

Italian NPL ABS collections on the way to a gradual recovery



Scope
Ratings

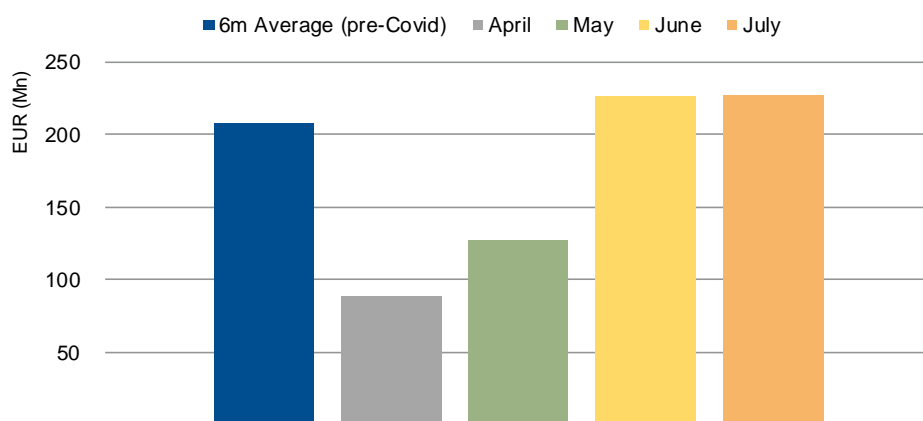
Italian NPL securitisations might be starting to get over Covid-19 effects. June and July collections were above the average volumes registered before the pandemic (September 2019 to February 2020). Judicial proceeds have bounced back since April's decline, to EUR 83m from EUR 30m, suggesting that collection volumes for the rest of the year should be more aligned with the pre-Covid picture.

That said, the improvement in performance since June has relied partly on a material increase in note sales¹ – EUR 15m versus EUR 1m in April. Since these are typically one-off transactions, the performance improvement could be a temporary boost rather than a stable recovery. Even if the performance of the last two months does represent the beginning of a gradual recovery process, the contraction of the economy and the risk of a second Covid-19 wave by year-end adds an element of uncertainty.

Performance across transactions remains volatile, with 13 transactions out of 22 registering a decrease in collection volumes in July compared to the six-month pre-Covid average; the remainder registering an increase in volumes (see **Figure 4**).

Figure 1 illustrates the magnitude of the impact caused by the pandemic: collections have shown an improving trend since the drastic drop in April (-58%), relative to the previous six-month average². May collections were still significantly depressed, but June and July collections were stable at about 6%-7% above the average pre-Covid-19 volumes (see **Figure 2**).

Figure 1. Total gross proceeds (pre and post-Covid scenarios) – all transactions*



*6m Average (pre-Covid) refers to the average volumes that were registered from Sep-19 until Feb-20.
Source: Scope calculations on servicing reports

Figure 2 shows the pick-up in June-July collections volumes were attributable to an increase in judicial collections and a spike in note sales, while extra-judicial collections continued to be subdued.

Judicial collections increased by 36% in June and July, relative to the six-month pre-Covid average, as court activities restarted. Servicers are now progressing on legal procedures that were previously dormant or very slow, which suggests that judicial collection volumes may have started to show a stable trend.

Analysts

Rossella Ghidoni
+39 02 94758 746
r.ghidoni@scoperatings.com

Paula Lichtenzstein
+49 30 27891 224
p.lichtenzstein@scoperatings.com

Team leader

David Bergman
+49 30 27891 135
d.bergman@scoperatings.com

Media

Keith Mullin
k.mullin@scopegroup.com

Related Research

Italian NPL ABS: collection data improves but uncertainties still linger (Aug-20)

57% of Italian NPL securitisations now under-performing (June-20)

Italian NPL securitisation to slow in 2020 as Covid-19 clashes with global markets

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

Scope Ratings GmbH

Regus Porta Venezia
Via Nino Bixio, 31
20129 Milano MI

Phone +39 02 30315 814

Headquarters

Lennéstraße 5
10785 Berlin

Phone +49 30 27891 0
Fax +49 30 27891 100

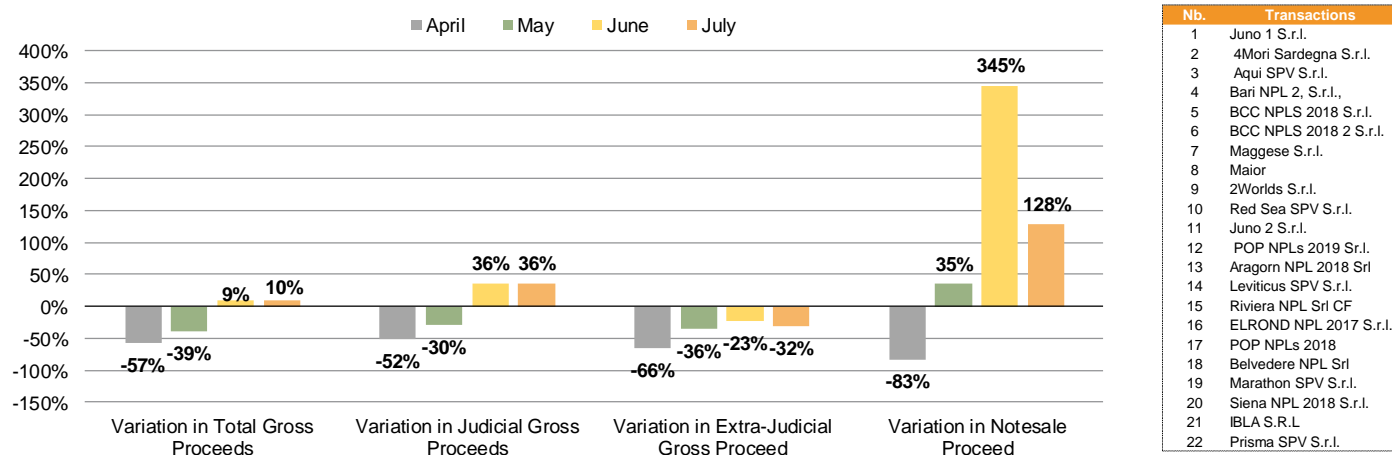
info@scoperatings.com
www.scoperatings.com

¹Note sales refer to credit disposals ("cessioni di credito") to third parties in the secondary market.

²Collections registered from Sep-19 to Feb-20.

As shown in **Figure 7**, judicial collections were the main contributor of July volumes, accounting for 62% of recovery proceeds and showing a stable trend. On the other hand, the sharp increase in note sales is associated with an inherent degree of volatility in comparison with the trend of judicial proceeds: note sale proceeds have been typically registered only by a few transactions that have differed month by month. Secondly, the share of note sales proceeds as a proportion of July volumes was modest (11.38%) (see **Figure 7**). Extra-judicial proceeds, after their sharp decrease in April (-66%), started to show a more stable trend.

Figure 2. Post-Covid % variation in collection volumes (monthly collections vs average of six months pre-Covid*) – all transactions



*The % of Variation is computed comparing April, May, June and July collections with the average volumes that were registered pre-Covid (i.e. the six months from Sep-19 to Feb-20). Based on the closing dates of transactions nos.19,12,22, the average was computed only for the period Dec-19-Feb-20 for transactions nos.19,12 and for the period Oct-19-Feb-20 for transaction no. 22. The variation in total gross proceeds was computed on a set of 22 transactions, while the variation in judicial, extra-judicial and note sale proceeds was computed on a set of 19 transactions (excluding transactions nos. 20, 21, 22), based on the availability of collections per type of recovery strategy.

Source: Scope calculations on servicing reports

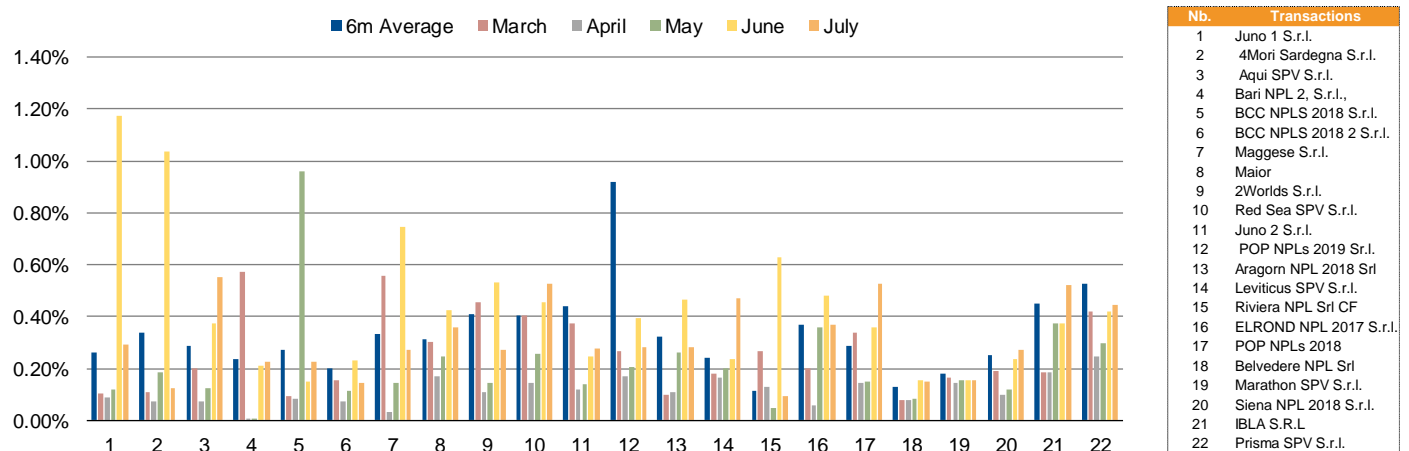
Below we provide further performance details of Italian NPL securitisations rated by Scope on a deal-by-deal basis³.

Figure 3 shows that the decrease in collections impacted most transactions to May, but the trend started to revert in June. However, the number of transactions registering a decrease in volumes (versus the pre-Covid period) increased from June to July, passing from eight to 13 transactions (see **Figure 4** and the previous monthly publication⁴).

³ Analysis has been conducted on 22 transactions out of the 27 rated by Scope, considering monthly collections reports available from January 2020 onwards.

⁴ Italian NPL ABS: collection data improves but uncertainties still linger (Aug-20).

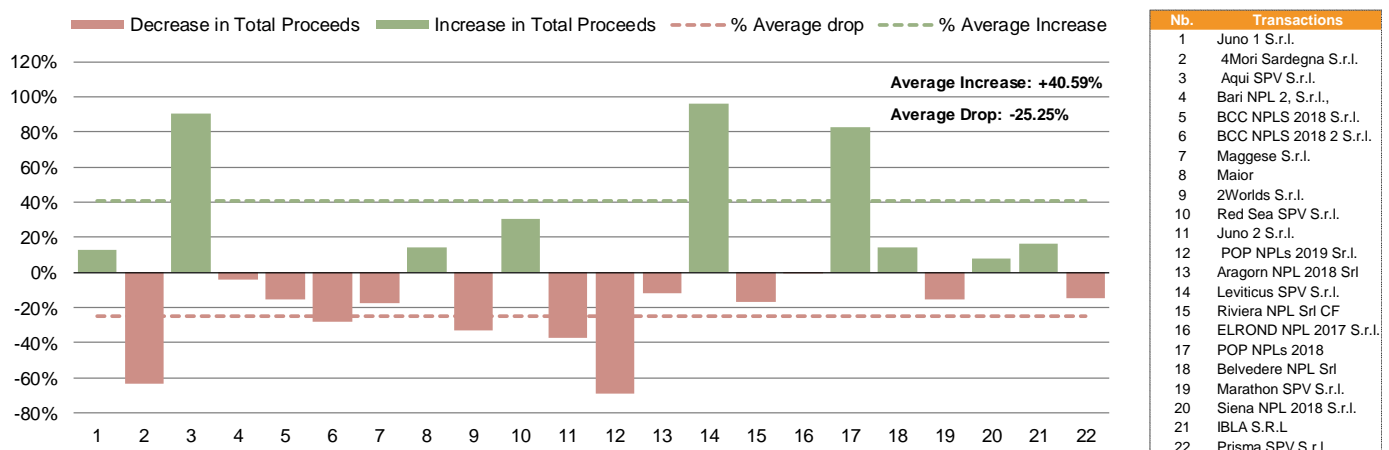
Figure 3. Total gross proceeds: pre and post-Covid scenarios (% of original gross-book-value)*



* The "6m Average" refers to the average collections that were registered from Sep-19 until Feb-20, in a pre-Covid scenario. Based on the closing dates of transactions nos. 19,12,22, the 6m average refers to the average of Dec-19-Feb-20 collections for transactions nos.19,12 and to the average of Oct-19-Feb.20 for transaction no. 22.

Source: Scope calculations on servicing reports.

Figure 4. Total gross proceeds (% variation) – July versus average of 6 months pre-Covid*

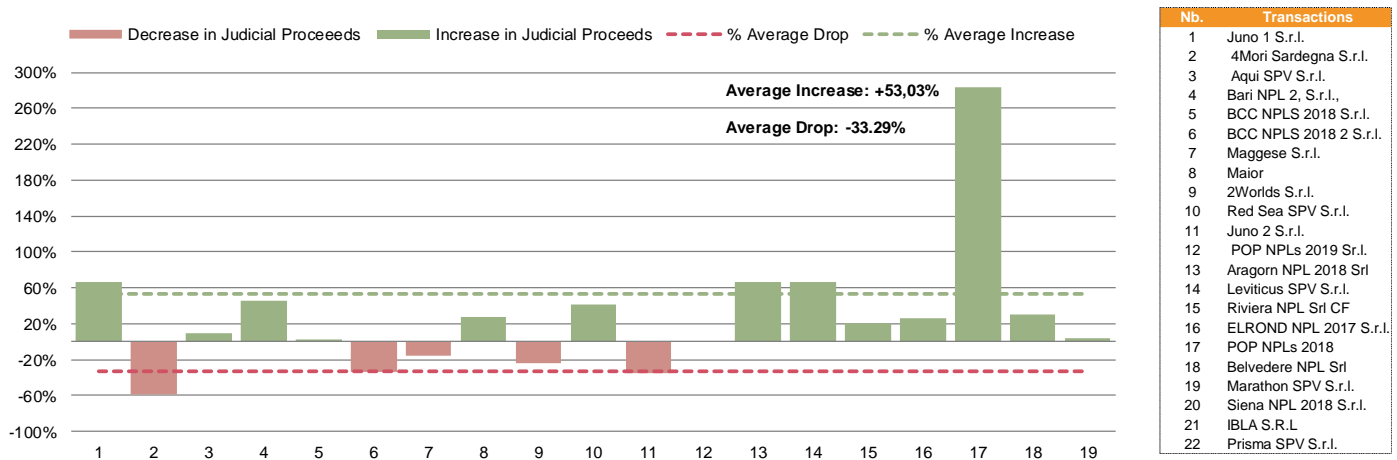


* The decrease and increase in total proceeds (%) were computed comparing July collections with average volumes pre-Covid (i.e. the six months from Sep-19 to Feb-20). Based on the closing dates of transactions nos. 19,12,22, July collections were compared with the average of Dec-19-Feb-20 collections for transactions nos.19,12 and with the average of Oct-19-Feb-20 for transaction no. 22. The average drop was computed only considering those transactions with a negative variation, while the average increase was computed only considering transactions with a positive variation.

Source: Scope calculations on servicing reports

Figure 6 shows that in July, extra-judicial proceeds continued to be impacted by Covid-19, showing a material degree of dispersion in overall performance. In contrast, the impact on judicial proceeds has been more modest (Figure 5). Thirteen out of 19 transactions registered lower collections from extra-judicial routes, while only five transactions registered lower volumes from judicial resolutions, compared to pre-Covid.

Figure 5. Judicial gross proceeds (% variation) – July versus average 6 months pre-Covid*

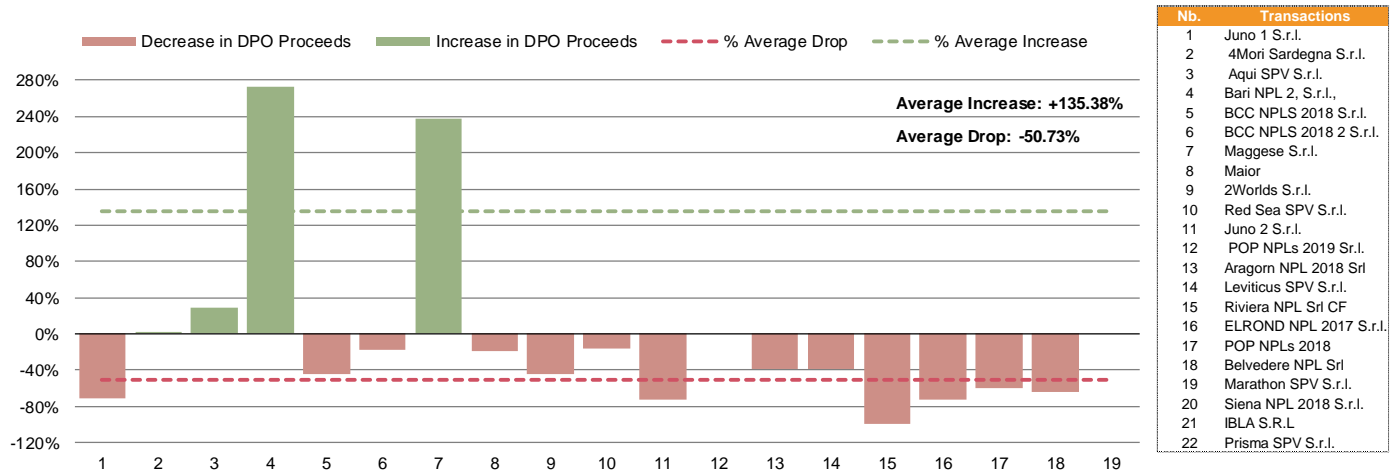


*The chart refers to a sample of 19 transactions out of the 22, since monthly collections by recovery strategy were not available for transactions nos. 20, 21, 22. The decrease and increase in judicial proceeds (%) were computed comparing July collections with average pre-Covid volumes (i.e. the six months from Sep-19 to Feb-20). Based on the closing dates of transactions nos. 19,12, July collections were compared with the average of Dec-19-Feb-20. The average drop was computed only for transactions showing a negative variation, while the average increase was computed only considering those transactions with a positive variation.

Source: Scope calculations on servicing reports

The two transactions registering a sharp increase in extra-judicial collections in July (**Figure 6**) had 80% of the proceeds cashed in from a few borrowers. Collections stemming from big exposures do not necessarily indicate a consistent recovery trend as they are typically one-off events.

Figure 6. Extra-judicial proceeds (% variation) – July versus average 6 months pre-Covid*



* DPO refers to discounted payoff strategies. The chart refers to a sample of 19 transactions out of the 22, since monthly collections by recovery strategy were not available for transactions nos. 20, 21, 22. The decrease and increase in DPO proceeds (%) were computed comparing July collections with average pre-Covid volumes (i.e. the six months from Sep-19 until Feb-20). Based on the closing dates of transactions nos. 19,12, July collections were compared with the average of Dec-19-Feb-20. The average drop was computed only considering transactions with a negative variation, while the average increase was computed only considering transactions with a positive variation. Transaction no. 19 does not report DPOs as collection type.

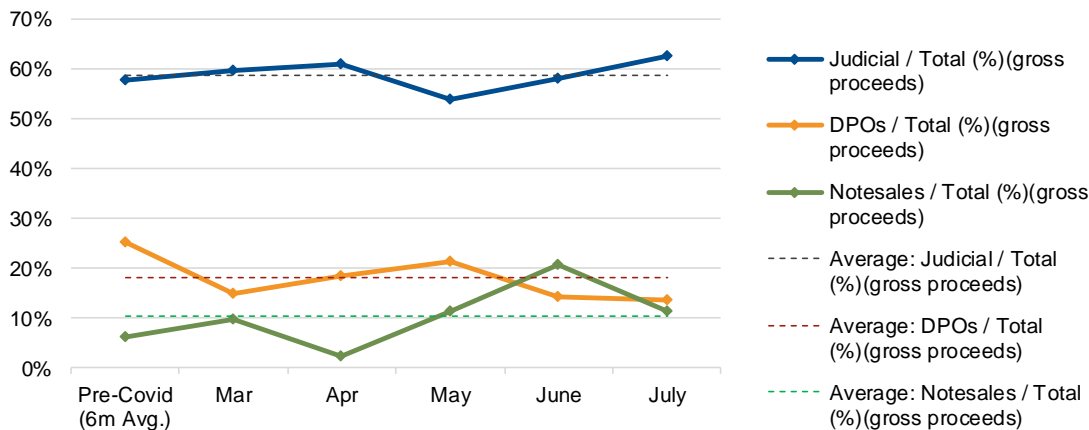
Source: Scope calculations on servicing reports

Figures 7 and 8 show that servicers have significantly increased their reliance on judicial proceedings while their reliance on note sales strategies has been the most volatile so far. From May to July, judicial collections reverted from their previous decreasing trend, sustained by the restart of court activity.

While judicial and DPOs strategies show a lower deviation from their historical average, the share of note sales on total proceeds almost doubled in June compared to the historical average (September 2019 to July 2020), showing the largest deviation across

recovery strategies⁵. Note sales strategies have so far negatively impacted transaction profitability. Scope will closely monitor future note sales to track whether this continues to be the case.

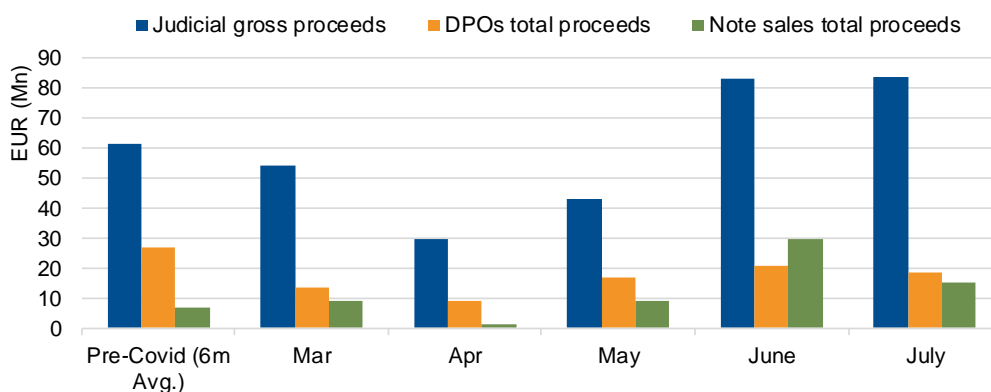
Figure 7. Share of judicial and extra-judicial proceeds in total gross proceeds*



Nb.	Transactions
1	Juno 1 S.r.l.
2	4Mori Sardegna S.r.l.
3	Aqui SPV S.r.l.
4	Bari NPL 2, S.r.l.,
5	BCC NPLs 2018 S.r.l.
6	BCC NPLs 2018 2 S.r.l.
7	Maggese S.r.l.
8	Maior
9	2Worlds S.r.l.
10	Red Sea SPV S.r.l.
11	Juno 2 S.r.l.
12	POP NPLs 2019 Sr.l.
13	Aragorn NPL 2018 Srl
14	Leviticus SPV S.r.l.
15	Riviera NPL Srl CF
16	ELROUND NPL 2017 S.r.l.
17	POP NPLs 2018
18	Belvedere NPL Srl
19	Marathon SPV S.r.l.
20	Siena NPL 2018 S.r.l.
21	IBLA S.R.L
22	Prisma SPV S.r.l.

* The chart refers to a sample of 19 transactions out of the 22, since monthly collections by recovery strategy were not available for transactions nos. 20, 21, 22. "Pre-Covid (6m Avg.)" refers to the average pre-Covid collections registered from Sep-19 until Feb-20. Source: Scope calculations on servicing reports.

Figure 8. Judicial and extra-judicial proceeds*



Nb.	Transactions
1	Juno 1 S.r.l.
2	4Mori Sardegna S.r.l.
3	Aqui SPV S.r.l.
4	Bari NPL 2, S.r.l.,
5	BCC NPLs 2018 S.r.l.
6	BCC NPLs 2018 2 S.r.l.
7	Maggese S.r.l.
8	Maior
9	2Worlds S.r.l.
10	Red Sea SPV S.r.l.
11	Juno 2 S.r.l.
12	POP NPLs 2019 Sr.l.
13	Aragorn NPL 2018 Srl
14	Leviticus SPV S.r.l.
15	Riviera NPL Srl CF
16	ELROUND NPL 2017 S.r.l.
17	POP NPLs 2018
18	Belvedere NPL Srl
19	Marathon SPV S.r.l.
20	Siena NPL 2018 S.r.l.
21	IBLA S.R.L
22	Prisma SPV S.r.l.

* The chart refers to a sample of 19 transactions out of the 22, since monthly collections by recovery strategy were not available for transactions nos. 20, 21, 22. "Pre-Covid (6m Avg.)" refers to average pre-Covid collections (Sep-19 until Feb-20). Source: Scope calculations on servicing reports

⁵ The maximum deviations (computed as the difference between the historical average figures (September 2019 to July 2020) and each monthly figure) per recovery strategies have been -4.95% for judicial proceeds, -4.34% for DPOs strategies and +10.42% for note sales.



Italian NPL ABS collections on the way to a gradual recovery

I. Appendix –NPL securitisations rated by Scope

Deal name/Link to Rating report	Issuance	Seller	Servicer (master and special)	GBV (million)	Scope class A rating		Scope class B rating		Coupon A/B	GACS (Y/N)
					At closing	Current	At closing	Current		
Elrond NPL 2017 Srl	17-Jul-17	Credito Valtellinese SpA, Credito Siciliano SpA	Cerved Credit Management SpA, S	1,422	BBB-	B+	B+	CCC	6mE+0.5%/6mE+6%	Y
Bari NPL 2017 Srl	17-Dec-17	Banca Popolare di Bari SpA, Cassa di Risparmio di Orvieto SpA	Prelios Credit Servicing SpA	345	BBB	BB-	B+	CC	6mE+0.3%/6mE+6%	Y
GBV of GACS eligible securitisations rated by Scope 2017 (EUR million)				1,767						
Siena NPL 2018 Srl	18-May-18	Monte dei Paschi di Siena SpA, MPS Capital Services Banca per le Imprese SpA, MPS Leasing & Factoring SpA	Juliet SpA, Italfondario SpA, Credito Fondiario SpA, Prelios Credit Servicing SpA	24,070	BBB+	BBB+	Not Rated	Not Rated	3mE+1.5%/3mE+8%	Y
Aragorn NPL 2018 Srl	18-Jun-18	Credito Valtellinese SpA, Credito Siciliano SpA	Credito Fondiario SpA, Cerved Credit Management SpA	1,671	BBB-	B+	B	CC	6mE+0.5%/6mE+7%	Y
Red Sea SPV Srl	18-Jun-18	Banco BPM SpA and Banca Popolare di Milano SpA	Prelios Credit Servicing SpA	5,097	BBB	BBB-	Not Rated	Not Rated	6mE+0.6%/6mE+6%	Y
4Mori Sardegna Srl	18-Jun-18	Banco di Sardegna SpA	Prelios Credit Servicing SpA	1,045	A-	A*	BB-	B+	6mE+0.9%/6mE+8%	Y
2Worlds Srl	18-Jun-18	Banco di Desio e della Brianza SpA, Banca Popolare di Spoleto SpA	Cerved Credit Management SpA, C	1,002	BBB	BBB-	B	B-	6mE+0.4%/6mE+8%	Y
BCC NPLs 2018 srl	18-Jul-18	21 co-operative banks co-ordinated by Iccrea SpA and two banks belonging to ICCREA Banca SpA	Prelios Credit Servicing SpA	1,046	BBB-	BB-	B+	CC	6mE+0.4%/6mE+6%	Y
Juno 1 Srl	18-Jul-18	Banca Nazionale del Lavoro SpA	Prelios Credit Servicing SpA	957	BBB+	BBB+	Not Rated	Not Rated	6mE+0.6%/6mE+8%	Y
Maggese Srl	18-Jul-18	Cassa di Risparmio di Asti SpA, Cassa di Risparmio di Biella e Vercelli-Biverbanca SpA	Prelios Credit Servicing SpA	697	BBB	BBB-	Not Rated	Not Rated	6mE+0.5%/6mE+6%	Y
Maior SPV Srl	18-Aug-18	Unione di Banche Italiane SpA and IW Bank SpA	Prelios Credit Servicing SpA	2,749	BBB	BBB	Not Rated	Not Rated	6mE+0.5%/6mE+6%	Y
IBLA Srl	18-Sep-18	Banca Agricola Popolare di Ragusa SpA	Italfondario SpA	349	BBB	BBB	B	B	6mE+0.6%/6mE+8%	Y
AQUI SPV Srl	18-Nov-18	BPER Banca SpA, Cassa di Risparmio di Saluzzo SpA and Cassa di Risparmio di Bra SpA	Prelios Credit Servicing SpA	2,082	BBB-	BBB-	Not Rated	Not Rated	6mE+0.5%/6mE+7%	Y
POP NPLs 2018 Srl	18-Nov-18	17 banks	Cerved Credit Management SpA, C	1,578	BBB	BBB	B	B	6mE+0.3%/6mE+6%	Y
Riviera NPL Srl	18-Dec-18	Banca Carige SpA and Banca del Monte di Lucca SpA	Italfondario SpA, Credito Fondiario SpA	964	BBB-	BBB-	B+	B+	6mE+0.65%/6mE+7%	Y
BCC NPLs 2018-2 Srl	18-Dec-18	73 co-operative banks	Italfondario SpA	2,004	BBB	BBB-	B+	B	6mE+0.3%/6mE+6%	Y
Belvedere SPV Srl	21-Dec-18	Gemini SPV Srl, Sirius SPV Srl, Antares SPV Srl, 1702 SPV Srl, Adige SPV Srl	Bayview Italia S.r.l., Prelios Credit Servicing S.p.A.	2,541	BBB	BBB	Not Rated	Not Rated	6mE+3.25%/6%	N
GBV of GACS eligible securitisations rated by Scope 2018 (EUR million)				45,311						
GBV of securitisations rated by Scope 2018 (EUR million)				47,852						
Leviticus SPV Srl	19-Feb-19	Banco BPM SpA	Credito Fondiario SpA	7,385	BBB	BBB	Not Rated	Not Rated	6mE+0.6%/6mE+8%	Y
Juno 2 Srl	19-Feb-19	Banca Nazionale del Lavoro SpA	Prelios Credit Servicing SpA	968	BBB+	BBB+	Not Rated	Not Rated	6mE+0.6%/6mE+8%	Y
Prisma	18-Oct-19	Unicredit SpA	Italfondario SpA, doValue SpA	6,057	BBB+	BBB+	B-	B-	6mE+1.5%/6mE+9%	Y
Marathon SPV Srl	5-Dec-19	Marte SPV Srl, Pinzolo SPV Srl	Hoist Italia Srl, Securitisation Services SpA	5027	BBB+	BBB+	BB	BB	1.8%/8%	N
Iseo SPV Srl	16-Dec-19	UBI Banca SpA	Italfondario SpA, doValue SpA	858	BBB	BBB	Not Rated	Not Rated	6mE+0.5%	Y
Futura 2019 Srl	16-Dec-19	Futura SPV Srl	Guber Banca SpA	1,256	BBB	BBB	Not Rated	Not Rated	6mE+0.3%	N
BCC NPLs 2019 S.r.l.	19-Dec-19	68 banks	Italfondario SpA, doValue SpA	1,324	BBB+	BBB+	B-	B-	6mE+0.3%/6mE+6.5%	Y
POP NPLs 2019 S.r.l.	23-Dec-19	12 banks	Prelios Credit Servicing SpA, Fire SpA	826.7	BBB	BBB	CCC	CCC	6mE+0.3%/6mE+9.5%	Y
GBV of GACS-eligible securitisations rated by Scope 2019 (EUR million)				17,419						
GBV of securitisations rated by Scope 2019 (EUR million)				23,702						
Diana SPV Srl	20-Jun-20	Banca Popolare di Sondrio SpA	Prelios Credit Servicing SpA	1,000	BBB	BBB	Not Rated	Not Rated	6mE+0.5%/6mE+9.0%	Y
Spring SPV Srl	20-Jun-20	BPER Banca SpA, Banco di Sardegna SpA, Cassa di Risparmio di Bra SpA	Prelios Credit Servicing SpA	1,377	BBB	BBB	Not Rated	Not Rated	6mE+0.5%/6mE+9.5%	Y
GBV of GACS-eligible securitisations rated by Scope 2020 (EUR million)				2,376						
Total GBV of securitisations rated by Scope (EUR million)				75,697						

*Under review for downgrade.



Italian NPL ABS collections on the way to a gradual recovery

Scope Ratings GmbH

Headquarters Berlin

Lennéstraße 5
D-10785 Berlin

Phone +49 30 27891 0

London

3rd Floor
111 Buckingham Palace Road
London SW1W 0SR

Phone +44 20 3457 0444

Oslo

Haakon VII's gate 6
N-0161 Oslo

Phone +47 21 62 31 42

Frankfurt am Main

Neue Mainzer Straße 66-68
D-60311 Frankfurt am Main

Phone +49 69 66 77 389 0

Madrid

Edificio Torre Europa
Paseo de la Castellana 95
E-28046 Madrid

Phone +34 914 186 973

Paris

23 Boulevard des Capucines
F-75002 Paris

Phone +33 1 8288 5557

Milan

Regus Porta Venezia
Via Nino Bixio, 31
20129 Milano MI

Phone +39 02 30315 814

info@scoperatings.com

www.scoperatings.com

Disclaimer

© 2020 Scope SE & Co. KGaA and all its subsidiaries including Scope Ratings GmbH, Scope Analysis GmbH, Scope Investor Services GmbH and Scope Risk Solutions GmbH (collectively, Scope). All rights reserved. The information and data supporting Scope's ratings, rating reports, rating opinions and related research and credit opinions originate from sources Scope considers to be reliable and accurate. Scope does not, however, independently verify the reliability and accuracy of the information and data. Scope's ratings, rating reports, rating opinions, or related research and credit opinions are provided 'as is' without any representation or warranty of any kind. In no circumstance shall Scope or its directors, officers, employees and other representatives be liable to any party for any direct, indirect, incidental or other damages, expenses of any kind, or losses arising from any use of Scope's ratings, rating reports, rating opinions, related research or credit opinions. Ratings and other related credit opinions issued by Scope are, and have to be viewed by any party as, opinions on relative credit risk and not a statement of fact or recommendation to purchase, hold or sell securities. Past performance does not necessarily predict future results. Any report issued by Scope is not a prospectus or similar document related to a debt security or issuing entity. Scope issues credit ratings and related research and opinions with the understanding and expectation that parties using them will assess independently the suitability of each security for investment or transaction purposes. Scope's credit ratings address relative credit risk, they do not address other risks such as market, liquidity, legal, or volatility. The information and data included herein is protected by copyright and other laws. To reproduce, transmit, transfer, disseminate, translate, resell, or store for subsequent use for any such purpose the information and data contained herein, contact Scope Ratings GmbH at Lennéstraße 5 D-10785 Berlin.

Scope Ratings GmbH, Lennéstraße 5, 10785 Berlin, District Court for Berlin (Charlottenburg) HRB 192993 B, Managing Director: Guillaume Jolivet.