

MARKET WATCH
NPL 

September 2021

NPL transaction market and servicing industry

Forecast 2021 - 2023

RECOVERY BUILDERS

Executive Summary.



BANK NPE'S SCENARIO

01

1. **In the two-year period 2022-2023, the new deterioration on resident Individual and Corporate is expected to grow (around 70 Bn€ in the two years), without however reaching the peak generated by the 2011 crisis. The increase in the deterioration rate will be driven by the corporate component.**
2. **In 2021, the stock of gross impaired loans is expected to contract. This will reduce the NPE ratio below the 5% target as requested by the ECB.** The incidence on loans is expected to grow from 2022 to 5.9% in 2023.
3. **Banks record a potential increase in credit risk as suggested by the increase in loans passed to stage 2 (from 9% in 2019 to 14% in the 1st quarter of 2021), in contrast to the NPL ratio.**



NPL AND UTP TRANSACTIONS IN ITALY

02

1. **In 2021, 34 Bn€ of NPL sales are estimated, with a significant incidence of the secondary market (26%) and 11 Bn€ of transactions on UtP portfolios**
2. **In the two-year period 2022-2023 the market is expected to be dynamic with annual volumes transacted for 50 Bn€.**
3. **NPL divestments on the secondary market are mainly on «Unsecured and Mixed mainly Unsecured» portfolios, an increase component compared to 2020 (50% vs 36%).**
4. **The average price of Unsecured portfolios increased slightly.** The valuations of the **Mixed, Secured and UtP portfolios show a variability** conditioned by large transactions and by those assisted by GACS.
5. **The top 10 originators concentrate 64% of the NPE transactions carried out between 2015 and 2021.** The volumes acquired by the first three investors (AMCO, Ex Quaestio and Banca Ifis) amount to 80 Bn€.



SERVICING INDUSTRY

03

1. **From 2021, the overall stock (bank and investor balance sheets) of NPE in Italy will start to grow again, with an estimated 430 Bn€ of credits to be recovered at the end of 2023.**
2. **Since 2013, the servicing sector has grown at a high rate (+21% the average annual increase in revenues). In 2021 revenues are expected to keep growing (+6% VS 2020), maintaining high profitability (Ebitda +15% average per year) and continuing with investments (+35% average per year from 2013 to 2020 and +3% growth 2021/2020).** Employees are also growing strongly (+16% the average annual increase) and are often sought with specialized skills.

The focuses.



GACS

01

1. **With the 12-month extension granted by the EU, approximately 7 Bn€ of new operations guaranteed by GACS are expected, bringing the number of portfolios from 2016 to 94 Bn€.**
2. In total **there are seven servicers involved in the operations assisted by GACS carried out so far**, with 80% of the GBV concentrated on the first four servicers (DoValue, Prelios, Cerved and Credito Fondiario).
3. At the end of the first half of 2021, **the portfolios assisted by GACS show generally declining recovery performances, with the exception of two portfolios.** Only POP NPLs 2018 and BCC NPLs 2019 exceed the target in 2021.
4. The monthly trend analysis of collections on GACS assisted portfolios returns a recovery performance (from April 2020 to July 2021) below the average in 11 months out of 16 when compared with the 6 months prior to the pandemic.



REAL ESTATE MARKET AND COURT PROCESSING

02

1. Real estate market expectations are getting better: **residential sales could reach 600,000 in 2021, to reach 651,000 in 2023.**
2. **2021 could close with 125,000 real estate units in judicial auction, down 39% compared to pre-Covid operations.** A significant increase in operations is expected in 2022.
3. As far as court operations are concerned:
 - a) **Coronavirus-related restrictions have reduced auctions and foreclosures (over 120k suspended auctions).** The effect recorded by the insolvency proceedings was less, which thus increased their incidence on the total.
 - b) **It is estimated about 13 billion € (cumulative years 2020 and 2021) lying in the courts (Cash in Court) to be divided.**
4. 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.**

Bank NPE scenario

Scenario adopted for deterioration and danger rates forecasts.

01 The forecasts were based on the following assumptions:

1. Effects of the Covid-19 pandemic with a recovery in 2021, 2022 and 2023 of, respectively, + 5.1%, + 4.4% and + 2.3%.
2. World trade recovery of + 8.7% in 2021, with the forecast of further growth in 2022-2023 (+ 6.1% and + 3.2%).
3. Extension of the moratorium on loans until the end of 2021 (capital quota in the last quarter) and, until October 2021, of the freeze on layoffs excluding the most crisis-ridden industry such as Fashion (clothing, leather goods and footwear, and textiles) for which it will continue the Covid norms (provision of 13 weeks of free cigs, on request, for companies in crisis and for those that have finished the social safety nets).
4. Entry into force of the EBA forbearance classification of loans subject to a moratorium from January 2021.

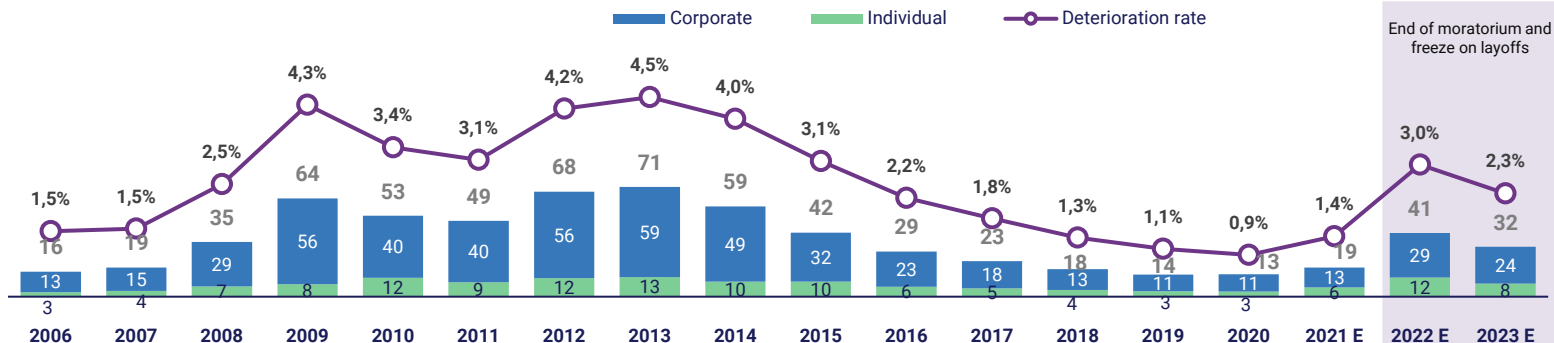
02 What has changed since January 2021?

1. In 2020, the decline in GDP (-9.5% previous forecast) was two percentage points lower (-7.6%), thanks to the moratorium on loans, the freeze on layoffs and expansive public and monetary interventions.
2. In the three-year period 2021-2023, a stronger recovery is expected starting this year with a + 5.1% (vs. 4% previously). Growth is expected to be consistent in 2022 as well (+ 4.4% vs. 3.8% previously), to then slow down in 2023.
3. The impact on world trade was also lower compared to initial forecasts (-8.4% vs. -12% in 2020).
4. Extension of the chance of requesting moratorium on loans (voluntary for capital quota at the end of the current year instead of June 2021) and of the freezing of layoffs until October 2021 (previously scheduled for March 2021), with a further extension, previously not foreseen, for those companies experiencing critical situations.

SOURCES: Banca Ifis internal analysis on Bank of Italy, ISTAT, World Bank and MEF data.

In 2022-2023 the newly deteriorated flows in bank balance sheets are expected to grow (about € 70 Bn), without however reaching the peak of 2013. The Corporate segment will lead the growth of the deterioration rate.

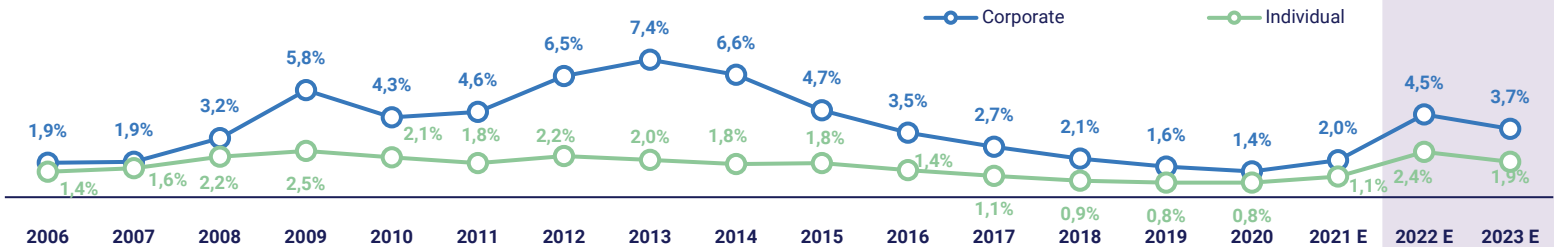
BANKS' NPE INFLOWS FROM PERFORMING AND DETERIORATION RATE BY CORPORATE AND INDIVIDUAL ONLY RESIDENTS - Bn€ AND PERCENTAGES



End of moratorium and freeze on layoffs

In 2020, the deterioration rate remained unchanged thanks to public interventions. Years 2021-2022 will see non-performing loans increase, but less than the peak of 4.5% in 2013.

DETERIORATION RATE BY DEBTOR TYPE ONLY RESIDENTS - PERCENTAGES

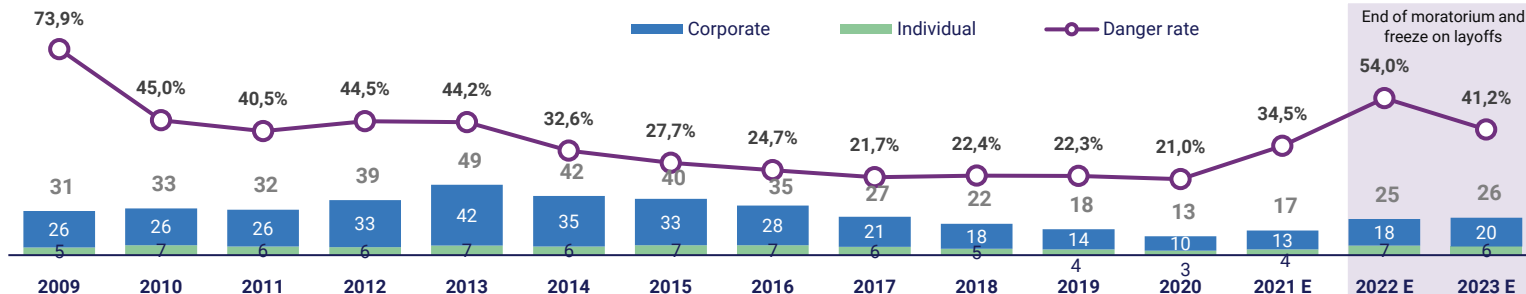


The deterioration rate of Corporate segment will have a more significant increase (+250 basis points 2022 vs 2021) compared to Individual one (+120 basis points 2022 vs 2021).

NOTES: Corporate include 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. alized 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.

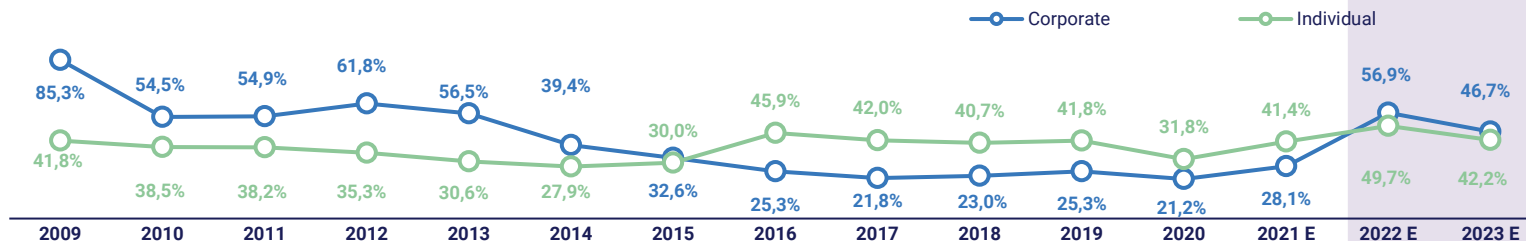
Danger rate is expected to increase but with flows almost half compared to the absolute value of 2013 peak.

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 2020 is aligned with the previous year. The rate will increase over the next two years but with lower absolute values.

DANGER RATE BY DEBTOR TYPE - PERCENTAGES



Confirming the trend in force since 2015, new bad loans will be lead, up to 2021, by the Individual segment.

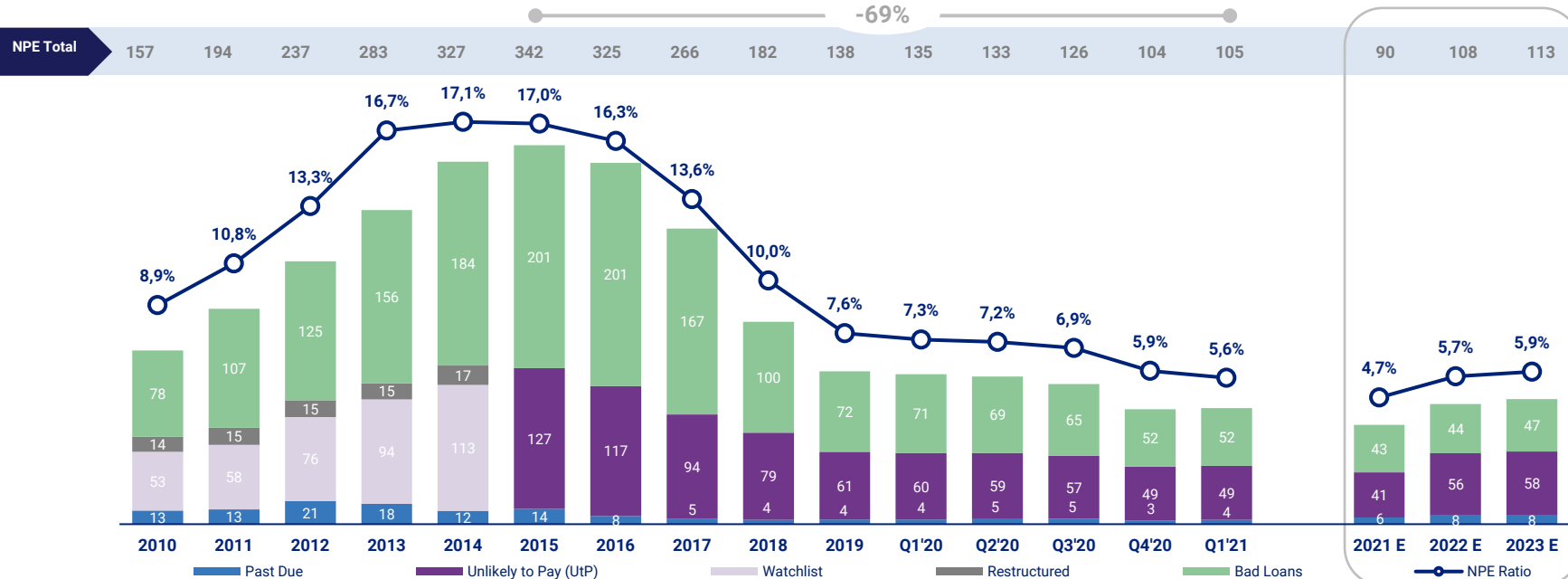
NOTE: Normalized data. The new harmonized definition of default at European level has been in force since January 2021. Corporate include non-financial companies and producer households; Individual includes consumer households, non-profit institutions, non-classifiable data and residual value.

DANGER FLOW: annualized flow of new non-performing loans adjusted. SOURCES: Banca Ifis internal analysis based on Banca d'Italia statistical Database.

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 bad loans in bank balance sheets is expected to contract in 2021, bringing the NPE ratio to the target level (5%) required by the ECB. In 2022, the UtP stock will exceed the NPL stock. The incidence on loans will reach 5.9% in 2023.

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



Details from page 39 to page 42

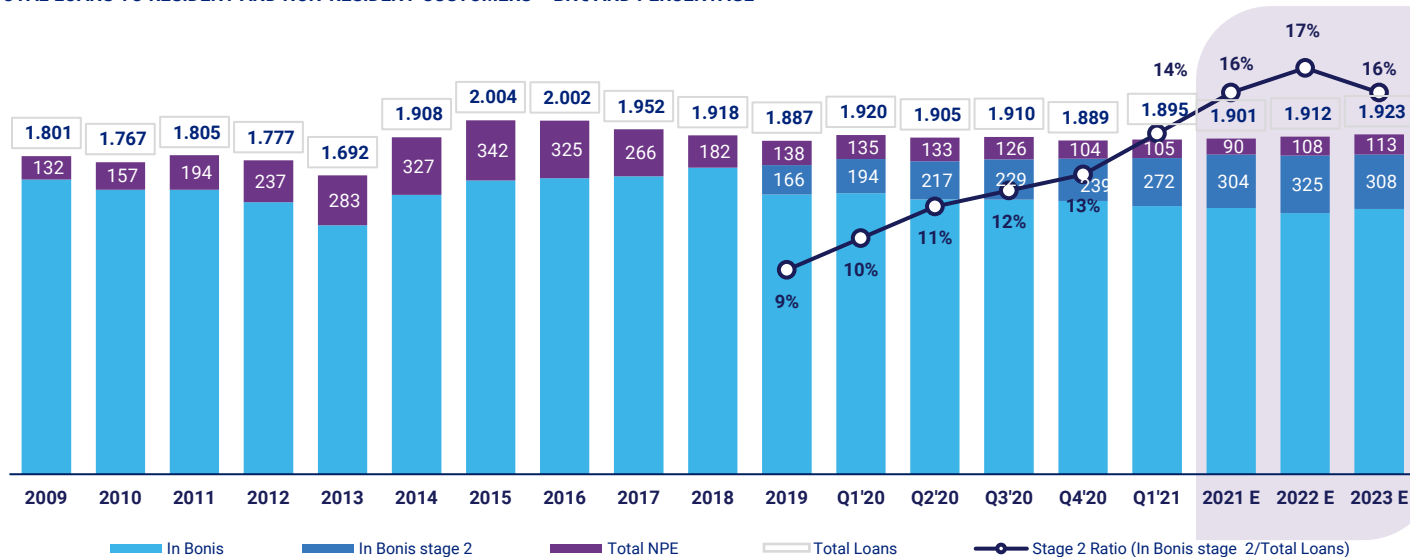
NOTES: Normalized data. The new definition of default harmonized at European level has been in force since January 2021. The data includes transactions with resident and non-resident entities, excluding interbank relations.

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.



In prospective terms, banks will record an increase in credit risk highlighted by the increase in loans passed to stage 2 (required by IFRS9), in contrast to the NPL ratio.

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



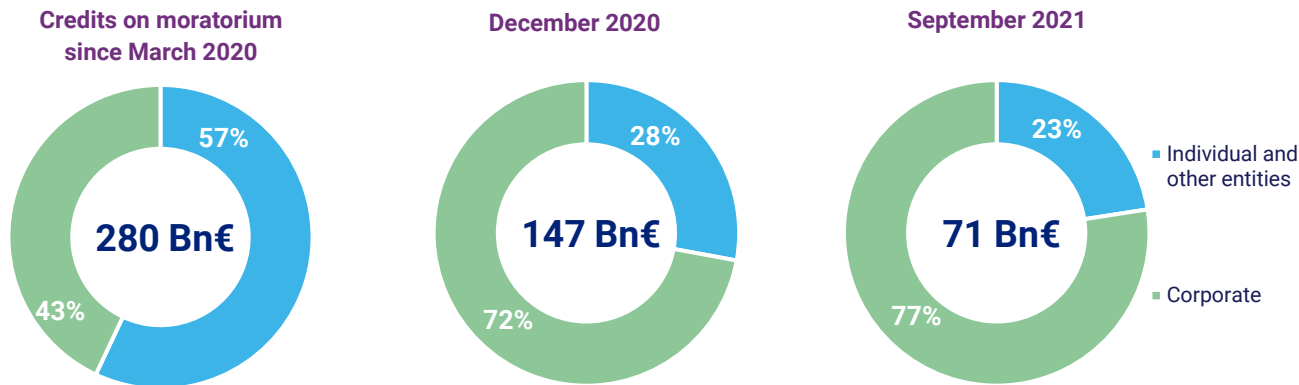
From 2019 to the first quarter of 2021, the percentage of loans in stage 2 increased from 9% to 14%

A further increase is expected in the 2021/2022 two-year period, although less accentuated than the actual trend.

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 September 2021, the loans still on moratorium are 25% (71 Bn€) of the initial requests, the 77% is referable to corporate.

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



In September 2021, approximately 25% of ex lege and voluntary moratorium on loans remained active.

In December 2020, the moratorium in place were classified:

- 29,1% in Stage 2
- 1,5% in Stage 3

Unlike what was recorded with the moratorium ex lege, voluntary renewals mainly refer to loans disbursed to the Corporate segment (55 Bn€).

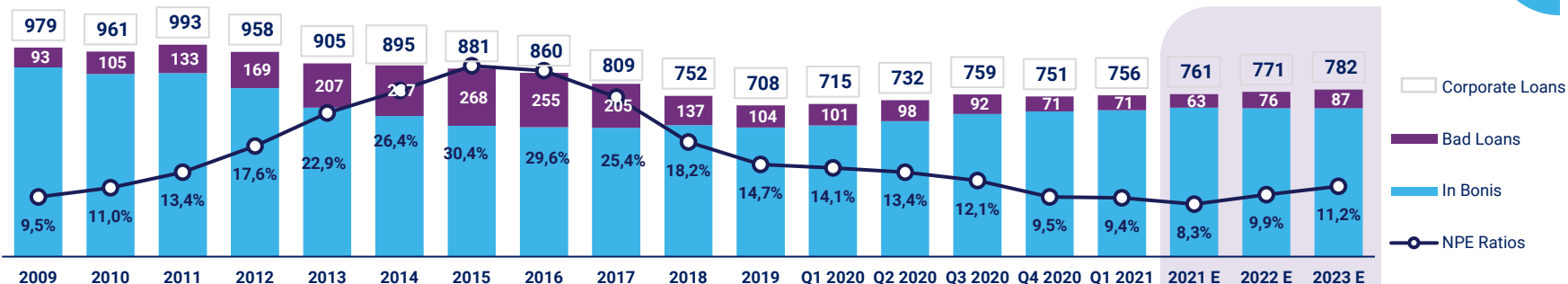
The method used to manage the moratorium loans that will eventually default is now under discussion.

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

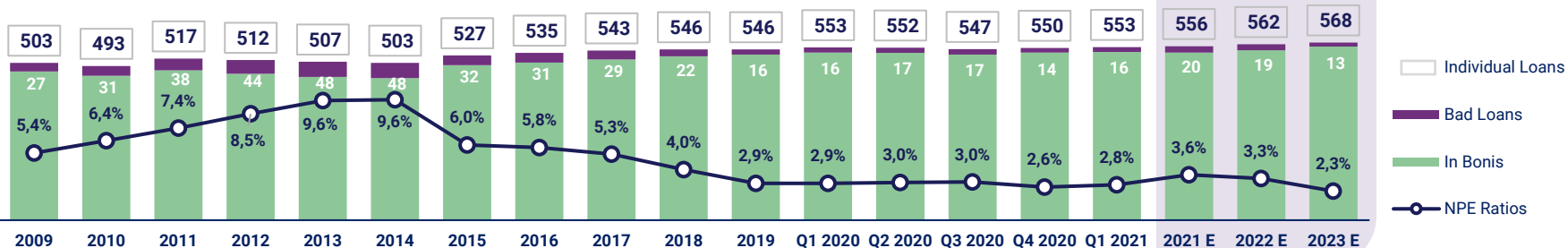
The decrease in non-performing loans corresponds to a simultaneous recovery of loans, especially on corporate segment since the first months of 2020.



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



LOANS TO RESIDENTS BY DEBTOR TYPE – INDIVIDUAL – Bn€ 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 ratio of bad loans on loans will be increasing in all industries, with a minor impact on Production and Agriculture.

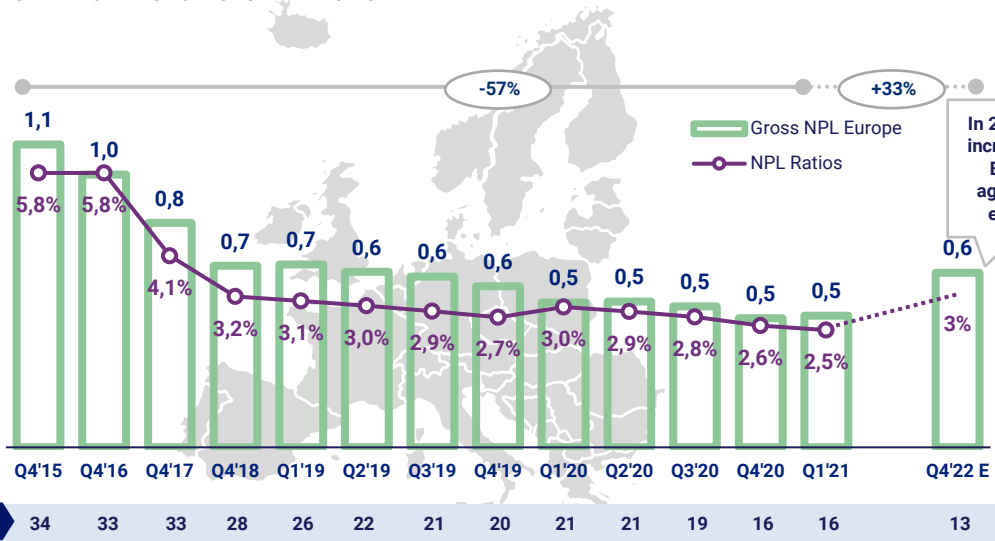
CORPORATE DETERIORATION RATE FOR RESIDENTS BY INDUSTRY - PERCENTAGES



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.

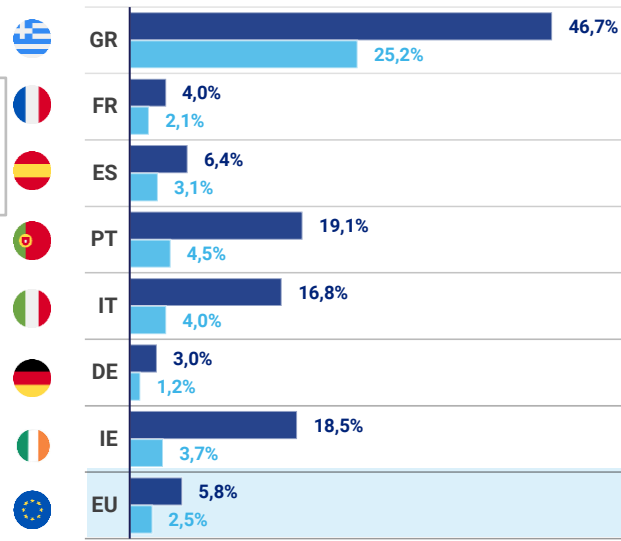
In 2021 first quarter, European non-performing loans amounted to 478 Bn€, down by ~57% when compared to the 2015 peak. European stocks are expected to increase by ~33% in 2022, with a growth rate higher than the one expected for Italy.

NON-PERFORMING LOANS EU – TRILLION €



In 2022, a 33% increase in the European aggregate is expected.

NPE RATIO EUROPE - PERCENTAGES



■ Q4'15 ■ Q1'21

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 2021: Banca Ifis internal estimate

NPL and UTP transactions

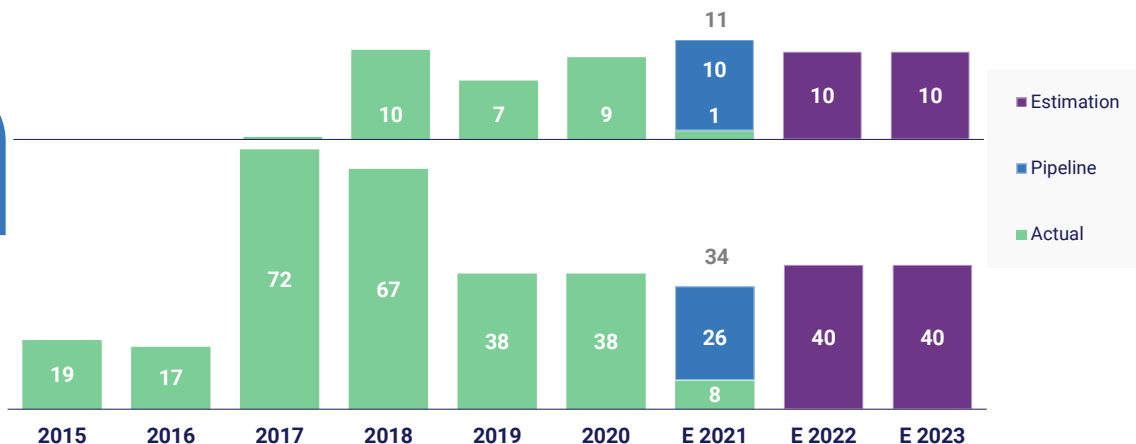
NPL transactions in 2021 could reach 34 Bn€, with an incidence of 26% of the secondary market. Operations on UtP portfolios are also growing (11 Bn€). A dynamic market is also expected in the two-year period 2022-2023

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

UtP Bn€

Details on pages 19, 20 and 21

NPL Bn€



	2015	2016	2017	2018	2019	2020	E 2021	E 2022	E 2023
% GACS	0%	3%	44%	43%	27%	37%	18%	18%	ND
% Secondary Market	31%	51%	4%	2%	24%	23%	26%	26%	25%

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



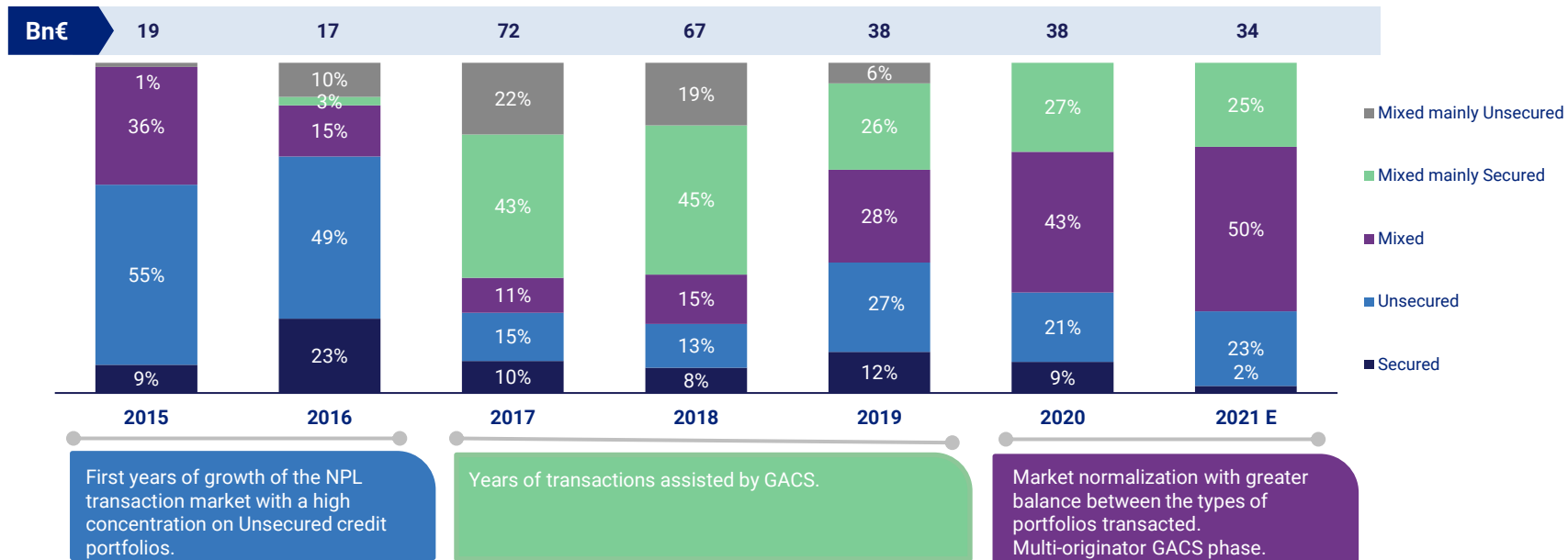
There are 34 Bn€ transactions on NPL portfolios expected in 2021 thanks to 8 Bn€ already completed and a pipeline of 24 Bn€, that includes the sale of MPS portfolios (1.5 Bn€) linked to the possible acquisition by Unicredit. The secondary market is expected to contribute significantly to the dynamics of NPL market.

The disposal of UtP portfolios will also be significant, in part still relating to MPS portfolios (2.5 Bn€)

The forecast of NPL disposals in 2022 - 2023 projects an amount higher than 2021, due to the thrust deriving from the need to lighten the balance sheets following the new new impaired flows expected to increase.

In 2021, the mix of types of NPL portfolios sold sees an increase in the incidence of the Mixed sector.

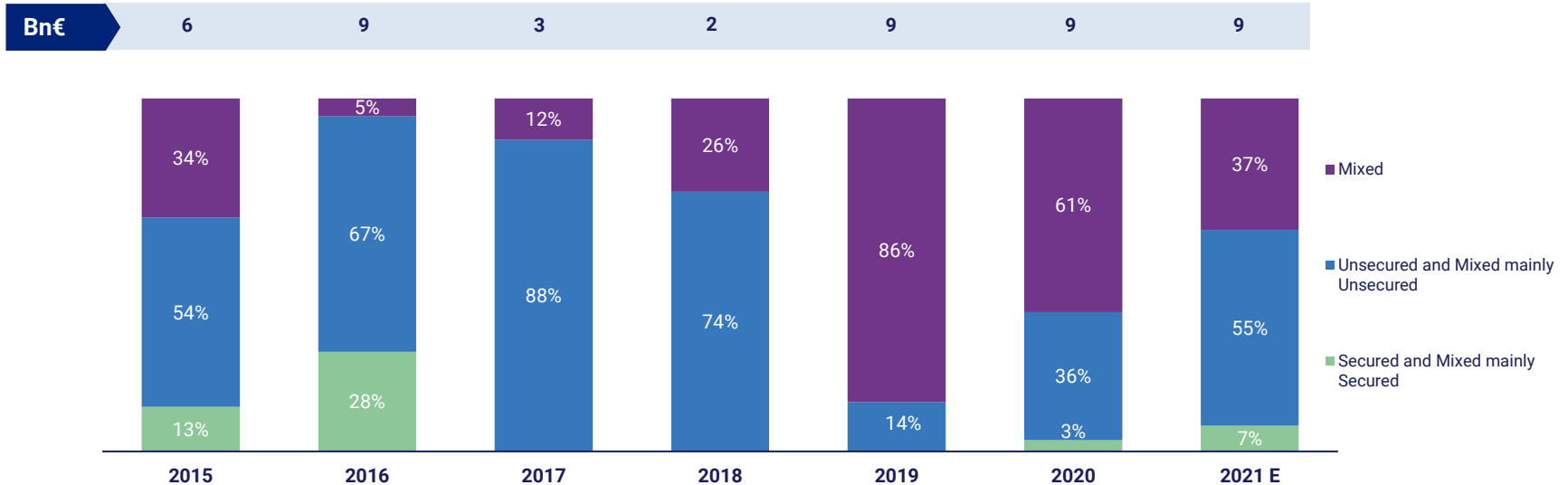
NPL TRANSACTIONS BY PORTFOLIO TYPE - BN € AND PERCENTAGE



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

NPL dismissions on the Secondary market are mainly on Unsecured and Mixed portfolios, mainly Unsecured, confirming a trend with increasing volumes compared to 2020.

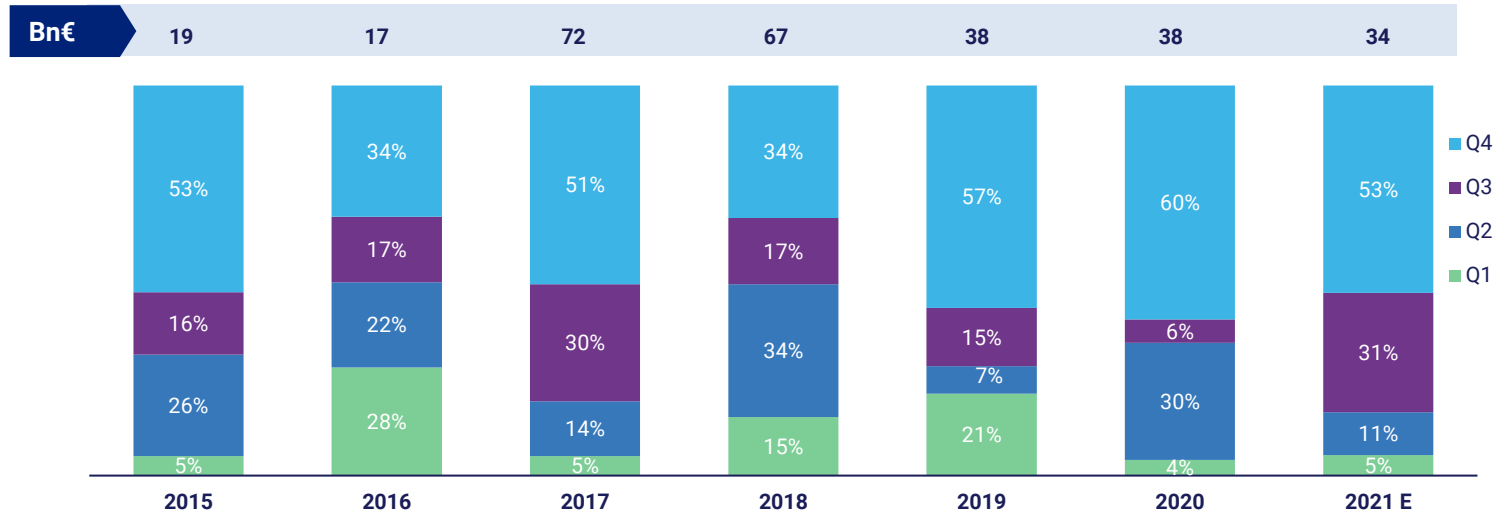
NPL TRANSACTIONS ON THE SECONDARY MARKET BY PORTFOLIO TYPE – BN € AND PERCENTAGE



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

The seasonality of transactions on NPL portfolios shows a high concentration of transactions closed in the last quarter.

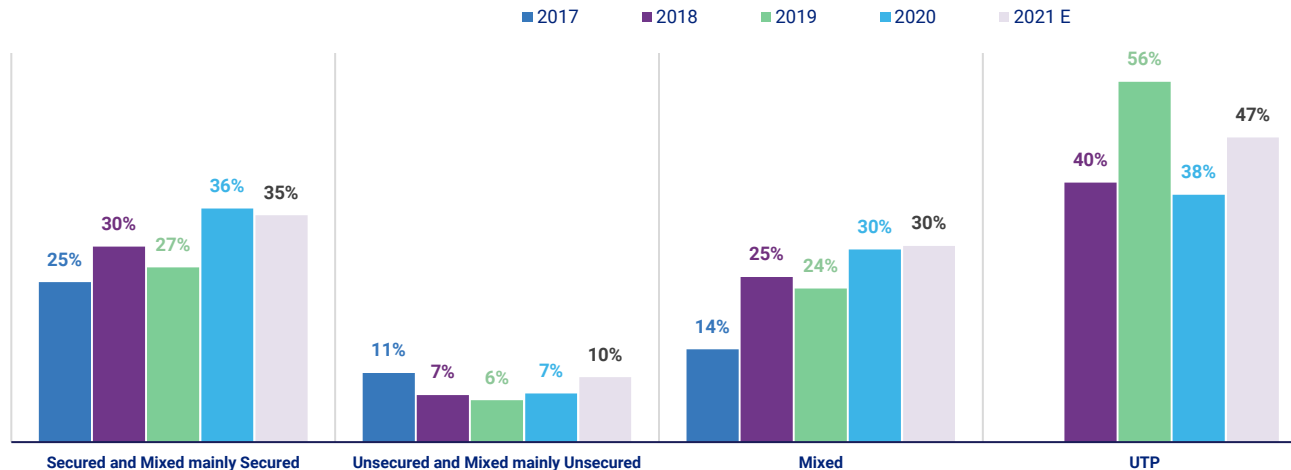
2015-2021 DISTRIBUTION OF NPL TRANSACTIONS BY QUARTER



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

The average price of Unsecured portfolios increased slightly. The value of the Mixed, Secured and UtP portfolios show a variability conditioned by large transactions and by those assisted by GACS.

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



The average price of the Secured sector in 2020 is influenced by the valuation of the MPS-Amco deal of 8 Bn€ (60% NPL) and in 2021 by the deal effect with GACS or with securitization.

Prices of Unsecured sector are moderately increasing due to the effect of "fresh" household loan portfolios (max 12 months), and small cut, partly balanced by the trend on the secondary

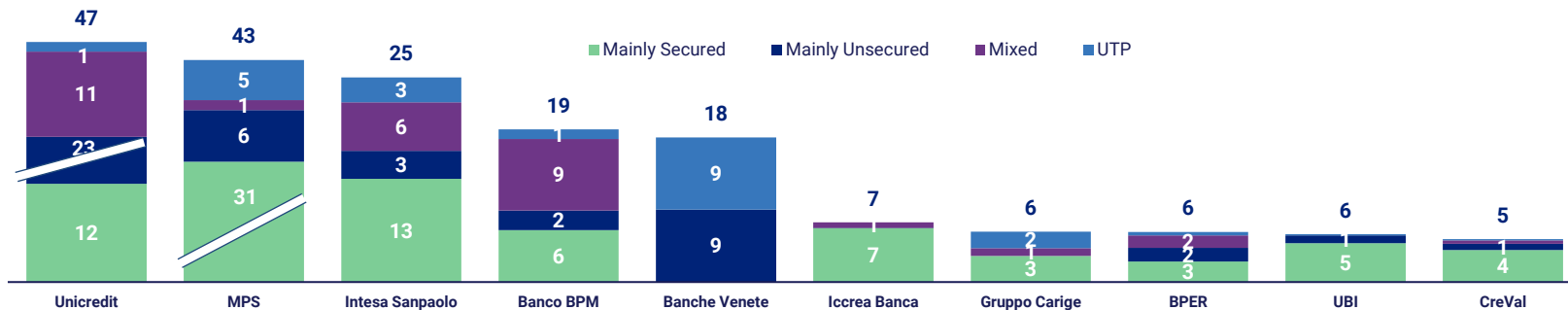
The prices of the Mixed sector are stable, with an increase in 2020 linked to portfolios with GACS (eg. Intesa Sanpaolo's Yoda portfolio) and in 2021 to securitisations.

Price variability on UtP transactions is linked to the specifics of individual transactions with a still limited number of deals.

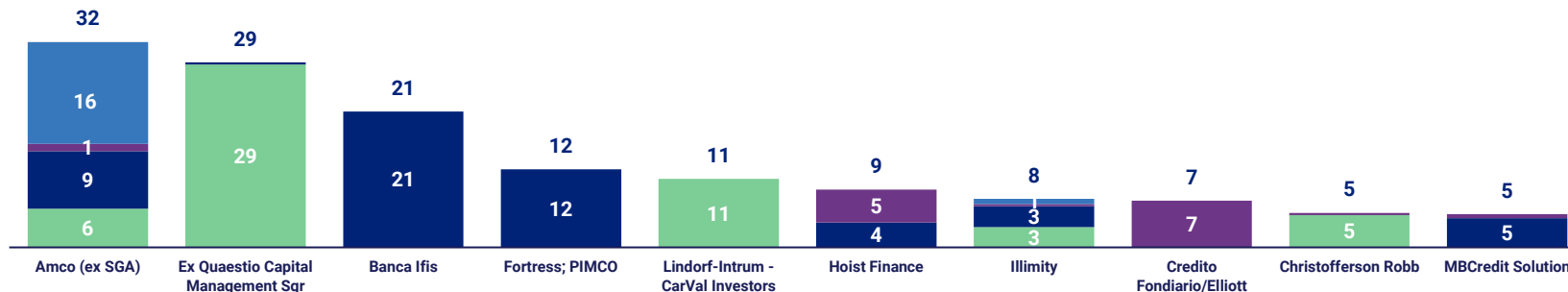
SOURCE: Banca Ifis NPL Market Database - News and press releases - Banca Ifis internal analysis

The top 10 originators concentrate 64% of the NPE transactions carried out between 2015 and 2021. The volumes acquired by the first three investors amount to 80 Bn€.

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



2015- 2021 SEPTEMBER NPE TRANSACTIONS PER 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 Ex Quaestio Capital Management (mezzanine and junior tranche) is included, SOURCE: Banca Ifis NPL Market Database - News and press releases - Banca Ifis internal analysis

In the first 9 months of 2021, approximately 8 Bn€ of NPL transactions were closed.

DETAILS OF NPL TRANSACTIONS FINALIZED IN 2021

Investor	Bn€ GBV	Servicer	Originator
Intrum, Deva Capital	1,7	Intrum	Intesa Sanpaolo
Investitori vari	1,5	CF Liberty Servicing	Banco BPM
Investitori vari	1,3	Banca Ifis	Banca Ifis
Investitori vari	0,4	Prelios	Aporti Srl (Illimity)
Investitori vari	0,2	Sorec	Multi-originator
Investitori vari	0,9	Credito Fondiario	Credito Fondiario
Banca Ifis (24%), Guber (10%) e Barclays (66%)	0,3	Guber Banca	Credit Agricole
MBCredit Solution	0,2	MBCredit Solution	UniCredit
MBCredit Solution	0,1	MBCredit Solution	Confidential
Illimity	0,2	Illimity	Confidential
Intrum	0,1	Intrum	BPER
Intrum	0,1	Intrum	Intesa Sanpaolo
Sorec, Phinance Partners	0,1	Sorec, Phinance Partners	Illimity
Banca Finint	0,1	Banca Finint	Illimity
Kruk Group	0,1	Kruk Group	UniCredit
Illimity & Vei Green II	0,1	Illimity	Wrm
Banca Ifis	0,1	n.a.	UniCredit
AMCO	0,1	Credito Fondiario	Banca Carige
Confidential and other minus	0,5	n.a.	n.a.
Total	8,1		



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

The 2021 pipeline incorporates 26 Bn€ of transactions in the NPL sector expected by the end of the year, with 10 Bn€ in an advanced stage of processing.

2021 NPL PIPELINE DETAILS

Originator	Project	Disposal type	Ongoing	Planned	Announced	Bn€ GBV
Intesa Sanpaolo	n.a.	Disposal	2,5			2,5
Intesa Sanpaolo	n.a.	GACS	2,0			2,0
Unicredit	n.a.	Disposal			1,4	1,4
Unicredit	n.a.	Disposal	2,0			2,0
Multi-Originator	n.a.	Disposal	0,2	1,0		1,2
Multi-Originator	n.a.	GACS		1,0		1,0
Multi-Originator	n.a.	Securitization		0,8		0,8
Iccrea Banca	n.a.	GACS		2,0		2,0
Monte dei Paschi di Siena	n.a.	Disposal	0,4			0,4
Monte dei Paschi di Siena	Cessione	Disposal		1,5		1,5
BPER	n.a.	Disposal		0,6		0,6
BPER	n.a.	GACS		1,0		1,0
Cassa Centrale Banca	n.a.	GACS	1,0			1,0
Banco Desio	n.a.	GACS		0,5		0,5
Banco BPM	n.a.	Disposal		0,5		0,5
Confidential and other minus	n.a.	n.a.	1,9	5,2	0,6	7,7
Total Pipeline 2021			9,9	14,1	2,0	26,0

NPL

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

The market is enriched by UTP transactions: 1 Bn€ for deals already closed in 2021. More than 10 Bn€ of transactions announced by the end of the year.

UTP TRANSACTIONS FINALIZED IN 2021 AND PIPELINE

Originator	Project	Investor	Bn€ GBV
Multi-originator	n.a.	Value Italy Credit	0,4
	n.a.	illimity Credit & Corporate Turnaround, Fund	0,2
	n.a.	Finint Investments sgr	0,1
BPER	Cuvée II	Prelios SGR	0,1
	Winter	Intrum e a Deva Capital	0,2
	Total actual		1,0

Originator	Project	Potential Investor	Bn€ GBV
Monte dei Paschi di Siena	Cessione	AMCO	2,5
	n.a.	n.a.	0,2
	n.a.	Bofa Merrill Lynch	0,1
Intesa Sanpaolo	Project M2 (UBI)	Prelios	2,0
	Levante	n.a.	0,3
Unicredit	Sandokan II	Pimco, Gwm e il servicer unico 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
Multi-Originator	Cuvée	Amco (ex SGA)	0,5
	n.a.	Fondo Efesto (DoValue, Finint)	0,3
Credit Agricole	n.a.	Illimity, Dovalue Intrum	0,6
Confidential and other minus			1,0
Total pipeline			10,4



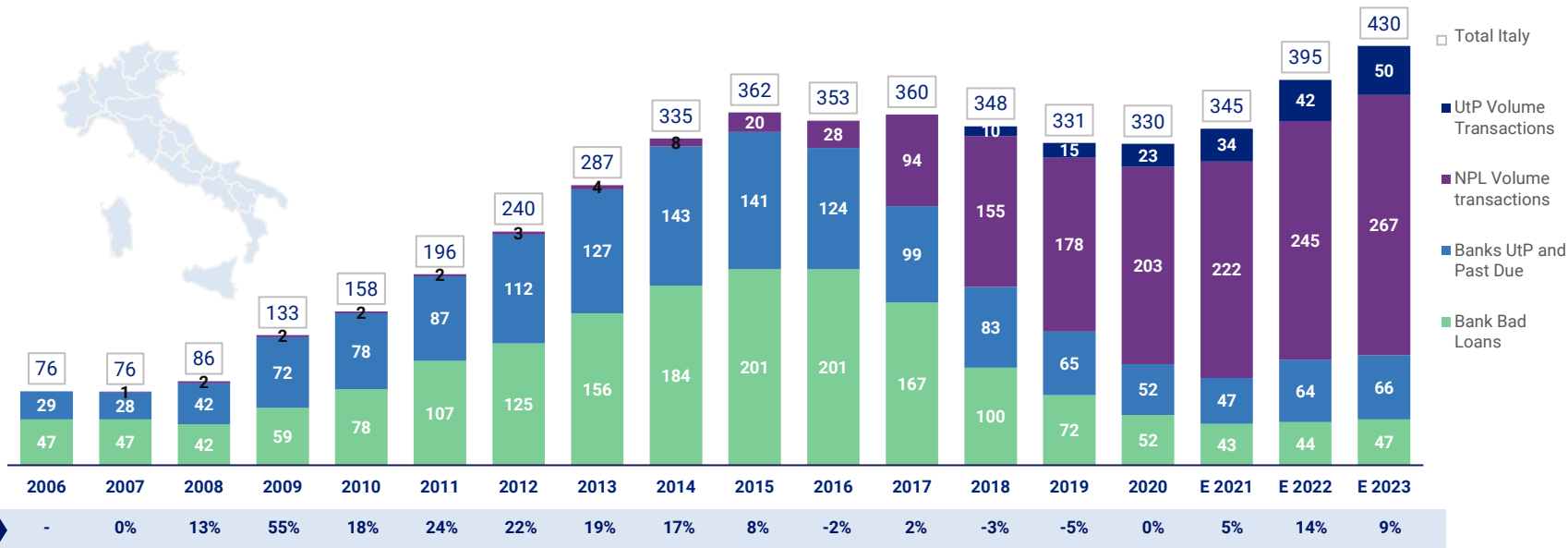
SOURCE: Banca Ifis NPL Market Database - News and press releases - Banca Ifis internal analysis

MARKET WATCH
NPL 

NPL industry

From 2021, the overall stock of NPEs in Italy will begin to grow again, with an estimate of credits to be recovered expected to reach 430 Bn€ by the end of 2023.

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 2020, the 10 top servicers for GBV managed almost 300 Bn€ of NPLs.






2020 TOP TEN SERVICERS FOR GBV - BN €

Top ten servicers	Bank of Italy Surveillance	Bn€ AuM – 31.12.2020
DoValue	115/106	78,0
Intrum	115	39,4
Cerved Credit Management	106/115	35,3
AMCO	106	34,2
Prelios Credit Servicing	106	32,1
Banca Ifis*	Banca	23,9
Credito Fondiario	Banca	19,7
Crif	115	15,6
Hoist Italia	115	12,6
Sistemica (iQuera)	115	12,5

*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

The servicing sector has grown at a high rate since 2013. Revenues are expected to grow in 2021, albeit slowing, but profitability remains high.

Key features of servicing business		Average annual change from 2013 to 2019 (CAGR)		Forecast FY 2021/2020	
	Expanding market	+21% ↑	(revenues)	+6% ↑	(revenues)
	Significant role in management of loans	+12% ↑	(AuM)	(N.A.)	
	Strong push to technological innovation	+35% ↑	((investments*))	+3% ↑	((investments*))
	Good profitability of the industry	+14% ↑	(EBITDA)	+15% ↑	(EBITDA)
	Employment of specialized resources is growing	+16% ↑	(employment)	(N.A.)	

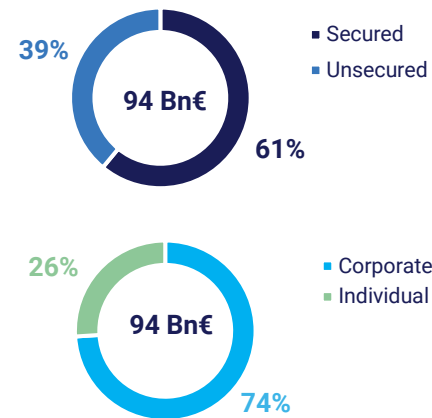
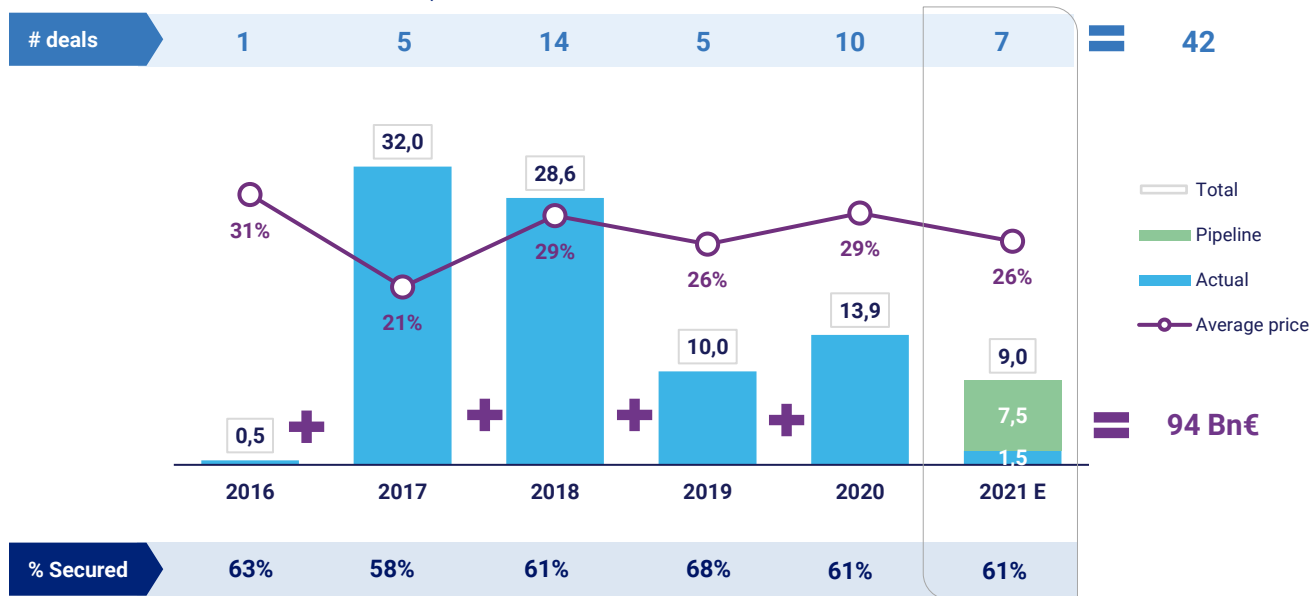
* tangible and intangible fixed assets from balance sheets

SOURCE: Banca Ifis estimates on balance sheet data from AIDA and forecasts from Cerved on ATECO 82.91

Focus on GACS

With a further 12 months extension of the GACS, approximately € 7 billion of guaranteed new operations are expected, for a total amount of 94 Bn€ in securitized loans since 2016.

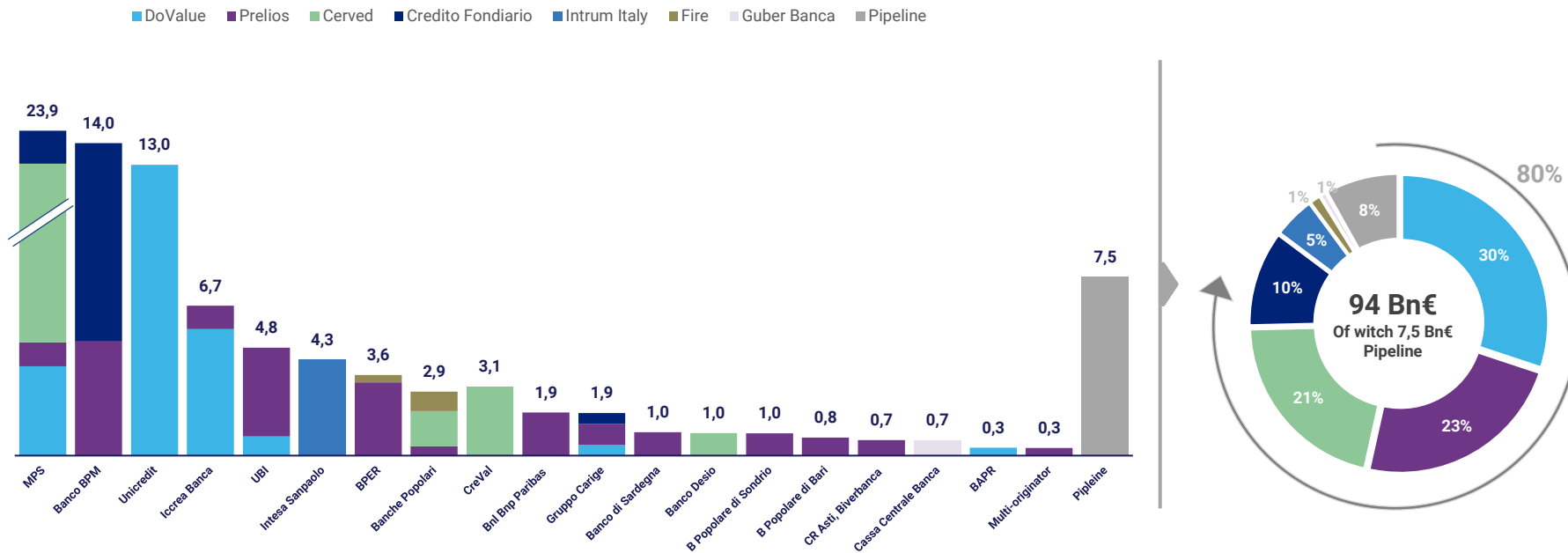
GACS ASSISTED NPL PORTFOLIO TREND – BN €, # DEALS AND PERCENTAGES



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

Seven servicers engaged in GACS assisted operations carried out to date, with 80% of the GBV concentrated on the first four servicers.

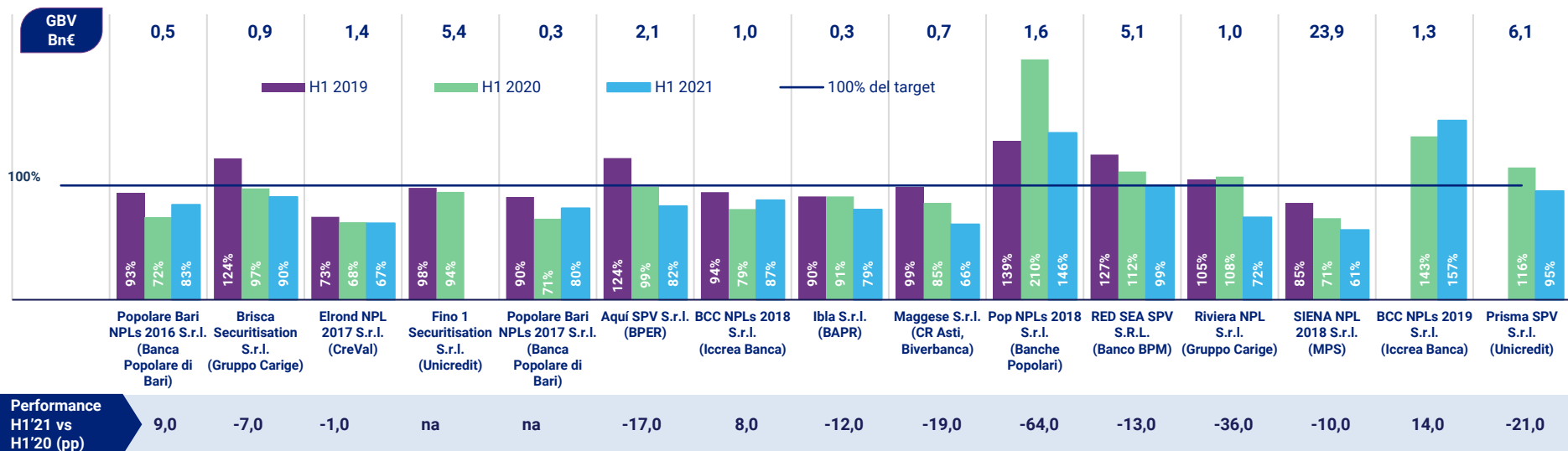
2016 – 2021E GACS ASSISTED NPL PORTFOLIO TREND BY ORIGINATOR AND SERVICER – BN €, AND PERCENTAGES



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, GACS assisted portfolios show generally decreasing recovery performances, except two portfolios. Only POP NPLs 2018 and BCC NPLs 2019 exceed the target in 2021.

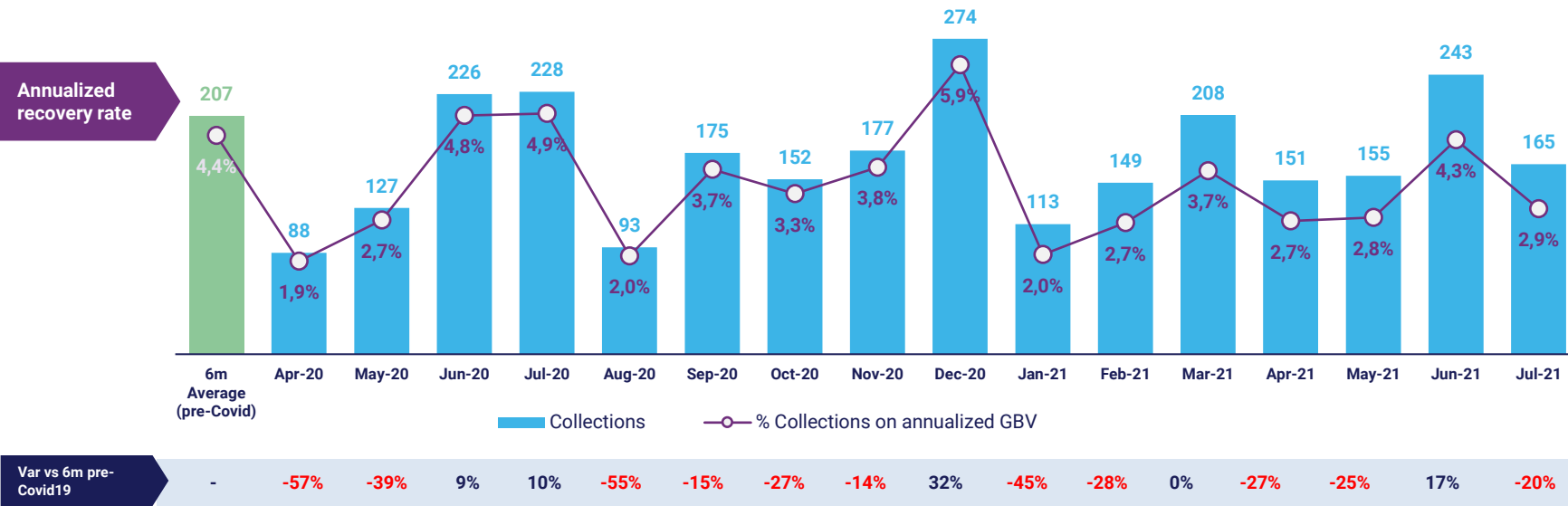
GROSS COLLECTION CUMULATED RATIO, COMPARISON WITH ACTUAL BUSINESS PLANS FOR PORTFOLIOS WITH RATING MOODY'S AND SCOPE - PERCENTAGES



SOURCE: Banca Ifis NPL Market Database - News and press releases - Banca Ifis internal estimates; Moody's - Sector Profile, Scope Ratings NPL Outlook, latest survey date available

The monthly trend in the collections of GACS portfolios shows, from April 2020, a recovery dynamic on average lower than the pre-Covid period (11 months out of 16 under performance).

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



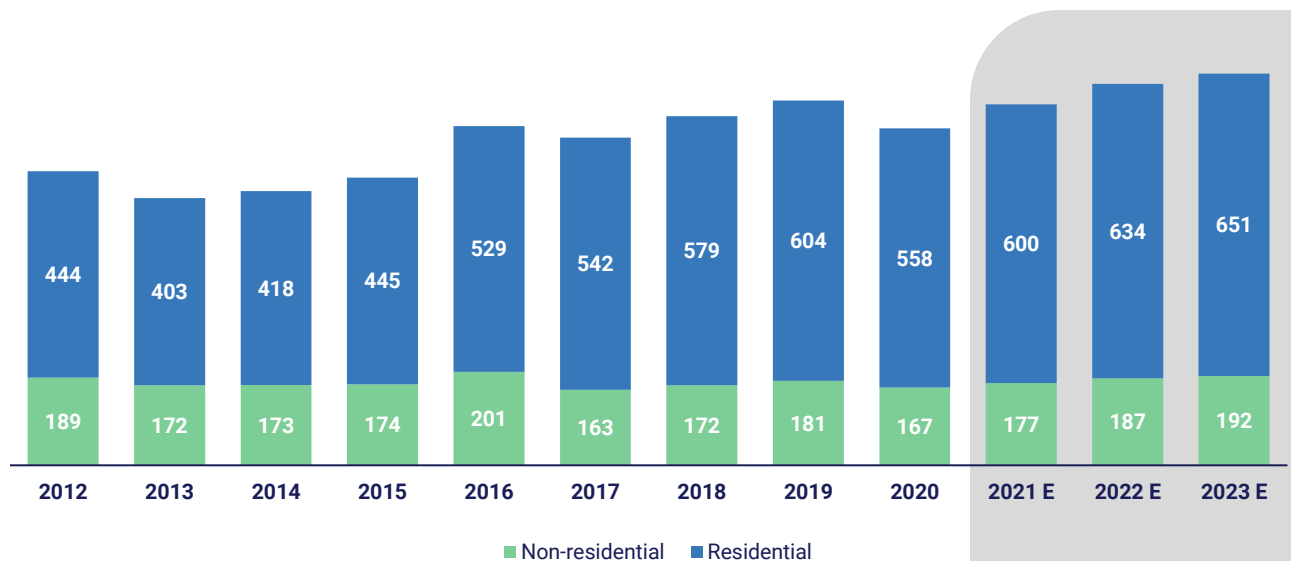
SOURCE: Banca Ifis internal estimates on Scope analysis.



Focus on Real Estate market and court processing

Despite the continuing uncertainty of the scenario, the expectations of the real estate market are improving: the sales of the residential market could reach 600k units in 2021, to reach 651k in 2023.

NTN DIVIDED INTO RESIDENTIAL AND NON-RESIDENTIAL - DATA IN THOUSANDS

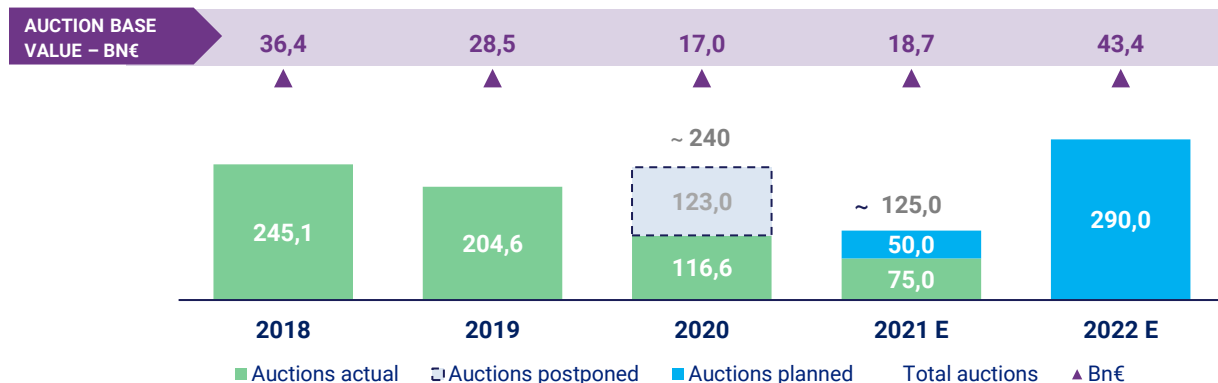


The demand of potential buyers will be directed towards independent homes and those with outdoor spaces more than in the period before the pandemic. The possibility of using remote work, especially in metropolitan areas, would contribute to these developments.

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 could close with 125,000 real estate units in auction, of which 75k are on auctions already published in the first 6 months of 2021 for a value of around 11 billion euros and an average value of ~ 150k euros. A significant increase in operations is expected in 2022.

REAL ESTATE AUCTIONS PER YEAR - NUMBER OF AUCTIONS IN THOUSANDS AND AUCTION BASE VALUE in Bn€

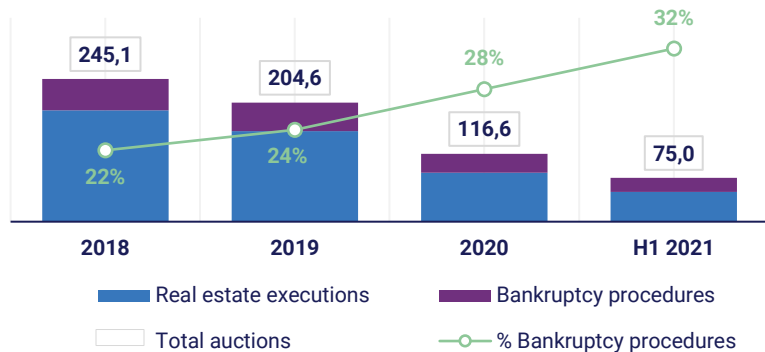


It is estimated that in 2020 over 120k auctions were suspended due to Covid-19, which corresponds to a basic auction value of approximately 18 Bn€.

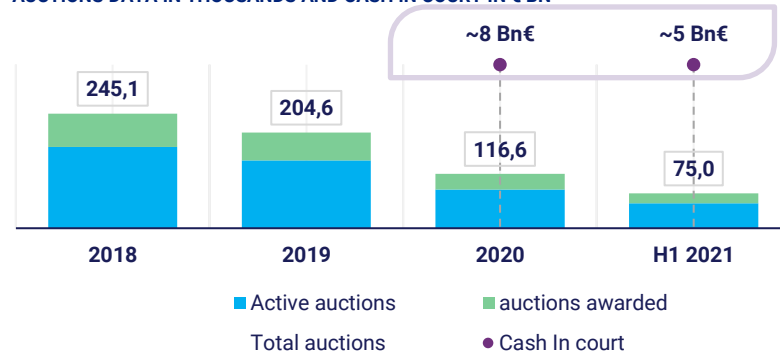
SOURCE: Banca Ifis internal estimates on T6, Reviva e Astasy .

Coronavirus-related restrictions have reduced auctions and foreclosures. The effect recorded by the insolvency proceedings was less, thus increasing their incidence on the total. It is estimated about 13 Bn € (years 2020 and 2021) lying in the courts (Cash in Court) to be distributed.

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



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



Usually the market for foreclosed properties has a clear prevalence (~ 75% of the total) but in times of pandemics and blocked auctions, insolvency proceedings (company bankruptcies) have weighed more, reaching over 32%, decreasing in absolute value.

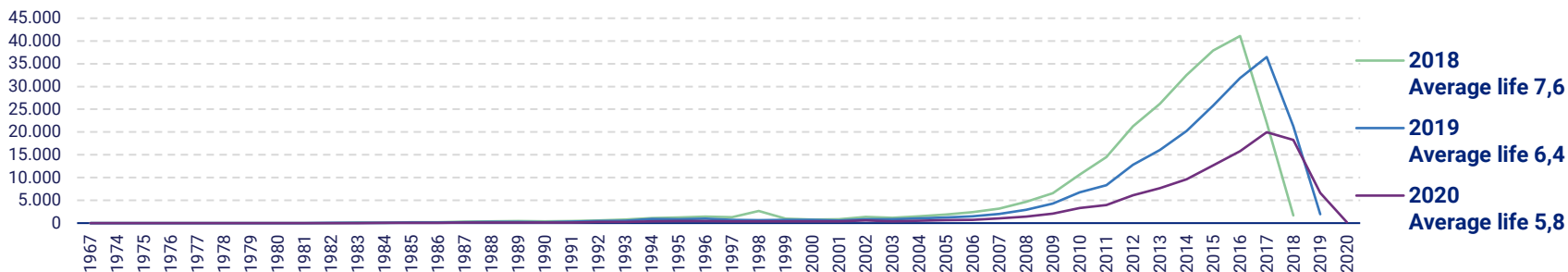
It is estimated that there are approximately 8 Bn€ in 2020 and 5 Bn€ in *Cash in Court* in 2021 generated by the auctions awarded, which remain in the courts waiting to be distributed due to both the slowness that characterizes the current phase and the blocking of the courts caused by the pandemic.

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 with a reduction, between 2018 and 2020, of the average auction closing time of about 2 years.

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



The blocking of judicial procedures (formerly DL Cura Italia) has contributed to slowing 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 that went from 7.6 in 2018 to 6.4 in 2019. In 2020, the efficiency has continued, albeit to a greater extent reduced.

The executive and bankruptcy procedures still have times that are about double the European average (3 is the EU average life), although an improvement in recent years. The long duration of judicial procedures for the recovery of loans is one of the factors that affect the performance of the recovery of impaired loans.

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

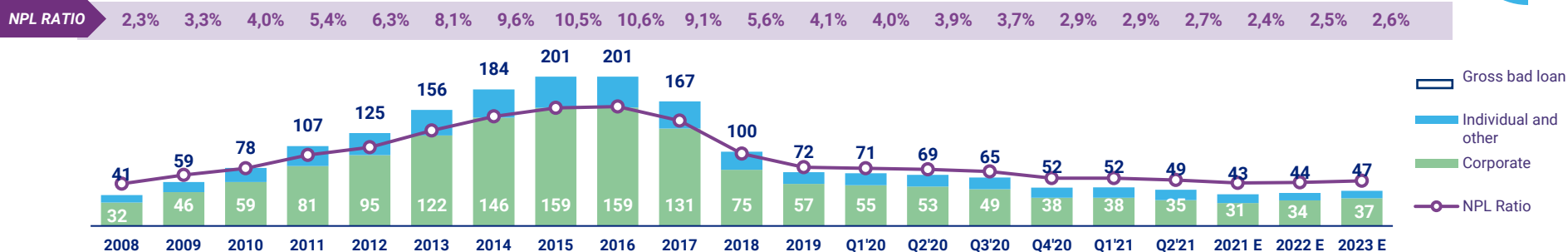
NOTES: Average life calculated on the total of real estate auctions..

In-depth tables

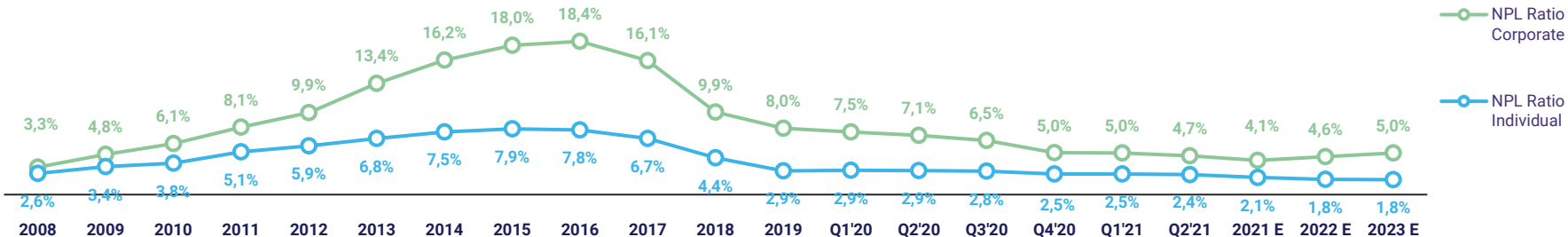
In 2020, the downward trend in the stock of gross bad loans in bank balance sheets continues, with an NPL ratio that will remain at a historically low level over the next few years.



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



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



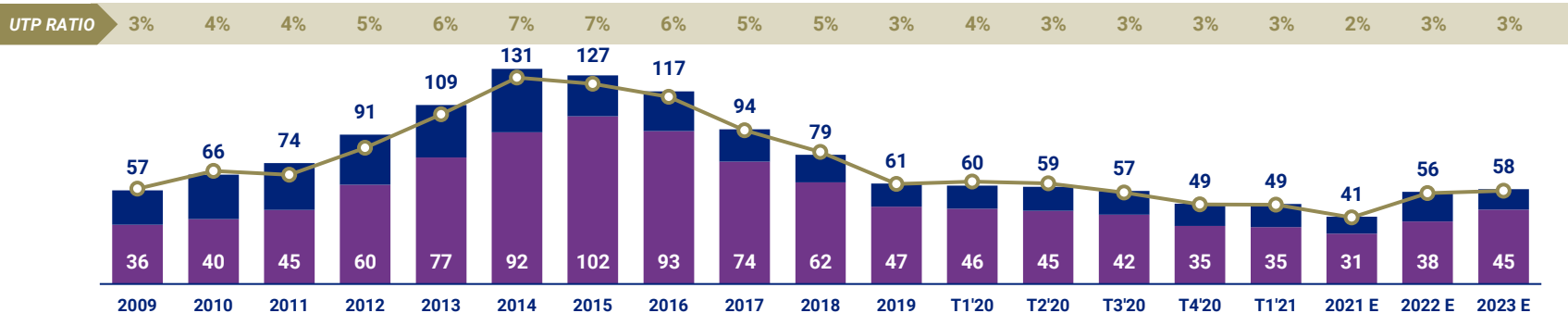
NOTES: Normalized data. The new definition of default harmonized at European level has been in force since January 2021. Corporate include only non-financial companies and producer households; households and others include consumer households and the rest of the total.

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

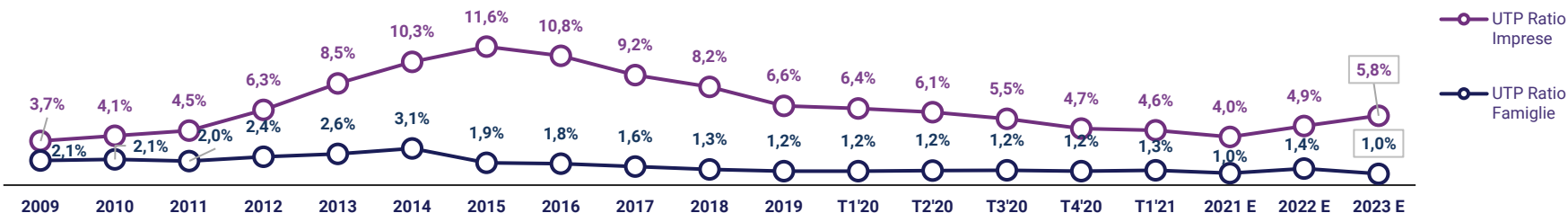
At the end of 2021, the stock of UtP in bank balance sheets is expected to decline. Growth is expected, albeit contained, in the two-year period 2022-2023.



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



UTP RATIO: GROSS LIKELY DEFAULT (UTP) /TOTAL LOAN BY CUSTOMERS RESIDENT - PERCENTUALI



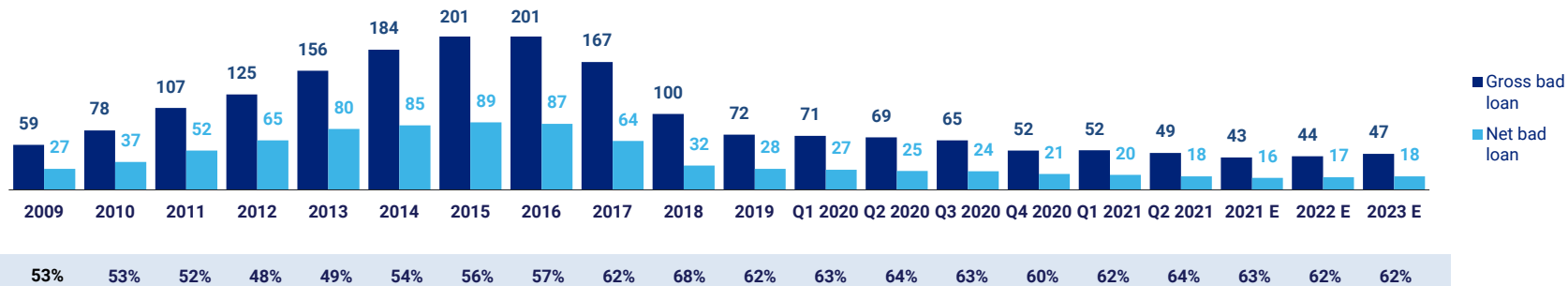
NOTES: Normalized data. The new definition of default harmonized at European level has been in force since January 2021.

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.

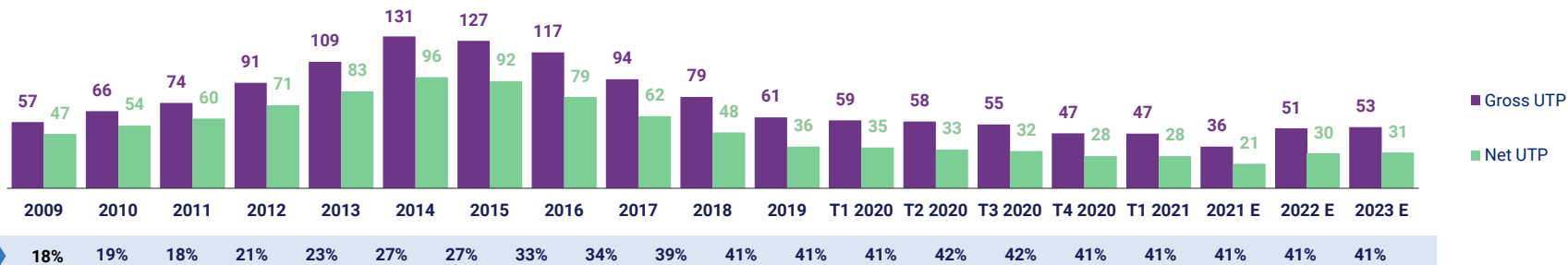
SOURCE: Banca Ifis Research Department processed on the Bank of Italy statistical database - estimate from Banca Ifis internal analyzes

The coverage ratio of NPLs and UtPs forecast until 2023 is stable.

BANK BAD LOANS - BN € AND PERCENTAGE



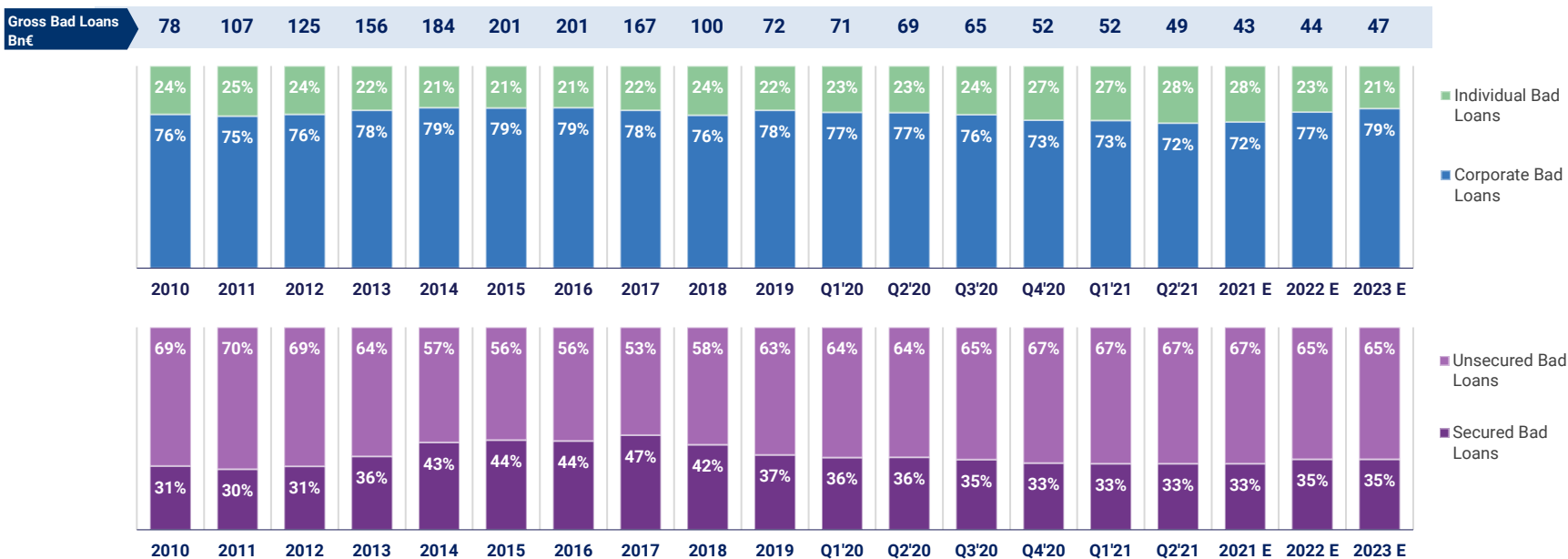
UTP - BN € AND PERCENTAGE



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 credits still in the bank balance is due to corporate clients and is substantially stable since 2010. The incidence of Unsecured credits 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.

General Statement.

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