estates. The overall gross book value of the **third high-risk retrocession** amounted to approximately EUR 110 million and the economic effective date was set for 18 April 2020;
- on 13 June 2020, Banca Intesa Sanpaolo S.p.A. has exercised the last option for the transfer of high-risk positions. The **fourth high-risk retrocession** concerned positions with an overall gross book value of EUR 200 million and the economic effective date was set for 13 June 2020. No additional retrocessions are expected to occur the future;
- on 15 June 2020, AMCO executed with **Banca del Fucino S.p.A.** and **IGEA Banca S.p.A.** a bulk purchase agreement, pursuant to article 58 of the Consolidated Banking Act (TUB) and without recourse, of a portfolio of non-performing loans of the bank for a gross book value of about EUR 30 million. The portfolio is composed of unlikely-to-pay receivables and bad loans concerning 200 debtors and the economic effective date of the transaction was set for 1 January 2020.

Transactions that have become legally effective in the second half 2020

In addition to the transactions described above, during the first half of the year (and more precisely in June 2020), the Parent Company has executed three additional agreements that were not reflected in the statements of this Interim Report since their legal effectiveness is subsequent to 30 June 2020. In particular:

- on 29 June 2020, the Company has executed with **Banca Popolare di Bari S.c.p.A., under Extraordinary Administration** (hereinafter also "BPB"), a loan transfer, without recourse and in bulk – pursuant and in compliance with article 58 of Italian Legislative Decree no. 385 of 1 September 1993 – for the purchase by AMCO of a portfolio of BPB non-performing loans. The portfolio has a gross book value of approximately EUR 2 billion and is composed, by 60%, of positions classified as Unlikely to Pay (UTP) and for the remaining amount, of positions classified as bad loans. The total price of the transaction was EUR 500 million, and the economic effective date was set for 1 July 2020;
- also on 29 June 2020, the Board of Directors of **Banca Monte dei Paschi di Siena S.p.A.** (hereinafter also "MPS") and the Board of Directors of AMCO S.p.A. have approved a project concerning the partial non-proportional spin-off, with asymmetric option, from MPS in favour of AMCO S.p.A., of demerged assets composed of non-performing loans, tax assets, other assets, financial debt, other liabilities and with a positive equity unbalance. This spin-off will become effective by the end of 2020. In detail, the object of the transaction is an NPE portfolio with a gross value of approximately EUR 8.1 billion of which EUR 4.8 billion classified as bad loans and EUR 3.3 billion as UTP. The project has obtained the clearance of Bank of Italy for the benefit of AMCO and the authorization released to MPS by the European Central Bank, which has subordinated the effectiveness of the transaction to some conditions disclosed to market by MPS in its communication dated 27 August 2020;

- the Parent Company has also acquired from **Banca Carige S.p.A.** a second tranche of non-performing exposures, pertaining to only one group, as the debtor, with a gross book value of roughly EUR 227 million, almost entirely unlikely-to-pay. The economic effective date was set for 1 January 2020.

Performance of managed assets

Following the acquisition of non-performing loans, AMCO is today one of the main Italian players for the management of Non-Performing Exposures (NPEs). AMCO is the 6th Italian operator[9] in the management of NPE positions with over 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 1st operator[10] with almost EUR 10 billion under management, and is able to fully ensure the management process of the positions 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 30 June 2020 amount to around EUR 23.2 billion, broken down as follows:

- EUR 1.5 billion for 1,900 debtors relating to the **portfolio** originated from the **former Banco di Napoli;**
- EUR 7.6 billion for 44 thousand debtors relating to the **Veneto Group Segregated Estates** (inclusive of the Flaminia securitisation for EUR 2 billion and high-risk loans);
- EUR 9.0 billion for 64 thousand debtors relating to the **Vicenza Group Segregated Estates** (inclusive of the Ambra securitisation for EUR 4.1 billion and high-risk loans);
- EUR 1.8 billion for 570 debtors relating to **Financed Capital** of the former Veneto Banks;
- EUR 0.3 billion for 3,500 debtors relating to the **portfolio securitised in the Fucino NPL's S.r.l.** vehicle, pursuant to Law 130/99;
- EUR 2.3 billion for 13,200 debtors relating to the **portfolio** acquired by **Banca Carige S.p.A.;**
- EUR 47 million for 10 debtors relating to the portfolio acquired from **Istituto per il Credito Sportivo S.p.A;**
- EUR 0.5 billion for 50 debtors relating to the **Back2Bonis Investment Fund**;
- EUR 0.2 billion for 1,600 debtors relating to the portfolio acquired from **Credito Valtellinese S.p.A.;**
- EUR 30 million for 200 debtors relating to the portfolio acquired from **Banca Igea S.p.A.** and **Banca Fucino S.p.A.**

In addition, considering the transactions with legal efficacy subsequent 30 June 2020, but already finalised at this reporting date, the pro-forma assets under management at 30 June 2020 amounted to EUR 33.6 billion[11].

9 The Italian NPL market, PwC, June 2020
10 The Italian NPL market, PwC, June 2020
11 Including the portfolio acquired from Banca Popolare di Bari S.c.p.A., under Extraordinary Administration, for EUR 2.0 billion, the portfolio of Gruppo MPS for EUR 8.1 billion and the additional portfolio acquired from Banca Carige S.p.A. for EUR 0.2 billion

Main indicators as at 30 June 2020

The profit or loss result of the AMCO Group in the first half of 2020 shows a net profit of EUR 7.0 million.

In order to present the economic-equity position of the Group, the mandatory schemes of the Balance Sheet and the Income Statement were reclassified according to operating criteria in order to facilitate the reading and the understanding through specific groupings and reclassifications of items, as hereinafter outlined.

The balance sheet figures of the Company, related to the first half of 2020, are shown in the following tables, including the comparative data referring to the previous period, while for the economic data, no comparative figures from the same period of the previous year are available and therefore were not reported since the Consolidated Interim Financial Report was drawn up for the first time in 2020.

Consolidated reclassified balance sheet

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

Balance sheet - Assets (Data €/000)	30/06/2020	31/12/2019	Delta	% change
Loans and receivables with banks	371,800	324,338	47,462	15%
Loans and receivables with customers	1,004,733	979,400	25,333	3%
Financial assets	1,345,116	1,404,511	(59,395)	-4%
Equity investments	14	14	(0)	0%
Property, plant and equipment and intangible assets	6,112	6,816	(704)	-10%
Tax assets	77,816	79,912	(2,095)	-3%
Other assets	24,182	24,717	(535)	-2%
Total assets	**2,829,774**	**2,819,708**	**10,065**	**0%**

Table 3 – Reclassified balance sheet assets as at 30 June 2020

Balance sheet - Liabilities (Data €/000)	30/06/2020	31/12/2019	Delta	% change
Financial liabilities at amortised cost	912,511	915,507	(2,996)	0%
Tax liabilities	3,701	8,201	(4,501)	-55%
Provisions for specific purposes	17,915	20,784	(2,869)	-14%
Other liability items	70,763	52,353	18,410	35%
Share capital	600,000	600,000	0	0%
Share premiums	403,000	403,000	0	0%
Reserves	822,475	779,011	43,464	6%
Valuation reserves	(7,569)	(1,460)	(6,109)	>100%
Profit/loss for the year	6,978	42,311	(35,333)	-84%
Total liabilities and net equity	**2,829,774**	**2,819,708**	**10,065**	**0%**

Table 4 – Reclassified balance sheet liabilities and net equity as at 30 June 2020

Analysis of the main financial indicators

Total assets as at 30 June 2020, of EUR 2,830 million, remained substantially unchanged from 31 December 2019 when they amounted to EUR 2,820 million.

Financial assets measured at amortised cost accounted for 48.6% of total assets, substantially in line with 31 December 2019 (+2.4%) and include:

- EUR 371.8 million relative to loans and receivables with banks, mainly from balances in correspondence current accounts;

- EUR 1,004.7 million of loans and receivables with customers and financial companies, relative to the portfolio acquired from Banca Carige S.p.A. (for EUR 745.9 million), the portfolio of the former Banco Napoli, Isveimer and GRAAL (for EUR 110.9 million), the portfolio of Banca del Fucino S.p.A. (for EUR 92.0 million) and the portfolio acquired from Credito Valtellinese S.p.A. (for EUR 34.2 million), the portfolio of Istituto per il Credito Sportivo (for EUR 9.5 million), the portfolio of Igea Banca S.p.A. and Banca del Fucino S.p.A. (for EUR 7.9 million) in addition to the loan to the Back2Bonis Fund (for EUR 4 million).

Total Assets consisted for 47.5% by investments in **financial assets measured at fair value,** substantially in line with the datum at 31 December 2019 (-2.3%) whose main breakdown is indicated below:

- EUR 791.6 million relative to investments in government securities (gross of value adjustment);
- EUR 488.6 million relative to the investment in the Italian Recovery Fund;
- EUR 13 million relative to loans deriving from the portfolio acquired from Banca Carige S.p.A. which do not meet the criteria for registration under assets measured at amortised cost;
- EUR 45.6 million relative to the investment in Back2Bonis Fund;
- EUR 5.3 million related to Trevi Finanziaria Industriale S.p.A. shares, currently hold by the Company and acquired in the first half 2020 following the conversion of some loans from the portfolio acquired by banca Carige.

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

The equity structure of the Company highlights own funds as the main form of financing, with total assets of EUR 2,829.8 million. As at 30 June 2020, **Net Equity,** including the profit for the period, amounted to EUR 1,824.9 million, substantially unchanged compared to 31 December 2019.

Financial debt includes, in addition to payables due to the application of the IFRS 16 accounting standard for EUR 5.2 million, third-party funds which amount to EUR 849.6 million and which refer to the following issues:

- on 6 February 2019 AMCO placed its first unsecured senior bond for EUR 250 million, under the European programme for the issue of medium/long-term financial instruments ("EMTN Programme") of EUR 1 billion, agreed with resolution of the Shareholders' Meeting of 10 May 2018 and approved by the Luxembourg stock exchange on 25 May 2018. The issue was settled, for the entire amount, on 13 February 2019. The bond has a five-year maturity and confers the right to the payment of a fixed annual coupon equal to 2.625%. The issue, which was reserved to qualified and institutional investors and required a minimum investment of EUR 100,000, obtained a rating of BBB- from Fitch and is listed on the Luxembourg stock exchange;
- on 1 October 2019, AMCO placed its second unsecured senior bond for EUR 600 million, also using the EMTN Programme. The issue of EUR 600 million was settled for the whole amount on 7 October 2019. The bond is due to mature on 27 January 2025 and requires the payment of an annual fixed coupon of 1.375%. The transaction, which received orders for around EUR 800 million from 80 institutional investors, received a good level of interest in particular from banks (around 52% of the total) and asset managers (around 36%), both Italian and European, and received a BBB- rating from Fitch and BBB from Standard&Poor's.

Management of non performing exposures

Non-performing loans acquired from Banca Carige S.p.A.

Following the acquisition of the loan portfolio transferred by the **Banca Carige S.p.A.** on 21 December 2019, the Parent Company started activities for the management and the recovery of these positions. In the first half of 2020, AMCO S.p.A. collected roughly EUR 16,7 million (of which, about 4,7 million still to be allocated to the debtors at 30 June 2020), bringing the total revenue, from the economic effective date (1 July 2019) of the acquisition, to EUR 70.7 million.

With reference to loans transferred, it is noted that, in the context of a wider set of contractually granted guarantees, the retrocession of loans to transferors is planned when documentary evidence in relation to the ownership of the same is lacking. It should be noted that at the date of this Consolidated Interim Financial Report, positions with a countervalue in terms of gross book value of EUR 1.8 million were subject to retrocession. Within the context of the provision of IFRS 9, the Group has valued, in the financial statements, the assets of the portfolio acquired from Banca Carige S.p.A. as purchased originated credit impaired assets (hereinafter also “POCI”), recognising as at 30 June 2020 loans for a total of EUR 745.9 million and interest income for EUR 20.4 million. In addition to the POCI accounting treatment, loans mandatorily measured at fair value for EUR 13 million (as they do not meet the SPPI test required by IFRS 9) were recognised.

Non-performing loans from former Banco di Napoli, former Isveimer and former GRAAL

During the first half of 2020, AMCO S.p.A. 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 the 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.

In 2020, the activity for the recovery of the portfolio recorded an overall revenue of EUR 12 million.

During the financial year the recovery activity of 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 AMCO S.p.A. at a price equal to the net book value of EUR 324 million.

With reference to these portfolios, revenues amounting to EUR 1.1 million were recognised in the first half of 2020.

The total collection for the aforementioned portfolios amounts to euro 13.1 million, substantially in line with the expectation of the Company.

Non-performing loans acquired from Banca del Fucino S.p.A.

The portfolio of Non-Performing Exposures of the securitisation vehicle Fucino NPL’s S.r.l. at the end of the first half of 2020 shows a gross book value of EUR 293 million and approximately 3,500 debtors, including both bad loans (for a gross book value as at 30 June 2020 of EUR 199 million) and loans classified as Unlikely-To-Pay/Past-Due (for a gross book value as at 30 June 2020 of EUR 94 million).

In this transaction, AMCO S.p.A. played the role of Master Servicer and Special Servicer, in addition to having subscribed 100% of the equity tranche (junior and mezzanine notes) issued by the securitisation vehicle Fucino NPL's S.r.l., subject to consolidation in this financial report.

In 2020, the activity for the recovery of the portfolio recorded an overall revenue of EUR 5.6 million (of which, about 3.5 million still to be allocated to the debtors at 30 June 2020), bringing the total revenue, from the economic effective date (1 January 2019) of the acquisition, to EUR 11.9 million.

Other portfolios of non-performing loans

Following the acquisition of the non-performing loans transferred from **Credito Valtellinese S.p.A.** on 12 March 2020 pursuant to article 58 of the TUB and without recourse, for a gross book value of approximately EUR 177 million, composed of bad loans concerning 1,600 positions, the Parent Company started carrying out management and recovery activities. In the first half of 2020, AMCO S.p.A. collected EUR 2.9 million starting from the economic effective date of the transaction, which was set for 1 March 2020 (of which, about 1.7 million still to be allocated to the debtors at 30 June 2020)

In addition, in 2019, AMCO S.p.A. acquired an additional portfolio of non-performing loans from **Istituto per il Credito Sportivo S.p.A.** (10 debtors for EUR 47 million in gross book value). The management of the portfolio has started in the first half of 2020 and the first collections related to this portfolio were recorded for a total of EUR 0.3 million.

Finally, on 15 June 2020, AMCO S.p.A. executed with **Banca del Fucino S.p.A.** and with **IGEA Banca S.p.A.** an agreement for the purchase of a portfolio of non-performing loans of the bank for a gross book value of approximately EUR 30 million, composed of unlikely-to-pay and bad loans of approximately 200 debtors. In the first half of 2020, the Parent Company started carrying out activities for the management and recovery of the portfolio, collecting approximately EUR 0.5 million from the economic effective date of the transaction which was set for 1 January 2020.

As with the portfolio acquired from Banca Carige S.p.A., in compliance with the provisions of IFRS 9, the Group recognised in the financial statements the assets of the portfolios acquired from Credito Valtellinese S.p.A., from Istituto per il Credito Sportivo S.p.A. and from Igea Banca S.p.A. and Banca del Fucino S.p.A. as POCI, recording as at 30 June 2020 receivables for a total of EUR 51.6 million and interest income for EUR 2.1 million (of which EUR 1.2 million related to the receivables acquired from Credito Valtellinese, EUR 0.6 million related to the portfolio acquired from Istituto per il Credito Sportivo and EUR 0.3 million related to the portfolio acquired from the Igea S.p.A and Fucino S.p.A. banks).

Financial investments

In 2020, the AMCO Group continued to invest in financial assets.

Investment in government securities

In order to actively manage the liquidity deriving from revenues from managed portfolios, in the first half of 2020 investments were made in liquid financial assets represented by Italian government securities, applying a prudent investment profile. As at 30 June 2020, the portfolio amounted to a nominal total of EUR 760 million, which generated interest income of EUR 2.3 million recognised in the Income Statement, in addition to capital gains for approximately EUR 8 million from the transfers carried out during the year. The decrease in fair value of securities, as at 30 June 2020, was recognised in the net equity reserve and amounts to EUR 1.1 million.

Italian Recovery Fund

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

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

The 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 30 June 2020, 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 2,380,854,422 and the unit value of 2,408.72 units came to EUR 988,430.935 (compared with the value of the units as at 31 December 2019, equal to EUR 964,111.033).

As at 30 June 2020, the Parent Company paid EUR 449.6 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, according to the criteria set forth in in-house policies, by adjusting the Net Asset Value of the units, as communicated by DeA Capital Alternative Funds SGR S.p.A. at the time of the Fund Management Report as at 30 June 2020, taking into account the repayment of the principal received in May (EUR 14.4 million). On the basis of this value, the fair value of the investment at the date of this interim financial report is of EUR 488.6 million, giving therefore rise to capital gains of EUR 1.7 million, recognised in the Income Statement.

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 objectives of the AMCO Group, 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 fund management report – will consider the transfer of sub-portfolios attractive in bulk for specialised investors, for the purpose of speeding up the liquidation of the loans and increase returns compatible with the statutory duration of the fund.

Banca Carige S.p.A.

The total investment held by AMCO S.p.A. in Banca Carige S.p.A. as at 30 June 2020 amounted to 1,804,489,911 shares, with a value of EUR 1.8 million, in line with the valuation of 31 December 2019 based on the official price of the capital increase.

It is noted that the investment is recognised in the financial statements, in compliance with the provisions of IFRS 9, at fair value through other comprehensive income (FVOCI), taking into account that this instrument is recognised as capital not held for the purpose of trading.

Back2Bonis Fund

In December 2019, AMCO S.p.A. and the Prelios Group executed with Banca Monte dei Paschi di Siena S.p.A., MPS Capital Services per le Imprese S.p.A., UBI Banca S.p.A. and Banco BPM S.p.A. an agreement for the creation of a multi-originator platform for the management of UTP receivables concerning the real estate sector, mainly composed of loans from EUR 3 million to EUR 30 million to companies in the real estate sector that are under restructuring or in financial difficulties. The project was executed through a securitisation transaction on the receivables acquired from the banks and from the Parent Company AMCO S.p.A., also through the Segregated Estates, and with the intervention of a closed-end real estate mutual fund managed by Prelios SGR. This transaction provides that, upon the transfer of receivables to the AMPRE S.r.l. vehicle (of which AMCO is Master and Special Servicer), the recipients are assigned the units of the fund, called “Back2Bonis", holder of the notes of the securitisation vehicle.

AMCO S.p.A., following the acquisition of loans recognised under its own asset in 2019, has received no. 112.2912 shares in the Back2Bonis Fund in return. The Group has valued the fund’s units at EUR 45.6 million as at 30 June 2020, in compliance with the internal policies for the valuation of the UCITs.

It should be noted that AMCO S.p.A. shareholding in the Fund in relation to the portfolio acquired from Banca Carige S.p.A. is equal to roughly 23% of the total subscribed shares, while its participation, through Veneto Group and Vicenza Group Segregated Estates, in the Back2Bonis Fund is of 16%.

Consolidated 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 AMCO S.p.A. has the mandate to manage the underlying impaired assets, as the performance of the Parent Company as servicer has an impact on the value enhancing of investment instruments. Costs and revenues deriving from the financial and ancillary management activities of the Group are reclassified under the EBITDA.

Income statement (Data EUR/000)	30/06/2020
Servicing commissions	23,866
Interests and commissions from business with customers	25,052
Other income/expenses from ordinary operations	5,270
TOTAL REVENUES	**54,188**
Staff costs	(13,601)
Net operating expenses	(8,868)
TOTAL COSTS	**(22,469)**
EBITDA	**31,720**
Net value adjustments/reversals on loans and receivables with customers	(17,453)
Depreciation, amortisation and net impairment losses on tangible and intangible fixed assets	(970)
Provisions	(173)
Other operating income/expenses	(8,322)
Financial activity result	9,766
EBIT	**14,568**
Interests and commissions from financial assets	(5,638)
PRE-TAX PROFIT	**8,930**
Current taxes	(1,952)
RESULT FOR THE YEAR	**6,978**

Table 6 – Reclassified income statement as at 30 June 2020

Income statement (Data EUR/000)	30/0672020
EBITDA MARGIN	**58.5%**

Table 7 – EBITDA margin as at 30 June 2020

Analysis of the economic result

As at 30 June 2020, the Group recorded an **EBITDA** of EUR 31.7 million. This is broken down as reported below.

The total **fees and commissions income** as at 30 June 2020 was of EUR 23.9 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 17.4 million, represented by commissions received by AMCO for the management of non-performing loans included in the Veneto Group and Vicenza Group Segregated Estates;
- EUR 5.5 million, for the Special Servicing activity on loans included in the Ambra and Flaminia securitisations by Credito Fondiario S.p.A., which acts as Master Servicer;
- EUR 0.2 million deriving from the mandate to manage Financed Capital;
- EUR 0.8 million for fees received for management and performance, from the AMPRE S.r.l. vehicle.

Interest income from customers, recognised in 2020, amounted to EUR 25.1 million, and mainly originated from the recognition of:

- interest income deriving from impaired assets acquired from Banca Carige S.p.A., Istituto per il Credito Sportivo S.p.A., Credito Valtellinese S.p.A. and the Igea S.p.A. and Fucino S.p.A. banks, recognised as POCI, in compliance with the provisions of IFRS 9, which recorded revenues in the amount of EUR 22.4 million;

- interest income, also recognised as “POCI", deriving from the loans portfolio of the securitisation vehicle Fucino NPL’s S.r.l., of EUR 2.6 million.

In addition to interests and commissions, revenues include other income from ordinary operations for EUR 5.3 million, mainly deriving from write-backs on collections from loans of the portfolio of former Banco di Napoli and reversals on loans recognised as POCI.

The total costs highlight a growth trend, in particular in consideration of the Company’s new operational phase following the development of business activities as well as the management, in its role of Special and Master Servicer of the portfolio held by the securitisation vehicle Fucino NPL’s S.r.l. was of EUR 22.5 million, due to:

- **staff costs**, of EUR 13.6 million, mainly linked to wages and salaries and relative contributions paid to the Parent Company’s employees (no. 258 as at 30 June 2020);
- **operating expenses**, equal to EUR 8.9 million, determined by:
    - EUR 7.6 million (net of recovery expenses of the Segregated Estates and Financed Capital for a total of EUR 2.6 million) due to charges for the recovery of loans, consultancies and set up costs linked to the structural growth of the Company’s activities, in accordance with the development of new managed assets;
    - EUR 0.6 million for commissions paid to the Romanian subsidiary AMCO – Asset Management Co. S.r.l. for the management of non-performing loans of the Veneto Group Segregated Estates to Romanian residents;
    - EUR 0.7 million in costs incurred by the subsidiary Fucino NPL’s S.r.l.

The consolidated EBIT in the first half of 2020 stood at EUR 14.6 million, due to the effect of:

- **value adjustments/reversals on receivables and securities**, negative for EUR 17.5 million. This item includes the reversal of impairment of EUR 8.3 million and the impairment of first half 2020 of 25.8 million. The reversal is mainly due to the increase of fair value of financial assets of EUR 4.4 million, the reversal of impairment of former Banco di Napoli portfolio of EUR 1.8 million and to the modification of POCI business plan for 2.1 million., The impairment represents the value adjustments on NPE for EUR 25.4 million and on liquid funds in current accounts for EUR 0.4 million. More in detail, the impairment of NPE is related both to the review of future expected cash flows of some debtors classified in POCI portfolio for EUR 17,6 and to the delay of some expected cash flows on POCI portfolio for EUR 5.8 million, other than the review of some valuations on former Banco di Napoli portfolio for EUR 2 million;
- **provisions for risks and charges** of EUR 0.2 million;
- **other operating income and expenses**, negative for EUR 8.3 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 evolvement of the costs actually sustained for the management and recovery activities of legal relationships and assets transfers carried out by AMCO S.p.A. on behalf of the two Veneto Group and Vicenza Group Segregated Estates. In view of these possible adjustments, provision is made, with regard to the first half of 2020, to recognise a cost of EUR 8.6 million;

- **net result of financial assets** for EUR 9.3 million, mainly deriving from the profits from the disposal of financial assets for EUR 8 million, represented by the sale of government securities in the portfolio that was carried out in the first half of 2020, in addition to valuation gains recognised on the investment in the Italian Recovery Fund for EUR 1.7 million (EUR 8 million at the end of the same period of the previous year) and those on receivables designated at fair value with matching entry the income statement for EUR 0.1 million.

The Group recognised a **net profit**, in the first half of 2020, of EUR 7.0 million and discounted, with respect to the EBIT, both the taxes and the negative result of interest expenses from financial liabilities, offset by interest income from government securities.

Interest expenses deriving from financial liabilities are represented by bonds issued during 2019 and amounted to EUR 8.1 million, in addition to EUR 0.5 million represented by interest expenses recognised by Fucino NPL's S.r.l. on the securitisation notes underwritten by third parties, and to EUR 0.1 million represented by interest expense deriving from the application of IFRS 16 on lease contracts for which Parent Company is the lessee.

Interest income deriving from investments in government securities classified at fair value through other comprehensive income ("FVOCI") stood at EUR 2.3 million, in addition to fees and commissions from security lending transactions carried out on government securities portfolios for EUR 0.5 million, and to the commitment fee related to the agreement about authorised credit to the Back2Bonis Fund for EUR 0.3 million.

Current taxes include a negative EUR 2 million, and refer primarily to the provisions for the current year for IRAP, amounting to EUR 0.6 million, in addition to the recognition of deferred taxes from the valuation gains on shares recognised in the first half of 2020 (for EUR 1.4 million).

Financial Solidity and Key Performance Indicators

EUR/millions - %	HY 2020	2019	Delta	% change
Regulatory capital	1,817.2	1,780.0	37.2	2.1%
Weighted risk assets	2,601.8	2,792.6	(190.8)	-6.8%
CET 1	**69.8%**	**63.7%**	**6.1%**	**57.6%**
Total Capital Ratio	**69.8%**	**63.7%**	**6.1%**	**57.6%**

Table 8 – Main economic and financial indicators as at 30 June 2020

Also, for the first half of 2020, the Parent Company confirms the levels of its financial solidity with a Total Capital Ratio of 69.8%, comfortably higher than the Regulatory requirements (8%). Compared with last year, equity ratios show a further upward trend due to the increase in the Regulatory Capital to be attributed primarily to the allocation of the profit from the previous year (+2.1%) and the concurrent decrease in weighted risk assets (-6.8%).

Rating

On 30 June 2020, S&P Ratings confirmed the AMCO S.p.A. rating at the Investment Grade level. Both the LTIDR and the unsecured senior bond rating were given a BBB with negative outlook, in line with that of the Italian government. The rating agency states that, with the transactions related to Banca Popolare di Bari S.c.p.A. and Banca Monte dei Paschi di Siena S.p.A., AMCO plays a crucial role and has a close link with the government in the de-risking of the financial statements of banks in difficulty. Therefore, S&P maintains the alignment of the long-term rating of AMCO with the long-term rating attributed to Italy.

On 1 July 2020, Fitch Ratings, at the level of Investment Grade, has confirmed the LTIDR at BBB- with a stable outlook, and the Short-Term, Foreign Currency IDR equal to F3. The confirmation was issued following the announcement of the transactions with Banca Popolare di Bari S.c.p.A. and Banca Monte dei Paschi di Siena S.p.A., which strengthen the link of AMCO S.p.A. to the government. Fitch Ratings has thus maintained the alignment between the long-term rating of the Parent Company and the same rating attributed to Italy.

Related party transactions

Currently the Parent Company holds the entire shareholding of Immobiliare Carafa S.r.l in liquidation, a company established 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. In the first half of 2020, no operations were carried out with the company.

On 23 July 2020, in order to close the liquidation procedure, given the difficulties in the transfer to third parties of the portions held by Carafa in the only property still owned, the AMCO S.p.A. Board of Directors resolved in favour of the purchase from Carafa of 3/4 of the property by the beginning of September and to finalise, as much as possible, the purchase deed of the remaining part of the property, owned by third parties, in order to increase the chance for its sale.

In addition to Immobiliare Carafa S.r.l., AMCO S.p.A. controls in full AMCO – Asset Management Co. S.r.l., a Romanian registered company dealing with the management of non-performing loans to Romanian residents, held by the Segregated Estates of Veneto Group. A contract referred to servicing activities is in place with the latter, for which fees and commissions expense of EUR 0.5 million was recognised during the first half of 2020.

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 dei Paschi di Siena S.p.A. and Poste Italiane S.p.A. in addition to securities lending transactions with Monte dei Paschi di Siena S.p.A., which generated fees and commissions income for EUR 0.5 million during the first half of 2020.

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 economic-equity and financial projections for 2020-2025, both stand alone and including the assets demerged from Banca Monte dei Paschi di Siena S.p.A., approved by the Board of Directors of the Parent Company on 29 June 2020, confirm its evolution as a servicer and debt purchaser of UTP and non-performing loan positions, highlighting that the operations of the Company in the management of the new portfolios may benefit from the use of the same business model implemented for the portfolios already being managed and may confirm a stable mix between in-house and outsourced management of credit positions, with the internal Departments that will continue to manage, with a high specialisation, the largest and highest value receivables, whereas the more fragmented positions will benefit from the more industrialised management of a plurality of external servicers.

Already over the past year, a gradual growth in the activities as a debt purchaser, versus a simple servicer, was noted and accelerated by the acquisition of the portfolios of the Carige Group, of the NPLs of Gruppo Credito Valtellinese or of the NPEs of Gruppo Banca Popolare di Bari. A further significant increase is expected following the conclusion of the non-proportional spin-off of a set, inter alia, of non-performing loans exceeding EUR 8.1 billion from Banca Monte dei Paschi di Siena S.p.A. in favour of AMCO S.p.A..

This transaction, resolved on by the Board of Directors of AMCO S.p.A. on 29 June 2020, would in fact allow for an immediate and significant growth in the size of the Group with the increase of assets under management from EUR 23.3 billion at the end of 2019 to EUR 33.6 billion, adjusted as at 30 June 2020, including the acquisition of the portfolio of Banca Popolare di Bari S.p.A. and the transaction carried out with Monte dei Paschi di Siena S.p.A., thus confirming the focus on the management of NPEs (with a mix of bad loans and UTPs of 45%/43%, and a balancing of the activities in terms of assets under management as debt purchaser and servicer) starting already in 2020.

The scalability of the AMCO S.p.A. business model will allow for an increase in the operational profitability thanks to the possibility of leveraging fixed cost resources and structures and an increase in sizing, accompanied also by an increase in assets under management per loan managers, while positioning itself at the level of a market top performer thanks to an effective management model based on efficiency and performance. 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, having 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 the Group. 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 credit analysis and valuation procedures for the issue of new loans to support customers.

The economic-equity and financial projections for 2020-2025 confirm that the AMCO S.p.A. business model remains focused on maximising revenue also through the optimisation of assets used as collaterals in particular on bad loans, whereas for the UTP loans the strategy aims at maintaining on-going concern and supporting the honest businesses, also by granting new loans while waiting for a normalisation of the financial situation and the full repayment of financial debts.

It is deemed that the net revenue expected on the basis of the economic-equity and financial projections for 2020-2025, both stand alone and including the assets demerged from Monte dei Paschi di Siena S.p.A., will be able to properly support cash flows and will represent an adequate source for covering the cost of the funding necessary for the development of growth deriving from both the equity strengthening that occurred at the end of 2019 with the capital increase carried out by the sole shareholder, the Ministry of the Economy and Finance, and expected from the incorporation of the assets demerged from Banca Monte dei Paschi di Siena S.p.A., and from a more extended use of third-party capital mostly through the issuing of unsecured senior bonds carried out within the scope of the EMTN Programme, for a total of EUR 2.85 billion (of which EUR 2 billion issued subsequently to 30 June 2020) with an adequate mix of maturities, returns and markets.

Going concern

The Directors have found that the emergence of the Covid-19 pandemic during the first half of 2020 and the associated restriction measures have determined some negative effects on the real economy which are expected to be mitigated, although not completely, by the economic support measures implemented by the national and international authorities.

However, based on the analyses carried out by the Company and explained in the paragraph “Information on the effects of the Covid-19 pandemic”, in addition to the evolution characterising the legislative and operational context in which the Parent Company operates, there is a reasonable certainty that AMCO S.p.A. will operate in the future with a management model aimed at achieving an efficient and effective recovery of non-performing loans and of other assets. Therefore, as things stand, there are no elements in the financial and equity structure of the Company, which may give rise to any uncertainties in this sense.

Given the afore-described consideration, this Interim Report was prepared on a going concern basis.

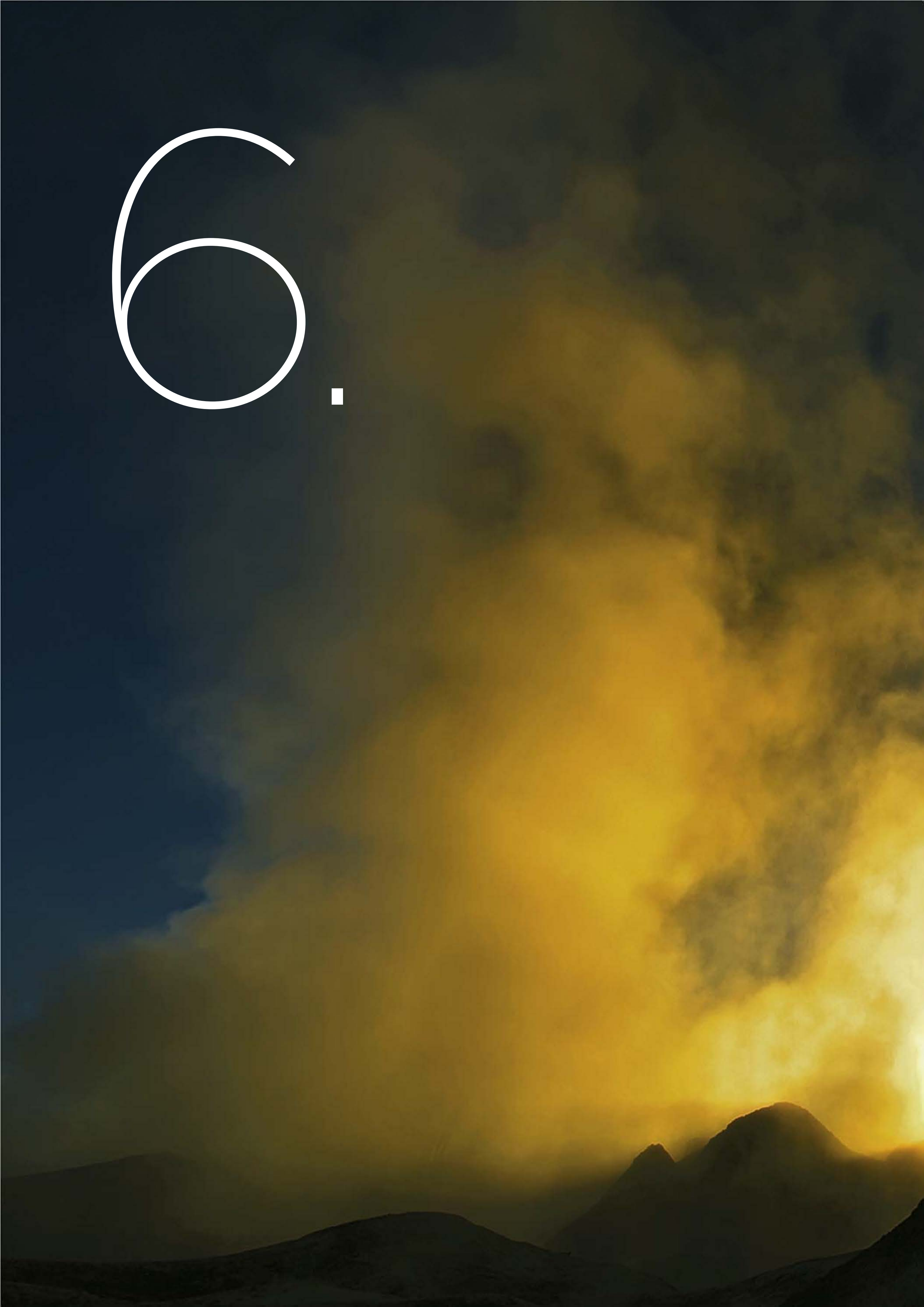
Other information

Subsequent to what is described in this Report on Operations, in particular in the section regarding the related parties, the Parent Company has drawn up, for the first year, the consolidated interim report including in the consolidation scope the securitisation vehicle “Fucino NPL’s S.r.l.”, but not the fully owned subsidiaries Immobiliare Carafa S.r.l. in liquidation and AMCO – Asset Management Co. S.r.l., on account of their negligible impact at consolidated level.

In accordance with the provisions of paragraph 125 of Law 124/2017 of 4 August 2017, it is noted that over the first half of 2020, the Parent Company had not received subsidies, contributions, paid positions and in any case economic advantages of any type from public administrations.

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

- the Group has not carried out any research and development activities during the year;
- the Parent Company does not hold any treasury shares or shares or holdings in parent companies, neither directly nor through trust companies or third parties, nor has it purchased or sold treasury shares or shareholdings in parent companies, neither directly nor through trust companies or third parties.


6.

financial statement schedules

Consolidated Balance Sheet

Assets

Amount in thousand of Euros		30/06/2020	31/12/2019
ASSET ITEMS			
10.	Cash and cash equivalents	0	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 mandatorily measured at fair value	552,743	559,709
30.	Financial assets measured at fair value through other comprehensive income	792,373	844,803
40.	Financial assets measured at amortised cost		
	a) loans and receivables with banks	371,800	324,338
	b) loans and receivables with financial companies	6,720	6,660
	c) loans and receivables with customers	998,013	972,740
50.	Hedging derivatives		
60.	Change in value of financial assets object of a generic hedge (+/-)		
70.	Equity investments	14	14
80.	Property, plant and equipment	5,423	6,237
90.	Intangible assets	689	579
	of which goodwill		
100.	Tax assets		
	a) current	8,334	11,238
	b) prepaid	69,483	68,673
110.	Non-current assets and disposal groups classified as held for sale		
120.	Other assets	24,182	24,717
Total assets		**2,829,774**	**2,819,708**

Consolidated Balance Sheet

Liabilities and Net Equity

Amount in thousand of Euros		30/06/2020	31/12/2019
LIABILITIES AND NET EQUITY ITEMS			
10.	Financial liabilities measured at amortised cost		
	a) payables	5,154	5,787
	b) debt securities issued	907,357	909,720
20.	Financial liabilities held for trading		
30.	Financial liabilities measured at fair value		
40.	Hedging derivatives		
50.	Fair value change of hedged financial liabilities (+/-)		
60.	Tax liabilities		
	a) current	643	6,543
	b) deferred	3,057	1,658
70.	Liabilities associated with assets classified as held for sale		
80.	Other liabilities	70,763	52,353
90.	Provisions for post-employment benefits	581	593
100.	Provisions for risks and charges		
	a) commitments and guarantees granted		
	b) pensions and similar obligations	129	48
	c) other provisions for risks and charges	17,206	20,143
110.	Share capital	600,000	600,000
120.	Treasury shares (-)		
130.	Equity instruments		
140.	Share premiums	403,000	403,000
150.	Reserves	822,475	779,011
160.	Valuation reserves	(7,569)	(1,460)
170.	Profit (Loss) for the year	6,978	42,311
Total liabilities and net equity		**2,829,774**	**2,819,708**

Consolidated Income Statement

Amount in thousand of Euros		30/06/2020
ITEMS		
10.	Interest and similar income	28,855
	of which: net interest income calculated with the effective interest method	28,855
20.	Interest and similar expenses	(8,801)
30.	**Interest margin**	**20,054**
40.	Fees and commissions income	24,693
50.	Fees and commissions expense	(638)
60.	**Net fees and commissions income**	**24,055**
70.	Dividends and similar income	
80.	Net trading income (loss)	
90.	Net hedging income (loss)	
100.	Income (loss) from disposal or repurchase of:	
	a) financial assets measured at amortised cost	
	b) financial assets measured at fair value through other comprehensive income	7,997
	c) financial liabilities	
110.	Net income (loss) from other financial assets and liabilities measured at fair value through profit and loss:	
	a) financial assets and liabilities measured at fair value	
	b) other financial assets mandatorily measured at fair value	6,063
120.	**Gross income**	**58,170**
130.	Net losses/recoveries on credit impairment relating to:	
	a) financial assets measured at amortised cost	(18,001)
	b) financial assets measured at fair value through other comprehensive income	61
140.	Profits (losses) from contractual changes without derecognition	
150.	**Net financial income (loss)**	**40,229**
160.	Administrative expenses:	
	a) staff costs	(13,601)
	b) other administrative expenses	(10,827)
170.	Net provisions for risks and charges	
	a) commitments and guarantees granted	
	b) other net provisions	(173)
180.	Depreciation and net impairment losses on property, plant and equipment	(875)
190.	Amortisation and net impairment losses on intangible assets	(95)
200.	Other operating income and expenses	(5,728)
210.	**Operating expenses**	**(31,299)**
220.	Profits (losses) of equity investments	
230.	Profit (losses) of the measurement at fair value of property, plant and equipment and intangible assets	
240.	Goodwill impairment	
250.	Profits (losses) on disposal of investments	
260.	**Profit (loss) of current operating activities before taxes**	**8,930**
270.	Taxes on income for the year for continuing operations	(1,952)
280.	**Profit (loss) of current operating activities after taxes**	**6,978**
290.	Profit (loss) from discontinued operations after taxes	
300.	**Profit (Loss) for the year**	**6,978**

Consolidated Statement of comprehensive income

Amount in thousand of Euros		30/06/2020	31/12/2019
ITEMS			
10.	**Profit (Loss) for the year**	**6,978**	**42,311**
	Other comprehensive income after tax not reclassified to profit and loss		
20.	Equity instruments 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 instruments measured at fair value through other comprehensive income		
50.	Property, plant and equipment		
60.	Intangible assets		
70.	Defined-benefit plans	(0)	(41)
80.	Non-current assets and disposal groups classified as held for sale		
90.	Portion of valuation reserves from investments valued at equity method		
	Other comprehensive income after tax reclassified to profit and loss		
100.	Foreign investments hedging		
110.	Currency exchange differences		
120.	Cash flow hedging		
130.	Hedging instruments (non-designated items)		
140.	Financial assets (different from equity instruments) at fair value through other comprehensive income	(6,109)	5,042
150.	Non-current assets and disposal groups classified as held for sale		
160.	Part of valuation reserves from investments valued at equity method		
170.	**Total other comprehensive income after tax**	**(6,109)**	**5,550**
180.	**Other comprehensive income (Item 10+170)**	**868**	**47,861**

Statement of changes in net equity - Period 2020

Amount in thousand of Euros	Total as at 31/12/2019	Amendment of opening balances	Total as at 01/01/2020	Allocation of previous year profit (loss)		Changes in the year						Comprehensive income for 2020	Net equity as at 30/06/2020
						Change in reserves	Transactions on net equity						
				Reserves	Dividends and other distributions		Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Other changes		
Share capital	600,000		600,000										600,000
Share premiums	403,000		403,000										403,000
Reserves													
a) from profits	779,011		779,011	42,311									821,322
b) others						1,152							1,152
Valuation reserves	(1,460)		(1,460)									(6,109)	(7,569)
Equity instruments													
Treasury shares													
Profit (Loss) for the year	42,311		42,311	(42,311)								6,978	6,978
Net equity	**1,822,862**		**1,822,862**	**0**		**1,152**						**868**	**1,824,884**

Statement of changes in net equity - Period 2019

Amount in thousand of Euros	Total as at 31/12/2018	Amendment of opening balances	Total as at 01/01/2019	Allocation of previous year profit (loss)		Changes in the year						Comprehensive income for 2019	Net equity as at 31/12/2019
						Change in reserves	Transactions on net equity						
				Reserves	Dividends and other distributions		Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Other changes		
Share capital	3,000		3,000				597,000						600,000
Share premiums							403,000						403,000
Reserves													
a) from profits	731,480	(55)	731,425	47,519		68							779,011
b) others													
Valuation reserves	(7,009)		(7,009)									5,550	(1,460)
Equity instruments													
Treasury shares													
Profit (Loss) for the year	47,519		47,519	(47,519)								39,895	39,895
Net equity	**774,989**	**(55)**	**774,934**	**0**		**68**	**1,000,000**					**45,445**	**1,820,447**

Consolidated Statement of Cash Flows
Direct method

Amount in thousand of Euros	30/06/2020	31/12/2019
A. OPERATING ACTIVITIES		
1. Ordinary activities	**(1,811)**	**37,399**
- Interest income received (+)	3,219	2,385
- Interest expenses (-)	(9,987)	(175)
- dividends and similar revenues (+)		
- net fees and commissions (+/-)	24,403	59,579
- staff costs (-)	(13,601)	(23,580)
- other costs (-)	(8,045)	(4,951)
- other revenues (+)	2,919	8,148
- duties and taxes (-)	(720)	(4.007)
- charges/revenues relating to discontinued operations net of taxes (+/-)		
2. Cash flow generated/absorbed by financial assets	**5,577**	**(1,994,128)**
- financial assets held for trading		
- financial assets measured at fair value		
- other financial assets mandatorily measured at fair value	13,029	(39,883)
- financial assets measured at fair value through other comprehensive income	54,378	(836,142)
- financial assets measured at amortised cost	(65,448)	(1,050,121)
- other assets	3,617	(17,892)
3. Cash flow generated/absorbed by financial liabilities	**(3,500)**	**914,714**
- financial liabilities measured at amortised cost	118	970,280
- financial liabilities held for trading		
- financial liabilities measured at fair value		
- other liabilities	(3,618)	7,433
Net cash flow generated/absorbed by operating activities	**266**	**(992,015)**
B. INVESTMENT ACTIVITIES		
1. Cash flow generated by		
- sales of equity investments		
- collected dividends on equity investments		
- sales of property, plant and equipment		
- sales of intangible assets		
- sales of company business units		
2. Cash flow absorbed by	**(266)**	**(7,985)**
- purchases of equity investments		
- purchases of property, plant and equipment	(61)	(7,530)
- purchases of intangible assets	(205)	(455)
- purchases of company business units		
Net cash flow generated / absorbed by investment activities	**(266)**	**(7,985)**
C. FUNDING ACTIVITIES		
- issues/purchases of treasury shares		1,000,000
- issues/purchases of equity instruments		
- dividend distribution and other		
Net cash flow generated/absorbed by funding activities	**0**	**1,000,000**
NET CASH FLOW GENERATED/ABSORBED IN THE YEAR	**0**	**(0)**

Reconciliation

Amount in thousand of Euros	30/06/2020	31/12/2019
Cash and cash equivalents at the beginning of the year	0	0
Total net cash flow generated/absorbed in the year	0	(0)
Cash and cash equivalents: foreign exchange effect	0	0
Cash and cash equivalents at the end of the year	**0**	**0**

7.

notes to the financial statements

Part A – Accounting policies

A.1 - General Part

Section 1 – Statement of compliance with international accounting standards

This Consolidated Interim Financial Report as at 30 June 2020 was prepared in compliance with the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS) as endorsed by the European Commission on 30 June 2019 in accordance with the requirements of EU Regulation no. 1606/2002. In particular, this Interim Financial Report was prepared in compliance with the Accounting Standard IAS 34 - Interim Financial Reporting and, for this reason, it does not include all the information required for the preparation of the annual financial statements.

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 replaced that of 22 December 2017.

Based on the provisions set forth in IAS 34, paragraph 10, the Company has opted to provide summary information for the Interim Financial Report. The Condensed interim Financial Statement is composed by financial statement schedules and notes to the interim financial report.

In the preparation of this Interim Financial Report, the IAS/IFRS standards adopted and effective as at 30 June 2020 were applied (including the SIC and IFRIC interpretative documents).

Section 2 – Basis of preparation

The accounting standards adopted for the preparation of this Consolidated Interim Financial Report, with reference to the phases for the classification, recognition, valuation and derecognition of financial assets and liabilities, are the same as those adopted for the preparation of the Financial Statements of 2019.

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 it will operate in the future with a management model aimed at achieving an efficient and effective recovery of non-performing loans and the other assets. As things stand, there are no elements in the financial and equity structure of the AMCO Group, which may give rise to any uncertainties in this sense.

This Consolidated Interim Financial Report is consistent with the accounting records of the Group.

In compliance with the provisions of article 5 of Italian Legislative Decree no. 38/2005, this Consolidated Interim Financial Report was prepared using the Euro as the reporting currency. The figures shown in the accounting statements are expressed in thousands of Euros and only the economic items do not include a comparison with the 2019 period, since 2020 is the first year of preparation of the Consolidated Interim Financial Report for the AMCO Group.

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

The Company has drawn up the Interim Consolidated Financial Report with the inclusion, in its consolidation scope, of the securitisation vehicle Fucino SPL's S.r.l.

Taking into account the Framework for the preparation and presentation of the six-month financial position and the concepts of "significance" and "relevance" considered therein, it was deemed that, in view of their negligible impact at a consolidated level, the inclusion in the Consolidated Interim Financial Statements presenting the equity and economic position at 30 June 2020 of the company Immobiliare Carafa S.r.l. in liquidation and AMCO – Asset Management Co. S.r.l. (hereinafter also "AMCO S.r.l.") was not substantially useful given:

- the irrelevance of the assets of the subsidiaries, Immobiliare Carafa S.r.l. in liquidation and AMCO 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 irrelevance 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 equity and profitability of the group already reflected in this Consolidated Interim Financial Report of AMCO S.p.A..

Section 3 – Events subsequent to the date of Interim Financial Report

With specific reference to the provisions of IAS 10, please note that subsequently to 30 June 2020 – the reference date of this Consolidated Interim Financial Report – and until 9 September 2020, date of approval of the Interim Financial Report draft, no events or circumstances have occurred such as to require an adjustment of the amounts included in this report. The transactions for the purchase of the most relevant non-performing portfolios, legally effective after 30 June 2020, are hereinafter summarised:

- On 29 June 2020, the Company has executed with Banca Popolare di Bari S.c.p.A., under Extraordinary Administration (hereinafter also "BPB"), a loan transfer, without recourse and in bulk – pursuant to and in compliance with article 58 of Italian Legislative Decree no. 385 of 1 September 1993 – for the purchase by AMCO S.p.A. of a portfolio of BPB non-performing loans. The portfolio has a gross book value of approximately EUR 2.0 billion and is composed by 60% of positions classified as Unlikely-To-Pay (UTP) and for the remaining amount, of positions classified as bad loans. The total price was EUR 500 million; the transaction, legally effective as at 18 July 2020, will produce economic effects on the financial statements of the Company as from 1 July 2020;
- Also on 29 June 2020, the Board of Directors of Banca Monte dei Paschi di Siena S.p.A. and the Board of Directors of AMCO S.p.A. have approved a project concerning the partial non-proportional spin-off, with asymmetric option, from MPS in favour of AMCO S.p.A., of a set of impaired loans, tax assets, other assets, financial debt, other liabilities and net equity, effective within 2020. In detail, the object of the transaction is a NPE portfolio with a gross value of approximately EUR 8.1 billion of which EUR 4.8 billion classified as bad loans and EUR 3.3 billion as UTP. The project is subject to the fulfilment of the requirements described in detail in the Report on Operations, to which reference should be made;

- In June 2020, the Parent Company has also acquired from Banca Carige a second tranche of non-performing loans related to a single group as debtor, with a gross book value of approximately EUR 227 million. This transaction will also become legally effective in July 2020;
- Also in June 2020, a binding offer was presented to Banca di Credito Cooperativo di S. Marcellino in L.C.A. for the purchase of a portfolio of loans classified as bad loans for a gross book value of approximately EUR 13.5 million for a total of 170 debtors;
- On 5 August 2020, AMCO S.p.A. executed with Creval S.p.A. a transfer agreement, without recourse and in bulk – pursuant to and in compliance with article 58 of Italian Legislative Decree no. 285/1993 – about the purchase by AMCO S.p.A. of a portfolio of non-performing loans with a gross book value of about EUR 270 million, mainly from corporate customers, composed by 60% of positions classified as bad loans and by 40% of unlikely-to-pay positions, the legal efficacy of which will be defined in the second half of 2020; this acquisition is added to the portfolio of non-performing loans classified as bad loans already purchased on 12 March 2020 by the same counterparty (with a gross book value of about EUR 177 million).

Finally, on 9 July 2020, the Parent Company has issued a senior unsecured bond divided into two tranches in the amount of EUR 1,250 million, with a 3-year maturity, and of EUR 750 million, with a 7-year maturity, and with 17 July 2020 as the settlement date, with a listing on the Luxembourg regulated market.

The bond issue with 3-year maturity has a 1.5% fixed coupon and an issuance price of 99.752% while the bond with 7-year maturity has a fixed coupon of 2.25% and an issuance price of 99.486%. The rating is assigned upon issuing, within the Euro Medium Term Note Programme, with a rating of BBB (Standard&Poor's) and BBB- (Fitch).

Section 4 – Other aspects

4.1 International accounting standards in force since 1 January 2020

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

- 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 "material" 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 "material" 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.
- 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 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 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. The amendment has also introduced an optional test (“concentration test”) which allows for the exclusion of the presence of a business if the paid price is substantially referring to a single asset or group of assets. The changes apply to all business combinations and acquisition of assets subsequent to 1 January 2020, but an early application is permitted.
- On 26 September 2019, IASB published the amendment called “Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform”. This 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.

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

At the reference date for this Consolidated Interim Financial Report, the competent bodies of the European Union have not yet completed the approval process necessary for the adoption of the amendments and standards described below.

- On 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 represents 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 Company’s financial statements.

- On 23 January 2020, IASB has published an amendment called "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current". The document's purpose is to clarify how to classify short- and long-term payables and other liabilities. The amendments will become effective on 1 January 2022, but IASB has issued an exposure draft in order to defer the entry into effect to 1 January 2023; however, an early application is permitted.
- On 14 May 2020, IASB has published the following amendments called:
    - Amendments to IFRS 3 Business Combinations: the purpose of these amendments is to update the reference present in IFRS 3 to the Conceptual Framework in the revised version without involving changes to the provisions of the IFRS 3.
    - Amendments to IAS 16 Property, Plant and Equipment: the purpose of these amendments is to prevent the deduction from the cost of tangible assets of the amount received from the sale of the goods produced in the test phase of the asset itself. These sales revenue and the related costs will therefore be recognised in the Income Statement.
    - Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: these amendments clarify that when assessing whether a contract is onerous, any cost that is directly imputable to it must be taken into consideration. Consequently, the assessment of a contract's onerousness includes not only incremental costs, but also all the costs that the company cannot avoid based on the contract it has executed.
    - Annual Improvements 2018-2020: these amendments were made to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and to the Illustrative Examples of IFRS 16 Leases.

  All amendments will become effective on 1 January 2022.
- On 28 May 2020, IASB has published an amendment called "Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)". The amendments allow for an extension of the temporary exemption from the application of IFRS 9 until 1 January 2023. These amendments will become effective on 1 January 2021. Directors do not expect the adoption of this standard to have a significant effect on the Company's financial statements.

4.3 Use of estimates and assumptions in the preparation of the Interim Financial Report

The preparation of the Consolidated Interim Financial Report requires the recourse to estimates and assumptions that may determine significant effects on the values recognised in the balance sheet and in the income statement, as well as the information provided in the Notes. 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 to be provided concerning the Interim Financial Report;
- the use of valuation models for the recognition of fair value of financial instruments unlisted in active markets;
- the definition of the recovery plan for the so-called POCI loans;
- 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 this Consolidated Interim Financial Report. Lastly, it is noted that the parameters and the information used for the verification of the values referred to in the previous paragraphs are, therefore, influenced by the particularly uncertain macroeconomic and market scenario.

4.3.1 Accounting issues related to Covid-19

In addition to the analysis provided in the Consolidated Report on Operations (see, in particular, the sections “Macroeconomic scenario” and “Relevant events of the first half of 2020”) during the first half of 2020, the various European regulators have addressed the accounting effects of the Covid-19 pandemic through a number of provisions which are hereinafter summarised.

On 27 March 2020, IASB has published the document “Covid-19 - Accounting for expected credit losses applying IFRS 9 Financial Instruments in the light of current uncertainty resulting from the Covid-19 pandemic” which does not amend the IFRS 9 standard but shows how, during the pandemic, the extension of the moratoria to the customers is not expected to automatically translate into a significant increase of the credit risk.

On 28 May 2020 IASB published an amendment called “Covid-19 Related Rent Concessions (Amendment to IFRS 16)”. The document provides for the right of the lessees to account for the reduction in rents related to Covid-19 without assessing, through an analysis of the agreements, whether the definition of “lease modification” of IFRS 16 was complied with. Therefore, the lessees who apply this option will be able to recognise the effects of the reductions in renting fees directly in the Income Statement at the date of entry into effect of the reduction. This change, although applicable to the financial statements as at 1 June 2020, except for the option of an early application to the financial statements of a company, as from 1 January 2020, has not yet been ratified by the European Union and therefore it has not been applied by the Company on 30 June 2020.

ESMA has also called attention to the application of specific IFRS provisions with a particular reference to the methods for the accounting treatment of the effects deriving from the Covid-19 pandemic by publishing the following documents:

- 11 March 2020 - Recommendation on the information that the Issuers must provide to the market on the Covid-19 impact;
- 27 March 2020 - “Guidance on Financial Reporting Deadlines in light of Covid-19”;
- 25 March 2020 - “Accounting implications of the Covid-19 outbreak on the calculation of expected credit losses in accordance with IFRS 9”.

On 16 July 2020, within the communication “Covid-19 - drawing attention on financial reporting”, Consob has also emphasised, for the administrative and control bodies and the Managers entrusted with financial reporting, the need to comply with the standards applicable to the preparation of financial reporting, taking into account the impacts of the effects that Covid-19 may produce, in particular, as regards assessments on going concern as well as assets valuation (through impairment tests).

4.4 Other

Veneto Group and Vicenza Group Segregated Estates

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

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

- estimate of the net future financial flows of loans in the hypothesis of the existence 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 business model and pricing of the activities of master and special servicing with respect to the two previous hypotheses.

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

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

Consequently, because the originating LCAs essentially in practice and in law retain all the risks and benefits of the transferred assets, the criterion for the derecognition of assets in the financial statements of the originators, should they apply IAS/IFRS accounting standards, has not been met.

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

- AMCO S.p.A. is not required to consolidate the Segregated Estates, nor can these be considered joint ventures with the Company;

- AMCO S.p.A. does not have a direct or indirect equity investment in the Segregated Estates, which cannot therefore be considered to be equity investments in non-consolidated structured entities;
- the constitution of two Segregated Estates, in order to pursue the specific statutory safeguards offered by this institution, and the existence of an ongoing management contract between them and AMCO S.p.A. ensures that the relationship between the Parent Company and the Segregated Estates falls within the cases of sponsorship envisaged by IFRS 12. Therefore, the disclosure obligations are those defined by IFRS 12.27. This requirement for information, although not mandatory for the condensed Consolidated Interim Financial Report, was fulfilled in the Consolidated Report on Operations and in the Notes to which reference is made.

The half year report on Segregated Estates was not drawn up since it is required that the separate statement must be attached to the yearly financial statements, pursuant to article 2447 septies of the Italian Civil Code. See the Financial Statements 2019 for the Reports on Segregated Estates as at 31 December 2019.

A.2 – Part relating to the main financial statements' items

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

Financial assets measured at fair value through profit and loss

Classification criteria

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

This item, in particular, can include:

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

Recognition criteria

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

Measurement and recognition criteria of income items

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

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

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

Classification criteria

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

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

In particular, this item includes:

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

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

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

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

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

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

Recognition criteria

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

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

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

Measurement and recognition criteria of income items

After the initial recognition, financial assets are measured at fair value, with allocation of profits or losses deriving from the variations in fair value, with respect to the amortised cost, to a specific net equity reserve in the statement of other comprehensive income until the financial asset is derecognised, or a reduction in value is observed.

Equity instruments for which the choice has been made for classification in this category are measured at fair value and the amounts recognised as a matching entry in net equity (Statement of other 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 included in this category and 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 and receivables 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 any acquired 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 are 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 financial instrument would have had 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 includes assets not attributable to other asset 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 AMCO’s capacity to generate sufficient taxable income in future years and taking into account the specific regulations laid down by Italian Decree Law no. 225 of 29 December 2010 as amended.

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

With Italian Legislative Decree 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 into credits, the 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 tax assets and liabilities include the net balance of the Company’s tax position with respect to the Italian tax authorities. Specifically, these entries include the net 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.

Provisions for 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 staff costs is determined based on the contributions due without using actuarial calculations;

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

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

Following the entry into force of the new version of IAS 19 issued by the IASB in June 2011 and effective as from 1 January 2013, actuarial gains and losses are recognised immediately and entirely in the "Statement of other 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 Company calculates the amount of the provisions and allocations to an extent equal to the present value of the outlays that are expected to be necessary to settle the obligations.

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

Revenues and costs

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

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

Costs are recognised in the Income Statement in compliance with the 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;
- as for the UCITS, the fair value was calculated based on in-house models according to the criteria set forth in the internal policies in effect, adjusting the Net Asset Value (NAV) provided by the Fund Administrator. This in compliance with Doc. 8 of the Coordination Round Table as regards the application of the IAS/IFRS standards (of April 2020) where the Bank of Italy, Consob and IVASS have restated the need to consider possible adjustments of the NAV for the determination of the fair value of the UCITS units, where the enhancing criteria applied to the underlying assets are not aligned with the criteria set forth in the IFRS standards for the determination of their fair value, or in the presence of significant illiquidity factors concerning the underlying assets or the funds units. The guidelines provided in the document have been specifically addressing the positions in UCITS units investing in Non-Performing Exposures (NPEs) but they must be considered to be applicable to all the UCITS units characterised by similar issues in the assessment of the underlying funds and the fund units;
- 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 of level takes place:

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

Part B – Information on the balance sheet

Assets

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

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

Items / Values	30/06/2020			31/12/2019		
	L1	L2	L3	L1	L2	L3
1. Debt securities						
1.1 Structured securities						
1.2 Other debt securities						
2. Equity securities	**5,311**					
3. UCITS units			**534,440**			**546,584**
4. Loans			**12,991**			**13,125**
4.1 Repurchase agreement						
4.2 Others			12,991			13,125
Total	**5,311**		**547,431**			**559,709**

The item “Equity securities” includes EUR 5.3 million, referring to the shares of Trevi Finanziaria Industriale S.p.A. currently in the portfolio, acquired during the first half of 2020.

The item UCITS units include:

- the investment in the Italian Recovery Fund for EUR 488.6 million. As at 30 June 2020, the Company held no. 505.05 units with unit value of EUR 988,430.935 (compared to the value of 520 units owned as at 31 December 2019, equal to EUR 964,111.033). The reduction in the number of units in the portfolio is due to the derecognition of units following distribution to the Capital carried out in May 2020;
- the units of the Back2Bonis fund, assigned to the Company within the context of the “Cuvée” operation, valued at EUR 45.6 million as at 30 June 2020;
- the Clessidra Restructuring Fund units acquired during the first half of 2020 and valued at EUR 0.3 million as at 30 June 2020.

Loans include credits from the portfolio of former Banca Carige which do not meet the SPPI test and for which the measurement at fair value is mandatory.

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

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

Items / Values	30/06/2020			31/12/2019		
	L1	L2	L3	L1	L2	L3
1. Debt securities						
1.1 structured securities						
1.2 other debt securities	790,375		9	842,986		12
2. Equity securities			1,990			1,804
3. Loans						
Total	**790,375**		**1,999**	**842,986**		**1,816**

As at 30 June 2020 this item had a balance of EUR 792.4 million. In detail, it is composed of:

- Other debt securities: the amount of EUR 790.4 million, inclusive of the interest accrued and the related write-down, refers almost entirely to the investment in Italian government securities held in the portfolio at the closing date of this interim financial report. A residual part, equal to EUR 9 thousand, refers to Bosnian government securities unlisted on regulated markets with maturity on 17 December 2021;
- Equity securities: the amount of EUR 2 million refers, for EUR 1.8 million, to the investment in Banca Carige S.p.A. of which the Company holds in the portfolio 1,804,489.911 shares, the value of which, as at 30 June 2020, is based on the official price of the capital increase carried out in 2019, and for EUR 0.2 million to the equity financial instruments of the Biancamano Group, acquired in the portfolio during the first half of 2020, following conversion of the loans held by the Company coming from the former Carige portfolio.

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	Second stage	Third stage	
		of which: instruments with low credit risk						
Debt securities	791,636	791,636		9	(1,262)			
Loans								
Total as at 30/06/2020	**791,636**	**791,636**		**9**	**(1,262)**			
Total as at 31/12/2019	**842,998**	**842,998**			**(1,314)**			
of which: acquired or originated impaired financial assets	X	X	-	-	X	-	-	-

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

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

Breakdown	30/06/2020						31/12/2019					
	Carrying amount			Fair value			Carrying amount			Fair value		
	First and second stage	Third stage	of which: acquired or originated impaired	L1	L2	L3	First and second stage	Third stage	of which: acquired or originated impaired	L1	L2	L3
1. Deposits and current accounts	**371,204**					**371,204**	**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	**596**					**596**	**16,889**					**16,889**
Total	**371,800**					**371,800**	**324,338**					**324,338**

The item Deposits and current accounts includes the balance as at 30 June 2020 of the current accounts at banks for EUR 371.2 million, net of the write-down of the credit exposures for EUR 0.9 million.

The other assets, amounting to Euro 0.6 million, refer primarily to the receivables due from Banca Carige for retroceded positions during the first half of 2020.

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

Breakdown	30/06/2020						31/12/2019					
	Carrying amount			Fair value			Carrying amount			Fair value		
	First and second stage	Third stage	of which: acquired or originated impaired	L1	L2	L3	First and second stage	Third stage	of which: acquired or originated impaired	L1	L2	L3
1. Loans		**6,486**	**6,486**			**6,486**		**6,640**	**6,640**			**6,640**
1.1 Repurchase agreement												
1.2 Financial leases												
1.3 Factoring												
- with recourse												
- without recourse												
1.4 Other loans		6,486	6,486			6,486		6,640	6,640			6,640
2. Debt securities												
2.1 structured securities												
2.2 other debt securities												
3. Other assets	**234**					**234**	**20**					**20**
Total	**234**	**6,486**	**6,486**			**6,720**	**20**	**6,640**	**6,640**			**6,660**

As at 30 June 2020, this item shows a balance of EUR 6.7 million composed primarily of the loans of the former Carige portfolio for EUR 6.5 million.

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

Breakdown	30/06/2020						31/12/2019					
	Carrying amount			Fair value			Carrying amount			Fair value		
	First and second stage	Third stage	of which: acquired or originated impaired	L1	L2	L3	First and second stage	Third stage	of which: acquired or originated impaired	L1	L2	L3
1. Loans	**3,991**	**994,022**	**994,022**			**998,013**	**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								434	434			434
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	3,991	994,022	994,022			998,013	3,968	968,338	968,338			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	**3,991**	**994,022**	**994,022**			**998,013**	**3,968**	**968,772**	**968,772**			**972,740**

As at 30 June 2020 this item had a balance of roughly EUR 998 million, composed of:

- Portfolio of former Banco di Napoli, Isveimer and Graal: for EUR 110.9 million compared to EUR 119.9 million as at 31 December 2019;
- Portfolio acquired from Banca Carige: for EUR 739.4 million compared to EUR 747 million as at 31 December 2019;
- Portfolio acquired from Banca Fucino: for EUR 92.0 million;
- Portfolio acquired from Credito Valtellinese, ICS and Igea Fucino: for EUR 51.7 million;
- Loan to the Back2Bonis fund for EUR 4 million.

4.5 Financial assets measured at amortised cost: 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	4,025	4,025		1,754,451	(34)		(753,728)	
Other assets	372,672	372,672			(851)			
Total as at 30/06/2020	**376,697**	**376,697**		**1,754,451**	**(885)**		**(753,728)**	
Total as at 31/12/2019	**328,881**	**290,658**		**1,786,426**	**(485)**		**(810,629)**	
of which: acquired or originated impaired financial assets				1,661,383			(753,728)	

Section 7 – Equity investments – Item 70

7.1 Equity investments: information on equity investment relations

Denominations	Registered office	Operational office	Shareholding interest %	Votes available %	Carrying amount	Fair value
Immobiliare Carafa S.r.l. in liquidation	Naples	Naples	100%	100%	4	n.a.
AMCO S.r.l.	Romania	Romania	100%	100%	10	n.a.
Total					**14**	

The balance of this item refers to the equity investments held by AMCO S.p.A. as at 30 June 2020, specifically:

- EUR 4 thousand, net of impairment, for the control interest held in the company Immobiliare Carafa S.r.l. in liquidation, established by AMCO on 12 October 1999 and relating to the acquisition, management and sale of properties and the completion of relative construction works, aimed at the settlement of parts of AMCO receivables. With resolution issued by the Board of Directors on 24 May 2019, the company was placed in liquidation.
- EUR 10 thousand for the equity investment in AMCO S.r.l. a company with registered office in Romania, the purpose of which is the recovery of the Romanian portfolio assets of the Veneto Segregated Estate.

Section 8 – Property, plant and equipment and intangible assets – Item 80

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

Assets/Values	30/06/2020	31/12/2019
1. Owned assets		
a) land		
b) buildings		
c) movable assets	151	162
d) electronic equipment	61	72
e) others	325	364
2. Right of use acquired through leases		
a) land		
b) buildings	4,703	5,404
c) movable assets		
d) electronic equipment	60	78
e) others	122	157
Total	**5,423**	**6,237**
of which: from enforcement of guarantees and commitments		

The decrease in fixed assets as at 30 June 2020 is almost entirely attributable to the amortisation/depreciation of assets for the right of use pursuant to IFRS 16.

Section 9 – Intangible assets – Item 90

9.1 Intangible assets: breakdown

Items/Valuation	30/06/2020		31/12/2019	
	Assets measured at cost	Assets measured at fair value	assets measured at cost	assets measured at fair value
1. Goodwill				
2. Other intangible assets:	**689**		**579**	
2.1 owned	689		579	
- generated internally				
- others	689		579	
2.2 Right of use acquired through leases				
Total 2	**689**		**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)	**689**		**579**	
Total as at 31/12/2019	**579**			

The increase in fixed assets as at 30 June 2020, for EUR 0.7 million, is almost entirely attributable to the capitalisation of user licenses over the current six-month period.

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

10.1 Tax assets: current and deferred: breakdown

	30/06/2020	31/12/2019
Taxes to reimburse or mitigate	8,298	11,209
Prepaid taxes	69,483	68,673
Withholding tax charged	35	29
Total	**77,816**	**79,912**

This item includes only tax assets recognised in accordance with IAS 12 and therefore relating to direct taxes.

Other tax receivables are included in the item "Other assets".

Recognised deferred tax assets refer to:

- for EUR 66 million to IRES DTAs generated by temporary deductible differences (of which EUR 50,947 thousand for write-downs of receivables not yet deducted pursuant to article 106, paragraph 3, TUIR (Consolidation Income Tax Act), according to the provisions of article 2 of Italian Legislative Decree no. 225 of 29 December 2010, as amended pursuant to Italian Law no. 214/2011) and by previous tax losses and use of ACE;
- EUR 3.4 million to IRAP DTAs relative to deductible temporary differences relating to provisions for risks and charges and to assets impairments not yet deducted.

It is specified that as things stand no elements standout such as to the highlight restrictive conditions for the carrying forward of the tax losses.

10.2 Tax liabilities: current and deferred: breakdown

	30/06/2020	31/12/2019
Payables for current taxes	643	5,394
Deferred IRAP tax	3,058	1,658
Total	**3,701**	**7,053**

The item Payables for current taxes is composed of the IRAP pertaining to the first half of 2020 (for EUR 0.6 million) whereas deferred taxes, also entirely recognised for IRAP, are primarily due to the capital gain from the valuation recognised on the shares of Trevi Industriale Finanziaria S.p.A. in the first half of 2020, in addition to the default interest not entirely written-down, concerning the former Banco di Napoli portfolio.

Section 12 – Other assets – Item 120

	30/06/2020	31/12/2019
Guarantee deposits	590	587
Improvements to third party assets	594	591
Miscellaneous receivables for register fees and expenses to be recovered	278	278
Receivables from Segregated Estates	10,937	15,966
Receivables for invoices/services to be issued or collected	6,078	5,176
Prepaid expenses	4,412	450
Others	1,293	1,669
Total	**24,182**	**24,717**

As at 30 June 2020 the item “Other assets” had a balance of EUR 24.2 million, mainly made up of:

- “Receivables from Segregated Estates” include amounts relating to the expenses anticipated by AMCO and reallocated to Segregated Estates, in addition to commissions to be collected, accrued in the second quarter of 2020;
- “Receivables for invoices/services to be issued” include amounts related to the recovery of expenses advanced by AMCO in the management of the Financed Capital, in addition to the related fees/commissions;
- “Prepaid expenses” include, in addition to the costs that have already been financially recognised but that pertain, entirely or partially, to the period following the reporting date, also the expenses, in particular IT and consulting fees concerning the activities aimed at the acquisition of the portfolios which will have economic efficacy starting from 1 July 2020;
- “Improvements on third-party assets” refer to structural works carried out on the property in Via Santa Brigida 39 in Naples.

Liabilities

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

1.1 Financial liabilities measured at amortised cost: breakdown of payables

Items	30/06/2020			31/12/2019		
	With banks	With financial companies	With customers	With banks	With financial companies	With customers
1. Loans						
1.1 Repurchase agreement						
1.2 Other loans						
2. Lease payables			5,150			5,782
3. Other payables		5			5	
Total		**5**	**5,150**		**5**	**5,782**
Fair value – level 1						
Fair value – level 2						
Fair value – level 3		**5**	**5,150**		**5**	**5,782**
Fair value total		**5**	**5,150**		**5**	**5,782**

As at 30 June 2020, the item “Payables” is totally attributable to the recognition of the financial liability for leasing pursuant to IFRS 16.

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

Items	30/06/2020				31/12/2019			
	CA	Fair value			CA	Fair value		
		L1	L2	L3		L1	L2	L3
A. Securities								
1. bonds								
1.1 structured	57,798			57,798	59,205			59,205
1.2 others	849,558	849,558			850,516	850,516		
2. other securities								
2.1 structured								
2.2 others								
Total	**907,357**	**849,558**		**57,798**	**909,721**	**850,516**		**59,205**

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

Section 6 – Tax liabilities – Item 60

See section 10 of assets.

Section 8 – Other liabilities – Item 80

	30/06/2020	31/12/2019
Payables to suppliers	4,000	6,624
Payable deductions and social security contributions	1,224	1,542
Invoices to be received	4,672	6,425
Remuneration, reimbursement of expenses and payables to personnel	1,384	445
Payables to LAC for the Collar	39,609	30,963
Other payables	19,875	6,355
Total	**70,763**	**52,353**

The difference between 30 June 2020 and 31 December 2019 is due essentially to:

- the payable arising from the cost of EUR 8.6 million relative to the mechanism for the adjustment of AMCO fees to the LCAs ("Collar") indicated in the transfer agreement with the latter. This mechanism ensures the correlation of fees due to AMCO to the costs sustained for the management and recovery activities of the obligations of the transferred assets. The liquidation of the amounts is carried out on a three-year basis;
- the item "Other payables" includes items in process across the end of the first half of the period, which have found their physiological placement in the subsequent month of July.

Section 10 – Provisions for risks and charges – Item 100

Items/Values	30/06/2020	31/12/2019
1. Provision for credit risk relating to commitments and guarantees granted		
2. Provision for other commitments and guarantees granted		
3. Company pension funds		
4. Other provisions for risks and charges		
4.1. legal and tax litigations	13,487	15,508
4.2. staff costs	2,396	3,232
4.3. others	1,451	1,451
Total	**17,335**	**20,191**

As at 30 June 2020 the provision had a balance of EUR 17.3 million. More specifically, the provisions are composed of:

- Legal and tax litigations the fund includes the allocation for the risk of an adverse outcome, regarding complaints referring to the payment of fees claimed or claimable by legal advisers, in addition to payments following requests for the reimbursement of the amounts paid by the debtors. The decrease, compared with 31 December 2019, is mainly ascribable to the use of amounts allocated and liquidated following litigations and settlement agreements, in addition to the payment of the fees due to legal advisers;
- Staff costs: the item refers to the six-month 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) for a total of EUR 1.5 million 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.

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	30/06/2020
1. Financial assets measured at fair value through profit and loss:				
1.1. Financial assets held for trading				
1.2. Financial assets measured at fair value				
1.3. Other financial assets mandatorily measured at fair value				
2. Financial assets measured at fair value through other comprehensive income	2,316			2,316
3. Financial assets measured at amortised cost:				
3.1 Loans and receivables with banks		24		24
3.2 Loans and receivables with financial companies				
3.3 Loans and receivables with customers		26,516		26,516
4. Hedging derivatives				
5. Other assets				
6. Financial liabilities				
Total	**2,316**	**26,539**		**28,855**
of which: interest income from impaired financial assets		**26,539**		**28,855**
of which: interest income on leases				

Interest and similar income include:

- EUR 25.1 million deriving from the accounting treatment as “purchased or originated credit impaired” (“POCI”), in accordance with the provisions of IFRS 9, of the former Carige and former ICS Non-Performing Exposure portfolios in addition to those acquired during the financial year. More specifically, this amount is composed of interest income in the amount of EUR 20.4 million generated by the portfolio of the former Banca Carige, of receivables from the former Istituto per il Credito Sportivo for EUR 0.6 million, of receivables from the former Credito Valtellinese for EUR 1.2 million, of the Igea-Fucino portfolio for EUR 0.3 million and of the portfolio acquired from Banca del Fucino for EUR 2.6 million;
- EUR 1.5 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 2.3 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	30/06/2020
1. Financial liabilities measured at amortised cost				
1.1 Payables to banks	58			58
1.2 Payables to financial companies				
1.3 Payables to customers	83			83
1.4 Debt securities issued		8,659		8,659
2. Financial liabilities held for trading				
3. Financial liabilities measured at fair value				
4. Other liabilities			1	1
5. Hedging derivatives				
6. Financial assets				
Total	**141**	**8,659**	**1**	**8,801**
of which: interest expenses relative to lease payables	83			**83**

Interest and similar expenses include:

- EUR 8.1 million relative to interest expenses, accounted at amortised cost, of senior unsecured bonds issued by the Company in February and October 2019;
- EUR 0.5 million relating to interests on the senior notes issued by the vehicle Fucino NPL's S.r.l.;
- EUR 0.1 million resulting from lease contracts where the Company is the lessee, in accordance with the provisions of IFRS 16.

Section 2 – Fees and commissions – Items 40 and 50

2.1 Fees and commissions income: breakdown

Detail	30/06/2020
a) lease operations	
b) factoring operations	
c) consumer credit	
d) guarantees granted	
e) services of:	
- fund management for third parties	
- foreign exchange intermediation	
- product distribution	
- others	
f) collection and payment services	
g) servicing of securitisation operations	1,114
h) other commissions	
− credit recovery for Veneto LCAs	23,096
− securities lending	483
Total	**24,693**

This account includes servicing commissions received for the management of Segregated Estates relative to the former Veneto Banks for EUR 23.1 million and, in a marginal way: the commissions deriving from the securities lending operations carried out on the government securities portfolio for EUR 0.5 million, the commissions related to the servicing activity on the Ampre securitised portfolio for EUR 0.8 million, in addition to the commitment fee on the authorised credit to the Back2Bonis fund for EUR 0.3 million.

2.2 Fees and commissions expense: breakdown

Detail/Sectors		30/06/2020
a)	guarantees received	
b)	distribution of services by third parties	
c)	collection and payment services	
d)	other commissions	638
Total		**638**

Commissions mainly refer to the amount recognised to AMCO S.r.l. in the first half of 2020 for servicing activity on the Romanian portfolio of the Segregated Estate of the Veneto Group.

Section 7 – Net income (loss) from 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 mandatorily 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	7,071	5	1,013		6,063
	1.1 Debt securities					
	1.2 Equity securities7	5,311				5,311
	1.3 UCITS units	1,708	5	1,013		700
	1.4 Loans	52				52
2.	Financial assets in currency: exchange differences					
Total		**7,071**	**5**	**1,013**		**6,063**

Capital gains as at 30 June 2020 amounted to EUR 7.1 million, of which: EUR 1.7 million referring to the revaluation of the units of the Italian Recovery Fund, based on the fair values calculated by the Company and net of the repayment of principal received in May 2020; EUR 5.3 million referring to the revaluation of the Trevi Finanziaria Industriale shares based on the latest market quotation available as at 30 June 2020; and for the remaining portion, the revaluation of the former Banca Carige loans, measured at fair value.

Capital gains have been partially offset by the capital losses related to the write-down of the units of the Back2Bonis fund for EUR 1 million.

The net income from the financial assets and liabilities measured at fair value through profit and loss is therefore equal to EUR 6.1 million.

Section 8 – Net losses/recoveries on credit impairment – Item 130

Section 8.1 Net losses/recoveries on credit impairment relating to financial assets measured at amortised cost: breakdown

Operations/Income components	Value adjustments			Reversals		30/06/2020
	First and second stage	Third stage: write-off	Third stage: others	First and second stage	Third stage	
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	400					(400)
2. Loans and receivables with financial companies						
Acquired or originated impaired loans and receivables						
- for leases						
- for factoring						
- other loans and receivables						
Other loans and receivables						
- for leases						
- for factoring						
- other loans and receivables						
3. Loans and receivables with customers						
Acquired or originated impaired loans and receivables						
- for leases						
- for factoring						
- for consumer credit						
- other loans and receivables			31,995		14,394	(17,600)
Other loans and receivables						
- for leases						
- for factoring						
- for consumer credit						
- pawn lending						
- other loans and receivables						
Total	**400**		**31,995**		**14,394**	**(18,001)**

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 and forfeiting measurements of the owned managed portfolios. More specifically, the adjustments comprise both the write-downs concerning the reviews of the cash flows expected from some positions of the former Banca Carige portfolio (for EUR 17.0 million) and the effect of the delays in the actual revenue versus the forecast recovery plans. On the other hand, the reversals include both the write-backs from collections related to the portfolios of the former Banca Carige and Banco di Napoli, and the economic effect of the revenue collected before the recovery forecast. 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 losses/recoveries on credit impairment relating to financial assets measured at fair value through other comprehensive income: breakdown

Operations/Income components	Value adjustments			Reversals		30/06/2020
	First and second stage	Third stage		First and second stage	Third stage	
		write-off	others			
A. Debt securities	**(364)**			**424**		**61**
B. Loans						
- With customers						
- With financial companies						
- With banks						
of which: acquired or originated impaired financial assets						
Total	**(364)**			**424**		**61**

This item includes primarily the offsetting effect of the write-down carried out in the first half of 2020 concerning the government securities held in the liquidity portfolio and the value reversals arising from sales-related rollouts.

Section 10 – Administrative expenses – Item 160

10.1 Staff costs: breakdown

Type of expenses/Values	30/06/2020
1. Employees	13,403
a) salaries and wages	7,847
b) social security	2,304
c) post-employment benefits	143
d) pension funds	
e) provision for post-employment benefits	2
f) provision for pensions and similar obligations:	
- defined contribution plan	
- defined-benefit plans	
g) payments to external complementary pension funds:	
- defined contribution plan	517
- defined-benefit plans	
h) other benefits for employees	2,588
2. Other active personnel	3
3. Directors and Auditors	159
4. Retired personnel	
5. Recoveries of expenses for personnel seconded to other companies	
6. Reimbursements of expenses for personnel seconded to the company	37
Total	**13,601**

Staff costs amounted to EUR 13.6 million and are mainly constituted by wages and salaries and relative social security contributions and bonus provisions for employees. The increase compared with the same period of the previous year is attributable to the increased number of employees of the Company which as at 30 June 2020 reached 258 units.

10.3 Other administrative expenses: breakdown

		30/06/2020
1.	External consultancy expenses	2,333
2.	Software and IT services expenses	1,415
3.	Software user licence	1,204
4.	Legal and credit recovery expenses	1,404
5.	Insurance policies	748
6.	Out-of-pocket credit recovery expenses	579
7.	Cleaning/surveillance expenses	410
8.	Short term/modest value leasing	350
9.	Document archiving expenses	343
10.	Third party property maintenance/building expenses	177
11.	Subscriptions/magazines/office supplies and consumables	96
12.	Taxes/dues/memberships fees	71
13.	Utilities expenses	78
14.	Personnel recruitment	42
15.	Other expenses	1,578
Total		**10,828**

Other administrative expenses amounted to EUR 10.8 million and are composed primarily of expenses for external consultancy, IT and software expenses, software user licenses and legal and notary public expenses.

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

Other net provisions for risks and charges: breakdown

		30/06/2020
a)	For HR risks and charges	
b)	For risk of sums repayments	(45)
c)	For guaranteed litigations	
d)	For employees' supplementary pension scheme	(81)
e)	For risk of litigation	(37)
f)	For risk of compensation for damages	
g)	For risk of reimbursement of expenses	(9)
h)	For risk of TARI-TARSU	(1)
i)	For risk of adjustment of servicing payments	
l)	For risk of retrocession of ISMEA (former SGFA)	
Total		**(173)**

Section 14 – Other operating income and expenses – Item 200

14.1 Other operating expenses: breakdown

		30/06/2020
1.	Fees for the Collar	8,646
2.	Other operating expenses	68
Total		**8,714**

This item is primarily composed of the allocation of EUR 8.6 million concerning the mechanism for the adjustment of AMCO fees to the LCAs indicated in transfer agreement with the latter. This mechanism ensures the correlation of fees due to AMCO to the costs sustained for the management and recovery activities of the obligations of the transferred assets.

14.2 Other operating income: breakdown

		30/06/2020
1.	Allocation of expenses	352
2.	Other	2,635
Total		**2,987**

This item Other mainly includes the recovery of indirect expenses incurred by the Company in the first half of 2020 and reallocated, based on internally defined economic/financial allocation criteria, to the Segregated Estates and Financed Capital.

Section 19 – Taxes on income for the year for continuing operations – Item 270

19.1 Taxes on income for the year for continuing operations: breakdown

		30/06/2020
1.	Current taxes (-)	(643)
2.	Changes in current taxes of previous financial years (+/-)	(720)
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 (+/-)	809
5.	Changes in deferred taxes (+/-)	(1,399)
6.	**Taxes for the year (-) (-1+/-2+3+3 bis +/-4+/-5)**	**(1,952)**

Current accrued taxes refer entirely to the IRAP of the first half of 2020, while the changes in deferred taxes are to be attributed primarily to the deferred taxes from valuation capital gains on financial assets recognised in the first half of 2020.

Part D – Other information

Section 8 – Other detailed information

8.1 Segment reporting

Accounting policies applied to segment reporting

Segment reporting from the AMCO Group reflects the operating responsibilities laid down in the organisational structure of the Company and represents the way with which management monitors corporate results, in compliance with the “management approach” principle. Therefore, this report is consistent with the disclosure requirements set forth in IFRS 8.

The organisational model of the AMCO Group is structured based on different activity segments with specific operating responsibilities: Workout Management, UTP Management, Treasury and Governance Centre. The Workout Management also includes the REOCO division, subject to separate internal reporting to the Chief Operating Decision Maker (so-called “CODM”), however it is currently considered as insubstantial in terms of segment reporting in compliance with the aggregation criteria set forth in IFRS 8.13-14.

The attribution of economic and equity results to the different activities segments is based on the accounting principles used in the drawing up and presentation of the consolidated financial statements. In order to present more effectively the results and ensure a better understanding of the components that have generated them, for each segment subject to reporting, the reclassified income statement is presented with values that reflect their contribution to the Group results.

As regards the valuation of the income and expense deriving from intra-segment transactions, the application of the contribution key to multiple Internal Transfer Rates (ITR) according to the different maturity dates, allows for the correct attribution of the net interest component to the business units. For this reason and in order to provide a complete report, EBITDA was adjusted based on the financial management results (so as to incorporate also the funding total cost and not only the component reversed from the Treasury to the other business units).

In order to complete the reporting by activity segment, Assets Under Management related to each segment (in terms of gross impaired loans, on and off balance) are also presented in addition to the average FTE allocated to each business unit for the reference period (in the case of this interim report, for the first half of 2020).

Finally, it should be noted that data by geographic distribution is not reported as it is not significant.

Breakdown of the economic-income trend by Business Unit

Data EUR/000	Workout	UTP	Treasury	Managing Body	AMCO
REVENUES					
Servicing commissions	5,346	6,178	0	12,342	23,866
Interests and commissions from business with customers	6,564	11,982	3,708	2,798	25,052
Other income/expenses from ordinary operations	5,089	180	0	0	5,270
Total Revenues	**17,000**	**18,340**	**3,708**	**15,140**	**54,188**
COSTS AND EXPENSES					
Staff costs	(5,268)	(5,838)	(316)	(2,178)	(13,601)
Net operating expenses	(4,516)	(2,953)	(489)	(910)	(8,868)
Of which gross expenses	(5,713)	(4,108)	(550)	(1,092)	(11,463)
Of which recoveries	1,197	1,154	61	183	2,595
Total Costs and Expenses	**(9,784)**	**(8,792)**	**(805)**	**(3,088)**	**(22,469)**
EBITDA	**7,212**	**9,548**	**2,903**	**12,053**	**31,719**
Net financial result	0	0	2,359	0	2,359
OPERATING AND FINANCIAL RESULT	**7,212**	**9,548**	**5,263**	**12,053**	**34,076**

The allocation to the business units of the assets under management is carried out based on an operational criterion: the so-called "*going concern receivables*" – both at a single debtor level and at a group economic level (this latter case, for attraction purposes, may also include residual positions to be managed under liquidation) – related to debit positions considered as non-structural and for which the counterparties are capable of generating cash flows in favour of the debt, are assigned to the **UTP Management** for the purpose of maximising the recovery and facilitating the return of the debtor to a performing status also through the granting of new loans. The so-called "gone concern positions" are instead managed from a liquidation perspective, in terms of debt recovery and maximisation of the recovery value of the guarantees (also through REOCO activities); these debt positions are assigned to the **Workout Management.**

The **Workout Management** is responsible for ensuring the recovery of non-performing loans classified as "gone concern", directly acquired or acquired under management by AMCO. As already described above, the Workout Management also included the REOCO business unit which was established in order to implement protection and enhancement strategies applied to the real estate collaterals through an active and direct management of the real estate assets (valuation, marketing, leasing or sales) once the ownership is acquired, in different forms as identified from time to time (auction adjudication, agreement of *datio in solutum*, etc).

The gross operating result of the Workout Management in the first half of 2020 amounted to EUR 5.7 million, composed of EUR 15.5 million in revenue and EUR 9.8 million in costs. The Workout, through its management and credit recovery activities, has generated revenues in commission/fee income for EUR 5.3 million, largely deriving from collection activities on the portfolio of the former Veneto Banks in addition to net interest income deriving from the POCI portfolios for EUR 6.6 million (EUR 9.3 million in revenue, net of EUR 2.8 million in interest expense reallocated from the Treasury based on the ITR). The other revenue from ordinary operations is related to the recovery of receivables to be collected.

The EBITDA of the Workout Management deducts, from the revenue, personnel costs (including those related to personnel assigned to the operating segment) for EUR 5.3 million, gross operating costs for EUR 5.7 million (of which, structure costs for EUR 3.9 million and legal/recovery fees for EUR 1.8 million) offset by expense reimbursement, mainly from the Segregated Estate, for EUR 1.2 million.

The **UTP Management** is responsible for proactively managing the receivables classified as “going concern”, purchased or acquired under management by AMCO for the purpose of maximising their recovery and returning the debtor, in temporary financial difficulties, to a performing status. The gross characteristic results of Management were positive for EUR 11.1 million, and they were represented primarily by revenue for EUR 19.9 million (of which management fees for EUR 6.2 million and interest from customers for EUR 12.0 million, net of the figurative interest from ITR for EUR 3.8 million) and by net costs for EUR 8.8 million (of which EUR 5.8 million related to personnel and EUR 4.1 million to the gross structural expenses and credit recovery, the latter discounted by the expense reimbursement from Segregated Estates for EUR 1.2 million approximately).

The **Treasury** is responsible for monitoring the need for liquidity of the Company and for managing it proactively through a strategy aimed at maximising the risk/return. In this sense, temporary use of liquidity continued in the first half of 2020, according to the business model “Held to Collect and Sell”. The active management of the so-called Banking Book, primarily in Italian Government securities, has generated a positive result for EUR 9.3 million, of which EUR 8.1 million from the securities of the banking portfolio and EUR 1.2 million for the revaluation of the fair value of the Italian Recovery Fund. This amount is added to the EBITDA of EUR 2.9 million, generated by the figurative interests allocated to the other business units and net of the residual interest expense of EUR 5.6 million on funding, and it contributes to the operating and financial result of the AMCO Group for EUR 5.3 million.

Finally, the **Governance Center** that has assumed functions of guidance, coordination, support and control of the other divisions. The gross operating result of the segment, for EUR 12.1 million, is composed primarily of revenue from commission/fee income, not allocated to the business units, based on the cost&revenue allocation criteria, for EUR 12.3 million, of interest income from ITR for EUR 2.8 million, of personnel costs for EUR 2.2 million and for net operating costs for EUR 0.9 million.

Asset Under Management

Data in million €	Workout	UTP	Treasury	Governance Center	AMCO
Asset Under Management	**13,157**	**10,041**	**0**	**0**	**23,198**
- of which on balance	3,278	1,070	0	0	4,347
- of which off balance	9,880	8,971	0	0	18,851

The assets under management refer to gross impaired loans allocated to the respective business units. These assets include those that are reflected in the financial statements of AMCO (on balance), those of the Segregated Estates of the former Veneto Banks and those for which AMCO performs the function of Special Servicer.

The allocation to the business units is carried out based on an operational criterion: the so-called "*going concern receivables*" – both at a single debtor level and at a group economic level (this latter case, for attraction purposes, may also include residual positions to be managed under liquidation) – related to debit positions considered as non-structural and for which the counterparties are capable of generating cash flows in favour of the debt, are assigned to the **UTP Management** for the purpose of maximising the recovery and facilitating the return of the debtor to a performing status also through the granting of new loans. The so-called "gone concern positions" are instead managed from a liquidation perspective, in terms of debt recovery and maximisation of the recovery value of the guarantees (also through REOCO activities); these debt positions are assigned to the **Workout Management.**

Organisational structure

	Workout	UTP	Treasury	Governance Center	AMCO
FTE (indirect)	109.1	108.9	5.0	22.0	245.0

The FTEs are calculated as an average for the half year, considering also any management reallocation of personnel, carried out across the different segments.

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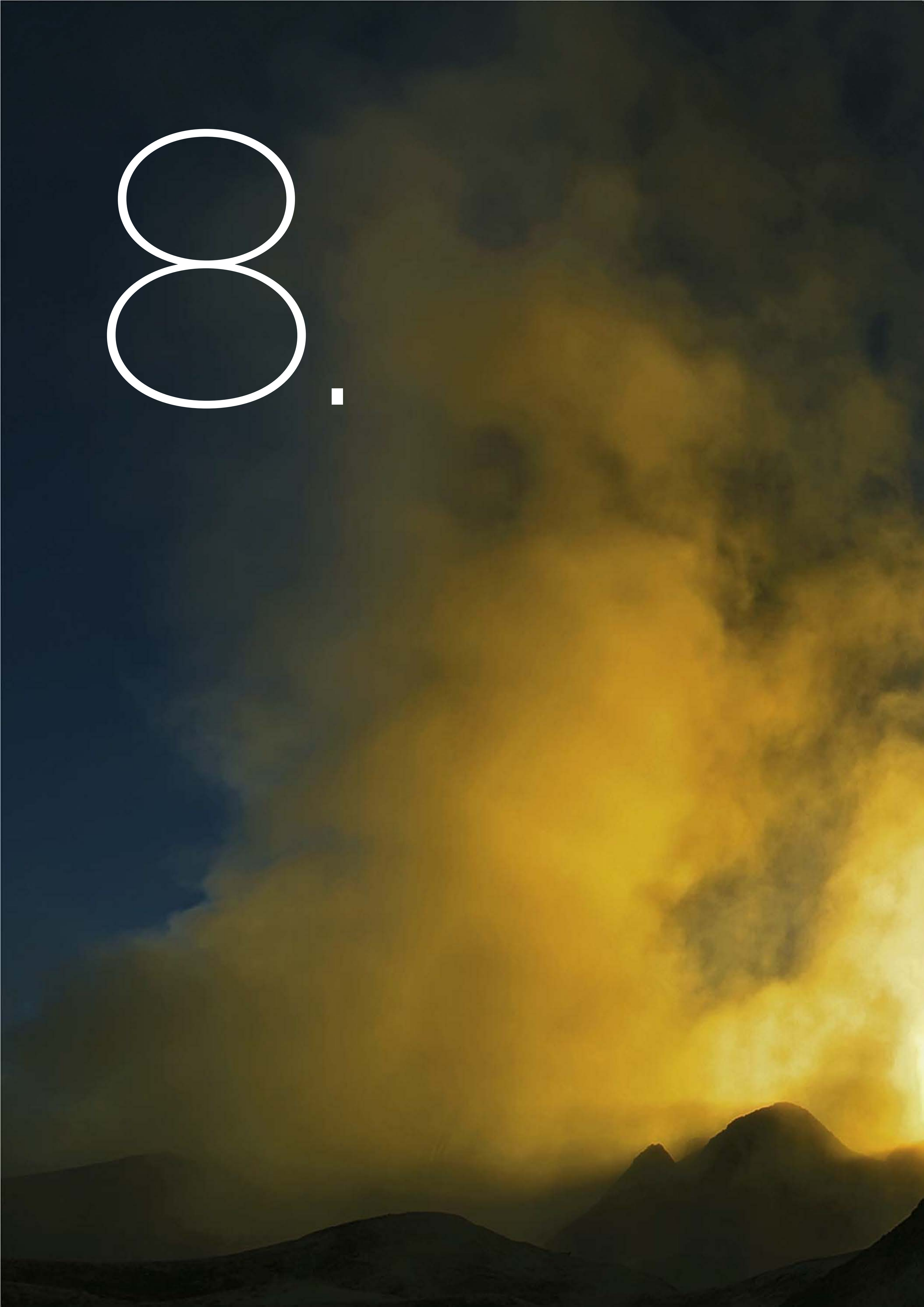


declaration of the CEO and the manager in charge

Attestation of the Chief Executive Officer and Manager in charge of preparing the Company's Financial Reports on the Consolidated Interim Financial Report and the Report on Operations as at 30 June 2020 pursuant to art. 154-bis of Italian Legislative Decree 58/1998

1. The undersigned MARINA NATALE, in her role of Chief Executive Officer, and SILVIA GUERRINI, in her role of Manager in charge of preparing the Company's Financial Reports of the Parent Company AMCO – Asset management company S.p.A., also taking into account the provisions of art. 154-bis, paragraphs 3 and 4, of Italian Legislative Decree no. 58 of 24 February 1998, art. 13, paragraph 6, of the Articles of Association and what stated at point 2 below, certify:
   - the adequacy in relation to the characteristics of the company and the corporate structure;
   - the effective application of administrative and accounting procedures and practices in the preparation of the Consolidated Interim Financial Report as at 30 June 2020.

2. In this regard, it should be noted that the undersigned SILVIA GUERRINI has carried out activities useful for the verification of the adequacy and the effective application of current procedures and consolidated administrative and accounting provisions, while at the same time continuing to pursue the rationalisation of the same.

3. The undersigned also certify that the Consolidated Interim Financial Report as at 30 June 2020:
   - corresponds to the accounting entries and records;
   - is suitable to provide a truthful and correct representation of the financial, economic and assets situation of the AMCO Group;
   - is 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 30 June 2020 includes a reliable analysis of the Group's performance and results, as well as the Group's situation, together with a description of the main risks and uncertainties to which the Group is exposed.

Milan, 09 September 2020

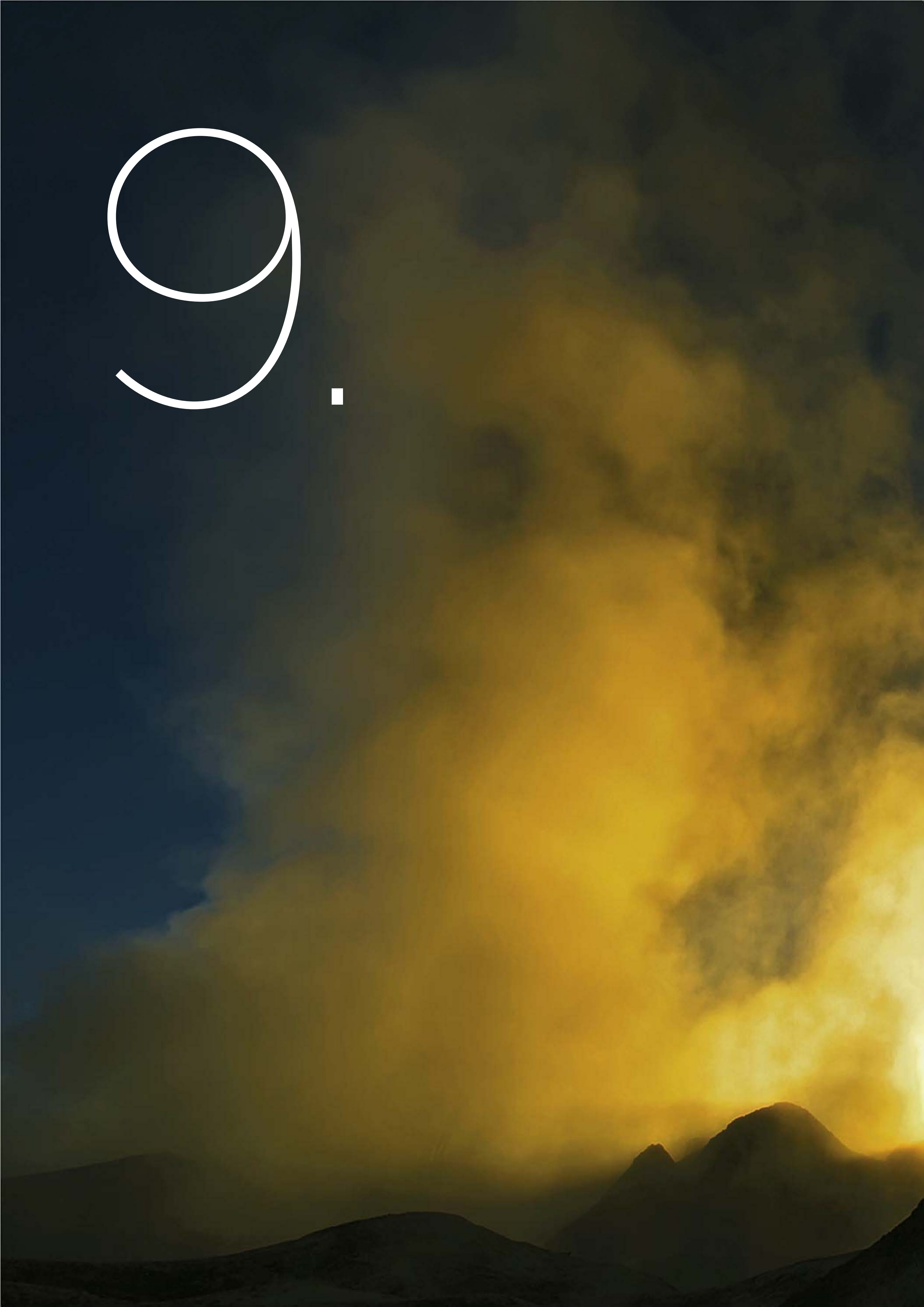
Signed by

Marina Natale
Chief Executive Officer

Signed by

Silvia Guerrini
Manager in charge of preparing the Financial Reports

9.



independent auditors' report

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REPORT ON REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of AMCO – Asset Management Company S.p.A. and its subsidiaries (the "AMCO Group"), which comprise the balance sheet as of June 30, 2020 and the income statement, statement of other comprehensive income, statement of changes in net equity and statement of cash flows for the six-month period then ended, the related explanatory notes.

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

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements of AMCO Group as at June 30, 2020 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Maurizio Ferrero
Partner

Milan, Italy
September 10, 2020

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

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

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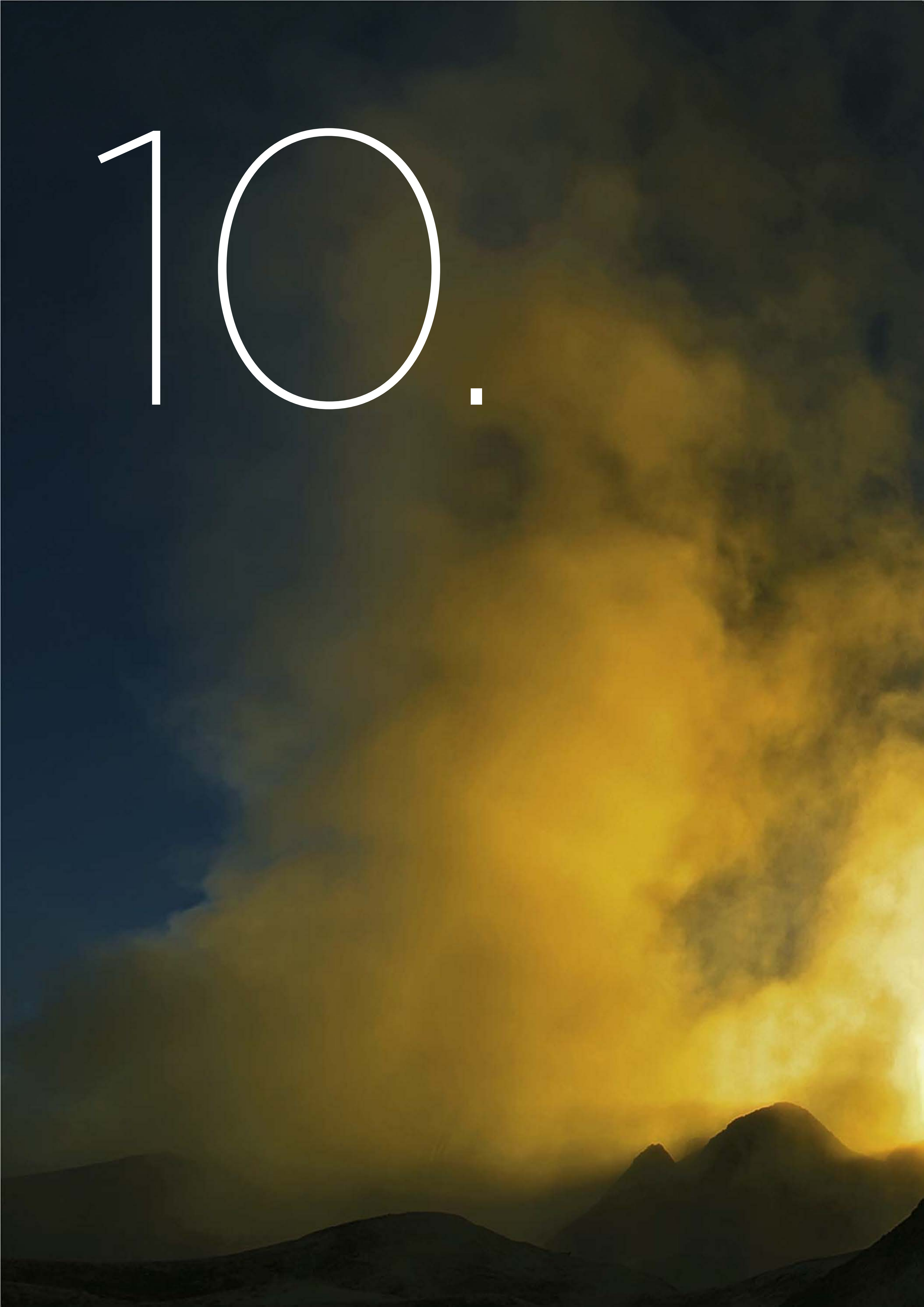

annexes

Following are the reconciliation schemes used for the preparation of the equity and economic position, in a reclassified form. For an explanation of the restatements for the period and related comparison figures, see the previous sections.

Item (Data EUR/000)	30/06/2020	31/12/2019	Delta	% change
Loans and receivables with banks	**371,800**	**324,338**	**47,462**	**15%**
+ 40 (a). Loans and receivables with banks	371,800	324,338	47,462	15%
Loans and receivables with customers	**1,004,733**	**979,400**	**25,333**	**3%**
+ 40 (b). Financial assets measured at amortised cost: loans and receivables with financial companies	6,720	6,660	60	1%
+ 40 (c). Financial assets measured at amortised cost: loans and receivables with customers	998,013	972,740	25,273	3%
Financial assets	**1,345,116**	**1,404,511**	**(59,395)**	**-4%**
+ 20 (c). Financial assets measured at fair value through profit and loss: other financial assets mandatorily measured at fair value	552,743	559,709	(6,966)	-1%
+ 30. Financial assets measured at fair value through other comprehensive income	792,373	844,803	(52,429)	-6%
Equity investments	**14**	**14**	**(0)**	**0%**
+ 70. Equity investments	14	14	(0)	0%
Property, plant and equipment and intangible assets	**6,112**	**6,816**	**(704)**	**-10%**
+ 80. Property, plant and equipment	5,423	6,237	(814)	-13%
+ 90. Intangible assets	689	579	111	19%
Tax assets	**77,816**	**79,912**	**(2,095)**	**-3%**
+ 100 (a). Current tax assets	8,334	11,238	(2,905)	-26%
+ 100 (b). Prepaid tax assets	69,483	68,673	809	1%
Other assets	**24,182**	**24,717**	**(535)**	**-2%**
+ 10. Cash and cash equivalents	0	0	0	0%
+ 120. Other assets	24,182	24,717	(535)	-2%
Total assets	**2,829,774**	**2,819,708**	**10,065**	**0%**

Table 9 – Reconciliation of reclassified balance sheet assets as at 30 June 2020

Item (Data EUR/000)	30/06/2020	31/12/2019	Delta	% change
Financial liabilities at amortised cost	**912,511**	**915,507**	**(2,996)**	**0%**
+ 10 (a). Financial liabilities measured at amortised cost: payables	5,154	5,787	(633)	-11%
+ 10 (b). Financial liabilities measured at amortised cost: debt securities issued	907,357	909,720	(2,364)	0%
Tax liabilities	**3,701**	**8,201**	**(4,501)**	**-55%**
+ 60 (a). Current tax liabilities	643	6,543	(5,900)	-90%
+ 60 (b). Deferred tax liabilities	3,057	1,658	1,399	84%
Provisions for specific purposes	**17,915**	**20,784**	**(2,869)**	**-14%**
+ 90. Provisions for post-employment benefits	581	593	(12)	-2%
+ 100 (b). Provisions for risks and charges: pensions and similar obligations	129	48	81	>100%
+ 100 (c). Provisions for risks and charges: other provisions for risks and charges	17,206	20,143	(2,937)	-15%
Other liabilities	**70,763**	**52,353**	**18,410**	**35%**
+ 80. Other liabilities	70,763	52,353	18,410	35%
Share capital	**600,000**	**600,000**	**0**	**0%**
+ 110. Share capital	600,000	600,000	0	0%
Share premiums	**403,000**	**403,000**	**0**	**0%**
+ 140. Share premiums	403,000	403,000	0	0%
Reserves	**822,475**	**779,011**	**43,464**	**6%**
+ 150. Reserves	822,475	779,011	43,464	6%
Valuation reserves	**(7,569)**	**(1,460)**	**(6,109)**	**>100%**
+ 160. Valuation reserves	(7,569)	(1,460)	(6,109)	>100%
Profit for the year	**6,978**	**42,311**	**(35,333)**	**-84%**
+ 170. Profit (Loss) for the year	6,978	42,311	(35,333)	-84%
TOTAL LIABILITIES AND NET EQUITY	**2,829,774**	**2,819,708**	**10,065**	**0%**

Table 10 – Reconciliation of reclassified balance sheet liabilities as at 30 June 2020

Item (Data EUR/000)	30/06/2020
Servicing commissions	**23,866**
+ 40. Fees and commissions income (partial)	23,866
Interests/commissions from business with customers	**25,052**
+ 10. Interest income (partial)	25,052
+ 40. Fees and commissions income (partial)	0
Other income/expenses from ordinary operations	5,270
+ 100 (a). Profit/loss from sales or repurchase of accounts receivables	0
+ 110 (b). Net result of financial assets and liabilities measured at fair value through profit and loss - bonds at full value	5
+ 130 (a). Net losses/recoveries on credit impairment relating to: assets measured at fair value through OCI (partial)	5,265
+ 250. Profit/loss from sale of investments (partial)	0
TOTAL REVENUES	**54,188**
Staff costs	**(13,601)**
+ 160 (a). Staff costs	(13,601)
Operating expenses	**(8,868)**
+ 160 (b). Other administrative expenses	(10,827)
+ 200. Other operating income and expenses (partial)	2,595
+ 50. Fees and commissions expense (partial)	(635)
TOTAL COSTS	***(22,469)***
EBITDA	***31,720***
Net value adjustments/reversals on receivables and securities from ordinary operations	**(17,453)**
+ 110 (b). Net income (loss) from financial assets and liabilities measured at fair value through profit and loss - bonds at full value	4,350
+ 130 (a). Net losses/recoveries on credit impairment relating to: assets measured at amortised cost	(23,266)
+ 10. Interest income (partial)	1,463
Depreciation, amortisation and net impairment losses on tangible and intangible fixed assets	**(970)**
+ 180. Depreciation and net impairment losses on property, plant and equipment	(875)
+ 190. Amortisation and net impairment losses on intangible assets	(95)
Net provisions for risks and charges	**(173)**
Other operating income/expenses	**(8,322)**
+ 200. Other operating income/expenses	(5,728)
- 200. Other operating income and expenses (partial)	(2,595)
Financial activity result	**9,766**
+ 100 (b). Profit/loss from sale or repurchase of financial assets measured at fair value through other comprehensive income (partial)	7,997
+ 110 (b). Net income (loss) from other financial assets and liabilities measured at fair value through profit and loss - other financial assets mandatorily measured at fair value (partial)	1,708
+ 130 (b). Net losses/recoveries on credit impairment relating to: assets measured at fair value through OCI (partial)	61
+ 220 Profit/loss from equity investments	0
EBIT	**14,568**
Interests and commissions from financial assets	**(5,638)**
+ 10. Interest income (partial)	2,340
+ 20. Interest expenses	(8,801)
+ 40. Fees and commissions income (partial)	827
+ 50. Fees and commissions expense (partial)	(3)
PRE-TAX PROFIT	**8,930**
Current taxes	**(1,952)**
+ 270. Current taxes	(1,952)
RESULT FOR THE YEAR	**6,978**

Table 11 – Reconciliation of reclassified income statement as at 30 June 2020


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