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MARKET WATCH
NPL 

**Npl transaction market and
servicing industry**

Forecast 2023-2025

SEPTEMBER 2023

The key messages (1/2).

MACROECONOMIC SCENARIO AND RISK TRENDS IN BANK FINANCIAL STATEMENTS: COMPARING ITALY AND THE EU

01

1. The main scenario forecasts outline a strong resilience of global economies due to 2 factors: 1) highly expansionary fiscal stimulus; 2) private consumption with positive dynamics.
2. During the first quarter of 2023, EU Npe ratio remained unchanged as a proportion of total loans compared to the end of 2022 (Npe ratio 1,8% in both periods) due to the resilience of the economies, as well as scenario tensions.
3. In Q1 2023, the forward-looking indicators (stage 2 and performing forborne loans) of the major EU banks are gradually improving, although they remain at a higher level than pre-Covid. Thus, the perceived lifetime risk of significant EU banks decreases.
4. Italy shows a prospective risk higher than the EU average, both in stage 2 and performing forborne loans (subject to concessions). Nevertheless, also for Italy, the forward-looking indicators show an improvement in Q1 2023 (Stage 2 ratio from 12,2% to 11,3% and forborne performing from 1,59% to 1,41%).
5. Despite a context of progressive improvement, Italian banks maintain a more cautious attitude than the EU average, as shown by the above-average levels of coverage rates on forborne performing and Stage 2 loans.
6. The deterioration rate is estimated to remain at a historically low level in the three-year period 2023-2025, even when compared with the values prior to the first 2008 sub-prime mortgage crisis. The forecast is at a decidedly lower level than what was hypothesized 1 year ago, consistently with the resilience of the economy and credit quality.
7. The moderate dynamics of new Npe flows together with continued de-risking will keep the Npe ratio stable in 2023 (3,0%) and slightly increasing in 2024 and 2025 (3,2% and 3,3%).

SOURCE: Banca Ifis Research Department elaborations.

NPL AND UTP TRANSACTION MARKET

02

1. In the three-year period 2023-2025, Npe transactions (an estimated 84 €bn over the 3 years) will be supported by the secondary market, the weight of which will increase to around 50% in both 2023 and 2024. Transactions in the primary will be driven by the continued de-risking process of the major banks and moderately increasing flows of Npe. In line with what has been expected in previous years, the UtP transaction market sees low amounts of transacted business.
2. The increasing incidence of the secondary market will be led by the following drivers:
 - a) investor interest in the portions of GACS-backed portfolios that underperform;
 - b) development of sales platforms and sales by players who were historically buyers;
 - c) activities of new entrants (e.g. Tulps 115) created by law firms already part of the chain.
3. For 2023, Npe transactions have been estimated at 32 €bn, including ~8 €bn of transactions that could be postponed to 2024. Disposals in the secondary market will account for half of the total amount transacted for the year, roughly the same proportion for secured vs unsecured.
4. The average prices of the portfolios do not show significant differences, except for the values of the unsecured portfolios, which are affected by the fresher loans, and for the UtP, which show variability due to low volumes and purchases of alternative investment funds.

The key messages (2/2).

NPL INDUSTRY

03

1. Even after reaching the EBA target of 5% in 2021, the de-risking continued, albeit with transacted volumes Npe smaller. From 2015 to 2022, non-performing exposure amounting to 352 €bn were sold, of which 39 €bn from UtP. A further increase to 384 €bn is expected for Npe transactions in 2023.
 - a) The process of de-risking that followed the 2015 peak of npe allowed the banking system to have an increased focus on credit assessment policies and system. One obvious effect is the progressive alignment of risk levels in the different areas of our country. In March 2023, the gap in the Npe ratio of southern areas over northern Italy has narrowed to just 2,2 percentage points, compared to the delta of 6,4 percentage points in 2015.
 - b) Also in prospective terms, the risk levels by geographical area shows a significant realignment. The difference between the deterioration rate in Southern and Northern Italy is 5 times lower than in 2012.
2. The stock of Npes in Italy is estimated to have decreased from 361 €bn in 2015 to 306 €bn in 2022, partly due to the collection of specialised operators.
3. The 46 Scope-rated portfolios, securitised from 2017 to 2022, are a significant cluster of the transacted Npls which is useful for analysing the performance recovery performance compared to business plans.
 - a) 50% of the 111 €bn of GBV securitised has a performance positive (equal to or above 110% of target) or in line with the business plan original. The portfolios that perform better with respect to the targets are those with the most recent transaction date (2020 to 2022), on which there are still no negative deltas with respect to the targets from BP.
 - b) Portfolios that have performed negatively against the BP targets are concentrated in the period between 2017-2018 and to a small extent in 2019. The delays related to the pandemic crisis weighed on these, particularly those related to court operations, as these portfolios have a high incidence of secured assets.
 - c) The analysis of collection strategies also confirms the central role of legal action, which accounts for 47% of the collection overall, on which the efficiency and functioning of the judicial system impact.
4. In 2022 and the first nine months of 2023, the number of extraordinary transactions (acquisitions and JVs) in the Npl industry was considerable, mainly for growth and consolidation strategies to achieve an efficient size.

SOURCE: Banca Ifis Research Department elaborations.

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Macroeconomic scenario and
risk trends in bank balance
sheets: Comparing Italy and the
EU

The main scenario forecasts point to a strong resilience of global economies, thanks to expansionary tax policies that have been able to benefit from public debt sustainability. Scenario risks are related to medium/long-term interest rate developments, the failure of central banks' policies to correct, cooling economies and inflation, and geopolitical tensions.

Sources used for scenario analyses

- Bank of Italy, July 2023, Economic Bulletin No.3
- IMF, July 2023, Press release 23/273
- European Commission, May 2023, Spring economic forecast
- Alpine Macro, July 2023, Special Report

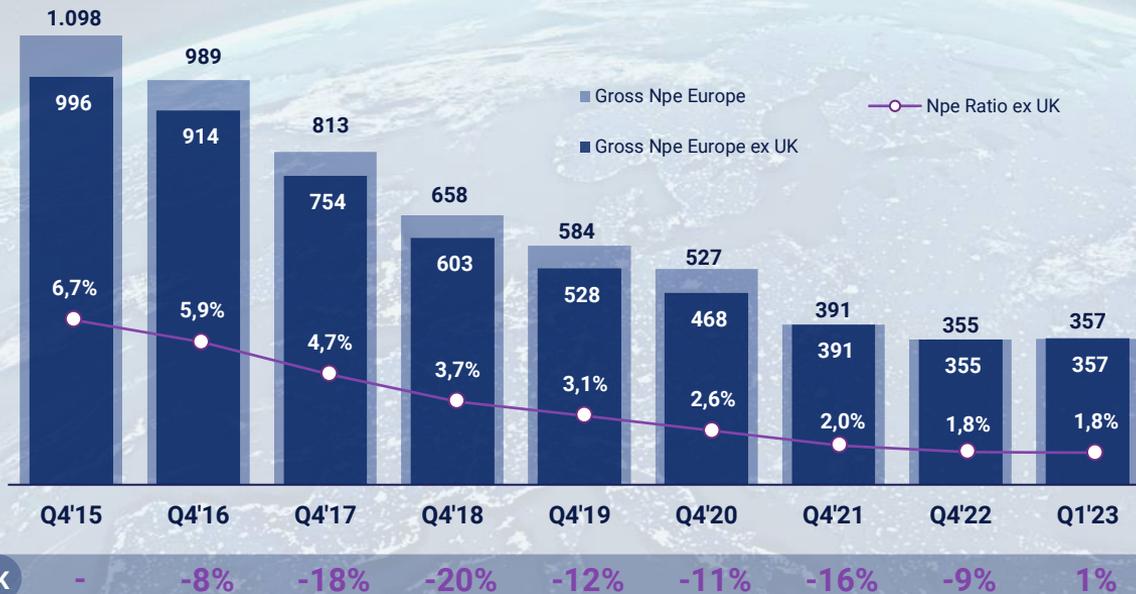
Macroeconomic Context - World, Europe, Italy

	GDP	
	2022	2023 E
World	+3,3%	+2,7%
USA	+2,1%	+1,6%
EU	+3,5%	+0,8%
Italy	+3,7%	+1,1%

- **International economies have so far shown strong resilience** to inflation and rate hikes (+18% S&P 500 index at the end of August and +43% Nasdaq), to a greater extent than had been expected by observers.
- The resilience of economies is linked to 2 factors: 1) **fiscal stimulus** (2023 deficit/GDP: -5,1% in the US, -4,8% in France, -4,5% in Italy), in a context in which inflation and expansive public policies have caused nominal GDP to grow, enabling the sustainability of public debts (debt-to-GDP ratio little impact); 2) **private consumption** sustained by savings accumulated during the Covid period, growth in tourism (+5% tourist spending in Italy estimated as the 2022 change on 2019 pre-pandemic) and, of course, the expansiveness of public budgets.
- The main **scenario risks** could arise from:
 - 1) rising **medium-/long-term interest rates**;
 - 2) **failure to correct the rates policy** adopted by central banks and cooling of economies and inflation;
 - 3) **geopolitical tensions**.

During the first quarter of 2023, EU NPE ratio remained essentially unchanged as a proportion of total loans compared to the end of 2022, due to the resilience of the economies, as well as scenario tensions.

EU NON-PERFORMING LOANS IN BANK FINANCIAL STATEMENTS, GROSS NPE RATIO – EBA SIGNIFICANT BANKS ONLY - €BN AND PERCENTAGES



~639 €bn reduction in stock (UK excluded) compared to 2015, i.e. -64%

Var % Npe ex UK - -8% -18% -20% -12% -11% -16% -9% 1%

The forward-looking indicators (stage 2 and performing forborne loans) of the major EU banks are gradually improving, although remaining at a higher level than pre-Covid. Thus, the perceived lifetime risk of significant EU banks decreases.

LOANS IN BANK FINANCIAL STATEMENTS CLASSIFIED AS STAGE 2 – EBA SIGNIFICANT BANKS ONLY - VOLUMES IN €BN AND PERCENTAGES

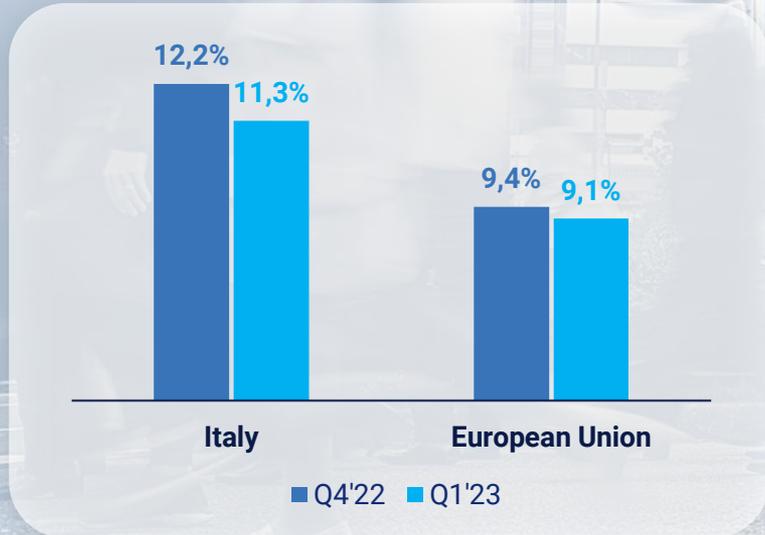


STOCK OF FORBORNE PERFORMING LOANS AND INCIDENCE OF FORBORNE PERFORMING LOANS ON RECEIVABLES DUE FROM CUSTOMERS – EU SIGNIFICANT BANKS ONLY - VOLUMES IN €BN AND PERCENTAGES

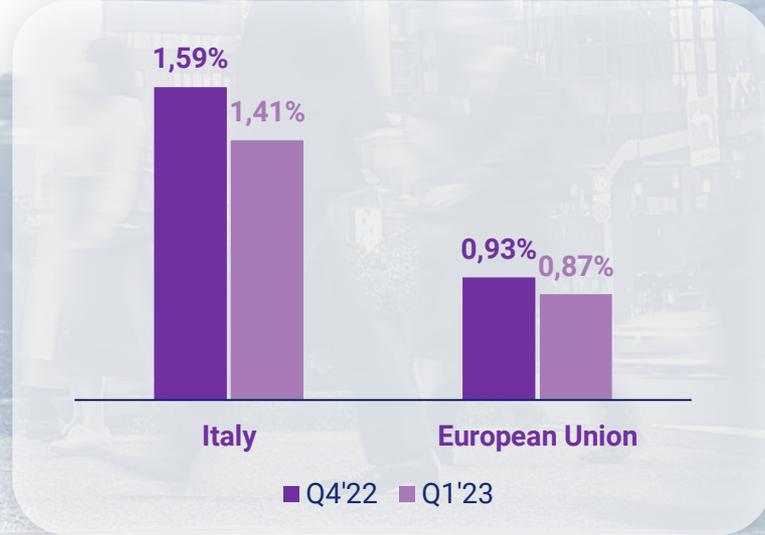


Italy shows a prospective risk higher than the EU average, both in stage 2 and performing forborne loans (subject to concessions). Nevertheless, even for Italy, forward-looking indicators show an improvement in the first quarter of 2023.

INCIDENCE OF LOANS IN BANK FINANCIAL STATEMENTS CLASSIFIED AS STAGE 2 - EBA-SIGNIFICANT BANKS ONLY - PERCENTAGES



INCIDENCE OF PERFORMING FORBORNE LOANS ON RECEIVABLES DUE FROM CUSTOMERS - EU-SIGNIFICANT BANKS ONLY - PERCENTAGES



Coverage ratio on performing forborne loans

- In Q1'23, coverage ratios on performing forborne loans increase slightly in Italy and Spain. Compared to the EU average the ratio of Italian banks is 254 basis points higher.

Coverage ratio on stage 2 loans

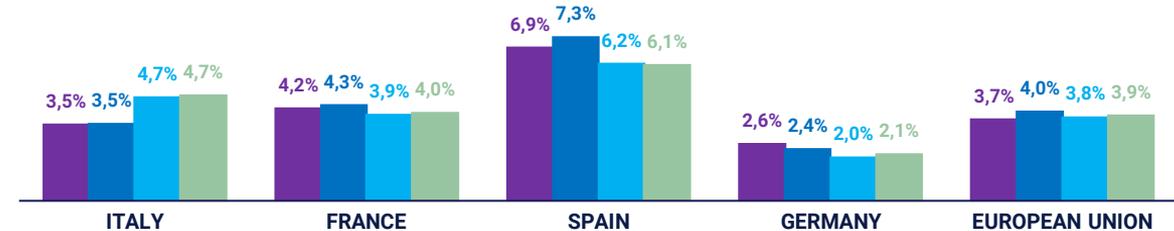
- In Q1'23, the coverage ratio of Italian stage 2 loans is 4,7%, higher than the EU average of 80 basis points.
- Spain, among the peer countries, is the only one to show a higher ratio.

Despite a context of progressive improvement, Italian banks maintain a more cautious attitude than the EU average, as shown by the above-average levels of coverage rates on forborne performing and Stage 2 loans.

COVERAGE RATIO OF FORBORNE PERFORMING LOANS FOR ITALY, FRANCE, SPAIN, GERMANY AND EUROPEAN UNION - EU SIGNIFICANT BANKS ONLY - PERCENTAGES



COVERAGE RATIO OF STAGE 2 LOANS FOR ITALY, FRANCE, SPAIN AND GERMANY, EUROPEAN UNION - EU SIGNIFICANT BANKS ONLY - PERCENTAGES



The 3-year forecasts of the credit deterioration rate, based on the new forecasts of the Bank of Italy, IMF and European Commission, showed a significant downward revision of the rates of creation of new impaired loans, particularly relevant for 2023.

Macroeconomic hypotheses

(consensus of forecasts by the Bank of Italy, IMF and European Commission)

Year	GDP	Inflation rate	Real interest rate, adjusted for GDP deflator	Unemployment rate
2023	1,06	5,3	3,3	7,9
2024	0,93	2,6	2,8	7,9
2025	1,13	2,06	2,8	7,7

Deterioration rates - forecast

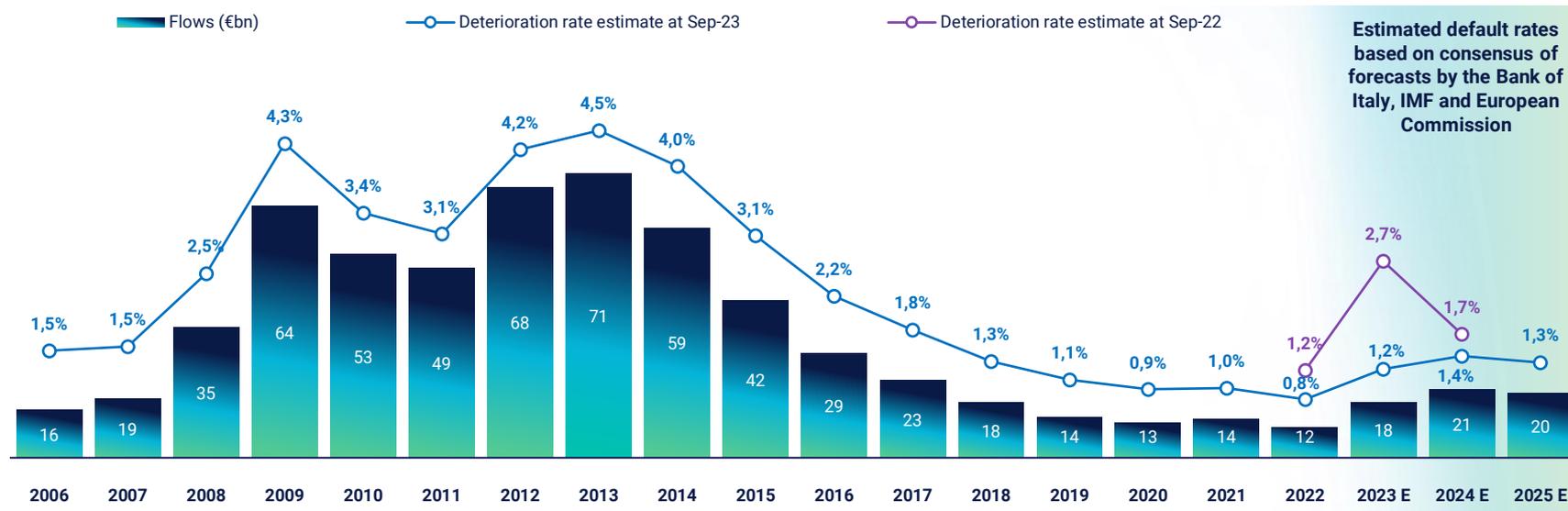
Predictions of the credit deterioration rate were made using a **multivariate regression model** applied to the **time series for the period 2006-2022 (confidence interval of 95%)**.

Year	Deterioration rate (estimate)	
	Feb. 2023	Sep. 2023
2023	2,7%	1,2%
2024	1,7%	1,4%
2025	n.a.	1,3%

The deterioration rate is estimated to remain at a historically low level in the three-year period 2023-2025, even when compared with the values prior to the first 2008 sub-prime mortgage crisis.

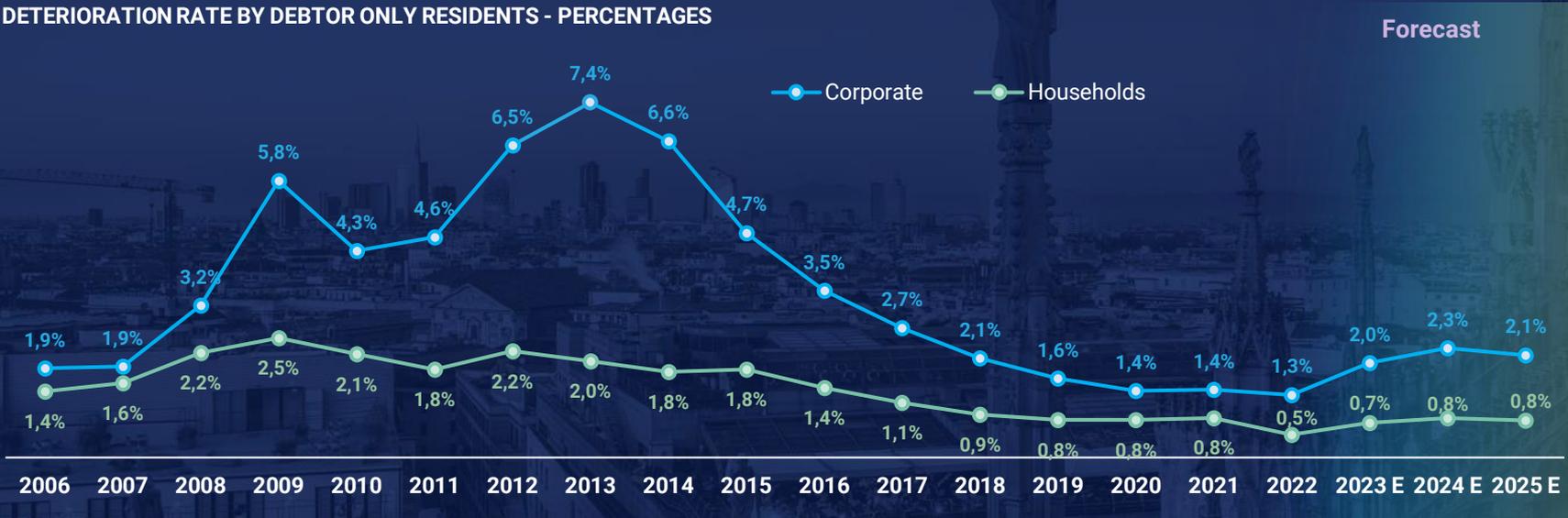
The forecast is at a decidedly lower level than what was hypothesized 1 year ago, consistently with the resilience of the global economy and credit quality.

BANKS' NPE INFLOWS FROM PERFORMING AND DETERIORATION RATE (DEFAULT RATE) ONLY RESIDENTS - €BN AND PERCENTAGES



The corporate deterioration rate is expected to increase more than in the household segment, due to the reflection of market tensions on production (-3,9% trend change in industrial production in Q2 2023). Households, on the other hand, benefit from the high liquidity and good employment performance (in July 2023 the employment rate was 61,3% compared to 60,8% in December 2022).

DETERIORATION RATE BY DEBTOR ONLY RESIDENTS - PERCENTAGES

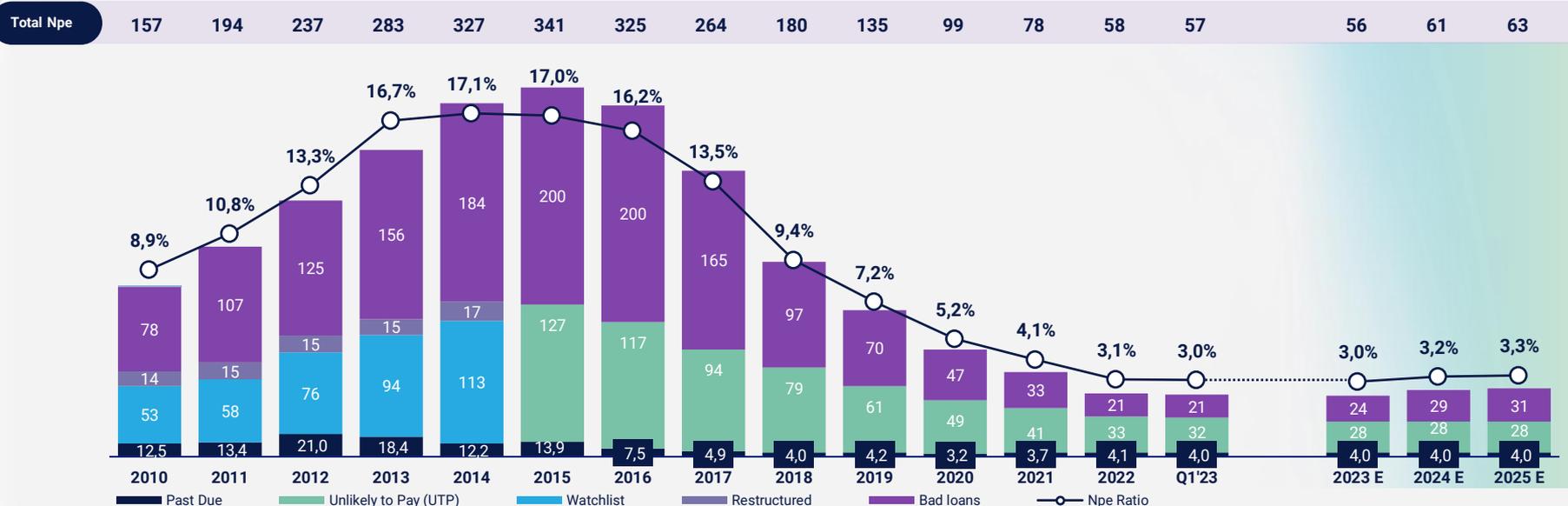


DETERIORATION RATE: annual flow of new loans in default adjusted / stock of loans not in default adjusted previous year.

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 moderate dynamics of new npe flows together with continued de-risking (see next chapter) will keep the Npe ratio stable in 2023 and slightly increasing in 2024 and 2025.

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; 2023-2025 Banca Ifis internal estimates. NOTES: Normalised data. The new definition of default harmonised 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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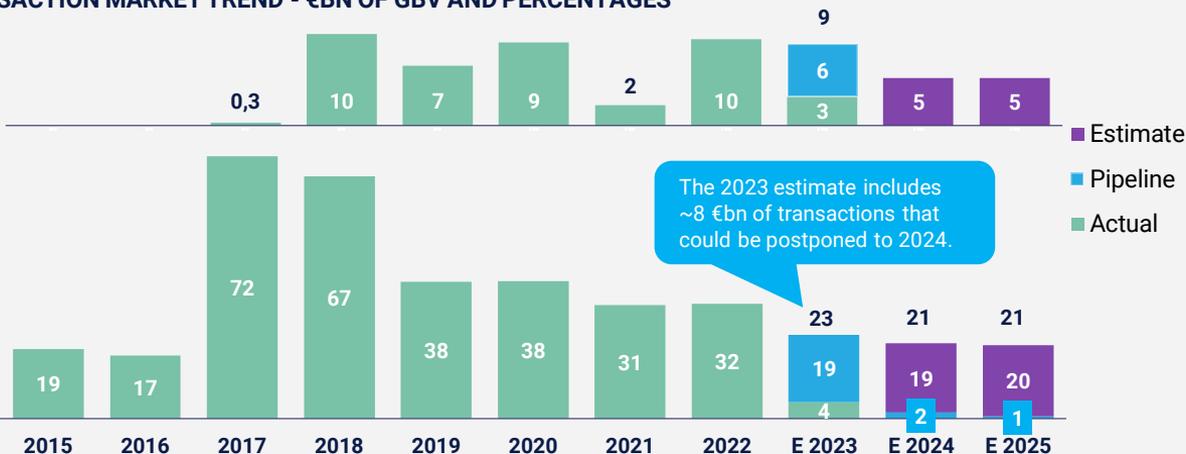
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Npl and UtP transaction market

In the three-year period 23/25, Npe transactions will be supported by the secondary market, the weight of which will increase to around 50% in both 2023 and 2024. Transactions in the primary will be driven by the continued de-risking process of the major banks and flows of impaired loans for the three-year period 2023-2025. In line with what has been expected in previous years, the UtP transaction market sees low amounts of transacted business.

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

UtP €bn



Npl €bn

% GACS on Npl

0% 3% 44% 43% 27% 39% 36% 34% 0% 0% 0%

% Secondary market on Npl

31% 51% 4% 2% 24% 23% 32% 28% 53% 49% 35%

The increasing incidence of the secondary market will be led by the following drivers:

- investor interest in the portions of GACS-backed portfolios that underperform;
- development of **sales platforms** and sales by players who were historically buyers;
- **activities of new entrants** (e.g. Tulps 115) created by law firms already part of the chain.

Estimates were made assuming that the market would continue to operate under current regulation, with no *ex lege* reimbursement regulation.

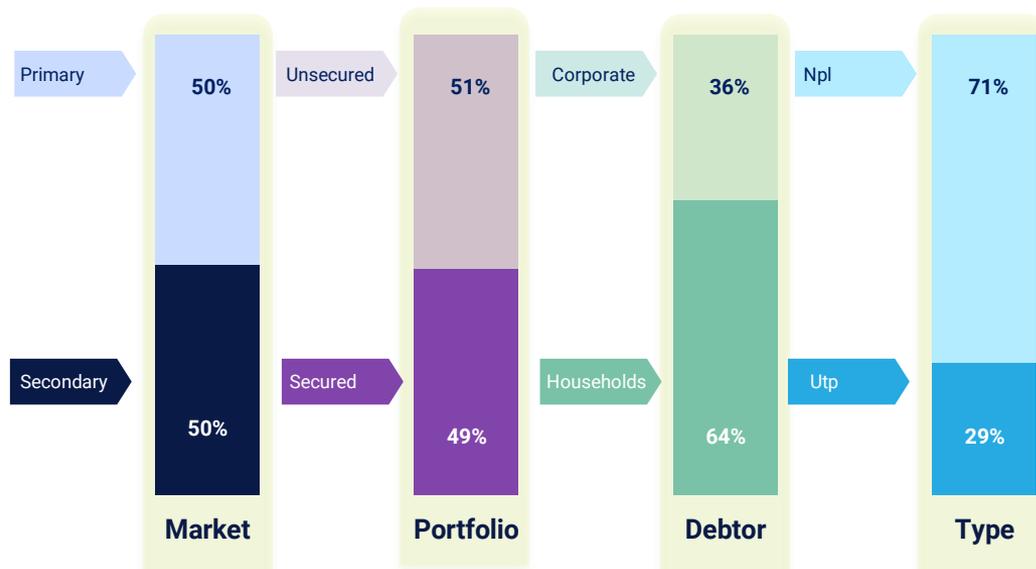
By 2023, Npe transactions have been estimated at 32 €bn. Disposals in the secondary market will account for half of the total amount transacted for the year, roughly the same proportion for secured vs unsecured.

32
€bn

Estimated Npe transacted in 2023

(The 2023 estimate includes ~8 €bn of transactions that could be postponed to 2024)

TOTAL ESTIMATED NPE TRANSACTED 2023 BY MARKET , PORTFOLIO, DEBTOR AND IMPAIRED TYPE - €BN OF GBV AND PERCENTAGES



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

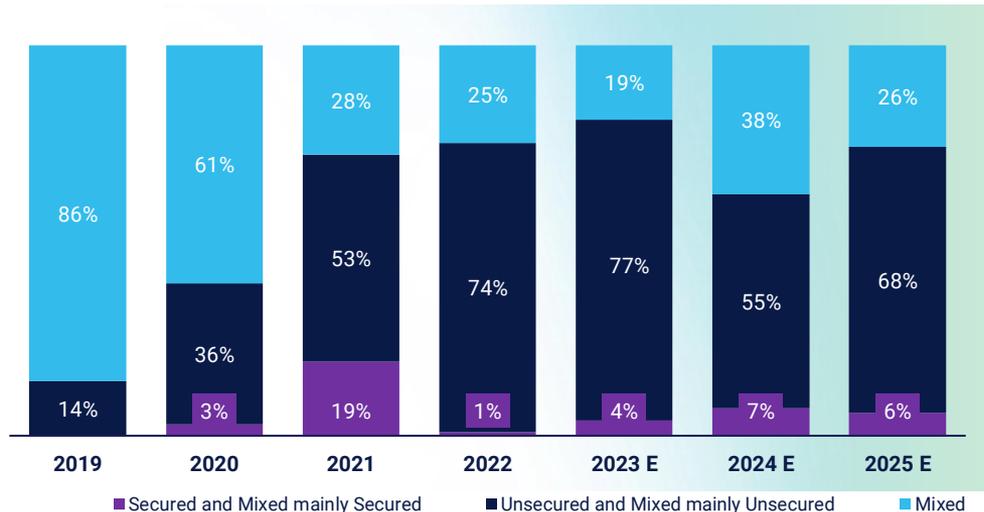
The composition of assets transacted on the secondary market will see a significant increase in mixed and unsecured as a consequence of the assumed sale of portions of GACS-backed portfolios.



The development of the secondary market will be driven by the increased efficiency of operators thanks to new aggregation phenomena in consortia and organisations of 115 TULPS that will be able to manage even less fresh and therefore more mature portfolios. The secondary market will also be supported by the development of digital trading platforms that will facilitate Npl transactions in the secondary market.

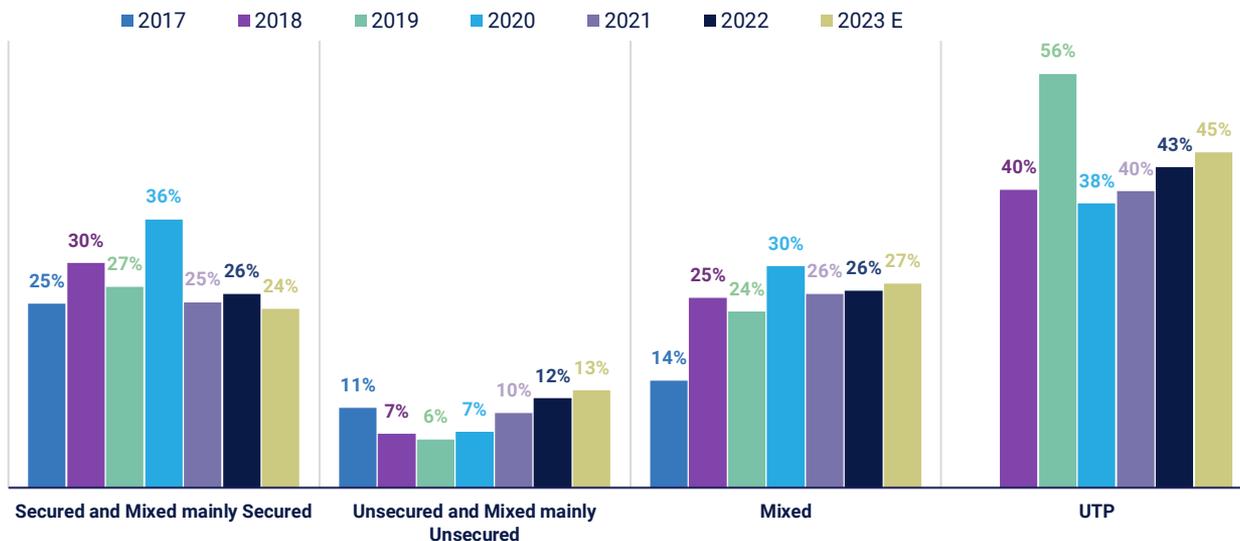
NPL TRANSACTIONS ON THE SECONDARY MARKET BY PORTFOLIO TYPE - €BN AND PERCENTAGES

GBV - €bn	9	9	10	9	12	10	7
% of total Npl transactions	24%	23%	32%	28%	53%	49%	35%



The average prices of the portfolios do not show significant differences, except for the values of the unsecured portfolios, which are affected by the fresher loans, and for the UTP, which show variability due to low volumes and purchases of alternative investment funds.

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



The price of the unsecured assets is shown net of Banca Ifis's acquisition of Revalea.

The price of UTP portfolios is rising slightly following the entry of new alternative investment funds for professional investors, specialising in UTP credit management.

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

From January to September 2023, Npl transactions for 4,4 €bn were completed. The estimate of the Npl volumes still to be closed in 2023 is 18,9 €bn, of which ~11 €bn are already under development ("ongoing").

DETAILS OF NPL TRANSACTIONS FINALISED AT SEPTEMBER 2023 AND PIPELINE 2023

NPL
Actual

Seller (Originator)	€bn GBV	Market	Investor	Servicer
Veld Capital	2,0	Secondary	Credit Factor	Europa Factor
Intesa Sanpaolo	0,7	Primary	Finn SPV	Intrum
Iccrea Banca	0,3	Primary	AMCO	AMCO
Unicredit	0,2	Primary	Kruk Group	Kruk Group
Monte dei Paschi di Siena	0,2	Primary	Bayview	Guber Banca
Confidential	0,2	Secondary	Credit Factor	Europa Factor
BNL	0,2	Primary	Hoist Finance	Hoist Finance
Deutsche Bank	0,1	Primary	Kruk Group	Kruk Group
Italo Sicav	0,1	Secondary	Hoist Finance	Credit Network & Finance
Confidential	0,1	Primary	SOREC S.r.l	SOREC S.r.l
Confidential and other minor	0,3	Primary/Secondary	n.a.	n.a.
Total transactions 2023	4,4			

NPL
Pipeline

Seller (Originator)	€bn GBV	Market	Potential Investor	Status
Mediobanca Group	6,8	Secondary	Banca Ifis	Ongoing
BPER	2,5	Primary	Gardant - Amco	On plan
Barclays	1,4	Primary	Confidential	Ongoing
Goldman	1,2	Secondary	Confidential	On plan
Intesa Sapaolo	1,0	Primary	n.a.	On plan
Unicredit	1,0	Primary	n.a.	On plan
Multi-originator	0,8	Primary	Taurus Fund, Polis fund	Announced
Iccrea Banca	0,6	Primary	n.a.	Ongoing
Monte dei Paschi di Siena	0,4	Primary	n.a.	Ongoing
Banco BPM	0,3	Primary	n.a.	On plan
Confidential and other minor	2,9	Primary/Secondary	n.a.	Ongoing/On plan
Total pipeline 2023	18,9			

3,3 €bn GBV of deals already concluded in 2023. Another 6,2 €bn of transactions in progress for the year.

DETAILS OF UTP TRANSACTIONS FINALISED AT SEPTEMBER 2023 AND PIPELINE 2023

UTP
Actual

Seller (Originator)	€bn GBV	Market	Investor	Servicer
Multi-originator	0,5	Primary	UTP Italy Fund	Intrum
BPER	0,5	Primary	Gardant	Gardant
BPER	0,4	Primary	AMCO	AMCO
Unicredit	0,4	Primary	Efesto Credit Fund	Dovalue
Deutsche Bank	0,3	Primary	Banca Finint, Italian NPL Opportunities Fund	Banca Finint
Unicredit and Bper bank	0,3	Primary	Prelios SGR	Back2Bonis Fund
Multi-originator	0,3	Primary	Illimity	iREC Fund
Multi-originator	0,3	Primary	Prelios SGR	Back2Bonis Fund
Iccrea Banca	0,1	Primary	AMCO	AMCO
Iccrea Banca	0,1	Primary	UTP Italy Fund	Intrum
Confidential and other minor	0,1	Primary	Guber Banca	Guber Banca
Total transactions 2023	3,3			

UTP
Pipeline

Seller (Originator)	€bn GBV	Market	Potential Investor	Status
Multi-originator	1,2	Primary	Amco - Back2Bonis Fund	Announced
Unicredit	1,0	Primary	doValue, Prelios, Intrum, Gardant and AreC	Ongoing
Iccrea Banca	0,5	Primary	n.a.	Ongoing
Multi-originator	0,5	Primary	AMCO	On plan
Multi-originator	0,4	Primary	Efesto fund (DoValue, Finint)	Ongoing
Iccrea Banca	0,3	Primary	n.a.	On plan
Gruppo Carige	0,3	Primary	n.a.	Ongoing
Confidential and other minor	2,0	Primary	n.a	On plan
Total pipeline 2023	6,2			

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The NPL industry

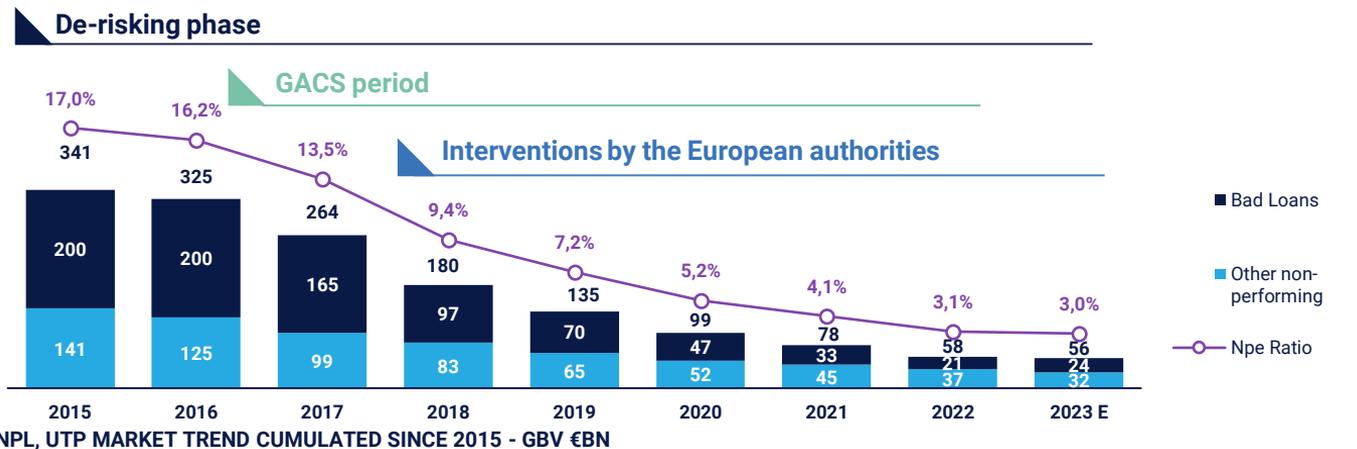
Even after reaching the EBA target of 5% in 2021, the de-risking continued, albeit with transacted volumes Npe smaller.

The banking sector has managed, over 8 years, to reduce the Npe ratio by almost 14 percentage points from 17% in 2015 to 3,1% in 2022, below the EBA threshold of 5%. For 2023, a further reduction to 3% is expected.

The total Npe in bank financial statements has gone from 341 €bn in 2015 to 58 €bn in 2022. At the end of 2023, a further decrease to 56 €bn of Npe stock is expected.

From 2015 to 2022, Npe amounting to 352 €bn were sold, of which 39 €bn from UtP. A further increase to 384 €bn is expected in 2023.

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



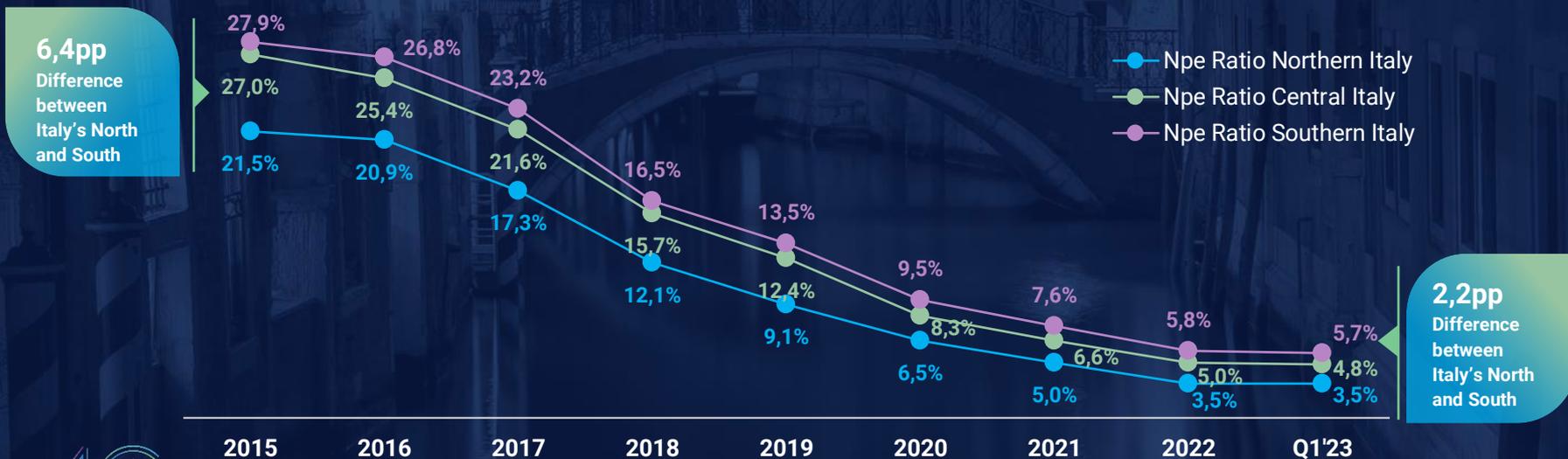
NPL, UTP MARKET TREND CUMULATED SINCE 2015 - GBV €BN



SOURCE: Banca Ifis Research Department elaborations on the Bank of Italy statistical database; 2023 Banca Ifis internal estimates. Banca Ifis Npl Market Database - Press releases and news - Banca Ifis internal estimates. NOTES: Normalised data. The new definition of default harmonised 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.

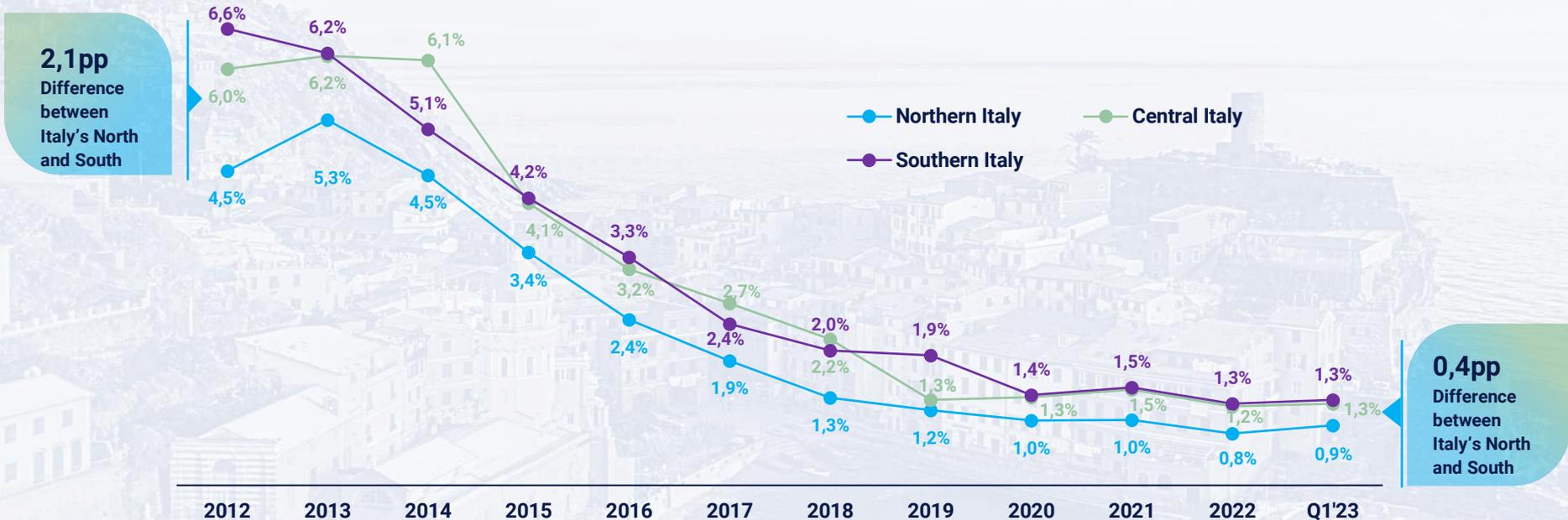
The process of de-risking that followed the 2015 peak of impaired loans allowed the banking system to have an increased focus on credit assessment policies and system. One obvious effect is the progressive alignment of risk levels in the different areas of our country. In March 2023, the gap in the Npe ratio of southern areas over northern Italy has narrowed to just 2,2 percentage points, compared to the delta of 6,4 percentage points in 2015.

NPE RATIO (GROSS NON PERFORMING BANK LOANS TO HOUSEHOLD AND CORPORATE LOANS BY GEOGRAPHICAL AREA) - €BN AND PERCENTAGES



Also in prospective terms, the risk levels by geographical area shows a significant realignment. The difference between the deterioration rate in Southern and Northern Italy is 5 times lower than in 2012.

DETERIORATION RATE OF LOANS TO RESIDENT HOUSEHOLDS AND CORPORATES BY GEOGRAPHICAL AREA - PERCENTAGES



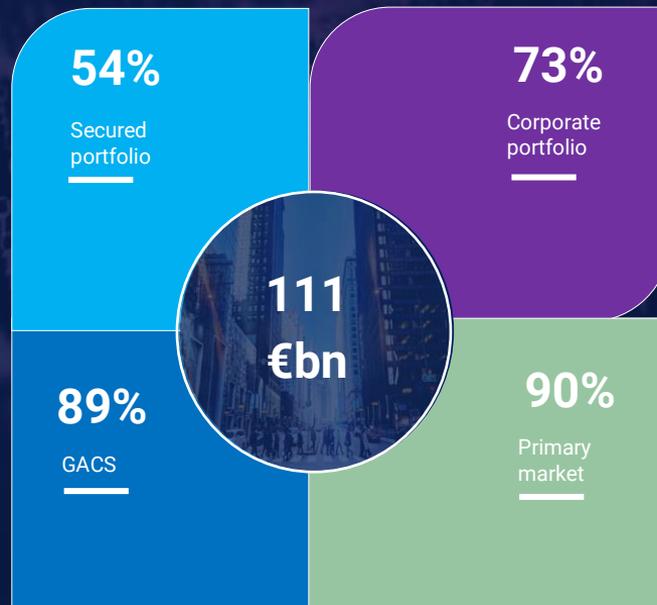
The stock of Npes in Italy is estimated to have decreased from 361 €bn in 2015 to 306 €bn in 2022, partly due to the collection of specialised operators. The projected increase in new npe flows in the three-year period 2023-2025 could lead to a new increase in stock.

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



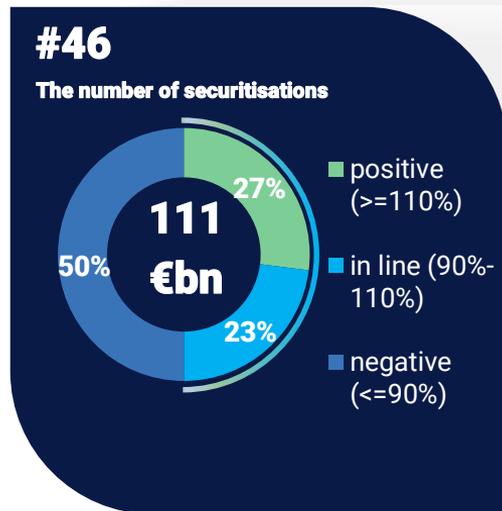
The 46 Scope-rated portfolios, securitised from 2017 to 2022, are a significant cluster of the transacted Npls which is useful for analysing the performance recovery performance compared to business plans.

- 46#** The number of total securitisations from 2017 to 2022 with the last interest payment date as of 1 December 2022
- 111 €bn** The GBV value of the 46 securitisations
- 40%** The percentage share of the total Npl transacted market from 2017 to 2022
- 20#** The number of banking institutions involved
- 10#** The number of servicers
- 55%** The percentage share of the total transacted market in Npl securitisations from 2017 to 2022

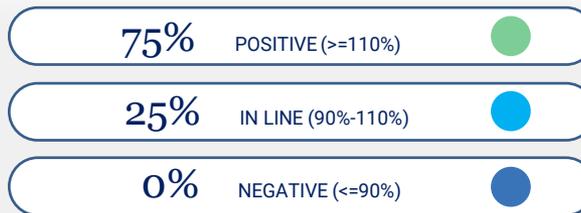


50% of the 111 €bn of GBV securitised has a performance positive or in line with the business plan original. The portfolios that perform better with respect to the targets are those with the most recent transaction date (2020 to 2022), on which there are still no negative deltas with respect to the targets from BP.

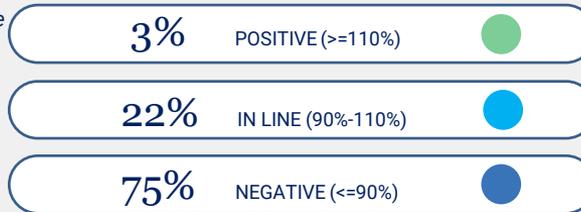
PERFORMANCE AGAINST THE ORIGINAL BUSINESS PLAN OF #46 RATING SCOPE SECURITISATIONS - IPD FROM 1 DECEMBER 2022, PERCENTAGE AND €BN



Transaction date
2020-2022



Transaction date
2017-2019



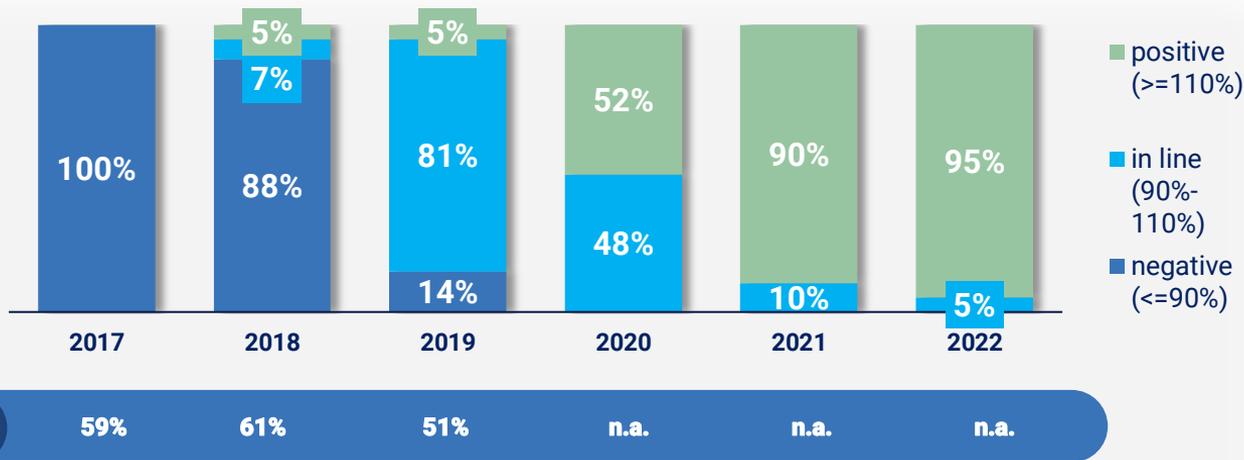
The valuation approach adopted considers the performance of portfolios that exceed the target by at least 110% to be positive and that of portfolios that lag behind the business plan by 90% or less to be negative, in order to sterilise the effect of variability of collections over individual periods.

The correlation between date of securitisation and performance is linked to the better recovery capacity that physiologically occurs in the first years of processing, to potentially fresher credits and to the more cautious business plans of operations that were able to take the pandemic shock into account.

Portfolios that have performed negatively against the BP targets are concentrated in the period between 2017-2018 and to a small extent in 2019. The delays related to the pandemic crisis weighed on these, particularly those related to court operations, as these portfolios have a high incidence of secured assets.

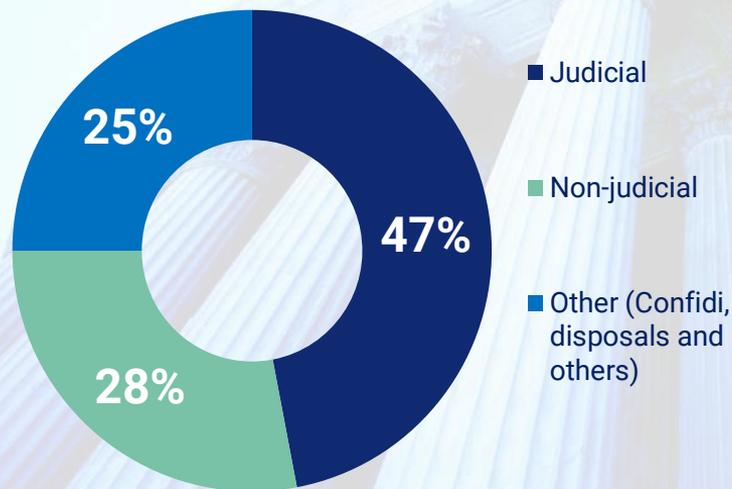
PERFORMANCE TREND AGAINST THE ORIGINAL BUSINESS PLAN OF #46 RATING SCOPE SECURITISATIONS - IPD FROM 1 DECEMBER 2022, PERCENTAGE

The analysis of securitisations by year shows that for the oldest securitisations, the portion secured is significant, collection of which was affected by the exceptional event linked to the two-year pandemic, which could not have been foreseen in the targets of the business plans, in addition to the impact on the collection of portfolio vintage.

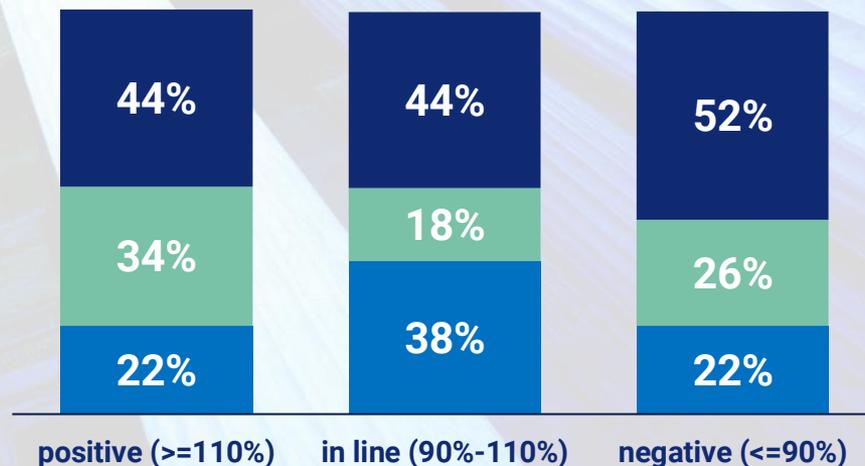


The analysis of collection strategies for the 46 portfolios with scope rating also confirms the central role of legal action, which accounts for 47% of the collection overall, on which the efficiency and functioning of the judicial system impact.

GROSS COLLECTION RATIO BROKEN DOWN BY RECOVERY STRATEGY, #46 RATING SCOPE SECURITISATIONS WITH LAST IPD AS AT 1 DECEMBER 2022 - PERCENTAGE



AVERAGE COLLECTION STRATEGY BY PERFORMANCE CLUSTER, #46 SECURITISATIONS WITH RATING SCOPE WITH LAST IPD AS AT 1 DECEMBER 2022 - PERCENTAGE



The top 7 servicers are expected to manage over ~300 €bn (GBV) by the end of 2023.

2023 ESTIMATE OF NPE AUM MANAGED BY THE TOP 7 SERVICERS

Top 7 servicers for AuM	Supervision Bank of Italy	AuM estimate GBV €bn	Position in the market
DoValue	115/106	73	Mostly secured, with a medium-high ticket
Cerved Credit Management	106/115	46	Mixed medium ticket portfolio
Intrum	115	40	Mixed medium ticket portfolio
Prelios Credit Servicing	106	40	<i>Secured large ticket</i>
Gardant	106/115	40	Mixed medium ticket portfolio
AMCO	106	36	Mixed medium ticket portfolio
Ifis Npl (Banca Ifis)*	106 (bank)	29	<i>Unsecured small ticket</i>

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. The estimate of managed GBV in 2023 takes into account the Revalua transaction.

Estimated AUM as at 31/12/2023 - Gardant credits in special servicing

In 2022 and the first nine months of 2023, the number of extraordinary transactions (acquisitions and JVs) in the industry of impaired loans was considerable, mainly for growth and consolidation strategies to achieve an efficient size.

	2022			2023		
 <p>Acquisitions</p>	<p>Cerved Credit Management Acquisition of REV Gestione Credit.</p>	<p>Illimity Bank S.p.A. Acquisition of 100% of Aurora Recovery Capital S.p.A.</p>	<p>Zolva Acquisition of 100% of Euro Service Spa.</p>	<p>Guber Banca Acquisition of 100% of Fintech's Reperform.com platform</p>	<p>Ion - Prelios Acquisition of Prelios by Ion</p>	<p>Sesa Acquisition of 51% of Centrotrenta Servicing S.p.a</p>
	<p>Collexion Acquisition of Whitestar (formerly Parr Credit).</p>	<p>Intrum Italy Acquisition of a part of i-law, a law firm specialising in NPL servicing.</p>	<p>Team Evolution (Exacta Group) Acquisition of 100% of Creden</p>	<p>Banca Ifis Acquisition of 100% of Revalea S.p.a.</p>	<p>iQera Acquisition of 33% of MFLaw (STA)</p>	
 <p>Joint Venture</p>	<p>Gardant + BPER Joint venture for the strategic management of Npls and Utps.</p>	<p>Prelios + Luzzatti Partnership for the creation of a fund for the strategic management of Utps.</p>	<p>Banca Ifis and Mediobanca Group Industrial partnership for the strategic management of Npls SDIR:REGEM</p>			
	<p>Luzzatti + Prelios Creation of UtP Management Fund</p>	<p>Unicredit + Prelios Partnership for the management of Utps</p>				



STEP
UP

npl
meeting

MARKET WATCH

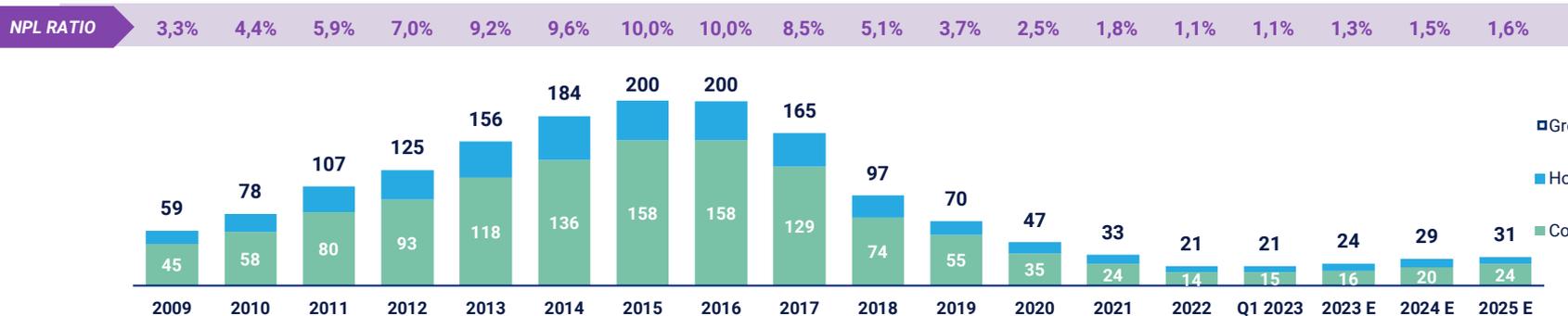
NPL 

In-depth tables



In 2023, 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. It is expected to increase slightly by 2024-2025

NPL RATIO AND GROSS NON-PERFORMING BANK LOANS BY RESIDENT DEBTOR TYPE: €BN AND PERCENTAGES

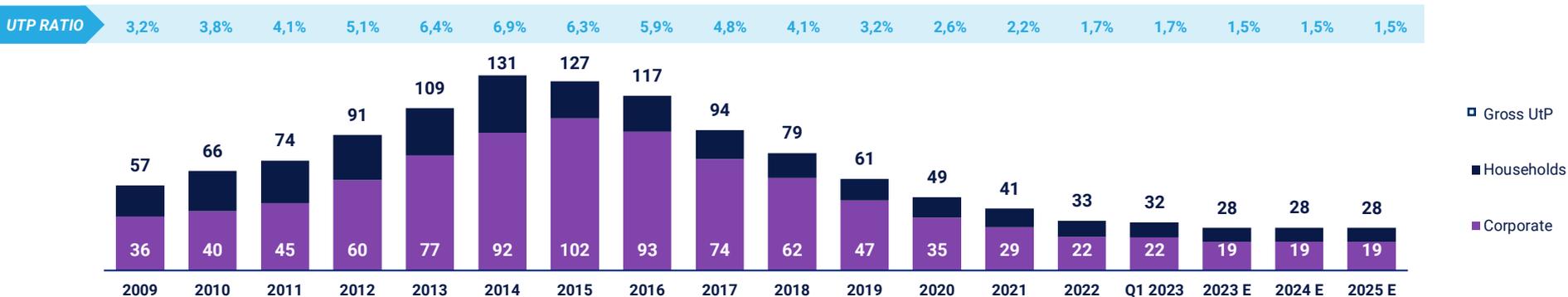


NPL RATIO: GROSS BANK LOANS/LOANS BY TYPE OF RESIDENT DEBTOR - PERCENTAGES



The stock of UtP in bank balance sheets is set to decrease also in 2023. A stable situation is expected for 2024-2025.

UTP RATIO AND BANK UTP BY RESIDENT DEBTOR TYPE - €BN AND PERCENTAGES

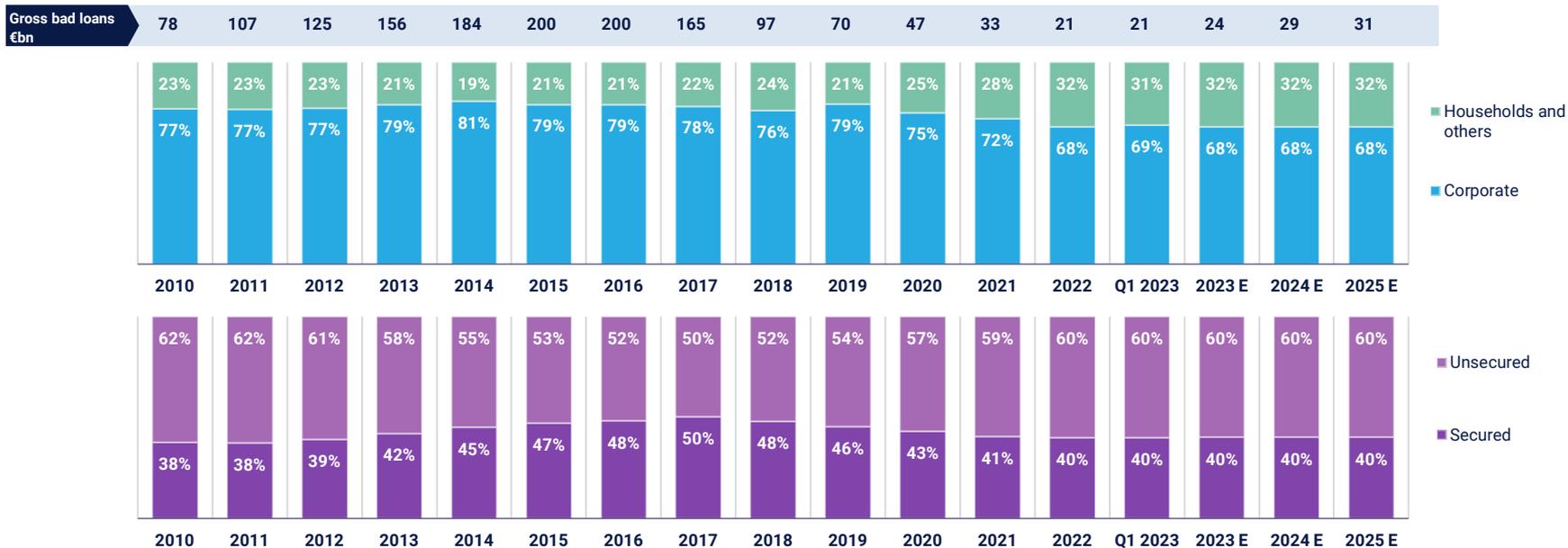


UTP RATIO: GROSS UNLIKELY DEFAULT (UTP) /TOTAL LOANS BY CUSTOMERS - PERCENTAGES



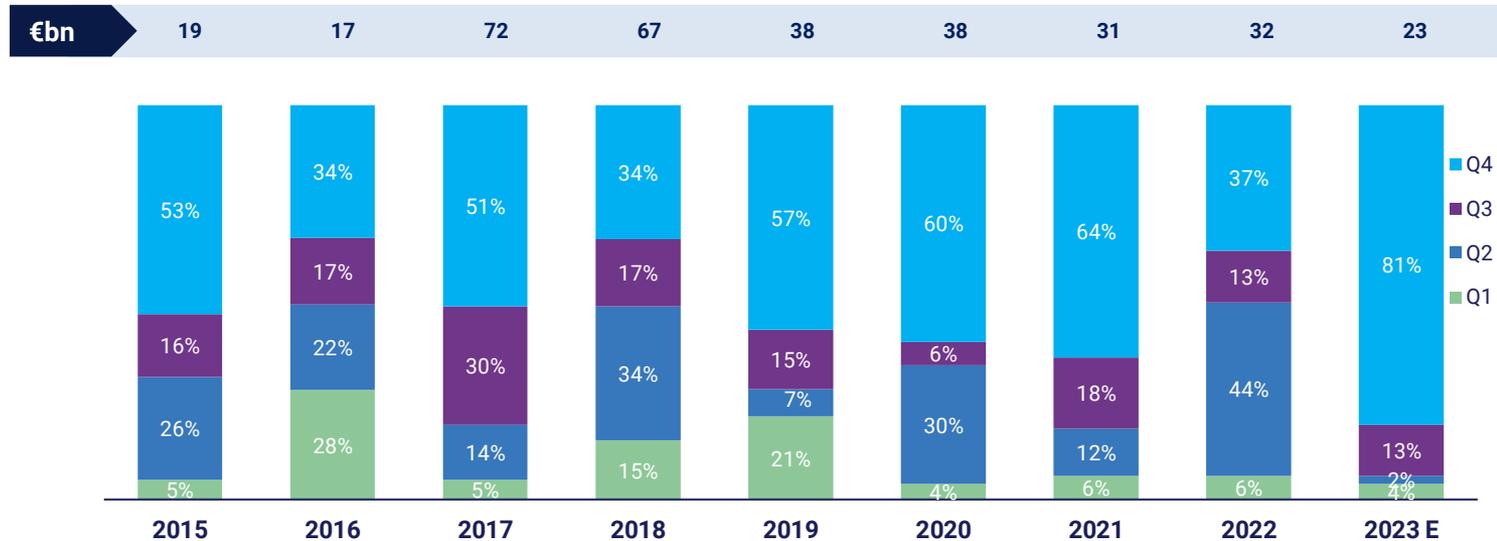
The main share of bad debts still in the bank balance sheet is attributable to Corporates, with a slight increase in 2022. The secured component is 40% of the total, which will remain stable in the 2024-2025 forecast.

GROSS RESIDENT BANK BAD LOANS - €BN, PERCENTAGE RECEIVABLES DUE FROM RESIDENT HOUSEHOLDS AND CORPORATE, SECURED AND UNSECURED (% OF TOTAL BAD LOANS)



The seasonality of transactions on Npl portfolios shows a trend towards an increasing concentration in the last quarter, while in 2022 almost half of the transactions were concentrated in the second quarter, accounting for 46% of the total GBV. In 2023, 81% of the transactions are expected to take place in the fourth quarter, with the possibility of a postponement of 8 €bn to 2024.

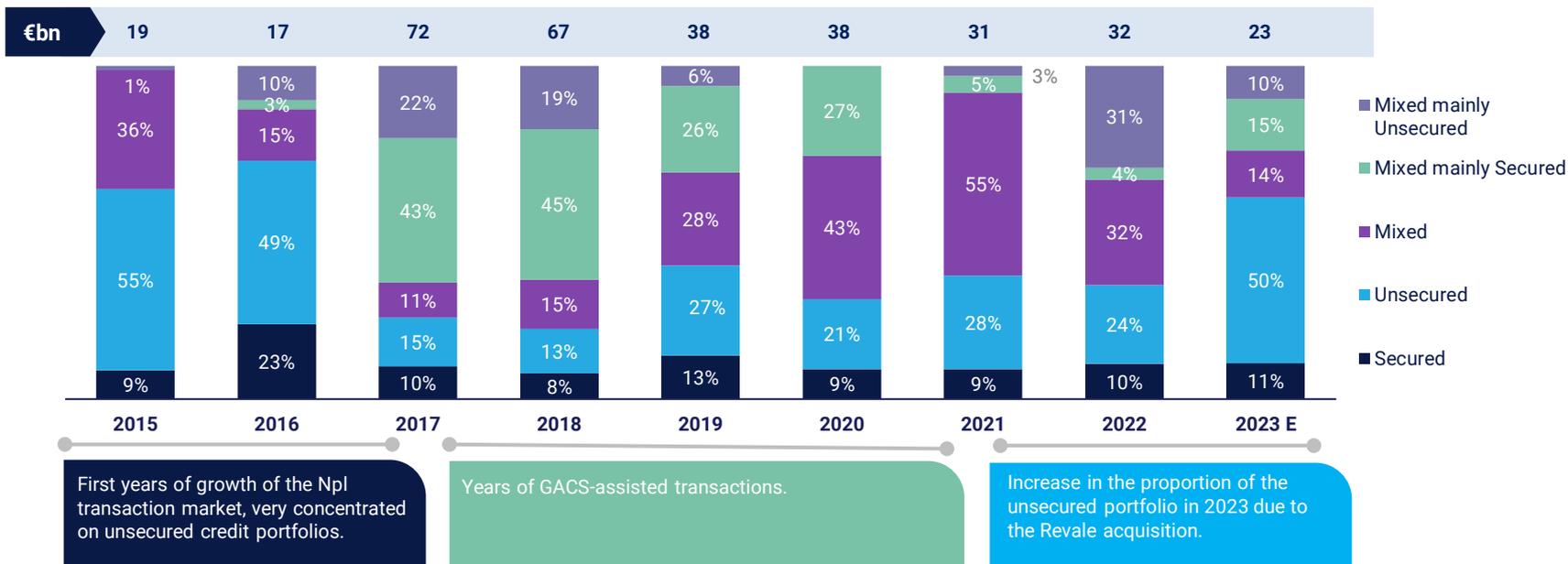
2015-2023 DISTRIBUTION OF NPL TRANSACTIONS BY QUARTER



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

The 2023 forecast shows a significant increase in the incidence of unsecured portfolios mainly due to the Revalea acquisition.

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.

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