

February 2022

Npl transaction market and servicing industry

Actual 2021 and forecast 2022-2024



The key messages.



BANK NPE'S SCENARIO

01

1. In 2020, banks forecast a rise of credit risk by increasing loans classified in stage 2 (IFRS9) from 9% to 15%, a percentage that remained stable in 2021 and we expect to remain broadly constant in 2022 as well.
2. In December 2021, the loans still on a moratorium are only 16% (44 bn€) of the requests made in 2020, 82% referable to corporates. Only 24% have a probability of default greater than 5% (@ August 2021).
3. In the two-year period 2022-2023, the Npe inflows in bank balance sheets are expected to grow (around 60 bn€ in the two years), but to a lesser extent than expected six months ago thanks to a further improvement in the economic context which could lead a return to pre-Covid levels as early as 2024.
4. In 2021, the stock of gross impaired loans is expected to contract. This will reduce the Npe ratio below the 5% target in line with the ECB's requests.
5. After a modest increase in the two-year period 2022-2023, the Npe ratio will return to below 5% in 2024.



NPL AND UTP TRANSACTIONS IN ITALY

02

1. Npl transactions in 2021 reached 31 bn€. The dynamism of the Npl market was also determined by the secondary boost (incidence at 32% in 2021).
2. The 2021 disposals on UtP portfolios amounted to just over 2 bn€ due to the postponement of some of the operations planned to 2022.
3. We foresee that the market will remain dynamic in the two-year period 2022-2023: in 2022 it is estimated 35 bn€ of Npl disposals and 12 bn€ of transactions on UtP portfolios; in 2023 it is estimated 37 bn€ of Npl disposals and 10 bn€ of operations on UtP portfolios.
4. In 2021 the concentration of transactions remains high, reaching 45% among the top five originators and 31% among the top five buyers, albeit down compared to 2020.
5. In the two-year period 2021-2022 the secondary Npl market continues to show transactions mainly on Unsecured or mainly Unsecured loans.
6. The Secured and Mixed sectors show a reduction in prices because those on transactions with GACS are down, due to the lower presence of secured credits. The increase in the prices of unsecured portfolios was moderate.



SERVICING INDUSTRY

03

1. From 2022, the overall stock (bank and investor balance sheets) of Npe in Italy will start to grow again, with an esteem of 369 bn€ at the end of 2022 and 402 bn€ expected in 2024.
2. At the end of 2021, the top 10 servicers for GBV were handling approximately 310 bn€ of Npe.

The focuses.



GACS

04

1. In 2021, there were 7 transactions with GACS for an amount of 11 bn€, thus bringing the cumulated GBV from 2016 to 96 bn€, equal to 36% of the total Npl transaction.
2. Operations in 2021 show a discontinuity compared to previous years: lower incidence of secured loans and, therefore, a falling average price.
3. In total there are eight servicers involved in the GACS assisted operations carried out so far, with 79% of the GBV concentrated on the first three (DoValue, Prelios, Cerved).
4. In the first half of 2021, the GACS assisted portfolios show recovery performances above the target for 7 out of 20 portfolios.
5. The monthly trend in the collections of the GACS portfolios shows, starting from April 2020, recovery dynamics that are on average lower than the pre-Covid period. The dynamics show no improvement in 2021 with a negative gap around 20%.



REAL ESTATE MARKET AND COURT PROCESSING

05

1. In 2021 the Italian real estate market recorded a record year with a number of sales of ~700 thousand, even reaching sales values higher than the pre-Covid period, thanks to the large liquidity of families and businesses and the tax incentives.
2. There were approximately 126 thousand real estate units subject to auctions in 2021 for an auction value of 18,7 bn€. The blocking of the enforcement procedures in the first half of 2021 is estimated to have postponed ~77k auctions corresponding to a failure to recover ~11 bn€.
3. Volumes close to those of 2019 are expected to return in 2022 (~205 k auctions).
4. In 2021 we saw the percentage increase in bankruptcy proceedings and the decline in real estate executions to be attributed exclusively to the stop of those relating to residential properties used as main residence. Cash in court 2021 and 2022 is estimated at a total of ~10 bn€.
5. The flattening of the auction time curves highlights an increase in efficiency generated by the telematic process and the 2015 reform, with a reduction, between 2018 and 2020, of the average auction closing time of about 2 years. In 2020 the efficiency improvement continued, albeit to a lesser extent, while in 2021, as was to be expected, this trend stopped.

MARKET WATCH
NPL 

Bank Npe scenario



Scenario assumptions underlying the forecasts on non-performing loans, NPE stocks and transactions on the Npl and UtP market

Variables	Main evidence	Comment
Production and trade	<p>In the period 2021-2024:</p> <ul style="list-style-type: none"> • GDP, respectively +6,2%, +4,0% and +2,5% and +1,7% • World trade: +10,8%, +4,7%, +4,0% and +2.6% 	<ul style="list-style-type: none"> ▶ GDP 2021 with higher growth than expected 6 months ago (+6.2% vs +5.1%) thanks to industrial production driven both by international markets and, for the first time in a long time, by domestic demand ▶ GDP 2024 with a less intense increase than expected in September 2021 (+4,0% vs + 4,4%) as a result of price increases and bottlenecks in the global supply chains
Public support	<ul style="list-style-type: none"> • End of freeze on layoffs and loan moratoriums • Central bank liquidity injections slowdown • First rate hikes 	<ul style="list-style-type: none"> ▶ Moratorium on loans concluded after the extension to December 2021 (principal amount in the last quarter) ▶ Freezing of layoffs concluded in October 2021 with the exception of the sectors most in crisis such as the fashion sector for which the covid fund will continue (provision of 13 weeks of free cigs, on request, in the event of a crisis or exhaustion of social safety nets) ▶ The increase in inflation has led the main central banks to deliberate or announce a slowdown in quantitative easing and the gradual increase in rates
Scenario variability	<ul style="list-style-type: none"> • Increase in energy and raw material prices • Bottlenecks in international distribution chains • Geopolitical risks 	<ul style="list-style-type: none"> ▶ Faced with the probable start of the final phase of the pandemic and Italian political stability, scenario risks are emerging that introduce uncertainty in expectations and forecasts, both directly and indirectly due to potential blocking effect on expansionary monetary policies ▶ A further slowdown in growth could lead to an increase in credit risk on businesses and households

In 2020, banks forecast a rise in credit risk by increasing loans classified in stage 2 (IFRS9) from 9% to 15%, a percentage that remained stable in 2021 and we expect to remain broadly constant in 2022 as well.

TOTAL LOANS TO RESIDENT AND NON-RESIDENT CUSTOMERS – BN€ AND PERCENTAGE



From 2019 to the second quarter of 2021, the incidence of loans in stage 2 increased from 9% to 15% considering the greater riskiness of household and business debtors.

The forecast of the trend of stage 2 indicates a decline in the incidence on credits in the next two years.

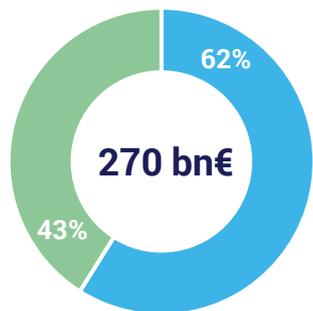
NOTES: According to IFRS 9, performing loans with a higher risk are included in stage 2. The data includes transactions with resident and non-resident entities, excluding interbank relations.

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

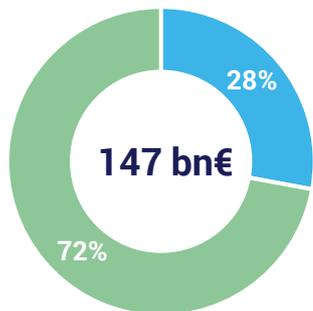
In December 2021, the loans still on the moratorium are only 16% (44 bn€) of the requests made in 2020, 82% referable to corporates.

MARCH 2020-DECEMBER 2021: LOANS AMOUNT IN MORATORIUM (EX LEGE AND VOLUNTEERS) – INDIVIDUAL AND CORPORATE - BN€ AND PERCENTAGES

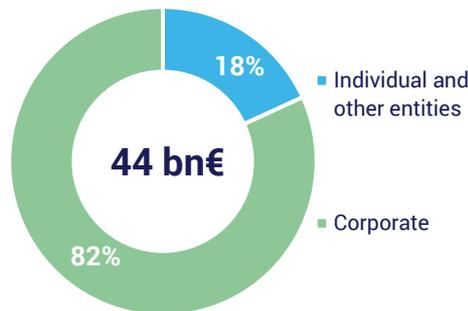
Credits on moratorium since March 2020



December 2020



December 2021



In December 2021, approximately 16% of the statutory and voluntary moratoriums on loans remained active.

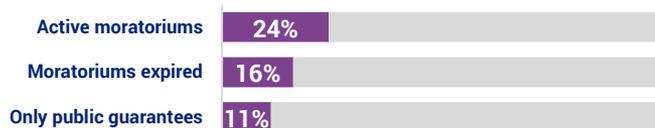
As of June 2021, the moratoriums still in place were classified:

- 43.9% in Stage 2
- 3.0% in Stage 3.

Contrary to what was recorded with the moratoriums pursuant to law, voluntary renewals mainly refer to loans disbursed to the business segment (36 bn€).

The share of loans to businesses with a probability of default greater than 5% is equal to 24% of the active moratoriums, against 16% and 11% respectively for loans with overdue moratoriums and for those backed by public guarantees only.

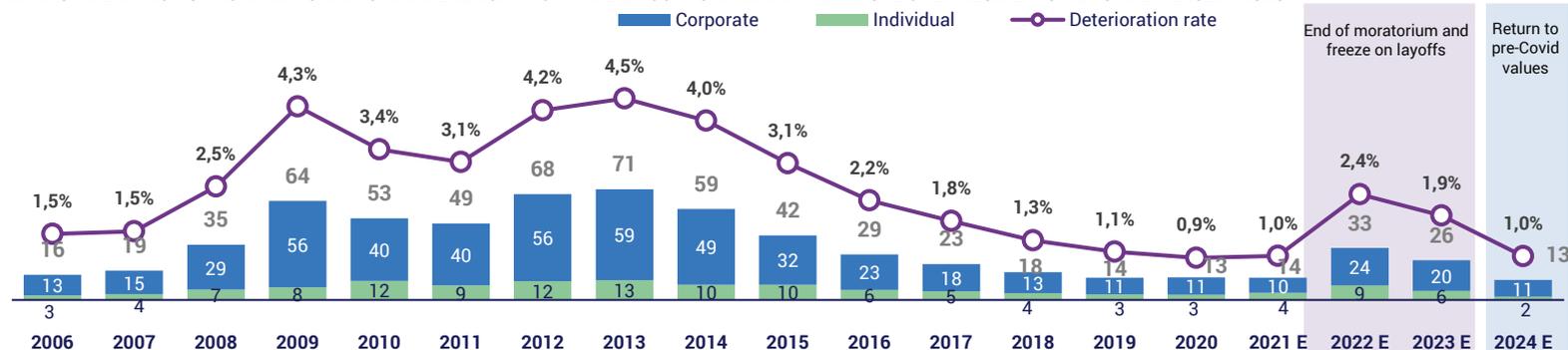
COMPANIES WITH A DEFAULT RISK GREATER THAN 5% AUGUST 2021



SOURCE: Banca Ifis internal analysis on MEF Press Office Releases, Bank of Italy.

In the two-year period 2022-2023, the Npe inflows in bank balance sheets are expected to grow (~60 bn€ overall) but less than assumed 6 months ago thanks to the improvement in the expected economic context.

BANKS' NPE INFLOWS FROM PERFORMING AND DETERIORATION RATE BY CORPORATE AND INDIVIDUAL ONLY RESIDENTS - BN€ AND PERCENTAGES



DETERIORATION RATE BY DEBTOR TYPE ONLY RESIDENTS - PERCENTAGES



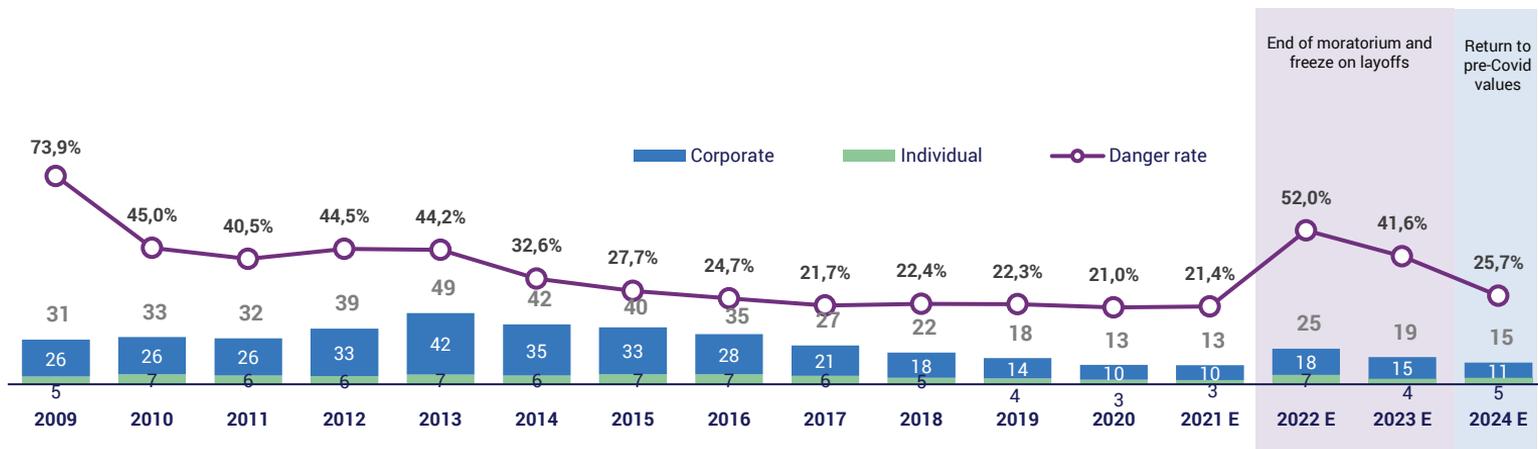
NOTES: Corporate includes non-financial companies and producer households; Individual includes consumer households, non-profit institutions, non-classifiable data and residual value.
 DETERIORATION FLOW: annual flow of new loans in default adjusted, annualized estimate data). SOURCES: Banca Ifis internal analysis based on Banca d'Italia statistical Database.
 DETERIORATION RATE: annual flow of new loans in default adjusted / stock of loans not in default adjusted previous year. SOURCES: Banca Ifis internal analysis based on Banca d'Italia statistical Database.

In 2021, the deterioration rate is expected to remain unchanged thanks to public interventions. The two-year period 2022-2023 will see an increase in new Npes, but to a lesser extent than all-time highs.

The deterioration rate of the corporate segment will have a more evident increase compared to households.

The danger rate is expected to increase in the two-year period 2022-2023, but a return to the pre-covid level is expected as early as 2024.

NEW BAD LOANS ANNUAL FLOWS (FROM UtP AND PAST DUE) AND DANGER RATE BY CORPORATE AND INDIVIDUAL ONLY RESIDENTS - VOLUMES IN Bn€ AND PERCENTAGES



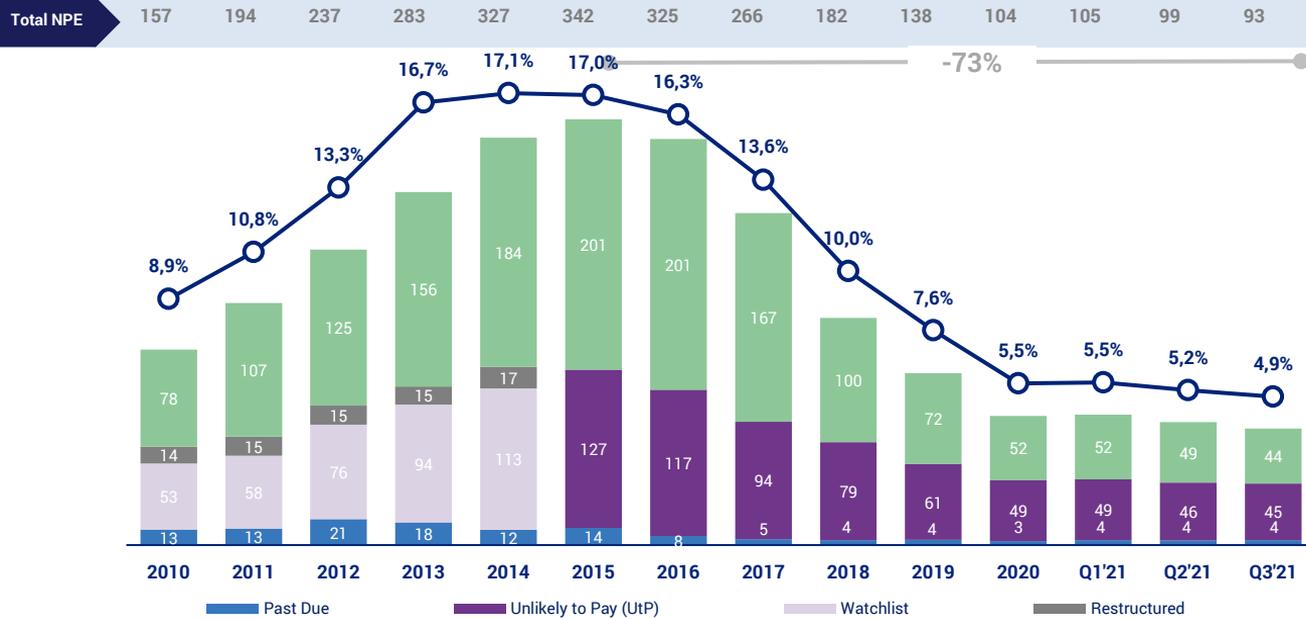
The danger rate (from UtP to Npl) in 2021 is expected to increase. In the historical comparison, the percentage value will be higher because it refers to lower amounts at an absolute level.

NOTE: Normalized data. The new harmonized definition of default at European level has been in force since January 2021. Corporate include non-financial companies and producer households; Individual includes consumer households, non-profit institutions, non-classifiable data and residual value.

DANGER RATE: annualized flow of new bad loans adjusted/unlikely to pay stock (Utp) and past due at the end of the previous year. SOURCES: Banca Ifis internal analysis based on Banca d'Italia statistical Database.

The stock of gross impaired loans in bank balance sheets is shrinking, bringing the Npe ratio to the target level (5%) required by the ECB. After a modest increase, the Npe will return to below 5% in 2024. From 2021, the UtPs exceed the Npl stock.

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



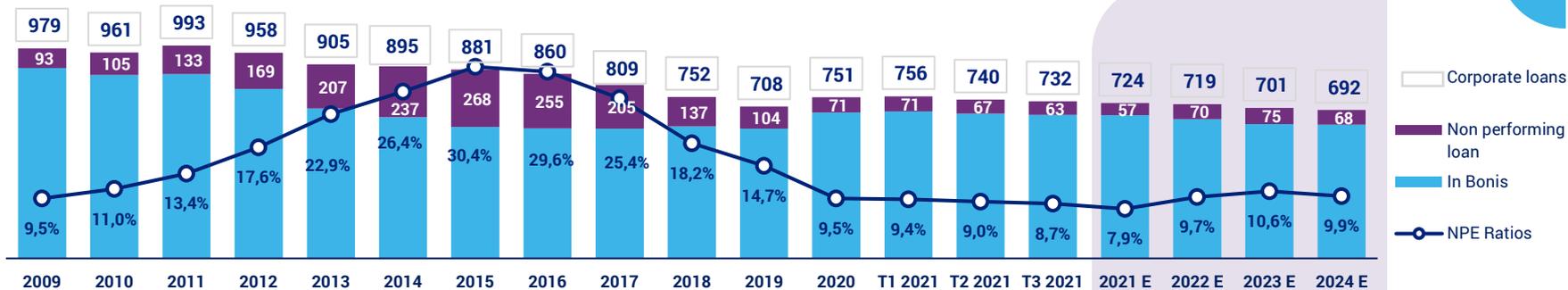
Details from page 38 to page 42

NOTES: Normalized data. The new definition of default harmonized at European level has been in force since January 2021. The data includes transactions with resident and non-resident entities, excluding interbank relations. SOURCES: Banca Ifis internal analysis based on Statistical Database Banca d'Italia; NPE ratio revised on EBA guidelines; 2020,2022 Forecast: Banca Ifis internal estimate.



The decrease in non-performing loans will be followed by a gradual reduction in loans as a whole, after the 2020 increase linked to public incentives and guarantees.

LOANS TO RESIDENTS BY DEBTOR TYPE – CORPORATE – BÑ€ AND PERCENTAGES



LOANS TO RESIDENTS BY DEBTOR TYPE – INDIVIDUAL – BÑ€ AND PERCENTAGES



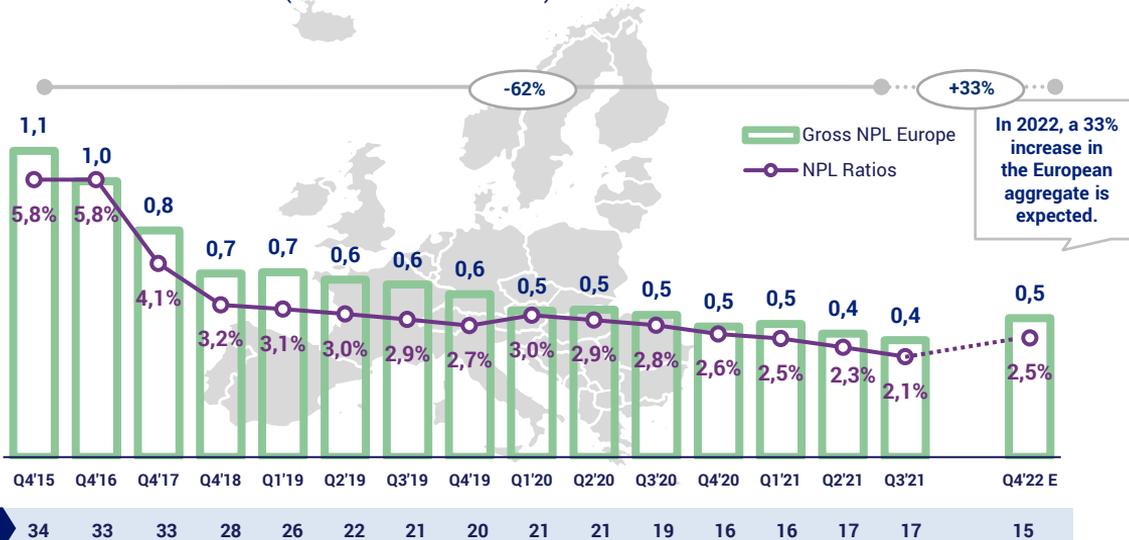
SOURCES: Banca Ifis internal analysis based on Statistical Database Banca d'Italia; Forecast: Banca Ifis internal estimate.

NOTE: Corporate include non-financial companies and producer households; Individual include consumer households, non-profit institutions, non-classifiable data and residual value. The data includes transactions with resident and non-resident entities, excluding interbank relations.

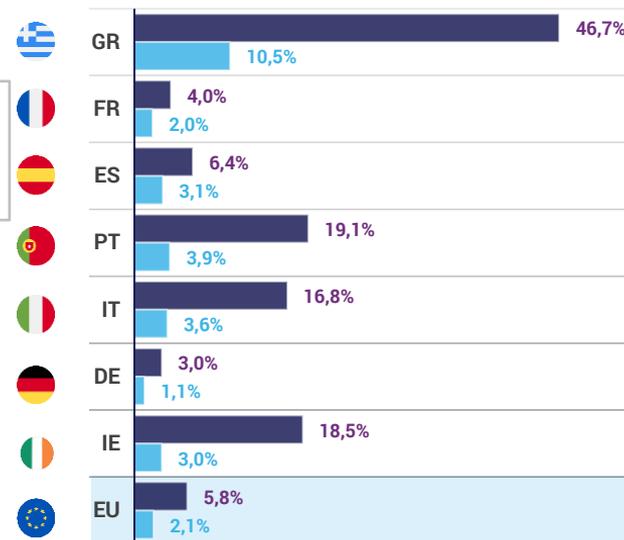
The role played by the Italian Npl transaction market is demonstrated by the reduction of the Italian Npe ratio which went from 16,8% in 2015 to 3,6% in the third quarter of 2021 vs 2,1% of the European average.

The EBA expects the EU Npl stock to increase by 33% at the end of 2022.

NON-PERFORMING LOANS EU (ONLY MAJOR EUROPEAN BANKS) – TRILLION €



NPE RATIO EUROPE (ONLY MAJOR EUROPEAN BANKS) - PERCENTAGES



■ Q4'15 ■ Q3'21

Npl 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.

NOTES that in the EBA report, the terms NPEs and Npls are used interchangeably.

SOURCE: EBA "Risk Dashboard" report, Npl ratio based on a weighted average. Stock 2022: Banca Ifis internal estimate

MARKET WATCH
NPL 

Npl and UtP transactions

ANALYTICS DASHBOARD



Availability

Product

3,433,453.00

55

CONTROL-AREA



PLAYBACK

POWER: ON/OFF   TIME-DATE 00:38:29

Customers Satisfaction

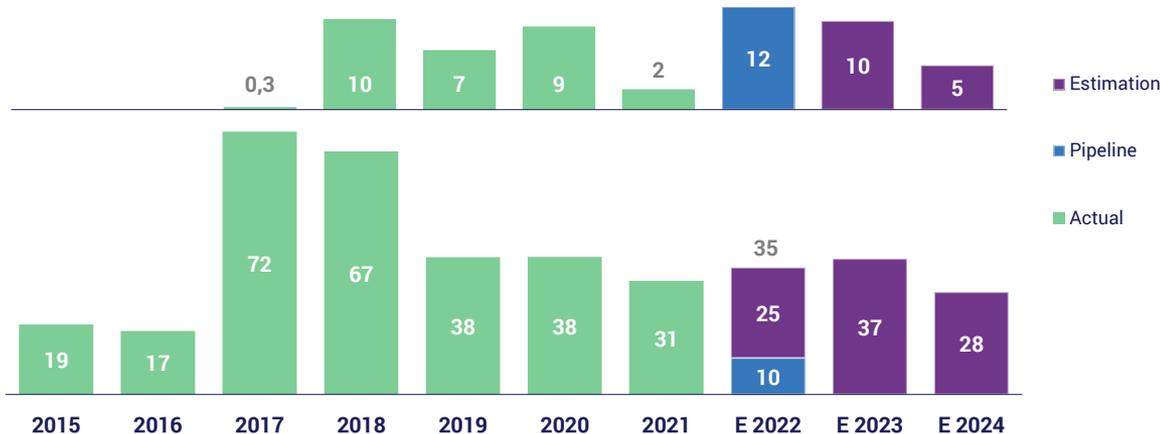
Npl transactions in 2021 reached 31 bn€, with an incidence of 32% of the secondary market. The deals on UtP portfolios amounted to around 2 bn€ due to the postponement of some operations in the pipeline.

We expect the market to remain dynamic in 2022-2023.

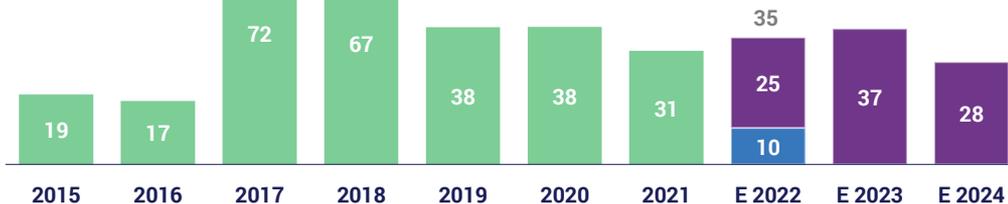
NPL, UtP AND PIPELINE MARKET TREND - GBV BN€ AND PERCENTAGES

UtP bn€

Details on pages 22 to 24



Npl bn€



	2015	2016	2017	2018	2019	2020	2021	E 2022	E 2023	E 2024
% GACS	0%	3%	44%	43%	27%	37%	36%	ND	ND	ND
% Secondary market	31%	51%	4%	2%	24%	23%	32%	33%	24%	25%

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



The 2021 Npl transactions close 31 bn€, 3 bn€ less than expected last September due to the postponement of some operations to 2022 in the pipeline.

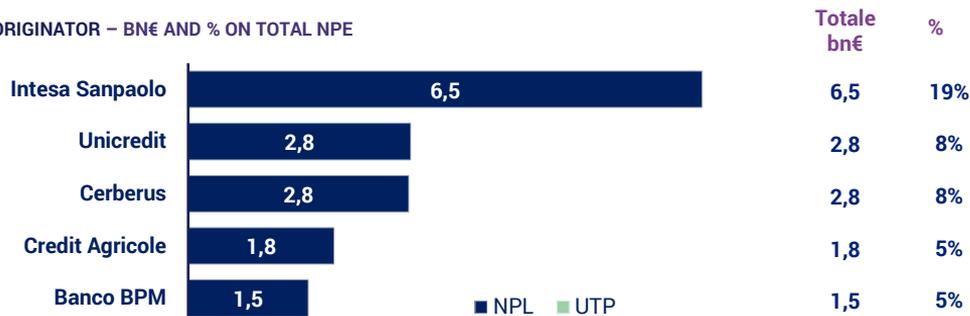
The dynamism of the Npl market was also determined by the secondary boost (incidence at 32% in 2021).

Major operations on UtP have all been postponed.

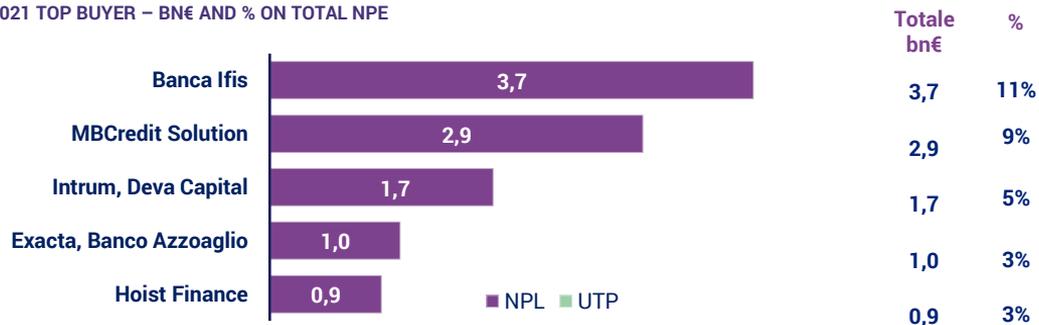
The 2022 and 2023 forecast of Npl sales projects an amount greater than 2021, due to the thrust deriving from the new deteriorated flows, expected to increase, and from the effervescence of the secondary market.

The concentration of transactions between both originators and buyers remains high in 2021, respectively 45% and 31% the weight of the Top 5, albeit down compared to 2020.

2021 TOP ORIGINATOR – BN€ AND % ON TOTAL NPE



2021 TOP BUYER – BN€ AND % ON TOTAL NPE



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

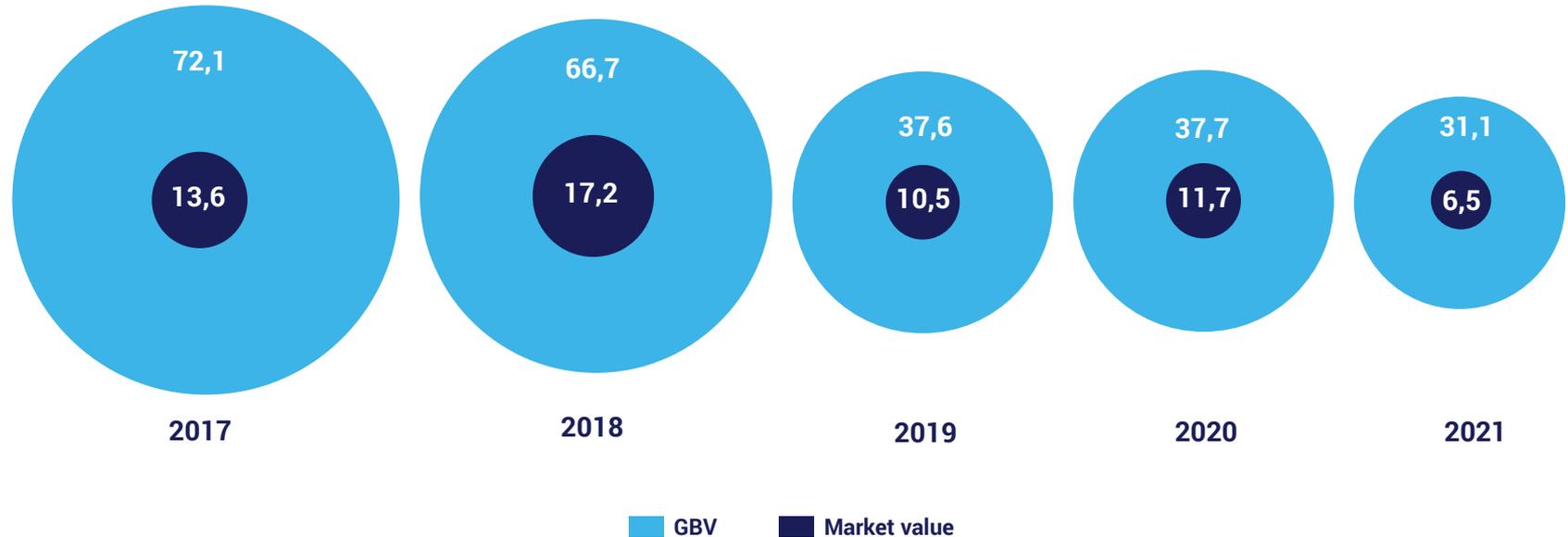
In comparison with 2020, the top 5 originators have concentrated a lower share of transactions, going from 50% to 45%. MPS does not appear in the top 5, whereas last year was in first place among the originators (17% of the Npl and UtP transactions).

The concentration on the volumes of top buyers decreased in 2021 (from 40% to 31%) because 2020 saw AMCO's big system deals.

Among the investors only Banca Ifis continues to be in the top five with a market share on the transaction increasing from 6% in 2020 to 11% in 2021.

From 2017 to 2021, almost 60 bn€ was invested in the Npl market to acquire around 245 bn€ of Npl portfolios.

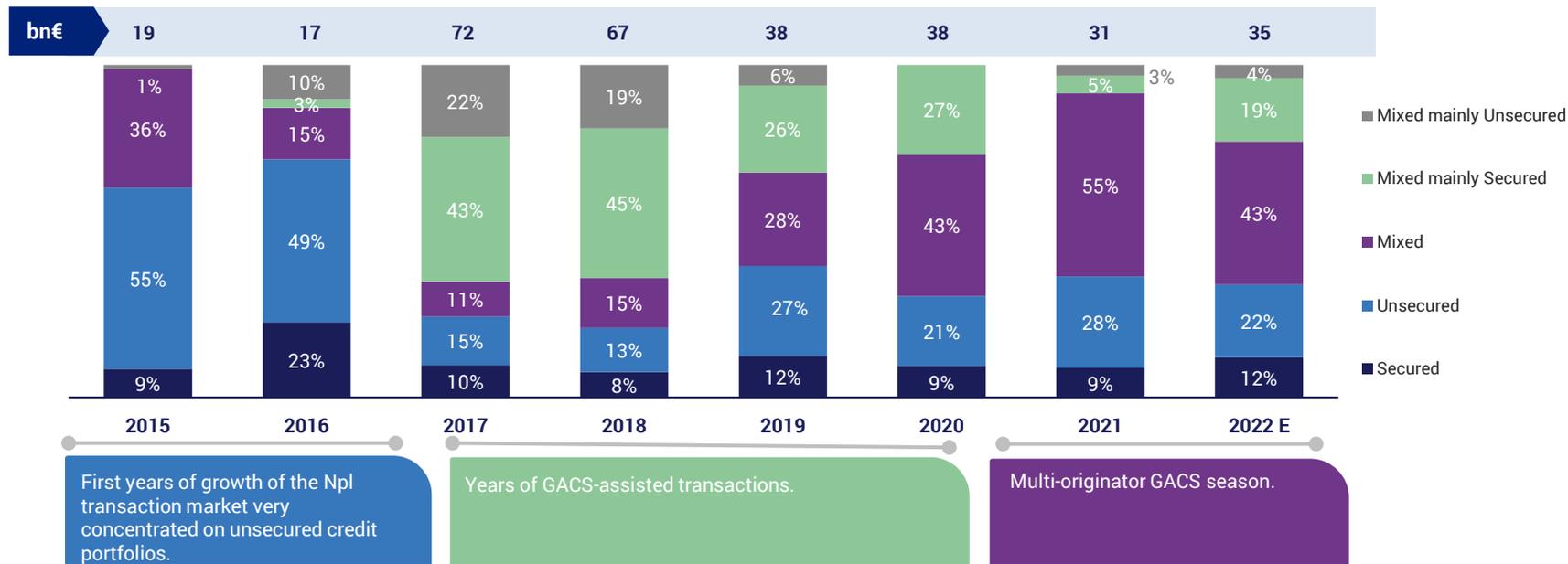
GBV OF NPL PORTFOLIOS AND MARKET VALUE - BN €



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

In 2021, the mix of Npl loans sold sees an increase in the incidence of the Mixed sector. The 2022 forecast sees an increase in the incidence of "mainly secured" portfolios.

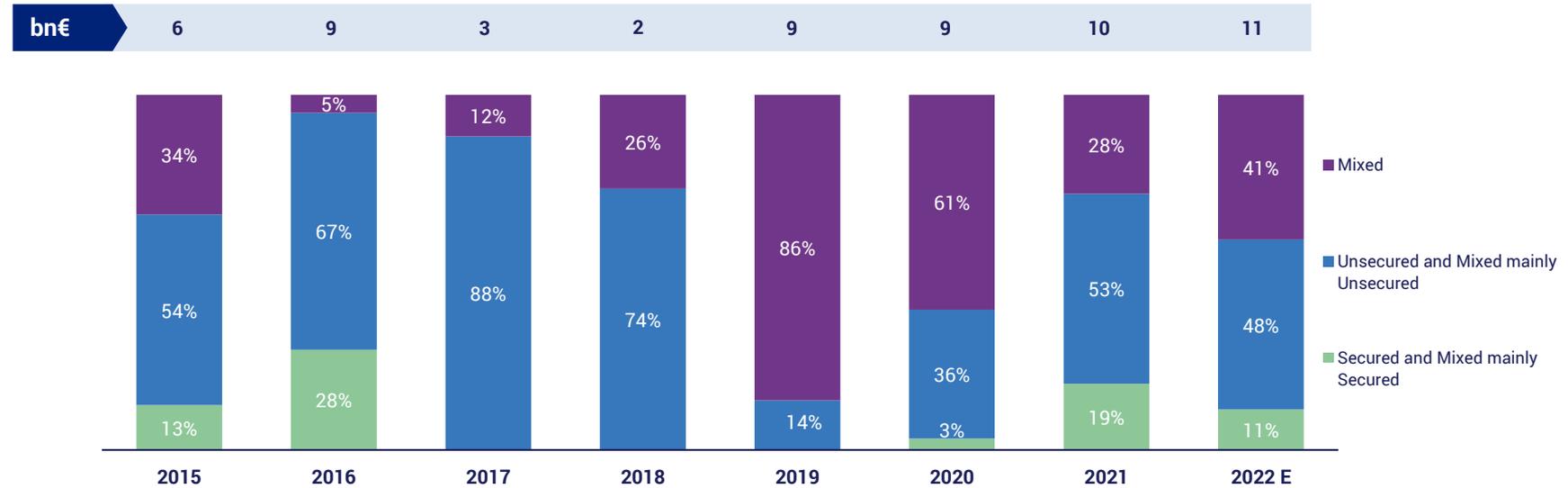
NPL TRANSACTIONS BY PORTFOLIO TYPE - BN€ AND PERCENTAGE



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

In the two-year period 2021-2022 the secondary Npl market continues to show transactions on Unsecured or mainly Unsecured loans.

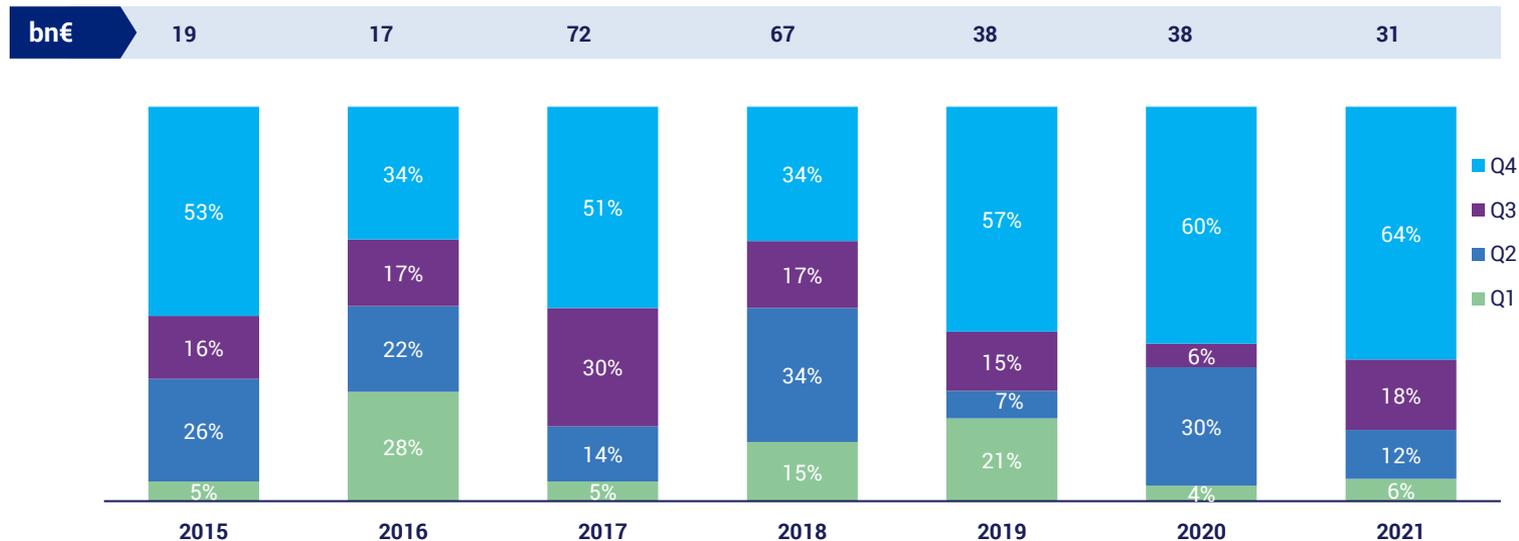
NPL TRANSACTIONS ON THE SECONDARY MARKET BY PORTFOLIO TYPE – BN € AND PERCENTAGE



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

The seasonality of transactions on Npl portfolios in the last 3 years shows an increasing concentration in the last quarter, which in 2021 accounted for 64% of the total GBV transacted.

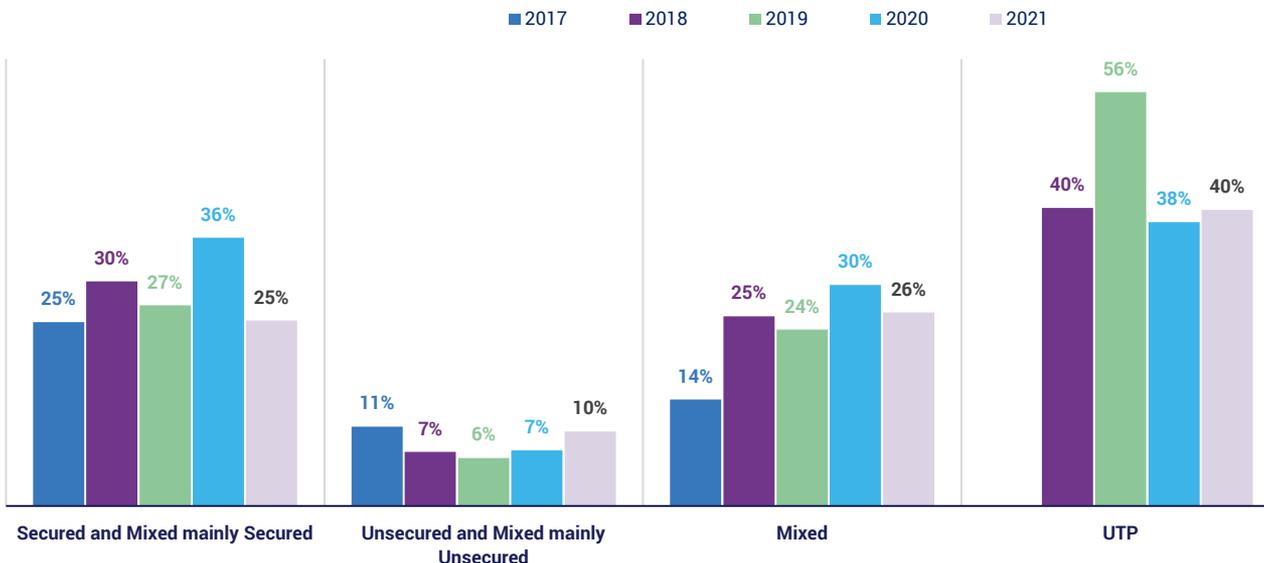
2015-2021 DISTRIBUTION OF NPL TRANSACTIONS BY QUARTER



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

The Secured and Mixed sectors show a reduction in prices because those on GACS assisted transactions are down, due to the lower presence of secured credits. The increase in the prices of unsecured portfolios was moderate.

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



The average price of the Secured sector in 2020/1 is influenced by the deal effect with GACS or with securitization.

The price on Unsecured is moderately increasing due to the effect of the small-denomination "fresh" household loan portfolios (max 12 months), partly balanced by the trend on the secondary.

The prices of the Mixed sector are stable, with an increase in 2020 linked to portfolios with GACS (e.g. Intesa Sanpaolo's Yoda portfolio) and in 2021 to securitisations.

The variability of prices on UTP transactions is linked to the specificity of individual transactions with a still limited number of deals.

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

The details of the 2021 transactions show a lower average amount in 2020 because there are no system jumbo deals.

DETAILS OF NPL TRANSACTIONS FINALIZED IN 2021

Investor	Bn€ GBV	Servicer	Originator
Banca Ifis	2,8	Banca Ifis	Cerberus
MBCredit Solution	2,6	MBCredit Solution	Intesa Sanpaolo
Various investors	2,2	DoValue	Unicredit
Various investors	2,0	Intrum Italy	Intesa Sanpaolo
Various investors	1,8	DoValue/Cerved	Credit Agricole
Intrum, Deva Capital	1,7	Intrum	Intesa Sanpaolo
Various investors	1,5	CF Liberty Servicing	Banco BPM
Various investors	1,1	DoValue	Iccrea Banca
Various investors	1,0	Prelios	BPER
Exacta, Banco Azzoaglio	1,0	Confidential	Arrow Global
Various investors	0,9	Gardant (ex Credito Fondiario)	Gardant (ex Credito Fondiario)
Various investors	0,6	Prelios	Cassa Centrale Banca
ISCC Fintech	0,5	ISCC Fintech	Confidential
Kruk Group	0,5	Kruk Group	Unicredit
Various investors	0,4	DoValue	Banca Popolare di Sondrio
Hoist Finance	0,4	Hoist Finance	York Capital
Various investors	0,4	DoValue	Pop Luigi Luzzatti
Various investors	0,4	Prelios	Aporti Srl (Illimity)
AMCO	0,3	AMCO	Iccrea Banca
Banca Ifis	0,3	Banca Ifis	Findomestic Banca
Confidential and other minus	8,9	n.a.	n.a.
Total	31,1		



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

In 2022 ~10 bn€ of transactions are already in pipeline in the Npl sector.

2021 NPL PIPELINE DETAILS

Originator	Project	Disposal type	Ongoing	Planned	Announced	Bn€ GBV
Multi-Originator	n.a.	Disposal	1,0	-	0,2	1,2
Intesa Sanpaolo	n.a.	Disposal	-	-	2,0	2,0
Multi-Originator	n.a.	Securitization	-	-	1,7	1,7
Monte dei Paschi di Siena	n.a.	Disposal	0,4	-	-	0,4
Monte dei Paschi di Siena	Cessione	Disposal	-	-	1,5	1,5
Unicredit	n.a.	Disposal	1,0	-	-	1,0
Unicredit	n.a.	Forward Flow	0,1	-	-	0,1
BPER	n.a.	Disposal	0,6	-	-	0,6
Banco BPM	n.a.	Disposal	0,5	-	-	0,5
Unipol	n.a.	Disposal	0,4	-	-	0,4
Banca del Fucino	n.a.	Securitization	0,3	-	-	0,3
Deutsche Bank	n.a.	Forward Flow	0,3	-	-	0,3
Prelios Innovation	n.a.	Disposal	0,1	-	-	0,1
Total Pipeline 2022			4,6	0,0	5,3	10,0

Npl

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

In 2021, the UTPs exceed 2 bn€ transacted. The 2022 pipeline reaches almost 12 bn€ as a result of some 2021 deals postponed to 2022.

UTP TRANSACTIONS FINALIZED IN 2021 AND PIPELINE 2022

Originator	Project	Investor	Bn€ GBV
Multi-originator	n.a.	Value Italy Credit	0,4
	n.a.	illimity Credit & Corporate Turnaround, Fund	0,2
BNP Paribas	n.a.	Institutional investors	0,4
	Winter	Intrum e a Deva Capital	0,2
BPER	n.a.	Finint Investments sgr	0,1
	Cuvée II	Prelios SGR	0,1
Cooperatieve Rabobank	n.a.	Various investors	0,1
AMCO, Intesa Sanpaolo e Prelios sgr	n.a.	Illimity, Cordif	0,1
Iccrea Banca, CRA Binasco	Cuvée II	Prelios SGR	0,1
Confidential and other minus	n.a.	n.a.	0,7
Totale actual 2021			2,3



Originator	Project	Potential investor	bn€ GBV
Monte dei Paschi di Siena	Cessione	AMCO	2,5
	n.a.	n.a.	0,2
	Lima	Bofa Merrill Lynch	0,1
Intesa Sanpaolo	Project M2 (UBI)	Prelios	2,0
	Levante	n.a.	0,3
Unicredit	Sandokan II	Pimco, Gwm , Aurora Recovery Capital (Arec)	1,2
	Dawn	Illimity	0,4
Gruppo Carige	Messina	n.a.	0,3
Iccrea Banca	n.a.	n.a.	1,0
	Cuvée	Amco (ex SGA)	1,5
Multi-Originator	n.a.	Fondo Efesto (DoValue, Finint)	0,3
	n.a.	Illimity, Dovalue Intrum	0,6
Credit Agricole	n.a.	Fondo FIA Prelios	0,2
Banche popolari (Luzzatti)	n.a.	n.a.	1,0
Confidential and other minus	n.a.	n.a.	1,0
Total pipeline 2022			11,6

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

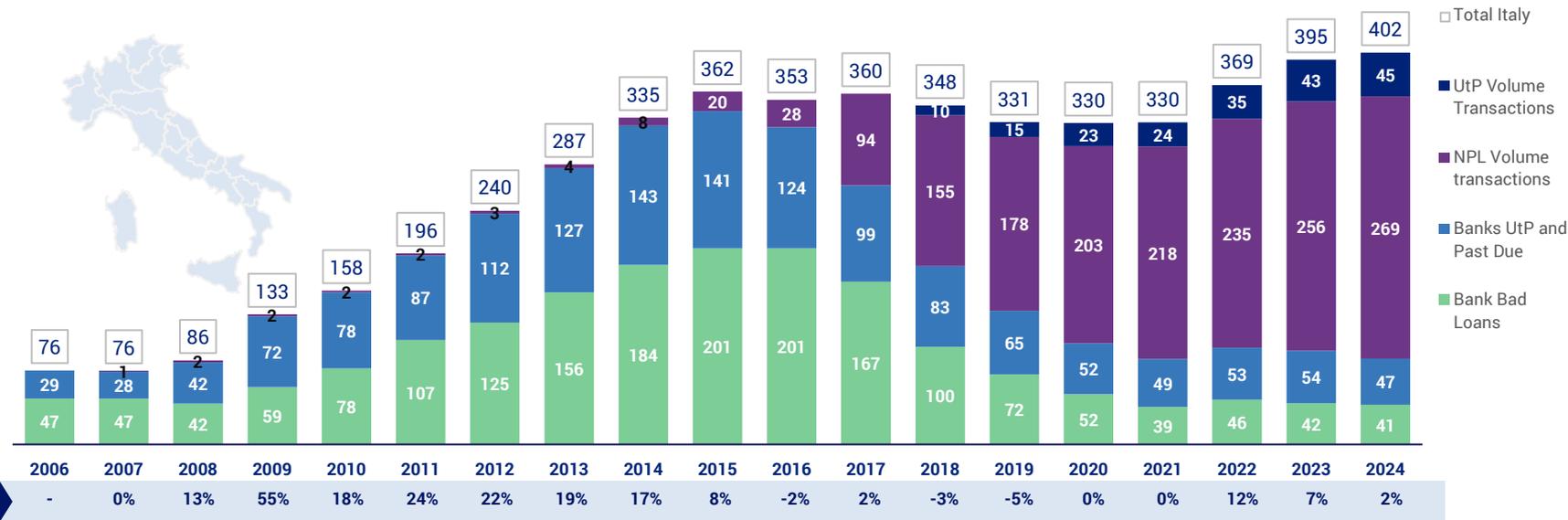
MARKET WATCH
NPL 

Npl industry



The overall stock of Npes in Italy will resume growth, albeit less than expected in September 2021, with an estimate of the credits to be recovered which is expected to reach 402 bn€ in 2024.

TOTAL AMOUNT OF NPE IN ITALY (BANK BALANCE SHEETS + PORTFOLIOS SOLD NET OF RECOVERIES) - BN€



NOTES: Normalized data. The new definition of default harmonized at European level has been in force since January 2021. The data include transactions with resident and non-resident customers, excluding interbank relations.
 SOURCES: Banca Ifis Npl Market Database Press releases and news Banca Ifis internal estimate, Banca d'Italia and Unirec.

At the end of 2021, the top 10 servicers for GBV were handling approximately 310 bn€ of Npes.

2021 TOP TEN SERVICERS FOR GBV OF NPE - BN €

Top ten servicers	Bank of Italy Surveillance	Bn€ AuM – 31.12.2021 estimate
DoValue	115/106	82,3
Intrum	115	41,0
Cerved Credit Management	106/115	36,1
AMCO	106	33,4
Prelios Credit Servicing	106	33,1
Banca Ifis*	Banca	24,4
Gardant (ex Credito Fondiario)	106/115	19,4
Crif	115	14,4
iQuera Italia (ex Sistemica)	115	13,3
Fire	115	12,1

*NOTES: The credit portfolios owned by Banca Ifis are managed by Ifis Npl Investing, the portfolios managed on behalf of third parties are the responsibility of Ifis Npl Servicing.

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

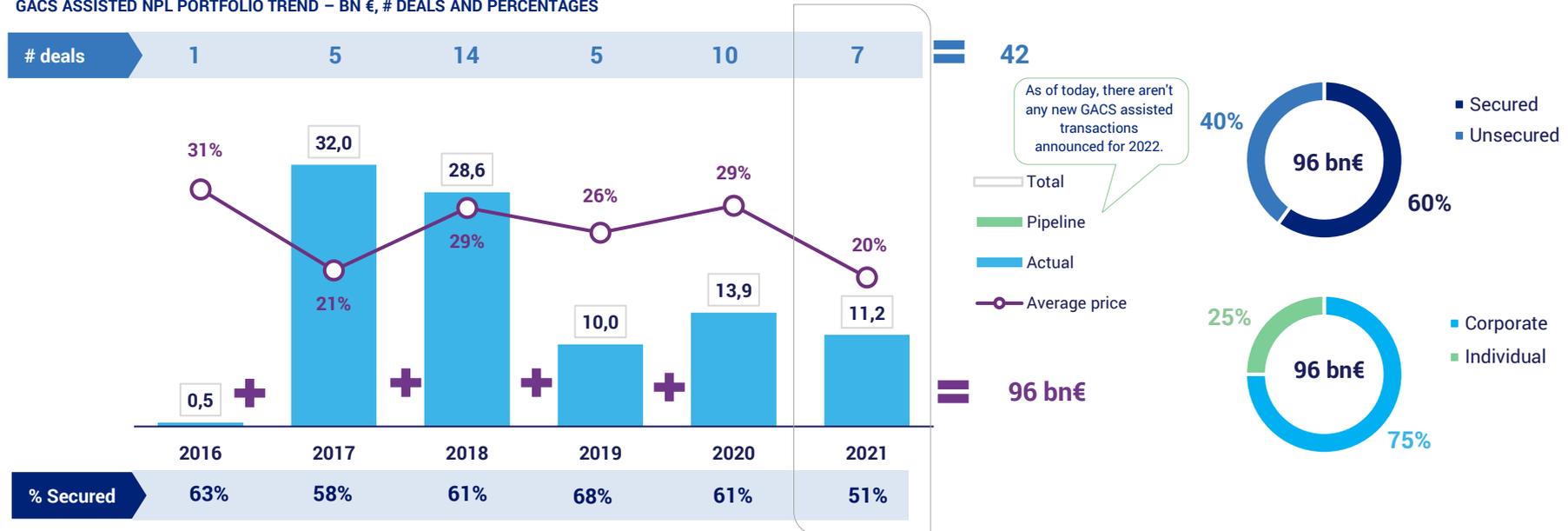
MARKET WATCH
NPL 

Focus on GACS



In 2021, there were 7 GACS assisted transactions for an amount of 11 bn€, thus bringing the overall GBV from 2016 to 96 bn€, equal to 36% of the total Npl transaction amount. Operations in 2021 show a discontinuity compared to previous years: lower incidence of secured loans and, therefore, a falling average price.

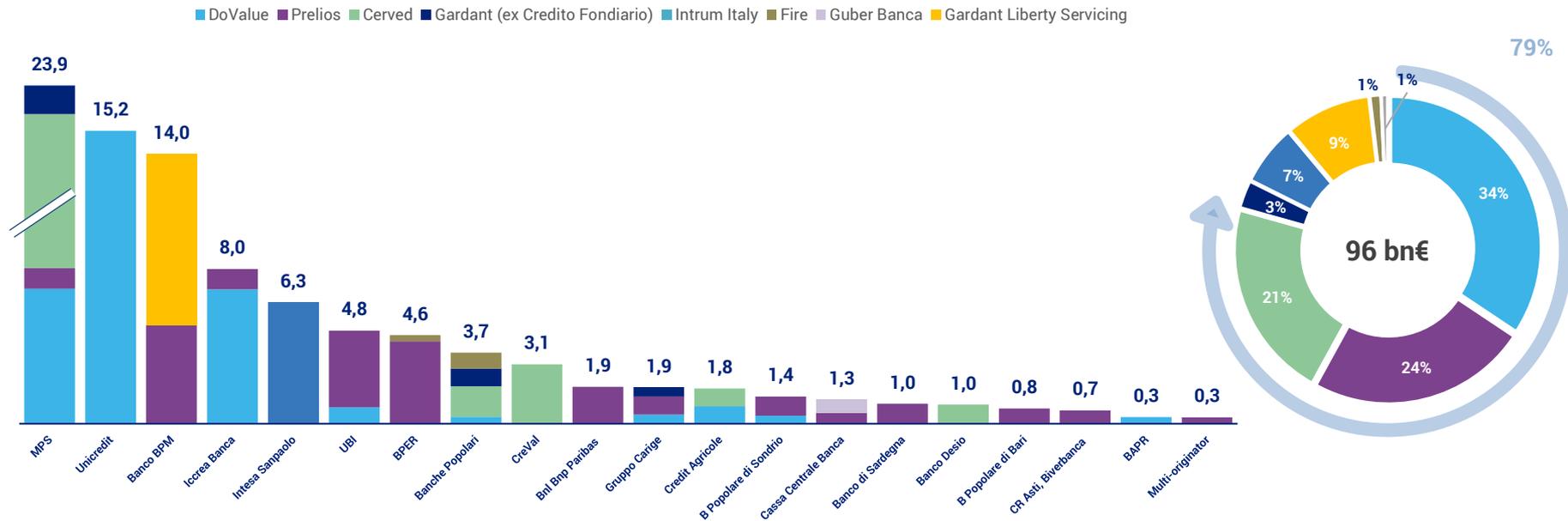
GACS ASSISTED NPL PORTFOLIO TREND – BN €, # DEALS AND PERCENTAGES



SOURCE: Banca Ifis Npl Market Database - News and press releases - Banca Ifis internal analysis.
 NOTES: GACS extended to June 2022.

Eight servicers engaged in the GACS assisted operations carried out so far: in 2021 the JV Gardant Liberty Servicing also began operating. 79% of the GBV concentrated on the first three servicers.

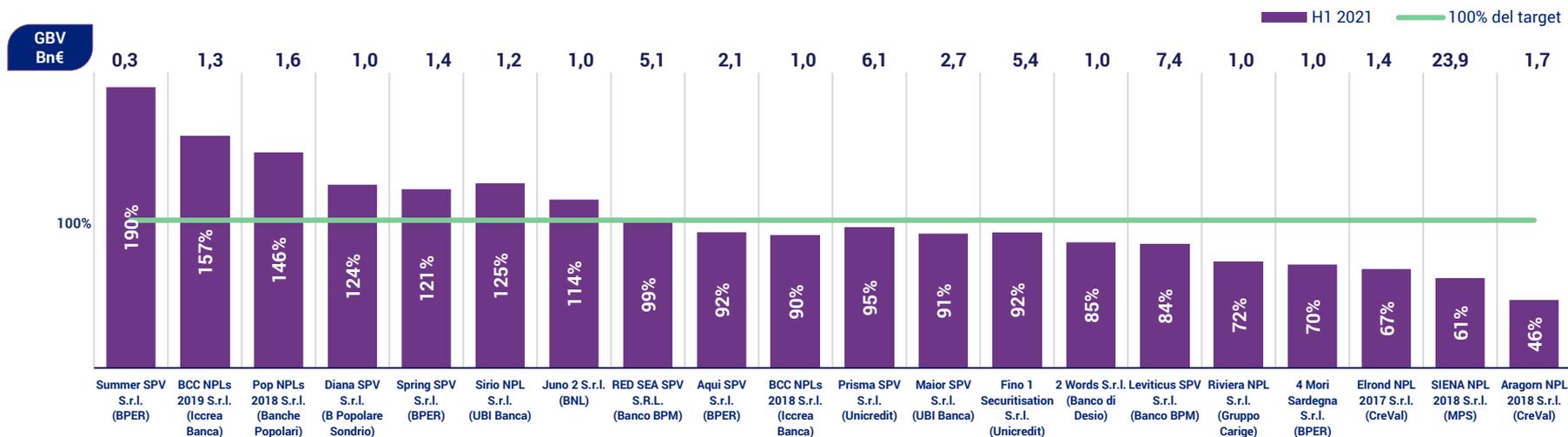
2016 – 2021 GACS ASSISTED NPL PORTFOLIO TREND BY ORIGINATOR AND SERVICER – BN €, AND PERCENTAGES



SOURCE: Banca Ifis Npl Market Database - News and press releases - Banca Ifis internal analysis.
 NOTES: GACS extended to June 2022.

In the first half of 2021, the GACS assisted portfolios show recovery performances above the target for 7 out of 20 portfolios, except for two cases the trend is improving compared to the last forecast.

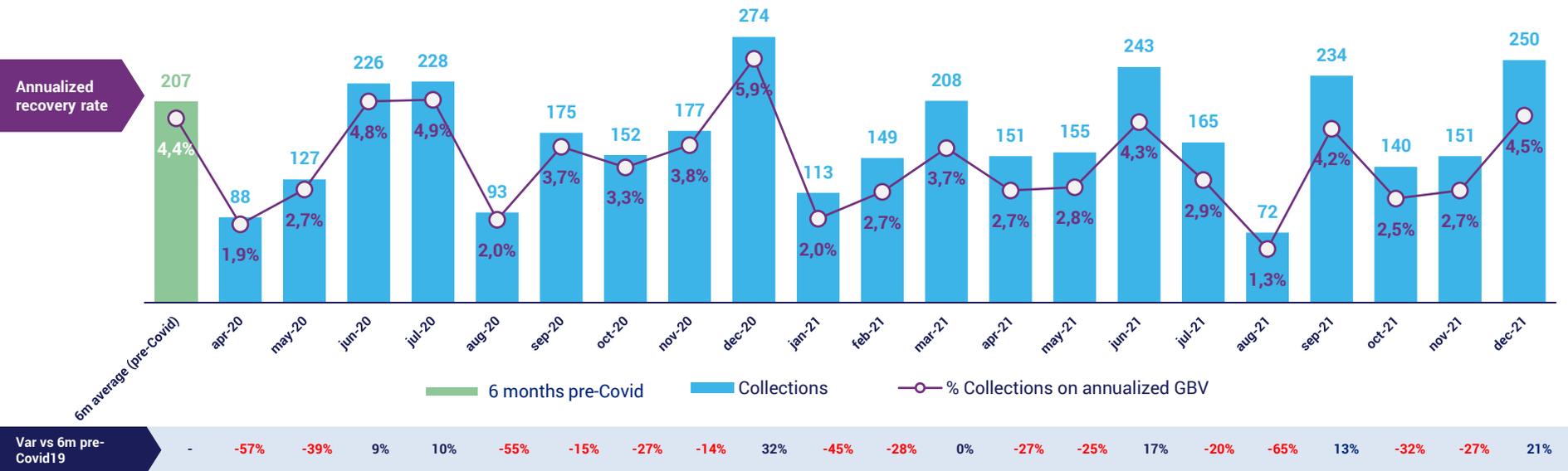
GROSS CUMULATIVE COLLECTIONS RATIO, COMPARISON WITH ACTUAL BUSINESS PLANS FOR PORTFOLIOS WITH RATING MOODY'S AND SCOPE – H1 2021, PERCENTAGES



SOURCE: Banca Ifis Npl Market Database - News and press releases - Banca Ifis internal estimates; Moody's - Sector Profile, Scope Ratings Semi-annual Italian NPL performance report, latest survey date available.

Compared to the pre-Covid period, the monthly trend in the collections of portfolios with GACS shows a lower average recovery trend. 2021 shows no improvement with a negative gap around 20%.

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



SOURCE: Banca Ifis internal estimates on Scope Italian Npl collections monthly December report.

Focus on Real Estate market and court processing



	526.5	100%	476.2	100%
	403.0	77%	523.8	77%
Gross profit	123.5	23%	154.8	23%
Other income	4.3	1%	5.3	1%
Administration expenses	44.0	8%	53.2	8%
Profit before tax	34.3	6%	59.3	6%
Tax	11.5	2%	12.7	2%
Net profit	22.8	4%	46.6	4%
Interest	102	19%	79	17%
Dividend				

2021 was a record year for real estate in Italy with a number of sales of ~700 thousand, reaching values even higher than the pre-Covid period, thanks to the large liquidity of households and businesses and tax incentives.

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



The recovery in the real estate sector is the result of the progressive macroeconomic improvement recorded during the second half of 2021.

The non-residential market is influenced by the changes that took place in the way Italians work and consume. Despite this, the sector also saw a rise in transactions.

The growth of the sector in 2022 will be sustained also due to the various tax incentives but it is, above all, the result of the greater liquidity present on the market. In 2021 (September) household liquidity increased by approximately 106 bn€ compared to the end of 2019, with an increase of 10%. Business accounts also show 122 bn€ more than in 2019 (+ 12%).

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

2021 closed with around 126 properties in auction, for a value of 18,7 bn€. The freeze of real estate foreclosure procedures in the first half of 2021 resulted in the postponement of ~77 thousand auctions with an estimated recovery failure of 11 bn€. In 2022 a return to volumes close to those of 2019 is expected.

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



2021 sees an increase in operations compared to 2020:

- + 8,1% real estate units subject to auctions
- + 10% the basic auction value

However, the number of postponed auctions following the freeze of real estate executions in the first half of 2021 is significant.

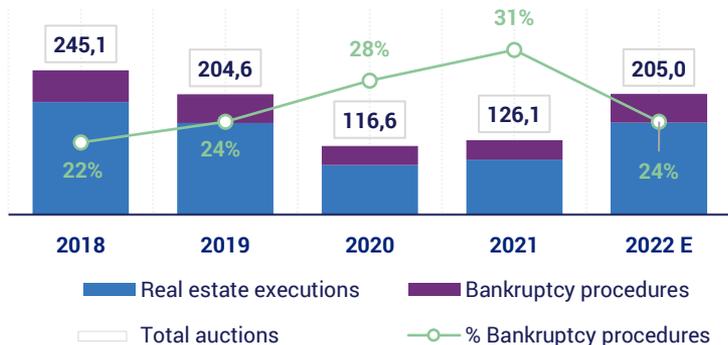
SOURCE: Banca Ifis internal estimates on T6, Reviva e Astasy.

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

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

In 2021, the incidence of insolvency proceedings increased. The decline in real estate executions can only be attributed to the freeze of those relating to residential properties used as a main residence. Cash in court 2021 and 2022 is estimated at ~10 bn€.

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



In times of pandemics and stopped auctions, insolvency proceedings (company bankruptcies) have weighed more, reaching 31% in 2021. In 2022 volumes close to those of 2019 are expected in the hypothesis that no further restrictive measures will be dictated.

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



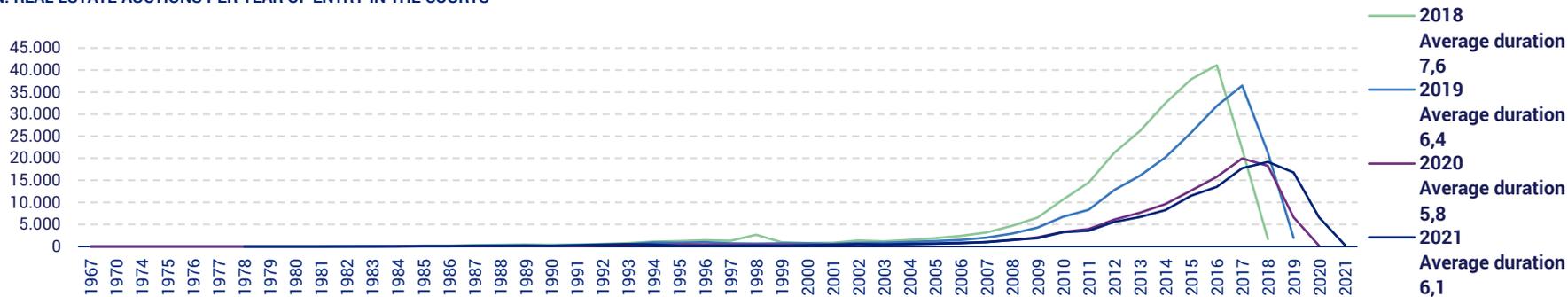
It is estimated that there are approximately 8 bn€ in 2020 and 5 bn€ in cash in court in 2021 generated by the awarded auctions, which are waiting to be restarted due to the slowness that characterizes the current phase. An additional 5 bn€ of cash in court is estimated in 2022.

SOURCE: Banca Ifis internal estimates on T6, Reviva e Astasy .

NOTES: Cash in Court indicates the amount of money which, following a judicial liquidation, is in the current accounts of the courts pending the definition and implementation of an allotment plan between the beneficiaries of the liquidation.

The flattening of the auction time curves highlights an increase in efficiency generated by the telematic process and the 2015 reform which produced a reduction, between 2018 and 2021, of the average auction closing time of more than 2 years.

N. REAL ESTATE AUCTIONS PER YEAR OF ENTRY IN THE COURTS



The stop of judicial procedures (formerly DL Cura Italia) has contributed to slow down the recovery of efficiency obtained through the introduction of the Telematic Civil Process and the reform of the code of civil procedure. Until the arrival of Covid-19, the performance of real estate executions and bankruptcy procedures was improving, with an average duration going from 7,6 in 2018 to 6,4 in 2019. In 2020, the efficiency gain continued, albeit to an extent reduced, while in 2021, as expected, this trend stopped.

The executive and bankruptcy procedures still have an average life which is about double the European average (3 is the EU average), although they have improved in recent years. The long duration of the judicial procedures for the recovery of loans is one of the factors affecting the performance of the recovery of Npe loans.

SOURCE: Banca Ifis internal estimates on T6, Reviva e Astasy .
 NOTES: Average life calculated on the total of real estate auctions.

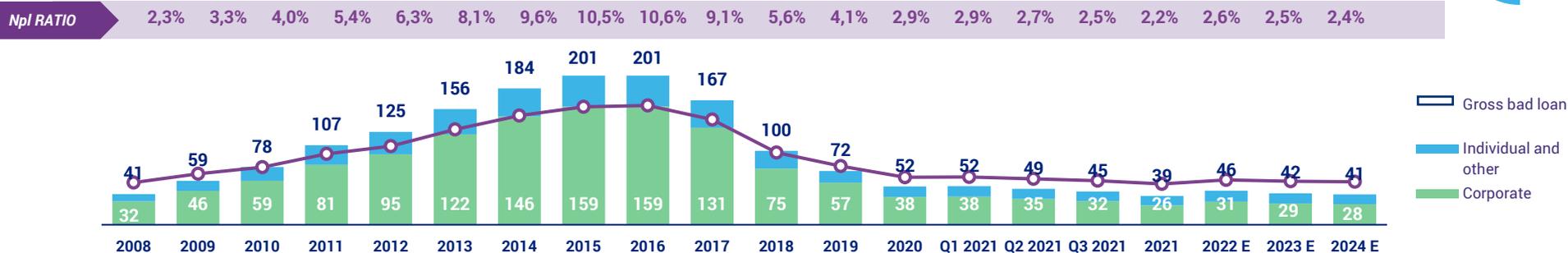
In-depth tables



In 2021, the trend of reducing the stock of gross bad loans in bank balance sheets continues, with an Npl ratio that will remain at a historically low level in the coming years.



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



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



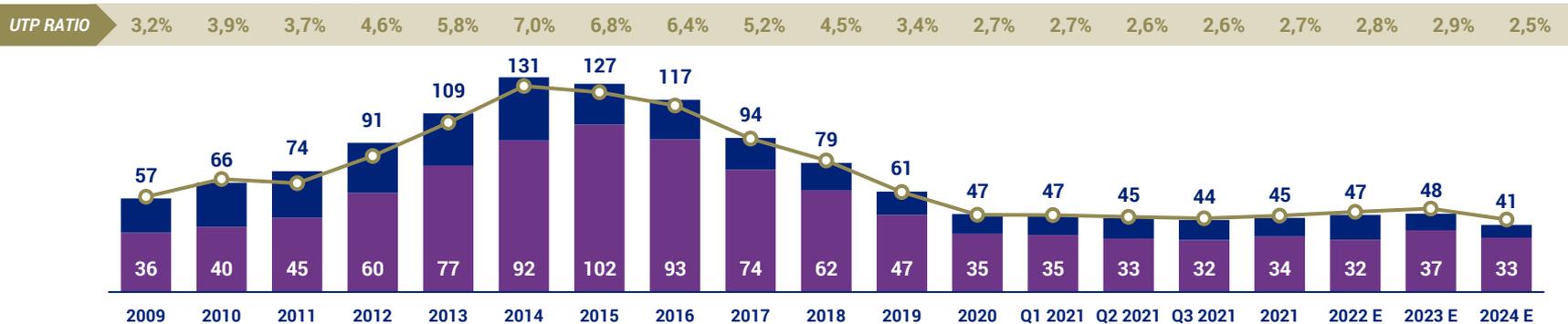
NOTES: Normalized data. The new definition of default harmonized at European level has been in force since January 2021. Corporate include only non-financial companies and producer households; households and others include consumer households and the rest of the total.

SOURCE: Banca Ifis Research Department processed on the Bank of Italy statistical database - estimate from Banca Ifis internal analyzes.

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



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



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



NOTES: Normalized data. The new definition of default harmonized at European level has been in force since January 2021.

NOTES: Corporate include non-financial corporations and producer households; consumer households, non-profit institutions, non-classifiable data and residual value. The data includes only transactions with resident customers, excluding monetary financial institutions.

SOURCE: Banca Ifis Research Department processed on the Bank of Italy statistical database - estimate from Banca Ifis internal analyzes.

The coverage ratio of Npls and UtPs forecast until 2024 is stable.

BANK BAD LOANS - BN € AND PERCENTAGE



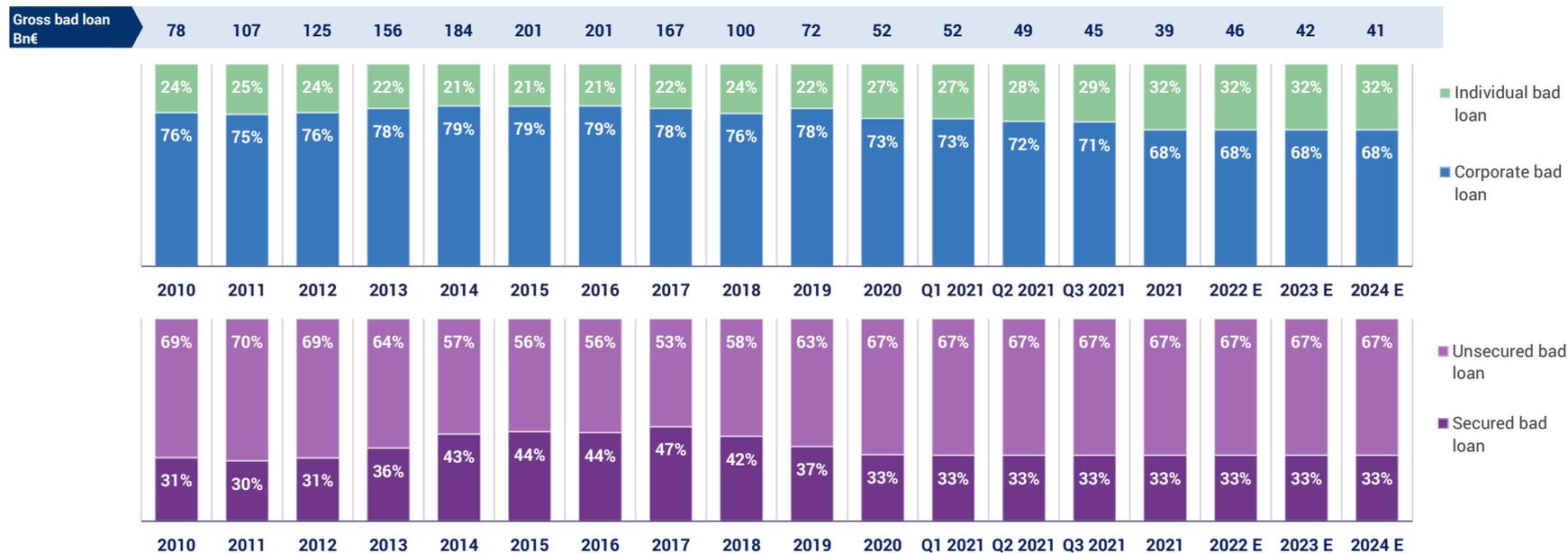
UTP - BN € AND PERCENTAGE



NOTE: Normalized data. The new definition of default harmonized at European level has been in force since January 2021.
SOURCE: based on the Bank of Italy Statistical Database; internal estimates by Banca Ifis.

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

GROSS BANK LOANS RESIDENT- BN €, PERCENTAGE INDIVIDUAL AND CORPORATE, SECURED AND UNSECURED (% OF TOTAL BAD LOANS)



NOTE: Normalized data. The new definition of default harmonized at European level has been in force since January 2021.
 SOURCE: based on the Bank of Italy Statistical Database; internal estimates by Banca Ifis.

The ratio of bad loans to loans will be increasing in all production sectors, with a more contained impact on Production and Agriculture.

CORPORATE DETERIORATION RATE FOR RESIDENTS BY INDUSTRY - PERCENTAGES



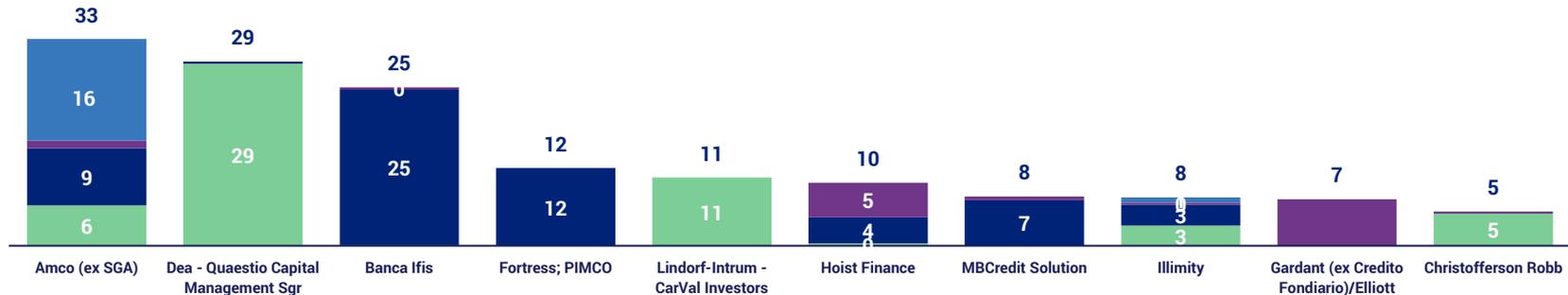
NOTE: Normalized data. The new harmonized definition of default at European level has been in force since January 2021. The data includes only transactions with non-financial corporations and resident producer households. DETERIORATION RATE: annual flow of new loans in default adjusted / stock of loans not in default adjusted previous year. SOURCES: Banca Ifis internal analysis based on Banca d'Italia statistical Database.

The top 10 originators concentrate 62% of the Npe transactions carried out between 2015 and 2021. The volumes acquired by the first three investors amount to over 87 bn€.

2015- 2021 NPE TRANSACTIONS BY SELLER (10 MAIN ORIGINATORS) AND BY PORTFOLIO TYPE - BN €



2015- 2021 NPE TRANSACTIONS BY INVESTOR (TOP TEN BUYER) AND BY PORTFOLIO TYPE - BN €



NOTES: The amount of purchases does not include the amounts guaranteed by GACS. Instead the operation of MPS Dae Quaestio Capital Management (mezzanine and junior tranche) is included.

General Statement.

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

