

# Financial results to 30 June 2017

August 3<sup>rd</sup> 2017

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# doBank team presenting today

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**Andrea Mangoni**  
*Group CEO*

- General Manager of Fincantieri in 2015
- From 2013 to 2015 Chairman and CEO of Sorgenia
- CFO, General Manager of International Operations of Telecom Italia and Chairman of Telecom Italia Sparkle from 2009 to 2013
- Previously CEO of ACEA



**Fabio Balbinot**  
*Chief Financial Officer*

- CEO of Italfondionario from 2011 to 2016 and General Manager since 2010
- Senior Vice President Fortress Group from 2005 to 2017
- Finance and Acquisition at Pirelli RE (Prelios) from 2001 to 2004



**Manuela Franchi**  
*Head of IR, Finance, M&A*

- Joined doBank in August 2016
- Investment Banking Italian Coverage team at Bank of America Merrill Lynch from 2007 to 2016, Managing Director 2012 - 2016
- Investment Banking Telecommunication, Media & Technology team at Goldman Sachs from 2000 to 2007

# 1. Key Highlights

# Summary

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## 1H17 Financial Results vs 1H16

- ✓ **+37% Gross Collections**
- ✓ **+15% Gross Revenues**
- ✓ **+13% EBITDA**
- ✓ **Stable EBITDA margin 29%**
- ✓ **+34% Net Income**
- ✓ **93% Operating Cash Flow conversion**

## Main Events post 1H17

- ✓ **IPO on July 14<sup>th</sup> at €9 per share or €704m Equity Value**
- ✓ **Fino: closed agreement with Fortress/UniCredit including Master Servicing and Ancillary Services revenue**
- ✓ **Judicial Support: signed agreement on Fino and platform fully operational**
- ✓ **Fitch confirmed Special Servicing Rating RSS1-/Css1- for the 9<sup>th</sup> year in a row and assigned Master Servicer rating of RMS2/CMS2/ABMS2**

## Other

- ✓ **Gextra: sold in April 2017 with net gain of €1.6m<sup>1</sup>**
- ✓ **Completed doSolution set up and doBank IT platform migration**

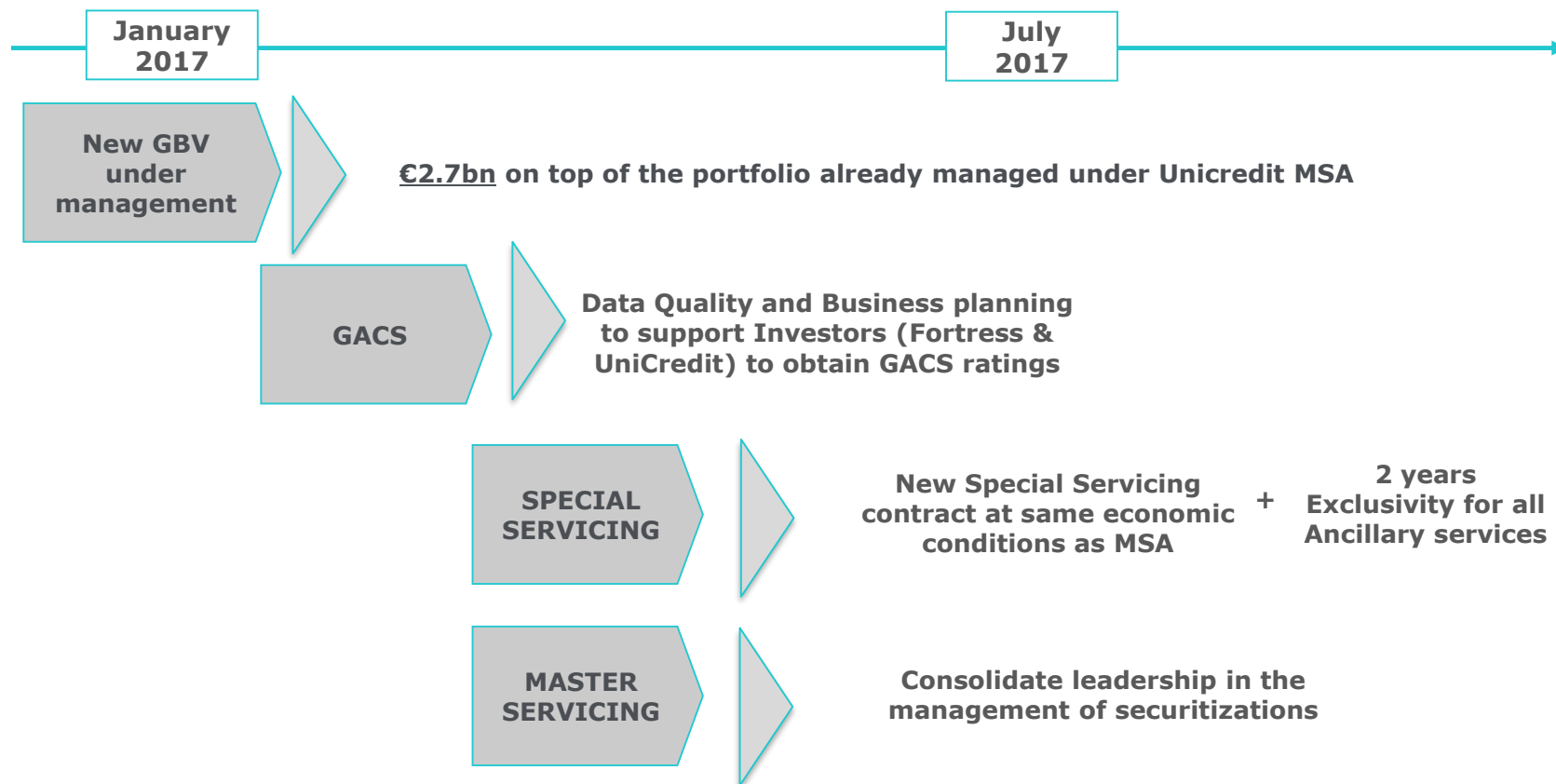
# Strong 1H17 performance

- **The benefits of the company's 2016 initiatives on 1H17 are evident**
  - Collections are up 37% from 1H16 and the positive trend is continuing in Q3
  - Gross revenues are up 15%, with more to come for ancillary services from Q3

	2016PF	1H16 <sup>1</sup>	1H17	Δ (%)
<b>Collections</b>	€1.7bn	€0.6bn	€0.9bn	+37%
<b>Gross revenues</b>	€206m	€91m	€105m	+15%
<b>Operating Costs</b>	€124m	€56m	€65m	+16%
<b>EBITDA</b>	€64m	€27m	€30m	+13%
<b>EBITDA Margin</b>	31%	29%	29%	-2%
<b>Net income</b>	€40m	€15m	€20m	+34%

# Fino project

doBank maintained the management of the NPLs at the same economic conditions as UniCredit MSA<sup>1</sup>, increased GBV under management and secured the ancillary services increasing revenue per GBV managed



✓ doBank, not only the largest Special Servicer in Italy, but now also the largest NPL Master Servicer in the country

# Market update

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## Veneto Banks

- From June 26, the good assets of the 2 Veneto banks to be transferred to Intesa while the bad assets will be managed by commissioners nominated by the Bank of Italy, which will remain in the banks in liquidation
- State-guarantee for UTP transferred to Intesa and eventually to the bad bank
- Estimated NPLs pool to be in excess to what previously announced in their respective Business Plan for a total estimated amount of over €18.8bn
- SGA role going forward

## MPS

- Recapitalization by the State closed
- Quaestio subscribed equity and mezzanine tranche of €26bn securitization
- Juliet servicing platform's sale in exclusivity with Quaestio

## Casse di Cesena, Rimini e San Miniato

- Acquisition by Credit Agricole and investment by Atlante in the NPL portfolio

## Carige

- Announced sale of €1.4bn portfolio and sale of Servicing platform to manage all NPL current and future



## 2. Financial Review

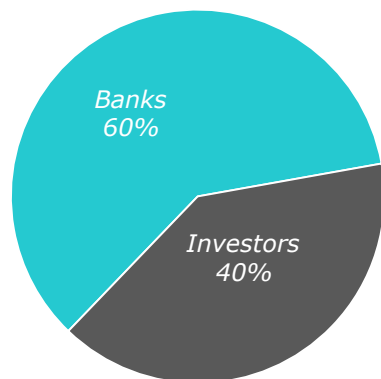
# Key financial highlights

€ m			1H 2016 <sup>1</sup>	1H 2017	Δ (%)	
Revenue drivers	Huge serviced portfolio	GBV EoP	83bn	80bn	-4.5%	<ul style="list-style-type: none"> <li>Collections, write-offs and sale of portfolios by clients re-balanced by inflows from new and existing clients</li> </ul>
	Best-in-class collections	Collections	0.6bn	0.9bn	+37%	<ul style="list-style-type: none"> <li>Improving performance in 2016 (+20% yoy) and 1H17 (+37% vs 1H 16 or +28% adjusted for classification differences)</li> </ul>
Simple P&L structure	Visible revenue base	Gross revenues	91	105	+15%	<ul style="list-style-type: none"> <li>~85% of servicing revenue related to long term servicing agreements</li> <li>Ancillary services and co-investments offering substantial room for growth</li> </ul>
	Operating leverage	Operating costs	56	65	+16%	<ul style="list-style-type: none"> <li>Fixed HR costs equal to 88% of total HR costs<sup>2</sup></li> <li>IT &amp; SG&amp;A cost efficiencies to come from 2H17</li> </ul>
	Proven profitability	EBITDA	27	30	+13%	<ul style="list-style-type: none"> <li>Extraordinary costs from IT in 1H17</li> <li>Seasonality of collections reflected on EBITDA</li> </ul>
Cash generation	Limited capex	Cash conversion	24	28	+19%	<ul style="list-style-type: none"> <li>Significant portion of IT and other investments expensed at income statement</li> <li>1H17 affected by one-off investments</li> </ul>
	Benefits from tax assets	Tax Assets	2016FY 143	109	-25%	<ul style="list-style-type: none"> <li>Tax assets fully off-settable against direct and indirect taxes</li> </ul>

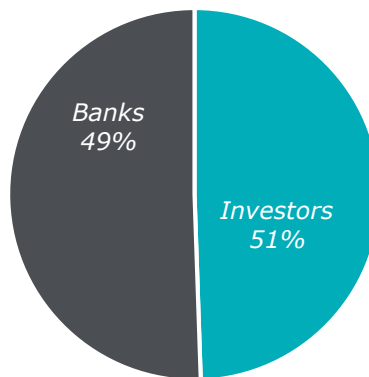
# Portfolio diversification post Fino

## GBV Composition

2016PF

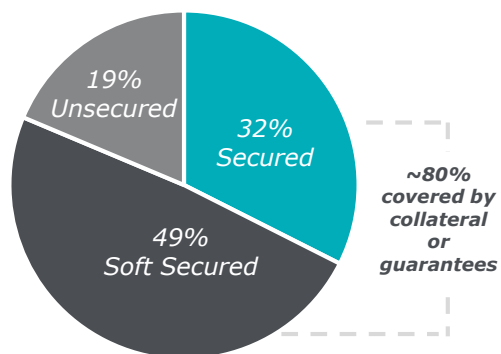


1H017<sup>1</sup> PRO-FORMA FINO



- Higher diversification in the allocation between Banks & Investors post Fino
- Portfolio ex 3 major clients of €11bn, allocated among other Banks and Investors and larger than most of peers

Portfolio Profile 1H17



~80% covered by collateral or guarantees

Personal guarantees, real guarantees & other

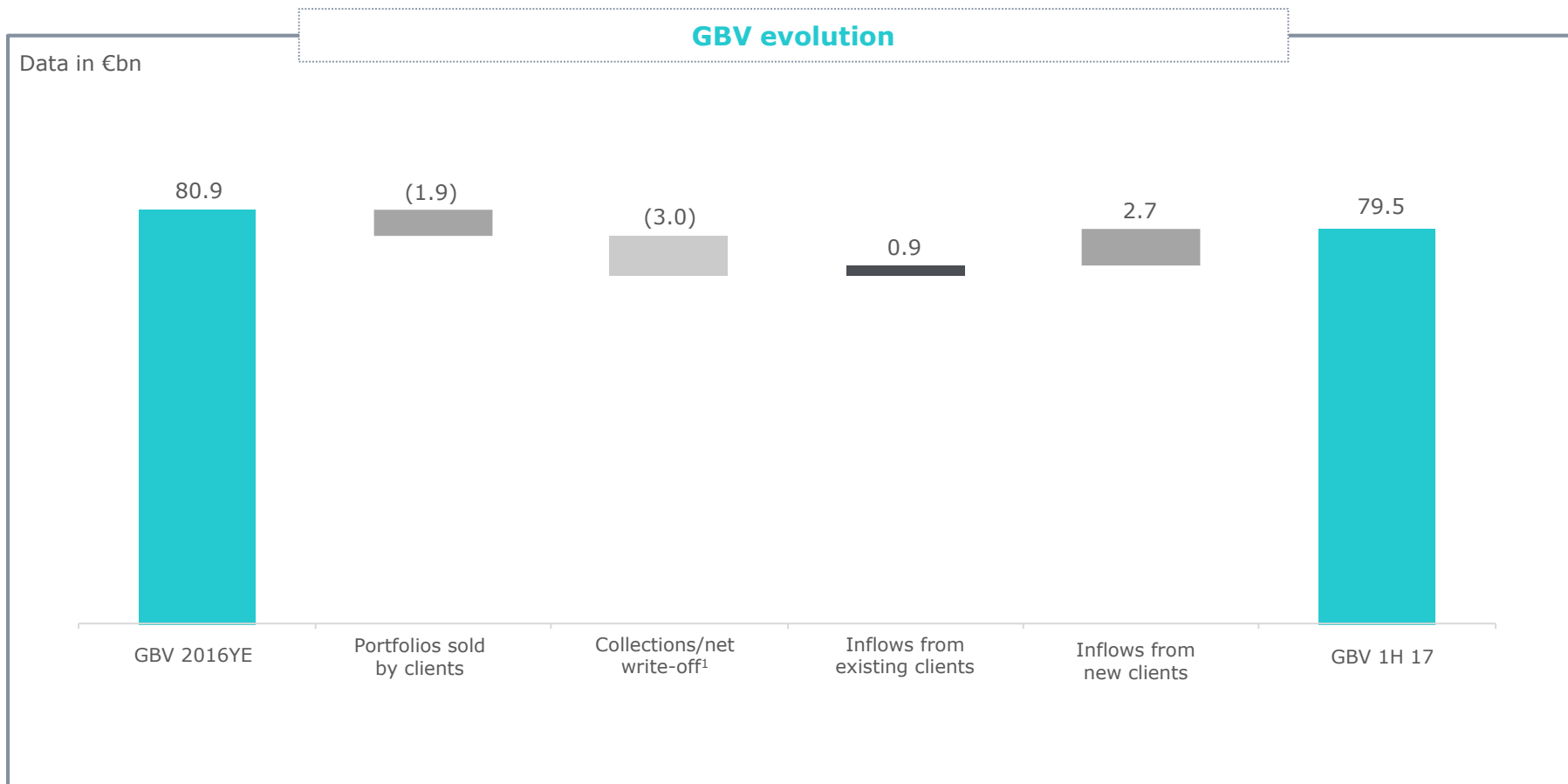
Loan Profile 1H 2017

# of Claims	703k
Loan Size	€113k
% "Large" Loans (> €500k GBV)	50%
% Corporate	70%
% Northern/Central Italy	68%

- Portfolio profile and loan profile consistent with 2016YE and in line with market

# Focus on GBV evolution

- GBV decreasing from €80.9bn to €79.5bn in 1H17, mainly driven by significant trend of collections and net write-off as well as portfolios sales by Clients

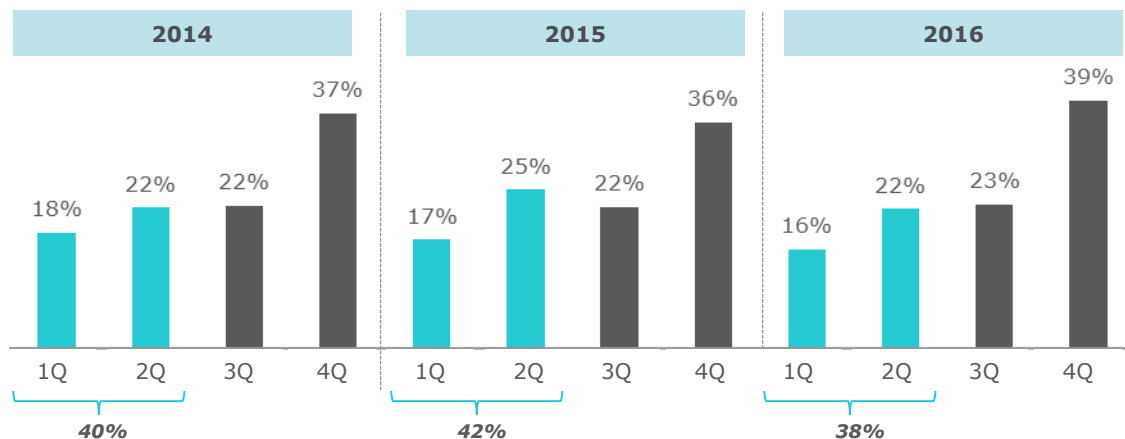


**Notes:** 1. Including terminated mandates and default interests accruals. In 1H17 the data includes also a portion of the portfolio transferred to Pimco as part of the Fino Project

# Seasonality of collections across quarters

## Historical quarterly pattern

% on yearly collections<sup>1</sup>



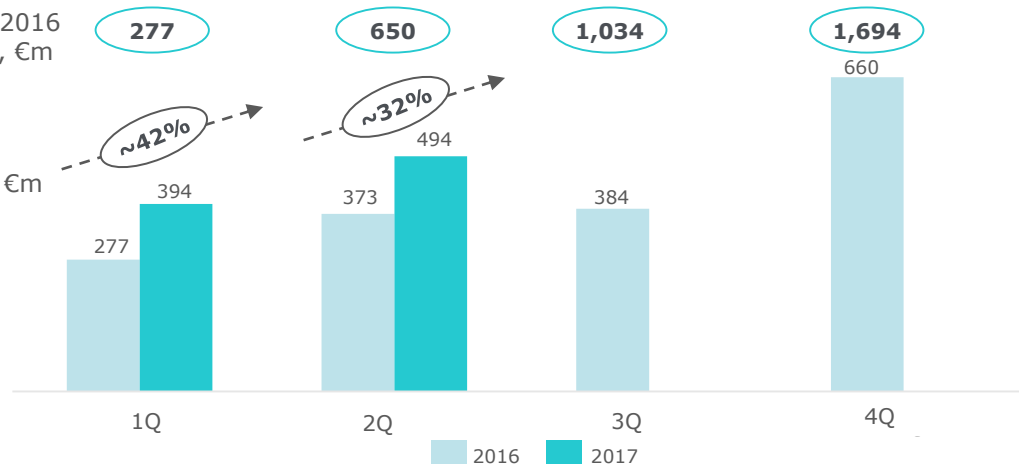
- Collections evolution featuring a consistent seasonality effect, partly as a result of judicial activity mostly concentrated upon year end due to:

- Italian courts' activity
- Internal and external networks' reward mechanisms

## Recent performance

Cumulated 2016 collections<sup>2</sup>, €m

Quarterly collections, €m


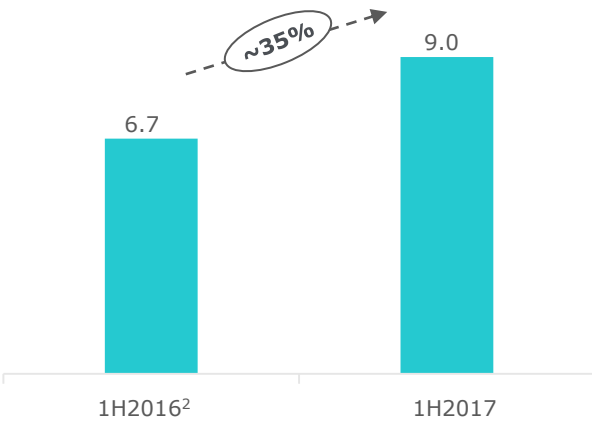

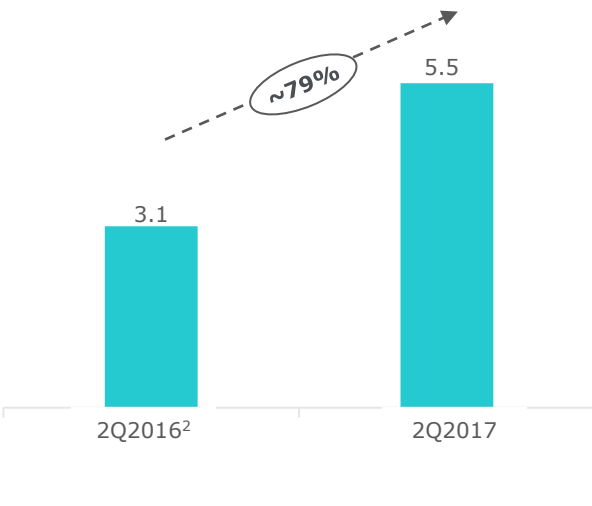


- Significant improvement in 1H17 mainly driven by performance on Banks client portfolios
- Collections growth at +37% (or 28% adjusted for classification differences)

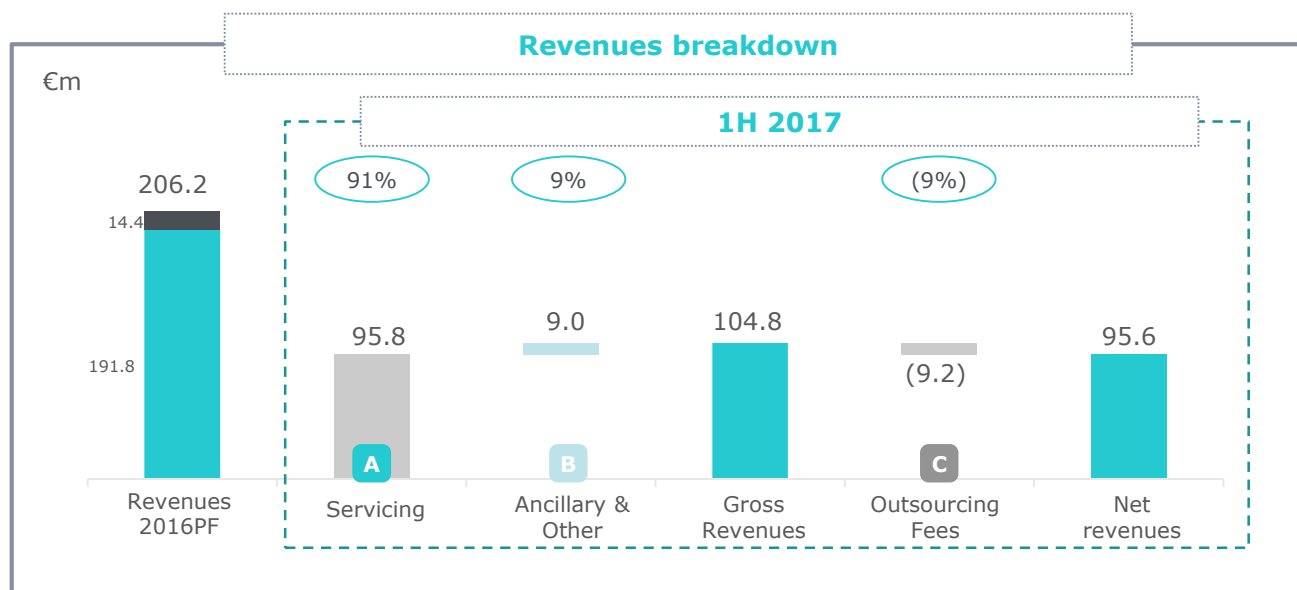
1. Collections for 2014 and 2015 based on Italfondario only.

2. Italfondario collections for 2014-15-16 are accounted for net cash flow consistent with their historical reporting

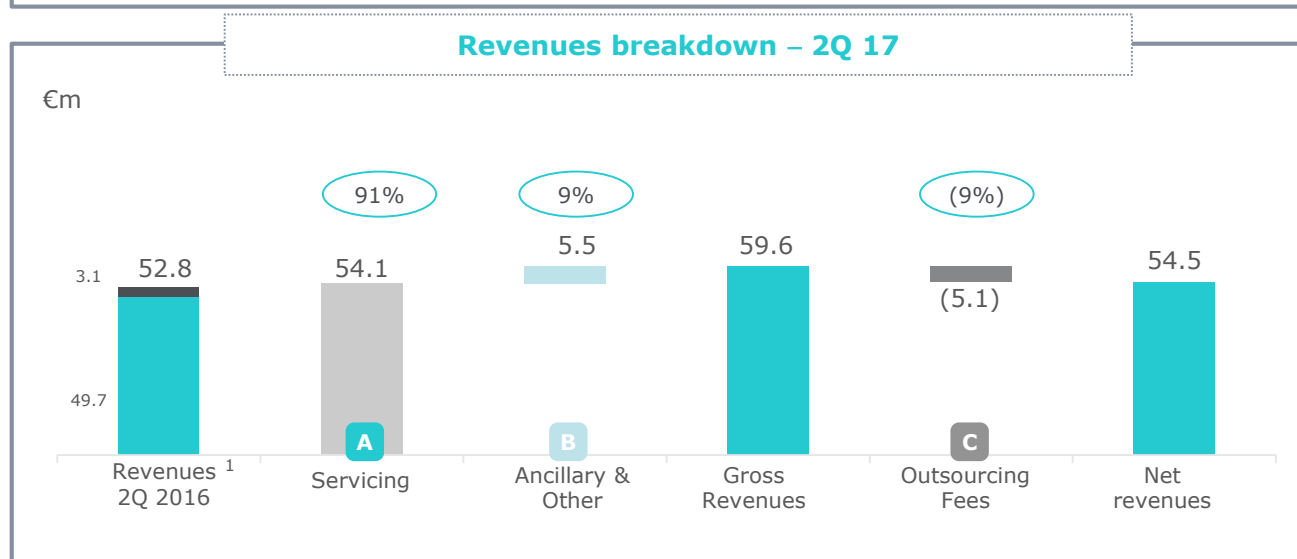
# Ancillary and other services (inc. co-investment)

Business area	Key Facts	Financial Results						
	<ul style="list-style-type: none"> <li>▪ Closed contract with FINO starting from 2H17</li> <li>▪ Finalizing agreements on €3bn loan portfolios already under management by doBank</li> </ul>	<p>Revenues in €m</p>  <table border="1"> <tr> <th>Period</th> <th>Revenue (€m)</th> </tr> <tr> <td>1H2016<sup>2</sup></td> <td>6.7</td> </tr> <tr> <td>1H2017</td> <td>9.0</td> </tr> </table>	Period	Revenue (€m)	1H2016 <sup>2</sup>	6.7	1H2017	9.0
Period	Revenue (€m)							
1H2016 <sup>2</sup>	6.7							
1H2017	9.0							
	<ul style="list-style-type: none"> <li>▪ Closed contract with FINO starting from 2H 2017</li> <li>▪ Significantly higher real estate auctions in the market (+31% 2017E vs 2015A<sup>3</sup>) which sustained auction facilitation revenues</li> </ul>	 <table border="1"> <tr> <th>Period</th> <th>Revenue (€m)</th> </tr> <tr> <td>2Q2016<sup>2</sup></td> <td>3.1</td> </tr> <tr> <td>2Q2017</td> <td>5.5</td> </tr> </table>	Period	Revenue (€m)	2Q2016 <sup>2</sup>	3.1	2Q2017	5.5
Period	Revenue (€m)							
2Q2016 <sup>2</sup>	3.1							
2Q2017	5.5							
<p><b>Judicial Support<sup>1</sup></b></p>	<ul style="list-style-type: none"> <li>▪ Start-up in 1H17</li> <li>▪ Closed contract with FINO in July 2017 and finalizing agreement with large Italian bank in 3Q17</li> </ul>							
<p><b>Other</b></p>	<ul style="list-style-type: none"> <li>▪ Securitization activities from due diligence and business planning</li> <li>▪ Increased revenues from partnership with a major current Italian Bank client</li> <li>▪ Co-investment revenue related to €6.3m investment</li> </ul>							

# From gross to net revenues

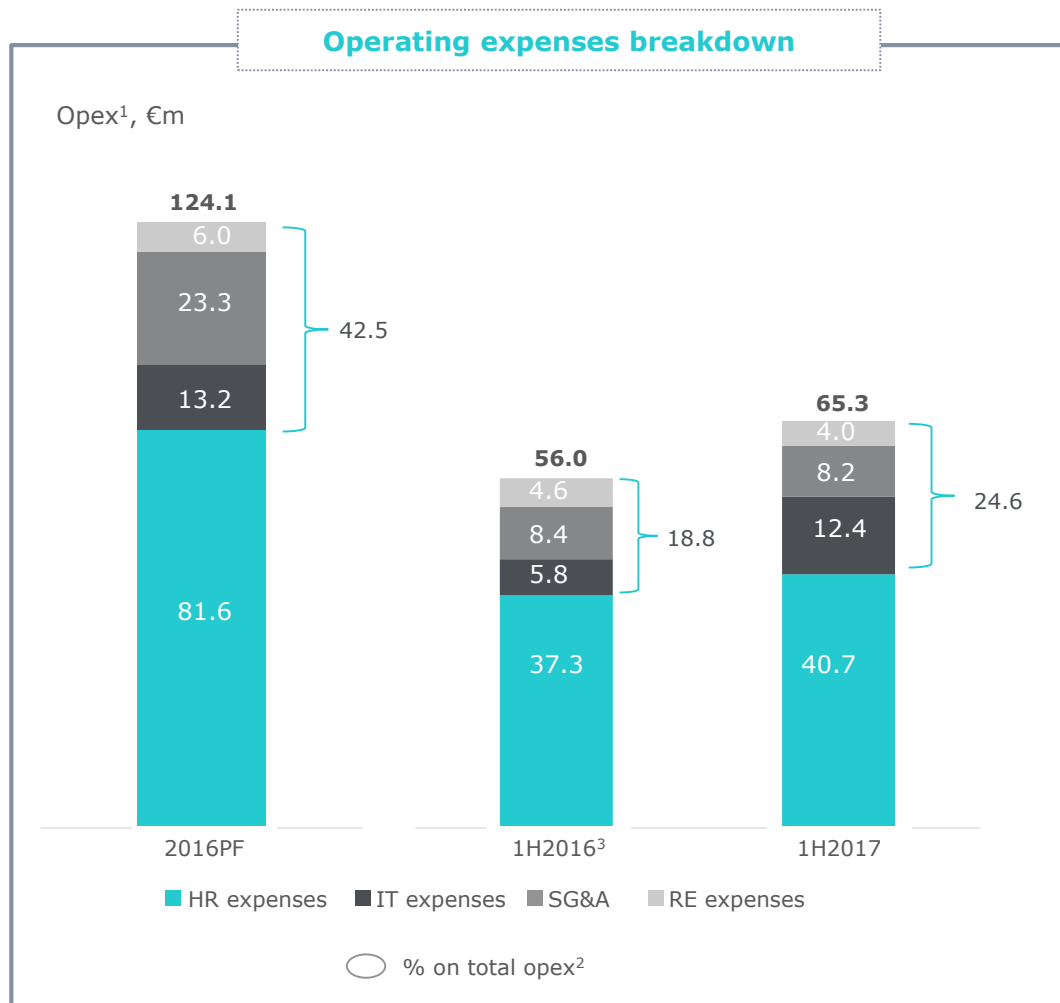


- A** Servicing fee 1H17 vs 1H16 variance vs collection growth explained by base fee and portfolio sale indemnity
- B** Other revenues including due diligence, securitization management, income from co-investments and other
- C** Variable fees for extra-judicial activity linked to collection performance



- Strong growth 2Q17 vs. 2Q16 (+13%) mostly due to increase in collections
- Increasing contribution from ancillary services although revenues from Judicial Management not included (Judicial Support activities starting in July 2017)

# Focus on operating expenses



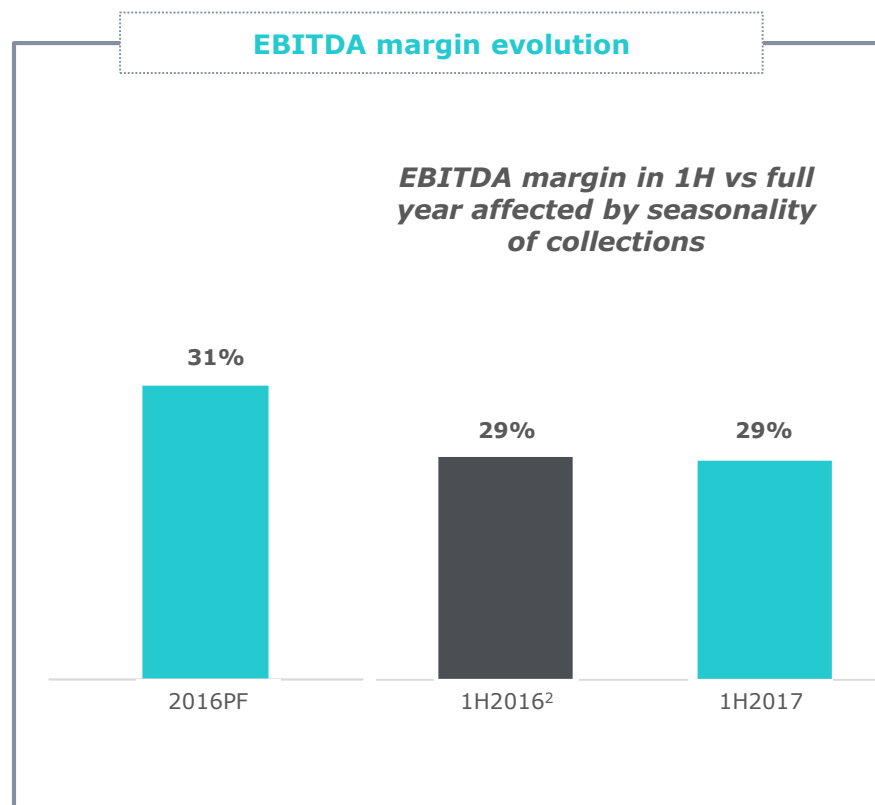
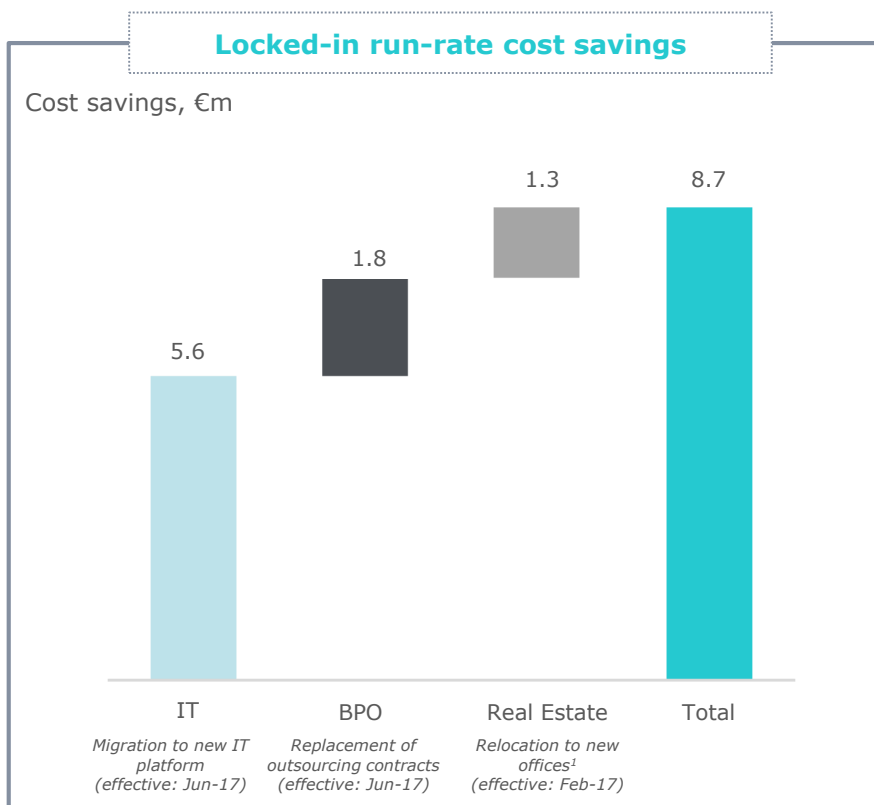
- €124m of operating cost base in 2016, of which 66% HR costs
- 1H17 cost increase vs. 1H16 due to:
  - new management team
  - non-recurring IT costs (c.€5m)
  - reduction in expense recoveries
- SG&A (inc. IPO costs) decrease thanks to:
  - reduction of administrative expenses related to UBIS services, discontinued today
  - RE savings
- Significant investments expensed at P&L due to platform IT migration and new control systems implementation

**Notes:** 1. 2016 RE related services costs included in SG&A as part of the broader UBIS contract while they are allocated to RE expenses in 1H17 and for consistency in 1H16 2. Based on total opex gross of expense recoveries. 3. 1H2016 aggregated doBank+Italfondriario

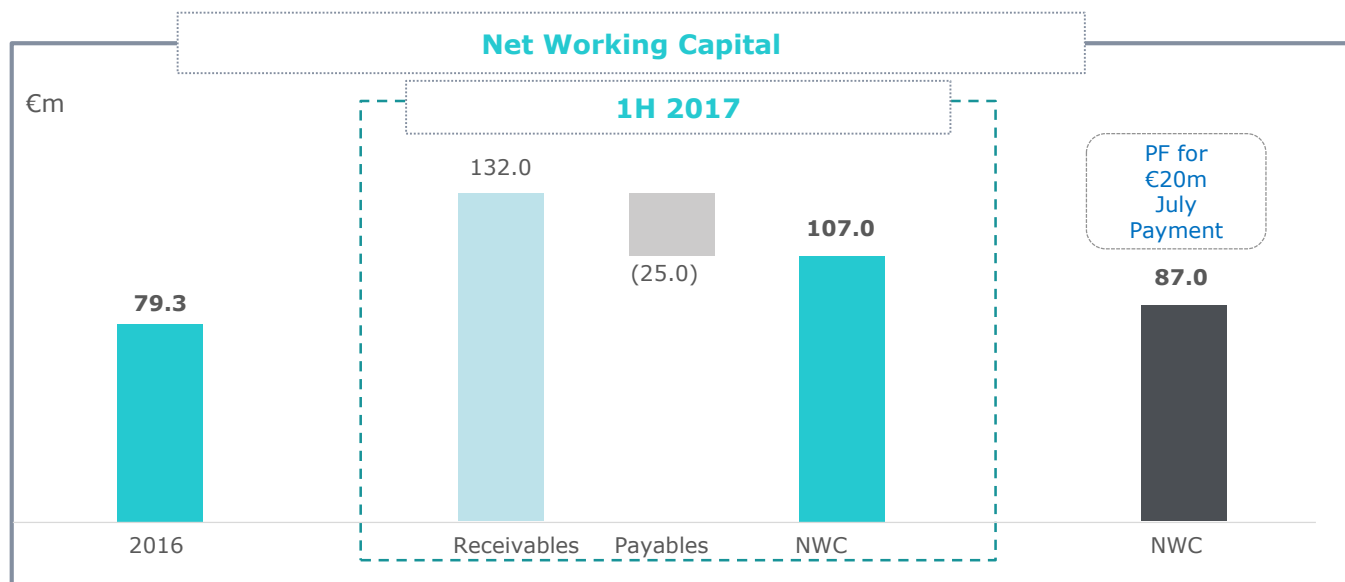


# Cost savings and EBITDA margin evolution

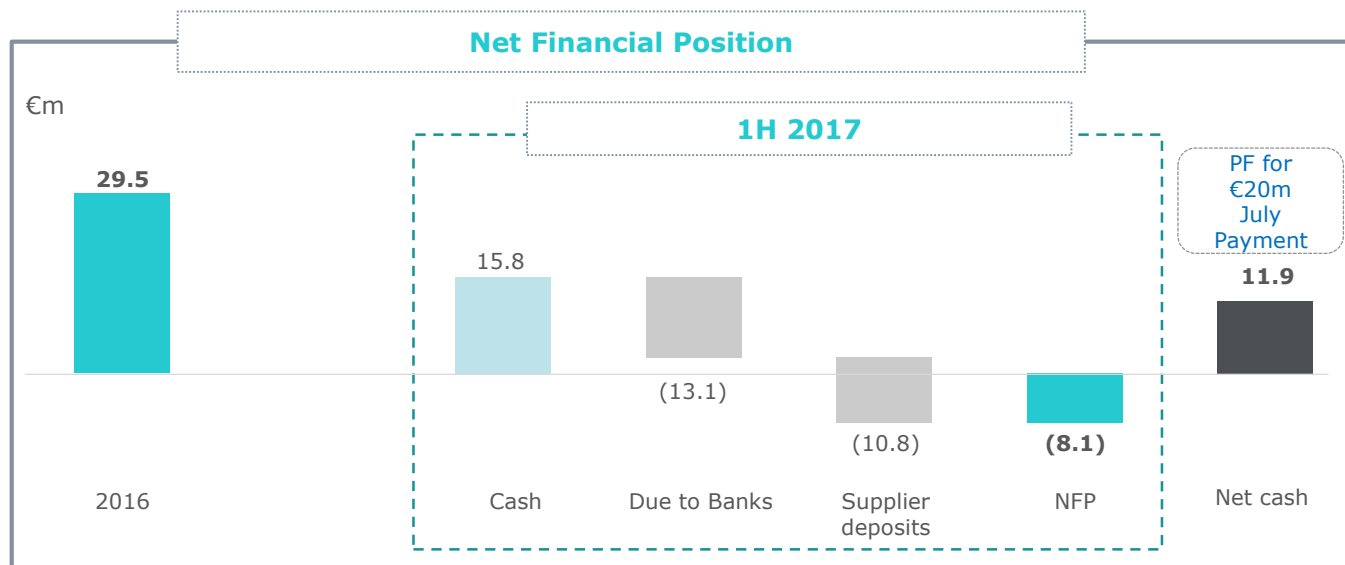
- Investments in 2016 and 1H17 will result in substantial cost savings: €8.7m already locked-in and more to come
- Strategic initiatives expected to continue in 2017 with investments for the year totaling €8m (excluding capex), of which a significant portion resulting in additional cost savings (IT and SG&A)
- Significant improvement of EBITDA margin going forward as a result of costs initiatives



# NWC and net financial position

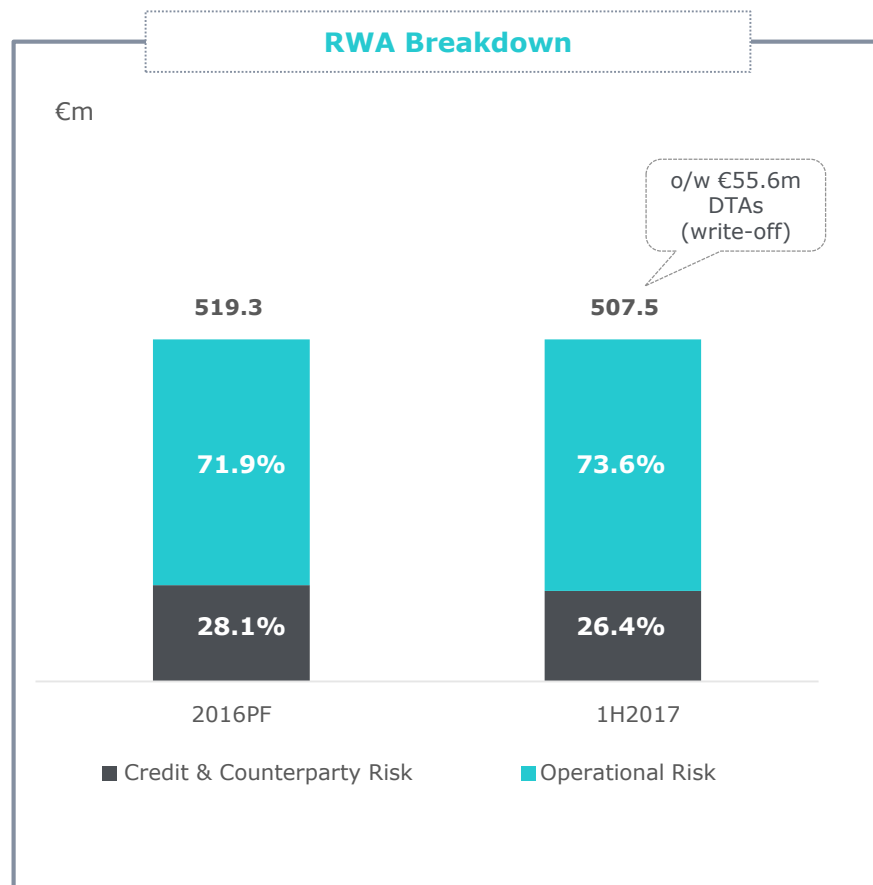
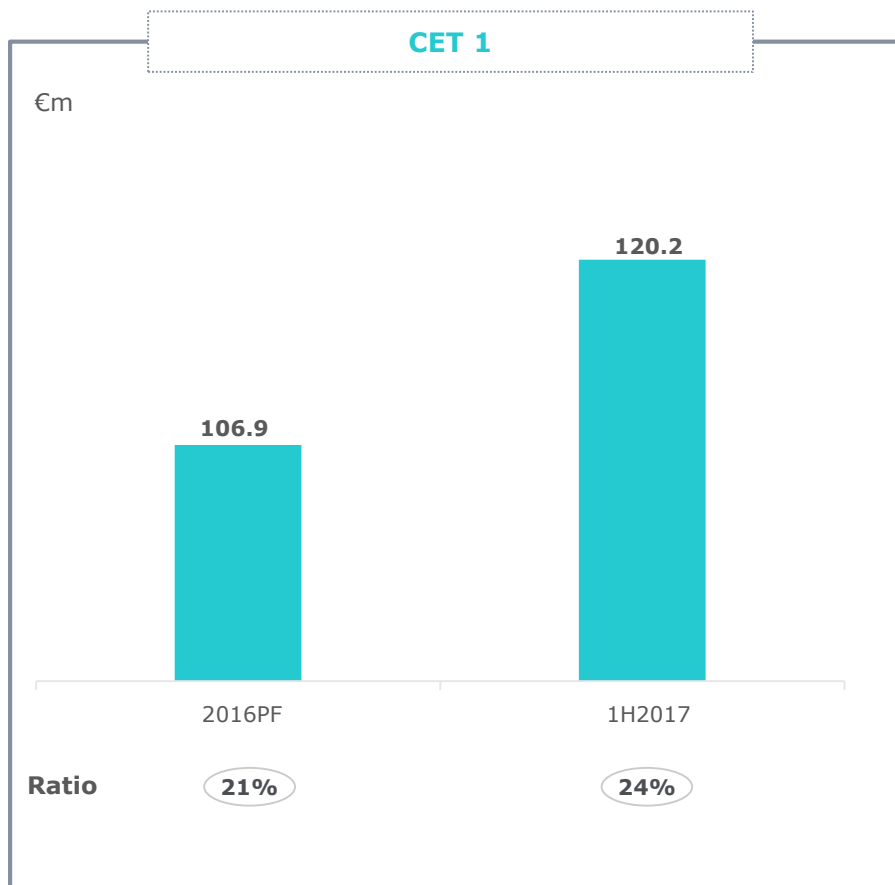


- Receivables from Banks and Investors for servicing contracts in place
- Different payment terms, with banks and investors averaging 4.5 and 2.5 months respectively
- NWC expected to be positively impacted by potential shift of client diversification towards Investors



- Structurally self financed and cash generative business
- Quarterly cash generation partially off-set by increase in NWC
- NFP impacted by May dividend payment (equal to €52.3m)

# Regulatory capital



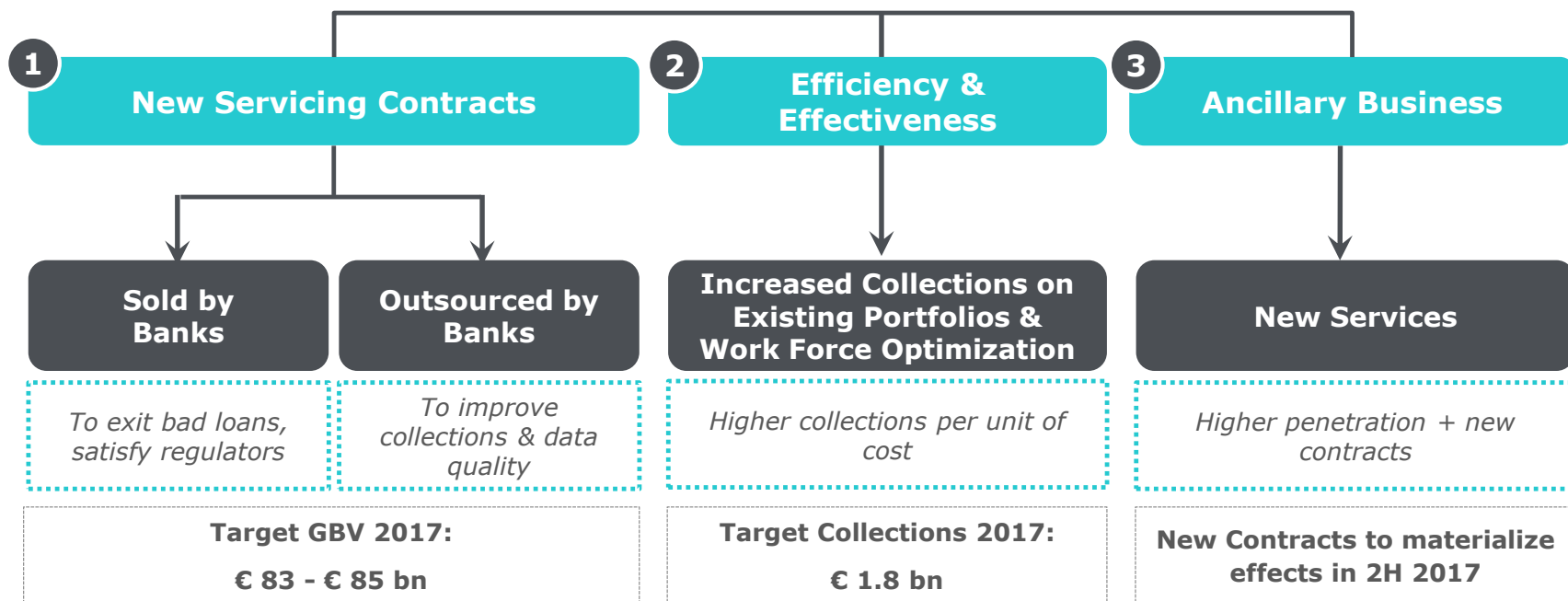
**Excess capital to support business growth and remunerate investors**

# 3 Strategic Outlook



# Strategic pillars

- 1 Add more servicing
- 2 Increase collections and efficiency
- 3 Grow ancillary services business



# Our action plan

## Maintaining leadership position in Servicing



- **Continue performance improvement** through standardization and simplification and leveraging on the recent favorable legislative framework
- **Full value extraction** from long-term contracts currently in place and Fortress relationship
- Strong **business development** leveraging also on the **co – investment opportunity** to gain servicing mandates

## Development of Ancillary services offering



- Services development for captive clients **increasing penetration rate**
- **Commercial effort** for non-captive customers in banking and other sectors

## Improvement of operational efficiency



- IT expenses allowing further **improvement of Group efficiency**
- Exploit **operative leverage from higher volumes** brought into the platform
- doSolutions to create short and medium term **cost synergies**

## 6. Appendix

# Consolidated Income statement 1H2016 – 1H2017

## Income Statement

€m	1H 2017	1H 2016 <sup>1</sup>	Δ (%)
<i>Servicing revenues</i>	95.8	84.3	14%
<i>o/w Banks</i>	89.2	77.5	15%
<i>o/w Investors</i>	6.6	6.7	-3%
Co-investment revenues	0.2	0.0	n.s.
Ancillary and other revenues	8.8	6.7	32%
<b>Gross Revenues</b>	<b>104.8</b>	<b>91.0</b>	<b>15%</b>
Outsourcing fees	(9.2)	(8.1)	14%
<b>Net revenues</b>	<b>95.6</b>	<b>82.9</b>	<b>15%</b>
Staff expenses	(40.7)	(37.3)	9%
Administrative expenses	(24.6)	(18.7)	31%
<i>o/w IT</i>	(12.4)	(5.8)	114%
<i>o/w Real Estate</i>	(4.0)	(4.6)	-12%
<i>o/w SG&amp;A</i>	(8.2)	(8.4)	-2%
<b>Operating expenses</b>	<b>(65.3)</b>	<b>(56.0)</b>	<b>16%</b>
<b>EBITDA</b>	<b>30.3</b>	<b>26.8</b>	<b>13%</b>
<i>EBITDA Margin</i>	29%	29%	-2%
Adj. Of Fixed and Int. Assets	(0.8)	(0.8)	1%
Other	0.5	(1.1)	n.s.
<b>EBIT</b>	<b>30.0</b>	<b>24.9</b>	<b>20%</b>
Net financial interest and commission	(0.1)	(0.1)	3%
<b>EBT</b>	<b>30.0</b>	<b>24.8</b>	<b>21%</b>
Income tax for the period	(9.9)	(10.2)	-3%
Profit (loss) from group of assets sold and held for sale net of tax	(0.4)	-	n.s.
<b>Net Income</b>	<b>19.7</b>	<b>14.6</b>	<b>34%</b>



# Consolidated Balance Sheet 2016PF – 1H2017

## Balance Sheet<sup>1</sup>

€m	Assets	1H 2017	2016PF	Δ	(%)
	Cash and cash equivalents	0.0	0.0	0.0	11%
	Available-for-sale financial assets	7.4	1.0	6.4	608%
	Loans and receivables with banks	14.9	52.6	(37.7)	-72%
	Loans and receivables with customers	2.9	10.8	(7.9)	-73%
	Equity investments	1.6	1.6	-	0%
	Property, plant and equipment	1.5	0.6	0.9	137%
	Intangible assets	2.6	2.1	0.5	25%
	o/w goodwill	-	-	-	
	Tax assets	108.6	143.0	(34.5)	-24%
	a) Current tax assets	8.9	37.7	(28.8)	-76%
	b) Deferred tax assets	99.6	105.3	(5.7)	-5%
	o/w pursuant to Law 214/2011	55.4	55.4	-	0%
	Non-Current assets held for sale and discontinued operations	0.0	2.5	(2.5)	-100%
	Other assets	146.6	114.1	32.5	28%
	<b>Total assets</b>	<b>286.1</b>	<b>328.4</b>	<b>(42.4)</b>	<b>-13%</b>

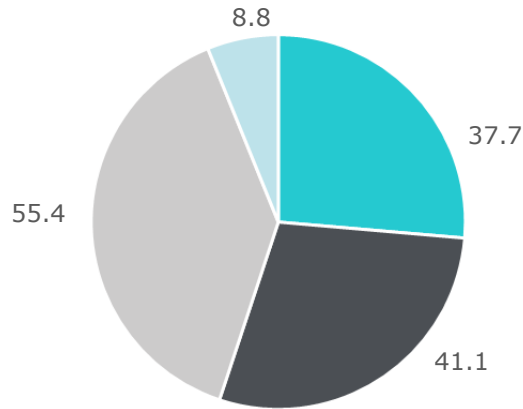
### Liabilities and shareholders' equity

	Deposits from banks	13.1	13.1	0.0	0%
	Deposits from customers	10.9	11.1	(0.1)	-1%
	Tax liabilities	0.2	0.2	(0.0)	-20%
	a) Current tax liabilities	0.2	0.2	(0.0)	-21%
	b) Deferred tax liabilities	0.0	0.0	(0.0)	-5%
	Liabilities associates with non-current assets held for sale and discontinued operations	-	1.7	(1.7)	-100%
	Other liabilities	50.1	56.0	(5.9)	-11%
	Employee termination indemnities	10.2	10.2	0.0	0%
	Provision for risks and charges	23.6	25.4	(1.8)	-7%
	Valuation reserves	0.2	0.3	-	0%
	Reserves	117.2	117.2	-	0%
	Share capital	41.3	41.3	-	0%
	Treasury shares (-)	(0.3)	(0.3)	-	0%
	Net profit (loss) (+/-)	19.7	52.3	(32.7)	-62%
	<b>Total liabilities and shareholders' equity</b>	<b>286.1</b>	<b>328.4</b>	<b>(42.4)</b>	<b>-13%</b>

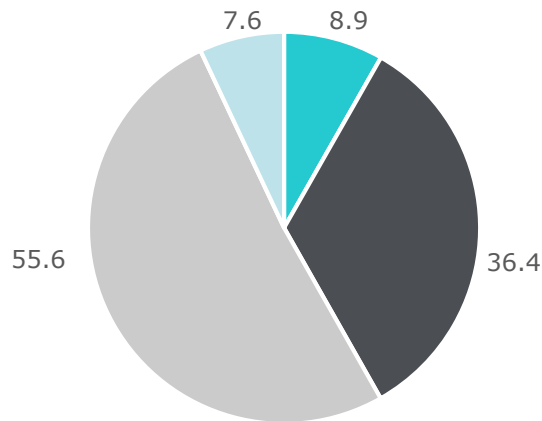
# Tax assets

## Tax assets breakdown

€m



**2016PF: 143.0**



**1H17: 108.6**

- Tax assets are originated from 2015 UCCMB transaction in 2015

### A Tax Credit:

- Off-settable against 2017 taxes (currently used against VAT)

### B DTAs (Loss Carry forward):

- Can be used to off-set future direct and indirect taxes, subject to future profitability of the company
- Currently fully deducted from CET1 capital
- To be fully exploited through future profit generation

### C DTAs (Net Write-down):

- Can be used to off-set future direct and indirect taxes, with no maturity
- Currently risk-weighted at 100%

### D Other DTAs on temporary differences