

December 2023

# The Italian NPE Market

**Chasing Tomorrow**



## Chasing Tomorrow

After reaching its peak in 2015, the non-performing exposure (NPE) stock on banking books has consistently decreased, reaching €56 billion as of June 2023. This may suggest that NPEs are no longer a significant problem. The inflow of new NPEs has dropped to the lowest levels in the last three years, defying common expectations, thanks to a series of extraordinary government interventions. In 2020 and 2021, consensus projections indicated that the total flow NPEs resulting from the crisis triggered by the pandemic could range between €60 billion and €100 billion, depending on the macroeconomic scenario. However, measures such as over 2.7 million loan moratoria totalling approximately €300 billion since March 2020 (in effect throughout 2020 and 2021) and over €300 billion of newly guaranteed lending between 2020 and 2022 have helped contain potential new default flows.

At the same time, deleveraging was accomplished through the creation of a substantial primary market for NPE sales, using the GACS state guarantee which expired in 2022.

The Italian banking system now appears stronger, with solid capitalization (CET1 ratio fully phased equal to 15.8%, up by 5 percentage points from 2015), efficient derisking processes (gross NPE ratio down to 2.4% in 1H 2023 vs. 16.8% in 2015), and good levels of profitability (approximately 14% in 1H 2023, at record levels).

However, the outlook for the euro area has somewhat deteriorated, as low growth and higher interest rates are expected to persist. Geopolitical challenges remain, and expectations for economic growth have recently been revised downward (1.0% Real GDP growth expected in 2024 for the Euro Area, halved from end-2022 expectations).

Yet, another perspective on Non-Performing Exposures (NPEs) can be taken into account: i) there are over €300 billion of total NPEs in the market, including those sold to investors, as a significant portion of the loans transferred by banks in the deleveraging process is still

outstanding and requires management, and ii) there are over €200 billion of Stage 2 loans that require close monitoring. Italy ranks third in Europe for Stage 2 loan stock (led by France with €435 billion and Germany with €212 billion at 1H 2023), but it leads in terms of its proportion to the total credit portfolio (over 11% compared to a European banks' average around 9%).

In addition, from 2020 to June 2023, over €340 billion in loans with state guarantees (MCC and SACE) have been disbursed, generating a loan stock of approximately €230 billion as of June 2023. Most of the disbursed financing benefited from a pre-amortization period (averaging 17 months), which has now generally concluded. As the repayment of principal has commenced, there has been a slight increase in the corresponding loan default rate, consistently remaining higher than the default rate for companies that did not utilize government-guaranteed loans (2.1% compared to 1.1% in June 2023). However, installment payments, on average, constitute a small percentage of companies' turnover (around 5% annually), and the guaranteed loans have a low residual maturity (3.5 years on average), signalling that the risk is under control. Nevertheless, these credits certainly require particular attention.

In this context, over the years, a highly evolved industry has developed for the management of bad loans. Ten years ago, just one player exceeded €10 billion of non-performing exposures (NPEs) under management; today, there are 14 operators managing more than €10 billion each, and specifically, the top 10 manage jointly approximately €300 billion in NPEs. However, the industry is still in the startup phase for unlikely-to-pay management, and therefore, it is expected to undergo a substantial transformation to meet the new needs of banks, introducing new services and embracing a novel approach to capitalize on emerging business opportunities.

The market's needs and priorities have undergone a profound change: from a gone-concern to a going-concern focus.

## Yesterday

- **Accumulation of non-performing loans on the books for years.**
- Recovery through a **pure liquidation approach.**
- **“Jumbo deals” to accelerate deleverage.**
- Disposal using tools such as **GACS** (over €110 billion in disposals between 2016 and 2022).
- **Systemic transactions.**
- Debt purchasing dominated by **large investors and Nordic players.**

## Tomorrow

- **Ad-hoc management** for UtP/Stage 2.
- Emphasis on **prompt overdue management.**
- Focus on **“industrial” management** and **“more sophisticated” solutions** with the aim to back-to-bonis.
- Need to setup **partnerships in the ecosystem** (investors, banks, servicers).
- NPE sales mainly driven by **secondary market.**
- Pressure on **“regulated” debt purchasers.**
- Increasing importance of having **internal servicing capabilities.**

As a result, the industry needs to transform itself. Finding a solution for non/sub-performing loans means supporting the real economy, and it requires a joint effort from the system (banks, servicers, and investors). Additionally, the government could play its part by promoting solutions that create a virtuous cycle for the entire economy.

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# Key highlights on the Italian NPE Market

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Venice, Veneto

### Key Message

In contrast to what might appear by looking at the banks' books, the stock of Non-Performing Exposures (NPEs) in Italy remains significant. The

deleveraging process by banks and the activities of specialized operators have consistently reduced the overall stock, starting from almost €400bn in 2015 to

over €300bn in June 2023. However, the stock of credits under scrutiny is worth over €500 billion when considering €211 billion of credits classified as stage 2.

The stock of NPEs in Italy is estimated to have reached the peak in 2015 with approx. €400bn in the market.

The process of de-risking that followed the 2015 peak of NPE allowed the banking system to constantly reduce the NPE stock, which reached historical minimum levels in 2023 (€56bn).

However, NPEs have been actually shifted from banking to investors' books.

The total NPE stock in the market decreased from €397bn in 2015 to €311bn in 1H 2023 (-22% in 7.5 years, vs. -80% of the NPEs on banking books).

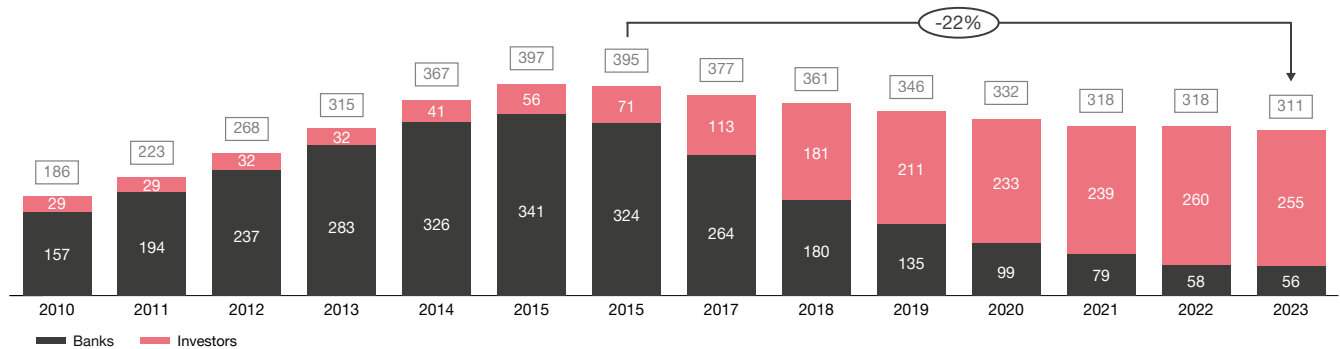
In the Italian market, there are still over €300bn billion of NPEs that need to be managed and recovered, which could fuel a significant secondary market in the future.

The Stage 2 loans on banking books amount to €211bn as of June 2023,

bringing the total value of credits under scrutiny to over €500bn.

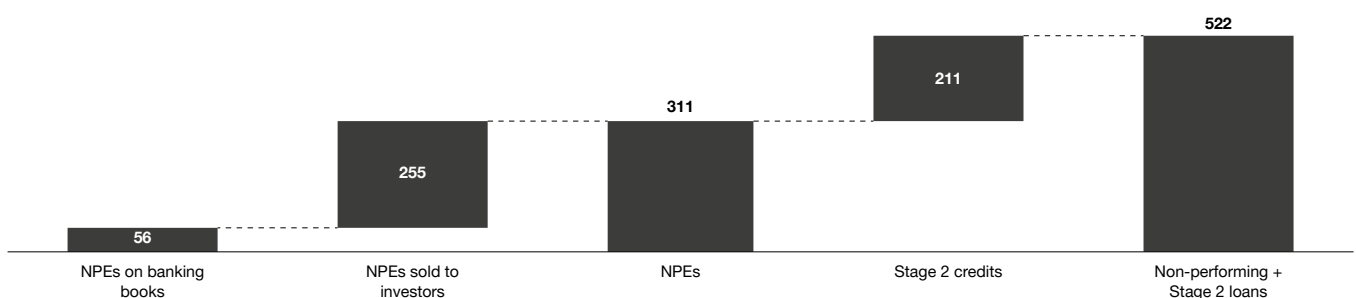
In addition, from 2020 to June 2023, over €340bn in loans with state guarantees (MCC and SACE) have been disbursed, generating a loan stock of approximately €230bn as of June 2023.

**Chart 1:** NPE trend in the Italian market (GBV, €bn)



Source: PwC analysis/ estimate on Banca d'Italia, public information and market rumours

**Chart 2:** Stock of NPEs and Stage 2 credits in the Italian system (1H 2023, GBV, €bn)



Source: PwC analysis/ estimate on Banca d'Italia, public information and market rumours.

# Evolution on NPEs on banking books

## Key Message

NPEs on Italian banking books landed at €56.0bn at the end of June 2023 from €58.4bn at the end of 2022. UtPs remain the main component (54.5%) of deteriorated loans. The

stock of Bad Loans slightly decreased to €21.1bn from €21.2bn at the end of 2022, while the Past Due stock increased from €4.1bn to €4.4bn.

## Asset Quality

European financial institutions are enhancing their balance sheets in accordance with the directives outlined by both the European Banking Authority (“EBA”) and the European Central Bank (“ECB”), and with the related Calendar Provisioning measures. The objective of those guidelines is to establish robust procedures and systems for assessing, overseeing, and monitoring credit risk, to achieve higher standards of credit quality.

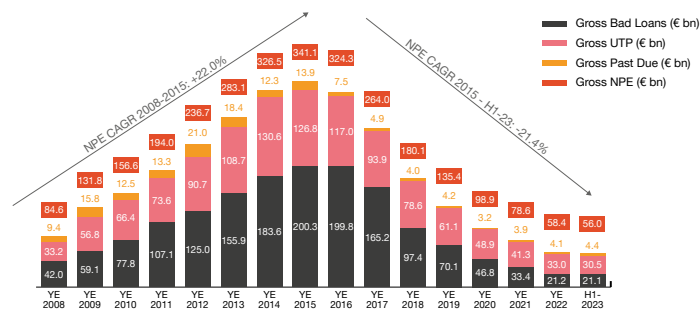
**Chart 3** shows the Gross NPE stock evolution in the Italian banking system, with NPE stock continuously decreasing since YE-2015. The actual €56.0bn balance at the end of H1-2023 confirms the decreasing trend, even if at a slower pace compared to the previous years (average CAGR of -21.4% between YE-2015 and H1-2023). The drop was driven by a decrease of €2.5bn in Gross UtP and by a moderate decrease of €0.1bn in Gross Bad loans, in comparison to the end of 2022. The Gross Past Due stock shows an increase of €0.3bn from the end of 2022.

Since YE-2020, the Gross UtP stock has exceeded the Gross Bad Loans stock; not surprisingly the market has been more focused on UtP transactions in recent years. The Gross Bad Loans stock reached its lowest value since 2008 at €21.1bn, while the Past Due Stock is equal to €4.4bn.

The new annual inflows to non-performing exposures decreased from €41.6bn at the end of 2015 to €14.9bn at the end of 2019. Over the last three years, the value has stabilized and reached its minimum level (€12.0bn) at the end of 2022.

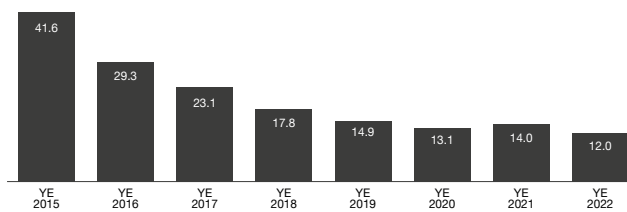
Lastly, it can be observed a low incidence of the Net Bad Loans over the total loans to Customers, equal to 1.1%<sup>1</sup> at H1-2023 (in line with YE- 2021 at 1.0% and significantly lower than the peak of 5.7% at YE-2015).

**Chart 3:** Gross NPE trend



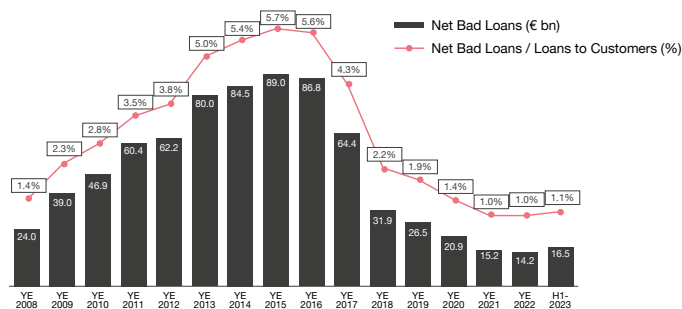
Source: PwC analysis on Banca d'Italia "Banche e istituzioni finanziarie: condizioni e rischiosità del credito per settori e territori", September 2023.

**Chart 4:** New annual inflows to NPE (€bn)



Source: PwC analysis on Bank of Italy data, December 2023.

**Chart 5:** Net Bad Loans Trend



Source: PwC analysis on ABI Monthly Outlook and bank of Italy data – September 2023  
Note: 2017 and 2018 data might include financial intermediaries.

1. Net Bad Loans and Loans to Customer are based on ABI data.

**Focus: Bad Loans**

**Chart 6a** and **6b** show the distribution of Gross Bad Loans by region.

In terms of Gross Bad Loans ratio, the highest percentages are recorded in the Islands and the Southern of Italy, mainly in Calabria (2.4%), Sardegna (2.3%), Sicilia (2.3%), Puglia (2.2%) and Campania (2.1%). The lowest percentages are recorded in Trentino-Alto Adige (0.6%), Lazio (0.7%), Lombardia (1.0%) and Friuli Venezia Giulia (1.1%).

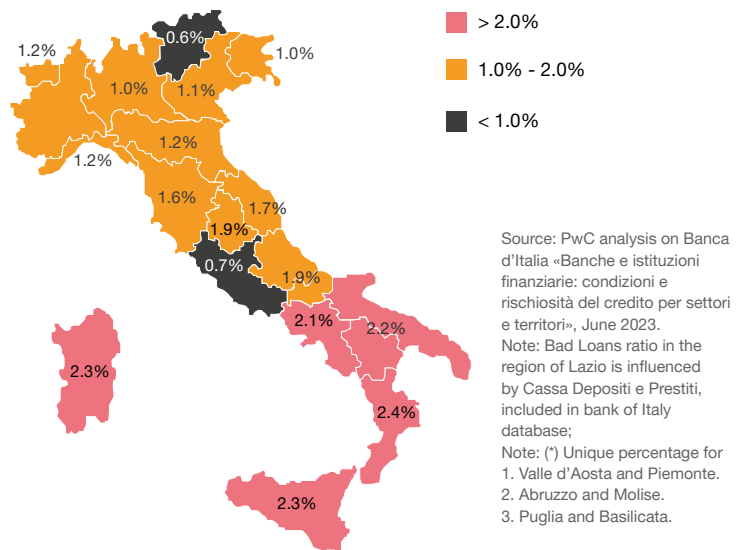
Like YE-2022, Lombardia and Lazio, because of the high share of the total loans to customer, are the top two Italian regions in terms of incidence of Bad Loans over the total Italian stock at H1-2023 (19.8% and 14.2% respectively). On the other hand, Trentino-Alto Adige and Friuli Venezia Giulia show the lowest incidence of Gross Bad Loans over total (they register respectively 1.4% and 1.5%).

As shown in **Chart 7** (next page), the “Corporate & SME” sector is the main component of Italian Gross Bad Loans as of H1- 2023, with a share of 63.8%, followed by “Consumer loans” sector with 27.0%. The trend of an increasing incidence of the “Consumer Loans” sector over the total observed in the past years looks to have stabilized.

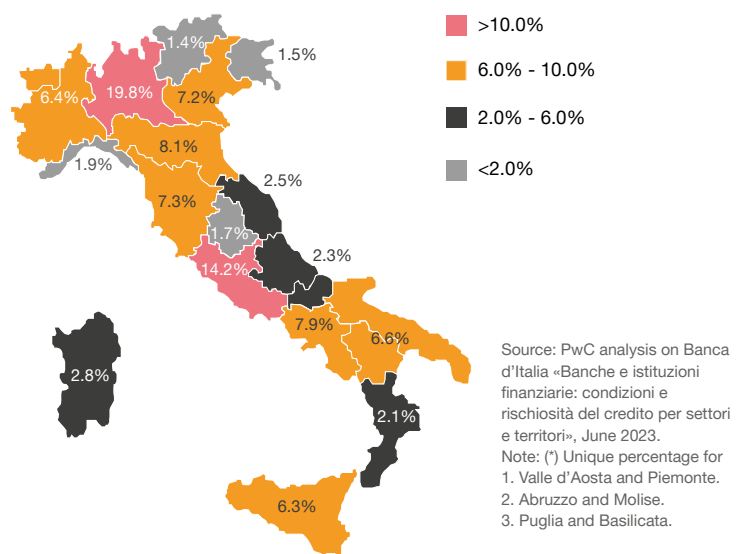
The percentage of Secured Bad Loans has shown a directional change during the last semester, going from a decrease in the period 2017-2022 (35.4% at YE- 2022), to a moderate increase (35.5% at H1-2023).

**Chart 8** (next page) shows that more than half of Secured Bad Loans are related to “Corporate & SME” (58.8%), followed by 32.0% of “Retail”.

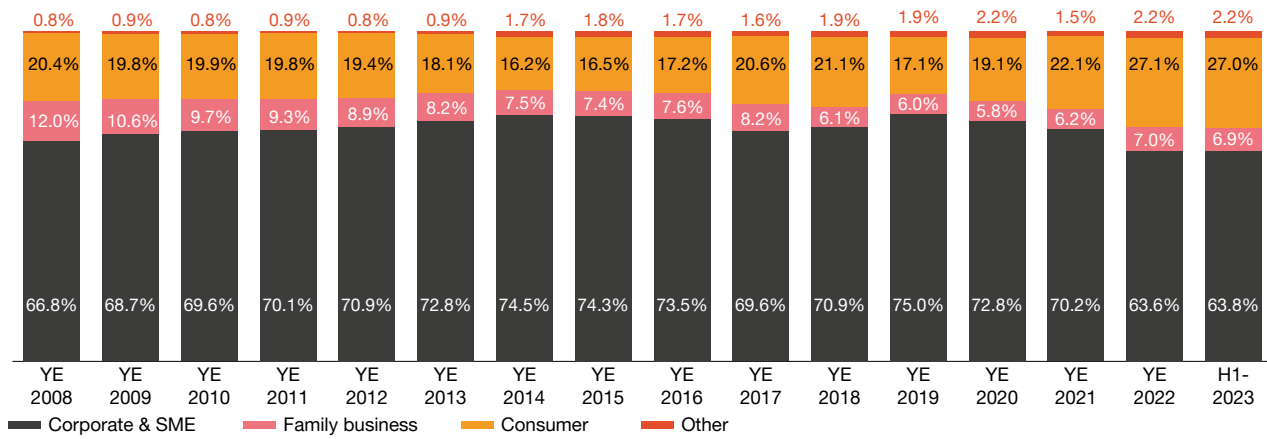
**Chart 6a:** Gross Bad Loans ratio by region\* (H1-2023)



**Chart 6b:** Breakdown of Gross Bad Loans by region\* (H1-2023)

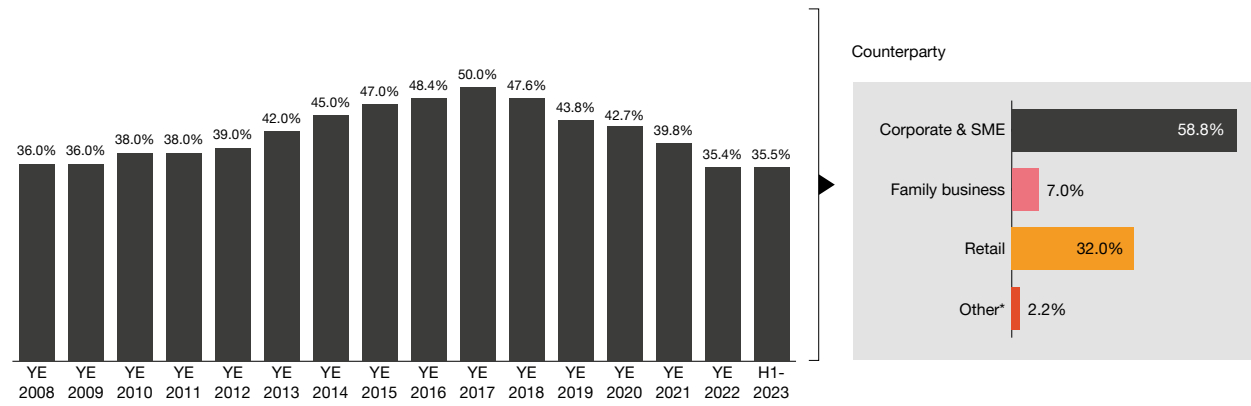


**Chart 7: Breakdown of Gross Bad Loans by counterparty\*\* (H1-2023)**



Source: PwC analysis on Banca d'Italia "Banche e istituzioni finanziarie: condizioni e rischiosità del credito per settori e territori", September 2023. Note: (\*) "Other" includes PA and financial institutions.

**Chart 8: Secured Gross Bad Loans trend\*\* (% on total Bad Loans)**



Source: PwC analysis on Banca d'Italia "Banche e istituzioni finanziarie: condizioni e rischiosità del credito per settori e territori", September 2023. Note: (\*) "Other" includes PA and financial institutions.



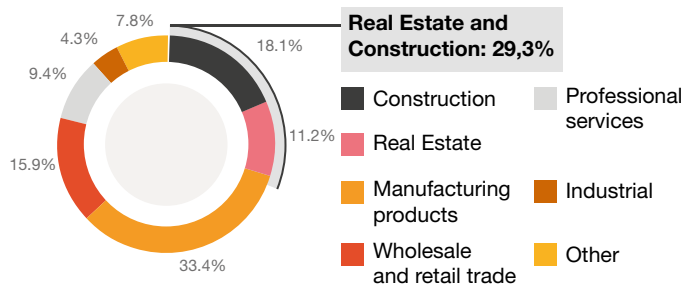
**Chart 9** shows the breakdown of Gross Bad Loans by economic sector. The largest share of the stock is represented by Manufacturing (33.4%) followed by Real Estate and Construction (29.3%). The remaining balance includes Professional Services, Industrial and other aggregate economic sectors.

**Chart 10** shows the Gross Bad Loans by ticket size. It can be observed that the ticket size higher than €1.0m (i.e., large-size exposures) represents 41.9% of the total. More in detail, 18.7% have a ticket size higher than €5.0m, while the remaining 23.2% is divided between €1.0-2.5m (14%) and €2.5-5.0m (9.2%). This cluster is followed by the medium-size exposures, which are the €250k-1m cluster (21.3%) and the €75k-250k cluster (22.2%). The remaining part is represented by the small-size exposures, with a ticket size smaller than €75k, that have an overall share of 14.5% only.

**Focus: UtP**

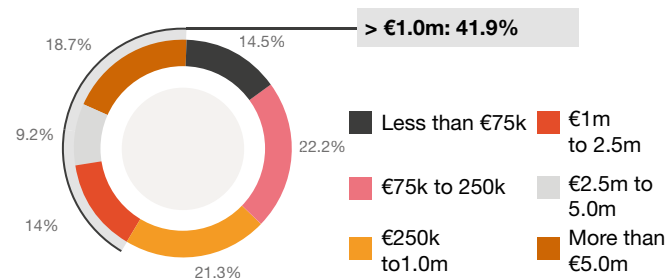
**Charts 11a and 11b** (next page), show that at H1-2023 only in Trentino-Alto Adige and in Sicilia the UtP ratio is higher than 2.5%. The other regions stand between 1.1% and 2.4%, denoting a lower incidence of UtP over total loans with respect to YE-2022. More in depth, the areas with the lowest ratio are Lazio (1.1%), Piemonte and Valle d’Aosta (1.3%) and Veneto (1.4%). In terms of volumes, the highest UtP concentration is in Lombardia and Lazio (respectively 25.0% and 15.4% of total), the lowest in Umbria (1.3%).

**Chart 9: Breakdown of Gross Bad Loans by economic sector (H1-2023)**



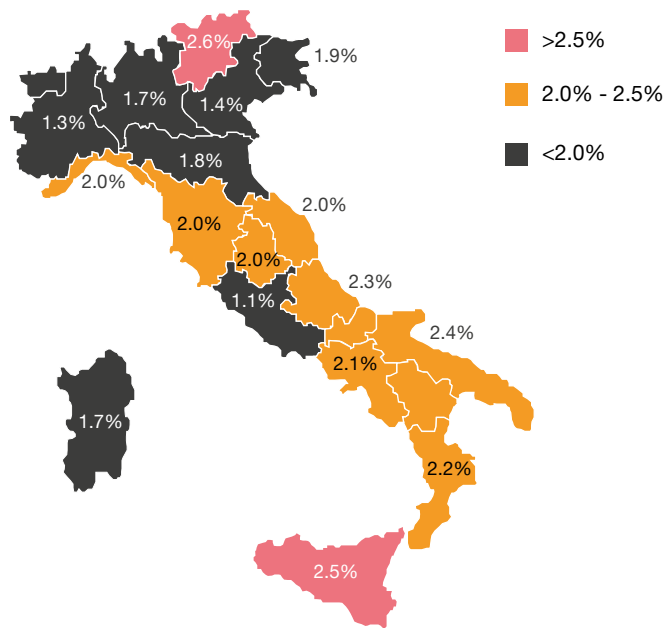
Source: PwC analysis on Banca d’Italia «Banche e istituzioni finanziarie: condizioni e rischiosità del credito per settori e territori», September 2023.

**Chart 10: Breakdown of Gross Bad Loans by ticket size (H1-2023)**



Source: PwC analysis on Banca d’Italia «Banche e istituzioni finanziarie: condizioni e rischiosità del credito per settori e territori», September 2023.

**Chart 11a:** UtP ratio by region\* (H1-2023)

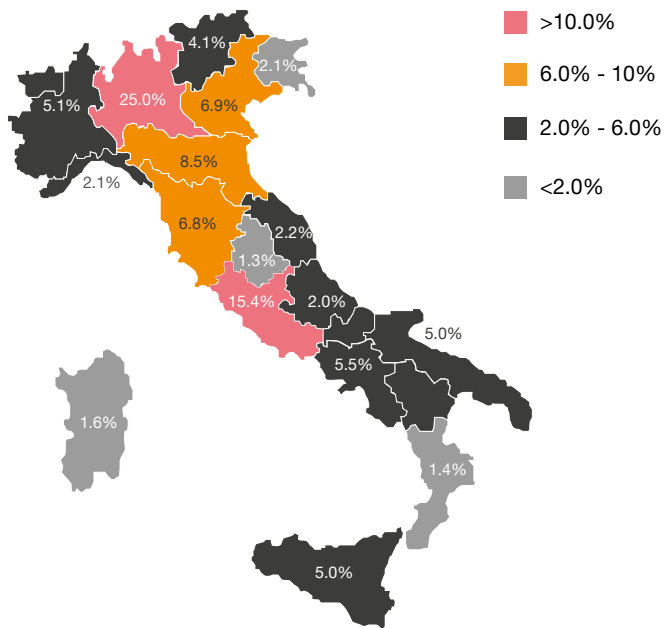


Source: PwC analysis on Banca d'Italia «Banche e istituzioni finanziarie: condizioni e rischiosità del credito per settori e territori», September 2023.  
 Note: (\*) UtP ratio in the region of Lazio is influenced by Cassa Depositi e Prestiti, included in bank of Italy database; (\*\*) Unique percentage for  
 1. Valle d'Aosta and Piemonte.  
 2. Abruzzo and Molise.  
 3. Puglia and Basilicata.



Lucca, Tuscany

**Chart 11b:** Breakdown of UtP by region\* (H1-2023)



Source: PwC analysis on Banca d'Italia «Banche e istituzioni finanziarie: condizioni e rischiosità del credito per settori e territori», September 2023. Note: (\*) Unique percentage for  
 1. Valle d'Aosta and Piemonte.  
 2. Abruzzo and Molise.  
 3. Puglia and Basilicata.



# An update on NPE transactions

## Key Message

In 2023 a total of 42 transactions have been completed, for an overall GBV of €12.3bn. This marks a 67.4% decrease

compared to the year 2022, in which 57 transactions were closed with a total GBV of €37.7bn.

In 2023, the Italian NPL market recorded a lower number of transactions compared to 2022, with a total GBV of €12.3bn. The sold portfolios also had a lower average size in terms of GBV, decreasing from approximately €0.6bn in 2022 to €0.3bn in 2023.

The decline is likely a result of the prevailing macroeconomic conditions. Specifically, the European Central Bank's frequent adjustments to interest rates, which were only recently halted, aimed at curbing inflation, have increased the cost of financing for investors, thus increasing their opportunity cost.

In terms of macro asset class, €3.4bn of the closed transactions referred to portfolios of Bad Loans, €3.5bn to deals involving UtP portfolios, and €3.8bn refers to other transactions with a mixed underlying asset class. The announced transactions for both Bad Loans and UtP loans are expected to add approximately €8.3bn by the end of 2023 and the beginning of 2024.

The second half of 2023 confirmed the relevant role of in-kind contribution credit funds (in Italian "Fondi ad Apporto di crediti"). In fact, one of the transactions with the highest GBV was the one

closed by Unicredit and illimity with the newly established Olympus Fund 1 and 2.

After about a year and a half from the expiration of the GACS scheme, discussions regarding its potential renewal seem to be on hold. The uncertainty around GACS possible renewal might have represented a constraint on the conclusion of significant securitization transactions in the NPL primary market, especially for loans classified as Bad Loans. The underperformance of some of the existing GACS securitizations might as well play a role in reducing the likelihood of a renewal.

## Key Highlights 2023 transactions

The transaction with the highest GBV (Gross Book Value) were closed by illimity and Unicredit on one hand and by Credit Factor on the other hand.

- The two banks sold credits to two in-kind contribution credit funds managed by Finint for a total GBV of €2.0bn.
- Credit Factor, on the other hand, bought a total of €2.0bn in unsecured Bad Loans.

## Focus on In-kind Contribution Funds

As of YE-2023 the largest funds in terms of GBV contributions are:

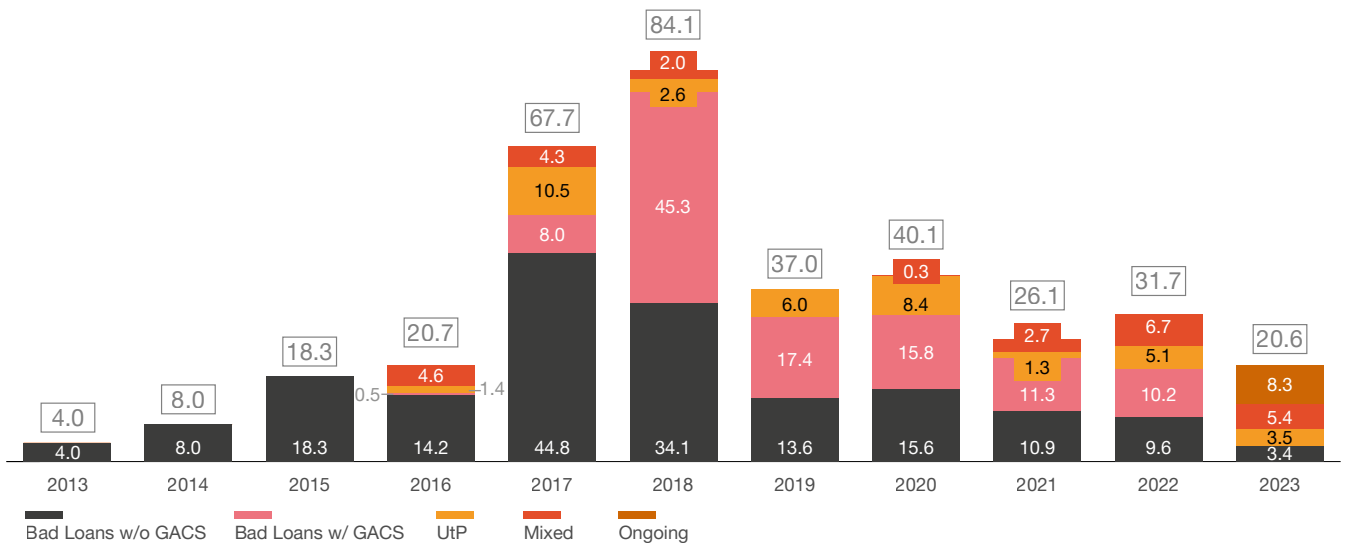
- Back2Bonis managed by Prelios (AUM of €2.5bn),
- Efesto Credit Fund managed by Finint Investments (AUM of €2.2bn) and
- Olympus Fund 1 and 2 managed by Finint Investments (AuM ca. €1bn each).

During 2023, these funds have announced acquisitions for a total GBV of approximately €3.5bn.





**Chart 12:** NPL transactions trend in the Italian market (€bn)



Source: PwC estimates on public information and market rumours.



Venice, Veneto

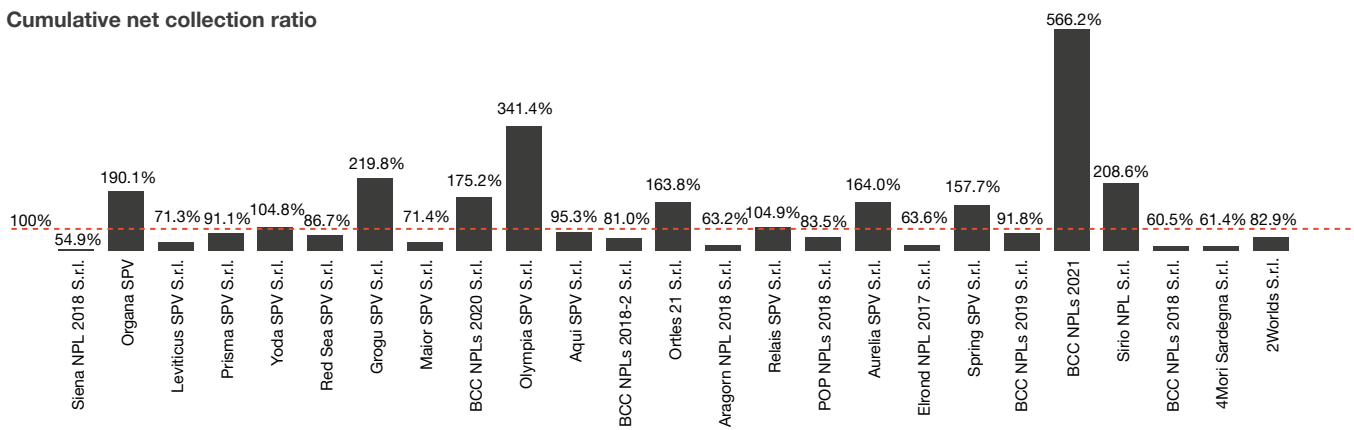
### Focus on GACS performance

According to the Scope Ratings assessment published in May 2023, out of the top 25 GACS (Guaranteed Asset-Backed Securities) in terms of Gross Book Value (GBV) for which data are available, 14 have recorded underperformance compared to their initial business plans. Among the 25 GACS analyzed, the best performance was recorded by BCC NPLs 2021, closed by Iccrea in 2021. This portfolio had a total GBV of €1.3bn and registered

a 566.2% of the Cumulative net collection ratio forecasted in the business plan. On the other hand, the poorest performance in terms of actual collections versus expected collections was observed in Project Valentine (Siena NPL 2018 S.r.l.), which was closed in 2018 by Monte dei Paschi di Siena. The portfolio associated with this project had a total GBV of €24.1bn and registered an approximate -45.1% of the collections foreseen in the business plan.

**Chart 13:** Cumulative net collection actual data compared with business plan forecasts

#### Cumulative net collection ratio



Note: (\*) Issue date is different from the closing date.

Source: PwC analysis on Scope Ratings' report "Italian NPL securitisation review: subdued performance expected to persist in 2023" - May 2023 (last IPD @Q4-2022).





**Table 1.1:** Main closed transactions as of December 2023

Date	Seller	Volume (€m)	NPE category	Macro asset class	Buyer	Primary / Secondary market
<b>Transactions closed in 2023:</b>						
2023 Q4	UniCredit & illimity	2.000	UtP	Mixed secured / unsecured	Olympus Fund 1 SPV and Olympus Fund 2 SPV	Primary
2023 Q4	Nebula SPE S.r.l.	140	n.a.	Unsecured	Marte SPV S.r.l.	Secondary
2023 Q4	Confidential	450	Bad Loans	n.a.	SPV Project 2301	Primary
2023 Q3	Banca Ifis and Investing SPA	400	Bad loans & UtP	Unsecured	SPV Project 2312 S.r.l.	Primary
2023 Q3	UniCredit	271	Bad loans & UtP	Mixed secured / unsecured	Back2Bonis Fund	Primary
2023 Q3	Banco di Sardegna	185	Bad loans & UtP	n.a.	Gaia SPV	Primary
2023 Q3	Banco BPM	115	n.a.	n.a.	Confidential	Primary
2023 Q3	Confidential	2.000	Bad Loans	Unsecured	Credit Factor S.p.A.	Secondary
2023 Q3	Various sellers	570	Bad loans & UtP	Secured	Confidential	Primary
2023 Q3	Confidential	144	Bad Loans	Unsecured	Credit Factor S.p.A.	Secondary
2023 Q3	Confidential	100	Bad Loans	Unsecured	Sorec	Secondary
2023 Q2	Confidential	500	Bad loans & UtP	Mixed secured / unsecured	Confidential	Primary
2023 Q2	BPER	470	UtP	n.a.	Elliot	Primary
2023 Q2	BPER	430	UtP	n.a.	AMCO	Primary
2023 Q2	Iccrea and Others	415	UtP	n.a.	Sagitta sgr, Intrum Italy and Zenith Service	Primary
2023 Q2	Acero SPV/Elipso Finance S.r.l.	1.376	n.a.	"Mixed secured / unsecured"	Credit Factor S.p.A.	Secondary
2023 Q2	Confidential	360	Bad Loans	"Mixed secured / unsecured"	Credit Factor S.p.A.	Primary
2023 Q2	BNL	213	n.a.	Unsecured	Marte SPV S.R.L.	Primary
2023 Q2	Italo SPV	100	n.a.	Unsecured	Hoist Finance	Secondary
2023 Q1	Confidential	400	n.a.	n.a.	Efesto Credit Fund	Primary
2023 Q1	Iccrea	390	Bad loans & UtP	Mainly Secured	AMCO	Primary
2023 Q1	Various sellers	200	n.a.	n.a.	Creditchange	Secondary
2023 Q1	Iccrea	105	Bad loans & UtP	Mainly Secured	Sagitta sgr, Intrum Italy and Zenith Service	Primary
Other transactions with deal value < €100m		933				
<b>Total (2023)</b>		<b>12.267</b>				

Source: PwC estimates on public information and market rumours of primary and secondary market. Data refer to transactions closed from January 2023 to November 2023. Some transactions involved groups of different investors; the volumes of these transactions have been allocated to each player, when possible. Otherwise, they have been assigned to the main investor. In case of securitization transactions, the total volume has been allocated to the main buyer, without taking into account eventual notes subscribed by the banks themselves and/or third parties (e.g. senior).

Source: PwC estimates on public information and market rumours.



Table 1.2: Main closed transactions as of December 2022

Date	Seller	Volume (€m)	NPE category	Macro asset class	Buyer	Primary / Secondary market
<b>Transactions closed in 2022:</b>						
2022 Q4	Banche Popolari (L. Luzzatti)	545	Bad Loans	"Mixed secured / unsecured"	Luzzatti POP NPLS 2022 srl	Primary
2022 Q4	Intesa Sanpaolo	570	Bad Loans	Mainly Unsecured	Intrum	Primary
2022 Q4	Deutsche Bank Mutui	297	Bad loans & UtP	Secured	Italian Npl Opportunities Fund, Banca Finint	Primary
2022 Q4	Confidential	160	n.a.	n.a.	Sagitta sgr	Primary
2022 Q4	Pool of banks	143	UtP	Mainly Secured	Keystone	Primary
2022 Q4	BBPM, Credite Agricole; Banco Desio & Banco di Sardegna	600	UtP	n.a.	Finint Investments SGR	Primary
2022 Q3	BPER	1.500	Bad Loans	Mixed secured / unsecured	Gardant	Primary
2022 Q3	UnipolReC	2.600	Bad Loans	Mixed secured / unsecured	Amco	Primary
2022 Q3	Monte dei Paschi di Siena	208	Bad Loans	Secured	Amco	Primary
2022 Q3	Monte dei Paschi di Siena	366	Bad Loans	Unsecured	Intrum	Primary
2022 Q3	Monte dei Paschi di Siena	344	UtP	n.a.	Illimity	Primary
2022 Q2	UniCredit	1.300	Bad Loans	Unsecured	illimity	Primary
2022 Q2	Intesa Sanpaolo	120	UtP	n.a.	AMCO	Primary
2022 Q2	Intesa Sanpaolo	1.400	Bad Loans	Secured	AMCO	Primary
2022 Q2	Intesa Sanpaolo	1.800	UtP	n.a.	CRC	Primary
2022 Q2	UniCredit	1.900	UtP	Mixed secured / unsecured	CRC	Primary
2022 Q2	Illimity, Aporti S.r.l., Doria SPV S.r.l.	500	n.a.	n.a.	Illimity, Other	Secondary
2022 Q2	Various sellers	724	n.a.	n.a.	Ifis Npl Investing	Primary/Secondary
2022 Q2	MBCredit Solutions	676	Bad Loans	Unsecured	Ifis Npl Investing	Secondary
2022 Q2	Guber	126	UtP	n.a.	Arrow Global	Primary
2022 Q2	UniCredit	1.129	NPE	Mixed secured / unsecured	ITACA SPV SrL	Primary
2022 Q2	Iccrea	650	Bad Loans	n.a.	BBC NPLs 2022	Primary
2022 Q2	Intesa Sanpaolo	8.500	Bad Loans	Mixed secured / unsecured	CRC and Bayview	Primary
2022 Q2	Illimity	475	Bad Loans	Mixed secured / unsecured	Confidential	Secondary
2022 Q2	Banco BPM	700	Bad loans & UtP	Mixed secured / unsecured	Gardant	Primary
2022 Q1	Confidential	600	Bad Loans	Unsecured	Sorec	Secondary
2022 Q1	Società gestione crediti Delta (SGCD)	134	Bad Loans	n.a.	Cassa di Risparmio della repubblica di San Marino	Primary
2022 Q1	Arrow Global	1.000	Bad loans & UtP	Mainly Unsecured	Exacta, Banco Azzoaglio	Secondary
2022 Q1	Apollo Global Management	1.800	n.a.	n.a.	illimity	Secondary
2022 Q1	UniCredit	222	Bad loans & UtP	Mixed secured / unsecured	Kruk Italia	Primary
2022 Q1	Banco Desio, BPER Banca, Banca del Fucino e Cassa di Risparmio di Volterra	127	n.a.	Mixed secured / unsecured	Keystone	Primary
Other transactions with deal value <€100m		494				
<b>Total (2022)</b>		<b>31.709</b>				

Source: PwC estimates on public information and market rumours of primary and secondary market. Data refer to transaction from January 2022 to December 2022. Some transactions involved groups of different investors; the volumes of these transactions have been allocated to each player, when possible. Otherwise, they have been assigned to the main investor. In case of securitization transactions, the total volume has been allocated to the main buyer, without taking into account eventual notes subscribed by the banks themselves and/or third parties (e.g. senior).

**Table 2:** Main announced NPE transactions as of December 2023

Status	Seller	Volume (€m)	NPE category	Macro asset class	Primary / Secondary market
Ongoing	Banche Popolari (L. Luzzatti)	400	Bad Loans	Loans	Primary
Ongoing	ICCREA	400	n.a.	Loans	Primary
Ongoing	Confidential	50	n.a.	Loans	Secondary
Ongoing	Confidential	145	UtP / Bad Loans	Leasing	Primary
Ongoing	Confidential	550	UtP / Bad Loans	Loans	Primary
Ongoing	Monte dei Paschi di Siena	400	Bad Loans	Loans / Leasing	Primary
Ongoing	Intesa Sanpaolo	n.a.	UtP / Bad Loans	Loans	Primary
Ongoing	BBPM	400	n.a.	REOs	Primary
Ongoing	Barclays	5.200	Performing, UtP, Bad Loans	Loans	Primary
Ongoing	Confidential	108	UtP / Bad Loans	Loans	Primary
Ongoing	Confidential	n.a.	n.a.	n.a.	Secondary
Ongoing	Confidential	450	Bad Loans	Loans	Secondary
Ongoing	Confidential	70	Bad Loans	Loans	Secondary
Ongoing	Confidential	70	Bad Loans	Loans	Secondary
Ongoing	Confidential	n.a.	n.a.	REOs	Secondary
Ongoing	Confidential	100	Bad Loans	Loans	Secondary
Pipeline	BBPM	700	n.a.	n.a.	Primary
	<b>Total</b>	<b>9.043</b>			

Source: PwC estimates on public information and market rumours of primary and secondary market. Data refer to announced transactions as of November 2023. Some transactions involved groups of different investors; the volumes of these transactions have been allocated to each player, when possible. Otherwise, they have been assigned to the main investor. In case of securitization transactions, the total volume has been allocated to the main buyer, without taking into account eventual notes subscribed by the banks themselves and/or third parties (e.g. senior).

Source: PwC estimates on public information and market rumours.

**Table 3:** Table of the main In-kind Contribution Funds

SGR	Fund Name	Servicer	GBV conferred (€m)	Date GBV	Inception Date	Main Distressed Type	Recent transactions of conferred receivables			
							Data	GBV (€m)	Banks	Details
Kryalos	Keystone Fund	n.a.	270	Q4 2022	1Q 2022	UtP	Q4 2022	143	Gruppo ICCREA, Bper Banca S.p.a., Banco di Desio e della Brianza S.p.A; Banca Agricola Popolare di Ragusa S.C.p.A; Cassa di Risparmio di Asti S.p.A., Banca Popolare di Sondrio S.p.A e Crédit Agricole	Il fondo ha acquisito nuovi crediti UTP per un GBV pari a € 143 mln (o/w 70% Secured) originati da 11 istituti bancari italiani e internazionali. I crediti riguardano 132 piccole e medie imprese operanti in Italia in diversi settori industriali.
Prelios	Back2Bonis	Prelios	2500	Q3 2023	3Q 2019	UtP	Q3 2023	295	UniCredit Leasing e BPER Banca	n.a.
Finint Investments	Efesto Credit Fund	doValue	1800	Q4 2022	4Q 2020	NPL, UTP e Leasing	Q1 2023	400	Confidential	Il fondo ha acquisito il credito da una primaria banca italiana
Sagitta	UTP Italia	Intrum	700	Q2 2023	3Q 2021	UtP Granulari Corporate	Q2 2023	520	Iccrea and Others	Il fondo ha acquistato due nuovi portafogli di UTP granulari derivanti da mutui e finanziamenti pmi
Illimity	Illimity Credit Corporate Turnaround	ARECneprix	280	Q4 2021	1Q 2021	UtP Corporate	n.a.	n.a.	n.a.	n.a.
Illimity	illimity Real Estate Credit (IREC)	ARECneprix	270	Q1 2023	3Q 2022	UtP e Leasing Corporate	Q1 2023	95	n.a.	Il portafoglio include crediti verso 86 diverse società operanti prevalentemente nel settore immobiliare con attività fortemente diversificate.
Finint Investments	Olympus Fund 1 & 2	ARECneprix	2000	Q4 2023	Q4 2023	"UtP e Leasing Corporate, Asset RE"	n.a.	n.a.	n.a.	n.a.

Source: PwC analysis on public data

Note: GBV is related to the entire Fund and not just to the credit contributions to the Fund

## Main GACS transactions

Table 4 1/2: List of NPE securitisations with GACS since 2016

Main banks involved	SPV	Servicer	Issuing date	GBV (€/bn)	% Secured	Rated Notes (at nominal value)					Buyer
						"Senior (% GBV)"	"Mezzanine (% GBV)"	"Junior (% GBV)"	"Senior* Yield (%)"	"Mezzanine* Yield (%)"	
Banca Popolare di Bari	Popolare Bari NPLs 2016 S.r.l.	Prelios	Aug-16	0,5	63,4%	26,4%	2,9%	2,1%	4,4%	9,9%	n.a
Banco Desio e Brianza	Brisca Securitisation S.r.l.	Prelios	Jul-17	0,9	77,2%	28,5%	3,3%	1,3%	4,6%	9,9%	n.a
BPER	Elrond NPL 2017 S.r.l.	Cerved	Jul-17	1,4	73,5%	33,0%	3,0%	1,4%	4,4%	9,9%	n.a
BPER	FINO 1 Securitisation S.r.l.	doValue	Nov-17	5,4	52,0%	12,1%	1,3%	0,9%	5,1%	8,7%	n.a
Creval	**Popolare Bari NPLs 2017 S.r.l.	Prelios	Dec-17	0,3	56,1%	25,3%	3,2%	4,2%	4,4%	9,9%	n.a
Banco BPM	Siena NPL 2018 S.r.l.	Cerved, Prelios, doValue, Credito Fondiario	Jan-18	24,1	41,6%	12,1%	3,5%	2,3%	5,1%	11,6%	n.a
ICCREA	Aragorn NPL 2018 S.r.l.	Cerved, Credito Fondiario	Jun-18	1,7	75,4%	30,5%	4,0%	0,6%	1,5%	10,9%	"Banco BPM / Senior Elliott / Mezzanine e Junior"
ICCREA	4Mori Sardegna S.r.l.	Prelios	Jun-18	1,0	53,0%	22,2%	1,2%	0,8%	1,4%	11,9%	n.a
ICCREA	2Worlds S.r.l.	Cerved	Jun-18	1,0	71,6%	28,8%	3,0%	0,9%	4,3%	11,9%	n.a
ICCREA	Red Sea SPV S.r.l.	Prelios	Jul-18	5,1	76,6%	32,5%	3,0%	1,0%	4,5%	9,9%	n.a
Iccrea	BCC NPLs 2018 S.r.l.	Prelios	Jul-18	1,0	72,0%	27,0%	3,0%	1,0%	2,9%	9,9%	n.a
ICCREA	Maggese S.r.l.	Prelios	Jul-18	0,7	63,4%	24,5%	3,5%	1,6%	1,5%	9,9%	n.a
Carige	Juno 1 S.r.l.	Prelios	Jul-18	1,0	30,4%	14,2%	2,7%	0,2%	4,5%	11,9%	n.a
Cassa Centrale	Maior SPV S.r.l.	Prelios	Aug-18	2,7	46,6%	22,9%	2,2%	1,0%	1,8%	9,9%	n.a
Cassa Centrale	Ibla S.r.l.	doValue	Sep-18	0,3	81,8%	24,4%	2,6%	1,0%	4,5%	11,9%	n.a
Banca Popolare di Sondrio	Aqui SPV S.r.l.	Prelios	Nov-18	2,1	59,5%	26,2%	3,0%	0,5%	2,0%	10,9%	n.a
Creval	POP NPLs 2018 S.r.l.	Cerved	Nov-18	1,6	65,7%	27,0%	3,2%	1,0%	4,2%	9,9%	n.a
UniCredit	Riviera NPL S.r.l.	Credito Fondiario, doValue	Dec-18	1,0	39,4%	18,2%	3,1%	1,0%	4,6%	10,9%	n.a
Intesa Sanpaolo/ BPER	BCC NPLs 2018-2 S.r.l.	doValue	Dec-18	2,0	58,4%	23,8%	3,0%	1,0%	1,3%	9,9%	n.a
Banca Popolare di Ragusa	Leviticus SPV S.r.l.	Credito Fondiario	Feb-19	7,4	66,9%	19,5%	3,0%	3,4%	2,1%	11,9%	n.a
UBI	Juno 2 SPV S.r.l.	Prelios	Feb-19	1,0	60,7%	21,1%	5,0%	1,3%	4,5%	11,9%	SPF Investment Management
UniCredit	Prisma SPV S.r.l.	doValue	Oct-19	6,1	64,0%	20,0%	1,3%	0,5%	5,4%	12,9%	n.a



Table 4 1/2: List of NPE securitisations with GACS since 2016

Main banks involved	SPV	Servicer	Issuing date	GBV (€/bn)	% Secured	Rated Notes (at nominal value)					Buyer
						"Senior (% GBV)"	"Mezzanine (% GBV)"	"Junior (% GBV)"	"Senior* Yield (%)"	"Mezzanine* Yield (%)"	
BNL (BNP Paribas)	Iseo SPV S.r.l.	Credito Fondiario, doValue	Dec-19	0,9	92,2%	39,1%	2,9%	1,6%	4,4%	9,9%	Elliott
BNL (BNP Paribas)	BCC NPLs 2019 S.r.l.	doValue	Dec-19	1,3	65,9%	26,8%	4,0%	1,0%	4,2%	10,4%	n.a
Banco BPM	POP NPLs 2019 S.r.l.	Prelios, Fire	Dec-19	0,8	46,9%	20,9%	3,0%	0,6%	4,2%	13,4%	n.a
Banca Popolare di Sondrio	Spring SPV S.r.l.	Prelios	Jun-20	1,4	52,5%	23,2%	1,5%	0,2%	4,4%	13,4%	n.a
Cassa di Risparmio di Asti	Diana SPV S.r.l.	Prelios	Jun-20	1,0	64,7%	23,5%	3,5%	0,4%	4,4%	12,9%	n.a
UBI	BCC NPLs 2020 S.r.l.	doValue	Nov-20	2,3	59,8%	22,2%	1,7%	1,0%	4,2%	11,9%	n.a
UniCredit	Relais SPV S.r.l.	doValue	Dec-20	1,6	86,5%	29,4%	5,7%	0,6%	5,4%	13,4%	n.a
Intesa Sanpaolo	Buonconsiglio 3 S.r.l.	Guber	Dec-20	0,7	65,5%	22,7%	3,1%	0,7%	4,4%	13,4%	n.a
Credit Agricole Italia	Sirio NPL S.r.l.	Prelios	Dec-20	1,2	53,7%	23,6%	2,8%	0,8%	4,4%	13,4%	Investitore Istituzionale
Banca Popolare di Bari	Yoda SPV S.r.l.	Intrum	Dec-20	6,0	41,2%	16,7%	3,5%	0,3%	4,1%	13,1%	n.a
Banca Popolare di Bari	POP NPLs 2020 S.r.l.	Credito Fondiario, Fire	Dec-20	0,9	55,9%	26,3%	2,7%	1,1%	4,2%	15,9%	n.a
Banca Popolare di Bari	Titan SPV S.r.l.	Prelios	Dec-20	0,3	87,7%	27,0%	4,5%	3,0%	4,4%	11,9%	n.a
Banca Popolare di Bari	Summer SPV S.r.l.	Fire	Dec-20	0,3	44,4%	26,5%	3,1%	0,3%	4,4%	15,9%	Investitori istituzionali
UniCredit	Aurelia SPV S.r.l.	Credito Fondiario	Jun-21	1,5	50,3%	22,6%	2,6%	0,8%	4,4%	11,9%	Investitori istituzionali
Banco BPM	Olympia SPV S.r.l.	Italfondiario, doValue	Nov-21	2,2	35,0%	12,0%	1,2%	0,1%	5,4%	13,4%	Italian Recovery Fund
UniCredit	BCC NPLs 2021	doValue	Nov-21	1,3	63,5%	21,6%	3,0%	1,0%	4,3%	11,9%	n.a
Carige	Grogu SPV S.r.l.	Intrum, Prelios	Dec-21	3,1	51,0%	15,0%	1,2%	0,1%	4,3%	13,1%	Fortress
MPS	Buonconsiglio 4 S.r.l.	Prelios	Dec-21	0,6	54,1%	20,3%	2,9%	1,0%	4,3%	18,9%	Waterfall Asset Management
UBI	Luzzatti POP NPLs 2021 Srl	doValue	Dec-21	0,8	53,7%	24,2%	3,2%	1,3%	n.a.	n.a.	n.a
BPER	Ortles 21 S.r.l.	doValue, Cerved, Italfondiario	Dec-21	1,8	44,7%	18,5%	2,2%	0,8%	4,2%	13,4%	n.a
BPER	BCC NPLs 2022 S.r.l.	doValue	May-22	0,6	n.a.	22,0%	3,0%	1,0%	4,4%	13,4%	n.a
Alba Leasing	Organa SPV S.r.l.	Intrum	May-22	8,5	28,8%	11,4%	1,5%	0,2%	4,1%	13,1%	CRC & Bayview
Intesa Sanpaolo	Itaca SPV S.r.l.	doValue	Jun-22	1,1	29,0%	11,1%	2,1%	0,5%	4,9%	13,4%	CRC
<b>Total</b>				<b>108,6</b>							
<b>Weighted average</b>					<b>52,9%</b>	<b>19,1%</b>	<b>2,8%</b>	<b>1,3%</b>	<b>4,2%</b>	<b>11,9%</b>	

Source: PwC analysis on Rating Agencies' reports.

Note: (\*) Annual yield of notes has been calculated as interbank rate as of November 2023 plus applicable spread and considering caps when applicable to variable rates.

# Stage 2 credits

## Key Message

The stock of Stage 2 loans on the bank books amounts to over €210 billion at the end of June 2023, slightly down compared to the

year-end figure (€227 billion). The portfolio is primarily composed of medium to small-sized positions, thus requiring a management

approach that is as industrialized as possible and based on insightful data analysis.

## Stage 2 perspective in Europe

Share of loans showing significant increase in credit risk (stage 2 loans) decreased slightly to 9.19% in 1H23 (down from 9.6% at the end of 2022). Stage 2 loans include assets that have seen a significant increase in credit risk since initial recognition.

The stock of stage 2 loans on European Significant banks' books amounted to €1,339 billion in 1H 2023 (compared with €1,380 billion at the end of 2022).

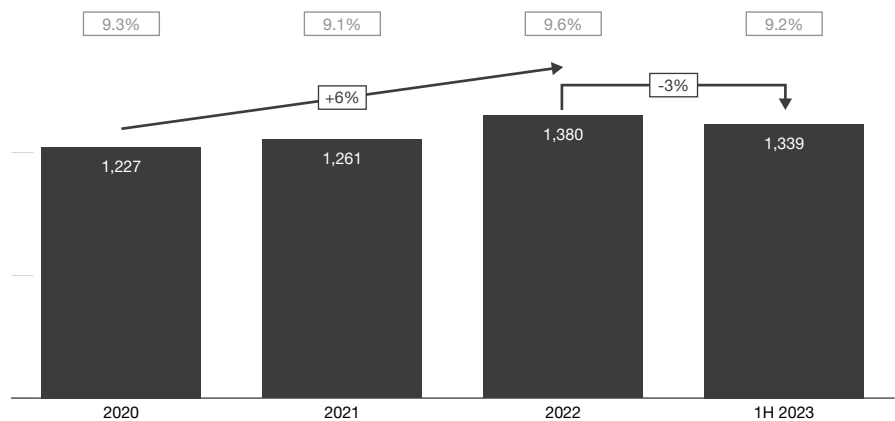
The level of Stage 2 exposures is still high throughout all European countries and reflects the different classification and management approaches adopted.

In particular, France show the highest levels of Stage 2 stocks in absolute value with €435 bn, representing 9.0% on the total loans exposure subject to impairment review. Germany follows France with € 212 bn 10% of total loans.

**Chart 14:** Stage 2 stock evolution at European level (FY20 – 1H23)

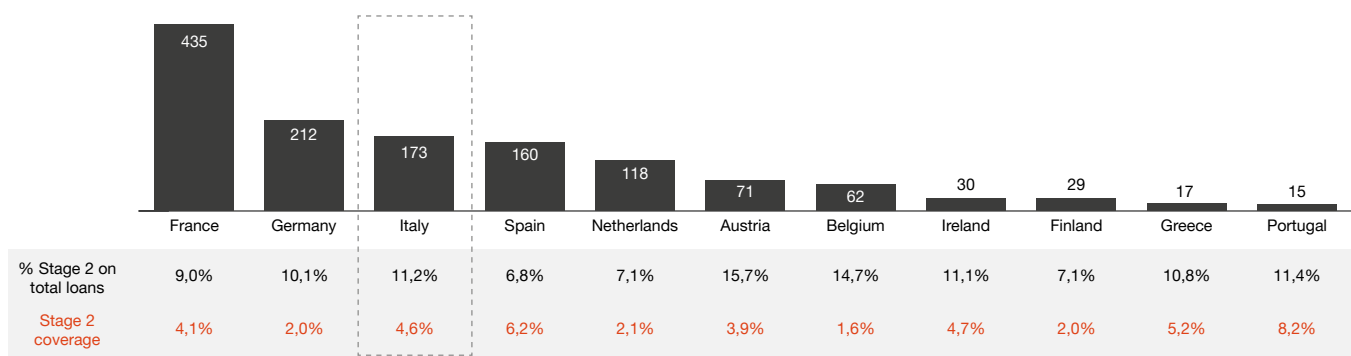
Significant banks only

**Share of total loans and advances subject to impairment review**



Austria and Belgium are the countries with the highest incidence of Stage 2 on total loans, up to around 15%.

**Chart 15:** Stage 2 stock per country – Significant banks only (1H23, data in €/bn)



1) Source: ECB – European Banking Statistics data on Significant Institutions (April 2023)



Milan, Lombardy

### Stage 2 loans in Italy

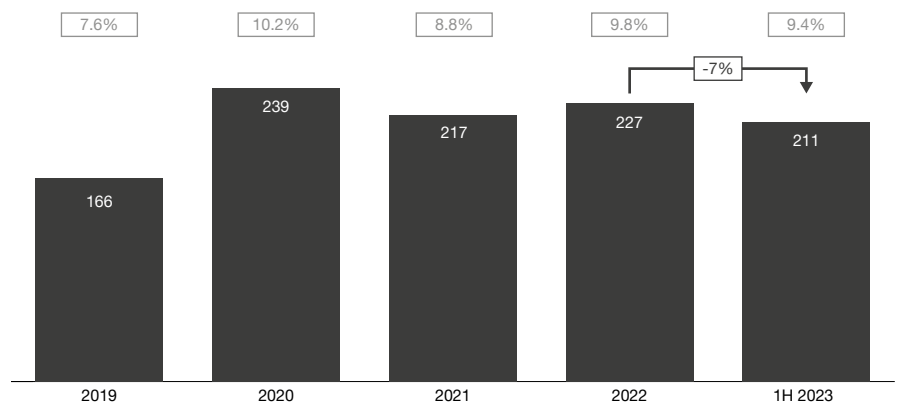
As of June 2023, Stage 2 loans on the books of Italian banks, including those of less significant banks and branches of foreign banks, totaled €211 bn, constituting 9.4% of the total loans and advances. The coverage level for Italian Stage 2 loans is approximately 4%.

Examining the composition, roughly 40% of these loans have an average value below €250k, while over 25% are large tickets (exceeding €5m).

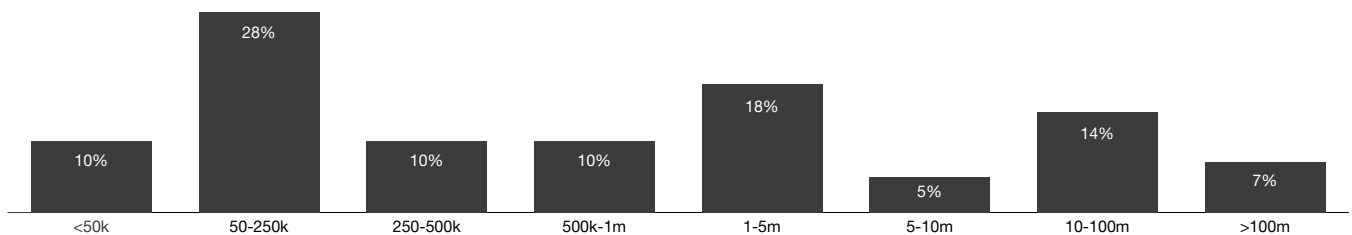
In terms of the product mix, two-thirds of the Stage 2 portfolios consist of loans to retail and corporate entities.

**Chart 16:** Stage 2 stock of Italian banks (data in €/bn)

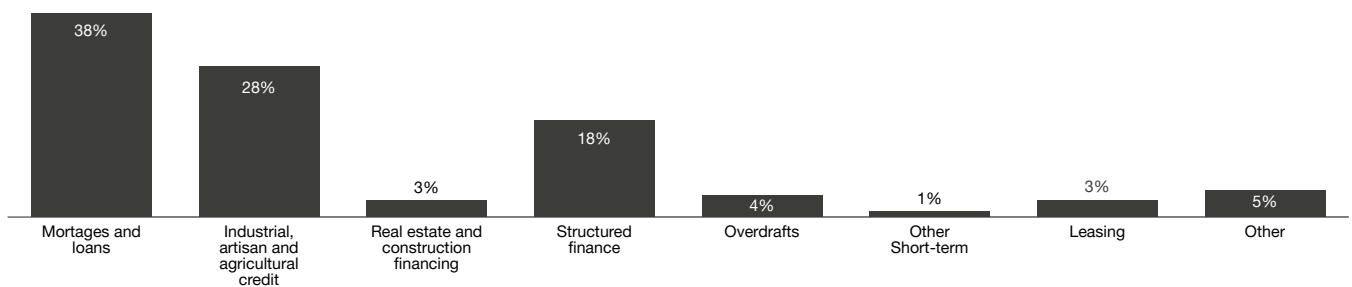
#### Share of total loans and advances



**Chart 17:** Stage 2 by ticket size (%)



**Chart 18:** Stage 2 by product



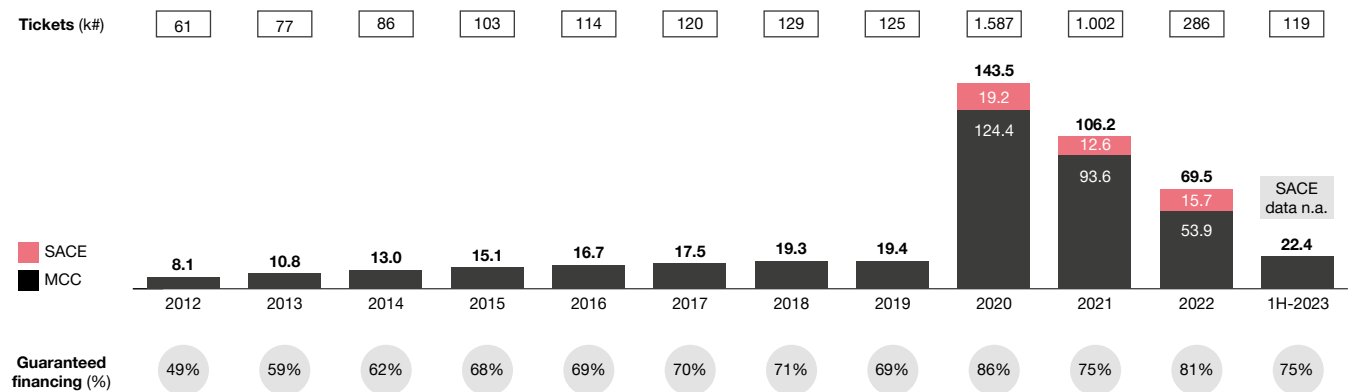
Source: PwC estimate on some analysed banking portfolios

### Focus on Guaranteed Lending

Throughout the period from 2020 to the first half of 2023, over €340 bn in loans were disbursed with public guarantees, both MCC and SACE. A significant portion of the MCC financing between 2020 and 2021 comprised small-ticket

loans directed towards refinancing purposes. As of the end of June 2023, the outstanding loan portfolio is estimated to be over €230 billion, with approximately €190 billion in active guarantees.

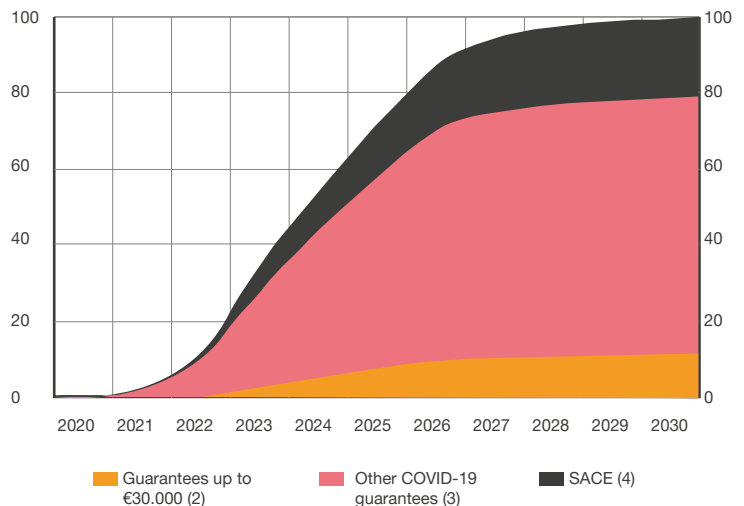
**Chart 19:** Financed amount yearly evolution (€b, 2012- 1H2023)



Sources: MCC balance sheets 2013-2014; FdG – “Reports 2015-2022”; FdG web page; SACE balance sheets 2020-2022. ...

Most of the disbursed financing benefited from a pre-amortization period (averaging 17 months), which has now generally concluded. The proportion of companies repaying both interest and principal was 50 percent by mid-2022 and is projected to reach 93 percent by 2023. The share of capital to be repaid by the end of 2023 is expected to be just under 45 percent of the total, increasing to 62 percent by the end of 2024 and 80 percent by the end of 2025.

**Chart 20:** Share of loans with public guarantee that reached maturity (monthly data)



Source: Bank of Italy «Financial Stability Report, No. 2 – 2023»

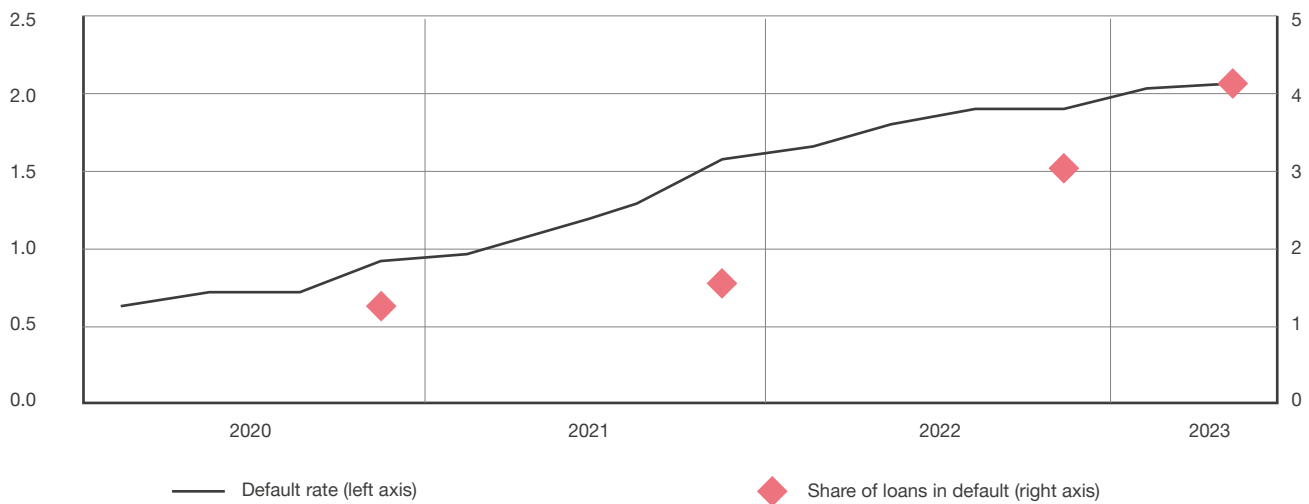
When the repayment of the principal has commenced, there has been a slight increase in the corresponding loan default rate. This rate has consistently remained higher than the default rate for companies that did not utilize government-guaranteed loans, standing at 2.1% compared to 1.1%, respectively, in June 2023.

As of the end of June, approximately 4% of the total guaranteed loans were associated with companies in an default status.

There are a couple of factors mitigating the risk that companies may fail to meet their financial commitments:

1. instalment payments are on average a small percentage of companies' turnover – around 5 per cent on an annual basis
2. relatively limited impact of recent interest rate hikes on floating-rate loans, which account for more than 60 per cent of the total amount. Bank of Italy estimates that the higher interest rates caused instalments to rise an average of 7.5% compared with March 2022 on loans that had not yet been repaid at the end of June 2023. The limited impact was helped by the fact that the guaranteed loans have a low residual maturity, 3.5 years on average.

**Chart 21:** Credit quality of loans backed by COVID-19 guarantees



Source: Bank of Italy «Financial Stability Report, No. 2 – 2023»



# Italian banking system overview

Top 10 banks results	28
A look through the new ESG Reporting framework	34



Milan, Lombardy

### Key Message

The Italian banking system has strengthened considerably, bolstered by robust capitalization, efficient derisking processes, and favorable levels of profitability. Current indications

from the rates market suggest that interest rates will persist at elevated levels for an extended period, and Italian banks are anticipated to reap the benefits of this situation. However,

there are some risk factors, including the impact of deposit beta, increased funding costs, a slowdown in credit demand, and a potential deterioration in credit quality.

As a whole, the Italian banking system is in a satisfactory financial and capital condition.

Non-performing loans, in relation to the overall loans, have been consistently declining since the peak in 2015. The ratio related to higher-quality capital (CET1 ratio) has reached its historical peak at 15.8% in 1H 2023.

Capital profitability has risen to levels not seen since before the global financial crisis, driven by interest income and a decrease in credit provisions.

The surge in profitability has been primarily driven by the substantial growth in net interest income, experiencing an approximate 50% year-on-year increase. The net interest margin, reaching 2% in the first half of 2023, continues to be the primary contributor to net interest income, given the sluggish pace of loan growth.

The average cost-to-income ratio has declined to 52%, marking a significant reduction from its 75% level in December 2016 and reaching an all-time low.

Italian banks are benefiting from the expectation that interest rates will remain high for a longer period.

Chart 22: NPL Ratio

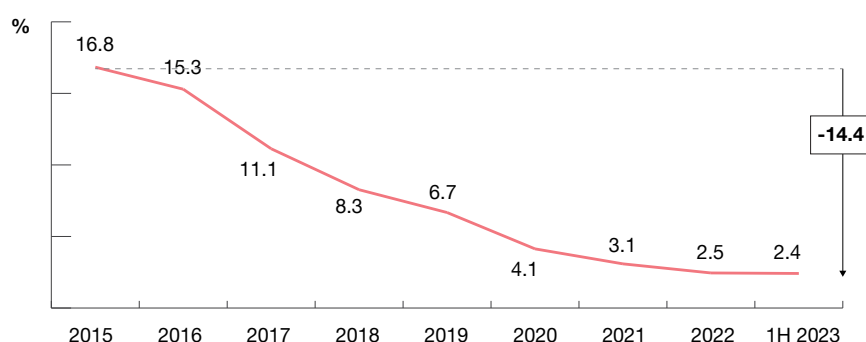


Chart 23: CET1 Ratio (fully phased)

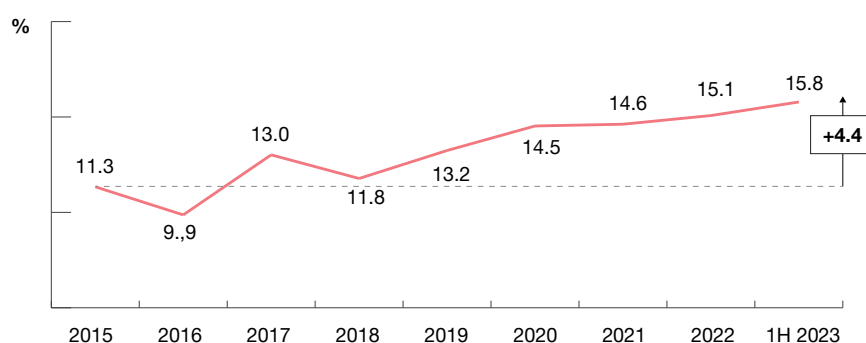
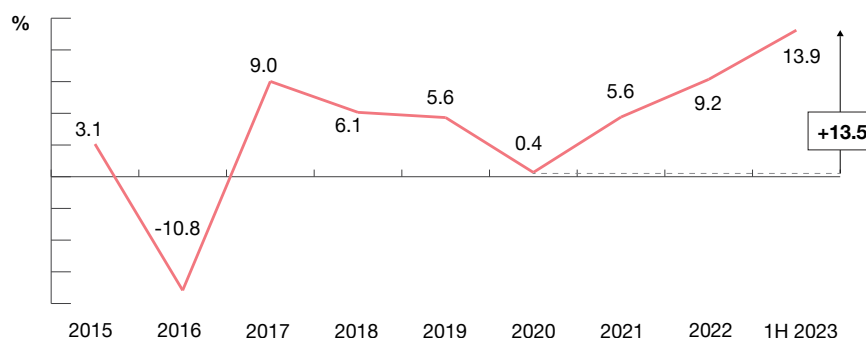


Chart 24: Return on Equity



Source: PwC analysis on EBA Risk Dashboard

# Top 10 banks results

## Key Message

The Top 10 Italian banks have been continuing to deleverage their balance sheet in the first half of the year, even if at a lower pace than in the past years as the stock of non-

performing exposure is stabilizing at a low level. The average of the banks' NPE ratio has been constantly decreasing from year to year, landing to 3.9% at H1-2023.

Only CCB announced its new industrial plan, setting its Gross NPE ratio target for YE-2026 at 4.4%, while the others left their existing targets unchanged.

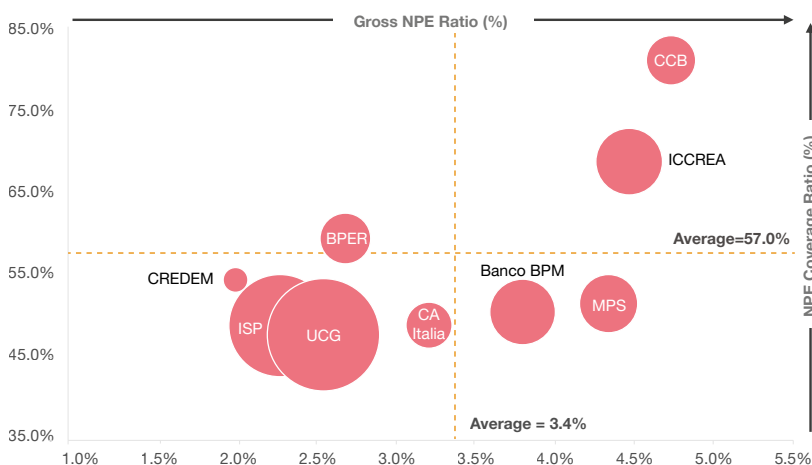
This report covers the following top 10 Italian banks:

- Intesa Sanpaolo ("ISP")
- UniCredit ("UCG")
- Banco BPM ("BBPM")
- BPER Banca ("BPER")
- Credito Emiliano ("CREDEM")
- Banca Monte dei Paschi di Siena ("MPS")
- Crédit Agricole Italia ("CA ITALIA")
- Banca Nazionale del Lavoro ("BNL")
- Iccrea Banca ("ICCREA")
- Cassa Centrale Banca ("CCB")

**Chart 25** shows the relationship between Gross NPE ratio and NPE Coverage ratio for the Top 10 Italian banks. Comparing year-end data with the half-year results, many of the Top 10 Italian banks have decreased their Gross NPE ratio. The banks that show the highest decrease in their Gross NPE ratio are Credit Agricole Italia, BPER and ICCREA.

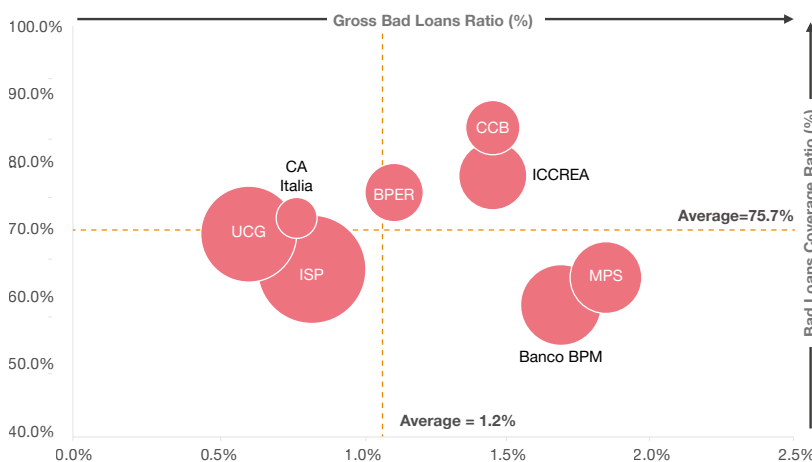
**Chart 26** represents the relationship between Gross Bad Loans ratio and Bad Loans Coverage ratio, and their average stands at 1.2% and 75.7% respectively. MPS has the highest Gross Bad Loans ratio at 1.8% and UCG the lowest at 0.6%. CCB has the highest value of Bad Loans Coverage Ratio at 92.4% and Banco BPM has the lowest value at 61.9%.

**Chart 25:** Top 10 Italian banks – NPE Peer Analysis as of H1-2023 (Bubble size: Gross NPE)



Source: PwC analysis on financial statements and analysts' presentations; Financial statements as of H1-2023. Data affected by different write-off policies.

**Chart 26:** Top 10 Italian banks – Bad Loans Peer Analysis as of H1-2023 (Bubble size: Gross Bad Loans)



Source: PwC analysis on financial statements and analysts' presentations; Financial statements as of H1-2023. Data affected by different write-off policies.

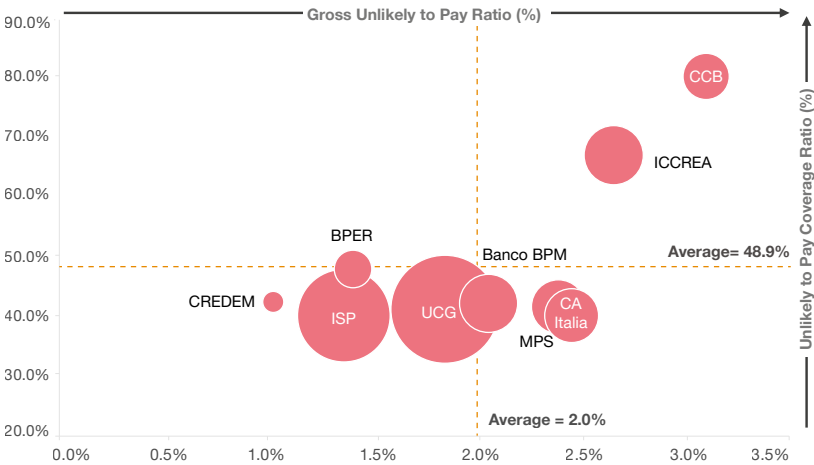




Verona, Veneto

**Chart 27** provides an overview of the Unlikely to Pay ratio combined with its Coverage ratio for the Top 10 Italian banks. The average Gross UtP ratio is 2.0% (higher than the average of Bad Loans ratio), with CCB showing the highest value (3.1%) and CREDEM the lowest one (1.0%). The average Unlikely to Pay Coverage ratio is 48.9%. CCB shows the highest level at 79.7%, while Intesa Sanpaolo the lowest (40.0%).

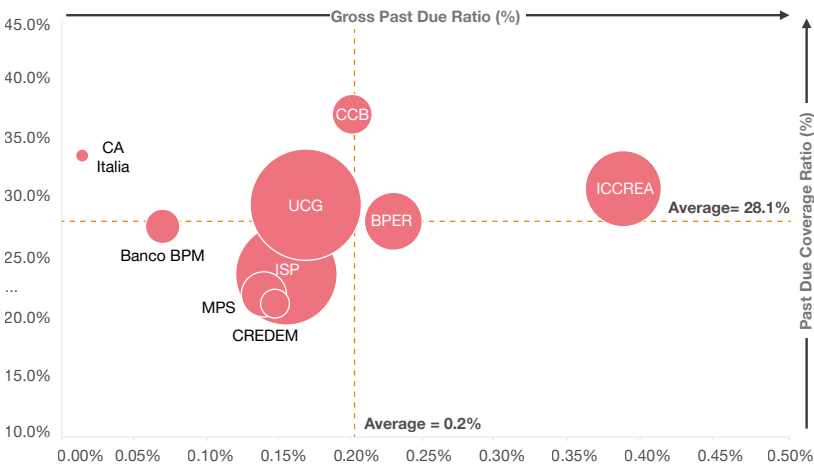
**Chart 27:** Top 10 Italian banks – Unlikely to Pay Peer Analysis as of H1-2023  
(Bubble size: Gross Unlikely to Pay)



Source: PwC analysis on financial statements and analysts' presentations; Financial statements as of H1-2023. Data affected by different write-off policies.

**Chart 28** illustrates the Gross Past Due ratio and the Past Due Coverage ratio for the banks analyzed. The averages are respectively 0.2% and 28.1%. The gross past due ratio is characterized by a low dispersion around the average, while the Coverage ratio indicates two peaks: the upward peak is CCB with 37.0%, while the downward peak is CREDEM with 21.3%.

**Chart 28:** Top 10 Italian banks – Past Due Peer Analysis as of H1-2023  
(Bubble size: Gross Past Due)

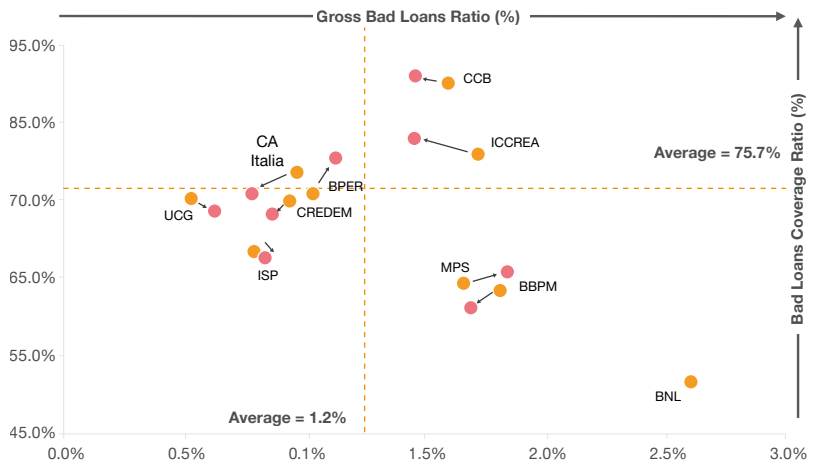


Source: PwC analysis on financial statements and analysts' presentations; Financial statements as of H1-2023. Data affected by different write-off policies.

The following three charts show the changes between YE-2022 and H1-2023.

**Chart 29** analyzes, for the banks in the sample, the movements in the Gross Bad Loans ratio and the Bad Loans Coverage ratio. ICCREA presents the most significant shift in the chart, decreasing in terms of Gross Bad Loans ratio (-15.3%) and increasing in terms of Bad Loans Coverage ratio (+2.4%), reaching 1.5% and 84.2% respectively. Also Credit Agricole Italia shows a major movement, with a decrease of 19.3% in the Gross Bad Loans ratio and a decrease of 3.4% in the coverage ratio.

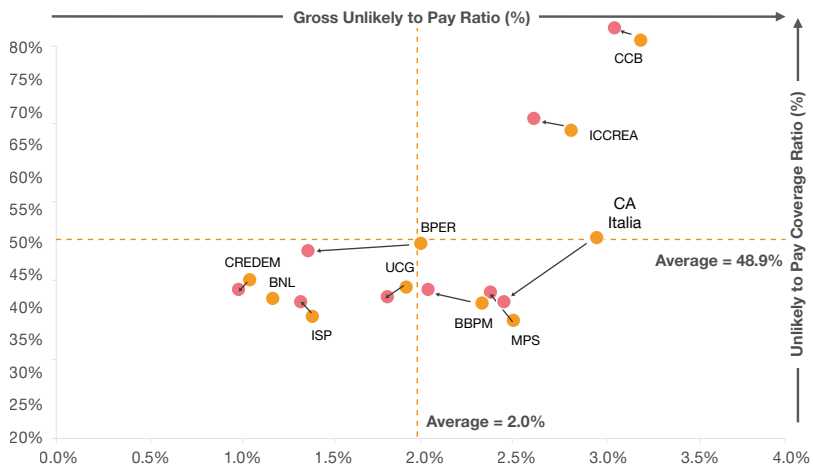
**Chart 29:** Top 10 Italian banks – Bad Loans movements (H1-2023 vs YE-2022)



Source: PwC analysis on financial statements and analysts' presentations; Financial Statements as of YE-2022 (yellow) and H1-2023 (red). Data affected by different write-off policies.

**Chart 30** shows that all the Italian banks in the sample experienced a decrease in terms of Gross Unlikely to Pay ratio. BPER and Credit Agricole Italia present the most relevant decrease (-30.1% and -17.6% respectively). In terms of Unlikely to Pay Coverage ratio, banco BBPM shows the highest increase (+4.3%) and Credit Agricole Italia the highest decrease (-18.9%).

**Chart 30:** Top 10 Italian banks – Unlikely to Pay movements (H1-2023 vs YE-2022)



Source: PwC analysis on financial statements and analysts' presentations; Financial Statements as of YE-2022 (yellow) and H1-2023 (red). Data affected by different write-off policies.



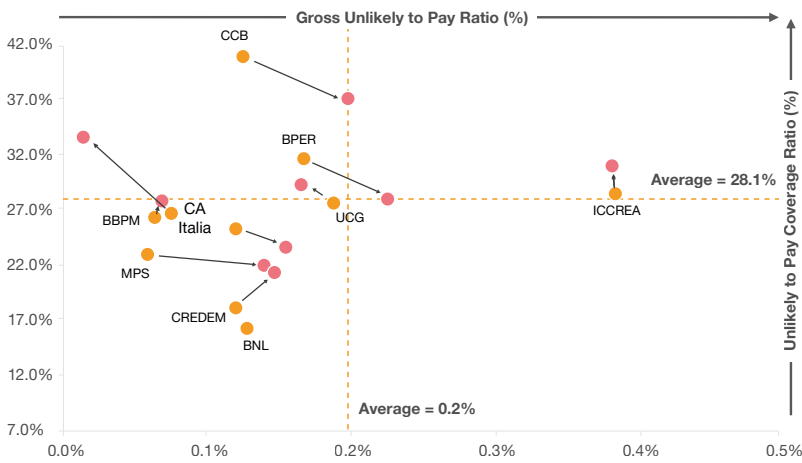
**Chart 31** illustrates the movements of the Gross Past Due ratio and of the Past Due Coverage ratio.

Intesa Sanpaolo, MPS, BPER, CCB and CREDEM increased their Gross Past Due ratio. In particular, MPS increased its ratio by 140.0%. On the other hand, Credit Agricole Italia recorded a -76.9% change in the

Gross Past Due ratio. Credit Agricole Italia also experienced the highest increase in Past Due coverage ratio (+26.8%), while CCB shows the most significant decrease (-8.9%).

Considering both the variables, CCB (down shift) and credit Agricole (up shift) are the ones that show the most relevant shifts.

**Chart 31:** Top 10 Italian banks – Past Due



Source: PwC analysis on financial statements and analysts' presentations; Financial Statements as of YE-2022 (yellow) and H1-2023 (red). Data affected by different write-off policies.



Bari, Apulia

**Focus on UtP**

The UtP stock on the Italian banking books adds up to €30.5bn at H1- 2023, lower than YE-2022 (-7.6%).

**Chart 32** shows that €27.0bn, out of €30.5bn of the current UtP stock, belong to the Top 10 Italian banks. Such banks have reduced the average Gross UtP ratio from 2.2% as of YE-2022 to 2.1% in H1-2023. BPER and Credit Agricole are the Italian banks showing the strongest decrease in UtP

stock, with a reduction equal to 31.8% and 18.7% respectively.

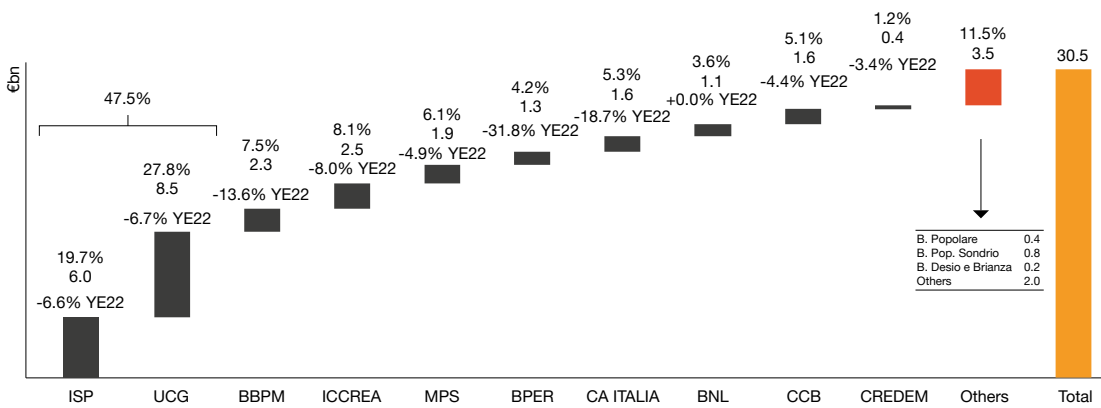
The chart below shows the current UtP stock allocation through the Top 10 banks. Comparing **Gross UtP exposures** at H1-2023 to those of YE-2022, it can be noted that all the Top 10 Italian banks have decreased their stock in the mentioned period. Moreover, Intesa Sanpaolo and UniCredit hold almost half of the

outstanding UtP stock (47.5%).

The decrease of UtP stock has been possible also thank to the interest demonstrated by main NPE investors for that specific asset class.

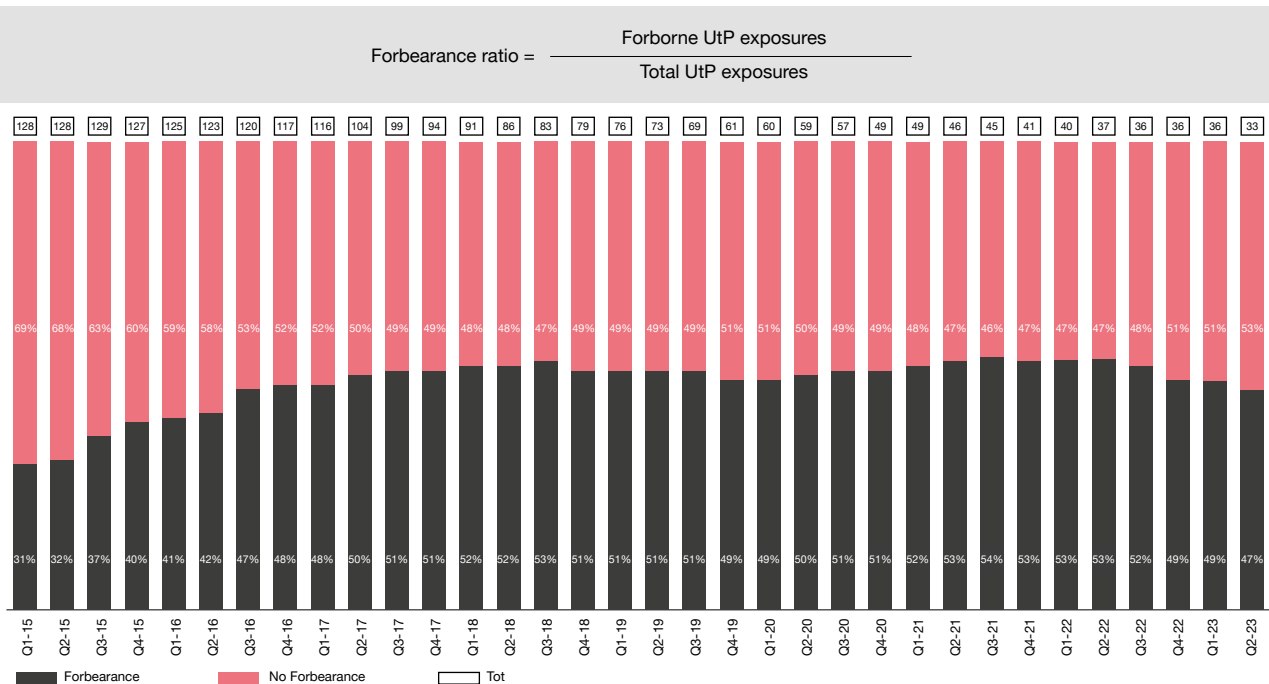
In terms of UtP stock composition, **Chart 33** shows that as of H1-2023 the portion of exposures subject to forbearance measures (49.0% of total stock) equals 46.9%.

**Chart 32:** Top 10 Italian banks – UtP distribution (€bn and %) as of H1-2023



Source: PwC analysis of financial statements and analysts' presentations. The list of Top 10 Italian banks is based on the Total Asset as of H1-2023.

**Chart 33:** Italian banks' forborne UtP exposures (€bn and %)



Source: PwC analysis on Banca d'Italia «Banche e istituzioni finanziarie: condizioni e rischiosità del credito per settori e territori», September, 2023.

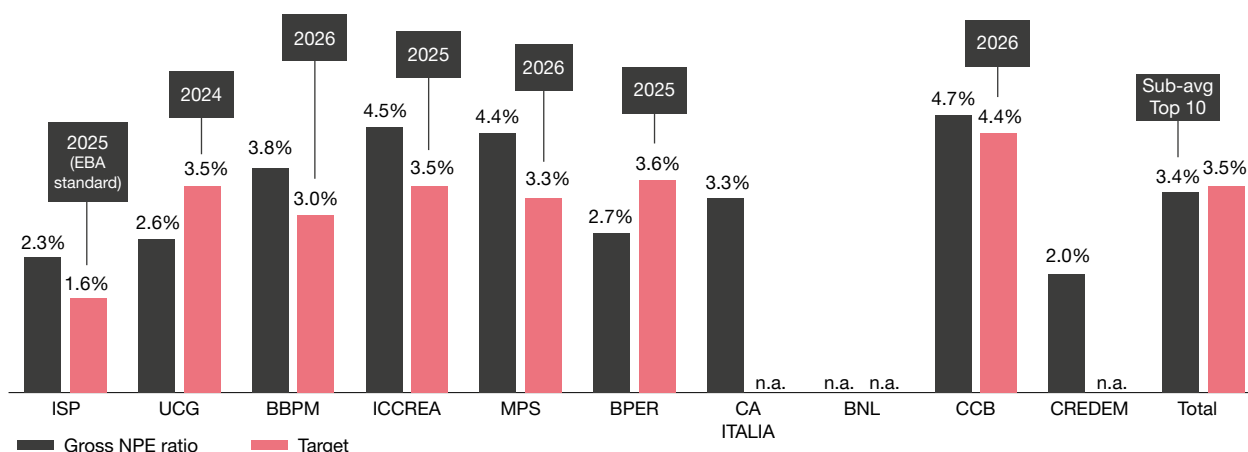
Compared to YE-2022, no substantial updates have been communicated in relation to the strategic plan of the Italian banks that are still committed to keep the incidence of NPE exposures in their banking books at the lowest level.

CCB and BBPM have disclosed their new Industrial Plans, setting their new Gross NPE ratio target at 4.4% and 3.0% respectively.

**Chart 34** provides an overview of the targets disclosed by the Top 10 Italian banks in terms of Gross NPE ratio and their actual ratios as of H1-2023.

Intesa Sanpaolo target at 1.6% for 2025 continues to be the lowest among the Top 10 Italian banks, followed by MPS, UCG and ICCREA, at 3.3%, 3.5% and 3.5% respectively. UniCredit, Banco BPM, BPER have already reached their target.

**Chart 34:** Top 10 Italian banks – Target Gross NPE ratio vs current as of H1-2023



Sources: PwC analysis on financial statements and analysts' presentations and on «Risk Dashboard – Data as of Q2-2023», EBA. Rounded numbers, total as simple average of ratios, only for banks presenting target NPE. Note: (\*) the computation of the NPE ratio of the Eurozone considers European large banks which have, differently from Italian banks, a high level of non domestic exposures characterized by lower NPL ratio values compared to domestic one.

Florence, Tuscany



# A look through the new ESG Reporting framework

## Key Message

Further to the publication of the EBA Final Implementing Technical Standards on prudential disclosures on Environmental, Social and Governance risks (ESG) in accordance with the

CRR2 Article 449a, emphasizing the urgency for financial intermediaries, major Italian banks are gathering - starting from December 2022 - quantitative tables detailing financial

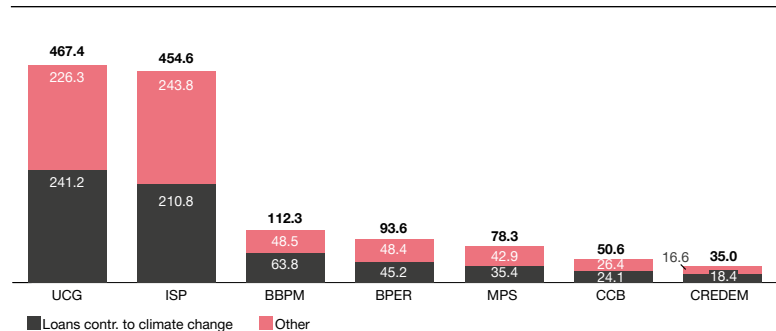
exposures to climate change risks. These risks are crucial to be addressed due to their significant impact on financial activities.

Beyond the traditional realms of finance, the contemporary banking industry is navigating a transformative era where Environmental, Social, and Governance considerations are integrated within the banking strategy and risk management disclosure. The EBA is keeping the pace with the new ESG framework, and its roadmap includes well-defined steps to ensure alignment with evolving sustainability standards.

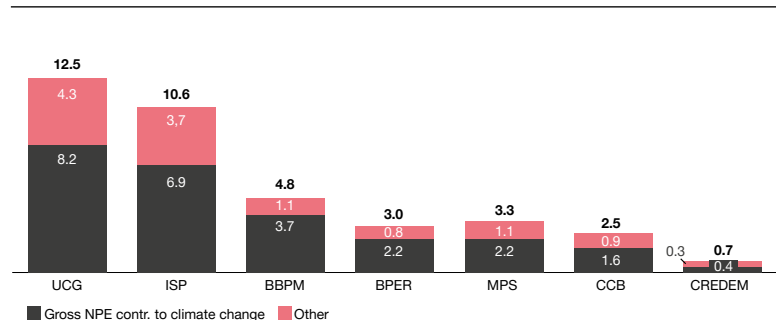
Over the years, Basel regulation has developed into three pillars addressing minimum capital requirements (Pillar I), supervisory review (Pillar II), and market discipline (Pillar III). The EBA, through the technical standards published in January 2022, has required banks to disclose qualitative and quantitative information on ESG risks through Pillar III Disclosure. The technical standards require the submission of 10 templates with quantitative information that will enable the calculation of comparable indicators (for e.g., the GAR1, which will become mandatory starting from 2024).

Data has been gathered for 7 of the Top 10 Italian banks and are as of YE2022 (last available data); special attention has been given to Template 1. Coherently with European Taxonomy, this template requires banks to disclose information about their exposure towards non-financial corporates in sectors contributing to climate change. The disclosure also covers the quality of these exposures, with critical information on non-performing exposures, stage 2, and associated impairments and provisions.

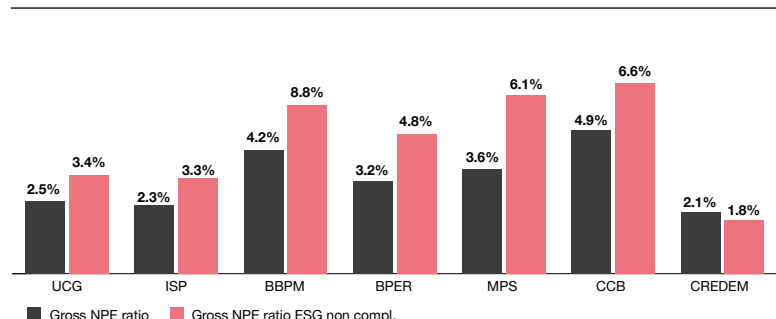
**Chart 35:** Total Loans towards sectors that highly contribute to climate change



**Chart 36:** Gross NPE towards sectors that highly contribute to climate change



**Chart 37:** Gross NPE ratio vs Gross NPE ratio towards sectors that highly contribute to climate change



1. GAR stands for Green Asset Ratio, i.e. the proportion of credit assets financing activities aligned with the EU Taxonomy ("Aligned Assets") in relation to the total ("Eligible Assets").








# The Debt Purchasing and Servicing Market

## Key Message

The credit servicing industry is undergoing a substantial transformation. The inventory of non-performing loans on banks' balance sheets has significantly decreased, reaching historic lows. Banks have redirected their

focus towards performing loans, paying heightened attention to those indicating signs of concern (high risk/Stage 2). Servicing operators need to adjust their models accordingly, introducing new services and embracing a

novel approach to capitalize on emerging business opportunities. Simultaneously, a significant inventory of NPEs remains in the hands of investors, necessitating an increasingly industrialized and specialized approach to recovery.



Siracusa, Sicily

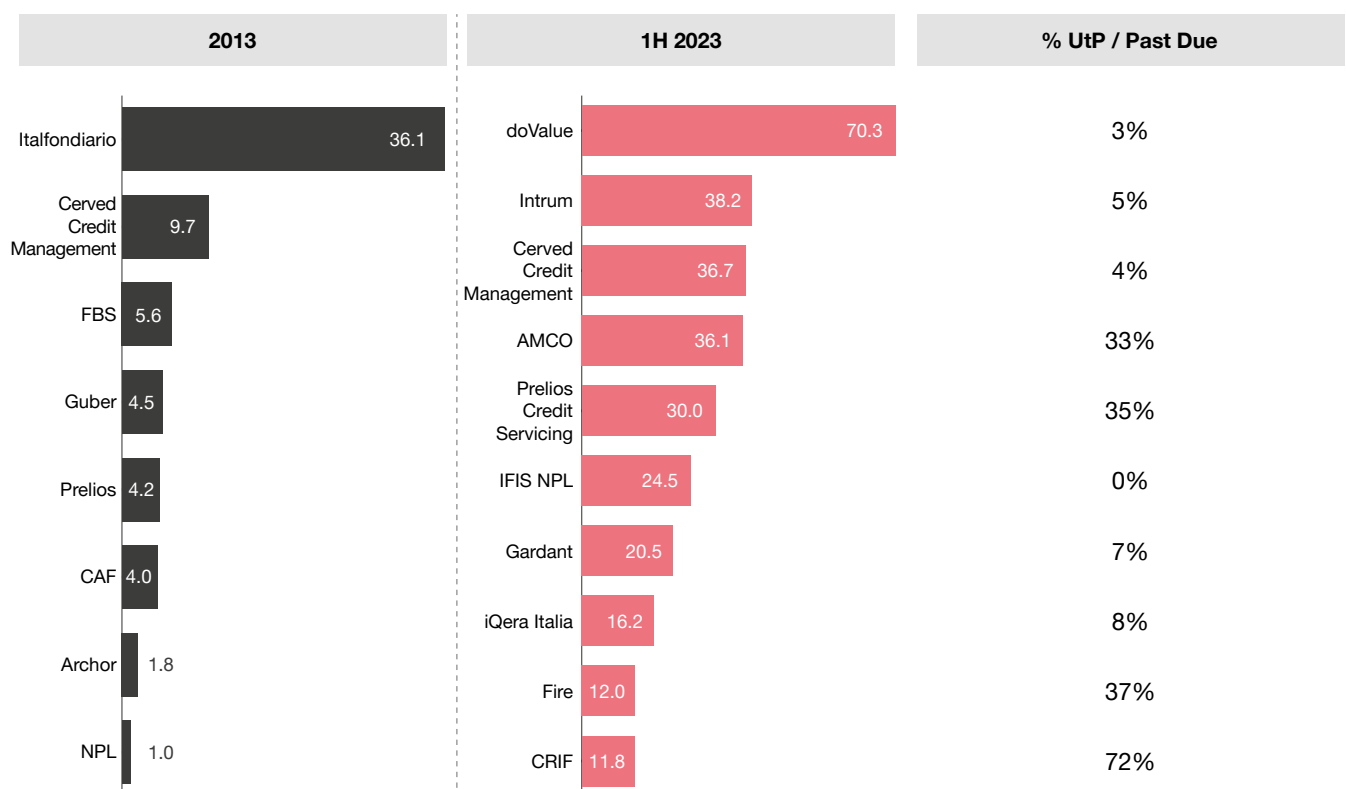
In the last 10 years, parallel to the NPE deleveraging operations carried out by Italian banks, a true debt servicing industry has emerged. In 2013, with the exception of Italfondario (now doValue), no player exceeded €10 billion of NPEs under management; today, there are 14 operators managing more than €10 billion each. Specifically, the top 10 manage approximately €300 billion in NPEs.

The market's growth has been accompanied by the development of new professional roles and a

continuous pursuit of innovation. Digitalization allowed to continuously improve effectiveness and efficiency of the industry.

The industry remains primarily focused on managing bad loans, oriented towards handling gone-concern positions with a view to settling the case. The industry for managing UtPs and, even more so, positions in performing/ Stage 2 is still in its early stages of development and this opens new challenges and opportunities for all market players.

**Chart 38:** Top 10 servicer by AuM (€ bn)



### UtP debt servicing

At June 2023, AMCO continues to lead the ranking of debt servicers specialized in UtP management, with a valuable combination of both corporate and retail expertise. At the same time, ARECNeprix consolidates its position on the Large Corporate secured segment.

Looking at Corporate UtP, Prelios Credit Servicing remains first in the ranking, thanks to long-term agreements with Intesa Sanpaolo and UniCredit.

Lastly, there are different players historically focused on retail positions and mainly working on small tickets, namely Crif, Advancing Trade, Covisian Credit Management and Fire.

**Table 5:** Top 10 Corporate UtP Debt Servicers by AuM at 30/06/2023

Company	Corporate UtP AuM (€Bn)	Corporate UtP AuM (% tot UtP)
Prelios Credit Servicing	10.6 <sup>1</sup>	100%
AMCO	9.3	78%
ARECNeprix S.r.l.	4.3 <sup>2</sup>	99%
Crif	1.8	41%
Gardant	1.1	71%
Fire	1.0	29%
doValue	0.9	63%
Advancing Trade	0.8	25%
Covisian Credit Management	0.7	27%
Cerved Credit Management	0.6	45%

**Table 6:** Top 10 Retail UtP Debt Servicers by AuM at 30/06/2023

Company	Retail UtP AuM (€Bn)	Retail UtP AuM (% tot UtP)
AMCO	2.7	22%
Crif	2.6	59%
Fire	2.6	71%
Advancing Trade	2.3	75%
Covisian Credit Management	1.8	73%
iQera Italia	1.0	75%
MB Credit Solutions	0.9	87%
Cerved Credit Management	0.8	55%
Fides	0.6	83%
doValue	0.5	37%

Source: PwC analysis on data provided by Servicers as of 30/06/2023; data have been directly provided by Servicers and have not been verified by PwC.

1. Includes €10.5bn of Unlikely to Pay captured from "market rumors and not directly provided by Prelios Credit Management.

2. Including €0.7bn managed by other illimity divisions and €0.7bn forborne/ back to bonis.



Mergozzo, Piedmont

Table 7: Main transactions in the servicing sector

<b>2014</b>						
<b>Hoist Finance</b> Acquisition of 100% of TRC from private shareholders. Specialized in consumer finance.	<b>Banca Sistema</b> Acquisition of 2 servicing platform Candia & Sting from private shareh and merger (CS Union).	<b>Cerved</b> Acquisition of 80% of Recus. Specialized in collection for telcos and utilities.				
<b>2015</b>						
<b>Fortress</b> Acquisition of UniCredit captive servicing platform (UCCMB).	<b>Lonestar</b> Acquisition of CAF a servicing platform with €7 bn AuM from private shareholders.	<b>Cerved</b> Acquisition of 100% of Fin. San Giacomo part of Credito Valtellinese group.				
<b>2016</b>						
<b>Cerved + BHW Bausparkasse</b> Long-term industrial partnership for the management of 230 €m of NPL originated by the Italian branch of BHW Bausparkassen AG.	<b>Axactor</b> Acquisition of CS Union from Banca Sistema.	<b>Lindorff</b> Acquisition of CrossFactor, a small factoring and credit servicing platform.	<b>Arrow</b> Acquisition of 100% of Zenith Service, a master servicing platform.	<b>Kruk</b> Acquisition of 100% of Credit Base.	<b>doValue</b> Acquisition of 100% of Italfondario.	<b>Dea Capital</b> Acquisition of 66,3% of SPC Credit Management.
<b>2017</b>						
<b>Kkr</b> Acquisition of Sistemta.	<b>Lindorff</b> Acquisition of Gextra, a small ticket player from doValue.	<b>Bain Capital</b> Acquisition of 100% of HARIT, servicing platform specialized in secured loans.	<b>Varde</b> Acquisition of 33% of Guber.	<b>Cerved + BHW Bausparkasse</b> Long-term industrial partnership extension for the management of a portfolio of loans of 1.5 €bn originated by the Italian branch of BHW Bausparkassen AG.	<b>Davidson Kempner</b> Acquisition of 44.9% of Prelios and launch of a mandatory tender offer.	<b>Cerved + Quaestio</b> Acquisition of the credit servicing platform (a.k.a. "Juliet") of MPS.
<b>Cerved</b> Acquisition of a NPL platform of Banca Popolare di Bari.	<b>Intrum/ Lindorff</b> Acquisition of 100% of CAF.	<b>Credito Fondiario</b> Acquisition of NPL servicing platform of Carige.				
<b>2018</b>						
<b>Lindorff / Intrum</b> Acquisition of 100% of PwC Mass of Credit Collection (MCC) department.	<b>Arrow</b> Acquisition of 100% Parr Credit and Europa Investmenti.	<b>IBL Banca + Europa Factor</b> Joint venture for the creation of the new Servicer Credit Factor (10€ vehicle).	<b>Anacap + Pimco</b> Acquisition of a majority stake in Phoenix Asset Management.	<b>Intesa + Lindorff / Intrum</b> Joint venture for the NPL platform of Intesa Sanpaolo.	<b>Kruk</b> Acquisition of 51% of Age-credit.	<b>Banca IFIS</b> Acquisition of 90% of FBS.
<b>Cerberus</b> Acquisition of 57% of Officine CST.	<b>Cerved + Studio legale La Scala</b> Joint venture for the creation of a specialized NPL law firm.	<b>Hoist Finance</b> Acquisition of 100% of Maran.	<b>Link Financial Group</b> Acquisition of Generale Gestione Crediti and his controlled company Se.Tel. Servizi.	<b>iQera (a BC Partners company)</b> Acquisition of 80% of Serfin.		
<b>2019</b>						
<b>Credito Fondiario + Banco BPM</b> Creation of a Joint venture for the management and disposals of Banco BPM NPLs.	<b>iQera (a BC Partners company)</b> Acquisition of Sistemta.	<b>IBL Banca</b> Acquisition of 9.9% of Frontis NPL.	<b>doValue + Aurora RE</b> Launch of a multi-originator platform to manage UTP portfolios secured by real estate.			
<b>2020</b>						
<b>Cerved Credit Management</b> Acquisition of 100% of Quaestio Cerved Credit Management.	<b>Bain Capital Credit</b> Acquisition of Hypo Alpe Adria rebranded as Julia Portfolio Solutions.	<b>FBS + Tinexta</b> Creation and launch of FBS Next a new NPL Servicer which will leverage on innovative technologies.				
<b>2021</b>						
<b>Hipoges</b> Acquisition of a majority stake in AXIS.	<b>Axactor</b> Acquisition of 100% of Credit Recovery Service S.r.l.	<b>Gardant Group</b> Spin-off from Credito Fondiario of the NPL investment and management business area.	<b>Cherry Bank</b> Merger between Cherry 106 spa and Banco delle Tre Venezie.	<b>Mediobanca</b> Acquisition of a majority stake in Bybrook Capital thought its London subsidiary Cairn Capital Group.		
<b>2022</b>						
<b>Consultinvest Group</b> Acquisition of 50% of Borgoesia Gestioni SGR.	<b>Zolva</b> Acquisition of 100% of Euro Service Spa.	<b>Intrum Italy</b> Acquisition of a participation of i-law, a law firm specialized in NPL servicing.	<b>Team Evolution (Gruppo Exacta)</b> Acquisition of 100% of Creden.	<b>Illimity Bank S.p.A.</b> Acquisition of 100% of Aurora Recovery Capital S.p.A.	<b>Collexion</b> Acquisition of Whitestar (former Parr Credit).	<b>Gardant</b> Creation of a joint venture with the BPER Group for NPE management.
<b>Prelios - UniCredit</b> Signing of a partnership for management of Unlikely-To Pay loans.	<b>Cerved</b> Acquisition of 100% of REV Gestione Crediti.	<b>Banca Finint</b> Acquisition of Deutsche Bank Mutui NPE servicing platform.				
<b>2023</b>						
<b>iQera</b> Acquisition of the 33% of MFLaw (STA).	<b>Sesa</b> Acquisition of the 51% of Centrotrenta Servicing spa.	<b>Cherry Bank</b> Merger of Banca Popolare Valconca into Cherry Bank.	<b>Banca Ifis</b> Acquisition of the 100% of Revalea spa (former NPL purchasing business unit of MBCredit Solutions).	<b>Guber Banca</b> Acquisition of the 100% of Reperform.com (a fintech platform specializing in online auctions).	<b>ION / Prelios</b> Acquisition of Prelios from Davidson Kempner	<b>IPV Investing</b> Launch of a new player focused on NPL purchasing/ servicing owned by S. Inguscio, C. Palla and ViviBanca
<b>A-Zeta</b> Acquisition of the legal division of Officine CST-	<b>Covisian Credit Management</b> Purchase of 100% of Credires	<b>Fire</b> Creation of Effe46, vehicle specialized in special situations				

Source: Mergermarket, companies annual reports and websites.



**Table 8:** Overview of main servicers (data at 30/06/2023) – Ranking by AuM

Company	Bank of Italy Surveillance	Special Servicing				Master Servicing AuM <sup>3</sup> (€bn)
		Total NPE AuM <sup>1</sup> (€bn)	o/w Bad Loans AuM (€bn)	o/w Other NPLs AuM <sup>2</sup> (€bn)	Performing AuM (€bn)	
doValue	106/115	70.3	68.5	1.8	0.6	60.3
Intrum	115	38.2	36.2	2.0	1.1	-
Cerved Credit Management	106/115	36.7	35.2	1.4	4.6	6.0
AMCO	106	36.1 <sup>4</sup>	24.1	12.0	-	-
Prelios Credit Servicing	106/115	30.0	19.4	10.6	0.1	19.4
IFIS Npl	106/115	24.5	24.4	0.1	-	1.7
Gardant	106/115	20.5	19.0	1.5	0.1	40.0
iQera Italia	115	16.2	14.9	1.3	0.3	-
Fire	115	12.0	7.5	4.5	8.1	-
Crif	115	11.8	3.3	8.4	3.4	-
MB Credit Solutions	106/115	11.1	8.1	3.0	3.5	-
Guber	Bank	11.1	10.7	0.3	0.0	4.9
Centotrenta Servicing	106	10.9	9.0	1.8	1.3	12.1
Hoist Italia	115	10.6	10.4	0.2	1.6	-
AZ Info&collection	115	9.8	9.0	0.8	-	-
ARECNeprix S.r.l.	115/Bank	9.6	5.3	2.7	2.7	-
Advancing Trade	106/115	9.1	6.0	3.1	-	-
Europa Factor	106/115	8.7	8.7	0.0	0.1	-
Covisian Credit Management	115	5.7	2.4	3.3	-	-
Link Financial	115	5.6	5.6	-	0.0	-
Credit Factor	106	4.6	4.6	0.0	-	-
J-Invest	106/115	4.0	4.0	-	-	-
Blue Factor	106	3.0	3.0	-	-	0.2
Fides	115	2.8	0.6	2.1	1.0	-
Duepuntozero	115	2.7	2.7	-	-	-
Banca Finint – Divisione Securitisation Services	106	2.3	1.9	0.4	4.5	71.4
Finint Revalue	115	2.2	1.7	0.5	0.0	-
SiCollection	115	2.2	2.2	-	-	2.2
AXIS S.p.A.	115	2.0	2.0	0.0	-	-
Fbs Next	115	1.5	1.3	0.2	-	-
Axactor	106/115	1.4	1.3	0.2	2.7	-
Bayview Italia	115	1.4	1.4	0.0	-	-
Zenith Service (Arrow Group)	106	1.1	1.0	0.0	3.9	44.7
Officine CST	115	1.0	0.5	0.6	0.3	-
Zolva	115	1.0	1.0	-	-	-
BCMGlobal	115	0.8	0.6	0.2	-	-
Aquileia Capital Services	106/115	0.6	0.6	-	-	1.4
PARR Credit	115	0.6	0.0	0.6	-	-
GMA S.r.l.	115	0.6	0.6	-	0.0	1.5
WIBITA	115	0.3	0.3	-	2.1	-
Certa Credita	115	0.2	0.2	0.1	0.2	-

Source: PwC analysis on data provided by Servicers as of 30/06/2023; data have been directly provided by Servicers and have not been verified by PwC. Servicers present highly heterogeneous organizational, industrial and operating structures. Comparing the information presented above requires a correct analysis and understanding of the competitive landscape and servicers' business model.

1. Includes both owned and third parties' portfolios.
2. Includes Unlikely to Pay + Past Due more than 90 days.
3. Please consider that Master and Special Servicing portfolios are in most cases overlapped.
4. Includes €10.5bn of Unlikely to Pay captured from "market rumors"; information not directly provided by Prelios Credit Servicing.

Note: Double counting may arise when adding NPL AuM as some servicers outsource part of their portfolios to others due to capacity and/ or specialization issues.



**Table 9:** Overview of main servicers (data at 30/06/2023) – Ranking by AuM

Company	Net Financial Margin (€m)	PBT (€m)	Main Activities				Operating Margin (%)	Owned Portfolio
			Debt servicing & collection	Debt purchasing	Master servicing	Rating		
doValue	229.2	79.8	✓		✓	✓	35%	0%
Intrum	-	-	✓			✓	n.a.	n.a.
Cerved Credit Management	66.8	19.4	✓		✓	✓	29%	-
AMCO	245.0	164.6	✓	✓		✓	67%	53%
Prelios Credit Servicing	0.1	0.1	✓		✓	✓	59%	-
IFIS Npl	19.9	4.2	✓	✓	✓	✓	21%	-
Gardant	35.6	0.7	✓	✓	✓	✓	2%	2%
iQera Italia	30.3	9.1	✓			✓	30%	3%
Fire	27.5	3.2	✓	✓		✓	12%	1%
Crif	12.0	-	✓			✓	-	-
MB Credit Solutions	16.0	3.9	✓	✓		✓	24%	0%
Guber	30.6	12.2	✓	✓	✓	✓	40%	37%
Centotrenta Servicing	7.4	0.7			✓	✓	9%	n.a.
Hoist Italia	19.2	(0.0)	✓	✓		✓	(0%)	29%
AZ Info&collection	8.1	-	✓				-	17%
ARECNeprix S.r.l.	15.6	2.6	✓	✓		✓	17%	-
Advancing Trade	14.8	2.6	✓	✓			18%	14%
Europa Factor	22.4	4.0	✓	✓			18%	30%
Covisian Credit Management	8.6	1.2	✓				14%	-
Link Financial	4.3	0.7	✓				17%	n.a.
Credit Factor	20.8	11.3		✓			54%	100%
J-Invest	5.5	-	✓	✓			-	3%
Blue Factor	1.4	0.1	✓	✓			10%	25%
Fides	7.8	1.3	✓				17%	1%
Duepuntozero	-	-	✓				n.a.	4%
Banca Finint – Divisione Securitisation Services	17.7	10.7			✓	✓	61%	-
Finint Revalue	4.6	0.1	✓				3%	-
SiCollection	3.7	(0.02)	✓				(1%)	-
AXIS S.p.A.	2.9	0.6	✓				20%	-
Fbs Next	3.2	1.8	✓	✓	✓	✓	58%	11%
Axactor	23.6	-	✓	✓			-	-
Bayview Italia	-	-	✓				n.a.	n.a.
Zenith Service (Arrow Group)	-	-	✓		✓	✓	n.a.	-
Officine CST	20.8	14.0	✓	✓			67%	42%
Zolva	6.4	(1.3)	✓	✓			(20%)	66%
BCMGlobal	2.0	-	✓			✓	-	-
Aquileia Capital Services	14.3	(2.8)	✓	✓			(20%)	10%
PARR Credit	-	-	✓				n.a.	0%
GMA S.r.l.	-	-	✓	✓	✓		n.a.	2%
WIBITA	-	-	✓				n.a.	-
Certa Credita	2.5	0.8	✓	✓	✓	✓	30%	n.a.

Source: PwC analysis on data provided by Servicers as of 30/06/2023; data have been directly provided by Servicers and have not been verified by PwC. Servicers present highly heterogeneous organizational, industrial and operating structures. Comparing the information presented above requires a correct analysis and understanding of the competitive landscape and servicers' business model.

Note: Double counting may arise when adding NPL AuM as some servicers outsource part of their portfolios to others due to capacity and/ or specialization issues.

**Table 10:** Breakdown of servicers' Total Special Servicing Bad Loans AuM1 (data at 30/06/2023) – Ranking by Total Special Servicing AuM

Company	Total AuM¹ (€bn)	Total Bad Loans AuM¹ (€bn)	Average Ticket (€k)	Servicing						
				Secured	Unsecured	Owned	Banks	Investors	Others	
doValue	70.3	68.5	203	33%	67%	0%	2%	98%	-	
Intrum	38.2	36.2	53	39%	61%	-	-	-	-	
Cerved Credit Management	36.7	35.2	54	49%	51%	-	29%	71%	-	
AMCO	36.1²	24.1	143	51%	49%	53%	-	-	47%	
Prelios Credit Servicing	30.0	19.4	226	60%	40%	-	-	100%	-	
IFIS Npl	24.5	24.4	11	5%	95%	-	-	100%	-	
Gardant	20.5	19.0	76	56%	44%	2%	10%	87%	-	
iQera Italia	16.2	14.9	8	55%	45%	3%	64%	28%	5%	
Fire	12.0	7.5	6	30%	70%	1%	73%	23%	3%	
Crif	11.8	3.3	13	52%	48%	-	66%	9%	25%	
MB Credit Solutions	11.1	8.1	5	8%	92%	0%	43%	55%	2%	
Guber	11.1	10.7	99	28%	72%	37%	9%	55%	0%	
Centotrenta Servicing	10.9	9.0	26	52%	48%	n.a.	n.a.	n.a.	n.a.	
Hoist Italia	10.6	10.4	11	12%	88%	29%	10%	60%	0%	
AZ Info&collection	9.8	9.0	7	17%	83%	17%	35%	38%	11%	
ARECNeprix S.r.l.	9.6	5.3	479	51%	49%	-	-	100%	-	
Advancing Trade	9.1	6.0	4	-	100%	14%	15%	5%	65%	
Europa Factor	8.7	8.7	1	0%	100%	30%	54%	13%	4%	
Covisian Credit Management	5.7	2.4	8	14%	86%	-	55%	39%	6%	
Link Financial	5.6	5.6	15	71%	29%	n.a.	n.a.	n.a.	n.a.	
Credit Factor	4.6	4.6	2	0%	100%	100%	-	-	-	
J-Invest	4.0	4.0	475	-	100%	3%	-	97%	-	
Blue Factor	3.0	3.0	10	2%	98%	25%	-	75%	-	
Fides	2.8	0.6	5	14%	86%	1%	84%	11%	4%	
Duepuntozero	2.7	2.7	254	21%	79%	4%	-	96%	-	
Banca Finint – Divisione Securitisation Services	2.3	1.9	4.454	73%	27%	-	39%	61%	-	
Finint Revalue	2.2	1.7	28	53%	47%	-	-	100%	-	
SiCollection	2.2	2.2	3	3%	97%	-	56%	37%	7%	
AXIS S.p.A.	2.0	2.0	51	64%	36%	-	59%	41%	-	
Fbs Next	1.5	1.3	91	24%	76%	11%	0%	89%	-	
Axactor	1.4	1.3	7	-	100%	-	100%	-	-	
Bayview Italia	1.4	1.4	82	97%	3%	n.a.	n.a.	n.a.	n.a.	
Zenith Service (Arrow Group)	1.1	1.0	163	79%	21%	-	-	-	100%	
Officine CST	1.0	0.5	9	-	100%	42%	4%	17%	37%	
Zolva	1.0	1.0	1	-	100%	66%	-	34%	-	
BCMGlobal	0.8	0.6	561	99%	1%	-	-	100%	-	
Aquileia Capital Services	0.6	0.6	906	92%	8%	10%	70%	11%	8%	
PARR Credit	0.6	0.0	3	17%	83%	0%	56%	19%	25%	
GMA S.r.l.	0.6	0.6	1.018	54%	46%	2%	-	98%	-	
WIBITA	0.3	0.3	499	91%	9%	-	99%	1%	-	
Certa Credita	0.2	0.2	1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	

Source: PwC analysis on data provided by Servicers as of 30/06/2023; data have been directly provided by Servicers and have not been verified by PwC. Servicers present highly heterogeneous organizational, industrial and operating structures. Comparing the information presented above requires a correct analysis and understanding of the competitive landscape and servicers' business model.

1. Includes both owned and third parties' portfolios.
2. Includes €10.5bn of Unlikely to Pay captured from "market rumors and not directly provided by Prelios Credit Management.

Note: Double counting may arise when adding NPL AuM as some servicers outsource part of their portfolios to others due to capacity and/ or specialization issues.



Bergamo, Lombardy

**Table 11:** Geographical NPL breakdown (data at 30/06/2023) – Ranking by Total Special Servicing AuM

Company	Total AuM <sup>1</sup> (€bn)	Total Bad Loans AuM <sup>1</sup> (€bn)	Special + Master Servicing		
			North <sup>2</sup>	Centre <sup>3</sup>	South - Islands <sup>4</sup>
doValue	70.3	68.5	42%	27%	31%
Intrum	38.2	36.2	n.a.	n.a.	n.a.
Cerved Credit Management	36.7	35.2	31%	48%	20%
AMCO	36.1 <sup>5</sup>	24.1	50%	29%	22%
Prelios Credit Servicing	30.0	19.4	52%	24%	25%
IFIS Npl	24.5	24.4	36%	24%	40%
Gardant	20.5	19.0	55%	23%	21%
iQera Italia	16.2	14.9	37%	36%	28%
Fire	12.0	7.5	34%	17%	49%
Crif	11.8	3.3	31%	34%	35%
MB Credit Solutions	11.1	8.1	40%	23%	37%
Guber	11.1	10.7	54%	26%	20%
Centotrenta Servicing	10.9	9.0	42%	29%	29%
Hoist Italia	10.6	10.4	48%	22%	31%
AZ Info&collection	9.8	9.0	33%	19%	48%
ARECNeprix S.r.l.	9.6	5.3	41%	44%	15%
Advancing Trade	9.1	6.0	35%	14%	51%
Europa Factor	8.7	8.7	30%	31%	39%
Covisian Credit Management	5.7	2.4	35%	31%	34%
Link Financial	5.6	5.6	30%	33%	37%
Credit Factor	4.6	4.6	26%	40%	33%
J-Invest	4.0	4.0	52%	29%	19%
Blue Factor	3.0	3.0	28%	22%	50%
Fides	2.8	0.6	43%	24%	33%
Duepuntozero	2.7	2.7	36%	22%	43%
Banca Finint – Divisione Securitisation Services	2.3	1.9	43%	35%	22%
Finint Revalue	2.2	1.7	50%	20%	30%
SiCollection	2.2	2.2	46%	30%	24%
AXIS S.p.A.	2.0	2.0	48%	23%	30%
Fbs Next	1.5	1.3	47%	28%	25%
Axactor	1.4	1.3	43%	20%	36%
Bayview Italia	1.4	1.4	47%	26%	27%
Zenith Service (Arrow Group)	1.1	1.0	53%	26%	21%
Officine CST	1.0	0.5	17%	26%	57%
Zolva	1.0	1.0	34%	31%	35%
BCMGlobal	0.8	0.6	18%	67%	14%
Aquileia Capital Services	0.6	0.6	80%	18%	3%
PARR Credit	0.6	0.0	39%	33%	28%
GMA S.r.l.	0.6	0.6	50%	20%	30%
WIBITA	0.3	0.3	67%	11%	22%
Certa Credita	0.2	0.2	31%	38%	31%

Source: PwC analysis on data provided by Servicers as of 30/06/2023; data have been directly provided by Servicers and have not been verified by PwC. Servicers present highly heterogeneous organizational, industrial and operating structures. Comparing the information presented above requires a correct analysis and understanding of the competitive landscape and servicers' business model.

1. Includes both owned and third parties' portfolios.
2. Includes Piemonte, Valle d'Aosta, Lombardia, Veneto, Trentino Alto Adige, Friuli Venezia Giulia, Liguria, Emilia Romagna.
3. Includes Toscana, Umbria, Marche, Lazio.
4. Includes Abruzzo, Molise, Campania, Puglia, Basilicata, Calabria, Sicilia, Sardegna.
5. Includes €10.5bn of Unlikely to Pay captured from "market rumors and not directly provided by Prelios Credit Management.

Note: Double counting may arise when adding NPL AuM as some servicers outsource part of their portfolios to others due to capacity and/ or specialization issues.

**Table 12:** Geographical NPL breakdown (data at 30/06/2023) – Ranking by Total Special Servicing AuM

Company	Special + Master Servicing					
	Secured			Unsecured		
	Judicial	Extrajudicial	Loan Sale	Judicial	Extrajudicial	Loan Sale
doValue	12%	83%	5%	9%	90%	1%
Intrum	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Cerved Credit Management	11%	69%	20%	8%	87%	5%
AMCO	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Prelios Credit Servicing	57%	33%	9%	51%	37%	12%
IFIS Npl	19%	72%	9%	17%	80%	3%
Gardant	20%	47%	33%	24%	27%	49%
iQera Italia	60%	40%	-	35%	65%	-
Fire	68%	32%	-	52%	48%	-
Crif	48%	52%	-	15%	85%	-
MB Credit Solutions	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Guber	57%	22%	21%	14%	71%	15%
Centotrenta Servicing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Hoist Italia	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
AZ Info&collection	-	-	-	26%	74%	-
ARECNeprix S.r.l.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Advancing Trade	-	-	-	10%	90%	-
Europa Factor	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Covisian Credit Management	100%	-	-	-	100%	-
Link Finacial	87%	13%	-	8%	92%	-
Credit Factor	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
J-Invest	-	-	-	88%	12%	-
Blue Factor	-	-	-	54%	46%	-
Fides	2%	98%	-	6%	94%	-
Duepuntozero	10%	4%	86%	20%	4%	75%
Banca Finint – Divisione Securitisation Services	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Finint Revalue	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
SiCollection	-	-	-	-	100%	-
AXIS S.p.A.	-	-	-	20%	80%	-
Fbs Next	85%	15%	-	30%	70%	-
Axactor	14%	86%	-	1%	99%	-
Bayview Italia	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Zenith Service (Arrow Group)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Officine CST	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Zolva	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
BCMGlobal	-	-	-	19%	81%	-
Aquileia Capital Services	36%	39%	25%	24%	53%	23%
PARR Credit	9%	70%	21%	20%	43%	36%
GMA S.r.l.	-	100%	-	-	100%	-
WIBITA	81%	-	19%	100%	-	-
Certa Credita	-	100%	-	-	-	-

Source: PwC analysis on data provided by Servicers as of 30/06/2023; data have been directly provided by Servicers and have not been verified by PwC. Servicers present highly heterogeneous organizational, industrial and operating structures. Comparing the information presented above requires a correct analysis and understanding of the competitive landscape and servicers' business model.



# Regulatory framework update

## Key Message

The main regulatory priority remains the NPL secondary market, tackled in several ways by Regulators in Italy and Europe.


First of all, the latest version of the Capital Requirement Regulation - that will enter into force in 2025 - includes a preferential treatment for specialized debt restructurer.

Moreover, the national transposition of the NPLs secondary market Directive is required and, related to this, EBA has activated two consultations on specific topics regarding the servicing industry.

Finally, the Italian Parliament has started the discussion on a legislative proposal to introduce an option right

for the debtor to repurchase its non-performing debt under pre-determined conditions.

Also the securitization framework is going to be slightly reviewed by the Bank of Italy, especially for 106 intermediaries.



Perugia, Umbria

## Prudential Backstop rules for «specialized debt restructurers»

On 8<sup>th</sup> December 2023 the Council of the EU published the texts of the **political agreement** reached on the Capital Requirements Regulation III (“**CRR3**”) and the Capital Requirements Directive VI.

As anticipated in the previous NPL report, the new text include a **derogation** to the **Prudential Backstop for specialized debt restructurers**. However, the conditions required to apply the derogation have

been further strengthened in this latest version with respect to the drafts previously circulated.



The derogation allow for **no deductions** from **CET1** related to insufficient coverage for non-performing exposures purchased by a **specialised debt restructurer**, after having **notified** the **Competent Authority**.

### Details on the conditions required to apply the derogation

#### New paragraph 5 added in Article 36 CRR

The derogation shall apply on an **individual basis** and, in case of groups in which all institutions qualify as specialised debt restructurers, on a consolidated basis.

“**Specialised debt restructurer**” means an institution that, during the **preceding financial year**, complied with all the following conditions on **both** an **individual** and **consolidated basis**:

- a. the **main activity** of the institution is the **purchase, management and restructuring of non-performing exposures** in accordance with a clear and effective internal decision process implemented by its management body;
- b. the accounting value measured without taking into account any credit risk adjustments of its **own originated loans** does **not exceed 15%** of its **total assets**;
- c. at least **5%** of the accounting value measured without taking into account any credit risk adjustments’ of its **own originated loans** constitutes a total or partial **refinancing**, or the adjustment of relevant terms, of the purchased non-performing exposures that qualifies as a forbearance measure;
- d. the **total assets** of the institution **do not exceed €20bn**;
- e. the institution maintains, on an ongoing basis, a **net stable funding ratio of at least 130%**;
- f. the **sight deposits** of the institution **do not exceed 5%** of **total liabilities** of the institution.

#### Role of the Authorities

The specialised debt restructurer shall notify without undue delay notify the Competent Authority if one or more of the conditions are no longer met.

Competent authorities shall notify EBA at least on an annual basis of the application of this derogation by institutions under their supervision.

EBA shall establish, maintain, and publish a list of specialised debt restructurers, monitor the activity of specialised deb restructurers and advise the Commission whether changes are needed.

## EBA Guidelines under NPLs secondary market Directive

The Directive (EU) 2021/2167 on credit servicers and credit purchasers («**NPLs secondary market Directive**») aims at

enabling credit institutions to better deal with non-performing loans by improving conditions for the sale to third parties.

The **national transposition** of the Directive is requested by 29<sup>th</sup> December 2023.

With the European Delegation Law (*legge di delegazione europea*) dated September 2023, the Italian Parliament adopted the principles and criteria to be followed by the Italian Government in the implementation of the Directive (EU) No. 2167/2021 (the "**Directive**"). In particular, several amendments will be made to, *inter alia*, existing laws (including to the Italian Consolidated Banking Act and the Italian Securitisation Law) to ensure consistency between the principles included in the Directive and the current legislative framework.

To better define some specific topics, the Directive mandates the EBA to develop dedicated guidelines. Therefore, during the last months, EBA launched two consultations on the following items:

- establishing and maintaining a **national lists or registers** of all **credit servicers** authorized (ex art. 9(1) of the Directive);
- establishing and maintaining by credit servicers **effective and transparent procedures** for the **handling of complaints** from borrowers (ex art. 24(1) of the Directive).

### Establishment and maintenance of national lists or registers

Consultation closed in October 23

#### Purpose of the Guidelines

- Specify the **type of information** to be included in the lists or registers.
- Guarantee a **level playing field** across the Union and **transparency** of information, allowing recipients to clearly identify and directly contact authorized credit servicers.

#### Recipients

- **Credit purchasers** interested in collecting information on the authorised servicers in the jurisdictions where they are planning to purchase NPLs.
- **Borrowers** interested in validating that the servicer is authorized and in understanding the change of loan ownership and repayment terms.

#### Main contents of the Guidelines

##### Features of the list / register

##### Information required

- **Accessible** on a continuous basis, free of charge and without registration needed.
- **Updated** at least **once a week**.
- **Critical information** updated within two working days.
- Legal entity Identifier (LEI).
- Legal name.
- National Unique Identification number assigned by the CA.
- Address of the head office.
- Contact details for submitting consumer complaints.
- Authorization status to provide credit servicing activities and to receive and hold funds from borrowers.
- Home country where the servicer has been authorized.
- List of countries for which the servicer has notified the CA that it provides or intends to provide servicing activities.
- Date when the credit servicer is able to start providing services in the host Member State.

In addition, EBA intends to facilitate the exchange of information between home and host member states' authorities through the provision of a pre-established information template to be submitted by the operator to the host state and the creation of a non-public list that the authorities can consult and update quickly. Finally, a dedicated page on the EBA's website is envisaged to display a list of all competent authorities to which complaints can be addressed.



## Complaints-handling procedures implemented by credit servicers

Consultation  
open until  
February 24

### Purpose of the Guidelines

- **Improve the functioning** of the **NPL market** and enhance customer and consumer protection.
- Guarantee a **level playing** field across the Union and guarantee that servicers implement harmonized, **effective** and **transparent procedures** for the handling of complaints.

### Recipients

- **Consumers**, who will be able to rely on effective complaints-handling procedures.
- **National CAs** that have to supervise that credit servicer meet all requirements set for the complaints-handling procedures.

### Main contents of the Guidelines

Proposal to extend to all authorized credit servicer the application of the **Joint committee guidelines for complaint-handling**, developed by the three European Supervisory Authorities (ESAs<sup>1</sup>) and applied across the **banking, investment and insurance** sectors since 2014.



#### Joint committee guidelines for complaint-handling

According to the Guidelines, firms should:

1. Put in place a **“Complaints management policy”** endorsed by senior management and available to all relevant staff.
2. Have a **complaints management function** which investigates complaints fairly and identifies and mitigates possible conflicts of interest.
3. **Register**, internally and in an appropriate manner, **complaints** in accordance with national timing requirements.
4. Provide **information** on complaints and **complaint-handling** to the CAs .
5. **Examine complaint-handling data**, to identify and address any recurring or systemic problem.
6. **Provide** up-to-date **information** about the complaint-handling process to the complainants.
7. **Investigate** all **relevant evidences** regarding the complaint and provide a response to complainant without delay.

San Gimignano, Tuscany



## Legislative Proposal n. 843 for the repurchasing of non performing exposures

The Proposal, presented by the Chamber of Deputies on 31<sup>st</sup> January 2023, aims at introducing in Italy an option right for the debtor to repurchase its non-performing debt under pre-determined conditions.

The Proposal has been assigned to the 6<sup>th</sup> Standing Committee "Finance and Treasury" which discussed the Proposal in July 2023 and postponed the examination.

However, the discussion has not been rescheduled yet.

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### Main contents of the Proposal

Still under discussion



#### What kind of debts would be in scope?

##### Non-performing exposures:

- classified as non-performing between 1<sup>st</sup> January 2018 and 31<sup>st</sup> December 2022, and
- sold by banks and financial intermediaries before 31<sup>st</sup> December 2022 (portfolio sales or securitizations).



#### What kind of debtors would be in scope?

- **Natural persons or SMEs**, according to the definition included in the Commission Recommendation 2003/361/CE.



#### Which are the pre-determined conditions?

- The debtor has the right to extinguish one or more debt positions by paying to the buyer the **purchase price increased by 20%**.
- The **percentage increases to 40%** if
  - the debtor was notified more than 30 days before the entry into force of the law of an introductory act of judgment or of a first extrajudicial act;
  - a judicial or extrajudicial proceeding is already in progress.
- Each debtor can extinguish one or more positions that overall do not exceed **€25 mln** (in terms of **GBV** held by a single buyer).
- The payment must be completed within **90 days**.





## Securitization framework

Bank of Italy performed a consultation (between July and September 2023) regarding 3 main topics affecting all supervised entities (banks, financial intermediaries, asset management companies, etc.).

1

### Notification

The Supervisory provisions will be updated to include rules regarding the **notification** to the Bank of Italy in case of **securitization transactions**.

In particular provisions will include:

- **information** to be sent to the Bank of Italy (at inception and ongoing);
  - **mode** and **timing** of the notification.
- a. transaction information
  - b. information on securitised exposures
  - c. information on securitisation positions;
  - d. compliance with Articles 6 to 8 of the Sec. Regulation<sup>1</sup>
  - e. attestation by the compliance function of the alignment with the regulatory framework of the internal policies

In case of **multi-originator transactions**, originator will identify a **unique entity** responsible for the notification or **delegate** the **credit servicer**.

2

### Supervisory powers under “mixed securitizations”

Mixed securitizations are transactions where both **supervised** and **non-supervised entities** are **involved**.

In these cases, **supervised entities** act as **reference contact** for the **supervisory authority** and they are responsible for the **collection** from the non-supervised entity of the **information** that will subsequently be transmitted to the Bank of Italy as part of the notification.

The securitization agreements must define at least:

**Obligations** of the **non-supervised entity**, including the transmission of information to the supervised one.

**Monitoring mechanisms** by supervised entities against non-supervised ones (e.g., periodic audits, establishment of KPIs, etc.).

The **collection** of information and the **notification** can be **delegated** to the **servicer**.

3

### Prudential framework for securitizations

106 intermediaries will be subject to the **same prudential framework** as the **banks** to ensure consistency in the system and avoid distortions in the market.

The framework was established by Regulation 2017/2401 and it is based on **3 possible methodologies** to be applied according to a sequential approach: **SEC-IRBA**, **SEC-SA**, **SEC-ERBA**.

The regulation defines also **specific rules** for **NPL** and **STS securitizations**.

106 intermediaries will also be required to **notify** the Bank of Italy in advance when they intend to carry out transactions with **Significant Risk Transfer** purposes.

1. Regulation (EU) 2017/2402 also known as “Securitization Regulation”.

## Implications over bank credit collection following the 9479/2023 decision of the United Chambers of the Supreme Court of Cassation

The Court of Justice of the European Union (also CJEU), in a decision of May 17, 2022, ruled on the topic of consumer contracts, recognizing the mandatory rule set forth in Article 6(1) of Directive 93/13/EEC as overriding and binding with regard to domestic law.

In detail, the CJEU has recognized the enforcement court's duty to examine the unfairness of contractual terms whenever they fall within the scope of the aforementioned Directive and there has been no prior decision regarding the vessatoriness of terms.

In line with the above, the Supreme Court of Cassation ruling No. 9479/2023 in accordance with the CJEU's pronouncement, also requires the judge's review and, failing that, provides for the enforcement court's power to screen the clauses with subsequent refrain from proceeding with the asset disposal until the conclusion of the aforementioned reviews.

Some guidelines are given as examples.

The Court of Milan has issued a vademecum to assist judges when carrying out their check on the

unfairness of the clause, indicating, inter alia, as vexatious: i) the clause which derogates from jurisdiction or competence; ii) the clause which provides for interest on late payment at a clearly excessive rate; iii) the clause which provides, in contracts of duration (e.g. mortgage), the consumer's forfeiture of the benefit of the term, in the event of non-performance of even a single installment; iv) the clause that provides for the consumer's obligation to pay the professional's fee at an hourly rate, without indicating the foreseeable hourly commitment; v) the clause that recognizes - in case a termination is intimated - that the consumer is required to pay a penalty equal to the amount he would have paid as consideration if the contract had not been declared terminated.

Within the framework of enforcement proceedings in the Tribunals, the trend emerging is to provide that the enforcement judge, having considered the absence of a previous screening, invites the creditor to deposit a copy of the contract being enforced and, upon the outcome, assigns a deadline for the debtor to file an objection pursuant to Article 650 of the Code of Civil Procedure in order to established if the clauses are unfair.







# Appendix: A picture of business closures


## Key Message

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During the early period of COVID-19 pandemic, bankruptcy filings and other insolvency activities were suspended, with the consequent freezing of the Italian business closures. Beyond that, such reduction is a consequence of several economic support measures

implemented by the Italian Government. As a result, data show a decreasing trend in the number of bankruptcies, which remained below pre-pandemic levels even in H1-2023. However, there are signals the decreasing trend in the number of bankruptcies is reversing.

Manarola, Liguria





**Chart 39** shows that in the last three quarter the number of bankruptcies has increased. As of H1-2023, the total number of bankruptcies has increased by 9.5% compared with the previous period (Q1-2023). As a confirmation of the abovementioned trend, the total number of bankruptcies in the second half of 2023 has increased in absolute value from 2,030 (H1-2022) to 2,038 (H2-2023), thus showing a 0.4% change.

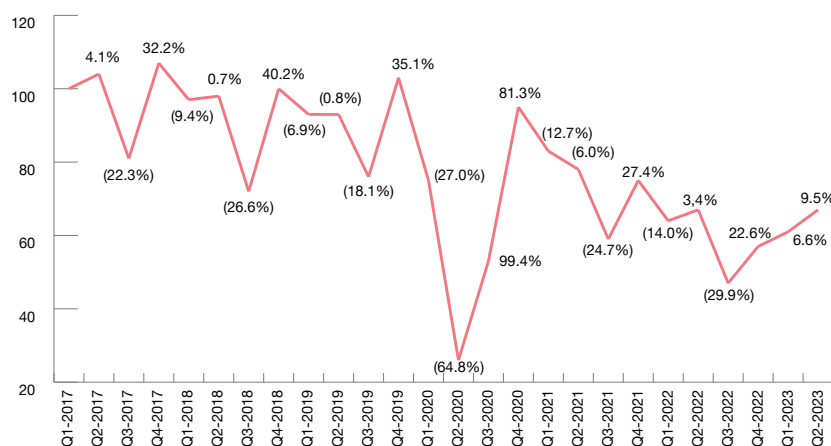
A sort of cyclical seasonality can be outlined as shown by the clear drop in the number of bankruptcies in Q3 of each year, which is due to the fact that courts usually remain closed in August. By contrast, Q4s highlight an increase in bankruptcy proceedings since court operations are at their maximum in this period of the year.

According to **chart 40**, the increase in bankruptcies in Q2-2023 in comparison with Q2-2022 has been driven by Sole Traders and by Limited Companies, which register an increase over the same period of the previous year equal to 27.7% and 0.3% respectively. On the other hand, the number of Partnership bankruptcies shows a decrease equal to -6.3%. However, the chart signals a decrease in bankruptcies in comparison with the same period in 2019. Partnerships bankruptcies register the higher decrease (-43.1%), followed by Limited Companies bankruptcies (-27.1%).

**Chart 41** shows the contribution of each sector to the change in bankruptcies between H1-2023 and H1-2022. The Industrial sector shows the highest increase in the period (+5.2%), followed by Services (+1.0%), while the Construction sector registers a reduction (-8.9%).

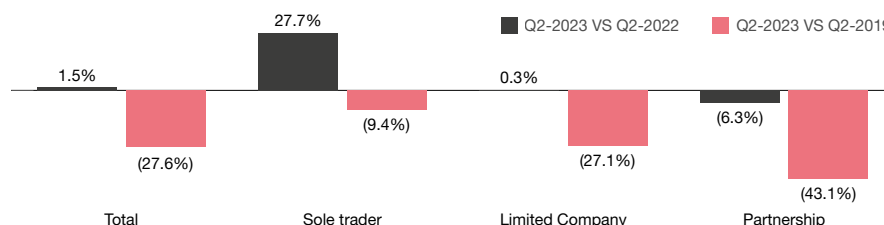
**Chart 42** shows the contribution of each geographic area to the change in bankruptcies between H1-2023 and H1-2022. The North-East and the Center show an increase in the period (+12.1% and +11.6% respectively), while the South and the North-West a decrease (-7.1% and -4.0% respectively).

**Chart 39:** Bankruptcies trend in Italy from Q1-2017 to Q2-2023

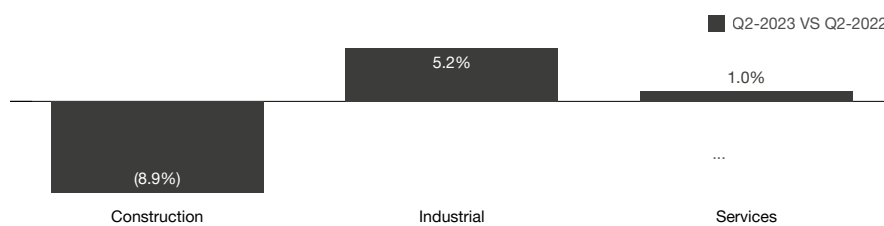


Source: PwC analysis on data taken from "Registrazioni e fallimenti di imprese – Il trimestre 2023", Istat, August 2023. Note: The following graph represents the indexed evolution of bankruptcies in Italy on a 100 basis in Q1-2017 and considers the percentage change compared to the previous quarter.

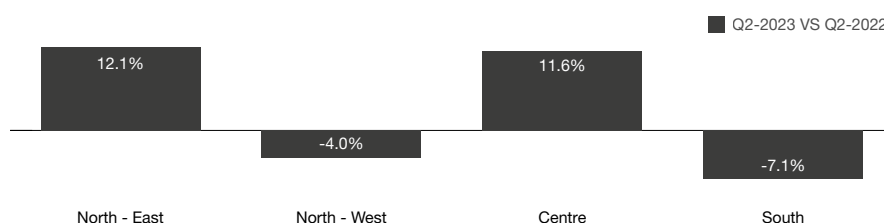
**Chart 40:** Bankruptcies by legal form (% change Q2-2023 vs Q2-2022 and Q2-2019)



**Chart 41:** Bankruptcies by sector (% change Q2-2023 vs Q2-2022)



**Chart 42:** Bankruptcies by geographic area (% change Q2-2023 vs Q2-2022)

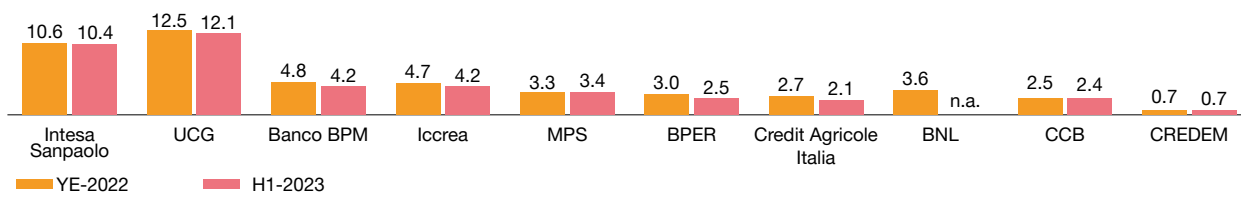


Source: PwC analysis on data taken from "Osservatorio fallimenti", Cerved, September 2023.

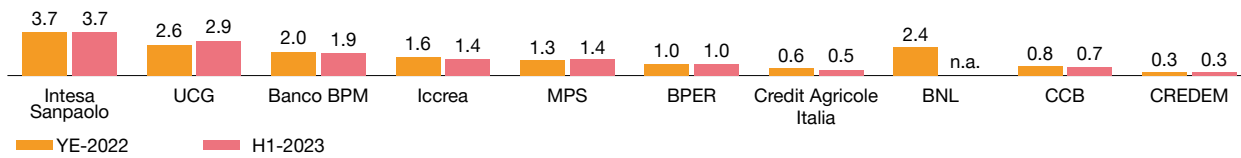


# Appendix: Top 10 Italian Banks

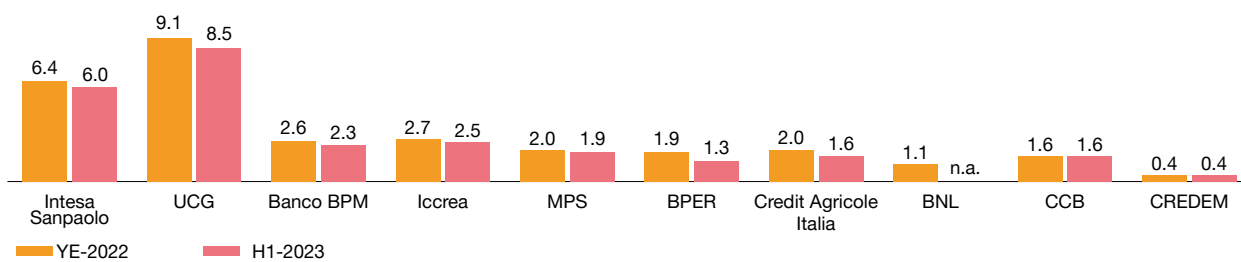
Gross NPE (€bn)



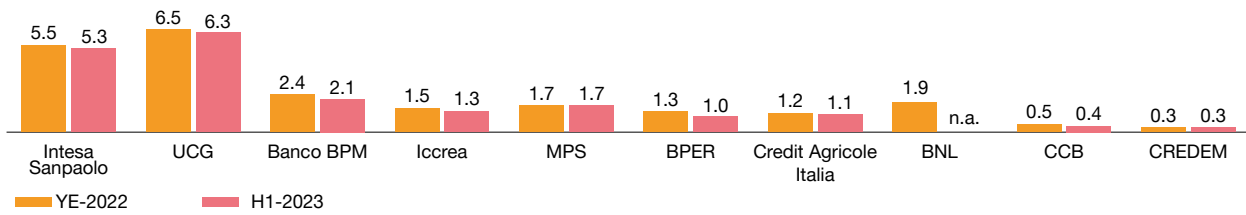
Gross Bad Loans (€bn)



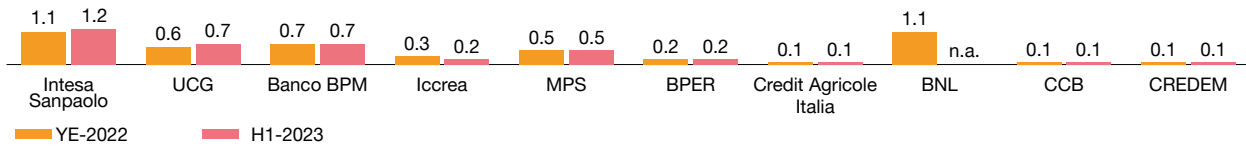
Gross Unlikely to Pay (€bn)



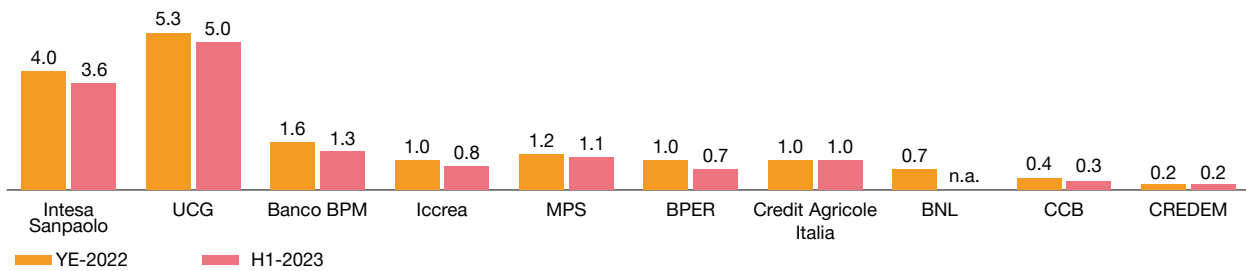
Net NPE (€bn)



Net Bad Loans (€bn)



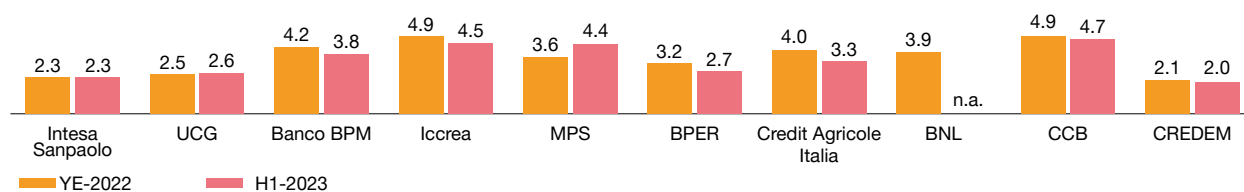
Net Unlikely to Pay (€bn)



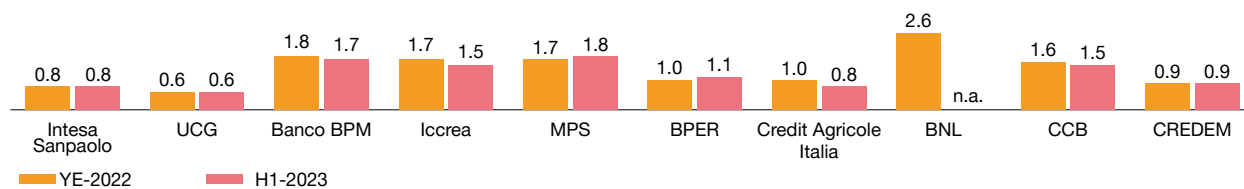
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## Appendix: Top 10 Italian Banks

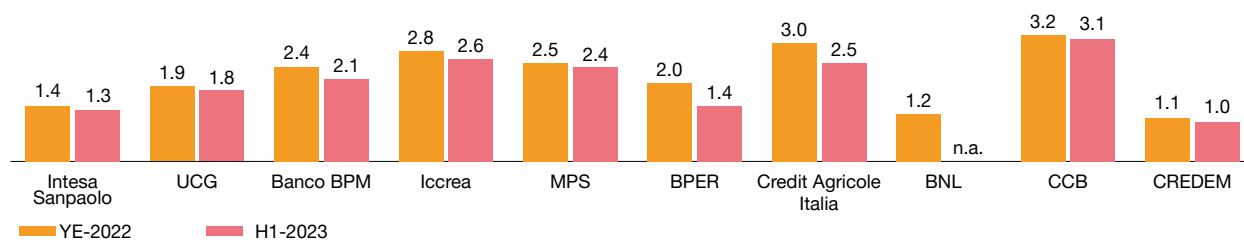
Gross NPE ratio (%)



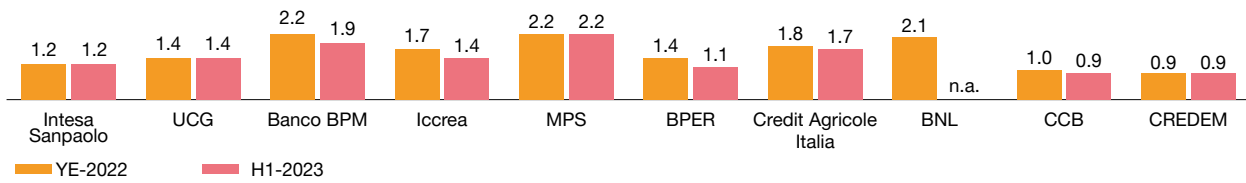
Gross Bad Loans ratio (%)



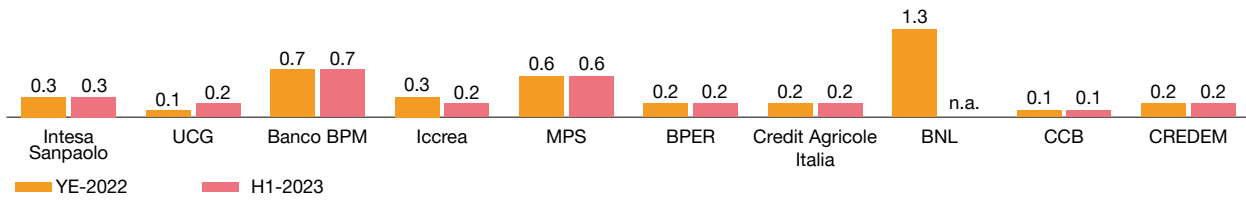
Gross Unlikely to Pay ratio (%)



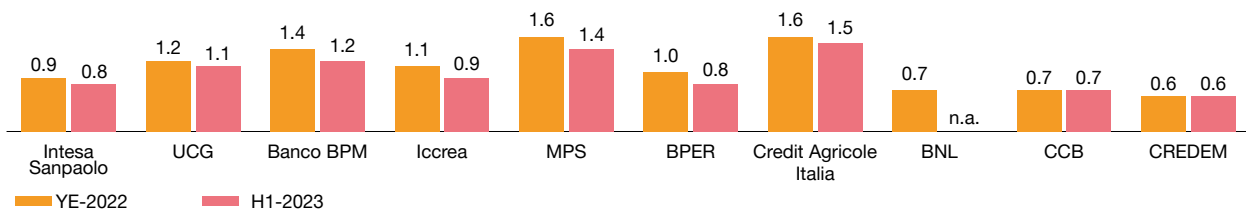
Net NPE ratio (%)



Net Bad Loans ratio (%)



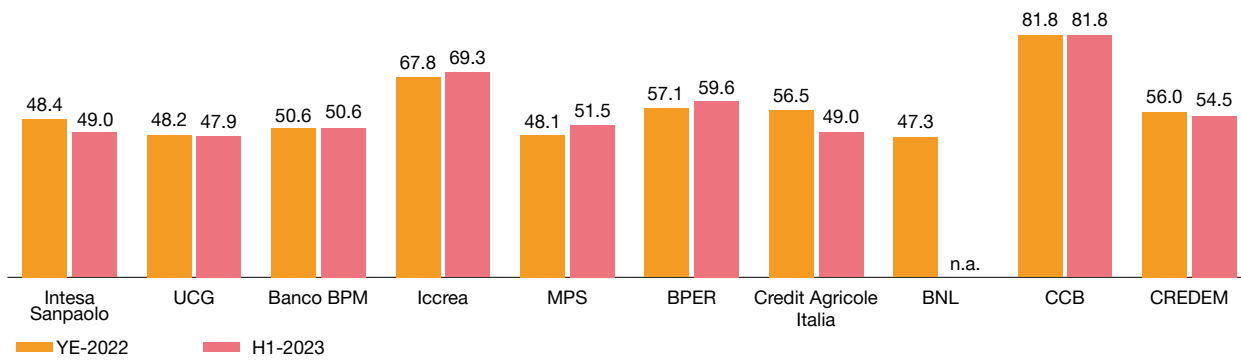
Net Unlikely to Pay ratio (%)



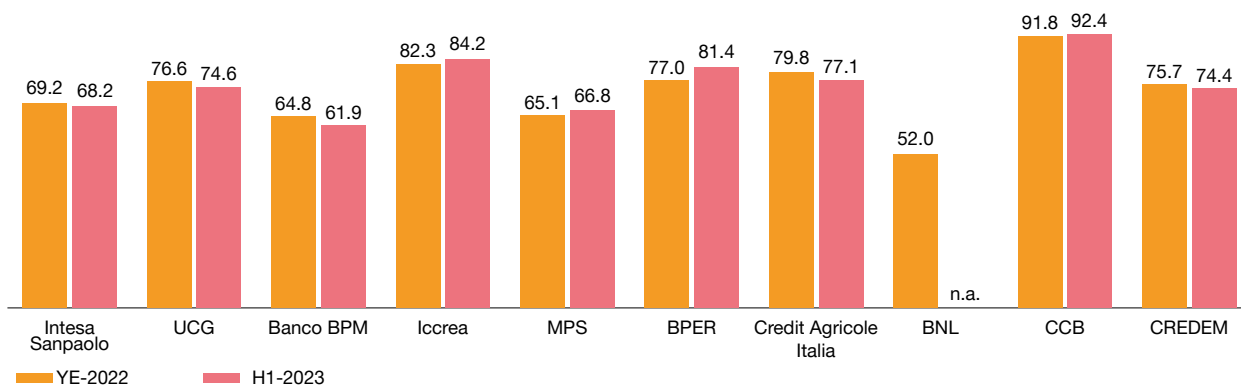
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## Appendix: Top 10 Italian Banks

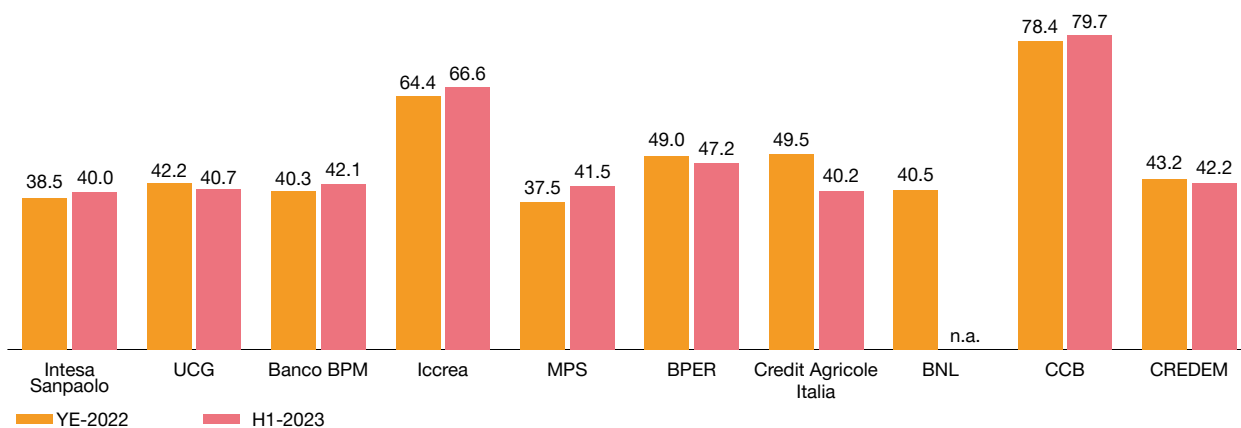
NPE Coverage ratio (%)



Bad Loans Coverage ratio (%)



Unlikely to Pay Coverage ratio (%)







## Contacts List

**Pier Paolo Masenza**  
Partner  
Financial Services Strategy & Value Creation Leader  
pierpaolo.masenza@pwc.com

**Fedele Pascuzzi**  
Partner  
Crisis Leader  
fedele.pascuzzi@pwc.com

**Antonio Martino**  
Partner  
Real Estate Advisory Leader  
antonio.martino@pwc.com

**Matteo D'Alessio**  
Partner  
Deals FS  
matteo.dalessio@pwc.com

**Salvatore Lombardo**  
Partner  
Restructuring  
salvatore.lombardo@pwc.com

**Emanuele Egidio**  
Partner  
Strategy & Value Creation Financial Services  
emanuele.egidio@pwc.com

**Marco Vozzi**  
Partner  
TLS - Deals Tax  
marco.vozzi@pwc.com

**Cristian Sgaramella**  
Partner  
TLS - Head of Structured Finance & Portfolio Transaction  
cristian.sgaramella@pwc.com

**Gianluigi Benetti**  
Partner  
Strategy &  
gianluigi.benetti@pwc.com

**Gabriele Guggiola**  
Partner  
Regulatory Strategy Leader  
gabriele.guggiola@pwc.com

**Francesco Cataldi**  
Director  
Strategy &  
francesco.cataldi@pwc.com

**Ettore Bono**  
Director  
Deals FS - NPL & UtP  
ettore.bono@pwc.com

**Anna Di Vilio**  
Director  
TLS - Legal Financial Services  
anna.di.vilio@pwc.com

**Gladiola Lilaj**  
Director  
Strategy and Value Creation Financial Services  
gladiola.lilaj@pwc.com

**Roberto Percoco**  
Director  
TLS - Structured Finance & Portfolio Transaction  
roberto.percoco@pwc.com

**Pasquale Vettrano**  
Director  
Strategy & Value Creation Financial Services  
pasquale.vettrano@pwc.com

## Portfolio Advisory Group

### Austria

**Jens Roennberg**  
jens.roennberg@at.pwc.com  
**Bernhard Engel**  
bernhard.engel@at.pwc.com

### Bulgaria

**Bojidar Neytchev**  
bojidar.neytchev@bg.pwc.com

### Croatia

**Sinisa Dusic**  
sinisa.dusic@hr.pwc.com

### Cyprus

**Stelios Constantinou**  
stelios.constantinou@cy.pwc.com

### Czech Republic and Slovakia

**Petr Smutny**  
petr.smutny@pwc.com

### Denmark

**Bent Jørgensen**  
bent.jorgensen@pwc.com

### France

**Hervé Demoy**  
herve.demoy@pwc.com

### Germany

**Christopher Sur**  
christopher.sur@pwc.com  
**Thomas Veith**  
thomas.veith@pwc.com  
**Jörg Jünger**  
joerg.juenger@pwc.com

### Greece

**Thanassis Panopoulos**  
thanassis.panopoulos@gr.pwc.com

### Hungary

**Csaba Polacsek**  
csaba.polacsek@pwc.com

### Ireland

**David Tynan**  
david.tynan@ie.pwc.com

### Italy

**Pier Paolo Masenza**  
pierpaolo.masenza@pwc.com  
**Fedele Pascuzzi**  
fedele.pascuzzi@pwc.com

### The Netherlands

**Peter Wolterman**  
peter.wolterman@pwc.com  
**Wilbert van den Heuvel**  
wilbert.van.den.heuvel@pwc.com  
**Jessica Lombardo**  
jessica.lombardo@pwc.com

### Norway

**Lars Johansson**  
lars.x.johansson@pwc.com

### Poland

**Pawel Dzurak**  
pawel.dzurak@pwc.com

### Portugal

**Antonio Rodrigues**  
antonio.rodrigues@pwc.com

### Serbia

**Marko Fabris**  
marko.fabris@rs.pwc.com

### Spain

**Jaime Bergaz**  
jaime.bergaz@pwc.com  
**Pablo Martinez-Pina**  
pablo.martinez-pina@pwc.com  
**Richard Garey**  
richard.garey@pwc.com  
richard.garey@es.pwc.com

### Sweden

**Per Storbacka**  
per.storbacka@pwc.com

### Turkey

**Serkan Tamur**  
serkan.tarmur@tr.pwc.com  
**Kadir Köse**  
kadir.kose@tr.pwc.com

### Ukraine

**Oleg Tymkiv**  
oleg.tymkiv@ua.pwc.com

### United Kingdom

**Robert Boulding**  
robert.boulding@pwc.com  
**Panos Mizios**  
panagiotis.mizios@pwc.com  
**Chiara Lombardi**  
chiara.p.lombardi@pwc.com

### North America

**Mitchell Roschelle**  
mitchell.m.roschelle@pwc.com

### Asia Pacific

**Ted Osborn**  
t.osborn@hk.pwc.com  
**James Dilley**  
james.ha.dilley@hk.pwc.com  
**Huong Dao Thi Thien**  
dao.thi.thien.huong@vn.pwc.com  
**Lee Chui Sum**  
chui.sum.lee@my.pwc.com  
**Michael Fung**  
michael.fung@au.pwc.com  
**Masaya Kato**  
masaya.kato@pwc.com

### Latin America

**Carolina Pimenta**  
carolina.pimenta@pwc.com

### Middle East

**Matthew Wilde**  
matthew.wilde@ae.pwc.com



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