STONEWEG

- The Place To Be -

Italian Real Estate and NPL market

San Paolo, 12 September 2017

Table of Content

Executive summary

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Opportunity	Real Estate and NPL's Market **growth** in the last years driven by macroeconomic scenario and **Italian government reforms** give's a clearer framework and opens a **window opportunity**
Target Return	Net **Equity IRR** between **20% to 25%** within 3-4 years
Value Proposal	A seasoned team with **extensive market knowledge** will be able to cherry pick the most valuable projects from the Real Estate and NPL Italian market
Team	Focused and **experienced team** combining RE expertise and finance background
Asset Manager	**Local and independent** real estate asset manager enhanced by headquarters vision

Key messages

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1

In 2017 and 2018 the domestic demand is expected to raise contributing to the overall economic growth lead by a supportive monetary policy producing low interest rate environment and the decrease of unemployment rate

2

In 2016 the Italian Real Estate Market registered a 18,4% growth compared to 2015. Milan and Rome continue to be the main city markets representing approximately 44% of total transactions. Investment in non residential real estate reached €9,1 bn in 2016.

3

Banks will continue reducing the volume of NPLs on their balance sheets through restructuring plans and implementation of deleveraging process

4

Current monetary policy granting a low interest rate environment together with the authorities' actions should help reducing the bid/ask spread on the NPL market

5

2017 NPL volumes are expected to reach more than €60bn mainly driven by banks deleveraging perspective (just MPS deleveraging €29.4bn after the nationalization of the Bank being the Italian Government the main shareholder holding 55% of the Equity). Onwards transactions to include not only bad loans (NPLs) but also other categories of Non Performing Expsure (NPEs) such as Unlikely to pay (UTP) and Foreborne

MACROECONOMIC SCENARIO

Economic Outlook

Overview

- **European economy** is expected to **grow** in **2017** and **2018** driven mainly by domestic demand
- **GDP growth** in the **Euro area** is forecasted to stand at **1,8%** in **2017** and **2018** driven by a supportive monetary policy
- **GDP growth** in **Italy** is predicted to be **0,9%** in **2017** and **1,1%** in **2018** supported by a low interest rate environment and stronger external demand
- **Inflation** is flat at **1,5%** in 2017 in the Euro area thanks to the depreciation of the euro against the US currency.
- **Inflation in Italy** is set to climb to **1,4%** in **2017** and stabilize at **1,3%** in **2018**
- **Unemployment Rate** in **Italy** is expected to be **dragged down** thanks to the government reforms and the reduction of labor taxation

In 2017 and 2018 the domestic demand is expected to raise contributing to the overall economic growth lead by a supportive monetary policy producing low interest rate environment and the decrease of unemployment rate

EU main economic drivers

Italian main economic drivers

Data Source: PWC July 2017 report on the Italian NPL market

Italy at a glance

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- ✓ Italian economic picture supposes that conditions remain calm and the reform process initiated in the last few years will not be interrupted.
- ✓ The Italian economy should grow at the same rate in 2017 as in 2016 and in 2018 and 2019 is likely to go above 1%
- ✓ The improvement in the labour market should continue
- ✓ Parliament election with creation of the new government to take place in March 2018. It is expected that a coalition of all right wing Parties will win. Five-Stars movement *(Movimento 5 Stelle)* is experiencing a downturn due to the bad experience made in their government of Rome and Turin

ITALY 2017-2020

	GDP	EMPLOYMENT	SALES
	+1%	+0,4%	+1%

North	+1.1%	+0.6%	+1.1%
Center	+1.1%	+0.6%	+1.1%
South & Island	+0.5%	+0.1%	+0.7%

Data Source: CBRE 2017 Real Estate Outlook, Oxford Economics Research December 2016

ITALIAN REAL ESTATE MARKET

Italian Real Estate Market

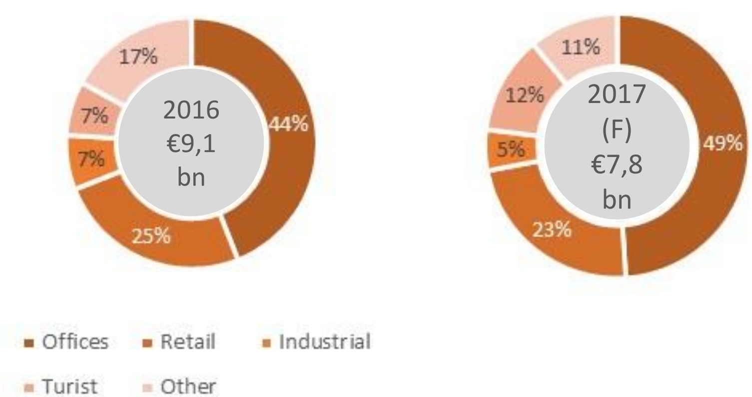
Overview

- In 2016 the Italian real estate market has been continuing on its positive trend
- The **number of real estate transaction** in **2016** exceeded 1 million unities (**1,141,012**) for the first time since 2011
- During 2016 **non residential asset classes showed double digit increases** compared to 2015
- In 2016 the **non residential real estate market in Italy recored a record volume of €9,1 bn** approximately **up 12% y-o-y** confirming investor confidence and demand for Italian real estate
- Growth in non residential real estate transactions lead by Office, Retail and also Industrial assets
- Rome, Milan, Venice and Florence still represent the key markets however some investors have adapted their strategies and are considering secondary locations as well

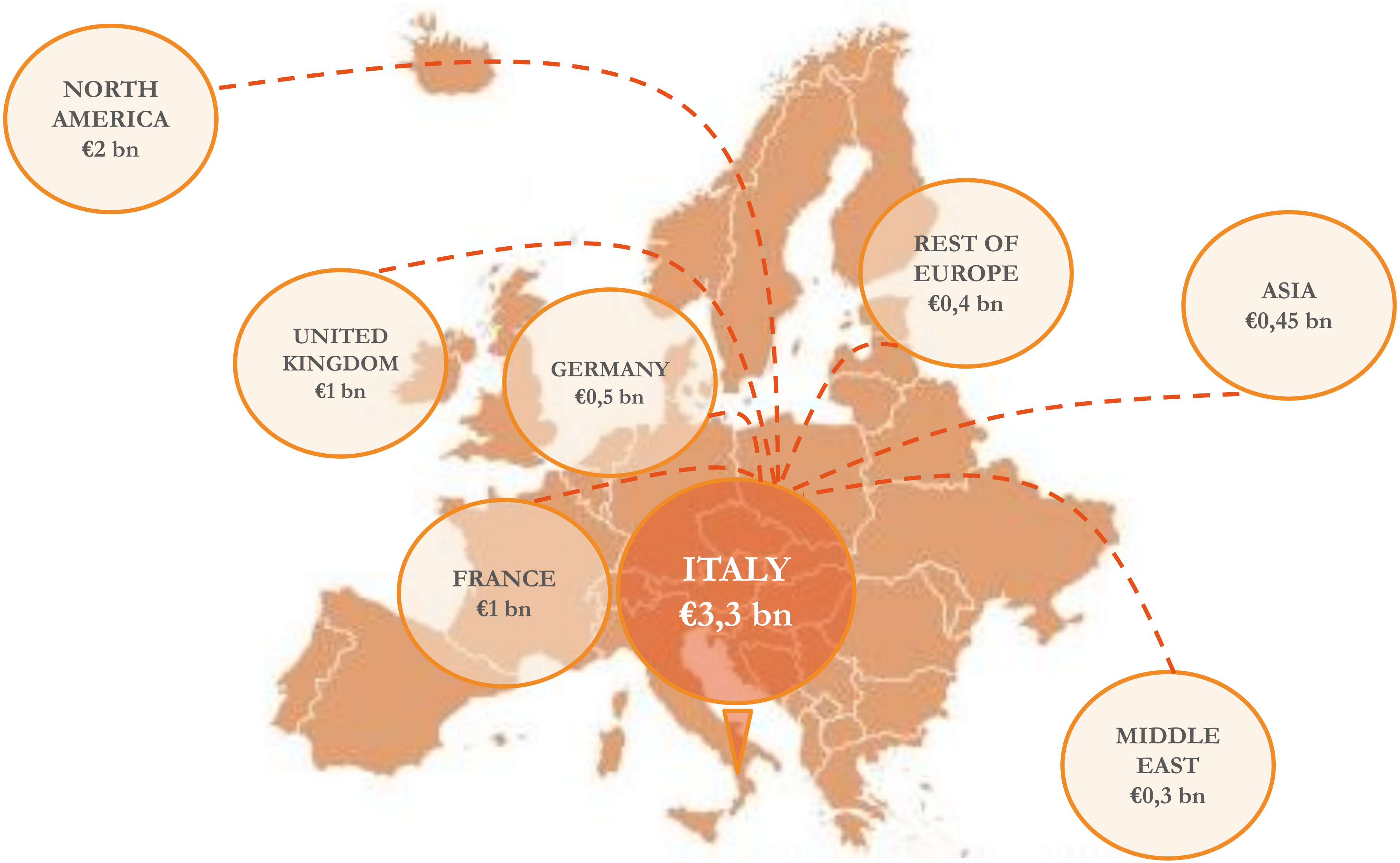
In 2016 the Italian Real Estate Market registered a 18,4% growth compared to 2015. Milan and Rome continue to be the main city markets representing approximately 44% of total transactions. Non residential real estate investment reached €9,1 bn in 2016.

Non Residential Real Estate investment by investor type

Non Residential Real Estate investment by Asset type



Real Estate capital flows to Italy in 2016



Data Source: CBRE Research 2016

Italian Real Estate Market – NTN comparison by sector

Asset Type	Q1'16	Q2'16	Q3'16	Q4'16	TOTAL 2016	TOTAL 2015	Delta (%)
Residential	115.194	143.298	123.476	146.896	**528.864**	**444.625**	18,9%
Office	2.025	2.413	2.510	3.000	**9.948**	**8.841**	12,5%
Retail	6.776	7.598	7.188	9.024	**30.586**	**26.228**	16,6%
Industrial	2.121	2.897	2.565	3.704	**11.287**	**9.242**	22,1%
Other[(1)]	118.382	148.702	129.726	163.517	**560.327**	**474.999**	18,0%
TOTAL	**244.498**	**304.908**	**265.465**	**326.141**	**1.141.012**	**963.935**	**18.4%**

Data Source: PWC

(1) Includes telephone exhanges, fire stations, clinics, barracks, basemenets, garage, parking spots

Italian Real Estate Investment Outlook

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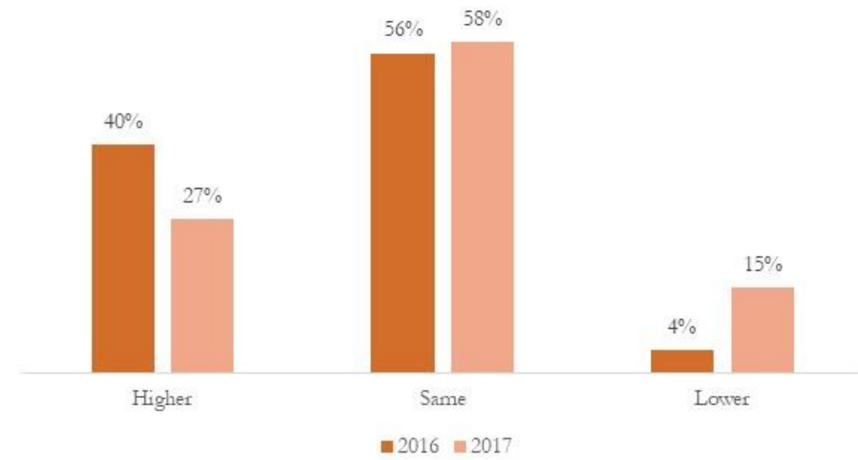
Overview

- **Interest** in the Italian **Real Estate** market by domestic and international investors is **continuing** in **2017**
- Main obstacle to further investment expansion is the lack of product able to satisfy this demand hence it is growing the importance of a local partner able to scout investment opportunities
- 2016 as the second best year for Italian real estate investment after the record level of € 10 bn in 2007
- **Core investors** with a **lower risk profile** and more conservative investment strategies will continue to be active in 2017
- Property **yields** showing signs of **compression**
- In general fore-coming years are seen as positive years for Italian **real estat**e with **volume** of **investments** that might continue **growing** fostered by new reforms granting more transparency to the market

Real Estate sector remains definitely interesting despite being more expensive than in the past with a shift towards assets characterized by lower risk and higher quality even if in secondary location

Risk appetite survey compared to previous year



Most attractive properties to purchase compared to 2016

Italian Real Estate Market - Residential

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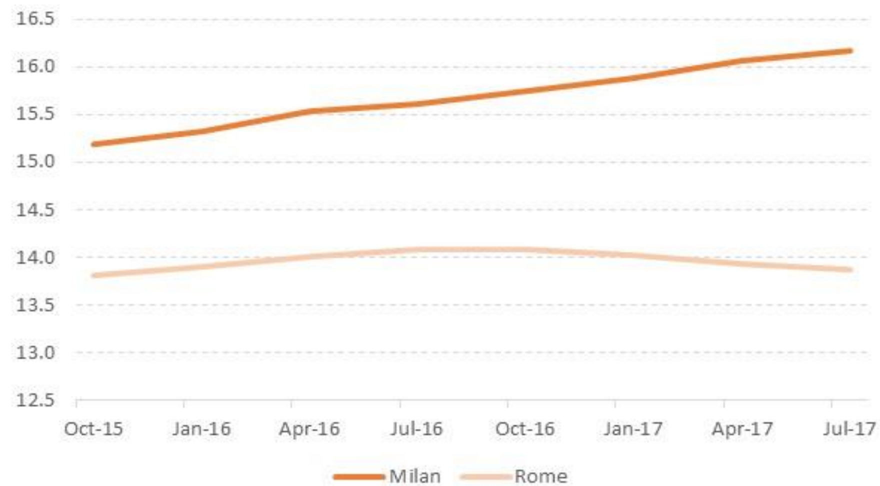
Overview

- Italy property market at the bottom of its cycle sparking the interest of foreign buyers
- Overall datas and statictics showing an improving market
- Italian major cities such as Rome, Milan, Florence and Venice, showing stable asking price for the sale but increasing rental asking
- Increase in rental price asking is expected to translate also in an increase in the average price psm
- Volumes and interest still concentrated in the main cities Milan, Rome, Venice and Florence above all
- Interesting appetite for AAA assets newly or refurbished but developers still reluctant in taking on new initiatives without having strong financial and/or placement of the units
- Especially in Milan seeing smaller new initiatives with the aim of a quick sale of all the units
- Lack of supply compared to demand could create room for early movers investors in realizing short-medium terms gains

Average Residential Sale Price (€/sqm)

Average Rent Price (€/sqm/month)

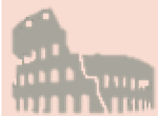


Italian Real Estate Market - Office

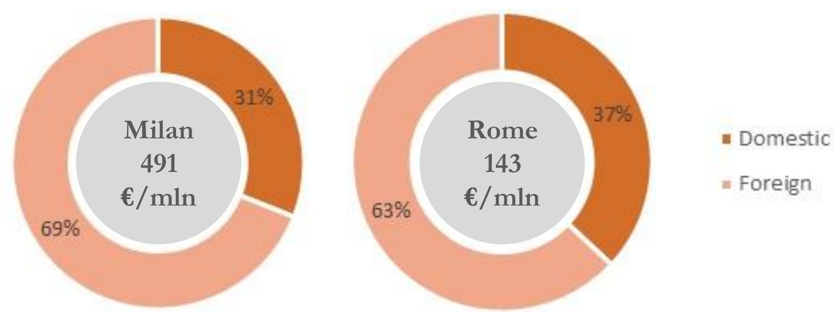
Overview

- Office sector showing strong signs of improvement in 2017
- Both in Milan and Rome the take up in the first quarters was up by previous quarter and significantly up if compared to previous year
- Take up at the highest level in the last 10 years with increasing number of units absorbed
- Q1'17 volumes of investment stands at € 491 mln for Milan and € 143 mln for Rome
- Foreign investors are less diffident tha in the past and accounted for more than 60% of the investments realized confirming the renovated interest from abroad seen across all real estate catagories
- Lack of good quality product as the main issue for the sector with increasing trend for value added transactions involving refurbishment and/or conversion of spaces

Milan and Rome CBD main indicators

City	Prime Rent (€/sqm/yr)	Net Prime Yield (%)	Vacancy Rate (%)	Stock (sqm)
	400	4.0	3.6	2.450
	500	3.5	7.4	1.500

Milan and Rome Office investment by purchaser origin Q1'17



Italian Real Estate Market - Retail

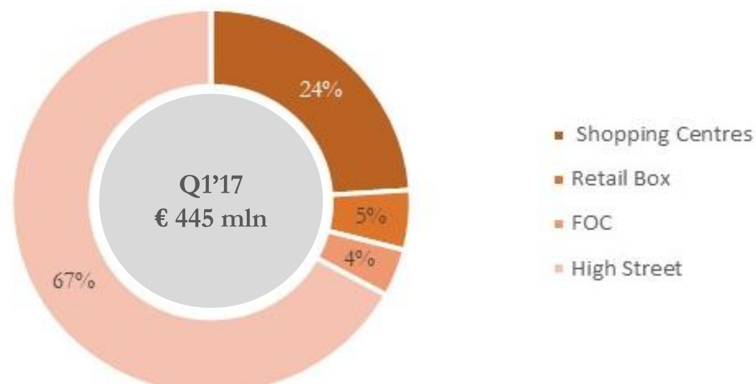
Overview

- Retail investment in Q1'17 slightly contracted compared to previous year but were still at € 445 mln
- There continues to be strong interest for the high street which accounts for almost € 300 mln (67%)
- Yield shown a slight contraction in prime markets both in shopping malls and in the high street sector
- Forecast volume to be reach by year end 2017 is worth around € 1 bn
- Development activity also continued in 2017 with two new projects for a total GLA of 62.000 sqm (Torino Outlet Village and Adigeo Shopping Centre)
- High street sector particularly in Milan and Rome conitnues to be target for a growing number of foreign investors and international retailers looking to enter in the Italian market
- Thom Browne opened his first flagship store in Milan in 2017 and the city is also expecting the opening of the first Starbucks and flagship Apple store

Net retail real estate yields trend in Italy

Yields (%)	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17
High Street Prime	3.50	3.50	3.50	3.50	3.25	3.15
High Street Secondary	5.00	5.00	5.00	5.00	4.75	4.75
Shopping Centre Prime	5.00	5.00	5.00	5.00	5.00	4.90
SC Secondary	6.00	6.00	6.00	6.00	5.90	5.90
Retail Park Prime	6.00	6.00	6.00	5.90	5.90	5.90
Retail Park Secondary	7.25	7.25	7.25	7.00	7.00	6.50

Retail investment by type Q1'17



Italian Real Estate Market – Milan Focus

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Overview

- Milan perspective for the real estate market in 2017 continue to be good
- Accessibility and quality of the assets as the main drivers for the increase in demand for offices and residentials
- Big infrastructure development of the public transport (underground new lines as well as high speed trains stations) aligning Milan to the main European capital cities will attract new companies
- Milan office market started to recovery in 2014 and the trend continue to be positive with annual absorption increasing
- On the residential side developers are still averse to take risk on speculative initiatives and prefer to ensure they have a user before starting the construction.
- In 2016 some foreign investors (Blackstone, Hines and Invesco) started significant redevelopment work on existing buildings
- Currently the construction projects underway are mainly constituted by refurbishment projects

Milan employment growth (average annual change)

Professional +2.2%

Business Service +1.8%

Finance +1.3%

Manufacturing +0.6%

Creative Industries +1.3%

Public Administration -0.1%

Data Source: CBRE 2017 Real Estate Outlook,

Italian Real Estate Market – Rome Focus

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Overview

- Rome real estate market gradually improving
- 2016 has been a positive year for the office compartment with an annual absorption higher than the average of the past years
- Absorption mainly led by public sector office that accounts on average for 30% of the total
- Main driver of the market in Rome has been the search of A grade spaces which the city lacks
- Reflecting the improvement of the general market conditions also rent increased at the end of 2016
- The new line C underground opened in 2015 and currently there are 3 new stops under development
- The city will benefit from the upgrade in the public transport as a great opportunity for the capital's real estate market to get new life especially in those areas typically poorly served by the public transport

Rome employment growth (average annual change)

Professional +2.1%

Business Service +1.5%

Finance +1.4%

Manufacturing +1.1%

Creative Industries +1.8%

Public Administration -0.4%

Data Source: CBRE 2017 Real Estate Outlook,

ITALIAN BANKS OVERVIEW

The Italian banking system

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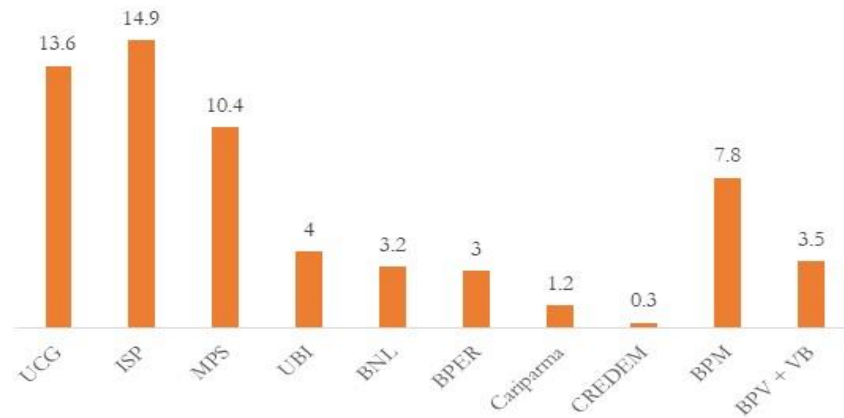
Overview

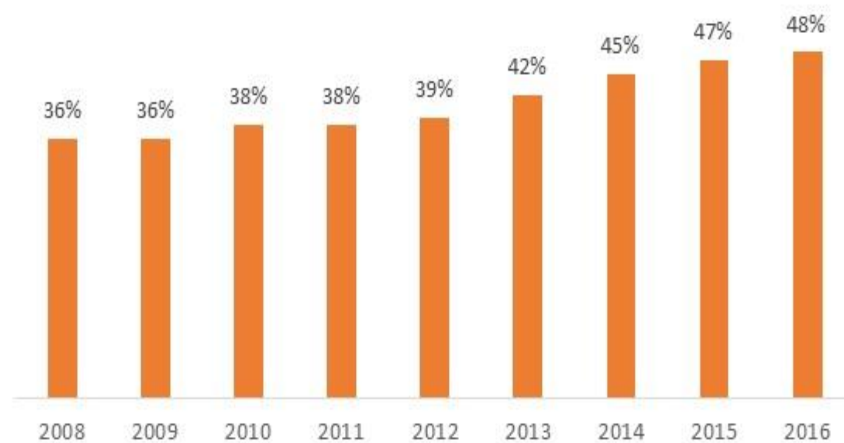
- **UCI** completed the **sale** of **€17.7bn bad loan portfolio** with two securitization respectively to Fortress and Pimco
- **Algebris** reached an agreement with BPM to **acquire € 750 mln** (Project Rainbow)
- In May **UBI acquired three regional lenders** (**Banca Marche**, **BPEL** and **Carichieti**) and **BPER acquired** the regional bank **CariFerrara** following the 2015 rescue by the Italian government authorities
- **MPS** will **dispose** its **entire NPL portfolio** with a **GBV** of approximately **€ 29.4 bn**
- On 25th of June 2017 **ISP** (Intesa San Paolo), backed by the government, started the **acquisition** of certain assets (excluding NPLs) and liabilities of **Banca Popolare di Vicenza** and **Veneto Banca** as well as the **liquidation** of the **NPL portfolio** of approximately **€ 16.8 mln** through the public bad bank "SGA"

Banks will continue reducing the volume of NPLs on their balance sheets through restructuring plans and implementation of deleveraging process

Top 10 banks Net Bad Loans as YE 2016 (€ bn)



Secured Gross Bad Loans trend (% on Total Bad Loans)



Top 10 Italian Banks – NPL peer analysis

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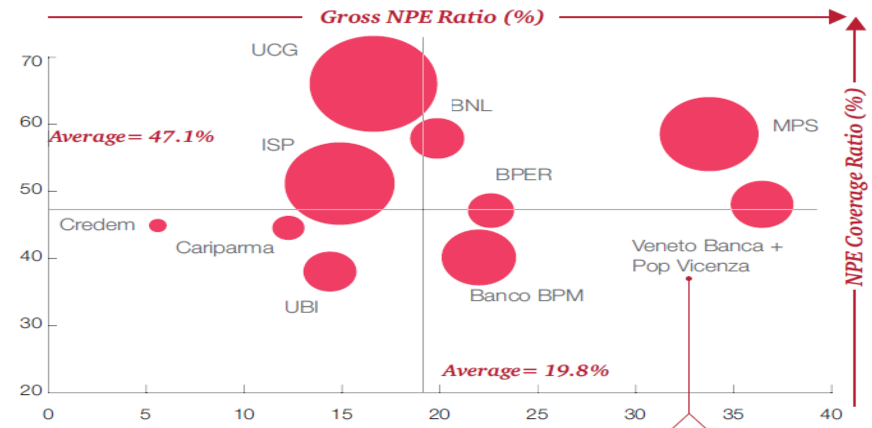
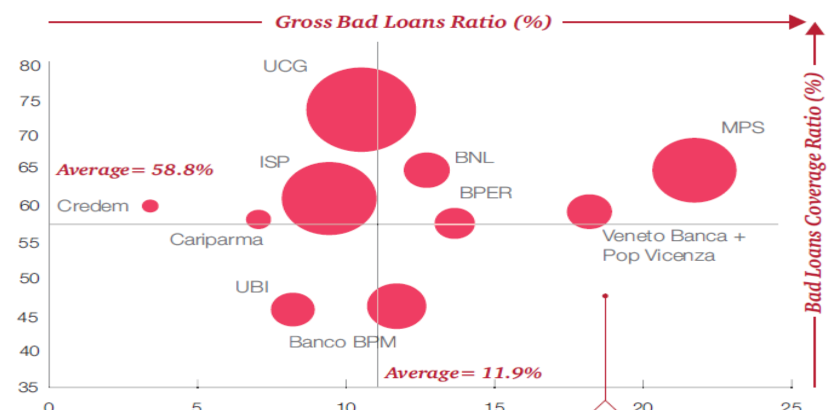
Overview

- Snapshot of the top 10 Italian banks' positioning considering the gross NPL ratio
- Strong variance amongst the banks analyzed
- Significant gap in terms of NPL ratio
- Veneto Banca and Banca Popolare di Vicenza reaches high at 36,9% whilst CREDEM shows the low extreme at 5,8%
- On the NPL coverage ratio UCG reaches the peak at 62,8% while UBI stands at 35,7% on the opposite side
- MPS shows the highest ratio for the Gross Bad Loans with 22,1% where the average is 11,9%
- Considering the bad loans coverage ratio at the maximum extreme there is still MPS with 64,8% whilst UBI stands at the opposite side with 45,1%



Bubble size: Gross NPE

Bank	Gross NPE Ratio (%)	NPE Coverage Radio (%)	Gross NPE (€bn)
Veneto Banca	38.5%	43.4%	6,967
Pop Vicenza	35.8%	47.3%	9,800



Bubble size: Gross Bad Loans

Bank	Gross Bad Loans Ratio (%)	Bad Loans Coverage Radio (%)	Gross Bad Loans (€bn)
Veneto Banca	18.3%	56.7%	3.313
Pop Vicenza	18.7%	60.5%	5.116

ITALIAN NPL MARKET

NPLs supply

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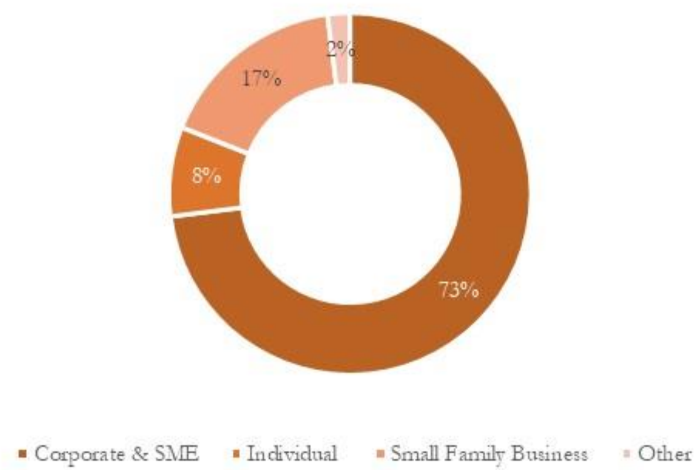
Overview

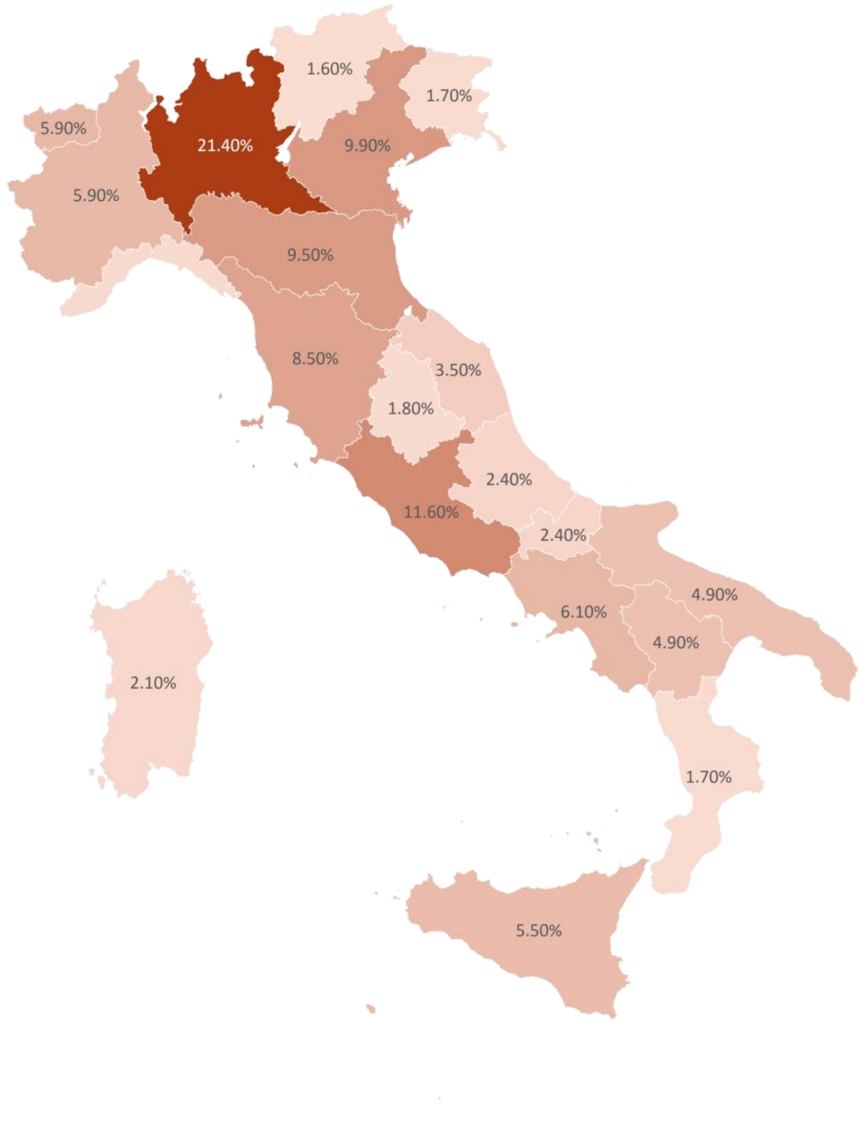
- After reaching its **high** at **YE-2015** (**€341 bn**) the **total NPE stock** has finally registered a **reduction** at YE-2016 **to €324 bn**
- From YE-2015 Net Bad Loans registered a €2 bn reduction
- **Gross Bad Loans**, which accounts for €200 bn of the total NPL exposure, are **stable y-o-y** but on the other side the UTP and Past Due are considerably declining
- **Corporate & SME** continue to represent the **greatest share** of gross Bad Loans
- Lombardia and Lazio are the region with the highest percentages of NPLs stock
- The percentage of **secured Bad Loans** is **increasing** from **36%** in **2008** to **48%** at **YE-2016**

Italian NPLs Trend (€ bn)

Breakdown of Gross Bad Loans by counterparty (YE-2016)



Gross Bad Loans Stock by Region (YE 2016)



Data Source: PWC July 2017 report on the Italian NPL market

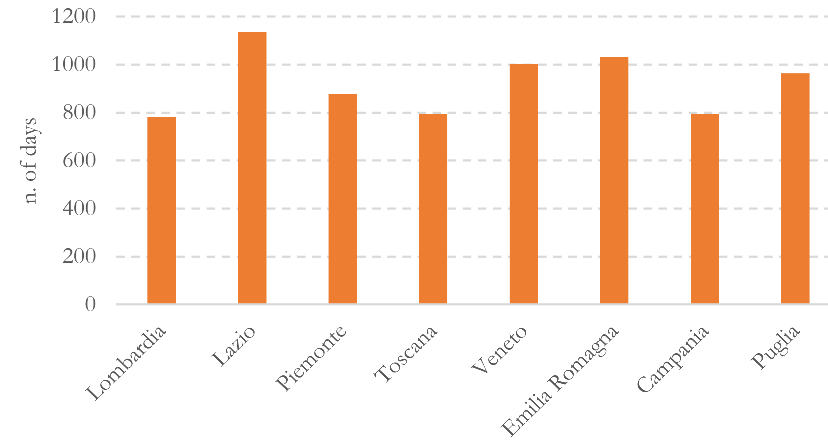
NPL market analysis

Overview

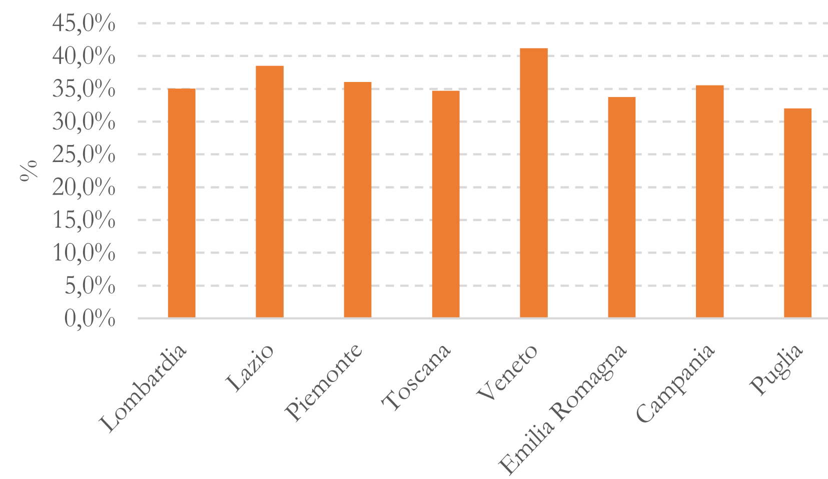
- In the last years the **NPL market** experienced low number of transactions mainly due to **large bid/ask spread** between banks (sellers) and investors (buyers)
- **High price demand** was mainly linked to (i) **high appraisal** (ii) **high book value** and (iii) low willingness to **write down** the books
- Main reason for **low bids** in the past was the **IRR** requested by the investors mainly due to (i) the **uncertainty of the Italian framework** and (ii) **uncertainty of the timing to recovery**
- Banks have now incentive to liquidate their NPLs portfolios in order to (i) **meet ECB requirement** (ii) **reduce the management cost** of the NPLs (iii) **cash in fixed** and certain **amount** (iv) **free** some **capital** from the sale of riskier asset (in terms of RWA) **to be re-invested** and (v) benefit from a positive effect on their reputation

Current monetary policy granting a low interest rate environment together with the authorities' actions should help reducing the bid/ask spread

Average timing from judicial appraisal to sale of the asset



Average discount from judicial appraisal to actual sale price



ECB quantitative easing, what next?

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1

- The ECB is due to decide by the Autumn whether and how to extend its € 2,3 tn ($ 2,70 tn) Quantitative Easing programme into 2018-2019.
- President Mario Draghi has mentioned core inflation and wage growth as reasons to be cautios

2

- Harmonized consumers prices accelerated at a 1,3% annual pace in July 2017. Eurostat said in its *flash* estimate that this was a figure that was largely in line with the economic forecast.
- So called core inflation, however, which strips out volatility prices for food, energy, tobacco and alcohol products accelerated from 1,2% in the previous month to 1,3% as indicated by Eurostat

3

- Actual inflation rates are still below desired levels

WHAT WILL BE LEFT FOR THE ECB TO DO?

The answer is almost certainly to carry on with the Quantitative Easing

LEGAL AND REGULATORY FRAMEWORK UPDATE

«NPL» Law 119/2016, Decree n. 59/2016 and Law 15/2017

- ✓ The **simplification of rules on collateral repossession, reducing the Court involvement**
- ✓ A **shorter timeline** in which borrowers can appeal enforcement decisions
- ✓ A more **transparent process** to investors and economic operators
- ✓ The ability of the judge to issue a provisional enforcement order for claims which are not appealed within set timelines
- ✓ The increased use of IT in court hearings and creditors meetings
- ✓ The ability to remove an administrator who doesn't comply with the timeline set by the court
- ✓ The creation of a digital register of proceedings which will be managed directly by the Ministry of Justice

Pledge on machinery: the bank/lender can extend its pledge rights also to machinery that can now be sold or rented out to covert the loan

Forward Covenant: in the case of real estate collateral this can be repossessed after nine monthly instalment overdue. A third party will assess the value of the asset to be disposed

Shortening of foreclosures: the decree states a general aim to accelerate the procedure

Speed up the recovery time on newly acquired NPLs

Law 15/2017

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- **Law 15/2017 contains public measures to support liquidity and the capital strength of the Italian banks.**
- **More generally, it aims to support savings and preserve financial stability**
- **The measures contained in the Decree are assisted by the creation of a € 20 bn fund to be deployed in 2017 from which the Ministry of Economics and Finance ("MEF") will draw funds needed for each investment/intervention**
- **Law main provisions are related to 2 main aspects**

1

Enhancing the **liquidity of Banks** through a State guarantee on **(i) Debt Securitization** issued by italian banks after the entry into force of the Decree and **(ii) Emergency liquidity loans** provided by Bank of Italy to Italian domiciled Banks facing serious liquidity issues

2

Capital strenghtening of Banks through the subscription or acquisition of shares by the central government bodies

Law 15/2017 – elegibility requirements

Amongst the eligibility requirement for public intervention set out by the Decree converted into law 15/2017 one of the most important is the submission to the Bank's competent supervisory board (Bank of Italy or ECB) of a restructuring Plan which confirms the profitability of the Bank in the long term and its capability to raise capital without the need of public support

1

One of the main points on which these Restructuring Plans should be focused, as confirmed by ECB's requests, will be the **reduction of the NPLs** which nowadays still massively affect the balance sheet of Italian Banks (GBV € 330 mln equal to 18% of Total Loans)

2

Notwithstanding the introduction of **GACS** (the State Guarantee on Senior tranches of Securitization of NPLs) last year and its capacity to maximize the transfer value of NPLs, the Italian Banking System has not yet took advantage of the favourable market conditions regarding interest rate, liquidity and more generally the monetary policy so as to reduce the non performing loans exposure below 10% of total loans as recommended by the supervisory authorities

3

Against this background the Law 15/2017 offers important measures to the Italian Banking sector which will enable the capital strengthening of Banks in need of liquidity by allowing them to implement in the short term substantial transfer/valorisation plan of the NPLs

The public guarantee - GACS

Overview

- A securitisation vehicle (a "SPV") shall buy NPLs from the bank. The SPV shall issue asset backed securities ("ABS").

- The State Guarantees on the Senior Tranches may be requested by banks that securitize and sell their non-performing loans, against regular payment of a fee to the Treasury. The price of the guarantee shall be calculated on the basis of single name CDS related to Italian issuers with a risk level equal to that of the guaranteed securities

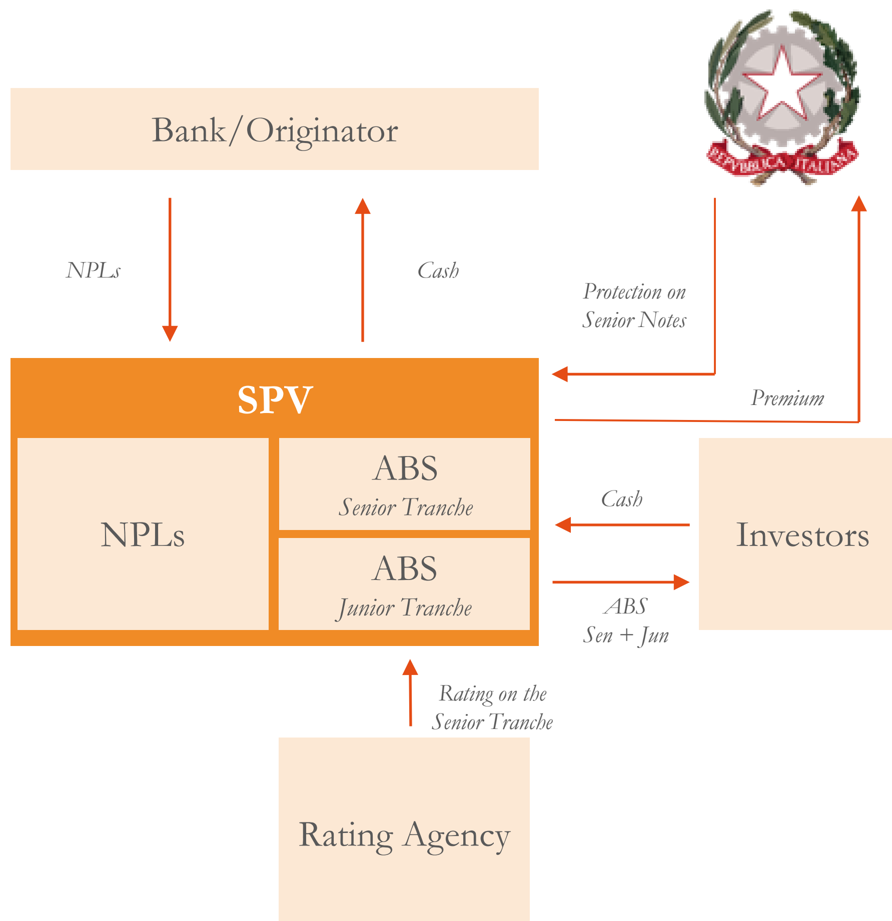
- The State shall issue the guarantee only after the securities have received a rating equal to or higher than Investment Grade from an independent rating agency.

- The GACS shall cover exclusively the senior tranches (i.e. the lower-risk notes) and, in particular, the payments contractually provided in respect of interests and capital in favour of the senior noteholders.

- The GACS becomes effective only when the relevant selling bank has transferred for consideration at least 50% plus 1 of the junior notes

- The GACS is an unconditional, irrevocable and first demand guarantee for the benefit of the senior noteholders

Securitization with GACS



The backstop fund - ATLANTE

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Atlante is being funded by the largest italian banks, non bank financial institutions and banking foundations. The fund is to act as a backstop facility for ongoing banks' capital increases, and designed as a buyer of last resort as it can buy non-investment grade tranches of NPL securitization transactions. The fund can also invest in real estate assets.

1

Purchase of NPLs: Atlante will act as a buyer of the junior tranches of securitized NPLs, requiring "*an IRR lower than traditionally demanded by specialized investors*". Specifically, the value should be enhanced by the securitization process itself (the benefits of splitting the risks), by the State guarantee (the "GACS"), and by the Atlante effect, which should create value not only by buying the junior tranches but also by stimulating competition.

2

Equity Investments: The issue of NPLs has generated, for many small Italian banks, the need to recapitalize in order to comply with Basel requirements. Atlante will provide capital to make sure that these banks are able to raise the money they need. The Fund will not carry out any direct management activity in relation to the banks in which it invest and has the possibility to carry out partnership or co-investment with other type of investors.

ATLANTE: Details

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Fund size:	4,3 €/bln
Main Sponsors:	UniCredit, BANCA INTESA, UBI Banca, MEDIOBANCA
Investors	67 Italian and foreign institutions which include banks, insurance companies, banking foundations and the *Cassa Depositi e Prestiti*
Fund closing date:	29 April 2016
Fund Term:	5 years
Investment Period:	18 months
Maximum Leverage:	110%
NAV:	Every 6 months
Fund Administrator:	Quaestio Capital Management
Custodian Bank:	RBC Investor Services Bank S.A. (Milan Branch)
Auditors:	Price Waterhouse Coopers
Asset Evaluators:	Deloitte & Touche

Securitization Law 130/1999 updates

On 15th June 2017 the Italian Parliament adopted a bill of law amending the Italian law 130/1999 (the "Securitization Law"). The newly introduced provisions aim at boosting the recovery of the securitized non performing receivables and the overall Italian credit market.

1

Debt to Equity Swap:

1. The SPV is now allowed to subscribe equity or equity-like instruments issued by Borrowers
2. The SPV is now allowed to grant new money financing to the original borrowers that will not be subject to the standard rules on subordination applicable to shareholder's loan

2

Reoco: the SPV is now allowed to create a dedicated corporate vehicle (ReoCo) may be set up to purchase and hold the real estate asset collateral of the receivable. Activity of the ReoCo will be limited to the acquisition of the asset, its management and the maximization of its value in the interest of the secured creditor

3

Leasing: with specific regard to leasing portfolios, in addition to the acquisition of the underlying leased asset, the newly introduced provisions contemplate the possibilty for the ReoCo to step into the leasing contracts and therefore replace the seller in its capacity as lessor under the leasing agreement

Securitization Law 130/1999 updates

STONEWEG

- ✓ The same securitization vehicle can include existing claims and new finance
- ✓ The securitization vehicles can grant new loans to assigned debtors
- ✓ Securitisation vehicles permitted to acquire or subscribe equity or equity-like exposures in the context of (i) economic and financial restructuring plans or (ii) arrangements or procedures aimed at the restructuring or recovery of the assigned debtor

1

Debt to Equity Swap:

1. The SPV is now allowed to subscribe equity or equity-like instruments.issued by Borrowers
2. The SPV is now allowed to grant new money financing to the original borrowers that will not be subject to the standard rules on subordination applicable to shareholder's loan

2

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(1) Loans must be granted to natural persons or micro-enterprises, borrowers must be identified by a bank or other intermediary that must retain an economic interest

Securitization Law 130/1999 updates

STONEWEG

- ✓ Introduction of a legal framework for the incorporation of spècial purpose companies which, in the interest of the securitization, will acquire, manage and enhance the value of the real estate and registered movable asset collateralizing the receivables
- ✓ Amounts arising from holding, managing and disposal of those assets will be assigned exclusively in the interest of the noteholders
- ✓ claims secured by assets being the subject matter of enforcement proceedings, acquisition by a ReoCo of assets securing the transferred receivables ensures the preservation of the value of such assets in the context of enforcement proceedings. The ReoCo will then sell the purchased assets in timely manner, maximizing the sale price and therefore the value recovered for the noteholders

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Securitization Law 130/1999 updates

SW STONEWEG

- ✓ Introduction of a legal framework for the incorporation of spècial purpose companies which, in the interest of the securitization, will acquire, manage and enhance the value of assets subject of finance lease contracts, potentially together with the related contracts or, if terminated, with the legal relationships arising from such termination
- ✓ LeasingCos that succeed to finance lease contracts must be incorporated for specific securitisation transactions, wound up at the end of those transactions, and consolidated into the financial statements of a bank
- ✓ LeasingCos' obligations under the finance lease contracts will be performed by the servicer of the securitisation or another person duly authorised to carry on finance lease business
- ✓ Transfers from LeasingCos of instrumental real estate assets will be subject to registration, mortgage and cadastral taxes at fixed rates

1

Debt to Equity Swap:

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RECENT NPL MARKET ACTIVITY

NPL recent market activity

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Overview

- **Banks** to **continue deleveraging** the volume of NPL on their balance sheet
- **Restructuring** measures for **MPS**, overburdened by **€29,4bn** GBV of Bad Loans is currently in progress with a solution expected to take place by **year end 2017**
- The **NPL** portfolio of **Banca Popolare di Vicenza** and **Veneto Banca** is expected to **be liquidated through a public bad bank**
- Banco **BPM** planned to **deleverage** a **NPL** portfolio for approximately **€2.0bn of GBV**
- **Carige** could start a **deleveraging** process for a portion of its Bad Loans portfolio totaling **approximately €3.7bn**
- **Banca Popolare di Bari** which closed in 2016 the first NPL transaction with the recourse of the GACS is in the process to carry on the delevrage of **further €0.3bn of NPL**
- Volumes remain modest compares to banks total stocks of Bad Loans but the trend on the offer side is forseen to continue with further increase of supply available for investors
- **New ECB rules to have great impact on banks NPE exposure**

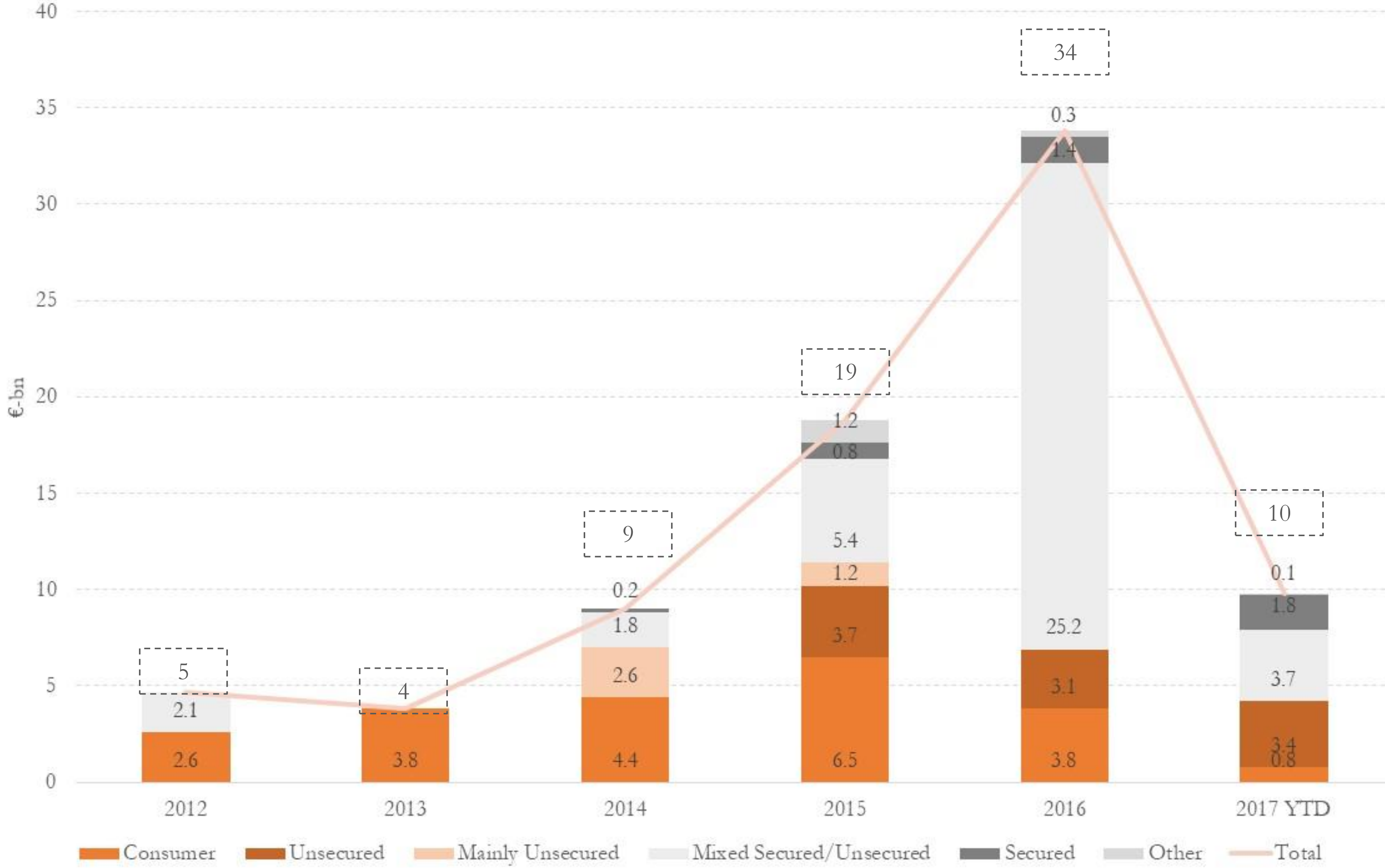
2017 volumes are expected to reach more than €60bn mainly driven by banks deleveraging perspective (just MPS deleveraging €29.4bn). Onwards transactions to include not only bad loans (NPLs) but also other categories of Non Performing Expsure (NPEs) such as Unlikely to pay (UTP) and Foreborne

NPLs public transactions in the italian market (€/mln)

Year	Seller	Size (€/mln)	Portfolio Type	Buyer
Q2'17	BPM	750	Secured	Algebris
Q2'17	MCFVG	400	Secured	Bain Capital
Q2'17	Banca Sella	126	Mixed	B2 Holding
Q2'17	Barclays	190	Unsecured	Banca IFIS
Q2'17	Unicredit Leasing	500	Unsecured	MBCredit Solution
Q2'17	ISP	2.500	Mixed	CRC
Q2'17	n.a.	22	Unsecured	Axactor
Q2'17	ISP	280	Secured	Credito Fondiario
Q2'17	n.a.	302	Unsecured	Banca IFIS
Q2'17	n.a.	112	Unsecured	Banca IFIS
Q1'17	DB	413	Mixed	Banca IFIS
Q1'17	CreVal	50	Secured	Confidential
Q1'17	Banca IFIS	750	Consumer	Kruk Italia
Q1'17	DB	130	Unsecured	Kruk Italia
Q1'17	UCI	50	Other	Kruk Italia
Q1'17	Santander	160	Unsecured	Banca IFIS
Q1'17	HETA	657	Mixed	Bain Capital
Q1'17	Barclays	177	Secured	AnaCap
Q1'17	BNL	1.000	Unsecured	Banca IFIS
Q1'17	Banco Popolare	641	Unsecured	Hoist Finance

Data Source: PWC July 2017 report on the Italian NPL market

Trend in the main NPL transaction in the Italian Market



Data Source: PWC July 2017 report on the Italian NPL market

SAMPLE OF NPL TRANSACTION

Investment overview

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1. Target NPLs portfolios with specific requirement in terms of RE collateral in order to secure the repayment of the capital invested

2. Active asset management of the NPLs portfolios in order to maximize the investment IRR through both judicial and extrajudicial approaches selected on a case by case basis

Scenario	Indicative Timeline	Indicative Return
Extrajudicial	6 months to 24 months	> 25%

Purchase of the Loan → Agreement with the borrower → Repayment of the loan through settlement agreement

Scenario	Indicative Timeline	Indicative Return
Judicial	3 to 5 years	> 20%

Purchase of the Loan → Bankrupcy/ Foreclosure → Appraisal on the RE Asset → Sale of the Asset → Repayment through sale proceeds

NPL acquisition process

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Underwriting

Loan Analysis
- Gross Book Value (GBV)
- Borrower
- Legal Status

Collateral Analysis
- Type
- Location
- Surface

Credit Pricing
- Wacc (*Collateral Type/Location*)
- Time to recovery (*Location/Legal Status*)

1. The single position or portfolio is analyzed and clustered for size, location and legal status
2. The collateral of the loans are analyzed from a RE perspective looking at location, type and dimension in order to assess the back end collateral value
3. The credit is priced discounting the back end collateral values for (i) wacc and (ii) time to recovery

Cherry Picking/SPA Negotiation/**Acquisition** through the selection of specific single name **NPL** and/or Portfolios with **value embedded in the RE collateral**

Management

Judicial Recovery	Extra-judicial Recovery

Extrajudicial Recovery

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Upon acquisition of the loan the purchaser has the possibility to approach the borrower in order to find an extrajudicial agreement in a friendly context.
This type of solution is welcome by both the new lender and the borrower as helps both of them to reach their respective goals in a shorter timeframe as typically the borrower had already approached the bank without succeeding in reaching an agreement on the haircut of the position.

1

Settlement Agreement: in this case the new lender and the borrower will find an agreement for which the borrower will pay a fixed amount to the new lender in change for the cancelation of the debt (*saldo e stralcio*)

2

Joint disposal of the Asset: the new lender can help the borrower with its consent in marketing the asset in order to proceeds with the sale hence repayment of the debt

3

Datio in solutum: the new lender and the borrower could reach an agreement by which the ownership of the Real Estate Asset is transferred to the new lender in change for the cancelation of the debt. In this case the new owner can decide to either (i) manage/reposition the Asset or (ii) sell the Asset

Judicial Recovery

Italian Bankruptcy law has several procedures. Common factor to all of these is the aim of the legislator to repay the amounts (secured and unsecured) that the company under foreclosure/ bankruptcy has borrowed.
In case of secured positions usually three different phases can be highlighted, Italian legislator recent intervention (decree n. 59/2016) is looking to reduce the timing of the three phases

1

***Pignoramento*:** in this phase the secured creditor begins the bankrupcy/foreclosure procedure attacking the asset and requesting its payment through proceeds of the sales of the Real Estate Collateral

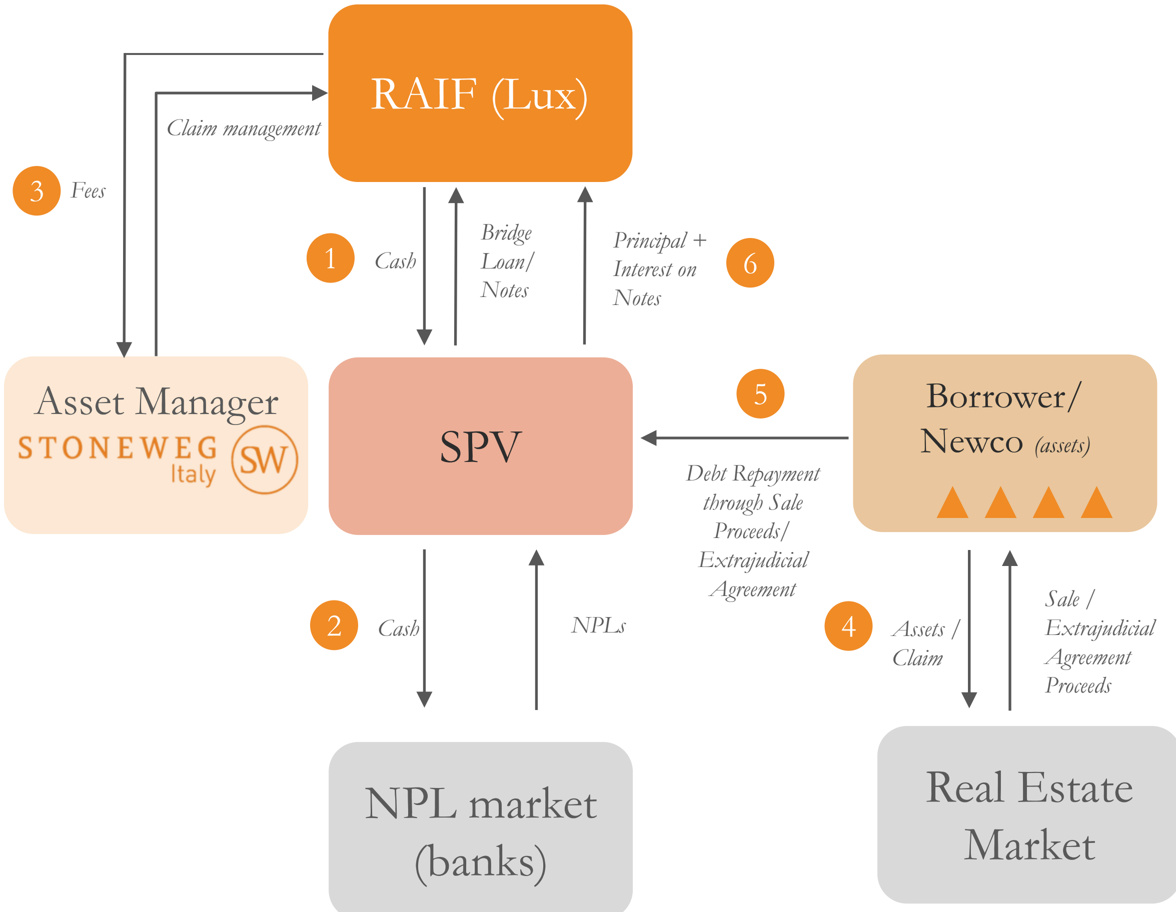
2

Appraisal: in this phase the various bodies of the foreclosure/bankrupcy procedure involve technical consultants in order to assess the value of the Real Estate Collateral that is due the secured and potentially also part of the unsecured creditors *(if any)*

3

Sale of the Asset and repayment of the loan: upon the sale of the asset the sale proceeds are used to repay the secured debt in full or in part depending on the outcome of the sale process

Investment Structure



Sample deal structure

Investor subscribes into a Luxemburg RAIF :

1. *RAIF subscribes bridge loan vs SPV subsequently converted into SPV notes subscription*
2. *Cash used by SPV to purchase NPL Claims from banks*
3. *Advisors manages the claim judicial/ extrajudicial*
4. *Monetization of the claim*
5. *Original Borrower/Newco repay the Debt towards SPV*
6. *SPV pays to Investors principal + interest on the Notes issued*

Fee structure

		IRR < 10%	IRR > 10%
Acquisition Fee	**1,0%**		
Disposal Fee	**2,0%**		
Management Fee	**1,0%**		
Performance Fee*		**0,0%**	**20,0%**

*With catch up

STONEWEG NPL TRANSACTION TRACK RECORD

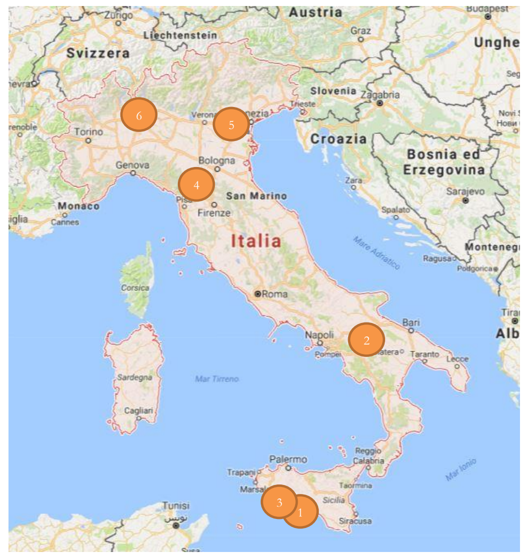
Project PRECS

Transaction Overview

- Between September 2016 and December 2016 SPV Project 1610 acquired a small pool of 6 loans from Unicredit, MCFVG and UBI for a total GBV of ca. 55 €/mln
- Investors financed the acquisition by means of a bridge loan to the SPV for a total amount of 23,3 €/mln of Purchase Price corresponding to ca. 42% on GBV
- Since the acquisition the team managed already to secure:
  - ✓ Disposal in the context of a fore-closeure procedure of real estate collateral of loan n.6. The buyer is the tenant exercising its by law pre-eption right at 16,4 €/mln (1,88*x on Allocated Purchase Price*). Cash in court to be distributed in 2019.
  - ✓ Extrajudicial Settlement Agreement with 2 borrower (Trinacria Srl and Seven Tourist Srl) with repayment of a total amount of €4,5 mln implying a 1,4x multiple on the purchase price
  - ✓ Assignement of rental flow from collateral asset n. 2 with rent collection of 388.590 € as of Aug'17
  - ✓ Agreement with the Equity Owner of collateral n. 5 in order to jointly organize the repositioning and disposal of the Collateral Asset which is an hotel with golf course and thermal spa in Veneto with forecasted disposal proceeds at 20 €/mln

Claims Portfolio and Real Estate Collateral Description

#	Borrower	GBV (€)	Purchase Price (€)
1	Seven Tourist Srl	4.739.000	2.200.000
2	Lucana Carburanti Srl	9.005.000	4.500.000
3	Trinacria Srl	1.688.000	1.050.000
4	Omega Costruzioni Srl	1.002.000	700.000
5	Galzignano Terme Srl	11.706.604	6.200.000
6	Camuzzi SpA	27.139.550	8.700.000
TOTAL		**55.280.154**	**23.350.000**



1. *136 Rooms Hotel*
2. *144 Rooms Hotel + Autogrill + Petrol Station*
3. *80 Rooms Hotel*
4. *12 Residential units*
5. *400 Rooms Resort Golf & Spa*
6. *Bottega Veneta HQ in Milan producing 1,8 €/mln rent*

Project DELA

Transaction Overview

- In Q1'17 SPV 1610 acquired from Unicredit a small portfolio of 3 loans for a total GBV of €63,8 mln at a total acquisition price of €25,5 mln (40% on GBV)

- The main exposure is towards Hotel Tiberio Srl owning a 5* Luxury hotel with 56 rooms in Capri

- Since the acquisition of the portfolio the team has managed to

:

✓ Meet the Sponsor of Hotel Tiberio Srl few times and signed an extrajudicial settlement agreement agreement to recover 30 €/mln in 2017-2018 *(1,55x on Allocated Purchase Price)*

✓ Arrange for the flip the Claim towards Acero Srl for €5 mln with closing/payment expected in H2'17

✓ Start discussion with the Sponsors of Peonia Srl in order to arrange for the sull refurbishment and joint disposal of the office asset with subsequent monetization of the relevant claim

Claims Portfolio and Real Estate Collateral Description

#	Borrower	GBV (€)	Purchase Price (€)
1	Hotel Tiberio Srl	36.400.000	20.013.000
2	Peonia Srl	10.548.227	1.000.000
3	Acero Srl	16.862.000	4.500.000
TOTAL		**63.810.227**	**25.513.000**

1. *5* luxury hotel in Capri with 56 rooms*
2. *Office in Perugia*
3. *Residential Asset in Rome*

Project COIN

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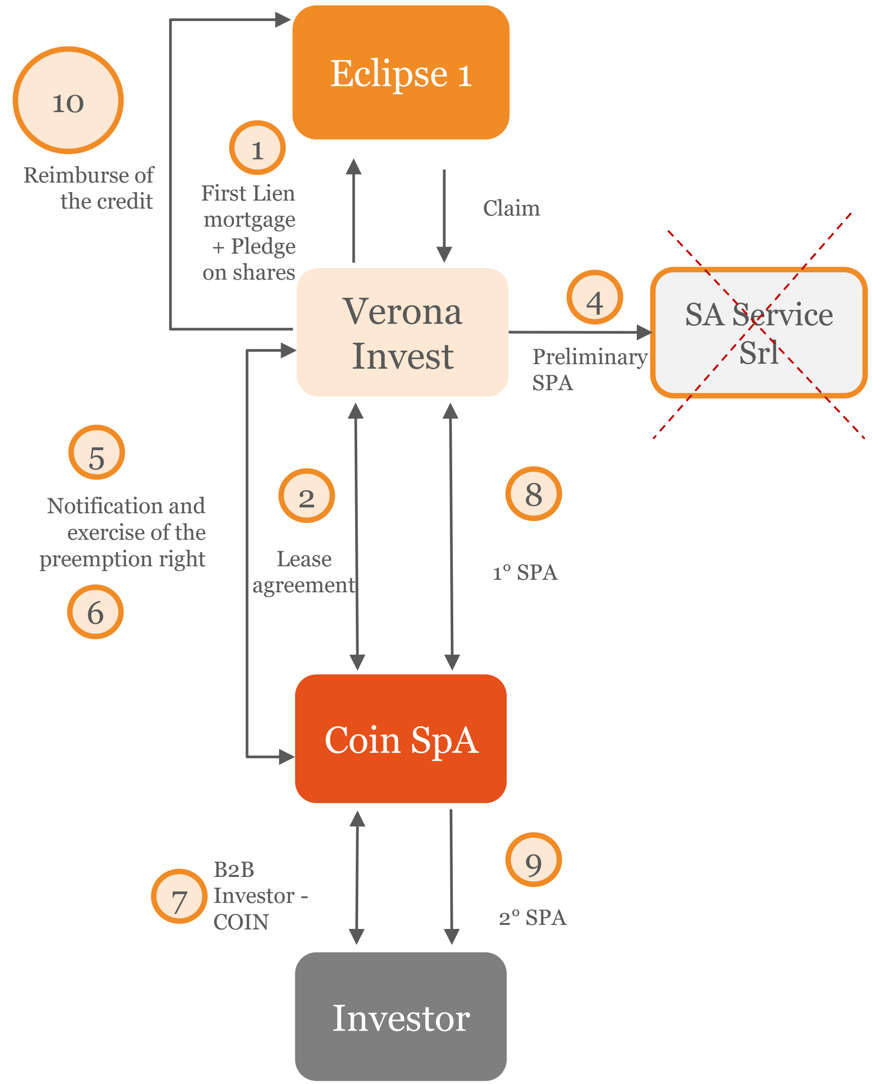
Transaction Overview

- In March 2016 the SPV Eclipse 1 Srl acquired a single name NPL from Unicredit having a total GBV of €18,7 mln for a total price of € 10,6 mln (56% on GBV)
- The real estate collateral of the loan is a retail asset in Verona let to COIN SpA for a total annual rent of approximately €1,0 mln implying a 10% GGIY on the purchase price
- Since the acquisition the SPV received the assignment of the rental flow associated with the real estate collateral of the Loan
- Eclipse appointed its sole administrator that started a marketing campaign of the asset amongst several institutional investors
- The administrator appointed by the SPV/Investors managed to obtain a LOI from an institutional investors and it is currently discussing the disposal of the Asset at € 18,3 mln implying 1,72x multiple on capital invested and according to the following scheme:

  i. Notification to the tenant of the sale of the asset
  ii. Exercize by the tenant of its pre-emption right accoridng to law 392/1978
  iii. COIN SpA will buy the asset from Verona Invest
  iv. Coin will immediately sell it to the institutional Investor indicated by the asset manager (SWI)
  v. Verona Invest will reimburse its credit towards Eclipse

Monetization Structure



Project H&L

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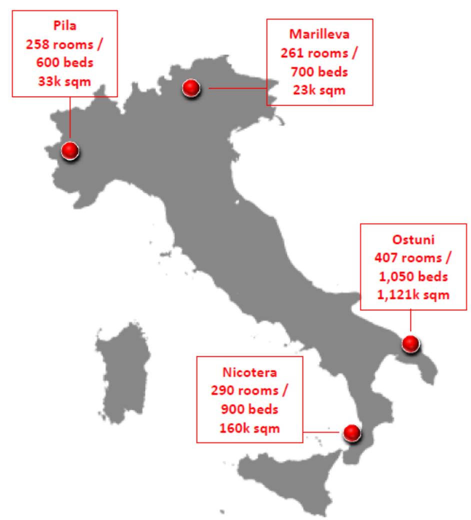
Transaction Overview

- In December 2015 an SPV sponsored and advised by Stoneweg Italy executed the acquisition of € 77 mln of secured loan granted by Intesa San Paolo to Hospitality and Leisure Fund (H&L) managed by Prelios SGR
- The acuiqistion price of the loan was equal to € 31 mln *(40% on GBV)*
- The loan was secured by 4 resorts owned by H&L Fund
- In January 2016 the sponsors acquired also 100% of the units of the fund H&L for additional € 1mln allowing the investors to get full control of the collateral assets
- In July 2016 3 out of 4 assets were sold to Investindustrial at a price of € 43 mln *(1,34x on the total acquisition cost implying full recovery of the equity exposure with still one asset to be sold/monetized)*
- Currently negotiating the sale of the 4th asset in Calabria for additional € 3,5 mln bringing the total revenues for the project to € 48,5 mln implying a multiple of 1,50x on the capital invested

Claims Portfolio and Real Estate Collateral Description

#	GBV	City	Region	Rooms	Total acquisition cost (€)
1	€ 77 mln	Pila	Val D'Aosta	258	€ 32 mln
2		Marilleva	Trentino Alto Adige	261	
3		Ostuni	Puglia	407	
4		Nicotera	Calabria	290	



Total Rooms 1.216
Implied price per room ca. 26k €

STONEWEG

Stoneweg in a nutshell

STONEWEG

Company

- Stoneweg is a **real estate services and management company** created in 2015
- Its headquarters are in Geneva, Switzerland
- Stoneweg **structures and manages** both direct and indirect real estate mandates, and provides advice for real estate portfolio's optimization

Team

- The company is the result of synergies from the former Banque Edmond de Rothschild (Suisse) SA real estate team and International Real Estate partners
- It has assembled local teams in its branches in Barcelona, Madrid, Milan, and Florida. It totalizes **29 professionals**.

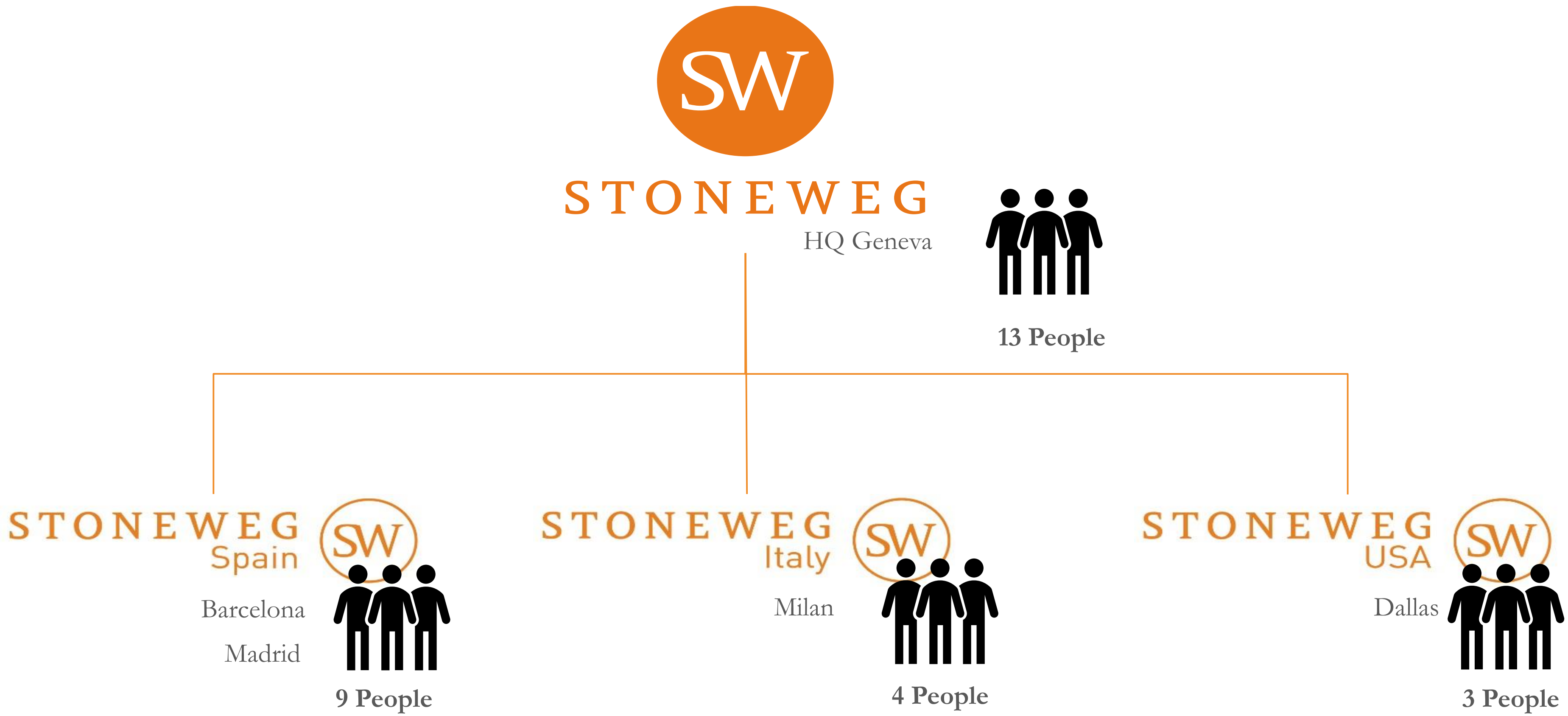
Philosophy

- Stoneweg has **Bottom-up approach** putting real projects and local networks at the source of the activity
- Alignment of interest with Stoneweg partners through a **systematic self-investment policy**
- Teaming up with **best-in-class local partners** who co-invest in the projects

Structure

- The current equity in the products provides capacity to invest up to **€ 1 Billion** of buildings and construction projects.
- Present in the **US, Spain,** and **Italy**, with differentiated, country-specific strategies
- Each product has a tax-efficient structures adapted to local jurisdictions

Group structure



- Stoneweg has executed **89** transactions for a total investment value of € **897 mln**
- Out of the **28** people in the global team **20** are involved directly in the transactions

Stoneweg Board of Directors

STONEWEG

STONEWEG BOARD

Claude **MESSULAM**

Chairman

Former President of the Executive Committee of Banque Privée Edmond de Rothschild, former President of the Executive Committee of Edmond de Rothschild Group and Chairman of Prifund Conseil.

He holds a License in Commercial and Industrial Sciences from the Geneva University and a Federal Accounting Specialist Diploma.

Jaume **SABATER**

CEO

Former Director at Banque Privée Edmond de Rothschild S.A, specialized in real estate and alternative investments, where he was head of real estate and dedicated accounts. He was responsible for the launch of the first Swiss Real Estate SIIQ (ERRES).

He holds a master degree in international management from the Community of European Management Schools both in St Gallen University and ESADE Barcelona

Alexandre **COL**

Former Head of the Investment Fund Department of Edmond de Rothschild Group and former member of the Executive Committee of the Banque Privée Edmond de Rothschild. He created the first Swiss RE SIIQ (ERRES). Founder of IterAM Capital in 2015.

He holds three degrees and two masters in Business Management, Economic and Political sciences.

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STONEWEG INVESTMENT COMMITTEE

Jean **GOLINELLI**

Founder of PI-Performance and CEO of CB Richard Ellis Switzerland and former board member of Edmond de Rothschild Real Estate SIIQ.
He is a lawyer with advanced degrees in Law and a License in Economy from the Geneva University .

Alain **FERNANDEZ**

Former senior Director of Real Estate investment of CB Richard Ellis Switzerland.
He holds a US brokerage and mortgage professional license. He has a degree in Business administration. His background as a real estate broker has allowed him to build strong knowledge of real estate markets as well as good relationships on the real estate sector

Carlos **RIBEIRO**

CIO of Brainvest Wealth Management, with over 16 years of experience in the Financial markets.
Wealth Management Bachelor degree from University of Paris-Dauphine, CEFA diploma (“Certified European Financial Analyst”) and member of the SFAF.

Alain **ZAQUIN**

Alain Zaquin holds a degree in Law and real estate from Pantheon university in Paris and has 30 years of combined expertise in the real estate and alternative investments field. He was co founder of Sorepro a French real-estate development company building residential , office and industrial program. He also worked as an Intel Vice President at Lehman Brothers Group, in NY and Paris and was partner of EIM group and CEO of EIM France SA an alternative portfolio asset manager. Since 2010 he entered different partnerships with real state developer groups. He also acts as independent advisor on real estate lending restructuring and asset back portfolios.

Project Team

STONEWEG

HEADQUARTERS

Jaume
SABATER

CHIEF EXECUTIVE OFFICER
Former Director at Banque Privée Edmond de Rothschild S.A, specialized in real estate and alternative investments, where he was head of real estate and dedicated accounts. He was responsible for the launch of the first Swiss Real Estate SIIQ (ERRES). He holds a master degree in international management from the Community of European Management Schools both in St Gallen University and ESADE Barcelona

Joaquín
CASTELLVI

HEAD OF ACQUISITIONS
He has been directly involved in real estate transactions totalling € 2.0 billion at major consultancy firms, investment bank and developers. He has originated, underwritten, financed, and asset managed a wide range of properties within the European Market with a strong focus on Spain, including offices, industrial/logistics, residential development, retail, and serviced apartments.

Rui
INÁCIO

DIRECTOR OF INVESTMENT MONITORING
He worked for 10 years at Edmond de Rothschild (Suisse) S.A. as a real estate fund analyst and portfolio manager for the real estate multimanager mandates. He also co-managed Edmond de Rothschild Real Estate SIIQ, a Swiss listed real estate fund with over 800M CHF. He was a member of the Management Supervision Committee and of the Pension fund real estate committee. He holds a Master in Business Management from the University of Geneva.

Hugo
SENTMENAT

INVESTMENT ANALYST
He worked in a Private Equity in Barcelona as an Investment Analyst specialized in Infrastructural a Energy Efficiency projects. After the investment period he supervised and controlled part of the portfolio with a hands on focus. He has also been an independent financial advisor for SME's and Real Estate companies. He holds a Master in Business Administration specialized on finance from the University Ramon Llull in Barcelona.

ITALY

Gianfranco
PAPARELLA

SENIOR ADVISOR
Former Managing Director at Nomura, Credit Suisse and Lehman Brothers, he spent the last 20 years focusing on Real Estate, both as principal and as advisor. He completed more than 80 Real Estate transactions for a total value of approx. €10bn executed with major clients.

Michele
GRECO

EXECUTIVE DIRECTOR
Michele has 15 years of experience in the real estate sector having worked for some of the most important investment banking active in the real estate and NPL sector such as Deutsche Bank, Lehman Brothers, Credit Suisse and Nomura. In his previous experience Michele completed more than 50 transactions for a total value of approx. €5bn executed with major clients.

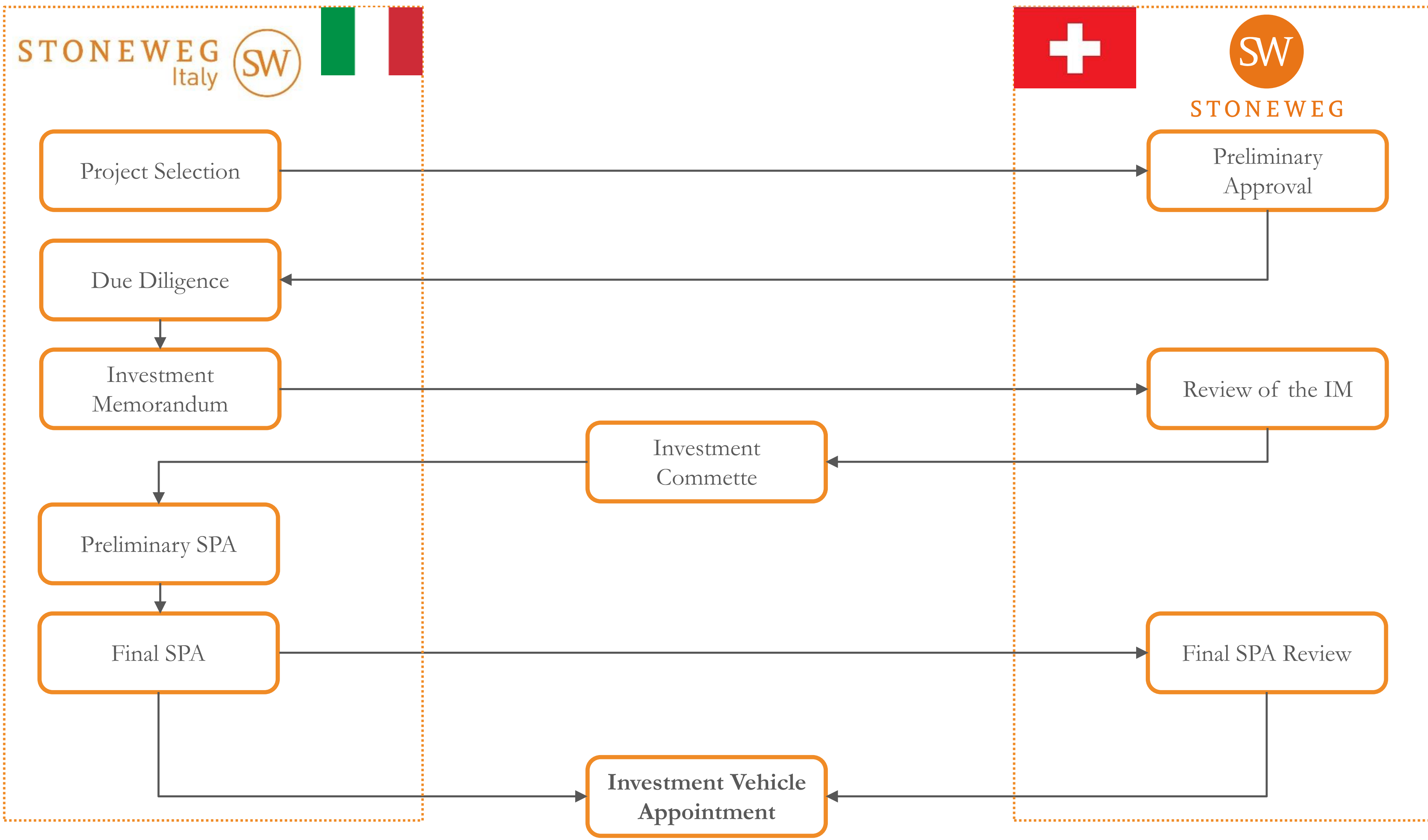
Michele
PAPARELLA

ASSET ACQUISITION & PORTFOLIO MANAGER
Michele joined Stoneweg Italy after a long experience in Investment Banking (Lehman, Nomura, Credit Suisse) with focus on Equity and Fixed Income Derivatives He also provided asset liability management to several institutional investors. During his previous years he gained experience in financial structuring and trade restructuring. Michele graduated *cum laude* in 2007 in Law and Economics at the LUISS Guido Carli University in Rome.

Dan
SERALVO

ASSET ACQUISITION & PORTFOLIO MANAGER
Dan has previous experience as Analyst in different relevant financial groups in Milan and New York and he was participating in teams managing large amounts of capital. On top of his investment analysis he has done market analysis completing different Market models assumptions. Dan holds a Masters degree in Economic and social sciences at the Bocconi University in Milan.

Operational chart



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