Riviera NPL S.r.l.

Italian Non-Performing Loan ABS

Ratings

Tranche	Rating	Size (EUR m)	% of notes	% of GBV[1]	Coupon	Final maturity
Class A	BBB-$_{SF}$	175	81.4	18.2	6m Euribor[2] + 0.65%	Jul-36
Class B	B+$_{SF}$	30	14.0	3.1	6m Euribor + 7.0%[3]	Jul-36
Class J	NR	10	4.7	1.0	6m Euribor +10% + Variable return	Jul-36

Scope's Structured Finance Ratings constitute an opinion about the relative credit risks and reflect the expected loss associated with the payments contractually promised by an instrument on a particular payment date or by its legal maturity. See Scope's website for SF Rating Definitions.

[1] Gross book value (GBV) of the securitised portfolio at closing (EUR 964m)

[2] The base rate applicable to the class A notes will have a cap strike of 0.3% as of closing.

[3] Class B interest component is senior to class A principal repayment and capped at 7%, with the residual component deferred to the class A principal repayment.

Transaction details

Purpose	Risk transfer
Issuer	Riviera NPL S.r.l.
Originators	Banca Carige S.p.A. and Banca del Monte di Lucca S.p.A.
Servicers	Italfondiario S.p.A. (IF) as special servicer and Credito Fondiario S.p.A. (CF) as master and special servicer
Portfolio cut-off date	31 December 2017
Issuance date	17 December 2018
Payment frequency	Semi-annual (June and December)
Co-arrangers	JP Morgan Securities plc and Banca IMI

The transaction is a static cash securitisation of an Italian NPL portfolio worth around EUR 964m by gross book value. The portfolio was originated by Banca Carige S.p.A. and Banca del Monte di Lucca S.p.A. The pool is composed of both secured (39.4%) and unsecured (60.6%) loans; the proportions indicated are based on our adjusted pool balance, as explained in the 'quantitative analysis and key assumptions' section below. The loans were extended to companies (86.8%) and individuals (13.2%). Secured loans are backed by residential and non-residential properties (40.6% and 59.4% of the property value, respectively) with a high concentration in non-metropolitan areas located in the north of Italy (53.6%) and specifically in the metropolitan area of Genoa (19.9%). The issuer acquired the portfolio as at the transfer date (4 December 2018), but is entitled to all collections received from the cut-off date (31 December 2017).

The capital structure comprises three classes of notes with fully sequential principal amortisation: senior class A, mezzanine class B, and junior class J. Class B interest payments ranking senior to class A principal are capped at 7%, while the residual interest component is fully deferred to the class A principal repayment. The senior component of class B interest will be subordinated to the class A principal repayment if the cumulative amount of net collections falls at least 10% below the level indicated in the servicer business plan or if the present value cumulative profitability ratio falls below 90%. Class J principal and interest are subordinated to the repayment of the senior and mezzanine notes.

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Related research

Non-Performing Loan ABS Rating Methodology

Methodology for Counterparty Risk in Structured Finance

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Rating rationale (summary)

The ratings are primarily driven by the expected recovery amounts and timing of collections from the NPL portfolio. The recovery amounts and timing assumptions consider the portfolio's characteristics, as well as our economic outlook for Italy and assessment of the special servicers' capabilities. The ratings are supported by the structural protection provided to the notes; the absence of equity leakage provisions; liquidity protection; and an interest rate hedging agreement.

The ratings also address exposures to the key transaction counterparties: Credito Fondiario S.p.A. as master servicer and special servicer; Italfondiario S.p.A. as special servicer; Securitisation Services S.p.A. as back-up master servicer, noteholders' representative, calculation agent and corporate servicer; BNP Paribas Securities Services as account bank, paying agent, cash manager and agent bank; Intesa Sanpaolo S.p.A. as collection account bank, Zenith Service S.p.A. as monitoring agent; and JP Morgan AG as the interest rate cap provider. We considered counterparty replacement triggers and relied on publicly available ratings and our ratings on Intesa Sanpaolo S.p.A. (A/S-1) and BNP Paribas SA (AA-/S-1+), the parent of BNP Paribas Securities Services.

We performed a specific analysis for recoveries, using different approaches for secured and unsecured exposures. For secured exposures, collections were based mostly on the latest property appraisal values, which were stressed to account for liquidity and market value risks, while recovery timing assumptions were derived using line-by-line asset information detailing the type of legal proceeding, the court issuing the proceeding, and the stage of the proceeding as of the cut-off date. For unsecured exposures, we used historical line-by-line market-wide recovery data on defaulted loans between 2000 and 2017 and considered the special servicers' capabilities when calibrating lifetime recoveries, also considering that unsecured borrowers were classified as defaulted for a weighted average of 4.2 years as of the 31 December 2017 cut-off date.

Rating drivers and mitigants

Positive rating drivers

Geographical concentration. The portfolio is concentrated in the non-metropolitan areas of northern Italy and the metropolitan area of Genoa. These areas benefit from the most dynamic economic conditions and the most efficient tribunals in the country.

Liquidity protection. A cash reserve equal to 4.0% of the class A notes provides liquidity protection to senior noteholders, covering senior expenses and interest on class A notes for about four payment dates, as of closing.

Hedging structure. Interest rate risk is mitigated by a hedging structure which caps the six-month Euribor rate at 0.3% over a pre-defined notional balance. However, the swap notional schedule does not fully hedge the expected amortisation of the class A.

Servicing fee haircuts. The servicing fees will be reduced if the special servicers fail to meet at least 100% of the business plan targets regarding cumulative net collections or profits on closed positions. This haircut mechanism benefits the class B, since unlike peer transactions the servicing fees do not become pro rata to the class B. In addition, payment of part of the base fees and performance fees will be delayed if the servicers perform above or below business plan targets. The delayed portion would be paid after a rolling period of two years and its seniority in the priority of payments would depend on the servicers' performance at that point in time.

Negative rating drivers and mitigants

Borrower concentration. The borrower concentration in the portfolio is above average compared to peer transactions we rate. The 10 and 100 largest borrower exposures account for 22.6% and 45.5% of gross book value, respectively. This may expose the transaction to increased performance volatility, depending on the recoveries from those few large borrowers.

Collateral liquidity risk. The transaction is exposed to a relatively large share of non-residential properties whose liquidity discounts can be material upon liquidation.

High share of borrowers in bankruptcy or initial proceedings. Almost 72.7%[1] of the portfolio's gross book value corresponds to loans in bankruptcy and 68.5% of the senior secured loans are in initial proceedings. Compared with non-bankruptcy proceedings, bankruptcies typically result in lower recoveries and take longer to be resolved.

Low portfolio credit quality. A large share of the portfolio has low-credit-quality features compared to peer transactions we rate. This is due to the portfolio's relatively large share of SMEs, corporates and unsecured loans as well as the lower share of residential assets. All factors have historically led to lower recovery rates on average.

Upside rating-change drivers

Legal costs. We factored in legal expenses for collections at a level in line with the average for peer transactions. A decrease in legal expenses could positively affect the ratings.

Servicer outperformance. Consistent servicer outperformance in terms of recovery timing and the total amount of collections could positively impact the ratings. Portfolio collections will be completed over a weighted average period of 3.7 years, according to the servicers' business plan. This is about 24 months faster than the recovery weighted timing vector applied in our analysis.

Downside rating-change drivers

Servicer underperformance. Servicer performance which falls short of our base case collection amounts and timing assumptions could negatively impact the ratings.

Fragile economic growth. The trajectory of Italy's public debt is of concern given its weak medium-term growth potential of 0.75% alongside the new government's plans to reverse reforms, raise spending and cut taxes.

[1] The reported share of bankruptcies includes loans (30% of gross book value) for which no procedure has started to date

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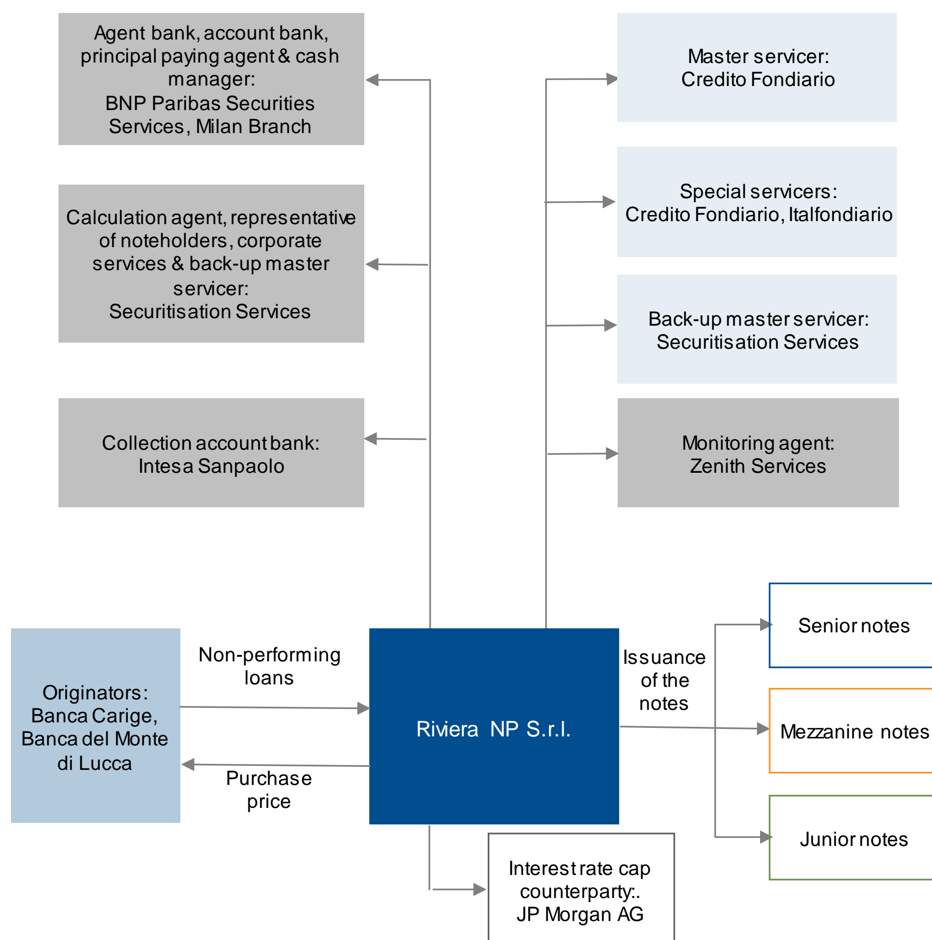
1. Transaction summary

The transaction structure comprises three tranches of sequential, principal-amortising notes, an amortising liquidity reserve equal to 4.0% of the outstanding class A, and an interest rate cap agreement.

Figure 1: Transaction diagram:



Sources: Transaction documents and Scope Ratings.

We have adjusted the pool's gross book value using information on collections and sold properties since the 31 December 2017 cut-off date. The analysis excluded portfolio loans which we assume to be closed, based on collections already received and cash-in-court to be received. Collateral connected with these positions was also removed.

The adjustments have reduced the portfolio's gross book value from EUR 964m to EUR 916.3m. Collections received since the cut-off date are assumed to be cash available at closing, while cash-in-court is assumed to be received no earlier than one year after the closing date.

Our analysis is performed on a loan-by-loan level, considering all information provided to us in the context of the transaction or publicly available information. Loans are defined as 'secured' if they are guaranteed by first-lien mortgages, otherwise they are classified as 'unsecured'.

Figure 2 shows the main characteristics of the preliminary portfolio which we analysed, with the details of the secured and unsecured portions.

Figure 2: Key portfolio stratifications (31 December 2017 cut-off)

	All	Secured	Junior liens	Unsecured
Number of loans	9,776	845	380	8,551
Number of borrowers	3,606			
Gross book value (EUR m)	963,953,344	380,049,273	86,480,683	497,423,387
% of gross book value		39.4%	9.0%	51.6%
Weighted average seasoning (years)	3.3	1.9	4.2	
Sum of collateral appraisal values (EUR m)		466,100,132	187,618,767	
Borrower type				
Corporate	86.8%	33.5%	7.31%	45.93%
Individual	13.2%	5.9%	1.66%	5.67%
Primary procedure*				
Bankrupt borrower	72.7%	20.9%	3.7%	48.1%
Non-bankrupt borrower	27.3%	18.6%	5.2%	3.5%
Stage of procedure (secured loans)				
Initial		68.5%	46.2%	
Court-appointed valuation (CTU)		5.7%	6.6%	
Auction		22.9%	29.8%	
Distribution		2.4%	17.3%	
Geography				
North	64.2%	30.6%	6.0%	27.6%
Centre	13.9%	3.6%	1.0%	9.2%
South and islands	21.8%	5.2%	1.9%	14.7%
Borrower concentration				
Top 10	22.60%			
Top 100	45.50%			
Property type (% of collateral value)				
Residential		41.0%	38.3%	
Non-residential		59.0%	61.7%	

* Some loans have more than one type of ongoing procedure. This distribution partly reflects our assumptions regarding the primary type of procedure. The distribution also reflects our classification of those legal procedures which have not been initiated with reference to the borrowers.

2. Macroeconomic environment

Sovereign downgrade of Italy to BBB+ with a Stable Outlook

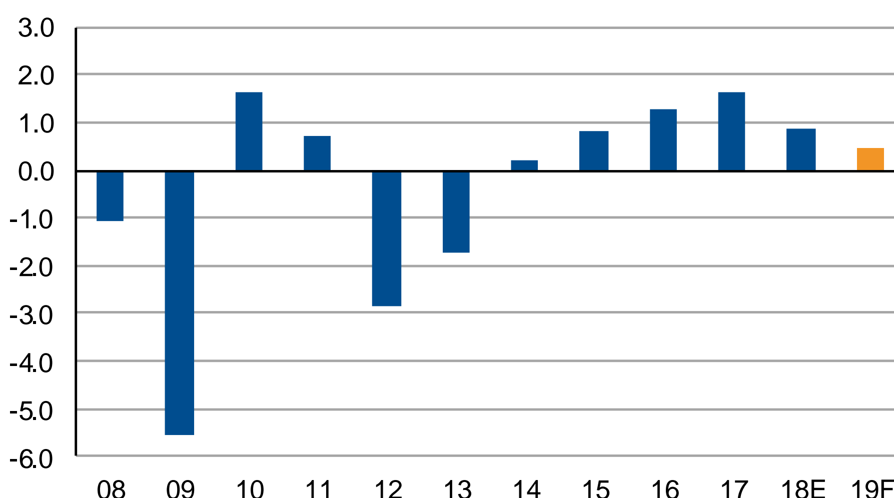
Our sovereign rating on Italy was downgraded on 7 December 2018 to BBB+/Stable from A-/Negative, driven by the lack of a coherent reform agenda to address structural weaknesses and debt sustainability concerns. Italy's BBB+ sovereign rating remains, however, underpinned by euro area membership and likelihood of multilateral support in severe crisis scenarios, a track record of primary surpluses and a favourable debt structure, a large, diversified economy (with nominal GDP of EUR 1.8trn in 2018), and moderate non-financial private debt (of 156% of GDP as of Q2 2018).

The Stable Outlook considers these credit strengths in addition to key recent signs of moderation in the Italian government's policy objectives. We note that negotiations are ongoing between Italy and Europe in seeking compromise on Italy's violations of EU budget rules. In our opinion, the inadequate convergence around a sustainable reform programme that balances the government's core pro-growth agenda with greater fiscal discipline, or a pronounced weakening in Italy's debt sustainability, could be grounds for a further downside revision to the sovereign outlook and/or ratings.

Risks associated with a slowing economy

We note the risk associated with a slowing Italian economy, evidenced by real GDP growth softening to -0.1% QoQ in Q3 2018, from 0.2% in Q2 2018, equivalent to YoY growth of 0.7% – even if temporary factors played a role this Q3. Unemployment rate has edged up recently to a rate of 10.6% in October, from lows of 10.1% as of August 2018. Recent economic data speak to economic risks going forward absent rapid resolution of present economic and policy uncertainty, with risk of a technical recession. We project economic growth of just 0.5% in 2019 (Figure 3).

Figure 3: Annual real GDP growth, Italy



Sources: ISTAt; calculations by Scope Ratings

Italian 10-year spreads stand at 270 bps, down from recent peaks but higher on lows at about 115 bps in late-April – although, even with elevated spreads, nominal yields are currently still much lower than during debt crisis peaks at 2.95% currently on 10-year BTPs. Nonetheless, higher government yields have increased costs for Italian companies, which paid a 3.5% yield on new fixed-rate debt for first-time issuers in Q3, up on 1.8% in Q1 2018, according to the Bank of Italy.

Tepid long-term growth outlook

Italy's long-term growth picture is weak. We estimate medium-run growth potential at 0.75%. Population dynamics are one limitation: Italy's working-age population declined on average 0.5% per annum from 2010-17 and is foreseen to continue an annual decline of 0.5% between 2018 and 2023, according to United Nations projections. In our medium-run growth estimate, modest contributions from rising labour force participation and higher employment over time are assumed (reducing slack in the labour market), but with labour productivity growth at just above 0%.

Debt sustainability concern

In this context, in a scenario with wider budget deficits over 2019-21 of 2.9% of GDP, lower economic growth and holding prevailing market financing rates constant, public debt-to-GDP would increase modestly to 134.9% by 2021 (from 131.2% in 2017). We consider the likelihood of Italy's debt ratio taking an overall upward slope over a five-year horizon to be non-negligible.

NPLs have been reduced, though banking sector risks have increased

Italian banks' stock of non-performing loans (NPLs) has been cut to 10.2% of total loans as of Q2 2018, compared with 17% during a 2015 peak, supported by initiatives including the authorities' Guarantee on Securitisation of Bank Non-Performing Loans (GACS). Still, risks in the banking sector include common equity tier 1 capital ratios slipping to 13.2% of risk-weighted assets in Q2 2018, 60bps under levels in Q4 2017. Significant actions still

need to be taken to improve insolvency and debt enforcement procedures, facilitate bank rationalisation and consolidation, and make timely and consistent use of the resolution framework.

3. Portfolio analysis

Rating-conditional recovery assumptions

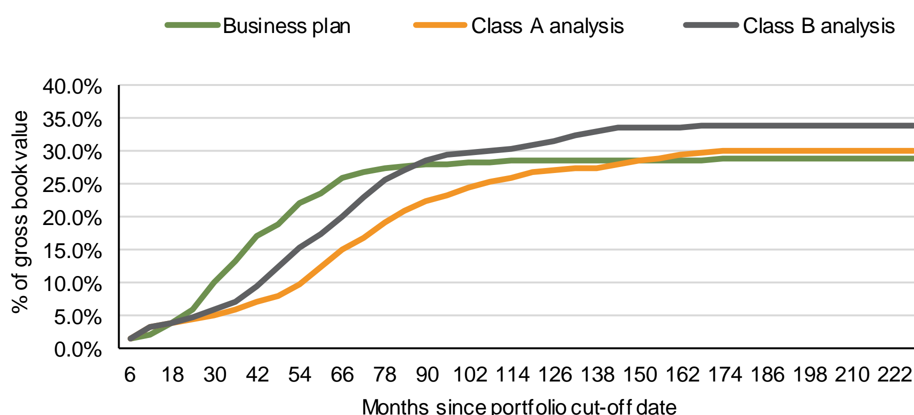
Figure 4 compares our lifetime gross collections and recovery timing assumptions for the entire portfolio with those from the servicers' business plan. We applied rating-conditional recovery rates (i.e. assumed expected recoveries decrease as the instrument's target rating increases). These assumptions are derived by blending secured and unsecured recovery expectations. We applied different analytical frameworks to the secured and unsecured segments to derive recoveries.

Our assumptions reflect significant recovery timing stresses

For the class A notes analysis, we assumed a gross recovery rate[2] of 30.1% over a weighted average life of 5.7 years. By segment, we assumed a gross recovery rate of 54.8% for the secured portfolio and 14.1% for the unsecured portfolio.

For the analysis of the class B notes, we assumed a gross recovery rate of 33.9% over a weighted average life of 5.1 years. By portfolio segment, we assumed gross recovery rates of 61.8% and 15.8% for the secured and unsecured portfolios, respectively.

Figure 4: Business plan's gross cumulative recoveries vs Scope's assumptions[3]



Sources: Special servicer business plan and Scope Ratings

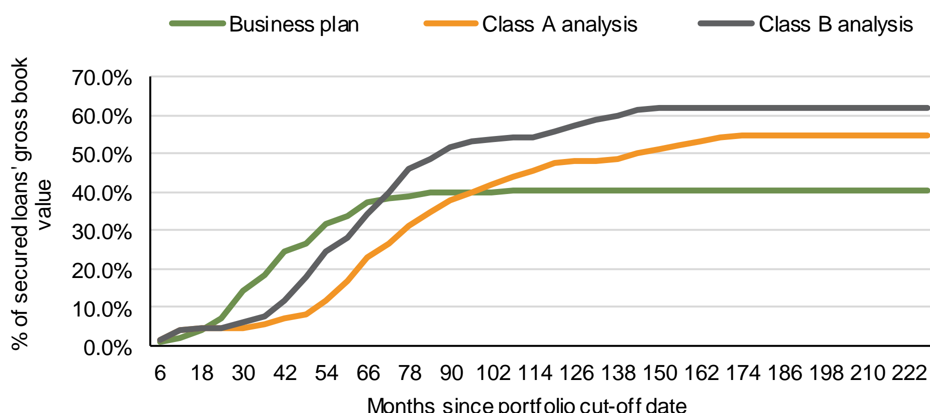
3.1. Analysis of secured portfolio segment

Valuation haircuts mainly address forward-looking market value and liquidity risks

Figure 5 shows our lifetime gross collections vectors for the secured[4] portfolio segment compared to those from the servicers' business plan. Our analytical approach consists mainly of estimating the security's current value based on property appraisals and then applying security-value haircuts to capture forward-looking market value and liquidity risks. Recovery timing assumptions are mainly determined by the efficiency of the assigned court (based on historical data on the length of the proceedings), by the type of legal proceeding and by the stage of the proceeding. Our analysis also captures concentration risk, the servicers' business plan, and available workout options.

[2] The reported recovery rate includes ad interim collections and cash-in-court amounts.
[3] The recovery rates include ad interim collections and cash-in-court amounts. This is to facilitate a direct comparison between our analysis and the servicers' business plan figures.
[4] We define as secured loans as those guaranteed by at least a first-lien mortgage, based on a loan-by-loan analysis.

Figure 5: Business plan's gross cumulative recoveries for secured[5] loans vs Scope's assumptions[6]



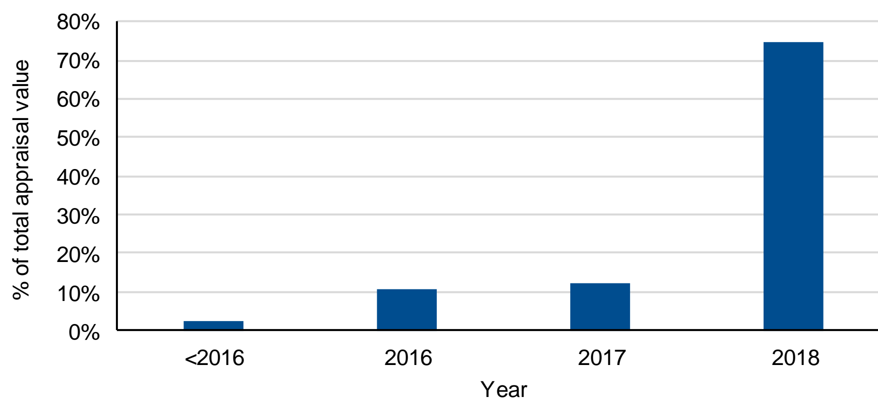
Sources: Special servicer business plan and Scope Ratings

3.1.1. Appraisal analysis

Positive credit given to the quality of property appraisals

We relied on line-by-line property market value appraisals, reported as having been conducted mainly by Prelios and the originators. Most of the valuations are recent, i.e. conducted between 2017 and 2018. We indexed seasoned valuations using a variety of regional price indices. Indexation has a marginal impact on this NPL portfolio because property prices have remained fairly flat since 2015.

Figure 6: Collateral valuation dates



Source: Transaction data tape

We view positively the drive-by valuations made for 21.4% of the portfolio's collateral appraisals. The remainder is mainly composed of desktop valuations (35.7%), CTU valuations (7.7%), and original (14.4%) and updated bank valuations (18.2%), to which we applied rating-conditional haircuts ranging from 20% to 5%, reflecting our view of their lower levels of quality and accuracy due to the simplified procedures.

A moderate portion of the property appraisals (2.6%) are linked to properties classified as sold. The appraisal values of these properties total EUR 25.1m. We have assumed that such property sales generate EUR 11.9m of cash collections or cash-in-court positions. Not all property sale amounts were allocated to the issuer because collections are capped

[5] The servicers' business plan recoveries are on borrower level and classified as secured if they are guaranteed by at least a first-lien mortgage, otherwise they were defined as junior secured and the relevant recoveries incorporated under the unsecured bucket as reported in Figure 11.
[6] The recovery rate calculated includes ad interim collections and cash-in-court amounts.

on a line-by-line basis at the outstanding gross book value and mortgage. In addition, we have excluded collections from second- or higher-lien properties.

Figure 7: Portfolio appraisal types and Scope's transaction-specific valuation haircut assumptions

	Percentage of collateral value	Class A analysis haircut	Class B analysis haircut
Drive-by	21.4%	0.0%	0.0%
Desktop	35.7%	4.8%	4.3%
CTU	7.7%	9.7%	8.5%
Bank appraisals original	14.4%	19.3%	17.0%
Bank appraisals updated	18.2%	4.8%	4.3%
Sold properties	2.6%	0.0%	0.0%

Sources: Transaction data tape; calculations and/or assumptions by Scope Ratings

3.1.2. Property market value assumptions

Moderate market downturn risk

Figure 8 details our assumptions about property price changes over the transaction's lifetime when applying rating-conditional stresses for the analyses of the class A and class B notes. These assumptions are: i) specific to the transaction and region; ii) based on an analysis of historical property price volatility; and iii) based on fundamental metrics relating to property affordability, property profitability, private sector indebtedness, the credit cycle, population dynamics and long-term macroeconomic performance.

Figure 8: Collateral location and Scope's transaction-specific price change assumptions

	North						Centre			South			Islands	
Region	Milan	Turin	Genoa	Bo-logna	Venice	Others	Rome	Flo-rence	Others	Naples	Bari	Others	Metro-politan	Rest
Class A analysis	-2.6	-2.6	-3.4	-2.6	-5.5	-6.2	-4.4	-6.2	-5.1	-4.4	-4.4	-8.0	-6.9	-8.0
Class B analysis	5.1	5.1	4.9	5.1	4.5	4.4	4.7	4.4	4.6	4.7	4.7	4.0	4.2	4.0
Portfolio share (%)	2.6	2.6	19.9	0.5	0.2	53.6	1.7	2.0	8.6	0.2	0.2	1.8	2.4	3.8

3.1.3. Collateral liquidity risk

High NPL collateral liquidity and obsolescence risk

At times of severe economic stress during which NPLs typically accumulate, tight financing conditions and/or restricted access to capital markets drive liquidity risk. During recovery and expansionary phases of the cycle, liquidity risk may persist, mainly due to information asymmetries and collateral obsolescence, the latter primarily affecting industrial properties.

Asset liquidity risk is captured through additional fire-sale haircuts applied to collateral valuations. Figure 9 below shows the rating-conditional haircuts applied for the analyses of the class A and class B notes. These assumptions are based on historical distressed property sales data provided by the servicers and reflect our view that non-residential properties tend to be less liquid, resulting in higher distressed-sale discounts.

Figure 9: Scope's transaction-specific fire-sale discount assumptions

Property types	Percentage of collateral value	Class A analysis haircut	Class B analysis haircut
Sold properties	2.6%	n.a.	n.a.
Residential	40.6%	24.2%	21.3%
Non-residential	56.8%	29.0%	25.5%

3.1.4. Concentration risk

High borrower concentration risk

We addressed borrower concentration risk by applying a 30.0% rating-conditional recovery haircut to the 10 largest borrowers for the analyses of the class A and class B notes. This adjustment reduces gross collections by about 5.3%, or EUR 15.3m. The largest 10 and 100 borrowers account for 22.6% and 45.5% of the portfolio's gross book value, respectively, which is above the average of peer transactions we rate.

3.1.5. Residual claims after security enforcement

We address potential residual claims after security enforcement

A secured creditor may initiate enforcement actions against a debtor despite the closure of an enforcement action concerning the mortgaged property. Secured creditors generally rank equally with unsecured creditors for amounts that have not been satisfied with the security's enforcement. The creditor's right to recover its claim, whether secured or unsecured, arises with an enforceable title (i.e. a judgment or an agreement signed before a public notary).

No credit to residual claims from corporate borrowers

For corporate loans, we gave no credit to potential further recoveries on residual claims after the security has been enforced. This is due to three practical limitations: Firstly, unsecured recoveries tend to be binary with a high probability of zero recoveries and a low probability of 100% recoveries. This implies that when secured creditors are not fully satisfied after the security's enforcement, expected recoveries for unsecured creditors will be close to zero[7]. Secondly, special servicers are generally less incentivised to pursue alternative enforcement actions, given foreclosure proceedings are more cost-efficient. Lastly, in a bankruptcy proceeding the receiver will decide to close the proceedings after a prudential amount of time, setting a practical limitation on any potential recovery upside.

Partial credit to residual claims from individuals

We gave credit to residual claims on 80% of the loans to individuals. This is because if the borrower is an individual, the elapsed time after a default may have a positive impact. An individual may, for example, find new sources of income over time and become solvent again.

3.1.6. Tribunal efficiency

We applied line-by-line time-to-recovery assumptions considering the court in charge of the proceedings, the type of legal proceeding (i.e. bankruptcy or non-bankruptcy), and the current stage of the proceeding.

Northern Italian regions tend to have more efficient tribunals

The total length of the recovery processes is mainly determined by the efficiency of the assigned court and by the type of legal proceeding. To reflect this, we grouped Italian courts into seven categories, based on public data on the average length of bankruptcy and foreclosure proceedings between 2014 and 2016, as shown in Figure 10 below. Most courts are concentrated within groups 2 to 4, which are reasonably distributed across all Italian regions, with a higher concentration for court group 2 (see Figures 14 and 15 for transaction-specific details).

For the analysis of the class A notes, a rating-conditional stress was applied for both bankruptcy and non-bankruptcy procedures (two years and one year were respectively

[7] Conversely, in the unlikely scenario that secured creditors are fully satisfied after the enforcement of the security, expected recoveries for unsecured creditors could be close to 100%.

added to the total legal procedures' length). For the class B notes analysis, the rating-conditional stress was reduced to zero.

Figure 10: Total length of the recovery process by court group in years (Scope's assumptions)

Court group	Bankruptcy proceedings	Non-bankruptcy proceedings	Percentage of courts*
1	4	2	2.2%
2	6	3	45.4%
3	8	4	24.2%
4	10	5	25.9%
5	12	6	1.8%
6	14	7	0.1%
7	18	9	0.5%

* Percentages incorporate our assumptions with reference to courts not included in available information.

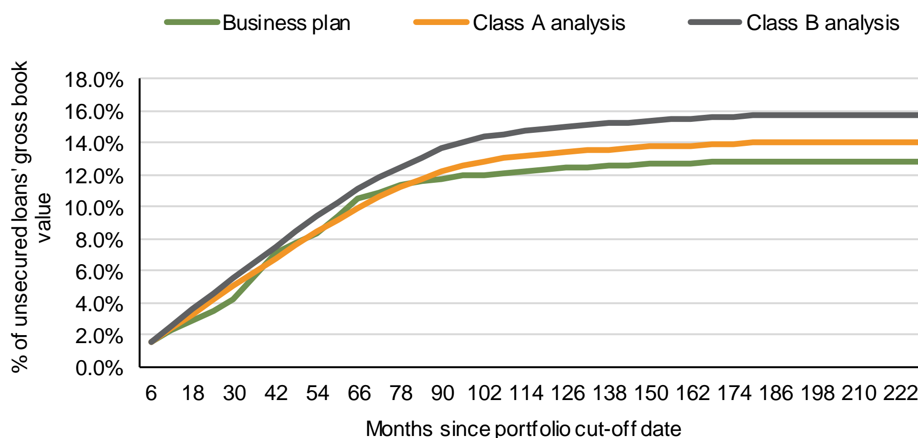
3.2. Analysis of unsecured portfolio segment

Unsecured portfolio analysis is based on statistical data

Figure 11 shows our gross collections vectors for the unsecured[8] portfolio segment compared to those from the servicers' business plan. Our base case recovery amount and timing assumptions were based on loan-by-loan data with recoveries for different types of unsecured loans. We applied stressed recovery rates of 14.0% and 15.7% for the analyses of the class A and class B notes, respectively. Our secured and unsecured recovery rates are not strongly aligned with the servicers' recovery curve, first because we classify secured and unsecured loans differently and second the business plan is on borrower level whereas our analysis is based on loan level. However, the total collections are comparable. Our assumptions for unsecured exposures consider the nature of the recovery procedure – bankruptcy proceedings are generally slower and typically result in lower recoveries than non-bankruptcy proceedings. We calibrated the assumptions to reflect that the portfolio's unsecured borrowers are classified as having defaulted for a weighted average of 4.2 years as of closing.

[8] We define unsecured loans as those not guaranteed by at least a first-lien mortgage, based on a loan-by-loan analysis and as outlined in the 'transaction summary' section.

Figure 11: Business plan's unsecured[9] loans gross cumulative recoveries vs Scope's assumptions[10]



Sources: Special servicer business plan and Scope Ratings

4. Portfolio characteristics

Further detail on key portfolio characteristics as of 31 December 2017 is provided below. Percentage figures refer to gross book value, unless otherwise stated.

4.1. Eligible loans

Customary eligibility criteria

The representations and warranties on the receivables provided by the originators are generally aligned with those of peer transactions we rate, and include the following:

- All loans are denominated in euros;
- All loans agreements are governed by Italian law;
- Borrowers have been reported by the originator as defaulted (in sofferenza) to the Italian Credit Bureau (Centrale Rischi) of the Bank of Italy as of the closing date;
- As of the cut-off date, borrowers are: i) individuals residing or domiciled in Italy; and ii) entities incorporated under Italian law with a registered office in Italy;
- Loans secured by mortgages are backed by real estate assets located in Italy;
- Borrowers are not employees, managers or directors of the originator;
- All receivables are validly transferable without limitation; and
- All receivables are free from encumbrances.

4.2. Detailed stratifications

4.2.1. Borrower type

Borrower and loan composition are below average quality

Corporates and individuals represent 86.8% and 13.2% of the pool, respectively. The share of individual borrowers is lower than for peer transactions we rate. Expected secured and unsecured recoveries tend to be higher for individuals, due to the smaller average tickets and tendency for secured positions to be backed by residential properties, which are relatively more liquid. In addition, we give partial credit to residual claims from individuals after security enforcement, as discussed in the previous section.

[9] Recoveries in the servicers' business plan include unsecured and junior secured borrowers, whereas we only consider unsecured.
[10] The recovery rate calculated includes ad interim collections amounts.

The portfolio comprises a relatively low amount of first-lien secured loans (39.4%) and a high amount of junior-lien secured loans (9.0%). We assumed that recovery proceeds from junior-lien secured loans will be the same as for unsecured claims.

Figure 12: Borrower type

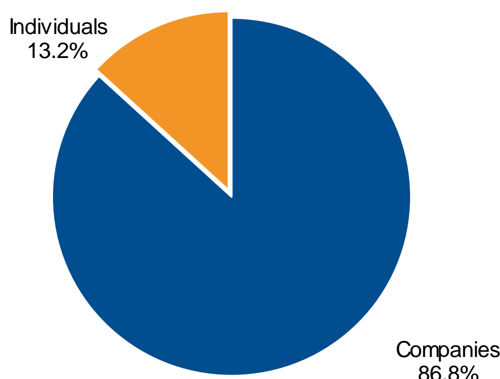
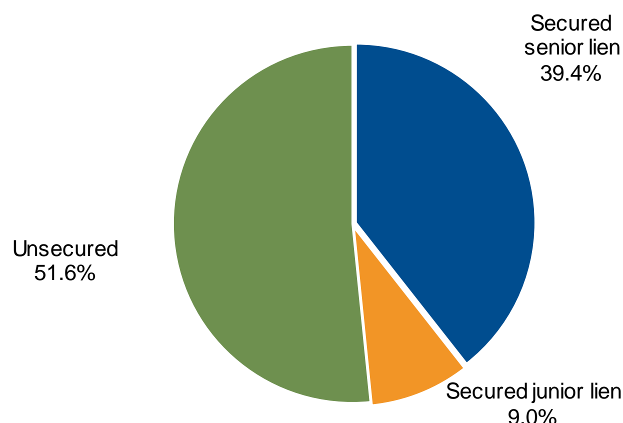


Figure 13: Loan type



Sources: Transaction data tape; calculations by Scope Ratings

4.2.2. Geographical distribution

Geographic concentration in north Italy is credit-positive

The portfolio is highly concentrated in the northern region of Italy (considering all the relevant areas, i.e. metropolitan and non-metropolitan), making up 79.3% of the appraisal values of first-lien properties.

The portfolio's geographical distribution is positive for recovery timing because court proceedings in those locations skew towards more efficient court groups relative to the Italian average, according to our tribunal efficiency assumptions (see section 3.1.6. and Figure 15).

Specifically, borrowers' properties secured with a first lien are concentrated in non-metropolitan areas located in the north of Italy (53.6%) and Genoa (19.9%).

Figure 14: First-lien collateral location

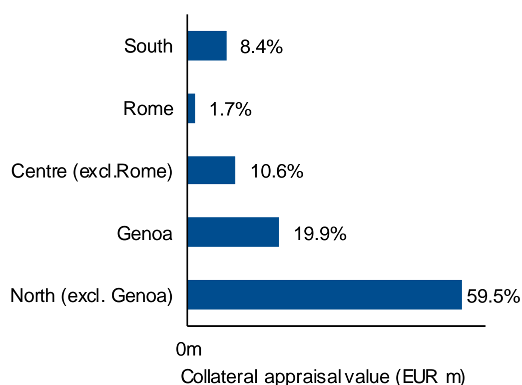
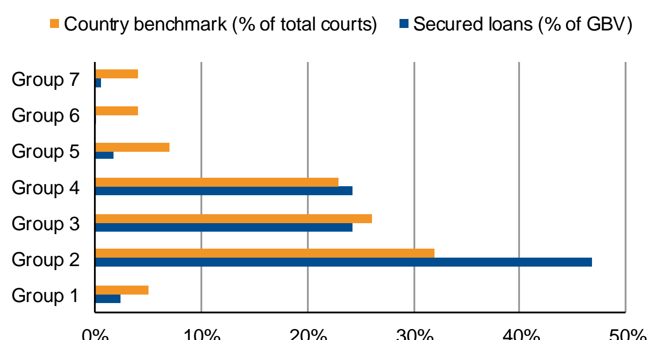


Figure 15: Court group distribution of secured loans



Sources: Transaction data tape; calculations by Scope Ratings

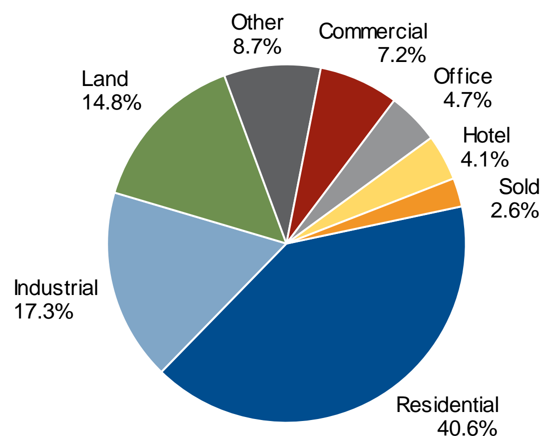
4.2.3. Collateral type

Higher liquidity stresses applied to non-residential properties

The portfolio's first-lien collateral is composed of residential (40.6%), industrial (17.3%), land (14.8%), commercial (7.2%), and other non-residential (4.4%) assets. The portfolio

has a higher share of non-residential properties than the peer transactions we rate, with a high concentration of industrial assets and land.

Figure 16: Distribution by type of collateral



Sources: Transaction data tape; calculations by Scope Ratings

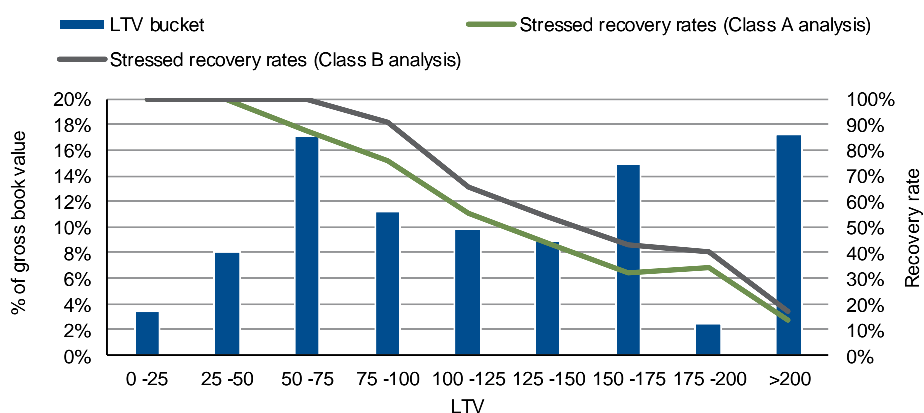
4.2.4. Collateral valuations and Scope's specific recovery rate assumptions

Recovery rate assumptions reflect portfolio's LTV distribution

Figure 17 shows the secured loans' distribution by loan-to-value (LTV) bucket as well as our recovery rate assumptions for each LTV bucket (under our rating-conditional stresses applied for the analyses of the class A and class B notes). This results in a weighted average recovery rate for the secured loans of: i) 54.1% under the class A rating-conditional stress; and ii) 61.6% under the class B rating-conditional stress[11].

All else being equal (e.g. for two portfolios with equivalent LTV ratios on an aggregated basis), collateral is less beneficial if its value is skewed towards low loan exposures. This is because, on a loan-by-loan basis, recovery proceeds are capped by the minimum of the loan's gross book value and mortgage value. This explains why recovery rates flatten for low LTV buckets.

Figure 17: Secured loans' distribution by LTV and Scope's transaction-specific secured recovery rate assumptions per class A and class B analyses



Sources: Transaction data tape; calculations by Scope Ratings

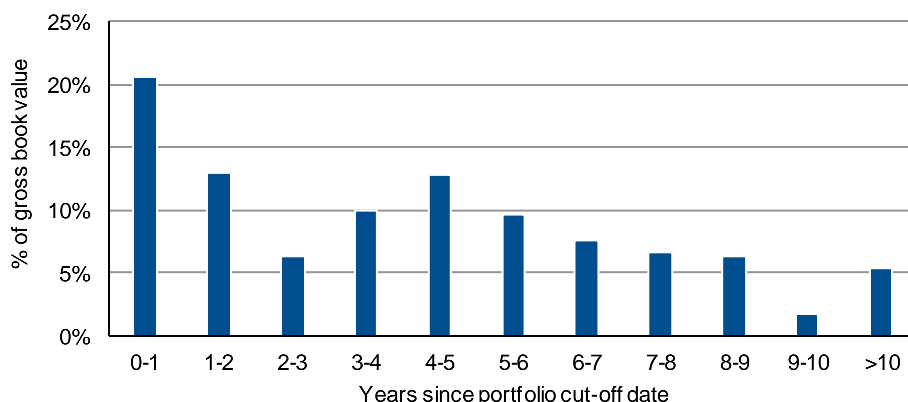
[11] The recovery rate calculated excludes ad interim collections and assumed cash-in-court amounts.

4.2.5. Loan seasoning

Ageing of unsecured portfolio reduces expected recoveries

For unsecured exposures, the weighted average time between a default and the closing date is around 4.2 years. The pool's ageing reduces the expected recoverable amount of unsecured loans. However, about half of the unsecured exposures are not highly seasoned, having had defaulted less than four years after the closing date.

Figure 18: Unsecured portfolio seasoning distribution as of cut-off date



Sources: Transaction data tape; calculations by Scope Ratings

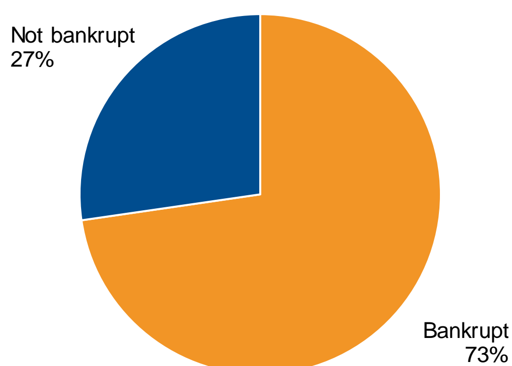
4.2.6. Borrower status

Figure 19 below shows our assumptions regarding the main legal proceedings for each borrower (one borrower can have several), based on the transaction's data tape. The share of bankruptcy proceedings is higher than the average for NPL transactions we rate. This is also reflected in the backloaded recoveries and results in a higher weighted average recovery timing compared with the peer transactions we rate.

Bankruptcies result in lower recoveries than non-bankruptcy proceedings

Bankruptcies are generally more complex, lengthy and costly than non-bankruptcy processes. Bankruptcies also result in lower expected recoveries for unsecured exposures, given the focus on liquidating assets in lieu of encouraging borrowers to start remitting payments.

Figure 19: Borrower status assumptions[12]



Sources: Transaction data tape; calculations by Scope Ratings

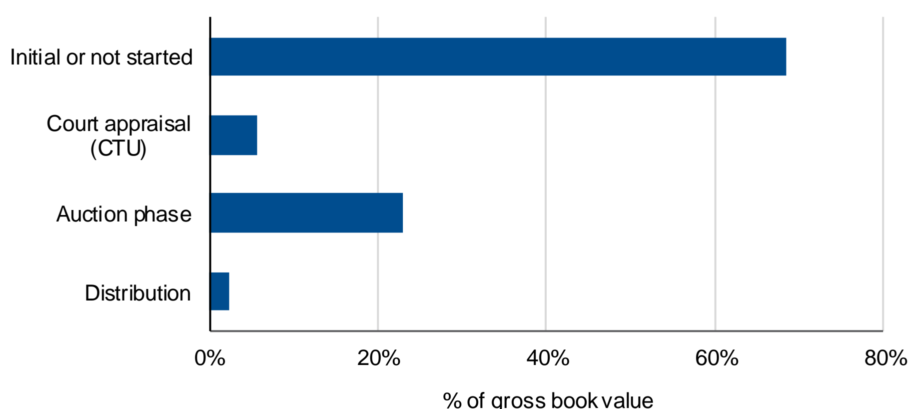
[12] The reported share of bankruptcies includes loans (30% of gross book value) for which no procedure has started to date

4.2.7. Recovery stage of secured exposures

Proceedings in initial stages drive relatively long recovery timing assumptions

A large portion of the secured loans is in the initial stage of proceedings, which partly explains the relatively long expected weighted average life of portfolio collections. Figure 20 below shows the stage of legal proceedings in relation to secured loans.

Figure 20: Secured recovery stage by borrower status



Sources: Transaction data tape; calculations by Scope Ratings

5. Key structural features

5.1. Combined priority of payments

The issuer's available funds (i.e. collection amounts received from the portfolio, the cash reserve, and payments received under the interest rate cap agreement) will be used in the following simplified order of priority:

1. Servicer fees and other issuer counterparty fees, taxes and transaction expenses
2. Interest on the limited-recourse loan
3. GACS premium, provided the GACS guarantee is in place
4. Replenishment of recovery-expense reserve
5. Interest on class A notes
6. Any other amounts payable under the GACS guarantee
7. Cash reserve replenishment
8. Principal on the limited-recourse loan
9. Interests on class B notes (capped at 7.0%) provided no subordination trigger is breached
10. Principal on class A notes
11. Deferred interest component of class B notes (junior to the applied class B interest cap), and upon a breach of a subordination trigger, the full amount of class B interest
12. Principal on class B and servicer mezzanine fees
13. Interest on class J notes
14. Principal on class J notes and servicer junior fees
15. Any residual amount as class J variable return

Full class B interest deferral triggers are well aligned with peer transactions

Class B interest payments will be fully deferred if i) the cumulative collection ratio[13] falls below 90% of the servicers' business plan targets; or ii) the present value cumulative profitability ratio[14] falls below 90%. These trigger levels protecting the class A notes are aligned (in the upper band) with peer transactions we rate as of November 2018.

[13] 'Cumulative collection ratio' is defined as the ratio between: i) the cumulative net collections since the cut off date; and ii) the net expected aggregated collections. Net collections are the difference between the gross collections and the recovery expenses.

[14] 'Present value cumulative profitability ratio' is defined as the ratio between: i) the sum of the present value (calculated using an annual rate of 5%) of the net collections for all receivables relating to closed positions (relative to an exhausted debt relationship, i.e. either having been

Under the recovery stresses applied for the analysis of the class A notes, we assumed that the trigger would be breached on the fourth interest payment date and that it would remain breached during most of the transaction's life, providing a significant benefit to class A noteholders.
If at any time during the transaction's life none of the triggers are breached, all class B interest amounts due and unpaid at the preceding payment dates will be paid senior to class A principal.

Scope's ratings do not address the GACS guarantee

The GACS guarantee ensures timely payment of interest and the ultimate payment of principal by the final maturity of the class A notes. Our rating on the class A notes does not give credit to the GACS guarantee but considers the potential cost (i.e. the GACS premium) if the guarantee is added to the structure at a later stage.

Non-timely class A interest payment would trigger accelerated waterfall

Non-timely payment of interest on the senior notes (implying no GACS guarantee is in place), among other customary events such as the issuer's unlawfulness, would accelerate the repayment of class A through the full subordination of class B payments.

5.2. Servicing fee structure and alignment of interests

5.2.1. Servicing structure

The two special servicers, Credito Fondiario and Italfondiario, will perform the servicing activities and will be monitored by the monitoring agent.

Under the servicing agreement, master servicer Credito Fondiario is responsible for the servicing, administration, collection/recovery of receivables, and the management of legal proceedings. The master servicer will delegate the servicing, administration, collection/recovery of the receivables to the special servicers and will monitor the special servicers' activities.

Securitisation Services has been appointed as back-up master servicer.

5.2.2. Servicing fees

Alignment of servicer and noteholder interests

The servicing fee structure links the portfolio's performance with the level of fees received by the servicers, which mitigates potential conflicts of interest between the servicers and the noteholders.

The servicers will be entitled to: i) an annual base fee at 0.05% of the outstanding portfolio's gross book value; ii) a performance fee on secured exposures of 5.5% of gross collections; and iii) a performance fee on unsecured exposures of 12.0% of gross collections. Servicer fees are calculated and payable at each payment date.

In the case of underperformance, a portion of the base fees and performance fees will be subject to haircuts and will be lost and unrecoverable regardless of the servicers' future performance. The servicers are therefore incentivised to maximise recoveries and comply with the initial business plan.

In addition to the haircuts described above, payment of a portion of the base fees and performance fees will be delayed if the servicers perform above or below business plan targets. The delayed portion would be paid after a rolling period of two years and its seniority in the priority of payments would depend on the servicers' performance at that point in time.

5.2.3. Servicer monitoring

Monitoring function protects noteholders' interests

An overview of the servicers' activities and calculations, prepared by the monitoring agent (Zenith Service S.p.A.), mitigates operational risks and moral hazard that could negatively

collected in full or sold or written off for any other reason); and ii) the sum of the target price (based on the servicers' initial portfolio base case scenario in the business plan) of all receivables relating to closed positions.

impact noteholder interests. This risk is further mitigated by a discretionary servicer termination event should the servicer underperform.

Under the servicing agreement, the servicers are responsible for the servicing, administration, and collection of receivables as well as the management of legal proceedings. The monitoring agent will verify the calculations of key performance ratios and amounts payable by the issuer, as well as perform controls based on a random sample of loans.

The monitoring agent will report to a committee that represents the interests of both junior and mezzanine noteholders. The committee can authorise the revocation and replacement of the special servicers upon a servicer termination event. The monitoring agent can also authorise the sale of the receivables, the closure of debt positions, and the payment of additional costs and expenses related to recovery activities. The representative of noteholders can authorise the replacement of the master servicer upon a servicer termination event.

5.2.4. Servicer termination events

Back-up arrangements mitigate servicing disruption risk

Securitisation Services S.p.A. would step in as master servicer in the event of a servicer termination event and, as the monitoring agent, would also appoint a suitable replacement for the special servicer.

A master servicer termination event includes insolvency, unremedied breach of obligations, unremedied breach of representation and warranties, and no longer being legally eligible to perform obligations under the servicing agreement. In the event of any of these, the back-up master servicer would replace the master servicer.

A special servicer termination event includes insolvency; failure to pay due and available amounts to the issuer within two business days; failure to deliver or late delivery of a quarterly report, half-yearly report or IT information flow; unremedied breach of obligations; unremedied breach of representation and warranties; and no longer being legally eligible to perform obligations under the servicing agreement.

A special servicer can also be substituted owing to consistent underperformance, which the master servicer is entitled to undertake from the sixth collection period (i.e. three years from closing).

5.3. Liquidity protection

Cash reserve protects liquidity of the senior noteholders

A cash reserve will be funded at closing through a limited-recourse loan provided by Banca Carige S.p.A.

The cash reserve will amortise with no floor until the class A notes are redeemed or the transaction reaches legal maturity. The target cash reserve amount at each payment date will be equal to 4.0% of the outstanding balance of the class A notes.

The cash reserve will be available to cover any shortfalls in interest payments on the class A notes as well as any items senior to them in the priority of payments, provided that the GACS guarantee is not implemented. Following the implementation of the GACS guarantee, any liquidity shortfalls will be covered primarily by the guarantor, with the cash reserve mainly covering for the time between the draw on the guarantee and the actual payment.

Class B will not benefit from liquidity protection.

5.4. Interest rate hedge

Due to the non-performing nature of the securitised portfolio, the issuer will not receive regular cash flows and the collections will not be linked to any defined interest rate. On the liability side, the issuer will pay a floating coupon on the notes, defined as six-month Euribor

plus a 0.65% fixed margin on the class A notes and six-month Euribor plus an 7.0% fixed margin on the class B notes.

Interest rate risk mitigated by a hedging structure and a cap on the Euribor component of class A interest

An interest rate cap agreement (with JP Morgan AG as the interest cap provider) partially mitigates the risk of increased liabilities on class A notes due to a rise in Euribor (see Figure 21). The base rate applicable to the class A notes will be capped to 0.3% from closing.

The 7% cap on class B interest payments ranking senior to class A principal provides another layer of protection against interest rate risk for the class A notes.

Cap notional does not fully mitigate interest rate risk

The cap notional schedule is not fully aligned with our expected amortisation for the class A (see Figure 22). A delay in recoveries beyond our stressed recovery timing vector would increase the interest rate risk exposure as it would widen the gap between the transaction's interest rate cap notional amount and the outstanding principal of the class A notes. For the analysis of the class A notes, we stressed the Euribor forward curve, as shown in Figure 21.

Figure 21: Interest rate cap, class A

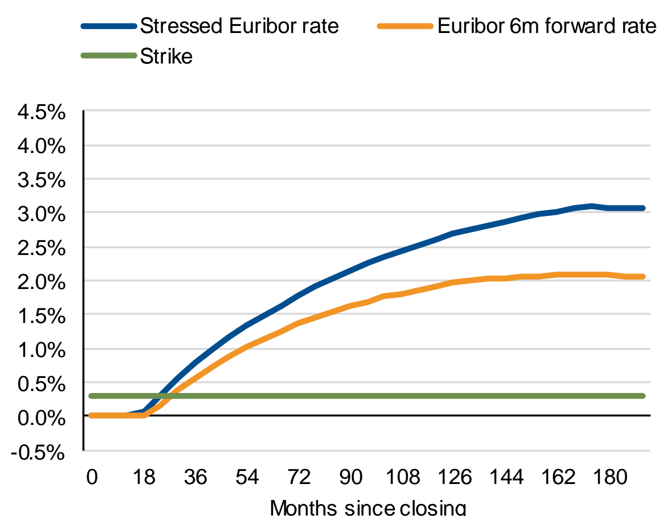
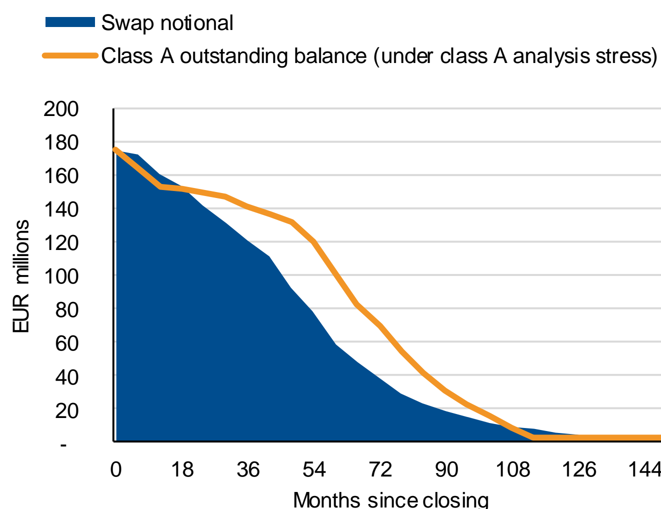


Figure 22: Cap notional vs outstanding class A notes



Sources: Transaction documents, Bloomberg and Scope Ratings

6. Cash flow analysis and rating stability

Our cash flow analysis considers the structural features of the transaction

We analysed the transaction's specific cash flow characteristics. Asset assumptions were captured through rating-conditional gross recovery vectors. The analysis captures the capital structure, an estimate of legal costs equivalent to 9% of gross collections, servicing fees as described in section 5.2, and estimated issuer senior fees of EUR 335,500 (including VAT) annually. Our rating also addresses the cost of the GACS guarantee which, once implemented, is assumed to range between 1.53% and 4.54% of the outstanding class A notes' balance, in accordance with quotes provided to us. We took into account the reference rate payable on the notes, considering the cap rates and swap terms described in the previous section.

Scope's ratings reflect expected losses over the instrument's weighted average life

The BBB- rating assigned to the class A notes reflects the expected losses over the instrument's weighted average life commensurate with the idealised expected loss table in Scope's General Structured Finance Ratings Methodology. The same applies for the B+ rating assigned to the class B notes, with additional adjustments accounting for more volatile recoveries due to the notes' lower seniority as envisaged in priority of payments.

We tested the resilience of the ratings against deviations from expected recovery rates and recovery timing. This analysis has the sole purpose of illustrating the sensitivity of the

ratings to input assumptions and is not indicative of expected or likely scenarios. We tested the sensitivity of the analysis to deviations from the main input assumptions: i) recovery rate level and ii) recovery timing.

For the class A, the following shows how the results change compared to the assigned credit rating in the event of:

- a decrease in secured and unsecured recovery rates by 10%, minus one notch.
- an increase in the recovery lag by one year, minus one notch.

For the class B, the following shows how the results change compared to the assigned credit rating in the event of:

- a decrease in secured and unsecured recovery rates by 10%, minus one notch.
- an increase in the recovery lag by one year, minus zero notches.

We tested the resilience of the ratings against deviations from the main input assumptions.

7. Sovereign risk

No mechanistic cap

Sovereign risk does not limit any of the ratings. The risks of an institutional framework meltdown, legal insecurity or currency convertibility problems, due to Italy's hypothetical exit from the eurozone, are not material for the notes' rating

For more insight into our fundamental analysis on the Italian economy, please refer to the rating report on the Republic of Italy, dated 30 June 2018.

8. Counterparty risk

Counterparty risk does not limit the transaction's rating

In our view, none of the counterparty exposures constrain the ratings achievable by this transaction. We factored in counterparty replacement triggers implemented in the transaction as well as relied on publicly available ratings and our ratings of Intesa Sanpaolo S.p.A. and BNP Paribas SA, the parent of BNP Paribas Securities Services. We also considered eligible investment criteria in the transaction documents for cash amounts held by the issuer.

The transaction is mainly exposed to counterparty risk from the following counterparties: i) the originators, regarding representations and warranties and the eventual payments that may be made by the borrowers; ii) Credito Fondiario S.p.A. as master servicer and special sercIver; iii) Italfondiario S.p.A. as special servicer; iv) Securitisation Services S.p.A. as back-up master servicer, noteholders' representative, calculation agent and corporate servicer; v) BNP Paribas Securities Services as account bank, paying agent, cash manager and agent bank; vi) Intesa Sanpaolo S.p.A. as collection account bank, Zenith Service S.p.A. as monitoring agent; and vii) JP Morgan AG as the interest rate cap provider.

The roles of collection account bank, account bank, principal paying agent, agent bank and cash manager must be held by an institution with minimum short-term and long-term ratings of S-3 and BB, if rated by Scope.

8.1. Servicer disruption risk

A servicer disruption event may have a negative impact on the transaction's performance. The transaction incorporates servicer monitoring as well as back-up and replacement arrangements to mitigate operational disruption (see section 5.2).

8.2. Commingling risk

Limited commingling risk

Commingling risk is limited, as debtors will be instructed to pay directly into an account held in the name of the issuer. In limited cases in which any special servicer or the master servicer has received payments from a debtor, the relevant servicer would transfer the amounts within two business days of the payment reconciliation.

8.3. Claw-back risk

Limited claw-back risk

The originator has provided: i) a 'good standing' certificate from the Chamber of Commerce; ii) a solvency certificate signed by a representative duly authorised; and iii) if issued by the relevant court, a certificate from the bankruptcy court (tribunale civile – sezione fallimentare) confirming that the originator is not subject to any insolvency or similar proceedings. This mitigates claw-back risk, as the issuer should be able to prove it was unaware of the issuer's insolvency as of the transfer date.

Assignments of receivables made under the Italian Securitisation Law are subject to claw-back in the following events:

(i) pursuant to article 67, paragraph 1, of the Italian Bankruptcy Law, if the bankruptcy declaration of the relevant originator is made within six months from the purchase of the relevant portfolio of receivables, provided the receivables' sale price exceeds their value by more than 25% and the issuer is unable to demonstrate it was unaware of the originator's insolvency, or

(ii) pursuant to article 67, paragraph 2, of the Italian Bankruptcy Law, if the adjudication of bankruptcy of the relevant originator is made within three months from the purchase of the relevant portfolio of receivables, provided the receivables' sale price does not exceed their value by more than 25% and the originator's insolvency receiver can demonstrate that the issuer was aware of the originator's insolvency.

8.4. Enforcement of representations and warranties

Representations and warranties limited by time and amount

The issuer will rely on the representations and warranties, limited by time and amount, provided by the originators in the transfer agreements. If a breach of a representation and warranty materially and adversely affects a loan's value, the originators may be obliged to indemnify the issuer for damages within 20 business days of the notification.

However, the above-mentioned guarantee is only enforceable by the issuer within 24 months from when the transfer agreement is entered into. The total indemnity amount will be capped to a maximum of 30% of the portfolio purchase price. Furthermore, the indemnity amounts will be subject to a deductible of EUR 50,000 on a portfolio basis, and EUR 5,000 on a single-loan basis.

Our analysis considered these deductibility thresholds, which could result in limited additional portfolio losses if certain representations are breached.

9. Legal structure

9.1. Legal framework

Transaction governed by Italian and English law

The transaction documents are governed by Italian law, whereas English law governs the interest cap agreement and the deed of charge.

The transaction is fully governed by the terms in the documentation and any changes are subject to the risk-takers' consent, with the most senior noteholders at the date of the decision having a superior voting right.

9.2. Use of legal opinions

We had access to the legal opinions produced for the issuer, which provide comfort on the legally valid, binding and enforceable nature of the contracts.

10. Monitoring

Continuous rating monitoring

We will monitor this transaction based on performance reports as well as other public information. The ratings will be monitored on an ongoing basis.

Scope analysts are available to discuss all the details of the rating analysis, the risks to which this transaction is exposed, and the ongoing monitoring of the transaction.

11. Applied methodology

For the analysis of the transaction we applied our Non-Performing Loan ABS Rating Methodology, and Methodology for Counterparty Risk in Structured Finance, both available on www.scoperatings.com.

I. Summary appendix – deal comparison

Transaction	Riviera NPL	POP NPLS 18	Aqui	IBLA (Ragusa)	Maior SPV	Maggese	Juno 1	BCC NPLS 2018	2Worlds	4Mori Sardegna	Aragorn NPL 2018	Red Sea SPV	Siena NPL 2018	Bari NPL 2017	Elrond NPL 2017
Closing	Dec-18	Nov-18	Nov-18	Sep-18	Aug-18	Jul-18	Jul-18	Jul-18	Jun-18	Jun-18	Jun-18	Jun-18	May-18	Dec-17	Jul-17
Originators	Carige & Lucca	17 Banks	BPER	Banca di Ragusa	UBI Banca	C.R. Asti, Biver	BNL	ICCREA	BPS, BDB	Sardegna	Creval	BPM	MPS	BPB, CRO	Creval
Master servicer	Credito Fondiario	Cerved	Prelios		Prelios	Prelios	Prelios	Prelios	Cerved	Prelios	Credito Fondiario	Prelios	Credito Fondiario	Prelios	Cerved
Special servicer	Credito Fondiario, Italfondiario	Cerved	Prelios	Italfondiario	Prelios	Prelios	Prelios	Prelios	Cerved	Prelios	Cerved, Credito Fondiario	Prelios	J., IF., CF., P. ***	Prelios	Cerved
General portfolio attributes															
Gross book value (EUR m)	964	1,510	2,082	330	2,496	697	880	1,009	968	900	1,676	5,113	23,939	345	1,422
Number of borrowers	3,606	6,578	6,255	1,598	11,061	1,313	731	2,518	3,956	11,412	4,171	12,651	79,669	1,565	3,712
Number of loans	9,776	17,093	21,279	4,805	22,580	5,313	2,787	5,359	13,234	20,098	8,289	33,585	545,939	4,569	6,951
WA seasoning (years)	2.0*	2.9*	3.9	2.2*	4.2*	3.1*	3.0*	2.6*	2.7*	4.8*	2.5	3.8	4.4*	4.5	3.7
WA seasoning (years) - unsecured	2.5*	3.5*	4.5	2.7*	4.6*	3.9*	3.1*	2.9*	3.2*	6.4*	3.2	3.5	4.8*	N/A	N/A
WA LTV buckets (% or secured															
bucket [0-25]	3.4	5.5	3	2.8	10.3	2.1	3.5	4.3	2.8	5.7	2.0	2.3	5.7	N/A	3.6
bucket [25-50]	8	11.4	11.4	7.4	19.2	6.3	7.6	6.8	13	14.6	4.2	8.1	12.4	N/A	11.1
bucket [50-75]	17.1	17.5	17.8	12.5	21.2	11.6	14.3	12.5	17.9	21.8	8.2	14.7	16.8	N/A	13.7
bucket [75-100]	11.2	14.9	17.9	16.3	14.9	13.9	16	15.1	15.8	20.4	13.9	18.1	17.0	N/A	19.6
bucket [100-125]	9.9	13.8	12.2	15.9	10	20.8	14.7	11.8	14.5	12.8	22.3	16.7	13.4	N/A	24.6
bucket [125-150]	8.9	10.1	8.5	12.1	5	8.4	6.3	7.7	7.5	4.0	17.9	12.0	8.3	N/A	8.6
bucket [150-175]	14.9	5.6	4.8	7.3	4.4	7.7	5.3	6.4	4.9	1.8	11.9	6.6	5.3	N/A	4.8
bucket [175-200]	2.4	7.4	4.1	6.6	2	6.8	5	6.1	6.6	4.4	3.7	4.8	3.9	N/A	1.6
bucket > 200	17.2	13.8	20.4	19.2	12.9	22.2	27.3	29.3	17.1	14.5	16.0	16.7	17.1	N/A	12.5
Cash in court (% of total GBV)	1.2	1.3	3.1	2.2	4	2.7	7.2	24	8.5	18.3	0.5	3.2	N/A	N/A	2
Loan types (% of total GBV)															
Secured first-lien	39.4	53.9	57	67.2	39.9	43.1	30.4	70	53.1	56.1	67.3	70.6	41.6	53.6	66.4
Secured junior-lien	9.0	8.8	2.5	2.1	6.7	9.6	2.4	0.9	0	0.6	8.1	1		2.5	7.6
Unsecured	51.6	37.3	40.5	30.8	53.4	47.3	67.2	29.1	46.9	43.3	24.6	28.4	58.4	43.9	26.0
Syndicated loans	0	3	2.2	0.5	1.1	1		6.1	3.8	3.3	1.8	1.4	5.7		
Debtors (% of total GBV)															
Individuals	13.2	22.9	16.4	25.6	17	18.9	3.4	14.3	26.4	24.4	9.9	28.4	19	12	12.7
Corporates or SMEs	86.8	77.1	83.6	74.4	83	81.1	96.6	85.7	73.6	75.6	90.1	71.6	81	88	87.3
Procedure type (% of total GBV)															
Bankrupt	72.7	56.6	44	13.2	49.5**	53.4	71.5	62.7**	29.3	39.1	55.0	49.4	36.6	46.5	57.6
Non-bankrupt	27.3	43.4	56	86.8	50.5	46.6	28.5	37.3	70.7	60.9	45.0	50.6	63.4	53.5	42.4
Borrower concentration (% of GBV)															
Top 10	22.6	7.3	8	6.5	1.9	8.6	8.6	6.7	3.6	8	8.3	1.8	2.1	28.2	13.4
Top 100	45.5	26.4	26.5	26.9	10.4	31	34.4	29	18.1	27.7	39.5	9.1	9.5	69	42.4
Collateral distr. (% of appraisal val.)															
North	79.3	20.9	48.5	0.3	57.9	98	43.9	72.4	43.5	1.3	58.5	67.8	35.9	18.3	61.6
Centre	12.3	36.3	8.1	0	19.2	0.4	34.8	19.5	51.3	11.5	18.4	20.7	36	14.1	14.6
South	8.3	42.9	43.4	99.8	22.9	1.6	21.3	8.1	5.2	87.4	23.1	11.4	28.1	67.6	23.8
Collateral type (% of appraisal val.)															
Residential	40.6	41.7	33.9	57.8	57.3	46.7	29.2	39.3	44.4	51.3	43.4	54.8	28.2	43	32.6
Commercial	7.2	27.4	19.5	18.4	16.2	15.4	19.5	29.5	24.6	23.7	22	15.4	71.8	40	32.4
Industrial	17.3	16.2	15	9.6	14.8	21.8	32.4	11.2	10.5	11.3	15.3	9.4			23.2
Land	14.7	8.6	10.6	9.3	7.9	10.1	4.8	13.7	6.6	6.2	0.0	8.6		18	8.7
Other or unknown	20.2	6.1	21	4.9	3.9	6	14.1	6.3	13.9	7.6	19.3	11.8			3.4
Valuation type (% of appraisal val.)															
Full or drive-by	21.4	45.5	48.3	60.5	16.9	58.3	10.2	68.4	79.5	38.8	96.1	74	10	96.31	70.8
Desktop	35.7	13.8	34	33.3	69.2	18.5	3.6	5.4	12	40	1.2	14.5	65		4.0
CTU	7.7	26	11	3.1	10.4	0	13.4	12.1	8.5	20.5	2.7	11.5	15	3.69	23.6
Other	35.2	14.7	6.7	3.1	3.5	23.2	72.8	14.1		0.6	0	0	10	0	0.5
Secured ptf proc. stage (% of GBV)															
Initial	68.5	44.6	52.5	49.7	65	60.9	54.9	73.6	75.6	61.2	66.6	64.4	52.6	55.5	36.1
CTU	5.7	31.7	13.7	28.8	12.2	10.3	11.8	11	6.3	18.3	23.4	9.1	5.4	14.2	10.7
Auction	22.9	20.7	28.5	10.9	22.5	27.5	30.8	11.5	16.9	20.5	4.7	21.3	35.2	26.5	36.4
Distribution	2.4	3	5.4	10.7	0.3	1.3	2.5	3.8	1.2	0	5.5	5.2	6.7	3.8	16.8
Summary of assumptions (BBB rating conditional stress)															
Remaining lifetime recovery rate (%)															
Secured (=net LTV after all stresses)	52.7	61.8	58.8	55.3	63	54.9	52.1	50.3	65.5	66.2	48.3	62.8	58.6	51.8	61.7
Unsecured	13.7	10.9	12.8	12.4	11.5	10.1	10.4	13.5	14	9.9	16.8	12.3	9.2	11.1	13.7
Total	**29.1**	**38.6**	**39.1**		**35.5**	**33.7**	**24.1**	**39.6**	**41.4**	**41.8**	**40.6**	**48.0**	**0**	**33.1**	**47.1**
Weighted average life of collections															
Secured	6.7	7.2	6.5	7	6.7	6.4	5.4	8.2	6.8	7.2	7.9	6.8	N/A	N/A	4.8
Unsecured	4.4	4.7	4	4.8	4.1	4.6	4.2	4.5	4.7	4.2	4.2	4.1	N/A	N/A	3.1
Total	**5.7**	**6.9**	**6.1**	**6.8**	**6.3**	**6.1**	**5.1**	**7.8**	**6.4**	**6.9**	**7.9**	**6.6**	**N/A**	**N/A**	**4.6**
Structural features															
Liquidity reserve (% of class A notes)	4	4	5	7.5	4	4	4	5	4.05 (% of A and	4.9 (% of A and	5.0	4.375 (% of A	3.5	4.0	4.0
Class A Euribor cap strike	0.3%	0.5%-2.5%	0.3	0.1%-2.0%	0.5%-2.5%	0.5%-3.0%	0.8%-2.5%	0.5%-2.5%	0.3% -1.25%	0.3% -1.25%	0%-0.1%	0.5%-2.0%	0.5-3.0%	0.10%	0.50%
Class A															
% of GBV	18.2	27.0	26.16	24.4	22.9	24.5	14.2	27	28.8	22.2	30.5	32.5	12.1	25.3	33.0
Credit enhancement	81.8	73.0	73.84	75.6	77.1	75.5	85.8	73	71.2	77.8	69.5	67.5	87.9	74.7	67.0
Class B															
% of GBV	3.1	3.2	3.02	2.6	2.2	3.5	2.9	3	3	1.2	4.0	3	3.5	3.1	3.0
Credit enhancement	78.7	69.8	70.82	73	75	72	82.9	70	68.2	76.6	65.5	64.5	84.4	71.6	64.0
Final rating															
Class A	BBB-	BBB	BBB-	BBB	BBB	BBB	BBB+	BBB-	BBB	A-	BBB-	BBB	BBB+	BBB	BBB-
Class B	B+	B	NR	B	NR	NR	NR	B+	B	BB-	B	NR	NR	B+	B+

* The weighted average seasoning includes our qualitative adjustment driven by a special servicer's superior capacity to treat unsecured loans compared to an originator.
**This includes loans with no ongoing legal proceeding or loans where the nature of the proceeding is unknown.
***Juliet, Credito Fondiario, Italfondiario, Prelios.

Transaction's preliminary data tapes; calculations and assumptions by Scope Ratings. Closing portfolio stratifications may have non-material deviations.

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