

doValue S.p.A

"Q1 2022 Financial Results Call"

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ALBERTO GORETTI: Good morning ladies and gentlemen. I am pleased to welcome you to our presentation of the Financial Results for Q1 2022 of doValue. It's Alberto Goretti here, Head of Investor Relations. And as usual, I am here with our CEO, Andrea Mangoni, and our General Manager of Corporate Functions and CFO, Manuela Franchi.

As customary, in the first part of the presentation, Andrea will walk you through the developments of doValue from the beginning of the year, and in the second part of the presentation, Manuela will give you an overview of the financial performance of the company. Following the presentation, we will be glad to answer all your questions.

Andrea, over to you.

ANDREA MANGONI: Thank you, Alberto, and good morning to all of you. Starting from Page 3 of the presentation, we are pleased with our performance so far, which represents a very strong start of the year, both in terms of GBV evolution and financials. In particular, we have already secured €6 billion in terms of new GBV since the beginning of the year, mostly from Italy and the Hellenic region, which once on-boarded, will bring our GBV above the €158 billion level.

What makes us very positive is also seeing a growing pipeline of servicing mandates being tendered in the market across all of the country in which we operate. In particular, at the moment, we see an aggregate of more than €24 billion made of both outright portfolios, as well as, servicing platforms to be sold. We are actively participating to all the tenders in the market.

In terms of collection, despite a marginal decline in GBV year-on-year of approximately 5%, our collection activity has remained solid at around €1.3 billion, substantially in line versus the first quarter of last year. The

resilience in our collection performance is a particularly important aspect to note, especially in context whereby economic growth is slowing down. Our collection rate of 4.2% is also relatively steady versus the figure reported for the full year 2021.

The first quarter of 2022 is well ahead of the first quarter of 2021 on virtually all the P&L metrics, which is particularly remarkable considering the slight decline in GBV and the overall stable collections. The key event of the first quarter has been the decision by Sareb of substituting all the current four servicers, including doValue, with 2 new servicers, which have no prior experience in managing assets on behalf of Sareb.

The financial impact of such a decision has already been reflected in the results for the full year 2021, where we essentially fully amortized the residual value of the Sareb contract. The second impact already anticipated, estimated at up to €15 million will be non-recurrent in nature and will occur in conjunction with the reorganization of doValue activities in Spain in the second half of 2022. All-in-all, we reiterate our 2024 targets and the limited impact on 2022-2023 for the Iberia region and for the group as a whole.

In terms of market backdrop and outlook, we have no direct links to Ukraine nor Russia and the current macro situation seems hinting towards stronger generation of NPE.

Looking at the full year 2022, we reiterate our previous guidance with EBITDA ex-NRI marginally below 2021 and net income ex-NRI marginally below last year. In terms of leverage, we expect to remain at around 2 times for 2022, considering that our cash flow generation will be absorbed by the dotransformation Capex, the Sareb related NRIs and by the payment of the 2021 dividend.

The deleveraging profile should resume from 2023 onwards with growth in EBITDA and a positive cash flow generation after dividends. In terms of our dividend policy, we confirm our commitment to grow dividend per share by at least 20% per annum, which means a DPS of at least 60 cents for 2022.

Moving to Page 4, as already mentioned, we had a pretty strong start of the year in terms of new mandates with a series of projects, both in Italy and in the Hellenic region, some of them, which we will be able to disclose soon. All-in-all we are more than 40% done in terms of our 2022 target of €13 million to €14 billion of new GBV as presented in our Capital Markets Day in January.

We are particularly pleased of our performance in the Hellenic region where we gained the additional contracts secured from February to today, which is a further demonstration of the sound rationale behind the acquisition of doValue Greece in 2020, but also the strategic relevance of having a footprint in Cyprus, which derives from our acquisition of Altamira.

In addition, as you know, the Frontier portfolio was successfully onboarded in early February and is already contributing to our P&L. The overall securitization transaction was awarded the prize of NPL Deal of the Year by GlobalCapital.

Moving to Page 5. The market is very active and the pipeline of potential mandates has actually grown substantially from what we presented at the end of January during our Capital Markets Day. First of all, we have already won more than half of the mandates that has been awarded since the Capital Markets Day. In addition, about €16 million of new pipeline has materialized in the last few months. And we are working on all of these

projects. Please consider that this updated pipeline already excludes what has been awarded and is focused on new deals up for grabs.

As you can see, the pipeline is particularly intense in Italy and in the Hellenic region and it's made both of outright portfolios, looking for a servicer, as well as, disposal of servicing platforms. Some of the deals in the pipeline are actually quite significant in size.

Moving to Page 6, in terms of macro outlook, many clouds are gathering at the horizon and what was a really complex situation at the beginning of the year, compounded by the war crisis in Ukraine, which has added further pressure on growth.

All-in-all let me remind you that the activity of doValue has no direct links to neither Ukraine, nor Russia. We manage less than €20 million of GBV linked to Russian borrowers. But on that GBV, the collateral is based in the Hellenic region and foreclosures can be enforced regardless of sanctions.

Our collection activity so far has proven very resilient to the macro slowdown, but we are monitoring the situation carefully for early sign of the deterioration. On the flip side, we believe that further NPEs will be generated by the system. And this aspect will become more and more visible during the course of 2022.

Moving to Page 7 and going back to financial results for the first quarter of 2022. We are very pleased with the progress made so far, in particular, considering the results for the first quarter of 2021, were positively impacted by €4 million capital gain of the release of the Relais notes in Italy.

Stripping that effect out, you have high single-digit gross revenue growth and double-digit EBITDA growth. This is particularly remarkable

considering that GBV is marginally down year-on-year, and that the first quarter is typically a slow quarter in our business. All-in-all these results have been pretty much supported by the marginal GBV mix shift towards the Hellenic region, which is a pillar of our 2022-2024 Business Plan.

Going back to Sareb, on Page 8. Here you have a summary of the overall Sareb process, which started in the summer of 2021, and which show us that doValue witnessing the evolution of the approach of Sareb from being relatively commercial articulated and reasonable to becoming purely driven by fee.

As you know, the current 4 incumbents, including doValue, will be substituted by 2 new servicers in June, and we will start the reorganization of our activity in Spain post summer. Actually because of the delays from Sareb in onboarding the portfolio to the new servicers, the REO contract will be prolonged for an additional 2 months.

All-in-all we currently estimate cost of up to €15 million in relation to such reorganization. Such costs will materialize in the second half of 2022 and they will be treated as a nonrecurring item given their nature.

More broadly, not being reappointed by Sareb means for doValue not having in our portfolio a pretty dilutive contract in terms of expected EBITDA margin, and we believe that not being one of Sareb's servicers does not impact our ability to win other contracts from banks and investors. In fact we are currently performing an intense origination activity, also looking at products related to the management of UTPs, Early Arrears and Stage 2 loans, leveraging on the best practices gained in Italy and Greece.

All-in-all, despite Sareb, we remain confident about the medium term prospects of our business in Iberia, and we reiterate our 2024 Business Plan target presented for the group in January.

Moving to Page 9, a few words on doTransformation. Our plan is moving along as expected with few key milestones being already achieved in 2022, such as the rapid onboarding of the Frontier portfolio and the onboarding of the Neptune portfolio. But besides these highly visible achievements, we have a number of smaller activities coming along, which will contribute to meeting our vision for doValue 2024 and pursuing our Business Plan target.

Let me now hand it over to Manuela to cover the financial results in detail. Over to you, Manuela.

MANUELA FRANCHI: Thank you, Andrea, and good morning, everyone. Starting from Page 11, you can see that GBV has remained globally stable year-on-year. And in particular, considering the mandates already awarded and they were not yet on boarded at the end of March.

As already mentioned by Andrea, collection stood at €1.3 billion, marginally ahead of the first quarter of 2021, which is a very positive sign considering that the GBV dynamics and the deterioration of macro conditions in the month of March.

Gross revenue are grown at a low single-digit rate year-on-year. But if we normalize the positive effect deriving from the sale of the Relais notes, in the first quarter of 2021, growth has been more pronounced and stood at high single-digit rate.

EBITDA has grown at low single-digit levels year-on-year, and that's partially reflected by the increasing costs related to the transformation plan,

in particular in relation to Iberia, which we expensed at P&L, and they are in the recurring EBITDA. Again, splitting up the Relais effect, EBITDA has grown at double-digit rates. And despite increased costs incurred in Iberia, EBITDA margin remains at 30%.

Growth in net income was remarkable year-on-year and is a result of the growth in EBITDA, lower D&A and the net valuation gain on the minority stakes as in doValue's NPL portfolio in which we co-invested and we manage 100%. Leverage is stable compared to the end of 2021 and is likely to remain at around 2 times during the course of the year.

Let's move now to Page 12, where we can see some more details around the GBV evolution. In the first quarter, we received inflows from our current customers of almost €1 billion, evenly split between Spain and Greece and Italy. And on top of that, in the first quarter, we completed the onboarding of Frontier, which was awarded at the end of last year.

Collection, write-offs and disposal stood at €3.4 billion in aggregate, partially compensating the positive effect of the new GBV secured. In particular, disposal relates mainly to portfolio we managed in Italy on behalf of Intesa Sanpaolo and UniCredit. As already mentioned, pro forma for the €6 billion worth of mandates already won and were not on boarded at the end of March, our GBV stands at €158 billion.

Moving to Page 13, our GBV mix is slowly shifting towards the Hellenic region, which now contributes 21% of total GBV at the end of '21, increasing 25% at the end of March. This is a favourable shift considering the relatively above average fees, as well as, the higher profitability of our operation in the Hellenic region versus the rest of the group.

We are still reporting Sareb as part of our GBV as the current contract remains in place until the end of June. The Sareb NPL portfolio will be off boarded in June, while the REO portfolio will be managed by doValue for a few extra months until the end of September. At that stage GBV will decrease by approximately €22 billion.

On Page 14, we can see that in the first quarter of 2022, there is a continuation of the accretive nature of our REO, UTP and Early Arrears businesses, which produce a share of revenue, which is higher than their respective share of GBV.

We have started a pilot project in Italy with a leading commercial bank for the management of the Early Arrears, which is progressing very well, and we are already fetching the product growth in Spain. You will hear on this front very soon on new contracts.

On Page 15, we show gross revenue, which are been growing by 3.6% year-on-year or 7% stripping out the €4 million positive effect of Relais in 2021. In particular, the first quarter of '22 was reflected by strong increase in ancillary services revenue, mostly refer to the activity in Italy of a couple of large projects on data quality and due diligence.

In general, the overall regional trend sees the Italian business performing well despite the marginal decline in GBV year-on-year, with growth recorded across all business units. The business in the Hellenic region posting double-digit growth on the back of a marginal growth in GBV and our business in Iberia posting a decline in gross revenue broadly in line with the decline in GBV. Lastly, outsourcing costs have marginally reduced as a percentage of gross revenue from 11.9% to 11.5%, in line with our strategy.

Moving to Page 16, operating expenses as a percentage of gross revenue have remained broadly at around 59%, while has grown by 5% year-on-year in absolute terms. The increase is mainly due to the SG&A related to the various transformation programs and in particular, to costs incurred in Iberia, which we fully expensed the recurring EBITDA.

On the other hand, HR cost, which makes the bulk of our operating costs, have remained stable in absolute terms and decreased by 80 basis points as a percentage of gross revenue.

On Page 17, EBITDA has grown by 1.6% year-on-year or by 13.3%, taking out €4 million of capital gain booked in the first quarter of 2021. The evolution of the GBV mix is favourable to both gross revenue and EBITDA, considering the 50 plus EBITDA margin, which characterized the Hellenic region.

Some of the trends in gross revenue are further amplified at the EBITDA level, considering the operational leverage of our business, with Italy posting a 24% increase in EBITDA, the Hellenic region posting a 19% growth in EBITDA, and Iberia posting a decrease as anticipated, landing close to breakeven. All-in-all EBITDA margin remained at 30%, supported by the increase in margin in Italy and the Hellenic region despite the decrease in Iberia.

This theme is likely to persist for the remainder of 2022 as Italy continues its optimization journey, the Hellenic region continues to enjoy a strong pipeline in the above average profitability and Iberia goes through a deep transformation process to become a center of excellence in Spanish servicing coupled with the exit from the Sareb contract.

Moving now to the regional performance on Page 18. Looking in the first quarter of 2022 on a regional basis, you can clearly see they are broadly even split across region of our collection. The relatively stable collection rate versus what's achieved in 2021, which translates considering the difference in fee structure and movements in GBV to a level of EBITDA which is in line with the previous year. Please note that, again, if we strip out the group costs, which are currently allocated on the Italian P&L, the EBITDA of Italy would be at 30%.

Moving to Page 19. Net income growth was solid, both on a reported basis and ex-NRIs. This was due to higher EBITDA and lower D&A and to the valuation impact of the co-investments we have at fair value. The impact of NRI was limited at €1.5 million post taxes and post minorities and mainly refers to the consultancy cost and provision for redundancies. Above EBITDA NRI were negligible.

Looking at cash flow generation on Page 20. The first quarter of 2022 shows a relative increase in Capex which was expected and due to the transformation program and a cash absorption of €15 million due to the Eurobank early fee payment scheme, which is progressively unwinding and which was also anticipated and the temporary mismatch between booking of redundancy provision and cash-out related to the same provisions. Both effects are expected to normalize during the course of 2022 and '23. All-in-all cash flow generation in the first quarter of 2022 was limited, which resulted in a limited deleveraging and a stable financial leverage at around 2 times.

As already discussed in the Business Plan, the year 2022 is also going to be a transition year in terms of cash flow generation of the company, with a relatively lower cash conversion compared to the history of the group, and it is going to normalize in '23 and '24, bringing that much below 2 times.

To wrap up on the financial structure on Page 21. As said, net debt was stable in the first quarter of 2022 and financial leverage too. We currently enjoy a very simple financing structure with 2 bonds outstanding as a fixed coupon, limited use of bank financing in relation to RCF notes and more than €150 million of cash on our balance sheet.

Thank you for your attention, and back to Alberto for Q&A.

Q&A

ALBERTO GORETTI: Thank you very much, Manuela. And thank you, everyone, for joining. So I see already in the queue, a couple of questions. Maybe we can take the first one from Nicholas Binda from Intermonte.

NICHOLAS BINDA: HI, good morning. Thank you for the presentation. I have 4 questions. The first one is on first quarter results. So I would like to understand how the first quarter actual results were compared to your budget? And if factoring in the actual figures, if you confirm the full year 2022 guidance for an EBITDA between €190 million and €195 million?

The second one is related to the GBV. So in the last couple of weeks, press reported that BPER is analyzing the opportunity to sell its NPL platform, of course, on this front. First, I was wondering if this potential transaction has been incorporated in the pipeline you disclosed in the presentation. And then I was also wondering if you could be interested in this kind of deal.

And the third question is related to the financial position. So the quarter has been negatively affected by the evolution of the net working capital and change in other assets and liabilities. I was wondering if could you please provide us a guidance for the year regarding these 2 items?

And finally, on D&A, embedding the quarterly figures of €16 million. Do you confirm the guidance you provided in the Business Plan for an annual figures between €75 million and €85 million for 2022? Thank you.

MANUELA FRANCHI: Yes. Let's go through one-by-one. On the 1Q results versus budget, we are much ahead of our budget. So I think we are almost 30% ahead of the budget. We usually budget the first part of the year quite low, given the market circumstances and the significant push of results that our sector makes at the end of the year to maximize collections through the court system. We confirm the guidance of €190 million to €195 million EBITDA for 2022, as we have mentioned.

In terms of GBV included in the pipeline, we confirm that the BPER transaction is included in that pipeline. And we are actively working on it as other deals in the market. BPER is a relevant one, given that you know, many of the platforms of the largest Italian banks have already been sold and going down the list of the main banks, BPER was the next one to arrive.

Also you might remember that BPER, in the past, didn't envisage a sale of platform. But this is a market trend in the industry (outsourcing) which we have observed since our IPO. The activity on NPL and UTP has demonstrated that outsourcing is now a differentiating factor for the vast majority of the banks. I think the market is above 70%, maybe 80% outsourcing.

In terms of working capital, we said that the overall impact was influenced by the upfront fees we received from Eurobank to stabilize 2020 and 2021 due to the COVID impact. But we can confirm that through the year, the net working capital and change in liabilities will have, on one side, a

positive net effect on working capital and still be negative by around €20 million on the other assets and liabilities.

On the D&A front, we confirm the guidance we have given in the Capital Markets Day.

NICHOLAS BINDA: Thank you. Just a follow-up, if I may. On how much the actual figures were ahead of budget, so 20% you said?

MANUELA FRANCHI: 30%.

ANDREA MANGONI: 30%.

NICHOLAS BINDA: Thank you.

ALBERTO GORETTI: We can take the next question from Andreas Markou from Berenberg.

ANDREAS MARKOU: Yes, hi, there. Thanks for the presentation. I have a few at my end. Maybe let's start with Spain, obviously, you said big transformation program here, and this is even before you started the Sareb process. What sort of margin should we expect for the year? Because obviously, we're looking at a margin of 4% for Q1? That's the first one. And then I'll take the rest one by one. Thank you.

MANUELA FRANCHI: Yes. On Spain, obviously, we are not going to wait for the off boarding of Sareb to make our actions. So that's why you see that we are already working now on reorganizing the operating machine. But this was anyway independent and was part of the transformation program. So if you add to the transformation of systems back-end and the organization cost, some of the reorganization costs have already been considered for the first quarter result. Actually vis-à-vis our budget, you might be surprised, but we are

above our budget for Spain. And we expect to confirm the EBITDA that we have indicated in the Capital Markets Day. So, it was around €10 million for the Iberia region for the whole of 2022.

ANDREAS MARKOU: Okay, that's clear. Thank you very much. And then the second question is on fears of a recession. So you obviously mentioned that you're kind of monitoring the situation to see any early signs. I mean what is your view so far? What are you seeing? Are you changing your budget for the year? Are you increasing the probability of recession within your internal budgeting? Obviously, you have a lot of experience in navigating this tough period historically. So, what can you tell us at this stage?

ANDREA MANGONI: Okay. Now, as we said before, the negative impact of the current crisis and the economic slowdown because the Russian war will be zero versus budget. We didn't do any further budget exercise post the start of the crisis because we really believe the impact of the crisis itself will be positive on our results due to the NPE generation driven by the economic slowdown and the rise in the interest rates. I really believe our current budget is, because of the crisis, a little bit conservative.

MANUELA FRANCHI: Maybe one data point which could be helpful to assess the impact. If you look at the auction of real estate that have been put in the market in the last period, up until end of April, so capturing also the month of March and April, which were already affected by the market slowdown, we have seen an increase in Italy. This is also the effect of the fact that there was a blocklog on the auction in the first part of 2021, so overall they went up by more than 40%. And the resolution of this auction was in line with the number of auctions, especially on the retail segment. So, the retail segment, which should be the one most impacted by the energy prices and by higher interest rate and cost of financing, that is a factor on the mortgages, it seems not to have been having an effect on auctions. As I said, there is a technical

aspect because many auctions were blocked last year. But still this is what we observed so far.

ANDREA MANGONI: Yes. And on top of this, we have an example of the impact of the crisis in the Italian market because in April this year, we experienced a significant upward move in the flow generated by our forward flow contract in terms of NPLs.

ANDREAS MARKOU: Okay, that's clear. I mean, I do understand that so far you actually have not seen signs of deterioration, and then obviously there have been a catch-up effect of the auctions and people are still buying houses. But obviously things have changed a lot since the invasion and, I guess, since you presented the plan. So obviously it's very clear that NPL volumes will increase. But are you, let's say, not more concerned at this stage versus what you were in February in terms of how collection rates might evolve, not necessarily for this year, but potentially for next year and the year after?

ANDREA MANGONI: For next year and the years after, we are working on it. For this year, we were extremely conservative in terms of budget because of the uncertainty driven by the crisis. So, I believe even considering the impact of the higher interest rates on the auction, our budget is conservative, so I'm definitely positive on the impact of the current situation on our P&L. For the 2023 and 2024, we are still working on it.

ANDREAS MARKOU: Okay, that's clear. And the last one from me is on the Ariadne portfolio. Where are we in the process? And what do you think are your chances of winning the mandate given that you're actually teaming up with other PE funds and platforms. So, it's like a joint bid.

ANDREA MANGONI: The Ariadne transaction is a quite important deal. So, we are strongly committed on it. And I think the preferred bidder will be selected by end

of June, more or less. We are positive because our partnership with Fortress and Bain in Greece is a successful one. We won at least 3 important portfolios with Fortress and Bain, including Frontier, Neptune and Icon. So, we are extremely, extremely positive on it.

ANDREAS MARKOU: Okay, great.

MANUELA FRANCHI: One thing, which is remarkable, I believe, we don't work only with them in the region because, for example, the additional mandate, you can see on Page 4, in Cyprus is with a new investor, which we will announce soon. All-in-all, we are strengthening the existing relationship and diversifying into new clients. Just also in Greece, we sold our notes in Mexico to another new investor. So, this is a good message in terms of broadening the client portfolio.

ANDREAS MARKOU: Okay, that's very clear. Thank you very much. Thank you, that's all from me.

ALBERTO GORETTI: Thank you, Andreas.

OPERATOR: Excuse me. We can no longer hear you. Are you on mute?

ALBERTO GORETTI: Sorry, yes. I was saying, maybe we can take the next question from Filippo Prini at Kepler.

FILIPPO PRINI: Now, good morning. Thank you. I've got 3 questions. The first one is on your debt position. I see that you mentioned to have a stable debt this year compared to last year. So just wondering if you do not expect any claw back of the tax claim for this year in Spain.

The second one is on your dividend. Is it fair that the €15 million of additional restructuring cost in Spain will not affect your dividend payment? And still related to dividend, given that yields start to be very high, dividend yield, if you may plan in the future to pay also an interim dividend?

And finally, if I'm not wrong, I haven't found in the presentation nor in the press release the split at consolidated level between base fee and collection fee? Just wondering if you plan to not share these figures anymore in the future. Thank you.

MANUELA FRANCHI: On the net debt position, we indicated in our Capital Markets Day that to give indication on the net debt at year-end, we are not including it. We consider it on an upside on which we are working on. So, if that is closed by the end of this year, we will improve our net financial position.

In terms of dividend, we confirm that despite the restructuring cost, we confirm our proposal for the dividend. And at the moment, we are not envisaging an interim dividend.

In terms of collection fee base versus the total fee, we are pretty much in line with the overall 2021 mix, which was a bit lower than the 9 months because, as you know, some contracts have been shifted from Eurobank to new securitization structures. In terms of mix, this has not been significantly changed. Just to remind, we are at around 33% base fee and 66% collection fee.

Obviously, with the Sareb exit, this mix will change a bit because Sareb has a relevant base fee. But in our plan, we were already including a base fee which was almost zero on Sareb. So, it is a change versus the past, but not a change versus the Business Plan.

ALBERTO GORETTI: Filippo, just to add on top of what Manuela said, we made a decision in the Capital Markets Day, considering the strategy of the company and the structure of the Group to focus our disclosure more on the 3 regions as opposed to the fee split. That is why we are not proposing that split any longer in our presentation and reports.

FILIPPO PRINI: Thank you.

ALBERTO GORETTI: All right. I think we can take the next set of questions from Equita, Luigi Pedone.

LUIGI PEDONE: Hi, good morning. Thanks for taking my questions. Very quick question regarding the strong increase in the ancillary revenues in Italy in the quarter. I was wondering if it's something specific of the quarter or is it something that could be more structural in the next quarter? Thank you.

MANUELA FRANCHI: So as you know, ancillary services is a mix of different products, which goes from real estate services in the auction facilitation, to due diligence, to data quality services. So, it's more lumpy, in the fact that we might have a specific large due diligence in a certain period and less so in the following. Given the amount of pipeline you have seen, we did several projects on these 2 fronts. So, we worked on both fronts: helping banks to clean up their data quality issues and the due diligence. In the next months, we will see still relevant business on that front, given the pipeline of €24 billion. I cannot say that this revenue stream is always stable because it depends on the number of transactions and the clients asking for these services or not. Obviously, it's a product we have been pushing since our IPO, it has been growing quite well as a percentage of revenue and we will continue to push for it.

LUIGI PEDONE: Okay, perfect. Thank you.

ALBERTO GORETTI: I think we can take the next set of questions from Borja Ramirez from Citi. Hi, Borja.

BORJA RAMIREZ: Good morning. Thank you very much for taking my questions. I have 2 quick questions, if I may. Firstly, it's a follow-up from a previous indication. If I understood correctly, the inflows from forward contracts grew in April. I would like to ask a bit more details on the regions and maybe also on asset classes where you are seeing increased inflows? And linked to this, if you could give a bit more color on the expectations for the default rates for the rest of the year and how the rising inflation and rising rates could impact on default rates.

ANDREA MANGONI: Okay. On the increase in the NPL flows in April, we saw a significant increase of the NPL generation, both in Italy and in Greece. So, it's just April, but I think it's a clear sign of the impact of the crisis on the NPL generation. The impact of the inflation, it's not material in our business, so the main driver of the NPL generation is the interest rate, interest rate growth because of the impact on the borrowers ability to pay. So, we are definitely positive on the NPL generation for this year, both in Italy and in Greece. The situation in Spain is slightly different because the NPL generation is substantially stable versus the previous months. But I really believe it's just a matter of time because the impact of the rise in the interest rates will be material.

BORJA RAMIREZ: Thank you. And if I may, a very quick follow-up on the impact of rising rates, if you could kindly provide color on maybe could this impact more on individuals or on corporate?

MANUELA FRANCHI: Yes. The areas most impacted is individual residential and this is where we have most inflows. Consider that in Italy, under the flow agreements

contracts we receive any NPL with a size under the €1 million mark. In this bucket we are capturing the individual and residential flows, and that's why they grow more than on the upper end or large tickets. The same in Greece where we manage the early-arrears in the retail segment, which is something with a size much more granular than what managed in other countries. In Greece we manage such flows internally while in Italy and Spain, we outsource some of the management of the lower tickets. In conclusion this is a new opportunity for us given the structure of the contracts we have.

BORJA RAMIREZ: Thank you very much, very useful

ALBERTO GORETTI: Well, thank you Borja. And I see no further questions on the system. So if there's nothing else, thank you very much, and have a good day and a good weekend. Goodbye.

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