Leviticus 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}	1,440.0	75.4	19.5	6m Euribor[2] + 0.6%	Jul-40
Class B	NR	221.5	11.6	3.0	6m Euribor[3] + 8.0%	Jul-40
Class J	NR	248.9	13.0	3.37	10% + Fix return + Variable return	Jul-40

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 our SF Rating Definitions.

[1] Gross book value (GBV) of the securitised portfolio at closing (EUR 7,385m)

[2] The base rate on the class A notes will be capped at 0.5% from the issue date, 0.75% from January 2021, 1.0% from January 2022, 1.5% from January 2023, 2.0% from July 2024, and 2.25% from July 2026. In addition, the base rate on the class A notes will be partially hedged through an interest rate cap agreement with a cap strike of 0.25% from the issue date, 0.5% from January 2022, 0.75% from January 2023, 1.0% from July 2024, and 1.5% from July 2026 until January 2031. Under the agreement, the SPV receives the difference between six-month Euribor and the cap strike and pays the difference between six-month Euribor and the cap embedded in the class A notes, following a predefined notional schedule.

[3] Class B interest component is senior to class A principal repayment and capped at 8%, with the residual component deferred to the class A principal repayment.

Transaction details

Purpose	Risk transfer
Issuer	Leviticus SPV S.r.l.
Originator	Banco BPM S.p.A.
Servicer	Credito Fondiario S.p.A. (CF) as master and special servicer
Portfolio cut-off date	30 June 2018
Issuance date	6 February 2019
Payment frequency	Semi-annual (January and July)
Co-arrangers	Banca Akros S.p.A. and Deutsche Bank AG, London Branch

The transaction is a static cash securitisation of an Italian NPL portfolio worth around EUR 7,385m by gross book value. The portfolio was originated by Banco BPM S.p.A. The pool is composed of both secured (50.5%) and unsecured (49.5%) loans. The loans were extended to companies (85.3%) and individuals (14.7%). Secured loans are backed by residential and non-residential properties (41.6% and 58.4% of the property value, respectively) in Italy, with concentration in the north (71.1%) and the rest in the centre (17.4%) and south (11.4%). The issuer acquired the portfolio at the transfer date (28 December 2018), but is entitled to all collections received from the cut-off date (30 June 2018).

The structure comprises three classes of notes with fully sequential principal amortisation: senior class A, mezzanine class B, and junior class J. The class A and B will pay a floating rate based on six-month Euribor, plus a margin of 0.6% and 8%, respectively. Class B interest payments ranking senior to class A principal are capped at 8%, while the residual interest component is fully deferred to the class A principal repayment. The senior component of class B interest will be subordinated to the class A principal repayment if the cumulative amount of net collections falls at least 30% below the level indicated in the servicer business plan or if the present value cumulative profitability ratio falls below 70%.The base rate on the class A notes is capped at 0.5% from the issue date, which will gradually increase to 2.25% from July 2026. Class J principal and interest are subordinated to the repayment of the senior and mezzanine notes.

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Related Research

Non-Performing Loan ABS Rating Methodology

Methodology for Counterparty Risk in Structured Finance

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Rating rationale (summary)

The ratings are primarily driven by the expected recovery amounts and timing of collections from the NPL portfolio. The recovery amounts and timing assumptions consider the portfolio's characteristics as well as our economic outlook for Italy and assessment of the special 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.

Interest rate risk is mitigated by a hedging structure, under which the SPV receives the difference between the six-month Euribor rate and the cap embedded in the Euribor component of class A notes over a pre-defined notional balance. The swap notional schedule however does not fully hedge the expected class A amortisation profile under Scope's class A analysis.

The ratings also address exposures to the key transaction counterparties: (i) Credito Fondiario S.p.A. as master servicer, special servicer, corporate services provider, cash manager, paying agent and calculation agent; (ii) Intesa Sanpaolo S.p.A. as account bank and payment account holder, (iii) Zenith Service S.p.A. as back-up servicer, monitoring agent and noteholders' representative; and (iv) Crèdit Agricole Corporate and Investment Bank S.A. and Banco Santander S.A as the interest rate cap providers. We considered counterparty replacement triggers and our ratings on Intesa Sanpaolo S.p.A. (A/S-1), Crèdit Agricole Corporate and Investment Bank S.A. (AA-/S-1+), Banco Santander S.A. (AA-/S-1+).

We performed a specific analysis for recoveries, using different approaches for secured and unsecured exposures. For secured exposures, collections were based mostly on the latest property appraisal values, which were stressed to account for liquidity and market value risks, while recovery timing assumptions were derived using line-by-line asset information detailing the type of legal proceeding, the court issuing the proceeding, and the stage of the proceeding as of the cut-off date. For unsecured exposures, we used historical line-by-line market-wide recovery data on defaulted loans between 2000 and 2017 and considered the special servicers' capabilities when calibrating lifetime recoveries, also considering that unsecured borrowers were classified as defaulted for a weighted average of 5.2 years as of the 30 June 2018 cut-off date.

Rating drivers and mitigants

Positive rating drivers

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

Hedging structure. Interest rate risk on the class A is mitigated by an increasing cap on the six-month Euribor embedded in the class A notes. The base rate is also partially hedged through an interest rate cap agreement with a cap strike of 0.25% from the issue date, which gradually increases to 1.5% until January 2031.

Granularity. The pool is highly granular with the top 10 borrowers representing around 5% of total gross book value, which is lower than the average Italian NPL transaction rated by us.

High credit enhancement level. The 80.5% credit enhancement level for the class A is high relative to several peer transactions, providing extra protection for these notes.

Class B interest deferral mechanism. Unlike other peer transactions we rated, all class B interest amounts due and unpaid at the preceding payment dates will remain junior to class A principal, even after the interest subordination event cease to be triggered. This mechanism benefits class A noteholders. However, the trigger level of 70% for the interest subordination event, is relatively low compared to other transactions rated by us.

Negative rating drivers and mitigants

Statistical revaluations. 26.5% of the pools' first-lien collateral has been evaluated using statistical revaluations based on the original property value from a full or drive-by appraisal, updated through an indexed revaluation. These appraisals are generally less accurate than desktop or drive-by valuations. We applied a higher haircut to these valuations to mitigate the risk of overstated valuations.

Material portion of proceedings in initial stages. Around 65.5% of the secured loans are in the initial phase or are yet to have proceedings initiated. This results in a longer expected time for collections than for loans in more advanced phases**.**

Share of loans with no proceedings or in bankruptcy. A material share of the portfolio's gross book value corresponds to loans with no proceedings (39.3%) or in bankruptcy (40.1%). Compared with non-bankruptcy proceedings, bankruptcies typically result in lower recoveries and take longer to be resolved.

Units under construction in the pool. 11.9% of the pool's collateral refers to units under construction. We have applied a higher haircut to these properties.

High share of large unsecured exposures. 26.2% of the unsecured loans have an individual exposure of at least EUR 3m by gross book value. Larger unsecured exposures tend to have lower recoveries.

Upside rating-change drivers

Servicer outperformance. Consistent servicer outperformance in terms of recovery timing and the total amount of collections could positively impact the ratings. The weighted average time until portfolio collections are complete will be 4.1 years, according to the servicer business plan. This is about 31 months faster than the recovery weighted timing vector applied in the analysis.

Downside rating-change drivers

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

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

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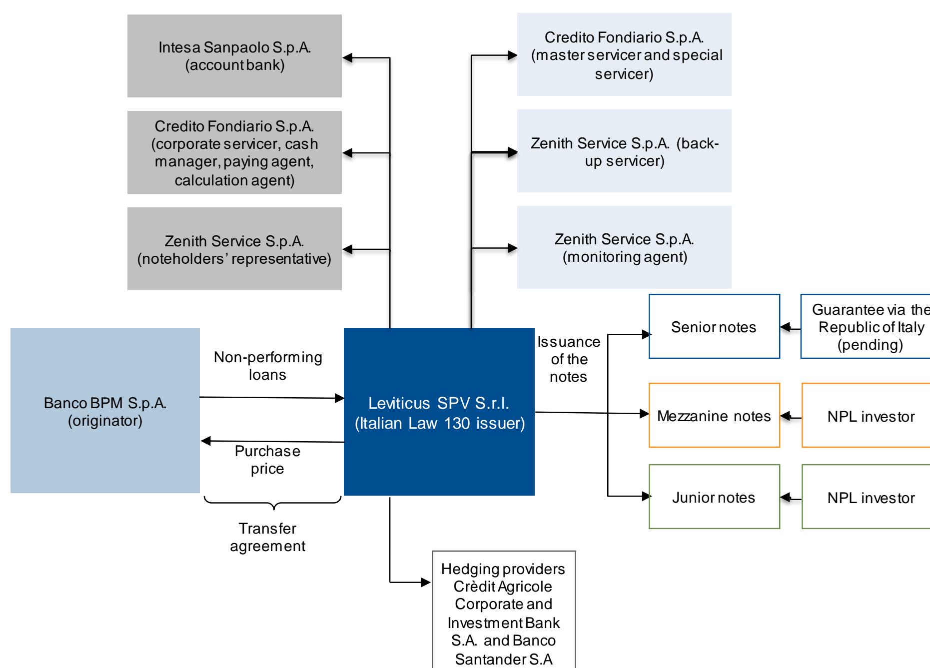
1. Transaction summary

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

Figure 1: Transaction diagram:



Sources: Transaction documents and Scope Ratings.

We adjusted the pool's gross book value using information on collections and sold properties since the 30 June 2018 cut-off date. The analysis excluded portfolio loans which we assumed to be closed, based on collections already received and cash-in-court to be received. Collateral connected with these positions was also removed.

The adjustments reduced the portfolio's gross book value from EUR 7,385m to EUR 6,983m. Collections received since the cut-off date are assumed to be cash available at closing, while cash-in-court is assumed to be received no earlier than one year after the closing date.

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

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

Figure 2: Key portfolio stratifications (30 June 2018 cut-off)

	All	Secured	Junior liens	Unsecured
Number of loans	49,397	15,148	1,892	32,357
Number of borrowers	19,755			
Gross book value (EUR m)	7,384,789,544	3,729,550,310	416,684,351	3,238,554,883
Percentage of gross book value		50.5%	5.6%	43.9%
Weighted average seasoning (years)	4.5	4.1	5	
Sum of collateral appraisal values (EUR m)		4,419,291,865	790,090,865	
Borrower type				
Corporate	85.3%	39.6%	4.39%	41.31%
Individual	14.7%	10.9%	1.25%	2.55%
Primary procedure*				
Bankrupt borrower	71.7%	28.6%	3.1%	39.9%
Non-bankrupt borrower	28.3%	21.9%	2.5%	3.9%
Stage of procedure (secured loans)				
Initial		65.5%	70.8%	
Court-appointed valuation (CTU)		10.0%	13.4%	
Auction		16.6%	11.1%	
Distribution		8.0%	4.7%	
Geography (% of collateral value)				
North	73.0%	71.1%	83.6%	
Centre	16.2%	17.4%	9.2%	
South and islands	10.8%	11.4%	7.3%	
Borrower concentration				
Top 10	5.4%			
Top 100	20.3%			
Property type (% of collateral value)				
Residential		41.6%	30.7%	
Non-residential		58.3%	68.9%	

* Some loans have several types of ongoing procedures. The distribution reflects i) our assumptions on the main procedure type; and ii) our classification of procedures that have not been initiated with reference to the borrowers.

2. Macroeconomic environment

Sovereign downgrade of Italy to BBB+ with a Stable Outlook

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

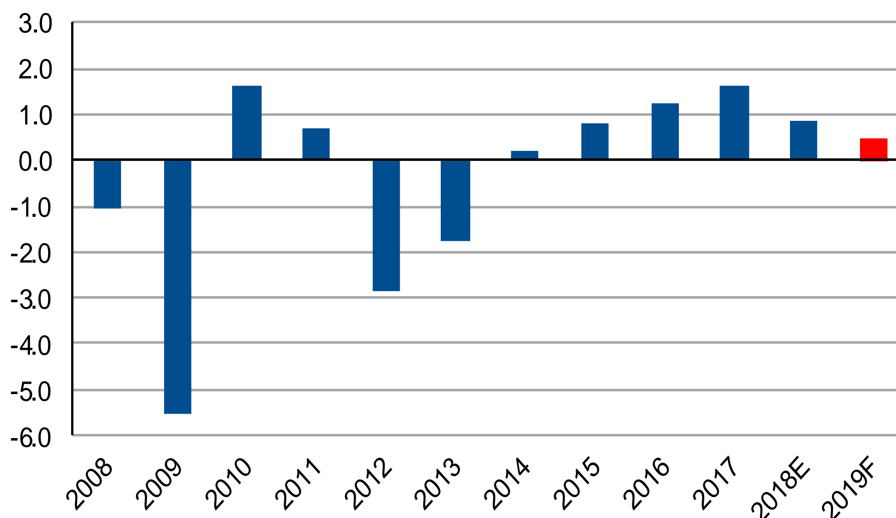
The Stable Outlook considers these credit strengths in addition to recent key signs of moderation in the Italian government's policies. We note that Italy and Europe continue to seek a compromise on Italy's violations of EU budget rules. In our opinion, the inadequate convergence around a sustainable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

Risks associated with a slowing economy

We note the risk associated with a slowing Italian economy, evidenced by real GDP growth softening to -0.1% QoQ in Q3 2018, from 0.2% in Q2 2018, equivalent to YoY growth of 0.7% – even though temporary factors played a role during Q3. Last October,

unemployment edged up to 10.6%, from the low of 10.1% as of August 2018. Recent economic data speak to economic risks going forward without a rapid resolution of present economic and policy uncertainties, with the risk of a technical recession. We project economic growth of just 0.5% in 2019 (Figure 3).

Figure 3: Annual real GDP growth, Italy



Sources: ISTAT; calculations by Scope Ratings

Italian 10-year spreads stand at 270 bps, down from recent peaks but higher from lows of about 115 bps in late April. Even so, despite elevated spreads, current nominal yields are still much lower than the debt-crisis peaks, at 2.95% on 10-year BTPs. Nonetheless, higher government yields have increased borrowing costs for Italian companies: 3.5% on new fixed-rate debt for first-time issuers in Q3 2018 from 1.8% in Q1 2018, according to the Bank of Italy.

Tepid long-term growth outlook

Italy's long-term growth picture is weak. We estimate medium-run growth potential at 0.75%. Population dynamics are one factor: The working-age population declined on average by 0.5% per annum from 2010-17 and is foreseen to continue to fall by 0.5% each year from 2018 to 2023, according to United Nations projections. Our medium-run growth estimate assumes modest contributions from rising labour force participation and higher employment over time (thereby reducing slack in the labour market), but labour productivity growth of just above 0%.

Debt sustainability concern

In this context, assuming wider budget deficits of 2.9% of GDP over 2019-21, lower economic growth and a continuation of current market financing rates, public debt-to-GDP would increase modestly to 134.9% by 2021 (from 131.2% in 2017).

NPLs have reduced, though banking sector risks have increased

Italian banks' stock of non-performing loans has been cut to 10.2% of total loans as of Q2 2018, compared with 17% during the 2015 peak, supported by Italian initiatives like the Guarantee on Securitisation of Bank Non-Performing Loans (GACS). Still, the banking sector's common equity tier 1 capital ratios slipped to 13.2% of risk-weighted assets in Q2 2018, 60bps under the Q4 2017 levels. Significant actions are still needed to improve insolvency and debt enforcement procedures, facilitate bank rationalisation and consolidation, and make timely and consistent use of the resolution framework.

3. Portfolio analysis

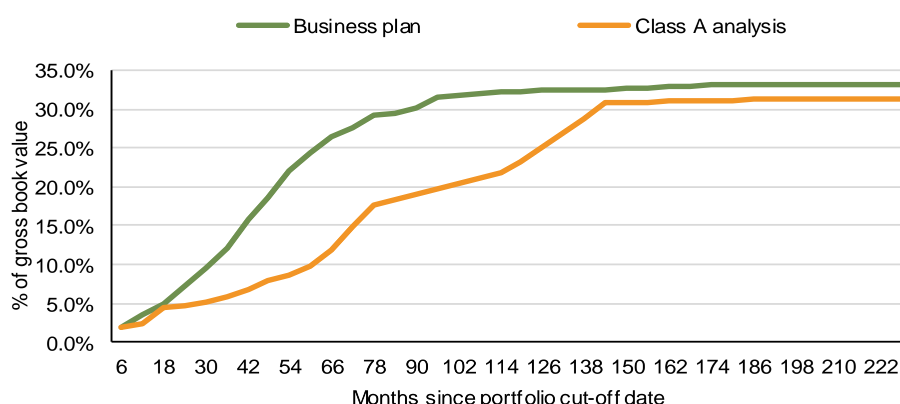
Rating-conditional recovery assumptions

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

Our assumptions reflect significant recovery timing stresses

For the class A notes analysis, we assumed a gross recovery rate[1] of 31.2% over a weighted average life of 6.7 years. By segment, we assumed a gross recovery rate of 51.8% for the secured portfolio and 10.2% for the unsecured portfolio.

Figure 4: Business plan's gross cumulative recoveries vs Scope's assumptions[2]



Sources: Special servicer business plan and Scope Ratings

3.1. Analysis of secured portfolio segment

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

Figure 5 shows our lifetime gross collections vectors for the secured[3] portfolio segment compared to those from the servicer business plan. Our analytical approach consists mainly of estimating the security's current value based on property appraisals and then applying security-value haircuts to capture forward-looking market value and liquidity risks. Recovery timing assumptions are mainly determined by the efficiency of the assigned court (based on historical data on the length of the proceedings), the type of legal proceeding and the stage of the proceeding. Our analysis also captures concentration risk, the servicer business plan, and available workout options.

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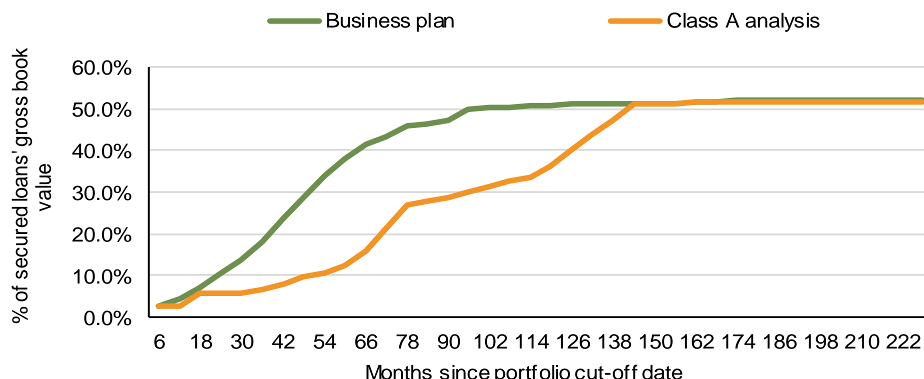
[1] The reported recovery rate includes ad interim collections and cash-in-court amounts.
[2] The recovery rates include ad interim collections and cash-in-court amounts, which enables a direct comparison between the figures in our analysis and the servicer business plan.
[3] We define secured loans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

Figure 5: Business plan's gross cumulative recoveries for secured loans vs Scope's assumptions[4]



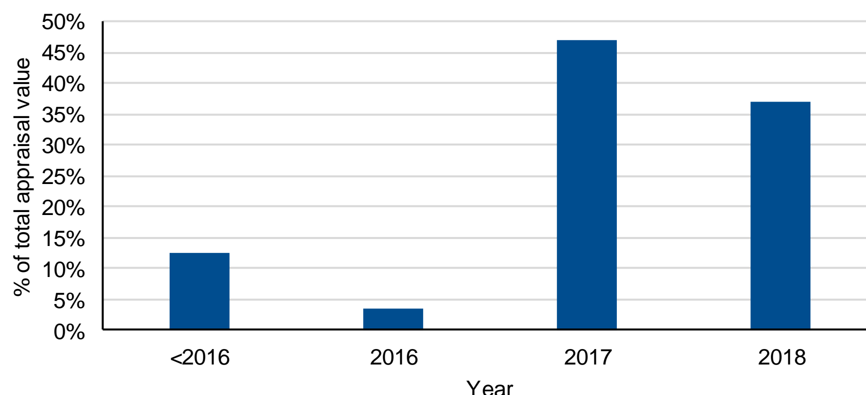
Sources: Special servicer business plan and Scope Ratings

3.1.1. Appraisal analysis

Positive credit given to the quality of property appraisals

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

Figure 6: Collateral valuation dates



Source: Transaction data tape

We view positively that 32.3% of the portfolio's collateral appraisals are either full or drive-by valuations. The remainder is mainly composed of desktop (31.7%), statistical revaluations (26.5%), and prices derived from the last auctions (5.5%), to which we applied rating-conditional haircuts ranging from 10% to 5%, reflecting our view of their lower levels of quality and accuracy due to the simplified procedures.

The values of the sold properties total EUR 200.2m (of which EUR 175.2m are connected to first-lien collateral). We have assumed that these sales generated EUR 141.8m of cash collections or cash-in-court positions. Not all property sale amounts were allocated to the issuer because collections are capped on a line-by-line basis at the minimum of the outstanding gross book value and mortgage value, and because part of them were already reported as ad interim collections.

[4] The recovery rate calculated includes ad interim collections and cash-in-court amounts.

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

	Percentage of collateral value	Class A analysis haircut
Full	11.7%	0.0%
Drive-by	20.6%	0.0%
Desktop	31.7%	5.0%
CTU/judicial valuation	5.5%	10.0%
Statistical revaluation	26.5%	10.0%
Sold properties	4.0%	0.0%

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

3.1.2. Property market value assumptions

Moderate market downturn risk

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

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

	North						Centre			South			Islands	
Region	Milan	Turin	Genoa	Bo-logna	Venice	Others	Rome	Flo-rence	Others	Naples	Bari	Others	Metro-politan	Rest
Class A analysis	**-4.6**	**-4.6**	**-5.4**	**-4.6**	**-8.0**	**-8.9**	**-6.7**	**-8.9**	**-7.6**	**-6.7**	**-6.7**	**-11.0**	**-9.7**	**-11.0**
Portfolio share (%)	**10.6**	**1.4**	**0.9**	**1.7**	**1.3**	**55.2**	**5.3**	**1.1**	**11.1**	**1.6**	**0.3**	**4.6**	**3.1**	**1.9**

3.1.3. Collateral liquidity risk

High NPL collateral liquidity and obsolescence risk

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

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

Land (15.6%) together with buildings under construction (11.9%) collectively represent 27.5% of all property valuations, which is a higher portion than in peer transactions. We took this into account by moderately stressing the fire-sale discount assumptions for those two property types, resulting in a 34.4% haircut for non-residential property types.

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

Property types	Percentage of collateral value	Class A analysis haircut
Sold properties	3.9%	N/A
Residential	40.1%	25.0%
Non-residential	56.0%	34.4%

3.1.4. Concentration risk

Above-average borrower concentration risk

We addressed borrower concentration risk by applying a 10.0% rating-conditional recovery haircut to the 10 largest borrowers for the class A notes analysis. The largest 10 and 100 borrowers account for 5.4% and 20.3% of the portfolio's gross book value, respectively, which is below average compared to peer transactions we have rated.

3.1.5. Residual claims after security enforcement

We address potential residual claims after security enforcement

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

No credit to residual claims from corporate borrowers

For corporate loans, we gave no credit to potential further recoveries on residual claims after the security has been enforced. This is due to three practical limitations: Firstly, unsecured recoveries tend to be binary with a high probability of zero recoveries and a low probability of 100% recoveries. This implies that when secured creditors are not fully satisfied after the security's enforcement, expected recoveries for unsecured creditors will be close to zero[5]. 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 on any potential recovery upside.

Partial credit to residual claims from individuals

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

3.1.6. Tribunal efficiency

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

Northern Italian regions tend to have more efficient tribunals

The total length of the recovery processes is mainly determined by the efficiency of the assigned court and the type of legal proceeding. To reflect this, we grouped Italian courts into seven categories, based on public data on the average length of bankruptcy and foreclosure proceedings between 2014 and 2016, as shown in Figure 10 below. Most courts are concentrated within groups 2 to 3, which are reasonably distributed across all Italian regions. The highest concentration is in court group 3 (see Figures 14 and 15 for more details regarding the top courts and the concentration in court groups).

[5] 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%.

For the class A notes analysis, a rating-conditional stress was applied for both bankruptcy and non-bankruptcy procedures (two years and one year were respectively added to the total legal procedures' length).

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

Court group	Bankruptcy proceedings	Non-bankruptcy proceedings	Percentage of courts*
1	4	2	1.5%
2	6	3	27.3%
3	8	4	64.5%
4	10	5	5.2%
5	12	6	1.3%
6	14	7	0.0%
7	18	9	0.2%

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

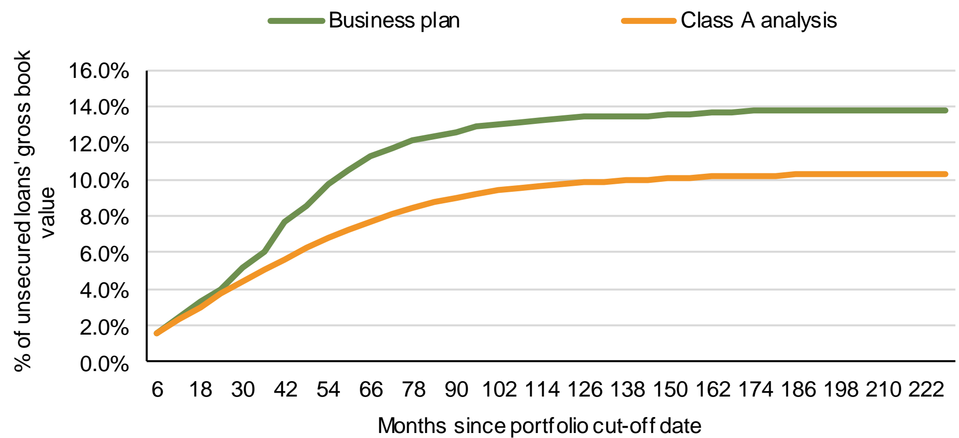
3.2. Analysis of unsecured portfolio segment

Unsecured portfolio analysis is based on statistical data

Figure 11 shows our gross collections vectors for the unsecured[6] portfolio segment compared to those from the servicer business plan. Our base case recovery amount and timing assumptions were based on loan-by-loan data with recoveries for different types of unsecured loans. For the class A notes analysis, we applied a stressed recovery rate of 10.2%. This rate did not align strongly with the servicer's recovery curve, in part because our classifications for secured and unsecured loans are different. Our assumptions for unsecured exposures consider the nature of the recovery procedure; bankruptcy proceedings are generally slower and typically result in lower recoveries than non-bankruptcy proceedings. The assumptions are calibrated to reflect that unsecured borrowers in the portfolio are classified as defaulted for a weighted average of 5.2 years as of closing.

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

Figure 11: Business plan's unsecured[7] loan gross cumulative recoveries vs Scope's assumptions[8]



Sources: Special servicer's business plan and Scope Ratings

4. Portfolio characteristics

Further detail on key portfolio characteristics as of 30 June 2018 is provided below. Percentage figures refer to gross book value, unless otherwise stated.

4.1. Eligible loans

Customary eligibility criteria

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

- All loans are denominated in euros;
- All loans agreements are governed by Italian law;
- Loans secured by a substantial balance of first-lien voluntary mortgages are collateralised with real estate assets existing and located in Italy;
- All receivables are valid for transfer without any limitations;
- All receivables are free from 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;
- As of the cut-off date, borrowers are: i) individuals residing in Italy; and ii) entities incorporated under Italian law with a registered office in Italy.

4.2. Detailed stratifications

4.2.1. Borrower type

Borrower and loan compositions are of average quality

Corporates and individuals represent 85.3% and 14.7% of the pool, respectively. The share of individual borrowers is comparable with peer transactions we have rated. We view positively that most of the individuals are secured with first-lien collateral (10.9%). Expected secured and unsecured recoveries tend to be higher for individuals, due to the smaller average tickets and tendency for secured positions to be backed by residential properties, which are relatively more liquid. In addition, we give partial credit to residual claims from individuals after security enforcement, as discussed in the previous section.

[7] The comparison considers unsecured and junior secured loans as per the servicer business plan.
[8] The recovery rate calculated includes ad interim collections amounts.

Relative to peer transactions, the portfolio has an average amount of first-lien secured loans (50.9%) and a moderate amount of junior-lien secured loans (5.6%). In absence of detailed information regarding the outstanding balance of loans backed by the external senior liens we assumed similar recovery proceeds for both junior-lien secured loans and unsecured claims.

Figure 12: Borrower type

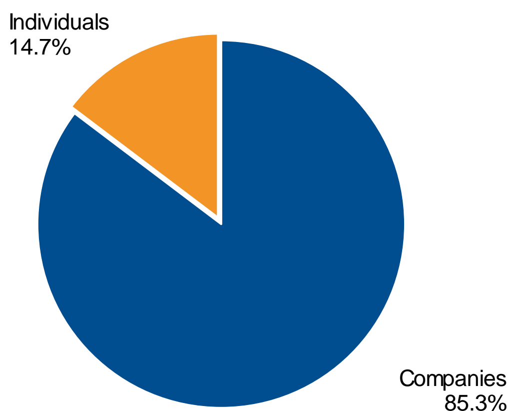
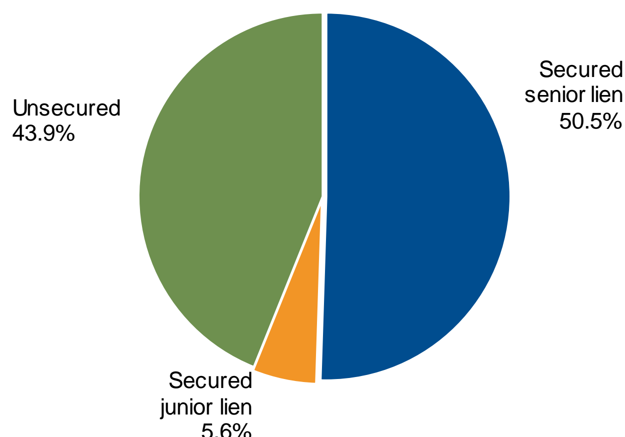


Figure 13: Loan type



Sources: Transaction data tape; calculations by Scope Ratings

4.2.2. Geographical distribution

Geographic concentration in northern Italy is credit-positive

The portfolio is concentrated in the north of Italy (71.2%) with the rest in the centre (17.4%) and south (11.4%).

The portfolio's geographical distribution is slightly positive for recovery timing because court proceedings in northern locations skew towards more efficient court groups relative to Italian average, according to our tribunal efficiency assumptions (see section 3.1.6. and Figure 15). We also view positively that properties secured by a first lien are concentrated in the north (see Figure 14).

Figure 14: First-lien collateral location

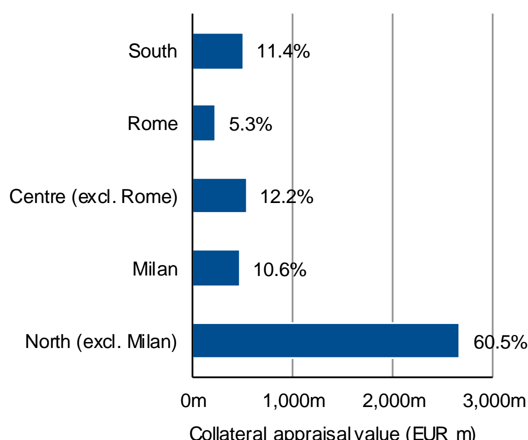
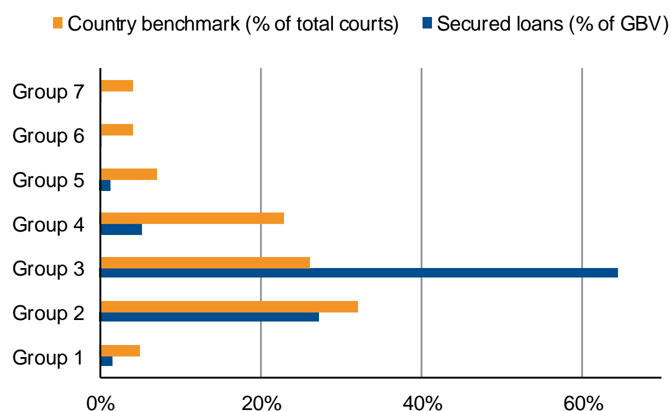


Figure 15: Court group distribution of secured loans



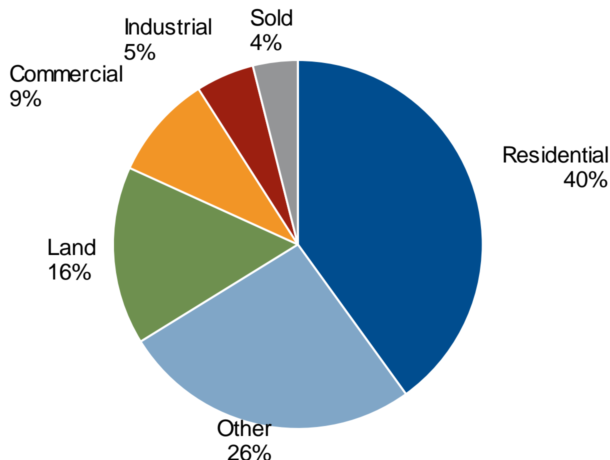
Sources: Transaction data tape; calculations by Scope Ratings

4.2.3. Collateral type

Higher liquidity stresses applied to non-residential properties

The portfolio's first-lien collateral is composed of residential (40.1%), land (15.6%), commercial (9.2%), industrial (5.1%) and other (26.1%) assets including sold properties (3.9%). Other assets include a high portion of unfinished properties (11.9%), for which we applied higher haircuts (see section 3.1.3).

Figure 16: Distribution by collateral type



Sources: Transaction data tape; calculations by Scope Ratings

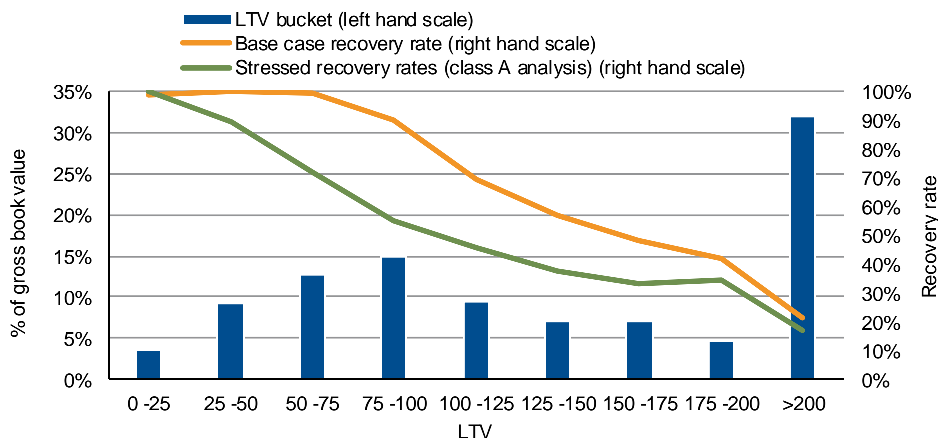
4.2.4. Collateral valuations and Scope's specific recovery rate assumptions

Recovery rate assumptions reflect portfolio's LTV distribution

Figure 17 shows the secured loans' distribution by loan-to-value (LTV) bucket as well as our recovery rate assumptions for each LTV bucket (under our rating-conditional stresses applied for the class A notes analysis). This results in a weighted average recovery rate under a class A rating-conditional stress of 53.2% for the secured loans[9].

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

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



Sources: Transaction data tape; calculations by Scope Ratings

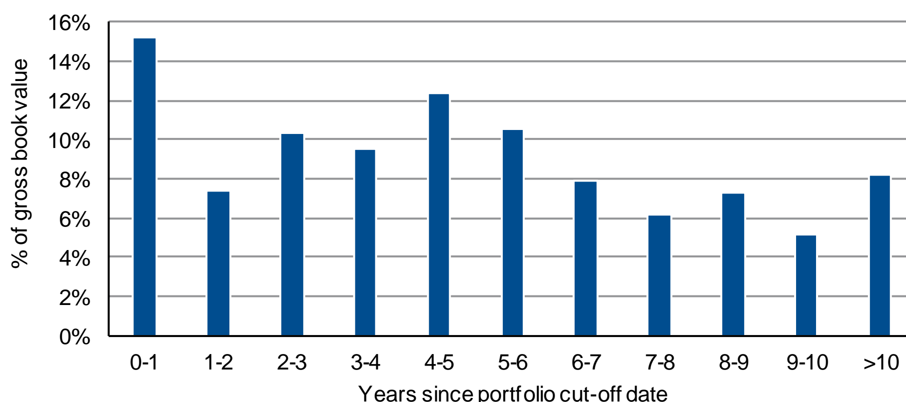
[9] The calculated recovery rate excludes ad interim collections and estimated cash-in-court amounts. The recovery rate is calculated on the adjusted pool as explained under the 'Transaction Summary' section.

4.2.5. Loan seasoning

Ageing of unsecured portfolio reduces expected recoveries

The weighted average time between default and the closing date is around 5.2 years for unsecured exposures. The pool's ageing reduces the expected recoverable amount of unsecured loans. However, about half of the unsecured exposures are not highly seasoned, having had defaulted less than five years after the closing date.

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



Sources: Transaction data tape; calculations by Scope Ratings

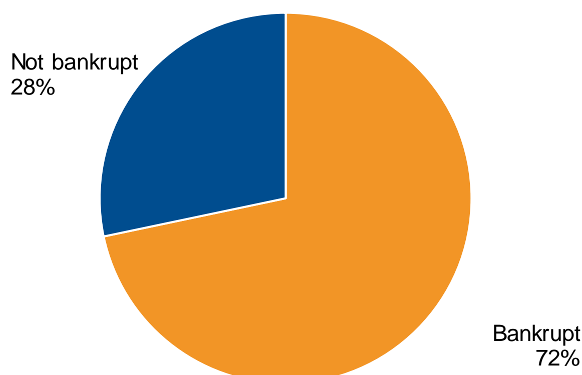
4.2.6. Borrower status

Figure 19 below shows our assumptions regarding the main legal proceedings for each borrower (one borrower can have several), based on the transaction's data tape. Around two fifths of the loans (39.3%) has had no legal proceeding to date. Of these loans, we assumed bankruptcy processes for loans connected to companies (31.6% of the loans) and foreclosures for loans to individuals (7.7%). This resulted in a higher share of bankruptcies than the average of NPL transactions we have rated, which leads to a higher weighted average recovery timing relative to Scope-rated peer transactions.

Bankruptcies result in lower recoveries than non-bankruptcy proceedings

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

Figure 19: Borrower status assumptions[10]



Sources: Transaction data tape; calculations by Scope Ratings

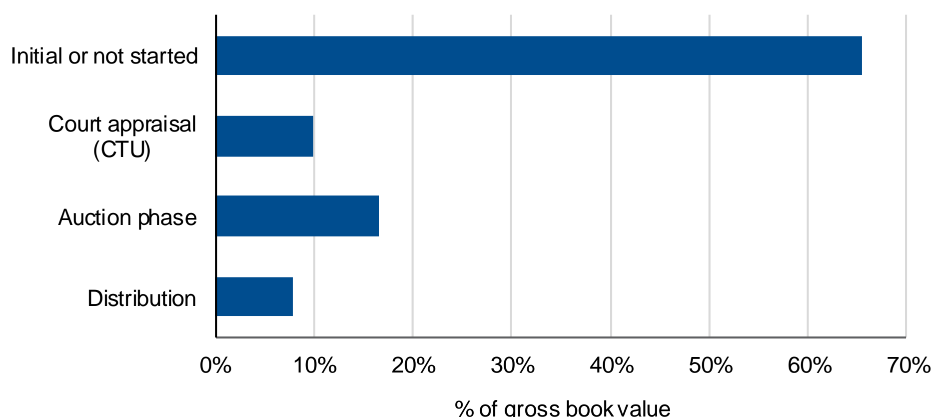
[10] The reported share of bankruptcies includes corporate loans (31.6% of gross book value) for which no procedure has been started to date.

4.2.7. Recovery stage of secured exposures

Proceedings in initial stages drive relatively long recovery timing assumptions

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

Figure 20: Secured recovery stage by borrower status



Sources: Transaction data tape; calculations by Scope Ratings

5. Key structural features

5.1. Combined priority of payments

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

1. Servicer fees and other issuer counterparty fees, taxes and transaction expenses
2. Interest on the limited-recourse loan
3. GACS premium, provided the GACS guarantee is in place
4. Replenishment of recovery-expense reserve
5. Interest on class A notes
6. Any other amounts payable under the GACS guarantee
7. Cash reserve replenishment
8. Principal on the limited-recourse loan
9. Interest on class B notes (capped at 8.0%) provided no subordination trigger is breached
10. Principal on class A notes
11. Deferred interest component of class B notes (junior to the applied class B interest cap), and upon a breach of a subordination trigger, the full amount of class B interest
12. Principal on class B and servicer mezzanine fees
13. Interest on class J notes
14. Principal on class J notes and servicer junior fees
15. Any residual amount as class J variable return

Full class B interest deferral triggers below peer transactions

Class B interest payments will be fully deferred if i) the cumulative collection ratio[11] falls below 70% of the servicer's business plan targets; or ii) the present value cumulative profitability ratio[12] falls below 70%. These trigger levels protecting the class A notes are in the lower band relative to peer transactions we rate as of February 2019.

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

Under the recovery stresses applied for the class A notes analysis, we assumed that the trigger would be breached on the fourth interest payment date and remain in breach for most of the transaction's life, significantly benefiting class A noteholders. If no triggers are breached at any time during the transaction's life, all class B interest amounts due and unpaid at the preceding payment dates will stay junior to class A principal. This feature is uncommon among peer transactions and significantly benefits the class A noteholders.

Scope's ratings do not address the GACS guarantee

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

Non-timely class A interest payment would trigger accelerated waterfall

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

5.2. Servicing fee structure and alignment of interests

5.2.1. Servicing fees

Servicing will be carried out via the platform acquired from the originator

Servicing will be delegated (upon a legal commitment between the servicer and the originator) to a sub-servicer representing the platform acquired from the originator. The sub-servicer's fees will be aligned with the levels prescribed for the servicer.

The issuer will be consolidated in the servicer's banking group, establishing a VAT group and as a result VAT would not be applicable on the servicing fees once the VAT group has been established. However, the issuer's inclusion in the VAT group is subject to regulatory approval and interpretations of relevant EU provisions, as outlined in the legal opinion we received.

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 the noteholders.

The servicer will be entitled to both an annual base fee and a performance fee. The annual base fee is calculated as 0.05% of the outstanding portfolio's gross book value. The performance fee is calculated as i) 6% of collections from borrowers with at least 80% of gross book value secured by a first lien; ii) 7.5% of collections if 20%-80% of gross book value is secured by a first lien; and iii) 9% of collections if less than 20% of gross book value is secured by a first lien. Collection figures exclude legal costs. Servicer fees are calculated and payable at each payment date.

The precise level of fees is subject to the exposure type (presence of first-lien mortgages) and to the share of guaranteed loans with respect to the total borrower's position. Our analysis assumed an average performance fee of 6% and 9% for secured and unsecured loans, respectively, considering the portfolio distribution by gross book value buckets.

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

[12] 'Present value cumulative profitability ratio' is defined as the ratio between: i) the sum of the present value (calculated using an annual rate of 5.14%) of the net collections for all receivables relating to closed positions (relative to an exhausted debt relationship, i.e. either having been collected in full or sold or written off for any other reason); and ii) the sum of the target price (based on the servicers' initial portfolio base case scenario in the business plan) of all receivables relating to closed positions.

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 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. The committee and the noteholders' representative can request to the issuer the replacement of the master servicer or any special servicer upon a servicer termination event.

5.2.3. Servicer termination events

Back-up arrangements mitigate servicing disruption risk

In the event of a servicer termination event, the back-up servicer would be Zenith Service S.p.A. or another substitute in accordance with the servicing agreement.

A master servicer termination event includes insolvency, an unremedied breach of obligations, an unremedied breach of representation and warranties, loss of legally eligibility to perform obligations under the servicing agreement, and consistent underperformance beginning in the fifth collection period.

Termination events are the same for both special and master servicers, but the termination of one role does not necessitate the termination of the other.

If both servicer roles (master and special) are revoked and the back-up servicer is unable to be operational within the prescribed period, Zenith Service S.p.A. will assist the issuer in finding a suitable replacement, in collaboration with the noteholders' representative and in agreement with the committee (as defined in the Regolamento dei Titoli).

5.3. Liquidity protection

Cash reserve protects liquidity of the senior noteholders

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

The cash reserve will amortise with no floor until class A note is redeemed or the transaction reaches legal maturity. The target cash reserve amount at each payment date will be equal to 4.0% of the total outstanding balance of class A and B 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. Following the implementation of the GACS guarantee, any liquidity shortfalls will be covered primarily by the guarantor, with the cash reserve mainly covering for the time between the draw on the guarantee and the actual payment.

Class B will not benefit from liquidity protection.

5.4. Interest rate hedge

Due to the non-performing nature of the securitised portfolio, the issuer will not receive regular cash flows and the collections will not be linked to any defined interest rate. On the liability side, the issuer will pay a floating coupon on the notes, defined as six-month Euribor plus a 0.6% fixed margin on the class A.

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

An interest rate cap agreement (with Crèdit Agricole Corporate and Investment Bank S.A. and Banco Santander S.A. as the interest cap providers, rated by Scope as AA-/S-1+ and AA-/S-1+ respectively) partially mitigates the risk of increased liabilities on the class A notes due to a rise in Euribor (see Figure 21). The base rate on the class A notes is capped at 0.5% from the issue date, 0.75% from January 2021, 1.0% from January 2022, 1.5% from January 2023, 2.0% from July 2024, and 2.25% from July 2026. In addition, the base rate is partially hedged through an interest rate cap agreement with a cap strike of 0.25% from the issue date, 0.5% from January 2022, 0.75% from January 2023, 1.0% from July 2024, and 1.5% from July 2026 until January 2031. Under the agreement the SPV receives the difference between six-month Euribor and the cap strike and pays the difference between six-month Euribor and the cap embedded in the class A notes, following a predefined notional schedule.

Cap notional does not fully mitigate interest rate risk

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

Figure 21: Interest rate cap class A

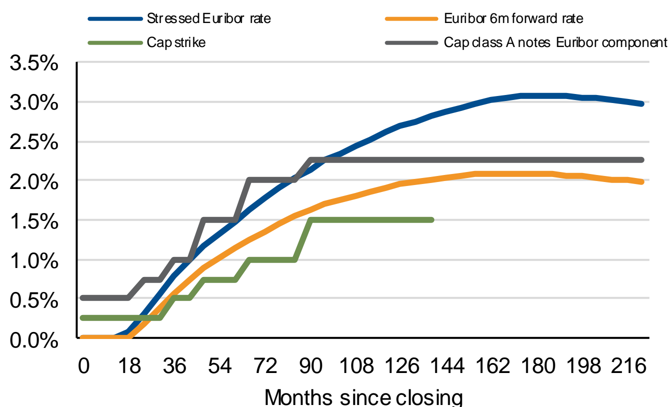
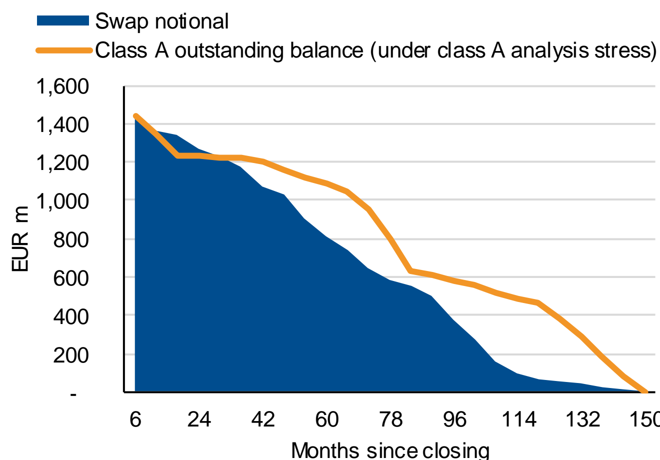


Figure 22: Cap notional vs outstanding class A notes



Sources: Transaction documents, Bloomberg and Scope Ratings

6. Cash flow analysis and rating stability

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 captures the capital structure, an estimate of legal costs equivalent to 9% of gross collections, servicing fees as described in section 5.2, and estimated issuer senior fees of EUR 835,000 (incl. VAT) annually. We took into account the reference rate payable on the notes, considering the cap rates and swap terms described in the previous section.

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

The BBB rating assigned to the class A notes reflects the expected losses over the instrument's weighted average life commensurate with the idealised expected loss table in our General Structured Finance Ratings Methodology.

We tested the resilience of the ratings against deviations from expected recovery rates and recovery timing. This analysis has the sole purpose of illustrating the sensitivity of the ratings to input assumptions and is not indicative of expected or likely scenarios. We

tested the sensitivity of the analysis to deviations from the main input assumptions: i) recovery rate level; and ii) recovery timing.

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

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

7. Sovereign risk

No mechanistic cap

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

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

8. Counterparty risk

Counterparty risk does not limit the transaction's rating

In our view, none of the counterparty exposures constrain the ratings achievable by this transaction. We factored in counterparty replacement triggers implemented in the transaction and relied on publicly available ratings and our rating of Intesa Sanpaolo S.p.A. 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) Credito Fondiario S.p.A. as master servicer, special servicer, corporate services provider, cash manager, paying agent and calculation agent; ii) Intesa Sanpaolo S.p.A. as account bank and payment account holder, iii) Zenith Service S.p.A. as back-up servicer, monitoring agent and noteholders' representative; and (iv) Crèdit Agricole Corporate and Investment Bank S.A. and Banco Santander S.A. as the interest rate cap providers.

The account bank must have a minimum short-term and long-term rating of S-3 and BB by Scope. The cap counterparties must have a minimum long-term rating of BB, if rated by Scope.

8.1. Servicer disruption risk

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

8.2. Commingling risk

Limited commingling risk

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

8.3. Claw-back risk

Limited claw-back risk

The seller has 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 relevant seller is not subject to any insolvency or similar proceedings. This mitigates claw-back risk, as the issuer should be able to prove it was unaware of the 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 agreements. If a breach of a representation and warranty materially and adversely affects a loan's value, the originators may be obliged to indemnify the issuer for damages within 30 business days of the notification.

However, the above-mentioned representations and warranties are only enforceable by the issuer within 18 months from the issue date. The total indemnity amount will be capped to a maximum of 20% of the portfolio purchase price. Furthermore, the indemnity amounts will be subject to a deductible of EUR 2,000,000 on a portfolio basis, and EUR 30,000 on a single-loss basis.

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

9. Legal structure

9.1. Legal framework

Transaction 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

Continuous rating monitoring

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

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

11. Applied methodology

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

I. Summary appendix – deal comparison

Transaction	Leviticus SPV	Belvedere SPV	Riviera NPL	POP NPLS 18	Aqui	IBLA (Ragusa)	Maior SPV	Maggese	Juno 1	BCC NPLS 2018	2Worlds	4Mori Sardegna	Aragorn NPL 2018	Red Sea SPV	Siena NPL 2018	Bari NPL 2017	Elrond NPL 2017
Closing	Feb-19	Dec-18	Dec-18	Nov-18	Nov-18	Sep-18	Aug-18	Jul-18	Jul-18	Jul-18	Jun-18	Jun-18	Jun-18	Jun-18	May-18	Dec-17	Jul-17
Originators	Banco BPM	multiple	Carige & Lucca	17 Banks	BPER	Banca di Ragusa	UBI Banca	C.R. Asti, Biver	BNL	ICCREA	BPS, BDB	Sardegna	Creval	BPM	MPS	BPB, CRO	Creval
Master servicer	Credito Fondiario	Prelios	Credito Fondiario	Cerved	Prelios		Prelios	Prelios	Prelios	Prelios	Cerved	Prelios	Credito Fondiario	Prelios	Credito Fondiario	Prelios	Cerved
Special servicer	Credito Fondiario	Prelios, BVI	Credito Fondiario, Italfondiario	Cerved	Prelios	Italfondiario	Prelios	Prelios	Prelios	Prelios	Cerved	Prelios	Cerved, Credito Fondiario	Prelios	J., IF., CF., P. ***	Prelios	Cerved
General portfolio attributes																	
Gross book value (EUR m)	7,385	2,541	964	1,510	2,082	330	2,496	697	880	1,009	968	900	1,676	5,113	23,939	345	1,422
Number of borrowers	19,755	13,678	3,606	6,578	6,255	1,598	11,061	1,313	731	2,518	3,956	11,412	4,171	12,651	79,669	1,565	3,712
Number of loans	49,397	31,266	9,776	17,093	21,279	4,805	22,580	5,313	2,787	5,359	13,234	20,098	8,289	33,585	545,939	4,569	6,951
WA seasoning (years)	3.8*	6.7*	2.0*	2.9*	3.9	2.2*	4.2*	3.1*	3.0*	2.6*	2.7*	4.8*	2.5	3.8	4.4*	4.5	3.7
WA seasoning (years) - unsecured	4.4*	6.7*	2.5*	3.5*	4.5	2.7*	4.6*	3.9*	3.1*	2.9*	3.2*	6.4*	3.2	3.5	4.8*	N/A	N/A
WA LTV buckets (% or secured																	
bucket [0-25]	3.5	2	3.8	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]	9.2	4.9	11.7	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]	12.6	5.4	12.9	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]	14.8	8.5	10.7	14.9	17.9	16.3	14.9	13.9	16	15.1	15.8	20.4	13.9	18.1	17.0	N/A	19.6
bucket [100-125]	9.5	6.8	12	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]	6.9	8.6	8	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]	6.9	4.8	8.3	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]	4.7	5.2	3.3	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	31.9	53.9	29.5	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)	2.0	2.7	1.2	1.3	3.1	2.2	4	2.7	7.2	24	8.5	18.3	0.5	3.2	N/A	N/A	2
Loan types (% of total GBV)																	
Secured first-lien	50.5	41.0	39.4	53.9	57	67.2	39.9	43.1	30.4	70	53.1	56.1	67.3	70.6	41.6	53.6	66.4
Secured junior-lien	5.6	8.2	9.0	8.8	2.5	2.1	6.7	9.6	2.4	0.9	0	0.6	8.1	1		2.5	7.6
Unsecured	43.9	50.8	51.6	37.3	40.5	30.8	53.4	47.3	67.2	29.1	46.9	43.3	24.6	28.4	58.4	43.9	26.0
Syndicated loans	0	0	0	3	2.2	0.5	1.1	1		6.1	3.8	3.3	1.8	1.4	5.7		
Debtors (% of total GBV)																	
Individuals	14.7	12.0	13.2	22.9	16.4	25.6	17	18.9	3.4	14.3	26.4	24.4	9.9	28.4	19	12	12.7
Corporates or SMEs	85.3	88.0	86.8	77.1	83.6	74.4	83	81.1	96.6	85.7	73.6	75.6	90.1	71.6	81	88	87.3
Procedure type (% of total GBV)																	
Bankrupt	71.7	82.2	72.7	56.6	44	13.2	49.5**	53.4	71.5	62.7**	29.3	39.1	55.0	49.4	36.6	46.5	57.6
Non-bankrupt	20.3	17.8	27.3	43.4	56	86.8	50.5	46.6	28.5	37.3	70.7	60.9	45.0	50.6	63.4	53.5	42.4
Borrower concentration (% of GBV)																	
Top 10	5.4	9.1	22.6	7.3	8	6.5	1.9	8.6	8.6	6.7	3.6	8	8.3	1.8	2.1	28.2	13.4
Top 100	20.3	24.2	45.5	26.4	26.5	26.9	10.4	31	34.4	29	18.1	27.7	39.5	9.1	9.5	69	42.4
Collateral distr. (% of appraisal val.)																	
North	71.1	48.8	79.3	20.9	48.5	0.3	57.9	98	43.9	72.4	43.5	1.3	58.5	67.8	35.9	18.3	61.6
Centre	17.4	23.6	12.3	36.3	8.1	0	19.2	0.4	34.8	19.5	51.3	11.5	18.4	20.7	36	14.1	14.6
South	11.4	27.6	8.3	42.9	43.4	99.8	22.9	1.6	21.3	8.1	5.2	87.4	23.1	11.4	28.1	67.6	23.8
Collateral type (% of appraisal val.)																	
Residential	41.6	41.9	40.6	41.7	33.9	57.8	57.3	46.7	29.2	39.3	44.4	51.3	43.4	54.8	28.2	43	32.6
Commercial	9.5	9.6	7.2	27.4	19.5	18.4	16.2	15.4	19.5	29.5	24.6	23.7	22	15.4	71.8	40	32.4
Industrial	5.3	7.2	17.3	16.2	15	9.6	14.8	21.8	32.4	11.2	10.5	11.3	15.3	9.4			23.2
Land	16.2	8.8	14.7	8.6	10.6	9.3	7.9	10.1	4.8	13.7	6.6	6.2	0.0	8.6		18	8.7
Other or unknown	27.5	32.5	20.2	6.1	21	4.9	3.9	6	14.1	6.3	13.9	7.6	19.3	11.8			3.4
Valuation type (% of appraisal val.)																	
Full or drive-by	32.3	31.4	21.4	45.5	48.3	60.5	16.9	58.3	10.2	68.4	79.5	38.8	96.1	74	10	96.31	70.8
Desktop	31.7	36.1	35.7	13.8	34	33.3	69.2	18.5	3.6	5.4	12	40	1.2	14.5	65		4.0
CTU	5.5	0.0	7.7	26	11	3.1	10.4	0	13.4	12.1	8.5	20.5	2.7	11.5	15	3.69	23.6
Other	30.5	32.5	35.2	14.7	6.7	3.1	3.5	23.2	72.8	14.1		0.6	0	0	10	0	0.5
Secured ptf proc. stage (% of GBV)																	
Initial	65.5	52.4	68.5	44.6	52.5	49.7	65	60.9	54.9	73.6	75.6	61.2	66.6	64.4	52.6	55.5	36.1
CTU	10.0	0.0	5.7	31.7	13.7	28.8	12.2	10.3	11.8	11	6.3	18.3	23.4	9.1	5.4	14.2	10.7
Auction	16.6	38.3	22.9	20.7	28.5	10.9	22.5	27.5	30.8	11.5	16.9	20.5	4.7	21.3	35.2	26.5	36.4
Distribution	8.0	9.3	2.4	3	5.4	10.7	0.3	1.3	2.5	3.8	1.2	0	5.5	5.2	6.7	3.8	16.8
Summary of assumptions (BBB rating conditional stress)																	
Remaining lifetime recovery rate (%)																	
Secured (=net LTV after all stresses)	51.8	36.7	52	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	10.2	7.3	13.2	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	**31.2**	**19.4**	**28.3**	**38.6**	**39.1**		**35.5**	**33.7**	**24.1**	**39.6**	**41.4**	**41.8**	**40.6**	**48.0**	**0**	**33.1**	**47.1**
Weighted average life of collections																	
Secured	8.0	8.2	7.1	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	4.5	5.2	4.6	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	**7.5**	**6.4**	**6.4**	**6.9**	**6.1**	**6.8**	**6.3**	**6.1**	**5.1**	**7.8**	**6.4**	**6.9**	**7.9**	**6.6**	**N/A**	**N/A**	**4.6**
Structural features																	
Liquidity reserve (% of class A notes)	4	4	4	4	5	7.5	4	4	4	5	4.05 (% of A and	4.9 (% of A and	5.0	4.375 (% of A	3.5	4.0	4.0
Class A Euribor cap strike	0.25%-1.5%	0.5%	0.3%	0.5%-2.5%	0.3	0.1%-2.0%	0.5%-2.5%	0.5%-3.0%	0.8%-2.5%	0.5%-2.5%	0.3% -1.25%	0.3% -1.25%	0%-0.1%	0.5%-2.0%	0.5-3.0%	0.10%	0.50%
Class A																	
% of GBV	19.5	12.4	18.2	27.0	26.16	24.4	22.9	24.5	14.2	27	28.8	22.2	30.5	32.5	12.1	25.3	33.0
Credit enhancement	80.5	87.6	81.8	73.0	73.84	75.6	77.1	75.5	85.8	73	71.2	77.8	69.5	67.5	87.9	74.7	67.0
Class B																	
% of GBV	3	3	3.1	3.2	3.02	2.6	2.2	3.5	2.9	3	3	1.2	4.0	3	3.5	3.1	3.0
Credit enhancement	77.5	84.6	78.7	69.8	70.82	73	75	72	82.9	70	68.2	76.6	65.5	64.5	84.4	71.6	64.0
Final rating																	
Class A	BBB	BBB	BBB-	BBB	BBB-	BBB	BBB	BBB	BBB+	BBB-	BBB	A-	BBB-	BBB	BBB+	BBB	BBB-
Class B	NR	NR	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.
***Juliet, Credito Fondiario, Italfondiario, Prelios.

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

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