

Italian NPL ABS: May collections pick up but Covid-19 still exerting significant impact



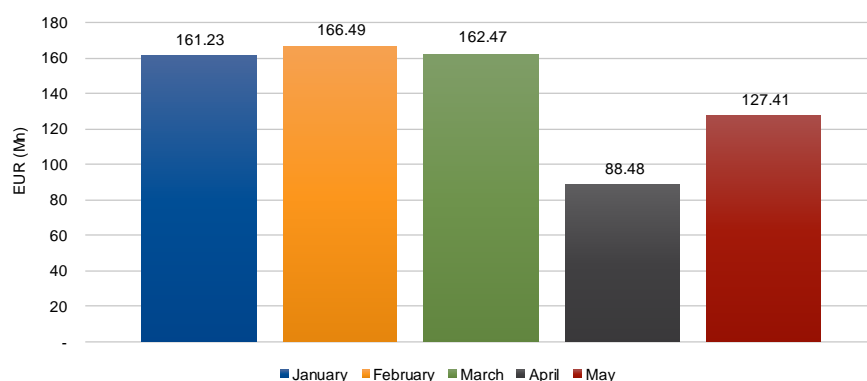
Scope
Ratings

The effects of Covid-19 continue to hit Italian NPL securitisations. Even though May registered higher volumes than April, the volume of gross collections remains about 22% below the January-February average. We expect low collection levels to persist for the rest of this year, as Italy's economy will not recover before 2021.

Figure 1 illustrates the magnitude of the decline caused by the pandemic. The trend in collections has shown a certain degree of volatility. Higher volumes in May could be the result of one-off collection events or could signal a mild recovery, as servicers had started to shift their recovery strategies to extra-judicial routes while the courts were closed (see Figure 7).

The general decline in collection volumes has been driven both by a delay in the timing of recovery strategies (the suspension of court activity¹ played a clear role); and a deterioration in affordability and liquidity conditions. State aid has helped mitigate reduced household and corporate income, but has not completely eliminated its effects. Going forward, deteriorating real estate market conditions could affect collections on secured exposures.

Figure 1. Total gross proceeds (Jan-May 2020) – all transactions



Source: Scope calculations on servicing reports

Figure 2 shows that average collection volumes² in April and May fell relative to the January and February average, but May suffered a less severe decrease than April. In April, only one transaction had showed an increasing collection trend since the beginning of the year³, but in May six transactions performed better compared to the January and February averages (see Figures 3 and 4). However, the remaining transactions still showed a material average drop in total collections in May (-41%). The drop in extra-judicial collections passed from -59% to -50% from April to May, while the drop in judicial collections remained stable.

¹ Please refer to the short commentary "Covid-19: court suspensions delay NPL legal proceedings" (Apr-20).

² For those transactions showing a negative variation (i.e. a decrease in collection volumes).

³ Please refer to Figure 3 of the report "Italian NPL securitisation collections plunge on Covid-19 impacts" (Jun-20).

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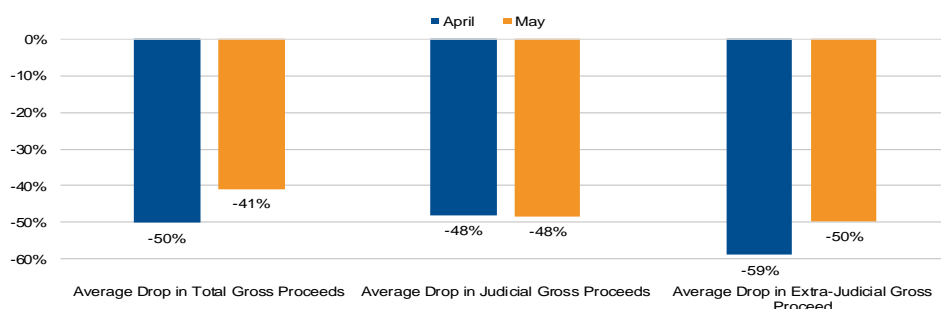
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Figure 2. Average drop* of collections (Apr.-May versus Jan.-Feb.) – all transactions



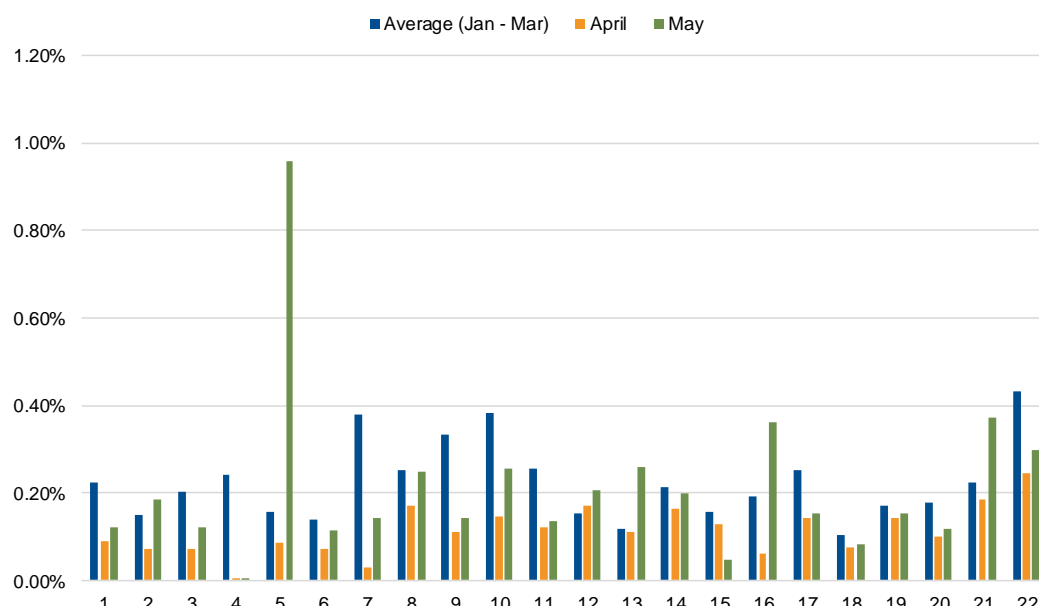
*The Average Drop was computed only considering transactions with a negative variation, comparing monthly collections with the average of January and February collections. Given that monthly collections by recovery strategy were not available for three transactions, the Average Drop in total gross proceeds was computed on a set of 22 transactions, while the average drop in judicial and extra-judicial proceeds was computed on a set of 19 transactions.

Source: Scope calculations on servicing reports

Below we provide further performance details of Italian NPL securitisations rated by Scope on a deal-by-deal basis⁴. **Figure 3 and 4** show that the decrease in collections has impacted most transactions. The decline started in April (as reflected also in Figure 1), even though Italy's lock-down was initiated on 9 March. Performance started to deteriorate with a time lag (one month after lock-down) due to a host of factors:

- (i) at the beginning of March, servicers were still able to conduct normal recovery activity as courts were still open,
- (ii) lock-down directives became stricter in the second half of the month so borrowers' business and liquidity were not suddenly compromised,
- (iii) extra-judicial agreements that were already at final stages in the pre-lock-down period were concluded,
- (iv) note sales registered their highest peak from January (in March note sales amounted to EUR 8.9m, while in January and February they amounted to EUR 0.32m and EUR 3.2m).

Figure 3. Total gross proceeds Jan. - May (% on original gross-book-value)*



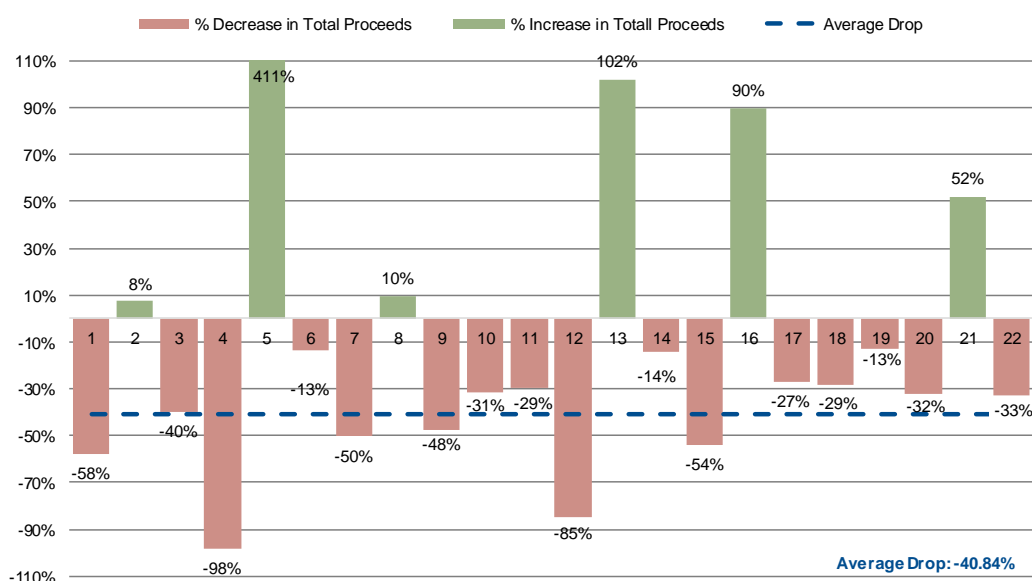
* January gross proceeds for transaction n. 12 have been represented only for the relevant share that was accounted on Jan. 2020

Source: Scope calculations on servicing reports.

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	ELROND 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.

⁴ Analysis has been conducted on 22 transactions out of the 27 rated by Scope, considering monthly collections reports available from January 2020 onwards.

Figure 4. Total gross proceeds (% variation) – May versus average Jan. - Feb. 2020*



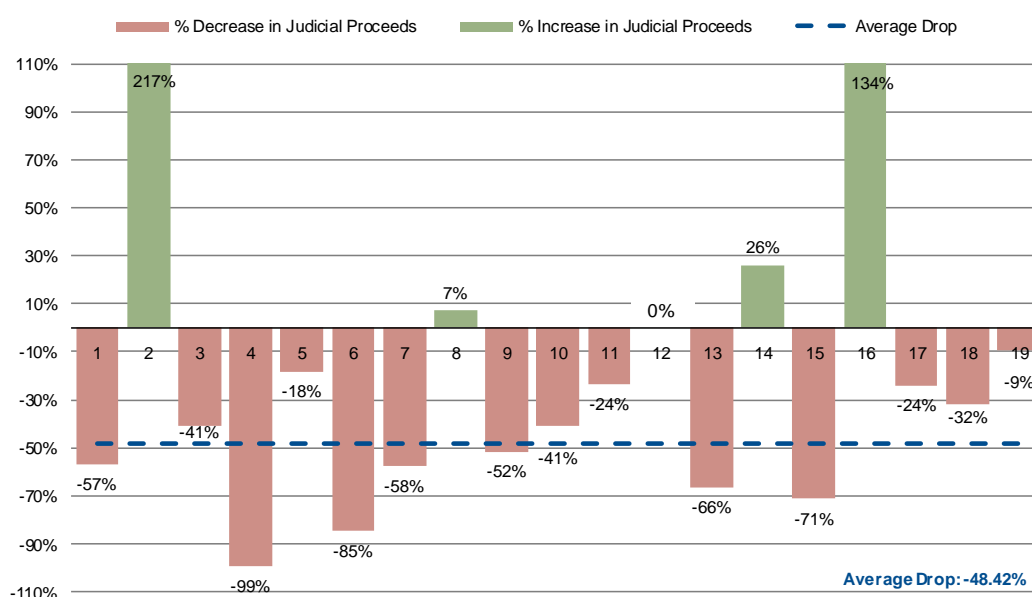
Nb.	Transactions
1	Juno 1 S.r.l.
2	4Mori Sardegna S.r.l.
3	Aqui SPV S.r.l.
4	Bari NPL 2, S.r.l.
5	BCC NPLS 2018 S.r.l.
6	BCC NPLS 2018 2 S.r.l.
7	Maggese S.r.l.
8	Maior
9	2Worlds S.r.l.
10	Red Sea SPV S.r.l.
11	Juno 2 S.r.l.
12	POP NPLs 2019 Sr.l.
13	Aragorn NPL 2018 Srl
14	Leviticus SPV S.r.l.
15	Riviera NPL Srl CF
16	ELROND 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 Average Drop has been computed only considering those transactions with a negative variation (i.e. transaction n.2-5-8-13-16-21 were excluded).

Source: Scope calculations on servicing reports

Figure 5 and 6 show that both judicial and extra-judicial proceeds have been heavily impacted. **Figure 5** shows a material degree of dispersion in overall performance, as May collections by transaction varied between -99% to +217% relative to the beginning of the year. Additionally, the performance trend for some transactions has been volatile. Some that sharply over-performed in May on judicial proceeds, such as 4 Mori and Elrond NPL, under-performed in April, showing a decrease in volumes of respectively -11% and -92%. Other transactions showed a much more consistent level of under-performance, such as Bari NPL (-89% in April, -99% in May).

Figure 5. Judicial gross proceeds (% variation) – May versus average Jan- Feb 2020 *



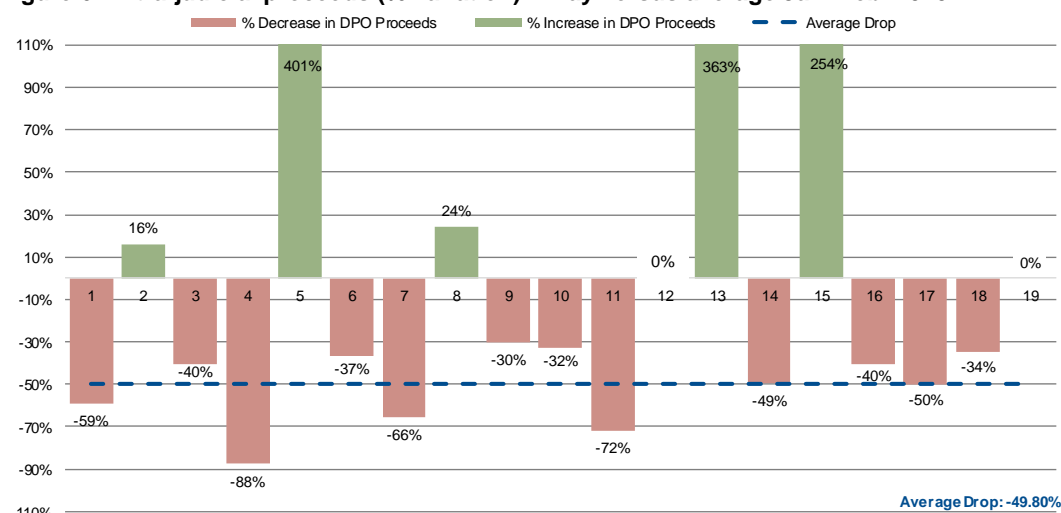
Nb.	Transactions
1	Juno 1 S.r.l.
2	4Mori Sardegna S.r.l.
3	Aqui SPV S.r.l.
4	Bari NPL 2, S.r.l.
5	BCC NPLS 2018 S.r.l.
6	BCC NPLS 2018 2 S.r.l.
7	Maggese S.r.l.
8	Maior
9	2Worlds S.r.l.
10	Red Sea SPV S.r.l.
11	Juno 2 S.r.l.
12	POP NPLs 2019 Sr.l.
13	Aragorn NPL 2018 Srl
14	Leviticus SPV S.r.l.
15	Riviera NPL Srl CF
16	ELROND 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 n. 20, 21, 22. The Average Drop was computed only for transactions showing a negative variation (i.e. transactions n. 2-8-14-16 were excluded). No judicial collections were reported in Jan/Feb for Transaction n.12; proceeds were instead classified as "other", while in May, judicial proceeds amounted to EUR 1.3m. The percentage variation was therefore not computable for this specific case.

Source: Scope calculations on servicing reports

Figure 6 shows performance volatility for extra-judicial strategies, with volumes passing from -88% to +401%. Transaction performance also changed from April to May. Considering the five transactions showing higher volumes in May, only Riviera registered increased collections in April too, while the other four showed an average decrease of -42% in April compared to January and February averages. Transactions that were over-performing in April (BCC NPL 2, Maggese and POP NPLs 2018) showed an average decrease of -51% in May. The three transactions registering a sharp increase in extra-judicial collections in May had about 80%-90% of the proceeds cashed in from a few borrowers. Collections stemming from big exposures in underlying portfolios by definition introduce a higher level of volatility in overall collection volumes, since they naturally create proceeds peaks.

Figure 6. Extra-judicial proceeds (% variation) – May versus average Jan.-Feb. 2020 *

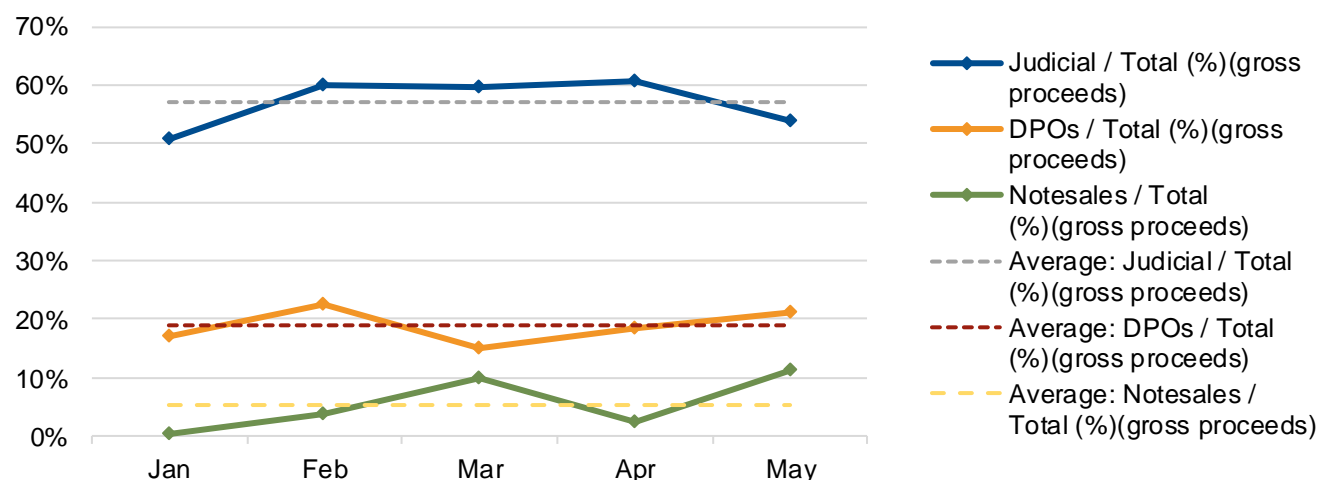


Nb.	Transactions
1	Juno 1 S.r.l.
2	4Mori Sardegna S.r.l.
3	Aqui SPV S.r.l.
4	Bari NPL 2, S.r.l.
5	BCC NPLs 2018 S.r.l.
6	BCC NPLs 2018 2 S.r.l.
7	Maggese S.r.l.
8	Maior
9	2Worlds S.r.l.
10	Red Sea SPV S.r.l.
11	Juno 2 S.r.l.
12	POP NPLs 2019 Sr.l.
13	Aragorn NPL 2018 Srl
14	Leviticus SPV S.r.l.
15	Riviera NPL Srl CF
16	ELROND 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.

* 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 n. 20, 21, 22. The Average Drop was computed only considering transactions with a negative variation (i.e. transactions n. 2–5–8–13–15 were excluded). No judicial collections were reported in Jan/Feb. for Transaction n.12; proceeds were instead classified as "other", while in May DPO proceeds amounted to EUR 0.316m. The percentage variation was therefore not computable for this specific case. Transaction n. 19 does not report DPOs as collection type. Transactions n. 5, 13 and 15 shown 80%-90% of extra-judicial proceeds related to few borrowers, transaction n. 2 shows 70% ca. of extra-judicial proceeds as related to five borrowers, while transaction n. 8 shows about 50% of the proceeds deriving from nine borrowers.
Source: Scope calculations on servicing reports

Figure 7 shows that servicers have not to-date significantly changed their work-out strategies due to the pandemic. However, starting from March, servicers appear to be relying more on extra-judicial strategies (DPOs) rather than judicial ones.

Figure 7. Share of judicial and extra-judicial proceeds on total gross proceeds (Jan. - May. 2020)*



* The chart refers to a sample of 19 transactions out of the 22, since monthly collections by recovery strategy was not available for transactions n. 20, 21, 22.
Source: Scope calculations on servicing reports

I. Appendix –NPL securitisations rated by Scope

Deal name/Link to Rating report	Issuance	Seller	Servicer (master and special)	GBV at closing (EUR m)	Scope rating Class A: current (at closing)	Scope rating Class B: current (at closing)	Coupon Class A/ Class B	GACS (Y/N)
Elrond NPL 2017 Srl	Jul-17	Credito Valtellinese SpA, Credito Siciliano SpA	Cerved Credit Management SpA, Cerved Master Services SpA	1,422	BB (BBB-)	B- (B+)	6mE+0.5%/ 6mE+6%	Y
Bari NPL 2017 Srl	Dec-17	Banca Popolare di Bari Scpa, Cassa di Risparmio di Orvieto SpA	Prelios Credit Servicing SpA	345	BB- (BBB)	CC (B+)	6mE+0.3%/ 6mE+6%	Y
GBV of GACS eligible securitisations rated by Scope 2017 (EUR million)				1,767				
Siena NPL 2018 Srl	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	3mE+1.5%/ 3mE+8%	Y
Aragorn NPL 2018 Srl	Jun-18	Credito Valtellinese SpA, Credito Siciliano SpA	Credito Fondiario SpA, Cerved Credit Management SpA	1,671	B+ (BBB-)	CC (B)	6mE+0.5%/ 6mE+7%	Y
Red Sea SPV Srl	Jun-18	Banco BPM SpA and Banca Popolare di Milano SpA	Prelios Credit Servicing SpA	5,097	BBB- (BBB)	Not Rated	6mE+0.6%/ 6mE+6%	Y
4Mori Sardegna Srl	Jun-18	Banco di Sardegna SpA	Prelios Credit Servicing SpA	1,045	A* (A-)	B+ (BB-)	6mE+0.9%/ 6mE+8%	Y
2Worlds Srl	Jun-18	Banco di Desio e della Brianza SpA, Banca Popolare di Spoleto SpA	Cerved Credit Management SpA, Cerved Master Services SpA	1,002	BBB- (BBB)	B- (B)	6mE+0.4%/ 6mE+8%	Y
BCC NPLS 2018 srl	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	BB- (BBB-)	CC (B+)	6mE+0.4%/ 6mE+6%	Y

*Under review for downgrade.

Juno 1 Srl	Jul-18	Banca Nazionale del Lavoro SpA	Prelios Credit Servicing SpA	957	BBB+ (BBB+)	Not Rated	6mE+0.6%/6mE+8%	Y
Maggese Srl	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	6mE+0.5%/6mE+6%	Y
Maior SPV Srl	Aug-18	Unione di Banche Italiane SpA and IW Bank SpA	Prelios Credit Servicing SpA	2,749	BBB (BBB)	Not Rated	6mE+0.5%/6mE+6%	Y
IBLA Srl	Sep-18	Banca Agricola Popolare di Ragusa SpA	Italfondario SpA	349	BBB (BBB)	B (B)	6mE+0.6%/6mE+8%	Y
AQUI SPV Srl	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	6mE+0.5%/6mE+7%	Y
POP NPLS 2018 Srl	Nov-18	17 banks	Cerved Credit Management SpA, Cerved Master Services SpA	1,578	BBB (BBB)	B (B)	6mE+0.3%/6mE+6%	Y
Riviera NPL Srl	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	Dec-18	73 co-operative banks	Italfondario SpA	2,004	BBB (BBB)	B+ (B+)	6mE+0.3%/6mE+6%	Y
Belvedere SPV Srl	18-Dec	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	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	Feb-19	Banco BPM SpA	Credito Fondiario SpA	7,385	BBB (BBB)	Not Rated	6mE+0.6%/6mE+8%	Y
Juno 2 Srl	Feb-19	Banca Nazionale del Lavoro SpA	Prelios Credit Servicing SpA	968	BBB+ (BBB+)	Not Rated	6mE+0.6%/6mE+8%	Y
Prisma SPV Srl	Oct-19	Unicredit SpA	Italfondario SpA, doValue SpA	6,057	BBB+ (BBB+)	B- (B-)	6mE+1.5%/6mE+9%	Y
Marathon SPV Srl	Dec-19	Marte SPV Srl, Pinzolo SPV Srl	Hoist Italia Srl, Securitisation Services SpA	5,027	BBB+ (BBB+)	BB (BB)	1.8%/8%	N
Iseo SPV Srl	Dec-19	UBI Banca SpA	Italfondario SpA, doValue SpA	858	BBB (BBB)	Not Rated	6mE+0.5%	Y
Futura 2019 Srl	Dec-19	Futura SPV Srl	Guber Banca SpA	1,256	BBB (BBB)	Not Rated	6mE+0.3%	N
BCC NPLs 2019 Srl	Dec-19	68 banks	Italfondario SpA, doValue SpA	1,324	BBB+ (BBB+)	B- (B-)	6mE+0.3%/6mE+6.5%	Y
POP NPLs 2019 Srl	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	Jun-20	Banca Popolare di Sondrio SCpA	Prelios Credit Servicing SpA	999.7	BBB (BBB)	Not Rated	6mE + 0.5%/6mE + 9.0%	Y
Spring SPV Srl	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	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				

Source: Scope Ratings public data



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