

Scope raises Italian NPL securitisation forecast amid acceleration in asset disposals



Scope
Ratings

A surge of issuance plans by Italian banks in GACS-eligible¹ non-performing loan (NPL) securitisations has prompted Scope to raise its forecast by up to 50%² to EUR 60bn in gross book value (GBV) sales. Including direct sales, Italian NPL offloads could top EUR 100bn in 2018, and mark a clear improvement step in Italian banks dealing with their stocks of problem loans.

The increase in forecast deal volumes stems not only from the closing of the Siena NPL 2018 transaction on 10 May, which had a GBV of EUR 24.1bn, but also from the “accelerated use of GACS-eligible securitisations as a tool to dispose of non-performing assets is driven mainly by increased awareness among the banks that favourable transfer prices available in GACS deals reduce the potential loss versus book value³,” said David Bergman, executive director, structured finance, at Scope Ratings.

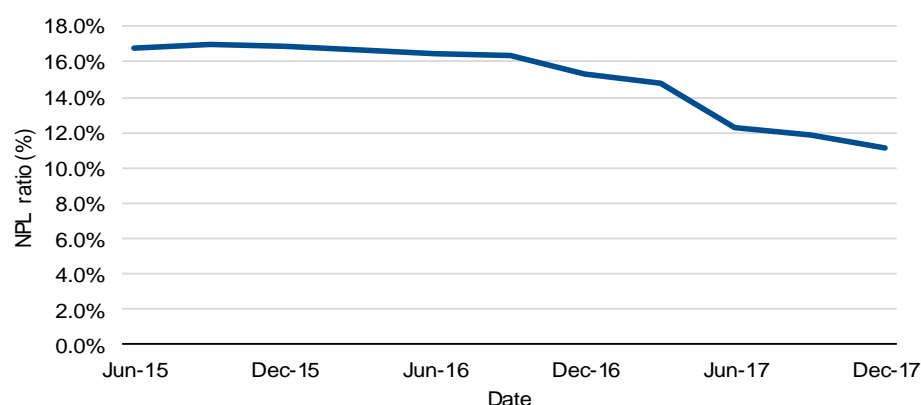
In addition, there are concerns that the GACS scheme will not necessarily be renewed in perpetuity⁴, potentially prompting some banks to accelerate their NPL disposal plans. In light of this, GACS securitisations have become a viable option.

Direct sales of NPL portfolios continue to be an alternative way to dispose of NPLs, as evidenced by the sale of approximately EUR 18bn by the insolvent Banca Popolare di Vicenza and Veneto Banca to Società per la Gestione di Attività S.p.A., on 11 April.

One advantage of direct portfolio sales is that positions that are severely delinquent but not yet in default – so-called unlikely-to-pay positions – can be offloaded. On 6 April, for example, Credito Valtellinese announced that it had agreed to sell a portfolio consisting mainly of unlikely-to-pay positions with a GBV of EUR 245m to Algebris NPL Partnership II. Unlikely-to-pay positions are not currently included in the GACS scheme.

The total volume of GACS securitisations and portfolio sales could top EUR 100bn of GBV in 2018. “While some portfolio sales are trades between participants in the secondary market and do not impact reported NPL ratios, we expect the Italian NPL ratio as reported by the European Banking Authority to decrease into single digit territory by the end of 2018,” said Bergman.

Figure 1: Historical development of the NPL ratio for the Italian banking system



Source: European Banking Authority Risk Dashboard

¹ Garanzia Cartolarizzazione Sofferenze (GACS). In return for a recurring fee, the Italian government will guarantee ongoing interest and principal payments at final legal maturity to noteholders of the most senior notes. For more details refer to the law decree of 14 February 2016 <http://www.gazzettaufficiale.it/eli/id/2016/2/15/16G00025/sg> and later updates

² NPL Securitisations: Italy continues to be the main market December 2017

³ As described in more detail in NPL Securitisations: Italy continues to be the main market December 2017

⁴ On 21 November 2017 the option to apply for a GACS was extended to 6 September 2018: <http://www.gazzettaufficiale.it/eli/id/2017/12/06/17A08257/sg>

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