

## Press Release

### DOBANK: NEW GROUP STRUCTURE AND 2018-2020 BUSINESS PLAN

#### New Group structure:

- The Board of Directors has approved the project to transform doBank into a servicing company, allowing a better use of capital to support growth. As part of the project, doBank's current banking activity will be included in a newly established bank wholly owned by the parent company.

#### 2018-2020 Business Plan:

- **Strengthening of market leadership in servicing of bad loans and UTPs in Italy:** new portfolios of bad loans expected for about € 15 billion in the period 2018-2020 and significant new UTP mandates starting in 2019.
- **Growth in Greek NPL servicing** (bad loans and UTP) beyond the €1.8 billion mandate (GBV) currently in the final exclusive negotiation stage with the four Greek systemic banks.
- **ICT investments and cost reduction plan** to improve the efficiency of the Group and introduce important technological innovations.
- **2020 Target:**
  - Group gross revenue growth between 8% and 9% CAGR in 2017-2020
  - Group EBITDA growth above 15% CAGR in 2017-2020
  - EPS growth above EBITDA growth in the same period
- **2018 Target:**
  - Group gross revenues at more than € 230 million (€ 213 million in 2017)
  - Collections of over € 2 billion (€ 1.8 billion in 2017)
  - Improved ordinary EBITDA margin
- The **2018-2020 plan** confirms the objectives of **high cash flow generation** and a **dividend payout of at least 65%** of ordinary consolidated income.

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**Verona, 19 June 2018** – Today the Board of Directors of doBank S.p.A. (the "**Company**" or "**doBank**") approved the Business Plan 2018-2020.

The 2018-2020 Business Plan is based on a strategic redefinition of the Group, which from 2019 will take the form of a listed servicing company (as per *art. 115 of the Italian Consolidated Text of Laws on Public Security* that regulates the credit servicing sector).

The new Group structure - consistent with doBank's business mix that sees almost all its revenues coming from servicing activities and only marginally from banking activities - aligns doBank with its European peers, removing significant limits to the use of capital and optimising the Group's financial structure, thus providing an additional leverage for growth and allowing significant cost efficiencies, even in terms of tax burden, while ensuring the potential upside from banking activities.

The 2018-2020 Business Plan confirms the growth trends that have seen doBank listed on the stock exchange and the achievement of 2017 results showing a significant improvement in profitability and high levels of cash generation. All this while continuing to leverage its distinct position in the credit servicing sector through an asset-light business model focused on the independent servicing of portfolios owned by customers, banks and investors.

These growth drivers, the Group's core business, are augmented by new opportunities in products and markets, like UTP servicing and the Greek market, where doBank's distinctive traits represent sustainable competitive advantages and further boost the Group's growth in the medium and long term, while reducing its exposure to risk.

doBank's current banking activity, as part of a newly created bank entirely owned by the parent company, will concentrate on services to support the business of servicing UTPs, which includes restructuring activity, in Italy and Greece, overseeing a synergistic niche in the market that does not require significant capital absorption.

## **Main strategies of the 2018-2020 Business Plan:**

### **1. Strengthening of the market leadership in the Servicing of bad loans and UTPs in Italy through:**

- The **acquisition of new mandates for servicing bad loans** of approximately € 15 billion GBV in the three-year period 2018-2020 (specifically for 2018, between € 3 billion and € 5 billion in addition to the € 12 billion already announced in the results as at 31 March 2018).
- **Affirmation of a distinct position in the NPL value chain** through the management of mainly corporate, secured and medium/large portfolios. These segments are characterised by greater complexity and lower competitive pressure, thus protecting pricing and profitability.
- **Improvement in the efficiency of collections to maximise the value of the managed portfolio and its impact on revenues:** ratio between annual collections and end-of-period GBV greater than 2.6% in 2020 (2.4% in 2017), the ratio between annual collections and number of asset managers exceeding € 2.8 million in 2020 (€ 2.5 million in 2017).
- **Confirmed role of specialised ancillary services supporting the core business of credit servicing**, with the aim of increasing revenues per GBV unit under management.
- **Growth in servicing revenues from UTP (Unlikely-to-pay) loans in Italy**, a market that is experiencing a phase of intense activity, acquiring new management mandates in addition to the approximately € 2 billion at the end of 2017, further developing the internal restructuring skills through the hiring of new professionals of high standing in the sector and relying on solid business relationships with the main Italian banking groups, where exposure to this category of assets is concentrated.
- **Revenues from servicing of UTPs in Italy and from servicing of bad loans and UTPs in Greece** equal to about 15% of Group revenues in 2020.

The market for the independent servicing of NPLs in Italy,<sup>1</sup> bad loans and UTPs, is expected to reach around € 260 billion in 2018, from around € 175 billion in 2017, exceeding € 265 billion in 2020. This trend is driven by:

- Flows of bad loans under management on behalf of banks and investors estimated at about € 98 billion in 2018, a year of exceptional market activity due to portfolio sales, and between € 31 billion estimated for 2019 and € 23 billion expected for 2020.
- The consequent increased concentration of NPL stocks from banks to investors who, not directly dealing with loan servicing, feed the independent servicing market. It is expected that in 2020 investors will hold approximately 54% of the stock of non-performing loans in Italy, from 33% in 2017.
- An increased level of outsourcing by banks to independent servicers. In particular, greater recourse to outsourcing by banks is also foreseen for the management of UTP exposures, like non-performing loans, currently managed by the banking system with performance that has room for improvement.

## 2. Development of the Greek servicing market, leveraging the distinctive skills of doBank through:

- **The acquisition of new management mandates** beyond the €1.8 billion mandate (GBV) currently in the final exclusive negotiation stage with the four local systemic banks, and the **consequent increase in servicing revenues of NPLs** (bad loans and UTPs), thus seeking to achieve a leadership position in the nascent local servicing market.
- **The development of the local branch of doBank Hellas**, managed by a team that at the end of June 2018 will reach about 30 people and is already accredited with the main customers, banks and investors.

Given the size of the NPL stock of the banking system - equal to about € 100 billion at the end of 2017 (GBV) and the ambitious objectives for reduction, with an expected target of about € 65 billion (GBV) in 2019 - the Greek servicing market represents a significant opportunity for the Group. doBank's distinctive skills and track record in Italy developed over 18 years of experience are well suited to the Greek market, similar to the Italian market in terms of complexity of the legal system and type of loans, with a prevalence of corporate exposures and with real estate guarantees.

## 3. Cost reduction plan and significant ICT investments aimed at improving the Group's efficiency, introducing important technological innovations through:

- A progressive reduction of outsourcing costs, through greater internalisation of the management of large positions and more extensive outsourcing of the management of small loans.
- A controlled increase in personnel costs despite the hiring of resources necessary for the development of new business initiatives, optimising the operating model and rationalising the structures not linked to credit management and the regional network.
- The completion of the process integrating the Italfondario-doBank management platforms expected by the first half of 2019, developing a proprietary and unique management model that benefits the excellence of both systems.
- A progressive reduction in SG&A and Real Estate costs in terms of percentage of revenues over the course of the Plan, despite the start-up phase of new initiatives, thanks in particular to greater centralisation of purchases and reduction of overall space costs.
- ICT investments aimed at rationalising the Group's technological infrastructure, increasing the automation and digitalisation of processes and the leveraging of data. In particular, between 2018 and 2020 investments are planned to boost the company's data strategy, the potential of the data warehouse and datalake, the internalisation of the data centre and a further impulse to the digitalisation and

<sup>1</sup> Source: PWC, Update on the Italian NPL servicing market, June 2018

automation of processes, capable of maximising the efficiency of asset managers and their ability to manage multiple positions more effectively.

- Group investments in 2018 for around € 14 million, which will be progressively reduced to around € 5 million in 2020.
- A significant reduction in Group running operation costs from 2019.

## MAIN ECONOMIC AND FINANCIAL TARGETS

### 2020 Target:

- **Group revenues growing between 8% and 9% CAGR in 2017-2020** thanks to:
  - New servicing mandates for bad loans portfolios in Italy of approximately € 15 billion (GBV) between 2018 and 2020, of which between € 3 billion and € 5 billion expected for 2018.
  - Obtaining new management mandates for UTP portfolios in Italy, increasing the amount of assets under management over the course of the 2018-2020 Business Plan, in addition to the € 2 billion under management at the end of 2017.
  - Acquisition of new management mandates for NPL portfolios (bad loans and UTP) in Greece.
  - Protection of a distinctive position in the NPL value chain, focusing on the segments that maximise the Group's operating leverage.
  - Development of ancillary and specialised banking services to support servicing activities, with the aim of completing the range of services and increasing the amount of revenue per GBV unit under management.
- **Group EBITDA growing above 15% CAGR in 2017-2020** thanks to:
  - The positive impact of operating leverage and the scalability of the doBank management platform, capable of managing new mandates without significant cost increases.
  - Efficiencies deriving from the integration of management platforms and the new ICT investment plan.
  - Significant cost-cutting measures, also resulting from the new Group structure.

### 2018 Target:

- **Group gross revenues greater than € 230 million** (€ 213 million in 2017) thanks to new mandates for servicing bad loans in Italy between € 3 billion and € 5 billion (GBV), in addition to € 12 billion (GBV) at the end of March 2018, collections of over € 2 billion and the positive impact of revenues from ancillary services and other revenues.
- **Increase in ordinary EBITDA margin**, thanks to the use of operating leverage, the reduction of SG&A costs and despite higher personnel costs and the launch of UTP activities, Greece, NewCo banking and the reorganisation of the Group.

Lastly, the 2018-2020 Business Plan confirms the objective of a high remuneration of shareholders through a **dividend payout ratio of at least 65% of ordinary consolidated income** and the maximisation of the possibility of exploiting the financial leverage inherent in the new Group structure in order to support growth through M&A opportunities.

## New Group corporate structure:

With the aim of making the Group's structure more consistent with doBank's business mix, almost all of its revenues coming from servicing and only marginally from banking, to align the Group with the best practices in the sector and make more optimal and flexible use of its financial resources that are currently subject to the capital constraints envisaged for banking groups, not to mention having to foster its competitiveness against other players in the market, a significant process of corporate reorganisation has been launched that in 2019 will see doBank, subject to required legal authorisations (which will be discussed later), taking the form of a servicing company regulated by article 115 of the Consolidated Text of Laws on Public Security, thus ceasing to be a banking group.

The **Group's new structure**, distinguished by a greater specialisation of its operating companies, places an operating company specialised in special servicing and real estate services at the top, as parent company, through the merger of doReal Estate into the parent company itself.

**This company**, whose name will be defined following the receipt of regulatory authorisations, **will hold 100% of the capital of:**

- **Italfondinario**, which will specialise in master servicing and cash management activities as a result of the transfer by doBank of a compendium involving the aforementioned activities and the concurrent partial demerger in favour of doBank of non-regulated special servicing activities.
- **doSolutions**, in keeping with the company's mission as a shared service centre and the Group's technology hub.
- **doData** (formerly called IBIS), in continuity with its mission to provide business information and data quality management specific for NPLs.
- **A newly established bank** that, due to the transfer of the doBank banking company, will offer banking and support services for the servicing activities, with a capital-light business model. Due to the importance of these banking services for UTP restructuring processes, the newly established bank - which will be called doBank - will include support activities to UTP servicing and to the development of the Greek market, which has a significant presence of these types of activities.

The corporate requirements necessary for the conclusion of the reorganisation will be completed almost simultaneously with the necessary authorisations from the Bank of Italy and the European Central Bank. At present, the **reorganisation process is expected to be completed in the first few months of 2019 and will be effective for the full fiscal year of 2019.**

Considering the involvement of companies belonging to the same Group, the reorganisation constitutes a transaction with related parties. While on the whole this is a transaction of great significance, the prospectus called for by applicable regulations will not be drafted since the operation benefits from the exemption envisaged for intragroup transactions.

The reorganisation will give rise to the right of withdrawal of doBank shareholders pursuant to art. 2437, paragraph 1, letter a) of the Italian Civil Code for the doBank shareholders who do not approve of the corresponding resolution of the shareholders' meeting. It should be noted that the reorganisation (but not the merger of doReal Estate into doBank) will be subject - unless waived by doBank - to the case in which the number or liquidation value of the shares subject to withdrawal is lower than a certain threshold still to be established. More information on the right of withdrawal will be announced in the course of the transaction.

## New Group organisational structure

The Board of Directors also approved a **new organisational structure** that, in line with the objectives of the 2018-2020 Business Plan, aims to simplify and speed up decision-making processes.

In particular, the **new organisation** envisages a reduction of the departments directly reporting to the Chief Executive Officer and the creation of **three Departments** aimed at improving decision-making processes and the efficiency of the Group:

- **Servicing Department:** with direct responsibility for the development and management of the core business and ancillary specialised services in support of credit servicing, which includes both the business functions in doBank and the subsidiaries Italfondinario, doReal Estate, doData and the branch doBank Hellas. The Department is led by Fabio Balbinot, until today CFO of the Group and first CEO of Italfondinario.
- **UTP & Banking Department:** with direct responsibility for the development and management of specialised banking services and UTPs. The Department is led by Andrea Giovanelli who has had long experience in the restructuring sector in Unicredit followed by Pillarstone and Deloitte, and today has joined the Group.
- **Operations Department:** with direct responsibility for all the departments that support the business, headed by the subsidiary doSolutions and the ICT Governance & Innovation, Resources & Transformation and Procurement & Facility organisations. For the moment the Department will be managed by the Group's CEO.

As part of the reorganisation Manuela Franchi will be appointed as CFO, maintaining responsibility for Finance and M&A, and Fabio Ruffini as Investor Relator.

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## Webcast Conference Call

The 2018-2020 Business Plan will be presented today, Tuesday, **19 June at 9:30 am BST** (10:30 am CEST), during an audio webcast conference call held by the Group's Top Management.

The webcast can be followed by connecting to the website [www.dobank.com](http://www.dobank.com) or going to the following url: <http://services.choruscall.eu/links/dobank180619.html>.

As an alternative to the webcast, it will be possible to participate in the conference call by calling one of the following numbers:

ITALY: +39 02 805 88 11  
UK: +44 121 281 8003  
USA: +17187058794

The presentation made by Top Management will be available from the start of the conference call on the [www.dobank.com](http://www.dobank.com) website in the section "Investor Relations/Financial Reports and Presentations".



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#### **doBank S.p.A.**

doBank, listed since July 2017 on the Electronic Equity Market (Mercato Telematico Azionario) organised and managed by Borsa Italiana S.p.A., is a leader in the business of managing primarily non-performing loans. With over 17 years of experience in the sector, the Group is a long-standing partner of leading national and international financial institutions and investors and has a portfolio of assets under management of € 77 billion as at 31 December 2017 (gross carrying amount). By managing all phases of the credit life cycle with a superior operating model and top Servicer Ratings at a European level, in 2017 the Group recorded gross revenues of approximately € 213 million with an EBITDA of 33% and a high level of cash generation.

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