



MARKETWATCH
NPL

2018 TRANSACTIONS AND 2019 FORECAST

January 2019



<p>Banks' NPE scenario</p>	<p>55 Bn€ reduction of banks' NPEs from December 2017 to September 2018 (-21%) <small>Page # 4</small></p>	<p>-49 Bn€ Gross NPLs in banks' balance sheets from December 2017 to November 2018 (-29%) <small>Page # 5</small></p>	<p>-44,3% the reduction of EU NPL ratio from 2015 YE to Q3 2018, one of the strongest amongst the European Countries <small>Page # 8</small></p>
<p>NPL transactions 2018</p>	<p>66 Bn€ NPL transactions in FY 2018 <small>Page # 10</small></p>	<p>17 Bn€ estimated market value of 2018 transactions <small>Page # 11</small></p>	<p>44% GACS of total transactions 2018 <small>Page # 10</small></p>
<p>NPL pipeline 2019</p>	<p>50 Bn€ NPL transactions expected in FY 2019 based on current disclosed deals <small>Page # 10</small></p>	<p>39% Secondary Market of total 2019 transactions estimated in pipeline (vs 2% in 2018) <small>Page # 10</small></p>	<p>18% GACS of total transactions in pipeline forecasted for 2019 <small>Page # 10</small></p>
<p>Big Picture on Italy</p>	<p>266 Bn€ in November 2018 the total Gross Bad Loans managed by banks, funds and servicers <small>Page # 19</small></p>		<p>45% of the NPL transactions is managed by 8 servicers <small>Page # 20</small></p>



BANKS' NPE SCENARIO

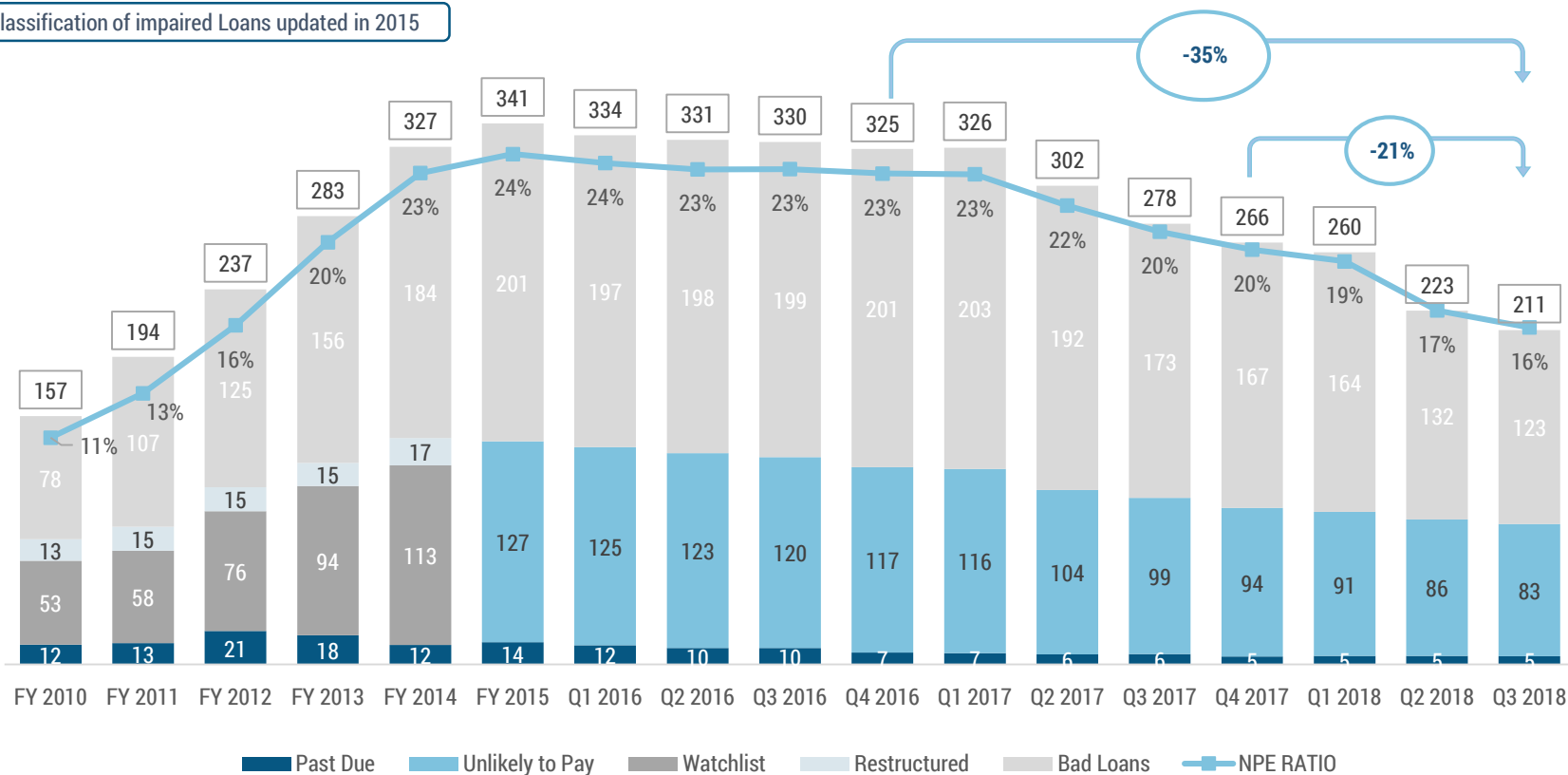


Banks' NPEs reduced by 55 Bn€ (-21%) from YE 2017 to Q3 2018 due increasing disposal of bigger NPL portfolios. Strong suasion of ECB supervision.



Bank NPE - Bn€

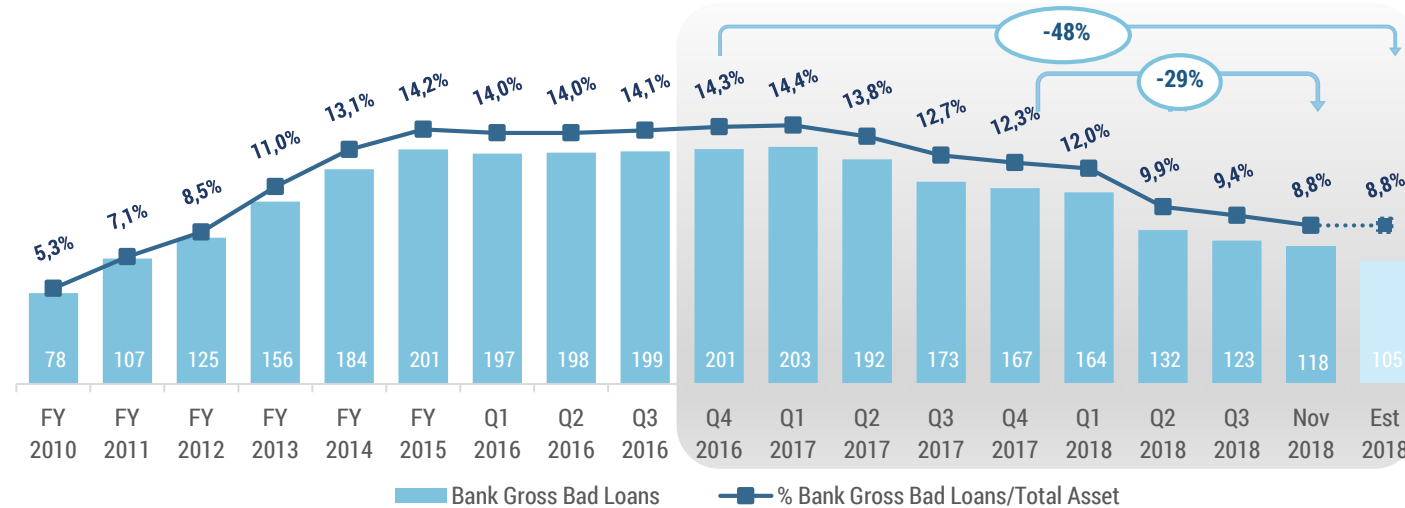
Classification of impaired Loans updated in 2015





Bank Gross Bad Loans showed the biggest drop (-49 Bn€) in 2018. A big share of secured and corporate loans remains on banks' balance sheets.

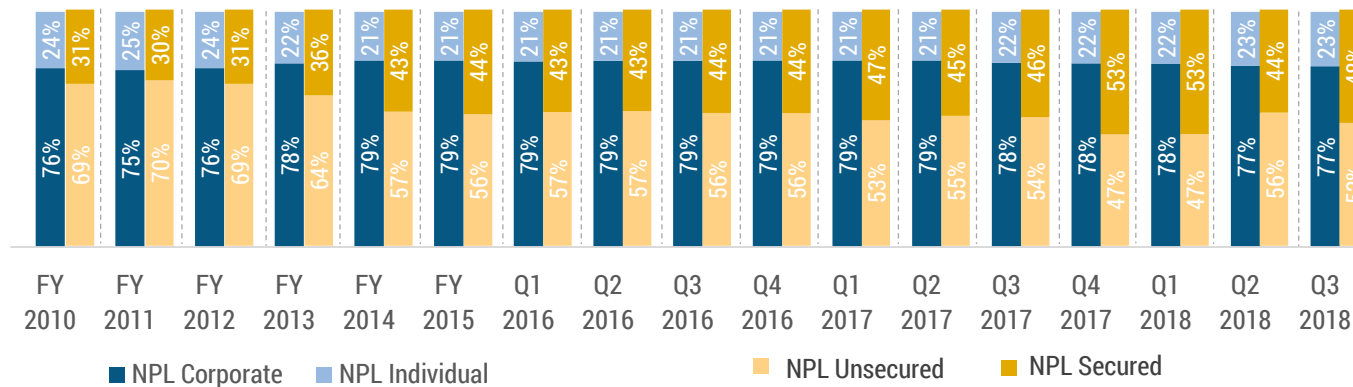
Bank Gross Bad Loans - Bn€ and Percentages



Highlights

- Bank Gross Bad Loans dropped by 44 Bn€ in Q3 2018 and other 5 Bn€ in November
- The forecast scenario shows a further drop in Bank Gross Bad Loan stock of 13 Bn€ at the end of 2018

Bank Gross Bad Loans – Percentages of Corporate and Secured loans (% on total Bad Loan)

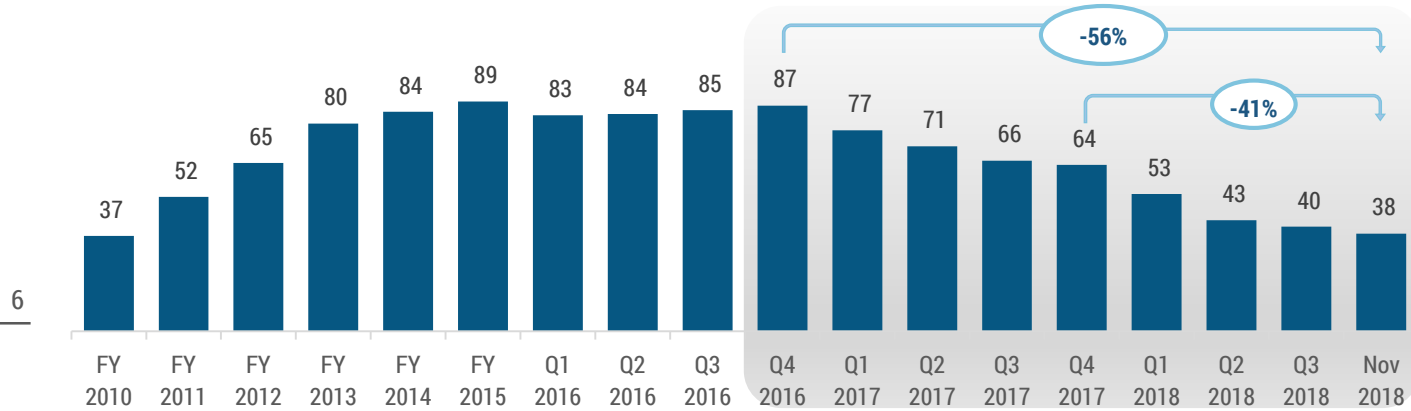


- The breakdown of Gross Bad Loans highlights the highest percentage of Corporate Loans (77%). The Secured portion of Bad Loans is around 50%



Net Bank Bad Loans showed a significant downtrend reaching 38 Bn€ at November 2018 as combined result of portfolio disposal and an increase in Bad Loan Coverage.

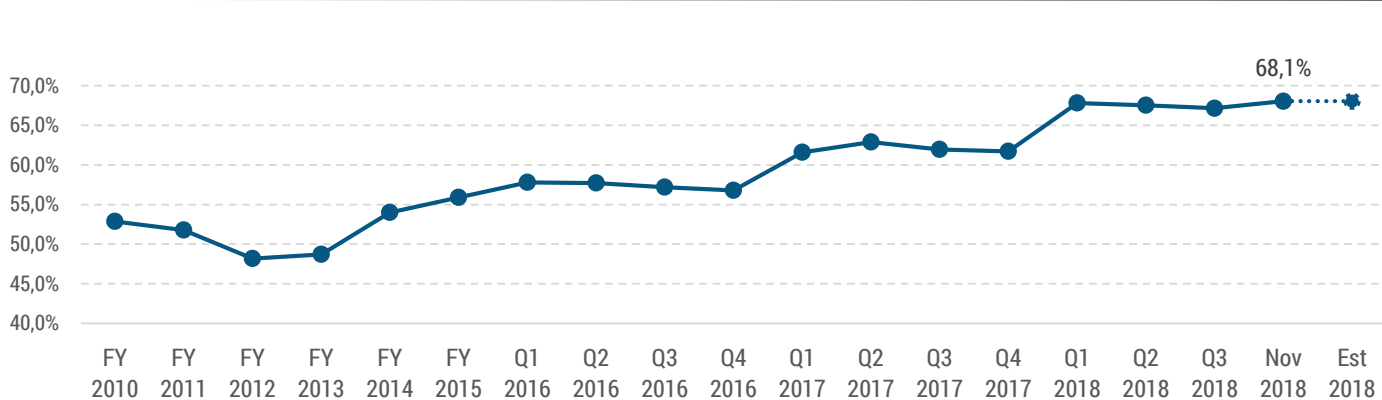
Bank Net Bad Loans - Bn€



Highlights

- The Bank Net Bad Loan shows a significant downtrend in the last 2 years
- The november 2018 value was 38 Bn€ at the same level of 2010

Bank Bad Loan Coverage - Percentages

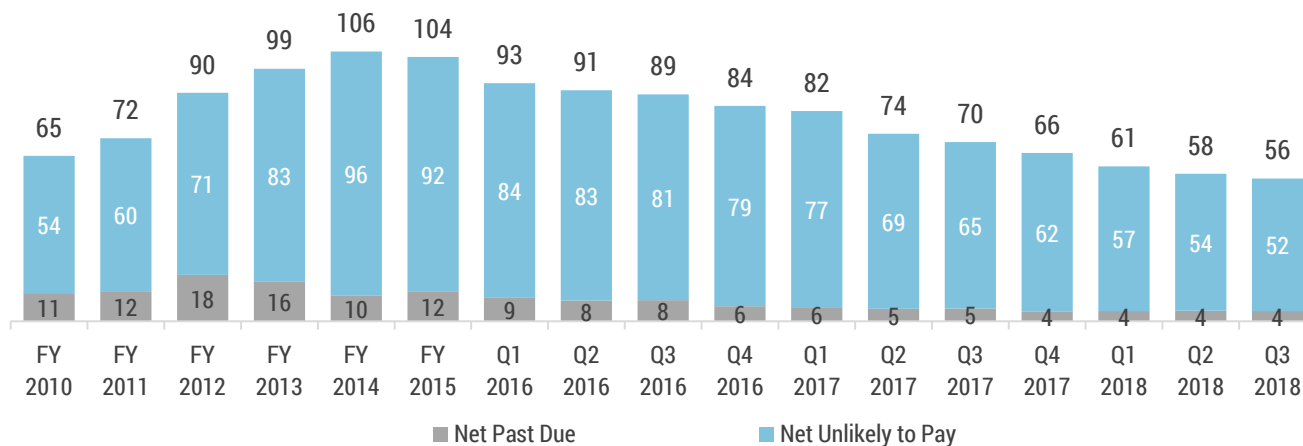


- the Bank Bad Gross Loan Coverage increased to 68,1% from 61,7% at Year End 2017

The Net Unlikely to Pay shows a declining trend since 2015 due to a strong increase of UTP Coverage ratio.



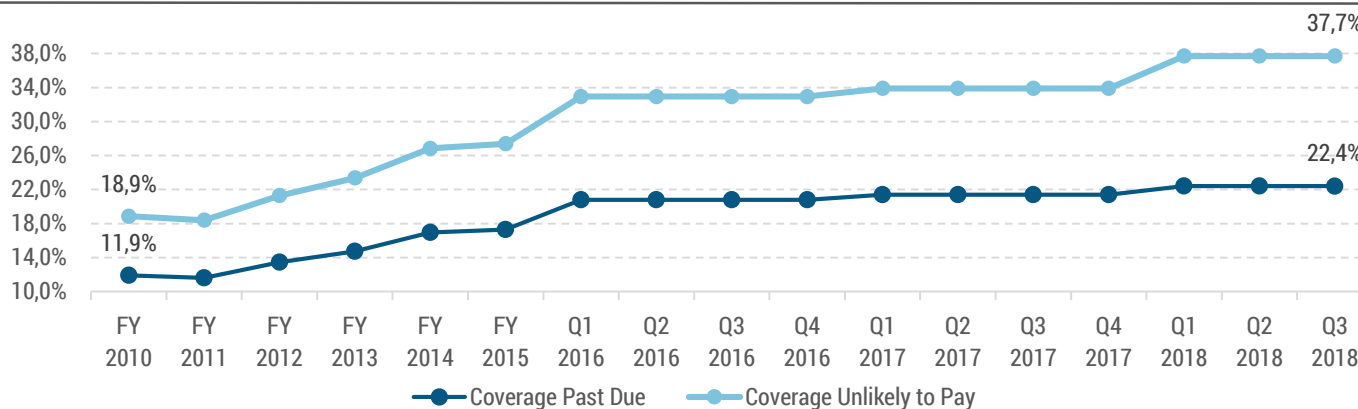
Net Bank Unlikely to Pay and Past Due - Bn€



Highlights

- The net UTPs show a continuing declining trend

Bank Unlikely to Pay and Past Due Coverage - Percentages

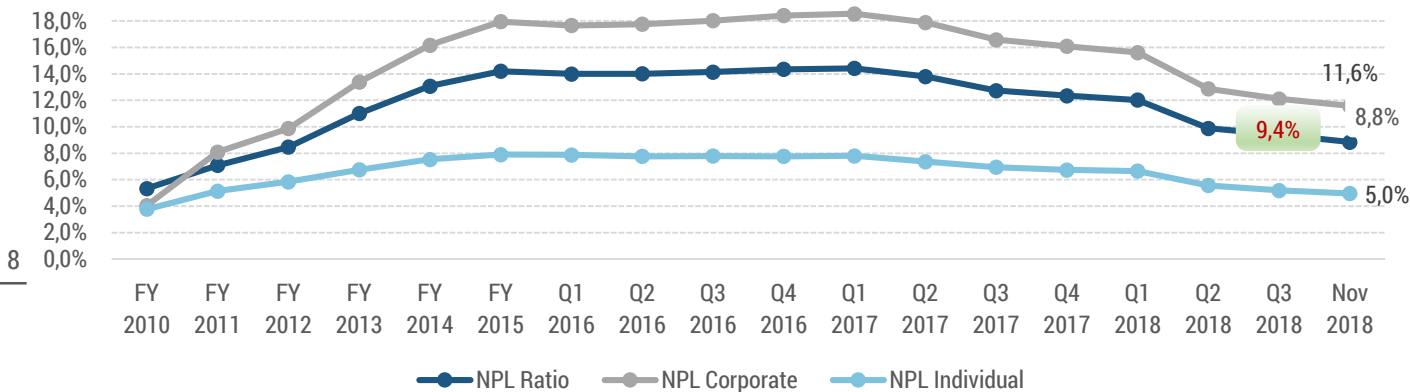


- The coverage ratio at Q3 2018 is double that of YE 2010

Italy shows one of the strongest reductions in Gross NPL ratio amongst the European Countries.



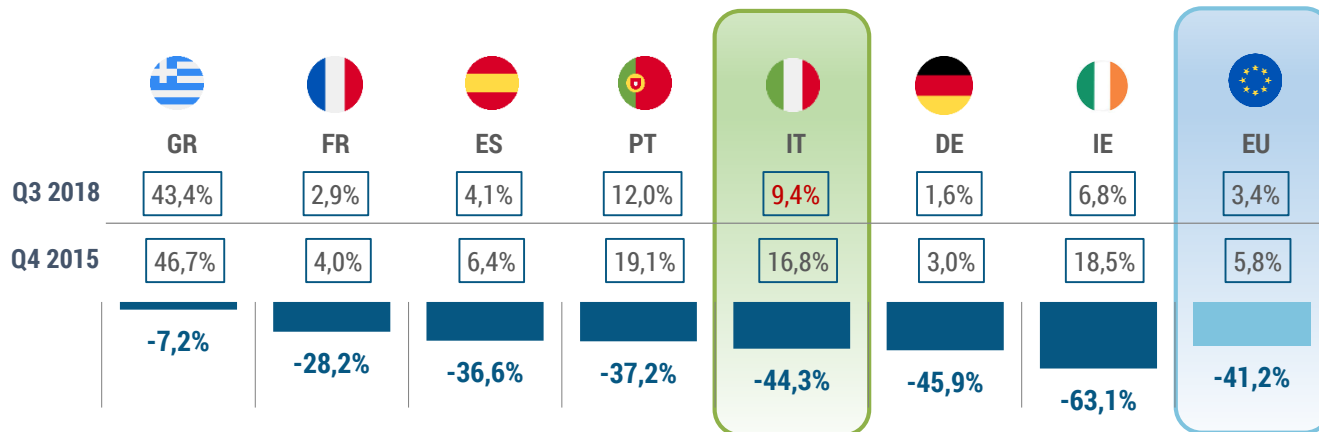
Bank Gross Bad Loan/Total Asset by debtor type - Percentages



Highlights

- The corporate Bank NPL ratio is 3 p.p. higher than total ratio

European Landscape at 2018 - Bank NPL ratios - Percentages



- In the last 2 years the reduction of Italian NPL ratio was among the highest (-44,3%)
- Despite progress, EU NPL ratio is 6 p.p. lower than the Italian one as of Q3 2018
- In the same period Italy Net Bad Loan dropped from 89 Bn€ to 40 Bn€



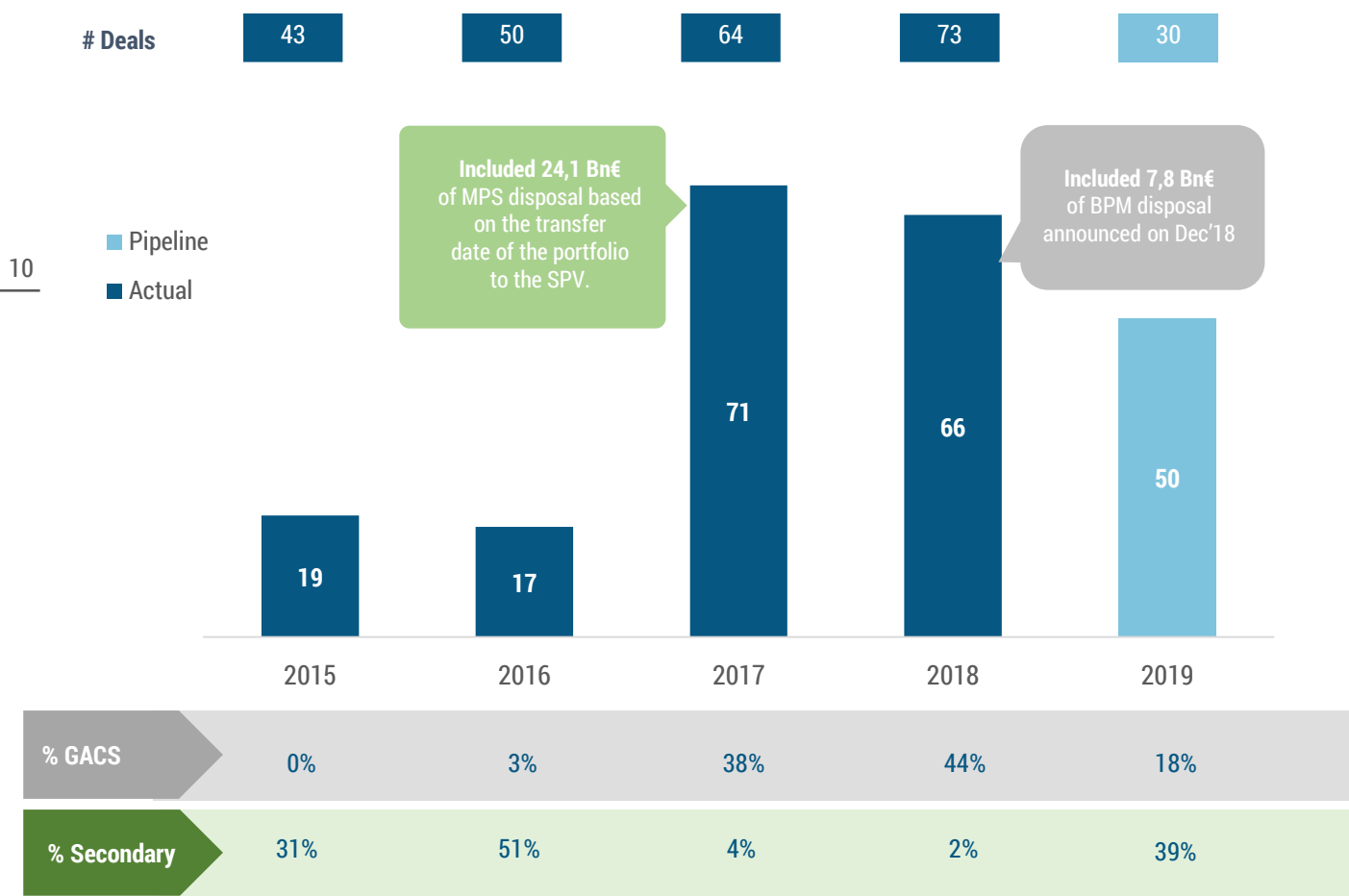
NPL TRANSACTIONS AND PIPELINE



2018 NPL transactions reached 66 Bn€ and the 2019 pipeline has already reached 50 Bn€ of potential volume.



NPL Transactions - Bn€



Highlights

- The 2018 NPL transactions amounted to 66 Bn€, almost half of which were through securitization with GACS scheme (44% of total amount)

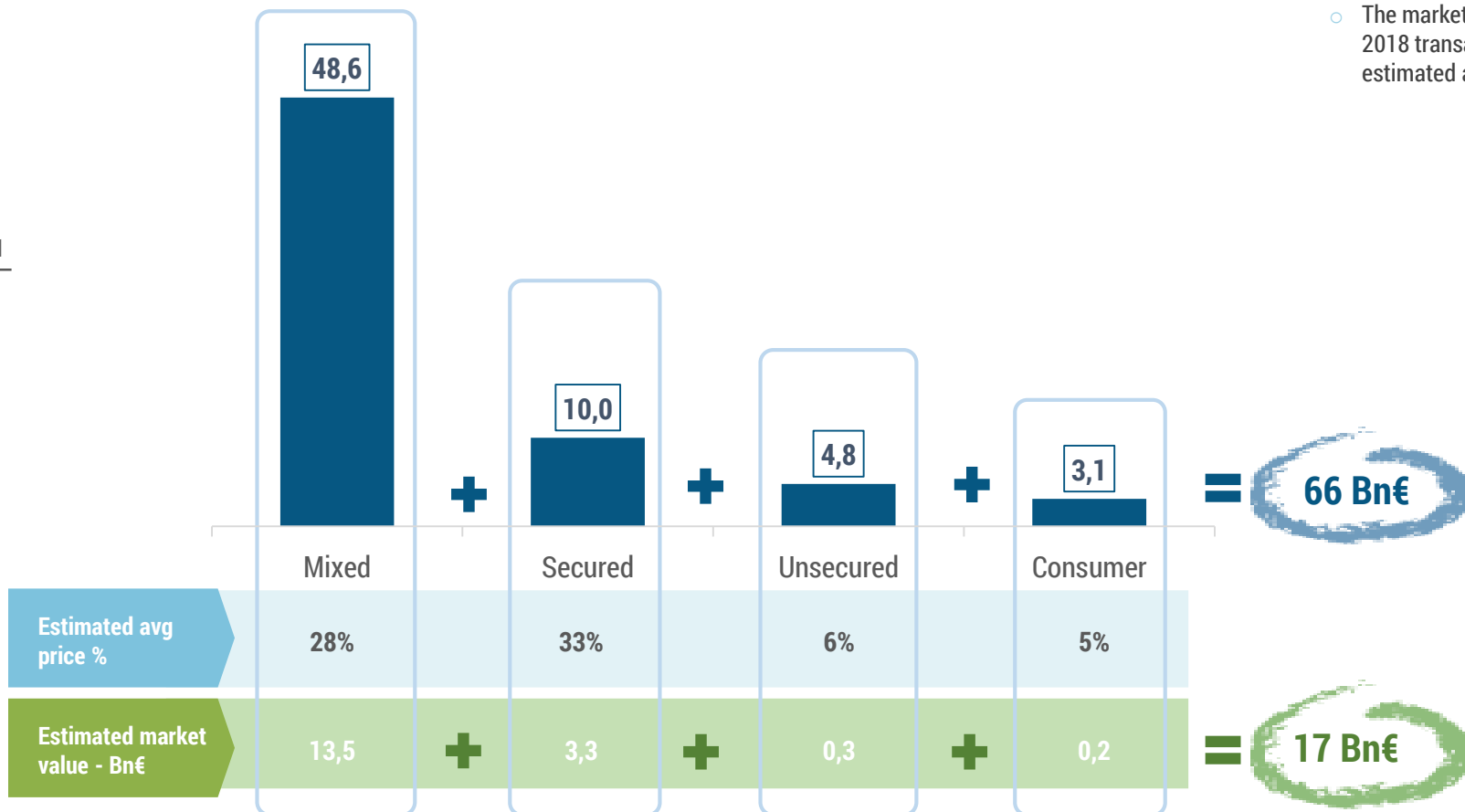
The average market value of 2018 transactions is around 17 Bn€.



2018 NPL Transactions by portfolio type - Bn€

Highlights

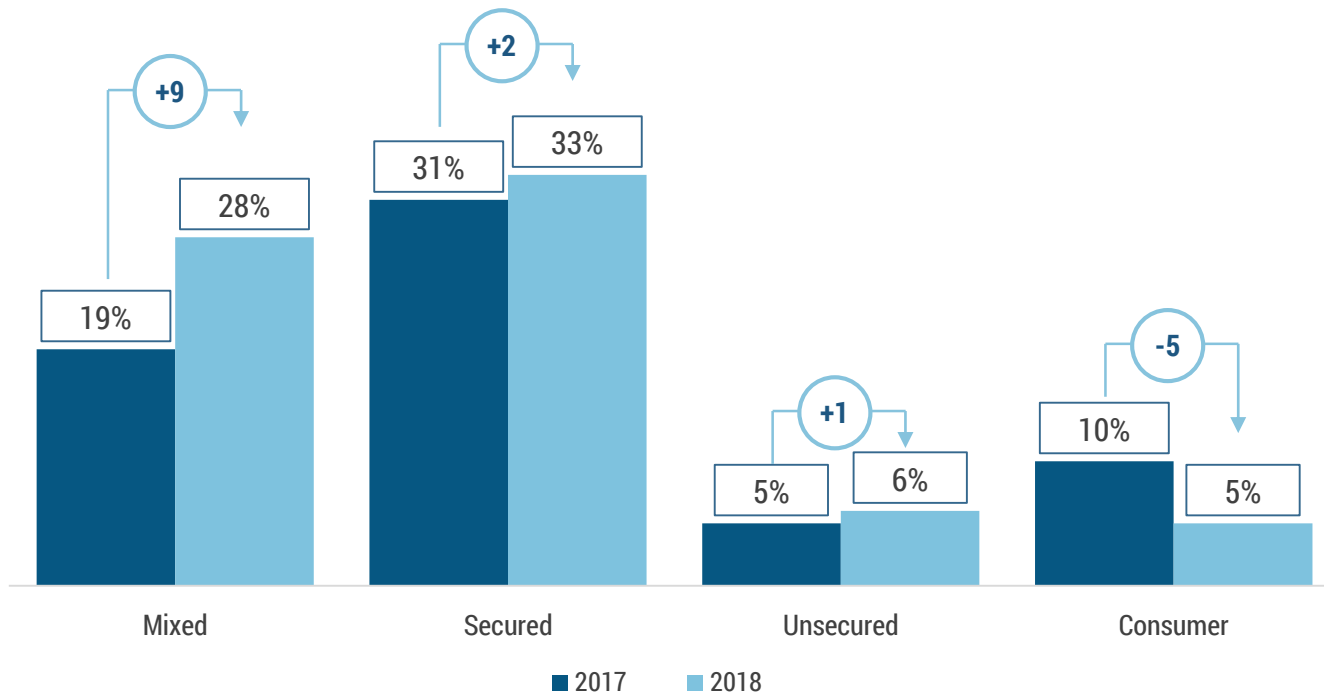
- The market value of total 2018 transactions can be estimated at around 17 Bn€





2018 Transaction prices of mixed deals are closed to secured level and higher than 2017 average price (28% vs 19%).

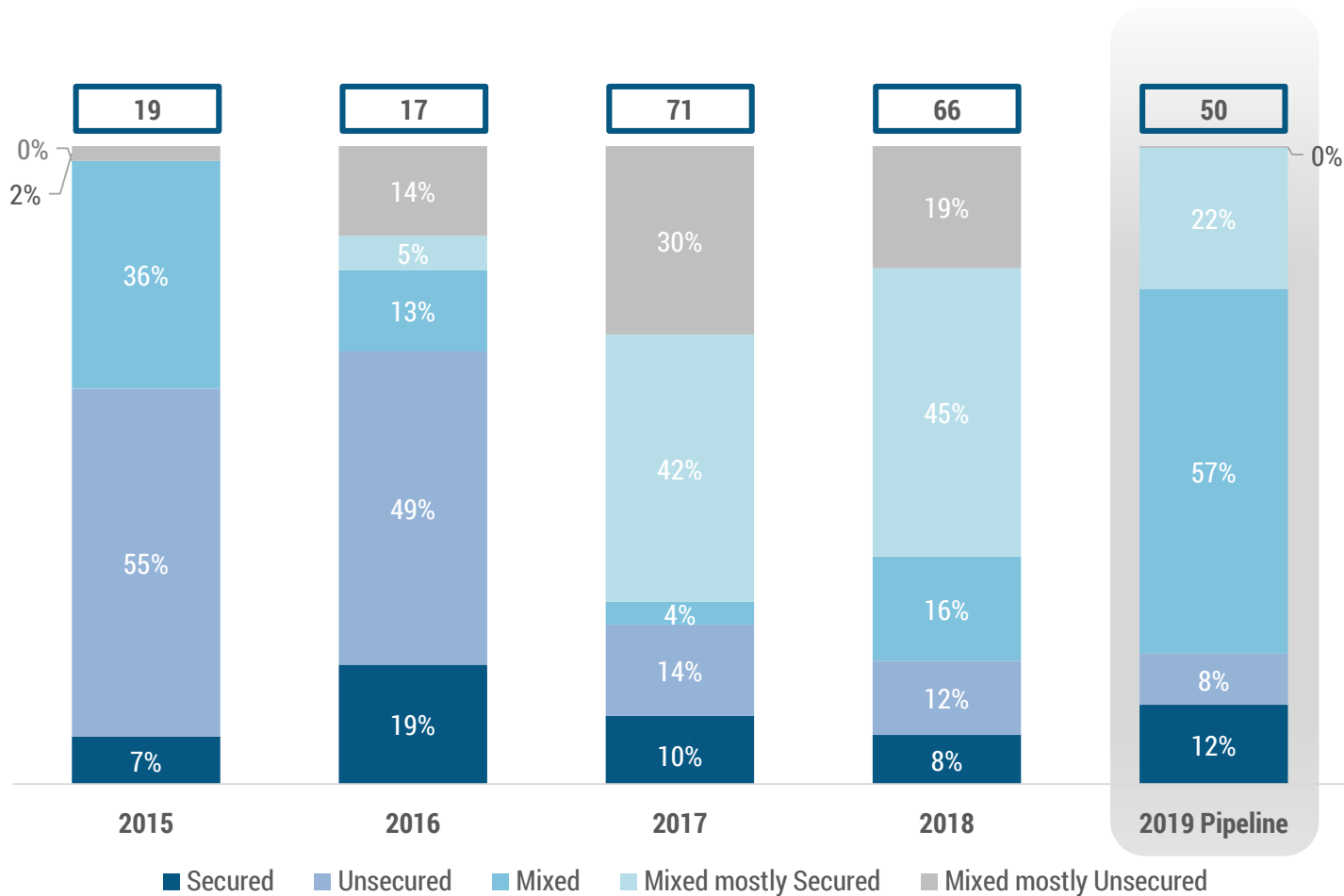
NPL Transactions: Estimated avg prices - Percentages





The highest percentage of Secured plus Mixed mostly Secured portfolios in 2018 was driven by the use of GACS scheme. So far we expect a lower percentage in 2019.

NPL Transactions by portfolio type - Bn€ and Percentages

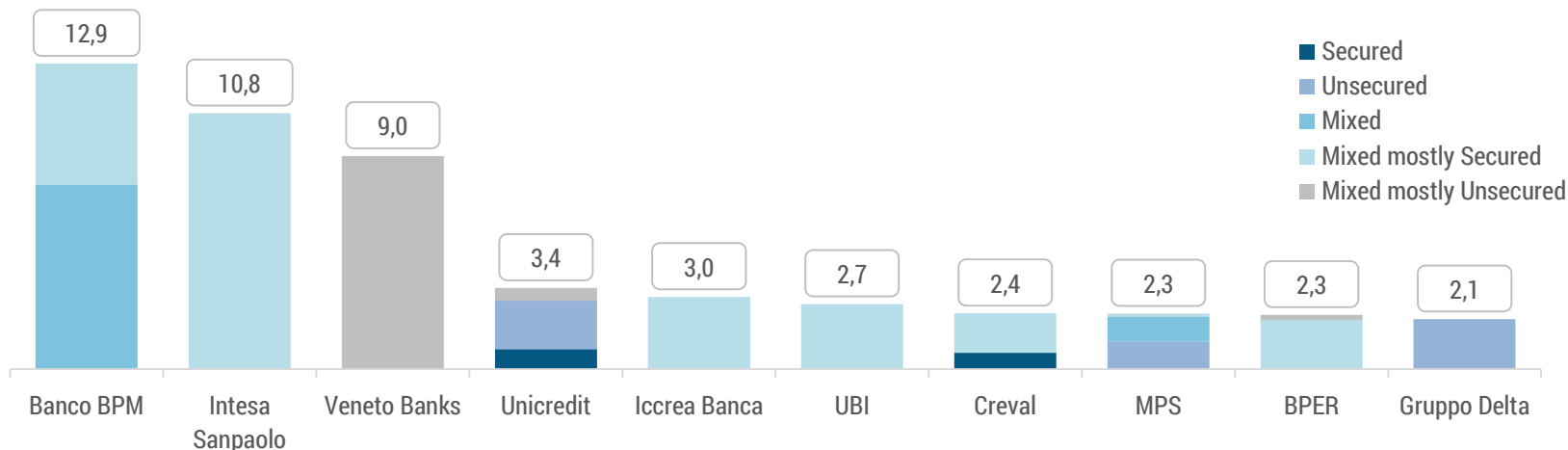


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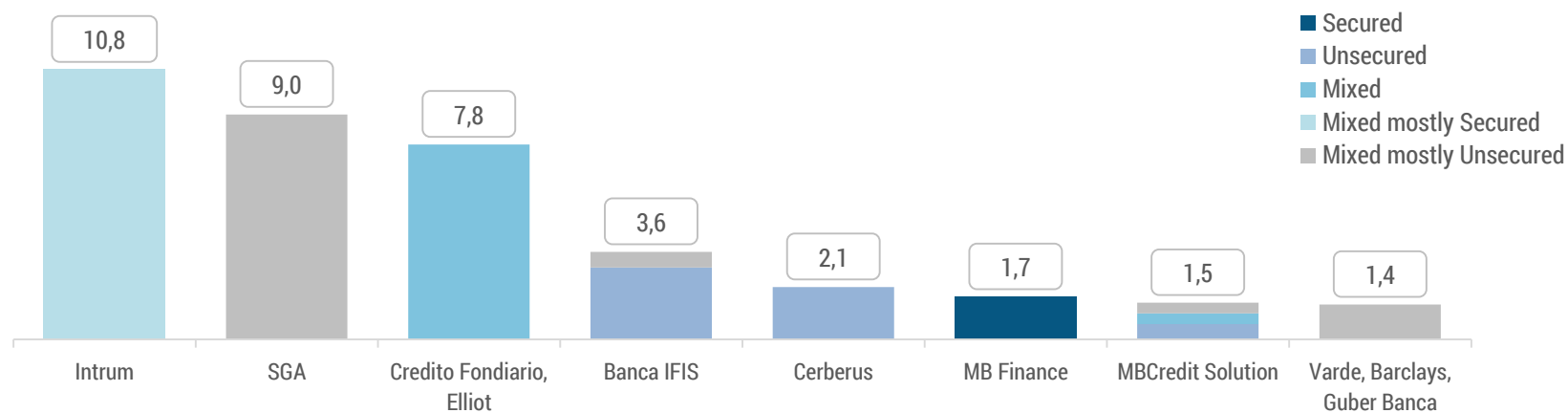
The top 10 Sellers account for 77% of the 2018 total NPL disposals and the top 8 Buyers account for 57%.



2018 Transactions Top Sellers - Bn€



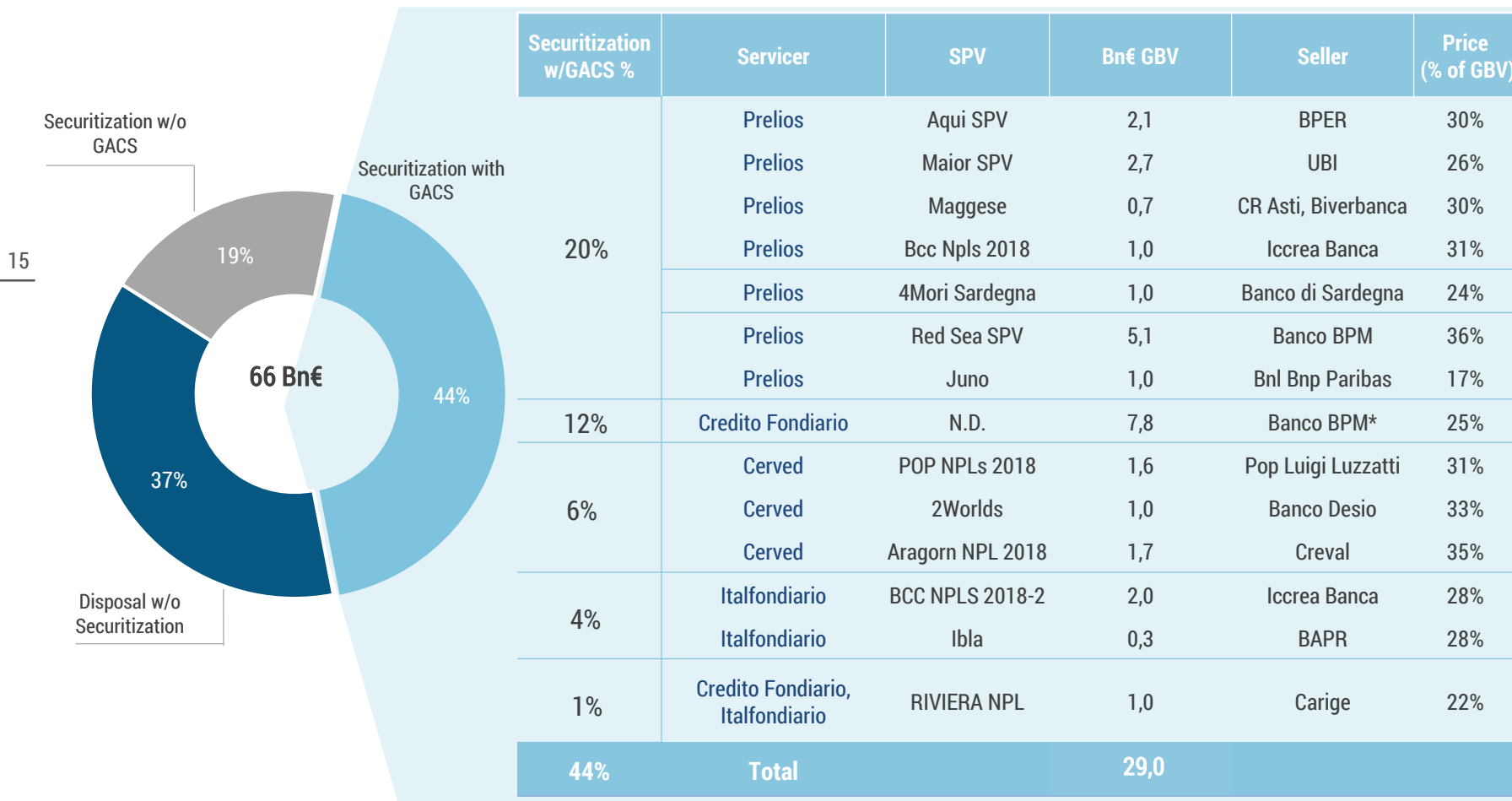
2018 Transactions Top Buyers - Bn€



44% of the total volume of NPL sales in 2018 were through GACS securitization scheme.



2018 NPL Transactions by disposal methodology - Bn€ and Percentages

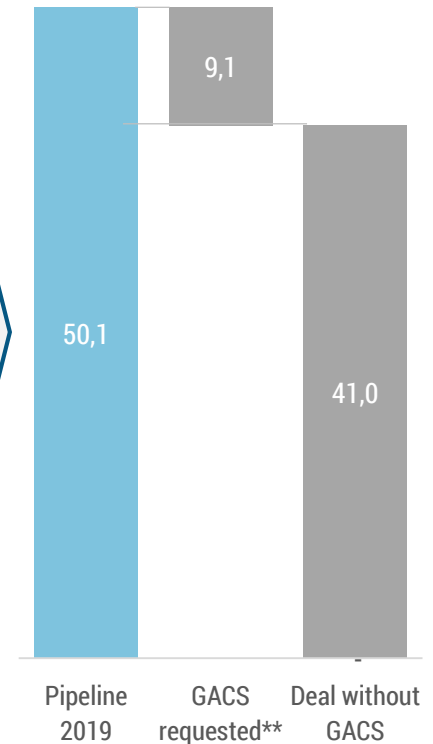


2019 pipeline estimate to date, shows an amount of 50 Bn€, of which 9,1 Bn€ could be GACS-related.



2019 Pipeline - NPL deals details - Bn€

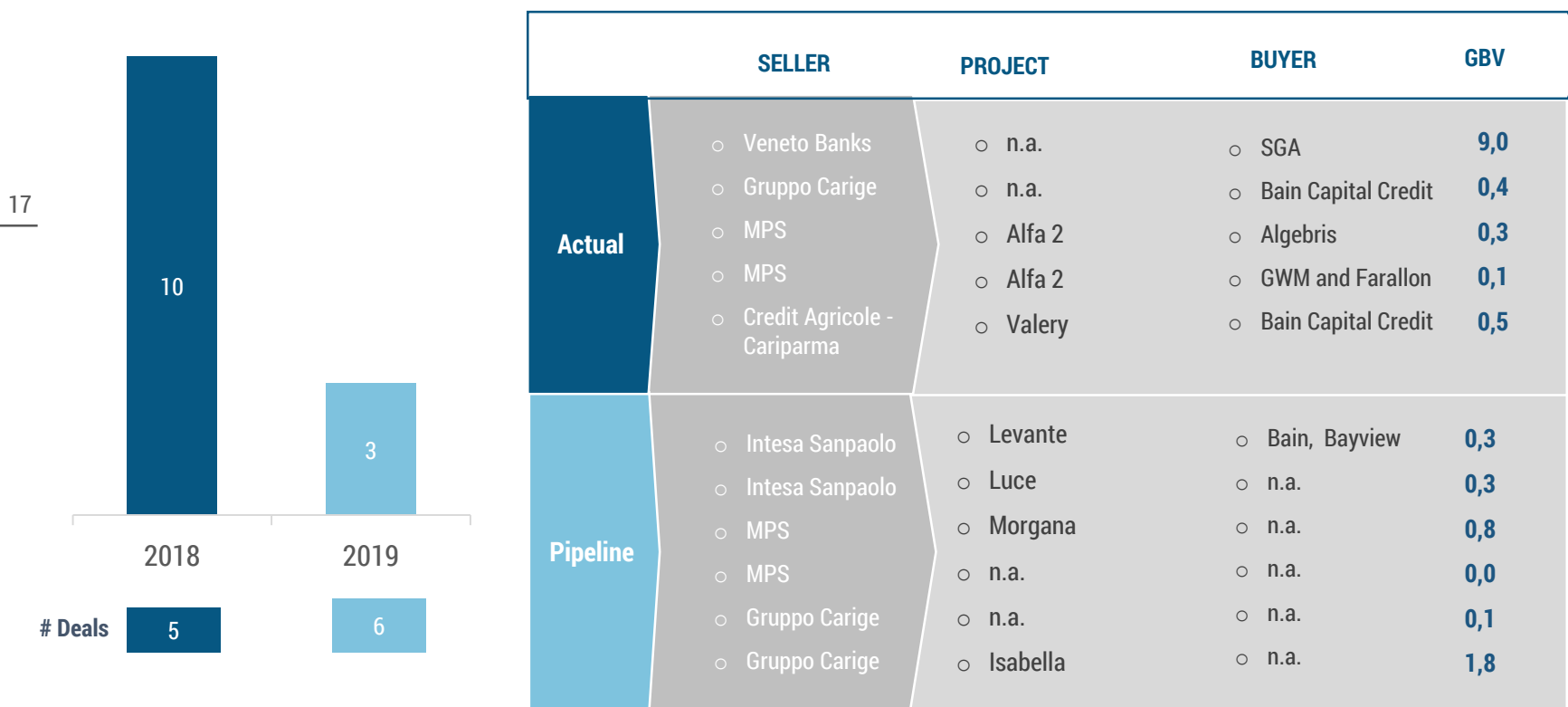
Seller	Project name	Ongoing	On plan	Announced	Bn€ GBV
Credit Agricole	Poppy	-	6,0	-	6,0
Intesa Sanpaolo	Rep	-	1,4	-	1,4
Intesa Sanpaolo	n.a.	-	4,2	-	4,2
Unicredit	Milano	0,8	-	-	0,8
Unicredit	Sandokan II*	-	-	3,0	3,0
Unicredit	Amalfi	0,6	-	-	0,6
BPER	n.a.	2,3	-	-	2,3
Banca Popolare di Sondrio	n.a.	-	-	2,0	2,0
Christofferson Robb; Bayview	n.a.	-	-	2,0	2,0
REV Gestione Crediti	n.a.	-	1,5	-	1,5
UBI	n.a.	-	1,5	-	1,5
Banche Popolari	n.a.	-	1,0	-	1,0
Gruppo Carige	n.a.	1,0	-	-	1,0
Cariparma	n.a.	-	1,0	-	1,0
Hypo Alpe Adria Bank	Terzo	-	-	0,8	0,8
Cassa Centrale Banca	n.a.	-	0,7	-	0,7
Banco Desio	n.a.	-	0,5	-	0,5
Unipol	n.a.	-	-	0,4	0,4
Banca Agricola Popolare di Ragusa	n.a.	-	0,4	-	0,4
Banca del Fucino	n.a.*	-	0,3	-	0,3
Banca Centro Lazio	n.a.	-	-	0,0	0,0
Confidential	n.a.	1,5	0,4	16,9	18,8
		6,2	18,9	25,1	50,1



UTP transactions reached 10 Bn€ mainly driven by Veneto Banks assets. So far in 2019 the disposal of 3 Bn€ UTPs is planned.



UTP Transactions and Pipeline - Bn€

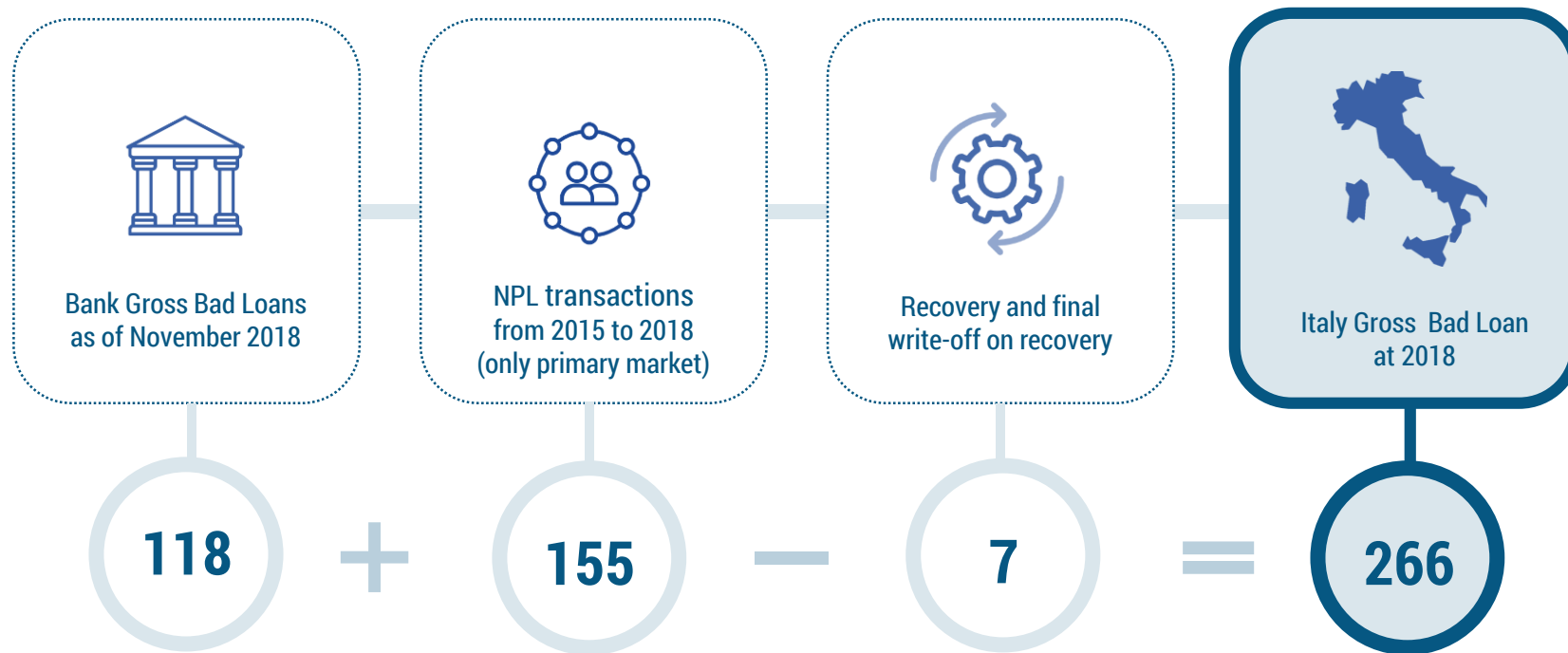




THE SHIFT ON CREDIT SERVICING

Italy has 266 Bn€ of Gross NPLs to manage. Of these, 118 Bn€ is the amount on banks' balance sheets as of November 2018.

Total Gross Bad Loan in Italy - Bn€



Highlights

- 118 Bn€ is the amount of Gross Bad Loans on banks' balance sheets
- 155 Bn€ is the amount of NPL transactions (only primary market) from 2015 to November 2018
- 7 Bn€ is the estimated recovery and final write-off on recovery related on NPLs transactions
- 266 Bn€ is the net balance of NPL transactions, net secondary market and recoveries, plus Bank Gross Bad Loans and it represents the total NPL portfolios to be managed

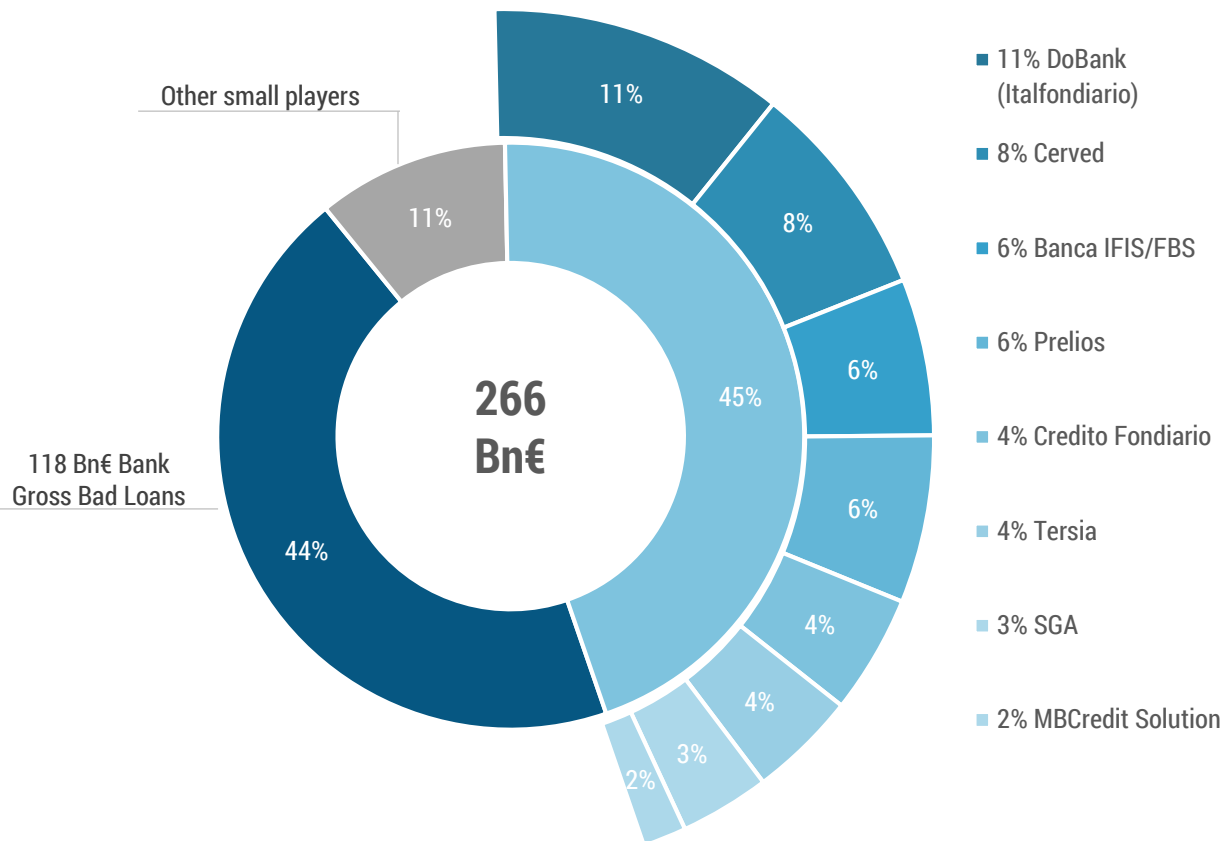
Dimension makes the difference in achieving servicing performance.



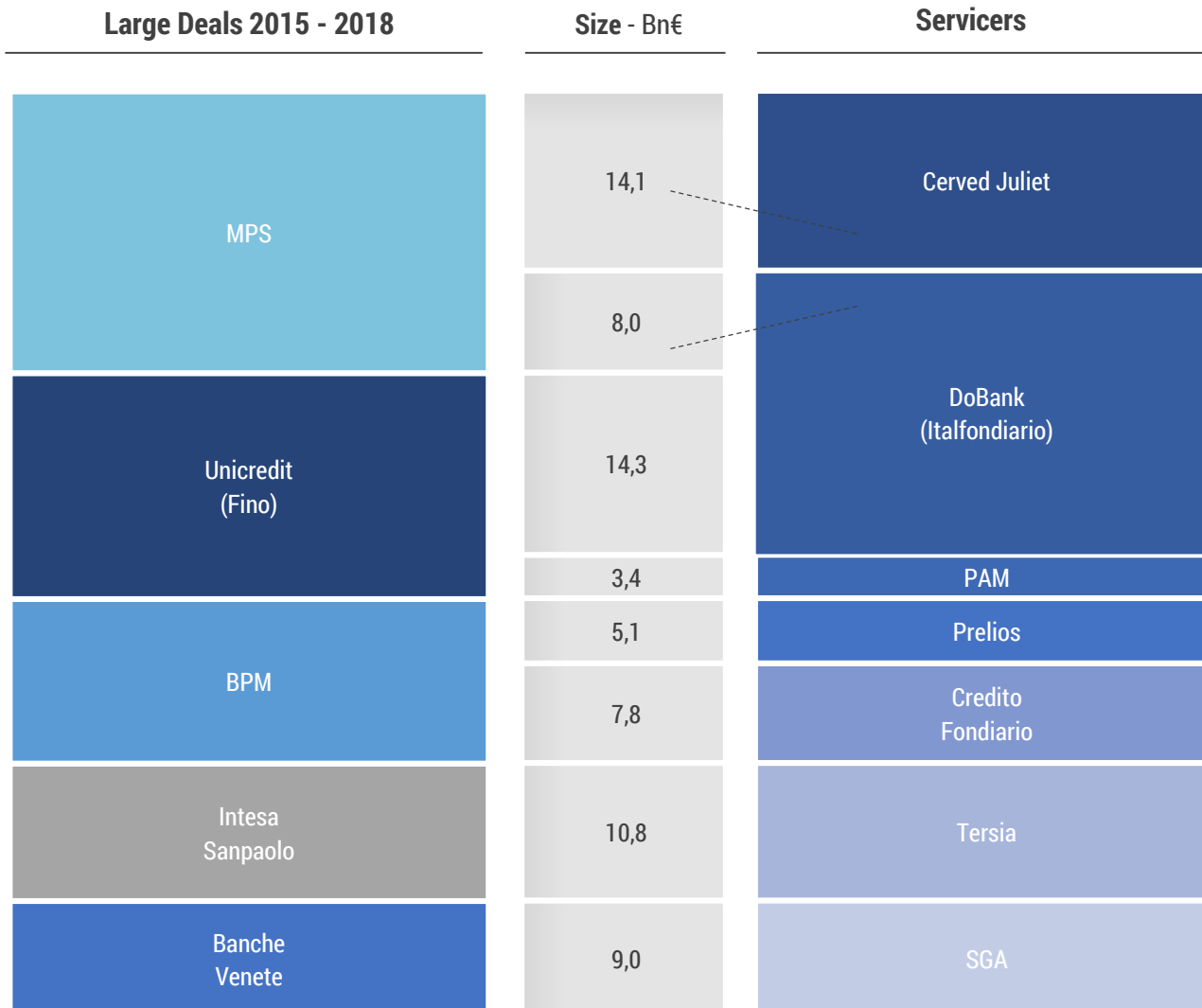
NPL Transactions: Bank Gross Bad Loans, NPL deals closed from 2015 to 2018 - Bn€ and Percentages

Highlights

- Top 8 Servicers manage around 45% of the total NPL market assets generated from 2015 to 2018
- Collection/recovery activity requires relevant IT investment
- Small players could merge into bigger entities to survive in the market



Fewer servicers will manage the largest Italian NPL deals.





General statement

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