

**IFIS
NPL**

Gruppo BANCA IFIS

MARKET WATCH NPL
THE ITALIAN SCENARIO

September 2018



**MARKETWATCH
NPL**



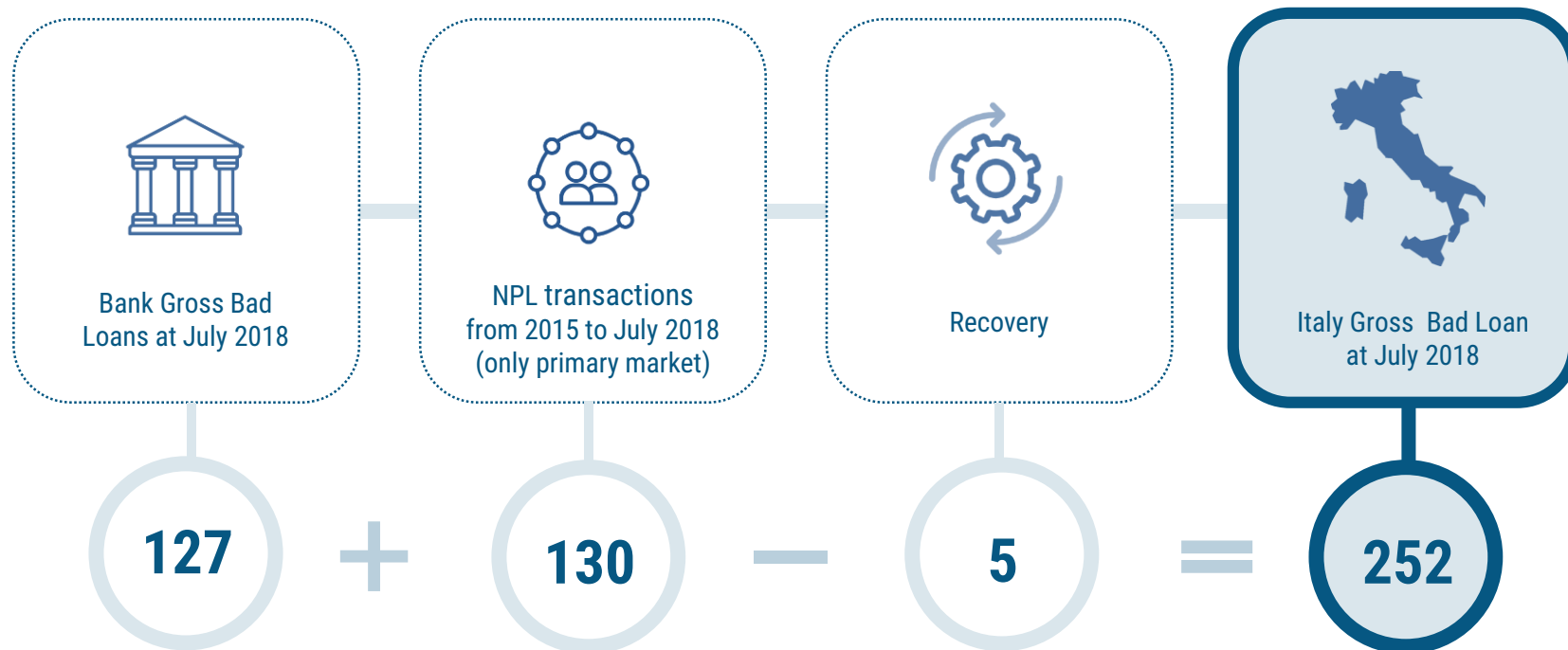
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| | | | |
|--|--|---|---|
| <h2>Big Picture on Italy</h2> | <p>252 Bn€ total Gross Bad Loans as of July 2018</p> | <p>53% of the NPL transactions (expected 191 Bn€ from 2015 to end of 2018) is managed by 6 servicers</p> | <p>New aggregation of small servicing players could be pushed to enhance collection performance</p> |
| <h2>Banks' NPL scenario</h2> | <p>76 Bn€ reduction of banks' Gross Bad Loans from the start of 2017 (-37%)</p> | <p>+1000 bps banks' Gross Bad Loans coverage due to IFRS9</p> | <p>52% of secured Gross NPLs in banks' balance sheets (31% in 2010)</p> |
| <h2>NPL transactions and pipeline</h2> | <p>83 Bn€ NPL transactions expected in FY 2018 (+17% vs 2017)</p> | <p>22 Bn€ estimated market value of 2018 transactions</p> | <p>+900 bps / +200 bps price increase of mixed and secured portfolios respectively</p> |
| <h2>The shift on credit servicing</h2> | <p>Strategic re-organization of servicing operators is ongoing</p> | <p>105 Bn€ increase in managed assets that Italian servicers will receive in 2018</p> | <p>Strategic mergers of small servicers into bigger entities might happen to enhance performance in collection</p> |

Italy has 252 Bn€ of Gross NPLs to manage. Of these, 127 Bn€ is the amount in banks' balance sheets at July 2018.



Total Gross Bad Loan in Italy - Bn€



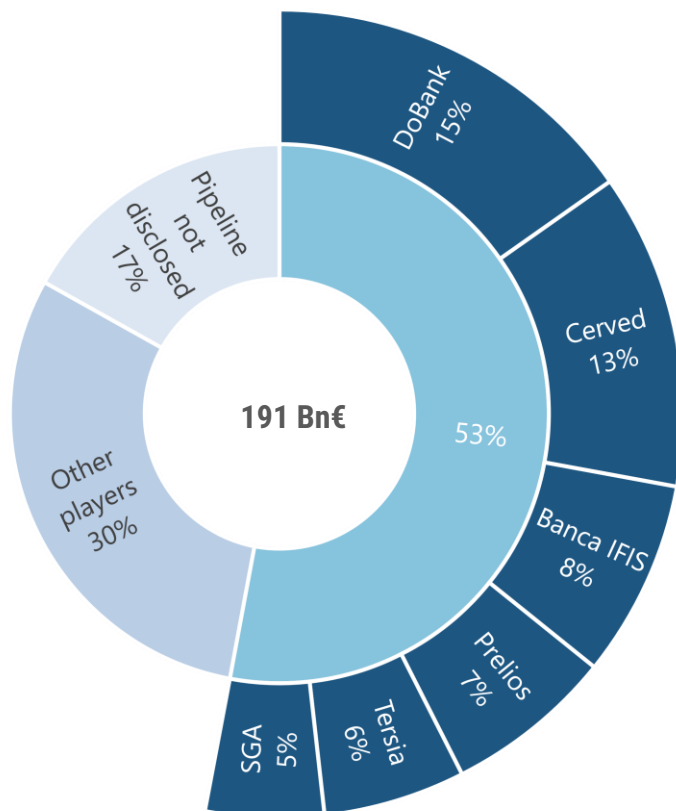
Highlights

- 127 Bn€ is the amount of Gross Bad Loans in bank balance sheets
- 130 Bn€ is the amount of NPL transactions (only primary market) from 2015 to July 2018
- 5 Bn€ is the estimated recoveries related on NPLs portfolios
- 252 Bn€ is the net balance of NPL transactions, net secondary market and recoveries, plus Bank Gross Bad Loans and it represents the total NPL portfolios to be managed

Dimension makes the difference in achieving servicing performance.



NPL Transactions: NPL deals closed from 2015 to 2018 (including 2018 pipeline) Bn€, Percentages



Highlights

- Top 6 Servicers manage around 53% of the total NPL market assets generated from 2015 to 2018
- Collection/recovery activity requests relevant IT investment
- Small players could merge into bigger entities to survive in the market



BANKS' NPL SCENARIO

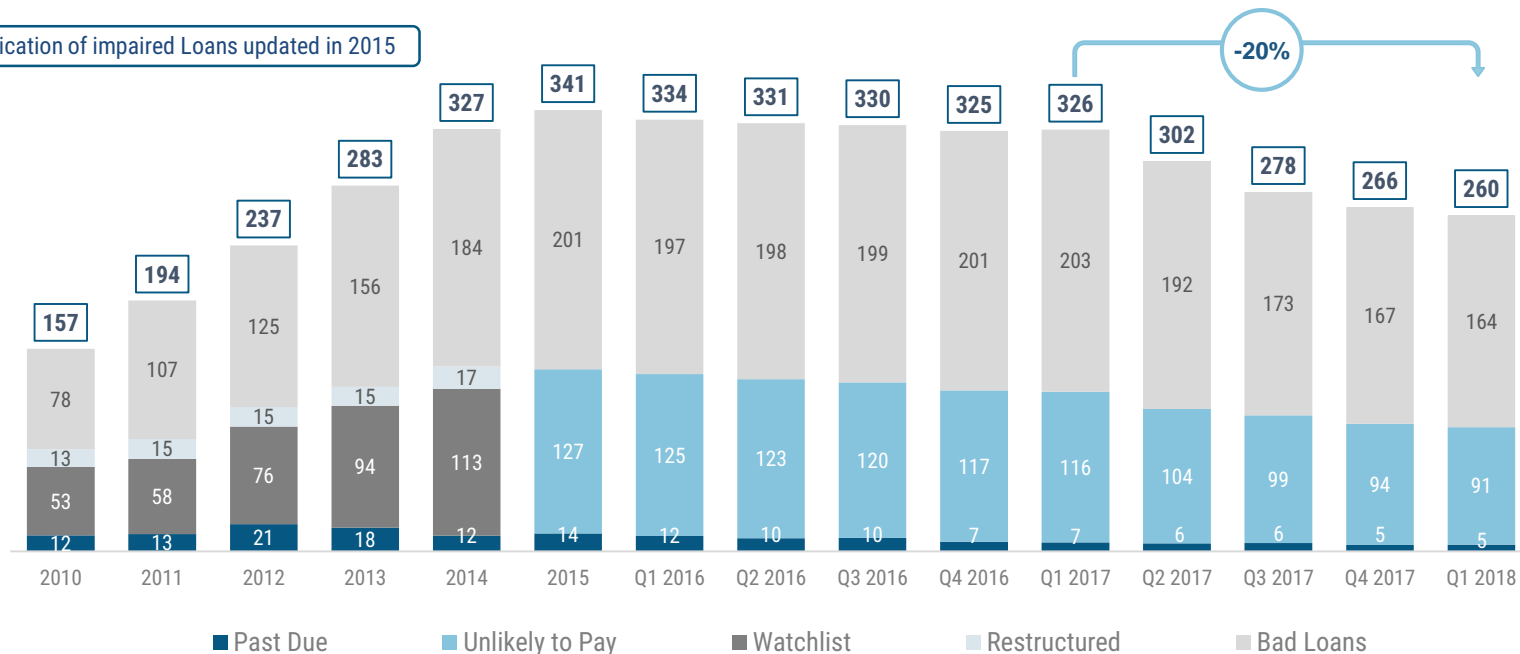


Banks' NPEs reduced by 66 Bn€ from Q1 2017 to Q1 2018 due to ECB supervision and increasing disposal of bigger NPL portfolios.



Bank NPE - Bn€

Classification of impaired Loans updated in 2015



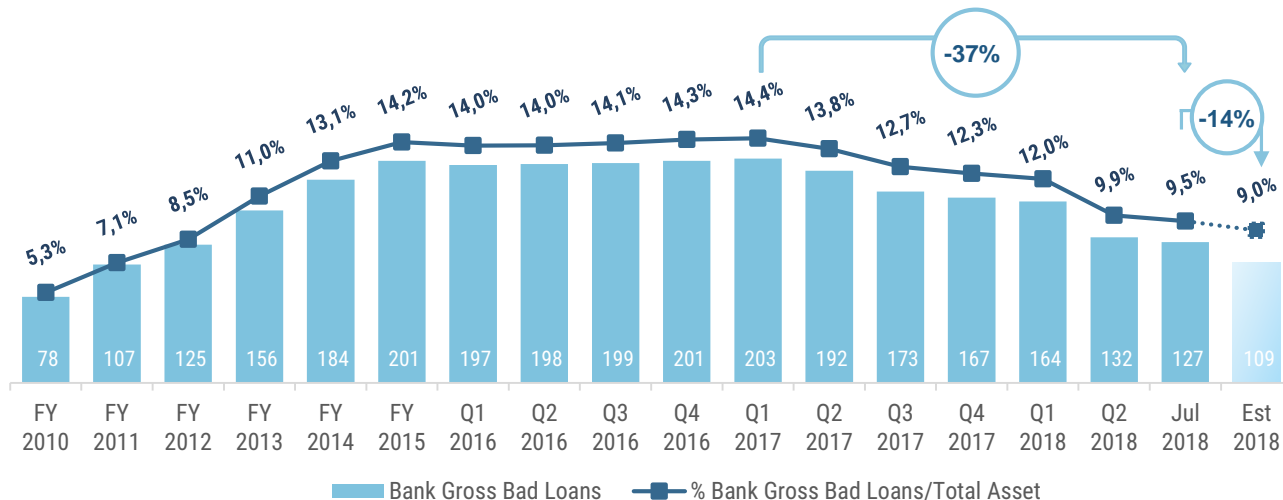
Highlights

- Q1 2018 NPE stock in bank balance sheets decreased of 20% respect to the same period of 2017
- The same trend has been registered in both NPL (-19%) and UTP (-22%) category

Bank Gross Bad Loans experienced the biggest drop in recent years (-32 Bn€) in Q2 2018.



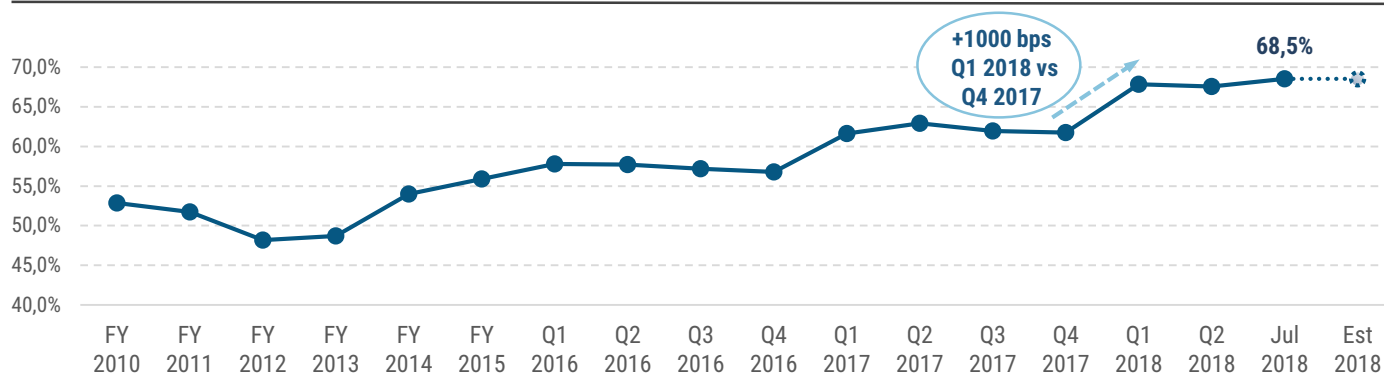
Bank Gross Bad Loans - Bn€ and Percentages



Highlights

- Bank Gross Bad Loans dropped of 32 Bn€ in Q2 2018 and other 5 Bn€ in July (-76 Bn€ from Q1 2017) due to big NPL portfolio disposals
- The forecast scenario provides a further drop in Bank Gross Bad Loan stock of 18 Bn€ at the end of 2018

Bank Bad Loan Coverage - Percentages

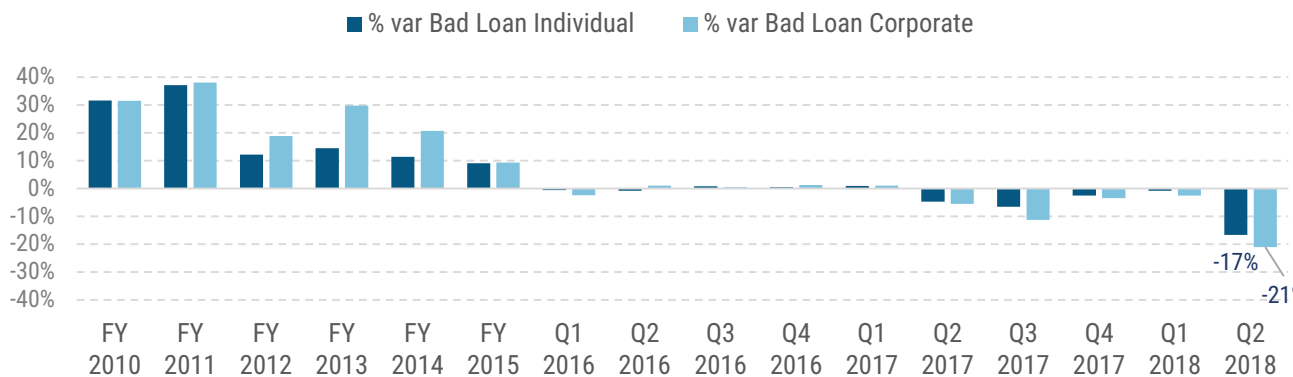


- In Q2 2018 the net Bank Bad Loan reduction has been lower than gross stock decrease because Bad Loan Coverage had already increased in Q1 2018 (+1000 bps) due to the IFRS9 adoption

52%: the share of secured Gross NPLs in banks' balance sheets is the highest since 2010.



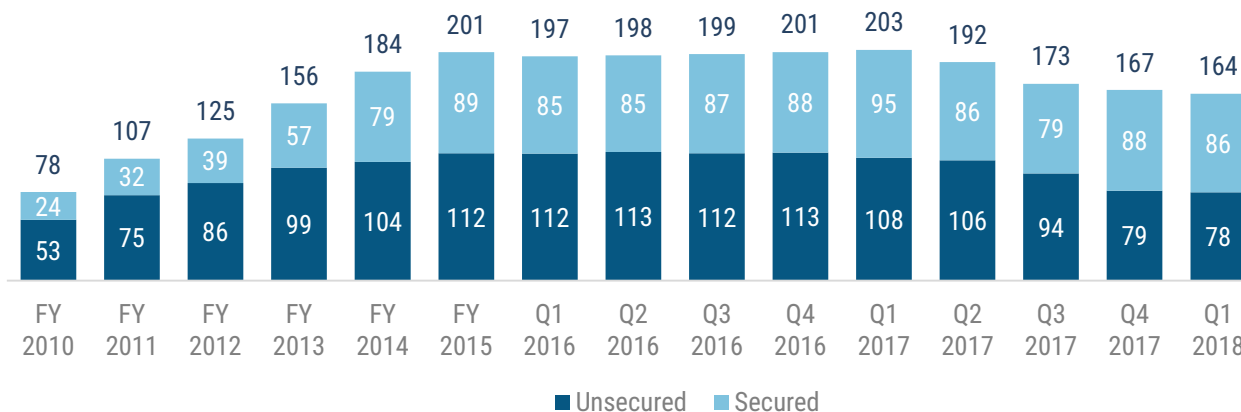
Bank Gross Bad Loans - Percentage changes vs previous period



Highlights

- Starting from Q2 2017 both individual and corporate portfolios are decreasing
- However, the reduction is still more intense for Corporate Bad Loans

Bank Gross Bad Loans - Bn€

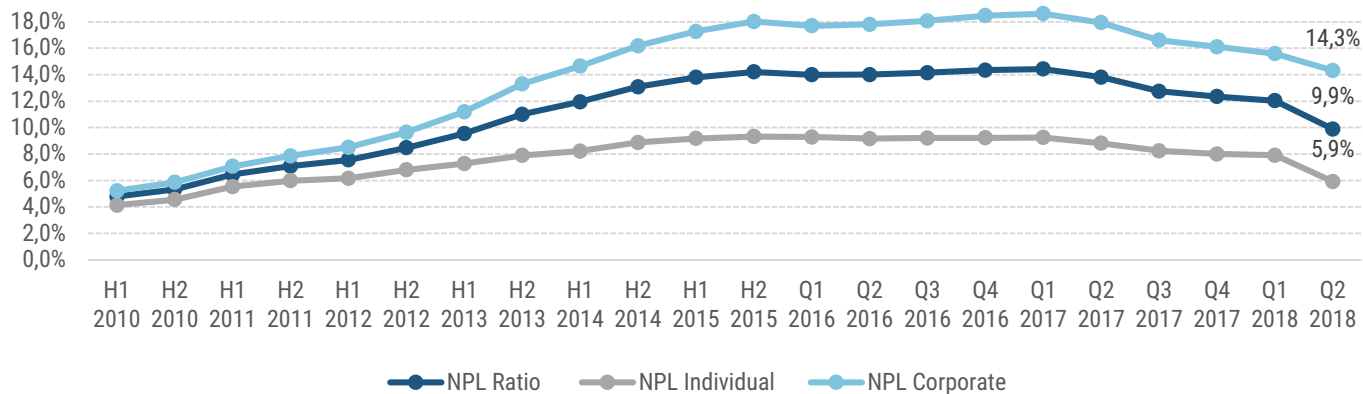


- During the crisis the secured share has increased at a higher pace than unsecured (from 2010 to Q4 2016: +267% vs 113%)
- In contrast, the rate of decrease of secured share from Q4 2016 has been lower than the unsecured component (-2,3% vs -31%)

Italy has the strongest reduction in NPL ratio amongst other European countries.



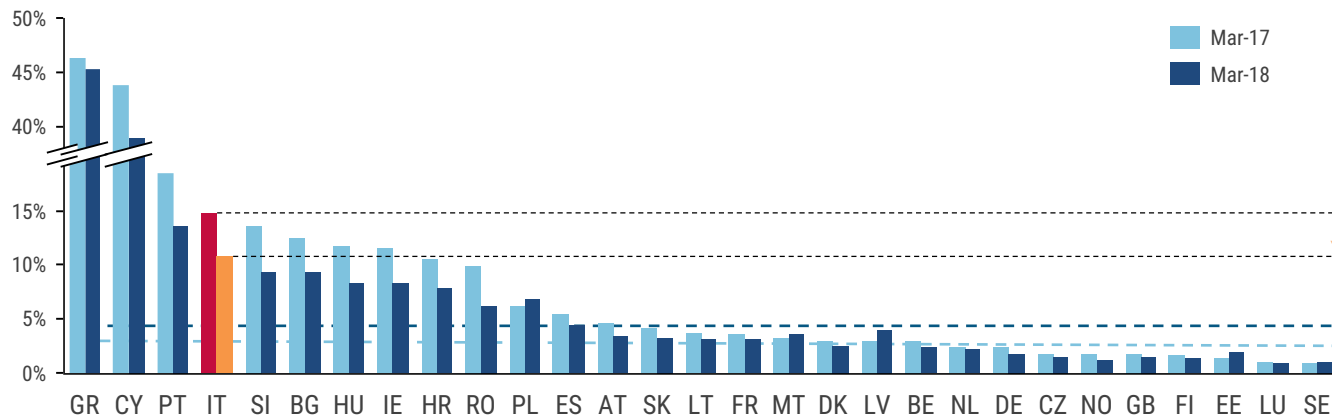
Bank Gross Bad Loan/Total Asset by debtor type - Percentages



Highlights

- The corporate Bank NPL ratio is 4 p.p. higher than total ratio

European Bank NPL ratios - Percentages



- In March 2018 the reduction of Italian NPL ratio was among the highest, but it remains well above the European average
- EU NPL ratio is 7 p.p. lower than the Italian one at Q1 2018
- EU Mar-17: 4,8%
- EU Mar-18: 3,9%



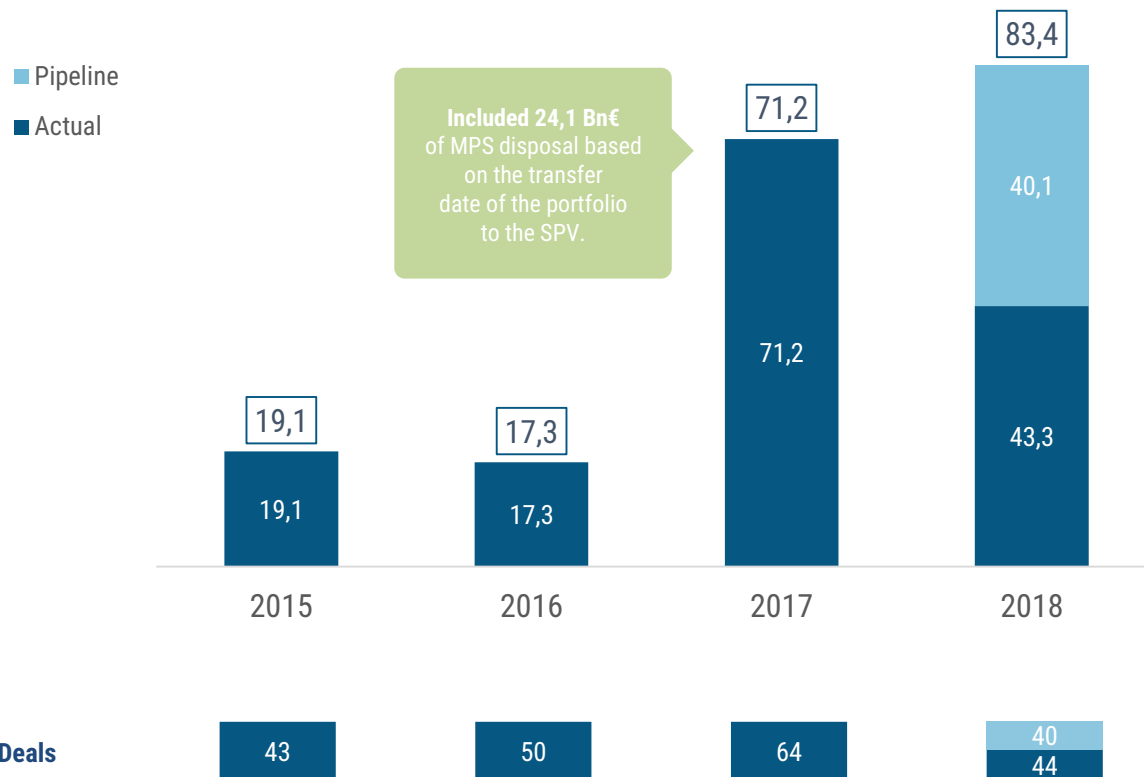
NPL TRANSACTIONS AND PIPELINE



2018 NPL transactions are expected to reach 83 Bn€ (+17% vs 2017).



NPL Transactions - Bn€



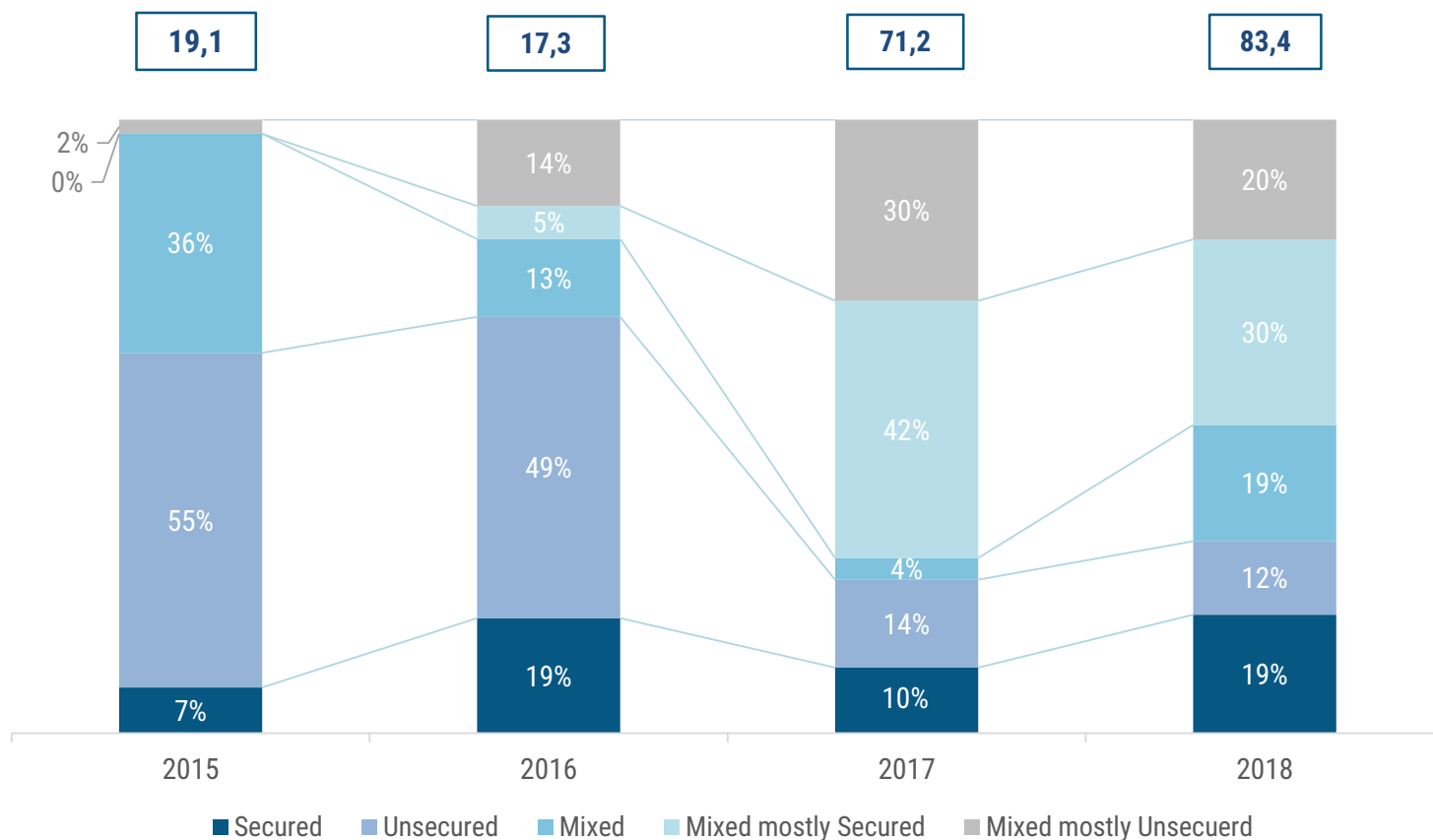
Highlights

- The 2018 NPL transactions are expected to amount to 83 Bn€, +17% vs 2017 due to major deal disposal on secured portfolios
- Already finalized transactions including more significant deals:
 - 10,8 Bn€ of NPL disposal linked to Banca Intesa Sanpaolo and Intrum strategic agreement on servicing platform (Tersia)
 - 9,0 Bn€ of NPL (other 9,0 Bn€ UTPs are excluded from graph) transferred to SGA

50% of NPL transactions in the market in 2017 and 2018 are mostly secured.



NPL Transactions by portfolio type - Bn€ and Percentages

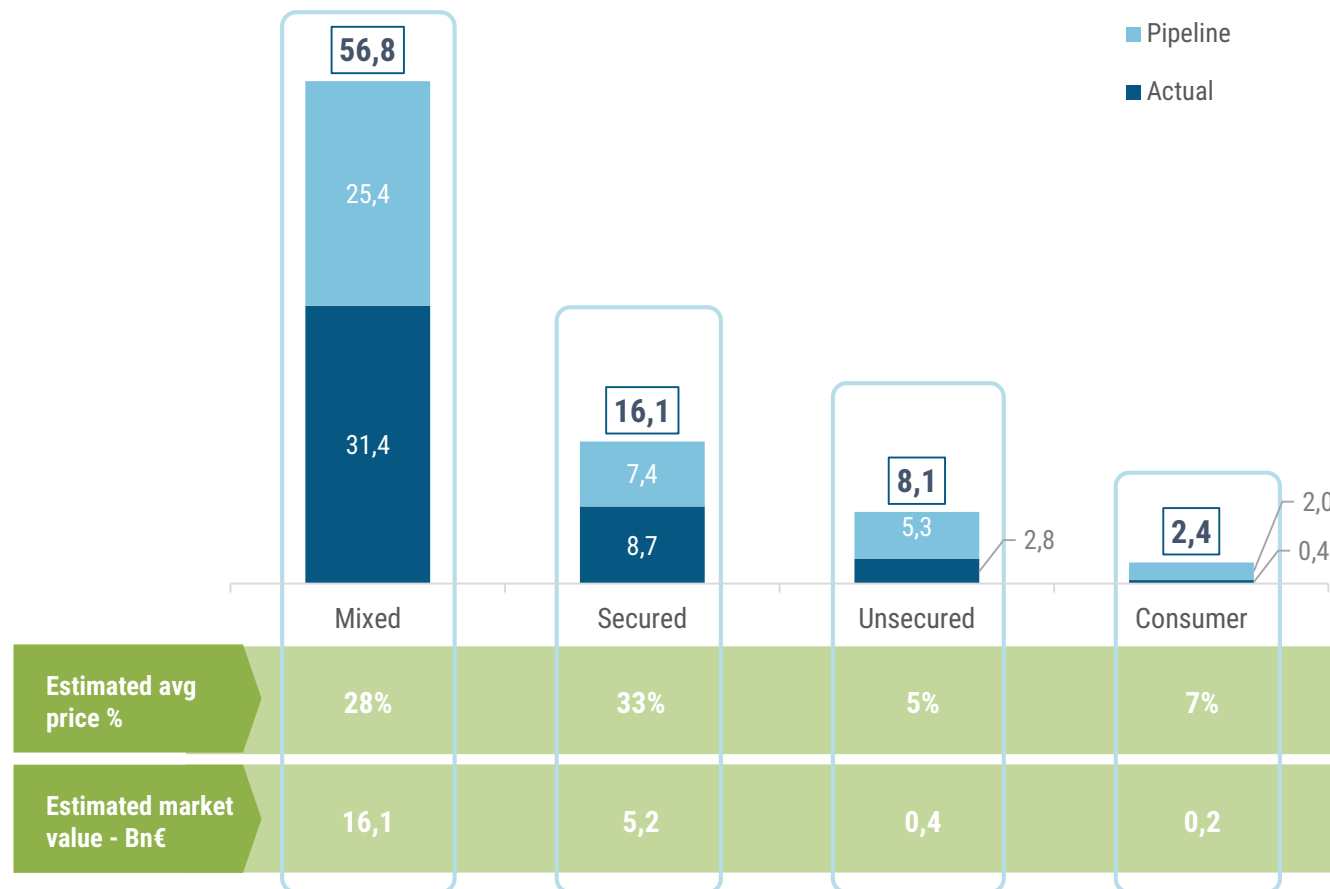


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The average amount of the 2018 market value transactions is 22 Bn€.



2018 NPL Transactions by portfolio type - Bn€



Highlights

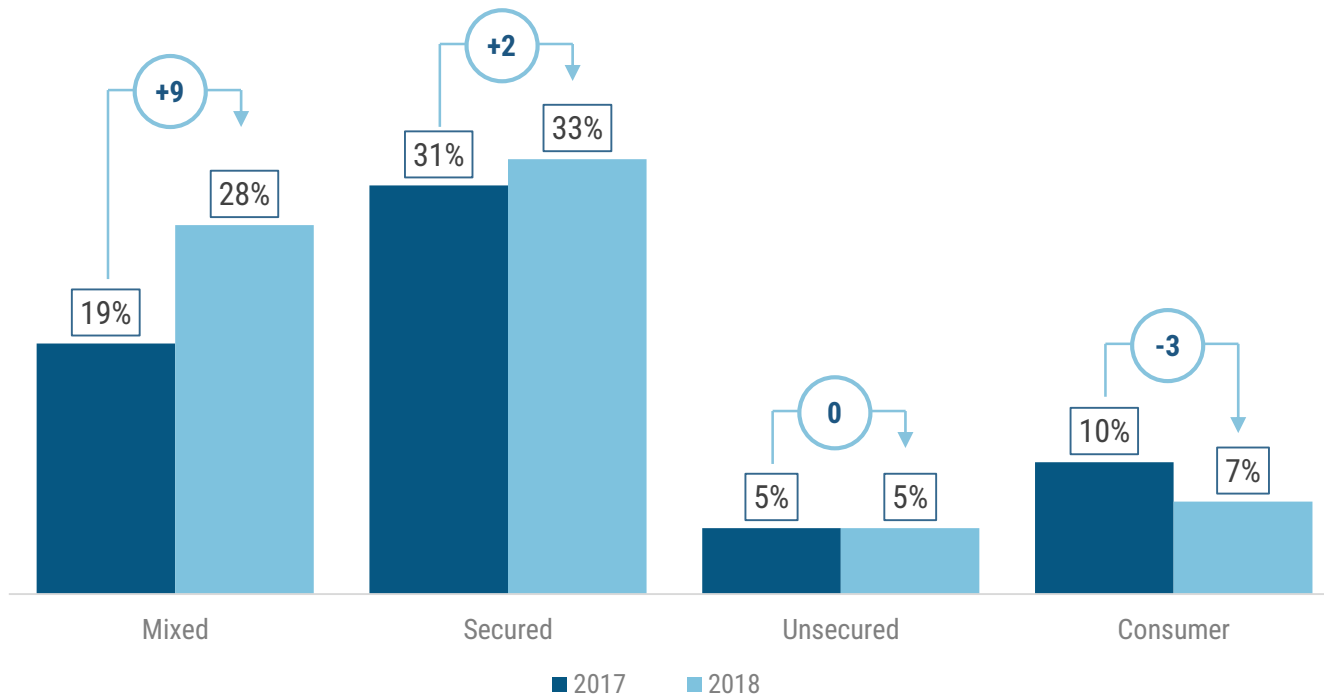
- Estimated market value of 2017 was evaluated at 13 Bn€
- Transaction prices of mixed deal is closed to secured level and higher than 2017 average price (19%)

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Transaction prices of mixed deals are closed to secured level and higher than 2017 average price (28% vs 19%).



NPL Transactions: Estimated avg prices - %



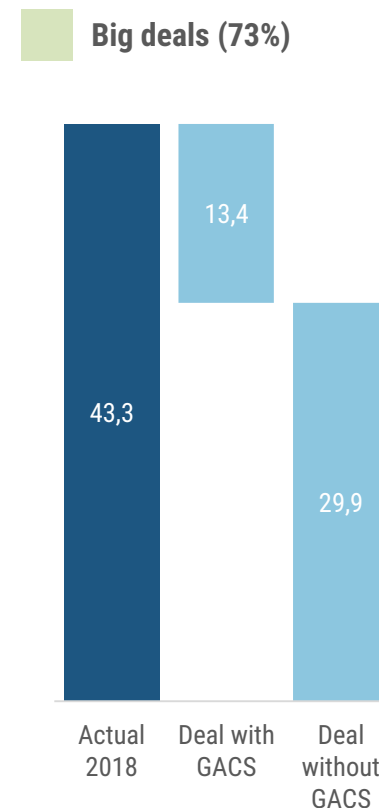
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43,3 Bn€ of NPLs have already been sold in 2018. Of these, 13,4 Bn€ are GACS-related.



2018 Actual - NPL Transactions details - Bn€

| Seller | Bn€ GBV | Servicer | Buyer |
|------------------------------------|---------|--------------------|------------------------------|
| Intesa Sanpaolo | 10.800 | Tersia | Lindorf-Intrum - CarVal |
| Banca Pop di Vicenza, Veneto Banca | 9.000 | SGA | SGA |
| Banco BPM | 5.100 | Prelios | Confidential |
| UBI | 2.749 | Prelios | Confidential |
| Creval | 1.600 | Cerved | Confidential |
| Creval | 245 | n.a. | Algebris |
| Creval | 222 | Credito Fondiario | Credito Fondiario |
| Unicredit | 1.627 | Banca IFIS | Banca IFIS |
| Unicredit | 204 | MBCredit Solution | MBCredit Solution |
| Unicredit | 60 | n.a. | Confidential |
| Sicilcassa | 1.700 | Zenith Service SpA | MB Finance |
| Cassa Centrale Banca | 1.397 | Guber Banca | Varde, Barclays, Guber Banca |
| Iccrea Banca | 1.050 | Prelios | Confidential |
| Banco Desio e Popolare di Spoleto | 1.000 | Cerved | Confidential |
| Banco di Sardegna | 900 | Prelios | Confidential |
| Credit Agricole | 700 | PAM | Valerie SPV |
| CR Asti, Biverbanca | 697 | Prelios | Confidential |
| BIM | 601 | Prelios | Attestor Value Master Fund |
| Other minus TRX | 3.694 | Other | Other |

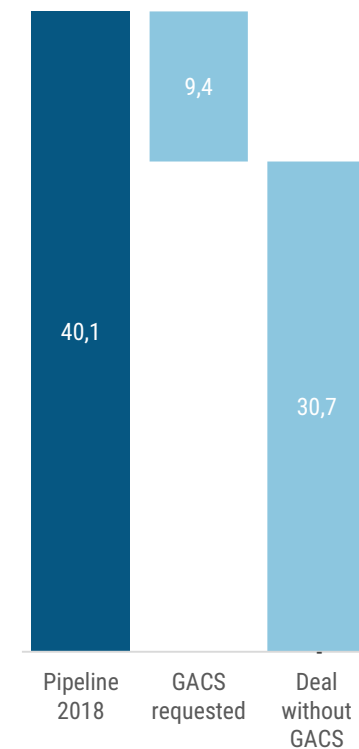


40 Bn€ are in the pipeline, of which 25 next to closure and 9,4 Bn€ GACS-related.



2018 Pipeline - NPL Transactions details - Bn€

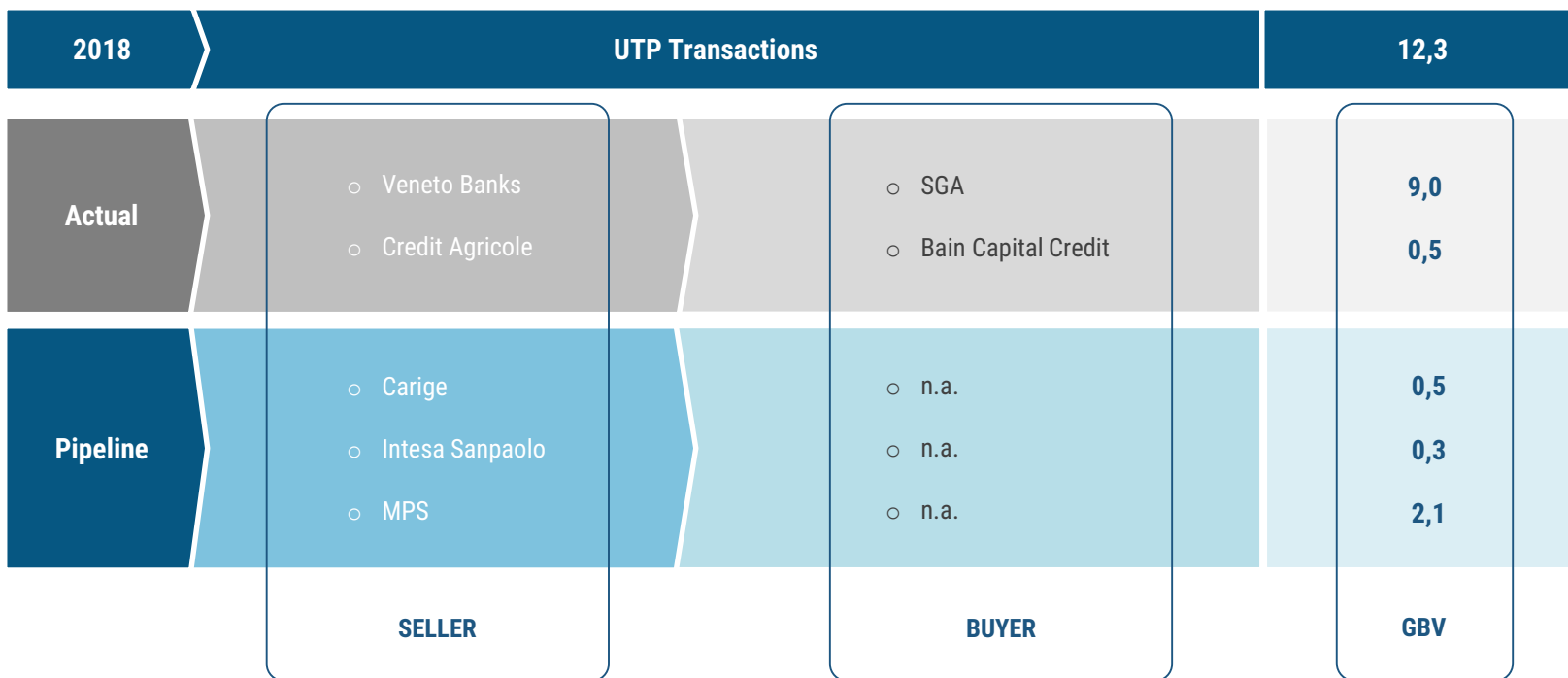
| Seller | Project name | Ongoing | On plan | Announced | Bn€ GBV |
|---------------------------------------|-------------------|-------------|------------|-------------|-------------|
| Banco BPM | Ace | 3,5 | - | - | 3,5 |
| Banco BPM | Platform Disposal | - | - | 4,5 | 4,5 |
| Credit Agricole | Poppy | 6,0 | - | - | 6,0 |
| Unicredit | Milano | 0,8 | - | - | 0,8 |
| Unicredit | Sandokan II | - | - | 2,0 | 2,0 |
| Unicredit | n.a. | 0,5 | - | - | 0,5 |
| Monte dei Paschi di Siena | Merlino | 2,6 | - | - | 2,6 |
| Christofferson Robb; Bayview | n.a. | - | - | 2,0 | 2,0 |
| Gruppo Delta | Arkade | 2,0 | - | - | 2,0 |
| BPER | n.a. | 1,8 | - | - | 1,8 |
| Intesa Sanpaolo | Luce | 0,3 | - | - | 0,3 |
| Intesa Sanpaolo | Rep | 1,4 | - | - | 1,4 |
| UBI | n.a. | - | 1,5 | - | 1,5 |
| REV Gestione Crediti | n.a. | - | 1,5 | - | 1,5 |
| Carige | Isabella | 1,4 | - | - | 1,4 |
| Cariparma | n.a. | - | 1,0 | - | 1,0 |
| Banche Popolari - Luzzatti spa | n.a. | 0,9 | - | - | 0,9 |
| Banca Popolare di Bari - Luzzatti spa | n.a. | 0,8 | - | - | 0,8 |
| Hypo Alpe Adria Bank | Terzo | - | - | 0,8 | 0,8 |
| Banco Desio | n.a. | - | 0,5 | - | 0,5 |
| Confidential and Other minus | n.a. | 3,1 | - | 1,3 | 4,4 |
| | | 25,0 | 4,5 | 10,6 | 40,1 |



In 2018 12,3 Bn€ of UTPs will be sold, almost entirely composed by assets of Veneto Banks and MPS.



UTP Transactions - Bn€



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THE SHIFT ON CREDIT SERVICING

The strong growth of the NPL transaction market led to a strategic re-organization of servicing operators.



| | 2017 | 2018 Estimate | | BUSINESS MODEL EVOLUTION | |
|---------------------|------------|----------------|------------------------|--------------------------|---|
| | AUM Bn€ | New AUM Bn€ | AUM end year Bn€ | STRATEGY | KEY ACTIONS |
| doBank | 76 | 12 | 88 | TRANSFORMATION | Transformational Project from a Banking to a Servicing Group to be more specialized on servicing business (Core), with banking subsidiary |
| Cerved | 25 | 27 | 53 | PARTNERSHIP | Long-term servicing partnerships: <ul style="list-style-type: none"> Acquisition of MPS servicing platform (with Quaestio) La Scala (Joint Venture) |
| CREDITO FONDIARIO | 42 | 3 | 45 | DIVERSIFICATION | A dynamic player that operates as an independent servicer as well as a direct investor in portfolios of NPLs and UTPs |
| TERSIA | n.a. | 41 | 41 | INTEGRATION | Tersia: merger of ISP'NPL recovery operations and all of Intrum's Italian operations |
| BANCA IFIS* FBS* | 13 | 10 | 23 | DIVERSIFICATION | With FBS acquisition, Banca IFIS can offer a comprehensive range of solutions for all asset classes of the NPL market |
| PRELIOS* | 9 | 11 | 20 | SPECIALIZATION | Specialization on secured asset class managing more than 70% of GACS and leveraging on real estate experience |
| Guber | 8 | 1 | 9 | TRANSFORMATION | Obtained the banking license to diversify and facilitate future growth targeting SMEs |

Fewer servicers will manage the largest Italian NPL deals.



| Big Deals 2015 - 2018 | Size - Bn€ | Servicers |
|-----------------------|------------|-----------------|
| MPS | 14,1 | Cerved (Juliet) |
| | 8,0 | DoBank |
| Unicredit (Fino) | 14,3 | |
| | 3,4 | |
| Intesa Sanpaolo | 10,8 | Tersia |
| Banche venete | 9,0 | SGA |
| BMP | 5,1 | Prelios |
| UBI | 2,7 | |



General statement

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