

MARKET WATCH
NPL 

April 2022

The map of non-performing credit in bank balance sheets (resident customers only)

208.8
1,235.0
0.0
25,187.7
7,645.0
12,411.8
27,752.9

The key messages.



The map of non-performing credit in bank balance sheets - resident customers only

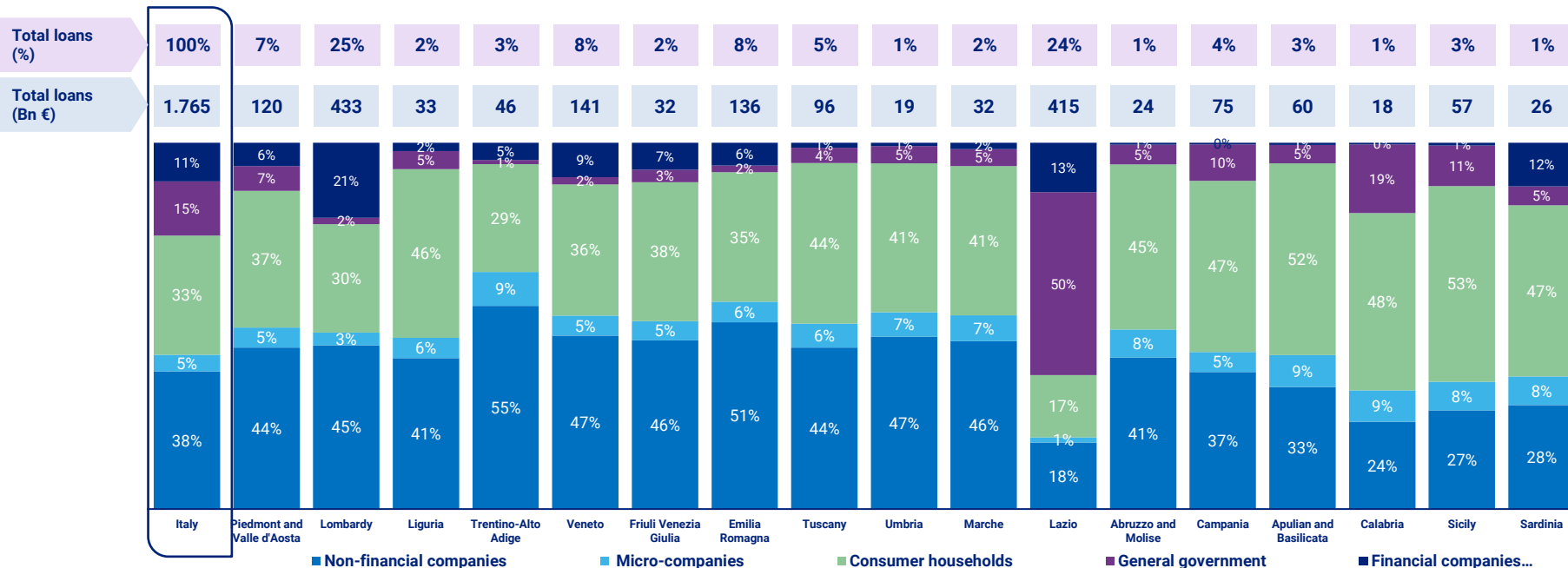
1. ~50% of the stock of total loans (performing and impaired) is concentrated in Lombardy (25%) and Lazio (24%)
2. **The stock of gross impaired loans decreased from € 337 billion in 2015 to € 76.5 billion in 2021, equivalent to a -77%. This decline was generalized to all Italian regions. The reduction of bad loans in bank balance sheets was mainly the result of the sale of NPL and UTP portfolios, which brought 75% of the volumes to investors' portfolios.**
3. At the end of 2021, **70% of non-performing loans are attributable to companies. Those related to households rise above 40% in Puglia / Basilicata and Sicily.**
4. **The UTP component reaches 52% of the total (€ 39.7 billion), exceeding the stock of bad loans (€ 33.1 billion, 43% of the total).**
5. Looking at the non-performing credit of residents in relation to the stock of loans, at the end of 2021, **the Npe ratio reached the target level (5%) required by the ECB. There are 9 regions that remained above 5%, particularly in the South of Italy.**
6. **Compared to the peak of 2013, the Npe ratio fell by 3.5 percentage points. All the central and southern regions, except for Basilicata and Sardinia, show deterioration incidence higher than the national average.** The reduction in risk was particularly significant for the corporate segment, that showed a deterioration rate from 7.4% to 1.4% from 2013 to 2021, while for households the decrease set from 2.0% to 0.8%



Non-performing loans by region and customer segment

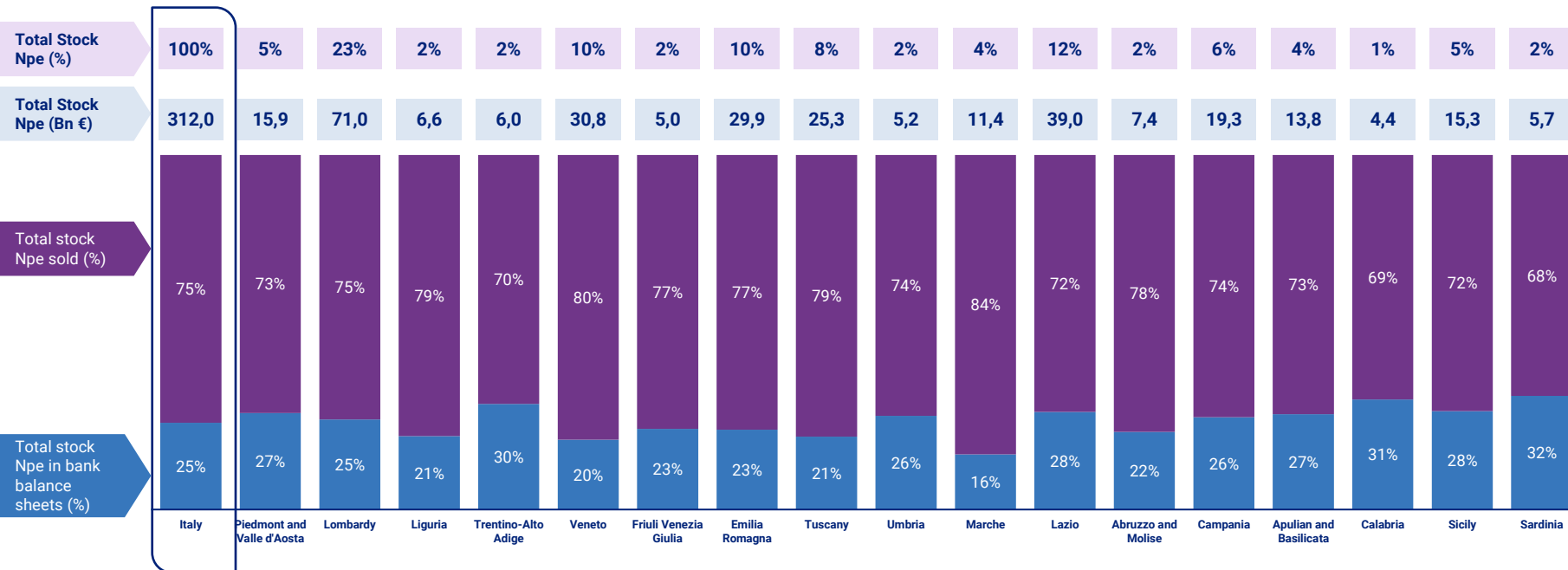
~50% of the stock of loans is concentrated in Lombardy (25%) and Lazio (24%).
The latter region also shows the largest share of loans to the PA. In the South, the incidence of households is higher.

TOTAL RESIDENT BANK LOANS (INCLUDING NON-PERFORMANCE CREDIT) BY CUSTOMER SECTOR AS OF DECEMBER 31, 2021- BN€ AND PERCENTAGES



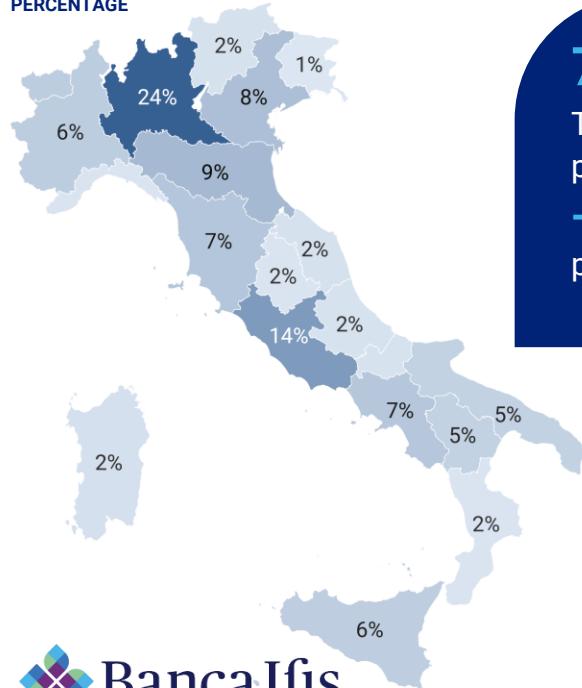
The decline in impaired bank balance sheets, compared to the peak of 2015, was mainly the result of the sale of Npl and UtP portfolios, which brought 75% of the volumes to investors' portfolios.

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



The stock of gross non-performing loans decreased from 337 bn€ in 2015 to 76.5 bn€ in 2021, equivalent to -77%. The decline was generalized to all Italian regions.

TOTAL GROSS NPL BANK LOANS TO RESIDENT CUSTOMERS AS OF DECEMBER 31, 2021 – BN€ AND PERCENTAGE



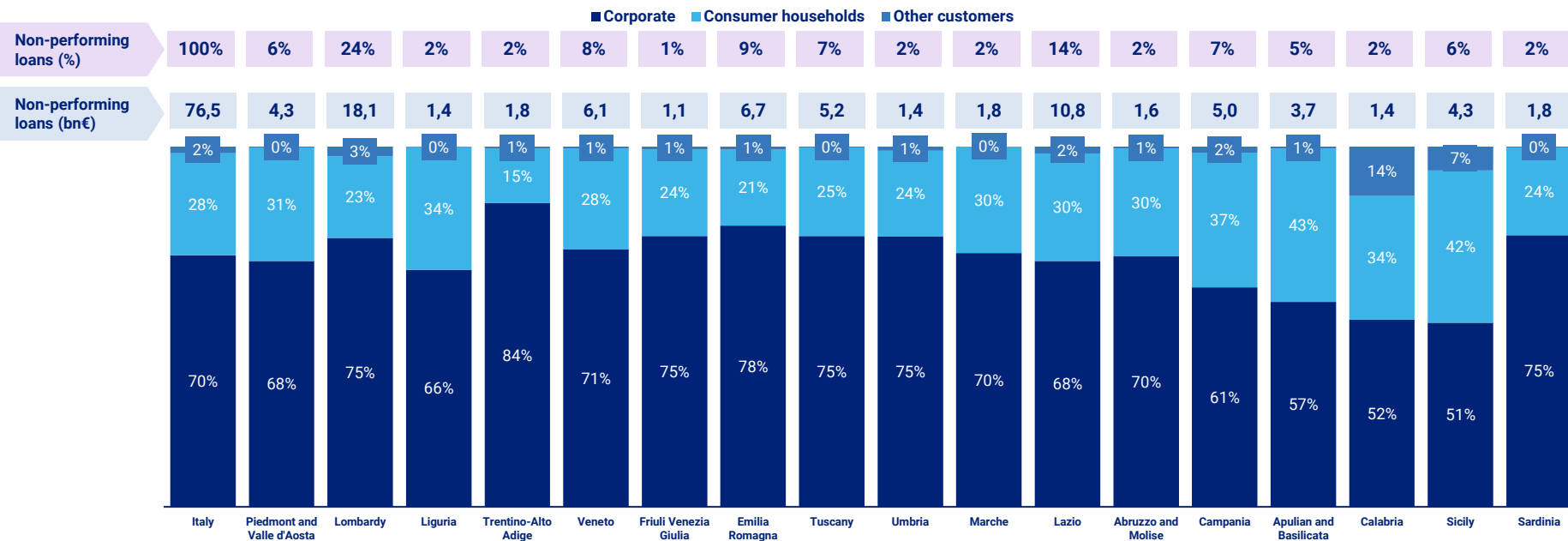
76.5 bn€
The total of non-performing loans
-77% vs the 2015
peak of 337 bn€.

TOTAL GROSS NPL BANK RECEIVABLES RESIDENT CUSTOMERS - BN€ AND PERCENTAGE

Non-performing Loans bn€	Year 2021	Year 2015	Var vs 2015
Italy	76,5	337,1	-77%
Piedmont e Valle d'Aosta	4,3	17,2	-75%
Lombardy	18,1	76,6	-76%
Liguria	1,4	7,1	-81%
Trentino Alto Adige	1,8	6,4	-72%
Veneto	6,1	33,4	-82%
Friuli Venezia Giulia	1,1	5,4	-79%
Emilia Romagna	6,7	32,3	-79%
Tuscany	5,2	27,4	-81%
Umbria	1,4	5,6	-75%
Marche	1,8	12,4	-86%
Lazio	10,8	42,0	-74%
Abruzzo e Molise	1,6	8,0	-80%
Campania	5,0	20,8	-76%
Apulian e Basilicata	3,7	14,8	-75%
Calabria	1,4	4,8	-71%
Sicily	4,3	16,5	-74%
Sardinia	1,8	6,1	-70%

At the end of 2021, 70% of non-performing loans are attributable to corporates.
Those of households rise above 40% in Puglia / Basilicata and Sicily.

GROSS NON-PERFORMANCE LOANS OF RESIDENTS BY CUSTOMER TYPE AS OF DECEMBER 31, 2021 – BN€ AND PERCENTAGE

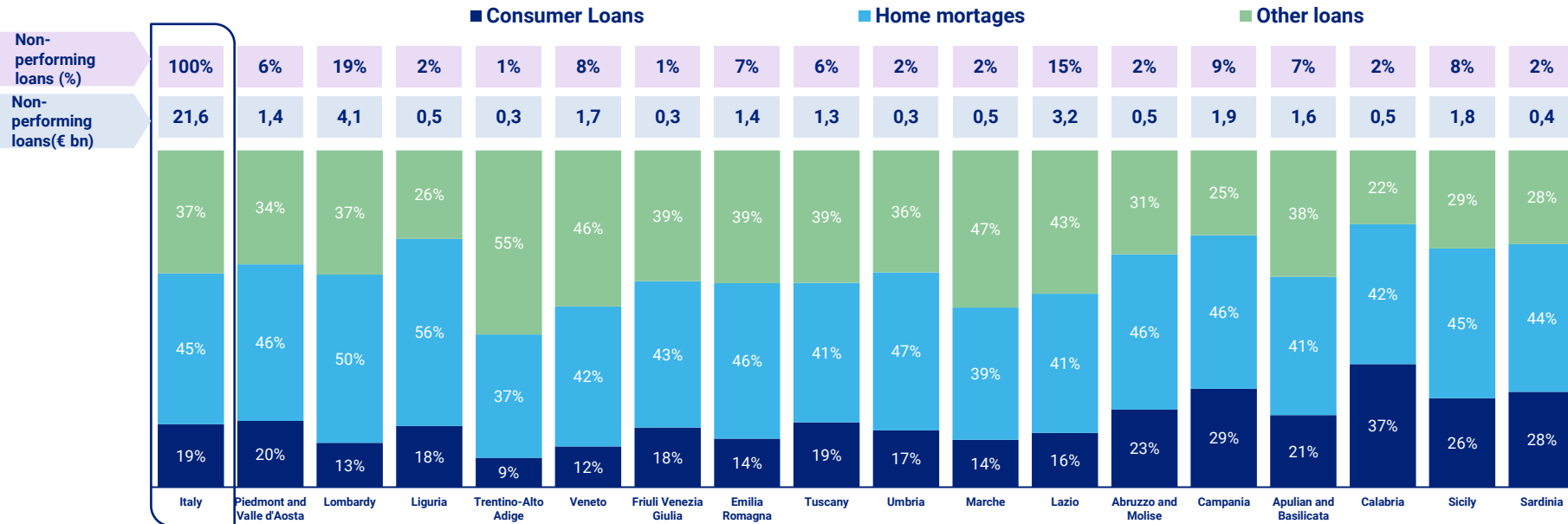


SOURCE: Banca Ifis internal analysis based on Statistical Database Banca d'Italia - Forecast: Banca Ifis internal estimate.

NOTES: Corporate include non-financial companies and producer households; consumer households, non-profit institutions, non-classifiable data and residual value. Others include General government, Financial companies (excluding Monetary Financial Institutions). The data includes only transactions with resident customers, excluding monetary financial institutions.

The 2021 stock of non-performing loans of households is mainly attributable to home mortgages (45% of the total), which reach 50% in Lombardy and Liguria. The weight of consumer loans in the southern regions is over 20%.

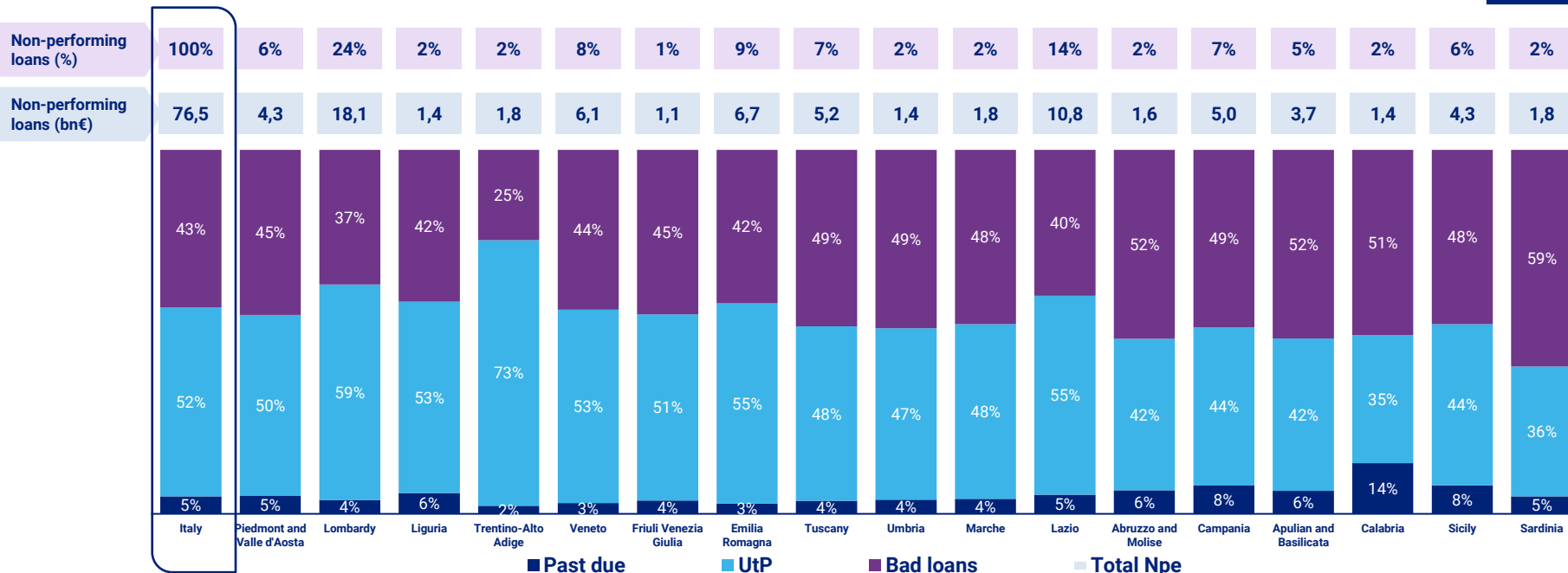
NON-PERFORMING LOAN OF RESIDENT HOUSHOLDS BY PURPOSE OF THE CREDIT AT 31 DECEMBER 2021 – BN€ AND PERCENTAGES



At the end of 2021, UTPs weighted 52% (39.7 billion €) of the total Npe, exceeding Npls (equal to 43%, 33.1 bn€). Four regions have an incidence of UTPs above the national average.



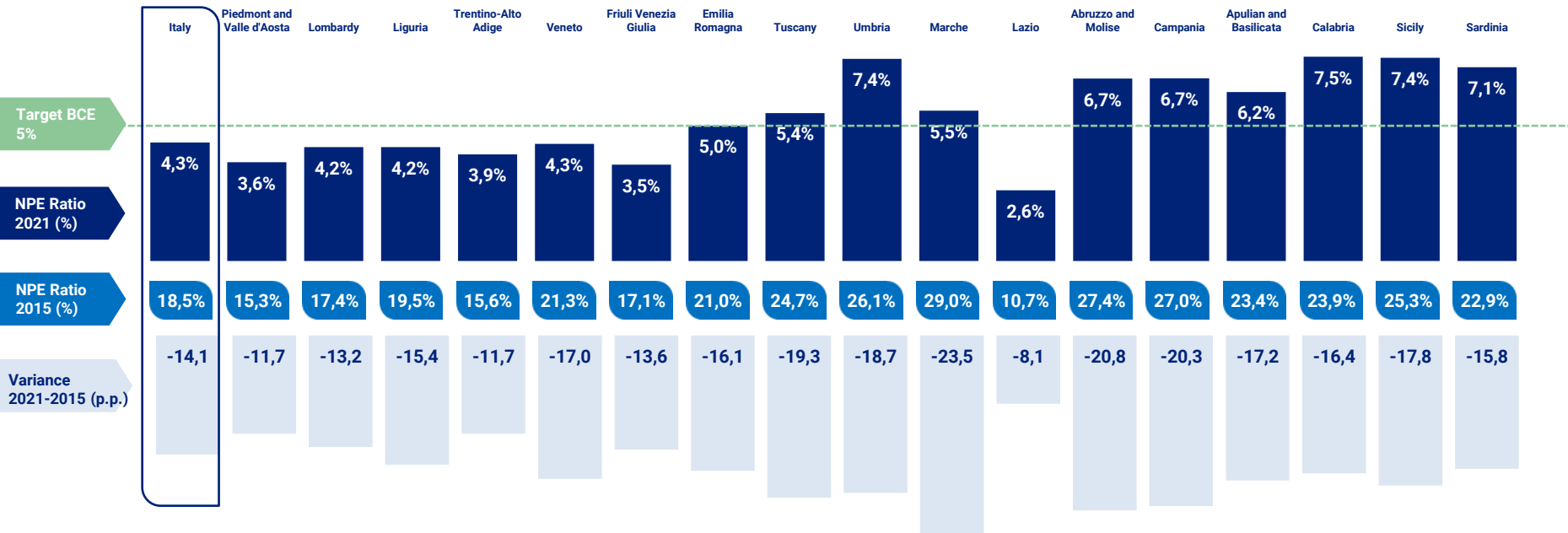
GROSS BANK NON-PERFORMING LOAN OF RESIDENTS AT 31 DECEMBER 2021 – BN€ AND PERCENTAGE



Looking at non-performing loans in relation to the stock of loans, at the end of 2021 the Npe ratio reached the target level (5%) required by the ECB. There are 9 regions remained above 5%, particularly in the South of Italy.

Focus on Npe Ratio

NPE RATIO: GROSS NON-PERFORMING LOAN ON TOTAL RESIDENT CUSTOMER LOANS - PERCENTAGE

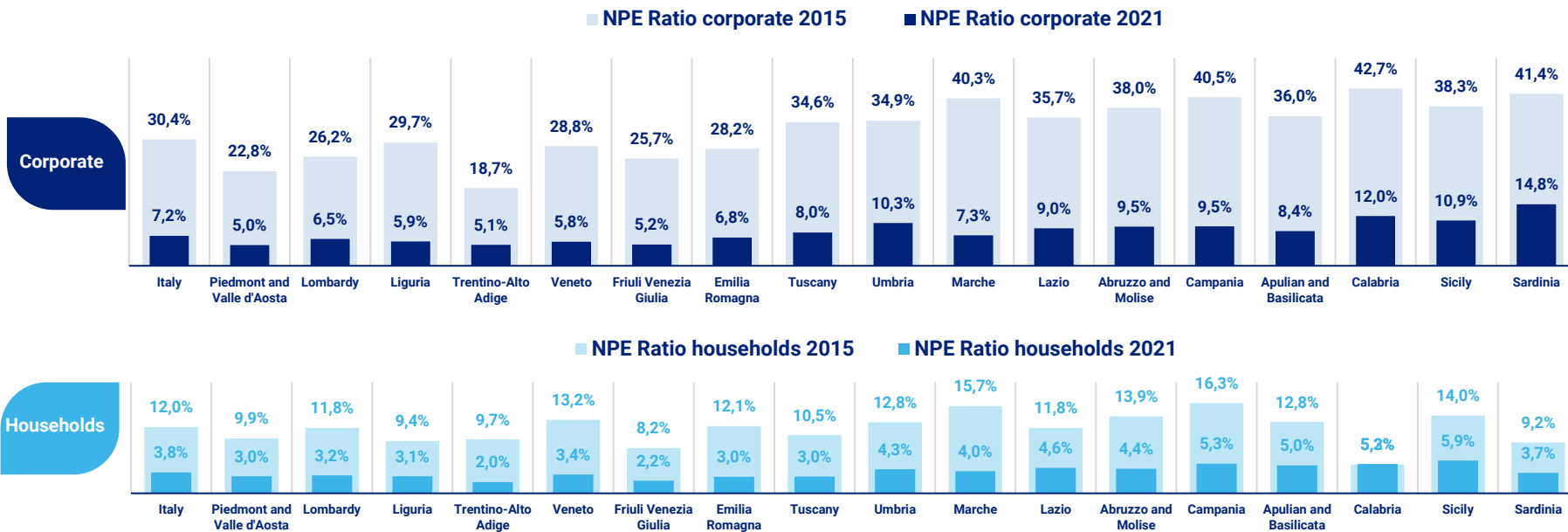


SOURCE: Banca Ifis internal analysis based on Statistical Database Banca d'Italia - Forecast: Banca Ifis internal estimate.
 NOTES: The data includes only transactions with resident customers, excluding monetary financial institutions.

Comparing 2021 to 2015, the Npe ratio of companies has proportionally reduced more than those of households, while remaining high especially in the central and southern regions of Italy.

Focus on
Npe ratio
by
customer

NPE RATIO: GROSS NPE BANK LOANS ON TOTAL LOANS BY TYPE OF RESIDENT DEBTOR - PERCENTAGE



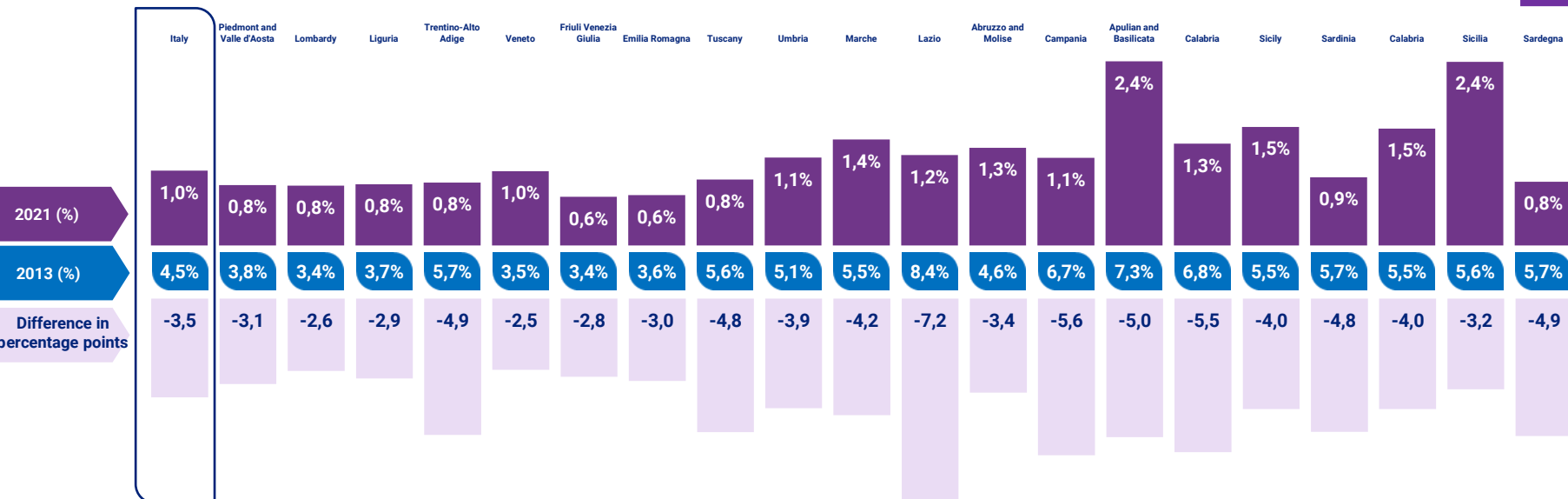
SOURCE: Banca Ifis internal analysis based on Statistical Database Banca d'Italia - Forecast: Banca Ifis internal estimate.

NOTES: Corporate include non-financial companies and producer households; consumer households, non-profit institutions, non-classifiable data and residual value. Others include General government, Financial companies (excluding Monetary Financial Institutions). The data includes only transactions with resident customers, excluding monetary financial institutions.

Compared to the peak of 2013, the Npe ratio fell by 3.5 percentage points. All the central and southern regions, except for Basilicata and Sardinia, show a percentage of deterioration higher than the national average in 2021.

Focus on deterioration rate

DETERIORATION RATE FOR RESIDENT CUSTOMERS - PERCENTAGES



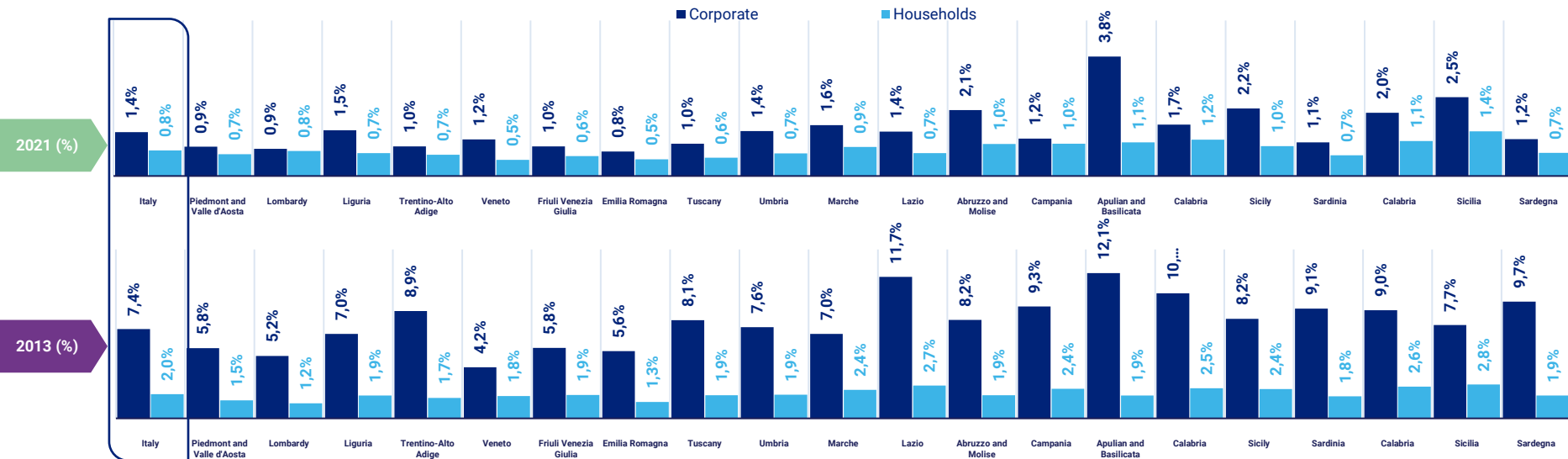
SOURCE: Banca Ifis internal analysis based on Statistical Database Banca d'Italia - Forecast: Banca Ifis internal estimate.

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 reduction in risk indicator was particularly relevant for corporate customers, which from 2013 to 2021 showed a deterioration rate falling from 7.4% to 1.4%. For households, the decreases set from 2.0% to 0.8%.

Focus on deterioration rate by customer type

DETERIORATION RATE BY TYPE OF RESIDENT DEBTOR - € BN AND PERCENTAGE



NOTES: Corporate include non-financial corporations and producer households; consumer households, non-profit institutions, non-classifiable data and residual value. 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.

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.



