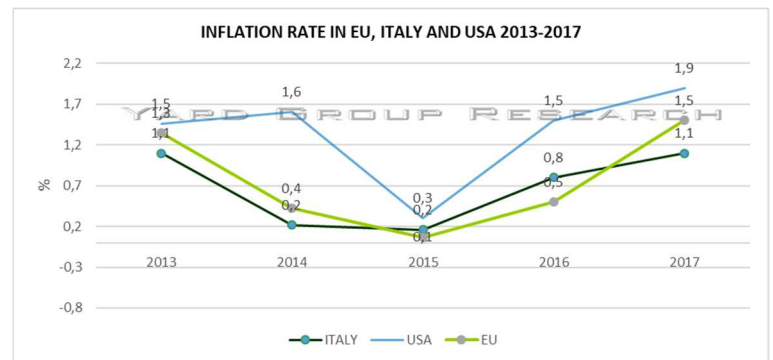
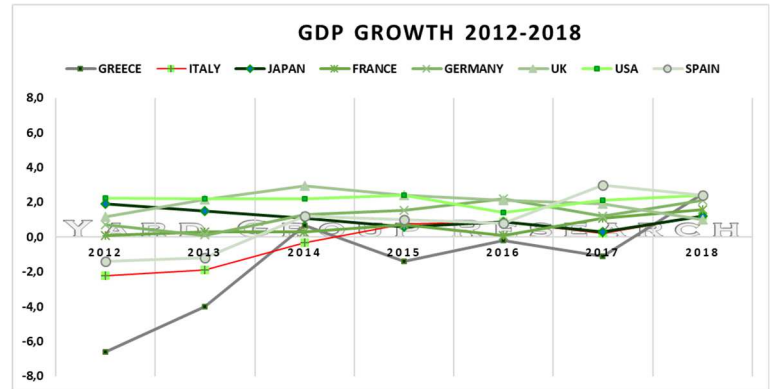


Residential property market in Italy H2 2017

MACRO ECONOMIC INDICATORS

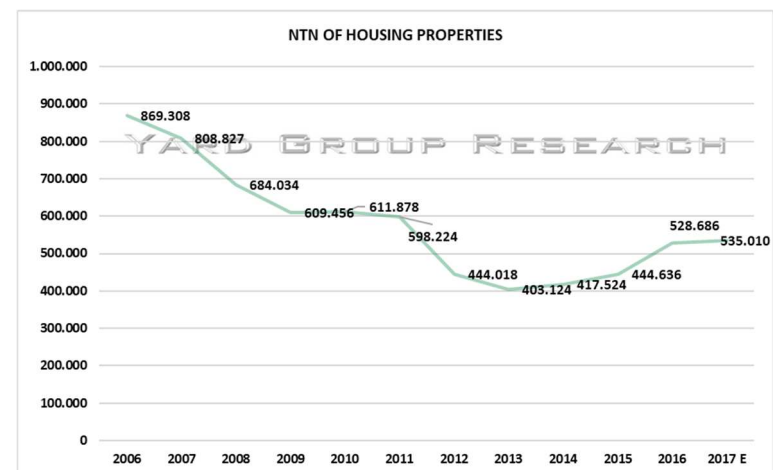
| MACRO ECONOMIC INDICATORS | | |
|---|------------|---|
| population (2017) | 60.589.445 | |
| GDP annual growth rate (July 2017) | 0,40% | ↑ |
| GDP forecast (2017) | 1,20% | ↑ |
| GDP per capita 2017* (\$) | 29.747 | ↓ |
| unemployment rate (2017) | 11,20% | ↓ |
| disposable household income (OECD annual growth rate) | 1,31% | ↑ |
| inflation rate (Oct 2017) | 1,10% | ↑ |
| <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 528.686 normalised transactions (NTN) in 2016 and an upturn in 2017. We determined an estimate figure based on the transactions occurred in the first 9 months of the year. This upward trend started in 2014 confirming an incremental improvement. The increase of sold residential units also led to an upturn in the number of mortgage loans requested. Macro-economic indicators show a weak GDP growth the unemployment rate is 11.2%.

Gross NPLs decreased and more NPL portfolios are expected to be traded 2018.



| 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 |
| 2017 E | 535.010 |

This market report has been prepared with great care and it is for general guidance only. It is based on internal data and public and private sources. No warranty or representation, express or implied, is made as to the accuracy of any of the information present herein. All expressions of opinion are subject to change. YARD prior written consent is required before this report can be reproduced in whole or in part.

Residential property market in Italy H2 2017

HOUSING MARKET INDICATORS

| | |
|---|-----|
| Discount on asking price % (new residential premises) | 12% |
| Property for sale average time on market (ToM) months | 75 |
| Property for rent average time on market (ToM) months | 3 |

MORTGAGE LOANS MARKET & NPLs

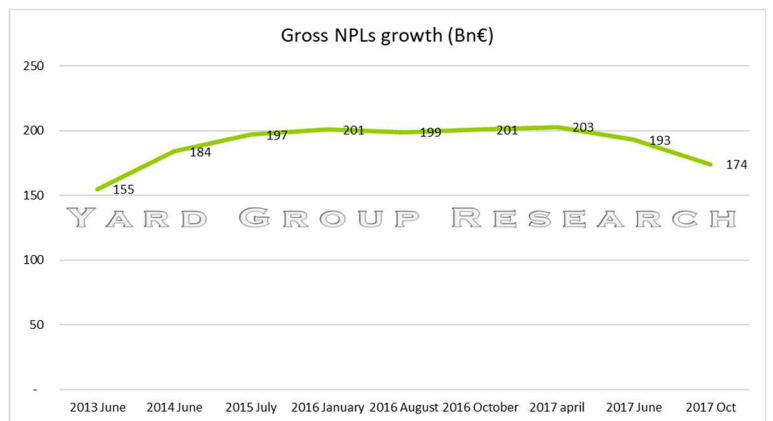
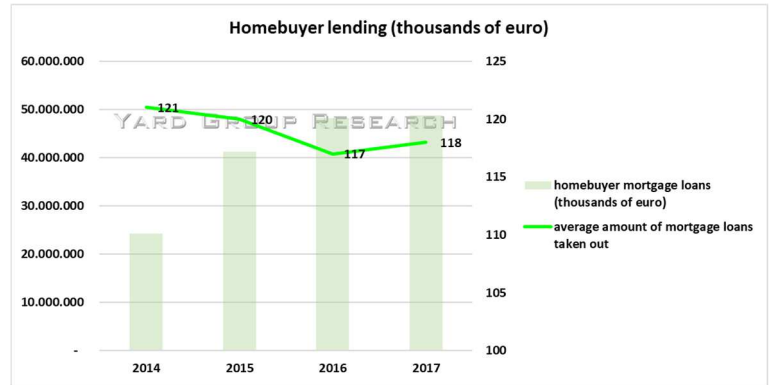
We report the growth of NPLs from 2013 to the present. The data are drawn from the Bank of Italy. The amount of gross NPLs registered a downturn due to the disposal of some NPL portfolios. With reference to the size of businesses SMEs continue to represent the greatest share of gross NPLs.

Construction is the sector which shows the highest percentage of gross NPLs, followed by manufacturing, products.

The Government has put in place various reforms and measures to encourage the creation of a market for non-performing loans, giving 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.

In 2017, the Government allocated 17 bn euros to wind down Banca Popolare di Vicenza and Veneto Banca and managed to get EU approval to give 5.4 bn euros of aid to recapitalize Banca Monte dei Paschi di Siena. Banca Intesa Sanpaolo acquired the “healthy parts” of Banca Popolare di Vicenza and Veneto Banca whilst the public Bad Bank SGA acquired their Non-performing exposures.

A noteworthy transaction is “Project Fino” sold by Unicredit to Fortress and Pimco (Non-performing exposure €16.8 bn). More NPLs transactions are expected in 2018.



This market report has been prepared with great care and it is for general guidance only. It is based on internal data and public and private sources. No warranty or representation, express or implied, is made as to the accuracy of any of the information present herein. All expressions of opinion are subject to change. YARD prior written consent is required before this report can be reproduced in whole or in part.