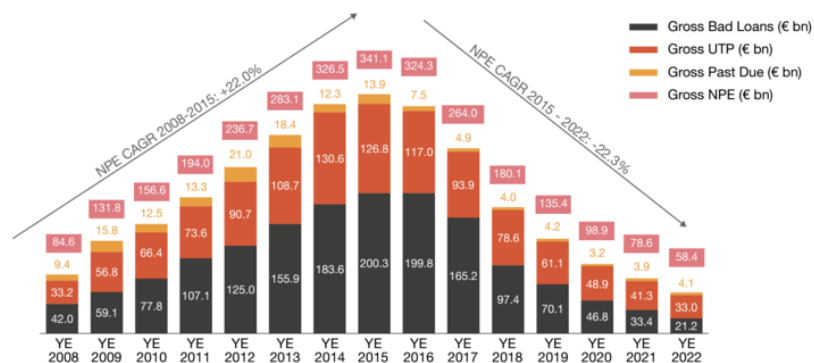




August 2023

Italy's NPEs transactions 7 months 2023

Chart 1: Gross NPE trend



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

After a very subdued start to the year, the market for impaired loans in Italy woke up between June and July. So after a total value of transactions announced from just over 2.9 billion euros gross between January and May, the following two months recorded transactions of over 3 billion euros, bringing the **7-month** total to just under **6.2 billion**, spread over **27 transactions**.

A figure that nonetheless shows that the market has changed a great deal since the years before. In fact, it compares with the **€35 billion gross value and 60**

deals announced or closed in all of **2022** (see here **BeBeez's NPL 2022 Report**), a year in which there was a jump in deal countervalue compared to the **€27 billion** worth of deals mapped out in **2021**, which, however, were spread over 77 deals (see [here BeBeez's NPL 2021 Report](#)). Recall that 102 deals had instead been mapped in all of **2020** for a gross value of more than **42 billion euros** of loans sold, again thanks to a real final rush concentrated at the end of the year (see [here BeBeez's NPL 2020 Report](#)). However, the recovery in activity had not made it possible to reach the record in **2019**, when 82 deals worth just under **52 billion euros** were announced (figure reviewed up from the [BeBeez's NPL 2019 Report](#)).

On the other hand, as also pointed out, **Gabriele Guggiola**, partner Strategy Financial Services, PwC Italy, speaking last June 28 at the BeBeez Café dedicated to Credit servicer to the challenge of a whole new market and offered by **Fire** (see [here the BeBeez article](#) and [here the video of the Café](#)), "after the great work of cleaning up the balance sheets, Italian banks are now safe and the derisking process has led to a shift of NPEs from the banks' balance sheet to the investors' balance sheet." And in fact, as revealed in **PwC's Semi-Annual Report on the Italian NPL market** released later on August 2 (see [here a previous article by BeBeez](#)), at the **end of 2022** the stock of impaired loans on the books of Italian banks had fallen to only 58.4 billion from 78.6 billion in 2021, while in total the **stock of NPEs still outstanding** was almost stable at **337 billion** from 342 billion the year before, meaning that the difference is precisely on the books of the investors who have bought them in recent years.

Not only that. What has been missing is obviously the boost from securitizations with GACS, since the Italian government has not renewed the public guarantee, which expired on June 14 (see [here a previous article by BeBeez](#)), probably mainly because banks have now in many cases met their divestment targets on the NPL front. But also because **many of the GACSs are known to be performing poorly**. While it is indeed true that 57 percent of the total number of transactions mapped to the end of 2022 exceeded expectations for net proceeds compared to business plans by an average of 109 percent, the rest have missed expectations by an average of 25 percent. The data emerge from the latest **Italian NPL securitization performance review by Scope Ratings** (see [here a previous article by BeBeez](#)). A theme, this one, that **Paula Lichtensztein**, senior representative of Scope Ratings' structured finance team, took up and expanded on, speaking in turn at [BeBeez Café last June](#).

Indeed, Lichtensztein pointed out that "to date in 80 percent of the operations, profitability, calculated in terms of the value of recoveries versus costs, has averaged 10 percent below Scope's original expectations. While in terms of the timing of recoveries compared to the timing expected by servicers, based on their business plans, about half of the operations are performing above expectations, so they have recovered faster than expected, while another half are underperforming. The operations that are doing better are those that have closed more recently, and this is because the business plans after the pandemic were built more conservatively but also because in the early years of management it is often possible to collect cash in court and easier to find out-of-court settlements with debtors on some positions, with the consequence precisely that recoveries can beat forecasts". To date, Lichtensztein further pointed out, "business plans are built under assumptions of in-court recoveries but there is **a good 30-40% of recoveries that come from out-of-court settlements and also from selling sub-portfolios**. In 2022 in particular, servicers relied heavily on sales, while this year there has been a significant decline in the use of this strategy, probably in the face of rising interest rates that have led investors to demand a significant price discount, making it less attractive for servicers to make cash by selling loans".

In contrast, **activity on the UTP divestment front remained brisk**, which in fact accounted for 52.2 percent of the total gross deal value with **more than 3.2 billion euros in transactions**, thus weighing more heavily than UTPs did last year, when they accounted for about one-third of mapped transactions.

Last year, in particular, there had been several transactions on UTPs involving funds specializing in the purchase of corporate UTPs from banks: [Efesto Credit Fund](#) (Finint Investments sgr), [Keystone](#) (Kryalos sgr), [HI Distressed Opportunities Fund II](#) (Incanto sgr), [Clessidra Restructuring Fund](#) e [Illimity Real Estate Credit Fund](#) (illimity sgr). La stessa cosa è accaduta in questi primi sette mesi del 2023, con due operazioni annunciate da parte del fondo [UTP Italia](#) (Intrum Italy, Sagitta sgr), [illimity Real Estate Credit fund](#) (illimity sgr), [Efesto Credit Fund](#) (Finint Investments sgr), [Italian NPL Opportunities Fund](#) (Eidos Partners), [Arrow Credit Opportunities](#) (Europa Investimenti, ArrowGlobal) e [Back2Bonis](#) (Prelios sgr).

Moreover, on investments in impaired loans, several players are warming up their engines to launch new funds, all, however, with a **flexible approach**. That is, the idea is now to intervene along the entire capital structure, acquiring senior or subordinated or mezzanine loans and/or providing new finance and/or also acquiring equity of the debtor companies. All with the aim of raising capital from **Patrimonio Rilancio**, the tool of the **Italian Ministry of Economy and Finance**, managed by **Cassa Depositi e Prestiti**, to support Italian companies with a turnover of more than 50 million euros, provided for in Art. 27 of the Relaunch Decree (see [here a previous article by BeBeez](#)), operational since July 2021 (see [here a previous article by BeBeez](#)), which acts as an anchor investor of the funds in which it invests with commitments that can reach 49 percent of the funding.

The latest is **Fondo Rilancio Italia**, promoted by **Green Arrow Capital sgr** and private equity firm **Antares**. The vehicle in question is a private equity fund, which, however, can also act on the debt side, aiming to raise 200 million euros, with an initial closing at 100 million, in which the Cassa Depositi e Prestiti will also enter, which will participate up to 49% of the total funds, precisely within the framework of the Patrimonio Rilancio fund (see [here a previous article by BeBeez](#)).

CDP has already served as an anchor investor in the cases of **DeA Capital Alternative Funds sgr's** [Flexible Capital Fund](#); **Anthilia Capital Partners sgr's** [GAP fund](#); **illimity sgr's** [Capitale Rilancio Fund](#); [Equor I](#), the first fund of **Equor Capital Partners sgr**; the latest fund launched by **Pillarstone** (see [here for a video of BeBeez's 10-year distressed assets roundtable](#)); and the [second rescue financing fund](#) launched last June 15 by **Azimut Investments sa** in partnership with **Muzinich**.

Also on the way is a **UTP fund by contribution**, a vehicle under Article 130 of the TUB, which will be launched soon by the servicer **Fire** together with an sgr with the aim of raising assets of about 300 million euros. This was anticipated by Fire's ceo **Sergio Bommarito** to [BeBeez Magazine last March 4 \(p. 10\)](#). While at the end of March **Apollo Global Management** put on the pot another 150 million euros dedicated to investments in the credit of Italian companies in special situation entrusting them once

again to **Apeiron Management spa**, the company led by **Alessandro Fracanzani**, which has had an exclusive partnership agreement with the U.S. giant since 2018. In fact, Apollo has announced the enhancement and expansion of the **Apollo Delos** platform (see [here a previous article by BeBeez](#)). This is therefore the fifth investment vehicle dedicated to Italy financed by Apollo and managed by Apeiron, after the first three Delos I, II and III, where the first 300 million made available by Apollo in 2018 were channeled in equal parts (see [here a previous article by BeBeez](#)) and after the fourth vehicle, Delos IV, of 100 million, made available by Apeiron in 2020 (see [here a previous article by BeBeez](#)).

Finally we note **Clessidra's** accelerated commitment to the sector. Last May, in fact, **Clessidra Capital Credit sgr** beat off competition from **Castello sgr** and announced the acquisition of 100 percent of **Value Italy sgr**, the former **MP Venture sgr** (see [here a previous article by BeBeez](#)). The latter since 2019 has focused on investments in corporate UTPs by launching the **Value Italy Credit fund**, which was then launched in February 2021 with the first loans that had been sold by eighteen small and medium-sized banks and four other intermediaries, who in return had subscribed to shares in the funds. The goal was to reach a funding target of 215 million (see [here a previous article by BeBeez](#)). Meanwhile, Clessidra Capital Credit sgr itself is still raising money with its fund dedicated to investments in corporate UTPs, **Clessidra Restructuring Fund**, whose first closing was announced in September 2019 at €320 million, with the acquisition of a portfolio of loans to 14 companies, which were sold by 10 banks (see [here a previous article by BeBeez](#)). The fund today has ingested receivables of more than 350 million euros.

Returning to UTP transactions more generally, we finally point out that also moving the market this year were two important transactions that followed the [framework agreement between BPER and AMCO announced in November 2022](#), which included the sale to AMCO of a portfolio of NPL loans with a total gross value of about **1.5 billion**, to be realized by December 2022 and provided for further concession this year. Specifically, in recent days BPER Banca and its subsidiary Banco di Sardegna sold to AMCO a portfolio of UTP loans, mainly corporate, with a total gross value of about **430 million euros** (see [here a previous article by BeBeez](#)) while last April Gardant announced the securitization of a **470 million** gross UTP portfolio, originated by the BPER Group, with 95 percent of the mezzanine and junior securities issued being underwritten by subsidiaries of **Elliott Funds**, Gardant's parent, while BPER Banca underwrote the senior securities and the remainder of the mezzanine and junior tranches (see [here a previous article by BeBeez](#)). All as part of the establishment of a joint venture, 70 percent owned by Gardant and 30 percent by BPER, aimed at managing the bank's impaired loans.

Finally, pushing the statistics was then a single deal on three new portfolios of granular unsecured impaired loans with a total gross value of **2.2 billion euros** spread over more than 17 thousand positions, led by **Credit Factor**, the 50/50 joint venture between **Banca Capasso** (a wholly owned subsidiary of IBL Banca, a leader in the Italian market for loans through cessione del quinto) and **Europa Factor** (see [here a previous article by BeBeez](#)).

As for upcoming deals, all eyes are increasingly focused on **so-called Stage 2 loans**. PwC's Guggiola again in his speech at BeBeez's Café had pointed out that "for significant banks in Italy, Stage 2s represent a stock of about 190 billion euros, or 12 percent of assets. A percentage that is much higher than what we see in other European countries, where, however, the stock is much higher, for example in France and Germany," anticipating, moreover, some of the evidence of **PwC's Semi-Annual Report on the Italian NPL market** released later on August 2 (see [here a previous article by BeBeez](#)). More in detail, Mr. Guggiola further recalled, the analysis conducted by the ECB on more than 100 significant European banks showed that at the end of 2022 there were about **1,400 billion euros of Stage 2 loans** on the balance sheet, of which 468 billion in France (or 9.8 percent of total loans) and 203 billion in Germany (9.8 percent).

As for this year, the PwC's partner had said again, "the first quarter in Italy saw a reduction in Stage 2s on banks' books, but this was mainly a technical phenomenon, because as many moratoria came to an end, some of the companies began to pay what they owed and thus were reclassified among performing creditors, while others did not and thus exited the Stage 2 classification as a result of default. It will now be interesting to see how many companies in the first group will be able to continue to keep up their payments, given the current macroeconomic situation".



Who bought and sold Italian NPEs in 2023

Note: in green transactions on UTPs; in light green, mixed portfolios of NPLs and UTPs

Date	Seller	Mln euros (GBV)	Type of debt	Acquiror	Article
25/07/23	nd	2200,0	NPE granualri unsecured	Credit Factor	BeBeez
19/05/23	40 banche gruppo Iccrea e altre banche	415,0	UTP corporate	fondo UTP Italia (Intrum Italy-Sagitta sg, Zenith Service)	BeBeez
28/04/23	gruppo BPER	470,0	UTP	spv (abs mezzanine e junior Elliott)	BeBeez
22/05/23	BPER Banca e Banco di Sardegna	430,0	UTP soprattutto corporate	AMCO	BeBeez
19/01/23	Primaria banca italiana	400,0	UTP corporate	Efesto Credit Fund (Finint sgr, doNext)	BeBeez
08/02/23	banche gruppo BCC Iccrea	390,0	NPE (67% NPL e 33% UTP)	AMCO	BeBeez
23/05/23	banca italiana	360,0	NPL	spv cartol (Credit Factor, Banca Capasso)	BeBeez
11/07/23	UniCredit Leasing e BPER Banca	295,0	UTP corporate	fondo Back2Bonis (Prelios sgr)	BeBeez
17/06/23	BNL	213,0	NPL	Marte spv srl (Hoist Italia)	BeBeez
gen-feb 2023	vari venditori	200,0	NPE	piattaforma CreditChange	BeBeez
08/02/23	banche gruppo BCC Icrea	105,0	UTP corporate	fondo UTP Italia (Intrum Italy-Sagitta sg, Zenith Service)	BeBeez
06/07/23	Primario investitore italiano	100,0	NPL unsecured	Sorec srl	BeBeez
10/07/23	Italo Sicav	100,0	NPL granulari unsecured e crediti in bonis	Hoist Italia	BeBeez

Date	Seller	Mln euros (GBV)	Type of debt	Acquiror	Article
27/01/23	varie banche	95,0	UTP corporate secured	illimity Real Estate Credit fund (Illimity sgr)	BeBeez
18/07/23	nd	70,0	UTP leasing	Guber Banca	BeBeez
26/07/23	26 banche gruppo Cassa Centrale Banca	67,0	NPL	NPL X (attraverso Blinks)	BeBeez
01/02/23	Findomestic	50,0	NPL unsecured retail	Axactor Italy	BeBeez
26/07/23	Findomestic	44,0	NPL unsecured retail	Axactor Italy	BeBeez
30/04/23	Findomestic	40,0	NPL unsecured retail	Axactor Italy	BeBeez
30/06/23	mercato secondario	37,0	NPL	Cherry Bank (attraverso Blinks)	BeBeez
30/06/23	Banca Sella	34,0	NPE corporate secured	Kruk Italia	BeBeez
16/02/23	Deutsche Bank	26,4	UTP real estate	Banca Finint e Italian NPL Opportunities Fund (Eidos Partners)	BeBeez
25/01/23	BCC Bergamasca e Orobica	15,0	NPE (60% UTP, 40% NPL)	Arrow Credit Opportunities (Europa Investimenti, ArrowGlobal)	BeBeez
26/06/23	mercato secondario	11,5	NPL unsecured retail	ISCC Fintech	BeBeez
24/07/23	mercato secondario	6,0	NPL unsecured retail	ISCC Fintech	BeBeez
03/04/23	mercato secondario	4,8	NPL unsecured retail	ISCC Fintech	BeBeez
26/01/23	BCC NPLs-2 2018 srl	nd	NPL	Wings One SPE srl (BCM Global-Albatris-Three Line Capital)	BeBeez
Total		6.178,7			
Total UTP		3.228,4			