Belvedere SPV S.r.l.

Italian Non-Performing Loan ABS

Ratings

Tranche	Rating	Size (EUR m)	% of notes	% of GBV[1]	Coupon	Final maturity
Class A	BBB_{SF}	320	66.0	12.6	6m Euribor[2] + 3.25%	Dec-38
Class B	NR	70	14.4	2.8	6.0%	Dec-38
Class J	NR	95	19.6	3.7	10% + variable return	Dec-38

Scope's Structured Finance Ratings constitute an opinion about the relative credit risks and reflect the expected loss associated with the payments contractually promised by an instrument on a particular payment date or by its legal maturity. See Scope's website for our SF Rating Definitions.

[1] Gross book value (GBV) of the securitised portfolio at closing (EUR 2,541m)

[2] The base rate applicable to the class A notes will be partially hedged through an interest rate cap agreement with a cap strike of 0.5% as of closing, under which the SPV receives the difference between six-month Euribor and the cap, following a predefined notional schedule.

Transaction details

Purpose	Risk transfer
Issuer	Belvedere SPV S.r.l.
Originators	Multiple originators
Sellers	Gemini SPV S.r.l., Sirius SPV S.r.l., Antares SPV S.r.l., 1702 SPV S.r.l., and Adige SPV S.r.l.
Servicers	Bayview Italia S.r.l. (BVI) as special servicer and Prelios Credit Servicing S.p.A. (Prelios) as master and special servicer
Portfolio cut-off date	28 February2018
Issuance date	21 December 2018
Payment frequency	Semi-annual (June and December)
Co-arrangers	J.P.Morgan Securities plc and MEDIOBANCA – Banca di Credito Finanziario S.p.A.

The pool is composed of both secured (41%) and unsecured (59%) loans; the proportions indicated are based on our adjusted pool balance, as explained in the 'quantitative analysis and key assumptions' section below. The loans were extended to companies (88%) and individuals (12%). Secured loans are backed by residential and non-residential properties (54.4% and 45.6% of the property value, respectively) in Italy, with some concentration in the north (48.8%) and the rest in the south (27.6%) and centre (23.6%). The issuer acquired the portfolio at the transfer date (11 December 2018), but is entitled to all collections received from the cut-off date (28 February 2018).

The capital structure comprises three classes of notes with fully sequential principal amortisation: senior class A, mezzanine class B, and junior class J. Class B interest payments rank junior to class A principal. Class J principal and interest are subordinated to the repayment of the senior and mezzanine notes.

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Related Research

Non-Performing Loan ABS Rating Methodology

Methodology for Counterparty Risk in Structured Finance

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Rating rationale (summary)

The ratings are primarily driven by the expected recovery amounts and timing of collections from the NPL portfolio. The recovery amounts and timing assumptions consider the portfolio's characteristics as well as our economic outlook for Italy and assessment of the special servicers' capabilities. The ratings are supported by the structural protection provided to the notes; the absence of equity leakage provisions; liquidity protection; and an interest rate hedging agreement.

Interest rate risk is mitigated by a hedging structure, under which the SPV receives the difference between the six-month Euribor rate and the cap of 0.5% over a pre-defined notional balance. The swap notional schedule however does not fully hedge the expected class A amortisation profile under Scope's class A analysis.

The ratings also address exposures to the key transaction counterparties: i) Bayview Global Opportunities Fund S.C.S. SICAV-RAIF, regarding representations and warranties; ii) Prelios Credit Servicing S.p.A. as master servicer and special servicer; iii) Bayview Italia S.r.l. as special servicer; iv) Securitisation Services S.p.A. as back-up master servicer, noteholders' representative, and calculation agent; v) BNP Paribas Securities Services as account bank, paying agent, cash manager and agent bank; vi) Zenith Service S.p.A. as monitoring agent and corporate servicer; and vii) JP Morgan AG and BNP Paribas as the interest rate cap providers. We considered counterparty replacement triggers on the account bank and cap providers, and relied on publicly available ratings on JP Morgan and Scope's rating of BNP Paribas SA (AA-/S-1+), the parent of BNP Paribas Securities Services.

We performed a specific analysis for recoveries, using different approaches for secured and unsecured exposures. For secured exposures, collections were based mostly on the latest property appraisal values, which were stressed to account for liquidity and market value risks, while recovery timing assumptions were derived using line-by-line asset information detailing the type of legal proceeding, the court issuing the proceeding, and the stage of the proceeding as of the cut-off date. For unsecured exposures, We used historical line-by-line market-wide recovery data on defaulted loans between 2000 and 2017 and considered the special servicers' capabilities when calibrating lifetime recoveries, also considering that unsecured borrowers were classified as defaulted for a weighted average of 9.2 years as of the 28 February 2018 cut-off date.

Rating drivers and mitigants

Positive rating drivers

Significant credit enhancement level. The 87.6% credit enhancement to the class A is significantly higher than for peer transactions, providing extra protection for these notes.

Class A turbo amoritsation. The principal on class A is paid before interest on the subordinated classes. This feature is active from the transaction inception and not dependent on class B subordination triggers as often the case in peer transactions.

Geographically diversified pool. The portfolio is well distributed among Italian regions, with some concentration in the north. The north of Italy benefits from the country's most dynamic economic conditions and, in general, the most efficient tribunals.

Material portion of proceedings in advanced stages. Around 38% of the secured loans are in the auction phase and 9% in the court distribution phase. This results in a lower expected time for collections than for loans in the initial phases of legal proceedings.

Negative rating drivers and mitigants

Liquidity protection. A cash reserve equal to 4.0% of the class A notes provides liquidity protection to senior noteholders, covering senior expenses and interest on the class A notes for about only two payment dates, as of closing. This is partially mitigated by the possibility, as foreseen by the documentation, to inject additional liquidity through a liquidity facility to avoid an event of default arising from the non-payment of interest on the class A notes.

Seasoned unsecured portfolio. The weighted average time since loan default is approximately 9.2 years for the unsecured portion, which is significantly longer than for most Italian NPL securitisations. Most unsecured recoveries are realised in the first years after a default, according to historical data.

Share of loans with no proceedings or in bankruptcy. A material share of the portfolio's gross book value corresponds to loans with no proceedings (50.4%) or in bankruptcy (33%). Scope has assumed loans with no proceeding to enter bankruptcy if connected to a corporate (49.2%) or foreclosure if connected to an individual (1.2%). Compared with non-bankruptcy proceedings, bankruptcies typically result in lower recoveries and take longer to be resolved.

Upside rating-change drivers

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

Servicer outperformance regarding recovery timing. Consistent servicer outperformance in terms of recovery timing and the total amount of collections could positively impact the ratings. Portfolio collections will be completed over a weighted average period of 3.9 years, according to the servicer business plan. This is about 30 months faster than the recovery weighted timing vector applied in the analysis.

Downside rating-change drivers

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

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

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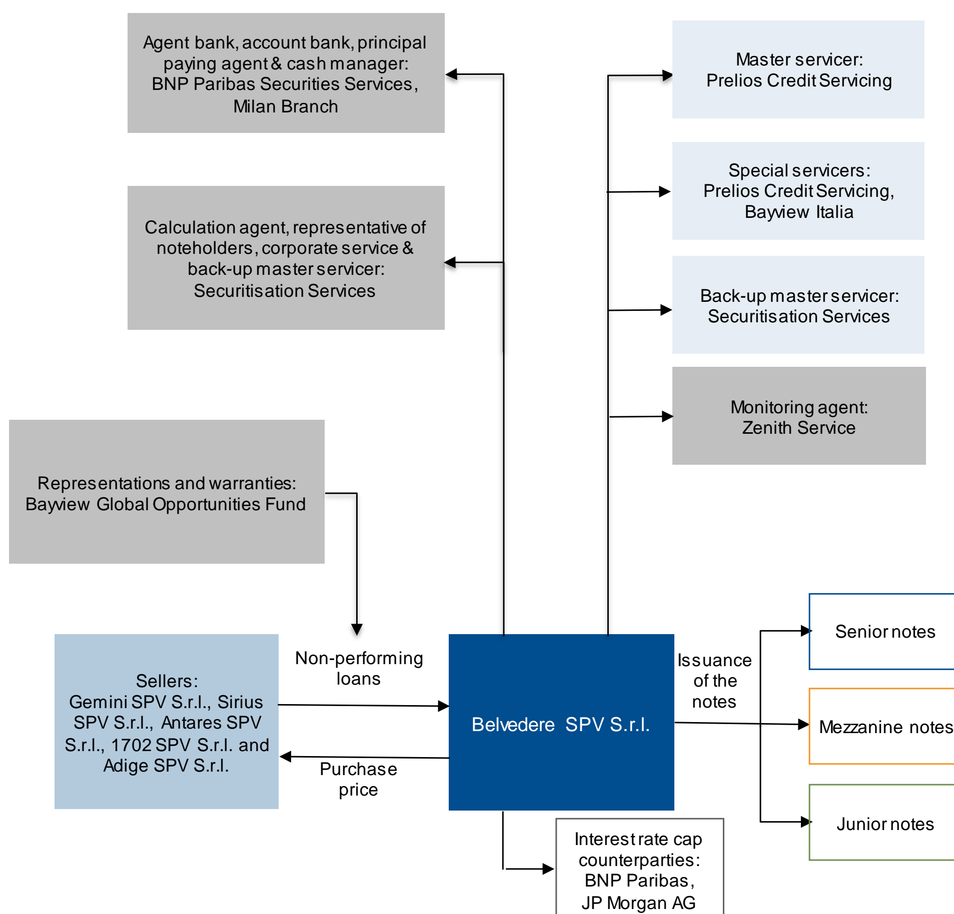
1. Transaction summary

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

Figure 1: Transaction diagram:



Sources: Transaction documents and Scope Ratings.

We adjusted the pool's gross book value using information on collections and sold properties since the 28 February 2018 cut-off date. The analysis excluded portfolio loans which we assumed to be closed, based on collections already received and cash-in-court to be received. Collateral connected with these positions was also removed.

The adjustments reduced the portfolio's gross book value from EUR 2,541m to EUR 2,464m. Collections received since the cut-off date are assumed to be cash available at closing, while cash-in-court is assumed to be received no earlier than one year after the closing date.

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

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

Figure 2: Key portfolio stratifications (28 February 2018 cut-off)

	All	Secured	Junior liens	Unsecured
Number of loans	31,266	5,608	2,041	23,617
Number of borrowers	13,678			
Gross book value (EUR m)	2,540,599,229	1,041,427,318	207,845,522	1,291,326,389
% of gross book value		41.0%	8.2%	50.8%
Weighted average seasoning (years)	8.4	7.4	9.2	
Sum of collateral appraisal values (EUR m)		848,521,864	599,961,584	
Borrower type				
Corporate	88.0%	32.2%	6.09%	49.71%
Individual	12.0%	8.8%	2.09%	1.11%
Primary procedure*				
Bankrupt borrower	82.2%	26.5%	6.8%	48.8%
Non-bankrupt borrower	17.8%	14.5%	1.3%	2.0%
Stage of procedure (secured loans)				
Initial		52.4%	66.6%	
Court-appointed valuation (CTU)		0.0%	0.1%	
Auction		38.3%	15.8%	
Distribution		9.3%	17.5%	
Geography (% of collateral value)				
North	50.9%	48.8%	53.9%	
Centre	25.4%	23.6%	28%	
South and islands	23.7%	27.6%	18.1%	
Borrower concentration				
Top 10	9.1%			
Top 100	24.2%			
Property type (% of collateral value)				
Residential		54.4%	52.3%	
Non-residential		45.6%	47.7%	

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

2. Macroeconomic environment

Sovereign downgrade of Italy to BBB+ with a Stable Outlook

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

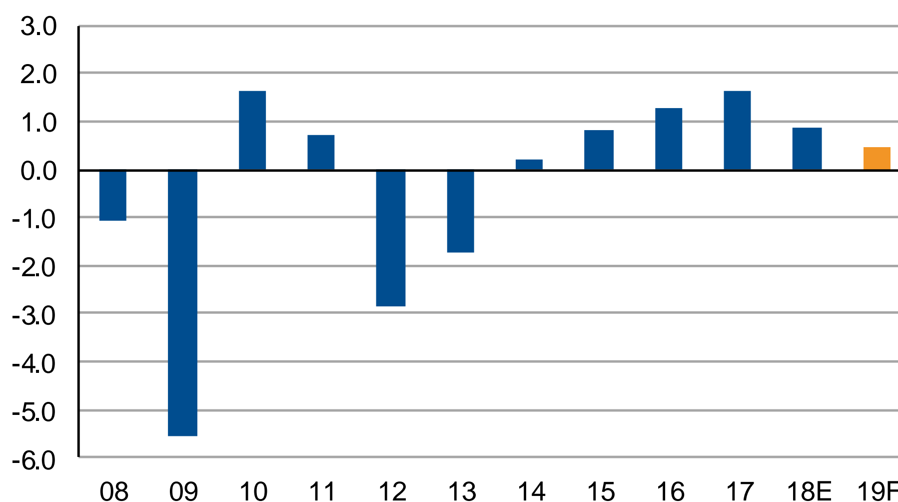
The Stable Outlook considers these credit strengths in addition to key recent signs of moderation in the Italian government's policy objectives. We note that negotiations are ongoing between Italy and Europe in seeking compromise on Italy's violations of EU budget rules. In our opinion, the inadequate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

Risks associated with a slowing economy

We note the risk associated with a slowing Italian economy, evidenced by real GDP growth softening to -0.1% QoQ in Q3 2018, from 0.2% in Q2 2018, equivalent to YoY

growth of 0.7% – even if temporary factors played a role this Q3. Unemployment rate has edged up recently to a rate of 10.6% in October, from lows of 10.1% as of August 2018. Recent economic data speak to economic risks going forward absent rapid resolution of present economic and policy uncertainty, with risk of a technical recession. We project economic growth of just 0.5% in 2019 (Figure 3).

Figure 3: Annual real GDP growth, Italy



Sources: ISTAT; calculations by Scope Ratings

Italian 10-year spreads stand at 270 bps, down from recent peaks but higher on lows at about 115 bps in late-April – although, even with elevated spreads, nominal yields are currently still much lower than during debt crisis peaks at 2.95% currently on 10-year BTPs. Nonetheless, higher government yields have increased costs for Italian companies, which paid a 3.5% yield on new fixed-rate debt for first-time issuers in Q3, up on 1.8% in Q1 2018, according to the Bank of Italy.

Tepid long-term growth outlook

Italy's long-term growth picture is weak. We estimate medium-run growth potential at 0.75%. Population dynamics are one limitation: Italy's working-age population declined on average 0.5% per annum from 2010-17 and is foreseen to continue an annual decline of 0.5% between 2018 and 2023, according to United Nations projections. In our medium-run growth estimate, modest contributions from rising labour force participation and higher employment over time are assumed (reducing slack in the labour market), but with labour productivity growth at just above 0%.

Debt sustainability concern

In this context, in a scenario with wider budget deficits over 2019-21 of 2.9% of GDP, lower economic growth and holding prevailing market financing rates constant, public debt-to-GDP would increase modestly to 134.9% by 2021 (from 131.2% in 2017). We consider the likelihood of Italy's debt ratio taking an overall upward slope over a five-year horizon to be non-negligible.

NPLs have been reduced, though banking sector risks have increased

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

3. Portfolio analysis

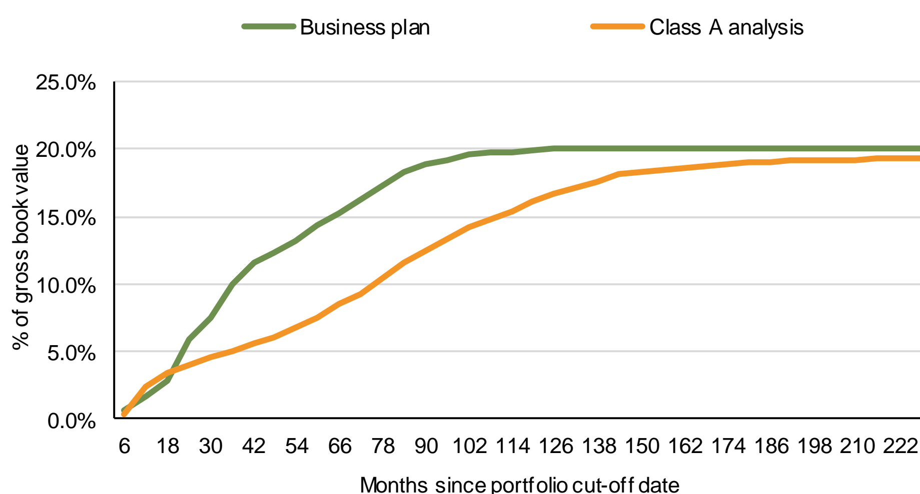
Rating-conditional recovery assumptions

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

Our assumptions reflect significant recovery timing stresses

For the class A notes analysis, we assumed a gross recovery rate[1] of 19.4% over a weighted average life of 6.4 years. By segment, we assumed a gross recovery rate of 36.7% for the secured portfolio and 7.3% for the unsecured portfolio.

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



Sources: Special servicers' business plan and Scope Ratings

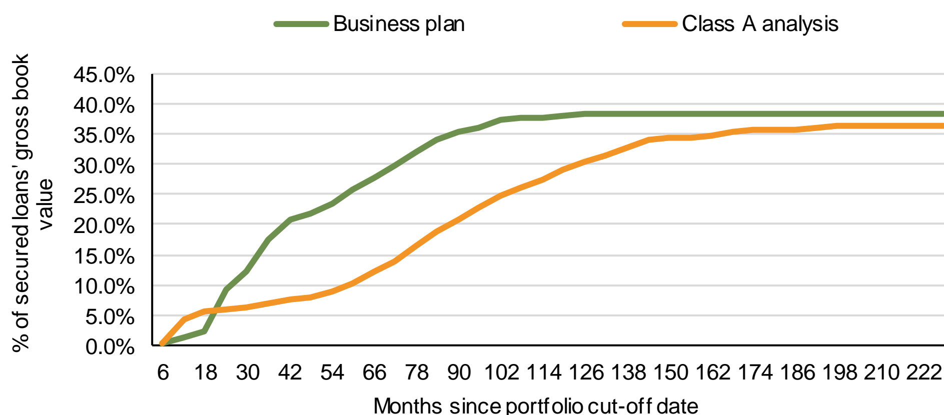
3.1. Analysis of secured portfolio segment

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

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

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

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



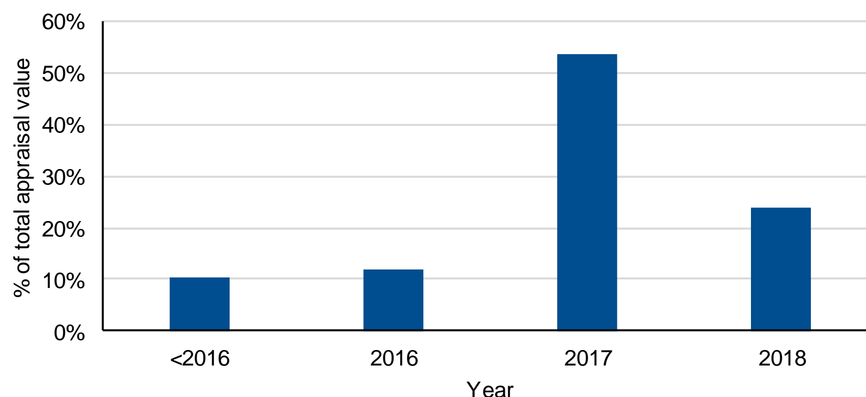
Sources: Special servicers' business plan and Scope Ratings

3.1.1. Appraisal analysis

Positive credit given to the quality of property appraisals

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

Figure 6: Collateral valuation dates



Source: Transaction data tape

We view positively the drive-by valuations made for 31.4% of the portfolio's collateral appraisals. The remainder is mainly composed of desktop (36.1%), OMI valuations (6.2%), and appraisals that are older than 10 years (5.8%), to which we applied rating-conditional haircuts ranging from 20% to 5%, reflecting our view of their lower levels of quality and accuracy due to the simplified procedures. Regarding the remaining assets, i.e. unsold properties, the positive share of drive-by valuations increases to 39.4%.

A very large portion of the property appraisals (20.4%) are linked to properties classified as sold. The appraisal values of these properties total EUR 144.3m (of which EUR 100.2m are connected to first-lien collateral). We have assumed that such property sales generate EUR 68.8m of cash collections or cash-in-court positions. Not all property sale amounts were allocated to the issuer because collections are capped on a line-by-line basis at the level of the outstanding gross book value and mortgage. In addition, we have excluded collections from properties with a second lien or above.

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

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

	Percentage of collateral value	Class A analysis haircut
Drive-by	31.4%	0.0%
Desktop	36.1%	5.0%
CTU	0.0%	10.0%
Bank appraisals	0.0%	10.0%
Old appraisals	5.8%	20.0%
OMI	6.2%	5.0%
Sold properties	20.4%	0.0%

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

3.1.2. Property market value assumptions

Moderate market downturn risk

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

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

	North						Centre			South			Islands	
Region	Milan	Turin	Genoa	Bo-logna	Venice	Others	Rome	Flo-rence	Others	Naples	Bari	Others	Metro-politan	Rest
Class A analysis	-4.6	-4.6	-5.4	-4.6	-8.0	-8.9	-6.7	-8.9	-7.6	-6.7	-6.7	-11.0	-9.7	-11.0
Portfolio share (%)	6.5	1.5	0.1	1.4	3.0	36.2	7.0	2.3	14.3	1.1	1.2	12.4	4.6	8.3

3.1.3. Collateral liquidity risk

High NPL collateral liquidity and obsolescence risk

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

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

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

Property types	Percentage of collateral value	Class A analysis haircut
Sold properties	20.4%	n.a.
Residential	41.9%	25.0%
Non-residential	37.7%	30.0%

3.1.4. Concentration risk

Above-average borrower concentration risk

We addressed borrower concentration risk by applying a 10.0% rating-conditional recovery haircut to the 10 largest borrowers for the class A notes analysis. The largest 10 and 100 borrowers account for 9.1% and 24.2% of the portfolio's gross book value, respectively, which is above the average compared to peer transactions we have rated.

3.1.5. Residual claims after security enforcement

We address potential residual claims after security enforcement

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

No credit to residual claims from corporate borrowers

For corporate loans, we gave no credit to potential further recoveries on residual claims after the security has been enforced. This is due to three practical limitations: Firstly, unsecured recoveries tend to be binary with a high probability of zero recoveries and a low probability of 100% recoveries. This implies that when secured creditors are not fully satisfied after the security's enforcement, expected recoveries for unsecured creditors will be close to zero[5]. Secondly, special servicers are generally less incentivised to pursue alternative enforcement actions, given that foreclosure proceedings are more cost-efficient. Lastly, in a bankruptcy proceeding the receiver will decide to close the proceedings after a prudential amount of time, setting a practical limitation on any potential recovery upside.

Partial credit to residual claims from individuals

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

3.1.6. Tribunal efficiency

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

Northern Italian regions tend to have more efficient tribunals

The total length of the recovery processes is mainly determined by the efficiency of the assigned court and by the type of legal proceeding. To reflect this, we grouped Italian courts into seven categories, based on public data on the average length of bankruptcy and foreclosure proceedings between 2014 and 2016, as shown in Figure 10 below. Most courts are concentrated within groups 2 to 4, which are reasonably distributed across all Italian regions, with a higher concentration for court group 3 (see Figures 14 and 15 for transaction-specific details).

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

[5] Conversely, in the unlikely scenario that secured creditors are fully satisfied after the enforcement of the security, expected recoveries for unsecured creditors could be close to 100%.

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

Court group	Bankruptcy proceedings	Non-bankruptcy proceedings	Percentage of courts*
1	4	2	5.3%
2	6	3	28.6%
3	8	4	40.6%
4	10	5	17.3%
5	12	6	4.9%
6	14	7	1.8%
7	18	9	1.5%

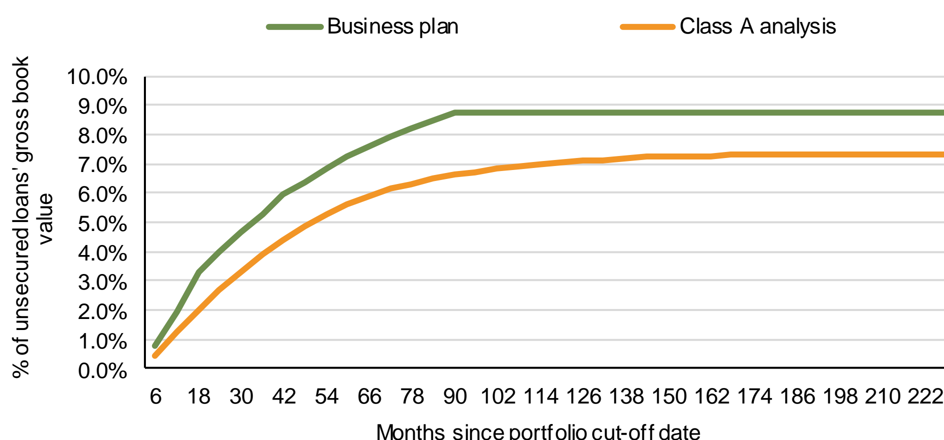
* Percentages incorporate our assumptions with reference to courts not included in available information.

3.2. Analysis of unsecured portfolio segment

Unsecured portfolio analysis is based on statistical data

Figure 11 shows our gross collections vectors for the unsecured[6] portfolio segment compared to those from the servicer business plan. Our base case recovery amount and timing assumptions were based on loan-by-loan data with recoveries for different types of unsecured loans. For the class A notes analysis, we applied a stressed recovery rate of 7.3%. This rate did not align strongly with the servicers' recovery curve, in part because our classifications for secured and unsecured loans are different. Our assumptions for unsecured exposures consider the nature of the recovery procedure; bankruptcy proceedings are generally slower and typically result in lower recoveries than non-bankruptcy proceedings. The assumptions are calibrated to reflect that unsecured borrowers in the portfolio are classified as defaulted for a weighted average of 9.2 years as of closing.

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



Sources: Special servicers' business plan and Scope Ratings

[6] We define unsecured loans as those not guaranteed by at least a first-lien mortgage, based on a loan-by-loan analysis and as outlined in the 'transaction summary' section.
[7] Note that for the comparison with recoveries as per the servicers' business plan, we consider unsecured and junior secured loans of the business plan.
[8] The recovery rate calculated includes ad interim collections amounts.

4. Portfolio characteristics

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

4.1. Eligible loans

Customary eligibility criteria

The representations and warranties on the receivables are provided by Bayview Global Opportunities Fund S.C.S. SICAV-RAIF (BGOF), a Luxembourg-based limited partnership. BGOF is owned by several funds (BGOF sub-funds), which own a significant portion of the mezzanine and junior notes.

Indemnity obligations will be general, not senior, and the issuer will not have recourse to BGOF's assets. However, the risk of BGOF failing to meet its obligations is mitigated by BGOF sub-funds having entered into equity commitment letters with their respective investors. Hence, each investor undertakes to cover, in the case of eventual shortfalls, indemnity obligations vis-à-vis the special purpose vehicle.

Representations reflect those provided by the original lenders to the sellers upon the portfolio's sale and generally align with those of peer transactions we have rated, which include the following:

- All loans are denominated in euros;
- All loans agreements are governed by Italian law;
- Borrowers have been reported by the originator as defaulted (in sofferenza) to the Italian Credit Bureau (Centrale Rischi) of the Bank of Italy as of the closing date;
- Loans secured by mortgages are backed by real estate assets located in Italy;
- All receivables are validly transferable without limitation; and
- All receivables are free from encumbrance.

A portion of the portfolio consists of individuals not domiciled in Italy and companies incorporated under foreign law.

For a portion of the first-lien mortgages, the relevant hardening period has not expired as of closing date.

4.2. Detailed stratifications

4.2.1. Borrower type

Borrower and loan composition is below average quality

Corporates and individuals represent 88% and 12% of the pool, respectively. The share of individual borrowers is lower than for peer transactions we have rated. Expected secured and unsecured recoveries tend to be higher for individuals, due to the smaller average tickets and tendency for secured positions to be backed by residential properties, which are relatively more liquid. In addition, we give partial credit to residual claims from individuals after security enforcement, as discussed in the previous section.

The portfolio comprises a relatively low amount of first-lien secured loans (41%) and a high amount of junior-lien secured loans (8.2%). We assumed that recovery proceeds from junior-lien secured loans will be the same as for unsecured claims.

Figure 12: Borrower type

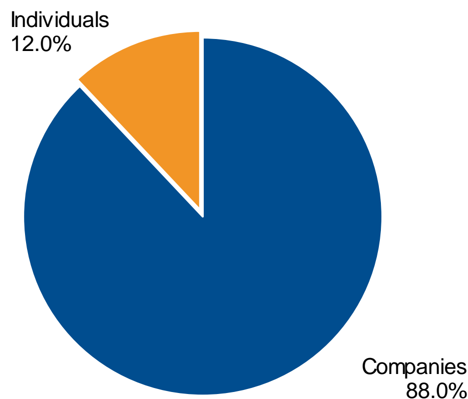
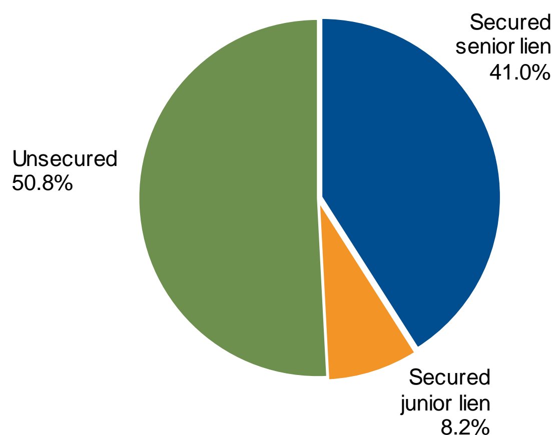


Figure 13: Loan type



Sources: Transaction data tape; calculations by Scope Ratings

4.2.2. Geographical distribution

Geographic concentration in northern Italy is credit-positive

The portfolio is concentrated in the north of Italy (48.8%) with the rest in the south (27.6%) and centre (23.6%).

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

Figure 14: First-lien collateral location

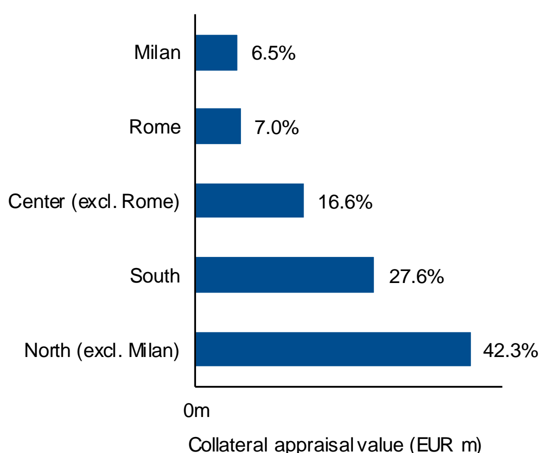
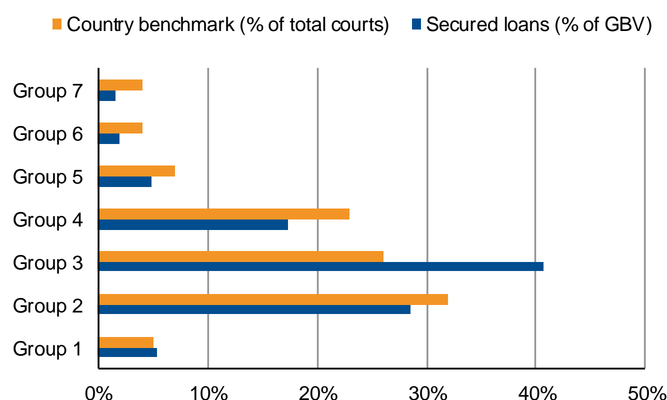


Figure 15: Court group distribution of secured loans



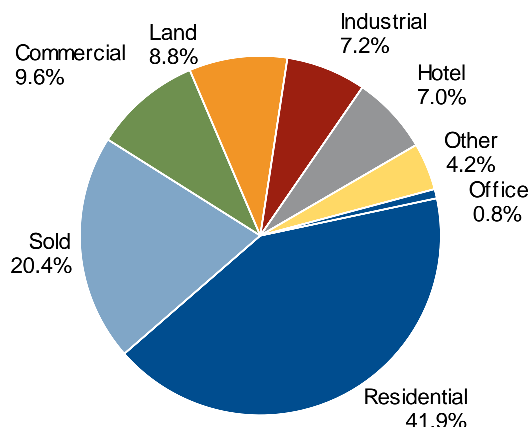
Sources: Transaction data tape; calculations by Scope Ratings

4.2.3. Collateral type

Higher liquidity stresses applied to non-residential properties

The portfolio's first-lien collateral is composed of residential (41.9%), industrial (7.2%), land (8.8%), commercial (9.6%), and other non-residential (32.5%) assets including sold properties (20.4%). Regarding the remaining assets, i.e. unsold properties, the share of residential assets is 52.7%, which is well above the average of peer transactions.

Figure 16: Distribution by type of collateral



Sources: Transaction data tape; calculations by Scope Ratings

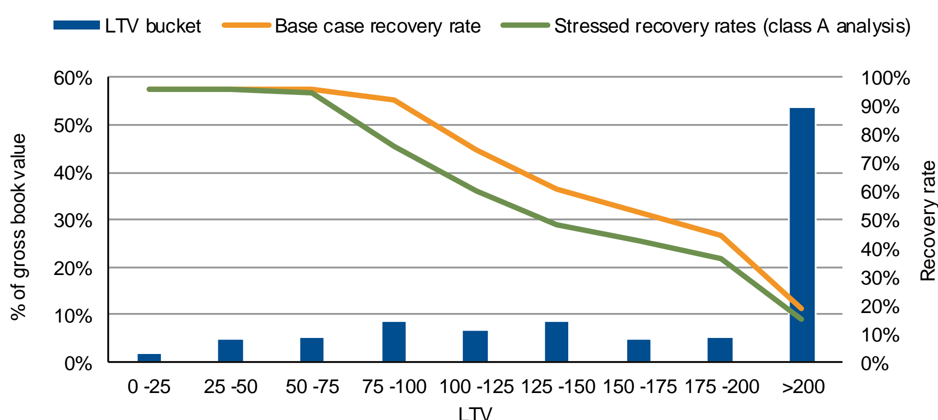
4.2.4. Collateral valuations and Scope's specific recovery rate assumptions

Recovery rate assumptions reflect portfolio's LTV distribution

Figure 17 shows the secured loans' distribution by loan-to-value (LTV) bucket as well as our recovery rate assumptions for each LTV bucket (under our rating-conditional stresses applied for the class A notes analysis). This results in a weighted average recovery rate under a class A rating-conditional stress of 38.7% for the secured loans[9].

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

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



Sources: Transaction data tape; calculations by Scope Ratings

4.2.5. Loan seasoning

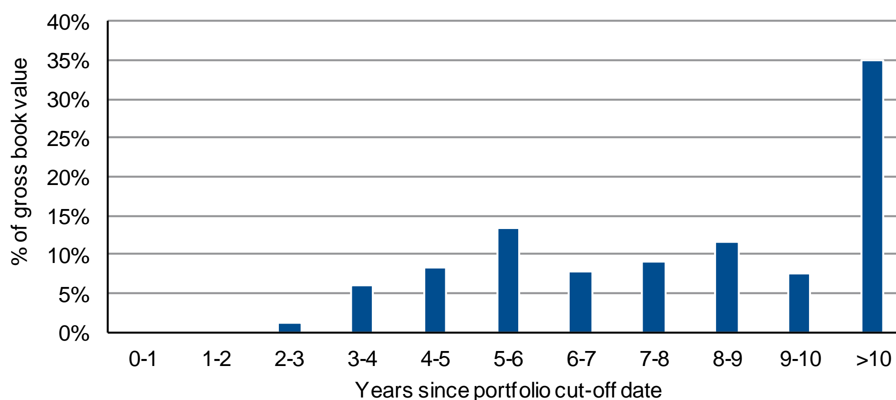
Ageing of unsecured portfolio reduces expected recoveries

The weighted average time between default and the closing date is around 9.2 years for unsecured exposures. The pool's ageing reduces the expected recoverable amount of

[9] The recovery rate calculated excludes ad interim collections and assumed cash-in-court amounts.

unsecured loans. The unsecured exposures in this portfolio are highly seasoned, with ca. 35% having had defaulted more than 10 years before the cut-off date.

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



Sources: Transaction data tape; calculations by Scope Ratings

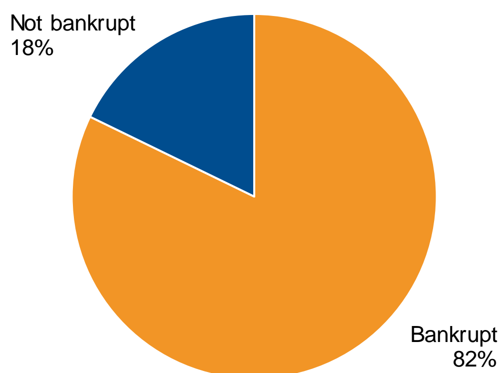
4.2.6. Borrower status

Figure 19 below shows our assumptions regarding the main legal proceedings for each borrower (one borrower can have several), based on the transaction's data tape. Around half of the loans (50.4%) does not have a legal proceeding yet. In our analysis we have assumed that all of these loans which are connected to a company (49.2% of the loans) will follow a bankruptcy process while the loans connected to an individual (1.2% of the loans) will follow a foreclosure process. The resulting share of bankruptcy proceedings in our analysis is therefore higher than the average for NPL transactions we have rated. This is also reflected in the backloaded recoveries and results in a relatively high weighted average recovery timing in comparison with Scope-rated peer transactions.

Bankruptcies result in lower recoveries than non-bankruptcy proceedings

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

Figure 19: Borrower status assumptions[10]



Sources: Transaction data tape; calculations by Scope Ratings

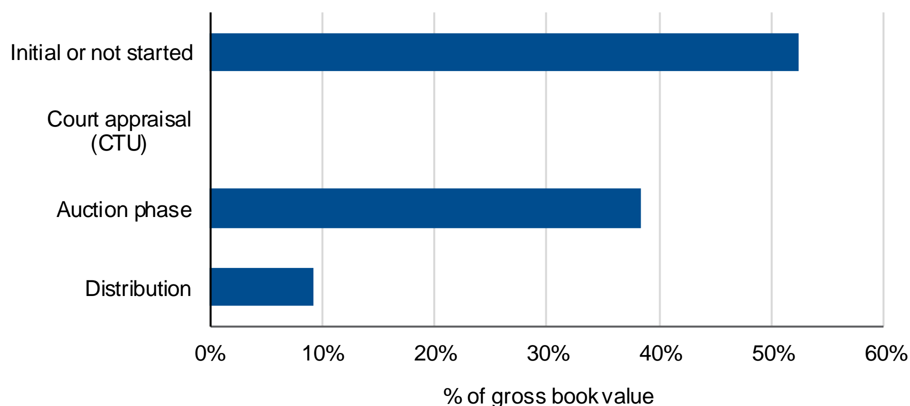
[10] The reported share of bankruptcies includes loans (51% of gross book value) for which no procedure has started to date

4.2.7. Recovery stage of secured exposures

Proceedings in initial stages drive relatively long recovery timing assumptions

A large portion of the secured loans is in the initial stage of proceedings, which partly explains the relatively long expected weighted average life of portfolio collections. However, the secured loans in the auction and distribution phase also still need attention. Figure 20 below shows the stage of legal proceedings in relation to secured loans.

Figure 20: Secured recovery stage by borrower status



Sources: Transaction data tape; calculations by Scope Ratings

5. Key structural features

5.1. Combined priority of payments

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

1. Servicer fees (including BVI senior fees) and other issuer counterparty fees, taxes and transaction expenses
2. Replenishment of recovery-expense reserve
3. Interest on class A notes
4. BVI mezzanine fees
5. Cash reserve replenishment
6. Principal on class A notes
7. BVI junior fees and Prelios mezzanine fees
8. Interest on class B notes
9. Principal on class B
10. Interest on class J notes
11. Principal on class J notes
12. Any residual amount as class J variable return

Non-timely class A interest payment would trigger accelerated waterfall

Non-timely payment of interest on the senior notes, among other customary events such as the issuer's unlawfulness, would trigger the accelerated priority of payments. However, compared to peer transactions, where this would result in a subordination of class B interest, this is not accelerating class A amortisation, since class A already benefits from the full subordination of class B payments from beginning.

5.2. Servicing fee structure and alignment of interests

5.2.1. Servicing structure

The two special servicers, Prelios and BVI, will perform the servicing activities and will be monitored by the monitoring agent, Zenith.

Under the servicing agreement, master servicer Prelios is responsible for the servicing, administration, collection/recovery of receivables as well as the management of legal proceedings. Prelios will delegate the servicing, administration, collection/recovery of the receivables to the special servicers and will also monitor the special servicers' activities.

Securitisation Services has been appointed as back-up master servicer.

5.2.2. Servicing fees

Alignment of servicer and noteholder interests

The servicing fee structure links the portfolio's performance with the level of fees received by the servicers, which mitigates potential conflicts of interest between the servicers and the noteholders.

Prelios, as special servicer, will be entitled to: i) an annual base fee, equal to 0.05% per year of the outstanding portfolio's gross book value at closing; ii) a performance fee, which varies based on the loan security and type of legal proceeding (ranging from 5% to 14.5% of net collections at closing). The base fee percentages follow a schedule that decreases over time. Fees are payable at each payment date.

To incentivise the servicer to maximise recoveries and comply with the initial business plan, a portion of the performance fees may be subordinated upon the servicer's underperformance and would be paid junior to senior notes. However, performance is only measured using the present value cumulative profitability ratio and not the cumulative collection ratio. This is weaker than for some peer transactions we have rated.

BVI, as special servicer, will be entitled to a servicing fee equal to 0.65% per year of the outstanding principal balance of each loan. Fees are payable at each payment date.

BVI's fees will be paid in the following order of priority:

i) Senior servicing fees: a portion of total fees will be paid senior to class A interest payments. This portion is set equal to the cumulative collection ratio (with a cap at 100%), if both the cumulative collection ratio and the present value profitability ratio are above 90%. Otherwise, this portion is set at 70% of total fees. In any case, the senior servicing fees cannot exceed the amount that would result from applying the Prelios base fee and performance fee structure;

ii) Mezzanine servicing fees: The amount of senior servicing fee exceeding the amount from applying the Prelios base fee and performance fee structure will be paid immediately and subordinated to class A interest payments.

iii) Junior servicing fees: The amount of servicing fee exceeding the amounts paid under i) and ii) above will be paid immediately subordinated to the repayment of class A principal.

In addition, the cumulative sum of senior and mezzanine fees cannot exceed EUR 16.7m (including VAT). Any fee amounts above this threshold immediately become junior fees.

5.2.3. Servicer monitoring

Monitoring function protects noteholders' interests

An overview of the servicers' activities and calculations, prepared by the monitoring agent (Zenith), mitigates operational risks and moral hazard that could negatively impact noteholder interests. This risk is further mitigated by a discretionary servicer termination event should the servicer underperform.

The servicers are responsible for the servicing, administration, and collection of receivables as well as the management of legal proceedings. The monitoring agent will verify the calculations of key performance ratios and amounts payable by the issuer, as well as perform controls based on a random sample of loans.

The monitoring agent will report to a committee that represents the interests of both junior and mezzanine noteholders. The committee can authorise the revocation and replacement of the special servicers upon a servicer termination event. The monitoring agent can also authorise the sale of the receivables (in certain cases, subject to the consent of the noteholders' representative), the closure of debt positions, and the payment of additional costs and expenses related to recovery activities. The committee and the noteholders' representative can request to the issuer the replacement of the master servicer or any special servicer upon a servicer termination event.

5.2.4. Servicer termination events

Back-up arrangements mitigate servicing disruption risk

Securitisation Services S.p.A. would step in as master servicer in the event of a servicer termination event.

A master servicer termination event includes insolvency, unremedied breach of obligations, unremedied breach of representation and warranties, and no longer being legally eligible to perform obligations under the servicing agreement. In the event of any of these, the back-up master servicer would replace the master servicer.

A special servicer termination event includes insolvency; failure to pay due and available amounts to the issuer within two business days; failure to deliver or late delivery of a semi-annual report; unremedied breach of obligations; unremedied breach of representation and warranties; and no longer being legally eligible to perform obligations under the servicing agreement.

A special servicer can also be substituted owing to consistent underperformance from the fifth collection period (i.e. two years from closing).

Upon a special servicer termination event, the other special servicer will automatically step in as substitute. If both servicers are revoked, Securitisation Services S.p.A. will assist the issuer in finding a suitable replacement.

5.3. Liquidity protection

Cash reserve protects liquidity of the senior noteholders

A cash reserve will be funded at closing through the notes’ proceeds.

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

The cash reserve will be available to cover any shortfalls in interest payments on the class A notes as well as any items senior to them in the priority of payments

Class B will not benefit from liquidity protection from the cash reserve. The documentation also contains a possibility that a liquidity facility can be extended to the SPV in case the available funds are not sufficient to pay interest on class A or to avoid a servicer underperformance event. If extended the liquidity facility is providing both liquidity and also credit enhancement to the class A notes.

5.4. Interest rate hedge

Due to the non-performing nature of the securitised portfolio, the issuer will not receive regular cash flows and the collections will not be linked to any defined interest rate. On the liability side, the issuer will pay a floating coupon on the notes, defined as six-month Euribor plus a 3.25% fixed margin on the class A.

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

An interest rate cap agreement (with JP Morgan AG and BNP Paribas as the interest cap providers) partially mitigates the risk of increased liabilities on the class A notes due to a rise in Euribor (see Figure 21). The six-month Euribor rate applicable to the class A notes will be partially hedged through the interest rate cap agreement with a cap strike of 0.5%,

under which the SPV receives the difference between six-month Euribor and the cap, following a predefined notional schedule starting from the second interest payment date.

Cap notional does not fully mitigate interest rate risk

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

Figure 21: Interest rate cap class A

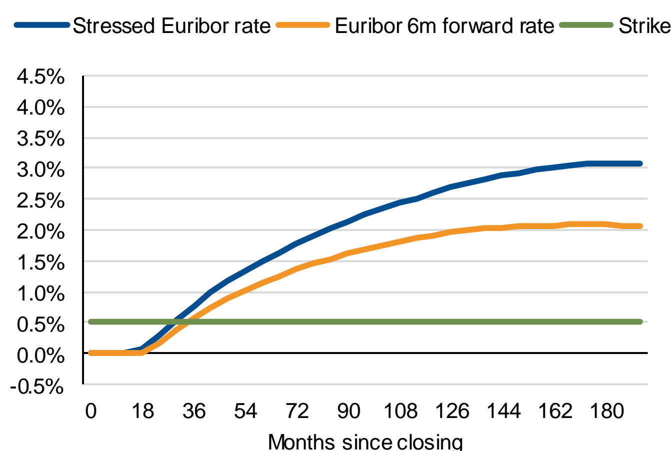
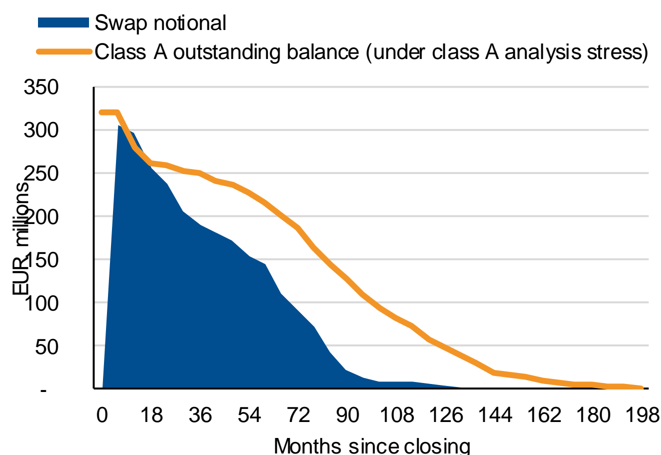


Figure 22: Cap notional vs outstanding class A notes



Sources: Transaction documents, Bloomberg and Scope Ratings

6. Cash flow analysis and rating stability

Our cash flow analysis considers the structural features of the transaction

We analysed the transaction's specific cash flow characteristics. Asset assumptions were captured through rating-conditional gross recovery vectors. The analysis captures the capital structure, an estimate of legal costs equivalent to 9% of gross collections, servicing fees as described in section 5.2, and estimated issuer senior fees of EUR 250,000 (plus VAT) annually. We took into account the reference rate payable on the notes, considering the cap rates and swap terms described in the previous section.

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

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

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

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

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

We tested the resilience of the ratings against deviations from the main input assumptions.

7. Sovereign risk

No mechanistic cap

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

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

8. Counterparty risk

Counterparty risk does not limit the transaction's rating

In our view, none of the counterparty exposures constrain the ratings achievable by this transaction. We factored in counterparty replacement triggers implemented in the transaction and relied on publicly available ratings and our rating of BNP Paribas SA, the parent of BNP Paribas Securities Services. We also considered eligible investment criteria in the transaction documents for cash amounts held by the issuer.

The transaction is mainly exposed to counterparty risk from the following counterparties: i) Bayview Global Opportunities Fund S.C.S. SICAV-RAIF, regarding representations and warranties; ii) Prelios Credit Servicing S.p.A. as master servicer and special servicer; iii) Bayview Italia S.r.l. as special servicer; iv) Securitisation Services S.p.A. as back-up master servicer, noteholders' representative, and calculation agent; v) BNP Paribas Securities Services as account bank, paying agent, cash manager and agent bank; vi) Zenith Service S.p.A. as monitoring agent and corporate servicer; and vii) JP Morgan AG and BNP Paribas as the interest rate cap providers.

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

8.1. Servicer disruption risk

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

8.2. Commingling risk

Limited commingling risk

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

8.3. Claw-back risk

Limited claw-back risk

The sellers have provided: i) a 'good standing' certificate from the Chamber of Commerce, and ii) a solvency certificate signed by a representative duly authorised 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 is unable to prove it was unaware of the originator's insolvency, or

(ii) pursuant to article 67, paragraph 2, of the Italian Bankruptcy Law, if the adjudication of bankruptcy of the relevant originator is made within three months from the purchase of the relevant portfolio of receivables, provided the receivables' sale price

does not exceed their value by more than 25% and the originator's insolvency receiver can prove the issuer was aware of the originator's insolvency.

8.4. Enforcement of representations and warranties

Representations and warranties limited by time and amount

The issuer will rely on the representations and warranties, limited by time and amount, provided by BGOF in the warranty and indemnity agreement. If a breach of a representation and warranty materially and adversely affects a loan's value, BGOF may be obliged to indemnify the issuer for damages within 40 business days of the notification.

However, the above-mentioned guarantee is enforceable by the issuer only within 20 months after the transfer agreement was entered into. The total indemnity amount will be capped at 20% of the portfolio purchase price. Furthermore, the indemnity amounts will be subject to a deductible of EUR 90,000 on a portfolio basis, and EUR 5,000 on a single-loan basis.

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

9. Legal structure

9.1. Legal framework

Transaction documents governed by Italian and English law

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

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

9.2. Use of legal opinions

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

10. Monitoring

Continuous rating monitoring

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

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

11. Applied methodology

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

Belvedere SPV S.r.l.

Italian Non-Performing Loan ABS

I. Summary appendix – deal comparison

Transaction	Belvedere SPV	Riviera NPL	POP NPLS 18	Aqui	IBLA (Ragusa)	Maior SPV	Maggese	Juno 1	BCC NPLS 2018	2Worlds	4Mori Sardegna	Aragorn NPL 2018	Red Sea SPV	Siena NPL 2018	Bari NPL 2017	Elrond NPL 2017
Closing	Dec-18	Dec-18	Nov-18	Nov-18	Sep-18	Aug-18	Jul-18	Jul-18	Jul-18	Jun-18	Jun-18	Jun-18	Jun-18	May-18	Dec-17	Jul-17
Originators	multiple	Carige & Lucca	17 Banks	BPER	Banca di Ragusa	UBI Banca	C.R. Asti, Biver	BNL	ICCREA	BPS, BDB	Sardegna	Creval	BPM	MPS	BPB, CRO	Creval
Master servicer	Prelios	Credito Fondiario	Cerved	Prelios		Prelios	Prelios	Prelios	Prelios	Cerved	Prelios	Credito Fondiario	Prelios	Credito Fondiario	Prelios	Cerved
Special servicer	Prelios, BVI	Credito Fondiario, Italfondiario	Cerved	Prelios	Italfondiario	Prelios	Prelios	Prelios	Prelios	Cerved	Prelios	Cerved, Credito Fondiario	Prelios	J., IF., CF., P. ***	Prelios	Cerved
General portfolio attributes																
Gross book value (EUR m)	2,541	964	1,510	2,082	330	2,496	697	880	1,009	968	900	1,676	5,113	23,939	345	1,422
Number of borrowers	13,678	3,606	6,578	6,255	1,598	11,061	1,313	731	2,518	3,956	11,412	4,171	12,651	79,669	1,565	3,712
Number of loans	31,266	9,776	17,093	21,279	4,805	22,580	5,313	2,787	5,359	13,234	20,098	8,289	33,585	545,939	4,569	6,951
WA seasoning (years)	6.7*	2.0*	2.9*	3.9	2.2*	4.2*	3.1*	3.0*	2.6*	2.7*	4.8*	2.5	3.8	4.4*	4.5	3.7
WA seasoning (years) - unsecured	6.7*	2.5*	3.5*	4.5	2.7*	4.6*	3.9*	3.1*	2.9*	3.2*	6.4*	3.2	3.5	4.8*	N/A	N/A
WA LTV buckets (% or secured																
bucket [0-25]	2	3.8	5.5	3	2.8	10.3	2.1	3.5	4.3	2.8	5.7	2.0	2.3	5.7	N/A	3.6
bucket [25-50]	4.9	11.7	11.4	11.4	7.4	19.2	6.3	7.6	6.8	13	14.6	4.2	8.1	12.4	N/A	11.1
bucket [50-75]	5.4	12.9	17.5	17.8	12.5	21.2	11.6	14.3	12.5	17.9	21.8	8.2	14.7	16.8	N/A	13.7
bucket [75-100]	8.5	10.7	14.9	17.9	16.3	14.9	13.9	16	15.1	15.8	20.4	13.9	18.1	17.0	N/A	19.6
bucket [100-125]	6.8	12	13.8	12.2	15.9	10	20.8	14.7	11.8	14.5	12.8	22.3	16.7	13.4	N/A	24.6
bucket [125-150]	8.6	8	10.1	8.5	12.1	5	8.4	6.3	7.7	7.5	4.0	17.9	12.0	8.3	N/A	8.6
bucket [150-175]	4.8	8.3	5.6	4.8	7.3	4.4	7.7	5.3	6.4	4.9	1.8	11.9	6.6	5.3	N/A	4.8
bucket [175-200]	5.2	3.3	7.4	4.1	6.6	2	6.8	5	6.1	6.6	4.4	3.7	4.8	3.9	N/A	1.6
bucket > 200	53.9	29.5	13.8	20.4	19.2	12.9	22.2	27.3	29.3	17.1	14.5	16.0	16.7	17.1	N/A	12.5
Cash in court (% of total GBV)	2.7	1.2	1.3	3.1	2.2	4	2.7	7.2	24	8.5	18.3	0.5	3.2	N/A	N/A	2
Loan types (% of total GBV)																
Secured first-lien	41.0	39.4	53.9	57	67.2	39.9	43.1	30.4	70	53.1	56.1	67.3	70.6	41.6	53.6	66.4
Secured junior-lien	8.2	9.0	8.8	2.5	2.1	6.7	9.6	2.4	0.9	0	0.6	8.1	1		2.5	7.6
Unsecured	50.8	51.6	37.3	40.5	30.8	53.4	47.3	67.2	29.1	46.9	43.3	24.6	28.4	58.4	43.9	26.0
Syndicated loans	0	0	3	2.2	0.5	1.1	1		6.1	3.8	3.3	1.8	1.4	5.7		
Debtors (% of total GBV)																
Individuals	12.0	13.2	22.9	16.4	25.6	17	18.9	3.4	14.3	26.4	24.4	9.9	28.4	19	12	12.7
Corporates or SMEs	88.0	86.8	77.1	83.6	74.4	83	81.1	96.6	85.7	73.6	75.6	90.1	71.6	81	88	87.3
Procedure type (% of total GBV)																
Bankrupt	82.2	72.7	56.6	44	13.2	49.5**	53.4	71.5	62.7**	29.3	39.1	55.0	49.4	36.6	46.5	57.6
Non-bankrupt	17.8	27.3	43.4	56	86.8	50.5	46.6	28.5	37.3	70.7	60.9	45.0	50.6	63.4	53.5	42.4
Borrower concentration (% of GBV)																
Top 10	9.1	22.6	7.3	8	6.5	1.9	8.6	8.6	6.7	3.6	8	8.3	1.8	2.1	28.2	13.4
Top 100	24.2	45.5	26.4	26.5	26.9	10.4	31	34.4	29	18.1	27.7	39.5	9.1	9.5	69	42.4
Collateral distr. (% of appraisal val.)																
North	48.8	79.3	20.9	48.5	0.3	57.9	98	43.9	72.4	43.5	1.3	58.5	67.8	35.9	18.3	61.6
Centre	23.6	12.3	36.3	8.1	0	19.2	0.4	34.8	19.5	51.3	11.5	18.4	20.7	36	14.1	14.6
South	27.6	8.3	42.9	43.4	99.8	22.9	1.6	21.3	8.1	5.2	87.4	23.1	11.4	28.1	67.6	23.8
Collateral type (% of appraisal val.)																
Residential	41.9	40.6	41.7	33.9	57.8	57.3	46.7	29.2	39.3	44.4	51.3	43.4	54.8	28.2	43	32.6
Commercial	9.6	7.2	27.4	19.5	18.4	16.2	15.4	19.5	29.5	24.6	23.7	22	15.4	71.8	40	32.4
Industrial	7.2	17.3	16.2	15	9.6	14.8	21.8	32.4	11.2	10.5	11.3	15.3	9.4			23.2
Land	8.8	14.7	8.6	10.6	9.3	7.9	10.1	4.8	13.7	6.6	6.2	0.0	8.6		18	8.7
Other or unknown	32.5	20.2	6.1	21	4.9	3.9	6	14.1	6.3	13.9	7.6	19.3	11.8			3.4
Valuation type (% of appraisal val.)																
Full or drive-by	31.4	21.4	45.5	48.3	60.5	16.9	58.3	10.2	68.4	79.5	38.8	96.1	74	10	96.31	70.8
Desktop	36.1	35.7	13.8	34	33.3	69.2	18.5	3.6	5.4	12	40	1.2	14.5	65		4.0
CTU	0.0	7.7	26	11	3.1	10.4	0	13.4	12.1	8.5	20.5	2.7	11.5	15	3.69	23.6
Other	32.5	35.2	14.7	6.7	3.1	3.5	23.2	72.8	14.1		0.6	0	0	10	0	0.5
Secured ptf proc. stage (% of GBV)																
Initial	52.4	68.5	44.6	52.5	49.7	65	60.9	54.9	73.6	75.6	61.2	66.6	64.4	52.6	55.5	36.1
CTU	0.0	5.7	31.7	13.7	28.8	12.2	10.3	11.8	11	6.3	18.3	23.4	9.1	5.4	14.2	10.7
Auction	38.3	22.9	20.7	28.5	10.9	22.5	27.5	30.8	11.5	16.9	20.5	4.7	21.3	35.2	26.5	36.4
Distribution	9.3	2.4	3	5.4	10.7	0.3	1.3	2.5	3.8	1.2	0	5.5	5.2	6.7	3.8	16.8
Summary of assumptions (BBB rating conditional stress)																
Remaining lifetime recovery rate (%)																
Secured (=net LTV after all stresses)	36.7	52	61.8	58.8	55.3	63	54.9	52.1	50.3	65.5	66.2	48.3	62.8	58.6	51.8	61.7
Unsecured	7.3	13.2	10.9	12.8	12.4	11.5	10.1	10.4	13.5	14	9.9	16.8	12.3	9.2	11.1	13.7
Total	**19.4**	**28.3**	**38.6**	**39.1**		**35.5**	**33.7**	**24.1**	**39.6**	**41.4**	**41.8**	**40.6**	**48.0**	**0**	**33.1**	**47.1**
Weighted average life of collections																
Secured	8.2	7.1	7.2	6.5	7	6.7	6.4	5.4	8.2	6.8	7.2	7.9	6.8	N/A	N/A	4.8
Unsecured	5.2	4.6	4.7	4	4.8	4.1	4.6	4.2	4.5	4.7	4.2	4.2	4.1	N/A	N/A	3.1
Total	**6.4**	**6.4**	**6.9**	**6.1**	**6.8**	**6.3**	**6.1**	**5.1**	**7.8**	**6.4**	**6.9**	**7.9**	**6.6**	**N/A**	**N/A**	**4.6**
Structural features																
Liquidity reserve (% of class A notes)	4	4	4	5	7.5	4	4	4	5	4.05 (% of A and	4.9 (% of A and	5.0	4.375 (% of A	3.5	4.0	4.0
Class A Euribor cap strike	0.5%	0.3%	0.5%-2.5%	0.3	0.1%-2.0%	0.5%-2.5%	0.5%-3.0%	0.8%-2.5%	0.5%-2.5%	0.3% -1.25%	0.3% -1.25%	0%-0.1%	0.5%-2.0%	0.5-3.0%	0.10%	0.50%
Class A																
% of GBV	12.4	18.2	27.0	26.16	24.4	22.9	24.5	14.2	27	28.8	22.2	30.5	32.5	12.1	25.3	33.0
Credit enhancement	87.6	81.8	73.0	73.84	75.6	77.1	75.5	85.8	73	71.2	77.8	69.5	67.5	87.9	74.7	67.0
Class B																
% of GBV	3	3.1	3.2	3.02	2.6	2.2	3.5	2.9	3	3	1.2	4.0	3	3.5	3.1	3.0
Credit enhancement	84.6	78.7	69.8	70.82	73	75	72	82.9	70	68.2	76.6	65.5	64.5	84.4	71.6	64.0
Final rating																
Class A	BBB	BBB-	BBB	BBB-	BBB	BBB	BBB	BBB+	BBB-	BBB	A-	BBB-	BBB	BBB+	BBB	BBB-
Class B	NR	B+	B	NR	B	NR	NR	NR	B+	B	BB-	B	NR	NR	B+	B+

* The weighted average seasoning includes Scope's qualitative adjustment driven by the special servicer's superior capacity to treat unsecured loans compared to an originator.
**This includes loans with no ongoing legal proceeding or loans where the nature of the proceeding is unknown.
***Juliet, Credito Fondiario, Italfondiario, Prelios.

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

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