BCC NPLs 2018 S.r.l.

Non-Performing Loans (NPL)

Ratings

Tranche	Rating	Size (EUR m)	Thickness (%)	% of GBV[1]	Coupon	Final maturity
Class A	$BBB-_{SF}$	282.0	87.1	27.0	6m-Euribor[2] + 0.4%	June 2038
Class B	$B+_{SF}$	31.4	9.7	3.0	6m-Euribor + 6.0%	June 2038
Class J	NR	10.5	3.2	1.0	12% + Variable return	June 2038

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 the SF Rating Definitions.

[1] Gross book value (GBV) of the securitised portfolio at closing (EUR 1,046m)

[2] 6m-Euribor for class A is capped at i) 2.5% starting from December 2022; ii) 3.0% starting from December 2024; iii) 3.5% starting from June 2029.

Transaction details

Purpose	Risk transfer
Issuer	BCC NPLs 2018 S.r.l.
Originators	21 Italian cooperative banks coordinated by Iccrea S.p.A. and two banks belonging to ICCREA Banca S.p.A. (BCC Abbruzzese Capelle sul Tavo ; Credito Cooperativo Mediocrati; Banca del Valdarno - Credito Cooperativo; La Cassa Rurale Banca di Credito Cooperativo di Treviglio sc; Terre Etrusche e di Maremma Credito Cooperativo Società Cooperativa Banca Tema; Banca Credito Cooperativo "G. Toniolo" di San Cataldo - società cooperativa; RIMINIBANCA Credito Cooperativo di Rimini e Valmarecchia s.c.; Credito Cooperativo ravennate, forlivese e imolese Soc. Coop.; Banca di Pescia e Cascina; B.C.C del Garda - Banca di Credito Cooperativo Colli Morenici del Garda Società Cooperativa; Banca Cremasca et Mantovana - Credito Sooperativo - Società Cooperativa; CREDITO PADANO BANCA DI CREDITO COOPERATIVO Società Cooperativa; Banca di Credito Cooperativo die Colli Albani S.C.; Banca del Cilento di Sassano e Vallo di Diano e della Luciana C.C.; CHIANTIBANCA Credito COOPERATIVO - Società Cooperativa; Banca Centropadana Credito Cooperativo; CREDITO COOPERATIVO DI CARAVAGGIO ADDA E CREMASCO - CASSA RURALE - SCOCIETÀ COOPERATIVA; Banca di Credito Cooperative di Busto Garolfo e Buguggiate sc; CASSA RURALE ED ARTIGIANADI BINASCO - CREDITO COOPERATIVO Società Cooperativa; Banca per lo Sviluppo della Cooperazione di Credito S.p.A.; Banca Alta Toscana Credito Cooperativo S.C.; Banca di Credito Cooperative di Alba, Langhe, Roero e del Canavese società cooperativa; Banca di Credito Cooperative di Alba, Langhe, Roero e del Canavese società cooperativa).
Servicer	Prelios Credit Servicing S.p.A.
Portfolio cut-off date	31 December 2017
Issuance date	10 July 2018
Payment frequency	Semi-annual (June and December)
Arrangers	J.P. Morgan Securities plc, Iccrea Banca S.p.A.

The transaction is a static cash securitisation of an Italian NPL portfolio worth around EUR 1,046m by gross book value. The pool comprises both secured (70.0%) and unsecured (30.0%) loans; the proportions indicated are based on Scope's adjusted pool balance, explained below under the section 'quantitative analysis and key assumptions'. The loans were extended to companies (85.7%) and individuals (14.3%) and were originated by the 23 aforementioned originators. Secured loans are backed by residential (39.3% of indexed property valuations) and non-residential (60.7%) properties that are highly concentrated in the non-metropolitan areas in Italy's north (70.5%) and centre (15.7%). The issuer acquired the portfolio at the transfer date, 25 June 2018, but is entitled to all portfolio collections received since 31 December 2017 (portfolio cut-off date).

The structure comprises three classes of notes with fully sequential principal amortisation: senior class A, mezzanine class B, and junior class J. The class B interest ranks senior to class A principal at closing but will be subordinated if the cumulative amounts collected are around 10% below the level indicated in the servicer's business plan or 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

General Structured Finance Rating Methodology

Methodology for Counterparty Risk in Structured Finance

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Rating rationale (summary)

The ratings are mainly driven by the recovery amounts and timing from the NPL portfolio. Recovery and timing assumptions applied in the analysis incorporate Scope's economic outlook for Italy and positive view of the special servicer's 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: the 23 aforementioned originators, regarding representations and warranties, and eventual payments to be made by the borrowers; ii) Prelios Credit Servicing S.p.A., the servicer; iii) Securitisation Services S.p.A., the back-up servicer, corporate services provider, calculation agent, and noteholders' representative; iv) Zenith Services S.p.A., the monitoring agent; v) BNP Paribas Securities Services (Milan Branch), the issuer's account bank, agent bank, cash manager, and paying agent; vi) J.P. Morgan AG, the cap counterparty; and vii) Iccrea Banca S.p.A., provider of the limited-recourse loan. In Scope's view, none of these exposures limits the maximum ratings achievable by the transaction.

Scope has applied a specific analysis to recoveries and differentiated its approach between 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; 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, Scope used historical line-by-line market-wide recovery data on defaulted loans between 2000 and 2017 and calibrated recoveries, taking into account that unsecured borrowers were classified as defaulted for an average of 3.8 years as of closing.

Rating drivers and mitigants

Positive rating drivers

Loan types. he share of first-lien secured loans in the portfolio is high compared to peer transactions rated by Scope. First-line secured loans have higher average recovery rates.

Location. The portfolio is concentrated in the non-metropolitan areas of northern and central Italy. The north of Italy Italyns benefit from the most dynamic economic conditions in the country and, in general, the most efficient tribunals.

Liquidity protection. A cash reserve representing 5.0% of the total outstanding balance of class A notes protects the liquidity of senior noteholders, covering senior expenses and interest on class A notes for about four payment dates as of closing.

Real estate recovery. Scope expects a gradual recovery of Italian real estate prices, notwithstanding the weak medium-term economic growth potential. The cyclical recovery from the current trough will be driven by moderate private-sector indebtedness and improving property affordability.

Negative rating drivers and mitigants

Hedging structure. The hedging structure has relatively high strike levels, as a result the benefit of hedging will only occur after Euribor increases sharply above current forward curve levels. In Scope's opinion, the benefit from the swap payments is offset by the upfront swap costs paid senior for the special purpose vehicle.

Backloaded recoveries. Scope's applied recovery vector shows a weighted average life of 7.8 years, which is relatively high compared to peer transactions rated by Scope. The longer timing of recovery proceeds is due mainly to the high share of loans either in bankruptcy, with no ongoing proceedings, or with proceedings in the initial stage.

High share of loans in bankruptcy or with no proceedings. Almost 63% of the portfolio's gross book value corresponds to loans either in bankruptcy or with no ongoing proceedings. Compared with non-bankruptcy proceedings, bankruptcies typically result in lower recoveries and take longer to be resolved.

Seasoned unsecured portfolio. The weighted average time since default is approximately 3.8 years for the unsecured portion. Most unsecured recoveries are realised in the first years after a default according to historical data.

Collateral liquidity risk. Scope's assumptions on fire sales constitute the primary source of portfolio performance stresses.

Collateral appraisal values. NPL collateral appraisals are more uncertain than standard appraisals because repossessed assets are more likely to deteriorate in value.

Upside rating-change drivers

Legal costs. Scope has factored in the legal expenses for collections as detailed in the servicer's business plan. A decrease in legal expenses could positively affect the ratings.

Servicer outperformance regarding recovery timing. Consistent servicer outperformance in terms of recovery timing could positively impact the ratings. Portfolio collections will be completed over a weighted average period of 4.0 years according to the servicer's business plan. This is about 41 months faster than the recovery timing vector applied in Scope's analysis. Scope expects recent legal reforms to have a positive impact on court performance and has applied a limited stress on recovery timing assumptions.

Downside rating-change drivers

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.

Interest rate cap. An interest rate cap, with a strike schedule increasing from 0.5% as of closing to 2.5% from December 2026, together with a cap on the notes of 2.5% starting from December 2022 and increasing to 3.5% from June 2029, partly mitigates the risk of increased liabilities on the notes in the event of a rise in Euribor. Delayed recoveries beyond Scope's stressed recovery timing vector would increase the mismatch between the swap notional and the outstanding principal of the rated notes.

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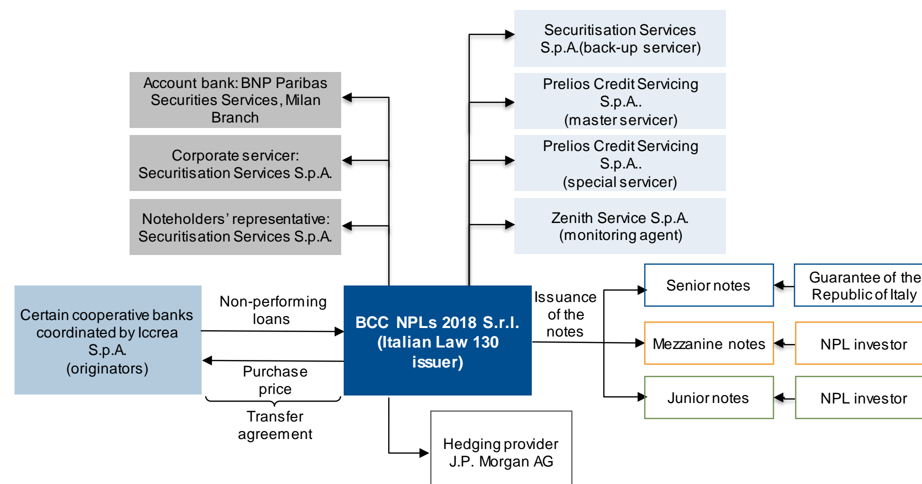
1. Transaction summary

The transaction structure comprises three tranches of sequential principal-amortising notes, an amortising liquidity reserve equal to 5% of the outstanding class A, and two interest rate cap agreements.

Figure 1: Transaction diagram:



Sources: Transaction documents and Scope Ratings.

Scope has adjusted the pool's gross book value using information on collections and sold properties. Specifically, the analysis has excluded portfolio loans that the agency has assumed to be closed, based on collections already received and cash in court to be received. Collateral connected with these positions has also been removed. Overall, Scope's adjustments have reduced the pool to EUR 1,009m in gross book value, by deducting the gross book value associated with cash already collected and cash in court (where the latter is assumed to be received with a one-year delay). All stratifications in this report include these adjustments. Figure 2 shows the main characteristics of the preliminary portfolio analysed by Scope:

Figure 2: Key portfolio stratifications

		Scope-adjusted pool		
	Unadjusted pool	All	Secured	Unsecured
Number of loans	5,476	5,359	1,883	3,476
Number of borrowers	2,553	2,518		
Gross book value (EUR m)	1,046,318,450	1,008,545,082	705,822,125	302,730,373
% of gross book value (GBV)	100%	100%	70.0%	30.0%
Weighted average seasoning (years)		3.5	3.4	3.8
Sum of collateral appraisal values (EUR m)	1,833,472,144		1,769,866,656	
Borrower type (% of GBV)				
Corporate	85.5%	85.7%	60.4%	10.5%
Individual	14.5%	14.3%	25.3%	3.9%
Primary legal procedure (% of GBV)				
Bankrupt borrower	41.2%	40.8%	28.0%	12.8%
Non-bankrupt borrower	38.2%	37.3%	28.7%	8.5%
Not started or unknown	20.6%	22.0%	14.2%	7.8%
Stage of procedure (% of appraisal values)				
Initial			73.6%	
Court-appointed valuation (CTU)			11.0%	
Auction			11.5%	
Distribution			3.8%	
Collateral location (% of appraisal values)				
North	72.0%		72.4%	
Centre	19.5%		19.5%	
South and islands	8.5%		8.1%	
Borrower concentration (% of GBV)				
Top 10	8.1%	6.7%		
Top 100	35.9%	29.0%		
Property type (% appraisal values)				
Residential	39.6%		39.3%	
Non-residential	60.4%		60.7%	

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

2. Macroeconomic environment

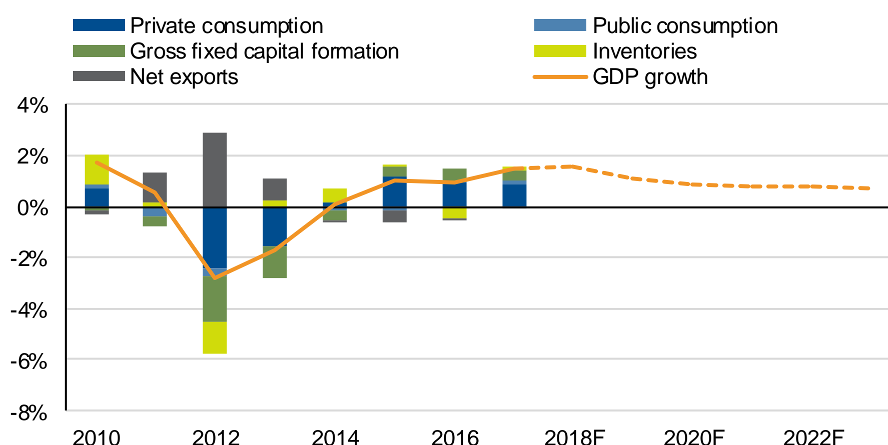
Gradual property price recovery despite economic challenges

Scope's portfolio recovery amount and timing expectations reflect Scope's expectation of a gradual recovery of Italian real estate prices and progress in delivering structural reforms, notwithstanding its weak medium-term economic growth potential. The cyclical recovery from the current trough will be driven by moderate private-sector indebtedness and improving property affordability.

Large and diversified economy

Scope's sovereign rating on Italy (A-/Negative) is underpinned by a large and diversified economy and a cyclical rebound against the backdrop of long-term economic challenges. The Negative Outlook reflects that Italy's public-debt trajectory 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.

Figure 3: Percentage-point contribution to real GDP growth



Sources: IMF; national statistical accounts; calculations by Scope Ratings

Moderate private-debt levels

The IMF, in its April 2018 World Economic Outlook (WEO), revised Italy's 2018 growth forecast to 1.5% from 1.1% and raised its 2019 expectations to 1.1% from 0.9%. Italy's manufacturing sector – the second largest in the euro area after Germany's – has helped to generate current-account surpluses since 2013 (2.8% of GDP in 2017). Unlike many advanced economies, Italy did not experience a credit-driven boom-bust cycle before the 2008 crisis. Domestic non-financial private debt stands at a comparatively moderate 156% of GDP as of Q3 2017, comparing favourably against euro area peers.

Weak long-term growth prospects

While the cyclical rebound exceeded expectations, long-term growth prospects remain weak. The IMF's medium-term forecast[1] remained at 0.8% in the April 2018 WEO. Italy's production capacity fell in the aftermath of the global financial crisis. As of February 2018, industrial production volumes stood at 81% of early 2008 levels. This comes in contrast to the full recovery in Germany's industrial production post-crisis.

The drop in industrial production capacity reflects the vulnerabilities within Italy's production infrastructure. More than 90% of manufacturing output is generated by micro-firms concentrated in industrial districts. While these firms are competitive in their global niche markets (luxury clothing, household goods, food processing, mechanical products, and motor vehicles), they remain susceptible to market shocks. Their financing capacities are limited and were hit hard during the euro crisis.

[1] Referring to the IMF's April 2018 WEO's forecast for 2023 growth.

Unemployment continues to gradually drift downward from its 2014 peak (13% in November) and was 10.9% as of February 2018. Wage growth has picked up 1.0% YoY as of March 2018. However, inflation remains tepid at only 0.5% YoY in April 2018.

Political and banking system challenges

At the same time, political uncertainties following the March 2018 general elections, as well as ongoing challenges in the banking sector, may weigh on the economic rebound. Italian banks' lending to residents rose 1.9% YoY in February 2018, a modest growth after the previous years of contraction.

3. Portfolio analysis

Rating-conditional recovery assumptions

Figure 4 compares Scope's lifetime gross collections and recovery timing assumptions for the entire portfolio against those of the servicer's business plan. Scope has applied rating-conditional recovery rates (i.e. lower recoveries as the instrument's target rating increases). These assumptions result from the blending of secured and unsecured recovery expectations. Scope has applied different analytical frameworks to the secured and unsecured segments to derive recoveries.

Under a base case scenario, Scope expects a gross recovery rate of 46.2% over a weighted average life of 6.6 years. By portfolio segment, Scope expects gross recovery rates of 58.6% and 16.1% for the secured and unsecured portfolios, respectively.

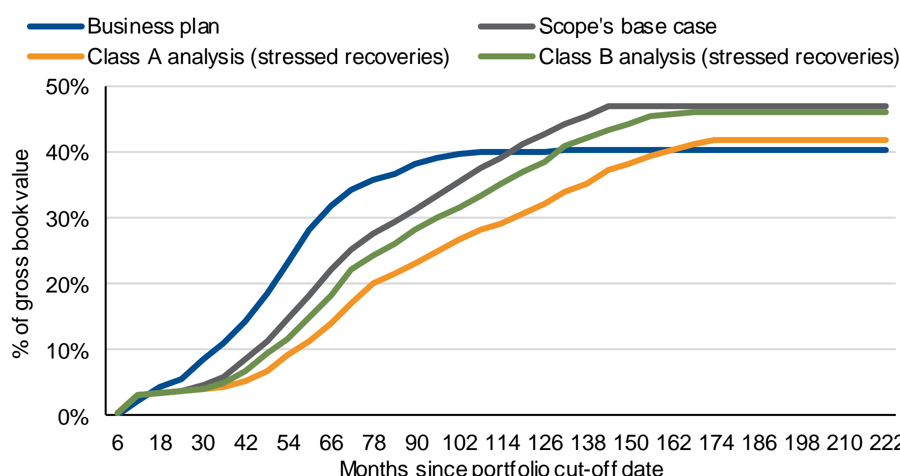
For the analysis of the class A notes, Scope applied a 11.3% recovery rate haircut and a recovery lag stress of almost 13 months. This resulted in a 40.7% gross recovery rate over a weighted average life of 7.8 years. By portfolio segment, Scope assumed gross recovery rates of 51.8% and 13.8% for the secured and unsecured portfolios, respectively.

For the analysis of the class A notes, Scope applied a 2.2% recovery rate haircut and a recovery lag stress of seven months. This resulted in a 45.1% gross recovery rate over a weighted average life of 7.2 years. By portfolio segment, Scope assumed gross recovery rates of 57.3% and 15.6% for the secured and unsecured portfolios, respectively.

Scope's assumptions reflect significant recovery timing stresses

The assumptions applied for the analysis of the rated notes reflect a significant stress on cash-flow timing, driven, among other factors, by a slower ramp-up period and tribunal timing stresses. Scope has not applied recovery amount stresses that fall significantly below business plan expectations, mainly due to the agency's credit-positive view on the real estate cyclical recovery.

Figure 4: Business plan's total expected recoveries vs Scope's assumptions



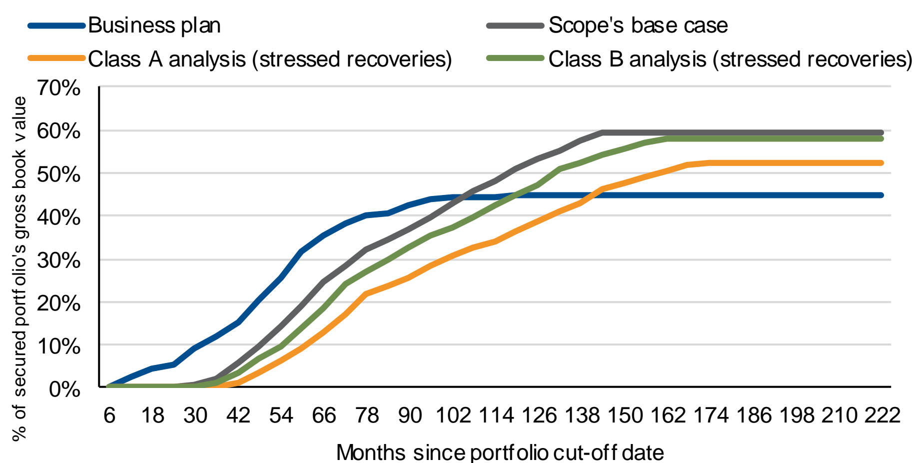
Sources: Special servicer's business plan and Scope Ratings

3.1. Analysis of secured portfolio segment

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

Figure 5 shows Scope's lifetime gross-collections vectors for the secured portfolio segment compared to those in the servicer's business plan. Scope's 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 based mainly on the efficiency of the assigned court (based on historical data on the length of the proceedings), the type of legal proceeding, and the stage of the proceeding. Scope's analysis also captures concentration risk, the servicer's business plan, and available workout options.

Figure 5: Secured portfolio expected recoveries in business plan vs Scope's assumptions[2]



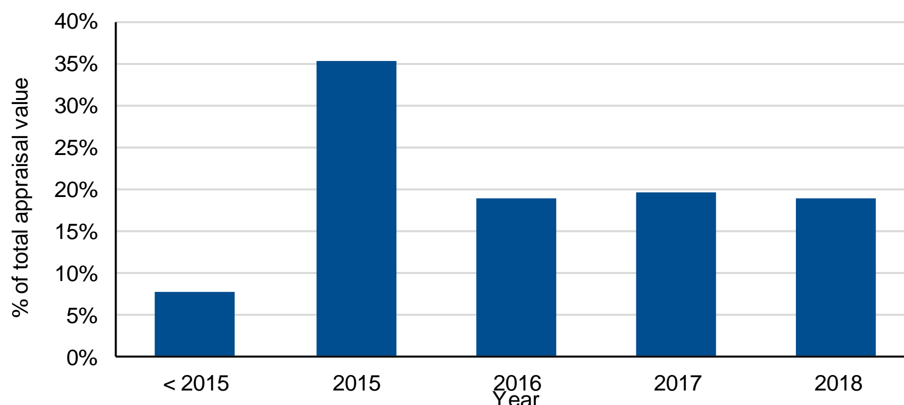
Sources: Special servicer's business plan and Scope Ratings

3.1.1. Appraisal analysis

Positive credit given to the quality of property appraisals

Scope has relied on line-by-line appraisals of the properties' market value. The vast majority of the valuations are recent, i.e. conducted between 2015 and 2018. Scope has 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

[2] Please note that the servicer's business plan is based on borrower level, where a borrower is treated as secured when at least one of its loans is secured by a first or second lien mortgage, otherwise unsecured. Scope's analysis is based on loan level, where a loan is treated secured when it is secured by at least a first lien mortgage, otherwise unsecured.

Scope views positively that most of the portfolio's collateral appraisals are either a drive-by or full valuation (68.4%). A smaller portion is composed of CTU (12.1%) and desktop (5.4%) valuations, to which Scope applied 5% and 10% rating-conditional haircuts respectively. The remainder (10.6%) consists of indexed valuations and older full valuations, to which 10% rating-conditional haircuts were applied. The haircuts reflect Scope's view of the lower levels of quality and accuracy due to the simplified procedures connected to these valuations.

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

Valuation type	% of collateral value	Class A analysis haircut	Class B analysis haircut
Full	66.1	0.0%	0.0%
Drive-by	2.3	0.0%	0.0%
Desktop	5.4	4.8%	4.2%
CTU	12.1	9.7%	8.3%
Other	10.6	9.7%	8.3%

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 Scope's base case assumptions on property price changes over the transaction's lifetime, and the rating-conditional stresses applied for the analysis of the class A 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	Bologna	Venice	Others	Rome	Florence	Others	Naples	Others	Metropolitan cities	Rest of provinces
Class A analysis	2.6	2.6	3.4	2.6	5.5	4.4	6.2	4.4	4.4	6.2	8.0	6.9	8.0
Class B analysis	-5.1	-5.1	-4.9	-5.1	-4.5	-4.7	-4.4	-4.7	-4.7	-4.4	-4.0	-4.2	-4.0
Portfolio distribution (%)	1.3	0.4	0.0	0.2	0.0	70.5	0.3	3.5	15.7	0.2	5.6	0.9	1.4

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 illiquidity risk is captured through additional fire-sale haircuts applied to collateral valuations. Figure 9 below shows the rating-conditional haircuts applied for the analysis of the class A notes. These assumptions are based on historical distressed property sales data provided by the servicer and reflect Scope's 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

Collateral type	% of collateral value	Class A analysis haircut	Class B analysis haircut
Residential	39.3	24.2%	20.8%
Non-residential	60.7	29.0%	25.0%

3.1.4. Concentration haircuts

Very limited borrower concentration risk

Scope has addressed borrower concentration risk by applying to the 10 largest borrowers 8.3% and 1.7% rating-conditional recovery haircuts for the analysis of the class A notes and class B notes, respectively. This assumption has a minimal impact, given that the largest 10 borrowers account for only 6.7% of the portfolio's gross book value.

3.1.5. Residual claims after security enforcement

Scope addresses 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 such as an agreement signed before a public notary).

No credit to residual claims from corporate borrowers

For corporate loans, Scope has given no credit to potential further recoveries on residual claims after the security is 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 in scenarios where secured creditors are not fully satisfied after the security's enforcement, expected recoveries for unsecured creditors will be close to zero[3]. Secondly, special servicers are generally less incentivised to pursue alternative enforcement actions, given that 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 for any potential recovery upside.

Partial credit to residual claims from individuals

Scope has given credit to residual claims on 80% of loans to individuals. This is because if the borrower is an individual, the elapsed time after a default might 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

Scope applied line-by-line time-to-recovery assumptions that consider 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 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 the type of legal proceeding. To reflect this, Scope has grouped Italian courts into seven categories, based on public data regarding the average length of bankruptcy and foreclosure proceedings between 2015 and 2017 (see Figure 10 below). Most courts are concentrated within groups 2 to 4, which are reasonably distributed across all Italian regions. Nevertheless, northern regions tend to have more efficient tribunals on average (see Figures 14 and 15 for transaction-specific details).

[3] 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%.

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

Court group	Bankruptcy proceedings	Non-bankruptcy proceedings	% of courts*
1	4.0	2.0	2.1%
2	6.0	3.0	25.6%
3	8.0	4.0	46.7%
4	10.0	5.0	18.5%
5	12.0	6.0	0.9%
6	14.0	7.0	4.1%
7	18.0	9.0	2.1%

* by collateral appraisal value

3.2. Analysis of unsecured portfolio segment

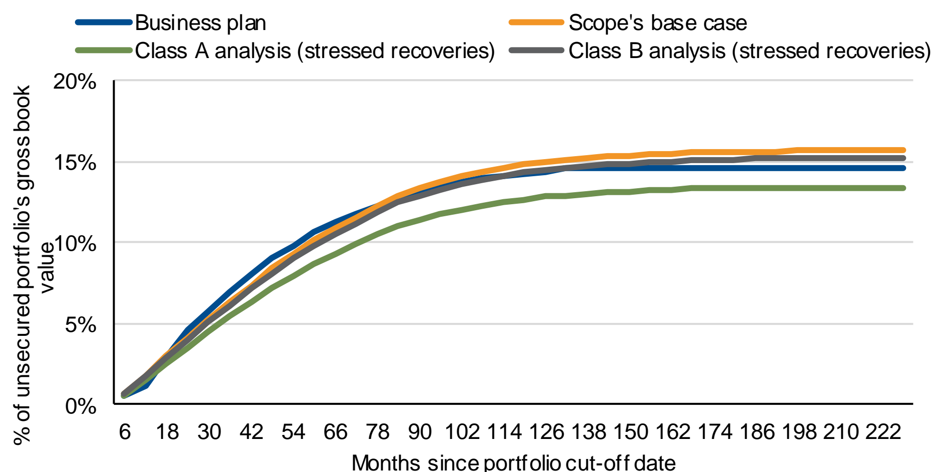
Unsecured portfolio analysis is based on statistical data

Figure 11 shows Scope's lifetime gross-collections vectors for the unsecured portfolio segment compared to those in the servicer's business plan.

Scope's slightly higher base case recovery amount and timing assumptions are based on recovery vintage data on peer transactions' performance. Scope has applied rating-conditional recovery rate haircuts of 14% and 3% for the analysis of class A and class B notes, respectively.

Scope's assumptions for unsecured exposures consider the nature of the recovery procedure because bankruptcy proceedings are generally slower and typically result in lower recoveries than non-bankruptcy proceedings. The assumptions are calibrated to reflect that unsecured borrowers in the portfolio are classified as defaulted for an average of 3.8 years as of the cut-off date[4].

Figure 11: Unsecured portfolio expected recoveries in business plan vs Scope assumptions[5]



Sources: Special servicer's business plan and Scope Ratings

[4] Scope used 2.9 years in it's analysis, reflecting Scope's qualitative adjustment of the superior capacity of the special servicer to treat unsecured loans compared to an originator

[5] Please note that the servicer's business plan is based on borrower level, where a borrower is treated as secured when at least one of its loans is secured by a first or second lien mortgage, otherwise unsecured. Scope's analysis is based on loan level, where a loan is treated secured when it is secured by at least a first lien mortgage, otherwise unsecured.

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

Scope is satisfied with the representations and warranties on receivables provided by the originators as they generally align with those of peer transactions rated by Scope. The criteria for inclusion in the securitisation portfolio are as follows:

- Financings are denominated in euros.
- Financing agreements are governed by Italian law.
- Borrowers are as of the selection date i) individuals residing or domiciled in Italy; and ii) entities incorporated under Italian law with a registered office in Italy.
- Financings secured by mortgages are backed by real estate assets located in Italy.
- Borrowers are not employees, managers or directors of any originator.
- Borrowers are not banks and/or other financial institutions.

4.2. Detailed stratifications

4.2.1. Borrower type

Share of secured individual borrowers is credit-positive

Corporates and individuals represent 85.7% and 14.3% of the pool, respectively. The share of secured individual borrowers (10.5%) is a positive feature, mainly because Scope gives partial credit to residual claims from individuals after security enforcement, as discussed in the previous section.

High share of first-lien secured loans is credit-positive

The relatively high amount of first-lien secured loans (70.0%) is positive. Scope has assumed that recovery proceeds from junior-lien secured loans (0.9%) will be the same as for unsecured loans.

Figure 12: Borrower type

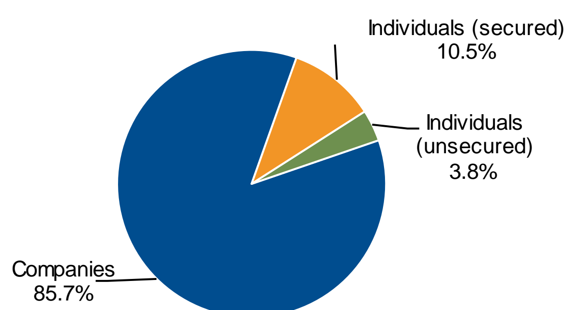
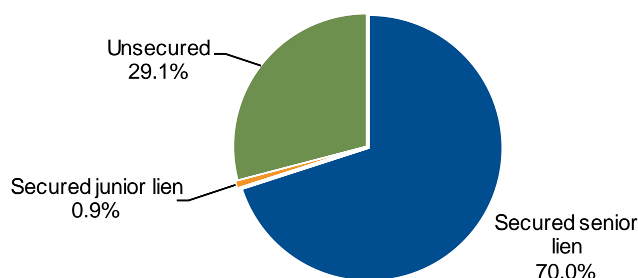


Figure 13: Loan type



Sources: Transaction data tape: calculations by Scope Ratings

4.2.2. Geographical distribution

Geographical concentration in the north is credit-positive

The locations in the portfolio should positively affect the level and timing of recovery proceeds, because the collateral and court proceedings are concentrated in northern Italian regions, particularly in the metropolitan area of Brescia. These regions benefit from the most dynamic economic conditions in Italy, typically reflected by more resilient property values (see Figure 8) and, in general, the most efficient tribunals. The latter is reflected in the transaction's court group distribution, which is skewed towards more efficient groups relative to the national average (compare Figure 10 with Figure 15).

Figure 14: Collateral location

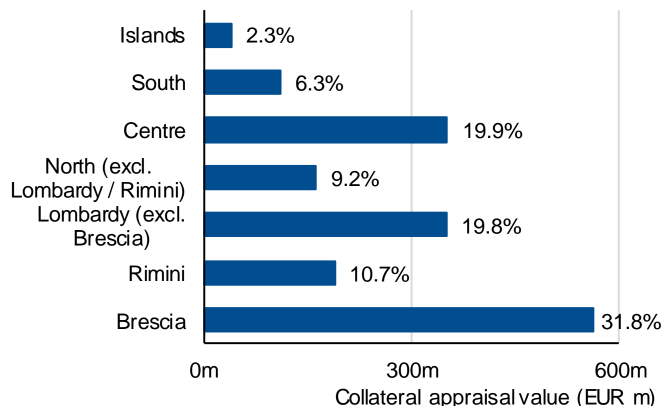
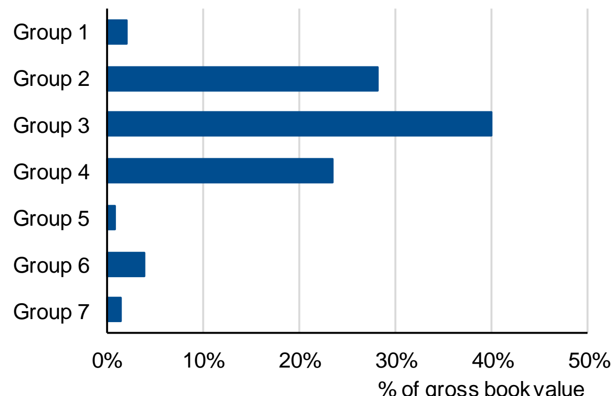


Figure 15: Court group distribution of secured loans for which proceedings have started



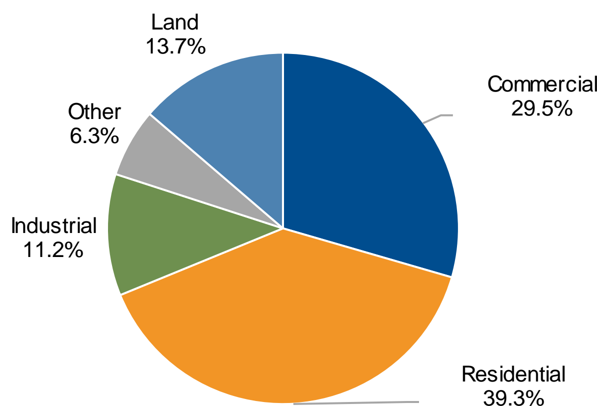
Sources: Transaction data tape; calculations by Scope Ratings

4.2.3. Collateral type

Lower liquidity stresses applied to residential properties

The collateral is composed of residential (39.3%), commercial (29.5%), land (13.7%), industrial (11.2%) and other non-residential assets (6.3%). The relatively large share of residential properties is positive for the transaction given that such assets are more liquid, reflected in Scope's lower fire-sale discount assumptions (see Figure 9).

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

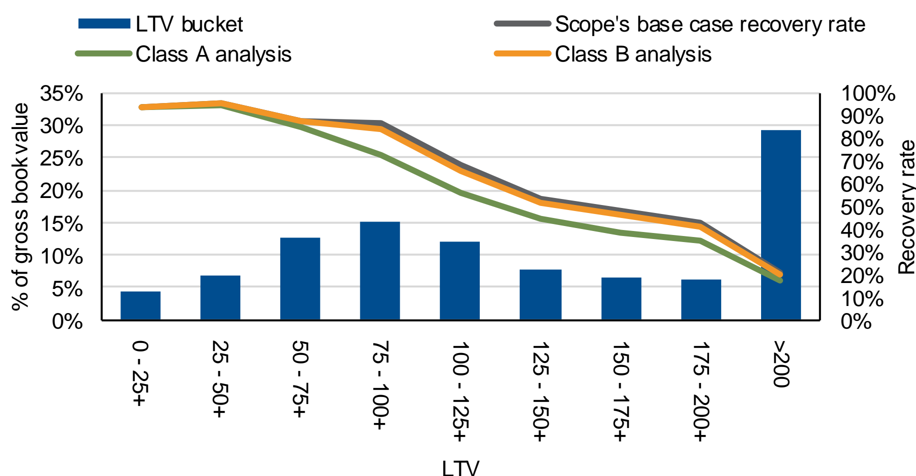
Recovery rate assumptions reflect portfolio's LTV distribution

Figure 17 shows the secured loans' distribution by loan-to-value bucket as well as Scope's recovery rate assumptions for each loan-to-value bucket (under Scope's base case and the rating-conditional stresses for the analysis of the class A notes). For secured loans this results in a weighted average recovery rate of i) 58.6% under Scope's base case, ii) 51.8% under the class A rating-conditional stress, and iii) 57.3% under the class B rating-conditional stress.

All else equal (e.g. for two portfolios with equivalent loan-to-value 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 partly explains why recovery rates flatten at low loan-to-value buckets[6].

Figure 17: Secured loans' distribution by LTV and Scope's transaction-specific secured recovery rate assumptions



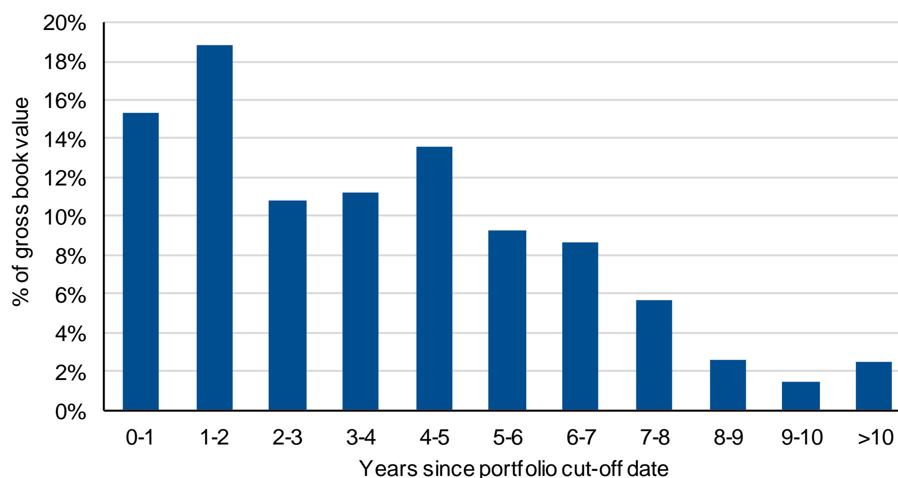
Sources: Transaction data tape; calculations by Scope Ratings

4.2.5. Loan seasoning

Ageing of unsecured portfolio reduces expected recoveries

The weighted average time since default is around 3.8 years for unsecured exposures[7]. The pool's ageing reduces the expected recoverable amount of unsecured loans significantly, since most recoveries are concentrated in the first years after a default, according to historical vintage data.

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 the main legal proceedings for each loan (one loan can have several), as assumed by Scope based on the transaction's data tape. About 21.6% of the loans have either no ongoing legal proceeding or the nature of the proceeding is unknown. Scope has conservatively assumed that such positions will fall into bankruptcy.

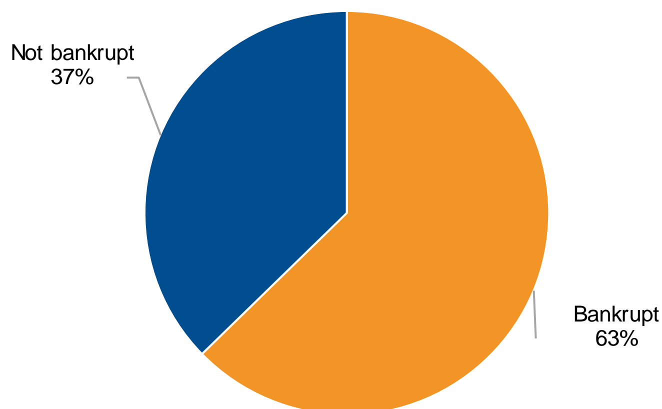
[6] Another reason is that syndicated loans are concentrated in the low LTV buckets for this portfolio. The reported LTVs of syndicated loans are downward-biased because the loan amount reflects only the syndicated percentage whereas the appraisal reflects the total collateral value.

[7] Scope used 2.9 years in its analysis, reflecting Scope's qualitative adjustment of the superior capacity of the special servicer to treat unsecured loans compared to an originator

Bankruptcies result in lower recoveries than non-bankruptcy proceedings

Relative to non-bankruptcy processes, bankruptcies are generally more complex, lengthy and costly. Bankruptcies also result in lower expected recoveries for unsecured exposures, given the focus on liquidating assets rather than maintaining borrowers as a going concern.

Figure 19: Borrower status assumptions



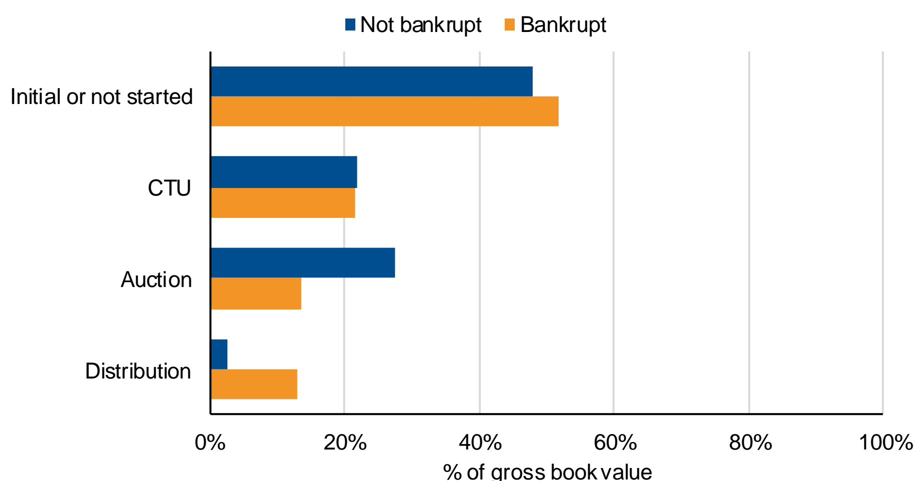
Sources: Transaction data tape; calculations by Scope Ratings

4.2.7. Recovery stage of secured exposures

High share of proceedings in initial stages drive relatively long recovery timing assumptions

A large portion of the secured loans is in initial stages, which partly explains the relatively long expected weighted average life of portfolio collections. Figure 20 below shows the stage of legal proceedings for bankruptcies and non-bankruptcies 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 (estimated annual ongoing fees of EUR 160,000, excluding servicing fees)
2. Interest on limited-recourse loan
3. GACS premium, provided the GACS guarantee is in place
4. Replenishment of recovery-expense reserve (up to EUR 100,000)
5. Interest on class A notes (6-month Euribor + 0.4%)
6. Any other amounts payable under the GACS guarantee
7. Cash reserve replenishment
8. Principal on limited-recourse loan
9. Pari passu and pro rata i) interest on class B notes (6-month Euribor + 6%) provided no subordination trigger is breached
10. Principal on class A notes
11. Class B interest, if any class B subordination trigger is breached
12. Principal on class B and a portion of deferred servicer performance fees, if any
13. Other junior payments and a portion of deferred servicer performance fees, if any

Full class B interest deferral is unlikely

Class B subordination triggers may be relatively ineffective at protecting the senior noteholders as the subordination event is reversible. At any point during the transaction's life both triggers are jointly cured, and all class B interest amounts due and unpaid at the preceding payment dates will be paid senior to class A principal. The subordination of the class B interest component will be triggered if i) the cumulative collection ratio[8] falls below 90%, ii) the present value cumulative profitability ratio[9] falls below 90%, or iii) the interest amount paid to class A notes is lower than the due and payable interest amount.

Scope's ratings do not address the GACS guarantee

The GACS guarantee ensures timely payment of interest and the ultimate payment of principal by final maturity. Scope's rating does not give credit to the GACS guarantee, but considers the potential cost (i.e. 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-payment of timely interest on the senior notes (implying no GACS guarantee), 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 fees

Alignment of servicer and noteholder interests

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

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

[9] 'Present value cumulative profitability ratio' is defined as the ratio between i) the sum of the present value (calculated using an annual rate of 3.5%) of the net collections of all receivables relating to closed positions, and ii) the sum of the target price (as defined in the servicer's base case scenario in the business plan) of all receivables relating to closed positions. 'Administrative closure of the debt position' is defined as the cancellation of the debt position in the servicer's IT/computer system.

The servicers will be entitled to: i) a base fee, calculated at each payment date on the outstanding portfolio's gross book value; and ii) a performance fee, calculated at each payment date on the period's collections net of legal costs (collectively, the servicing fees).

In the case of underperformance, a portion of the fees will be paid on a junior position in the priority of payments and a haircut will be applied to the fees. The servicer is therefore incentivised to maximise recoveries and comply with the initial business plan.

- Haircut/increase on servicing fees upon the closure of a position: On the payment date in which a position is closed, servicing fees may increase or decrease by up to 15% depending on the final value of the present value profitability ratio of the closed position.
- Payment subordination of servicing fees: Based on the present value profitability ratio, a portion of the servicing fees may be paid on a more junior position in the order of payments, either together with the class B principal payments or with the junior notes' principal payment.

5.2.2. Servicer monitoring

Monitoring function protects noteholders' interests

An overview of the servicer's activities and calculations, prepared by the monitoring agent (Zenith Service S.p.A.), mitigates operational risks and moral hazard that could negatively impact the interests of noteholders. This risk is further mitigated by a discretionary servicer termination event should the servicer underperform.

Under the servicing agreement, 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 servicer upon a servicer termination event, subject to the approval of the noteholders' representative. 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.

5.2.3. Servicer termination events

Back-up arrangements mitigate servicing disruption risk

Securitisation Services S.p.A. would step in as master back-up 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 servicer termination event includes i) insolvency, ii) failure to pay due and available amounts to the issuer within two business days, iii) failure to deliver or late delivery of a semi-annual report, iv) unremedied breach of obligations, v) unremedied breach of representation and warranties, vi) loss of legal eligibility to perform obligations under the servicing agreement. The servicer can also be substituted owing to its consistent underperformance from the sixth collection period.

5.3. Liquidity protection

Cash reserve protects liquidity of the senior noteholders

A cash reserve of around 5% of the outstanding balance on class A notes will be funded at closing through a limited-recourse loan provided by the Iccrea Banca S.p.A.

The cash reserve will amortise with no floor during the life of the transaction. The target amount of cash reserve at each payment date will be equal to 5% of the outstanding balance of 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.

Class B will not benefit from liquidity protection.

5.4. Interest rate hedge

On the asset side, 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 0.4% fixed margin on class A notes and six-month Euribor plus a 6% fixed margin on class B notes.

Two interest rate caps (each for class A and class B) with progressively increasing strikes, shown in Figure 21 and Figure 23, and a notional balance cap, shown in Figure 22 and Figure 24, partially mitigate the risk of increased liabilities on the notes due to a rise in Euribor. The cap on the class A Euribor component starting at 2.5% from December 2022 as shown in Figure 21 is another layer of protection for the class A notes against the risk of a rising Euribor rate.

Cap notionals do not fully mitigate interest rate risk under a recovery timing stress

A delay in recoveries beyond Scope's stressed recovery timing vector would increase interest rate risk exposure, as it would widen the gap between the transaction's interest rate cap notionals for class A and class B and the respective outstanding principal of the rated notes, as shown in Figure 22 and Figure 24. For the analysis of the class A and class B notes, Scope stressed the Euribor forward curve, as shown in Figure 21 and Figure 23.

Figure 21: Interest' rate cap class A

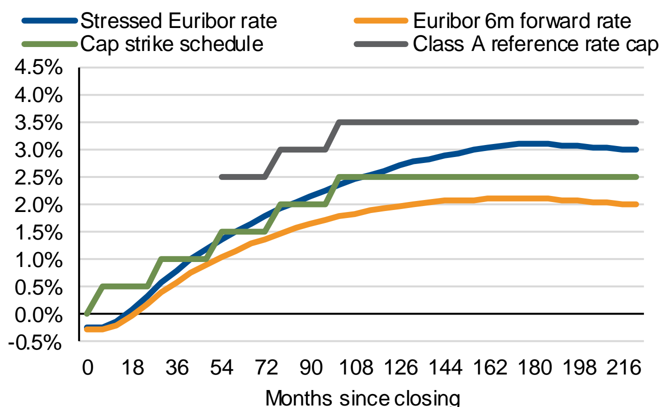
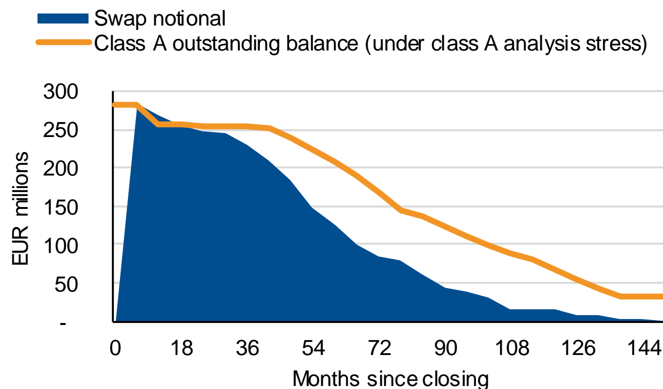


Figure 22: Cap notional vs outstanding class A notes



Sources: Transaction documents, Bloomberg and Scope Ratings

Figure 23: Interest rate cap class B

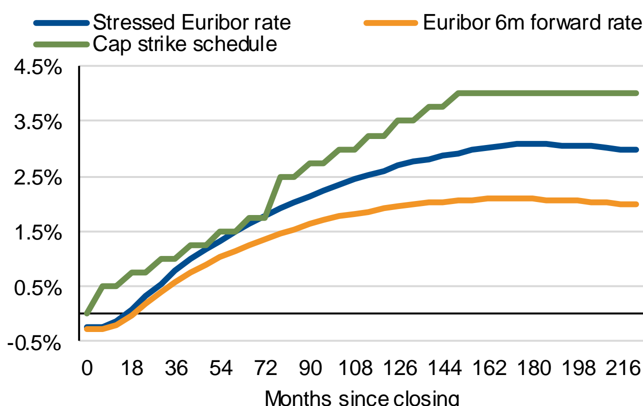
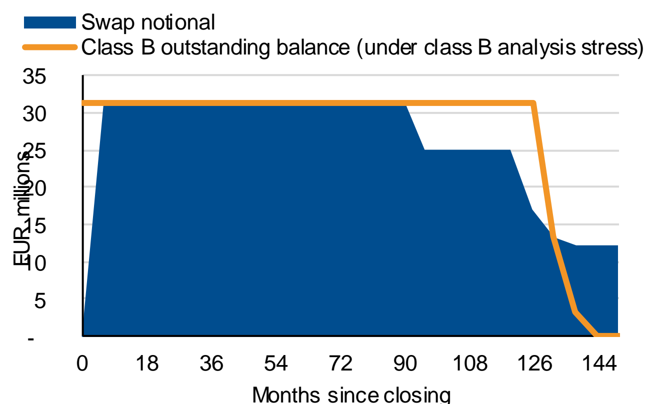


Figure 24: Cap notional vs outstanding class B notes



Sources: Transaction documents, Bloomberg and Scope Ratings

6. Cash flow analysis and rating stability

Scope's cash flow analysis considers the structural features of the transaction

Scope has analysed the transaction's specific cash flow characteristics. Asset assumptions have been captured through rating-conditional gross recovery vectors. The analysis captures the capital structure, an estimate of legal costs based on the servicer's business plan, and senior fees of about EUR 160,000 annually (including VAT). Scope has considered the reference rate payable on the notes based on the six-month Euribor forward curve, considering the progressive cap rates of the swaps.

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

The BBB-$_{SF}$ and B+$_{SF}$ ratings assigned to the class A and class B notes, respectively, reflect the expected loss over the instrument's weighted average life commensurate with the idealised expected loss table reported in Scope's General Structured Finance Ratings Methodology.

Scope 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. Scope tested the sensitivity of the analysis to deviations from the main input assumptions: recovery rate and recovery timing.

For 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%, two notches.
- an increase in the recovery lag by two years, two notches.

For 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 5%, zero notches.
- an increase in the recovery lag by one year, zero notches.

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 Scope's fundamental analysis on the Italian economy, refer to the agency's rating report on the Republic of Italy, dated 30 June 2017.

8. Counterparty risk

Counterparty risk does not limit the transaction's rating

The transaction is mainly exposed to counterparty risk from the following counterparties: the 23 originators (refer to first page for full list), regarding representations and warranties, and eventual payments to be made by the borrowers; ii) Prelios Credit Servicing S.p.A., the servicer; iii) Securitisation Services S.p.A., the back-up servicer, corporate services provider, calculation agent, and noteholders' representative; iv) Zenith Services S.p.A., the monitoring agent; v) BNP Paribas Securities Services (Milan Branch), the issuer's account bank, agent bank, cash manager, and paying agent; vi) J.P. Morgan AG, the cap counterparty; and vii) Iccrea Banca S.p.A., provider of the limited-recourse loan. In Scope's view, none of these exposures limits the maximum ratings achievable by this transaction.

Scope's analysis has incorporated the transaction's counterparty replacement triggers, and has relied on public ratings assigned to BNP Paribas Securities Services (Milan Branch) and J.P. Morgan AG.

The issuer will hold all its accounts with BNP Paribas Securities Services (Milan Branch). There is a rating trigger for the replacement of the account bank.

8.1. Servicer disruption risk

A servicer disruption event may have a negative impact on the transaction's performance. The transaction incorporates servicer monitoring, back-up and replacement arrangements that 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 to an account in the name of the issuer. In limited cases where the servicer received payments from a debtor, the servicer would transfer the amounts within two business days.

8.3. Claw-back risk

Limited claw-back risk

The originators have provided: i) a 'good standing' certificate from the Chamber of Commerce, ii) a solvency certificate signed by a representative duly authorised, and iii) 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 can 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 cannot 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 the relevant originator's bankruptcy 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 agreement. If a breach of a representation and/or warranty materially and adversely affects a loan's value, the originators may be obliged to indemnify the issuer for damages within 10 business days of the notification. However, the total indemnity amount will be capped at 30% of the portfolio purchase price, and will be only be paid out of claims within two years from the closing date. In addition, the minimum claim is EUR 50,000 on a portfolio basis, and EUR 1,000 on a single loan basis.

9. Legal structure

9.1. Legal framework

Transaction governed by Italian law

The transaction documents are governed by Italian law, whereas English law governs the interest cap agreements 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 a superior voting right of the most senior noteholders at the date of the decision.

9.2. Use of legal opinions

Scope 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

Scope will monitor this transaction based on performance reports as well as other public information. The ratings will be monitored continuously and reviewed at least twice a year, or earlier if warranted by events.

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 Scope has applied its General Structured Finance Rating Methodology, and its Methodology for Counterparty Risk in Structured Finance, both available on www.scoperatings.com.

I. Summary appendix – deal comparison

Transaction	BCC NPLS 2018	2Worlds	4Mori Sardegna	Aragorn NPL 2018	Red Sea SPV	Siena NPL 2018	Bari NPL 2017	Elrond NPL 2017
Closing	Jul-18	Jun-18	Jun-18	Jun-18	Jun-18	May-18	Dec-17	Jul-17
Originators	ICCREA	BPS, BDB	Banco di Sardegna	Creval	Banco BPM, BPM	MPS	BPB, CRO	Creval
Master servicer	Prelios	Cerved	Prelios	Credito Fondiario		Credito Fondiario	Prelios	Cerved
Special servicer	Prelios	Cerved	Prelios	Cerved, Credito Fondiario	Prelios	Juliet, Italfondiario, Credito Fondiario, Prelios	Prelios	Cerved
General portfolio attributes								
Gross book value (EUR m)	1,009	968	900	1,676	5,113	23,939	345	1,422
Number of borrowers	2518	3,956	11,412	4,171	12,651	79,669	1,565	3,712
Number of loans	5359	13,234	20,098	8,289	33,585	545,939	4,569	6,951
WA seasoning (years)	2.6*	2.7*	4.8*	2.5	3.8	4.4*	4.5	3.7
WA seasoning (years) - unsecured portfolio	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]	4.3	2.8	5.7	2.0	2.3	5.7	N/A	3.6
bucket [25-50]	6.8	13.0	14.6	4.2	8.1	12.4	N/A	11.1
bucket [50-75]	12.5	17.9	21.8	8.2	14.7	16.8	N/A	13.7
bucket [75-100]	15.1	15.8	20.4	13.9	18.1	17.0	N/A	19.6
bucket [100-125]	11.8	14.5	12.8	22.3	16.7	13.4	N/A	24.6
bucket [125-150]	7.7	7.5	4.0	17.9	12.0	8.3	N/A	8.6
bucket [150-175]	6.4	4.9	1.8	11.9	6.6	5.3	N/A	4.8
bucket [175-200]	6.1	6.6	4.4	3.7	4.8	3.9	N/A	1.6
bucket > 200	29.3	17.1	14.5	16.0	16.7	17.1	N/A	12.5
Cash in court (% of total GBV)	24	8.5	18.3	0.5	3.2	N/A	N/A	2
Loan types (% of total GBV)								
Secured first-lien	70	53.1	56.1	67.3	70.6	41.6	53.6	66.4
Secured junior-lien	0.9	0	0.6	8.1	1		2.5	7.6
Unsecured	29.1	46.9	43.3	24.6	28.4	58.4	43.9	26.0
Syndicated loans	6.1	3.8	3.3	1.8	1.4	5.7		
Debtors (% of total GBV)								
Individuals	14.3	26.4	24.4	9.9	28.4	19	12	12.7
Corporates or SMEs	85.7	73.6	75.6	90.1	71.6	81	88	87.3
Procedure type (% of total GBV)								
Bankrupt	62.7**	29.3	39.1	55.0	49.4	36.6	46.5	57.6
Non-bankrupt	37.3	70.7	60.9	45.0	50.6	63.4	53.5	42.4
Other	-	-	-	-	-	-	-	-
Not started								
Borrower concentration (% of total GBV)								
Top 10	6.7	3.6	8	8.3	1.8	2.1	28.2	13.4
Top 100	29	18.1	27.7	39.5	9.1	9.5	69	42.4
Collateral regional concentration (% of total apparaisal value)								
North	72.4	43.5	1.3	58.5	67.8	35.9	18.3	61.6
Centre	19.5	51.3	11.5	18.4	20.7	36	14.1	14.6
South	8.1	5.2	87.4	23.1	11.4	28.1	67.6	23.8
Collateral type (% of total apparaisal value)								
Residential	39.3	44.4	51.3	43.4	54.8	28.2	43	32.6
Commercial	29.5	24.6	23.7	22	15.4	71.8	40	32.4
Industrial	11.2	10.5	11.3	15.3	9.4			23.2
Land	13.7	6.6	6.2	0.0	8.6		18	8.7
Other or unknown	6.3	13.9	7.6	19.3	11.8			3.4
Valuation type (% of total apparaisal value)								
Full or drive-by	68.4	79.5	38.8	96.1	74.0	10	96.31	70.8
Desktop	5.4	12.0	40.0	1.2	14.5	65		4.0
CTU	12.1	8.5	20.5	2.7	11.5	15	3.69	23.6
Other	14.1		0.6	0	0	10	0	0.5
Secured portfolio procedure stage (% of total apparaisal value)								
Initial	73.6	75.6	61.2	66.6	64.4	52.6	55.5	36.1
CTU	11	6.3	18.3	23.4	9.1	5.4	14.2	10.7
Auction	11.5	16.9	20.5	4.7	21.3	35.2	26.5	36.4
Distribution	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)	50.3	65.5	66.2	48.3	62.8	58.6	51.8	61.7
Unsecured	13.5	14	9.9	16.8	12.3	9.2	11.1	13.7
Total	**39.6**	**41.4**	**41.8**	**40.6**	**48.0**	**0.0**	**33.1**	**47.1**
Weighted average life of collections (years)								
Secured	8.2	6.8	7.2	7.9	6.8	N/A	N/A	4.8
Unsecured	4.5	4.7	4.2	4.2	4.1	N/A	N/A	3.1
Total	**7.8**	**6.4**	**6.9**	**7.9**	**6.6**	**N/A**	**N/A**	**4.6**
Structural features								
Liquidity reserve (% of class A notes)	5.0	4.05 (% of A and B)	4.9 (% of A and B)	5.0	4.375 (% of A and B)	3.5	4.0	4.0
Class A Euribor cap strike	0.5%-2.5%	0.3% -1.25%	0.3% -1.25%	0.0-0.1%	0.5-2.0%	0.5-3.0%	0.10%	0.50%
Class A								
% of GBV	27.0	28.8	22.2	30.5	32.5	12.1	25.3	33.0
Credit enhancement	73.0	71.2	77.8	69.5	67.5	87.9	74.7	67.0
Class B								
% of GBV	3.0	3.0	1.2	4.0	3	3.5	3.1	3.0
Credit enhancement	70.0	68.2	76.6	65.5	64.5	84.4	71.6	64.0
Final rating								
Class A	BBB-	BBB	A-	BBB-	BBB	BBB+	BBB	BBB-
Class B	B+	B	BB-	B	NR	NR	B+	B+

* The weighted average seasoning includes Scope's qualitative adjustment of the superior capacity of the special

** This includes loans with no ongoing legal proceeding or loans where the nature of the proceeding is unknown

Transactions' preliminary data tapes; calculations and assumptions by Scope Ratings. Closing portfolio stratifications might show non-material deviations.

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