doBank S.p.A

"First Quarter 2019 Results Conference Call"

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OPERATOR: Good morning. This is the Chorus Call conference operator. Welcome and thank you for joining the doBank's First Quarter 2019 Results Conference Call. As a reminder, all participants are in listen-only mode. After the presentation, there will be an opportunity to ask questions. Should anyone need assistance during the conference call, they may signal an operator by pressing "*" and "0" on their telephone.

At this time, I would like to turn the conference over to Mr. Fabio Ruffini, Investor Relator of Do Bank. Please go ahead, sir.

FABIO RUFFINI: Good morning, everyone. Thank you for joining our conference call on doBank's financial results for the first quarter of 2019. And attending the call from the management team of doBank are Mr. Andrea Mangoni, CEO, Ms. Manuela Franchi, CFO, and Mr. Fabio Balbinot, Chief Servicing Officer. Andrea will begin by highlighting the key messages of today's session and after reviewing the market opportunities, Manuela will continue with more detail on the financial results and Fabio will be available with the rest of the team during the Q&A session which will follow. Over to you, Andrea.

ANDREA MANGONI: Thank you, Fabio. I would like to begin by sharing a few points which define the start of the year at doBank. In short, the first quarter was one of execution. Significant growth in results while we all prepared for the transformational combination with Altamira. We on-boarded €2.3 billion of new portfolios in Italy from agreements signed in the later part of 2018. GBV grew more than €83 billion including Greece.

Collections were up 8% to more than €400 million and gross revenues were up 17%. Margin continues to expand with EBITDA margin reaching 30%, driving a free cash flow generation of more than €8 million. Such a positive result allow us to confirm the guidance shared with you during our Business Plan presentation.

The quarter includes the remaining and final impact of the Intesa portfolio we had anticipated that was going to exit our AuM, about €1.5 billion. Even excluding this impact, revenues were up 7%.

We are also pleased to announce that we made significant progress towards our 2019 target of adding up to €5 billion of new NPL mandates in Italy. We are close to sign mandates for €1.5 billion and hope to be able to give you the full details soon.

Also in terms of business development, Southern European market continues to be well oriented. While we close on the Altamira acquisition, our team in Greece is delivering well and focused on growing the portfolio under management. The teams in Italy and Greece are very active also working on due diligence for up to €5 billion GBV on behalf of various investors.

Lastly, with the extraordinary shareholders meetings and the okay from the antitrust authorities, we progressed towards transforming doBank. While all the steps on our side were completed, we are still waiting for the final regulatory go ahead, which is only a matter of time. By early June we expect to be closing on the acquisition so that we can fully take advantage of the benefits of working alongside our new colleagues in Spain, Portugal and Cyprus.

In the next slide, for what is possible at this stage of the acquisition process, we would like to share a glimpse of the opportunity we see in Southern Europe. The overall potential is significant with more than €650 billion of non-performing asset and urgency to reduce exposures, providing growth to the market for independent servicers. As you know, with Altamira, we are leader or among the leaders in the 5 largest market in the region and we will have access to a much broader pipeline. Perhaps more importantly, market momentum is picking up and many opportunities are coming to market between now and year end.

Greece is probably the most active market at the moment with a pipeline of €26 billion and the 4 systemic banks launching several sales processes. In Italy, there is a €25 billion pipeline with a couple of possibilities for structured deals in the form of platform sales. This…while there are interesting development in the UTP space in different forms, both sales and outsourcing. The secondary market in Spain in the short terms sees more than €10 billion of portfolios changing hands and there are €11 billion between Portugal and Cyprus.

So 2019 will be an important year for the sector in Europe with large deals coming to market where we expect to play an important role based on our track record and wide client base.

More in detail on Italy on Page 3, beginning with €1.5 billion of new mandates close to signing**,** significant progress toward our €5 billion target. Pricing of servicing mandates continues to stay rational, at least in the market segments where we operate, large and secured portfolios where track record and top ratings make a difference. Competition as expected is significant, but we continue to win mandates because our ability to deliver value to customers.

A couple of large transactions have been rumored in the UTP market. These developments go together with smaller portfolios on sale and with opportunities for more outsourcing. The market is early stage, but these are positive signs. There are different ways in which servicers can improve recoveries in UTP and the market we will likely see a mix of solutions.

Back on NPLs, the Italian pipeline is supported by the GACS renewal and made-up of several midsized opportunities, as expected. On top of that, we see the first signs of a trend reversal in inflows from existing clients, probably as a result of the prolonged slowdown in the Italian macro. Should this trend be confirmed, it would be obviously a positive for us and confirm the countercyclical nature of our business model.

Lastly on Page 4, an update on Greece beginning with the positive results of our team. Following the business planning phase in Q1 2019, we began engaging with debtors and testing the collaboration framework between lenders, borrower and the servicer. The local team can now count on 35 people with a broader product offering including NPL servicing portfolio, due diligence and real estate valuation services.

We have recorded some meaningful progress in the workout of the positions, a mix of liquidation and restructuring. As of today, about €270 million of recovery plans have been agreed with debtors and are in the processes of receiving the okay by the banks. The team in Greece is focused on large files first, with an average size about twice the average size of the solar portfolio, which is significant at €6 million. This is a positive start of the platform and it gives us confidence in our ability to grow it beyond the current €1.8 billion already in 2019.

The four systemic banks have updated and improved their deleveraging target with an extra €5 billion by 2021, taking the total target to €55 billion. We are currently doing due-diligence on various portfolio in the market, part of the nearly €26 billion pipeline. Mix is become more secured so in line with the appetite of our typical clients.

To conclude, the quarter showed progress in our current markets of Italy and Greece while we prepared to play in the wider Southern Europe arena. Over to you Manuela.

MANUELA FRANCHI: Thank you, Andrea. Before going through the main results, I would like to highlight that 2018 figures have been restated for compatibility purposes, given the [first-time] application of IFRS accounting standards for leases.

In the appendix of the presentation, you will find all the details in this respect, both for Q1 and full year 2018. The main impact on our accounts is our rental costs which will be accounted for below the EBITDA line for those leasing with long maturity. The impact would be only partially in '19, as the new principle will not apply to certain lease contracts which are expiring soon or under the negotiation phase. To give you precise information, the impact on Q1, '18 EBITDA was positive for €500,000 whereas if you look at the Q1, 2019 EBITDA without the application of IFRS16 it would be lower by €700,000.

Back to the quarterly results, which show a yearly reduction in Italian GBV by 7% to €81.4 billion from €87.5 billion at the end of the first quarter of 2018. When we include Greece, the total portfolio is €83.2 billion so growing €1 billion as compared with the end of 2018.

Gross collections are €403 million or plus 8% year-on-year, marking a positive start of the year.
The figure is particularly positive because the quarter saw the negative impact of €1.5 billion of lower GBV from Intesa, which was at full run rate, while in parallel it saw the entry of portfolios at early stage of collection.

Gross revenue stood at €54.4 million up 17% driven by an increase in collection volume on stable average fees plus growth in ancillaries and portfolio sale indemnities.

As mentioned, even excluding the extraordinary sale of the Intesa portfolio and indemnities in the period, growth would have been plus 7% of revenue and positive for at EBITDA level, taking into account that the personnel related to that portfolio has exited in the mean while.

EBITDA excluding non-recurring items at €16 million plus 39% versus last year saw an expansion of margin of 5 percentage points or 3 percentage points in reported EBITDA terms.

Net income excluding non-recurring items was 28% up at €8.3 million with a tax rate that has yet to benefit from the de-banking process ongoing which will see an average tax rate of 28% and on average a better tax rate taking into account the tax rate of the Altamira Group.

Please also consider that in the average tax rate for the quarter you have included the DTA fee that is paid to the tax authority and which was not included in the last year numbers; therefore if you exclude that component you have a tax rate which is in line with the last year results and that [component] was a level of around €500,000.

Lastly, net cash position stayed very strong at €62 million despite the slight net working capital cash absorption in the quarter and the outlay for an opportunistic short term investment. Cash conversion remains very high at 95% in terms of EBITDA minus CAPEX.

On Page 7, you have the usual evolution of asset under management. GBV increased by €1 billion in the first quarter of the year, standing at €83.2 billion. Growth is linked to new contracts on-boarded for nearly €2.3bn, coming from two GACS securitizations, ICCREA and Carige.

The quarter also saw a slight uptick in quarterly flows from existing clients, a trend reversal following significant declines in 2018. This is an important feature of our business models. As you know, from our history, we do have a countercyclical feature in business model whereby as macro deteriorates we see new inflows coming in, while we continue to have a very good performance on the collections side. So not having negative effect on that.

Moreover, write-offs associated to collections were about €1.6 billion due to portfolio cleanups. And portfolios sold by clients for €1.5 billion were mostly related to the final portion of the Intesa portfolio for which we were paid the indemnity fees, while collection were the €400 million mentioned before.

Turning to Page 8, our portfolio statistics are by and large unchanged over the quarter. doBank manages mostly corporate secured portfolio with a large average ticket at €130,000, a key difference as compared to most peers.

In terms of our GBV by client, you can observe a shift out of Intesa and into other investors in line with the GBV dynamics we just reviewed.

Investors are now at 75% of GBV a significant difference from the 40% at IPO time. The integration with Altamira will not alter the main features of our portfolio as the asset class focus is similar, but it will add products diversification into real estate and a wide range of banks and investors [clients].

In the next page, we put quarterly collections in the context of the yearly seasonality, when Q1 tends to be a light quarter. The year started positively, both in absolute and relative terms, underpinning our ambition to improve collections to improve efficiency and go above 2.6% in terms of our collection rate by 2020, hopefully with room to do better.

On Slide 11, we briefly touch upon ancillary and other revenues. As stated in our Business Plan we expect ancillary revenue to grow about in line with the rest of the business. To grow significantly both these levels, we would need a mix of both organic growth and bolt-on M&A.

In Q1 2019, ancillary and other revenues were up 33% due to several components. Data remediation contracts with non-captive clients and the new GACS were signed, positive results in real estate and significant growth in Judicial Management. This revenue line includes also the cost reimbursement of the running costs of our operation in Greece for €1.2 million. We are in the course of finalizing discussions on the fee structure with Greek Banks and are happy about the development of operation so far.

Let’s move now to Slide 11, that explains the bridge between the gross revenue and net revenue. Performance fee grew significantly due to higher collected amount on stable fees, base fees are lower year-on-year, simply as a result of lower gross book values, as compared with the end of Q1 2018.

Net revenue benefit from reduced outsourcing fees at 8% of gross revenue in the quarter, as opposed to 11% a year ago. This is a result of our efforts to progressively reduce outsourcing fees by 2020, with lower outsourced volume and a stronger focus on large loans.

Moving now to operating expenses and cost base on Page 12. Although reported EBITDA margin is up 3 percentage point to 28%, we recorded an increase in the cost base because of an extra €1 million in non-recurring expenses related to the extraordinary projects at corporate level and related to the Altamira acquisition, included in SG&A, as well as higher staff and IT costs, which we had already anticipated in our Business Plan presentation.

Given the expansions of the Greek platform…the UTP platform, and the migration projects at IT level. It's important to stress that cost control continues to be a pillar of our Business Plan which envisages HR cost to decrease as a percentage of revenue by 2020 and lower running IT cost and real estate cost. The Company is in the process investing to improve future returns, reflected in the higher cost base of the quarter but paving the way for a 40% EBITDA margin target by 2020.

Next, on Page 13, there is a focus on working capital and net cash position. Net working capital went up by €1 million as compared with year ago despite gross revenue growing by €8 million, so improving as a percentage of sales. The positive trend is expected to continue benefiting from the better payment terms of investor vis-à-vis banks.

doBank net cash position remains significant at €62 million before the impact of the Altamira acquisition. We have no bank liabilities today and have also disposed of supplier deposits as part of the process to complete the de-banking. We are committed to maintaining a conservative financial profile with peak net debt to EBITDA in 2019 much below 2.5 times after the acquisition closing and then we will start a quick deleverage from there.

Finally, on Page 14, our cash flow trend. Growth in earnings drove a positive EBITDA impact of €15 million coupled with very low CAPEX as a result of our pure servicing model. We paid no cash taxes in the quarter, using part of our tax assets, while negative expected seasonality of working capital reduced cash by €6 million.

Positive free cash flow of €8 million was achieved before €14 million of net investments, linked to an opportunistic short-term investment opportunity we decided to take to manage our cash flow positioned more proactively and in a safe way.

So all-in-all, there is a limited net cash flow reduction of €6 million, returning a €62 million net cash position, and this figure will allow us to continue paying industry leading dividend payouts at more than 70% of reported 2018 net income.

Thank you for your attention. This concludes our introduction and we are available for your question.

Q&A

OPERATOR: Excuse me; this is the Chorus Call conference operator. We will now begin the question and answer session. Anyone who wishes to ask a question may press "*" and "1" on their touchtone telephone, to remove yourself from the question queue, please press "*" and "2." Please pick-up the receiver when asking questions. Anyone who has a question may press "*" and "1" at this time.

The first question is from Borja Ramirez of Citi. Please go ahead.

BORJA RAMIREZ: Hello, good morning. This is Borja Ramirez from Citi. Thank you for your time. I have 2 quick questions. First one is, if you could please provide your views on the investor appetite for NPLs in Italy? And the second one is, if you could please provide more details on the expected growth in the UTP loans? Thank you.

ANDREA MANGONI: Yes, on the investor appetite for NPL portfolio in Italy, we see a stable appetite from the investors. So this appetite is still high. And in terms of pipeline as you saw during the presentation the pipeline is still significant, so the market is growing and the appetite of the investor is high. For doBank the investors are…and will be our main target in terms of clients and our main aim is differentiate our client base, in terms of investors. And we think we can give you some positive news before year end.

MANUELA FRANCHI: I just want to make sure, I understand your second question?

BORJA RAMIREZ: My question was, if you could please provide more details on the expected growth in the UTP loans?

ANDREA MANGONI: The UTP market is about to start. The market started from beginning of this year and end of last year. And the main characteristic of the market was the size of the transactions, because we are talking about transaction with an average size of €250 million, and the numbers of the…number of the transaction was not extremely high. Now, I think we are at a turning point because the market is accelerating and we see 2 different types of transactions coming. The first one is, as we said during our speech…the platform sales. There are two important hypothetical transactions in terms of platform sales rumored in the market. I am referring to the Intesa and

MPS transactions. But on the other end, we see the perspective of the outsourcing in the UTP field improving both in terms of numbers of transactions and in terms of size of the transaction itself. So the market it is accelerating.

BORJA RAMIREZ: Okay. Thank you very much.

OPERATOR: The next question is from Andreas Markou of Berenberg. Please go ahead.

ANDREAS MARKOU: Hi everyone. Thank you very much for the presentation and for taking my questions. I have a few; the first one is on Greece. Can you give us how much Greece…Greek revenue were as percentage of total revenues and this is if we exclude €1.2 million cost reimbursement. That's the first question?

The second question is on the small delay on the Altamira deal closing. Do you see any...for further delays there, because for example you are saying by end of June, but then we are getting into summer, so is there a possibility even a small one that we might go into Q3?

Third question is on the increasing inflow of NPLs from your deals. Do you see this as a sign of the macroeconomic cycle turning in Italy and you did mention that you are not worried about collection rate slowing, I mean, what we have seen from history is that as the cycle deteriorates the NPL flow increases but collection rates decrease. So what are your thoughts here? Should we expect a slowdown in NPL growth but…sorry an increase in NPL growth, but at the same time a decrease in collection rates going forward?

Fourth question is on your CAPEX, so this quarter CAPEX spend was quite low. What should be more or less a range we should be expecting for year end? And at the same time should we also expect higher IT OPEX year-on-year? And final question is on UTP, so just confirming are you still progressing towards a few billion UTP mandate by let’s say Q2 or Q3 this year? Thank you very much.

MANUELA FRANCHI: Hi Andreas, thanks for your question. I'll go one-by-one. Let me know if I missed anything. On Greece, as I mentioned in my speech. In the first quarter, we are on a cost reimbursement structure. As we have mentioned in the past, it was one year from the contract and we are already anticipating the switch to the new scheme. So, basically, the net revenue match with the cost base, so the margin for the quarter is zero by definition.

On the Altamira deal, we don’t expect to shift to Q3. We are literally waiting for the ECB and Bank of Italy okay. All the documents are filed in line with our expectation, so it is a matter of time and there are no limitations that would impede it.

On your question on inflows, actually our estimate on the collection side was assuming a macro which was much more conservative than what the market was expecting at the time of our plan. As the time last in June probably the market was expecting 1% or more GDP growth. We were with flat GDP, and this is just to say that collections are in line with our expectations also taking into account the renewed macro estimates from the market, while we are positively surprised, by an anticipation in an increase in inflows which we would have expected a little bit later on in the year.

Then in terms of CAPEX, last year in the plan we have indicated around €8 million for this year because we also mentioned at the end of 2018 a slight shift of CAPEX from last year to this year. Probably, you know we would end up with CAPEX of slightly above this number between €8 million and €10 million. And in terms of OPEX cost for the IT, we don't see changes vis-à-vis the expectation we had.

In terms of our UTP projects, you mentioned Q2, Q3 as making significant progress and we confirm this timetable.

ANDREAS MARKOU: Okay. Thank you very much. Maybe just a clarification on the increase in inflows, given that this is higher than your expectations, does it make you revise in a way your expectations on the macro going forward?

MANUELA FRANCHI: No, we don't see like increasing expectation. We just want to see a more evidence of that in the following quarters. We don't want to over read into a one quarter event. As I said we were expecting this trend, but more later on in the year so if the trend continues for a few quarters then we can you know, have a talk about it, but at the end…at this point in time we don't like revising up expectation.

ANDREAS MARKOU: Yes, I mean revising up expectations on NPL growth but potentially the impact on the collection rate as well?

MANUELA FRANCHI: No, as I said, we are comfortable with those estimate which…because they were conservative enough on the market backdrop in line or still slightly below what are the today's current expectation which are lower than last year.

ANDREAS MARKOU: Okay. Thank you very much. Thank you.

OPERATOR: The next question is from Gurjit Kambo of JP Morgan. Please go ahead.

GURJIT KAMBO: Hi, good afternoon everybody. Thank you for the presentation. Just two question. Firstly with relation to Altamira, how are you going to think about sort of brands or the name you go to market with Altamira and will you rebrand the whole group or will you still use that brand in the markets they are, I guess, you know, more well known in. That's the first question? And then the second question is on the…just the exceptional cost for 2019. I know there was a few of this in first quarter, but I just…I felt from my recollection there was some cost around redundancies and some DTA cost that needed to come through in 2019. Is that to come through in the reminder of the year? And then just final one, on the change of the structure away from a bank, what are the sort of remaining steps there to get that completed?

MANUELA FRANCHI: Hi Gurjit, to get to your point about brand, we actually have a project ongoing internally which will really start in a significant way after the closing because obviously you know that for antitrust companies cannot do much before that, as it includes also study around, obviously the branding and Altamira is a very well-known brand in the Spanish market. And therefore, it's not an easy conclusion to take on that, but we will keep you updated on any thought we will have on this matter.

Regarding the exceptional cost for 2019, they are mostly focused on four fronts. One is the completion of de-banking processes which, you know, has been mostly included in this quarter results. Second are related to the Altamira cost and obviously with the closing, you have the usual consultancy costs, legal costs, due diligence costs, and the figure on the financing that are paid.

The third point was on the DTA, because with the de-banking moving to a lower tax rate, you need to recalculate basically the value…the NPV of the value of the DTA remaining, and that will have all the non-cash effect. Therefore it will not impact as we always said our you know, underlying net income on which we always based our dividend policy.

And last on the redundancy cost. They will come in the second part of the year. As we said also here, we will treat them as exceptionals and will not impact the reported NRI net income [used for dividend payout].

In terms of change of structure, we have done everything which we were supposed to do. So you might have noticed we held on the 5th of March the Extraordinary Shareholders Assembly for the approval of the changing bylaws, which was approved by vast majority…significant vast majority of the shareholders. The remaining stuff on that is, once you have the blessing from ECB, Bank of Italy, you have to give…publish the result of that EGM and the dissenting shareholders which were only 2 percentage points, and also the people which were not present at the assembly at the right eventually to put back all the shares. But obviously, I mean at current market values there is no economic incentive for them to do so, given that the withdrawal right exercise is below €10 per share and that lasts 15 days. So once that happened, there are not other steps to do.

GURJIT KAMBO: Okay, great. Thank you very much.

OPERATOR: The next question is from Matteo Silva of Equita SIM. Please go ahead. Mr. Silva, your line is open. Please go ahead.

MATTEO SILVA: Thank you very much for taking my question. I have just a couple of questions about the indemnity fee linked to the disposal of Intesa portfolio. And if I understood there should be around €2 million. And my second question is about the NPL pipeline in Greece. How it's going and what do you expect from the next year?

MANUELA FRANCHI: On the indemnity fee, we mentioned in the last call that was around €8 million actually not €2 million. We had indicated that even without indemnity and obviously adjusting last year for the collection we has last year in relation to the portfolio which we don't have this year. We still have positive revenue growth of 7%.

I'll leave Fabio to answer on the NPL pipeline.

FABIO BALBINOT: Yes. On…the NPL pipeline in Greece is made of 2 types of deal. One is, I would say the organic deals, so deals that the 4 banks are doing starting from last year and that are continuing, so there are between 2 and 3 deals every quarter, of size around $1 billion, which are specific for different asset class. Currently we are…we have already completed due diligence for €1.5 billion portfolio for an investor and which is at very last stage of negotiation. So we'll have to do to win that.

On top of that, there are extraordinary deals like the announced Eurobank Bank deals for which of course, we are working on. We expect in terms of next quarters several deals in the same size and path. And this is something that is in line with the objective of the 4 banks in terms of the leverage

MATTEO SILVA: Thank you.

OPERATOR: The next question is from Filippo Prini of Kepler. Please go ahead.

FILIPPO PRINI: Yes, good morning. I got 3 questions. Could you give us some trend of the first quarter regarding Altamira even the GBV of Altamira at the end of March should be very welcome. The second one is on your plan of restructuring of the workforce, if you can give us some update also in relation to what was reported by Italian newspaper few weeks ago? And the last one, if you can give us which is the impact I would imagine quite limited of IFRS16 on the net financial position reported at the end of March? Thank you.

ANDREA MANGONI: Okay. Thank you for your question. On Altamira, I cannot give you details on the situation of Altamira because we are restricted, but in economic terms the result of the first quarter of the company are more than in line with our expectations.

On the trade union negotiation, we are still negotiating with our trade union. The negotiation is complex enough, because the main argument of the trade union is why the company has to reduce the workforce considering the result of the company itself over the last 3 years, but we are still positive, and I think we can reach an agreement with our trade union or if not, I think we have a way to reach the same agreement in terms of costs of personnel reduction without an agreement with the trade unions. I will leave the floor to Manuela to take the last question.

MANUELA FRANCHI: On the adjustment on the balance sheet side for payments of leases, the amount is around €11 million. We don't include it in the net financial position, but we reported it in the balance sheet.

FILIPPO PRINI: Okay, thank you.

OPERATOR: The next question is from Ramil Koria of SEB. Please go ahead.

RAMIL KORIA: Thank you very much and thank you for the presentation. Two questions, if I may, first off, some of your peers had mentioned Spain becoming a tougher market to complete in, now with your acquisition of Altamira your footprint on the servicing market will increase significantly. I mean perhaps its early days but how do you view the development of the Spanish market. So that was the first. And then secondly, I am wondering if given that Intesa still contributes 6% of the volumes in your platform, do you see a risk of those volumes being transferred? Thank you.

MANUELA FRANCHI: Maybe Ramil, if you can clarify, you said competitors think Spain is tougher to complete things, what do you mean precisely?

RAMIL KORIA: Let me rephrase that, so, some of your peers have said that the Spanish NPL market has become increasingly competitive and I mean some pure NPL purchase players have actually retracted from the market to some extent, so I wondering whether you are seeing any signs for that in the servicing leg in Altamira?

ANDREA MANGONI: No, no, we think the Spanish market is competitive on the investor side, back on the servicing side our opinion is the competition is not…is not increasing. Just to give an example, the competition we are experiencing in our domestic market is definitely higher. So, we think the competition in Spain has not increased…is not increasing. In the long run, we strongly believe the Spanish market will consolidate, but the margin for the servicers in he market are still high and in line with our evaluation when we settled the price for the acquisition of Altamira.

MANUELA FRANCHI: On the Intesa net contribution, we don't see any sign that Intesa might change their minds about the allocation of the portfolio to us, also because we are not the only external servicer they use for the NPL, they use beyond Intrum, us and other smaller players, and they are not changing their approach with them either. Moreover, you might have seen that they are looking for adding eventually another one on the UTP side. So, obviously, they have now a predominant counterparty that they continue to keep several parties, also I guess to benchmark results among each other.

RAMIL KORIA: Thank you very much.

OPERATOR: The next question is a follow-up from Andreas Markou of Berenberg. Please go ahead.

ANDREAS MARKOU: Hi, everyone just quick clarification. So the 7% year-on-year underlying revenue growth excludes the €8 million indemnity fees from the Intesa portfolio plus the collections on that portfolio from last year?

MANUELA FRANCHI: Yes, basically and you take out from the 7% we said, you take out the indemnities from the first quarter ’19, and you take out the collection associated to this portfolio and the related revenue in the first quarter of 2018. So, it’s apple with apple, so you have the benefit of the €1.5 billion either in terms of indemnities for the first quarter ’19, or in terms of revenue collection in the first quarter of ’18.

ANDREAS MARKOU: If you just take out indemnity fees, what would be the revenue growth?

MANUELA FRANCHI: That is simply, the revenue we reported minus €8 million for the quarter. But, you are comparing not to portfolios which are not [indiscernible] that portfolio make sense because its giving you benefits in one way or the other, so or as indemnity or as a collection.

ANDREAS MARKOU: Okay. Thank you very much.

OPERATOR: For any further questions, please press "*" and "1" on your telephone. The next question is from Pietro Solidoro of Fidentiis. Please go ahead.

PIETRO SOLIDORO: Hi, and good morning. I just have two quick questions, the first one is if there is any news about the renegotiation with SAREB and how these are proceeding and if there was any news compared to what you guys told us in January. And the second question if you could comment on the rumors about the Unipol portfolio that could come to the market, which I don't see in the presentation including in the pipeline? Thank you.

ANDREA MANGONI: On the SAREB negotiation, again we are little bit restricted. But, the situation is SAREB started his negotiation with Haya, because the expiry date of the Haya contract is end of this year. And the aim of SAREB is to anticipate the negotiation with Altamira and the other servicers to the second half of this year just to have a clear picture of the situation of the servicers before…before year end. We are available to anticipate our negotiation with SAREB, but right now we are waiting for the signal from SAREB itself because the negotiation is not started yet and…

MANUELA FRANCHI: On your other question about the unit…

ANDREA MANGONI: Yes, sorry…

PIETRO SOLIDORO: The only thing that I have is, if there are any news about how the SAREB negotiation is going. I understood that you guys are going to negotiate probably in the second half of the year. But I was wondering if there are any news that you guys heard about how the IR negotiation is going, what type of cut are they foreseeing on their contract?

MANUELA FRANCHI: Based on what they said publicly and the call for the Q1 results, it appears they are confident about the renewal of the contract totally different in terms of fees and eventually volumes, that's what we can comment on.

PIETRO SOLIDORO: Okay. Thank you.

MANUELA FRANCHI: On your other question about Unipol…it is for us it is, you know, in the others category on the Page 3, , it's a specific transaction where they still have a platform and stock. So, it's not the ideal that transaction where there is stock and flow agreement and that's important to know this.

PIETRO SOLIDORO: Okay. Perfect, thank you.

OPERATOR: Gentlemen, Ms. Franchi, there are no more questions registered at this time.

FABIO RUFFINI: Okay. Thank you everyone for joining the call. Have a good rest of the day.

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