

NPL
MEETING
2019

The players of the NPL Industry

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Roundtable 3

Friday 27.09.2019

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Roundtable 3

Introductory Comments

Andrea Federico – Oliver Wyman

Gross NPL (Bn) – Italy 2016–2015

Sources: Kepler Cheuvaux on Bank of Italy and ISTAT data



“The [European banking] sector is characterized by low profitability and by an excessive volume of non-performing loans [...] specific areas of weakness on which we are working in collaboration with the national authorities” (Ignazio Angeloni, Member of the Supervisory Board of the ECB, Corriere della Sera, 11 December 2015)

“Il problema dei crediti deteriorati è serio, ma può essere gestito; va chiaramente inquadrato ed affrontato [...] Lo scorso anno la Vigilanza Unica ha istituito una task force dedicata al tema delle esposizioni deteriorate (Ignazio Visco, Governor of the Bank of Italy, 8 July 2016”

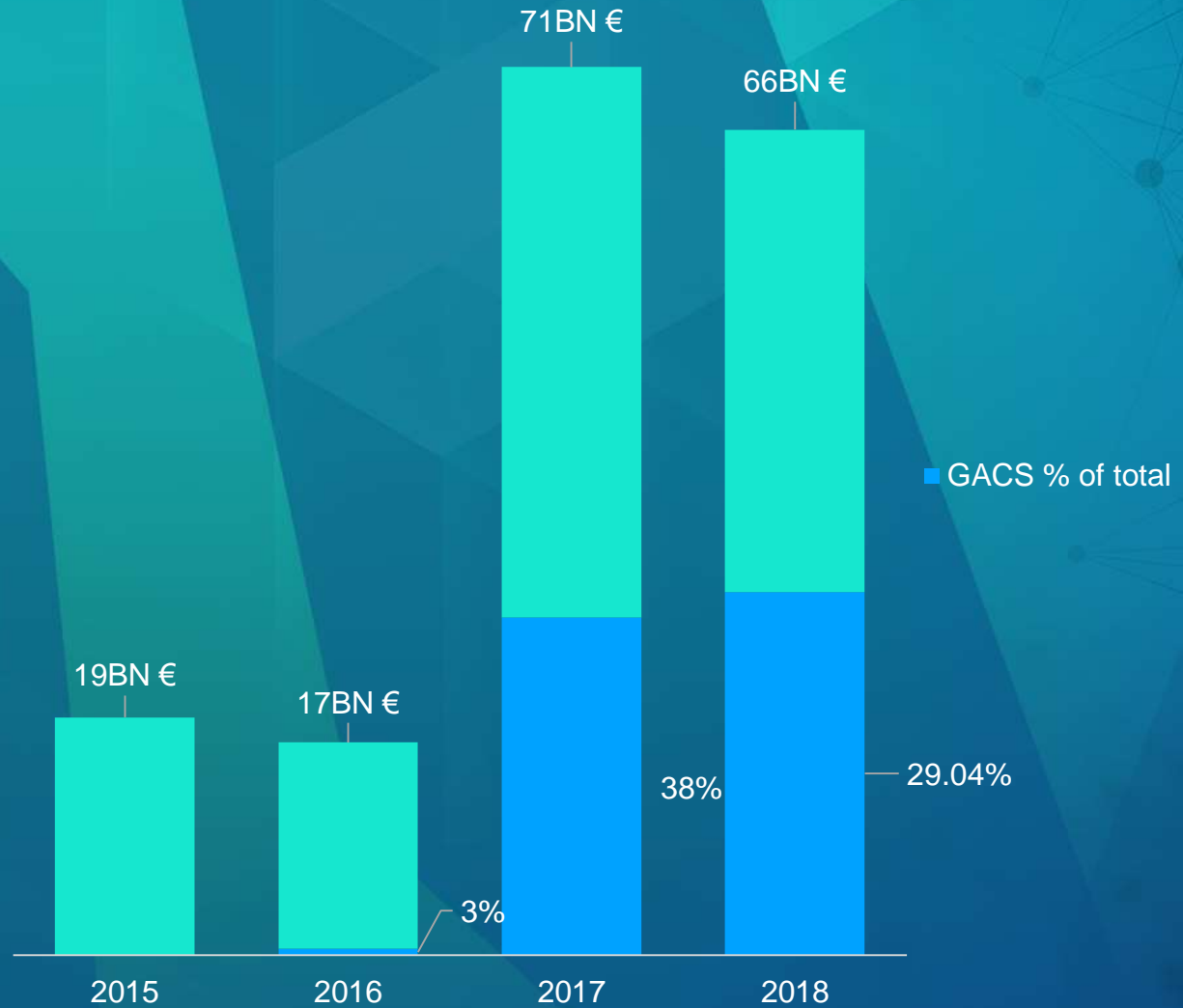
“The high level of NPLs, a weakness more typical of the Italian banking system than of others, is being assessed by market analysts as well [...] as regards managing bad loans, in several cases we have found shortcomings in the banks’ organization and governance. These must be resolved so that banks can take full advantage of [the new laws]” (Ignazio Visco, Governor of the Bank of Italy, 27 October 2016)

“It is the banks themselves that have to tackle [NPLs] as quickly as possible [...] Today we will close the public consultation on our guidance for banks [...] It sets out our supervisory expectations and serves as a basis [...] to evaluate how banks handle non-performing loans [...]” (Sabine Lautenschlager, Member of the Executive Board of the ECB, 15 November 2016)

“Il valore di mercato di un credito in sofferenza dipende [...] da due fattori: l’obiettivo di profitto dell’acquirente e dai tempi di recupero [...] negli ultimi anni gli acquirenti attivi nel mercato delle esposizioni deteriorate sono stati quasi esclusivamente fondi di private equity non europei che perseguono obiettivi di rendimento molto elevati, tra il 10 ed il 20 per cento, ben al di sopra del rendimento del capitale delle banche italiane, oggi in media di poco inferiore al 5 per cento” (Ignazio Visco, Governor of the Bank of Italy, 8 July 2016

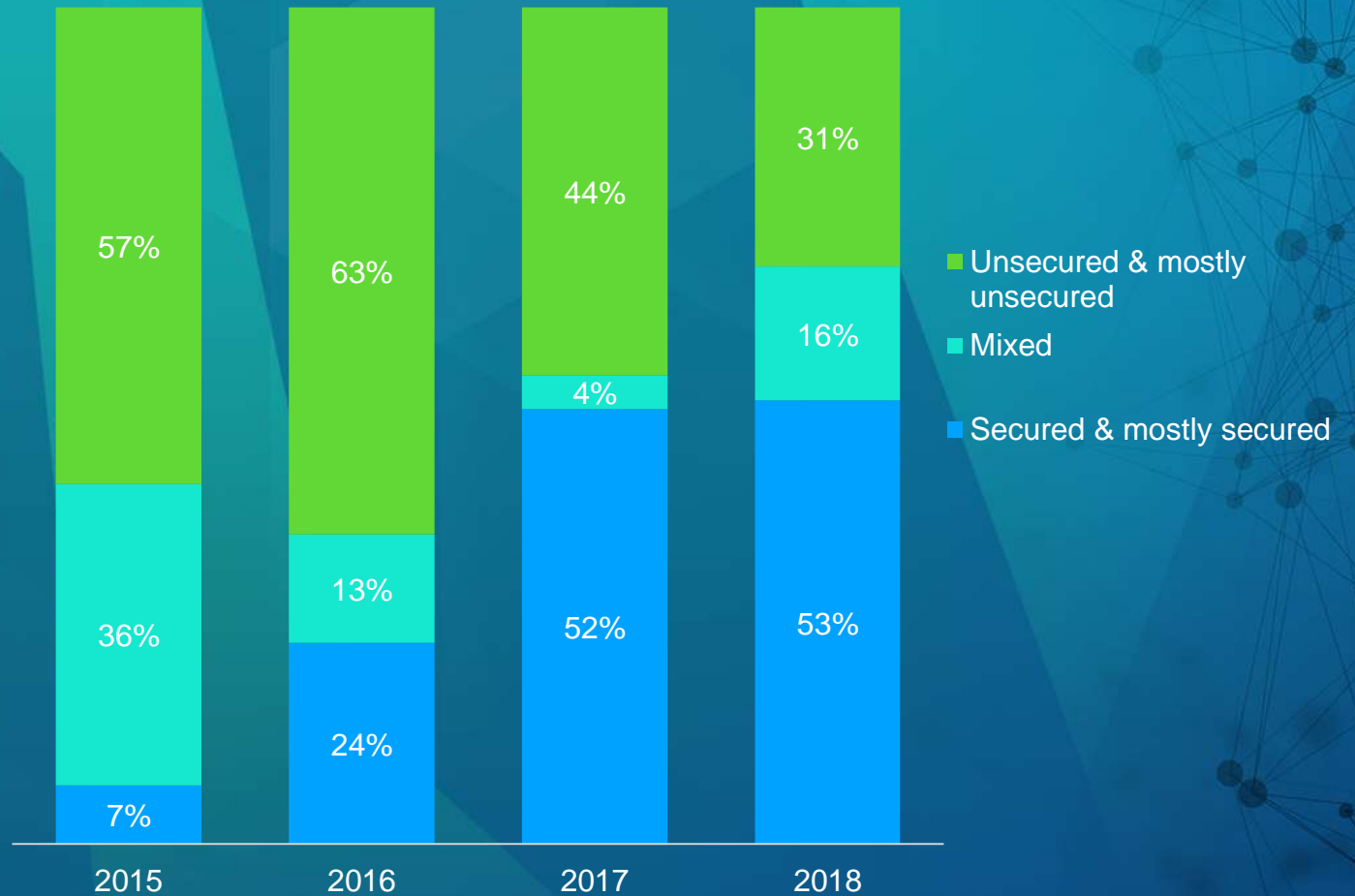
NPL transactions Italy

Sources: Banca IFIS, Market Watch NPL 2019



NPL transactions Breakdown

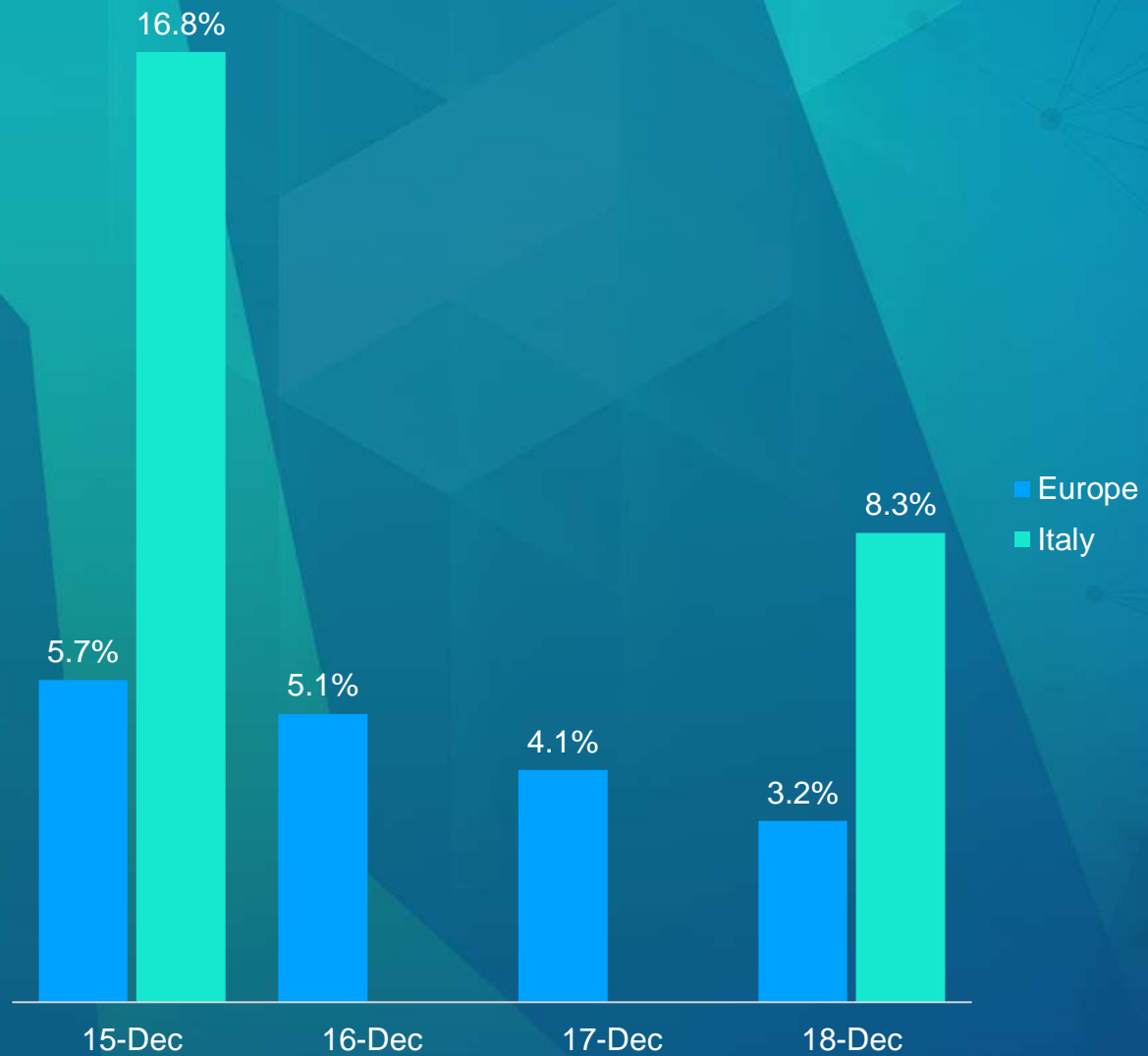
Source: Oliver Wyman analysis of Banca IFIS, Market Watch 2019



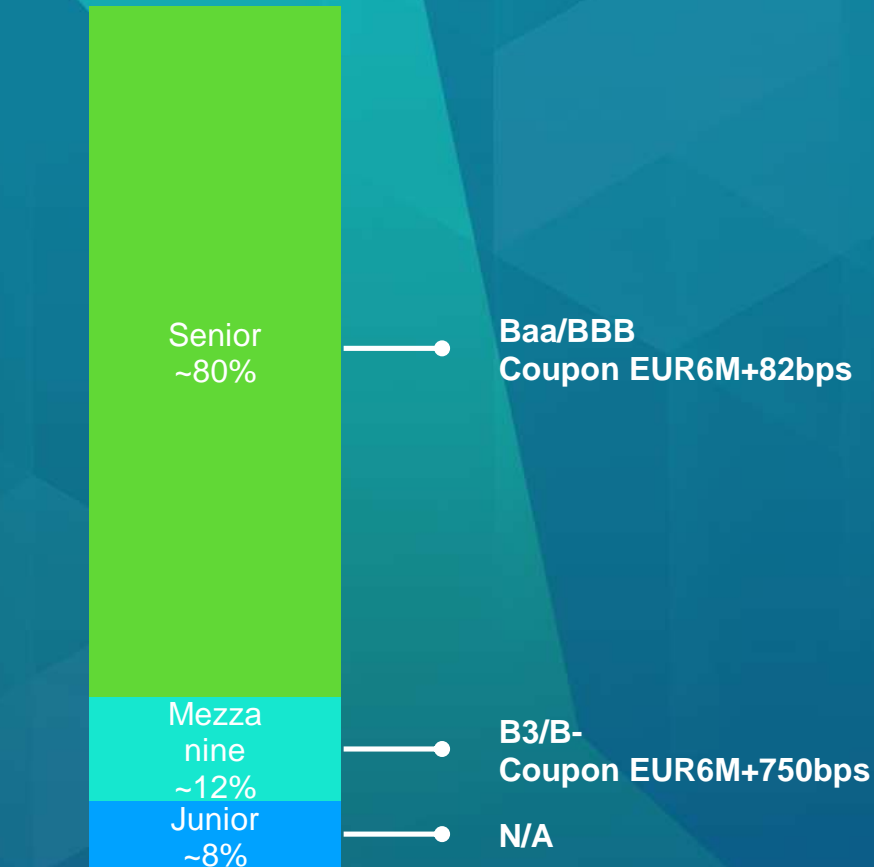
Will the guarantee carry 0 weighting?

Gross NPL ratio in Europe and Italy

Sources: EBA



GACS overview



WACC* with GACS=**5–6%**
WACC without GACS=**12–15%**
(Unlevered)

**NET book value impact (%)
of 1% WACC**

WAL=3YRS; ±0,7points

WAL=5YRS; ±1point

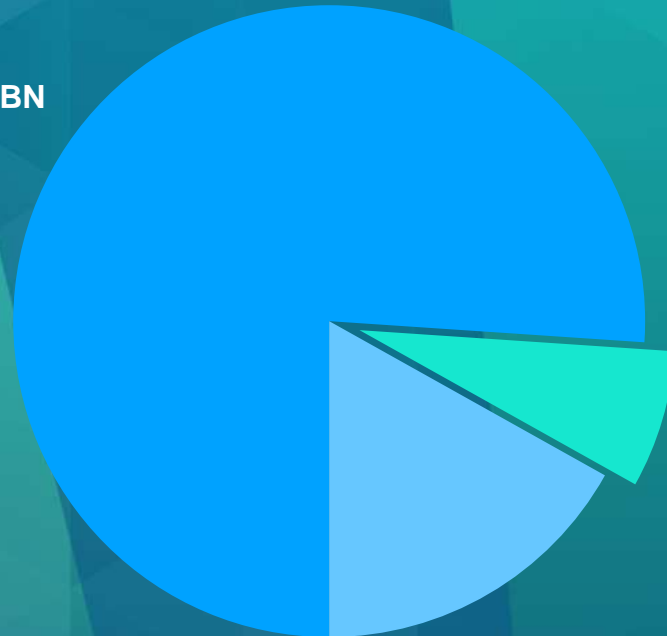
*Weighted average cost of capital

**Weighted average life

GACS impact

WAL = 3YRS

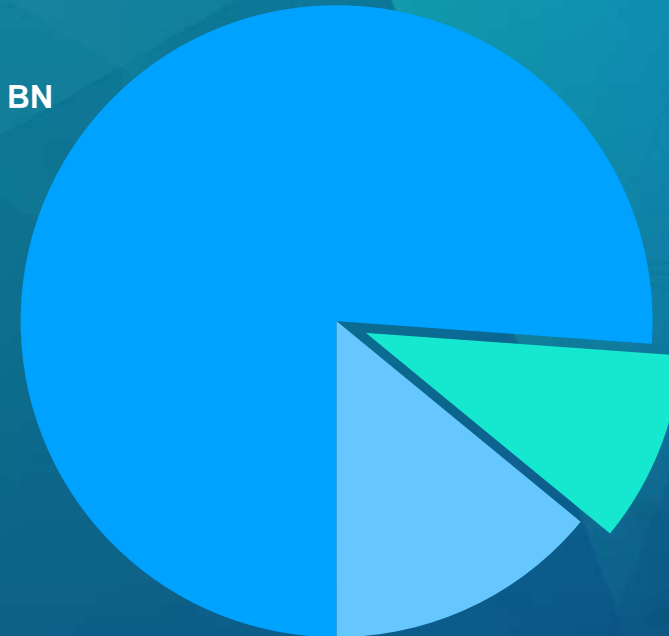
61 BN



4 BN€

WAL = 5YRS

61 BN



6 BN€

The logo for the NPL Meeting 2019 is presented in a white, angular shape that resembles a speech bubble or a stylized 'L' shape. The text 'NPL MEETING 2019' is written in a bold, teal, sans-serif font, stacked vertically within this shape.

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