

MARKET WATCH  
NPL 

February 2023

# NPL transaction market and servicing industry

*Actual 2022 and  
forecast 2023-2024*



# The key messages.

## NON-PERFORMING LOAN ON BANK FINANCIAL STATEMENTS: ITALY AND THE UE

01

1. **The reduction of the EU NPE ratio continues, reaching 1,8% in Q3 2022** representing a reduction of ~730 €bn in stock compared to 2015.
2. The forward-looking indicators of significant EU banks do not provide unambiguous indications. **On the one hand, they signal an increase in lifetime risk as evidenced by the increase in stage 2 loans of +201 €bn compared to the end of 2021; on the other hand, the incidence of forbore performing loans is decreasing during 2022.**
3. **In the European context as of Q3 2022, Italy shows a prospective risk higher than the EU average, both in stage 2 and forbore performing loans (subject to concessions).**
4. **New impaired flows are estimated to increase in 2023/2024 (56 €bn)** although lower than estimated in September 2022 as a result of improved expectations of the macroeconomic scenario, due to lower energy costs, government subsidies and positive economic indicators 2022 on Italian households and businesses.
5. **The acceleration of divestments in the latter months of 2022 brought the NPE ratio to 3,5% in Q3 2022, below the EBA target of 5% In 2023-2024, the increase in impaired flows will be offset by continued de-risking of major Italian banks.**

## THE NPL AND UTP TRANSACTION MARKET

02

1. **The market drivers of NPL transactions** are the result of a combination of:
  - **increase in expected flows of newly impaired positions: ~56 €bn new NPE flows 2023-24;**
  - **Rate increase in 2022: the ECB in October and December 2022 raised the official rates by 75 and 50 basis points respectively.**
  - **large operational capacity in the impaired loan sector: +317% AuM growth from 2016 to 2022.**
2. **The amount of NPE transactions in 2022 stood at 40,2 €bn of which 31,6 €bn of NPL portfolios and 8,6 €bn of UtP, -6,4 €bn on the September 2022 estimates, due to NPL and UtP disposals postponed to 2023 and lower than expected secondary NPL.**
  - NPL transactions accounted for almost 79% of the 2022 volumes, and UtPs absorbed the remaining 21%. Corporate debtors and secured portfolios account for more than half of the total transacted.
  - 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.
3. **In the forecast for 2023-2024, the market will maintain high volumes, respectively 40 and 33 €bn, with the secondary market accounting for around 35% of the NPL transactions.**
  - The new 2023-2024 transactional estimates project high volumes mainly as a consequence of the expected growth in new impaired flows and the boost in the secondary market, which is expected to increase due to three concomitant factors: development of sales platforms that will facilitate secondary and tertiary transactions, increased propensity to purchase by smaller investors (e.g. Tulps 115) already part of the supply chain, and sales of non-core assets in Gacs portfolios.
  - The estimated volumes assume the reactivation of the Gacs.

# The focuses.

## NPL INDUSTRY

03

1. The development of a non-performing loan market supported the lightening of bank financial statements, reaching the EBA target of 5% in 7 years (late 2021).
2. ~100 active investors between 2015 and today, with the top 3 operators covering 27% of total transactions. Banca Ifis is the only active investor in all the years examined. Quaestio is focused on MPS and AMCO portfolios mainly active on large system operations.
3. The stock of NPEs in Italy decreased from 361 €bn in 2015 to 324 €bn in 2022 net of collections and to 307 taking into account position closures (-15% GBV). As of 2023, the stock is estimated to increase to 335 €bn (net of collections and closures) by the end of 2024.
4. The progressive development of the NPL market has led to the need to equip itself with servicing platforms, labelling the years of 2018 to 2022 as the M&A Era (35 main transactions).
5. The top 7 servicers are expected to manage over ~300 €bn (GBV) by the end of 2022.

## GACS-ASSISTED PORTFOLIOS

04

1. 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.
2. Compared to the pre-Covid period, the monthly trend of collections on portfolios with GACS shows a lower average recovery dynamic. 2022 showed no improvement.

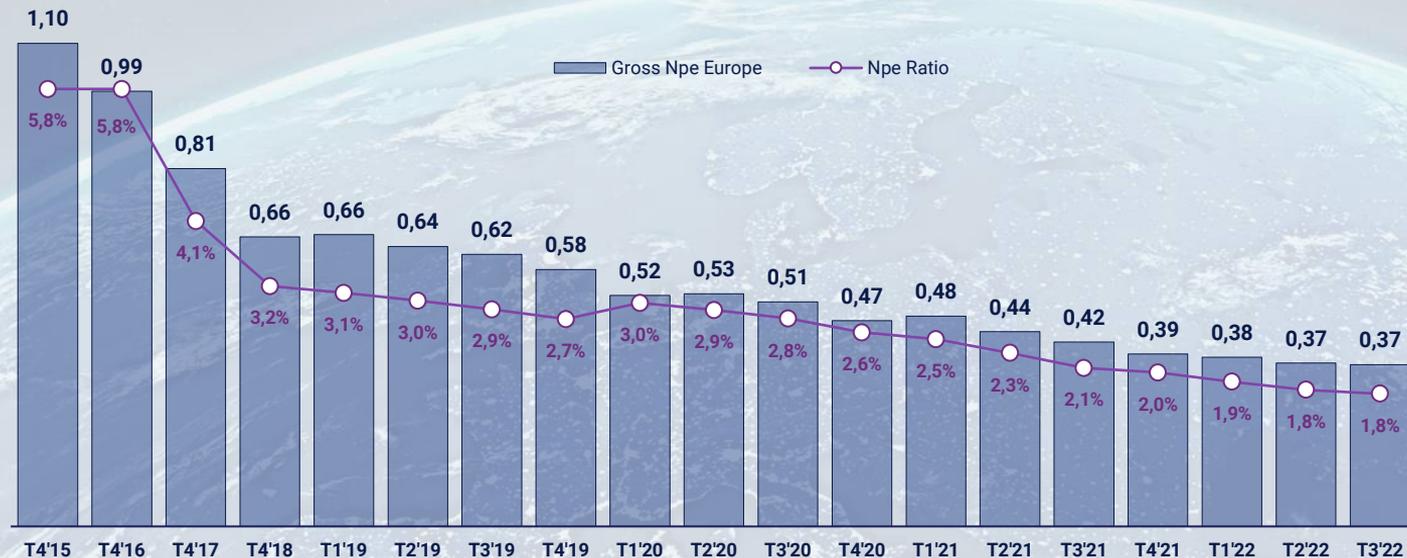
SOURCE: Banca Ifis Research Department elaborations

The background of the slide is a high-angle, night-time photograph of a city skyline, likely Hong Kong, with numerous illuminated skyscrapers and a harbor. On the left side, there is a large, semi-circular graphic overlay. The top-left portion of this overlay is a light green square, and the rest is a dark purple shape that curves around the text.

Non-performing  
loan on bank  
financial  
statements: Italy  
and the EU

The reduction of the EU NPE ratio continues, reaching 1,8% in Q3 2022 representing a reduction of ~730 €bn in stock banks compared to 2015.

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



In the third quarter of 2022, the EU Npe ratio stood at **1,8%**, which compares with a ratio of **5,8%** at the end of 2015.

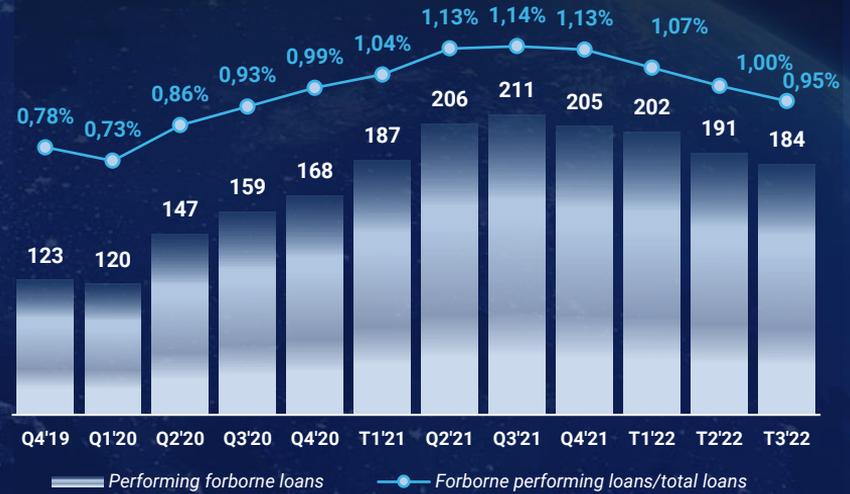
SOURCE: EBA "Risk Dashboard" report, Npl ratio based on a weighted average. NOTE: Npe Ratio calculated according to the solution implemented by the ECB for information relating to the major European banks, as established by the EBA / DC / 130 decision. Note that in the EBA report the terms impaired exposures (NPE) and impaired loans (NPL) are used interchangeably. Major 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 forward-looking indicators of significant EU banks do not provide unambiguous indications. On the one hand, they signal an increase in lifetime risk as evidenced by the increase in stage 2 loans of +201 € bn compared to the end of 2021; on the other hand, the incidence of forborne performing loans is decreasing during 2022.

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 - SIGNIFICANT EU BANKS ONLY - VOLUMES IN €BN AND PERCENTAGES

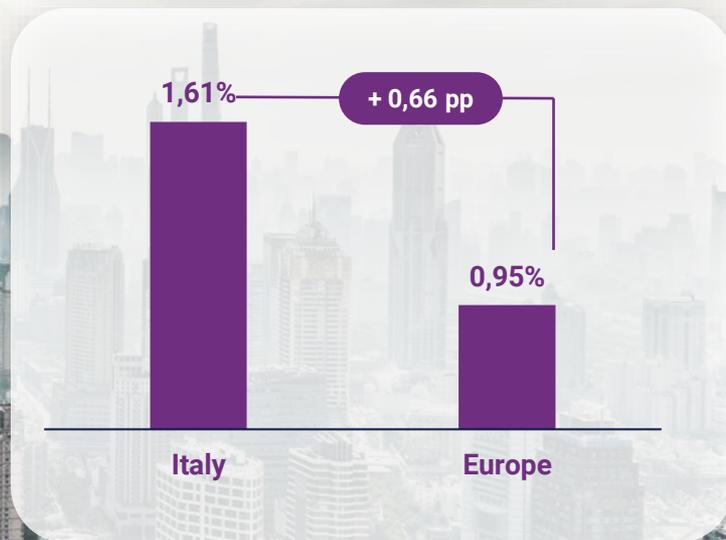


In the European context as of Q3 2022, Italy shows a prospective risk higher than the EU average, both in stage 2 and forborne performing loans (subject to concessions).

INCIDENCE OF LOANS IN BANK FINANCIAL STATEMENTS CLASSIFIED AS STAGE 2 - EBA SIGNIFICANT BANKS ONLY - AT Q3'22 - PERCENTAGES



INCIDENCE OF FORBORN PERFORMING LOANS ON RECEIVABLES DUE FROM CUSTOMERS AT Q3'22 - SIGNIFICANT EU BANKS ONLY - PERCENTAGES



Forecasts for new impaired loans and the NPL transaction market, compared to expectations 6/12 months ago, have been revised in light of the improved macroeconomic scenario.

## Macroeconomic hypotheses: GDP Italy

Year	Previous estimate (9/2022)	Current estimate (baseline scenario)	Current estimate (adverse scenario)
2022	2,8%	3,9%	3,9%
2023	-0,4%	0,6%	-0,8%
2024	1,8%	1,2%	-0,9%

### Scenario variability

- Compared to expectations 6/12 months ago, the macroeconomic scenario (in this Market Watch, the forecast of the Bank of Italy's January 2023 Economic Bulletin has been adopted) has substantially improved, thanks to the decrease in the cost of energy, government subsidies and the positivity of economic indicators on Italian households and businesses.

### 2022

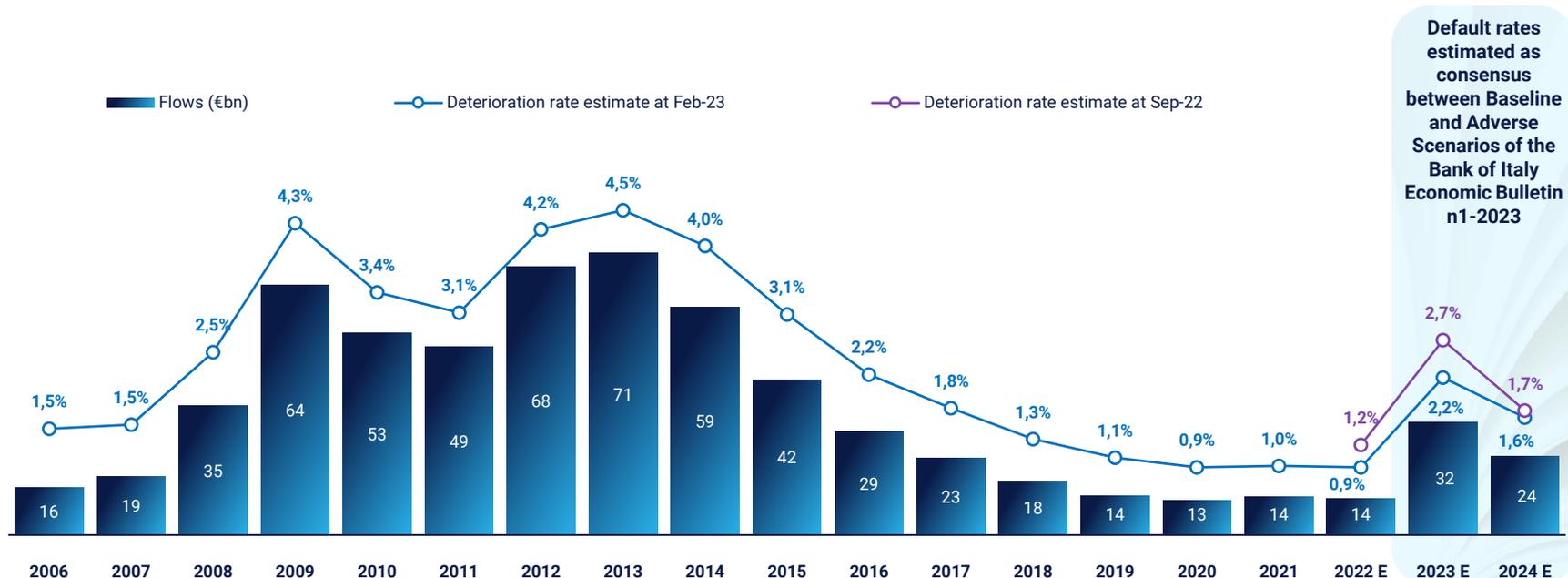
- The Italian GDP grew faster than expected thanks to domestic demand: the strong expansion of household consumption continued and gross fixed capital formation increased. **A slowdown in industrial production was recorded in Q4 due to energy costs.**

### 2023/2024

- Projections in the **baseline scenario for the two-year period 2023/2024** continue to be subject to exceptionally high uncertainty, associated with developments in commodity prices and availability (which are particularly affected by possible developments in the conflict in Ukraine), developments in international trade, as well as the repercussions of the global monetary tightening phase.
- The **adverse scenario hypothesises** a permanent interruption of energy supplies to Europe by Russia. In this scenario, output would fall by almost 1% in both 2023 and 2024.

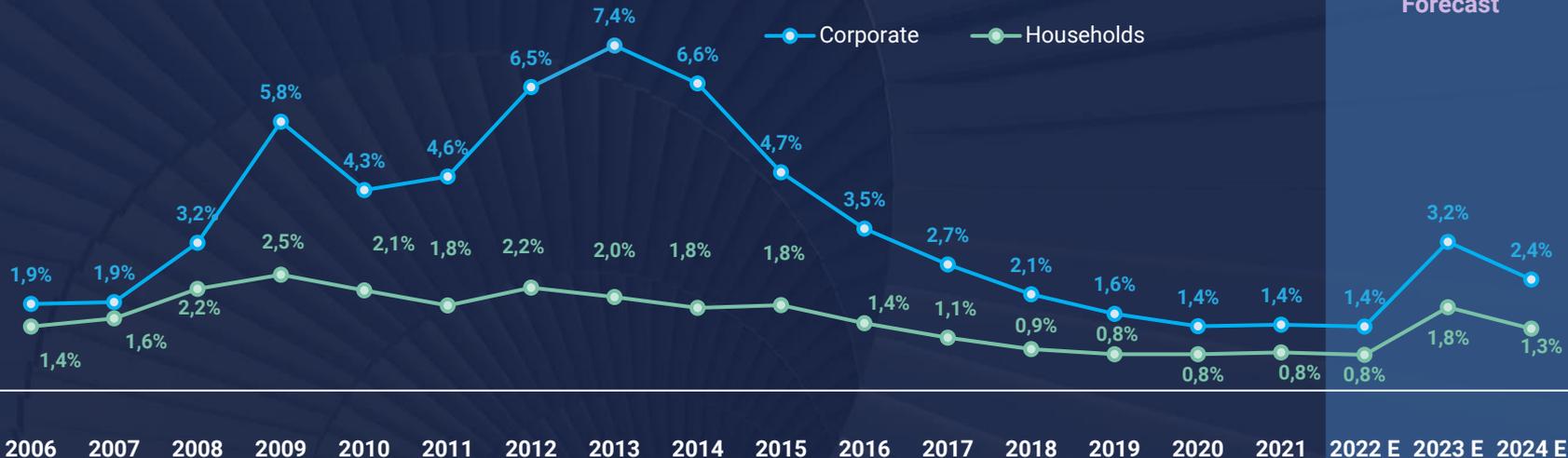
An increase in new npe flows is estimated for 2023/2024 (56 €bn expected flows), although lower than estimated in September 2022 as a result of improved expectations in the macroeconomic scenario.

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



The corporate deterioration rate is expected to increase more than in the household segment, due to the uncertainty associated with the continuation of the conflict in Ukraine and the tighter financial conditions affecting operating costs and profitability, which may also affect production and investment plans.

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. NOTE: Corporate includes non-financial companies and producer households; Households includes consumer households and other residual values.

The acceleration of sales in the latter months of 2022 brought the NPE ratio to 3,5% in the third quarter of 2022, below the EBA target of 5%.

In the two-year period 2023-2024, the increase in impaired flows will be offset by the continuation of de-risking of the main Italian 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. NOTE: 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.



Npl and UtP  
transaction  
market

187775	8
187771.56	-4.33
18769.39	-6.17
18760.61	-4.78
18754.73	
18752.00	
18747.50	-4.99
18742.51	-4.99

The drivers of the NPE transaction market are the result of the combination of increased expected flows of new impaired loans, challenging de-risking targets, rising rates and large operational capacity of the impaired loan segment.



**Challenging NPE ratio targets of the major Italian banks**

Expected NPE ratios

2022 E	2023 E	2024 E
3,1%	3,2%	3,3%

NPE ratio range in the business plans of the major Italian banks  
1,6% - 4,8%



**Estimated increase in flows of non performing loan**

Expected default rates

2022 E	2023 E	2024 E
0,9%	2,2%	1,6%

New NPE flows for 2023-24  
~56 €bn



**Growth in market rates that could make it more difficult to match supply and demand**

ECB rates at end 2022

Main refinancing	Marginal refinancing	Deposits
2,50%	2,75%	2,00%

January 2023  
+0,50%



**Operational capacity of the impaired credit sector to manage significant volumes**

AuM management (€bn)

2016	2022 E	Change
107	446	+339

2022 vs 2016  
+317%

The amount of NPE transactions in 2022 stood at 40,2 €bn, -6,4 €bn on the September 2022 estimates, due to NPL and UtP disposals postponed to 2023 and lower-than-expected secondary NPL.

### NPL TRANSACTION MARKET TREND - €BN OF GBV



### UTP TRANSACTION MARKET TREND - €BN OF GBV



#### Deferred primary deals

Unicredit	1,0 €bn
BPER	0,6 €bn
Iccrea	0,6 €bn

#### Cancelled deals (no longer in pipeline)

Banca del fucino	0,3 €bn
Unipol Banca	0,4 €bn

#### Deferred deals

Unicredit	1,4 €bn
Iccrea	0,5 €bn
Multioriginator	0,5 €bn
Banca Carige	0,3 €bn

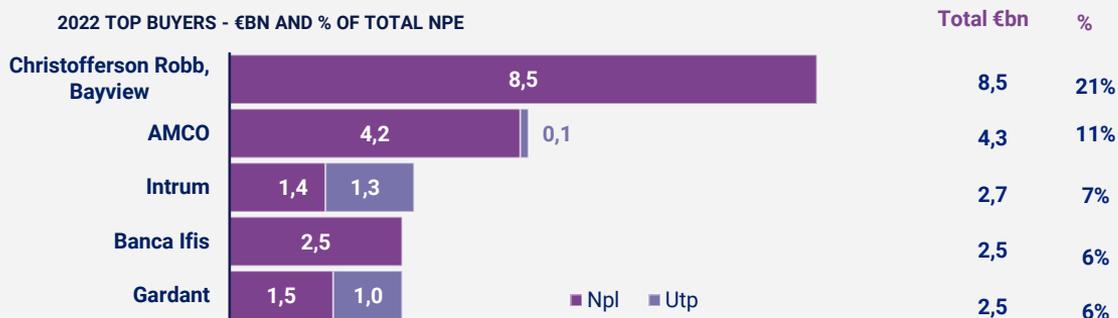
Again in 2022, the concentration of transactions remains high in terms of originators and buyers, respectively 62% and 51% the weighting of the Top 5, although decreasing compared to 2020.

#### 2022 TOP ORIGINATOR - €BN AND % OF TOTAL NPE



Compared with 2021, the top 5 originators concentrated a higher share of transacted business, rising from 45% to 62%. Intesa Sanpaolo remains first in the top 5, which alone accounts for 34% of the total transacted in 2022.

#### 2022 TOP BUYERS - €BN AND % OF TOTAL NPE



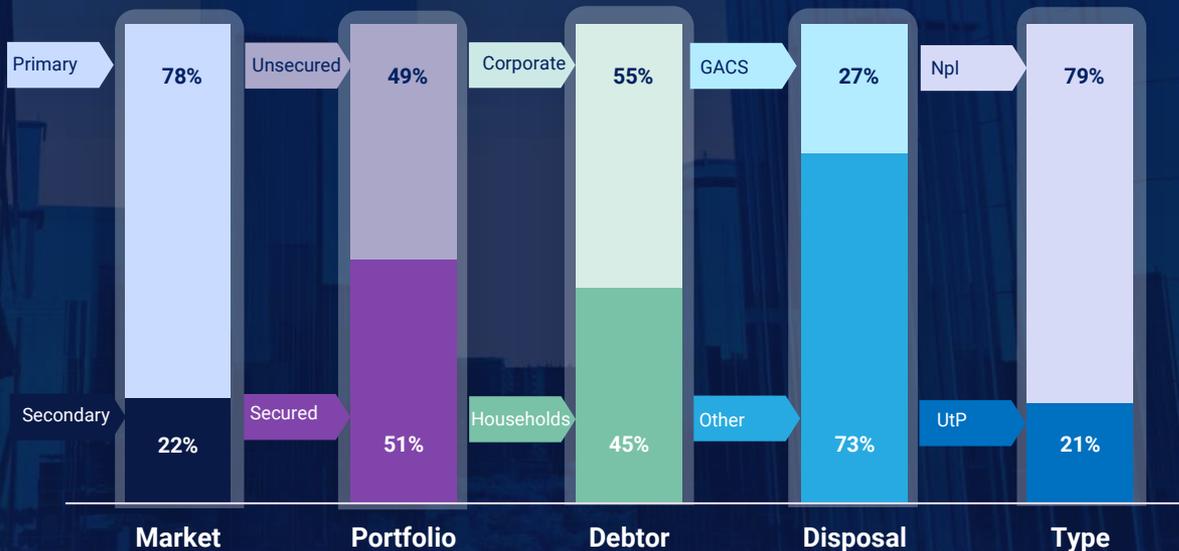
The concentration on volumes of top buyers increased in 2022 (from 31% to 51%). Among investors, only Banca Ifis continues to be in the top 5, with an increasing market share of transacted business.

NPL transactions accounted for almost 79% of the 2022 volumes, and UtPs absorbed the remaining 21%. Corporate debtors and secured portfolios account for more than half of the total transacted.

41  
€bn

NPE transacted  
at 31 December  
2022

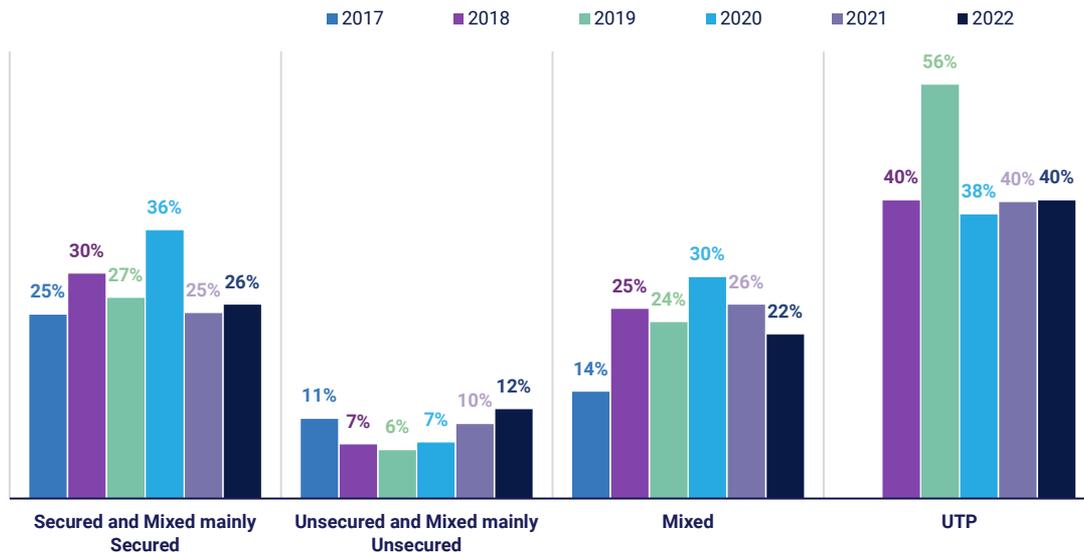
2022 TOTAL NPE TRANSACTIONS: FROM JANUARY TO 31 DECEMBER 2022 BY MARKET TYPE, PORTFOLIO, DEBTOR AND TYPE OF DISPOSAL AND TYPE OF IMPAIRMENT - €BN GBV AND PERCENTAGES



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

The high incidence of transactions with GACS, “fresher” portfolios and the appetite of investors have led to a slight increase in average prices in 2022.

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

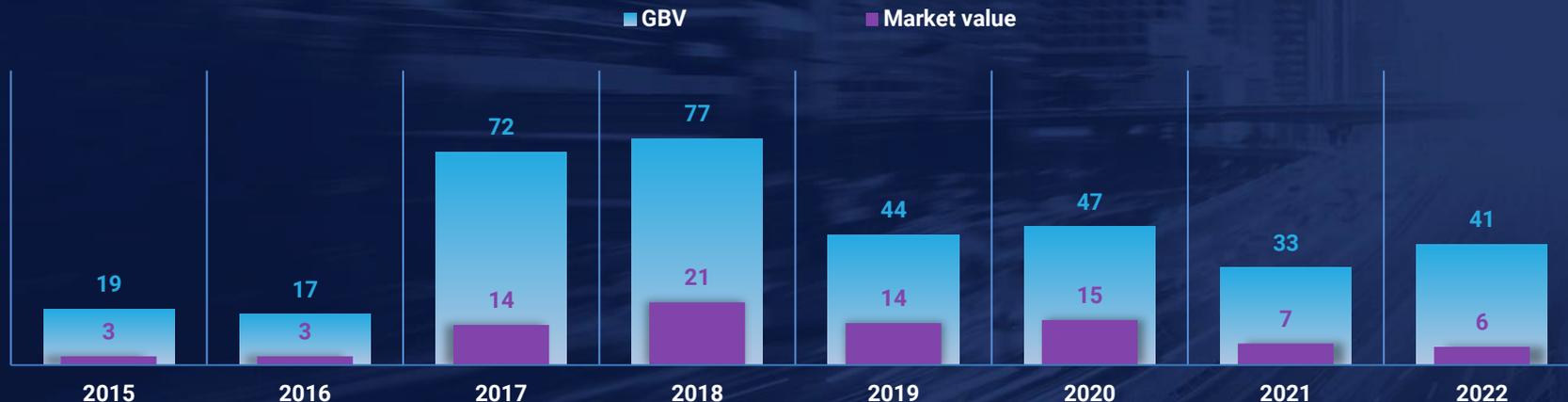


- The pricing of secured portfolios remained broadly stable.
- The price on unsecured assets is increasing at an average 12% because it is influenced by Intesa Sanpaolo's GACS together with the effects of "fresher" portfolios (max. 12 months) on which there is a high appetite from specialised traders, phenomena partly offset by the high incidence of secondary (~60%).
- The price on mixed portfolios shows a high variability due to the limited number of transactions.
- The price of transactions on UtP is stable.

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

From 2015 to 2022, it is estimated that investors spent almost 83 €bn 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.

## NPL transactions of 31,6 €bn were completed in 2022.

**Npl**

**Transactions concluded in 2022**

Seller (Originator)	€bn GBV	Market	Investor	Servicer
Intesa Sanpaolo	8,5	Primary	Christofferson Robb and Bayview, various investors	Intrum
Intesa Sanpaolo	1,4	Primary	AMCO	AMCO
Intesa Sanpaolo	0,6	Primary	Intrum	Intrum
Various sellers	2,5	Primary/Secondary	Banca Ifis	Banca Ifis
Confidential	0,6	Secondary	SOREC S.r.l.	SOREC S.r.l.
Confidential	0,1	Primary	BCMGlobal	BCMGlobal
UnipolRec	2,6	Primary	AMCO	AMCO
Unicredit	1,3	Primary	Illimity	Illimity
Unicredit	1,1	Primary	Various investors	DoValue
BPER	1,5	Primary	AMCO	AMCO
Multi-originator	0,8	Primary	Polis Fondi sgr	Cerved
Banco di Desio, BNL, BPM	0,7	Primary	Intrum	Intrum
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
Pop Luigi Luzzatti	0,5	Primary	Various investors	Prelios, Fire
Illimity, Aporti S.r.l., Doria SPV S.r.l.	0,5	Secondary	Illimity	Cerved
Illimity	0,5	Secondary	Confidential	Confidential
Deutsche Bank	0,1	Primary	Kruk Group	Kruk Group
Deutsche Bank	0,3	Primary	Banca Finint, Italian NPL Opportunities Fund	Banca Finint
Banco BPM	0,4	Primary	Various investors	Gardant
Delta Group	0,1	Secondary	Cassa di Risparmio Repubblica di San Marino	n.a.
Credit Agricole	0,1	Primary	Intrum	Intrum
Confidential	0,1	Secondary	ISCC Fintech	n.a.
Confidential and other minor sellers	6,0	n.a.	n.a.	n.a.
<b>Total actual 2022</b>	<b>31,6</b>			

The market is enriched by the sales of UtP: 8,6 €bn GBV of deals finalised in 2022.

UtP

Transactions  
concluded in  
2022

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.
Banco BPM	0,4	Primary	Various investors	Gardant
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
Multi-originator	0,6	Primary	Efesto Credit Fund	DoValue
Multi-originator	0,1	Primary	Kryalos SGR	Keystone Fund
Credit Agricole	0,3	Primary	Intrum	Intrum
Confidential and other minor sellers	2,0	n.a.	n.a.	n.a.
<b>Total actual 2022</b>	<b>8,6</b>			

In the forecast for 2023-2024, the market will maintain high volumes, respectively 40 and 33 €bn, with the secondary market accounting for around 35% of the NPL portfolios.

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



% GACS on Npl

Year	2015	2016	2017	2018	2019	2020	2021	2022	E 2023	E 2024
% GACS on Npl	0%	3%	44%	43%	27%	37%	36%	34%	ND	ND

% Secondary market on Npl

Year	2015	2016	2017	2018	2019	2020	2021	2022	E 2023	E 2024
% Secondary market on Npl	31%	51%	4%	2%	24%	23%	32%	28%	36%	35%

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

The new 2023-2024 transactional estimates project **high volumes** mainly as a consequence of the **expected growth in new impaired flows and the boost of the secondary market** which is expected to increase due to three concomitant factors:

- development of **sales platforms** that will facilitate the growth of the secondary and tertiary sectors;
- **greater propensity to buy from smaller investors** (e.g. Tulps 115) already part of the supply chain;
- sales of **non-core assets of Gacs portfolios**.

The estimated volumes assume the **reactivation of the GACS**.

The secondary NPL market has developed over time reaching a transacted GBV of 57 €bn from 2015 to 2022 and in 2023 it will contribute another 11 €bn (36% of the total volumes). Unsecured loans prevail because they are channelled to operators specialised in this type of asset.

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



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

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

The 2023 pipeline already includes 8 €bn of NPL portfolios and 4 €bn of UtP, on both the primary and secondary markets.

**Npl**

**Pipeline  
2023**

Seller (Originator)	€bn GBV	Market	Potential Investor	Status
Monte dei Paschi di Siena	0,3	Primary	n.a.	On plan
Monte dei Paschi di Siena	3,0	Primary	n.a.	On plan
Goldman + others	1,2	Secondary	n.a.	On plan
Unicredit	1,0	Primary	n.a.	On plan
Multi-Originator	0,8	Primary	Taurus Fund, Polis fund and PWC	Announced
Multi-Originator	0,2	Primary	Illimity Credit & Corporate Turnaround Fund	Announced
Iccrea Banca	0,6	Primary	n.a.	On plan
DoValue	0,4	Secondary	n.a.	On plan
Banco BPM	0,3	Primary	Plan	On plan
Deutsche Bank	0,1	Primary	n.a.	Ongoing
Prelios Innovation	0,1	Secondary	n.a.	Ongoing
<b>Total pipeline</b>	<b>8,0</b>			

**UtP**

**Pipeline  
2023**

Seller (Originator)	€bn GBV	Market	Potential Investor	Status
Unicredit	1,0	Primary	doValue, Prelios, Intrum, Gardant and AREC	Ongoing
Unicredit	0,4	Primary	Prelios	Ongoing
BPER	1,0	Primary	Gardant - Amco	Ongoing
Multi-Originator	0,5	Primary	Amco	On plan
Multi-Originator	0,4	Primary	Efesto fund (DoValue, Finint)	Ongoing
Iccrea Banca	0,5	Primary	n.a.	Ongoing
Gruppo Carige	0,3	Primary	n.a.	Ongoing
<b>Total pipeline</b>	<b>4,1</b>			



The NPL  
industry

# The development of a non-performing loan market supported the lightening of bank financial statements, reaching the EBA target of 5% in 7 years (late 2021).

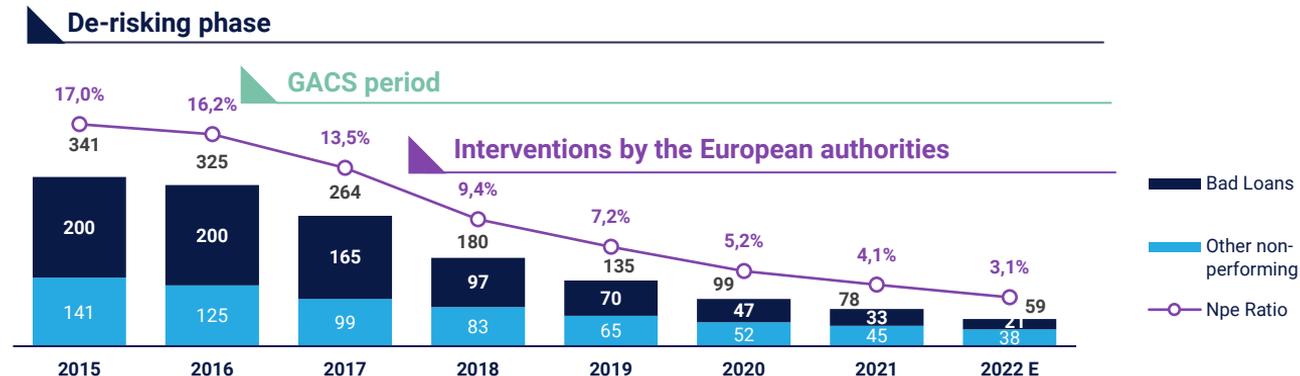
The banking sector has managed, over 7 years, to reduce the NPE ratio by almost 13 percentage points from 17% in 2015 to 4,1% in 2021, below the EBA threshold of 5%. For 2022, a further reduction to 3,1% is expected.

The total NPE in bank financial statements has gone from 341 €bn in 2015 to 78 €bn in 2021. At the end of 2022, a further decrease to 60 €bn of NPE stock is expected.

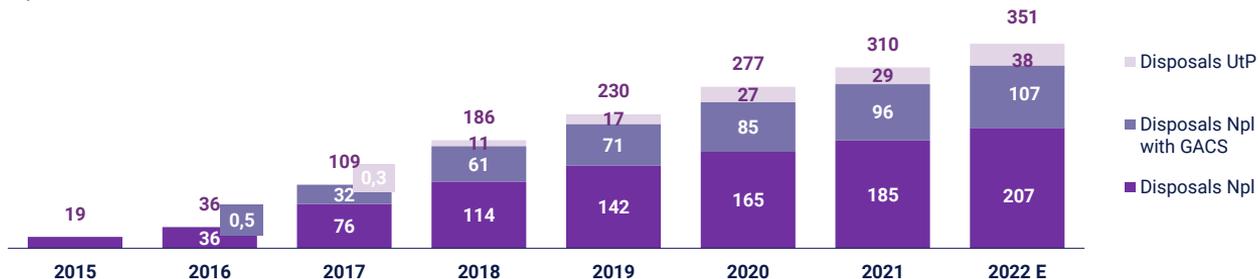
From 2015 to 2022, Npe amounting to 350 €bn were sold, of which 38 €bn from UtP.

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

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

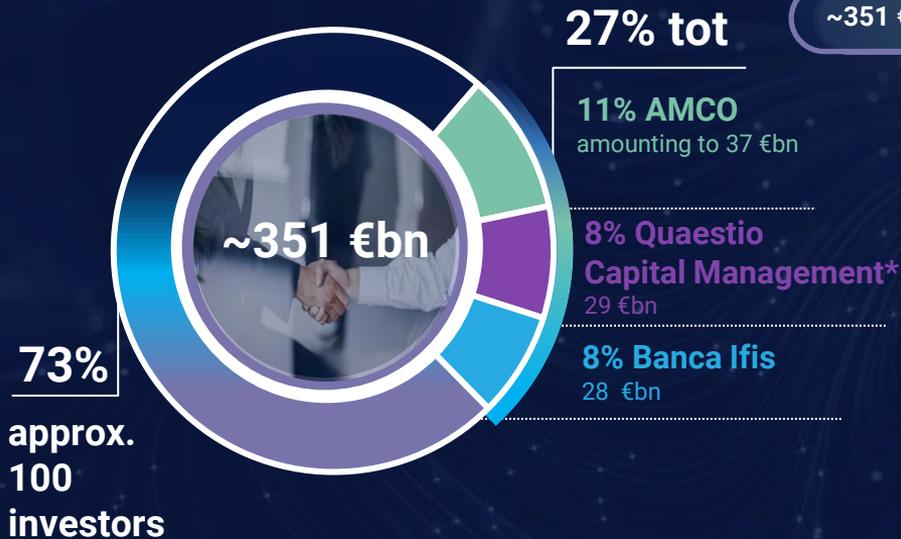


NPL, UTP MARKET TREND CUMULATED SINCE 2015 - GBV €BN



~100 active investors between 2015 and today, with the top 3 operators covering 27% of total transactions. Banca Ifis is the only active investor in all the years examined. Quaestio is focused on MPS and AMCO portfolios mainly and active on large system operations.

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

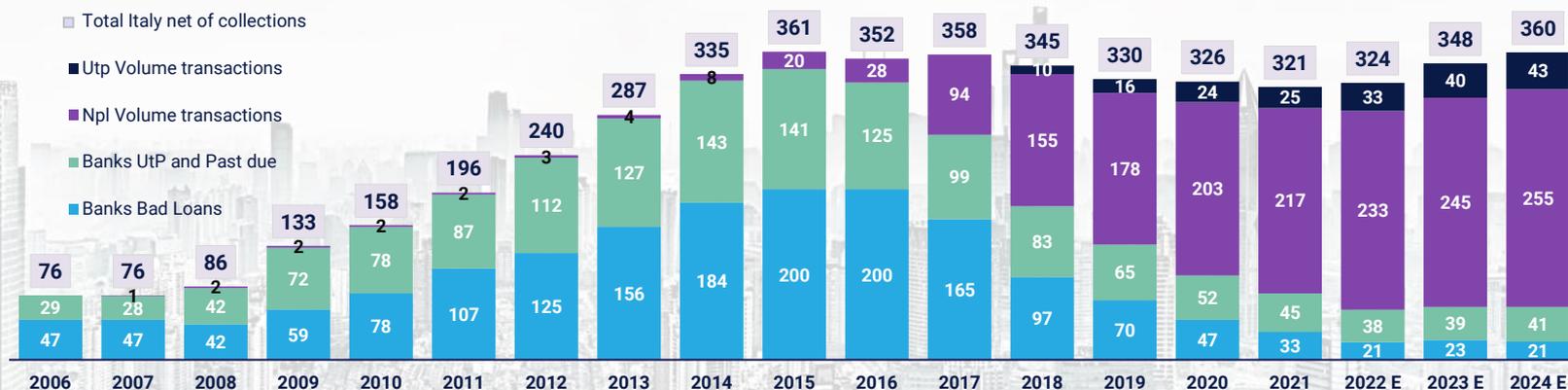


THE TOP 3 INVESTORS, INCIDENCE OF NPE PURCHASES IN EACH INDIVIDUAL YEAR - €BN AND PERCENTAGES



The stock of NPEs in Italy decreased from 361 €bn in 2015 to 324 €bn in 2022 net of collections and to 307 taking into account position closures (-15% GBV). As of 2023, the stock is estimated to increase to 335 €bn (net of collections and closures) by the end of 2024.

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



Total net of collections and position closures (€bn)	76	78	86	133	158	196	240	287	334	361	352	357	342	323	317	307	307	326	335
Annual change %	N/A	0%	11%	55%	18%	24%	22%	19%	17%	8%	-3%	1%	-4%	-5%	-2%	-3%	0%	6%	3%

# The progressive development of the NPL market has led to the need to equip itself with servicing platforms, labelling the years of 2018 to 2022 as the M&A Era (#35 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 Generale Gestione Crediti Se.Tel. Servizi</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> Acquisition of 100% di Maran</p>	<p><b>iQera</b> BC Partners company Acquisition of Sistemla.</p> <p><b>IBL Banca</b> Acquisition of 9.9% of Frontis NPL.</p> <p><b>Banca Ifis</b> Acquisition of the remaining 10% of 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> Acquisition of 100% of Quaestio Cerved Credit Management.</p> <p><b>Bain Capital Credit</b> Acquisition of Hypo Alpe Adria rebranded in Julia Portfolio Solutions</p>	<p><b>Hipoges</b> Acquisition of majority stake in AXIS.</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>Intrum Italy</b> Acquisition of a part of i-law, a law firm specialising in NPL servicing.</p> <p><b>Colllection</b> Acquisition of Whitestar (formerly Parr Credit).</p>	<p><b>Illimity Bank S.p.A.</b> Acquisition of 100% by Aurora Recovery Capital S.p.A.</p> <p><b>Zolva</b> Acquisition of 100% of Euro Service Spa.</p> <p><b>Team Evolution (Exacta Group)</b> Acquisizione del 100% of Creden</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>Gardant + Banco BPM</b> Joint venture to manage BPM's 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 Connecta</b> partnership on the management of NPLs</p>	<p><b>Gardant + BPER</b> Joint venture for the strategic management of NPLs and UTPs.</p> <p><b>Luzzatti + Prelios</b> Creation of Utp Management Fund</p>	<p><b>Prelios + Luzzatti</b> Partnership for the creation of a fund for the strategic management of UTPs.</p> <p><b>Unicredit + Prelios</b> Partnership for the management of UTPs</p>

The top 7 servicers are expected to manage over ~300 €bn (GBV) 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	79	Mostly secured, with a medium-high ticket
Intrum	115	53	Mixed medium ticket portfolio
Cerved Credit Management	106/115	45	Mixed medium ticket portfolio
AMCO	106	37	Mixed medium ticket portfolio
Prelios Credit Servicing	106	37	<i>Secured large ticket</i>
Ifis Npl Servicing (Banca Ifis)*	106 (bank)	26	<i>Unsecured small ticket</i>
Gardant	106/115	23	Mixed medium ticket portfolio

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



Focus

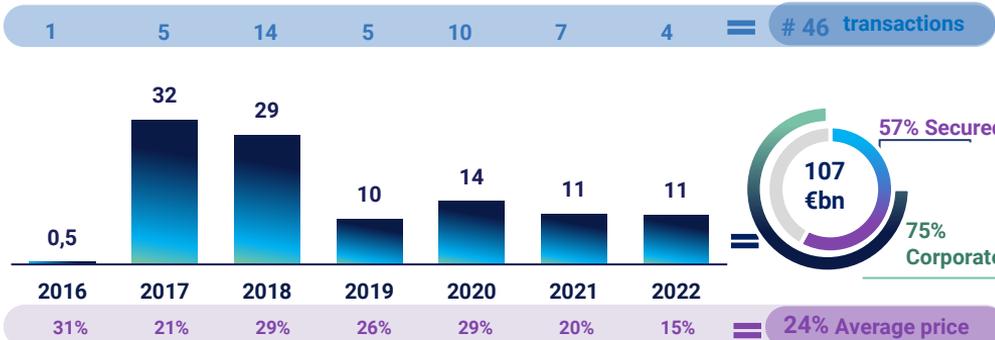
GACS-backed  
portfolios

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

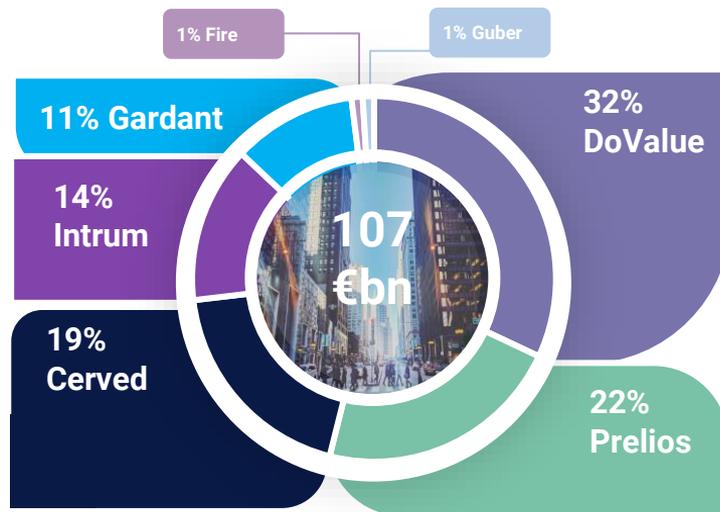
## GACS from 2016 to 2022

46#	The number of GACS from 2016 to 2022
107 €bn	The total of transactions with GACS sold in the market
34%	The percentage share of the total Npl transacted market
20#	The number of banking institutions involved

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

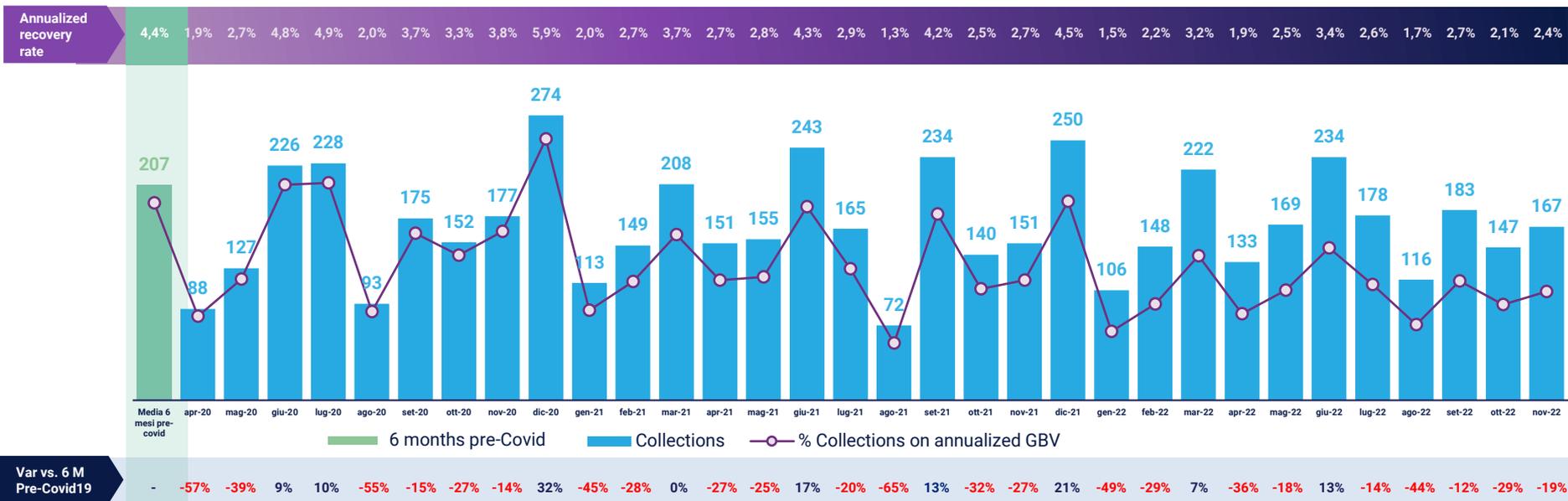


2016 - 2022 GACS BACKED NPL PORTFOLIO TREND BY SERVICER – €BN AND PERCENTAGES



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



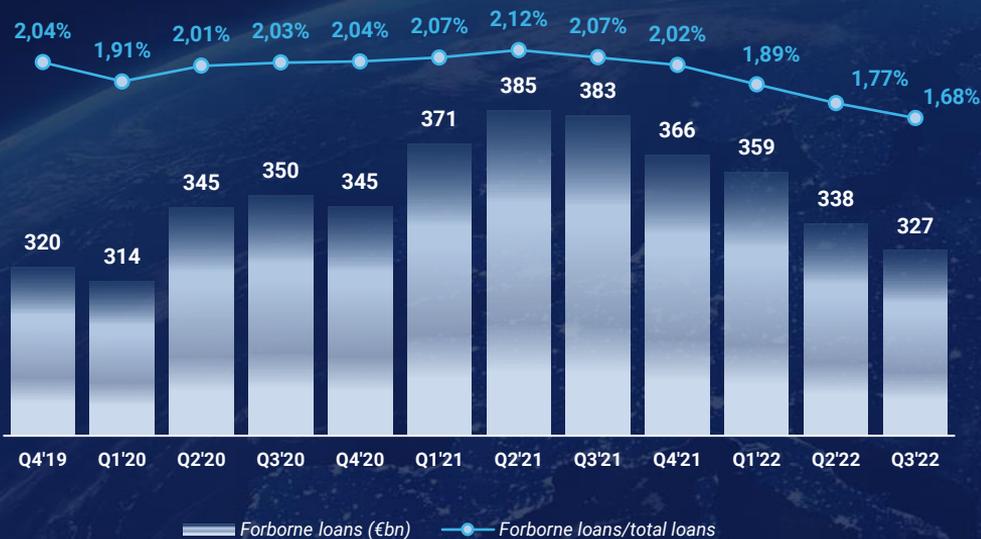
SOURCE: Banca Ifis internal estimates on Scope Italian Npl collections monthly report - November 2022.

The background of the slide is a blurred financial candlestick chart. The chart features a grid of dashed lines in shades of blue and green. The candlesticks themselves are primarily green and blue, with some red ones interspersed. A purple semi-circular shape is overlaid on the left side of the chart, partially obscuring it. The text 'In-depth tables' is written in white on the purple shape.

In-depth tables

The 2022 trend of both performing and non performing forbore loans of EU banks is decreasing both in absolute terms (from 359 €bn in Q1'22 to 327 €bn in Q3'22) and as a percentage of total loans (from 1,89% to 1,68%).

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



At the end of the third quarter of 2022, total forbore loans of **EU banks** is **327 €bn** down from its peak a year earlier, and represents **1,68%** of receivables due from customers.

SOURCE: Banca Ifis Research Department elaborations on ECB Supervisory banking statistics

The EU cost of risk also declined (0,43%) in Q3 2022, reaching the lowest point since data became available and well below the pandemic peak (0,86% in June 2020). Italy and its European peers also follow the same trend, although Spain has a cost of risk twice the European average.

**COST OF RISK FOR ITALY, FRANCE, SPAIN AND GERMANY AND EUROPE - EBA PERIMETER ONLY SIGNIFICANT BANKS - PERCENTAGES**

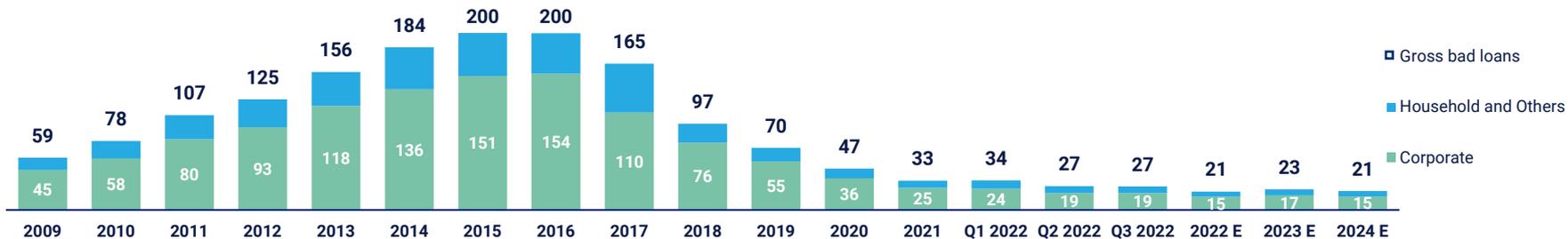
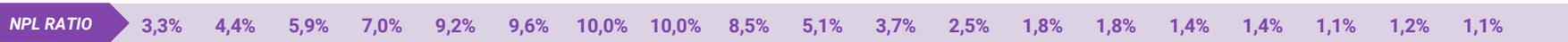


	dec-19	mar-20	june-20	sept-20	dec-20	mar-21	june-21	sep-21	dec-21	mar-22	june-22	sept-22
Italy	0,61%	0,71%	0,79%	0,71%	0,94%	0,62%	0,66%	0,61%	0,63%	0,63%	0,51%	0,45%
France	0,39%	0,59%	0,62%	0,52%	0,54%	0,40%	0,39%	0,37%	0,38%	0,46%	0,46%	0,44%
Spain	1,08%	1,77%	1,57%	1,40%	1,37%	1,28%	1,06%	0,97%	0,91%	0,97%	0,93%	0,91%
Germany	0,27%	0,42%	0,51%	0,46%	0,47%	0,31%	0,27%	0,24%	0,26%	0,34%	0,27%	0,22%
European Union	0,48%	0,79%	0,86%	0,74%	0,75%	0,53%	0,51%	0,48%	0,47%	0,51%	0,45%	0,43%

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.



### NPL RATIO AND GROSS BANK BAD LOANS BY RESIDENT DEBTOR TYPE: €BN AND PERCENTAGES



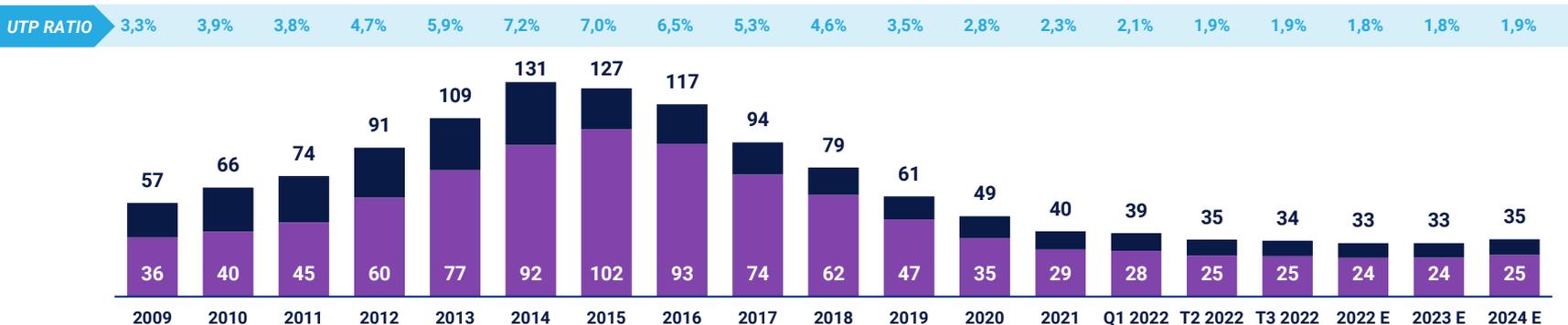
### NPL RATIO: GROSS BANK LOANS/LOANS BY TYPE OF RESIDENT DEBTOR - PERCENTAGES



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

The stock of UTP in bank financial statements is expected to decrease in 2022 too. Growth, albeit limited, is estimated in the two-year period 2023-2024.

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

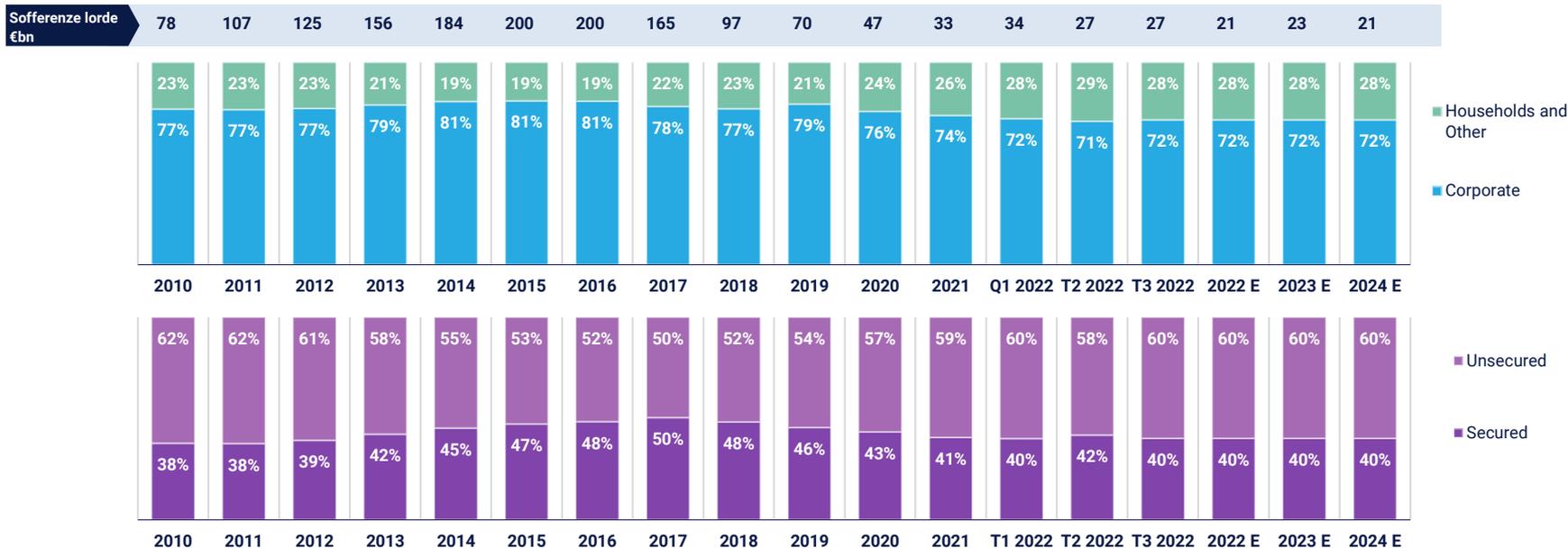


### UTP RATIO: GROSS UNLIKELY DEFAULT (UTP) /TOTAL LOAN BY CUSTOMERS - PERCENTAGES



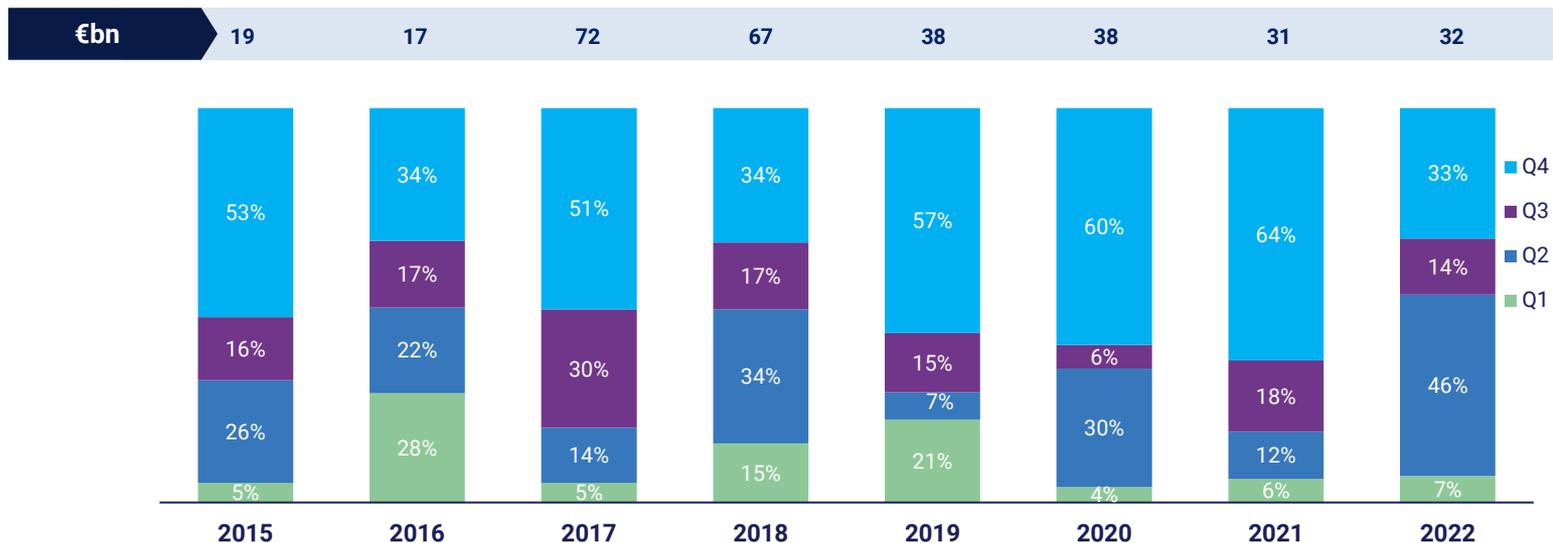
The main share of bad debts still in the bank balance sheet is attributable to companies, with a slight decrease from 2021. The incidence of unsecured loans has decreased by ~ 14 p.p. compared to the peak of 2017.

GROSS 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.

2015-2022 DISTRIBUTION OF NPL TRANSACTIONS BY QUARTER



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

# General Statement.

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