

SECTOR	Financials	GROSS AuM BREAKDOWN (1H20) (Tot. EUR23.2bn)	81% Servicer, 19% Investor 56% Bad Loans, 44% UTP/PD 57% Unsecured, 43% Secured 78% Corporate, 22% Retail 78% In-House, 22% Outsourcing
INDUSTRY	Banking		DEBT/EQUITY RATIO (1H20) CET1 RATIO (1H20)
SUB-INDUSTRY	Banks	EMPLOYEES (1H20)	258 (+22.3% YoY, +10.7% YTD)
SHAREHOLDERS	MEF (100%)	COST/INCOME RATIO (1H20)	41.5% (63.4% 1H19)
TOP MANAGEMENT	Marina Natale (CEO, GM) Stefano Capiello (Chairman)		
OFFICES	Naples (Registered Office), Milan (Headquarters), Vicenza		

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QUICK LOOK

AMCO (Asset Management Company SpA) is a firm specialized in the **management** and **recovery** of **impaired loans**, wholly controlled by Italy's Ministry of Economy and Finance. As of 1H20, the company had **EUR23.2bn** soured loans under management towards **244,000 counterparties** (EUR33.8bn pro forma, including transactions after June 2020). AMCO plays a **critical role** for the Italian government in the **clean-up** of troubled banks' balance sheets, rating agency Standard & Poor's said.

COMPANY PROFILE

- **GOVERNANCE** - AMCO SpA is **100%**-owned by Italy's **MEF**, is regulated and supervised by the **Bank of Italy** (as a financial intermediary pursuant to Art. 106 TUB), and is subject to financial management control by the country's **Court of Auditors**. The company's Board of Directors, consisting of only three members, has been renewed in April 2020 for the following three years. The BoD is chaired by **Stefano Capiello** (1973), Head of the Treasury's Banking and Financial System, Legal Affairs Directorate. **Marina Natale** (1962) is AMCO's Chief Executive Officer and General Manager since July 2017. After 29 years at UniCredit (where she has held, among others, the role of Group CFO from 2009 to 2015), Natale has been **pro-tempore** CEO of Fiera Milano (from May to July 2017) and is currently in the Boards of Webuild and Fiera Milano as well as in the Investors Committee of the **Italian Recovery Fund** (formerly Atlante II, a bank bailout fund in which AMCO holds a EUR489m stake). The third Board member is **Domenico Iannotta**, Director at the Treasury's Finance and Privatization Directorate.

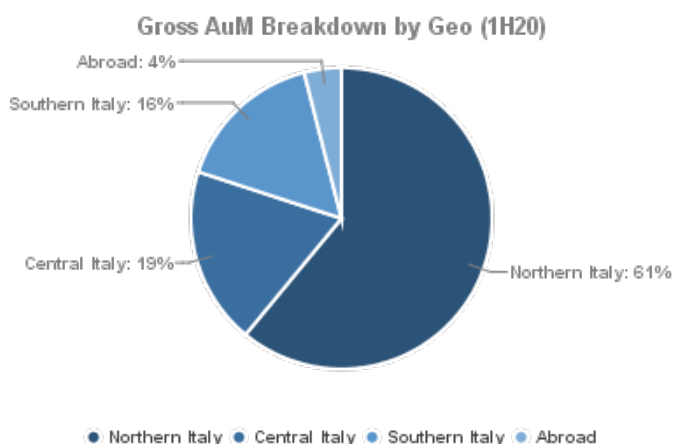
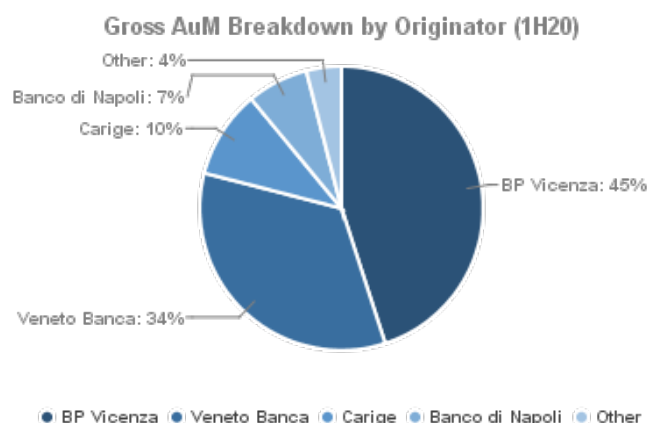
• BUSINESS MODEL

- Established in **1989** as **SGA** (Società per la Gestione di Attività SpA), AMCO has started its activity in **1996** during the rescue of ailing **Banco di Napoli**. In 2016, following a broadening of its corporate purpose, AMCO has embarked on a path of rapid growth, during which it has bought **EUR18.7bn** gross Non-Performing Exposures (EUR6.4bn net) from **Veneto Banca** and **Banca Popolare di Vicenza** (2018), and **EUR2.8bn** gross NPEs (EUR1bn net) from Genoa-based **Banca Carige** (2019).

- On 29 June 2020, AMCO has announced that it will incorporate on its balance sheet a **compendium** of about **EUR8.1bn** gross NPEs (EUR4.2bn net), as well as EUR3.2bn of financial debt and EUR1.1bn of equity, originating from a **partial non-proportional demerger** by **Banca Monte dei Paschi di Siena**. On the same day, AMCO has purchased **EUR2bn** gross Non-Performing Loans (EUR500m net) from **Banca Popolare di Bari**.

- AMCO's operating model is based on the **in-house management** of large secured positions. Lower-value standardized exposures are outsourced to **10** specialized **credit servicers**.

- **STRATEGY** - In late 2019, AMCO's sole stockholder has injected **EUR1bn** of new resources into the company (EUR597m to share capital, EUR403m to share premium account) in order to support its growth (acquisition of new portfolios, increase in AuM) with adequate levels of capitalization and leverage. According to AMCO's **2025 Business Plan**, the **Interest Coverage ratio** (Cash EBITDA/Interest Expense) is expected to improve to **17.4x** (10.9x in 2019) against an increase in the **Debt/Equity ratio** to **0.9x** (0.3x in 2019). The firm's **CET1 ratio** is seen sliding to **42.1%** in 2025 (63.7% in 2019). The surge in **FTEs** to **418** (233 in 2019) will be accompanied by a decrease in the **Cost/Income ratio** to **36%** (47% in 2019).



FINANCIALS

INCOME STATEMENT

(in EUR m)	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
Net Interest Income	21,19	4,37	1,51	2,79	4,31
Adjusted Total Non-Interest Income	61,08	63,29	7,01	10,03	20,97
Net Revenue	82,28	67,67	8,53	12,82	25,28
Provision for Loan Losses	-13,12	-20,87	-13,68	-22,41	-28,71
Net Revenue after Provisions	95,40	88,54	22,21	35,23	53,99
Total Non-Interest Expense	53,48	49,45	17,94	17,61	25,64
Operating Income (Loss)	41,91	39,08	4,27	17,62	28,35
Non-Operating (Income) Loss	0,14	0,11	0,10	0,08	0,13
Pretax Income (Loss), Adjusted	41,77	38,98	4,18	17,54	28,22
Abnormal Losses (Gains)	0,14	0,10	0,10	0,08	0,13
Pretax Income (Loss), GAAP	41,77	38,98	4,18	17,54	28,22
Income Tax Expense (Benefit)	1,88	-8,54	2,32	4,42	0,11
NET INCOME, GAAP	39,90	47,52	1,86	13,12	28,11

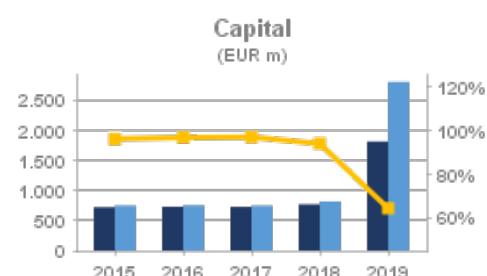
BALANCE SHEET

(in EUR m)	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
ASSETS					
Cash & Cash Equivalents	0,00	0,00	0,00	0,00	0,00
Interbanking Assets	331,00	83,11	55,33	466,25	13,16
ST And LT Investments	1404,51	502,22	488,08	50,96	469,04
Net Loans	972,74	157,93	146,30	173,52	201,05
Net Fixed Assets	6,24	0,18	0,04	0,04	0,08
Total Intangible Assets	0,58	0,09	0,02	0,08	0,15
Investments in Associates	0,01	0,16	0,25	0,28	0,36
Total Deferred Tax Assets	68,67	64,71	57,90	59,75	62,90
Other Assets	35,96	14,02	4,07	5,59	5,90
TOTAL ASSETS	2819,71	822,42	751,98	756,47	752,64
LIABILITIES + EQUITY					
ST Borrowings & Repos	5,79	0,00	0,00	0,00	0,00
LT Debt	909,72	0,00	0,00	0,00	0,00
Total Deferred Tax Liabilities	1,66	0,00	0,44	1,13	3,39
Other Liabilities	79,68	47,42	20,47	21,32	23,70
TOTAL LIABILITIES	996,85	47,43	20,91	22,46	27,09
Share Capital & APIC	1003,00	3,00	0,60	0,60	0,60
Retained Earnings	42,31	47,52	1,86	13,12	28,11
Other Equity	777,55	724,47	728,60	720,30	696,83
TOTAL EQUITY	1822,86	774,99	731,06	734,01	725,54
TOTAL LIABILITIES & EQUITY	2819,71	822,42	751,98	756,47	752,64

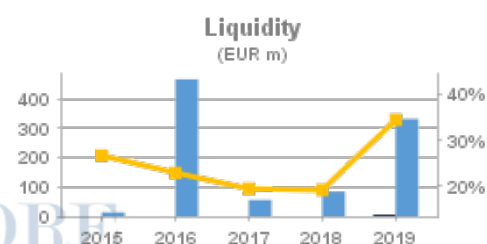
Source: Bloomberg - Note: Audit by PwC (2015-2018), Deloitte (2019); Decimal separator ",",



■ Efficiency Ratio (%) (SX)
 ◆ Return on Common Equity (%) (DX)
 ◆ Return on Assets (%) (DX)



■ Total Common Equity (SX) ■ Total Assets (SX)
 ◆ Tangible Common Equity Ratio (%) (DX)



■ Short Term Debt (SX)
 ■ Cash and Marketable Securities (SX)
 ◆ Net Loans/Total Assets (%) (DX)



■ Long Term Debt (SX) ■ EBIT (SX)
 ◆ Net Debt/Equity (%) (DX)

• INDUSTRY

- From 2015 to 2019, Italian banks have reduced their **pile of NPLs** by 60% (to EUR135bn from EUR341bn) but the **coronavirus**-induced recession will likely lead to a fresh deterioration in their **asset quality** over the medium term, as public support measures and payment holidays fall due. NPE new inflows will range between EUR60bn and EUR100bn in the 18 months starting from June 2020, a market consensus calculated by PwC Italia showed.
- According to YE19 data compiled by PwC about the Italian NPL market, AMCO is **6th in the country** (out of 43 players surveyed) in terms of **Total AuM** (EUR23.3bn), preceded by **doValue** (EUR77.8bn), **Cerved Credit Management** (EUR44bn), **Intrum** (EUR36.6bn), **Prelios Credit Servicing** (EUR28.7bn), and **IFIS NPL Servicing** (EUR24.1bn). AMCO is **leader for Unlikely to Pay/Past Dues** under management (EUR10.2bn), trailed by **Crif** (EUR8.8bn) and **Fire** (EUR4.5bn).
- AMCO's **public role** gives it some distinctive features compared with private operators, Standard & Poor's said. In particular, AMCO does not seek to maximize profits but to recover its costs and achieve **reasonable profitability**, limiting losses on the liquidating entities and managing UTPs **patiently** to avoid the negative economic effects of forced liquidations.
- In S&P's view, ongoing government support gives AMCO a **competitive advantage** over its peers. In an interview with business daily *Il Sole 24 Ore*, CEO Natale has reiterated that AMCO operates at **market conditions**, under the European Commission's scrutiny. In 2019, AMCO has won **4 out of 7** competitive **auctions** for the purchase of NPE portfolios originating from Italian banks.

Total Assets (EURm)					
Company	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
AMCO SpA	2819,71	822,42	751,98	756,47	752,64
Illimity Bank SpA	3025,22	1235,44	1074,41	955,76	853,89
Banca IFIS SpA	10526,02	9382,26	9554,33	8708,91	6957,72
Banca Sistema SpA	3730,08	3144,90	2309,23	1999,36	2411,67

Return on Assets (%)					
Company	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
AMCO SpA	2,19	6,04	0,25	1,74	3,80
Illimity Bank SpA	-0,76	-2,04	0,33	0,17	n.a.
Banca IFIS SpA	1,24	1,55	1,98	8,91	2,12
Banca Sistema SpA	0,86	1,00	1,24	1,15	0,78

Return on Common Equity (%)					
Company	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
AMCO SpA	3,07	6,31	0,25	1,80	3,94
Illimity Bank SpA	-2,93	-7,63	6,13	2,85	n.a.
Banca IFIS SpA	8,24	10,40	13,92	77,44	32,03
Banca Sistema SpA	18,00	18,88	21,52	24,38	26,07

Efficiency Ratio (%)					
Company	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
AMCO SpA	64,54	72,86	221,06	140,40	101,46
Illimity Bank SpA	132,17	933,69	57,55	63,64	47,36
Banca IFIS SpA	72,24	64,89	60,65	20,31	32,62
Banca Sistema SpA	49,71	46,34	46,15	47,09	58,27

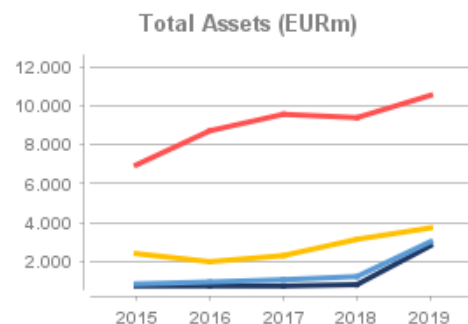
Tangible Common Equity Ratio (%)					
Company	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
AMCO SpA	64,64	94,23	97,22	97,03	96,40
Illimity Bank SpA	16,88	44,10	5,59	5,31	6,40
Banca IFIS SpA	14,07	15,28	14,11	13,96	8,15
Banca Sistema SpA	4,65	4,81	5,76	5,63	3,80

Net Debt/EBIT (x)					
Company	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
AMCO SpA	13,95	-2,13	-12,94	-26,46	-0,46
Illimity Bank SpA	n.a.	n.a.	82,10	121,14	58,83
Banca IFIS SpA	14,63	10,62	2,85	1,26	11,59
Banca Sistema SpA	29,98	26,69	25,06	22,75	45,25

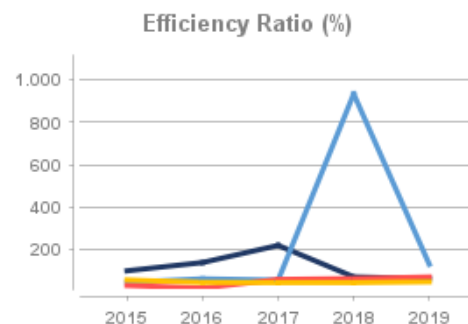
Net Debt/Equity (%)					
Company	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
AMCO SpA	32,07	-10,72	-7,57	-63,52	-1,81
Illimity Bank SpA	-133,14	-45,58	730,96	831,03	745,84
Banca IFIS SpA	167,12	147,71	51,83	74,72	496,38
Banca Sistema SpA	699,85	733,15	726,24	665,21	1190,28

After-Tax WACD (%)					
Company	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
AMCO SpA	1,41	0,07	0,03	0,00	0,00
Illimity Bank SpA	0,29	2,01	0,33	0,27	0,30
Banca IFIS SpA	0,85	1,80	1,18	1,81	0,05
Banca Sistema SpA	0,69	0,89	0,62	0,33	0,11

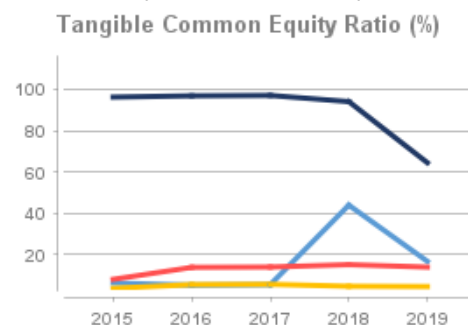
Total Loans/Total Assets (%)					
Company	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
AMCO SpA	n.a.	131,35	303,36	346,31	449,35
Illimity Bank SpA	54,96	49,80	36,48	29,23	26,79
Banca IFIS SpA	75,95	80,86	77,08	79,59	53,08
Banca Sistema SpA	82,41	87,93	84,98	68,69	53,51



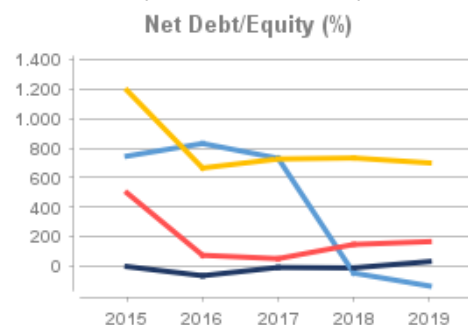
AMCO SpA Illimity Bank SpA Banca IFIS SpA Banca Sistema SpA



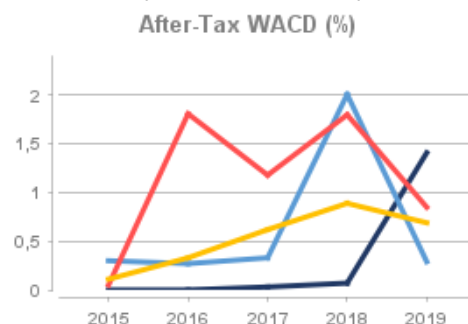
AMCO SpA Illimity Bank SpA Banca IFIS SpA Banca Sistema SpA



AMCO SpA Illimity Bank SpA Banca IFIS SpA Banca Sistema SpA



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AMCO SpA Illimity Bank SpA Banca IFIS SpA Banca Sistema SpA

Source: Bloomberg - Note: Decimal separator " , "

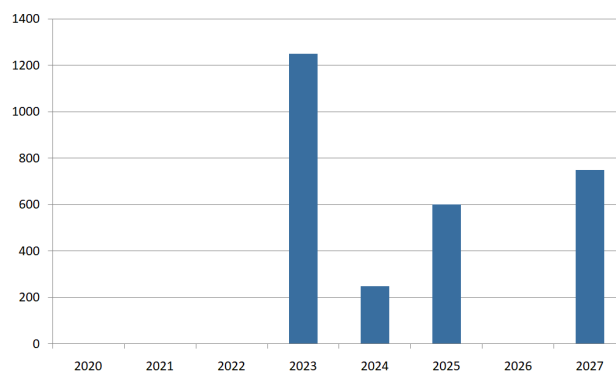
DEBT PROFILE

AMCO SpA (AMCOSP) - Sr Unsecured - EUR - Fixed 2.625% - Feb. 13, 2024 - XS1951095329 (Reg S)			
YIELD TO WORST	0.613%	SPECIAL SERVICER RATINGS (Fitch)	ABS: ABSS2- (09/12/2019) CMBS: CSS2- (09/12/2019) RMBS: RSS2- (09/12/2019)
MODIFIED DURATION	3.169	ISSUER/BOND RATINGS	S&P: BBB/Negative (06/30/2020) Fitch: BBB-/Stable (07/01/2020)
COUPON FREQUENCY	Annual (Feb. 13)	1Y DEFAULT PROB	n.a.
DAY COUNT	ACT/ACT	5Y IMPLIED CDS SPREAD	n.a.
AMOUNT	EUR250m	G-SPREAD	75.4bps (vs. EUR Italy Sovereign Curve)
MIN PIECE / INCREMENT	100k / 1k	Z-SPREAD	110.5bps (vs. Euro Swaps Curve)
EXCHANGES	Luxembourg, Berlin, Stuttgart	MiFID II TARGET MKT GOVERNING LAW	Eligible counterparties, professional clients only English law
LQA LIQUIDITY SCORE	69/100		
SERIES	Euro Medium Term Note Programme		
ECB ELIGIBLE	Yes (Non own use haircut @ 22.4%)		
COVENANTS	Not Applicable		
PUT/CALL OPTIONS			
KEY DOWNSIDE / UPSIDE RISKS			
Covid-19	↑	Country risk (Italy)	↓

Source: Bloomberg, AMCO, Banca Promos

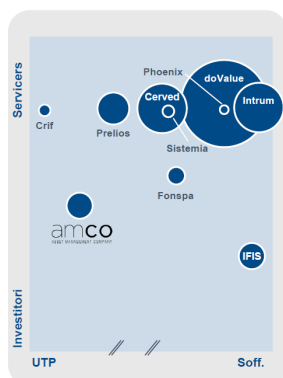
- BOND FUNDING (2019)** - AMCO has debuted on the fixed income market in February 2019, with a **EUR250m** 5-year (13 February 2024) senior unsecured bond with a **2.625%** annual fixed coupon, issued within its **EUR3bn EMTN Programme**. The note (XS1951095329) has drawn orders north of EUR300m (bid-to-cover 1.2x) from over 50 investors. Eight months later, the company has sold a second **EUR600m** senior unsecured bond maturing on 27 January 2025 and carrying a **1.375%** annual fixed coupon (XS2063246198), still under its EMTN Programme. The deal has gathered interests for about EUR800m (bid-to-cover 1.3x) from around 80 Italian and European institutional investors (52% banks, 36% asset managers). Both securities are listed on the Luxembourg Stock Exchange.
- BOND FUNDING (2020)** - On 9 July 2020, AMCO has marketed a EUR2bn senior unsecured **dual-tranche deal** (once again part of its EMTN Programme): (a) **EUR1.25bn** due in **3 years** (17 July 2023) with a **1.5%** annual fixed coupon (XS2206380573); (b) **EUR750m** due in **7 years** (17 July 2027) with a **2.25%** annual fixed coupon (XS2206379567). The placement has attracted EUR5bn in demand from 243 financial institutions (bid-to-cover 2.5x) and the bonds have been 60%-allocated to foreign investors. Both securities are listed on the LuxSE. Looking at their yield spread over **Mid Swap** rates, AMCO's 2023s and 2027s have **tightened**, from **July to September 2020**, more than the notes of some of the company's closest **peers** (other State-owned firms, such as Cassa Depositi e Prestiti, Invitalia, Ferrovie dello Stato, Acquirente Unico), AMCO's 1H20 results presentation showed.
- S&P'S RATING** - On 30 June 2020, Standard & Poor's has confirmed AMCO's long-term **BBB** rating with a **negative outlook**, in line with the agency's assessment of Italy's creditworthiness. S&P has highlighted that, although the company's bonds do not benefit from an explicit guarantee by the Italian State, there is **almost certain likelihood** of **extraordinary public support** in the event of financial distress. The agency has defined AMCO's financial risk profile as **'aggressive'** as measured by Debt/EBITDA ratio.
- FITCH'S RATING** - On 1 July 2020, Fitch has confirmed AMCO's **BBB**-long-term rating with a **stable outlook**, in line with the agency's assessment of Italy's creditworthiness. Fitch has pointed out that, although AMCO's status as a limited liability company excludes an automatic transfer of liabilities to the State in case of liquidation, nonetheless **Italy's government would promptly intervene** if needed to avert a default.

AMCO SpA Bonds Distribution (EURm)



Source: Bloomberg

AMCO SpA Market Positioning (AuM)



Source: AMCO SpA

AMCO 2% 2024 vs. BTP 1% 2024



BTPs 1% 07/01/2024 (IT0005367492)

AMCOSP 2% 02/13/2024 (XS1951095329)

Source: Bloomberg (Note: 10/10/2019 = 100)

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