MARKET WATCH
NPL

January 2020

Npl transaction market and servicing industry

2019 and forecast 2020

Banca Ifis   NPL MARKET

8 key calls from NPL Market.

ITALIAN BANKS NPE'S SCENARIO

01

1. **Improving situation in the Italy bank NPE stock**: gross NPE stocks have halved since 2015 peak and we expect they will close 2019 at 145 Bn€ with an NPE ratio forecasted at 7,7%

2. **There is still a long way to go**: Italy has one of the strongest reductions in NPE ratio amongst other European countries, but it still has one of the biggest NPE ratio (in Q2 2019: 8% vs 3% EU average vs 5% which constitutes the target required by the ECB)

3. **The state of new non-performing flows remains dynamic**: the pace of deterioration of performing loan is back to the pre-crisis levels but the switch from UtPs to NPLs remains higher than pre-crisis level because of Construction Industry

NPL TRANSACTIONS AND PIPELINE

02

4. **NPL Transaction market continues to function actively**: 2019 NPL transactions reached 32 Bn€ + 6 Bn€ of UtP, with an increasing share of secondary market (17% out of total)

5. **In 2020 portfolio disposals will go on to support the achievement of the NPL ratio European target (5% NPE ratio)**: expected at 37 Bn€ with a growing incidence of secondary market + 7 Bn€ of UtP

NPL INDUSTRY

03

6. **Enormous amount of NPEs to manage**: in Italy there are ~325 Bn€ of NPLs and UtPs yet to be recovered

7. **Servicers financial data confirms the need to invest to run the industry**: from 2014 to 2018 strong annual average increase for both human resources +4% and for investments +21% per year

8. **Very dynamic M&A in the servicer sector**: we can see both interest of foreign investors as well as a strong JV trend
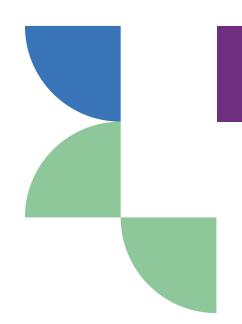
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In-depth analysis: key messages.

GACS ROLE IN NPL MARKET

1. GACS supports market volumes: from 2016 transazctions subject to securitization with GACS have involved 24 deals for an amount of 70 Bn€: in 2020 an additional 6 billion euros of transactions assisted by GACS are estimated

2. Average prices show an upward trend: the average market prices move according to secured share of GBV in the different years

3. GACS deals show a good recovery performance vs original business plan: the cumulative Gross and Net Collection average ratios of GACS portfolios included in the analysis (historical data available) are performing slightly ahead the original business plan thanks to 5 portfolios above the target for both net and gross collection indicators

4. Recovery performance is averaging 3% on yearly basis: so far it doesn't depend on secured incidence and debtor type (Corporate or Individual) of GACS portfolios
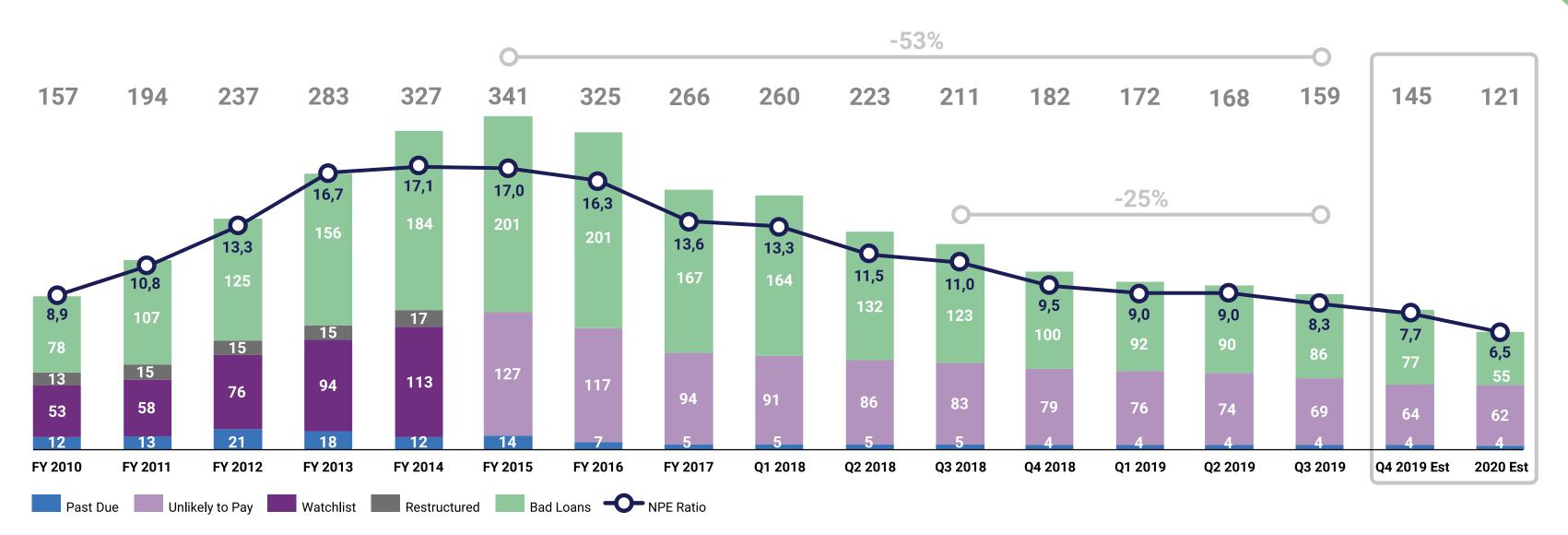
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01

Italian Banks NPE's scenario

Gross NPE stocks have halved since 2015 peak and we expect they will close 2019 amount at 145 Bn€ with a NPE ratio forecasted at 7,7%

BANK NPE - BN€ AND PERCENTAGES - CLASSIFICATION OF IMPAIRED LOANS UPDATED IN 2015

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019 Est	2020 Est
Total	157	194	237	283	327	341	325	266	260	223	211	182	172	168	159	145	121
NPE Ratio	8,9	10,8	13,3	16,7	17,1	17,0	16,3	13,6	13,3	11,5	11,0	9,5	9,0	9,0	8,3	7,7	6,5
Bad Loans	78	107	125	156	184	201	201	167	164	132	123	100	92	90	86	77	55
Restructured	13	15	15	15	17												
Watchlist	53	58	76	94	113												
Unlikely to Pay						127	117	94	91	86	83	79	76	74	69	64	62
Past Due	12	13	21	18	12	14	7	5	5	5	5	4	4	4	4	4	4

-53% (FY 2015 → Q3 2019)

-25% (Q3 2018 → Q3 2019)

Legend: Past Due · Unlikely to Pay · Watchlist · Restructured · Bad Loans · NPE Ratio

SOURCES: Banca d'Italia, based on Statistical Database; NPE ratio revised on EBA guidelines; Q4 2019, 2020, Forecast: Banca Ifis internal estimate
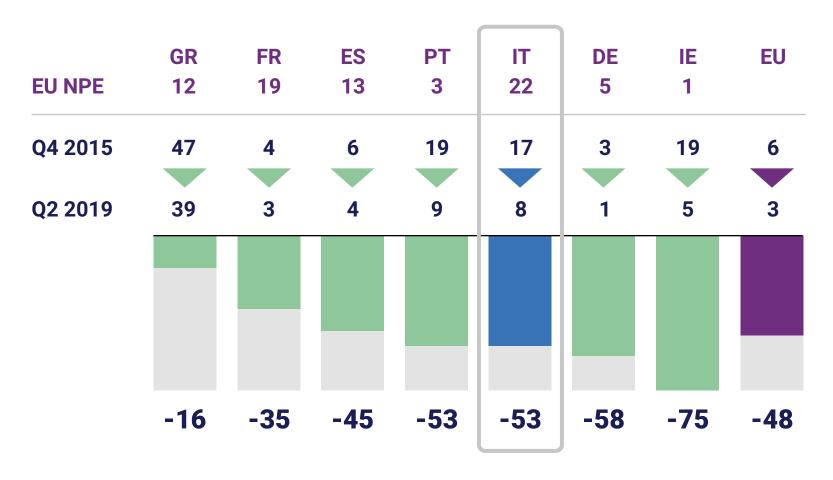
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European NPEs as of June 2019 stood at 636 Bn€ down by 50% compared with 2015 maximum. Italy has one of the strongest drops in NPE ratio amongst other European countries, but an NPE ratio almost three times higher than the EU average.

EUROPEAN NON PERFORMING LOANS – TN€

-50%

Q4 2015	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019
1,1	1,0	1,0	0,9	0,9	0,8	0,8	0,7	0,7	0,7	0,7	0,6

EUROPEAN LANDSCAPE - BANK NPE RATIO* - PERCENTAGES

	GR	FR	ES	PT	IT	DE	IE	EU
EU NPE	12	19	13	3	22	5	1	
Q4 2015	47	4	6	19	17	3	19	6
Q2 2019	39	3	4	9	8	1	5	3
	-16	-35	-45	-53	-53	-58	-75	-48

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In 2019 the reduction of Bank Gross Bad Loans continues with a coverage ratio over 60% as of now for 4 years. The NPL ratio by debtor type in indicative of the hard work performed on corporate NPL component.

EUROPEAN NON PERFORMING LOANS – TN€

-60%

-66%

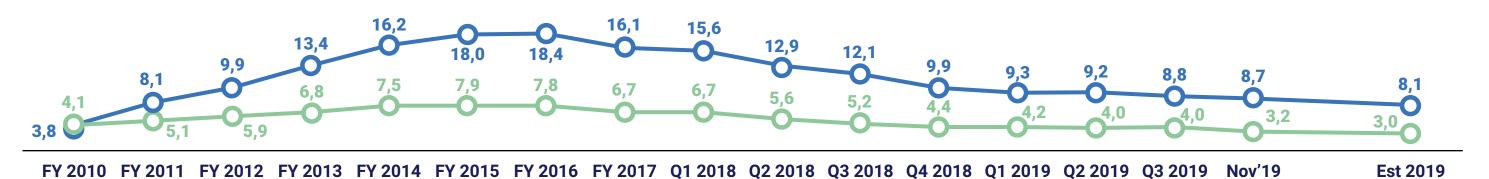|	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Nov'19	Est 2019
Gross Bad Loans	78	107	125	156	184	201	201	167	164	132	123	100	92	90	86	80	77
Net Bad Loans	37	52	65	80	85	89	87	64	53	43	40	32	32	32	31	30	28
Coverage rate %	53%	52%	48%	49%	54%	56%	57%	62%	68%	68%	67%	68%	66%	65%	64%	63%	63%

BANK GROSS BAD LOANS/TOTAL ASSET BY DEBTOR TYPE - PERCENTAGES

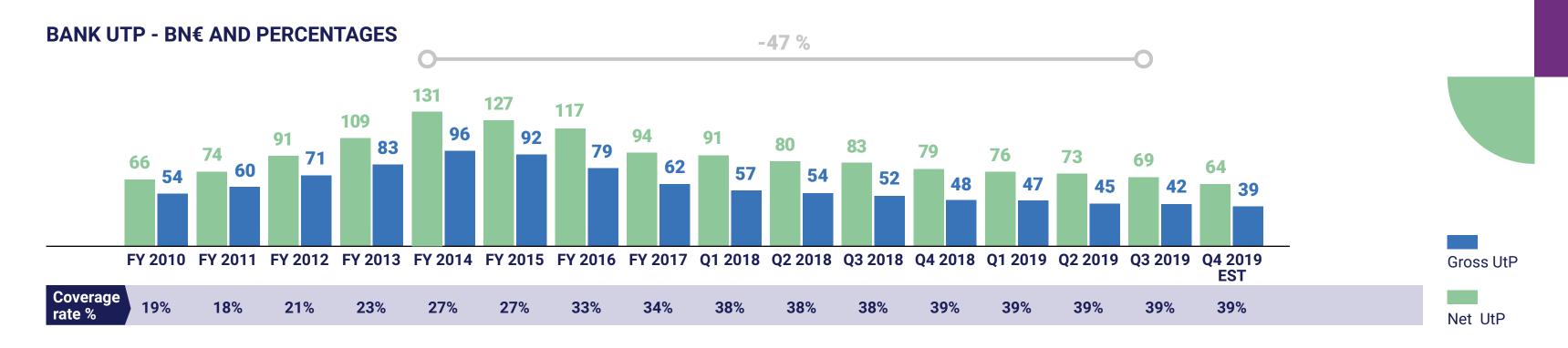|	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Nov'19	Est 2019
NPL Ratio Corporate	3,8	8,1	9,9	13,4	16,2	18,0	18,4	16,1	15,6	12,9	12,1	9,9	9,3	9,2	8,8	8,7	8,1
NPL Ratio Individual	4,1	5,1	5,9	6,8	7,5	7,9	7,8	6,7	6,7	5,6	5,2	4,4	4,2	4,0	4,0	3,2	3,0

SOURCES: Banca d'Italia, based on Statistical Database; Forecast: Banca Ifis internal estimate

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Gross UtP stock has halved since 2014 peak and we expect it will close 2019 at 64 Bn€ with gross UtP ratio forecasted at 3,3%

BANK UTP - BN€ AND PERCENTAGES

-47 %

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019 EST
Net UtP	66	74	91	109	131	127	117	94	91	80	83	79	76	73	69	64
Gross UtP	54	60	71	83	96	92	79	62	57	54	52	48	47	45	42	39
Coverage rate %	19%	18%	21%	23%	27%	27%	33%	34%	38%	38%	38%	39%	39%	39%	39%	39%

BANK GROSS UTP/TOTAL ASSET - PERCENTAGES

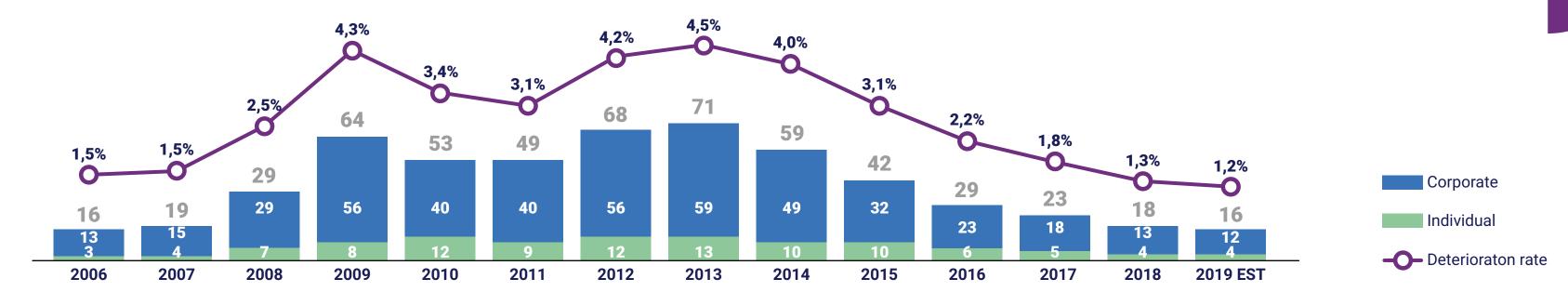|	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019 EST
UtP Ratio	4,5	4,8	6,3	7,5	7,5	6,3	5,9	4,8	4,6	4,4	4,3	4,1	4,0	3,8	3,6	3,3

SOURCES: Banca d'Italia, based on Statistical Database; Forecast: Banca Ifis internal estimate

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The flows from performing to NPE show a very positive trend with -30 bps as compared to 2007 pre-crisis level thanks to Individual component performance.

BANKS' NPE INFLOWS FROM PERFORMING AND DETERIORATION RATE BY DEBTOR TYPE - BN€ AND PERCENTAGES

Deterioration rate values (purple line): 1,5% (2006), 1,5% (2007), 2,5% (2008), 4,3% (2009), 3,4% (2010), 3,1% (2011), 4,2% (2012), 4,5% (2013), 4,0% (2014), 3,1% (2015), 2,2% (2016), 1,8% (2017), 1,3% (2018), 1,2% (2019 EST)

Year	Total	Corporate	Individual
2006	16	13	3
2007	19	15	4
2008	29	29	7
2009	64	56	8
2010	53	40	12
2011	49	40	9
2012	68	56	12
2013	71	59	13
2014	59	49	10
2015	42	32	10
2016	29	23	6
2017	23	18	5
2018	18	13	4
2019 EST	16	12	4

Legend: Corporate, Individual, Deterioraton rate

DETERIORATION RATE - PERCENTAGES

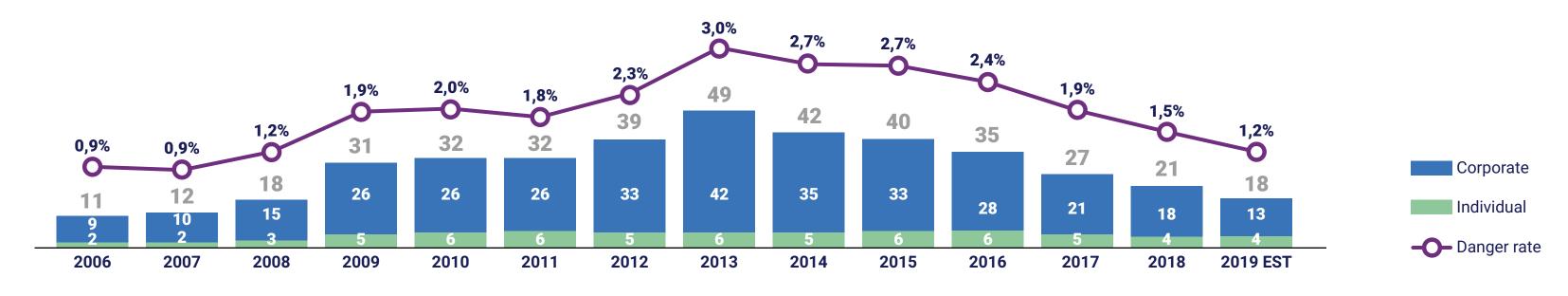| Year	Corporate	Individual
2006	1,9	1,4
2007	1,9	1,6
2008	3,2	2,2
2009	5,8	2,5
2010	4,3	2,1
2011	4,6	1,8
2012	6,5	2,2
2013	7,4	2,0
2014	6,6	1,8
2015	4,7	1,8
2016	3,5	1,4
2017	2,7	1,1
2018	2,1	0,9
2019 EST	1,8	0,8

Legend: Corporate, Individual

DETERIORATION RATE: Annual flow of adjusted non-performing loans/Stock of performing loans at the previous year (2019 annualized estimate data). SOURCES: Banca Ifis internal analysis based on Banca d'Italia statistical Database

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The Danger rate (flows from UtP/Past Due to Bad Loan) remains well above 2007 pre-crisis levels as mainly effect of Corporate loans.

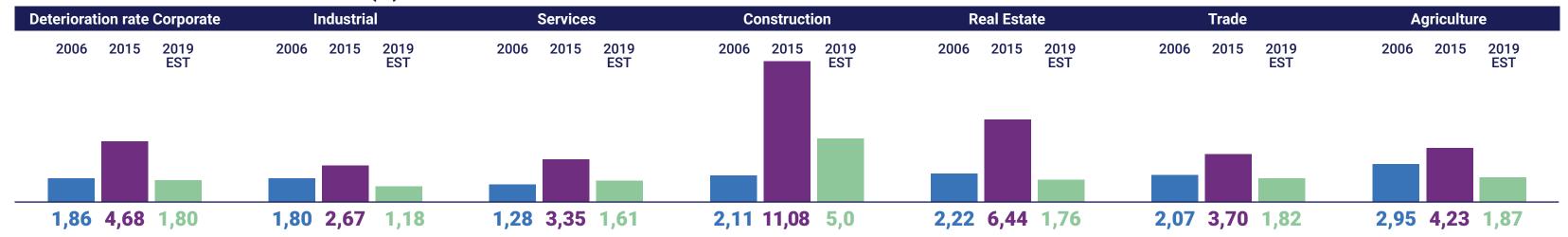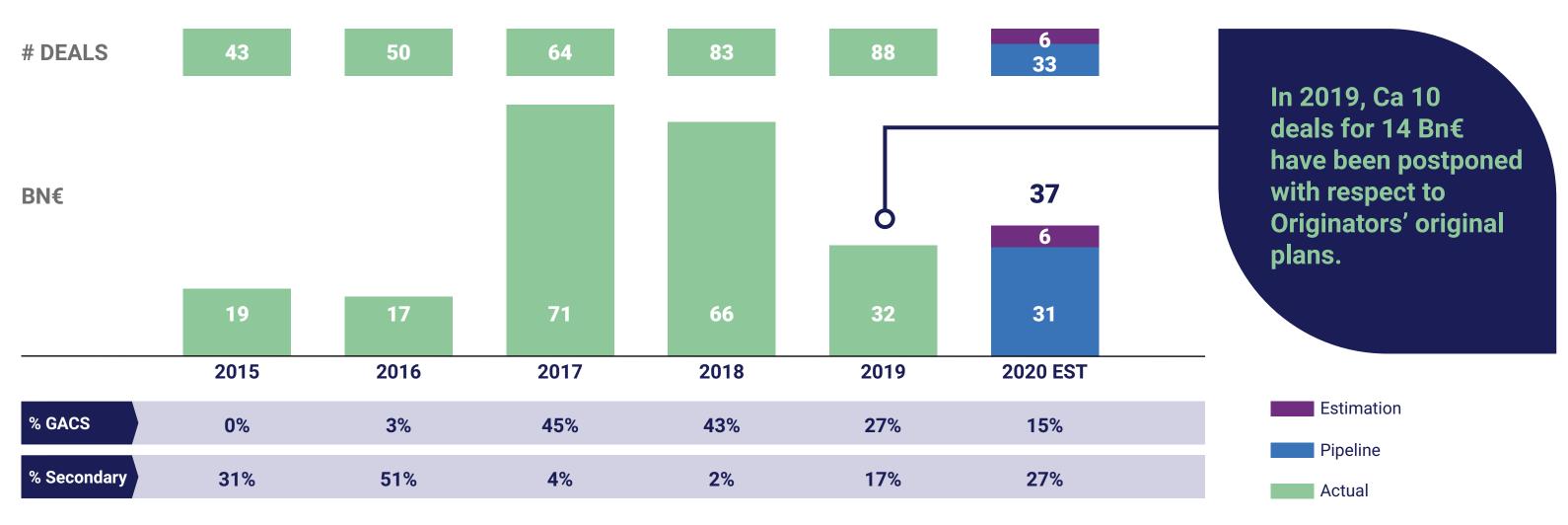**MIGRATION FROM UTP/PAST DUE TO NPL AND DANGER RATE BY DEBTOR TYPE - BN€ AND PERCENTAGES**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019 EST
Danger rate	0,9%	0,9%	1,2%	1,9%	2,0%	1,8%	2,3%	3,0%	2,7%	2,7%	2,4%	1,9%	1,5%	1,2%
Total	11	12	18	31	32	32	39	49	42	40	35	27	21	18
Corporate	9	10	15	26	26	26	33	42	35	33	28	21	18	13
Individual	2	2	3	5	6	6	5	6	5	6	6	5	4	4

DANGER RATE - PERCENTAGES

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019 EST
Corporate	1,2	1,1	1,5	2,6	2,6	2,5	3,4	4,8	4,4	4,2	3,7	2,9	2,4	1,9
Individual	0,8	0,8	0,9	1,3	1,4	1,4	1,3	1,4	1,3	1,5	1,5	1,2	1,3	0,8

DANGER RATE: Annualized flow of new adjusted bad loans/Stock of performing loans at the previous year (2019 annualized estimate data). SOURCES: Banca Ifis internal analysis based on Banca d'Italia statistical Database

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The Construction industry shows the highest rate of debt deterioration among industries and Danger Rates in Construction and Real Estate are respectively 4x and 2x the pre-crisis levels.

DETERIORATION RATE CORPORATE (%)

Deterioration rate Corporate			Industrial			Services			Construction			Real Estate			Trade			Agriculture		
2006	2015	2019 EST	2006	2015	2019 EST	2006	2015	2019 EST	2006	2015	2019 EST	2006	2015	2019 EST	2006	2015	2019 EST	2006	2015	2019 EST
1,86	4,68	1,80	1,80	2,67	1,18	1,28	3,35	1,61	2,11	11,08	5,0	2,22	6,44	1,76	2,07	3,70	1,82	2,95	4,23	1,87

DANGER RATE CORPORATE (%)

Danger rate Corporate			Industrial			Services			Construction			Real Estate			Trade			Agriculture		
2006	2015	2019 EST	2006	2015	2019 EST	2006	2015	2019 EST	2006	2015	2019 EST	2006	2015	2019 EST	2006	2015	2019 EST	2006	2015	2019 EST
1,17	4,20	1,85	1,28	2,40	1,23	0,89	3,01	1,14	1,24	8,79	5,14	1,16	6,36	2,57	1,31	3,69	1,62	1,58	3,51	1,92

DETERIORATION RATE: Annual flow of adjusted non-performing loans/Stock of performing loans at the previous year (2019 annualized estimate data).
DANGER RATE: Annualized flow of new adjusted bad loans/Stock of performing loans at the previous year (2019 annualized estimate data).
SOURCES: Banca Ifis internal analysis based on Banca d'Italia statistical Database

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02

NPL transactions and pipeline

2019 NPL transactions reached ~ 32 Bn€. In 2020 the NPL transactions will continue approximately 37 Bn€ forecast. The secondary market component will increase with respect to previous years.
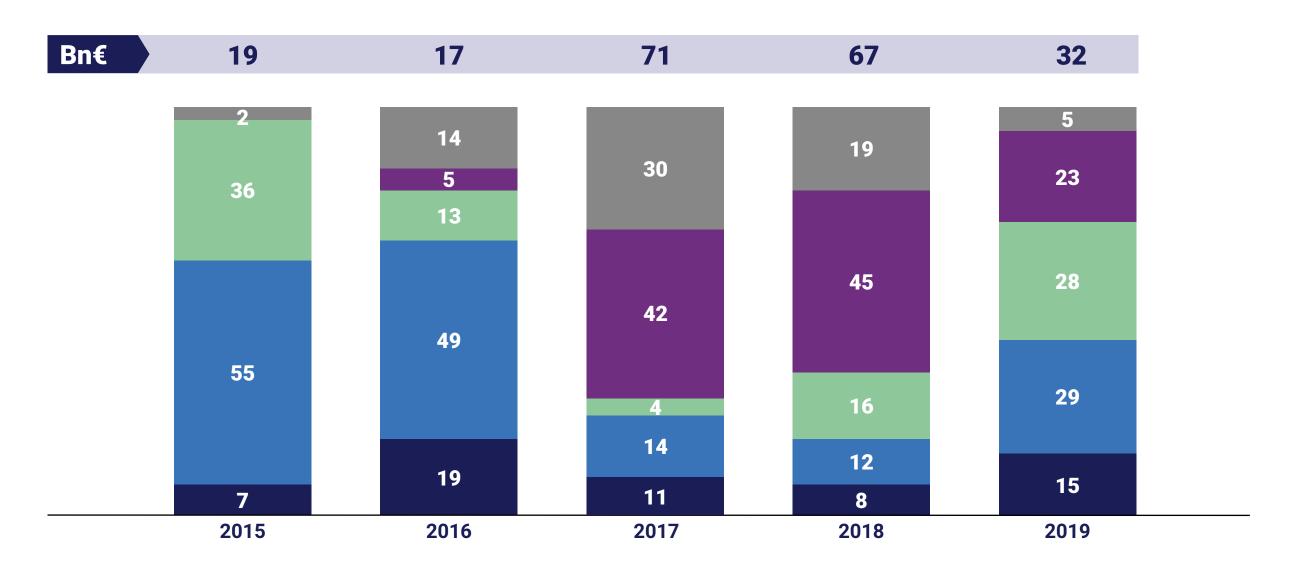
NPL TRANSACTIONS - BN€ AND PERCENTAGES

	2015	2016	2017	2018	2019	2020 EST
# DEALS	43	50	64	83	88	6 / 33
BN€	19	17	71	66	32	37 (6 / 31)
% GACS	0%	3%	45%	43%	27%	15%
% Secondary	31%	51%	4%	2%	17%	27%

In 2019, Ca 10 deals for 14 Bn€ have been postponed with respect to Originators' original plans.

Legend:
- Estimation
- Pipeline
- Actual

SOURCES: Banca Ifis NPL Market Database – Press releases and news – Banca Ifis internal estimate

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In the past two years the share of secured portfolios has been increasing.

NPL TRANSACTIONS BY PORTFOLIO TYPE - BN€ AND PERCENTAGES

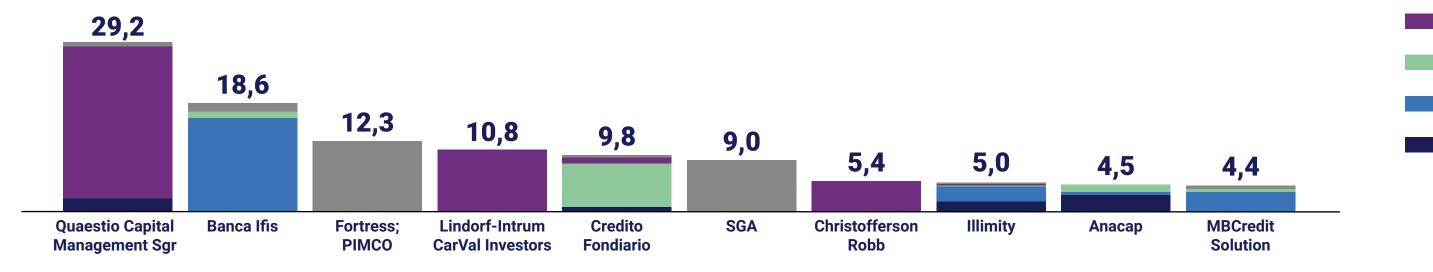SOURCES: Banca Ifis NPL Market Database – Press releases and news - Banca Ifis internal estimate

Primary market: in 2019 the prices of secured portfolios are basically stable. Average prices of unsecured increased from 6% to 8% due to Consumer type transactions with less in-house processing and greater documentation completeness.

NPL TRANSACTIONS BY PORTFOLIO TYPE - BN€ AND PERCENTAGES

Legend:
- 2017
- 2018
- 2019

Mixed: 19, 28, 21
Secured: 32, 33, 34
Unsecured: 5, 6, 8

SOURCES: Banca Ifis NPL Market Database – Press releases and news – Banca Ifis interna estimate

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The NPL large portfolio transactions have determined a volume concentration of 66% on the top 10 Sellers. A large number of operators are interested in investing.

2015- 2019 NPL TRANSACTIONS TOP ORIGINATOR SELLERS - BN€

Unicredit	MPS	Banco BPM	Intesa Sanpaolo	Veneto Banks	Gruppo Carige	BPER	Creval	Cassa Centrale Banca	UBI
41,5	32,8	16,3	13,8	9,0	4,2	4,2	4,2	4,1	3,8

2015- 2019 NPL TRANSACTIONS TOP BUYERS - BN€

Quaestio Capital Management Sgr	Banca Ifis	Fortress; PIMCO	Lindorf-Intrum CarVal Investors	Credito Fondiario	SGA	Christofferson Robb	Illimity	Anacap	MBCredit Solution
29,2	18,6	12,3	10,8	9,8	9,0	5,4	5,0	4,5	4,4

Legend:
- Mainly Unsecured
- Mailnly Secured
- Mixed
- Unsecured
- Secured

SOURCES: Banca Ifis NPL Market Database – Press releases and news – Banca Ifis interna estimate

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The 2019 NPL transactions have been characterized by a smaller size as compared to previous years.

Buyer	Bn€ GBV	Servicer	Seller
Amco (ex SGA)	1,1	Amco (ex SGA)	Gruppo Carige
Amco (ex SGA)	0,2	Amco (ex SGA)	Banca del Fucino
Bain Capital Credit	0,6	Aquileia Capital Services	Monte dei Paschi di Siena
Banca IFIS	2,4	Banca IFIS	All confidential deals
Banca IFIS	0,3	Banca IFIS	Findomestic Banca
Banca IFIS	0,2	Banca IFIS	Gruppo ICCREA
Barclays Bank, Guber Banca	0,2	Guber Banca	Unicredit
Barclays Bank, Guber Banca	0,9	Guber Banca	Confidential
Gruppo Arrow Global	0,3	WhiteStar Asset Solutions	Cassa Centrale Banca
Guber Banca	0,4	Guber Banca	Confidential
Guber Banca	0,3	Guber Banca	Monte dei Paschi di Siena
Illimity	0,7	Illimity	Banco BPM
Illimity	0,3	Illimity	Confidential
Illimity	1,8	Illimity	Monte dei Paschi di Siena
Illimity	1,1	Illimity	Unicredit
SPF Investment Management LP	1,1	n.a.	Unicredit
Unipol Rec	1,3	Unipol Rec	BPER
Varde, Barclays, Guber Banca	0,7	Guber Banca	Cassa Centrale Banca
Confidential and other minus	17,8	n.a.	n.a.
Total	**31,8**		

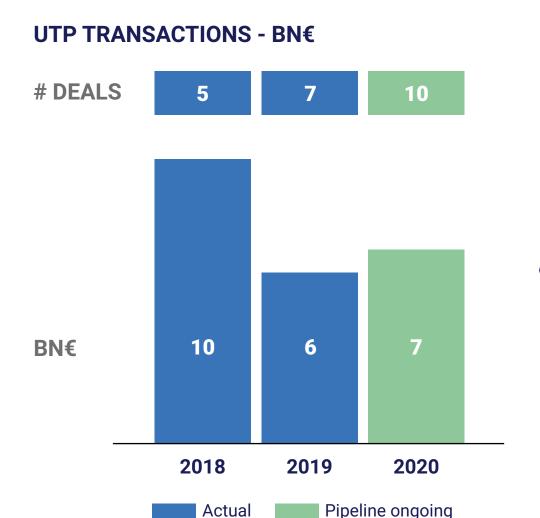SOURCES: Banca Ifis NPL Market Database – Press releases and news

2020 Pipeline shows a high level of progress on several projects.

Seller	Project	Disposal Type	Ongoing	On plan	Announced	Bn€ GBV
Unicredit	Capri	Capri	0,3	-	-	0,3
Unicredit	Forward Flow	Forward Flow	-	0,2	-	0,2
Unicredit	Roma	Roma	1,4	-	-	1,4
Unicredit	Sandokan II	Sandokan II	-	-	0,8	0,8
Unicredit	n.a.	n.a.	-	-	3,0	3,0
Iccrea Banca	n.a.	n.a.	-	2,8	-	2,8
Iccrea Banca	n.a.	n.a.	1,2	-	-	1,2
Intesa Sanpaolo	Rep	Rep	1,4	-	-	1,4
Intesa Sanpaolo	n.a.	n.a.	-	2,2	-	2,2
Banco BPM	n.a.	n.a.	-	3,5	-	3,5
BPER	n.a.	n.a.	1,0	-	-	1,0
BPER	n.a.	n.a.	1,5	-	-	1,5
Banca Popolare di Bari	n.a.	n.a.	2,0	-	-	2,0
Banca Popolare di Sondrio	n.a.	n.a.	1,5	-	-	1,5
Cariparma	n.a.	n.a.	-	1,0	-	1,0
Creval	n.a.	n.a.	-	0,8	-	0,8
Hypo Alpe Adria Bank	Terzo	Terzo	-	-	0,8	0,8
UBI	n.a.	n.a.	0,7	-	-	0,7
Cassa Centrale Banca	n.a.	n.a.	-	0,7	-	0,7
Confidential and other minus	n.a.	n.a.	1,1	7,2	2,4	10,6
Total Pipeline 2020			**12,0**	**18,4**	**7,0**	**37,4**

SOURCES: Banca Ifis NPL Market Database – Press releases and news

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The major banks are planning to sell big UtP portfolios: we forecast that 2020 volumes could reach 7 Bn€ as a result of current ongoing deal closing.

UTP TRANSACTIONS - BN€

 # DEALS

2018	2019	2020
5	7	10

BN€

2018	2019	2020
10	6	7

Actual — Pipeline ongoing

SOURCES: Banca Ifis NPL Market Database – Press releases and news

Year	Seller	Project	Buyer	Bn€ GBV
2018	Veneto banks	n.a.	SGA	9,0
	Credit Agricole - Cariparma	Valery	Bain Capital Credit	0,5
	Monte dei Paschi di Siena	Alfa 2	Algebris	0,3
	Monte dei Paschi di Siena	Alfa 2	GWM and Farallon	0,1
	Gruppo Carige	n.a.	Bain Capital Credit	0,4
Total				**10,2**
2019	Monte dei Paschi di Siena	Papa2	Cerberus	0,5
	Monte dei Paschi di Siena	Quebec	Illimity	0,5
	Monte dei Paschi di Siena	n.a.	Confidential	0,2
	Intesa Sanpaolo e Unicredit	n.a.	Pillarstone (KKR)	0,3
	Intesa Sanpaolo	n.a.	Prelios	3,0
	Gruppo Carige	Hydra	Amco (ex SGA)	1,7
	Banca del Fucino	n.a.	Amco (ex SGA)	0,1
Total				**6,2**
Total actual				**16,4**
2020 Pipeline Ongoing	Gruppo Carige	Messina	CDP	0,5
	Intesa Sanpaolo	Levante	n.a.	0,3
	Monte dei Paschi di Siena	Lima	Bofa Merrill Lynch	0,1
	Unicredit	Dawn	n.a.	1,0
	MultiSeller	Cuvèe	Amco (ex SGA)	2,0
	MultiSeller	n.a.	n.a.	2,0
	Confidential and other minus	n.a.	n.a.	0,8
Total				**6,7**

Year	Seller	Project	Buyer	Bn€ GBV
2020 Other assumed projects	Monte dei Paschi di Siena	n.a.	Amco (ex SGA) - Partnership	7,0
	Monte dei Paschi di Siena	n.a.	n.a.	0,2
	Unicredit	n.a.	Dea Capital e Clessidra	6,0
Total				**13,2**

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03

NPL
industry

In Italy there are 325 Bn€ of NPLs and UtPs to be managed.

Banks Gross NPE

Volume transactions from 2015 to 2019

Recovery and final write-off on recovery

77 Bn€
Bad Loan*

64 Bn€
UtP*

182 Bn€
NPL Volume

16 Bn€
UtP Volume

13 Bn€
NPL Recovery

1 Bn€
UtP Recovery return to preform**

13 Bn€
NPL Recovery

1 Bn€
UtP Recovery return to preform**

141 + **198** + **14** = **325**

*Bad Loan at Q4'19, UtP at Q4'19 Banca IFIS estimate . **UtP recovery/return to perform based on Bank of Italy transition matrix
SOURCES: Banca Ifis NPL Market Database – Press releases and news – Banca IFIS internal estimate

Banca Ifis

The top 10 servicers concentrate 78% of the AuM in the Italian market.

Top ten servicers	Bank of Italy Surveillance	Rating	Bn€ GBV	% AuM
DOVALUE	106/115	S&P, Fitch	82	20%
CREDITO FONDIARIO	Bank	Fitch	52	13%
CERVED CREDIT MANAGEMENT	106/115	Fitch	46	11%
INTRUM ITALIA	115	Fitch	41	10%
IFIS NPL, FBS	106	Fitch	24	6%
PRELIOS	106	S&P, Fitch	24	6%
AMCO	106	S&P, Fitch	20	5%
PHOENIX ASSET MANAGEMENT	115	n.a.	10	2%
GUBER	Bank	Fitch	9	2%
SISTEMIA	115	Fitch	9	2%
Total			**317**	**78%**

SOURCES: Banca Ifis NPL Market Database – Press releases and news – Banca Ifis internal estimate

Banca Ifis

Top servicer financial data confirms the need to invest in Human Resources (+4% annual increase in the last 4 years) and to employ latest Technology (+21% annual investment increase in the last 4 years).

Key features of servicing business	Average annual change from 2014 to 2018 (CAGR)
Human intensive business	**+4%** (headcount)
Technology Innovation	**+21%** (asset increase)

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SOURCES: internal estimate based on servicers' financial reports. The analysis includes 9 out of ten main servicers in the NPL market

Very dynamic M&A in the servicer sector:
we can see both interest of foreign investors and a strong JV trend.

ACQUISITIONS | **JOINT VENTURE** | **OPPORTUNITY ASSESSMENT**

2018

Lindorff / Intrum - Acquisition of 100% of PwC Mass Credit Collection
Arrow - Acquisition of 100% of Parr Credit and Europa Investimenti
Anacap + Pimco - Acquisition of a majority stake in PAM
Kruk - Acquisition of 51% of Agecredit
Banca Ifis - Acquisition of 90% of FBS
Cerberus - Acquisition of 57% of Offi cine CST
Financial Group - Acquisition of Generale Gestione Crediti Se.Tel. Servizi
Hoist Finance - Acquisition of 100% of Maran
MCS - DSO - (a BC Partners company) Acquisition of 80% of Serfin

IBL Banca + Europa Factor - Joint venture for the creation of the new Servicer Credit Factor
Intesa + Lindorff / Intrum - Joint venture for the NPL platform of Intesa Sanpaolo
Cerved + Studio legale La Scala - Joint venture for the creation of a specialized NPL law firm
Npl Re Solutions + Axactor - Joint venture to manage NPL and UTP

2019

Illimity - Acquisition of 70% of IT Auction
IBL Banca - Acquisition of 9.9% of Frontis NPL
DeA Capital - Acquisition of 38,82% Quaestio Holding and NPL company branch of Quaestio SGR

Credito Fondiario + Banco BPM - Creation of a Joint venture for the management and disposals of Banco BPM NPLs
DoValue + Aurora RE (Mosaico) - Creation of a multioriginator platform to manage UTP portfolio secured by real estate
Amco + Prelios (Cuvée) - Creation of a multioriginator platform to manage UTP portfolio secured by real estate

MCS - DSO (a BC Partners company) - Acquisition of Sistemia subject to approval
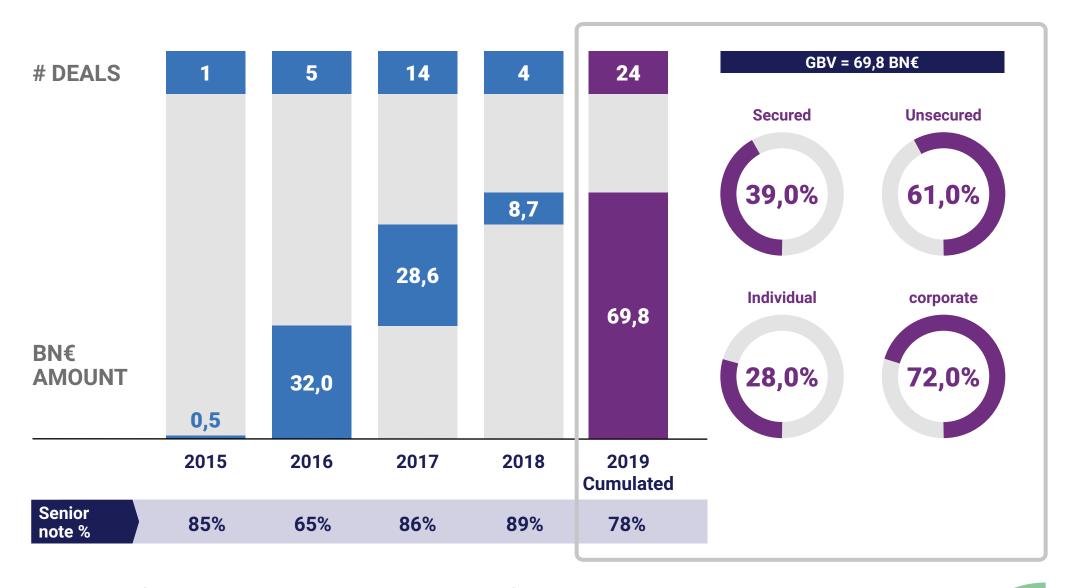
2020

Illimity - Acquisition of 70% of IT Auction

Cerved Evaluation phase: Intrum and **Credito Fondiario** are negotiating the acquisition of NPL company division

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MARKET WATCH
NPL

In-depth
analysis
GACS role
in NPL market

From 2016 to 2019 GACS have supported market volumes: 70 Bn€, 24 Deals. Other ~6 Bn€ of GACS deals are expected in 2020.

NPL GACS TRANSACTIONS - BN€ AND # DEALS

# DEALS	1	5	14	4	24

GBV = 69,8 BN€

	Secured	Unsecured
	39,0%	61,0%
	Individual	corporate
	28,0%	72,0%

BN€ AMOUNT

	2015	2016	2017	2018	2019 Cumulated
	0,5	32,0	28,6	8,7	69,8

Senior note %	85%	65%	86%	89%	78%

NPL GACS TRANSACTIONS - BN€ AND # DEALS

# DEALS	24	24	29

BN€ AMOUNT

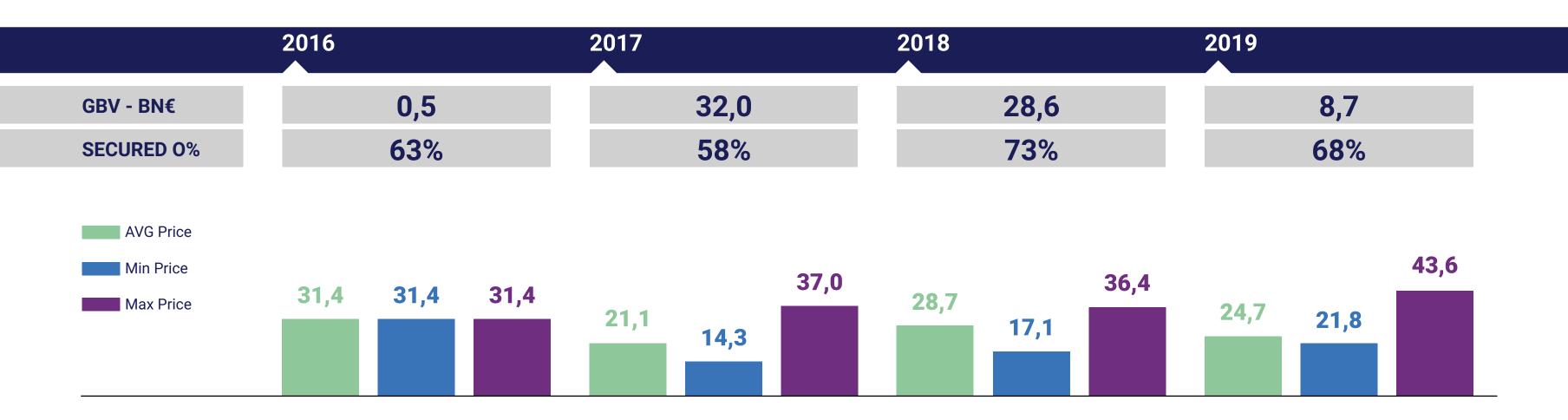|	2019 Cumulated	2020 Pipeline	2020 Cumulated estimated
	69,8	5,7	75,5

SOURCES: Banca Ifis NPL Market Database – Press releases and news – Banca Ifis internal estimate

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GACS average prices trending upward according to secured share of GBV.
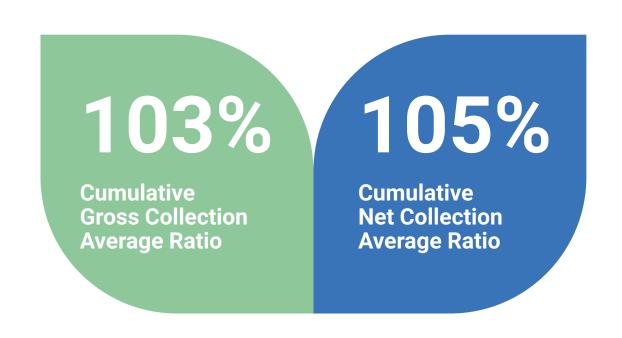
NPL GACS TRANSACTIONS - BN€ AND PERCENTAGES

	2016	2017	2018	2019
GBV - BN€	0,5	32,0	28,6	8,7
SECURED O%	63%	58%	73%	68%

Legend:
- ■ AVG Price (green)
- ■ Min Price (blue)
- ■ Max Price (purple)

2016: AVG Price 31,4 — Min Price 31,4 — Max Price 31,4

2017: AVG Price 21,1 — Min Price 14,3 — Max Price 37,0

2018: AVG Price 28,7 — Min Price 17,1 — Max Price 36,4

2019: AVG Price 24,7 — Min Price 21,8 — Max Price 43,6

SOURCES: Banca Ifis NPL Market Database – Press releases and news – Banca Ifis internal estimate

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Five of eleven portfolios are above the business plan both for gross and net cumulative collection ratio. The net collection is trending even more positively as a result of recovery expenses and service fees weighing less than expected.
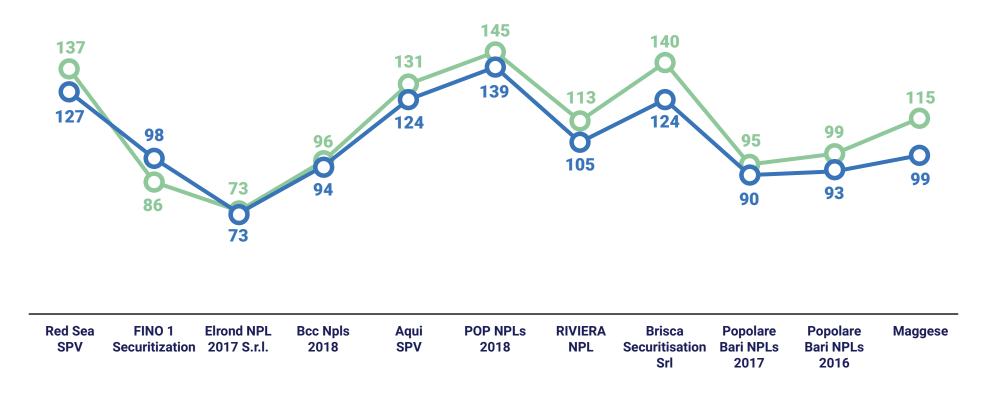
CUMULATIVE GROSS/NET COLLECTION RATIO: ACTUAL ON BUSINESS PLAN* - PERCENTAGE

103%
Cumulative Gross Collection Average Ratio

105%
Cumulative Net Collection Average Ratio

* Cumulated ratio based on weighted average of 11 GACS portfolios with sufficient performance historical data

CUMULATIVE GROSS AND NET COLLECTION RATIO: ACTUAL ON BUSINESS PLAN. T2=H1 2019 - PERCENTAGE

	Cumulative Gross Collection	Ratio Cumulative Net Collection Ratio

Portfolio	Gross	Net
Red Sea SPV	127	137
FINO 1 Securitization	98	86
Elrond NPL 2017 S.r.l.	73	73
Bcc Npls 2018	94	96
Aqui SPV	124	131
POP NPLs 2018	139	145
RIVIERA NPL	105	113
Brisca Securitisation Srl	124	140
Popolare Bari NPLs 2017	90	95
Popolare Bari NPLs 2016	93	99
Maggese	99	115

SOURCES: Banca Ifis internal estimation based on Moody's SECTOR PROFILE 26 September 2019. NOTE: Cumulative Gross/Net Collection average calculated as a weighted average of 11 GACS transactions observed
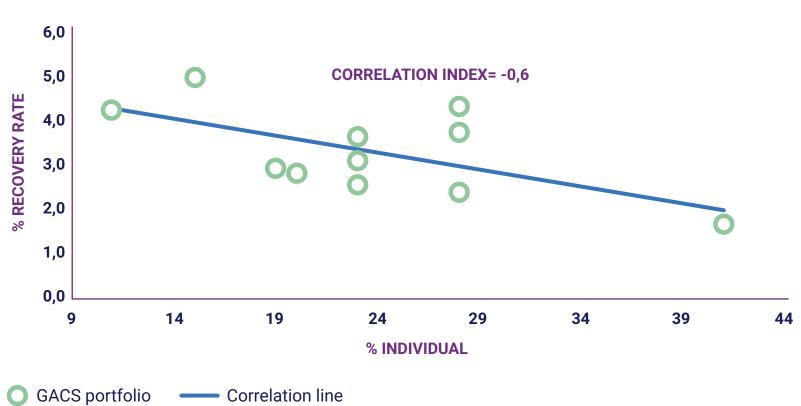
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Recovery performance is averaging 3% on yearly basis and so far it doesn't depend on secured incidence and to the type of debtor in the portfolio.

GACS PERFORMANCE

CORRELATION INDEX= 0,4

Y-axis: % RECOVERY RATE (2,0 to 5,0)
X-axis: % SECURED (50 to 80)

○ GACS portfolio ── Correlation line

GACS shows no correlation between recovery rate and % of guaranteed credits

GACS PERFORMANCE

CORRELATION INDEX= -0,6

Y-axis: % RECOVERY RATE (0,0 to 6,0)
X-axis: % INDIVIDUAL (9 to 44)

○ GACS portfolio ── Correlation line

GACS shows no correlations between recovery rate and % of individual on portfolio

SOURCES: Banca Ifis internal estimate based on Moody's SECTOR PROFILE 26 September 2019; Debtwire report "performance of GACS deals"
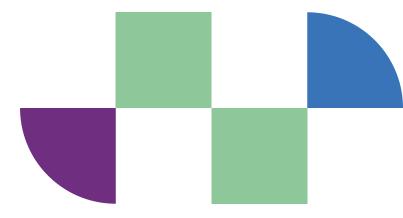
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MARKET WATCH NPL

January 2020

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