Titan SPV S.r.l.

Italian Non-Performing Lease ABS

Ratings

Tranche	Rating	Size (EUR m)	% of notes	% of GBV	Coupon	Final maturity
Class A	BBB_{SF}	90.5	78.3	27.0	6M Euribor + 0.5%	Jan 2041
Class B	NR	15.0	13.0	4.5	6M Euribor + 8.0%	Jan 2041
Class J	NR	10.1	8.7	3.0	6M Euribor + 10% + VR	Jan 2041
Total		115.6				

Scope's quantitative analysis is based on the portfolio provided by the originators. Scope's Structured Finance Rating constitute an opinion about relative credit risks and reflect the expected loss associated with the payments contractuall promised by an instrument on a particular payment date or by its legal maturity. See Scope's website for the SF Ratin Definitions.

Transaction details

Transaction type	Static cash securitisation
Asset class	Non-performing leases
Issue date	28 December 2020
Issuer	Titan SPV S.r.l. (SPV)
Leasing company	Zeus LeaseCo S.r.l. (LeaseCo)
Originators and sellers	Alba Leasing S.p.A., Release S.p.A., Banco BPM S.p.A.
Master servicer	Prelios Credit Servicing S.p.A. (PRECS)
Special servicer	Prelios Credit Servicing S.p.A. (PRECS)
Gross book value (GBV)	EUR 335m
Portfolio cut-off date	31 December 2019
Key portfolio characteristics	The pool is composed of 87.7% of secured leases (relevant assets yet to be sold[1]) and 12.3% of unsecured receivables (relevant assets already sold). Equipment leases represent 2.8% of the pool. Borrowers are mainly corporates (99.4%). Secured leases are mainly backed by industrial and commercial real estate assets (50.8% and 46.0% of property values, respectively), while the remaining assets are residential properties, land and other types of assets (1.0%, 1.0%, and 1.2%, respectively). Properties are concentrated in northern Italy, with 72.0% of property values. Central and Southern regions account for 14.5% and 13.5%, respectively.
Payment frequency	Semi-annual (January and July)
Key structural features	The notes have been structured in accordance with the GACS requirements. The structure comprises three classes of notes with fully sequential principal amortisation: senior class A, mezzanine class B, and junior class J. The class A notes will pay a floating rate indexed to six-month Euribor plus a margin of 0.5%. Class B will pay a floating rate indexed to six-month Euribor plus a margin of 8.0%. Class J will pay a floating rate indexed to six-month Euribor plus a fixed rate of 10% plus a variable return. The class J principal and interest are subordinated to the principal repayment of the senior and mezzanine notes.
Hedging provider	Société Générale
Other key counterparties	BNP Paribas Securities Services, Milan Branch (agent bank, account bank and paying agent), Banca Finanziaria Internazionale S.p.A. (back-up servicer, corporate servicer, LeaseCo corporate servicer, LeaseCo sole quotaholder, calculation agent, noteholders' representative, monitoring agent).
Arranger	Banca Akros S.p.A., Société Générale, Mediobanca S.p.A.

[1] or relevant assets already sold but with sale proceeds yet to be cashed.

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Related Research

Italian NPL collections plateauing 10%-15% (January 2021)

68% of Italian NPL securitisations set to underperform by Q1 2021 (December 2020)

New lockdown will trigger a plunge in Italian NPL ABS collections (November 2020)

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Rating rationale (summary)

The rating is primarily driven by the expected recovery amounts and timing of collections from the non-performing lease portfolio. The recovery amounts and timing assumptions consider the portfolio's characteristics as well as our economic outlook for Italy and assessment of the special servicer's capabilities. The rating is supported by the structural protection provided to the notes, the absence of equity leakage provisions, the liquidity protection provided by the cash reserve, and the interest rate hedging agreement. The rating also addresses exposures to the key transaction counterparties.

We performed a specific analysis for recoveries, using different approaches for secured and unsecured exposures. For secured leases, collections were mainly based on the most recent property appraisal values, which were stressed for the appraisal type, and liquidity and market value risks. Recovery timing assumptions were derived using line-by-line asset information detailing the type of legal proceeding, the properties' status (i.e. repossession status), the court issuing the legal proceeding, and the stage of the proceeding as of the cut-off date. Our recovery rates and timing assumptions were also based on proprietary line by line data on repossessed and sold assets in the lease market. For unsecured receivables, we used historical line-by-line and market-wide recovery data on defaulted loans between 2000 and 2019 and considered the special servicer's capabilities when calibrating lifetime recoveries. We accounted for the current macro-economic scenario, taking a forward-looking view on the macro-economic developments.

Rating drivers and mitigants

Positive rating drivers

Large share of full and drive-by valuations. 79.5% of leased assets valuations (by total property value) are full or drive-by valuations. These valuation types are generally more accurate than CTU or statistical valuations.

Recent appraisals. All valuations were conducted between 2018 and 2020, meaning asset values are likely to reflect the liquidity risks and price fluctuations currently present in the real estate market.

Negative rating drivers and mitigants

A material portion of secured leases are under-collateralised. By gross book value, 77.5% of portfolio's secured leases have a loan-to-value higher than 100%, based on leased assets' most recent valuations.

Absence of line-by-line information on servicer's sale strategy following repossession. Detailed information on the servicer's asset sale strategy helps in calibrating timing assumptions for collections.

Upside rating-change drivers

Servicer outperformance on repossession and regularisation timing. A faster-than-expected regularisation or repossession of de-merged assets could accelerate the timing of open market sales, leading to faster recoveries. This could positively impact the rating.

Downside rating-change drivers

Longer-lasting pandemic crisis. Recovery rates are generally dependent on the macroeconomic climate. Our baseline scenario foresees Italian GDP to contract by 9.6% in 2020 before rebounding with 5.6% growth in 2021. If the current crisis lasts beyond this baseline scenario, liquidity conditions could deteriorate, reducing servicer performance on collection volumes. This could negatively impact the rating.

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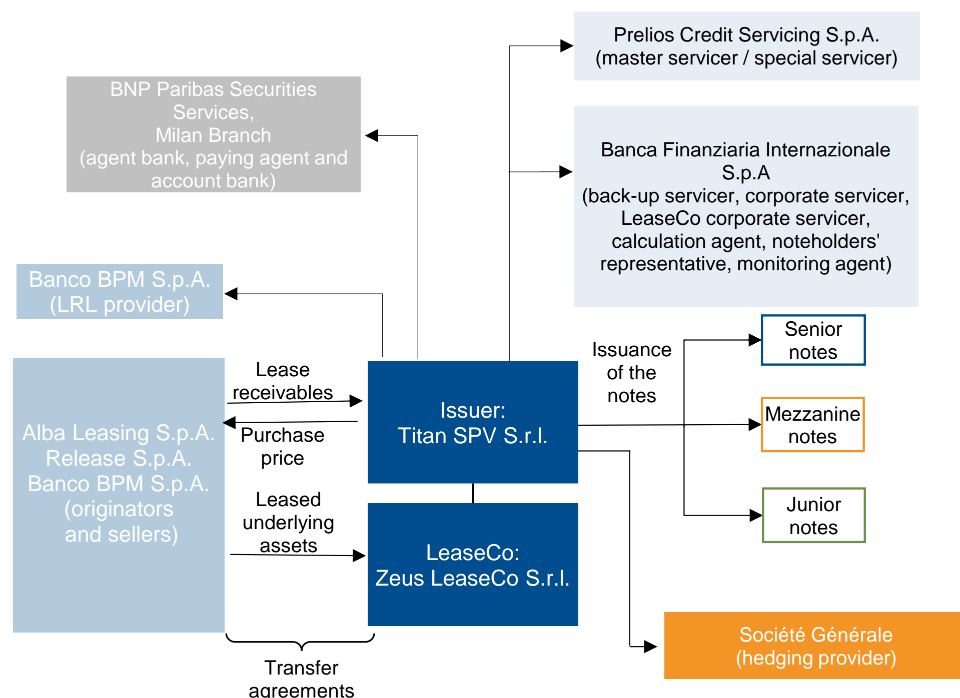
1. Transaction diagram

Figure 1: Transaction diagram



Sources: Transaction documents, Scope Ratings

The issuer acquired the portfolio at the transfer date of 12 December 2020. The disposable assets were transferred to Zeus LeaseCo S.r.l. on the same date. The originators have undertaken to transfer the non-immediately disposable assets (i.e. non-repossessed assets, repossessed assets not yet regularised, or assets subject to specific laws or contractual provisions) to Zeus LeaseCo S.r.l. by 30 June 2021.If there are any leased assets that are not yet eligible to be transferred by 30 June 2021 the originators will return the original purchase prices (plus indemnity amounts) for those.

2. Macroeconomic environment

Low economic growth poses significant challenges to NPL recovery expectations

The current significant cyclical downturn and low nominal growth expectations pose challenges for secured and unsecured non-performing-loan portfolio recoveries, as weak macroeconomic conditions may curtail demand for real estate assets as well as for workout options on unsecured business and personal loans.

Our estimate of the Italian economy's medium-run growth potential is weak at 0.7%, though supported by growth-enhancing fiscal stimulus to address the economic and public-health consequences of the Covid-19 crisis, alongside accommodative borrowing and investment conditions anchored by the extraordinary interventions of the ECB. In comparison, pre-crisis output growth (2010-19 period) averaged 0.2%.

The ECB's monetary policy response and the EU Recovery Fund of EUR 750bn over 2021-26 have anchored Italy's access to capital markets at record-low rates and enabled a significant fiscal response by the Italian government to the current crisis. In 2020, Italian authorities executed meaningful budget stimulus of around 6% of GDP. The government's latest budgetary plans contained in the Documento di Economia e Finanza

envisage discretionary measures in 2021 amounting to a fiscal expansion of 1.4% of GDP, including monies for southern Italian regions and support for businesses.

We expect GDP growth to rebound to 5.6% in 2021 after contracting by 9.6% in 2020

Under our baseline scenario, we foresee the Italian economy contracting by 9.6% in 2020 but rebounding with growth of 5.6% in 2021. This scenario assumes a firmer foothold for the recovery by the spring of 2021 after an easing of the anticipated double-dip contraction in Q4 amid a gradual re-opening of the economy. Even so, recovery in 2021 will remain uneven and subject to setbacks in the short term.

There are both upside and downside risks to these baseline projections for 2021. Under a stressed scenario of a full renewed lockdown by Q1 2021, we estimate a further contraction of GDP next year of 0.7%.

In addition, the prolonged crisis and loss of investment may have attenuated Italy's growth potential. Longer-term plans for reform face challenges, moreover, including from policy implementation and structural increases in public debt ratios – which restrict available fiscal space.

Italy's public debt ratio has steadily increased across multiple business cycles, from 104% of GDP at end-2001, to 135% by end-2019 and around 160% in 2020 under our baseline expectations. As we move ahead in this decade, additional shocks with potential adverse impacts on debt trajectory remain likely.

3. Special servicer review

3.1. Introduction

We conducted an operational review on the servicer, PRECS. In Scope's view the special servicer's capabilities and processes to manage the securitised portfolio are adequate.

Portfolio recovery assumptions factor in our assessment of PRECS capabilities

The assessment of servicing, valuation and management capabilities considers, among other aspects, servicer's corporate structure, business processes, collateral appraisal procedures, servicing IT systems, business continuity risks and transaction-specific aspects, such as portfolio onboarding, asset manager allocation, and asset disposal strategies (i.e. the business plan). We considered this assessment when deriving our recovery rate and recovery timing assumptions for both unsecured receivables and secured leases.

In addition, we conducted a virtual property tour on a small sample of properties from the securitised portfolio. This is part of our assessment of portfolio collateral valuations and secured lease recovery expectations, captured through our haircuts based on property and appraisal types.

3.2. Corporate overview

PRECS has expertise in servicing GACS pools

PRECS (part of Prelios Group) is a leading Italian player in the credit servicing sector, manging more than EUR 30bn GBV of assets under management ('AUM'), as of December 2019. AUM include both NPLs and unlikely to pay ('UTP') loans, representing, respectively, around two-thirds and one third of total AUM. Additionally, PRECS is servicing around 60% of public securitisations with a GACS guarantee since its introduction in 2016.

Prelios Group is fully owned by funds managed by Davidson Kempner Capital Management LP, and along with PRECS, the group comprises other companies active in the credit fund and asset management (Prelios SGR), property management (Prelios Integra), property valuations (Prelios Valuations) and brokerage & agency (Prelios Agency) sectors.

3.3. Servicing model for leasing exposures

PRECS has an internal leasing workout unit, reporting to the general non-performing loans management division, that carries out recovery activities in relation to leases exposures, with the support of external providers for equipment leased assets. The recovery process envisages assigning lease exposures to loan managers in charge of overview the entire procedure, from contract resolution to the oversight of the sale phase (including residual claim proceedings). External lawyers are involved in judicial strategies, while real estate consultants advise on judicial and extra-judicial sales. The asset and property management team is responsible for the collection of properties' technical documentation, for the planning of onsite visits and periodic inspection, and for real estate recovery and maintenance.

4. Portfolio characteristics

4.1. Representations and warranties

The securitised pool comprises Italian non-performing leasing contracts originated by Alba Leasing S.p.A., Banco BPM S.p.A. and Release S.p.A. The representations and warranties on the leases provided by the originators are generally aligned with those of peer transactions we rate, and include the following:

- All receivables are denominated in euros and governed by Italian law.
- All receivables are valid for transfer without any limitations.
- Borrowers have been reported by the originators as defaulted by the Credit Bureau of the Bank of Italy as of the transfer date.
- As of the date on which financings were granted, corporate borrowers were entities incorporated under Italian law with a registered office in Italy.
- As of the date on which financings were granted, borrowers were individuals residing in Italy.
- Borrowers are not employees, managers or directors of the originators.

Additional representation and warranties apply to the immediately transferrable assets. Among them are:

- The assets are fully owned by the originators and are located in Italy.
- The assets can be deeded and transferred to the LeaseCo.
- The assets have urbanistic and energy performance certificates; cadastral data comply with the 'status quo' of the assets.

The immediately transferrable assets have been transferred with a notary deed; this ensures the assets' compliance with the criteria required by the notary's deed.

The above representations and warranties apply also to the non-immediately disposable assets, starting from their relevant transfer date.

No specific representations and warranties were provided with reference to the equipment leases' underlying assets.

4.2. Portfolio characteristics

Figure 2 provides a high-level view on portfolio characteristics as of the cut-off date. Detailed lease-level portfolio stratifications are provided in Figures 3 to 13 and in Appendix I.

Figure 2: Portfolio summary

	All	Secured leases	Unsecured receivables
Number of leases	939	328	611
Number of borrowers	668		
Gross book value (EUR m)	335.4	294.2	41.2
Percentage of total GBV		87.7	12.3
Collections since cut-off date (% of GBV)	3.1		
Real estate deposits and sales proceeds (% of GBV)*	3.6		
Weighted average seasoning (years)	5.8	5.7	6.2
Collateral value (before haircuts, EUR m)	202.0	202.0	
Repossessed and regularised assets (% of GBV)	59.2		
Non-repossessed or non-regularised assets (% of GBV)	40.8		

*Real estate deposits are the amounts paid by prospective buyers as part of the offer to buy. The prospective buyer may still withdraw the offer, but deposits are non-refundable. Real estate deposits are reported as of 11 December 2020.

Sources: transaction data tape, Scope Ratings

Our analysis is performed on a line-by-line level, considering all information provided to us in the context of the transaction, as well as publicly available information.

Leases are defined as 'secured' if the relevant assets are yet to be sold, whereas unsecured receivables refer to both leases for which the relevant assets have been already sold and equipment leases.

We adjusted the pool's GBV using information on collections and sold properties since the cut-off date. Collections received since the cut-off date will be part of the issuer's available funds at the first payment date. We assumed properties, for which the prospective buyer paid a deposit, will be sold within four years from the closing date.

Stratification data reported below may be based on conservative mapping assumptions applied to address missing data.

Figure 3: Distribution by borrower type (% of GBV)

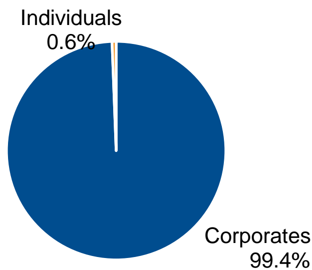


Figure 4: Distribution by lease type (% of GBV)

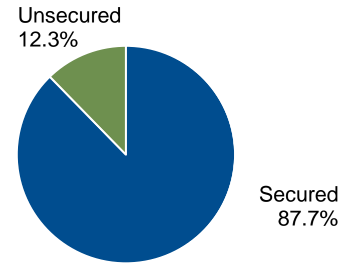


Figure 5: Distribution by lease type (% of GBV)

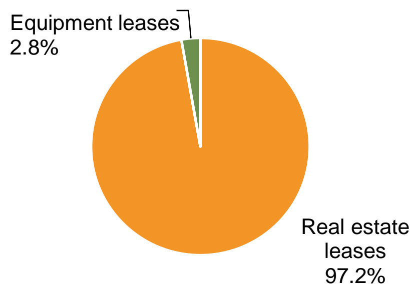


Figure 6: Distribution by equipment leases type (% of equipment leases GBV)

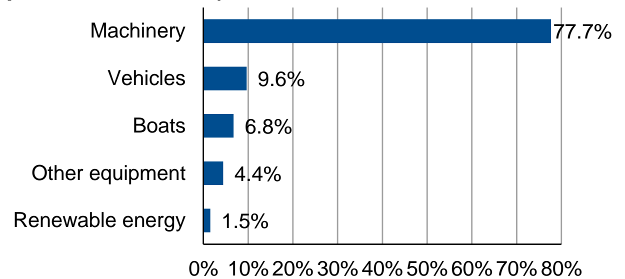


Figure 7: Recovery procedure by borrower type (% of GBV)

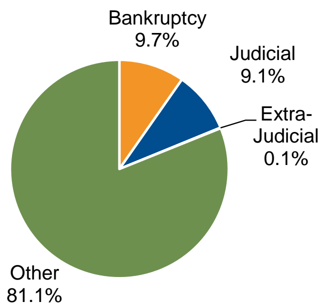


Figure 8: Distribution by repossession stage as of cut-off date (% of GBV)

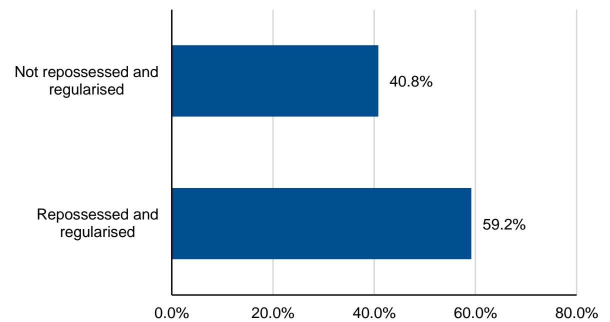


Figure 9: Distribution by collateral type (% of appraisal value)

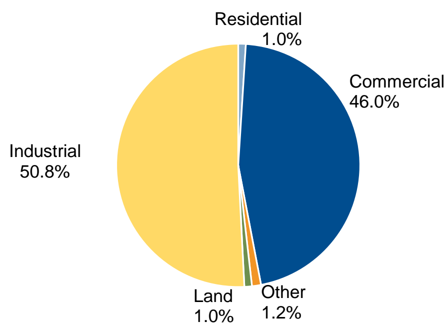


Figure10: Distribution by valuation type (% of latest appraisal value)

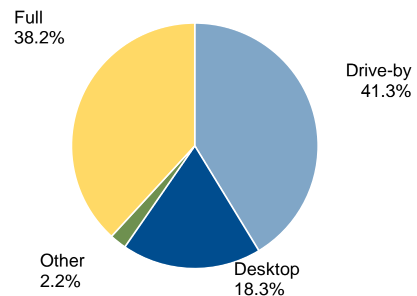


Figure 11: Distribution by collateral location (% of appraisal value)

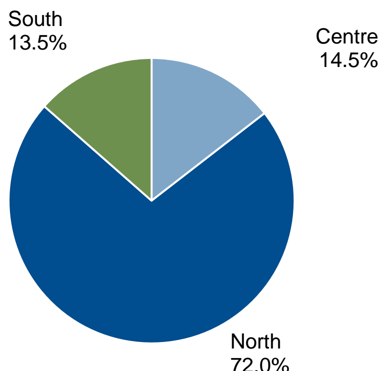


Figure 12: Distribution by valuation date (% of appraisal value)

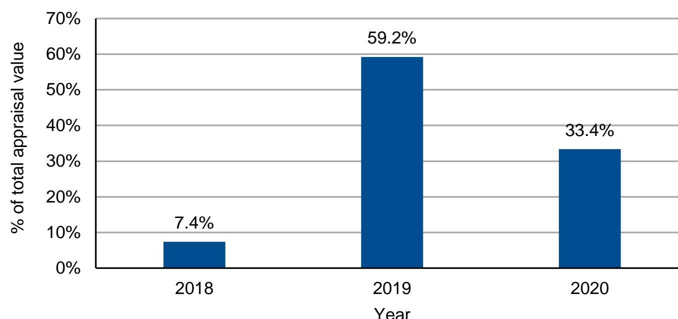
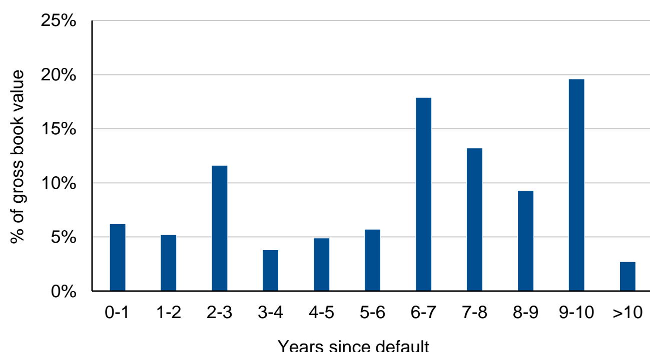


Figure 13: Distribution by unsecured receivables seasoning (% of GBV)



Sources: Transaction data tape, Scope Ratings

5. Portfolio analysis

Under our NPL ABS rating methodology, we test the resilience of a rated instrument against deterministic, rating-conditional stresses. We apply higher stresses as the instrument's rating becomes higher. Figure 14 summarises the recovery rate assumptions applied for the analysis of the class A notes.

Figure 14: Summary of assumptions

	Class A analysis
Secured recovery rate (% of secured GBV)	48.6
Unsecured* recovery rate (% of unsecured GBV)	6.1
Total recovery rate (% of total GBV)	**43.4**
Secured collections weighted average life (years)	4.3
Unsecured* collections weighted average life (years)	7.9
Total collections weighted average life (WAL)	**4.4**

*Unsecured recovery rate reflects expected collections from residual unsecured claims after the asset's sale and from equipment leases.

Sources: transaction data tape, Scope Ratings

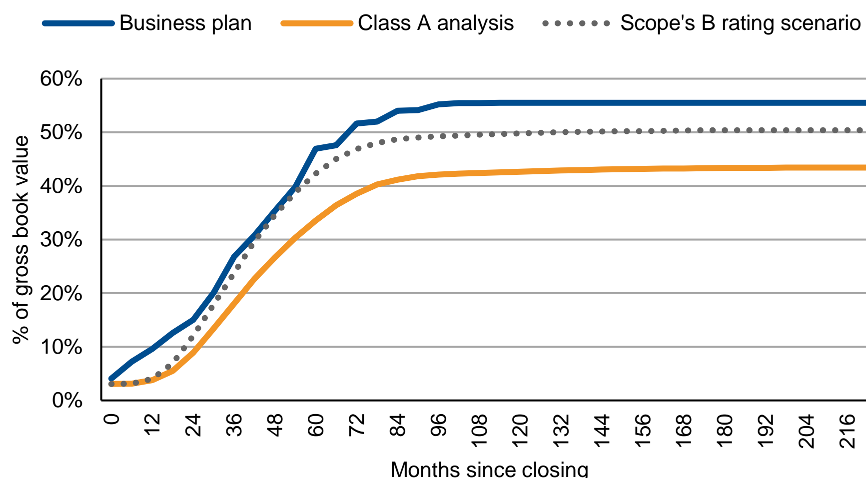
Class A recovery assumption is about 22% below business plan targets

Figure 15 compares our lifetime gross collections and recovery timing assumptions for the entire portfolio with the servicer business plan. Scope's assumptions are derived by blending secured and unsecured recovery expectations. Our recovery assumption for

class A is about 22% below business plan targets. For the analysis of the class A notes, we assumed a longer recovery timing than the one forecasted in the business plan (we assume a WAL of 4.4 years versus the business plan WAL of about 3.9 years).

The servicer's business plan has been prepared on a line by line analysis, according to asset managers' assessment, in relation to each single asset included in the portfolio.

Figure 15: Business plan's gross cumulative recoveries vs Scope's assumptions[2]



Sources: Servicer business plan, Scope Ratings

5.1. Analysis of secured portfolio segment

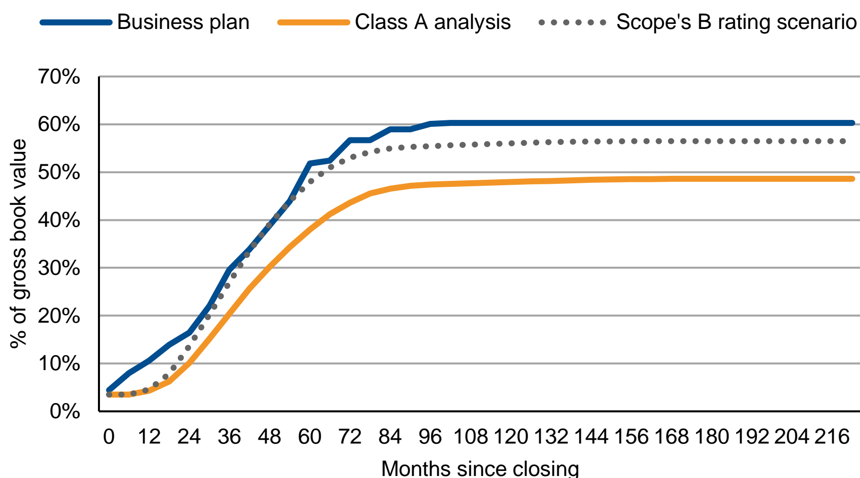
Valuation haircuts address forward-looking market value and liquidity risks

Figure 16 shows our lifetime gross collections vectors for the secured segment compared to those from the servicer's business plan. Our analytical approach consists 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. We also consider concentration risk.

Our time to repossess assumptions are mainly determined by the type[3] and efficiency of the repossession strategy and by the court issuing the repossession proceeding (in case of judicial or bankruptcy routes), by the type of property and its location. Time to repossess assumptions for the non-immediately disposable assets are constrained by originators' undertaking to transfer and therefore repossess them by 30 June 2021. Our time to sell assumptions, for repossessed assets, are mainly determined by the type of property, their location and their size. They also depend on expected real estate market liquidity conditions and on our assessment of the special servicer's capabilities in selling the assets after repossession. Our recovery timing assumptions are based on the following data sources: i) public market data; ii) Scope's proprietary data on sale of leased assets. Our analysis also considers the servicer's business plan and strategies, as highlighted during the operational review.

[2] Scope and business plan figures include real estate deposits, proceeds from assets sales since the cut-off date and ad-interim collections.
[3] Please refer to Section 5.1.5 for further details on repossession strategies.

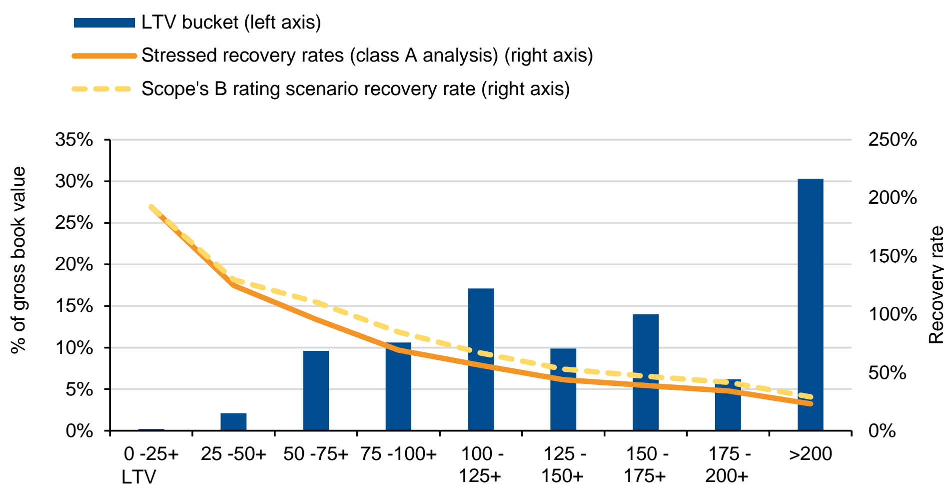
Figure 16: Business plan's gross cumulative recoveries for secured leases vs Scope's assumptions[4]



Sources: Servicer business plan, Scope Ratings

Figure 17 shows the secured leases' distribution by lease-to-value (LTV) bucket as well as our recovery rate assumptions for each LTV bucket (under our rating-conditional stresses applied for the class A).

Figure 17: Secured leases' distribution by LTV and Scope's expected secured recoveries



Sources: Transaction data tape, Scope Ratings

5.1.1. Appraisal analysis

Appraisal type haircuts range between 0% and 15%

We applied rating-conditional haircuts ranging from 0% to 15%, reflecting our view of the quality and accuracy of each valuation type (full or drive-by valuations are generally more accurate than desktop valuations).

[4] Scope and business plan recovery amounts include real estate deposits, proceeds from assets sales since the cut-off date and ad-interim collections.

Figure 18: Scope's transaction-specific valuation haircuts

Valuation type	Percentage of collateral value	Class A analysis haircut
Full	38.2%	0%
Drive-by	41.3%	0%
Desktop	18.3%	2.5%
Other/Statistical	2.2%	15.0%

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

5.1.2. Property market value assumptions

Figure 19 details our assumptions about property price changes over the transaction's life commensurate with class A rating. These assumptions are i) specific to the transaction and geographical area; ii) based on an analysis of historical property price volatility; and iii) based on fundamental metrics relating to property affordability, property profitability, private sector indebtedness, the credit cycle, population dynamics and long-term macroeconomic performance.

Figure 19: Scope's transaction-specific price change assumptions

	North						Centre			South			Islands	
Region	Milan	Turin	Genoa	Bologna	Venice	Others	Rome	Florence	Others	Naples	Bari	Others	Metropol-itan cities	Rest of provinces
Class A analysis	-13.0	-11.0	-11.0	-11.0	-13.0	-13.0	-17.0	-15.0	-15.0	-13.0	-13.0	-15.0	-13.0	-15.0
Portfolio distribution (%)	11.9	3.1	1.8	2.4	0.9	52.0	3.6	1.1	9.8	0.0	2.1	4.7	6.3	0.4

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

5.1.3. Collateral liquidity risk

Property type haircuts range between 18% and 32%

We capture asset liquidity risk through additional fire-sale haircuts on collateral valuations. Compared with mortgage collateral, leased assets generally have lower discounts upon disposal (as they are mostly sold on the open market than through judicial auctions) and they are better maintained. Moreover, upon repossession, most leased assets are put under the custody of third parties, with the servicer managing their maintenance, capex and opex[5] (if applicable). Figure 20 shows the rating-conditional haircuts applied for the class A analysis, whose assumptions are based on historical distressed property sales data and reflect our view that non-residential properties tend to be less liquid, resulting in higher distressed-sale discounts.

Figure 20: Scope's transaction-specific fire-sale discount assumptions

Collateral type	Percentage of collateral value	Class A analysis haircut
Residential	1.0%	18%
Non-residential	99.0%	24% - 32%

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

5.1.4. Concentration risk

We addressed borrower concentration risk by applying a 10% rating-conditional recovery haircut to the 10 largest borrowers for the class A notes analysis. The largest 10 and 100 borrowers account for 26.8% and 74.9% of portfolio GBV, respectively.

[5] Capex stands for capital expenditures, opex stands for operating expenses.

5.1.5. Repossession and sale timing assumptions

Our recovery timing assumptions consider three phases: i) repossession; ii) regularisation; and iii) asset disposal. Though the three phases may overlap, we assumed them to be sequential.

The repossession phase starts with the resolution of lease contracts. If the lessee does not return the asset to the lessor by the deadline stipulated in the leasing contract, the lessor can initiate asset repossession via judicial or bankruptcy proceedings against the lessee, or through extra-judicial routes. Repossession strategies can be implemented 1) within bankruptcy proceedings ('fallimenti') where the assets are claimed back by the lessors as the owner of the assets, 2) via judicial routes (asking the court to issue an order for the lessee to release the asset, via ex. art. 700/702) or 3) with extra-judicial proceedings (i.e., 'messa a disposizione bonaria').

Once the asset is repossessed and placed under third-party custody, the regularisation phase begins, during which cadastral, urbanisation and environmental activities are performed as required by the asset's deed. The regularisation phase typically involves a technical asset due diligence, with an on-site inspection and the gathering of all necessary documentation requested by the notary.

The asset can be sold only after the repossession and regularisation phases, but the servicer usually starts marketing the asset during the regularisation phase to accelerate the disposal process.

We applied line-by-line repossession timing assumptions, considering the court in charge of the repossession's proceeding, the type of legal proceeding, and the current stage of the proceeding. We differentiated our repossession timing assumptions based on the asset type, asset location, incorporating an operational timing stress (e.g. the time to remove movable assets may differ based on their nature).

We applied line-by-line regularisation timing assumptions, based on the asset type and on proprietary data.

Our disposal timing assumptions were based on Scope's proprietary data and on public market data. These assumptions depended on the size, type and location of the asset.

Compared to non-performing loans, the time to recover for non-performing leases is less dependent on court efficiency, as courts are only involved until the repossession phase, while asset sales occur on the open market. We applied a rating-conditional timing stress to our timing assumptions, based on the type of proceeding.

Figure 21: Length of recovery process

Type of proceeding	Length* (years)
Bankruptcy	5.7-8.9
Non-bankruptcy	5.1-8.9

*Timing assumptions are shown for Class A rating and are derived from line-by-line timing assumptions, based on the proceeding type, court and asset type.

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

Figure 22: Total recovery time allocation by phase

Phase	Percentage of total recovery timing*	Bankruptcy	Non-bankruptcy
Repossession	37%-60%	41%-60%	37%-56%
Regularisation	3%-8%	3%-7%	4%-8%
Disposal	35%-57%	35%-53%	39%-57%

*Timing assumptions are shown for Class A rating and are derived from line-by-line timing assumptions, based on the types of proceeding, asset, and court.

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

5.2. Analysis of unsecured portfolio segment and residual claims

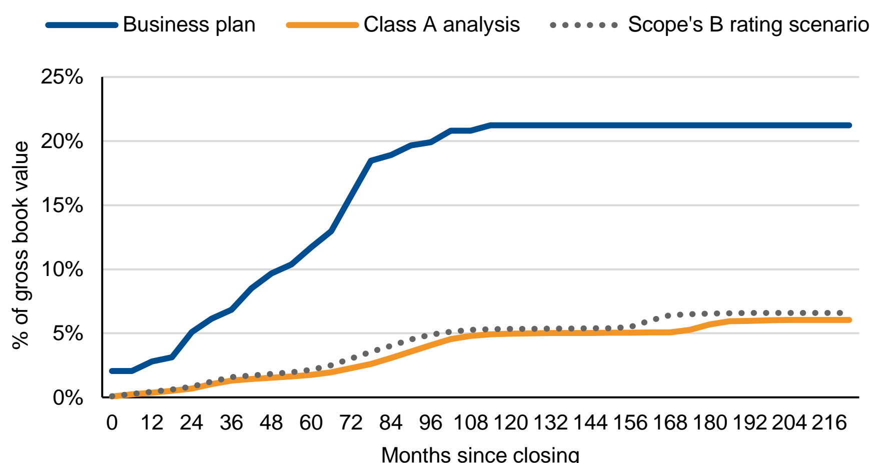
Assumptions based on market wide proprietary data

Unsecured receivables refer to lease exposures for which the relevant assets have been sold and to equipment leases. Residual claims refer to future unsecured receivables arising from asset sales that are not expected to cover in full the corresponding outstanding debt (see section 5.2.1).

Our unsecured recovery assumptions reflect expected collections from both unsecured receivables and residual claims. Unsecured recovery assumptions are based on market-wide proprietary data. Additionally, we incorporated our assessment on the quality of the servicer's recovery procedures.

Transaction-specific assumptions also reflect the key characteristics of the unsecured and residual claims receivables, such as average exposure size, debtor type (i.e. individual or corporate) and recovery proceeding type.

Figure 23: Servicer's unsecured recoveries vs Scope's assumptions[6]



Sources: Servicer's business plan, Scope Ratings

5.2.1. Residual claims after security sale

A secured creditor may initiate enforcement actions against a debtor if the sale proceeds of the leased property are insufficient to fully repay the related outstanding debt. Secured creditors generally rank as unsecured creditors for amounts that have not been satisfied with the security's enforcement. The creditor's right to recover its claim arises with an enforceable title (i.e. a judgment or an agreement signed before a public notary).

Partial credit to residual claims after security sale for leases

Based on servicers' historical data, we gave credit to residual claims at up to 2.5% of the leases. Recovery strategies do not typically focus on collecting residual claims as the associated costs may exceed potential proceeds. On the other hand, residual claims can be enforced in a profitable way for some borrowers: the elapsed time after a default may have a positive impact as third-party guarantors may at that stage own assets that can be enforced. The servicer may also opt to maximise recoveries when it is cost-efficient to do so, even after the security has been enforced.

[6] Scope and business plan recovery amounts include ad-interim collections proceeds and equipment leases proceeds.

6. Key structural features

The structure comprises three classes of notes with fully sequential principal amortisation: senior class A, mezzanine class B, and junior class J.

Class A will pay a floating rate indexed to six-month Euribor plus a margin of 0.5%. Class B will pay a floating rate indexed to six-month Euribor plus a margin of 8.0%. Class B interest (and a portion of the special servicer fees) is subordinated to class A principal payments if certain under-performance events are triggered.

The GACS guarantee ensures interest and principal are paid by the final maturity of the class A notes. Our rating on the class A notes does not consider the coverage of the GACS guarantee but considers its potential cost (i.e. GACS premium) if the guarantee is added to the structure.

Non-timely payment of class A interest would trigger an accelerated waterfall

Non-timely payment of class A interest (unless the GACS guarantee is in place), among other events such as the issuer's unlawfulness, would accelerate the repayment of class A principal through the subordination all class B payments.

6.1. 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:

Figure 24: Simplified priority of payments and available funds

Pre-enforcement priority of payments
1) LeaseCo fees, master and special servicer senior fees, and other senior expenses
2) Expenses account replenishment
3) Other senior fees (not paid under item 1)
4) Limited-recourse loan interest
5) GACS guarantee premium
6) Replenishment of SPV recovery expenses reserve and LeaseCo recovery expenses reserve
7) Class A interest
8) Other GACS costs, if due
9) Cash reserve replenishment
10) Limited-recourse loan principal
11) Class B interest* (provided that no interest subordination event has occurred)
12) Class A principal
13) Class B interest (upon occurrence of the interest subordination event)
14) Class B principal and mezzanine servicer fees (provided that a servicer underperformance event has occurred)
15) Class J interest
16) Class J principal and junior servicer fees (provided that a servicer underperformance event has occurred)
17) Any residual amount as class J variable return

* Euribor component, if positive, is paid under item 13 of the priority of payments.

Source: Transaction documents and Scope

6.2. Interest subordination event

Class B interest subordination event is aligned with updated 2019 GACS requirements

The occurrence of an interest subordination event results in class B interest being paid under item 13 of the waterfall above. An interest subordination event occurs if i) the cumulative net collection ratio[7] (CCR) falls below 90% of the servicer's business plan targets; ii) the NPV cumulative profitability ratio[8] (NPVPR) falls below 90%; or iii) any due amount of class A interest is unpaid.

An interest subordination event is curable, according to the following rules:

1. If, on a subsequent payment date, the CCR is between 90% and 100% and the NPVPR is above 90%, class B interest accruing on that payment date will be paid senior to the class A principal repayment.
2. If, on a subsequent payment date, the CCR returns to 100% or above and the NPVPR is above 90%, all due and unpaid class B interest will be paid senior to the class A principal repayment.

6.3. Servicing fee structure and alignment of interests

6.3.1. Servicing fees

Servicing fee structures reasonably align the interests of the servicer and the noteholders

The servicing fee structure links the servicer fee amount with the portfolio's performance, mitigating potential conflicts of interest between the servicer and noteholders. The special servicer will be entitled to both an annual base fee and a performance fee.

The annual base fee is equal to 15 bps of the outstanding GBV, with a floor equal to EUR 50,000. Performance fees are 3.5%-7.0% on secured real estate and equipment leases, 5.5%-16.0% on unsecured receivables and residual claims. Master fees amount to EUR 150,000 per annum. LeaseCo master servicing fees amount to EUR 70,000 per annum.

The exact level of fees depends on GBV and the recovery strategy (judicial versus extra-judicial). Extra-judicial strategies and lower tickets generally bear higher performance fees relative to collection amounts. Considering the portfolio composition, we assumed average performance fees of 5.0% for secured real estate and equipment leases and 11.0% for unsecured receivables and residual claims.

The occurrence of a servicer underperformance event results in 5%-30% of the servicer performance fees being subordinated to class A principal payments, based on the level of underperformance. This portion is then paid under items 14 and 16 of the above simplified priority of payments, as mezzanine or junior servicing fees, respectively. A servicer underperformance event occurs either if the CCR falls below 95% or the NPVPR falls below 90%.

An underperformance event is curable if on any subsequent payment date, the CCR and NPVR return above 100%. In case the event is cured all mezzanine and junior servicer fees accrued and unpaid in previous periods will be paid under item 1 of the waterfall above.

6.3.2. Servicer monitoring

Monitoring function protects noteholders' interests

An overview of the servicer's activities and calculations, conducted by the monitoring

[7] CCR is defined as the ratio between: i) the cumulative net collections; and ii) the net expected cumulative collections. Net collections are calculated as the difference between gross collections and LeaseCo operating expenses and SPV legal costs, excluding servicing fees. LeaseCo operating expenses refer to management and marketing costs, property taxes, eviction and insurance costs, maintenance and development capex, brokerage fees and other typed of costs. Net collections and net expected cumulative collections do not include the amounts received by the issuer from the sellers as reimbursement of the purchase price of the positions in relation to which the non-immediately disposable assets have not been transferred to the LeaseCo by 30 June 2021.

[8] NPVPR is defined as the ratio between: i) the sum of the present value of the net collections for all receivables relating to closed positions; and ii) the sum of the target price (based on the servicer's initial business plan) of all receivables relating to closed positions.

agent (mitigates operational risks and moral hazard that could negatively impact noteholders.

The servicer is responsible for the servicing, administration, and collection of receivables as well as the management of legal proceedings. The LeaseCo has also entrusted the servicer with the repossession, regularisation and disposal of the leased assets. The monitoring agent will verify the calculations of key performance ratios and amounts payable by the issuer and check a random sample of leases.

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. The monitoring agent can also authorise the sale of the receivables (acting upon instructions of the committee), the closure of debt positions, and the payment of additional costs and expenses related to recovery activities.

6.3.3. Servicer termination events

In the event of a servicer termination event, PRECS will be revoked as servicer for the transaction. The back-up servicer will step in the event of a master servicer termination event, while the monitoring agent and back-up servicer will assist the issuer in finding a suitable replacement for the special servicer. A termination event for the master servicer does not necessarily trigger a special servicer termination and vice versa.

A servicer termination event includes i) insolvency; ii) failure to pay any amount due to the issuer within two business days from the collections' reconciliation date; iii) an unremedied breach of obligations; iv) an unremedied breach of representation and warranties; v) loss of legal eligibility to perform obligations under the servicing agreement; vi) two consecutive periods of underperformance (i.e. CCR below 90% or NPVR below 85%) after 30 months from the transfer date; and vii) following the enforcement of the GACS guarantee, if the CCR has been lower than 100% for two consecutive collection dates.

6.4. Liquidity protection

Cash reserve provides liquidity protection to class A notes

A cash reserve will be funded at closing through a limited-recourse loan provided by Banco BPM. The cash reserve target amount at each payment date will be equal to 5.0% of the total outstanding balance of class A notes.

The cash reserve is available to cover any shortfalls of interest payments on the class A notes as well as any items senior to them in the priority of payments. Additionally, cash reserve funds can be withdrawn to restore the LeaseCo recovery expenses reserve to its targeted level.

6.5. 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-rate coupon on the notes, defined as six-month Euribor plus a margin of 0.5% for the class A and 8.0% for the class B.

Interest rate risk on class A notes is mitigated through an interest rate cap

An interest rate cap spread mitigates the risk of increased liabilities on the class A notes due to a rise in Euribor (Figure 25). The base rate on the class A notes will be capped with an upper bound rate ranging from 0.4% in July 2021 to 4.0% in July 2033, while it will be floored with a lower bound rate ranging from 0.0% at the issue date to 0.4% in July 2033. Under the cap agreement, the issuer receives the difference, if positive, between six-month Euribor and the lower bound rate and pays the difference, if positive, between six-month Euribor and the upper bound rate, following a pre-defined notional schedule. In addition, a cap is embedded in the class A Euribor component, ranging from 0.9% at the

issue date to 4.5% until notes' maturity. The class A base rate cap is not fully aligned with the upper bound strike of the cap spread. The interest rate risk for class A notes is therefore not fully hedged and it is higher than for peer transactions where the upper bound strike of the cap spread is aligned with the class A base rate.

The notional schedule of the cap spread on class A notes is aligned with our expected class A amortisation profile (see Figure 26).

Figure 25: Interest rate cap on class A notes

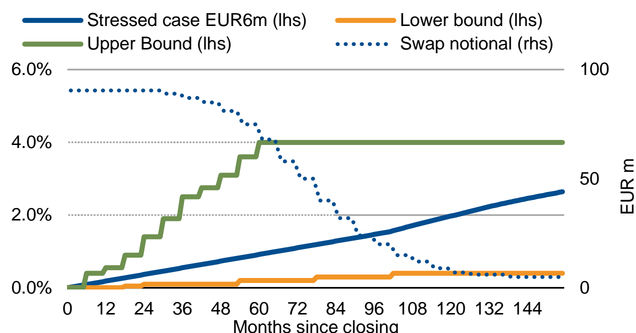
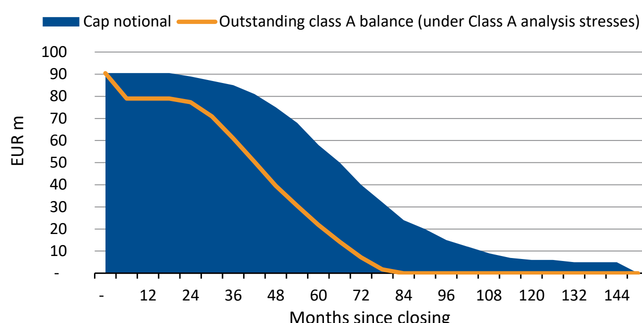


Figure 26: Cap notional vs outstanding class A notes



Sources: Transaction documents, Bloomberg and Scope Ratings

6.6. Recovery expense reserves

The transaction envisages the set-up of two reserve accounts for recovery expenses: the SPV recovery expenses and the LeaseCo recovery expenses reserve accounts. The former covers issuer's expenses inclusive of legal recovery expenses, indirect taxes, and issuer's insurance policy; the latter covers the assets' related costs – other than servicing fees and legal expenses.

The SPV recovery expenses reserve will be funded at closing with EUR 2.8m through a limited recourse loan provided by Banco BPM. The SPV recovery expenses reserve target is set at EUR 100,000. In case the reserve falls below EUR 10,000, funds can be withdrawn (to bring the reserve up to its target) from the SPV collection account.

The LeaseCo recovery expenses reserve will be funded with EUR 2.8m at closing by the SPV recovery expenses reserve funds. The LeaseCo reserve has a target amount corresponding to the amount of the expected recovery expenses to be borne by LeaseCo during the two collection periods immediately following the relevant payment date. In case the LeaseCo recovery expenses reserve account does not hold enough funds to pay due costs or it falls below EUR 20,000, funds can be withdrawn to cover any expenses shortfall and bring the reserve up to its target, from the SPV collection account, the LeaseCo proceeds account, the SPV recovery expenses reserve account and the cash reserve account.

7. 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. Rating-conditional gross recovery vectors reflect Scope's asset assumptions. The cash flow analysis considers the capital structure, the coupon payable on the notes and the hedging structure, as well as the servicing fees structure, the transaction senior fees, LeaseCo and SPV operating and legal costs, the latter assumed at 18% of gross collections.

Our rating reflects expected losses over the instrument's weighted average life

The rating assigned to the class A notes reflects the expected losses over the instruments' weighted average life commensurate with the Scope's idealised expected loss table.

We tested the resilience of the rating 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 the portfolio's recovery rate by 10%, minus one notch.
- an increase in the recovery lag by one year, zero notches.

8. Sovereign risk

No mechanistic rating cap linked to sovereign risk

Sovereign risk does not limit the rating. The risks of an institutional framework meltdown, legal insecurity, or currency convertibility problems due to an Italian exit from the euro area (a scenario which we view as highly unlikely) are not material for the notes' rating.

9. Counterparty risk

Counterparty risk does not limit the transaction's rating

In our view, none of the counterparty exposures constrain the rating achievable by this transaction. We considered counterparty substitution provisions in the transaction and, when available, Scope's ratings or other public ratings on the counterparties. 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) Alba Leasing S.p.A., Release S.p.A., Banco BPM S.p.A. as originators, regarding representations and warranties; ii) Banco BPM as limited-recourse loan provider; iii) Prelios Credit Servicing S.p.A. as master and special servicer; iv) BNP Paribas Securities Services, Milan Branch as agent bank, account bank principal paying agent; v) Banca Finanziaria Internazionale S.p.A. as back-up servicer, corporate servicer, LeaseCo corporate servicer, calculation agent, noteholders' representative, and monitoring agent vi) Société Générale as hedging provider.

9.1. Servicer disruption risk

A servicer disruption event may have a negative impact on the transaction's performance. The transaction incorporates servicer-monitoring that mitigates operational risk and a back-up servicer arrangement that mitigates disruption risk.

9.2. 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 receives payments from a debtor, the servicer will transfer the amounts within two business days from payment reconciliation. In case the originators receive payments from debtors, they will transfer these amounts into the collection account within 4 business days.

9.3. Claw-back risk

Limited claw-back risk

The sellers have provided on the issue date: i) a solvency certificate signed by a representative duly authorised; and ii) a certificate from the chamber of commerce confirming that the relevant seller is not subject to any insolvency or similar proceedings. This mitigates claw-back risk, as the issuer should be able to prove it was unaware of the seller's insolvency as of the transfer date.

Assignments of receivables made under the Italian Securitisation Law are subject to claw-back in the following events:

(i) pursuant to article 67, paragraph 1, of the Italian Bankruptcy Law, if the bankruptcy declaration of the relevant originator is made within six months from the purchase of the relevant portfolio of receivables, provided the receivables' sale price exceeds their value by more than 25% and the issuer cannot prove it was unaware of the originator's insolvency, or

(ii) pursuant to article 67, paragraph 2, of the Italian Bankruptcy Law, if the adjudication of bankruptcy of the relevant originator is made within three months from the purchase of the relevant portfolio of receivables, provided the receivables' sale price does not exceed their value by more than 25% and the originator's insolvency receiver can prove the issuer was aware of the originator's insolvency.

9.4. Enforcement of representations and warranties

Representations and warranties limited by time and amount

The issuer will rely on the representations and warranties, limited by time and amount, provided by the originators in the transfer agreement. If a breach of a representation and warranty materially and adversely affects a lease's value, the originators may be obliged to indemnify the issuer for damages within 10 business days of: i) the expiry of the period of opposition; ii) an agreement being reached on a challenge; or ii) a court's decision in case of challenges without a subsequent agreement.

However, the above-mentioned representations and warranties are only enforceable by the issuer within 18 months from the transfer date.

Total indemnity amount's cap is below peer transactions

The total indemnity amount payable with reference to each originator is capped at 15% of each seller's portfolio purchase price, a threshold that is lower than those of peer transactions. Furthermore, indemnity amounts will only be payable above EUR 1.0m on an aggregate basis per each single originator, and above EUR 20,000 on a single-loss basis once the minimum aggregate threshold is reached.

10. Legal structure

10.1. Legal framework

Transaction documents governed by Italian and English Law

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

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

10.2. Use of legal opinions

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

11. Monitoring

Ongoing rating monitoring

We will monitor this transaction based on the performance reports, updated line-by-line reports, and public information. The rating will be monitored on an ongoing basis.

Scope analysts are available to discuss all the details of the rating analysis

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

12. Applied methodology

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

I. Appendix I – deal comparison

Transaction	Titan SPV	Sirio NPL	Buonconsiglio 3	Relais	POP NPLS 2020	Yoda SPV	BCC NPLS 2020	Spring SPV	Diana SPV	POP NPLS 2019	Futura	Iseo SPV	BCC NPLS 2019	Marathon	Prisma	Juno 2	Leviticus SPV	Belvedere SPV	BCC NPLs 2018-II	Riviera NPL
Closing	Dec-20	Dec-20	Dec-20	Dec-20	Dec-20	Dec-20	Nov-20	Jun-20	Jun-20	Dec-19	Dec-19	Dec-19	Dec-19	Dec-19	Oct-19	Feb-19	Feb-19	Dec-18	Dec-18	Dec-18
Originators	Alba Leasing Release Banco BPM	UBI Banca	38 Banks	UCG Leasing	14 banks	Intesa Sanpaolo	90 Banks	BPER Banca	BPS	12 Banks	53 Banks	UBI Banca	68 Banks	17 Fin. Inst.	Unicredit	BNL	BPM	multiple	73 Banks	Carige & Lucca
Master servicer	Prelios	Prelios	Zenith	Italfondiario	Credito Fondiario	Intrum	Italfondiario	Prelios	Prelios	Prelios	Guber Banca	Italfondiario	Italfondiario	Securitisation Services	Italfondiario	Prelios	Prelios	Prelios	Italfondiario	Credito Fondiario
Special servicer	Prelios	Prelios	Guber Banca	doValue	Credito Fondiario & Fire	Intrum	doValue	Prelios	Prelios	Prelios, Fire	Guber Banca	doValue	doValue	Hoist Italia	doValue	Prelios	Prelios	Prelios, BVI	Italfondiario	Credito Fondiario, Italfondiario
General portfolio attributes																				
Gross book value (EUR m)	335	1,228	679	1,583	919.9	6.033	2347.1	1377.3	999.7	826.7	1,256	857	1,324	5,027	6,057	968	7,385	2,541	1,954	964
Number of borrowers	668	14,313	3,671	2,335	3,978	22,282	9,580	2,544	2,981	6,633	9,639	6,401	8,596	324,282	52,419	1,120	19,747	13,678	10,089	3,606
Number of loans	939	22,471	6,520	3,006	8,128	74,312	17,246	11,669	4,813	16,718	16,152	8,373	15,944	412,795	137,813	3,609	49,404	31,266	22,041	9,776
WA seasoning (years)	5.8	3.4	3.7	5.8	3.4	5.5	3.8	4.6	4.0	6.1	5.5	3.5	3.4	7.5	5.3*	3.5*	3.8*	6.7*	1.8*	2.0*
WA seasoning (years) - unsecured portfolio	6.2	3.5	4.4	7.0	3.8	5.9	4.5	4.9	4.4	7.7	6.2	4.6	4.2	7.5	6.8*	3.9*	4.4*	6.7*	2.5*	2.5*
WA LTV buckets (% or secured portfolio)																				
bucket [0-25]	0.2	4.5	1.6	0.3	4.6	3.9	3.3	5.2	2	4.3	2.3	1.4	3.4	N/A	3	1.8	3.5	2	4	3.8
bucket [25-50]	2.1	12.2	7.9	2.5	9	8.9	7.7	13.4	7.4	10.3	5.5	5.4	9.9	N/A	8	8	9.2	4.9	9.4	11.7
bucket [50-75]	9.6	17.2	11.9	7.9	12.9	15.6	13.1	18.2	11.4	12.4	8	10.4	11.9	N/A	13.2	15.4	12.6	5.4	13.2	12.9
bucket [75-100]	10.6	18.6	14.2	14.4	19.2	13.8	13.5	15	19	17.4	7.2	15.8	14.6	N/A	15	15.6	14.8	8.5	14.8	10.7
bucket [100-125]	17.1	12.7	10.7	16.6	16.7	13.9	11.7	12.8	10.2	11.7	10.1	17.7	13.6	N/A	12.7	11.2	9.5	6.8	10.3	12
bucket [125-150]	9.9	6.7	10.6	14.7	10.2	6.9	9.5	6.2	7.5	8.6	9.5	15.7	8.5	N/A	10.6	10.9	6.9	8.6	9.1	8
bucket [150-175]	14	4.4	10.1	12.1	27.4	6.5	4.9	3.9	8.6	6.2	6.4	10.3	8.8	N/A	8.5	3.7	6.9	4.8	7.2	8.3
bucket [175-200]	6.2	6	7.6	7.4		3.3	5.4	3.9	3.7	3.7	3.8	7.2	6.7	N/A	6.3	7.8	4.7	5.2	4.5	3.3
bucket > 200	30.3	17.6	25.5	24		27.1	31	21.1	30.2	25.5	47.2	16.1	22.6	N/A	22.8	25.5	31.9	53.9	27.6	29.5
Cash in court (% of total GBV)	0	1.4	1.3	1.5	0.3	0.9	0.4	3.0	3.3		1.1	1.6	1.1	N/A	1.8	5.9	2.0	2.7	0.8	1.2
Loan types (% of total GBV)																				
Secured first-lien	87.7	53.7	65.5	86.5	55.9	41.2	59.8	52.5	64.7	46.9	45.7	92.2	65.9	0	64	57.7	50.5	41.0	58.4	39.4
Secured junior-lien	0.0	7.6	4.0	0.0	9.0	3.7	7.5	42.4	3.4	5.3	6.1	3.3	7.9	0	0.4	3	5.6	8.2	10.0	9.0
Unsecured	12.3	38.7	30.5	13.5	35.1	55.1	32.7	5.1	31.9	47.7	48.2	4.5	26.2	100	35.7	39.3	43.9	50.8	31.6	51.6
Syndicated loans	2.6	3.2	6.2	7.1	1.1	1.3	6.4	14.0	0.0	1.4	2.4	0	5.2	0	0	7.5		0	3.6	0
Debtors (% of total GBV)																				
Individuals	0.6	7	26.4	0.8	25.3	10.6	16.6	11.1	21.5	27.8	22	100	20.7	57.4	100	7.7	14.7	12.0	20.9	13.2
Corporates or SMEs	99.4	93	73.6	99.2	74.7	89.4	83.4	88.9	78.5	72.2	78	0	79.3	42.6	0	92.3	85.3	88.0	79.1	86.8
Procedure type (% of total GBV)																				
Bankrupt	10.4	53.2	64.9	36.0	55.1	49.8	59.1	52.8	22	51.5	64.2	0.9	60.5	N/A	0.7	69.9	71.7	82.2	59.6	72.7
Non-bankrupt	89.6	46.8	35.1	64.0	44.9	50.2	40.9	47.2	78	48.5	35.8	99.1	39.5	N/A	99.3	30.1	28.3	17.8	40.4	27.3
Borrower concentration (% of GBV)																				
Top 10	26.8	7.8	8.7	9.3	9.1	5.2	6.1	11.5	8.7	5.6	4.8	1.7	5.3	0	0.4	19	5.4	9.1	3.8	22.6
Top 100	74.9	30.3	38.4	36.9	35.3	19.6	25.1	39.7	34.7	26.6	21.5	7.4	26	0	1.7	56.2	20.3	24.2	19.4	45.5
Collateral distr. (% of appraisal val.)																				
North	72	51.6	64.7	49.2	62.2	36.6	42.8	39.2	83.8	21.2	74.1	50.7	38.1	N/A	37.1	32.8	71.1	48.8	34.1	79.3
Centre	14.5	25.2	21.7	23.4	12.4	24.3	40.6	8.3	9.7	8.7	14.6	21.1	35.6	N/A	24.2	38.9	17.4	23.6	47.5	12.3
South	13.5	23.2	13.6	27.4	25.4	39.1	16.5	52.5	6.5	70.1	11.3	28.2	26.3	N/A	38.6	28.3	11.4	27.6	18.4	8.3
Collateral type (% of appraisal val.)																				
Residential	1	35.3	35.3	2.6	46.6	38	31.6	32.8	46.6	54.4	47.1	94.8	43.8	N/A	90.1	34.8	41.6	41.9	36.9	40.6
Commercial	46	23.5	27.8	56.4	22.3	16.7	20.9	22.1	17.9	22.2	10.6	1.6	18.8	N/A	4.5	21.1	9.5	9.6	19.2	7.2
Industrial	50.8	16.5	15.0	36.4	9.9	26.3	21.1	12.4	11.5	6.1	21.2	2.1	15.3	N/A	0	16	5.3	7.2	13.9	17.3
Land	1.0	12.4	17.3	1.2	9.5	14.5	14.2	14.7	12.5	6	12.1	0.7	14.2	N/A	1	9	16.2	8.8	18.0	14.7
Other or unknown	1.3	12.3	4.7	3.4	11.7	4.5	12.2	18.0	11.6	11.3	9	0.7	7.9	N/A	4.4	19.1	27.5	32.5	12.1	20.2
Valuation type (% of appraisal val.)																				
Full or drive-by	79.5	16.9	58.1	29.6	46.1	31.1	57.4	74.3	62	25.9	0.9	0	57.7	N/A	0	56.8	32.3	31.4	29.2	21.4
Desktop	18.3	36.8	23.4	68.1	22.5	23.4	19.4	11.4	9.8	11	53.2	71.1	19.9	N/A	0	24.8	31.7	36.1	21.6	35.7
CTU	0.0	17.7	13.9	0.0	20	23.2	10.3	13.4	19.1	14.3	21.1	28.2	9	N/A	29.7	10.4	5.5	0.0	22.3	7.7
Other	2.2	28.6	4.6	2.3	11.4	22.3	12.9	0.9	9.1	48.8	0.8	0.7	13.4	N/A	70.3	8	30.5	32.5	26.9	35.2
Secured ptf proc. stage (% of GBV)																				
Initial	NA	65.2	52.6	NA	57.7	64.2	51.2	67.4	63.5	56.2	43.1	64.4	55.7	N/A	50.9	29.5	65.5	52.4	59.8	68.5
CTU	NA	14.7	26.6	NA	22.6	15.5	18.4	4.2	2.5	16.1	15.1	9.6	22.4	N/A	22.8	17	10.0	0.0	14.7	5.7
Auction	NA	14.1	16.6	NA	12.8	15.2	18.5	13.7	22.3	16.6	24.3	19.9	17.2	N/A	22.1	35.4	16.6	38.3	23.7	22.9
Distribution	NA	6.0	4.2	NA	7	5.1	11.9	14.6	11.8	11.1	17.4	6.1	4.8	N/A	4.3	18.1	8.0	9.3	1.7	2.4
Summary of assumptions (BBB rating conditional stress)																				
Remaining lifetime recovery rate (%)																				
Secured (=net LTV after all stresses)	48.6	50.2	43.1	48.6	48.9	45.4	43.8	53.1	47.7	52	36.7	54.7	54.7	N/A	46.2	61.2	51.8	36.7	55.6	52
Unsecured	6.1	12.9	8.2	17.9	8.7	6.3	11.6	9.5	8.9	9.7	7.6	16.5	16	9.1	1.4	8.6	10.2	7.3	15.3	13.2
Total	**43.4**	**32.9**	**31.1**	**44.4**	**31.2**	**22.4**	**30.8**	**32.4**	**34**	**29.5**	**20.9**	**52.4**	**41.5**	**9.1**	**31.8**	**38.8**	**31.2**	**19.4**	**38.8**	**28.3**
Weighted average life of collections (yrs)																				
Secured	4.3	7.6	7.4	5.0	7.6	7.2	8.3	6.0	3.8	7.2	6.57	5.4	7.1	N/A	5.6	5.7	8	8.2	7.3	7.1
Unsecured	7.9	4.3	4.8	12.6	4.7	3.3	5.2	3.6	4.4	3.5	3.4	4.8	4.5	3.08	3.2	3.6	4.5	5.2	5	4.6
Total	**4.4**	**6.8**	**5.9**	**5.4**	**7.2**	**6.6**	**7.7**	**5.4**	**5.1**	**6.6**	**5.94**	**5.4**	**6.8**	**3.1**	**5.4**	**5.5**	**7.5**	**6.4**	**6.9**	**6.4**
Structural features																				
Liquidity reserve (% of class A notes)		4	4	7.5	4	4	3	5	4.5	4.5	4.5	4	3	3	4	4	4	4	3	4
Class A Euribor cap strike	0.05%-4.0%	0.6%-3.75%	0.6%-3.75%	0.5%-1.7%	0.2%-1.6%	0%-0.75%	0.5%-1.2%	0.2%-1.6%	0.6%-3.75%	0	0.2%-3.0%	0.3%-1.25%	0.3% - 2.5%	N/A	0.2%-1.25%	0.4% - 2.5%	0.25% -1.5%	0.5%	0.42%-1%	0.3%
Class A																				
% of GBV	27	23.6	22.7	29.4	26.3	16.7	22.2	23.2	23.5	20.9	12.6	39.1	26.8	5.7	20	21.1	19.5	12.4	23.8	18.2
Credit enhancement	73.01	76.4	77.3	70.6	73.7	83.3	77.8	76.8	76.5	79.1	87.4	60.9	73.2	94.3	80	78.9	80.5	87.6	76.2	81.8
Class B																				
% of GBV	4.47	2.9	3.1	5.75	2.72	3.5	1.7	1.5	3.5	3	2.9	2.9	4	0.7	1.3	4.9	3	3	3	3.1
Credit enhancement	68.5	73.5	74.2	64.8	70.98	79.9	76.1	75.3	73	76.1	84.5	58	77.2	99.3	78.7	74	77.5	84.6	73.2	78.7
Final rating at closing																				
Class A	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB+	BBB+	BBB+	BBB+	BBB	BBB	BBB	BBB-
Class B	NR	NR	NR	NR	CC	NR	CC	NR	NR	CCC	NR	NR	B-	BB	B-	NR	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.

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