

MARKET WATCH  
NPL 

# Npl transaction market and servicing industry.

*Forecast 2022-2024*

SEPTEMBER 2022

# FUTURE PROOF

# The key messages.

NON-PERFORMING LOAN IN ITALIAN BANKS	THE NPL AND UTP TRANSACTION MARKET	NPL INDUSTRY
<p><b>01</b></p> <ol style="list-style-type: none"> <li>For the three-year period 2022-2024 it is estimated € 82 billion of new Npe flows. Compared to last February's forecast, an increase of € 10 billion in new flows and a delay of 6/9 months (peak in 2023) are assumed, due to the persistence of the criticalities of prices on energy, raw materials and food goods together with the interest rate increase following the more restrictive monetary policy.</li> <li>The deterioration rate of corporate is expected to increase more than in the household segment (in 2023, 4% vs 2,3%) due to the greater risk associated with ex-remortium loans.</li> <li>In the three-year period 2022-2024, the increase in impaired flows will be offset by the continuation of the de-risking process, also in line with the plans of the main banks, with an Npe ratio on the banking system of 3,3% at the end of 2024.</li> </ol>	<p><b>02</b></p> <ol style="list-style-type: none"> <li>€ 35 billion of Npl transactions are expected in 2022, with the secondary market now an important component (30%). The sale of UtP portfolios is expected for € 12 billion, of which € 6 billion already finalized in mid-September.</li> <li>The market will maintain high volumes of Npe in the 2023-2024 two-year period as well (€ 47 billion in 2023 and € 33 billion in 2024).</li> <li>In mid-September of 2022, disposals for € 22 billion of NPE were finalized, namely:             <ol style="list-style-type: none"> <li>Transactions with GACS represented 48% of volumes, absorbing 41% of the secured portfolios transacted.</li> <li>The unsecured component accounted for 48% of the total transaction, to which the GACS of Intesa Sanpaolo's Organa SPV vehicle contributed, which also included this type of asset.</li> </ol> </li> <li>2022 prices slightly increased due to the high incidence of transactions with GACS in addition to the effects produced by the "fresher" unsecured portfolios (max 12 months) small tickets that meet the appetite of investors specialized in the segment. The increase is mitigated by the growing incidence of the secondary market.</li> <li>At the moment there is no evidence of the effect of inflation and interest rate increases on the 2022 deals, which could have an impact on the value of the new Npl portfolios that will hit the market.</li> </ol>	<p><b>03</b></p> <ol style="list-style-type: none"> <li>The non-performing credit industry has worked hard to stabilize the Italian financial system:             <ol style="list-style-type: none"> <li>Italian banks achieved an important de-risking result: with an estimate of € 357 billion of Npe portfolios sold from 2015 to 2022.</li> <li>~ 100 investors employed ~ € 90 billion over 7 years to acquire non-performing loan portfolios in the primary and secondary market.</li> <li>The stock of Npes in Italy decreased from € 361 billion in 2015 to € 321 billion in 2021, thanks to management by banks, investors and servicers.</li> </ol> </li> <li>From 2022, an increase in the Npe stock is estimated (€ 377 billion at the end of 2024) due to the increase in impaired flows and the reduction in recovery rates, especially on larger tickets and secured loans that require longer recovery times.</li> <li>The Italian Npl Industry has seen continuous growth in revenues from 2013 to 2021 (+ 90% over the entire period), which will continue with + 9% in 2022 and + 4% in 2023.</li> <li>The development of Npl Industry has meant investments in human resources and technology, drivers of value creation, as confirmed by the growth of EBITDA (+ 20% average per year).</li> </ol>



## NON-PERFORMING LOANS OF LARGE BANKS IN A EUROPEAN COMPARISON

04

1. **The EU Npe ratio fell to 1,9%** in the first quarter of 2022, the lowest level since 2015. **The incidence of stage 2 loans is increasing**, reflecting a general forecast of worsening credit risk.
2. At the end of the first quarter of 2022, **the volume of Npe of significant EU banks (Eba definition) stood at € 384 billion** (16% the share of Italian banks), the lowest value since the peak of 2015 when the stock was almost € 1.100 billion and Italy contributed 34%
3. **The default rate at Q1'22 of Italian companies and households is lower than the EU average.** Among Italy's peer countries, only Spain recorded a significant deterioration.
4. **The indebtedness of Italian companies and households compared to GDP and disposable income is, respectively, 11% and 33% lower than the EU average.**
5. Against the low debt of households and companies, **in the first quarter of 2022 Italy shows an incidence of bank loans classified in stage 2 (13,1%) higher than the EU average (9,1%),** showing greater prospective risk .

## GACS-ASSISTED PORTFOLIOS

05

1. **The GACS have concretely supported the de-risking of Italian banks and the development of the Npl market with € 107 billion in the related sales.**
  - I. 20 banking institutions involved
  - II. ~ 32% of the total Npe transactions since 2016
2. **All the portfolios assisted by GACS launched by the end of 2018 performed below the business plan. In the context of the most recent transactions (from 2019 to today), on the other hand, 11 out of 17 portfolios have exceeded the targets.**
3. **Compared to the pre-Covid period, the monthly trend in the collections of portfolios with GACS shows a lower average recovery trend.** The first six months of 2022 showed no improvement.

## REAL ESTATE MARKET AND COURT PROCESSING

06

1. **2021 was a record year for the Italian real estate market with a number of sales (749 thousand) 47% higher than the average recorded in the years preceding the pandemic.**
2. **In the first six months of 2022, ~78.000 properties went to judicial auction, for a value of € 11,1 billion.** A still limited number of auctions which are still affected by the effects resulting from the closure of the courts in pandemic times. A strong acceleration is expected in the second half of 2022.
3. **Of the ~78.000 properties published at auction, 75% is represented by real estate executions, or properties subject to foreclosure; only 22%, on the other hand, is attributable to insolvency procedures, ie bankruptcies, arrangements with creditors and other procedures attributable to corporate crises.**

NOTES: Large banks: significant banks according to the EBA definition.

## The Italian economy: investments and exports have pushed the recovery but increases in prices and rates could cause a slowdown.

### Italy GDP– changes y/y

Year	Previous estimate	Current estimate
2021	6,2%	6,6%

**The Italian GDP in 2021 closed with a higher than expected progress**, thanks to the reaction capacity of the companies that continued to invest (for non-financial companies + 17% the increase in investments, bringing the fixed endowment of companies above the pre-crisis established levels) and enhanced the international positioning of Made in Italy (+18,2 the increase in export value in 2021), but also for the effectiveness of government interventions (moratoriums, strengthening of loans with public guarantees, ban on dismissals , ...) and the expansionary monetary policy.

2022	4,0%	2,8%
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**The first part of 2022 did not show a change in the dynamics of non-performing loans** (0,96% the default rate of the 1st quarter which follows the average 1% of 2021) and the GDP in the first half consolidated a growth of + 3,5%

However, **the persistence of the criticality of prices on energy, raw materials and food (+ 9,1% the inflation level in August 2022) coupled with the increase in rates** (the ECB on 8 September increased the rate of reference after + 0,5% in July) lead to estimate a lower growth than assumed a few months ago. In July, Italian industrial production saw a cyclical reduction of -2% and a tendential decrease of -1,1%

2023	2,5%	-0,4%
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The forecast scenario factors in a worsening of production, mainly concentrated in 2023, based on the following assumptions:

- **The war in Ukraine drives energy prices further, even with potential rationing.**
- **The EU intervenes on the energy market** - modification of the price formation mechanism and / or gas price cap - and the **Italian state activates aid to households and corporate** to minimize the impact of prices.
- **Inflation remains high in 2023 (~ 6% forecast)**, and then falls in **2024 (~ 4%)** but has not yet returned to pre-pandemic levels.
- **Disinflation comes at a cost.** Major central banks have already responded to high inflation by raising interest rates, but the exact amount of monetary policy tightening needed to lower inflation is not yet known and, at present, further action is foreseen.
- **The slowdown in China persists**, both due to the risk of further lockdowns and the financial effects triggered by the real estate crisis.

2024	1,7%	1,8%
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## Stakeholder



### Households



### Companies



### Banking system



### State and EU

# The Italian economic fundamentals can play the role of mitigant.

## Mitigant

- › **€ 10.000 billion the net wealth of Italian families**, with real assets representing 56% of gross wealth and financial assets (€ 4.800 billion) the remaining 44%
- › **Savings have continued to grow since the start of the COVID 19 pandemic**, with deposits up 12% in mid-2022 compared to December 2019.
- › **Low debt in international comparison**: 64,2% of disposable income vs 97,7% of the EU average at the end of the 1st quarter of 2022.
- › **Resilient Italian companies with a good speed of recovery**: industry turnover up by + 20,6% in the first half of 2022 vs the same period of 2021.
- › **Bankruptcy rates historically low and maintained after the end of the moratorium**: in the 1st quarter of 2022 -21,6% vs 2021 and -29,8% vs 2019.
- › **Increasing liquidity**: over € 400 billion of bank deposits, up by 37% compared to December 2019.
- › **Low debt in international comparison**: 70% of GDP vs 79% of the EU average at the end of the 1st quarter of 2022.
- › **Banking system with profitability growing** 10,7% the average ROE of the 7 main banking groups in the first half of 2022, up from 7,9% in the first half of 2021, even without separating the "Russia" effect.
- › **Implementation of a strong de-risking** with an Npe Ratio of 4% (EBA target 5%) at the end of the first quarter of 2022.
- › **Development of risk early warning systems**, also based on frontier technologies (AI, big data, ...).
- › **Intense public support in 2022**: with the three "Decreto Aiuti" ~70 billion of euros allocated.
- › **Attention to a structured solution for the management of higher-risk loans from ex-moratorium or assist from a guarantee fund** (eg hypothesis of the Glam platform).
- › **Driven by investments from the Next Generation EU** (€ 191 billion), accompanied by a reform plan.

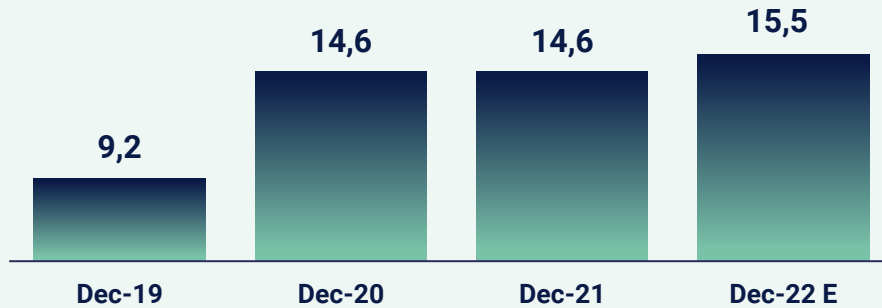
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## Non-performing loans in Italian banks

In the 2020-2021 two-year period, Italian banks recorded an increase in private sector risk factors (households and businesses), classifying 14,6% of the related loans in Stage 2 (accounting principle IFRS 9).

A further increase of 1 percentage point is expected in 2022.

**BANK LOANS CLASSIFIED IN STAGE 2: ESTIMATE INCIDENCE ON THE STOCK OF PERFORMING LOANS TO THE PRIVATE SECTOR - PERCENTAGES**



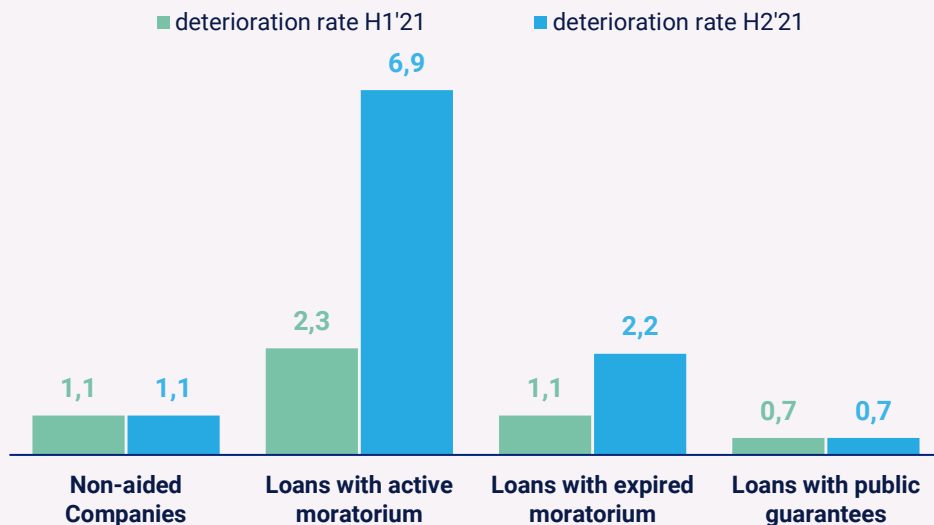
The amounts of performing loans classified in Stage 2 reflect a worsening of the customer risk profile compared to the previous evaluation.

The valuation is based on a prospective vision based on a scenario forecast when preparing financial statements.

SOURCE: Banca Ifis Research Department estimates on the Bank of Italy statistical database. Dec-19 estimate from Banca Ifis internal analysis.  
NOTES: On the basis of IFRS 9, performing loans with a higher risk are included in stage 2. The data refer to loans to the non-financial private sector.

The loans of corporate with moratorium, either expired or still active as of 31<sup>st</sup> December 2021, have a higher and increasing deterioration rate in the second half of 2021 when compared to loans with public guarantees or non-aided companies.

**DETERIORATION RATES FOR COMPANIES BENEFICIARIES OF SUPPORT MEASURES - PERCENTAGES**



As of December 31, 2021, the deterioration rate of companies with a moratorium still active was 6,9%, an increase of 4,6% percentage points compared to the first half of the year. From 1,1% to 2,2%, on the other hand, the increase in receivables with an expired moratorium.

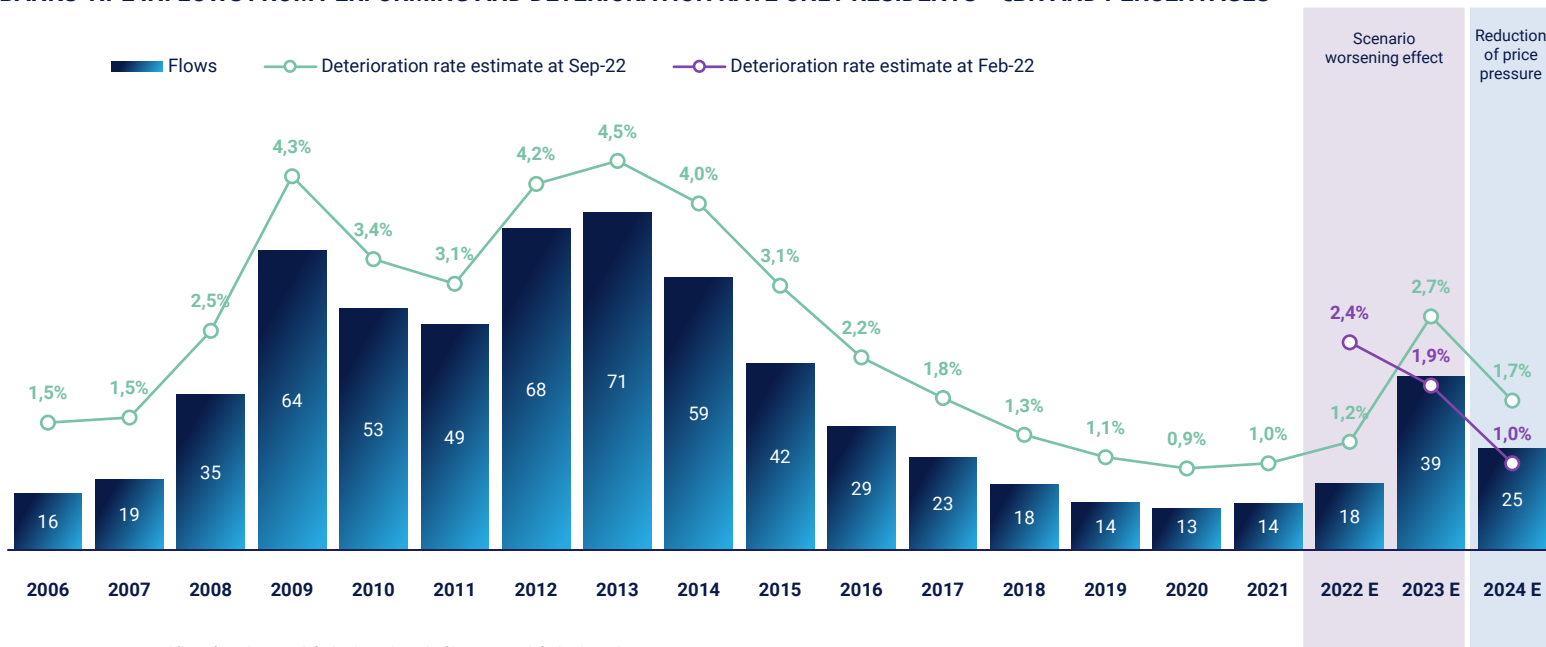
This dynamic is consistent with the high percentage of overdue moratorium credits (30%) classified in Stage 2 by the large Italian banks (significant banks based on EBA definition).

SOURCE: Banca Ifis internal elaboration on MEF Press Office Releases, Bank of Italy. NOTES: Annualized half-yearly deterioration rate. Large banks: significant banks according to the EBA definition



In the three-year period 2022-2024 it is estimated € 82 billion of new Npe flows. Compared to last February's forecast, an increase of € 10 billion in new flows and a 6/9 months delay (peak in 2023) are assumed.

**BANKS' NPE INFLOWS FROM PERFORMING AND DETERIORATION RATE ONLY RESIDENTS - €BN AND PERCENTAGES**

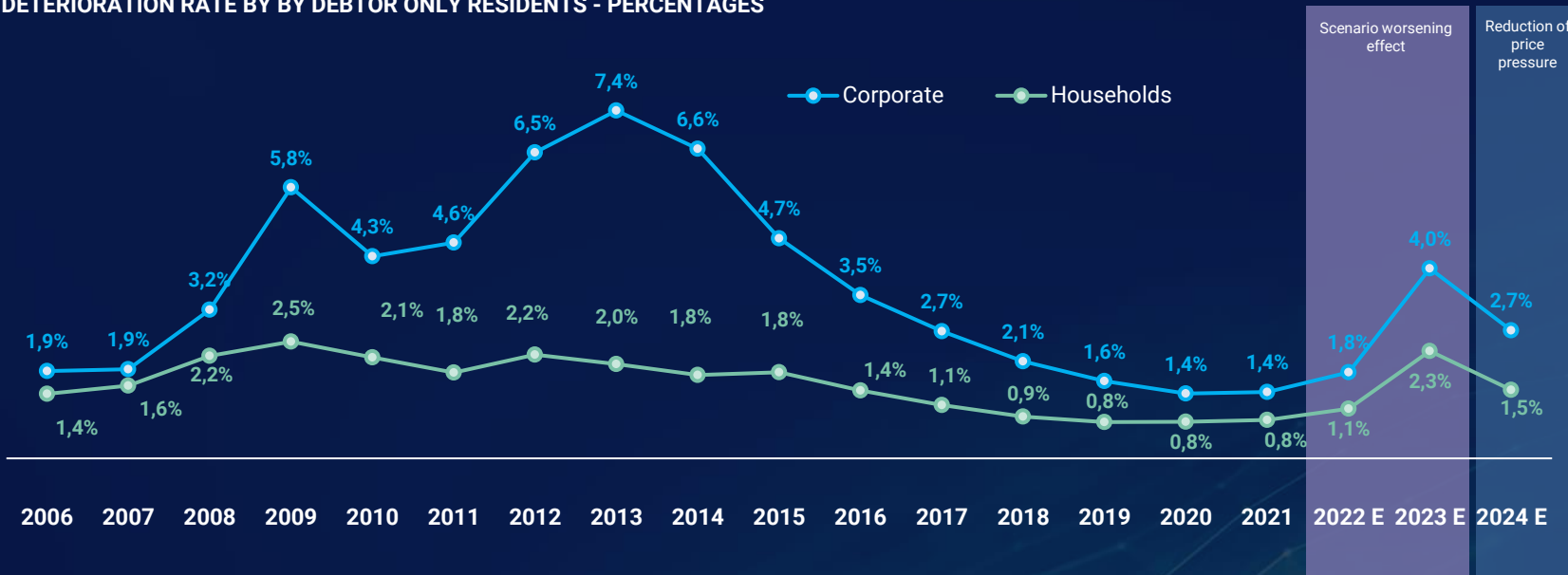


The new forecasts take into account the good performance of the Italian economy in the first half of 2022 but also the change of scenario based on the new assumptions indicated on page 4 and mitigants on page 5.

DETERIORATION RATE: annual flow of new loans in default adjusted/stock of loans not in default adjusted previous year.  
 NPE FLOW: annual flow of new loans in default adjusted. annualized estimate data). SOURCE: Banca Ifis internal analysis based on Banca d'Italia statistical Database.

The deterioration rate of businesses is estimated to be higher than in the household segment, due to the risk associated with ex-moratorium loans.

DETERIORATION RATE BY DEBTOR ONLY RESIDENTS - PERCENTAGES

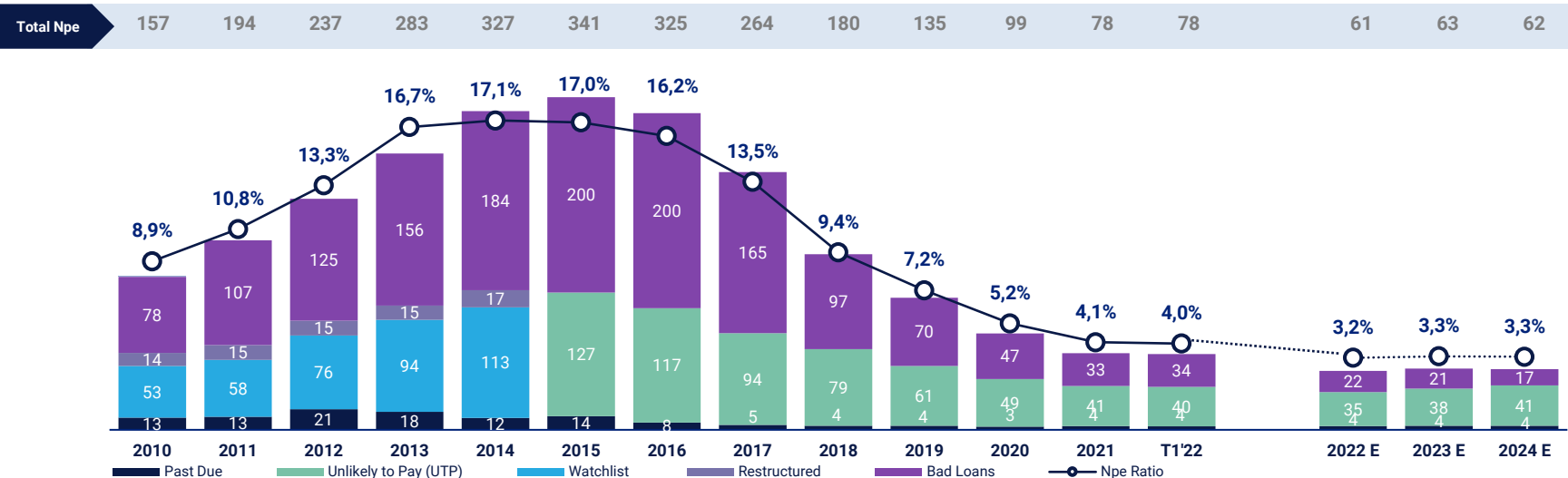


DETERIORATION RATE: annual flow of new loans in default adjusted / stock of loans not in default adjusted previous year.

SOURCE: Banca Ifis internal analysis based on Banca d'Italia statistical Database. NOTES: Corporate includes non-financial companies and producer households; Households includes consumer households and other residual values.

The acceleration of sales in the last part of the year brought the 2021 Npe ratio to 4,1%, below the EBA target of 5%. In the three-year period 2022-2024, the increase in impaired flows will be offset by the continuation of de-risking, also in line with the plans of the main banks.

**GROSS BANK'S NPE OF RESIDENT AND NON-RESIDENT DEBTORS - €BN AND PERCENTAGES - CLASSIFICATION OF BAD LOANS UPDATED IN 2015**



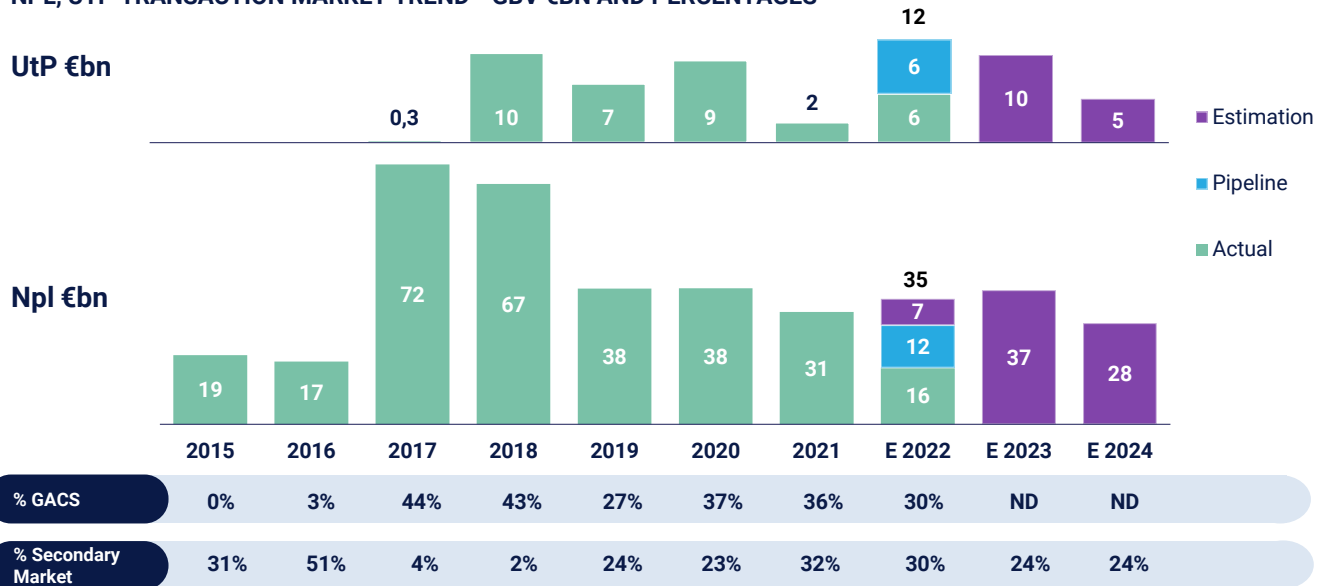
SOURCE: Banca Ifis Research Department elaborations on the Bank of Italy statistical database; 2022-2024 Banca Ifis internal estimates. NOTES: Normalized data. The new definition of default harmonized at European level has been in force since January 2021. The data includes transactions with resident and non-resident entities, excluding interbank relations. Bad loans are carried forward at book value. Npe ratio calculated as the ratio of total non-performing loans to total loans to customers.

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## Npl and UtP transaction market

€ 35 billion of Npl transactions are expected in 2022, with the secondary market now an important component (30%). The sale of UtP portfolios is expected for 12 €bn, of which 6 have already been finalized. The market will also remain dynamic in the two-year period 2023-2024.

#### NPL, UTP TRANSACTION MARKET TREND - GBV €BN AND PERCENTAGES



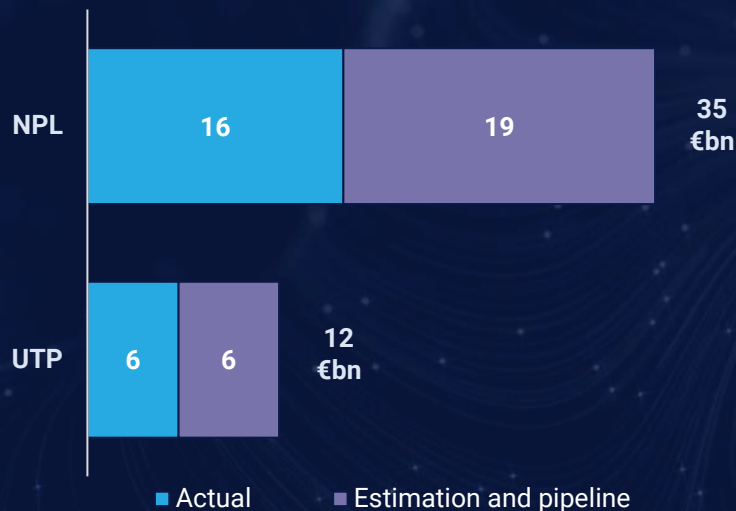
The Npl market is expected to register significant volumes also in the two-year period 2023-2024 following:

- Massive de-resking plans, especially by main banks.
- Greater flows of impaired.
- Investors' appetite.

SOURCE: Banca Ifis Npl Market Database - News and press releases - Banca Ifis internal analysis.

In the first nine months of 2022, disposals of € 22 billion of Npe were finalized. In particular, the Npl transaction market is more dynamic than in 2021, as evidenced by the temporal phasing with almost double the volumes achieved compared to the same period of the previous year.

NPL, UTP AND PIPELINE MARKET TREND - €BN OF GBV AND PERCENTAGES



INCIDENCE OF TRANSACTIONS AS OF SEPTEMBER 15<sup>th</sup>



Among the most significant NPL transactions in 2022 we point out:

- the securitization of Intesa Sanpaolo of € 8,5 bn
- the Unicredit securitization of UtP of € 2 bn GBV

SOURCE: Banca Ifis Npl Market Database - News and press releases - Banca Ifis internal analysis.

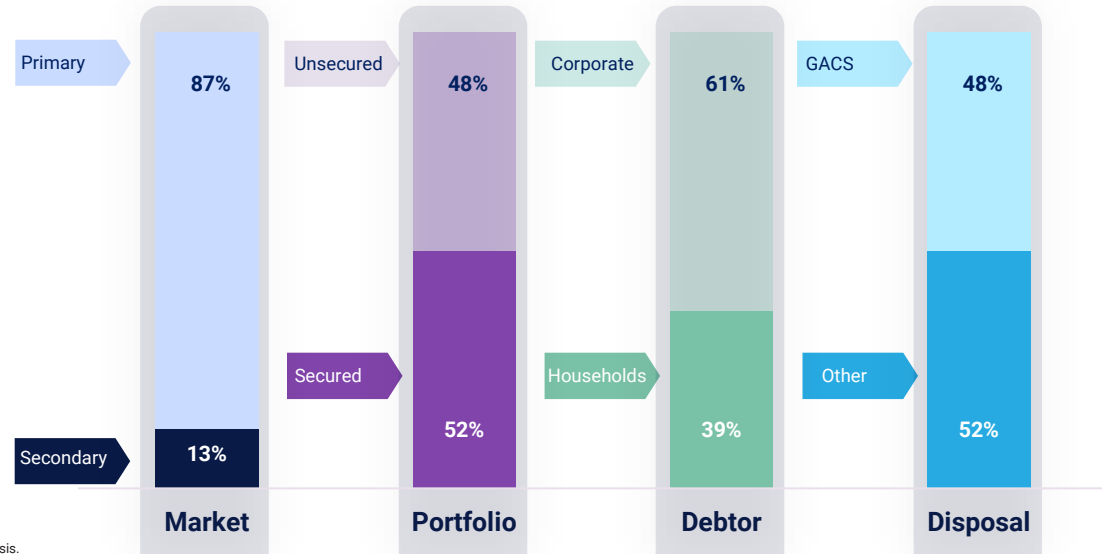
Transactions with GACS represented almost 50% of the volumes in 2022, absorbing 41% of the secured portfolios handled.

The GACS of Intesa Sanpaolo's Organa SPV vehicle instead contributed to the unsecured component which accounted for 48% of the total transactions in the first nine months of 2022.

**22**  
**€bn**

**Npe transacted  
as of September  
15<sup>th</sup>, 2022**

**TOTAL 2022 NPE TRANSACTIONS: FROM JANUARY TO SEPTEMBER 15<sup>th</sup>, 2022 BY MARKET TYPE, PORTFOLIO, DEBT AND TYPE OF DISPOSAL - €BN OF GBV AND PERCENTAGES**



SOURCE: Banca Ifis Npl Market Database - News and press releases - Banca Ifis internal analysis.

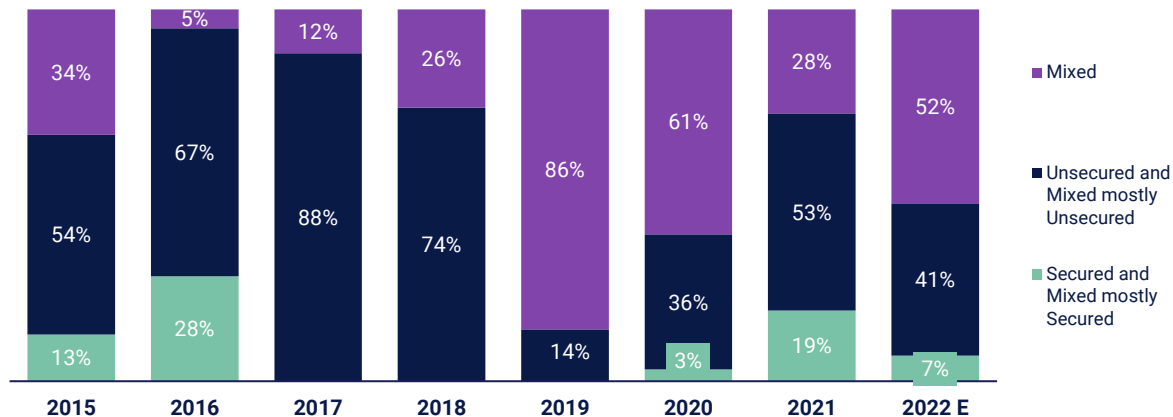
The secondary NPL market has developed over the years reaching a transacted GBV of € 48 billion from 2015 to 2021 and in 2022 it will contribute another € 10 billion (30% of the total volumes). Unsecured credits prevail because they are channeled to operators specialized in this asset type.



The development of the secondary market is an efficiency driver, which is a symptom of the maturity of the sector.

NPL TRANSACTIONS ON THE SECONDARY MARKET BY PORTFOLIO TYPE - €BN AND PERCENTAGE

€bn	6	9	3	2	9	9	10	10
% of total Npl transactions	31%	51%	4%	2%	24%	23%	32%	30%

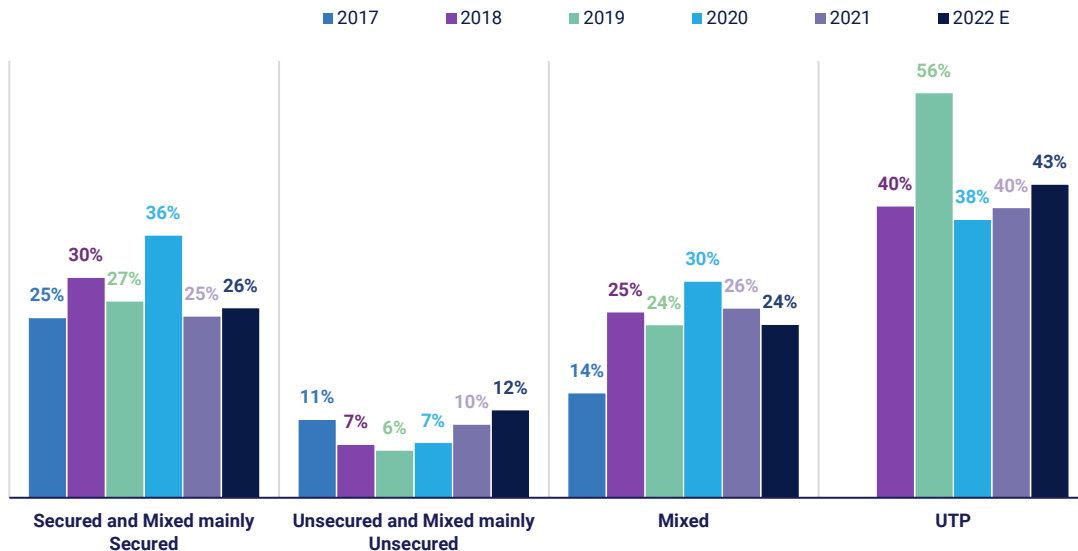


SOURCE: Banca Ifis Npl Market Database - Press releases and news - Banca Ifis internal estimates.



The high incidence of transactions with GACS, more “fresher” portfolios and the appetite of investors have led to a slight increase in average prices in 2022. We have not detected the impact of interest rates and inflation on the 2022 deals seen on to date.

#### NPL AND UTP TRANSACTIONS: ESTIMATED AVG PRICES BY PORTFOLIO TYPE - PERCENTAGES



The price on Unsecured is rising because it is influenced by Intesa Sanpaolo's GACS in addition to the effects produced by the “freshest” (max 12 months) small ticket portfolios that meet the appetite of investors specialized in the segment. The increase is mitigated by the growing incidence of the secondary market.

Currently, the effect of inflation and rate hikes is not detected on the 2022 deals, which could have an impact on the value of the new NPL portfolios that will arrive on the market.

SOURCE: Banca Ifis Npl Market Database - News and press releases - Banca Ifis internal analysis.

From January to September 2022, Npl transactions for € 15,7 billion were completed. The estimate of the Npl volumes still to be closed in 2022 is € 19 billion, € 6 billion are already under development ("ongoing" in the pipeline table).

DETAILS OF NPL TRANSACTIONS FINALIZED AT SEPTEMBER 2022 AND PIPELINE 2022

**NPL**  
**Actual**

Seller (Originator)	€bn GBV	Market	Investor	Servicer
Intesa Sanpaolo	8,5	Primary	Crc and Bayview, other investor	Intrum Italy
Unicredit	1,3	Primary	Illimity	Illimity
Unicredit	1,1	Primary	Various investors	doValue
Confidential	0,6	Secondary	SOREC S.r.l.	SOREC S.r.l.
Various sellers	1,4	Primary/Secondary	Banca Ifis	Banca Ifis
Iccrea Banca	0,7	Primary	Various investors	doValue
Monte dei Paschi di Siena	0,2	Primary	AMCO	AMCO
Monte dei Paschi di Siena	0,4	Primary	Intrum (Alicudi spv)	Intrum
Illimity, Aporti S.r.l., Doria SPV S.r.l.	0,5	Secondary	Illimity, other investors	Cerved
Banco BPM	0,4	Primary	Various investors	Gardant (ex Credito Fondiario)
Confidential and other minor sellers	0,6	n.a.	n.a.	n.a.
<b>Total actual 2022</b>	<b>15,7</b>			

**NPL**  
**Pipeline**

Seller (Originator)	€bn GBV	Market	Potential Investor	Status
UnipolRec	2,6	Secondary	AMCO	Ongoing
Intesa Sanpaolo	1,4	Primary	AMCO	Ongoing
BPER	0,6	Primary	n.a.	Ongoing
Banco Desio	0,5	Primary	n.a.	Ongoing
Banca del Fucino	0,3	Primary	AMCO (Partnership project)	Ongoing
Banco BPM	0,3	Primary	n.a.	Ongoing
Unicredit	1,0	Primary	n.a.	On plan
Banche popolari (Luzzatti)	0,7	Primary	Prelios	Ongoing
Iccrea Banca	0,6	Primary	n.a.	On plan
Multi-Originator	1,5	Primary	Taurus Fund, Polis fund and PWC	Announced
Stima	0,9	Primary	n.a.	On plan
Stima	6,4	Secondary	n.a.	On plan
Confidential and other minor sellers	2,3	Primary/Secondary	n.a.	n.a.
<b>Total pipeline 2022</b>	<b>19,1</b>			

The market is enriched by the sales of UtP: € 5,8 billion the GBV of the deals already concluded in 2021. Another € 6,0 billion of transactions in progress for the year.

DETAILS OF UTP TRANSACTIONS FINALIZED AT SEPTEMBER 2022 AND PIPELINE 2022

**UTP**  
Actual

Seller (Originator)	€bn GBV	Market	Investor	Servicer
Unicredit	2,0	Primary	Various investors and CRC	Prelios
Intesa Sanpaolo	0,1	Primary	AMCO	AMCO
Intesa Sanpaolo	2,2	Primary	Confidential	n.a.
Multi-originator	0,3	Primary	Efesto Credit Fund	n.a.
Multi-originator	0,1	Primary	Kryalos SGR	Keystone Fund
Banco BPM	0,4	Primary	Various investors	Gardant (ex Credito Fondiario)
Monte dei Paschi di Siena	0,3	Primary	Illimity	Illimity
Guber Banca	0,1	Primary	Illimity, Apeiron Management (Apollo)	n.a.
Multi-originator	0,2	Primary	Illimity (Real Estate Credit)	Illimity
Confidential and other minor sellers	0,1	n.a.	n.a.	n.a.
<b>Total actual 2022</b>	<b>5,8</b>			

**UTP**  
Pipeline

Seller (Originator)	€bn GBV	Market	Potential Investor	Status
Unicredit	0,4	Primary	n.a.	Ongoing
Unicredit	1,0	Primary	doValue, Prelios, Intrum, Gardant and Arc	Ongoing
Iccrea Banca	0,5	Primary	n.a.	Ongoing
Multi-Originator	0,4	Primary	Efesto fund (DoValue, Finint)	Ongoing
Credit Agricole	0,4	Primary	Illimity, Dovalue, Intrum	Ongoing
Gruppo Carige	0,3	Primary	n.a.	Ongoing
Banche popolari (Luzzatti)	0,2	Primary	FIA Prelios Fund	Ongoing
Banco BPM	0,7	Primary	Partnership	On plan
Multi-Originator	0,9	Primary	AMCO, Prelios, Illimity	On plan
Intesa Sanpaolo	1,2	Primary	n.a.	Ongoing
<b>Total pipeline 2022</b>	<b>6,0</b>			

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# The development of a non-performing loan market supported the reduction of Npe in bank balance sheets, reaching the EBA target of 5% in 7 years (2021).

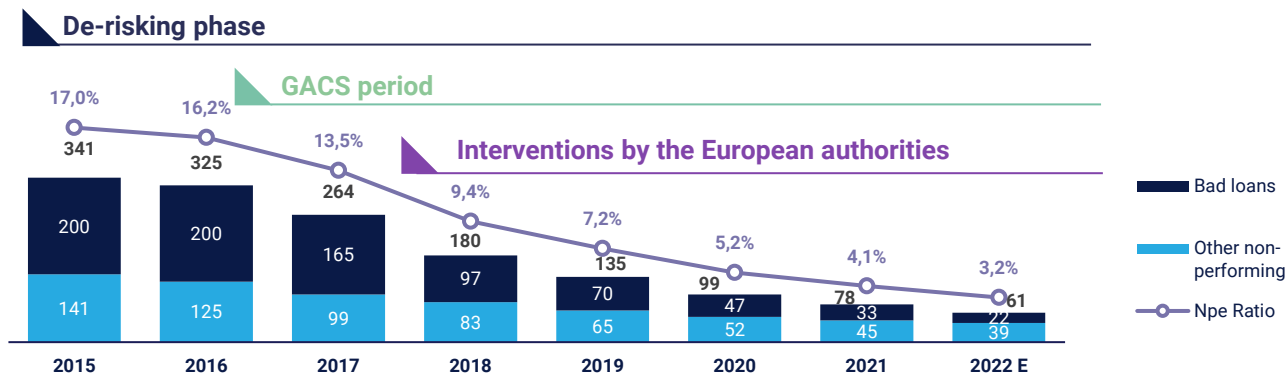
The banking sector has managed, over 7 years, to reduce the Npe ratio by more than 12 percentage points from 17% in 2015 to 4,1% in 2021, below the EBA threshold of 5%. For 2022, a further reduction to 3,2% is expected.

The total Npe in bank balance sheets has gone from € 341 billion in 2015 to € 78 billion in 2021. In 2022 a further decrease of up to € 61 billion of impaired total is expected.

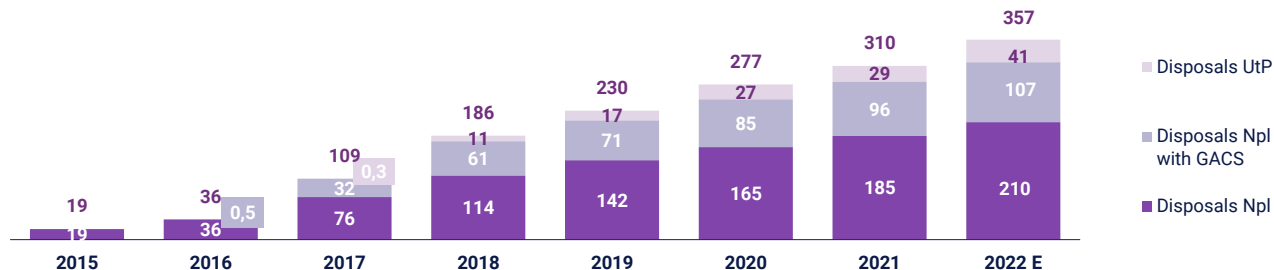
From 2015 to 2021, Npe amounting to € 310 billion were sold, of which € 29 billion from Utp. In 2022 it is expected to reach € 357 billion.

The GACS have proved to be an effective tool to facilitate the sale of bad loans with € 107 billion in sales from 2016 to 2022.

GROSS BANK'S NPE RESIDENT AND NON-RESIDENT DEBTORS - €BN AND PERCENTAGES



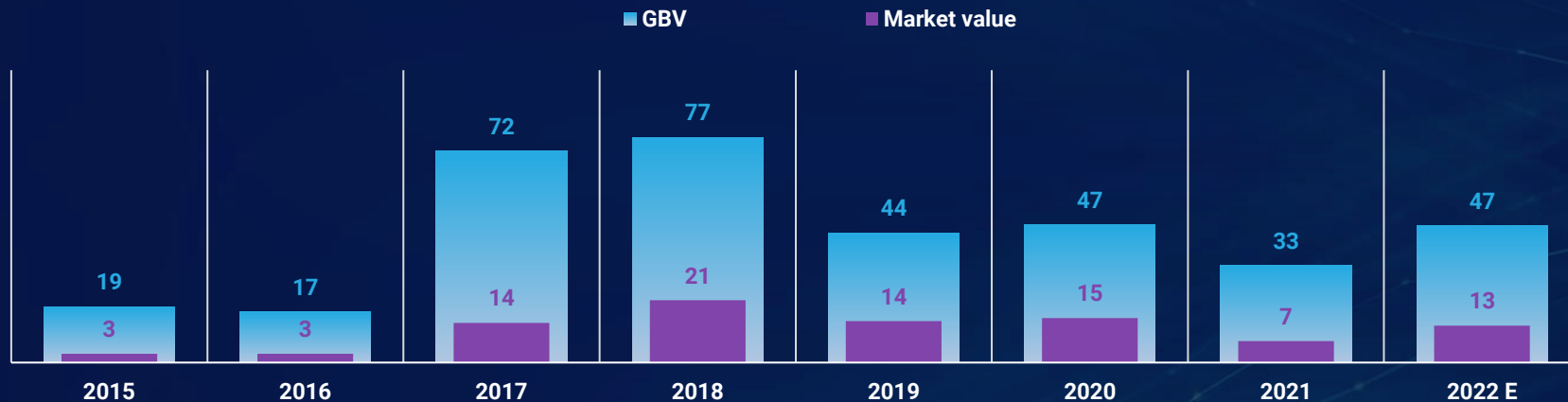
NPL, UTP MARKET TREND CUMULATED SINCE 2015 - GBV €BN



NOTES: Normalized data. The new definition of default harmonized at European level has been in force since January 2021. The data includes transactions with resident and non-resident entities, excluding interbank relations. Bad loans are carried forward at book value. Npe ratio calculated as the ratio of total non-performing loans to total loans to customers. SOURCE: Banca Ifis Research Department elaborations on the Bank of Italy statistical database; 2022 E Banca Ifis internal estimates. Forecast: Banca Ifis Npl Market Database - News and press releases - Banca Ifis internal analysis.

From 2015 to 2022, it is estimated that investors spent almost € 90 billion on the primary and secondary market on the NPE market.

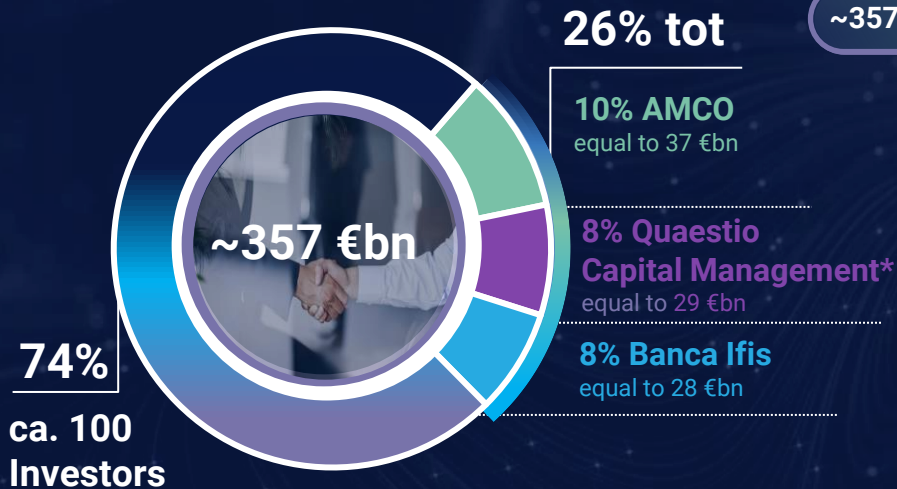
#### GBV OF NPE PORTFOLIOS AND ESTIMATE OF MARKET VALUE – €BN



SOURCE: Banca Ifis Npl Market Database - Press releases and news - Banca Ifis internal estimates.

~100 active investors between 2015 and today, with the top 3 operators covering 26% of the total market. Banca Ifis is the only active investor in all the years examined. Quaestio focused on MPS and AMCO portfolios mainly active on large system operations.

TOP 3 INVESTORS, INCIDENCE OF NPE PURCHASES FROM 2015 TO 2022 ESTIMATE - € BN AND PERCENTAGES



TOP 3 INVESTORS, INCIDENCE OF PURCHASES IN EVERY SINGLE YEAR – €BN AND PERCENTAGES



SOURCE: Banca Ifis Npl Market Database - Press releases and news - Banca Ifis internal estimates. \* Notes: DEA majority shareholder.

Italian banks have achieved an important de-risking result. In 2017 and 2018, the record of sales continued at a rapid pace also in subsequent years thanks to a market for Npl transactions that has matured over time.

**TOTAL NPL AND UTP NON-PERFORMING LOANS SOLD FROM 2015 TO 2022: ESTIMATE WITH DETAILS OF THE MAIN SALES TRANSACTIONS – €BN**

**Year 2022 estimate**

- An estimated € 47 billion at the end of 2022. € 22 billion were transacted, of which € 8,5 billion of NPLs with GACS of Intesa, and € 6 billion of Utp.

**Year 2015**

- The Unicredit and MPS disposals accounted for 41% of the total

**Year 2016**

- The first GACS of Banca Popolare di Bari of 480 mln €

**Year 2017**

- €24bn Monte Paschi di Siena
- €17.7bn Unicredit Final project
- €2.8bn as part of the rescue of Caricesena, Carim and Carismi

**Year 2018**

- €18bn from bankruptcy of the Venetian banks
- €12,5bn BPM transfer of impaired loans and GACS management platform
- €10,8bn Intesa joint venture con Intrum

**Year 2021**

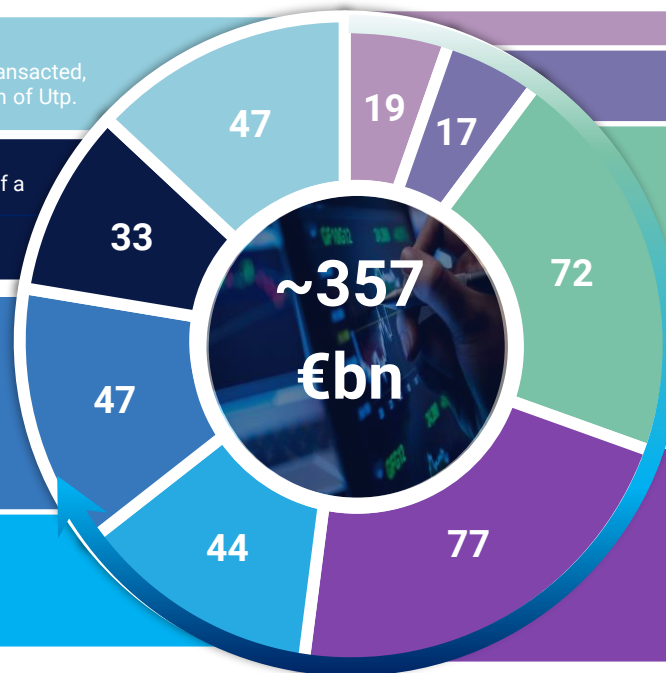
- Primary market characterized by a high number of transactions of a lower average amount
- 32% of sales on the secondary market: an all-time high for this segment.

**Year 2020**

- €8bn MPS Hydra project, credit demerger in favor of AMCO
- €6.6bn Banca Intesa Sanpaolo as part of the de-risking plan
- €6.3bn Iccrea and the cooperative banks as part of the de-risking action

**Year 2019**

- €10bn secondary market equal to 24% of the total market
- €10bn deleveraging of Unicredit
- €2.8bn crisis of Banca Carige

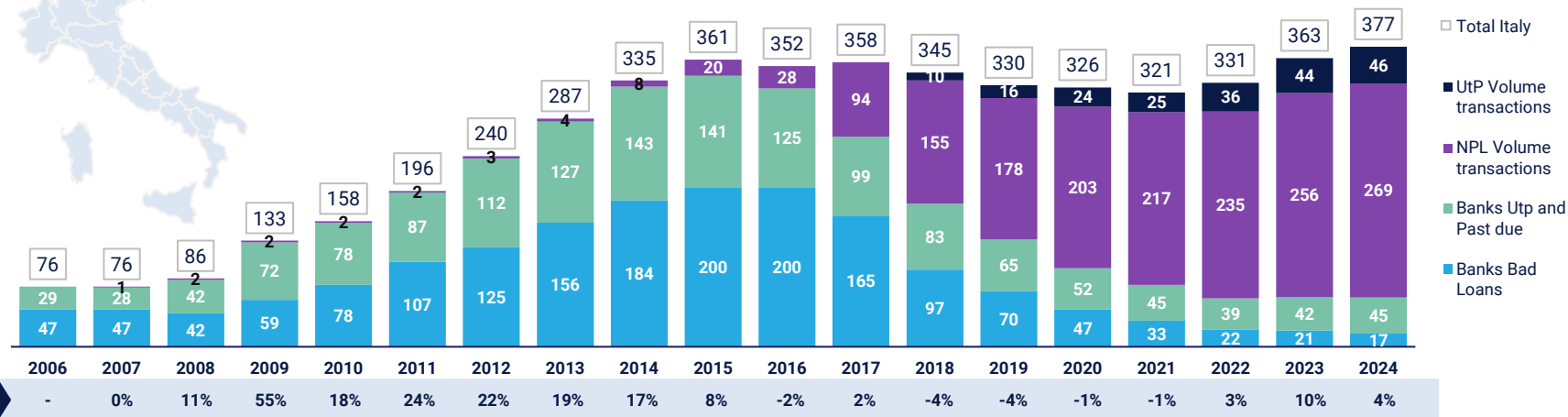




The stock of Npes in Italy decreased from € 361 billion in 2015 to € 321 billion in 2021, thanks to action of banks and servicers.

From 2022 an increase in the stock is estimated due to the expected increase in non-performing loans and a reduction in recovery rates, especially on larger tickets and secured loans that require longer recovery times.

**ESTIMATED AMOUNT OF TOTAL NPE IN ITALY (RESIDENTS AND NON-RESIDENTS IN BANK FINANCIAL STATEMENTS + PORTFOLIOS SOLD NET OF RECOVERIES) – €BN**



SOURCE: Banca Ifis Research Department internal estimates from Banca Ifis, Bank of Italy and Unirec Npl Market Database.

NOTE: Normalized data. The new definition of default harmonized at European level has been in force since January 2021. The data includes transactions with total customers of resident and non-resident subjects, excluding interbank relations.

The Italian Npl industry has seen continuous growth from 2013 to 2021. It is expected that the revenue growth will continue at a rate of +9% in 2022 and +4% in 2023.

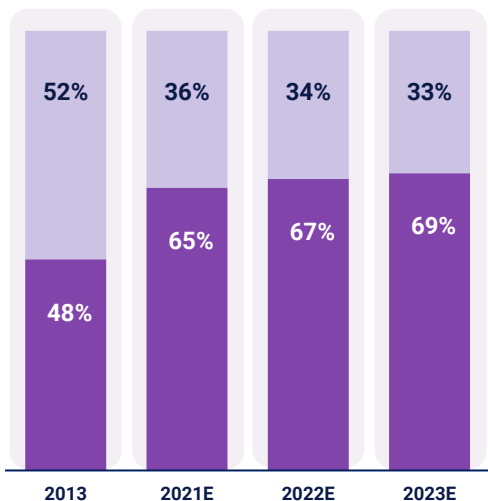
### Estimate of revenues from the Italian non-performing loan sector - € mln and percentage changes







SOURCE: Banca Ifis Research Department elaborations on Cerved database. Perimeter: ATECO code 82.91.1.

Not just revenues. Over the past decade, the Npl industry has meant investments in human resources and technology, drivers of value creation confirmed by the growth in EBITDA (+20% average per year).

Estimate of DISTRIBUTION OF TANGIBLE AND INTANGIBLE FIXED ASSETS FROM 2013 TO 2023 - PERCENTAGES



	CAGR % 13-21	Var. % 21-22	Var. % 22-23
 Tangible assets	12%	13%	6%
 Intangible assets	22%	24%	11%
 Staffing	8%	9%	4%
 EBITDA	20%	22%	10%

The growth of investments in intangible assets (software, patents, ...) has been particularly high: servicers have prepared themselves for credit management through the use of emerging digital technologies :

- Dematerialization
- Big Data
- Business Process Management
- Robotic Process Automation
- Artificial intelligence

Objectives: cost efficiency, reduction of operational risks and improvement of the "experience"

SOURCE: Banca Ifis Research Department elaborations on Cerved database Perimeter: ATECO code 82.91.1.

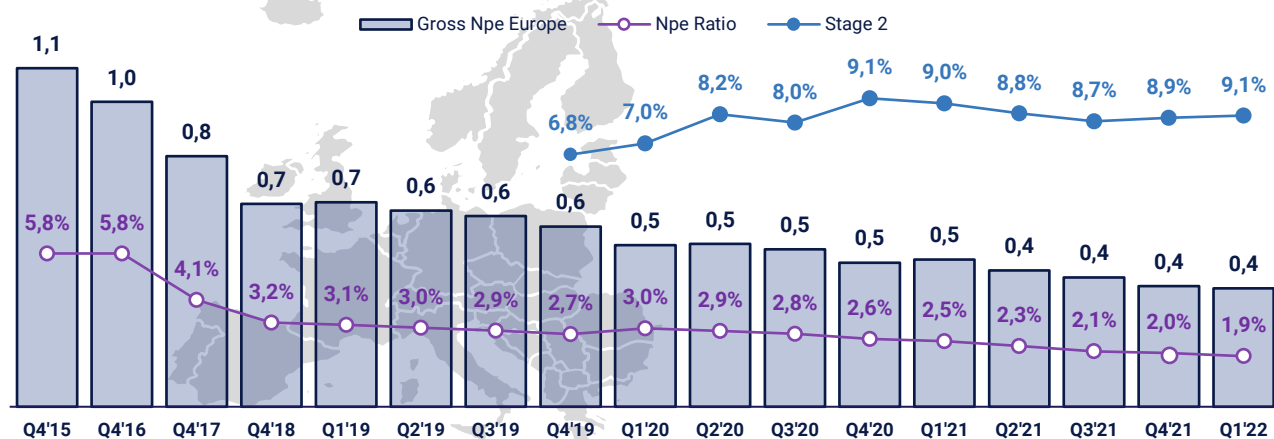
MARKET WATCH  
NPL 

## Focus 1

Npes of main Italian  
banks in a European  
comparison (EBA significant  
banks perimeter)

The EU Npe ratio further declined to 1,9% in the first quarter of 2022, the lowest level recorded since 2015. The ratio of stage 2 credits has been increasing since mid-2019 across the EU, indicating a general forecast of worsening of credit risk.

**EU NON-PERFORMING LOANS IN BANK FINANCIAL STATEMENTS, NPE RATIO AND STAGE 2 - ONLY EBA-SIGNIFICANT BANKS - TRILLION OF EURO AND PERCENTAGES**



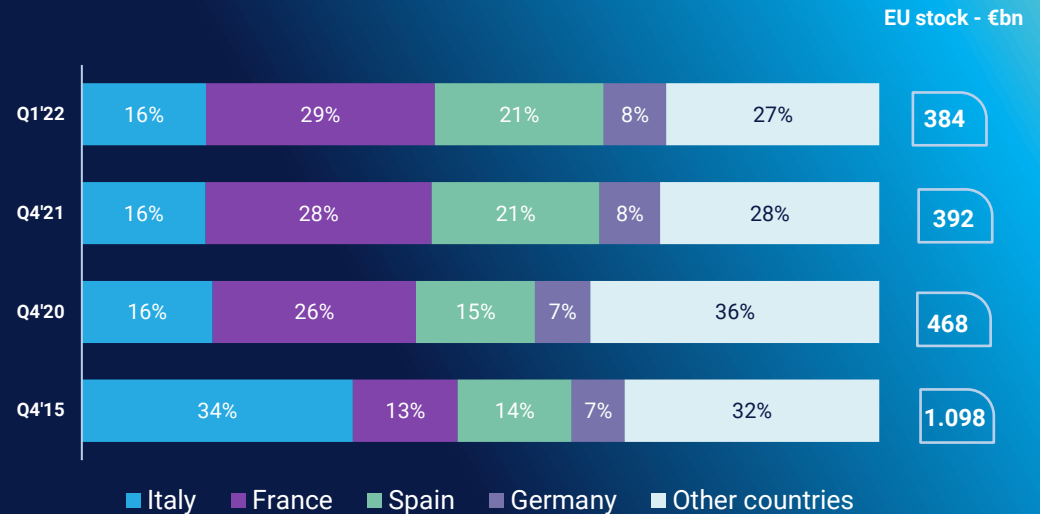
In the first quarter of 2022, the incidence of stage 2 loans continued to increase reaching 9,1% (from 6,8% at the end of 2019).

SOURCE: EBA "Risk Dashboard" report, Npl ratio based on a weighted average. NOTES: Npe Ratio calculated according to the solution implemented by the ECB for information relating to the major European banks, as established by the EBA / DC / 130 decision. In the EBA report the terms Npes and Npls are used interchangeably. Large banks: significant banks according to the EBA definition. The computation of the Npe ratio and Default rate of the Eurozone considers the significant banks according to EBA definition. The EU significant banks are large banks which have a high level of non domestic exposures characterized by lower Npe ratio values compared to domestic one. According to this rationale the EU indicators are always lower than those at country level or for specific customer segments.

At the end of the first quarter of 2022, the volume of non-performing loans of significant EU banks stood at € 384 billion (16% the share of Italian banks), the lowest value since the peak of 2015 when the stock was almost € 1.100 billion and Italy contributed 34%

The incidence of Italian non-performing loans on the total has substantially halved compared to 2015, thanks to the market for NPE transactions which allowed the de-risking of bank balance sheets and the stabilization of new non-performing loans, reaching **16%** already at end of 2020.

COUNTRY BY COUNTRY INCIDENCE OF NON-PERFORMING LOANS FOR ITALY, FRANCE, SPAIN AND GERMANY - ONLY EBA-SIGNIFICANT BANKS - PERCENTAGES AND €BN



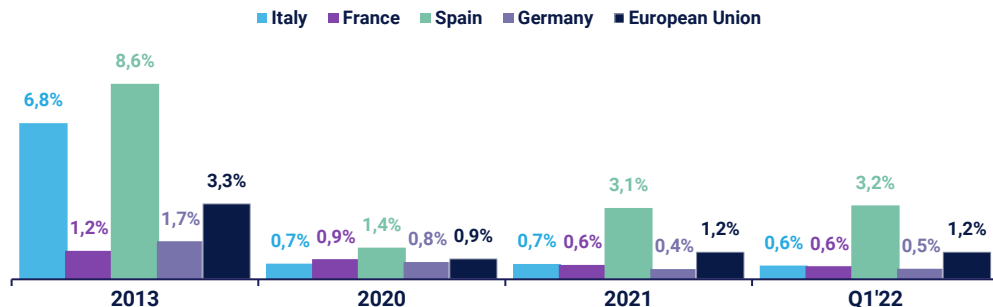
SOURCE: Banca Ifis Research Department elaborations on the EBA "Risk Dashboard" report. NOTES: Large banks: significant banks according to the EBA definition.

The default rate at 1Q 2022 of Italian companies and households is lower than the EU average, the figure of which shows an increase, albeit contained, from the end of 2021. Among Italy's peer countries, only Spain records a significant worsening of the default rate, both in the corporate segment and in the households segment.

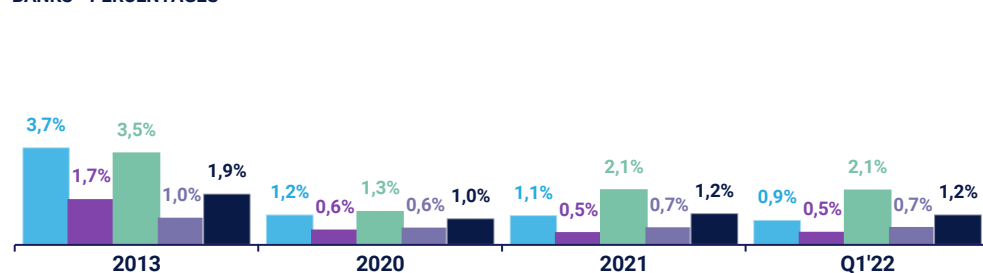
## Corporate default rate

- It has drastically decreased for all countries from its peak in 2013 (the stock reached its peak in 2015).
- Italy is below the EU average and in line with France and Germany.
- Spain's deterioration rate more than doubled in 2021 and remained at the same levels in the first quarter of 2022.

DEFAULT RATE FOR COMPANIES IN ITALY, FRANCE, SPAIN, GERMANY AND UE - PERIMETER ONLY EBA-SIGNIFICANT BANKS - PERCENTAGES



DEFAULT RATE FOR HOUSEHOLDS OF ITALY, FRANCE, SPAIN, GERMANY AND UE - PERIMETER ONLY EBA-SIGNIFICANT BANKS - PERCENTAGES



## Households default rate

- It has generally decreased compared to the peak of 2013, albeit with less effort than what was necessary for corporate.
- Italy is progressively aligning with France and Germany and shows a transition rate to non-performing below the EU average.
- Spain also recorded an increase in the default rate for households starting from 2021, albeit less accentuated than that seen in corporate.

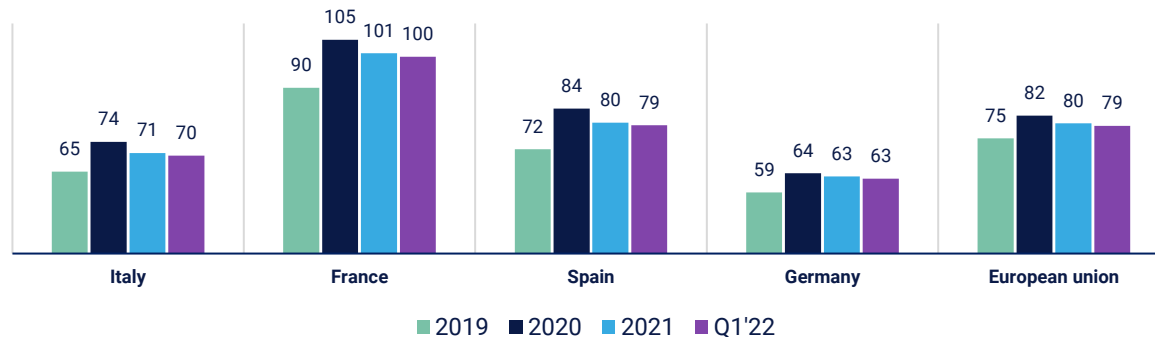
SOURCE: Banca Ifis Research Department elaborations on the EBA "Risk Dashboard- Risk parameters" report. NOTES: Large banks: significant banks according to the EBA definition. The computation of the Npe ratio and Default rate of the Eurozone considers the significant banks according to EBA definition. The EU significant banks are large banks which have a high level of non domestic exposures characterized by lower Npe ratio values compared to domestic one. According to this rationale the EU indicators are always lower than those at country level or for specific customer segments.

The indebtedness of Italian companies and households compared to GDP and disposable income is, respectively, 11% and 33% lower than the EU average.

### Companies

- In the 2020/2021 two-year period, the incidence of debt on GDP increased due to the combined effect of the decline in production and measures to support the economy.
- In 1Q 2022, the indebtedness of Italian companies in relation to GDP was 11% lower than the European average

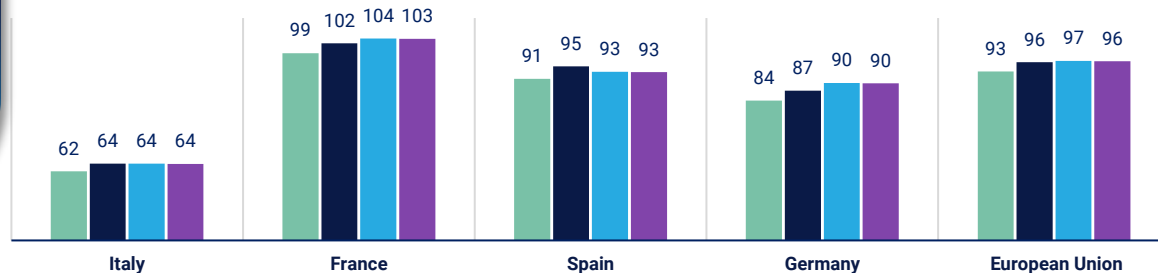
**CORPORATE DEBT IN RELATION TO GDP OF ITALY, FRANCE, SPAIN, GERMANY AND THE EUROPEAN UNION - PERCENTAGES**



### Households

- In the 2020/2021 two-year period, the incidence of debt on disposable income (index shown in the graph on the right) increased less than what occurred to businesses.
- In 1Q 2022, the indebtedness of Italian households affected disposable income 33% less than the European average.

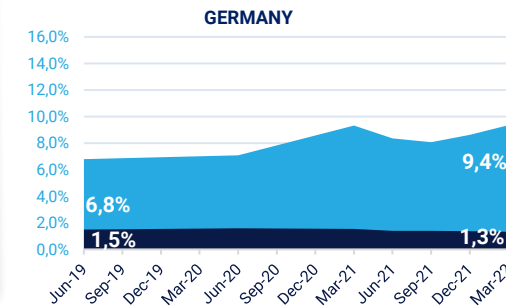
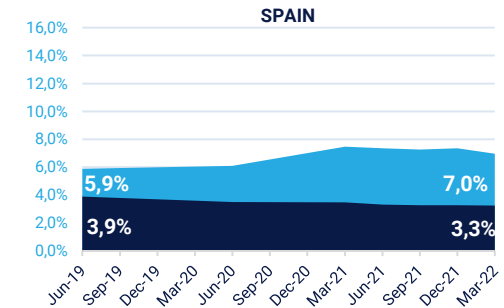
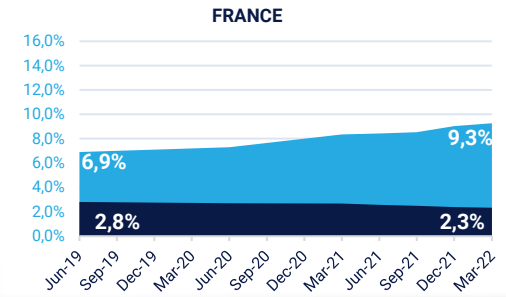
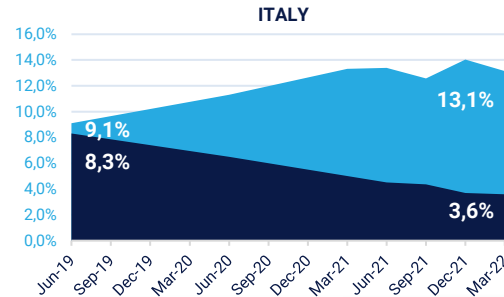
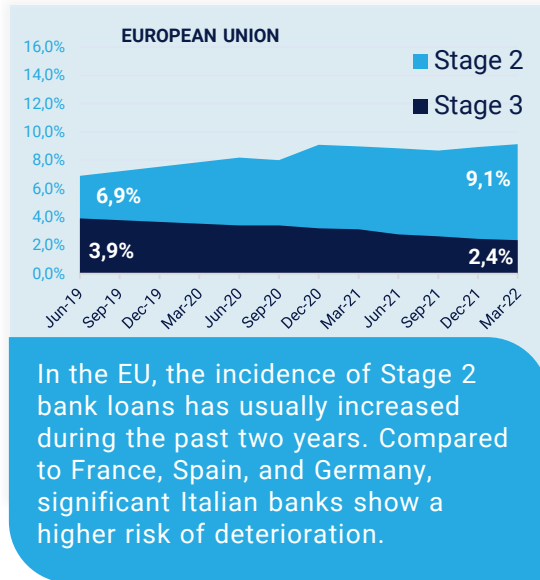
**HOUSEHOLDS DEBT IN RELATION TO THE DISPOSABLE INCOME OF ITALY, FRANCE, SPAIN, GERMANY AND THE EUROPEAN UNION - PERCENTAGES**





In 1Q 2'22 Italy shows an incidence of bank loans classified in stage 2 (13,1%) higher than the EU average (9,1%), showing a worsening of the prospective risk factors.

### LOANS IN STAGE 2 AND STAGE 3 - ONLY SIGNIFICANT EBA BANKS – PERCENTAGE INCIDENCE



MARKET WATCH  
NPL 

Focus 2

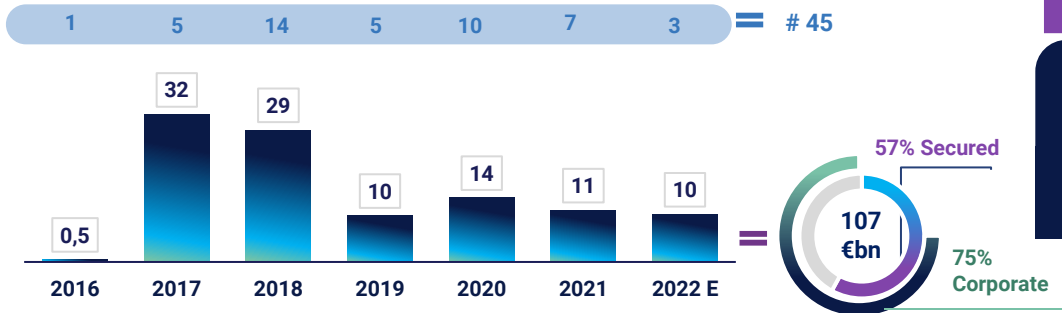
The GACS-assisted  
portfolios

The GACS have concretely supported the de-risking of Italian banks and the development of the Npl market with € 107 billion in guaranteed sales. 98% of GACS portfolios are managed by 5 servicers.

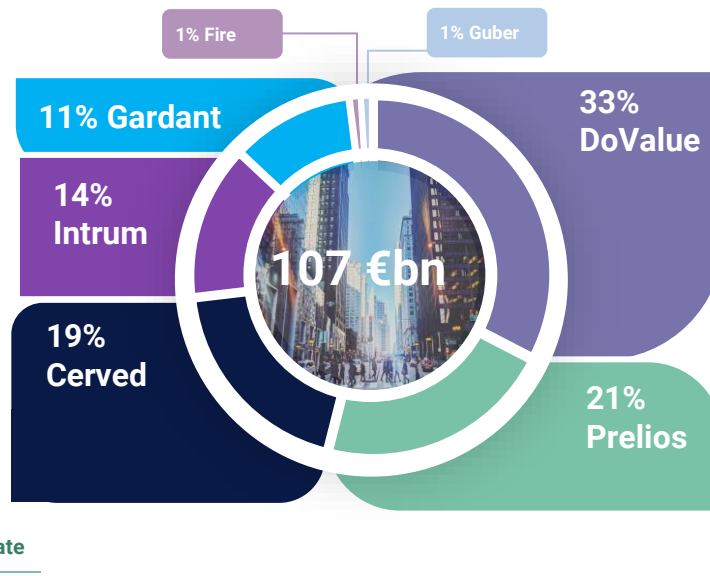
### The GACS from 2016 to the deadline of June 14, 2022

45#	The number of GACS from 2016 to 2022
107 €bn	The total of transactions with GACS sold in the market
32%	The percentage share of the total Npl transacted market
20#	The number of banking institutions involved

GACS ASSISTED NPL PORTFOLIO TREND - €BN, # NUMBER OF TRANSACTIONS AND PERCENTAGES



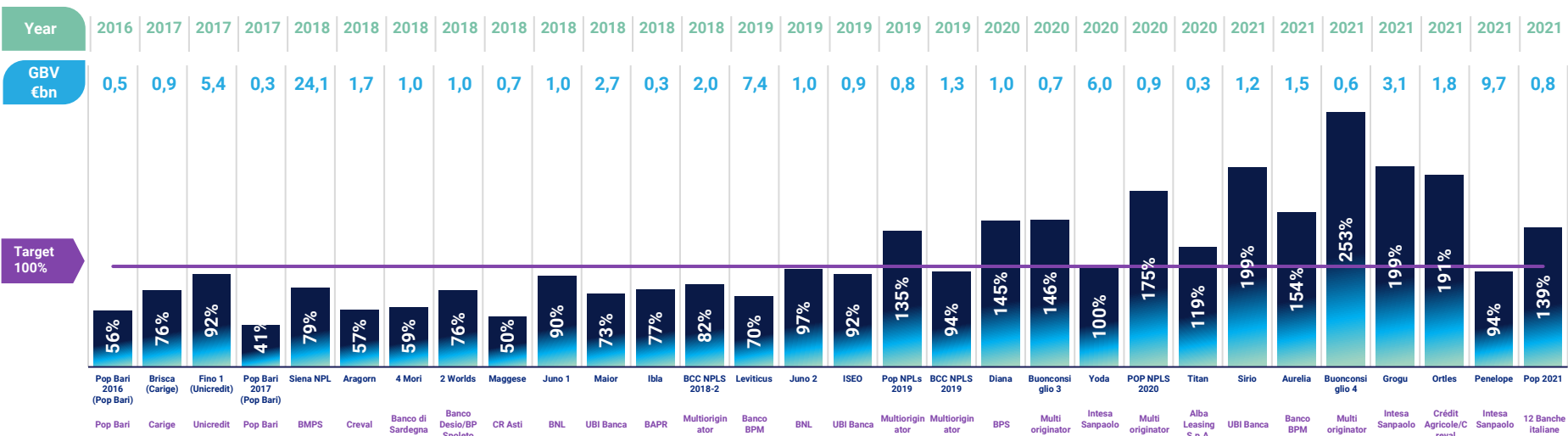
2016 - 2022 GACS ASSISTED NPL PORTFOLIO TREND PER SERVICER - €BN AND PERCENTAGES



SOURCE: Banca Ifis Npl Market Database - Press releases and news - Banca Ifis internal estimates.

All GACS-assisted portfolios launched by the end of 2018 performed below the business plan. In the context of the most recent transactions, however, 11 out of 17 portfolios exceeded the targets.

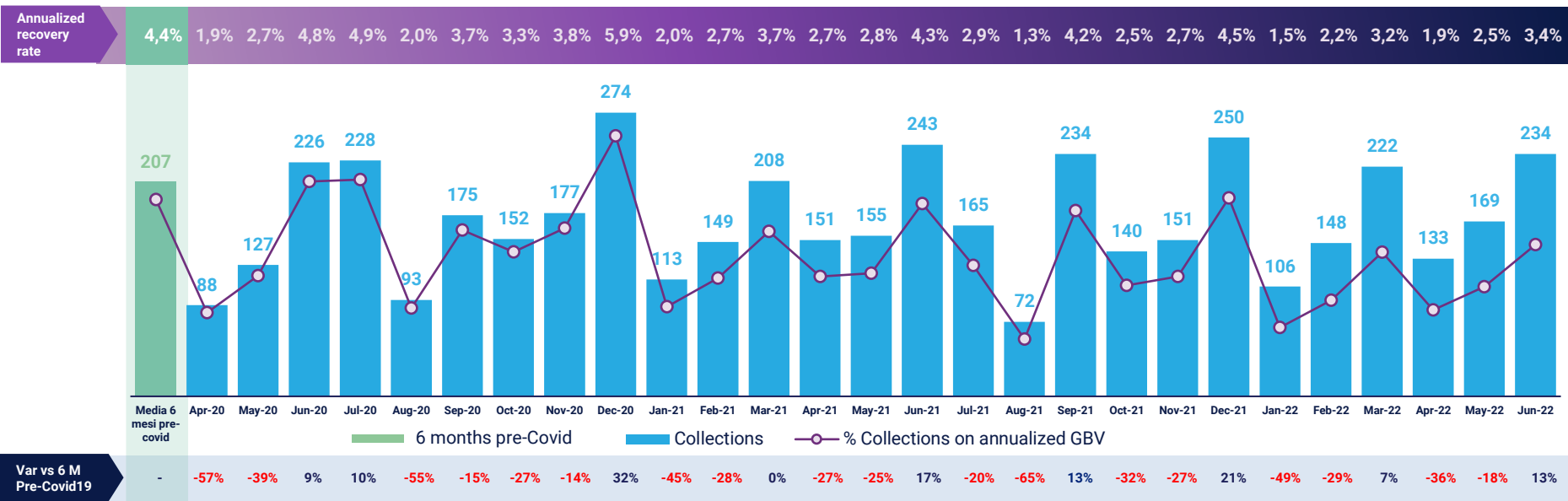
**GROSS CUMULATIVE COLLECTIONS RATIO, COMPARISON WITH SERVICER INITIAL BUSINESS PLANS AS OF THE LATEST INTEREST PAYMENT DATE (IPD) - PERCENTAGE AND €BN**



SOURCE: Banca Ifis Research Department elaborations on DBRS Monringstar European Nonperforming Loan Securitizations Performance - 2022 Update

Compared to the pre-Covid period, the monthly trend in the collections of portfolios with GACS shows a lower average recovery trend. The first six months of 2022 showed no improvement.

### GROSS INCOME TREND AND ANNUALIZED RECOVERY RATE OF GACS ASSISTED NPL PORTFOLIOS - €bn, AND PERCENTAGES ON GBV



SOURCE: Banca Ifis internal estimates on Scope Italian Npl collections monthly report - June 2022.

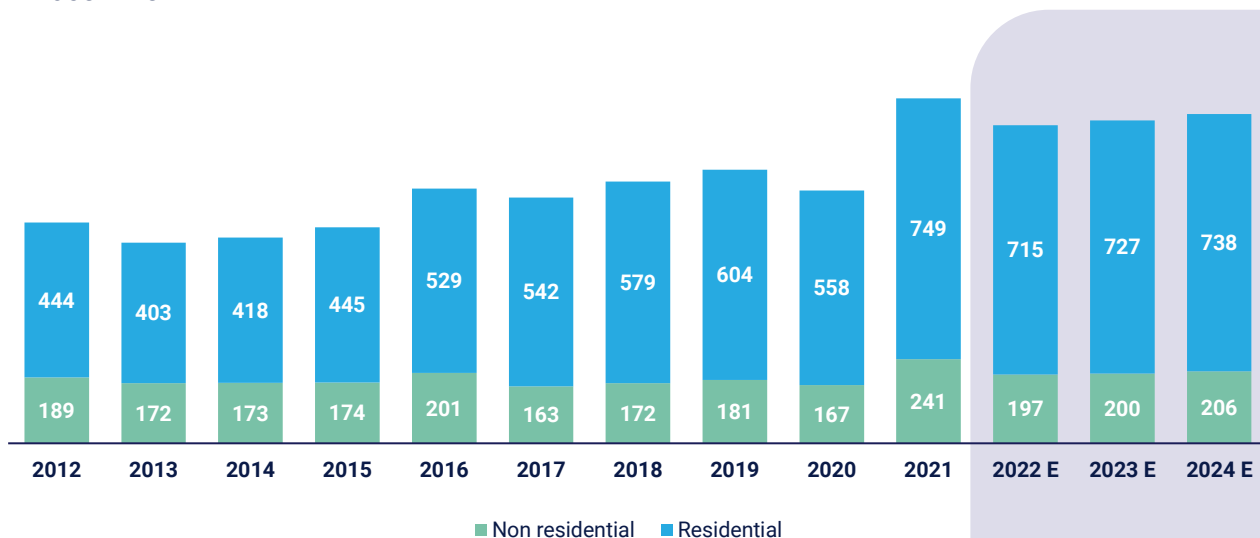
MARKET WATCH  
NPL 

## Focus 3

The real estate market  
and the court  
processing

2021 was a record year for the Italian real estate market with a number of sales (749 thousand) 47% higher than the average recorded in the years preceding the pandemic.

**NUMBER OF REAL ESTATE SALES IN ITALY (NTN) DIVIDED INTO RESIDENTIAL AND NON-RESIDENTIAL – DATA IN THOUSANDS**



The recovery in the real estate sector is the result of the progressive macroeconomic improvement recorded in the second half of 2021, with a higher than estimated number of transactions.

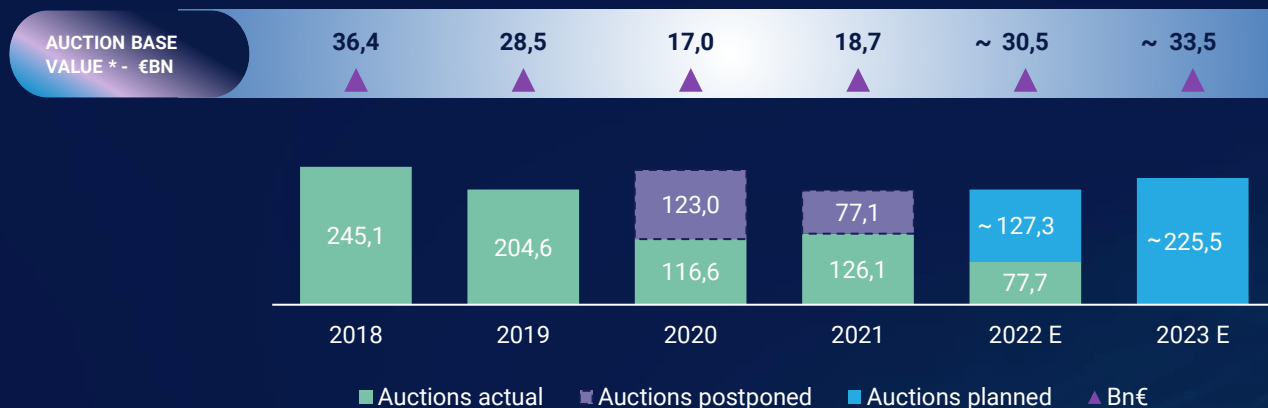
The non-residential market is influenced by changes in Italians' working habits (smart working) and consumption habits. Despite this, transactions in this sector increased.

In 2022, the growth of the sector will continue to be sustained also thanks to tax incentives, and to the greater liquidity present on the market.

SOURCE: Banca Ifis internal analyzes on data from the Revenue Agency, Nomisma, Bank of Italy. NTN is the number of standardized real estate units sold, taking into account the share of ownership transferred.  
 NOTES: Residential excluding appurtenances / Deposits and garages and parking spaces.

In the first six months of 2022, 77,656 properties went to judicial auction, for a value of €11,1bn. A limited number of publications that still bear the effects of the closure of the courts in pandemic times. A strong acceleration is expected in the second half of 2022.

REAL ESTATE AUCTIONS PER YEAR - NO. OF REAL ESTATE UNITS SUBJECT TO AUCTIONS DATA IN THOUSANDS AND BASE VALUE IN €BN



SOURCE: Banca Ifis internal analyzes and estimates on T6, Reviva and Astasy data.

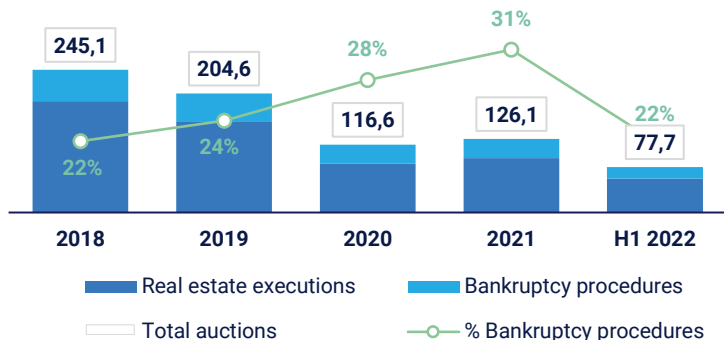
NOTES: The values for the years 2022 and 2023 are internal estimates by the Banca Ifis Research Department.

\* The basic auction value refers to the basic auction bid, the amount from which the tender between bidders in a judicial auction begins.

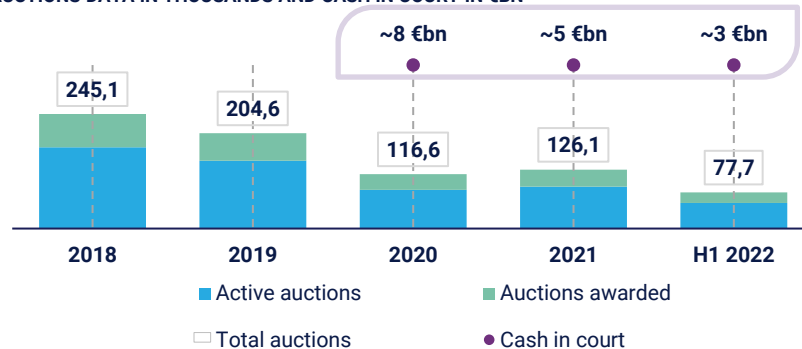


Of the 77,656 properties published at auction, 75% is represented by real estate executions, or properties subject to foreclosure; only 22%, on the other hand, is attributable to bankruptcy procedures, ie bankruptcies, arrangements with creditors and other procedures attributable to corporate crises.

REAL ESTATE AUCTIONS BY YEAR AND BY TYPE OF PROCEDURE - NUMBER OF AUCTIONS  
DATA IN THOUSANDS AND PERCENTAGES



REAL ESTATE AUCTIONS ACTIVE, AWARDED AND CASH IN COURT PER YEAR - NUMBER OF AUCTIONS DATA IN THOUSANDS AND CASH IN COURT IN €BN



Of the 77.656 properties published at auction in the first half of 2022, 75% is represented by real estate executions, or properties subject to foreclosure; only 22%, on the other hand, is attributable to insolvency procedures, ie bankruptcies, arrangements with creditors and other procedures attributable to corporate crises.

There are estimated to be around €8bn in 2020 and €5bn in cash in court in 2021 generated by the auctions awarded, waiting to be restarted due to the slowness that characterizes the current phase. In addition to what was already recorded in the first half of 2022, it is estimated an increase of approximately €2bn by the end of the year which will bring the total 2022 to €5bn of cash in court.

SOURCE: Banca Ifis internal analyzes on T6, Reviva and Astasy data. NOTES: Cash in Court indicates the amount of money which, following a judicial liquidation, is held in the current accounts of the courts pending the definition and implementation of a plan for the distribution of the proceeds between the beneficiaries of the liquidation, which is calculated on average over a year.

MARKET WATCH  
NPL 

In-depth tables

The first 7 AuM servicers are anticipated to manage over €293bn (GBV) in non-performing loans by the end of 2022.

Top 7 servicers for AuM	Supervision Bank of Italy	AuM estimate GBV €bn	Position in the market
DoValue	115/106	78	Mostly secured, with a medium-high ticket
Intrum	115	50	Mixed medium ticket wallet
Cerved Credit Management	106/115	45	Mixed medium ticket wallet
AMCO	106	37	Mixed medium ticket wallet
Prelios Credit Servicing	106	35	Secured large ticket
Ifis Npl Servicing (Banca Ifis)*	106 (bank)	28	Unsecured small ticket
Gardant	106/115	20	Mixed medium ticket wallet

SOURCE: Banca Ifis Npl Market Database - News and press releases - Banca Ifis internal analysis.

\* NOTES: The credit portfolios owned by Banca Ifis are in the books of Ifis Npl Investing and managed by Ifis Npl Servicing. The portfolios managed on behalf of third parties are the responsibility of Ifis Npl Servicing. Estimated AUM as of 31/12/2022 - Gardant credits in special servicing

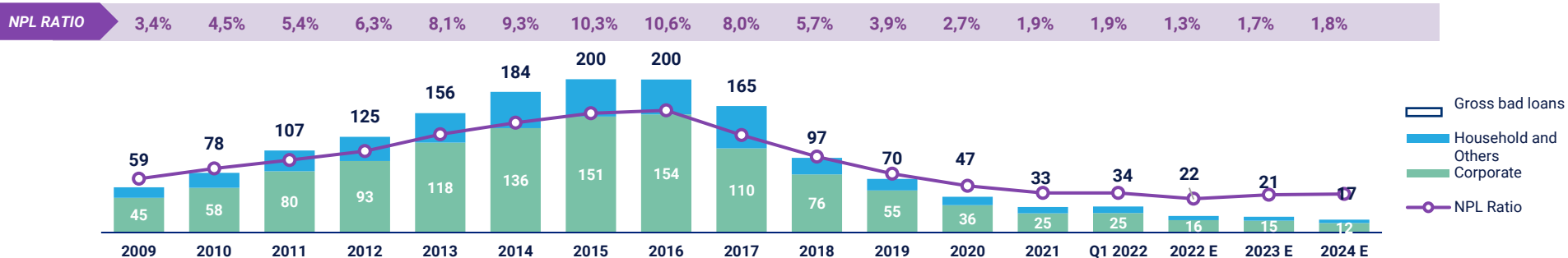
The progressive development of the NPL market has led to the need to equip itself with servicing platforms and consequently M&A transactions, targeting the years of 2018 to 2021 as the M&A Era (31 main transactions).

	2018	2019	2020	2021	2022	
Acquisitions	<p><b>Lindorff / Intrum</b> Acquisition of 100% of Mass Credit Collection (MCC) department.</p> <p><b>Anacap + Pimco</b> Acquisition of the Majority of Phoenix Asset Management.</p> <p><b>Cerberus</b> Acquisition of 57% of Officine CST</p>	<p><b>Arrow</b> Acquisition of 100% Parr Credit and Europe Investments</p> <p><b>Financial Group</b> Acquisition of the Majority of Phoenix Asset Management.</p> <p><b>Banca Ifis</b> Acquisition of 90% of FBS.</p>	<p><b>Kruk</b> Acquisition of the 51% of Agecredit.</p> <p><b>MCS - DSO</b> (BC Partners company) Acquisition of 80% by Serfin</p> <p><b>Hoist Finance</b> Acquisizione del 100% di Maran</p>	<p><b>iQera</b> BC Partners company Acquisizione di Sistemica.</p> <p><b>IBL Banca</b> Acquisizione di 9.9% of Frontis NPL.</p> <p><b>Banca Ifis</b> Acquisizione del restante 10% d FBS</p> <p><b>DeA Capital</b> Acquisition of 38.8% of Quaestio Holding and of the Npl branch of Quaestio</p>	<p><b>Cerved Credit Management</b> Acquisizione del 100% di Quaestio Cerved Credit Management.</p> <p><b>Bain Capital Credit</b> Acquisition of Hypo Alpe Adria rebranded in Julia Portfolio Solutions</p> <p><b>Axactor</b> Acquisition of 100% Credit Recovery Service S.r.l.</p>	<p><b>Cerved Credit Management</b> Acquisition of REV Gestione Credit.</p> <p><b>Illimity Bank S.p.A.</b> Acquisition of 100% by Aurora Recovery Capital S.p.A.</p> <p><b>Intrum Italy</b> Acquisition of a Participation of i-law, a law firm specializing in NPL servicing.</p>
	Joint Venture	<p><b>IBL Banca + Europa Factor</b> Joint venture for the creation of the Credit Factor Servicer (106 vehicle)</p> <p><b>Cerved + Studio legale La Scala</b> Law firm specialized in the management and in the judicial and extrajudicial recovery of banking credits.</p>	<p><b>Intesa + Lindorff/ Intrum</b> Joint venture for the Npl platform by Intesa Sanpaolo.</p> <p><b>Npl Re Solutions + Axactor</b> Joint venture to manage Npl and Utp</p>	<p><b>Credito Fondiario + Banco BPM</b> Joint venture for the management of BPM Npl transfers</p> <p><b>doValue + Aurora RE</b> Real estate Utp management platform</p>	<p><b>Famiglia Strocchi + Tinexta</b> Launch of FBS Next a new NPL servicer</p>	<p><b>Europa Factor e gli avvocati di Conecta</b> partnership on the management of NPLs</p> <p><b>Gardant + BPER</b> Joint venture for the strategic management of NPLs and UTPs, (under negotiation)</p> <p><b>Intesa + Prelios</b> Partnership for the strategic management of UTPs.</p> <p><b>Luzzatti + Prelios</b> Fund creation for Utp management</p>
						

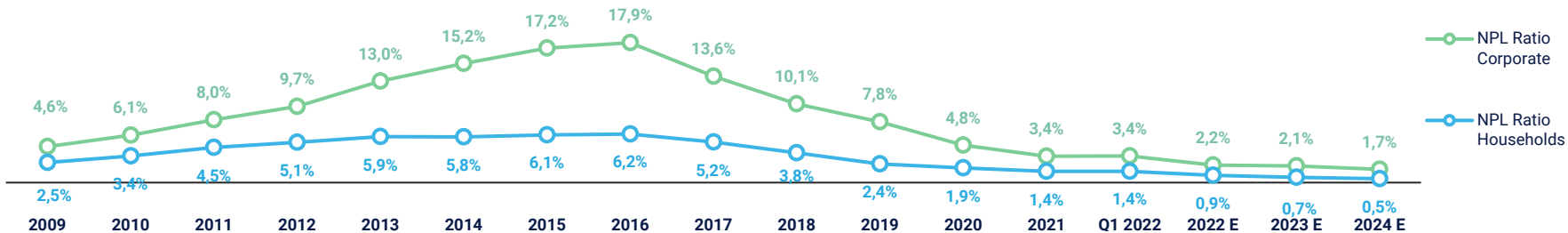
In 2022, the downward trend in the stock of gross bad loans in bank balance sheets continues, with an NPL ratio that will remain at a historically low level over the next few years.



GROSS BANK BAD LOANS BY TYPE OF DEBT: €BN AND PERCENTAGE



NPL RATIO: GROSS BANK LOANS / LOANS BY TYPE OF DEBTOR - PERCENTAGE

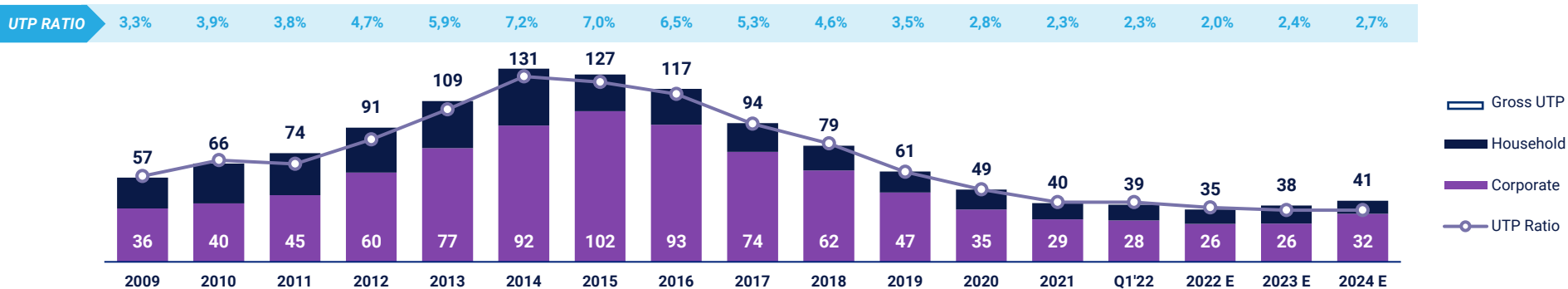


SOURCE: Banca Ifis Research Department elaborations on the Bank of Italy statistical database - estimate from Banca Ifis internal analyzes. NOTES: The data includes transactions with resident and non-resident entities, excluding interbank relations. Non-performing loans are carried forward at book value. Firms include only non-financial companies and producer households; households and others include consumer households and the rest of the total. Bad loans are reported at book value.

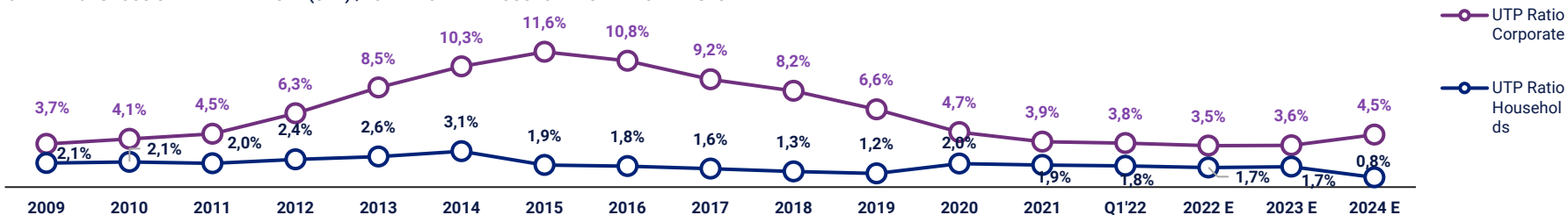
The stock of UtP in bank balance sheets is expected to decrease also in 2021. Growth, albeit contained, is estimated in the two-year period 2022-2023.



GROSS UNLIKELY DEFAULT (UTP) BY TYPE OF DEBT - €BN AND PERCENTAGES



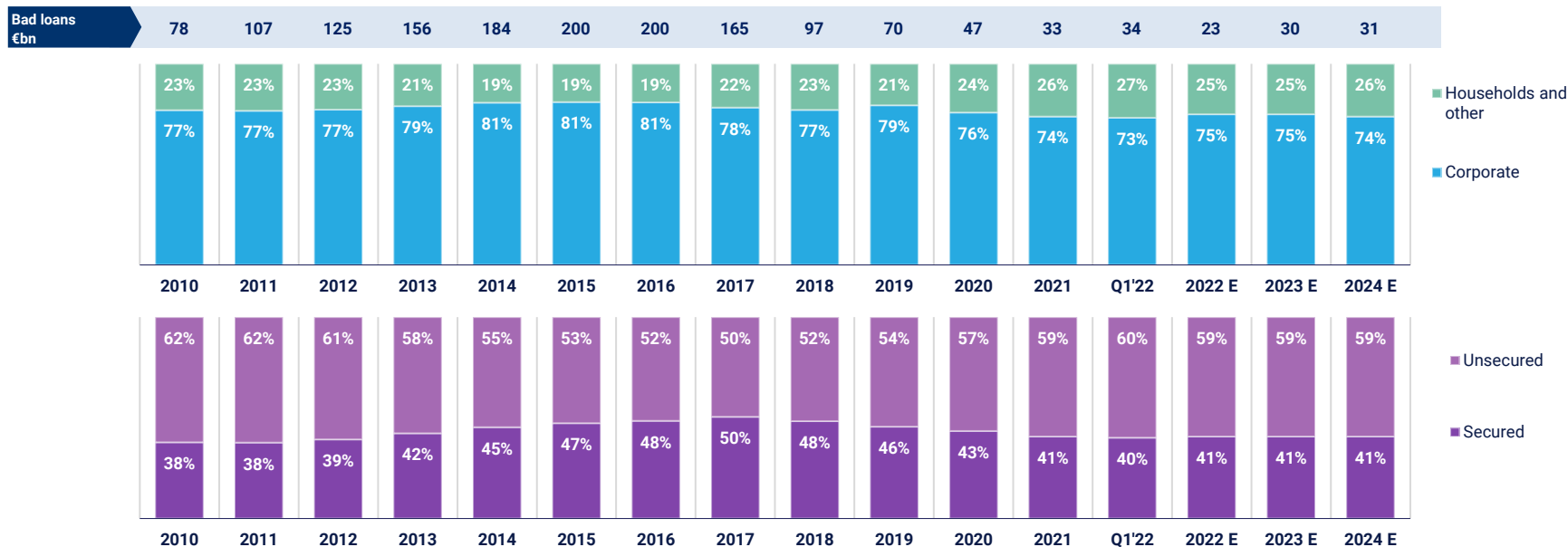
UTP RATIO: GROSS UNLIKELY DEFAULT (UTP) /TOTAL LOAN BY CUSTOMERS - PERCENTAGES



SOURCE: Banca Ifis Research Department elaborations on the Bank of Italy statistical database - estimate from Banca Ifis internal analyzes. NOTES: The data includes transactions with resident and non-resident entities, excluding interbank relations. Non-performing loans are carried forward at book value. Firms include only non-financial companies and producer households; households and others include consumer households and the rest of the total.

The main share of bad debts still in the bank balance sheet is attributable to companies, with a slight decrease from 2021. The incidence of unsecured loans has decreased by ~ 14 p.p. compared to the peak of 2017.

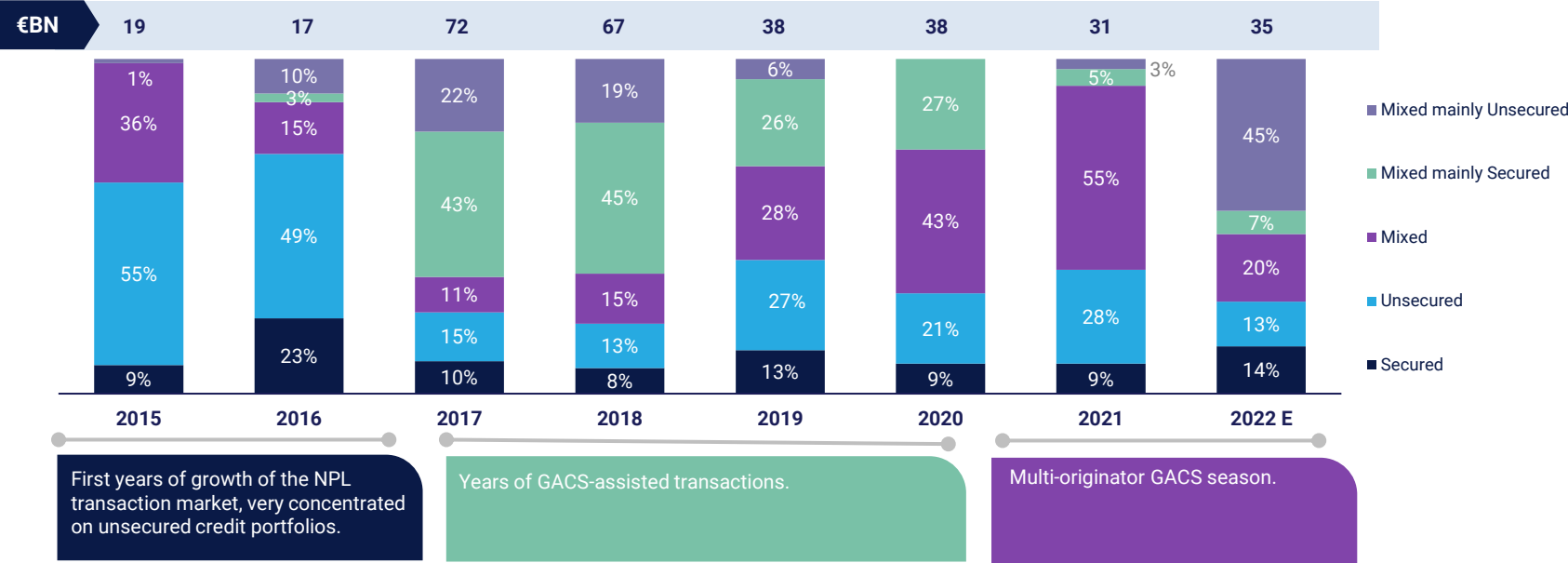
GROSS BANK BAD LOANS - €bn, PERCENTAGE HOUSEHOLDS AND CORPORATE, SECURED AND UNSECURED (% OF TOTAL BAD LOANS)



SOURCE: Banca Ifis Research Department elaborations on the Bank of Italy statistical database - estimate from Banca Ifis internal analyzes. NOTES: The data includes transactions with resident and non-resident entities, excluding interbank relations. Non-performing loans are carried forward at book value. Firms include only non-financial companies and producer households; households and others include consumer households and the rest of the total. Bad loans are reported at book value.

# The 2022 forecast records an increase in the incidence of “mixed mainly unsecured” and “mixed” portfolios.

NPL TRANSACTIONS BY TYPE OF GUARANTEE - €BN AND PERCENTAGES



SOURCE: Banca Ifis Npl Market Database - News and press releases - Banca Ifis internal analysis.



# General Statement.

This publication is edited by Banca Ifis. The information contained herein, obtained from sources believed to be reliable by Banca Ifis, are not necessarily complete, and their accuracy cannot be guaranteed. This publication is provided merely for purposes of illustration and information and does not in any way represent financial and investment advice.



