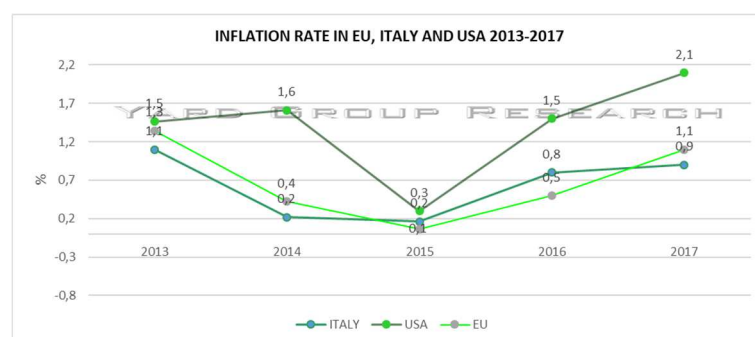
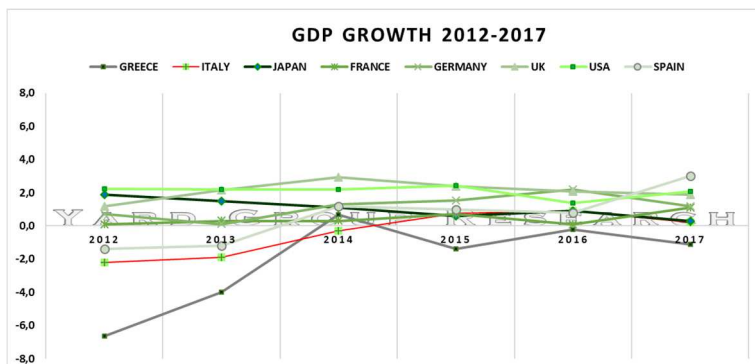


Residential property market in Italy H1 2017

MACRO ECONOMIC INDICATORS

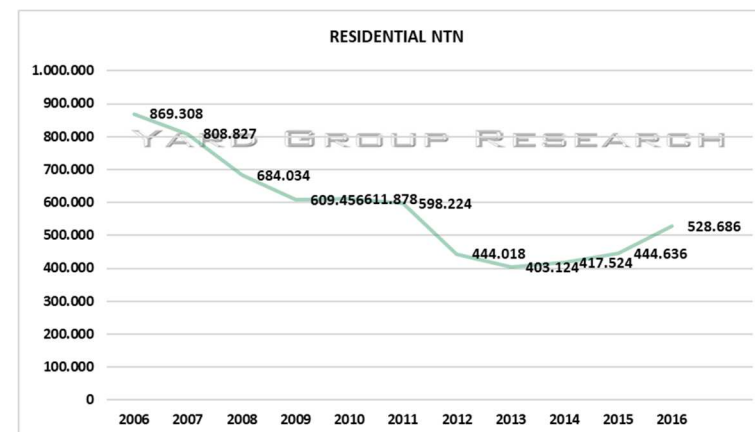
MACRO ECONOMIC INDICATORS		
population (2016)	60.665.551	↑
GDP annual growth rate (Jan 2017)	0,20%	↑
GDP forecast (2017)	1,00%	↓
GDP per capita 2017* (\$)	30.891	↑
unemployment rate (2016)	11,50%	↓
disposable household income (OECD annual growth rate)	0,82%	↑
inflation rate (Dec 2016)	0,90%	↑
<i>*International monetary fund</i>		
<i>**Q-o-Q % : quarter on quarter % change</i>		



HOUSING MARKET IN ITALY: NTN ON THE RISE

According to the data published by the Agenzia delle Entrate the residential sector registered 444.636 normalised transactions (NTN) in 2015 and a very significant upturn in 2016 +18.9%. This upward trend started in 2014 confirming a steady improvement. The increase of sold residential units also led to an upturn in the number of mortgage loans requested. Macro-economic indicators such as weak GDP growth and unemployment rate at 11.5% need to be improved. NPLs still hamper the growth of bank lending.

YEAR	RESIDENTIAL NTN
2006	869.308
2007	808.827
2008	684.034
2009	609.456
2010	611.878
2011	598.224
2012	444.018
2013	403.124
2014	417.524
2015	444.636
2016	528.686



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Residential property market in Italy H1 2017

HOUSING MARKET INDICATORS

Discount on asking price % (new residential premises)	10,1%
Property for sale average time on market (ToM) months	7,5
Property for rent average time on market (ToM) months	3,2

MORTGAGE LOANS MARKET & NPLs

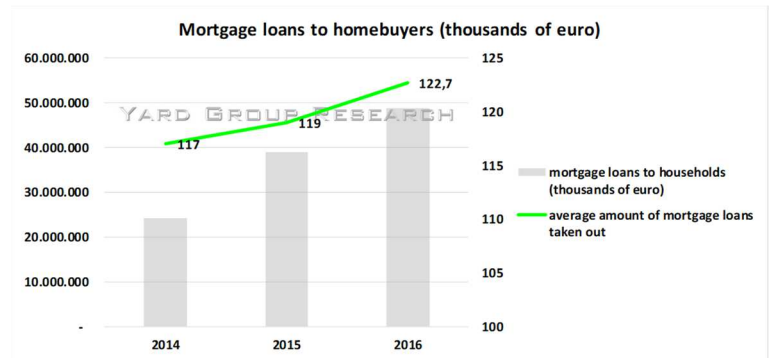
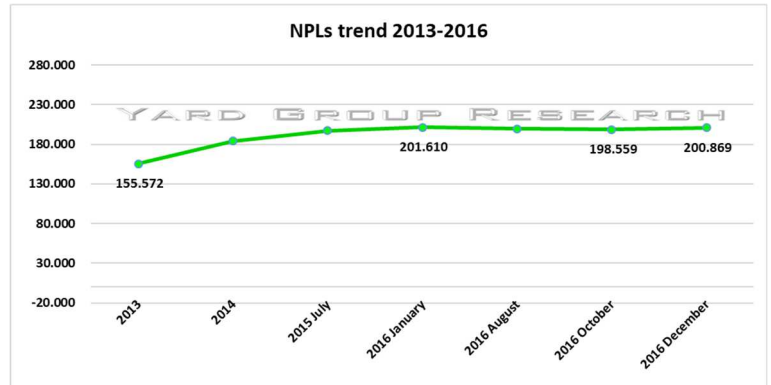
We report the trend of NPLs from 2013 to the present. The data are drawn from the Bank of Italy. The amount of NPLs (200 billion €) is likely to rise as forborne loans that are past due might become defaulted and included in the Non-performing loans. 80% of gross NPLs is composed of loans to small-sized companies, whilst NPLs to households only represent 18%.

The Government has put in place various reforms to give a clearer context for NPL market players: acting on improving procedures and shortening foreclosure timelines through legal and regulatory measures, using out-of-court procedures facilitating NPL portfolio funding (GACS) and improving the tax regime. The average duration of bankruptcy procedure is about 7.5 years, with very high recovery costs compared to other EU countries.

Atlante Fund, launched in April 2016, is set to recapitalize some Italian banks and purchase NPL portfolios. The fund has €4.25 billion of equity contributed by 67 institutions.

In the last few months the main players selling NPLs were UniCredit, with 4.78 billion € euro of sold NPLs, MPS with 2.81 billion € and Banco Popolare with 1.6 billion €. Unicredit expects to sell more NPLs in the short term, its recapitalisation plan is already underwritten.

The reduction of NPLs will promote a more sustainable recovery in Italy. The measures already in place are useful but more public and private initiatives are undoubtedly necessary.



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