Spring SPV 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}	320.0	93.2	23.2	6m Euribor + 0.5%	Sep 2040
Class B	NR	20.0	5.8	1.5	6m Euribor + 9.5%	Sep 2040
Class J	NR	3.4	1.0	0.2	10% + Variable	Sep 2040
Total		343.4				

Scope's quantitative analysis is based on the portfolio dated 30 September 2019 and its subsequent updates provided by the originator. Scope's Structured Finance Ratings constitute an opinion about 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 the SF Rating Definitions.

Transaction details

Transaction purpose	Risk transfer
Issuer (SPV)	Spring SPV S.r.l.
Originators and sellers	BPER Banca S.p.A., Banco di Sardegna S.p.A., and Cassa di Risparmio di Bra S.p.A.
Servicer	Prelios Credit Servicing S.p.A. (master and special servicer)
Cut-off date / Issue date	30 September 2019 / 18 June 2020
Payment frequency	Semi-annual (September and March)

The transaction is a static cash securitisation of an Italian NPL portfolio worth around EUR 1,377m by GBV. The pool is composed of senior secured (52.5%), unsecured (42.4%) and junior secured loans (5.1%). Borrowers are mainly corporates (88.9%). Secured loans are backed by first-lien mortgages on residential properties (32.8% of property values), commercial assets (22.1%), land (14.7%) and industrial assets (12.4%), while the remainder collateral (18.0%) is composed of other type of properties. More than half of the properties is concentrated in the southern regions of Italy, including islands (52.5%), followed by northern (39.2%) and central (8.3%) regions.

The structure comprises three classes of notes with fully sequential principal amortisation: senior class A, mezzanine class B, and junior class J. Class A will pay a floating rate indexed to six-month Euribor, plus a margin of 0.5%, whilst class B will pay a floating rate indexed to six-month Euribor, plus a margin of 9.5%. Class J principal and interest are subordinated to the repayment of the senior and mezzanine notes.

Rating rationale (summary)

The rating is 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 our assessment of the special servicer's capabilities. The rating is supported by the structural protection provided to the notes, the absence of equity leakage provisions, the liquidity protection and the interest rate hedging agreement. The rating also addresses exposures to the key transaction counterparties.

Interest rate risk on class A notes is mitigated by i) a cap spread, with an increasing higher strike (from 0.20% to 1.60%) and a constant lower strike at 0.10%, and ii) a cap embedded in the class A base rate definition, aligned with higher strike. Under the cap spread, the issuer receives the difference between six-month Euribor and the lower strike and pays the difference between six-month Euribor and the higher strike, following a predefined notional schedule.

[1]Gross book value ("GBV" as total gross claim amount) of the securitised portfolio at closing (EUR 1,377m).

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Related Research

Q2 update: 57% of Italian NPL securitisations now under-performing (June 2020)

Italian NPL securitisation collections plunge on Covid-19 impacts (June 2020)

Covid-19: GACS changes introduced by the Rilancio Decree are credit neutral (May 2020)

Covid-19: no immediate Italian NPL wave but defaults set to rise from 2021 (April 2020)

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We performed a specific analysis for recoveries, using different approaches for secured and unsecured exposures. For secured exposures, expected recoveries were mainly based on the latest property appraisal values, which were stressed to account for liquidity and market value risks. We derived recovery timing assumptions considering line-by-line asset information on the type of legal proceeding, the court issuing the proceeding and the stage of the proceeding. For unsecured exposures, Scope used historical line-by-line market-wide recovery data on defaulted loans between 2000 and 2017 and considered the special servicer's capabilities when calibrating lifetime recoveries. Scope also considered that unsecured borrowers were classified as defaulted for a weighted average of 4.9 years as of the cut-off date. Scope accounted for the current macro-economic scenario, taking a forward-looking view on the macro-economic developments.

Rating drivers and mitigants

Positive rating drivers

High share of drive-by valuations. Most of the portfolio's collateral appraisals are either full or drive-by valuations (74.3%), which are generally more accurate than desktop or CTU valuations.

Liquidity protection. An amortising cash reserve covering senior expenses and interest on class A represents 5% of the outstanding class A notes' balance. This level of liquidity protection is high compared to rated peer transactions.

Class B interest deferral trigger. Class B interest payments will be fully deferred if the special servicer does not meet at least 95% of the original business plan target, in terms of cumulative net collections and profitability on closed positions. This protective trigger is the tightest relative to peer transactions rated by Scope.

Interest rate risk hedged. Interest rate risk on the class A notes is mitigated through a cap spread hedging structure. The cap spread notional schedule is above our expected amortisation profile of class A notes.

High volume of collections since cut-off date. Collections received since portfolio cut-off date amount to EUR 86.3m, which represents around 20% of our expected lifetime collections, and they will be part of the issuer's available proceeds at the first payment date. These collections will not be considered for the calculation of the servicing fees.

Negative rating drivers and mitigants

Property type. The share of land and properties classified as 'other' is high compared to peer transactions (14.7% and 18.0%, respectively). Properties classified as 'other' include mostly hotels (8.0%) and buildings under construction (5.6%).

Material portion of legal proceedings in initial stages. Around 67% of the secured loans are in the initial legal phase or are yet to have proceedings initiated. This results in a longer expected time for collections than for loans in more advanced phases.

Low granularity. The concentration in the portfolio is above market average considering peer transactions rated by Scope. The 10 and 100 largest borrower exposures account for 11.5% and 39.7% of portfolio GBV, respectively.

Seasoned unsecured portfolio. The weighted average time since default is approximately 4.9 years for the unsecured portfolio. Most unsecured recoveries are realised in the first years after a default according to historical data.

Upside rating-change drivers

Rapid economic growth following the pandemic crisis. A scenario of rapid economic recovery would improve liquidity and affordability conditions and would prevent a sharp deterioration of collateral values. This could positively affect the rating, enhancing servicer performance on collection volumes.

Servicer outperformance on recovery timing. The pandemic led to the temporary suspension of courts' activity. If courts advance on legal proceedings backlogs faster than expected, an outperformance on recovery timing could occur. This could positively impact the rating.

Downside rating-change drivers

Long lasting pandemic crisis. Recovery rates are generally highly dependent on the macroeconomic climate. Scope baseline scenario foresees a 7.5% gross domestic product contraction in 2020 (with downside risk on this estimate), before a recovery of +4.5% in 2021. If current crisis will last beyond Scope baseline scenario, liquidity conditions could deteriorate, reducing servicer performance on collection volumes. This could negatively impact the rating.

Servicer underperformance on recovery timing. Servicer performance below our base case collection timing assumptions could negatively impact the rating.

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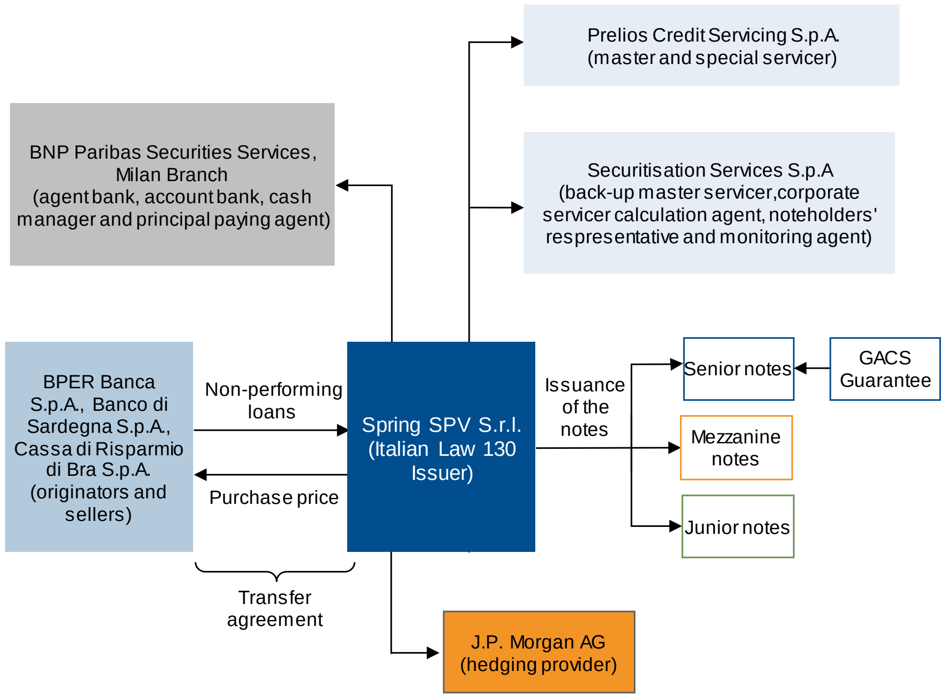
1. Transaction summary

The transaction structure comprises three tranches of sequential, principal-amortising notes, an amortising liquidity reserve equal to 5.0% of the class A outstanding balance, and an interest rate cap agreement.

Figure 1: Transaction diagram



Sources: transaction documents, Scope Ratings.

We adjusted the pool's gross book value using information on collections and sold properties since the 30 September 2019 cut-off date. The analysis excluded portfolio's loans, which we assumed to be closed, based on collections already received (EUR 86.3m) and sold properties (EUR 76.5m of collateral value). Collateral related to these positions was also removed.

These adjustments reduced the portfolio's gross book value from EUR 1,377m to EUR 1,066m. Collections received since the cut-off date will be part of the issuer's available proceeds at the first payment date, while we assumed cash-in-court (estimated to be around EUR 40.6m) would be received within three years 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 'senior secured' if they are guaranteed by first-lien mortgages, 'junior secured' if they are guaranteed by second or lower-lien mortgages, 'unsecured' otherwise. Figure 2 shows the main characteristics of the securitised portfolio, with details of the senior secured, junior secured and unsecured portions.

Figure 2: Key portfolio stratifications (30 September 2019 cut-off date)

	All	Senior secured	Junior secured	Unsecured
Number of loans	11,669	2,022	225	9,422
Number of borrowers	2,544			
Gross book value (EUR)	1,377,209,222	722,668,495	70,727,975	583,812,753
% of gross book value		52.5%	5.1%	42.4%
Weighted average seasoning	4.6	4.2	5.4	4.9
Collateral value (EUR)		1,070,065,953	108,538,514	
Borrower type (% of GBV)				
Corporate	88.9%	83.4%	89.1%	95.7%
Individual	11.1%	16.6%	10.9%	4.3%
Procedure (% of GBV)				
Bankruptcy	52.8%			
Non-bankruptcy	47.2%			
Stage of procedure (% of GBV)				
Initial		67.4%		
Court-appointed valuation (CTU)		4.2%		
Auction		13.7%		
Distribution		14.6%		
Geography (% of collateral value)				
North	40.2%	39.2%	42.2%	
Centre	8.3%	8.3%	8.8%	
South and islands	51.5%	52.5%	49.1%	
Borrower concentration				
Top 10	11.5%			
Top 100	39.7%			
Property type				
Residential	32.6%	32.8%	30.4%	
Non-residential	67.4%	67.2%	69.6%	

2. Macroeconomic environment

Scope revised the rating Outlook on Italy's BBB+ long term rating to Negative on material fiscal deterioration

On 15 May, Scope revised the Outlook on Italy's long-term sovereign ratings to Negative, from Stable, reflecting: i) sharp deterioration in public finances as a result of the significant cyclical downturn and the government's response to the Covid-19 crisis and ii) low nominal growth expectations alongside structural bottlenecks to long-term fiscal consolidation expectations that limit a material reduction in the government's public debt burden longer term. The next review of Italy's BBB+/Negative sovereign ratings is scheduled by 30 October 2020.

To mitigate the adverse economic consequences of the health crisis, Italian authorities have launched meaningful budget stimulus of 4.5% of gross domestic product (GDP) in 2020, pushing Italy's deficit to above 10% of GDP, and increasing public debt from 135% of GDP in 2019 to above 155% of GDP by end-2020. Risks to Scope's baseline debt projections remain skewed heavily to the upside with, for example, the 2020 increase in debt being much greater (to about 185% of GDP) under a stressed scenario of a more severe economic contraction and/or in the case additional fiscal resources are activated to address the crisis beyond those announced to date. Annual government gross financing needs are expected to remain structurally more elevated post-crisis due to debt accumulated.

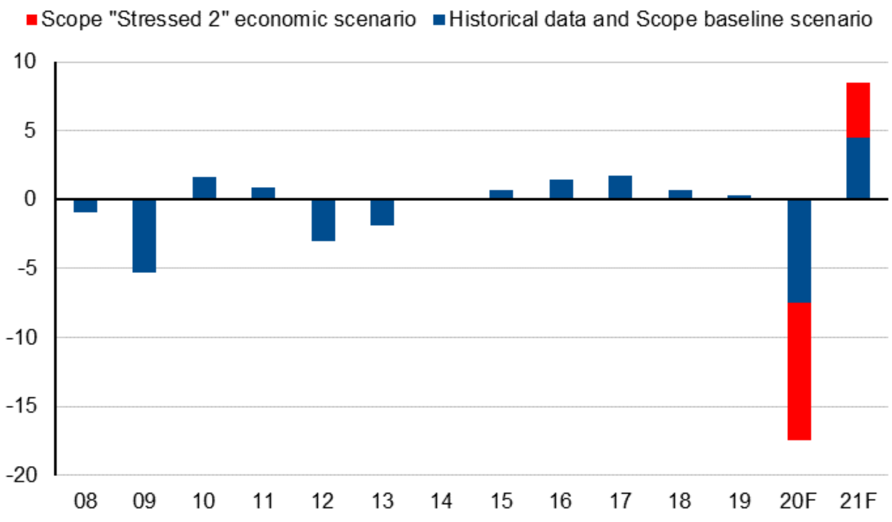
At the same time, Italy maintains credit strengths including the economy's memberships of the European Union and euro area with a strong reserve currency and the ECB and European Stability Mechanism acting as lenders of last resort. The ECB's open-ended guidance and commitment to public sector bond purchases have been critical in the anchoring of accommodative financing conditions for sovereign issuers experiencing economic distress in 2020. Italy's 10-year yield level stands at below 1.5%, comparatively benign compared with the above 7% level reached at 2011-12 sovereign debt crisis peaks, and ECB purchases will mean well above 20% of Italian general government debt is transitioned to the Eurosystem balance sheet by year-end, curtailing the scale of the 2020 increase in outstanding government debt owned by the private sector – the segment of sovereign debt rated by Scope.

In addition, Scope recognises Italy's systemic relevance for the euro area and the associated high likelihood of additional enhanced contingent support from European institutions under more severe market scenarios. Moreover, a pre-crisis record of primary fiscal surpluses, a strong external sector, moderate levels of non-financial private sector debt and enhanced financial system cushions are acknowledged as credit strengths.

Risks associated with severe 2020 economic contraction

In 2020, Scope expects a severe economic decline, with Italian GDP to contract between 7.5% and 17.5% under alternative Scope scenarios ("baseline" and "stressed 2" economic scenarios are reported in Figure 3). This is before a recovery in 2021 of 4.5% to 8.5%. In addition, there are risks that a prolonged crisis and loss of investment will further weaken Italy's growth potential. Italy's growth potential was weak entering the crisis. Over 2010 to 2019, nominal growth averaged 1.3% (with average real growth of 0.2% per year) – the lowest in the euro area after Greece. Scope estimates Italy's medium-run real economic growth potential at 0.7% (the second weakest in Scope's rated sovereign universe after that of Japan), reflecting in part assumptions of medium-run working-age population decline of 0.4% per year. Tepid growth potential informs Scope's expectation that a significant share of public debt accrued during this year's crisis will be of permanent nature longer term.

Figure 3: Annual real GDP growth, Italy



Sources: ISTAT, Scope Ratings

Although unemployment rates have declined in past months, they are expected to rise by the 2H of 2020

Before the current crisis, unemployment had fallen to 9.1% as of February 2020 (from a 2014 peak of 13%). While unemployment rates have, since the crisis started, fallen (to 6.3% in April 2020 as workers left the labour force), unemployment rate trends are likely to see a more unfavourable trajectory by the second half of the year. The European Commission foresees the unemployment rate in 2020 rising to an annual average of 11.8%, before easing to 10.7% in 2021.

NPLs to rise, although banks entered 2020 with strengthened balance sheets

Italian banks' stock of non-performing loans had been curtailed to 6.7% of total loans as of Q4 2019 before the crisis, compared with 18.2% during a 2015 peak, although NPLs are expected to rise in 2020 – even if the scale of this increase might be mitigated by public guarantees issued on loans by government authorities. The Italian banking sector's regulatory tier 1 capital ratios stood at 14.9% of risk-weighted assets as of Q4 2019, 100bps higher than levels per Q4 2018 – meaning banks entered the crisis having enhanced balance sheet resilience.

3. Portfolio characteristics

3.1. Eligible loans

Customary eligibility criteria

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

- All loans are denominated in euros and governed by Italian law;
- All loans are enforceable to the extent of their GBV;
- Loans secured by voluntary or judicial mortgages have the ranking specified in the data tape;
- All receivables are valid for transfer without any limitations and free encumbrances;
- 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;
- Borrowers are not employees, managers or directors of the originators;
- All real estate assets are located in Italy and, to the knowledge of each originators, are existing;
- All corporate borrowers (except for two borrowers) are incorporated under Italian law with a registered office in Italy;
- As of the date on which financings were granted, all individual borrowers (except for two borrowers) were resident in Italy.

3.2. Detailed stratifications

3.2.1. Borrower type

Most of the borrowers are corporates (88.9%)

Corporates and individuals represent 88.9% and 11.1% of the pool GBV respectively.

The portfolio is composed of senior secured (52.5%), unsecured (42.4%) and junior secured loans (5.1%). In our analysis, we treated junior secured loans as unsecured.

Figure 4: Distribution by borrower type

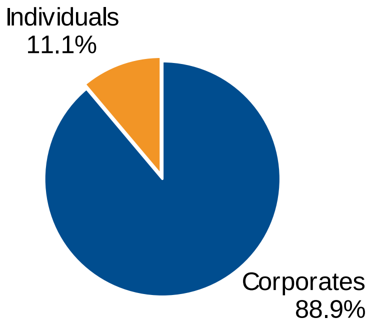
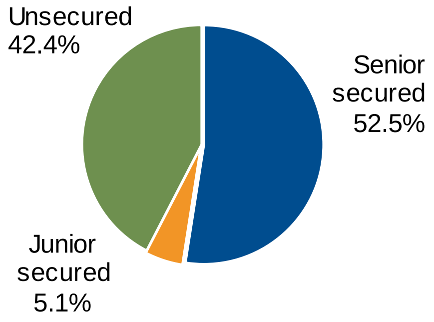


Figure 5: Distribution by loan type



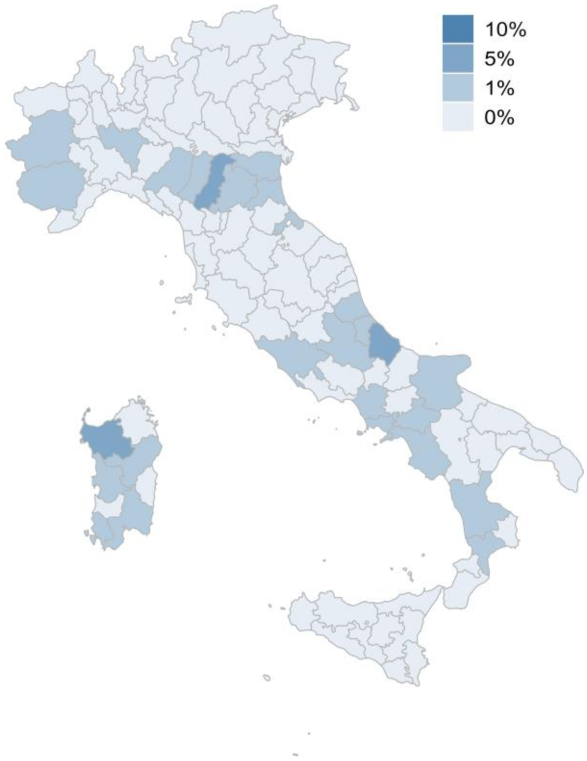
Sources: Transaction data tape, Scope Ratings

3.2.2. Geographical distribution

Secured properties mostly concentrated in Emilia Romagna, Sardinia and Abruzzo

More than half of the properties is concentrated in the southern regions of Italy, including islands (51.5%), followed by northern (40.2%) and central (8.3%) regions. Specifically, borrowers' properties are concentrated in the following main regions: Emilia Romagna (28.8%), Sardinia (17.5%) and Abruzzo (13.8%).

Figure 6: Collateral location (% of collateral value)



Sources: Transaction data tape, Scope Ratings

3.2.3. Collateral type

Higher liquidity stresses are applied to lands and other type of properties in comparison with other type of assets

Secured loans are backed by first-lien mortgages on residential properties (32.8% of property values), commercial assets (22.1%), land (14.7%) and industrial assets (12.4%), while the remainder collateral (18.0%) is classified as 'other' (Figure 7). Properties classified as 'other' include mostly hotels (8.0%) and buildings under construction (5.6%).

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

Recovery rate assumptions reflect portfolio's LTV distribution

Figure 8 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 class A and our base case recovery rate[2]).

[2] Scope's base case refers to a single B rating scenario.

Figure 7: Distribution by collateral type

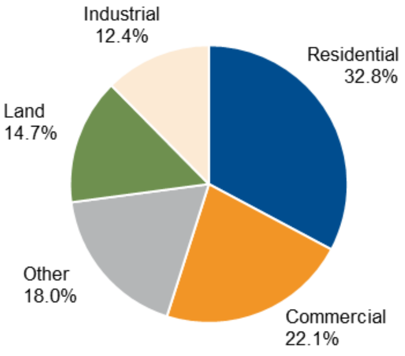
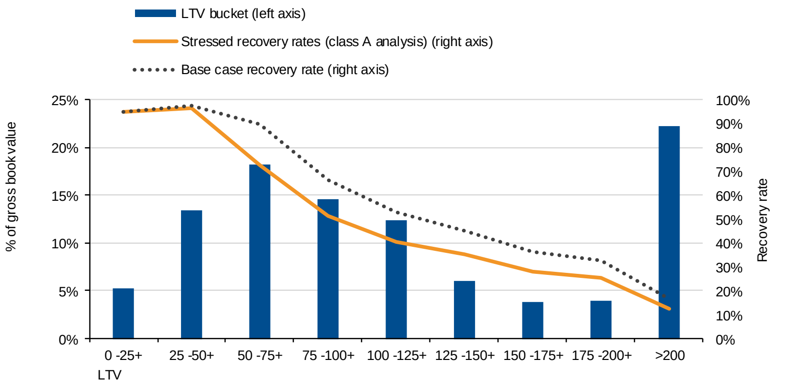


Figure 8: Secured loans' distribution by LTV[3] and Scope's expected secured recoveries



Sources: Transaction data tape, Scope Ratings

3.2.5. Loan seasoning

Unsecured seasoning above average

The weighted average time between default and the closing date is around 4.9 years for unsecured exposure, (4.2 and 5.4 years, respectively, for the senior secured and junior secured exposure), which is above average compared to peer transactions.

3.2.6. Recovery procedure of secured exposures

More than half of the secured pool under foreclosure procedures

Around 58.5% of the senior secured exposure are under foreclosure procedures, followed by bankruptcy (30.6%) and out-of-court (11.0%) procedures. Borrowers with no ongoing procedure were assumed to enter bankruptcy procedures, except for individuals, for which we assumed to enter foreclosure proceedings. In case of multiple procedures (i.e., bankruptcy and non-bankruptcy) for the same borrower, we assumed the bankruptcy proceeding was prevailing.

3.2.7. Recovery stage of secured exposures

High share of legal proceedings in initial stages

Around 67.4% of the senior secured loans is in the initial stage of the proceeding or are yet to have proceedings initiated. The remainder is either at a CTU or auction phase, respectively 4.2% and 13.7%, while the 14.6% is in a distribution phase (Figure 9).

Figure 9: Senior secured recovery stage[4]

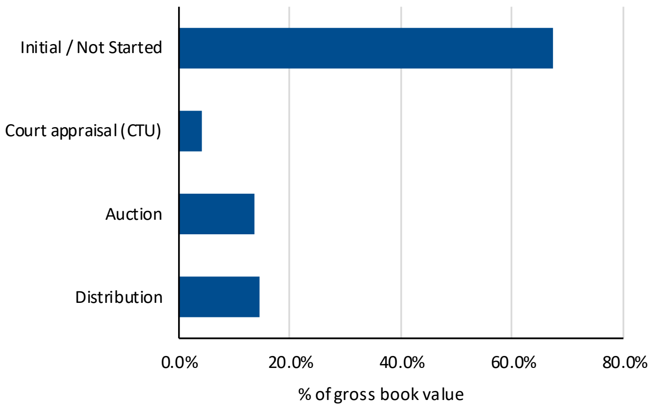
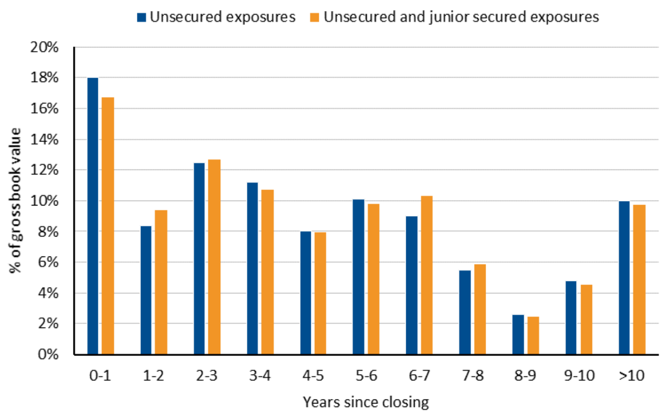


Figure 10: Unsecured and junior secured seasoning



Sources: Transaction data tape, Scope Ratings

[3] Loan-to-value is calculated as the ratio between loans' gross book value and properties value (computed by Scope as indexed appraisal value).
[4] Scope considered the most updated legal stage, resulting from legal procedures information (available at borrower level) and information on auctions and sale processes, derived from the collateral details (i.e., presence of auctions reserve prices and properties' sale prices).

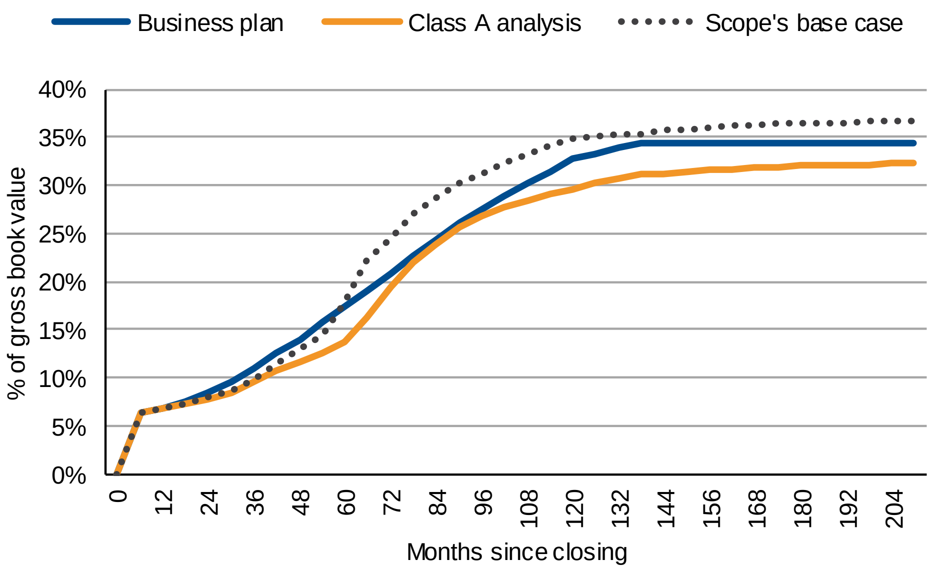
4. Portfolio analysis

Rating-conditional recovery assumptions

Figure 11 compares our lifetime gross collections and recovery timing assumptions for the entire portfolio with the servicer business plan. We applied rating-conditional recovery rates by blending secured and unsecured recovery expectations. We applied different analytical frameworks to the secured and unsecured segments.

For the class A notes analysis, we assumed a gross recovery rate[5] of 32.4% over a weighted average life of 5.4 years. By segment, we assumed a gross recovery rate of 53.1% for the secured portfolio and 9.5% for the unsecured portfolio (where the unsecured portfolio component includes junior secured exposures).

Figure 11: Business plan's gross cumulative recoveries vs Scope's assumptions[6]



Sources: Servicer business plan, Scope Ratings

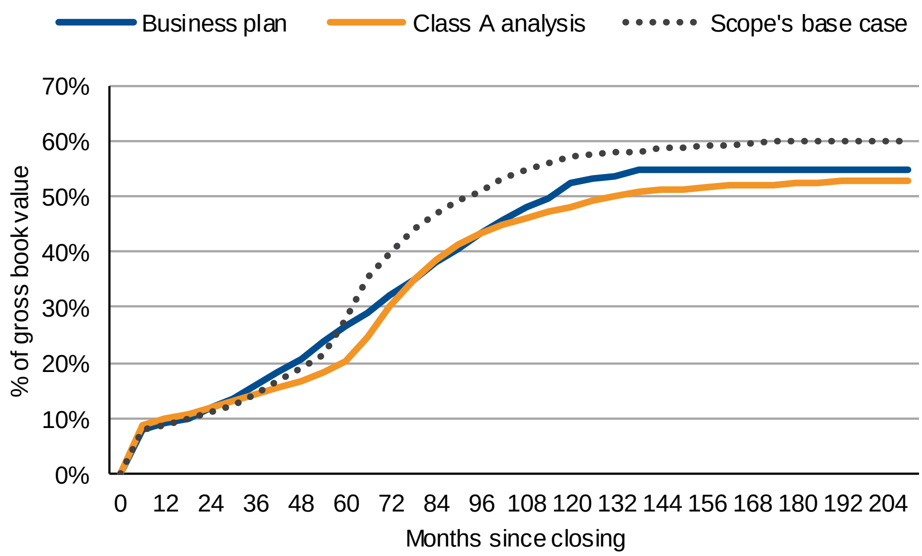
4.1. Analysis of senior secured portfolio segment

Valuation haircuts address forward-looking market value and liquidity risks

Figure 12 shows our lifetime gross collections vectors for the senior secured segment compared to those from the servicer's business plan. Our analytical approach consists 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), the type and stage of legal proceeding. Our analysis also considers concentration risk, the servicer's business plan and the available workout options.

[5] The reported recovery rate includes the collection since cut-off date and the cash-in-court amount.
[6] Scope's base case refers to a single B rating scenario.

Figure 12: Business plan's gross cumulative recoveries for secured loans vs. Scope's assumptions[7]



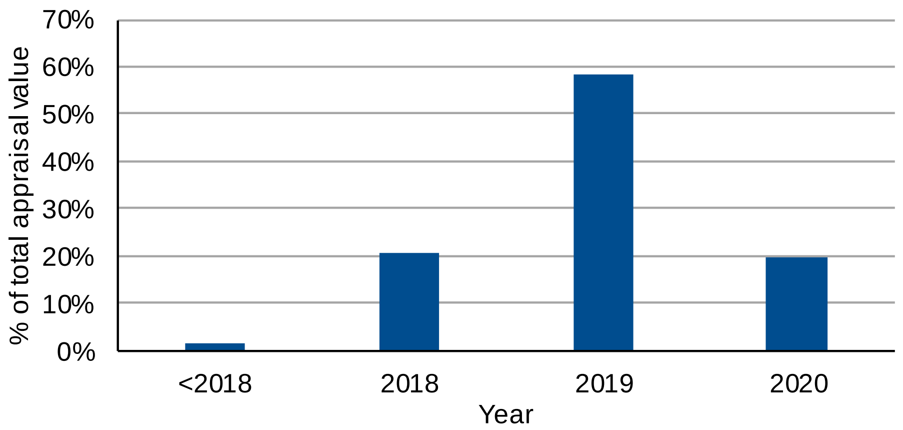
Sources: Servicer business plan, Scope Ratings

4.1.1. Appraisal analysis

High share of recent property appraisals is credit positive

We relied on line-by-line property market value appraisals. Most of the valuations are recent, i.e., conducted between 2018 and 2020 (around 98% of properties' total appraisal value). We indexed seasoned valuations using a variety of regional price indices. Indexation has a marginal impact on the portfolio because property prices have remained fairly flat in the last years.

Figure 13: Distribution by valuation's date



Source: Transaction data tape

We applied rating-conditional haircuts ranging from 0% to 20%, reflecting our view of the level of quality and accuracy of each valuation type: full or drive-by valuations are generally more accurate than desktop or CTU valuations.

[7] Recovery rate includes collections since cut-off date and cash-in-court amount. Scope's base case refers to a single B rating scenario.

Figure 14: Valuation type and Scope's transaction-specific valuation haircuts

Valuation type	% of collateral value	Class A analysis haircut	Scope's base case[8]
Full / Drive-by	74.3%	-	-
Desktop	11.4%	5%	4%
CTU	13.4%	10%	8%
Other / Statistical	0.9%	20%	16%

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

4.1.2. Property market value assumptions

Moderate market downturn risk

Figure 15 details our assumptions about property price changes over the transaction's life commensurate with class A rating. These assumptions are i) specific to the transaction and to the geographical area; 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 15: Collateral location and Scope's transaction-specific price change assumptions

	North						Centre			South			Islands	
Region	Milan	Turin	Genoa	Bologna	Venice	Others	Rome	Florence	Others	Naples	Bari	Others	Metropolitan cities	Rest of provinces
Class A analysis	-13%	-11%	-11%	-11%	-13%	-13%	-17%	-15%	-15%	-13%	-13%	-15%	-13%	-15%
Portfolio distribution	1.0%	0.1%	0.4%	3.3%	0.1%	34.4%	3.5%	0.2%	4.6%	1.7%	1.0%	31.4%	2.5%	15.8%

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

4.1.3. Collateral liquidity risk

Asset liquidity risk is captured through additional fire-sale haircuts applied to collateral valuations. Figure 16 shows the rating-conditional haircuts applied for the class A analysis. These assumptions are based on historical distressed property sales data (including those provided by the servicer) and reflect our view that non-residential properties tend to be less liquid, resulting in higher distressed-sale discounts.

Figure 16: Scope's transaction-specific fire-sale discount assumptions

Collateral type	% of collateral value	Class A analysis haircut	Scope's base case
Residential	32.8%	40%	32%
Non-residential	67.2%	45% - 55%	36% - 44%

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

4.1.4. Concentration risk

High borrower concentration risk compared to peer transaction

We addressed borrower concentration risk by applying a 15% rating-conditional recovery haircut to the 10 largest borrowers for the class A notes analysis. The largest 10 and 100 borrowers account for 11.5% and 39.7% of the portfolio's gross book value, respectively. which is above the average compared to peer transactions we rated.

[8] Scope's base case refers to a single B rating scenario.

4.1.5. Residual claims after security enforcement

A secured creditor may initiate enforcement actions against a debtor despite the termination 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).

For corporate loans, we gave no credit to potential further recoveries on residual claims after the security has been enforced.

Partial credit to residual claims after security enforcement for loans to individuals

Based on servicers' historical data, we gave credit to residual claims on 10% of the loans to individuals. Recovery strategies are typically not highly focused on collecting residual claims, as the relevant costs may be higher than the potential proceeds. On the other hand, residual claims can be enforced in a profitable way for some individual borrowers, as 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. Also, when is cost-efficient, servicer's interest is to maximise the amount of recoveries, even after the security has been enforced..

4.1.6. 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.

Courts mostly concentrated within group 2 and 3, with below average court timing

The total length of the recovery processes is mainly determined by the efficiency of the assigned court and 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 2015 and 2017 (Figure 17). For the class A notes analysis, a rating-conditional stress was applied for both bankruptcy and non-bankruptcy procedures (3.3 years and 1.6 year were respectively added to the total legal procedures' length).

Figure 17: 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	6.1%
2	6	3	41.2%
3	8	4	30.9%
4	10	5	14.5%
5	12	6	4.4%
6	14	7	1.4%
7	18	9	1.6%

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

4.2. Analysis of unsecured and junior secured portfolio segment

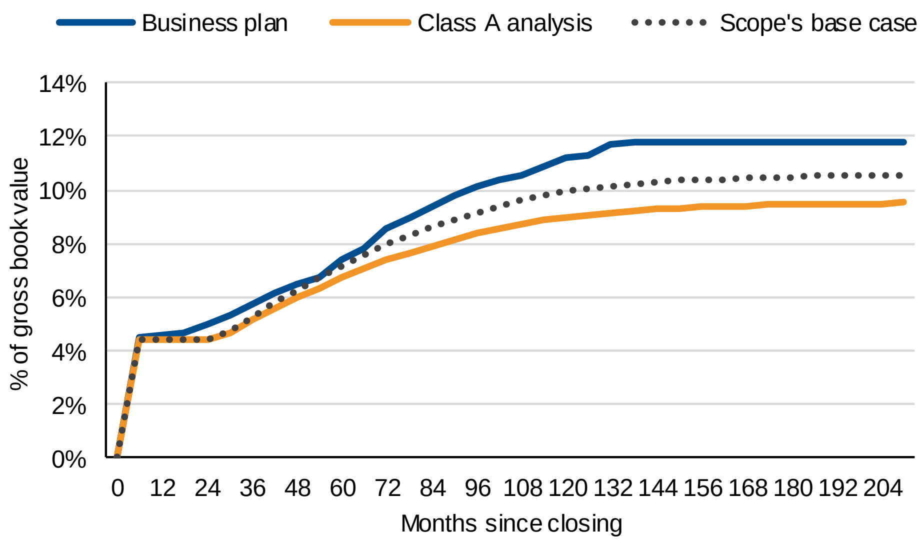
Unsecured portfolio analysis is based on statistical data

Figure 18 shows our gross collections vectors for the unsecured and junior secured segment compared to those from the servicer's business plan. Our base case[9] recovery amount and timing assumptions were based on loan-by-loan data with recoveries for different types of unsecured loans. For the class A notes analysis, we applied a stressed recovery rate of 9.5%. Our assumptions for unsecured exposures consider the nature of the recovery procedure: bankruptcy proceedings are generally slower and typically result

[9] Scope's base case refers to a single B rating scenario.

in lower recoveries than non-bankruptcy proceedings. The assumptions are calibrated to reflect the nature of the loans and that unsecured loans in the portfolio are classified as defaulted for a weighted average of 4.9 years (5.0 years including also junior secured loans) as of closing.

Figure 18: Servicer's unsecured[10] recoveries vs Scope's assumptions[11]



Sources: Servicer's business plan, 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, payments received under the interest rate cap agreement insurance payments and indemnity payments from the originators) 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. Interest[12] on class B notes, provided that no interest subordination event has occurred
10. Principal on class A notes
11. Class B interest upon occurrence of the interest subordination event
12. Principal on class B notes and, upon occurrence of a servicer underperformance subordination event, the servicer mezzanine fees
13. Interest on class J notes
14. Principal on class J notes and, upon the occurrence of a servicer underperformance subordination event, the servicer junior fees

[10] The comparison considers unsecured and junior secured loans as per servicer's business plan.
[11] Recovery rate includes collection since cut-off date. Scope's base case refers to a single B rating scenario.
[12] The Euribor component of class B interests, if positive, ranks junior to principal on class A notes.

15. Any residual amount as class J variable return

Interest subordination event for class B is aligned with the updated requirements of the 2019 GACS Scheme

An interest subordination event occurs if i) the cumulative net collection ratio[13] falls below 95% of the servicer's business plan targets; or if ii) the NPV cumulative profitability ratio[14] falls below 95%; or if iii) the interest amount which will be actually paid on the class A notes on the following interest payment date is lower than the interest amount due and payable on such interest payment date.

Once the interest subordination event is triggered, class B interest payments are fully deferred and not paid until class A is fully repaid or until the interest subordination event is cured (i.e., when the cumulative net collection ratio is higher than 100%). Once the interest subordination event is cured, due and unpaid class B interests are paid senior to class A principal. Additionally, once the interest subordination event is triggered, if on a subsequent payment date, the cumulative net collection ratio returns between 95% and 100%, class B interests accruing on that payment date will be payable senior to class A principal repayment. These mechanisms are aligned with the requirements of the 2019 updated GACS Scheme[15].

A servicer underperformance subordination occurs if i) the cumulative net collection ratio falls below 90% of the servicer's business plan targets; or if ii) the NPV cumulative profitability ratio falls below 95%. Upon the occurrence of a servicer underperformance subordination, a portion of the servicing fees will be paid pari-passu with the class B principal (the mezzanine servicer fees) and the class J principal (the junior servicer fees).

Scope's ratings do not address the GACS guarantee

The GACS guarantee ensures payment of interest and payment of principal by the final maturity of the class A notes. Our rating on the class A notes does not consider the GACS guarantee but it incorporates its potential cost (i.e., the GACS premium) if the guarantee is added to the structure.

Non-timely class A interest payment would trigger accelerated waterfall

Non-timely payment of interest on the senior notes (unless the GACS guarantee is in place), among other 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 fees

The servicing fee structure links the level of fees payed to the servicer with the portfolio's performance, mitigating potential conflicts of interest between the servicer and noteholders. The special servicer will be entitled to both an annual base fee and a performance fee.

Alignment of servicer and noteholder interests

The annual base fee, ranging from 0.04% and 0.02%, is calculated as a percentage of the GBV. The performance fee varies from 3.0% to 5.4% on secured exposures, and from 5.0% to 9.9% on the unsecured exposures.

The exact level of fees is subject to the GBV size and the type of recovery strategy (judicial vs extra-judicial). Extra-judicial strategies and lower tickets generally bear higher performance fees relative to collection amounts. Our analysis assumed an average performance fee of 6.3%, considering the portfolio distribution by GBV buckets.

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

[14] 'NPV cumulative profitability ratio' is defined as the ratio between: i) the sum of the present value of the net collections for all receivables relating to exhausted debt relationships; and ii) the sum of the target price (based on the servicers' initial business plan) of all receivables relating to exhausted debt relationships.

[15] Italian law decree No. 18 of 14 February 2016 converted into law No. 49 of 8 April 2016, s subsequently amended and supplemented under Italian law decree No. 22 of 25 March 2019, converted into Italian law No. 41 of 20 May 2019.

5.2.2. Servicer monitoring

Monitoring function protects noteholders' interests

An overview of the servicer's activities and calculations, prepared by the monitoring agent (Securitisation Services S.p.A.), mitigates operational risks and moral hazard that could negatively impact noteholder interests.

The servicer is 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 servicer upon a servicer termination event. The monitoring agent can also authorise the sale of the receivables (acting upon instructions of the committee), the closure of debt positions, and the payment of additional costs and expenses related to recovery activities. In addition, the monitoring agent will assist the issuer to find a servicer replacement, in case no back-up servicer is in place.

5.2.3. Servicer termination events

A back-up servicer appointed at closing mitigates servicing disruption risk

In the event of a master servicer termination event, Securitisation Services S.p.A. would step in as back-up master servicer.

A servicer termination event includes i) insolvency; ii) an unremedied breach of obligations; iii) an unremedied breach of representation and warranties; iv) loss of legally eligibility to perform obligations under the servicing agreement; v) after 2 years since closing, the occurrence of two consecutive underperformance event; and vi) following the enforcement of the GACS guarantee, in case the cumulative net collection ratio has been lower than 100% for two consecutive collection dates.

5.3. Liquidity protection

Cash reserve provides liquidity protection to class A notes

A cash reserve will be funded at closing through a limited-recourse loan provided by BPER Banca. The cash reserve target amount at each payment date will be equal to 5.0% of the total outstanding balance of class A notes.

The cash reserve is 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.

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 0.5% margin on the class A and a 9.5% margin on class B.

Interest rate risk partially mitigated by a cap spread agreement

An interest rate cap spread mitigates the risk of increased liabilities on the class A notes due to a rise in Euribor (see Figure 19). The base rate on the class A notes will be capped with an upper bound rate ranging from 0.20% at the issue date to 1.60% until September 2036, while it will be floored with a constant lower bound rate at 0.10%. In addition, a cap is embedded in the class A Euribor component, aligned with the upper bound rate of the cap spread. Under the cap agreement, the issuer receives the difference between six-month Euribor and the lower bound rate and pays the difference between six-month Euribor and the cap embedded in the class A notes.

The notional schedule of the cap spread is aligned with our expected class A amortisation profile (see Figure 20). However, a delay in recoveries beyond our class A recovery timing vector would increase interest rate risk exposure, as it would create a gap between the transaction's cap notional amount and the class A notes' outstanding principal. For the class A analysis, we stressed the Euribor forward curve, as shown in Figure 19.

Interest rate risk on class B notes is not hedged, but the risk for class A noteholders is mitigated by the Euribor component ranking junior to class A principal payment.

Figure 19: Cap spread on class A notes

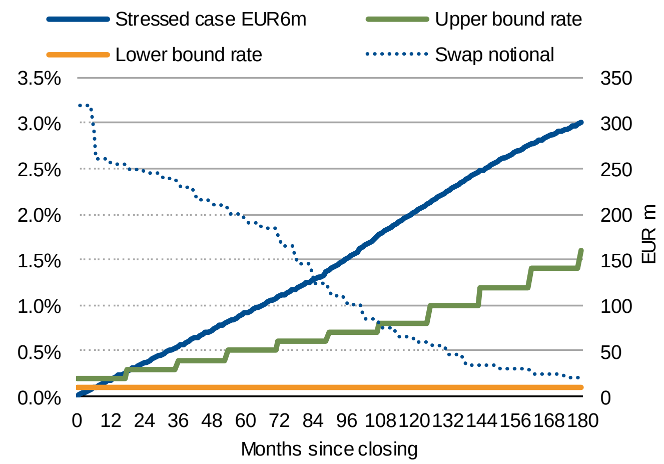
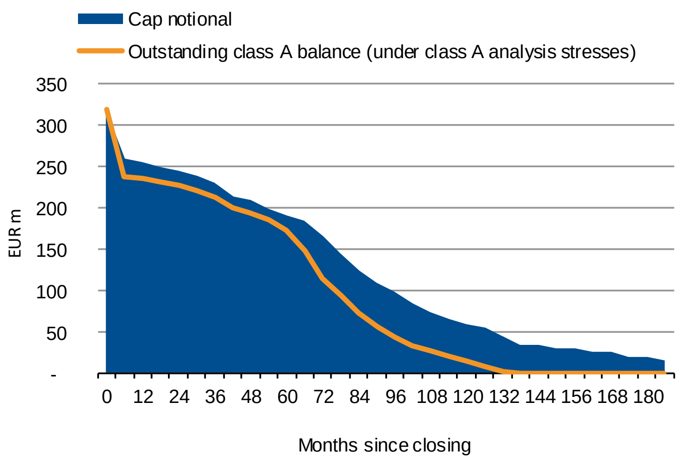


Figure 20: Cap notional vs outstanding class A notes



Sources: Transaction documents, Bloomberg and Scope Ratings

6. Cash flow analysis and rating stability

The 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 considers the capital structure, the coupon payable on the notes and the hedging structure, as well as, the servicing fees structure, the transaction senior fees and legal costs to be equivalent to 9% of gross collections.

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 instruments' weighted average life commensurate with the idealised expected loss table in our General Structured Finance Ratings Methodology.

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

- a decrease of the portfolio's recovery rate by 10%, minus one notch.
- an increase in the recovery lag by one year, zero notches.

7. Sovereign risk

No mechanistic cap linked to sovereign risk

Sovereign risk does not limit any of the ratings. The risks of an institutional framework meltdown, legal insecurity or currency convertibility problems due to an Italian exit from the euro area, a scenario, which Scope has consistently viewed as highly unlikely, are not material for the notes' ratings.

For more insight into our fundamental analysis on the Italian economy, please refer to the rating announcement on the Republic of Italy, dated 15 May 2020.

8. Counterparty risk

Counterparty risk does not limit the transaction's ratings

In our view, none of the counterparty exposures constrain the ratings achievable by this transaction. We considered counterparty replacement triggers implemented in the transaction and relied on publicly available ratings and our ratings, when available, of the involved counterparties. 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) BPER Banca S.p.A., Banco di Sardegna S.p.A., and Cassa di Risparmio di Bra S.p.A. as originators, regarding representations and warranties; ii) BPER Banca S.p.A. as limited-recourse loan provider; iii) Prelios Credit Servicing S.p.A. as master and special servicer; iv) BNP Paribas Securities Services, Milan Branch as agent bank, account bank and principal paying agent; v) Securitisation Services S.p.A. as back-up master servicer, corporate servicer, calculation agent, noteholders' representative and monitoring agent; and vi) J.P. Morgan AG as cap counterparty.

8.1. Servicer disruption risk

A servicer disruption event may have a negative impact on the transaction's performance. There is a back-up master servicer appointed at closing and replacement arrangements that mitigate operational disruption.

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 the servicer has received payments from a debtor, the servicer will transfer the amounts within two business days from the payment reconciliation. In case the originators receive payments from debtors, they will transfer these amounts into the collection account within five business days.

8.3. Claw-back risk

Limited claw-back risk

The sellers have provided on the issue date: i) a solvency certificate signed by a representative duly authorised and ii) a certificate from the chamber of commerce confirming that the relevant seller is not subject to any insolvency or similar proceedings. This will mitigate claw-back risk, as the issuer should be able to prove it was unaware of the seller'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 cannot prove 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 prove 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 agreement. 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 10 business days following the expiry of the period of opposition or within 10 business days following the reach of an agreement after the arise of a challenge or within 10 business days after court's decision in case of challenge without a subsequent agreement.

However, the above-mentioned representations and warranties are only enforceable by the issuer within 24 months from the issue date. The total indemnity amount will be capped to a maximum of 30% of the portfolio purchase price. Furthermore, the indemnity amounts will be payable only above a minimum amount threshold of EUR 100,000 on an aggregate basis, and EUR 10,000 on a single-loss basis, once the minimum amount threshold is reached.

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 documents 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.

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

Ongoing rating monitoring

Scope will monitor this transaction on the basis of the performance reports, updated loan by loan 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

Scope analysts are available to discuss all the details surrounding 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 Scope applied its Non-Performing Loan ABS Rating Methodology and the Methodology for Counterparty Risk in Structured Finance, both available on www.scoperatings.com.

I. Summary appendix – deal comparison

Transaction	Spring SPV	Diana SPV	POP NPLS 2019	Futura	Iseo SPV	BCC NPLS 2019	Marathon	Prisma	Juno 2	Leviticus SPV	Belvedere SPV	BCC NPLs 2018-II	Riviera NPL
Closing	Jun-20	Jun-20	Dec-19	Dec-19	Dec-19	Dec-19	Dec-19	Oct-19	Feb-19	Feb-19	Dec-18	Dec-18	Dec-18
Originators	BPER Banca	BPS	12 Banks	53 Banks	UBI Banca	68 Banks	17 Fin. Inst.	Unicredit	BNL	BPM	multiple	73 Banks	Carige & Lucca
Master servicer	Prelios	Prelios	Prelios	Guber Banca	Italfondiario	Italfondiario	Securitisation Services	Italfondiario	Prelios	Prelios	Prelios	Italfondiario	Credito Fondiario
Special servicer	Prelios	Prelios	Prelios, Fire	Guber Banca	doValue	doValue	Hoist Italia	doValue	Prelios	Prelios	Prelios, BVI	Italfondiario	Credito Fondiario, Italfondiario
General portfolio attributes													
Gross book value (EUR m)	1377.3	999.7	826.7	1,256	857	1,324	5,027	6,057	968	7,385	2,541	1,954	964
Number of borrowers	2,544	2,981	6,633	9,639	6,401	8,596	324,282	52,419	1,120	19,747	13,678	10,089	3,606
Number of loans	11,669	4,813	16,718	16,152	8,373	15,944	412,795	137,813	3,609	49,404	31,266	22,041	9,776
WA seasoning (years)	4.6	4.0	6.1	5.5	3.5	3.4	7.5	5.3*	3.5*	3.8*	6.7*	1.8*	2.0*
WA seasoning (years) - unsecured portfolio	4.9	4.4	7.7	6.2	4.6	4.2	7.5	6.8*	3.9*	4.4*	6.7*	2.5*	2.5*
WA LTV buckets (% or secured portfolio)													
bucket [0-25]	5.2	2	4.3	2.3	1.4	3.4	N/A	3	1.8	3.5	2	4	3.8
bucket [25-50]	13.4	7.4	10.3	5.5	5.4	9.9	N/A	8	8	9.2	4.9	9.4	11.7
bucket [50-75]	18.2	11.4	12.4	8	10.4	11.9	N/A	13.2	15.4	12.6	5.4	13.2	12.9
bucket [75-100]	15	19	17.4	7.2	15.8	14.6	N/A	15	15.6	14.8	8.5	14.8	10.7
bucket [100-125]	12.8	10.2	11.7	10.1	17.7	13.6	N/A	12.7	11.2	9.5	6.8	10.3	12
bucket [125-150]	6.2	7.5	8.6	9.5	15.7	8.5	N/A	10.6	10.9	6.9	8.6	9.1	8
bucket [150-175]	3.9	8.6	6.2	6.4	10.3	8.8	N/A	8.5	3.7	6.9	4.8	7.2	8.3
bucket [175-200]	3.9	3.7	3.7	3.8	7.2	6.7	N/A	6.3	7.8	4.7	5.2	4.5	3.3
bucket > 200	21.1	30.2	25.5	47.2	16.1	22.6	N/A	22.8	25.5	31.9	53.9	27.6	29.5
Cash in court (% of total GBV)	3.0	3.3		1.1	1.6	1.1	N/A	1.8	5.9	2.0	2.7	0.8	1.2
Loan types (% of total GBV)													
Secured first-lien	52.5	64.7	46.9	45.7	92.2	65.9	0	64	57.7	50.5	41.0	58.4	39.4
Secured junior-lien	42.4	3.4	5.3	6.1	3.3	7.9	0	0.4	3	5.6	8.2	10.0	9.0
Unsecured	5.1	31.9	47.7	48.2	4.5	26.2	100	35.7	39.3	43.9	50.8	31.6	51.6
Syndicated loans	14.0	0.0	1.4	2.4	0	5.2	0	0	7.5		0	3.6	0
Debtors (% of total GBV)													
Individuals	11.1	21.5	27.8	22	100	20.7	57.4	100	7.7	14.7	12.0	20.9	13.2
Corporates or SMEs	88.9	78.5	72.2	78	0	79.3	42.6	0	92.3	85.3	88.0	79.1	86.8
Procedure type (% of total GBV)													
Bankrupt	52.8	22	51.5	64.2	0.9	60.5	N/A	0.7	69.9	71.7	82.2	59.6	72.7
Non-bankrupt	47.2	78	48.5	35.8	99.1	39.5	N/A	99.3	30.1	28.3	17.8	40.4	27.3
Borrower concentration (% of GBV)													
Top 10	11.5	8.7	5.6	4.8	1.7	5.3	0	0.4	19	5.4	9.1	3.8	22.6
Top 100	39.7	34.7	26.6	21.5	7.4	26	0	1.7	56.2	20.3	24.2	19.4	45.5
Collateral distr. (% of appraisal val.)													
North	39.2	83.8	21.2	74.1	50.7	38.1	N/A	37.1	32.8	71.1	48.8	34.1	79.3
Centre	8.3	9.7	8.7	14.6	21.1	35.6	N/A	24.2	38.9	17.4	23.6	47.5	12.3
South	52.5	6.5	70.1	11.3	28.2	26.3	N/A	38.6	28.3	11.4	27.6	18.4	8.3
Collateral type (% of appraisal val.)													
Residential	32.8	46.6	54.4	47.1	94.8	43.8	N/A	90.1	34.8	41.6	41.9	36.9	40.6
Commercial	22.1	17.9	22.2	10.6	1.6	18.8	N/A	4.5	21.1	9.5	9.6	19.2	7.2
Industrial	12.4	11.5	6.1	21.2	2.1	15.3	N/A	0	16	5.3	7.2	13.9	17.3
Land	14.7	12.5	6	12.1	0.7	14.2	N/A	1	9	16.2	8.8	18.0	14.7
Other or unknown	18.0	11.6	11.3	9	0.7	7.9	N/A	4.4	19.1	27.5	32.5	12.1	20.2
Valuation type (% of appraisal val.)													
Full or drive-by	74.3	62	25.9	0.9	0	57.7	N/A	0	56.8	32.3	31.4	29.2	21.4
Desktop	11.4	9.8	11	53.2	71.1	19.9	N/A	0	24.8	31.7	36.1	21.6	35.7
CTU	13.4	19.1	14.3	21.1	28.2	9	N/A	29.7	10.4	5.5	0.0	22.3	7.7
Other	0.9	9.1	48.8	0.8	0.7	13.4	N/A	70.3	8	30.5	32.5	26.9	35.2
Secured ptf proc. stage (% of GBV)													
Initial	67.4	63.5	56.2	43.1	64.4	55.7	N/A	50.9	29.5	65.5	52.4	59.8	68.5
CTU	4.2	2.5	16.1	15.1	9.6	22.4	N/A	22.8	17	10.0	0.0	14.7	5.7
Auction	13.7	22.3	16.6	24.3	19.9	17.2	N/A	22.1	35.4	16.6	38.3	23.7	22.9
Distribution	14.6	11.8	11.1	17.4	6.1	4.8	N/A	4.3	18.1	8.0	9.3	1.7	2.4
Summary of assumptions (BBB rating conditional stress)													
Remaining lifetime recovery rate (%)													
Secured (=net LTV after all stresses)	53.1	47.7	52	36.7	54.7	54.7	N/A	46.2	61.2	51.8	36.7	55.6	52
Unsecured	9.5	8.9	9.7	7.6	16.5	16	9.1	1.4	8.6	10.2	7.3	15.3	13.2
Total	**32.4**	**34**	**29.5**	**20.9**	**52.4**	**41.5**	**9.1**	**31.8**	**38.8**	**31.2**	**19.4**	**38.8**	**28.3**
Weighted average life of collections (yrs)													
Secured	6.0	3.8	7.2	6.57	5.4	7.1	N/A	5.6	5.7	8	8.2	7.3	7.1
Unsecured	3.6	4.4	3.5	3.4	4.8	4.5	3.08	3.2	3.6	4.5	5.2	5	4.6
Total	**5.4**	**5.1**	**6.6**	**5.94**	**5.4**	**6.8**	**3.1**	**5.4**	**5.5**	**7.5**	**6.4**	**6.9**	**6.4**
Structural features													
Liquidity reserve (% of class A notes)	5	4.5	4.5	4.5	4	3	3	4	4	4	4	3	4
Class A Euribor cap strike	0.20%-1.60%	0.6%-3.75%	0	0.2%-3.0%	0.3%-1.25%	0.3% - 2.5%	N/A	0.2%-1.25%	0.4% - 2.5%	0.25% -1.5%	0.5%	0.42%-1%	0.3%
Class A													
% of GBV	23.2	23.5	20.9	12.6	39.1	26.8	5.7	20	21.1	19.5	12.4	23.8	18.2
Credit enhancement	76.8	76.5	79.1	87.4	60.9	73.2	94.3	80	78.9	80.5	87.6	76.2	81.8
Class B													
% of GBV	1.5	3.5	3	2.9	2.9	4	0.7	1.3	4.9	3	3	3	3.1
Credit enhancement	75.3	73	76.1	84.5	58	77.2	99.3	78.7	74	77.5	84.6	73.2	78.7
Final rating													
Class A	BBB	BBB	BBB	BBB	BBB	BBB+	BBB+	BBB+	BBB+	BBB	BBB	BBB	BBB-
Class B	NR	NR	CCC	NR	NR	B-	BB	B-	NR	NR	NR	B+	B+

Transaction	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	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	17 Banks	BPER	Banca di Ragusa	UBI Banca	C.R. Asti, Biver	BNL	ICCREA	BPS, BDB	Banco di Sardegna	Creval	Banco BPM, BPM	MPS	BPB, CRO	Creval
Master servicer	Cerved	Prelios	Italfondiario	Prelios	Prelios	Prelios	Prelios	Cerved	Prelios	Credito Fondiario	Prelios	Credito Fondiario	Prelios	Cerved
Special servicer	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)	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	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	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)	2.9*	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 portfolio	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 portfolio)														
bucket [0-25]	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]	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]	17.5	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]	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]	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]	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]	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]	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	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)	1.3	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	16.2	15	9.6	14.8	21.8	32.4	11.2	10.5	11.3	15.3	9.4			23.2
Land	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	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	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	13.8	34	33.3	69.2	18.5	3.6	5.4	12	40	1.2	14.5	65		4.0
CTU	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	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	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	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	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	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)	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	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	**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 (yrs)														
Secured	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	4.7	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	**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	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	0.5%-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	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	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	3.2	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	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	A-	BBB-	BBB	BBB+	BBB	BBB-
Class B	B	NR	B	NR	NR	NR	B+	B	BB-	B	NR	NR	B+	B+

* the weighted average seasoning includes Scope's qualitative adjustment driven by the 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.

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