

Italian bank fails over Greensill exposure

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Aigis Banca bought invoice-backed notes linked to Gupta’s GFG**

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An Italian bank has collapsed due to exposure to Greensill Capital and GFG Alliance, as the shockwaves from the failure of the UK finance firm claimed another casualty.

Milan-based Aigis Banca, a specialist lender to small and medium-sized businesses, was ordered into liquidation by the Bank of Italy, with larger peer Banca Ifis buying its assets and liabilities for the symbolic price of €1.

“The intervention of Banca Ifis makes it possible to avoid the severe social and economic consequences of the situation that has arisen in Aigis Banca as a result of the latter’s exposure towards Greensill Bank,” said Frederik Geertman, Banca Ifis’s chief executive.

Before its collapse in March, Greensill lent money to companies including Sanjeev Gupta’s metals group GFG Alliance, taking invoices in exchange for cash. The loans were then bundled into notes and sold on to banks and investors.

GFG drew heavily on financing from Greensill and the collapse of the financing firm has left the sprawling metals conglomerate teetering on the brink.

With GFG defaulting on its debt to Greensill, buyers of the loans, which include Credit Suisse’s asset management arm, are facing big losses.

Aigis Banca’s problems stemmed from investment products linked to invoices it purchased from Greensill, according to people familiar with the matter. These included receivables-backed notes linked to Gupta’s metals empire, with a document seen by the FT showing the bank had exposure linked to his Liberty Commodities business.

Last year, Gupta entered discussions to buy a stake in Aigis Banca, which is majority-owned by private equity firm Metric Capital, according to people familiar with the matter and a document from Germany’s financial regulator BaFin.

The BaFin document shows that German officials held a conference call in October with the Bank of Italy and the European Central Bank “regarding Sanjeev Gupta’s planned acquisition of a significant stake in Italy’s GBM Banca” — Aigis’s previous name before it rebranded at the end of last year.

At the time, BaFin was investigating the Germany-based Greensill Bank, focusing on its high level of exposure to Gupta’s businesses. The bank collapsed into insolvency in March and German regulators have filed a criminal complaint against its management for suspected balance sheet manipulation.

Greensill and GFG Alliance declined to comment.

Banca Ifis said it was taking over €298m of loans and €135m of Italian sovereign bonds from Aigis, along with €440m of its customer deposits. The bank added that “securities related to Greensill” were excluded from the transaction. Italy’s Interbank Deposit Protection Fund also provided €49m to support the transaction.

While the investment products Aigis bought from Greensill were covered by insurance, this is yet to pay out, according to people familiar with the matter.