



# AZ HOLDING

Statistical Observatory  
Special Edition

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**AZ Holding** is a Group focused in **Credit and Anti-fraud services**.

It is also active in the intelligence & security market and heritage protection working in all the Italian market.

Clients are the major national financial institutions, international funds, utilities companies, retail companies and SME's.

The AZ approach in the credit management is unique. Thanks to the deep expertise in NPL individual infoproviding and the proprietary database, the Group is able to target excellent recovery performances in all asset class (Secured-Unsecured/ Individual-SMEs-Corporate).

On 7 May 2014, AZ Holding joined the group of 150 outstanding Italian companies selected by the **Italian Stock Exchange** to form part of the Elite system.

# TREND 2014 / 2015

Social/economic profiling of debtors

*How changed the profile of debtors in the last year ?*

# INTRODUCTION

Based on the data released by the Bank of Italy in the publication " Supplements to the Statistical Bulletin - Monetary and Financial Indicators " on 9 February 2016, the Statistical Observatory of AZ Holding periodically offers to the market his point of view by analyzing a sample of data , which evidently are less that the one analyzed by the Bank of Italy , but it appears anyway significant.

*March 8, 2016 - Milano Finanza Journal*

*"Numerous empirical studies have shown that the reduction of debt recovery time can have important positive effects on the valuation of NPL portfolios and thus help to reduce the distance between the book values and prices offered by the market . Giovanni Sabatini said: " Our estimates indicate that, overall , for every year of reducing the recovery time of the guarantees , the difference between the bid price and ask price would be reduced by about 10 % . "*

Given that the two main factors influencing the recovery time :

- The regulatory framework in relation to recovery procedures
- The quality of debtors on which the credit servicer working to recover the claim

The Observatory aims to analyze the correlation between the change of characteristics of debtors in 2015 and the improvement of the recovery curves recorded in the same year.

The study presented will focus on the comparison between two samples of debtors relative to the two-year period 2014-2015 , highlighting the change recorded on the samples on the following characteristics :

- employment trend
- employees analysis
- Geographical distribution of employees
- Employees type

The population from which the sample was calculated provides a heterogeneous base, free from any possible manipulation .

The particular subjects target was selected in order to provide an insight into the national reality today .

# EMPLOYMENT TREND

Figures indicate that in 2015 there was an increase in the percentage of debtor employed ( 40.7 % ) compared to 2014 ( 26.6 % ) - table 1 .  
 The recorded positive trend in employment has increased significantly in the second half of 2015 - Table 2 .  
 The assessed data confirm the national statistics \* related to the positive effect on the employment rate of the Jobs Act as (March 4, 2015 .)

Table 1

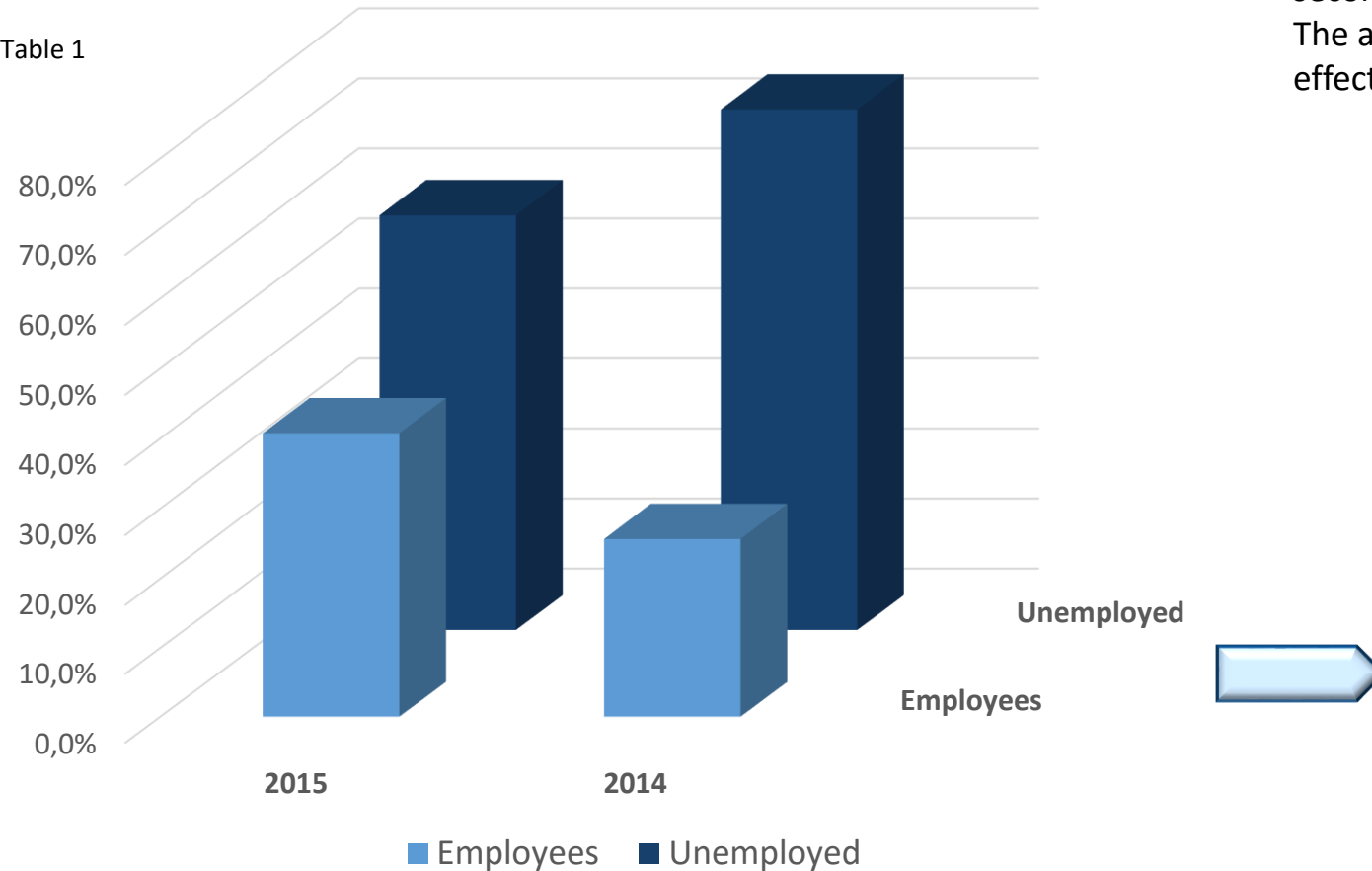
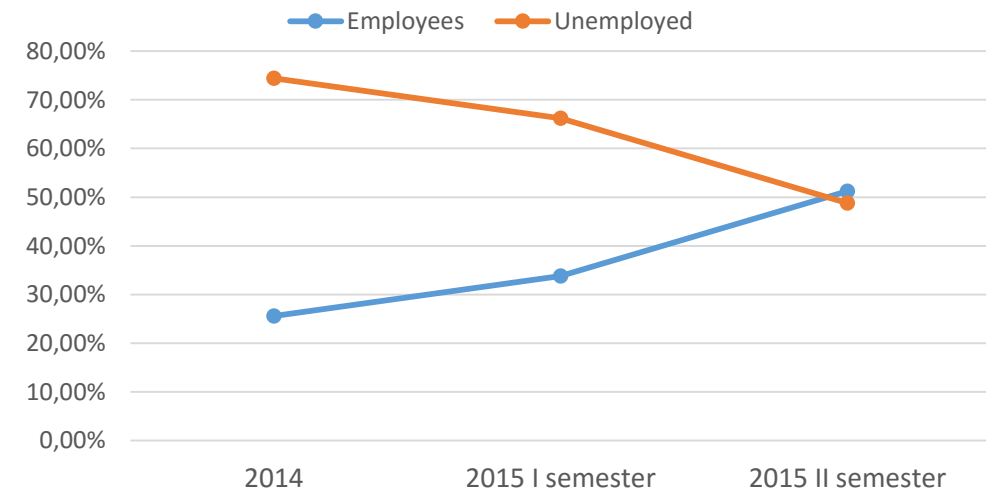


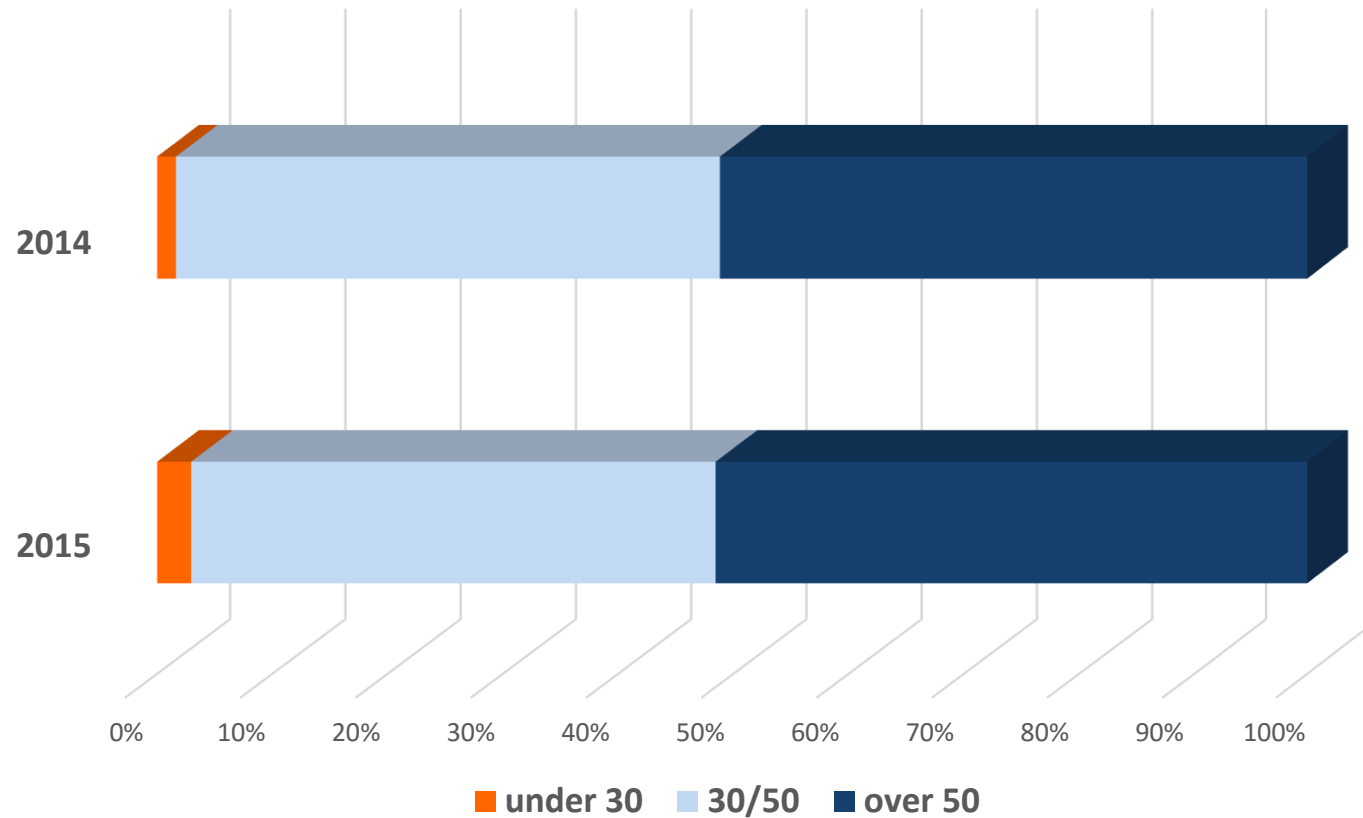
Table 2



\*Data from Istat March 10 2016

Table 3

## Age Range



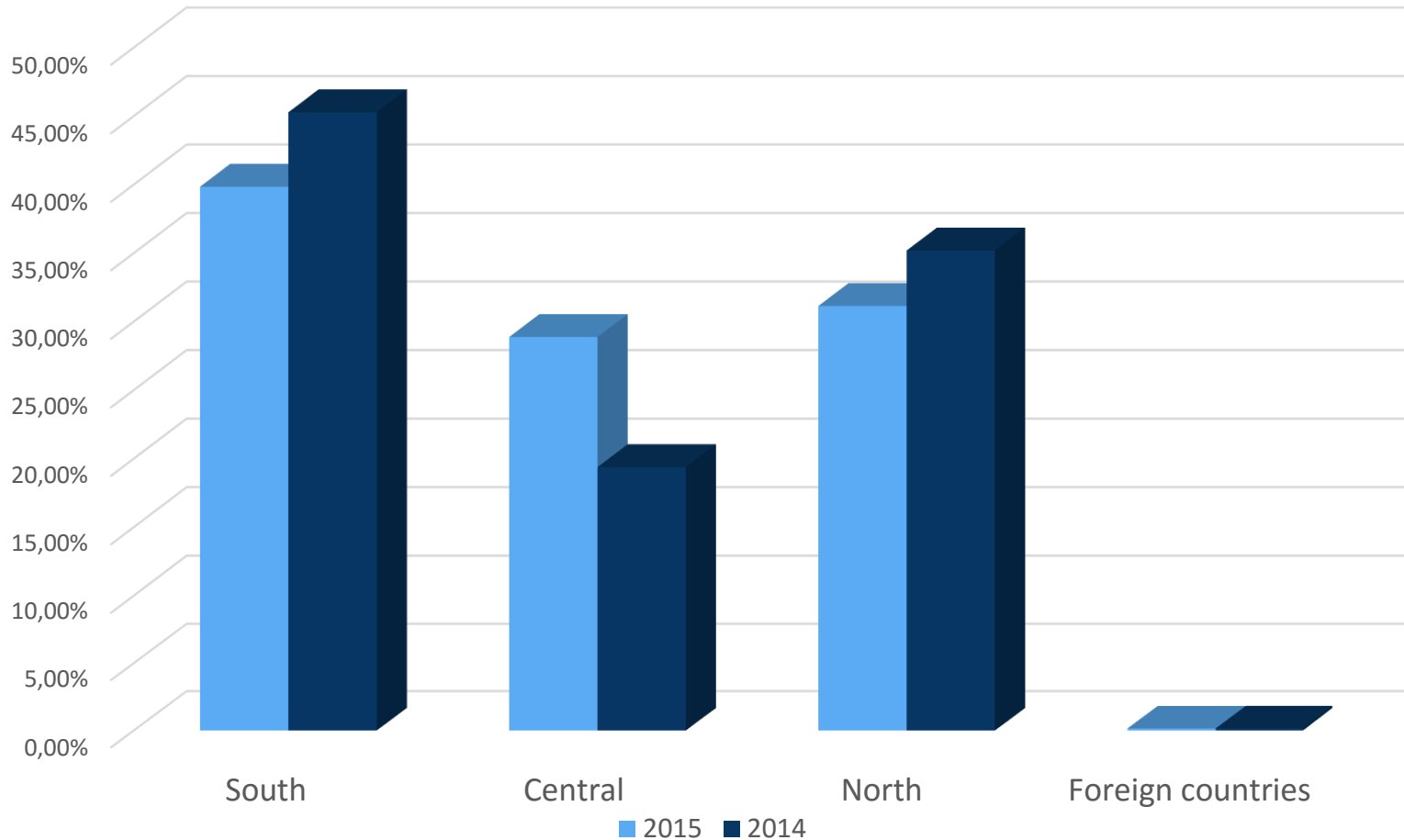
**In 2015 the category of employees that underwent major changes in our cluster was that of Under- 30 , passed from 1.64 % to 3.2 % .**

We also believe this result is possibly connected to the positive effect of the government labor reform that has most impacted the contracts signed in the youth age group according to the latest data provided by Istat \* .

*\*Dati Istat 10 marzo 2016*



Table 4



The examined group faces the geographical distribution of employed debtors.

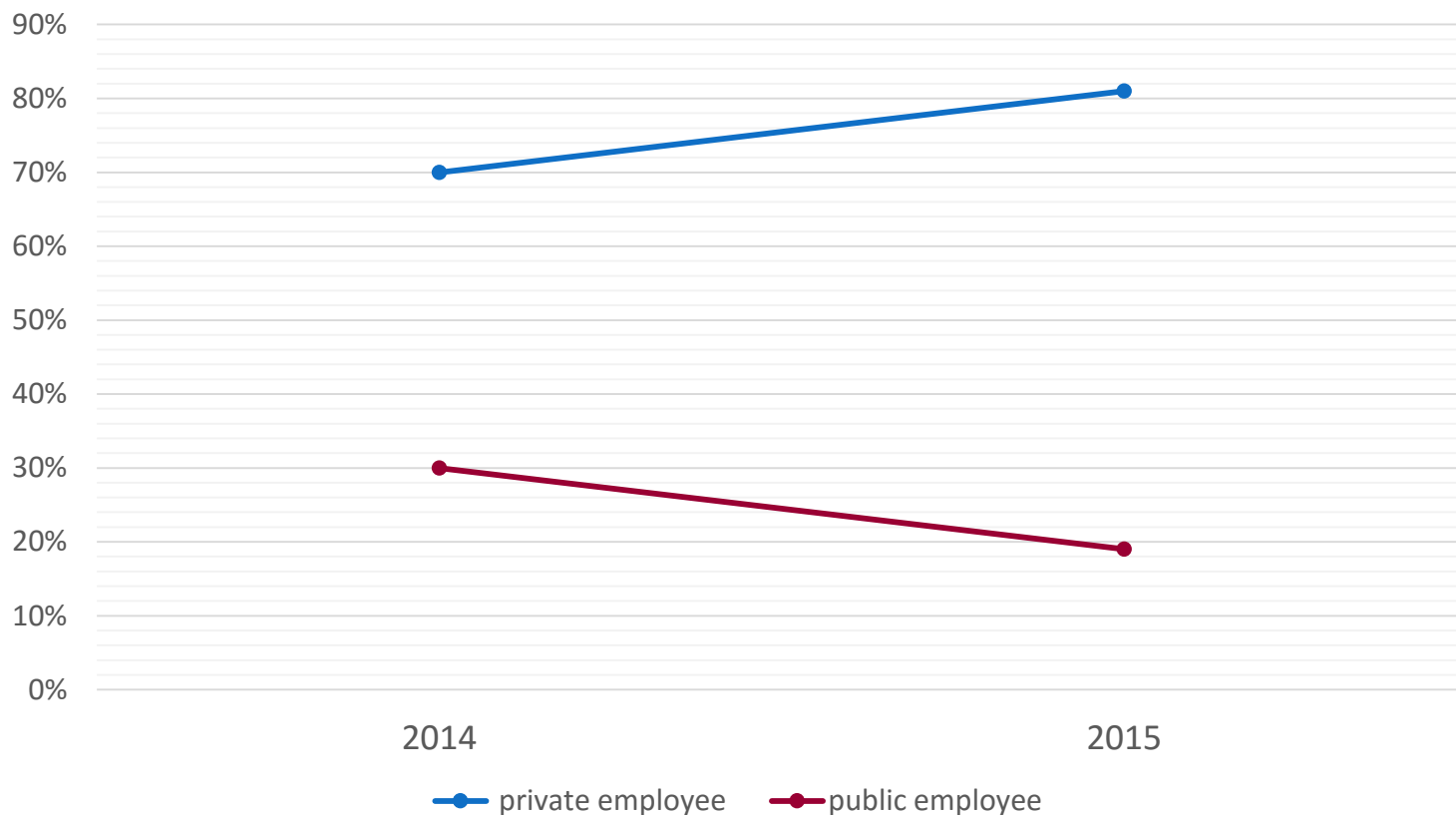
In 2015 there was a sharp increase of debtors distributed in central Italy .

We can read this result considering the increased concentration of companies in Central Italy that had a majority of employees with temporary contracts .

Effects of the Reformation (Jobs Act) seem rather having had less impact to the South of Italy where there are historically small and medium-sized enterprises mostly with a family management .

In these contexts the employees are often working without any contract.

Table 5



By the analysis could be detected , as already mentioned in the previous slide , an increase in absolute terms of people employed than the unemployed . **In particular, when analyzing the data relating to workers we notice a significant increase in private sector in 2015 compared to 2014 (from 70 % to 81 % )**

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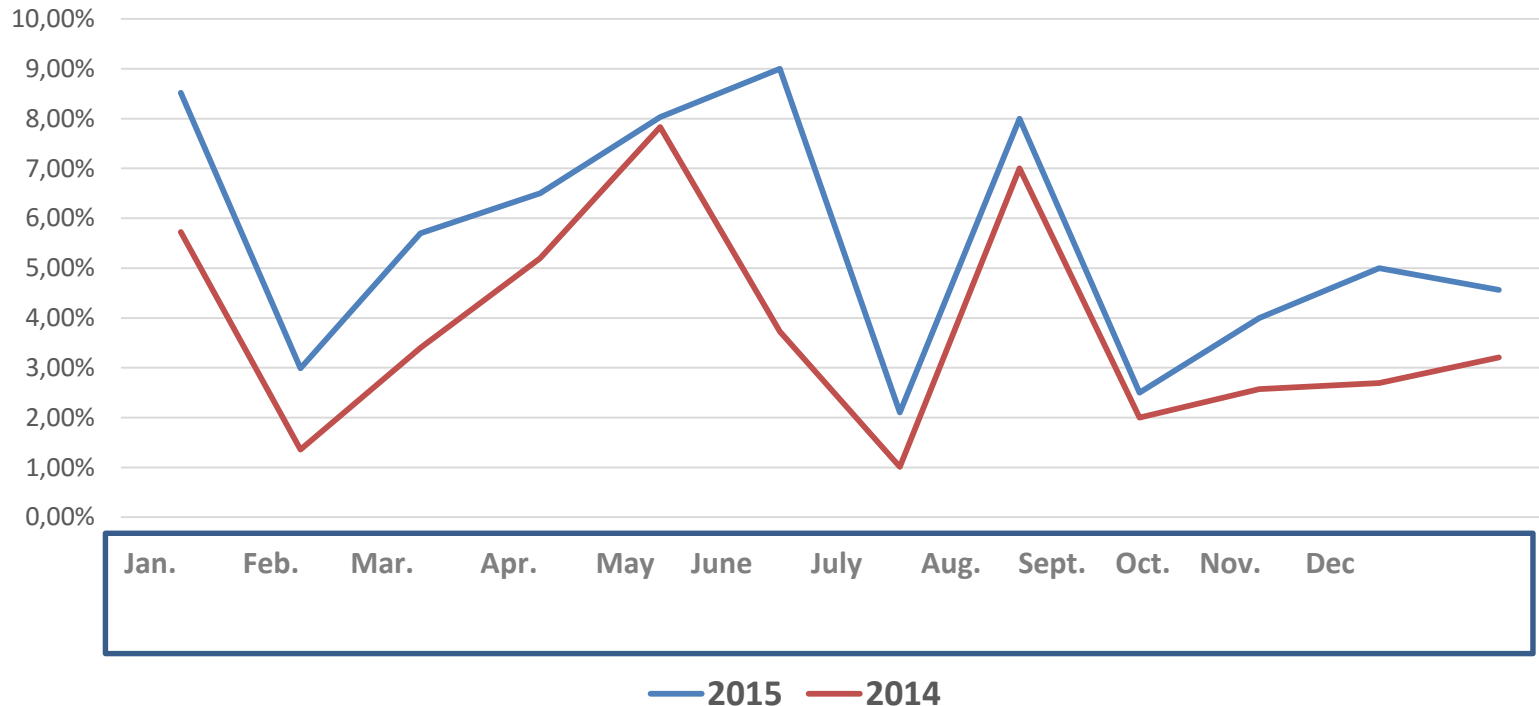
This consideration can bind to both the hiring freeze in the public sector that always registers more barriers to entry, and the incentive labor mechanisms for the private market .

In light of the reported data in the Observatory we can relate the profile change of debtors in 2015 to the greater possibility of recovery of the credit. It is clear that the successful recovery rates are directly related to the employment status of debtors.

**The new trend reported by the Observatory allows us to connect the improvement of our recovery curves ( 2015 Vs 2014 ) to the employment data .**

Table 6

**Recovery performance 2014/2015**



This trend if supported by investor confidence could allow an increase in the price of NPL portfolios sold by banks. This will facilitate the reduction of the bid / ask gap .

This benefit would allow banks a higher return in sales portfolios thus achieving an improvement in budgetary conditions.

According to the latest data published by PWC on the sufferings \*, the value of NPL transactions planned for 2016 will be about 20 billion euro in the Italian market. Projecting the positive results on debtors on the 2016 recovery curves, it can be assumed that:

- The Jobs Act effect on the employment rates, will continue to impact positively in 2016 on the debtors' cluster;
- This effects will produce a performance increase in recovery curves estimated between 7% and 10%;
- Comparing the performance increase on the estimated value of expected transactions, we might get a recovery surplus of between 1 and 1.5 billion euro;
- Considering this increase in value, the credit servicer as AZ, may affect the purchase price of portfolios that should increase thanks to the estimated surplus. The direct consequence of this increase in the price would go to fill a part of the spread of the bid / ask gap on unsecured portfolios;
- this will facilitate the cross between supply and demand on the NPL market.

**The credit servicer will therefore have a crucial role, by being able to increase the percentage of recovered value that will impact directly on the NPL portfolios market.**

**The better the performance of the servicer will be the greater will be the positive impact on the mobilization of the suffering on the Italian financial system.**

\* 01/27/2016 MF Journal



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