



## illimity 2Q19 Results

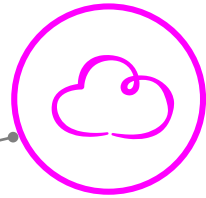
August 2, 2019

# Key highlights

*Corrado Passera*, CEO



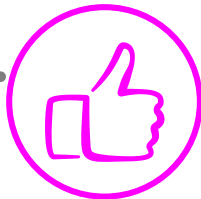
# illimity - The first Italian “New Paradigm Bank”



**No legacy** – now or in the future



**Fully digital** – with human touch



**Fully on cloud** and capable to integrate **fintech solutions**



Significant and sustainable **cost advantages**

## Our focus



**SME specialist**



**Corporate NPL specialist**



State-of-the-art **digital banking**

# illimity - Business plan targets affirmed

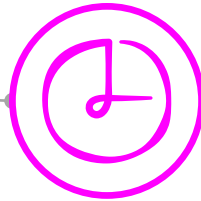
		2020	2023
	Total Assets	€3.5 – 4.3 bn	€6.6 bn
	Net Profit	€55 – 70 mln	€280 mln
	ROE	9 – 10%	25%
	CET1 ratio	>15%	>15%

Note: rounded figures.

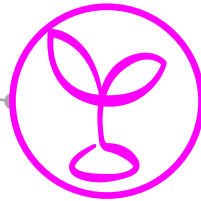
# illimity - **Second Quarter fully on target**



**Business momentum accelerated** in 2Q19 and further in July



**Direct Bank live** and ready to be launched by mid- September



**Two new strategic initiatives** will advance our growth: **Azimut** and **IT Auction**



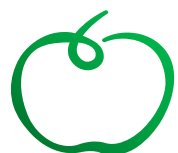
**Economic results in line with expectations**

# illimity - Business origination in line with target

Data in €mln  
Customer loans where not otherwise stated  
Non accounting figures



**SME  
Division**



**NPL I&S  
Division**

## Total Originated Business (excluding Servicing)



**Cross-over & Acq. Fin.**



**Turnaround**



**Factoring**



**NPL Investments**



**Senior Financing**



**Servicing<sup>(7)</sup>**

AUM (GBV/Managed assets)

	A	B	C	A+B+C	Target 2020
	Originated Business <sup>(1)</sup> inception to date (July 31, 2019)	Terms agreed <sup>(2)</sup> to be signed	Advanced pipeline <sup>(3)</sup>	Total	
<b>Total Originated Business (excluding Servicing)</b>	<b>~1,190</b>	<b>~364</b>	<b>~709</b>	<b>~2,262</b>	<b>~3,000-3,500</b>
<b>Cross-over &amp; Acq. Fin.</b>	295 <sup>(4)</sup>	~77	~42	~414 <sup>(4)</sup>	~300
<b>Turnaround</b>	125 <sup>(5)</sup>	~12	~89	~226	600-700
<b>Factoring</b>	37	~143	~94 <sup>(6)</sup>	~275	~300
<b>NPL Investments</b>	487	~9	~352	~848	1,700-2,000
<b>Senior Financing</b>	246	~122	~132	~500	100-200
<b>Servicing<sup>(7)</sup></b> AUM (GBV/Managed assets)	~4,800	~30	~2,100	~6,900	5,100-6,300

Note: (1) Non accounting figures. This aggregate includes both the SME loans granted/purchased and the NPL investments booked in the period already income-producing, and the value of the deals signed but yet to be booked, owing to a settlement structure based on multiple tranches or to a time lag between the signing of the master agreement and the date of loan disbursement/onboarding. This aggregate additionally includes part of the net loans to existing customers of Banca Interprovinciale, due to their features considered consistent with illimity's SME segment for about €114mln; (2) Deals in final stage of the formalization of the agreement/contractual terms; (3) Specific business opportunities for which the bank envisages there is a reasonable expectation to close the transactions in the forthcoming months; (4) Including BIP Core SME loans for about €114mln; (5) It also includes financial instruments, such as quasi-equity instruments, which are included in the balance sheet item "20. c) Other financial assets mandatorily at fair value" for accounting purposes; (6) Credit line to be granted; (7) The AUM of the servicing unit includes the gross book value of NPL purchased and the value of property & capital goods managed by IT Auction

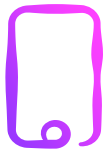
# illimity - Realisation of the New Paradigm Bank accomplished on schedule



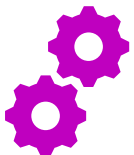
Great team on board: **~300 illimiters** coming from 109 different companies, 10 different industries and 10 different countries





**Migration** to new operating system completed: **first fully modular architecture**



**Direct Bank** – third and last pillar of the bank – **live** and ready to be launched in September. Testing period under way with Family&Friends



**New Data Technologies** empowering our skills -  illimity credit machine<sup>®</sup> and  illimity.AI<sup>®</sup> key differentiating factors

# illimity - New strategic initiatives advance growth



itauktion  
network di aste online

- **Agreement** on the **acquisition** of a majority stake in IT Auction, Italian leader in online auctions of real estate & capital goods
- IT Auction and Neprix combine strengths to create the **first end-to-end operator** specialising in **Corporate NPLs** with **€4.8 bn managed assets**



GRUPPO AZIMUT  
**AZIMUT**  
LA DIREZIONE PER INVESTIRE

- **Partnership** with **Azimut Group**, fully operational from Sept-2019, to provide Azimut's 1,800 advisors with an innovative range of banking products and services to be offered to their clients
- This agreement will **accelerate illimity's direct banking plan** with access to diversified retail funding



**raisin.**

- **Partnership** with **raisin.** operational since May end
- Strong results achieved over a few months, with more than **€100 mln deposits** and nearly 4,100 customers



# 2Q19 Financial review

*Francesco Mele*, CFO & Head of Central Functions



# illimity - 2Q19 results confirm business plan trajectory



**Strong commercial momentum** in late 2Q19 and increased in July



**Revenue generation** will **accelerate over the following quarters** based on business originated in the last part of 2Q19 and beyond



**Operating jaws** to become more visible from next quarters



**Funding diversification began: Raisin** for retail side, **EMTN program** for wholesale. Acceleration of wholesale funding in July

# illimity - Economic results in line with Plan

Amounts in million euro

	Reclassified Profit & Loss	1Q19	2Q19	Q/Q %	1H19
1	Net interest income	7.2	8.9	24%	16.1
2	Net fees and commissions	0.6	1.9	216%	2.5
3	Net result from trading	0.9	0.3	-63%	1.3
	Net other income/expenses	0.3	0.1	-69%	0.4
	<b>Operating income</b>	<b>9.0</b>	<b>11.3</b>	<b>26%</b>	<b>20.3</b>
4	<b>Operating costs</b>	<b>(16.9)</b>	<b>(20.8)</b>	<b>23%</b>	<b>(37.6)</b>
	<b>Operating profit</b>	<b>(7.9)</b>	<b>(9.5)</b>	<b>20%</b>	<b>(17.3)</b>
	Loan loss provisions	0.0	(2.7)	n.s.	(2.7)
5	<i>of which loan loss provision charges</i>	<i>(1.3)</i>	<i>(2.8)</i>	<i>n.s.</i>	<i>(4.1)</i>
	<i>of which value adjustments on NPL portfolios</i>	<i>1.4</i>	<i>0.1</i>	<i>n.s.</i>	<i>1.4</i>
	Other net provisions	(0.2)	0.2	n.s.	(0.1)
	Provisions for risks and charges	(0.2)	(0.2)	-6%	(0.5)
	<b>Profit before tax</b>	<b>(8.3)</b>	<b>(12.2)</b>	<b>47%</b>	<b>(20.5)</b>
6	Income tax	2.4	6.8	n.s.	9.2
	<b>Net result</b>	<b>(5.9)</b>	<b>(5.4)</b>	<b>n.s.</b>	<b>(11.4)</b>

Note: Rounded figures

1

**Net interest income up 24% q/q** – reflecting only part of the volume growth in 2Q19 as occurred at the end of the quarter

Strong contribution from the NPL I&S Division

NPL cash collection significantly higher than expected

2

**Acceleration in commission income** driven by NPL senior financing and SME structuring fees

3

**Positive net trading result** from disposal of €27 mln worth of sovereign debt

4

Operating costs including **€1.1mln** for completion of IT migration, branch closure and additional contribution to the Resolution Fund

Personnel costs up 37% q/q on planned **new hires** including €0.4mln for the ESOP plan

**One-off costs** totaled **€3.7mln in 1H19**

5

€2.7mln loan-loss provisions related to BIP legacy portfolio

6

**€3.8mln one-off income from taxes** following the positive ruling on SPAXS tax loss carry forwards and ACE benefit

# illimity - Business assets up 50% q/q

Amounts in million of euro

	illimity - Reclassified Balance sheet	31/03	30/06	QoQ %
1	Cash and cash equivalent	171	42	-75%
	Due from banks	137	123	-11%
2	<b>Customer loans</b>	<b>516</b>	<b>775</b>	<b>50%</b>
	- NPL portfolio investment	109	158	46%
	- NPL senior financing	50	241	381%
	- SME <sup>(2)</sup>	219	247	13%
	- Non-core former Banca Interprovinciale	139	129	-7%
	Financial assets Held To Collect (HTC) <sup>3</sup>	114	103	-10%
3	Financial assets Held To Collect & Sell (HTCS) <sup>4</sup>	78	90	16%
	Financial assets measured at FVTPL <sup>5</sup>	17	17	2%
	Goodwill	22	22	-
	Intangible assets	6	9	59%
	Other assets	60	72	21%
	<b>Total assets</b>	<b>1,120</b>	<b>1,253</b>	<b>12%</b>
	Due to banks	71	239	235%
4	Direct customer funding	446	381	-15%
	Shareholders' Equity	552	549	-1%
	Other liabilities	50	84	69%
	<b>Total liabilities</b>	<b>1,120</b>	<b>1,253</b>	<b>12%</b>
5	Common Equity Tier 1 Capital	494	480	-3%
	<b>Risk Weighted Assets</b>	<b>598</b>	<b>995</b>	<b>66%</b>

1

~€85mln cash and net adjusted interbank position

- cash initially raised largely deployed in the business

Other **liquidity buffers** available for ~€95 mln worth of HQLA and other marketable securities

Mostly unencumbered balance sheet

2

**Customer loans up 50% q/q**, with significant acceleration in the last part of the quarter, with **€276mln new business booked in 2Q**

3

**Stable securities portfolio** at ~€200mln, with increased diversification

4

Direct customer funding progressively stabilizing thanks to **contribution from pan-European open banking deposit platform** - ~€107 mln end July

5

CET1 capital of €480 mln, RWA up to ~€1 bn reflecting growth in business

Note: Rounded figures (1) This figure includes part of the net loans to existing customers of Banca Interprovinciale, which due to their features are considered consistent with illimity's SME segment. (2) HTC: Financial assets measured at amortised cost. (3) HTCS: Financial assets measured at fair value through comprehensive income. (4) FVTPL: other financial assets at fair value through profit or loss. This item includes equity financial instruments purchased as part of a turnaround transaction and junior tranches acquired as part of senior financing transactions for a total of about €7mln. Any failure to reconcile the stated figures arise exclusively from rounding.

# illimity - KPIs in line with plan

	1Q19	2Q19	Target 2020
Cost-Income	187%	184%	<50%
Cost of Risk (bps) Annualised <sup>(1)</sup>	~124 bps	~190 bps	185 – 225 bps
Gross Organic NPE ratio <sup>(2)</sup>	8.2%	6.2%	5 - 7%
CET1 ratio	~83%	~48%	>15%
LCR	813%	~210%	>130%

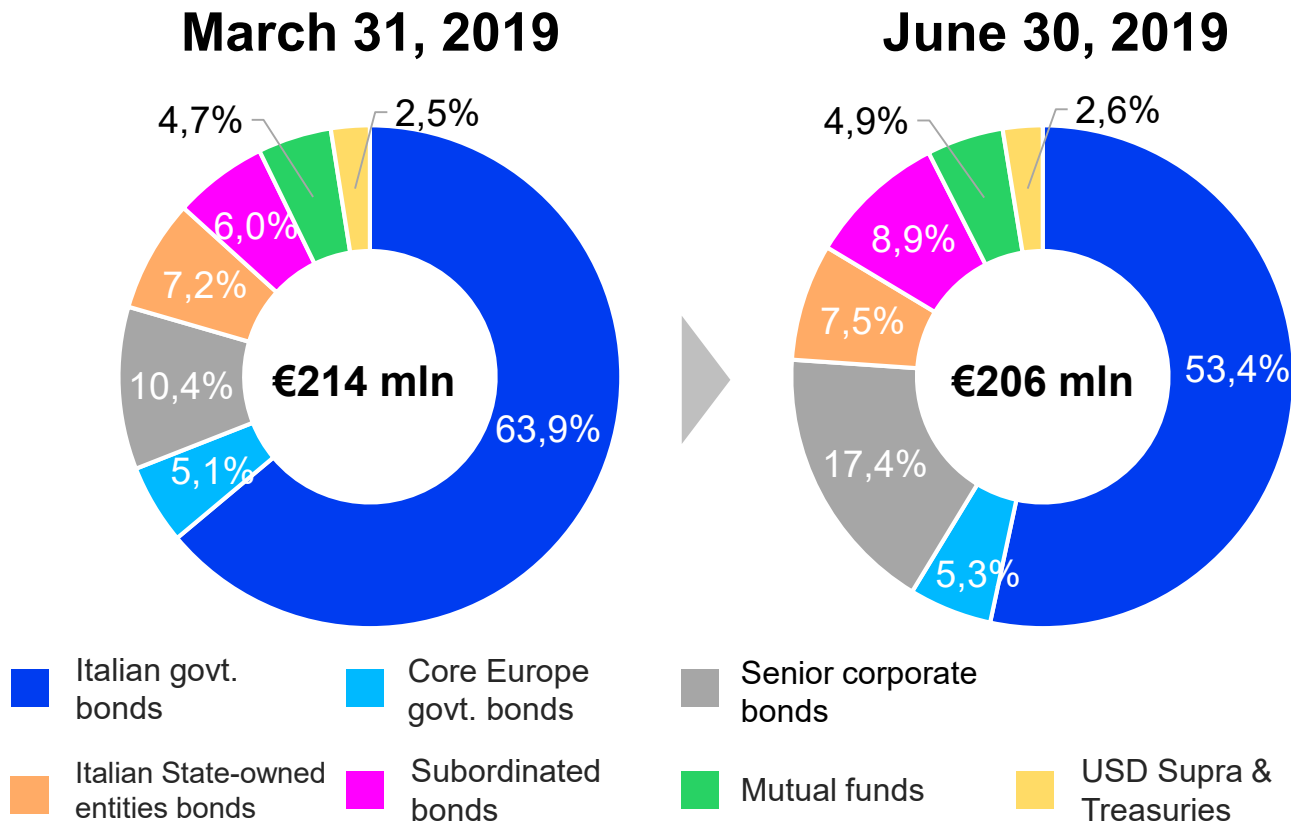
- **Cost-Income ratio** in line with expectations and reflects structure built-up
- **190bps cost of risk** reflects impairments on the BIP legacy portfolio
- **Organic NPE ratio** down to **6.2%**
- **Robust CET1 ratio at ~48%**
- **LCR at ~210%** confirming ample liquidity buffer

Note: (1) Ratio of loan loss provisions to net loans to customers end of period from factoring, cross-over, new finance, BIP legacy book and senior financing to non-bank NPL investors - thus excluding UTP loans purchased as part of the restructuring and refinancing business and the investments in NPL portfolios. (2) Ratio of gross NPE to total gross loans to customers from factoring, cross-over, new finance, BIP legacy book and senior financing to non-bank NPL investors - thus excluding UTP loans purchased as part of the restructuring and refinancing business and the investments in NPL portfolios. Any failure to reconcile the stated figures arise exclusively from rounding.

# illimity - Well diversified securities portfolio

## Securities portfolio

Portfolio composition by notional amount



- **Diversification** of securities portfolio continued in 2Q19
- **Unrealised gains** from MTM of HTC and HTCS portfolios reached nearly €4.5 mln as of June 2019
- **~2.1% yield to maturity**
- **Duration** of **~3.3 years**
- **Italian govt. bonds** accounted as HTC ~2.4 years duration, ~2% yield

Note: rounded figures; non accounting figures.

# SME Division

*Enrico Fagioli*



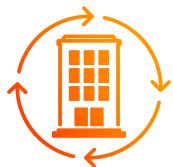
# illimity - Building the **Italian SME specialist lender**



## **Cross-over and Acquisition finance**

SMEs with industrial potential and corporates willing to pursue external growth strategies

- Cross-over
- Acquisition financing



## **Turnaround finance**

Unlikely-to-pay corporate exposures with potential to return to a performing status

- Refinancing
- Restructuring
- New finance



## **Factoring**

Support to industrial districts value chain

- Short-term financing through factoring



**~€300-350 bn  
addressable  
market<sup>(1)</sup>**






# illimity SME Division - Encouraging volume

## Deal focus

- **#185 deals analysed** since inception **worth ~€2.2 bn** in nominal value
- **#93 deals declined** worth ~€977 mln
- **6 deals with terms agreed and to be signed shortly** worth ~€89mln
- **9 deals** currently under evaluation in **advanced status** worth ~€131 mln
- **Other opportunities** identified for additional ~€722 mln

**21 deals signed since inception**

Data in €mln  
Customer loans unless otherwise stated  
Non accounting figures

	A	B	C	A+B+C	Target 2020
	Originated business <sup>(1)</sup>				
	Inception to date (July 31, 2019)	Terms agreed <sup>(2)</sup> to be signed	Advanced pipeline <sup>(3)</sup>	Total	
 <b>Cross-over &amp; Acq. Finance</b>	295 <sup>(4)</sup>	~77	~42	~414	~300
 <b>Turnaround<sup>(5)</sup></b>	125	~12	~89	~226	600 - 700
 <b>Factoring</b>	37 <span>T/O<sup>(6)</sup> 78</span>	~143	~94 <sup>(7)</sup>	~275	~300
<b>Total SME Originated business</b>	<b>457</b>	<b>~232</b>	<b>~225</b>	<b>~914</b>	<b>~1,200-1,300</b>

Note: (1) This aggregate includes the loans originated/purchased in the period, thus already income-producing, and the deals signed but yet to be booked, owing to a settlement structure in multiple tranches or to a time lag between the signing and the date of loan disbursement; (2) Deals in final stage of the formalization of the agreement/contractual terms; (3) Specific business opportunities for which the bank envisages there is a reasonable expectation to close the transactions in the forthcoming months; (4) Including BIP core SME for about €114mln; (5) It also includes financial instruments, such as quasi-equity instruments, which are included in "20. c) Other financial assets mandatorily at fair value" for accounting purposes; (6) Turnover related to Factoring; (7) Credit line to be granted

# illimity - Cross-over & Acq. Finance on track and robust pipeline ahead

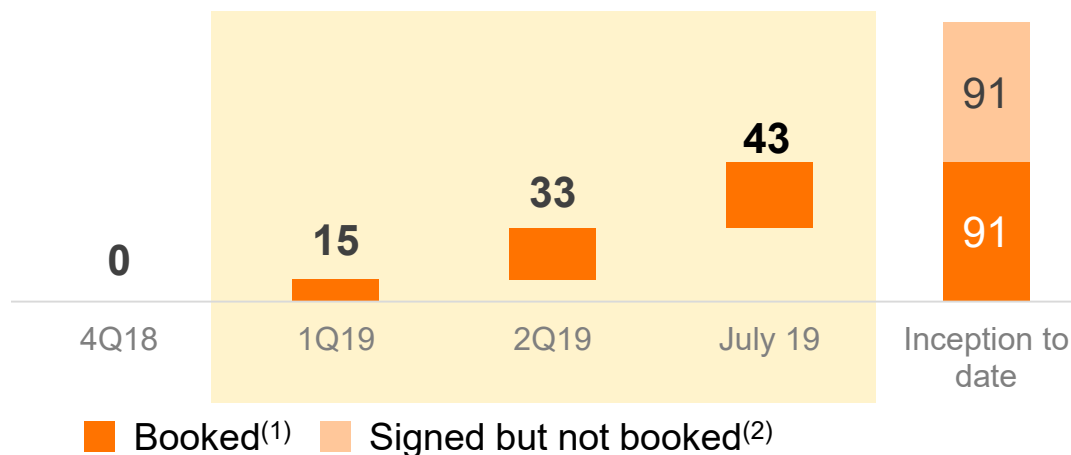
## Originated business

Data in € mln

Total **295**

+ BIP Core **114**

182



**A**

**B**

**C**

**A+B+C**

**Target  
2020**

Terms agreed to  
be signed

Advanced  
pipeline

Total

~77

~42

~414

~300

## Deal features

- Avg. ticket size ~ €5 - 10 mln
- Mandate lead arranger on Acquisition Finance deals** in only a few months since business launch
- 8 Cross-over + 9 Acquisition Finance deals** signed since inception
- Industrial sectors:** construction, food, industrial, pharma, shipping, fashion, services sector

Note: (1) income-producing loans; (2) deals signed but not yet booked, owing to a time lag between the signing of the master agreement and the date of loan disbursement

# illimity - Ready to capture the **robust pipeline** in Turnaround

## Originated business

Data in € mln

Total **125**

**A**

**B**

**C**

**A+B+C**

**Target 2020**

**600 - 700**

Terms agreed to be signed

Advanced pipeline

Total

~12

~89

~226



## Deal features

- Avg. ticket size €15 - 25 mln
- Potential upside<sup>(3)</sup>** **Up to €15 mln**
- 4 deals signed since inception in:** steel, IT payments, automotive and construction

Note: (1) income-producing gross loans origination, including new finance, acquired credit and related instruments. It includes ~€7 mln of financial instruments, such as quasi-equity instruments, which are included in "20. c) Other financial assets mandatorily at fair value" for accounting purposes; (2) deals signed but not yet booked, owing to a time lag between the signing of the master agreement and the date of loan disbursement; (3) Additional potential revenue related to revaluation of equity and quasi equity instruments. (4) About €50mln expected to be signed by August 6.

# illimity - Since July **new platform** accelerates **Factoring business**

## Originated business

Data in € mln

Outstanding

Total

37

0.2

9

26

37

Turnover

0.2

14

44

21

78

4Q18

1Q19

2Q19

July 19

Inception to date

A

B

C

A+B+C

Target  
2020

Terms agreed to  
be signed

Advanced  
pipeline

Total

~143

~94

~275

~300

## Key features

- Focus on the promising segments of the supply chain factoring: **22 suppliers and 53 debtors** for a total credit line granted of €70 mln as of end July
- **Credit insurance on factoring receivables** with Euler Hermes to enhance factoring profitability ahead of business plan projections
- New Factoring **platform**<sup>(1)</sup> designed on illimity priority segments

# illimity - A distinctive business model in SME

## Top human expertise with top technologies



Strong banking expertise based on our team of specialists

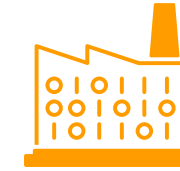


**Tutors**

8 Tutors + additional 4 Tutors on demand with financial and industries expertise<sup>(1)</sup>



 **illimity**  
credit machine<sup>®</sup>



**Client data**

**&**

 **illimity.AI**<sup>®</sup>



**Market data**

**Value for clients**

- **Tailor-made** credit solutions
- **Best response** time

**Value for illimity**

- **Competitive advantage** in credit underwriting and monitoring

# NPL I&S Division

*Andrea Clamer*



# illimity - Building the **Italian Corporate distressed credit champion**



## **Investment**

**Acquisition** of secured and unsecured Corporate distressed credit



## **Senior Financing**

**Financing solutions** for NPL non-bank investors



## **Servicing**

**Workout services and remarketing** for captive and 3<sup>rd</sup> parties' corporate distressed credit



**~€135 bn  
addressable  
market<sup>(1)</sup>**




**Strong synergies across the 3 businesses**

# illimity - Rapidly building volume, even with a selective approach

## Deal focus: NPL Investment

- ~ €34 bn of GBV analysed since inception
- ~ €23 bn of GBV declined/lost
- ~ €3 bn of GBV signed since inception
- ~ €8 bn of GBV currently under evaluation

Data in €mln  
Customer loans unless otherwise stated  
Non accounting figures

	A	B	C	A+B+C	
	Originated business <sup>(1)</sup>				Target 2020
	Inception to date (July 31, 2019)	Terms agreed <sup>(2)</sup> to be signed	Advanced pipeline <sup>(3)</sup>	Total	
 NPL Investment	487	9	~352	~848	1,700-2,000
 Senior Financing	246	122	~132	~500	100-200
<b>Total NPL Originated business</b>	<b>733</b>	<b>131</b>	<b>~484</b>	<b>~1,348</b>	<b>1,800-2,200</b>
 Servicing <sup>(4)</sup> AUM (GBV/Managed assets)	~4,800	~30	~2,100	~6,930	5,100-6,300

Note: (1) This aggregate includes the origination/purchase of income-producing loans and NPL investments, and deals signed but yet to be booked, owing to a settlement structure in multiple tranches or to a time lag between the signing of the master agreement and the date of loan disbursement/onboarding; (2) Deals in final stage of the formalization of the agreement/contractual terms; (3) Specific business opportunities for which the bank envisages there is a reasonable expectation to close the transactions in the forthcoming months; (4) The AUM of the servicing unit includes the gross nominal value of NPL purchased and the value of property & capital goods managed by IT Auction



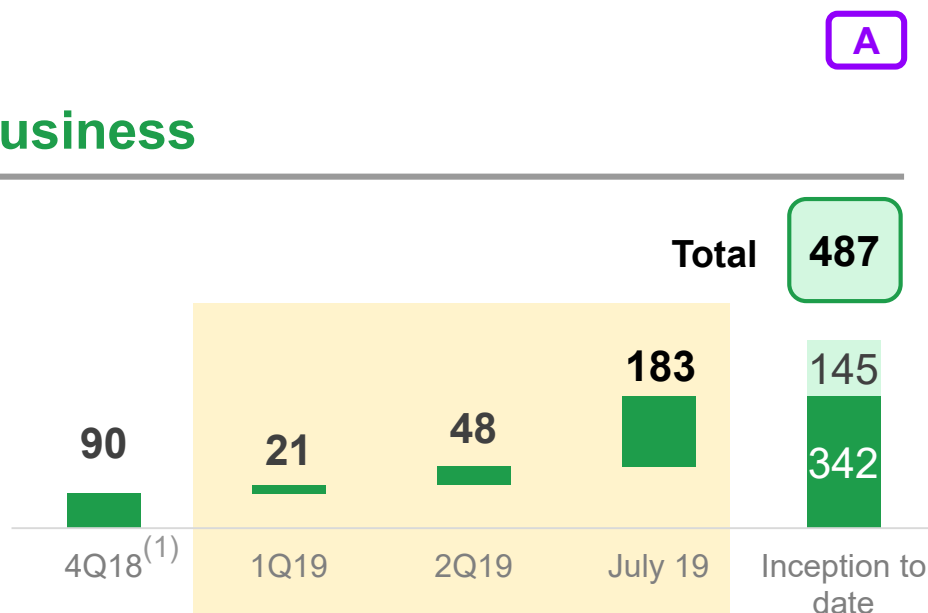
# illimity - **Business momentum accelerated** in 2Q19 and further in July

## Originated business

Data in € mln



### NPL Investment

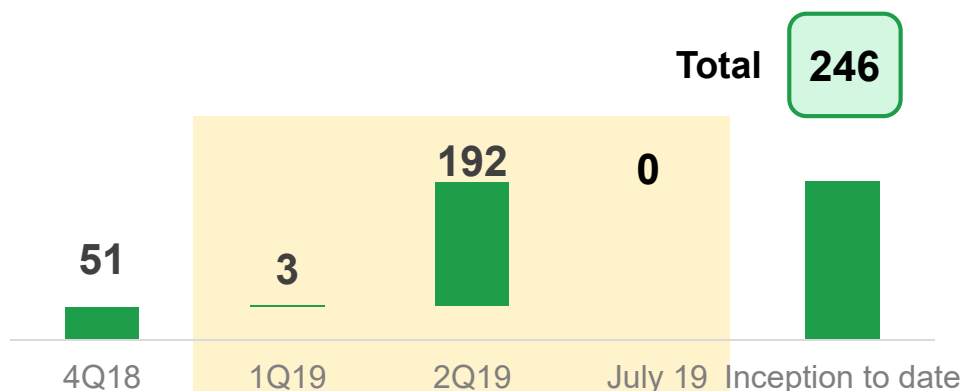


A	B	C	A+B+C
	Terms agreed to be signed	Advanced pipeline	Total
	~9	~352	~848

Target 2020
1,700-2,000



### Senior Financing



~122	~132	~500
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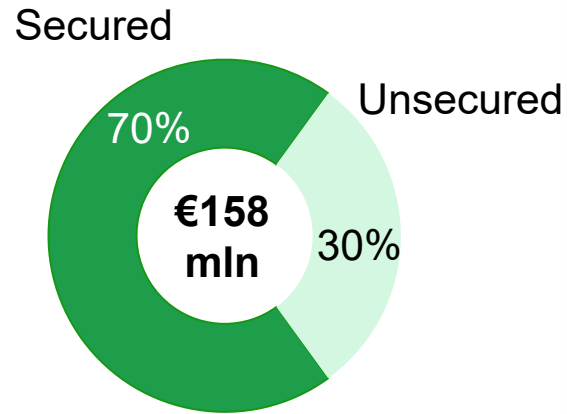
■ Booked<sup>(2)</sup> ■ Signed but not booked<sup>(3)</sup>

Note: rounded figures. (1) Including September 2018; (2) Income-producing gross loans origination (NPL senior financing) and NPL investments (portfolios including leasing and single name); (3) Deals signed but not yet booked, owing to a settlement structure in multiple tranches or to a time lag between the signing of the master agreement and the date of loan disbursement/purchase.

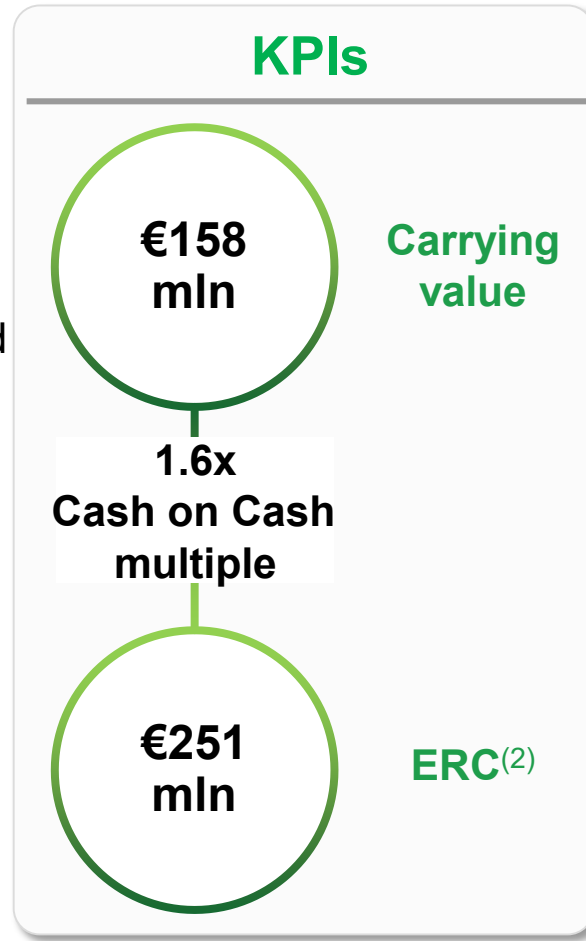
# illimity - Specialist player in **Corporate NPL**

Data as of 30 June 2019

## NBV breakdown by type of guarantee

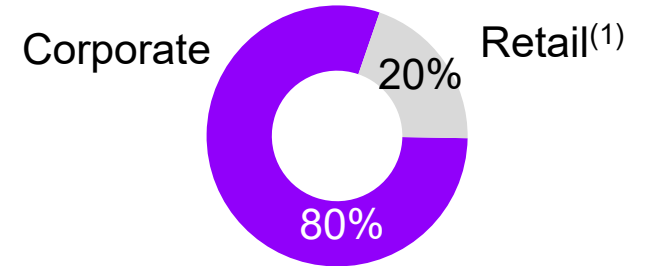


## KPIs

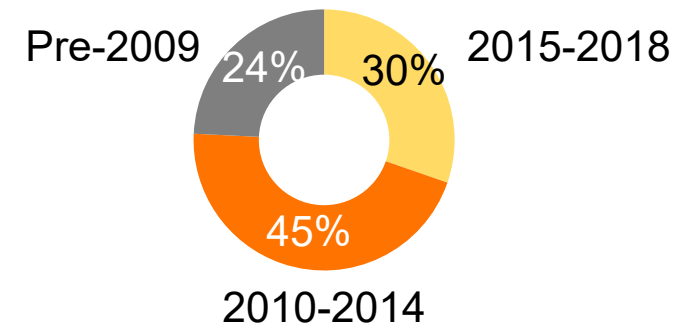


Data as of 30 June 2019

## GBV breakdown by type of borrower



## GBV breakdown by vintage



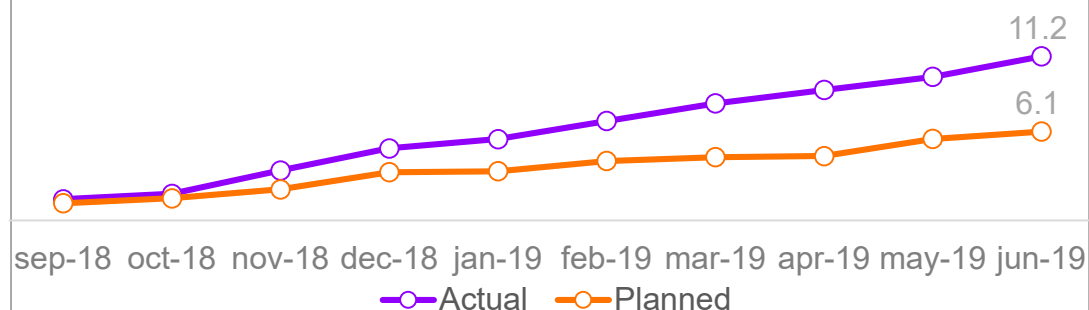
Note: rounded figures, (1) Strategically non-core, will be sold in due course; (2) On booked investments.

# illimity - Building on revenue and cash collection

## Cash Flow view

Data in € mln

Cumulated collections: actual vs. planned

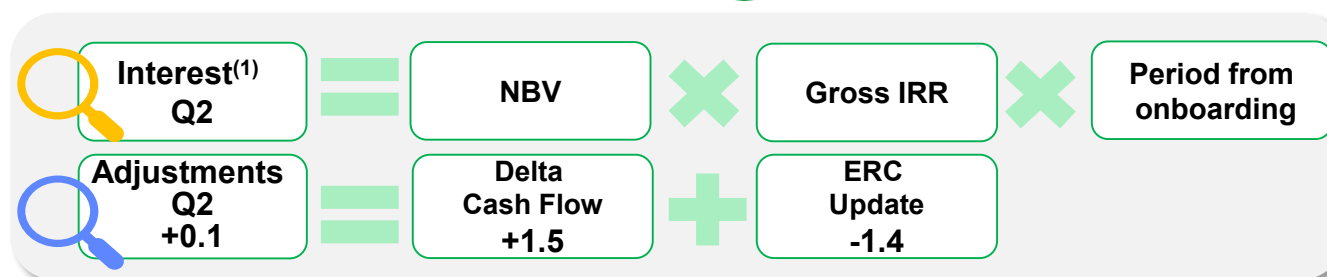


	Actual Cash Flows	Expected Cash Flows	Delta Cash Flows
Q2 19	3.2	1.7	+ 1.5
Cumulative	11.2	6.1	+5.1

## Economic quarterly view

Data in € mln


	Interest <sup>(1)</sup> Q2	Fee income Q2	Adjustments <sup>(2)</sup> Q2	Revenues Q2	Revenues 1H19
NPL Investment	4.9	-	0.1	5.0	10.6
Senior Financing <sup>(3)</sup>	1.3	1.2	-	2.5	3.1
Total	6.2	1.2	0.1	7.5	13.7

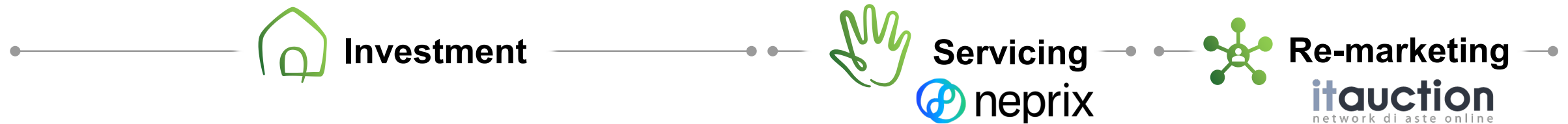


# illimity - First end-to-end corporate NPL player

## Agreement to purchase itauction

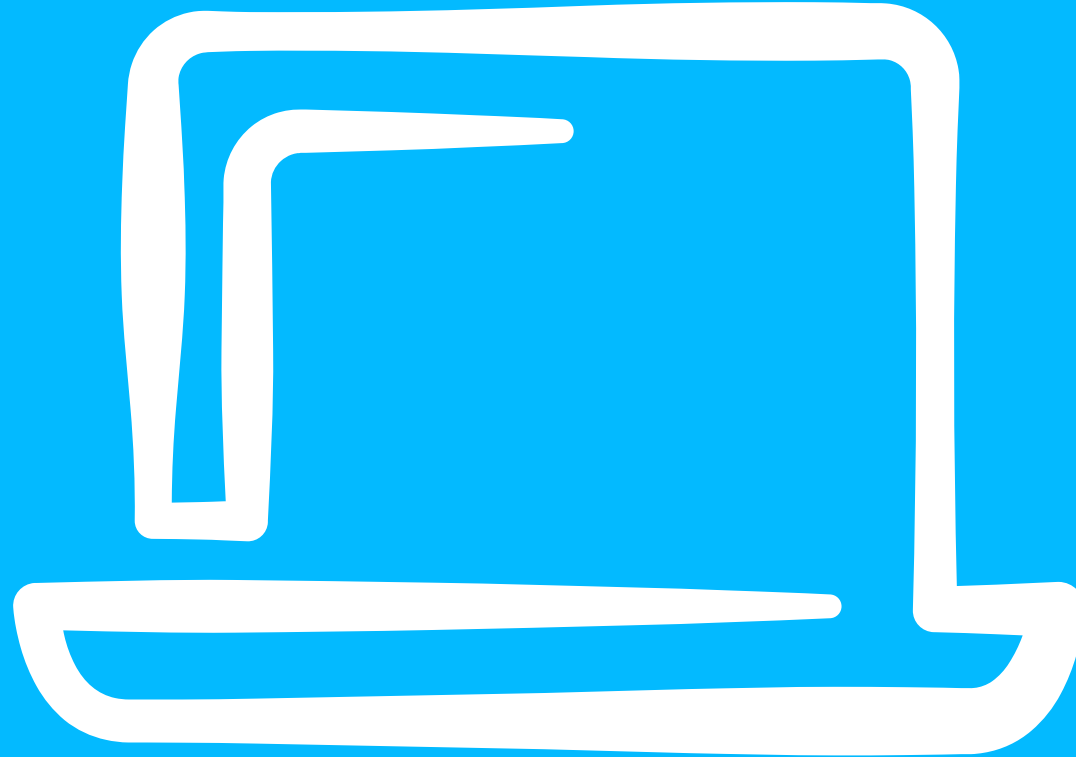
network di aste online

- Agreement on the acquisition of a **70%** stake in ITAuction for **€10.5 mln** - a leading player in **management & remarketing of real estate and capital goods**
- Acquisition to provide significant **synergies** with **skills and data** on times and costs regarding valuation of real estate assets & capital goods
-  neprix becomes the **first fully-integrated servicer** with **€4.8 bn managed assets** between loans, real estate and capital goods



# Direct Banking & Digital Operations

*Carlo Panella*



# illimity - IT architecture ready

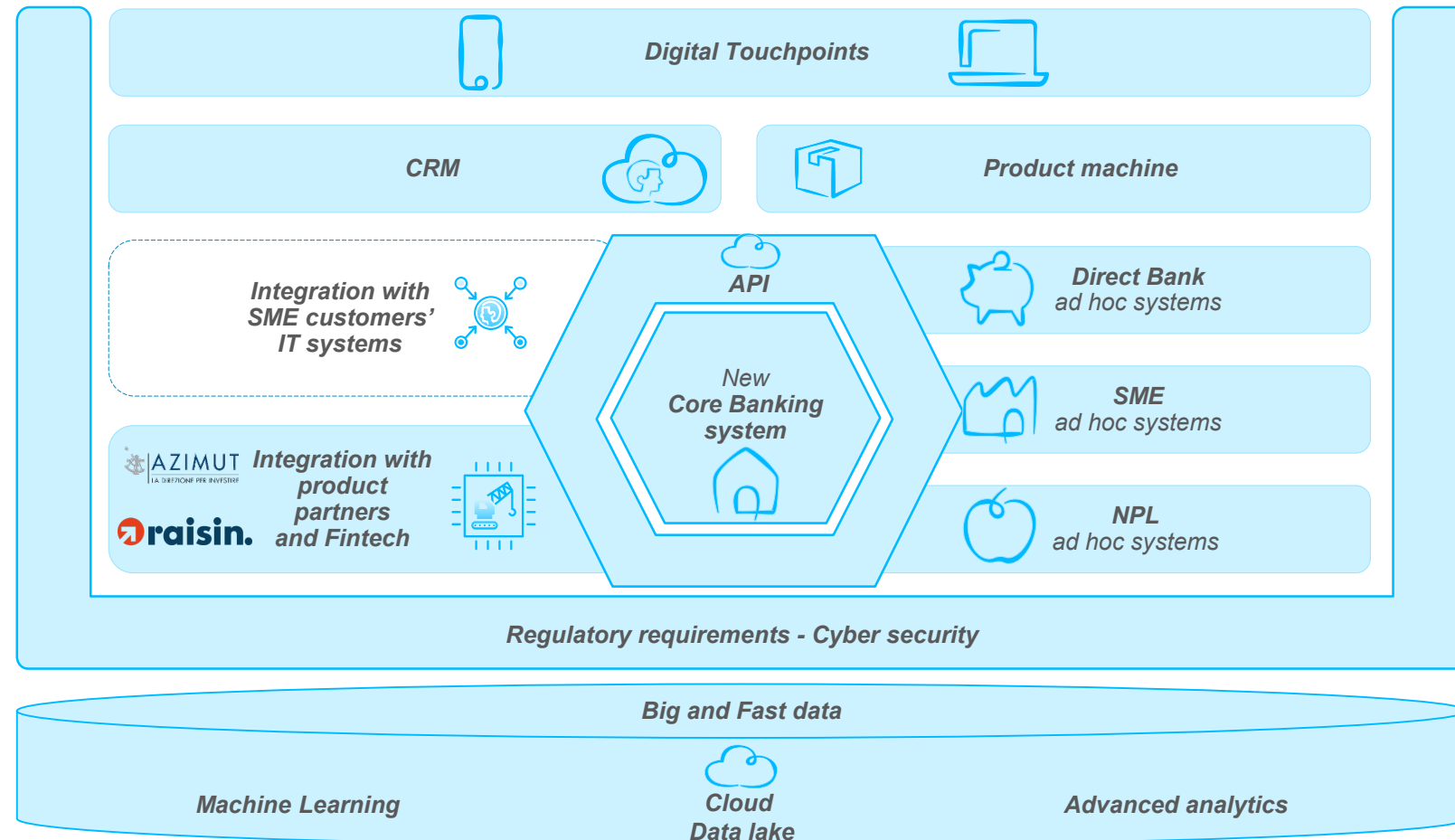
In less than 10 months  
we have built an enabling  
**architecture**:

 fully **digital**

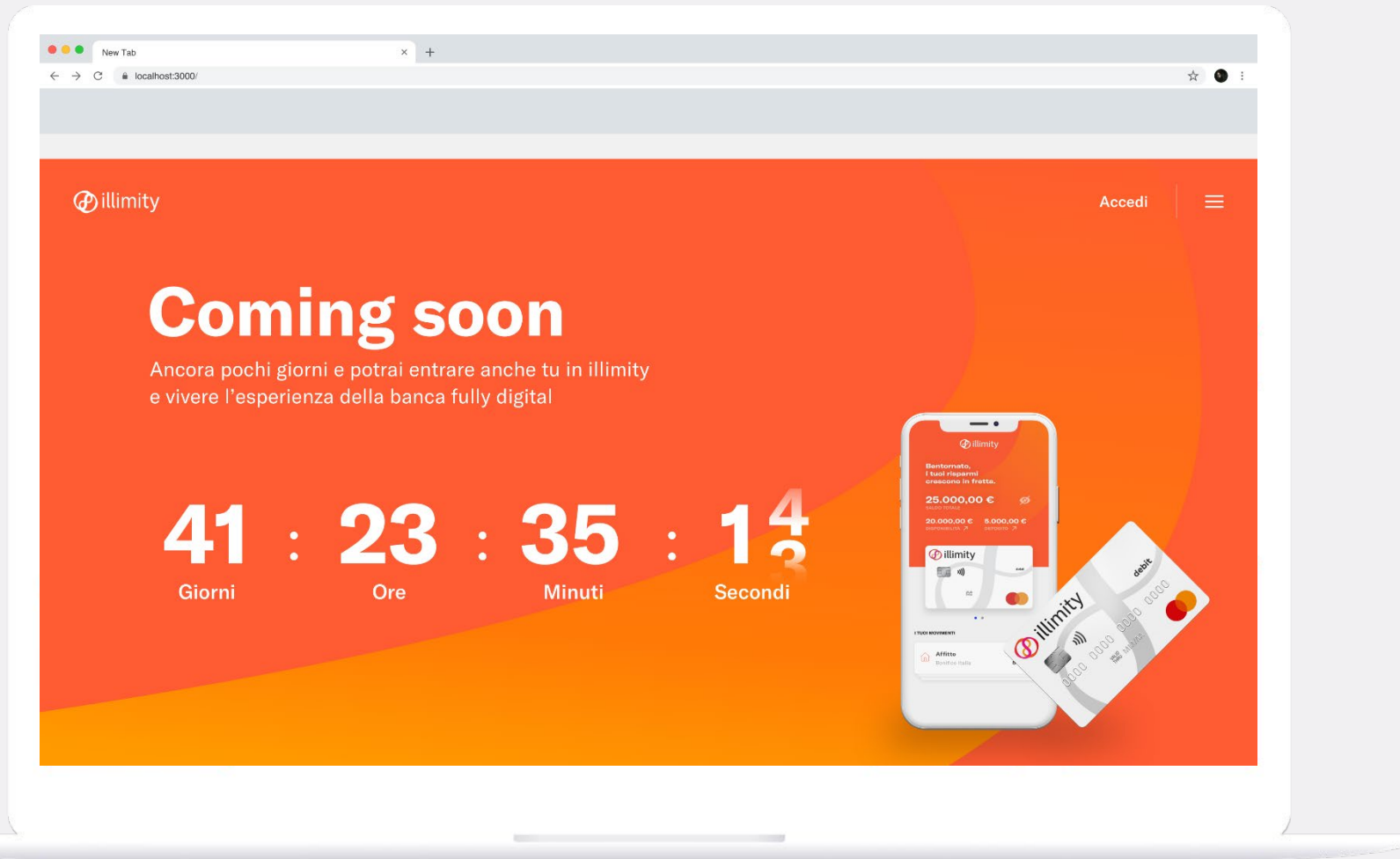
 completely **modular**

 fully on **cloud**

 illimity new core banking system and open platform **completed**



# illimity - **Direct Bank launch** in September



- **State of the art Direct Bank** for individuals, families and companies
- **Already up and running** with two months testing underway
- Unique experience with **complete and differentiating offer**, to be further enhanced in time

# illimity - Designed also with our web Community



Our Direct Bank built also thanks to the contribution of **our web community:**

**43k**

Members

**+200k**

Feedback collected through +40 surveys on products, communication and channels

**+500**

Suggestions posted o/w 70% in pipeline



# illimity and **AZIMUT** a win-win **partnership**

Our Direct Bank recently announced another strategic partnership with Azimut, one of Italian leading asset management and financial advisory firms

## Value for illimity



**Digital banking strategy acceleration**

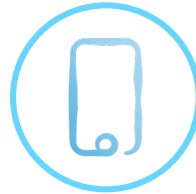


**Synergy with a complementary business model**



**Cross-selling opportunities**

## Value for



**Offering of digital banking services**



**Simplification for +1,800 financial advisors (i.e. account aggregation)**

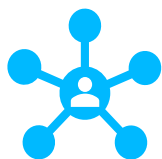


**Increased value for customers**



# illimity & raisin. Partnership producing valuable results

## Key features



**Raisin: a pan-European fintech and leading marketplace** for online saving and investment products with more than 175k clients in 31 countries



Agreement signed in May for the initial **distribution of term deposits in Germany**, with the possibility to extend it to other countries, subject to authorisation



Strong focus on **AML presidia**

## Main achievements

**Volumes**  
*As of July 31, 2019*

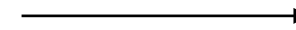
Deposits  
€mln

~107

Number of  
Clients

~4100

**Distribution  
channels**



**Average  
rate**

~1.2%

Avg. maturity **23** months  
Avg. Ticket **€26k**



**Silvia Benzi**

***Head of Investor Relations & Strategic Planning***

Mobile: +39 349 7846537 - +44 7741 464948

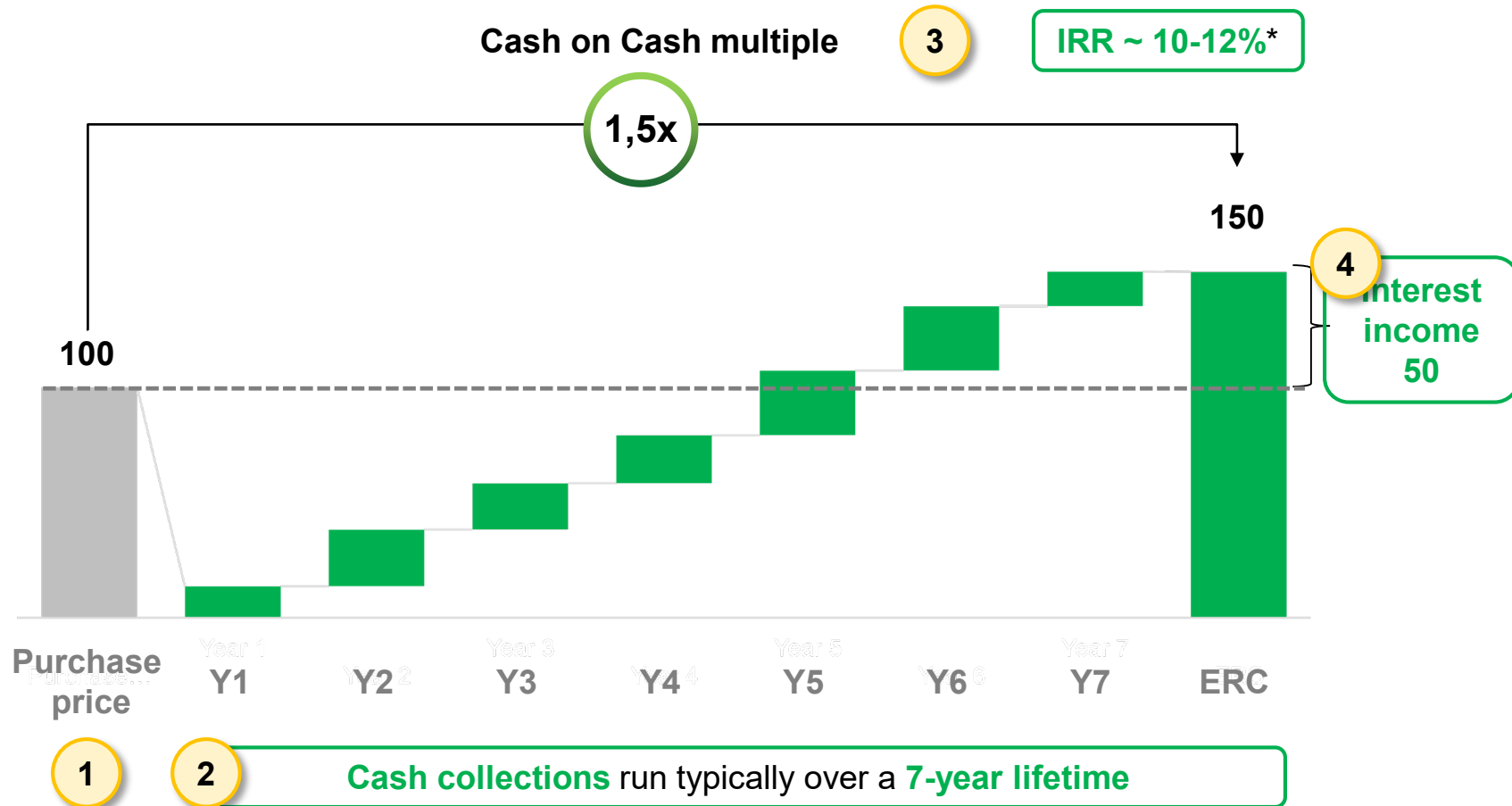
Email: [silvia.benzi@illimity.com](mailto:silvia.benzi@illimity.com)

# Annex I

## Accounting explained

# NPL accounting explained

Illustrative



Note: (\*) Calculated on annual cash flows



# NPL accounting – key accounting elements

Illustrative

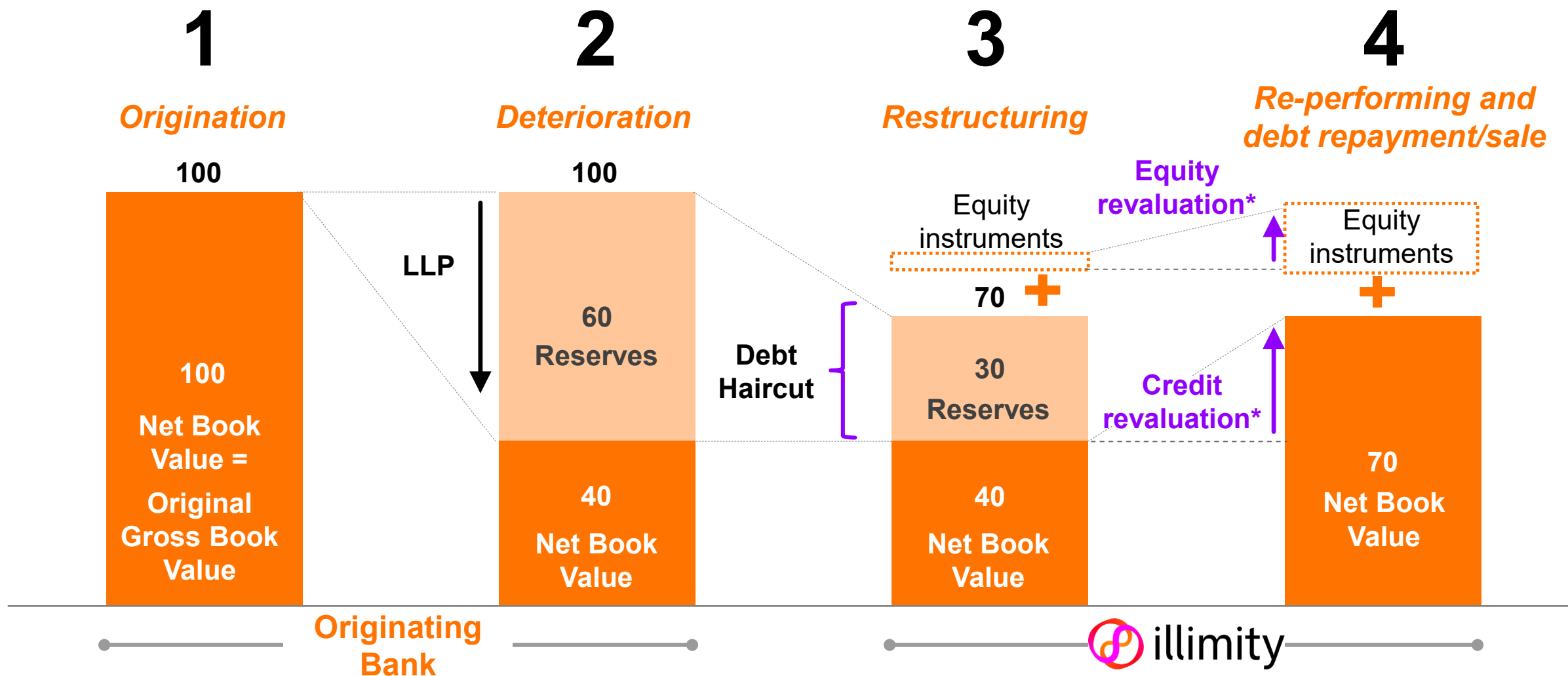


In this example, in the first two years Gross Cash Collections are slightly below net interest income and become higher from year 3

Note: (\*) Calculated on annual cash flows

- Interest income** is calculated based on the amortised cost method:  
  
Carrying value of the NPL portfolio  $\times$  IRR of the portfolio
  - The **carrying value** of the NPL portfolio in each period is equal to:  
  
Carrying amount of the previous period  
+ interest income  
- cash collections

# Four steps to understanding restructuring accounting



Note: (\*) Not included in interest income at amortised cost

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