POP NPLs 2018 S.r.l.

Italian Non-Performing Loans ABS

Ratings

Tranche	Rating	Size (EUR m)	% of notes	% of GBV[1]	Coupon	Final maturity
Class A	BBB_{SF}	426.00	86.6	27.0	6m Euribor[2] + 0.3%	December 2033
Class B	B_{SF}	50.00	10.2	3.2	6m Euribor + 6.0%[3]	December 2033
Class J	NR	15.78	3.2	1.0	6m Euribor + 10% + VR	December 2033

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 1,578m)

[2] 6m Euribor for class A is capped at: i) 0.5% starting from April 2019; ii) 1.0% starting from April 2021; iii) 1.5% starting from April 2023; iv) 2.0% starting from April 2025; and v) 2.5% starting from April 2027.

[3] Class B interest component is senior to class A principal repayment and capped at 6%, with the residual component deferred to the class A principal repayment.

Transaction details

Purpose	Risk transfer
Issuer	POP NPLs 2018 S.r.l.
Originators	17 Italian banks (La Cassa di Ravenna S.p.A., Banco di Lucca e del Tirreno S.p.A., Banca di Imola S.p.A., Credito di Romagna S.p.A., Banca Popolare del Lazio S.c.p.A., Banca di Piacenza Soc. Coop. per Azioni, Banca Popolare Pugliese S.c.p.A., Banca Popolare di Fondi S.c., Banca Popolare del Frusinate S.c.p.A., Banca Popolare del Cassinate S.c.p.A., Banca Popolare di Puglia e Basilicata S.c.p.A., Banca Popolare di Cortona S.c.p.A., SanFelice 1893 Banca Popolare S.c.p.A., Banca Popolare Valconca S.p.a., Banca Popolare Sant'Angelo S.c.p.A., Cassa di Risparmio di Orvieto S.p.A., Banca Popolare di Bari S.c.p.A.)
Servicer	Cerved Master Services S.p.A. (CMS) and Cerved Credit Management S.p.A. (CCM) as master and special servicer
Portfolio cut-off date	31 December 2017
Issuance date	16 November 2018
Payment frequency	Semi-annual (April and October)
Co-arrangers	J.P.Morgan Securities plc and Banca Popolare di Bari

The transaction is a static cash securitisation of an Italian NPL portfolio worth around EUR 1,578m by gross book value. The portfolio was originated by 17 Italian banks (the aforementioned originators). The pool is comprised of both secured (53.9%) and unsecured (46.1%) loans; the proportions indicated are based on our adjusted pool balance, as explained in the 'Transaction summary' section below. The loans were extended to companies (77.1%) and individuals (22.9%). Secured loans are backed by residential and non-residential properties (41.7% and 58.3% of the property value, respectively) with some concentration in non-metropolitan areas located in the south of Italy (30.6%) and the centre (26.9%). The issuer acquired the portfolio at the transfer date (31 October 2018), but is entitled to all collections received from the cut-off date (31 December 2017).

The capital structure comprises three classes of notes with fully sequential principal amortisation: senior class A, mezzanine class B, and junior class J. Class B interest payments ranking senior to class A principal are capped at 6%, while the residual interest component is fully deferred to class A principal repayment. The senior component of class B interest will be subordinated to class A principal repayment if the cumulative amount of collections is at least 10% below the level indicated in the servicer's business plan or if the present value cumulative profitability ratio falls below 90%. Class J principal and interest are subordinated to the repayment of the senior and mezzanine notes.

The transaction may involve the participation of a Real Estate Operating Company (ReoCo).

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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 driven by collection amount and timing assumptions for the NPL portfolio, which incorporate rating-conditional stresses and Scope's economic outlook for Italy. The ratings are supported by the structural protection provided to the notes by the absence of equity leakage provisions, by the liquidity available in the structure, and by an interest rate hedging agreement.

The ratings incorporate the potential involvement of a ReoCo, a feature which does not materially affect the ratings. When assessing this feature, we considered the alignment of interests between the ReoCo and the issuer, as well as the potential exposure of the issuer towards the ReoCo. We will monitor the involvement of a ReoCo entity, its operativity and its impact on the ratings over time.

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

We performed a specific analysis for recoveries, using different approaches for secured and unsecured exposures. For secured exposures, collections were based mostly on the latest property appraisal values, which were stressed to account for liquidity and market value risks, while recovery timing assumptions were derived using line-by-line asset information detailing the type of legal proceeding, the court issuing the proceeding, and the stage of the proceeding as of the cut-off date. For unsecured exposures, we used historical line-by-line market-wide recovery data on defaulted loans between 2000 and 2017 and considered the capability of the special servicer when calibrating lifetime recoveries, also considering that unsecured borrowers were classified as defaulted for a weighted average of 3.5 years as of the 31 December 2017 cut-off date.

Rating drivers and mitigants

Positive rating drivers

Borrower type. The portfolio share of individual borrowers is high compared to peer NPL transactions rated by Scope (22.9%).

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

Pool audit. The pool audit reported a low level of errors in comparison with other peer transactions. The sample was chosen in such a way that at least some loans are audited for each bank.

Hedging structure. Interest rate risk is mitigated by a hedging structure, which caps the six-month Euribor rate at 0.1% over a pre-defined notional balance. However, the swap notional schedule does not fully hedge the expected class A amortisation profile.

Negative rating drivers and mitigants

Geographical concentration. The portfolio is concentrated in the non-metropolitan areas of southern and central Italy. These areas do not benefit from the most dynamic economic conditions in the country or from the most efficient tribunals.

High share of borrowers in bankruptcy or with no proceedings. We expect a weighted average recovery timing of 6.9 years, which is relatively high compared to peer transactions rated by Scope. The longer timing assumption is mainly due to the high share of borrowers either in bankruptcy with no ongoing legal proceedings, or with legal proceedings in the initial stage. Compared with non-bankruptcy proceedings, bankruptcies typically result in lower recoveries and take longer to be resolved.

Upside rating-change drivers

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

Servicer outperformance regarding recovery timing. Consistent servicer outperformance in terms of recovery timing and the total amount of collections could positively impact the ratings. Portfolio collections will be completed over a weighted average period of 4.8 years according to the servicer's business plan. This is about 24 months faster than the recovery weighted timing vector applied in our analysis.

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.

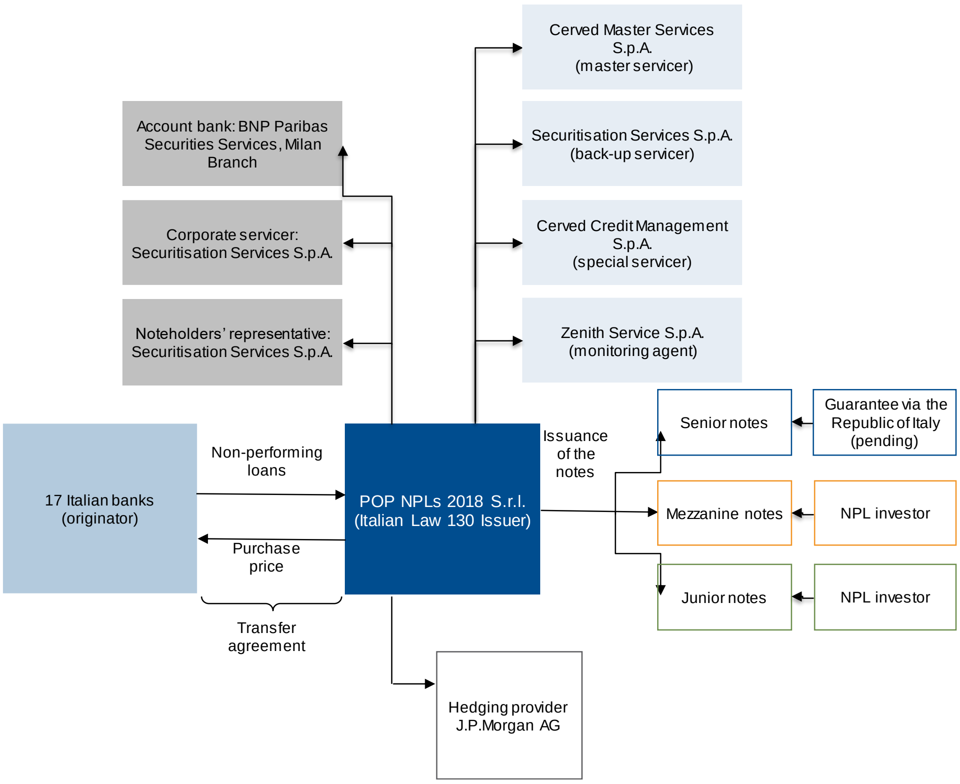
ReoCo. The introduction of a ReoCo structure which differs significantly to the structure currently proposed in the transaction documents (especially in terms of the investment limit and ReoCo waterfall) could negatively affect the ratings.

Table of contents

1. Transaction summary

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

Figure 1: Transaction diagram:



Sources: Transaction documents and Scope Ratings.

We adjusted the pool's gross book value using information on collections and sold properties since the 31 December 2017 cut-off date. The analysis excluded portfolio loans which we 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 from EUR 1.578m to EUR 1.509m by gross book value. 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. All stratifications and figures in this report include these adjustments, unless otherwise specified.

Our analysis is performed on a loan-by-loan level, considering all the information provided to Scope 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

	All	Secured	Unsecured
Number of loans	17,093	3,401	13,692
Number of borrowers	6,578		
Gross book value (EUR m)	1,509,838,837	813,288,211	696,550,626
% of gross book value	100%	53.9%	46.1%
Weighted average seasoning	2.9	2.4	3.5
Sum of collateral appraisal values (EUR m)		1,724,777,141	
Borrower type (% of GBV)			
Corporate	77.1%	74.4%	80.4%
Individual	22.9%	25.6%	19.6%
Primary procedure*			
Bankrupt borrower	56.6%	46.3%	69.0%
Non-bankrupt borrower	43.4%	53.7%	31.0%
Stage of procedure (secured loans)			
Initial		44.6%	
Court-appointed valuation (CTU)		31.7%	
Auction		20.7%	
Distribution		3.0%	
Geography (GBV based on borrower location)			
North	26.4%		
Centre	51.4%		
South and islands	22.2%		
Borrower concentration			
Top 10	7.3%		
Top 100	26.4%		
Property type			
Residential		41.7%	
Non-residential		58.3%	

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

2. Macroeconomic environment

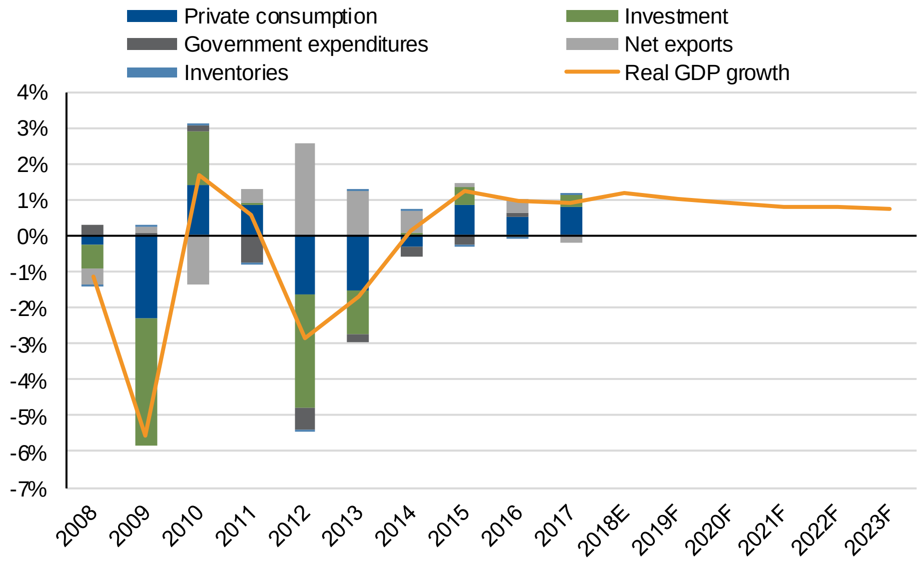
Gradual property price recovery despite economic challenges

Our portfolio recovery amount and timing expectations reflect our expectation of a gradual recovery of Italian real estate prices and progress in delivering structural reforms, despite weak medium-term economic growth potential. The cyclical recovery from current trough levels 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 the trajectory of Italy's public debt given weak medium-term growth potential of 0.75% alongside the new government's plans to roll back reform, 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

In its July 2018 World Economic Outlook Update, the IMF revised Italy's 2018 growth forecast down to 1.2% from 1.5% and revised its 2019 expectations to 1.0% from 1.1%. 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 155% of GDP as of Q1 2018, comparing favourably with euro-area peers.

Weak long-term growth prospects

While the cyclical rebound exceeded IMF expectations, long-term growth prospects remain weak. The medium-term IMF forecast[1] remained at 0.8% in the July 2018 World Economic Outlook. Italy's production capacity fell in the aftermath of the global financial crisis. Industrial production volumes stood at 81% as of June 2018. This contrasts with the full recovery in Germany's industrial production post-crisis.

The drop in industrial production capacity reflects the vulnerabilities in 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.

Unemployment continues to gradually drift downward from its 2014 peak (13.1% in November 2014) and was 10.4% as of July 2018. Wage growth has picked up 2.0% YoY as of July 2018. However, inflation remains modest at 1.7% YoY in August 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 continued to contract by 1.9% YoY in June 2018.

[1] Referring to the IMF's July 2018 World Economic Outlook forecast for 2023 growth

3. Portfolio analysis

Rating-conditional recovery assumptions

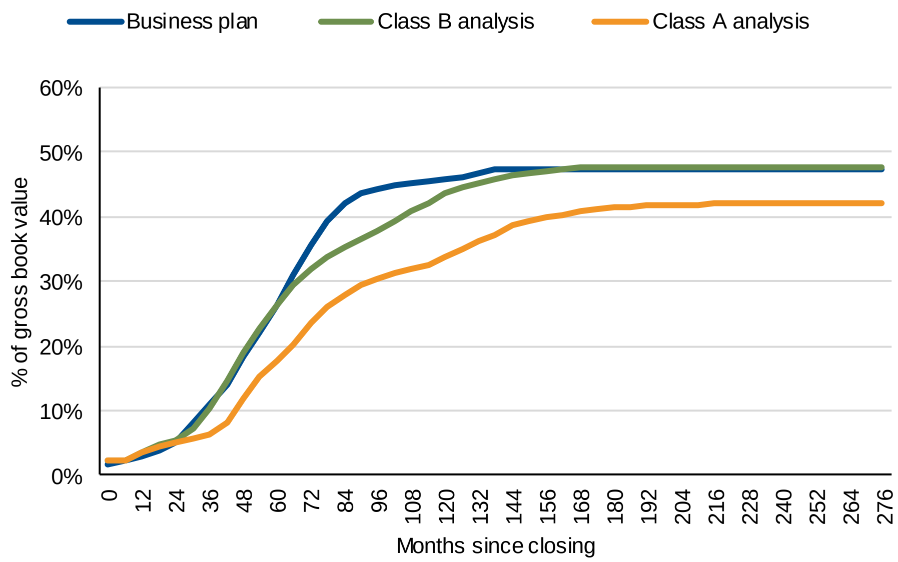
Figure 4 compares our lifetime gross collections and recovery timing assumptions for the entire portfolio with those from the servicer's business plan. We applied rating-conditional recovery rates (i.e. assumed expected recoveries decrease as the instrument's target rating increases). These assumptions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

Our assumptions reflect significant recovery timing stresses

For the class A notes analysis, we assumed a gross recovery rate[2] of 38.6% over a weighted average life of 6.9 years. By segment, we assumed a gross recovery rate of 61.8% for the secured portfolio and of 10.9% for the unsecured portfolio.

For the analysis of the class B notes, we assumed a gross recovery rate of 44.4% over a weighted average life of 5.8 years. By portfolio segment, we assumed a gross recovery rate of 70.7% and 13.1% for the secured and unsecured portfolios, respectively.

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



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

Figures 5 shows our lifetime gross collections vectors for the secured[4] portfolio segment compared to those in 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), by the type of legal proceeding and by the stage of the proceeding. Our analysis also captures concentration risk, the servicer's business plan, and available workout options.

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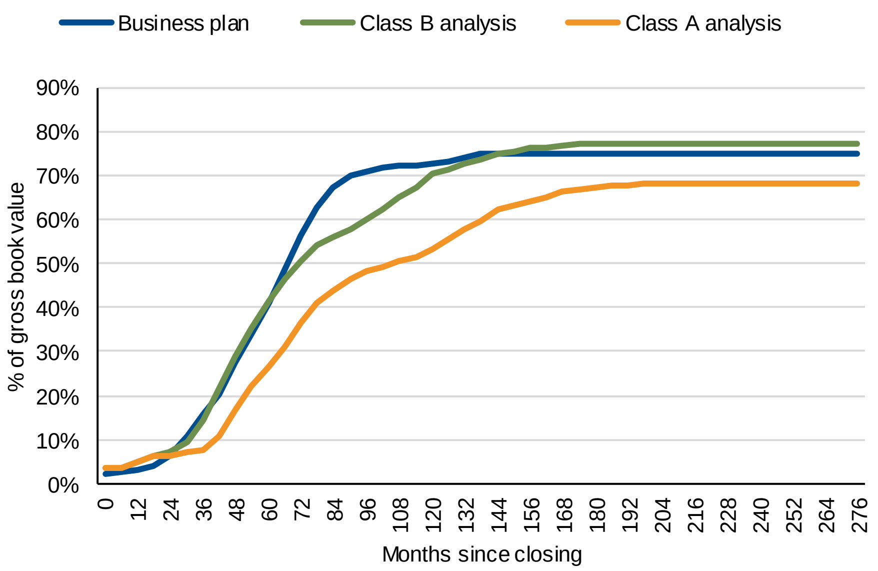
[2] The reported recovery rate excludes ad interim collections and cash-in-court amounts.

[3] The recovery rate is calculated based on the adjusted gross book value resulting from our analysis and outlined in the 'Transaction summary' section. The recovery rates include ad interim collections and cash-in-court amounts. This is to facilitate a direct comparison between our analysis and the servicer's business plan figures.

[4] We define as secured those loans which are guaranteed by at least a first lien mortgage, based on a loan-by-loan analysis.

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



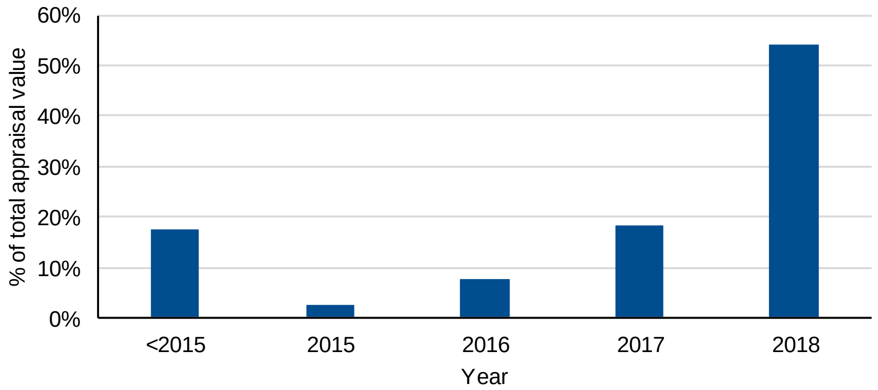
Sources: Special servicer's business plan and Scope Ratings

3.1.1. Appraisal analysis

Positive credit given to the quality of property appraisals

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

Figure 6: Collateral valuation dates



Source: Transaction data tape

We view positively the drive-by valuations made for 45.5% of the portfolio's collateral appraisals. The remainder is mainly composed of CTU[7] valuations (26%), desktop (13.8%), statistical and third parties valuations (14.7%) to which we applied rating-

[5] Note that the servicer's business plan recoveries were classified as secured if they were guaranteed by at least a first lien mortgage, otherwise they were defined as junior secured and the relevant recoveries incorporated under the unsecured bucket as reported in Figure 11.
[6] The recovery rate is calculated based on the adjusted secured gross book value resulting from our analysis (outlined in the 'Transaction summary' section) and includes ad interim collections and cash in court amounts.
[7] Valuations carried out by the "Consulente tecnico d'ufficio".

conditional haircuts ranging from 10% to 5%, reflecting our view of their lower levels of quality and accuracy due to the simplified procedures.

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
Drive-by	45.5	0%	0%
Desktop	13.8	5%	4%
CTU	26.0	10%	8%
Other/statistical	14.7	5%-10%	4%-8%

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

3.1.2. Property market value assumptions

Moderate market downturn risk

Figure 8 details our assumptions about property price changes over the transaction's lifetime when applying rating-conditional stresses for the analysis of the class A and class B notes. These assumptions are transaction- and region-specific and are based on an analysis of historical property price volatility and 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	Bari	Others	Metropolitan cities	Rest of provinces
Class A analysis	-4.6	-4.6	-5.4	-4.6	-8.0	-6.7	-8.9	-6.7	-6.7	-8.9	-7.6	-11.0	-9.7	-11.0
Class B analysis	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Portfolio distribution (%)	0.4	0.1	0.4	3.7	0.1	16.2	9.0	0.4	26.9	1.4	8.3	26.8	2.6	3.8

3.1.3. Collateral liquidity risk

High NPL collateral liquidity and obsolescence risk

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

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

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

Collateral type	% of collateral value	Class A analysis haircut	Class B analysis haircut
Residential	42%	25%	20%
Non-residential	58%	30%	24%

3.1.4. Concentration and seismic risks

Limited borrower concentration risk

We addressed borrower concentration risk by applying a 10.0% rating-conditional recovery haircut to the 10 largest borrowers for the analysis of the class A notes. The largest 10 and 100 borrowers account for 7.3% and 26.4% of the portfolio's gross book value, respectively, which is aligned with the average compared to peer transactions rated by Scope. We did not apply any concentration stress for the analysis of the class B notes.

Limited seismic risk

The portfolio is not concentrated in zones with the highest seismic level[8]. Only 4% of the total exposures are located in those areas, equivalent to around EUR 65m in gross book value.

The portfolio was originated by 17 different banks. As a result, exposures are distributed across several regions of Italy from north to south (this is also reflected in the distribution of the portfolio per zone of seismic risk). The impact of an earthquake event is likely to affect a few specific municipalities, and therefore only a residual portion of the portfolio. Also, the low probability of an earthquake impacting several municipalities at the same time with the same intensity mitigates seismic risk.

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 in a scenario in which secured creditors are not fully satisfied after the enforcement of the security, expected recoveries for unsecured creditors will be close to zero[9]. 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.

Tribunal efficiency is low compared to average court times in northern regions

Courts' distribution is skewed towards central and southern regions of Italy

The total length of the recovery processes is mainly determined by the efficiency of the assigned court and by the type of legal proceeding. To reflect this, we grouped Italian courts into seven categories, based on public data on the average length of bankruptcy and foreclosure proceedings between 2015 and 2017, as shown in Figure 10 below. Most courts are concentrated within groups 2 to 4 which are reasonably distributed across all Italian regions, with a higher concentration for court group 3 (see Figures 14 and 15 for transaction-specific details).

[8] Zones classified as '1' based on the 'Classificazione sismica al 2015' of the Dipartimento della protezione civile-ufficio rischio simico e vulcanico
[9] 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 analysis of the class A notes, a rating-conditional stress was applied for both bankruptcy and non-bankruptcy procedures (2 and 1 years were respectively added to the total legal procedures' length). While for the analysis of the class B notes, the rating-conditional stress was reduced to 0.

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	2	13.0%
2	6	3	18.4%
3	8	4	38.6%
4	10	5	19.0%
5	12	6	9.2%
6	14	7	1.2%
7	18	9	0.7%

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

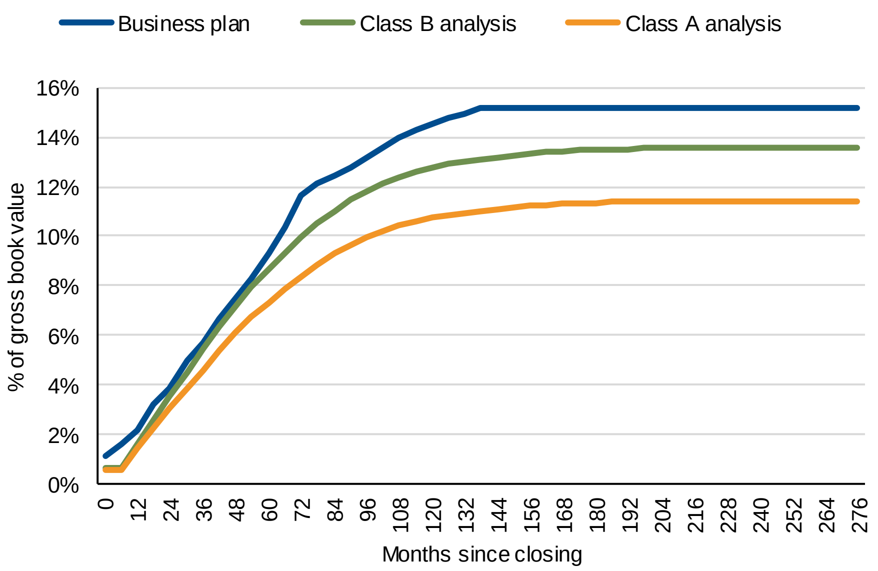
3.2. Analysis of unsecured portfolio segment

Unsecured portfolio analysis is based on statistical data

Figure 11 shows our gross collections vectors for the unsecured[10] portfolio segment compared to those in the servicer's business plan. Our base case recovery amount and timing assumptions were based on loan-by-loan data with recoveries for different types of unsecured loans. We also considered data for unsecured loans received by the servicer together with the information obtained during the servicer reviews. For the analysis of the class A notes, we applied a stressed recovery rate of 10.9%, while for the analysis of the class B notes we applied a stressed recovery rate of 13.1%. The lack of strong alignment with the servicer's recovery curve is partially driven by the different classification of the exposures in terms of secured and unsecured loans. 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 the fact that unsecured borrowers in the portfolio are classified as having defaulted for a weighted average of 3.5 years as of closing

[10] We define as unsecured those loans which are 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[11] loans gross cumulative recoveries vs Scope's assumptions[12]



Sources: Special servicer's business plan and Scope Ratings

4. Portfolio characteristics

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

4.1. Eligible loans

Customary eligibility criteria

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

- All loans are denominated in euros;
- All loans agreements are governed by Italian law;
- Borrowers have been reported by the originator as defaulted (in sofferenza) to the Italian Credit Bureau (Centrale Rischi) of the Bank of Italy as of the closing date;
- Loans' residual debt in terms of capital, as of the cut-off date, is not higher than a specific threshold;
- As of the cut-off date, borrowers are: i) individuals residing or domiciled in Italy; and ii) entities incorporated under Italian law with a registered office in Italy;
- Loans secured by mortgages are backed by real estate assets located in Italy;
- Borrowers are not employees, managers or directors of the originator;
- Borrowers are not banks and/or other financial institutions.

[11] Note that in the servicer's business plan recoveries are classified as unsecured (in comparison with our analysis) if they are defined as unsecured or junior secured.
[12] The recovery rate is calculated based on the adjusted secured gross book value resulting from our analysis and outlined in the 'Transaction summary' section, including ad interim collections amounts.

4.2. Detailed stratifications

4.2.1. Borrower type

High share of individuals as borrowers is credit positive

Corporates and individuals represent 77.1% and 22.9% of the pool, respectively. The share of individual borrowers is higher than for peer transactions rated by Scope. This is credit positive, mainly due to the greater probability of achieving recoveries related to residual claims from individuals after security enforcement (see previous section).

The portfolio comprises a relatively large amount of first-lien secured loans (53.9%). We assumed that recovery proceeds from junior-lien secured loans will be the same as for unsecured claims.

Figure 12: Borrower type

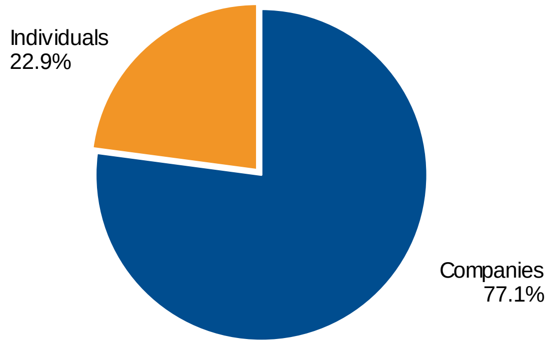
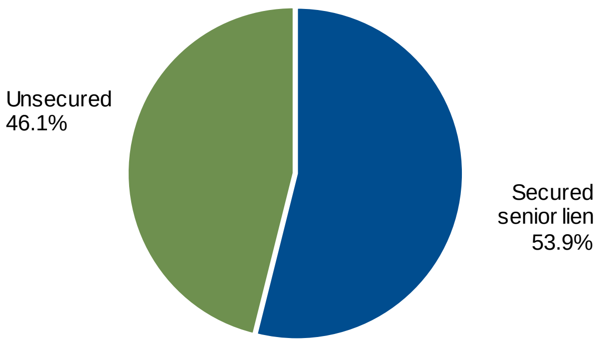


Figure 13: Loan type



Sources: Transaction data tape; calculations by Scope Ratings

4.2.2. Geographical distribution

Geographic concentration in central and southern Italy is credit negative

The portfolio is highly concentrated in the central and southern regions of Italy (considering all the relevant areas, i.e. metropolitan and non-metropolitan) with 79.2% of the properties' appraisal values located in those areas.

Specifically, borrowers' properties are concentrated in non-metropolitan areas located in the south of Italy (30.6%, including non-metropolitan areas on the islands) and the centre (26.9%).

Our analysis factors in the impact that potentially weak economic performance may have on property prices. This element, along with slow court resolution timelines due to the portfolio's geographical concentration, may affect the realisation of value for the properties securing the loans.

Multi-originator portfolio nature mitigates seismic risk

Seismic risk may also influence the realisation of value for the properties securing the loans. A seismic event would result in property depreciation and would compromise an unsecured borrower's ability to make financial repayments. The portfolio is not insured against seismic risk. However, exposure to seismic risk is mitigated by the geographical distribution of the properties across several regions in Italy, due to the multi-originator nature of the portfolio.

Figure 14: Collateral location

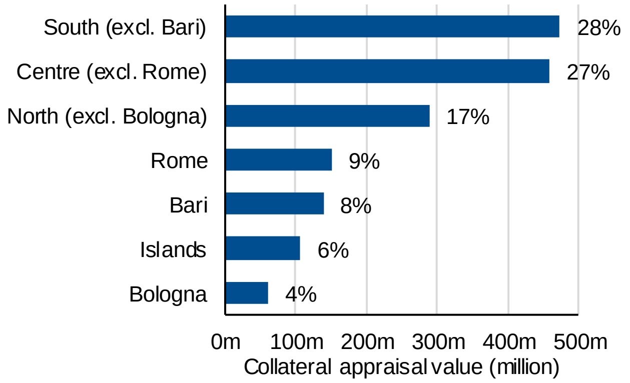
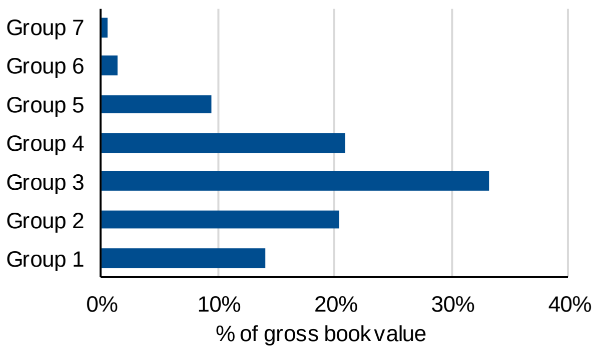


Figure 15: Court group distribution of secured loans



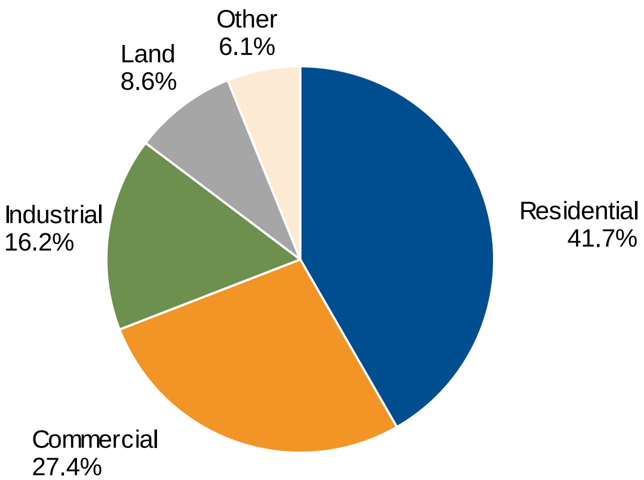
Sources: Transaction data tape; calculations by Scope Ratings

4.2.3. Collateral type

Higher share of non-residential properties than residential

The portfolio's collateral is composed of residential (41.7%), commercial (27.4%), industrial (16.2%), land (8.6%), and other non-residential (6.1%) assets. The portfolio has a higher share of non-residential properties than peer transactions rated by Scope, with a high concentration of commercial assets, such as warehouses and shops.

Figure 16: Distribution by type of collateral



Sources: Transaction data tape; calculations by Scope Ratings

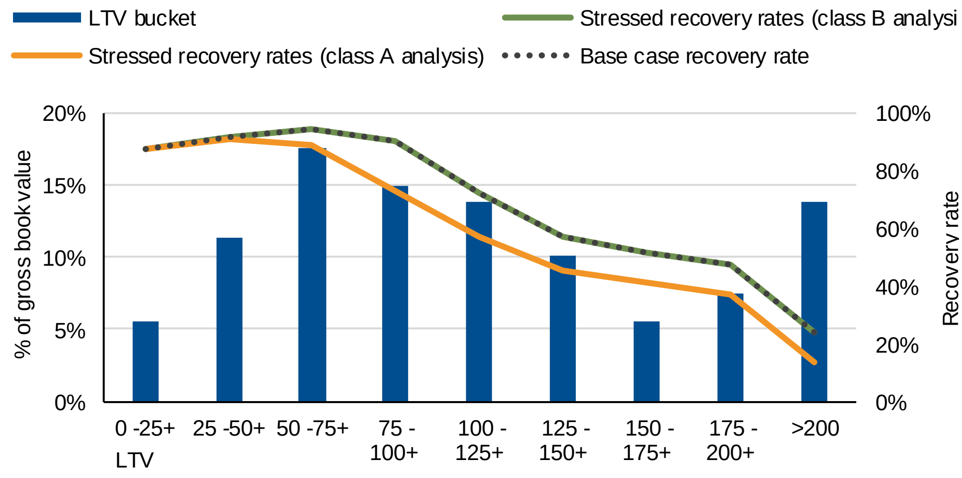
4.2.4. Collateral valuations and Scope's specific recovery rate assumptions

Recovery rate assumptions reflect portfolio's LTV distribution

Figure 17 shows the secured loans' distribution by loan-to-value (LTV) bucket as well as our recovery rate assumptions for each LTV bucket (under our rating-conditional stresses applied for the analysis of the class A and class B notes). This results in a weighted average recovery rate for the secured loans of: i) 61.0% under the class A rating-conditional stress; and ii) 70.7%% under the class B rating-conditional stress.

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

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



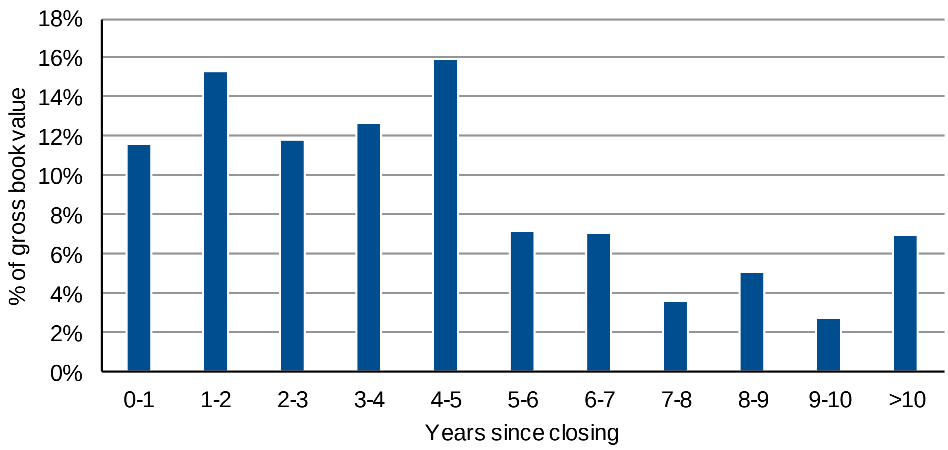
Sources: Transaction data tape; calculations by Scope Ratings

4.2.5. Loan seasoning

Half of the unsecured portfolio has less than four years of seasoning

The weighted average time between default and the closing date is around 3.5 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, being defaulted less than four years after the closing date.

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



Sources: Transaction data tape; calculations by Scope Ratings

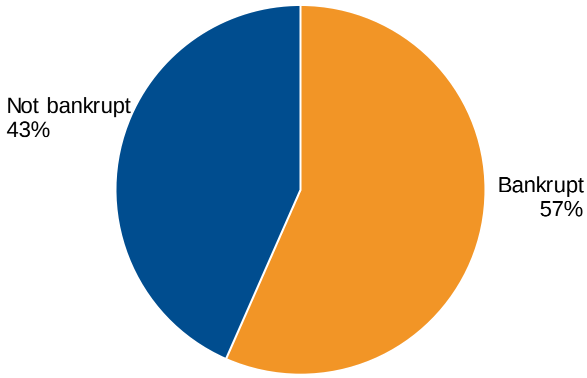
4.2.6. Borrower status

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

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 getting borrowers to start remitting payments.

Figure 19: Borrower status assumptions



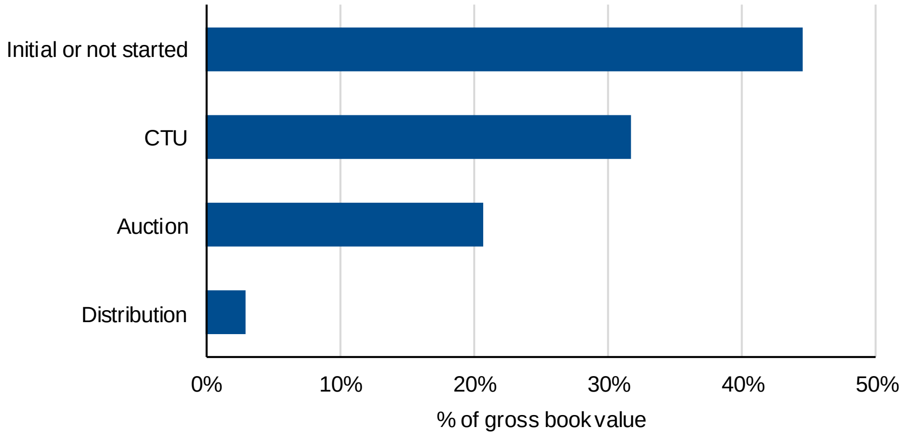
Sources: Transaction data tape; calculations by Scope Ratings

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 stages (i.e. not yet started, in an initial phase or envisaging CTU participation), which partly explains the relatively long expected weighted average life of portfolio collections. Figure 20 below shows the stage of legal proceedings in relation to secured loans.

Figure 20: Secured recovery stage by borrower status



Sources: Transaction data tape; calculations by Scope Ratings

5. Key structural features

5.1. Combined priority of payments

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

1. Servicer fees and other issuer counterparty fees, taxes and transaction expenses
2. Interest on the limited-recourse loan
3. GACS premium, provided the GACS guarantee is in place
4. Replenishment of recovery-expense reserve
5. Interest on class A notes
6. Any other amounts payable under the GACS guarantee

7. Cash reserve replenishment
8. Principal on the limited-recourse loan
9. Interests on class B notes (capped at 6.0%) 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 mezzanine deferred servicer performance fees, if any
13. Interests on class J notes
14. Principal on class J notes, junior deferred servicer performance fees, if any
15. Any residual amount as class J variable return

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

Class B interest payments will be fully deferred if a) the cumulative collection ratio[13] falls below 90% of the servicer's business plan targets, or b) the present value cumulative profitability ratio[14] falls below 90%. These trigger levels protecting the Class A notes are aligned (in the upper band) with peer transactions rated by Scope, as of November 2018.

Under the recovery stresses applied for the analysis of the class A notes, we assumed that the trigger would be breached on the fifth interest payment date and that it would remain breached during most of the transaction's life, providing a significant benefit to class A noteholders.

If at any time during the transaction's life none of the triggers are breached, all class B interest amounts due and unpaid at the preceding payment dates will be paid senior to class A principal.

Scope's ratings do not address the GACS guarantee

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

Non-timely class A interest payment would trigger accelerated waterfall

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

The servicer will be entitled to: i) an annual base fee ranging from 0.02% to 0.10% of the outstanding portfolio's gross book value; ii) a performance fee on secured exposures, ranging from[15] 5.0% to 8.0% of collections net of legal costs; and iii) a performance fee on unsecured exposures, ranging from 8.0% to 12.0% of collections net of legal costs. Servicer fees are calculated and payable at each payment date.

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

[14] 'Present value cumulative profitability ratio' is defined as the ratio between: i) the sum of the present value (calculated using an annual rate of 5%) of the net collections for all receivables relating to closed positions (relative to an exhausted debt relationship: i.e. either having been collected in full or sold or written off or for any other reason); and ii) the sum of the target price (based on the servicer's initial portfolio base case scenario in the business plan) of all receivables relating to closed positions.

[15] With a potential maximum additional component of +2.5%, qualified as a real estate network fee and related to auction facilitation activity (if any), pursuant to the satisfaction of specific conditions in the servicer agreement.

The precise level of applicable fees is subject to the type of workout process and the size of the exposure. Out-of-court settlements and lower tickets generally bear higher performance fees, relative to collection amounts. In our analysis, we assumed an average performance fee of 6.1% and 10.3% 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 a haircut will be applied to the fees. The servicer is therefore incentivised to maximise recoveries and comply with the initial business plan.

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[16]. 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 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 information to the monitoring agent, in the context of the surveillance activities of the latter; iv) an unremedied breach of obligations; v) an unremedied breach of representation and warranties; vi) the loss of legal eligibility to perform obligations under the servicing agreement, vii) repeated or severe violation of the privacy law. The servicer can also be substituted owing to its consistent underperformance beginning in the fifth collection period.

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 the 17 originators.

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

[16] This mitigation of operational risks would also prove relevant if the ReoCo structure is implemented, pursuant to the received documentation drafted as the ReoCo Framework Agreement.

The cash reserve will be available to cover any shortfalls in interest payments on the class A notes as well as any items senior to them in the priority of payments, provided that the GACS guarantee is not implemented. Following the implementation of the GACS guarantee, any liquidity shortfalls will primarily be covered by the guarantor, with the cash reserve mainly mitigating the time it takes 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 0.3% fixed margin on the class A notes and six-month Euribor plus an 6.0% fixed margin on the class B notes.

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

Cap notional does not fully mitigate interest rate risk

An interest rate cap agreement (with J.P.Morgan AG as the interest cap provider) partially mitigates the risk of increased liabilities on class A notes due to a rise in Euribor (see Figure 21). The base rate applicable to the class A notes will be capped to 0.5% on the interest payment dates starting from April 2019, to 1.0% from April 2021, to 1.5% from April 2023, to 2.0% from April 2025, and 2.5% from April 2027 and thereafter.

The 6% cap on class B interest payments ranking senior to class A principal provides another layer of protection against interest rate risk for the class A notes.

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 outstanding principal of the class A notes. For the analysis of the class A notes, we stressed the Euribor forward curve, as shown in Figure 21.

Figure 21: Interest rate cap class A

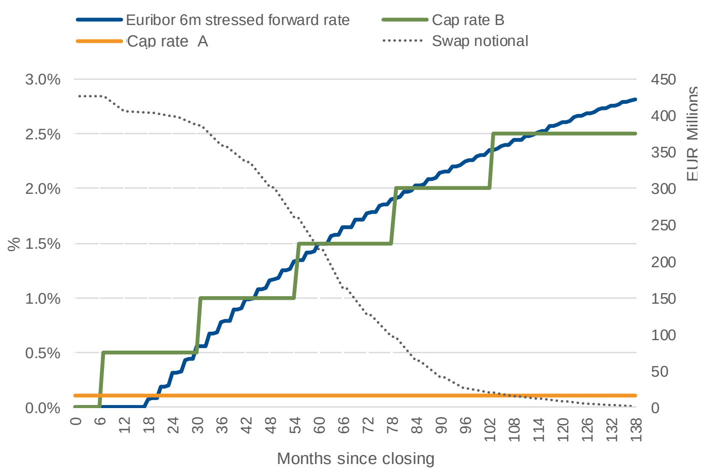
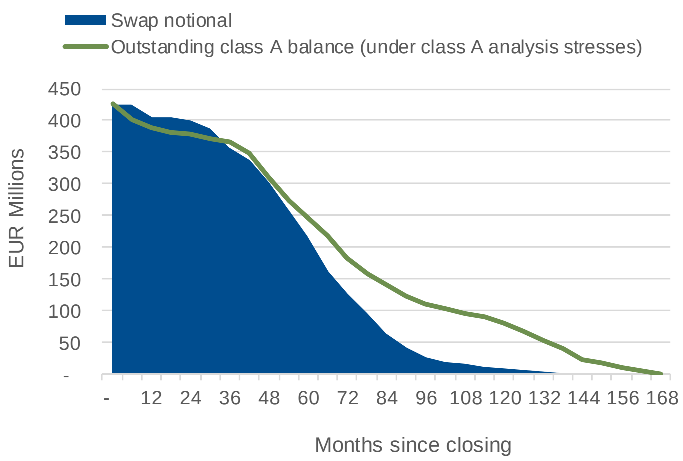


Figure 22: Cap notional vs outstanding class A notes



Sources: Transaction documents, Bloomberg and Scope Ratings

5.5. ReoCo structure[17]

A ReoCo structure could be implemented after closing

The transaction may involve the presence of a Real Estate Operating Company (ReoCo). After closing, the ReoCo framework may be activated by the mezzanine and junior noteholders.

The ReoCo would participate in the auction process, acquiring properties and re-selling them on the open market, with the aim of maximising recovery proceeds. The ReoCo would pay the auction price to the issuer only after the re-sale of the property.

ReoCo participation in the auction process should be formally requested by the special servicer (following the application of the relevant securitisation governance rules).

Maximum limit on the total outstanding exposure of the issuer towards the ReoCo for unpaid purchase prices

The ReoCo may invest allowing for certain constraints in terms of property values and natures. There is also a maximum limit on the total outstanding exposure of the issuer towards the ReoCo for unpaid purchase prices[18].

The ReoCo may receive financing to cover the costs related to its own operativity and to the properties' maintenance (i.e. capital expenditure). This financing may be provided by the mezzanine and junior noteholders or by a third party, outside the securitisation. The ReoCo woud have a specific timeframe within which to resell the acquired properties, not exceeding 36 months after the properties' acquisition date.

The ReoCo priority of payments would have, as most senior items, the payment of accrued and unpaid interests on the debt exposure resulting from the properties' acquisition, the payment of accrued and unpaid interests on the drawn financing, along with other expenses and the reimbursment of the financing amount pertaining to specific expenses. After that, the order of priority envisages the reimbursement/repayment of the debt exposure (resulting from the properties' acquisition) along with the reimbursment of the financing amount pertaining to specific expenses.

The other items are related to the reimbursement of the financing amount pertaining to capex and, after that, the payment of the residual debt exposures to the issuer along with special servicing fees.

6. Cash flow analysis and rating stability

Our cash flow analysis considers the structural features of the transaction

We analysed the transaction's specific cash flow characteristics. Asset assumptions were captured through rating-conditional gross recovery vectors. The analysis captures the capital structure, an estimate of legal costs equivalent to 9% of gross collections, servicing fees as described in section 5.2, and estimated issuer senior fees of EUR 200,000 annually. Scope's rating also addresses the cost of the GACS guarantee which, once implemented, was assumed to range between 1.25% and 4.37% of the outstanding class A notes' balance, in accordance with quotes provided to us. We took into account the reference rate payable on the notes, considering the cap rates and swap terms described in the previous section.

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

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

[17] Our ReoCo structure analysis is based on received documentation as per the Reoco Framework Agreement.
[18] The total outstanding exposure of the issuer towards the ReoCo applies if the properties are acquired either via 'Assunzione del Debito' or 'Art. 41 Cessione TUB'. The limits apply to new and total debt.

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.

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 10%, minus two notches.
- an increase in the recovery lag by one year, minus one notch.

We tested the resilience of the ratings against deviations from the main input assumptions, also with reference to the potential involvement of a ReoCo structure.

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, 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 Scope's rating of BNP Paribas SA, the parent of BNP Paribas Securities Services. We also considered eligible investment criteria in the transaction documents for cash amounts held by the issuer.

The transaction is mainly exposed to counterparty risk from the following counterparties: i) the originators, regarding representations and warranties and the eventual payments that may be made by the borrowers; ii) Cerved Credit Management and Cerved Master Servicer, as master and special servicer; iii) Securitisation Services, as the back-up servicer, corporate servicer, computation agent and representative of noteholders; iv) BNP Paribas Securities Services, as the issuer's account bank, agent bank, paying agent and cash manager; and v) JP. Morgan AG as the cap counterparty.

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

8.1. Servicer disruption risk

A servicer disruption event may have a negative impact on the transaction's performance. The transaction incorporates servicer-monitoring, 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 into an account held in the name of the issuer. In limited cases in which the servicer has received payments from a debtor, the servicer would transfer the amounts within two business days.

8.3. Claw-back risk

Limited claw-back risk

The originator has provided: i) a 'good standing' certificate from the Chamber of Commerce; ii) a solvency certificate signed by a representative duly authorised; and iii) a certificate from the bankruptcy court (tribunale civile – sezione fallimentare) confirming that the originator is not subject to any insolvency or similar proceedings. This mitigates claw-back risk, as the issuer should be able to prove that 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 that the sale price of the receivables exceeds the value of the receivables by more than 25% and the issuer is unable to demonstrate that 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 that the sale price of the receivables does not exceed the value of the receivables by more than 25% and the originator's insolvency receiver can demonstrate that the issuer was aware of the originator's insolvency.

8.4. Enforcement of representations and warranties

Representations and warranties limited by time and amount

The issuer will rely on the representations and warranties, limited by time and amount, provided by the originators in the transfer agreements. If a breach of a representation and warranty materially and adversely affects a loan's value, the originators may be obliged to indemnify the issuer for damages within 10 business days of the notification.

However, the above-mentioned guarantee is enforceable by the issuer only within 24 months after the date the transfer agreement was entered into. The total indemnity amount will be capped to a maximum of 30% of the portfolio purchase price. Furthermore, the indemnity amounts will be subject to a deductible of EUR 50,000 on a portfolio basis, and EUR 1,000 on a single-loan basis.

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

9. Legal structure

9.1. Legal framework

Transaction governed by Italian law

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

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

9.2. Use of legal opinions

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

10. Monitoring

Continuous rating monitoring

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

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

11. Applied methodology

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

I. Summary appendix – deal comparison

Transaction	POP NPLS 18	IBLA (Ragusa)	Maior SPV	Maggese	Juno 1	BCC NPLS 2018	2Worlds	4Mori Sardegna	Aragorn NPL 2018	Red Sea SPV	Siena NPL 2018	Bari NPL 2017	Elrond NPL 2017
Closing	Nov-18	Sep-18	Aug-18	Jul-18	Jul-18	Jul-18	Jun-18	Jun-18	Jun-18	Jun-18	May-18	Dec-17	Jul-17
Originators	17 Banks	Banca di Ragusa	UBI Banca	C.R. Asti, Biver	BNL	ICCREA	BPS, BDB	Sardegna	Creval	BPM	MPS	BPB, CRO	Creval
Master servicer	Cerved		Prelios	Prelios	Prelios	Prelios	Cerved	Prelios	Credito Fondiario	Prelios	CreditoFondiario	Prelios	Cerved
Special servicer	Cerved	Italfondiario	Prelios	Prelios	Prelios	Prelios	Cerved	Prelios	Fondiario	Prelios	J., IF., CF., P. ***	Prelios	Cerved
General portfolio attributes													
Gross book value (EUR m)	1,510	330	2,496	697	880	1,009	968	900	1,676	5,113	23,939	345	1,422
Number of borrowers	6,578	1,598	11,061	1,313	731	2,518	3,956	11,412	4,171	12,651	79,669	1,565	3,712
Number of loans	17,093	4,805	22,580	5,313	2,787	5,359	13,234	20,098	8,289	33,585	545,939	4,569	6,951
WA seasoning (years)	2.9*	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	3.5*	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]	5.5	2.8	10.3	2.1	3.5	4.3	2.8	5.7	2.0	2.3	5.7	N/A	3.6
bucket [25-50]	11.4	7.4	19.2	6.3	7.6	6.8	13	14.6	4.2	8.1	12.4	N/A	11.1
bucket [50-75]	17.5	12.5	21.2	11.6	14.3	12.5	17.9	21.8	8.2	14.7	16.8	N/A	13.7
bucket [75-100]	14.9	16.3	14.9	13.9	16	15.1	15.8	20.4	13.9	18.1	17.0	N/A	19.6
bucket [100-125]	13.8	15.9	10	20.8	14.7	11.8	14.5	12.8	22.3	16.7	13.4	N/A	24.6
bucket [125-150]	10.1	12.1	5	8.4	6.3	7.7	7.5	4.0	17.9	12.0	8.3	N/A	8.6
bucket [150-175]	5.6	7.3	4.4	7.7	5.3	6.4	4.9	1.8	11.9	6.6	5.3	N/A	4.8
bucket [175-200]	7.4	6.6	2	6.8	5	6.1	6.6	4.4	3.7	4.8	3.9	N/A	1.6
bucket > 200	13.8	19.2	12.9	22.2	27.3	29.3	17.1	14.5	16.0	16.7	17.1	N/A	12.5
Cash in court (% of total GBV)	1.3	2.2	4	2.7	7.2	24	8.5	18.3	0.5	3.2	N/A	N/A	2
Loan types (% of total GBV)													
Secured first-lien	53.9	67.2	39.9	43.1	30.4	70	53.1	56.1	67.3	70.6	41.6	53.6	66.4
Secured junior-lien	8.8	2.1	6.7	9.6	2.4	0.9	0	0.6	8.1	1		2.5	7.6
Unsecured	37.3	30.8	53.4	47.3	67.2	29.1	46.9	43.3	24.6	28.4	58.4	43.9	26.0
Syndicated loans	3	0.5	1.1	1		6.1	3.8	3.3	1.8	1.4	5.7		
Debtors (% of total GBV)													
Individuals	22.9	25.6	17	18.9	3.4	14.3	26.4	24.4	9.9	28.4	19	12	12.7
Corporates or SMEs	77.1	74.4	83	81.1	96.6	85.7	73.6	75.6	90.1	71.6	81	88	87.3
Procedure type (% of total GBV)													
Bankrupt	56.6	13.2	49.5**	53.4	71.5	62.7**	29.3	39.1	55.0	49.4	36.6	46.5	57.6
Non-bankrupt	43.4	86.8	50.5	46.6	28.5	37.3	70.7	60.9	45.0	50.6	63.4	53.5	42.4
Borrower concentration (% of GBV)													
Top 10	7.3	6.5	1.9	8.6	8.6	6.7	3.6	8	8.3	1.8	2.1	28.2	13.4
Top 100	26.4	26.9	10.4	31	34.4	29	18.1	27.7	39.5	9.1	9.5	69	42.4
Collateral distr. (% of appraisal val.)													
North	20.9	0.3	57.9	98	43.9	72.4	43.5	1.3	58.5	67.8	35.9	18.3	61.6
Centre	36.3	0	19.2	0.4	34.8	19.5	51.3	11.5	18.4	20.7	36	14.1	14.6
South	42.9	99.8	22.9	1.6	21.3	8.1	5.2	87.4	23.1	11.4	28.1	67.6	23.8
Collateral type (% of appraisal val.)													
Residential	41.7	57.8	57.3	46.7	29.2	39.3	44.4	51.3	43.4	54.8	28.2	43	32.6
Commercial	27.4	18.4	16.2	15.4	19.5	29.5	24.6	23.7	22	15.4		40	32.4
Industrial	16.2	9.6	14.8	21.8	32.4	11.2	10.5	11.3	15.3	9.4	71.8		23.2
Land	8.6	9.3	7.9	10.1	4.8	13.7	6.6	6.2	0.0	8.6		18	8.7
Other or unknown	6.1	4.9	3.9	6	14.1	6.3	13.9	7.6	19.3	11.8			3.4
Valuation type (% of appraisal val.)													
Full or drive-by	45.5	60.5	16.9	58.3	10.2	68.4	79.5	38.8	96.1	74	10	96.31	70.8
Desktop	13.8	33.3	69.2	18.5	3.6	5.4	12	40	1.2	14.5	65		4.0
CTU	26	3.1	10.4	0	13.4	12.1	8.5	20.5	2.7	11.5	15	3.69	23.6
Other	14.7	3.1	3.5	23.2	72.8	14.1		0.6	0	0	10	0	0.5
Secured ptf proc. stage (% of GBV)													
Initial	44.6	49.7	65	60.9	54.9	73.6	75.6	61.2	66.6	64.4	52.6	55.5	36.1
CTU	31.7	28.8	12.2	10.3	11.8	11	6.3	18.3	23.4	9.1	5.4	14.2	10.7
Auction	20.7	10.9	22.5	27.5	30.8	11.5	16.9	20.5	4.7	21.3	35.2	26.5	36.4
Distribution	3	10.7	0.3	1.3	2.5	3.8	1.2	0	5.5	5.2	6.7	3.8	16.8
Summary of assumptions (BBB rating conditional stress)													
Remaining lifetime recovery rate (%)													
Secured (=net LTV after all stresses)	61.8	55.3	63	54.9	52.1	50.3	65.5	66.2	48.3	62.8	58.6	51.8	61.7
Unsecured	10.9	12.4	11.5	10.1	10.4	13.5	14	9.9	16.8	12.3	9.2	11.1	13.7
Total	**38.6**		**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	7.2	7	6.7	6.4	5.4	8.2	6.8	7.2	7.9	6.8	N/A	N/A	4.8
Unsecured	4.7	4.8	4.1	4.6	4.2	4.5	4.7	4.2	4.2	4.1	N/A	N/A	3.1
Total	**6.9**	**6.8**	**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	7.5	4	4	4	5	4.05 (% of A, B)	4.9 (% of A, B)	5.0	4.37 (% of A, B)	3.5	4.0	4.0
Class A Euribor cap strike	0.5%-2.5%	0.1%-2.0%	0.5%-2.5%	0.5%-3.0%	0.8%-2.5%	0.5%-2.5%	0.3% -1.25%	0.3% -1.25%	0%-0.1%	0.5%-2.0%	0.5-3.0%	0.10%	0.50%
Class A													
% of GBV	27.0	24.4	22.9	24.5	14.2	27	28.8	22.2	30.5	32.5	12.1	25.3	33.0
Credit enhancement	73.0	75.6	77.1	75.5	85.8	73	71.2	77.8	69.5	67.5	87.9	74.7	67.0
Class B													
% of GBV	3.2	2.6	2.2	3.5	2.9	3	3	1.2	4.0	3	3.5	3.1	3.0
Credit enhancement	69.8	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	A-	BBB-	BBB	BBB+	BBB	BBB-
Class B	B	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 non-material deviations.

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