Futura 2019 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}	158.0	77.8	12.6	6m Euribor + 3.0%	Jul-44
Class B	NR	37.0	18.2	2.9	6.0%	Jul-44
Class J	NR	8.0	3.9	0.6	12.0% + Variable return	Jul-44
Total notes		203.0	100.0	16.2		

Scope's quantitative analysis is based on the preliminary portfolio dated 30 June 2019. Scope's Structured Finance Ratings constitute an opinion about 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 the SF Rating Definitions.

[1] Gross book value ("GBV") of the securitised portfolio at closing (EUR 1,256m).

Transaction details

Purpose	Risk transfer/funding
Issuer (SPV)	Futura 2019 S.r.l.
Seller	Futura SPV S.r.l.
Original lenders	53 Italian banks[1]
Servicer	Guber Banca S.p.A. (as master and special servicer)
Portfolio cut-off date	30 June 2019
Issuance date	16 December 2019
Payment frequency	Semi-annual (January and July)
Arranger	J.P. Morgan Securities plc

The transaction is a static cash securitisation of an Italian NPL portfolio worth around EUR 1,256m by GBV. The portfolio was originated by 53 different banks as original lenders. The pool is composed of senior secured (45.7%), unsecured (48.2%) and junior secured loans (6.1%). The loans were extended mostly to corporate borrowers (78%). Secured loans are backed by first-lien mortgages on residential properties (44.7% of property values), and industrial assets (20.5%), whilst the remainder collateral (34.8%) is composed of different types of commercial properties, land and other type of properties. Properties are mostly concentrated in the north of Italy (74.1%), whilst they present similar shares in the centre (14.6%), and south (11.3%) of the country. The issuer acquired the portfolio on the transfer date of 3 December 2019. Asset information reflects aggregation by loans.

There are 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 3.0%, whilst Class B will pay a fixed rate of 6.0%. Class J principal and interest are subordinated to the repayment of the senior and mezzanine notes.

Analytical Team

Rossella Ghidoni
+39 02 94 758746
r.ghidoni@scoperatings.com

David Bergman
+39 02 9475 8940
d.bergman@scoperatings.com

Paula Lichtensztein
+49 30 2789 1224
p.lichtensztein@scoperatings.com

Related Research

Non-Performing Loan ABS Rating Methodology, September 2019

Methodology for Counterparty Risk in Structured Finance, July 2019

General Structured Finance Rating Methodology, December 2019

Scope Ratings GmbH

Lennéstraße 5
10785 Berlin

Tel. +49 30 27891-0
Fax +49 30 27891-100

info@scoperatings.com
www.scoperatings.com

Bloomberg: SCOP

[1] Please refer to Appendix II for the full list of transaction's originators.

Rating rationale (summary)

The rating is 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 Scope's economic outlook for Italy and Scope's 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, and the interest rate hedging agreement.

Interest rate risk on the class A notes is mitigated by a hedging structure, under which the Issuer receives the difference between the six-month Euribor rate and an increasing cap, ranging from 0.20% to 3.00%, over a pre-defined notional balance. The cap schedule is aligned with our expected amortisation profile of Class A notes.

The rating also addresses exposures to the key transaction counterparties. In Scope's view, none of these exposures limits the maximum rating achievable by the notes. We performed a specific analysis for recoveries, using different approaches for secured and unsecured exposures. For secured exposures, expected collections were mostly based on the latest property appraisal values, which we stressed to account for liquidity and market value risks, while we derived recovery timing assumptions using line-by-line asset information on 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. We also considered that unsecured borrowers were classified as defaulted for a weighted average of 6.1 years as of the cut-off date of 30 June 2019.

Rating drivers and mitigants

Positive rating drivers

Guber is already servicing the portfolio (positive). Guber is already in charge of managing the portfolio prior to the expected issue date. The servicer has therefore performed most of the portfolio take-over activities, including the set-up of servicing strategies.

Portfolio concentrated in the north of Italy (positive). The portfolio is mostly concentrated in the north of Italy (74% of GBV), which benefits from the country's most dynamic economic conditions and, in general, the most efficient tribunals.

Hedging structure (positive). Interest rate risk on the class A is hedged through an interest rate cap agreement with a 0.2% cap strike, which gradually increases to 3.0% until May 2033. Under Scope's relevant rating scenario, Class A amortisation profile is aligned with the cap schedule.

Negative rating drivers and mitigants

Above average share of industrial assets, of which about 15% report a missing valuation date (negative). 21% of the secured loans are backed by industrial assets, a share which is higher than the average of peer transactions rated by Scope. In addition, valuation dates are missing for about 15% of this type of assets (3% of pool's assets).

High share of desktop and statistical valuations (negative). We received high level aggregates of the valuation type rather than unique loan-by-loan data specifying the valuation type used and therefore we took conservative assumptions regarding the valuation types. According to our classification about 77% of the pools' first-lien collateral were evaluated using desktop (53%) or statistical valuations (24%).

High share of assets under construction (negative). More than 2% of pool's properties are assets under construction. In peer transactions the relevant share is typically less significant. The additional costs required to complete property construction or the event of failure to finish the property, generally translates into lower recoveries compared to finished properties.

Upside rating-change drivers

Servicer outperformance (upside). Consistent servicer outperformance in terms of recovery timing and the total amount of collections could positively impact the rating. The weighted average time until portfolio collections are complete will be 3.7 years, according to the servicer business plan. This is about 27 months faster than the recovery weighted timing vector assumed in our Class A analysis.

Downside rating-change drivers

Servicer underperformance. Servicer performance falling short of our base case scenario regarding collection amounts and timing could negatively impact the rating.

Fragile economic growth (downside). Recovery rates are generally highly dependent on the country's macroeconomic climate. If the Italian GDP medium-term growth falls below 0.7%, the level forecasted in Scope's current outlook, rating could be negatively impacted.

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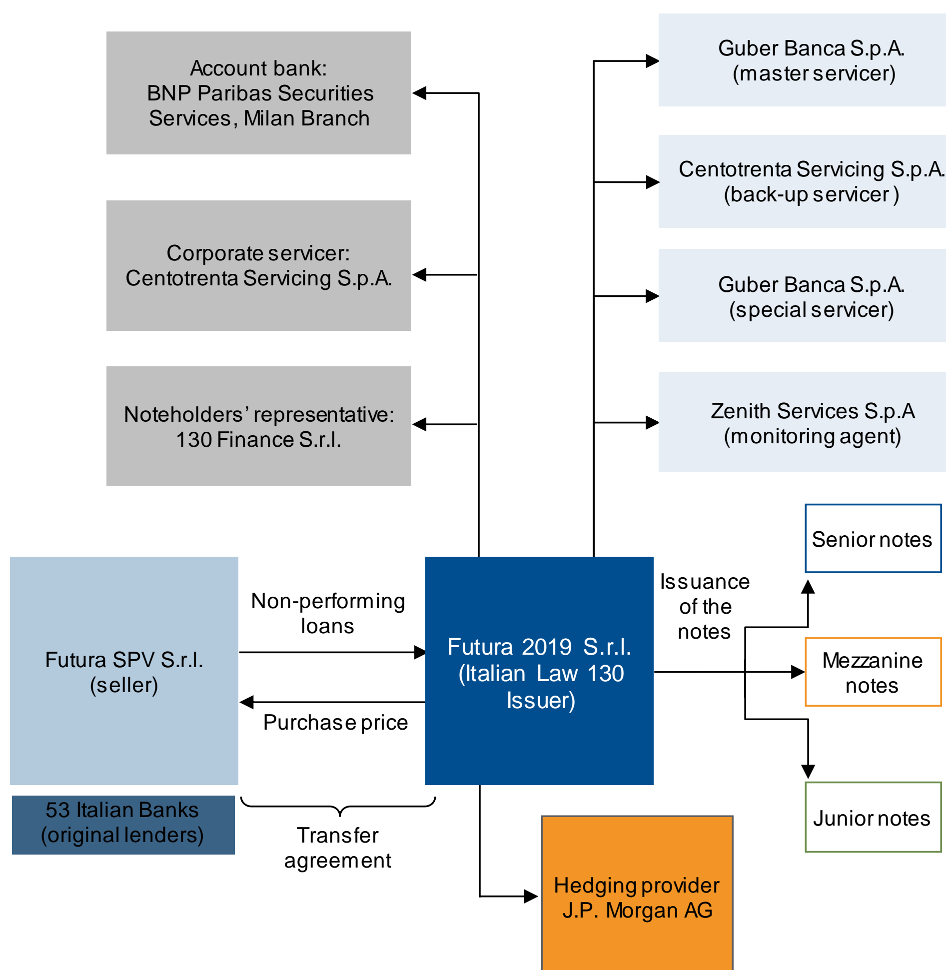
1. Transaction summary

The transaction structure comprises three tranches of sequential, principal-amortising notes, an amortising cash reserve equal to 4.5% of the total class A outstanding balance, 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 30 June 2019 cut-off date. The analysis excluded loans, which we assumed to be closed, based on collections already received and the 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 1,256m to EUR 1,198m. Collections received from the cut-off date until 30st September 2019 are retained by the seller, whilst collections matured from 1st October 2019 are cash available at closing. Cash-in-court is assumed to be received within two and a half years, after the closing date.

Our analysis is performed on a loan-by-loan level, considering the 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 portfolio, used for the analysis.

Figure 2: Key portfolio stratifications (30 June 2019 cut-off date)

	All	Secured	Junior liens	Unsecured
Number of loans	16,152	2,612	687	12,853
Number of borrowers	9,639			
Gross book value (EUR m)	1,256	574	77	605
Percentage of gross book value	100%	45.7%	6.1%	48.2%
Weighted average seasoning (years)	5.52	4.81	5.35	6.21
Sum of collateral appraisal values (EUR m)		524	172	
Borrower type				
Corporate	78.0%			
Individual	22.0%			
Primary procedure*				
Bankrupt borrower	64.2%			
Non-bankrupt borrower	35.8%			
Stage of procedure				
Initial		43.1%	46.7%	
Court-appointed valuation (CTU)		15.1%	14.1%	
Auction		24.3%	20.5%	
Distribution		17.4%	18.6%	
Geography (% of collateral value)				
North	74.1%	74.3%	73.4%	
Centre	14.6%	13.1%	19.2%	
South and islands	11.3%	12.6%	7.4%	
Borrower concentration				
Top 10	4.8%			
Top 100	21.5%			
Property type (% of collateral value)				
Residential	47.1%	44.7%	54.3%	
Non-residential	52.9%	55.3%	45.7%	

* The distribution of legal procedures reflects i) our assumptions on the main procedure type; and ii) our classification of procedures that have not been initiated with reference to the borrowers.

2. Macroeconomic environment

Italy's BBB+ ratings restricted by persistently high debt and low growth

Our sovereign rating on Italy stands at BBB+/Stable, with the rating level restricted by the structural issues of high public debt and low economic growth. Italy's BBB+ sovereign rating remains, however, underpinned by the country's euro area membership and the likelihood of multilateral support in severe crisis scenarios, a track record of primary fiscal surpluses, a large and diversified economy (with nominal GDP of an estimated EUR 1.8trn in 2019), and moderate levels of non-financial private sector debt (155% of GDP as of Q2 2019).

The next review of Italy's sovereign ratings is scheduled for the first half of 2020.

After Italy's debt stock was revised up to 138% of GDP (as of Q2 2019), debt sustainability has become an even more salient issue entering 2020. We anticipate a fairly flat debt trajectory in the coming period – with the risk of a materially higher debt ratio in the event of a more significant regional downturn. In 2020, the longevity of the Five Star Movement-Democratic Party government will be tested, although the parties may be incentivised to maintain the coalition, with far-right opposition party Lega still well ahead in opinion polls.

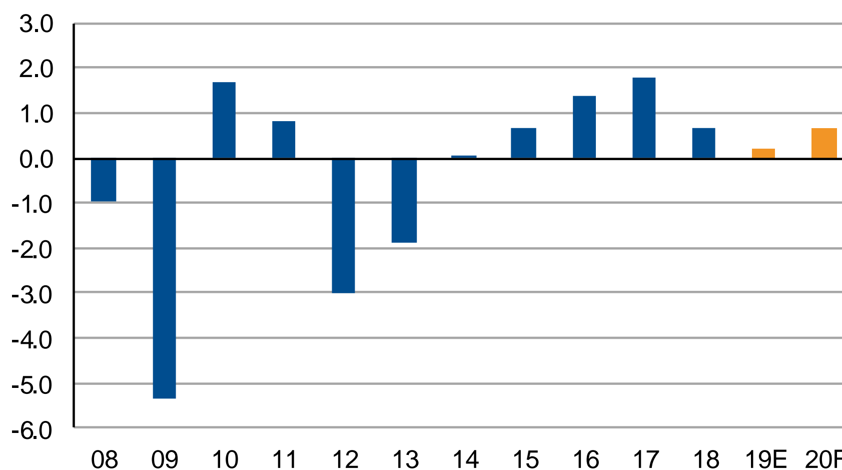
Italy's 2020 budget targets a deficit of 2.2% of GDP, roughly unchanged from the estimated 2019 deficit. This is to be followed by deficits of 1.8% of GDP in 2021 and 1.4% of GDP in 2022, according to government estimates. While we similarly forecast a deficit of around 2.2% of GDP next year, the government's 2021-22 budget expectations appear overly optimistic. In addition, the deficit is set to deteriorate by 0.3 pp in structural terms, compared to the European Commission's recommended adjustment of 0.6% of GDP in 2020. The expected nominal rate of growth of net primary government expenditure in 2019 and 2020 also exceeds the advised adjustment. As such, the EU has noted that Italy's 2020 plans do not comply with the Stability and Growth Pact.

Nevertheless, Italy's funding rates are likely to remain accommodative next year (even allowing for 10-year yields that have recently edged up). This is due to: i) the present government's less antagonistic approach to its relations with the EU (compared with that of the previous Five Star Movement-Lega government); ii) Italian budget deficits that are likely to remain under the Maastricht limit of 3% of GDP; and iii) the ECB now firmly in easing mode with a restart of quantitative easing. Low funding rates will support debt sustainability.

Risks associated with weak economy

The Italian economy remains vulnerable. We estimate that the economy will grow by only 0.2% this year, before recovering modestly to 0.6% in 2020 (**Figure 3**). However, the unemployment rate is now at its lowest levels since early 2012, at 9.7% as of October. Recent economic data nonetheless indicates continued economic risks going forward, including those tied to the broader regional and global manufacturing sector slowdown, exacerbated by on-again, off-again international trade tensions and a structural slowdown in China's economy.

Figure 3: Annual real GDP growth, Italy



Sources: ISTAT; calculations by Scope Ratings

Tepid long-term growth outlook

Italy's long-term growth picture is tepid. We estimate medium-run growth potential at 0.7%, amongst the lowest for economies in Scope's rated sovereign universe. Population dynamics are a factor: the working-age population will continue falling by 0.4% per year on average from 2019 to 2024, according to United Nations projections. Our medium-run growth estimate assumes labour force participation growth of close to 0%, rising employment levels over the medium run and labour productivity growth of around 0.5% per annum.

NPLs have been reduced, but action to improve banking sector resilience is required

Italian banks' stock of non-performing loans has been cut to 8.1% of total loans as of Q2 2019, compared with 18.2% during the 2015 peak, supported by national initiatives like the Guarantee on Securitisation of Bank Non-Performing Loans (GACS). The banking sector's regulatory Tier 1 capital ratios stood at 14.4% of risk-weighted assets in Q2 2019, 60 bps higher than levels as of Q2 2018. Significant action is still needed to improve insolvency and debt enforcement procedures, facilitate bank rationalisation and consolidation, and make timely and consistent use of the resolution framework.

3. Portfolio characteristics

Further detail on key portfolio characteristics as of 30 June 2019 is provided below. Percentage figures refer to gross book value, unless otherwise stated.

3.1. Eligible loans

Customary eligibility criteria

The representations and warranties on the receivables provided by the seller are generally aligned with those of peer transactions we rate, and include the following:

- All loans are denominated in euros;
- All loans agreements are governed by Italian law;
- Real estate assets are located in Italy[2];
- All receivables are valid for transfer without any limitations;
- All receivables are free from encumbrances;
- 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;
- At the date of loan's origination, borrowers were either i) individuals residing or domiciliated in Italy; or ii) entities incorporated under Italian law with a registered office in Italy.

3.2. Detailed stratifications

3.2.1. Borrower type

Borrowers are mostly corporates

The pool is composed mostly of corporate borrowers (78%).

Relative to peer transactions, the portfolio has a below average share of first-lien secured loans (46.0%). Unsecured exposures represent 48.2% of pool's GBV, whilst the share of junior lien secured loans is 6.1%. In absence of detailed information regarding the outstanding balance of loans backed by the external senior liens we assumed similar recovery proceeds for both junior-lien secured loans and unsecured claims.

Figure 4: Borrower type

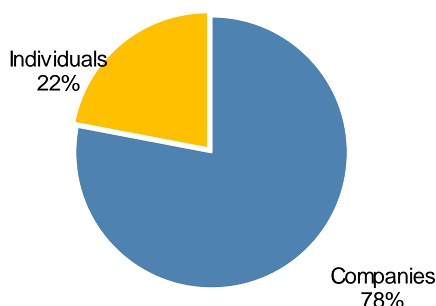
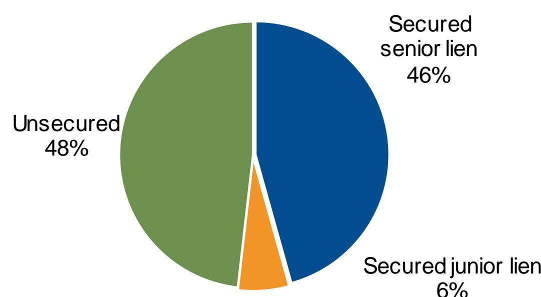


Figure 5: Loan type



Sources: Transaction data tape; calculations by Scope Ratings

[2] With the exception of those ones located in Slovenia and Croatia.

3.2.2. Geographical distribution

Secured loans are backed by properties which are mostly concentrated in the north of Italy

Secured loans are mostly concentrated in the north of Italy, with a share of 74.2%.

The remainder are relatively well distributed across centre (13.1%) and south of the country (12.6%).

A small share of assets is located in Slovenia and Croatia (0.1%).

In general, court proceedings in northern locations skew towards more efficient court groups relative to Italian average, according to our tribunal efficiency assumptions (see section 4.1.6.).

We view positively that properties secured by a first lien mortgage are not highly concentrated in the southern regions of Italy, since the relevant courts' timing is higher than the Italian average (see Figures 6 and 7 and section 4.1.6).

However, secured positions, which are at an initial stage (43.1% of secured GBV) contribute to lengthen the weighted average life of secured exposures.

Figure 6: First-lien collateral location

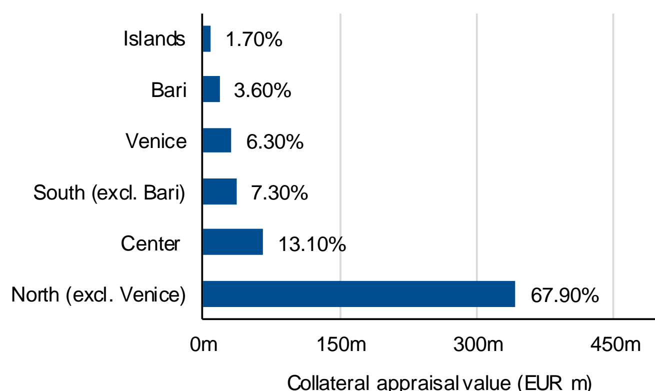
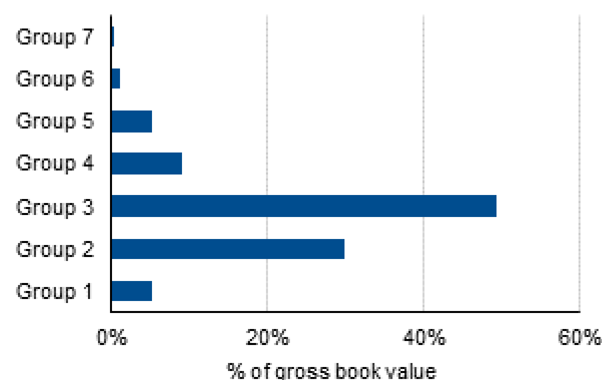


Figure 7: Court group distribution of secured loans



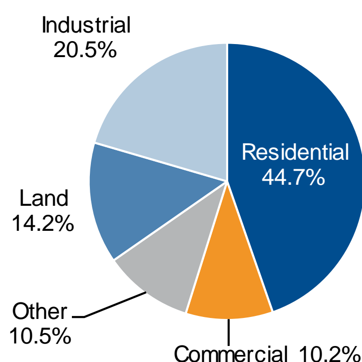
Sources: Transaction data tape; calculations by Scope Ratings

3.2.3. Collateral type

Lower liquidity stresses are applied to residential properties in comparison with the other type of assets

The portfolio's first-lien collateral is mostly composed of residential (44.7%) assets and industrial assets (20.5%). The remainder properties are represented by land (14.2%), commercial (10.2%) and other (10.5%) assets, the latter including properties under construction (2.0%).

Figure 8: Distribution by collateral type



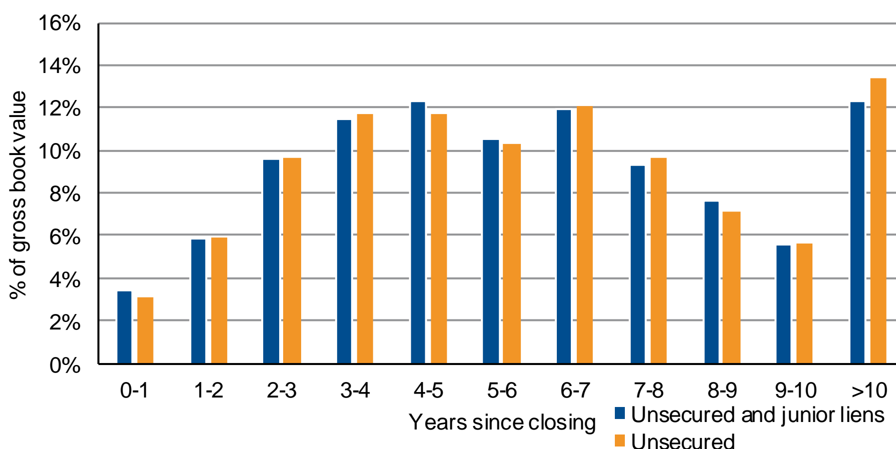
Sources: Transaction data tape; calculations by Scope Ratings

3.2.4. Loan seasoning

Ageing of unsecured portfolio reduces expected recoveries

The weighted average time between default and the closing date is around 6.1 years for unsecured exposures. The pool's ageing reduces the expected recoverable amount of unsecured loans. About 58% of the unsecured exposures are highly seasoned, having defaulted more than five years before the closing date.

Figure 9: Unsecured portfolio seasoning distribution as of closing date



Sources: Transaction data tape; calculations by Scope Ratings

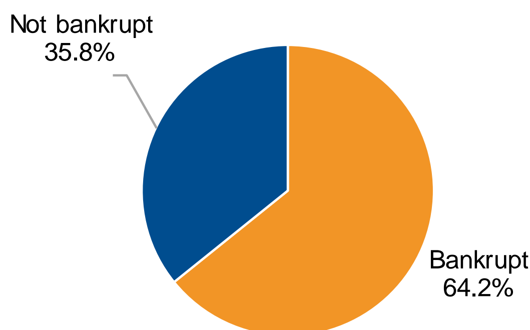
3.2.5. Borrower status

Most of the loans follow bankruptcy procedures

Figure 10 below shows our assumptions regarding the main legal proceedings for each borrower, based on the transaction's data tape. Most of the borrowers present bankruptcy procedures (64.2%), whilst the remainder of the loans are under non-bankruptcy procedures (35.8%).

For the not yet initiated legal procedures, we assumed the commencing of bankruptcy processes.

Figure 10: Borrower status assumptions



Sources: Transaction data tape; calculations by Scope Ratings

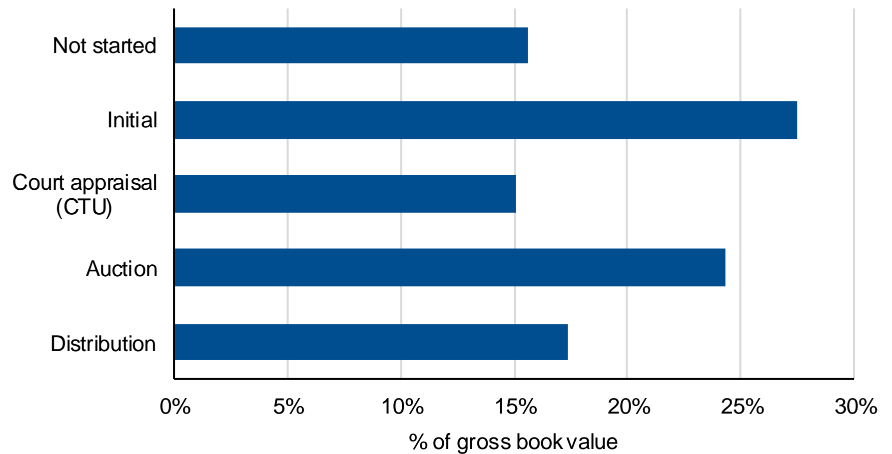
3.2.6. Recovery stage of secured exposures

Proceedings in initial stages drive relatively long recovery timing assumptions

About 43% of the secured loans is in the initial stage of proceedings, including not initiated legal procedures. The remainder is either at a CTU or auction phase (15% and 24%, respectively) whilst a 17% share is reported to be in a distribution phase.

Figure 11 below shows the stage of legal proceedings in relation to secured loans.

Figure 11: Secured recovery stage by borrower status



Sources: Transaction data tape; calculations by Scope Ratings

4. Portfolio analysis

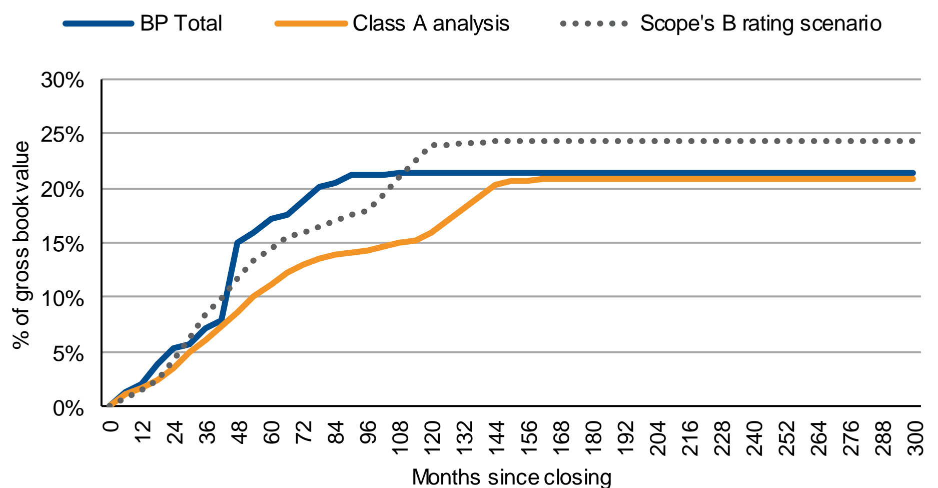
Rating-conditional recovery assumptions

Figure 12 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[3] of 20.9% over a weighted average life of 5.9 years. By segment, we assumed a gross recovery rate of 36.7% for the secured portfolio and 7.6% for the unsecured portfolio (where the unsecured portfolio component is inclusive of exposures guaranteed by junior liens).

Figure 12: Business plan's gross cumulative recoveries vs Scope's assumptions[4]



Sources: Special servicer business plan and Scope Ratings

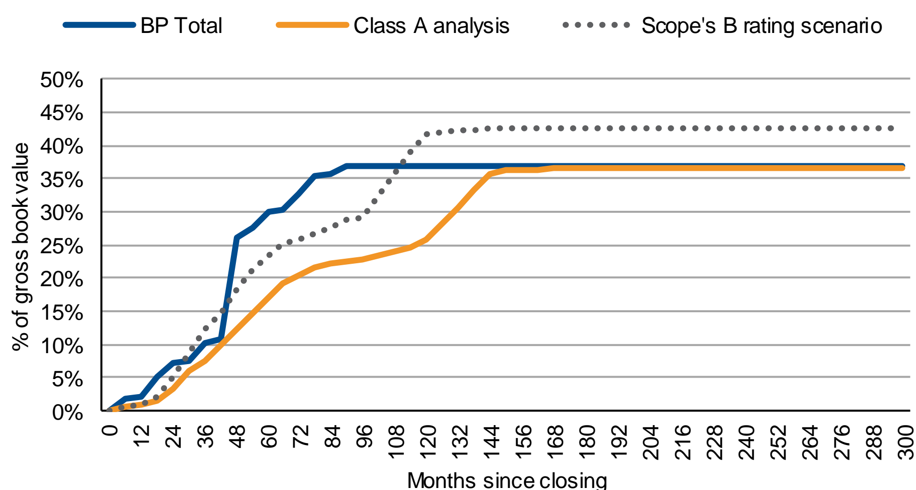
[3] The reported recovery rate includes the cash-in-court amounts.
[4] The recovery rates include the cash-in-court amounts, which enables a direct comparison between the figures in our analysis and the servicer business plan.

4.1. Analysis of secured portfolio segment

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

Figure 13 shows our lifetime gross collections vectors for the secured portfolio segment compared to those from the servicer business plan. Our analytical approach mainly consists of estimating the security's current value based on property appraisals, geographical location[5] 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 considers concentration risk, the servicer business plan, and available workout options.

Figure 13: Business plan's gross cumulative recoveries for secured loans vs Scope's assumptions[6]



Sources: Special servicer business plan and Scope Ratings

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

Above average share of loans with high LTVs

Figure 14 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 37.5% for the secured loans[7].

Compared with the peer transactions rated by Scope, the pool presents an above average share of loans with high LTV: 47.2% of portfolio's GBV is related to loans with LTVs higher than 200%.

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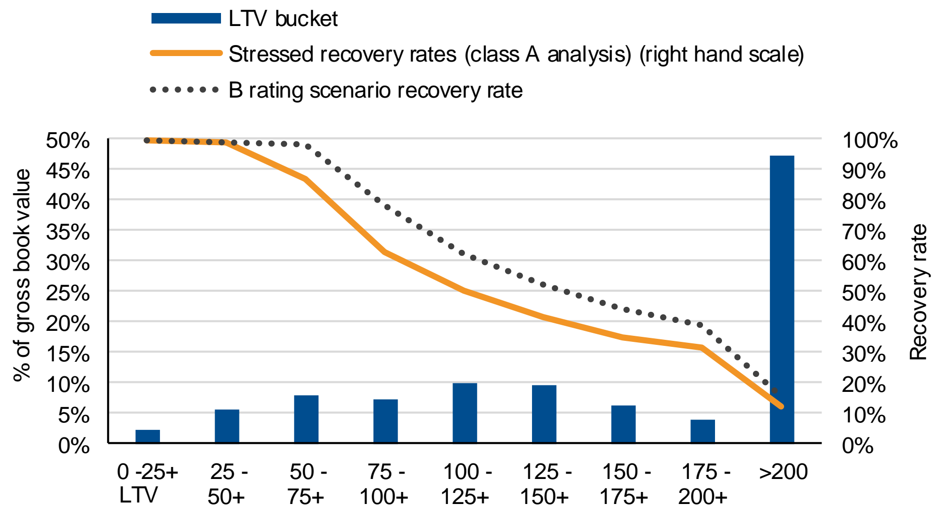
[5] We didn't give any benefit to the proceeds deriving from loans secured by assets located in foreign countries (i.e., Croatia and Slovenia).
[6] The calculated recovery rate includes cash-in-court amounts. Servicer's secured recovery rate has been computed based on its classification of loans into "Senior secured".
[7] The calculated recovery rate excludes estimated cash-in-court amounts.

Figure 14: Secured loans' distribution by LTV[8] and Scope's transaction-specific secured recovery rate assumptions per the class A analysis



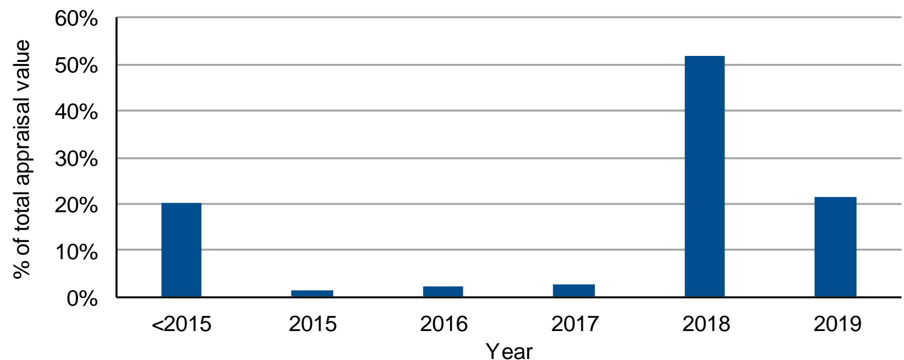
Sources: Transaction data tape; calculations by Scope Ratings

4.1.2. Appraisal analysis

Positive credit given to the presence of recent properties appraisals

We relied on line-by-line property market value appraisals. Most of the valuations have been conducted between 2018 and 2019 (73.4% ca. of properties' total appraisal value). 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 15: Collateral valuation dates



Source: Transaction data tape

We have received high level aggregates of the valuation type rather than unique loan-by-loan data specifying the valuation type used and therefore we classified each appraisal type based on conservative assumptions.

According to our classification, 53.2% of properties appraisals are performed as desktop valuations whilst 24.8% of the appraisals are statistical valuations (i.e., indexed valuations). The remainder 22.0% are CTU[9] valuations (21.1%) and drive-by valuations (0.9%).

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[8] Loan To Value; it is calculated as the ratio between loans' gross book value and properties value (computed by Scope as indexed appraisal value).
[9] Valuations performed by the Court Appointed Expert ("Commissario Tenico d'Ufficio" or "CTU").

The share of drive-by valuations could be up to 28% whilst the share of desktop valuations could be up to 26%. However, due to lack of detailed information on the nature of portfolio appraisals, we took a conservative classification, resulting into Figure 16.

In Figure 16, both indexed and open market value valuations have been classified under "Other/Statistical" valuation type.

Figure 16: Portfolio appraisal types and Scope's transaction-specific valuation haircut assumptions

Valuation type	% of collateral value	Class A analysis haircut	Scope's B rating scenario
Drive-by	0.9	-	-
Desktop	53.2	5%-15%	4%-12%
CTU	21.1	10%-20%	8%-16%
Other/Statistical[10]	24.8	5%-15%	4%-12%

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

4.1.3. Property market value assumptions

Moderate market downturn risk

Figure 17 details our assumptions about property price changes over the transaction's life 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 17: Collateral location and Scope's transaction-specific price change assumptions

	North						Centre			South			Islands	
Region	Milan	Turin	Genoa	Bologna	Venice	Others	Rome	Florence	Others	Naples	Bari	Others	Metropolitan cities	Rest of provinces
Base case	-													
Class A analysis	-8.6	-8.6	-9.4	-8.6	-12.0	-12.9	-10.7	-12.9	-11.6	-10.7	-10.7	-15.0	-13.7	-13.7
Portfolio distribution (%)	0.7	1.0	0.1	1.4	6.3	64.7	1.5	0.1	11.5	0.1	3.6	7.2	0.7	1.0

4.1.4. Collateral liquidity risk

Asset liquidity risk is captured through additional fire-sale haircuts applied to collateral valuations. Figure 18 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 transaction specific servicer together with other distressed property sales data that we have and reflect our view that non-residential properties tend to be less liquid, resulting in higher distressed-sale discounts.

The pool is composed of residential properties, which account for 47.1% of total appraisals. The remainder is composed of industrial properties (21.2%), land (12.1%), commercial properties (10.6%) and other type of assets (9.0%).

[10] "Other/Statistical" refers to indexed valuations and open market value valuations..

High share of industrial assets and properties under construction (21% and +2%) viewed as credit negative

In comparison with peer transactions, the pool has a higher share of industrial assets. This is credit negative given the lower liquidity of these type of assets in comparison to residential assets.

More than 2% of pool's properties are assets under construction, whilst in peer transactions this share is typically less significant. The additional costs required to complete property construction or the event of failure to finish the property, generally translates into lower recoveries compared to finished properties and into a lower liquidity. This has been reflected into a higher firesale discount assumption.

Figure 18: Scope's transaction-specific fire-sale discount assumptions

Collateral type	% of collateral value	Class A analysis haircut	Scope's B rating scenario
Residential	47%	25%	20%
Non-residential	53%	30%-40%	24%-32%

4.1.5. Concentration risk

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 4.8% and 21.5% of the portfolio's gross book value, respectively.

4.1.6. 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.

Partial credit to residual claims from individuals

Based on servicers' historical data, we gave credit to residual claims on 10% of the loans to individuals. 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. Also, when is cost-efficient, servicer's interest is to maximise the amount of recoveries, even after the security has been enforced.

4.1.7. 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 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 19 below. Most courts are concentrated within groups 2 to 3, which are reasonably distributed across all Italian regions. The highest concentration is in court group 3 (see Figures 6 and 7 for more details regarding the top courts and the concentration in court groups).

For the class A notes analysis, a rating-conditional stress was applied for both bankruptcy and non-bankruptcy procedures (2.0 years and 1.0 year were respectively added to the total legal procedures' length).

Figure 19: Total length of the recovery process by court group in years (Scope's assumptions, secured loans)

Court group	Bankruptcy proceedings	Non-bankruptcy proceedings	Percentage of courts*
1	4	2	5.1%
2	6	3	29.8%
3	8	4	49.3%
4	10	5	9.1%
5	12	6	5.1%
6	14	7	1.1%
7	18	9	0.4%

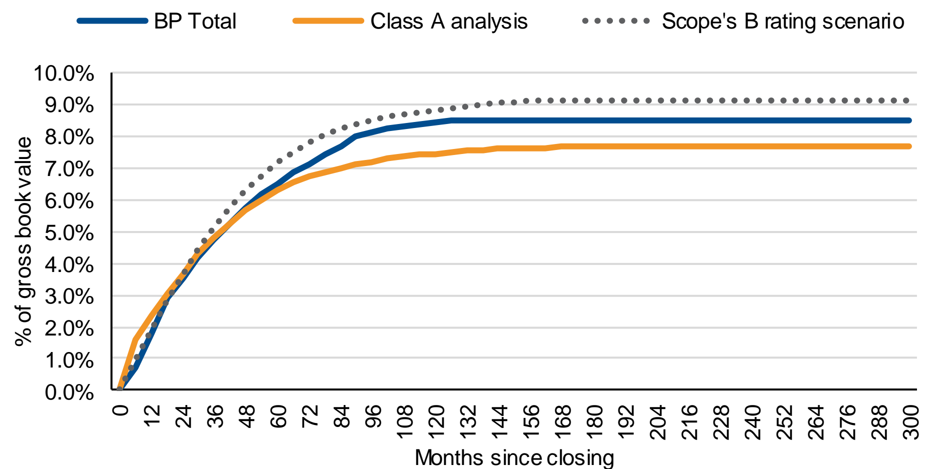
* Percentages incorporate our assumptions with reference to courts not included in available information.

4.2. Analysis of unsecured portfolio segment

Unsecured portfolio analysis is based on statistical data

Figure 20 shows our gross collections vectors for the unsecured 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 7.6%. Our expected recovery rates are not aligned with the servicer's recovery curve, partly because our classifications for secured and unsecured loans is different. The assumptions are calibrated to reflect the nature of the recovery procedures and that unsecured borrowers in the portfolio are classified as defaulted for a weighted average of 6.1 years as of pool's cut-off date.

Figure 20: Business plan's unsecured[11] loan gross cumulative recoveries vs Scope's assumptions



Sources: Special servicer's business plan and Scope Ratings

[11] The comparison considers unsecured and junior secured loans as per the servicer business plan.

5. Key structural features

5.1. Combined priority of payments

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

1. Servicer fees and other issuer counterparty fees, taxes and transaction expenses
2. Replenishment of recovery-expense reserve
3. Interest on class A notes
4. Cash reserve replenishment
5. Interest on class B notes, provided no Interest Subordination Event has occurred
6. Principal on class A notes in full
7. Class B interest upon occurrence of the Interest Subordination Event
8. Principal on class B notes in full and servicer mezzanine fees
9. Interest on liquidity facility (if any) and any principal or other amount due in respect of the liquidity facility
10. Interest on class J notes
11. Principal on class J notes
12. Any residual amount as class J variable return

Liquidity facility

The issuer may obtain, at any time, a liquidity facility to cure transaction's trigger events or a second level underperformance (as defined in section 5.2.3) event or to redeem the notes, following their redemption for taxation or their optional redemption.

Interest Subordination Event

The Interest Subordination Event is triggered upon occurrence of any of the following events:

i) the cumulative collection ratio[12] falls below 100% of the servicer's business plan targets;

ii) the PV cumulative profitability ratio[13] falls below 100%;

iii) the interest amount, which will be actually paid on the class A notes on the following interest payment date is lower than the interest amount due and payable on such interest payment date; and the Interest Subordination Event has not been cured through application of the proceeds of the liquidity facility and the monitoring agent has sent the relevant notice to the issuer, the servicer, the representative of the noteholders, the cap counterparty and the calculation agent.

Under i) above, Class B interest payments accrued but not paid will only be paid, senior to class A principal, if (a) class A is fully repaid; or (b) the cumulative collection ratio is higher than 100%.

Under ii) and iii) above, Class B interest payments accrued but not paid will only be paid, senior to class A principal, if (a) class A is fully repaid; or (b) the interest subordination event is cured.

[12] 'Cumulative collection ratio' is defined as the ratio between: i) the cumulative gross collections, increased of the proceeds of the liquidity facility (if any) and ii) the aggregate gross expected collections, as indicated in the initial business case scenario of the servicer.

[13] 'PV cumulative profitability ratio' is defined as the ratio between: i) the sum of the present value (calculated using an annual rate of 4%) of the gross collections for all receivables relating to exhausted debt relationships (as indicated in the master servicer IT system), increased of the proceeds of the liquidity facility (if any); and ii) the sum of the target price (based on the servicers' initial business plan) of all receivables relating to exhausted debt relationships.

Once the Interest Subordination Event is cured, class B interest due will be paid senior to class A principal.

Interest Subordination Event Triggers are more stringent than GACS ones

In comparison with peer transactions guaranteed by the GACS scheme[14], the Interest Subordination Event is triggered by more stringent conditions. In fact, as per GACS decree, the Interest Subordination Event occurs if the transaction performs below 90% of the original business plan, whilst in the context of this transaction the event is triggered by a performance lower than 100% of the business plan.

Non-timely class A interest payment would trigger accelerated waterfall

Non-timely payment of interest on the senior notes (unless such event is remediated within 3 business days by the issuer by applying the proceeds of any liquidity facility, provided that such cure is applicable for not more than 2 consecutive payment dates or, in aggregate, 3 payment dates), among other customary events such as the issuer's unlawfulness, insolvency, breach of obligations, would accelerate the repayment of class A through the full subordination of class B payments.

5.2. Servicing fee structure and alignment of interests

5.2.1. Servicing fees

The servicing fee structure links the level of fees received by the servicer to the portfolio's performance, mitigating potential conflicts of interest between the servicer and the noteholders.

Alignment of servicer and noteholder interests

The servicer will be entitled to receive an annual performance fee varying from 4% to 8% on secured exposures, and from 4% to 10% on the unsecured exposures. Collection figures exclude legal costs. Servicer fees are calculated at each payment date. The servicer is not entitled to any base fee.

The precise level of fees is subject to the exposure type (presence of first-lien mortgages) and to the share of guaranteed loans with respect to the total borrower's position. Our analysis assumed an average performance fee of 4.9% and 7.5% for secured and unsecured loans, respectively, considering the portfolio distribution by gross book value buckets.

The transaction has a subordination mechanism for the servicing fees, based on the level reached by the PV cumulative profitability ratio. In case of underperformance, a portion of the fees is paid on a mezzanine position in the priority of payments and a haircut is applied to the fees. The servicer is therefore incentivised to maximise recoveries and comply with the initial business plan.

5.2.2. Servicer monitoring

Monitoring function protects noteholders' interests

The monitoring agent (Zenith Service S.p.A.) overviews the servicer's activities and calculations, mitigating operational risks and moral hazard that could negatively impact noteholders' interests.

The servicer is responsible for the servicing, administration, and collection of receivables as well as the management of legal proceedings. The monitoring agent will verify the calculations of key performance ratios and amounts payable by the issuer, and it will 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 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

[14] Italian law decree No. 18 of 14 February 2016 converted into law No. 49 of 8 April 2016, s subsequently amended and supplemented under Italian law decree No. 22 of 25 March 2019, converted into Italian law No. 41 of 20 May 2019.

of debt positions, and the payment of additional costs and expenses related to recovery activities.

5.2.3. Servicer termination events

Back-up arrangements mitigate servicing disruption risk

Upon a servicer termination event, the committee or the representative of noteholders can request to the issuer the replacement of the master servicer or any special servicer. The back-up servicer (Centotrenta Servicing S.p.A.) will cooperate with the monitoring agent and the issuer to select a substitute in accordance with the servicing agreement.

A servicer termination event includes insolvency, an unremedied breach of obligations, an unremedied breach of representation and warranties, loss of legally eligibility to perform obligations under the servicing agreement, the consistent underperformance (i.e., in case two consecutive First Level Underperformance Event[15] occur or in case two consecutive Second Level Underperformance Event[16] occur).

5.3. Liquidity protection

Cash reserve protects liquidity of the senior noteholders

A cash reserve will be funded at closing through the over-issuance of class J notes.

The target cash reserve amount, at each payment date, will be equal to 4.5% of the total outstanding balance of class A notes.

The cash reserve is 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.

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 class A notes, defined as six-month Euribor plus a 3.0% fixed margin.

Interest rate risk is partially mitigated by an interest cap agreement on the base rate of class A notes

An interest rate cap agreement (with J.P.Morgan AG as the interest cap provider) partially mitigates the risk of increased liabilities on the class A notes due to a rise in Euribor. However, the cap is beneficial only in highly stressed scenarios for interest rates (see Figure 21).

The base rate is partially hedged through an interest rate cap agreement with an increasing strike level of 0.20% from the issue date, 0.5% from Jan 2021, 0.75% from Jan 2022, 1.0% from Jan 2023, 1.25% from Jan 2024, 1.50% from Jan 2025, 1.75% from Jan 2026, 2.00% from Jan 2027, 2.25% form Jan 2028, 2.50% from Jan 2029, 2.75% from Jan 2030 and 3.00% from Jan 2031 until July 2033. Under the agreement the Issuer receives the difference between six-month Euribor and the cap strike, following a predefined notional schedule.

The interest rate cap notional schedule is 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 principals. For the class A notes analysis, we stressed the Euribor forward curve, as shown in Figure 21.

[15] "First Level Underperformance Event" occurs if i) the cumulative collection ratio is lower than 75%; or if ii) the PV cumulative profitability ratio is lower than 75%.
[16] "Second Level Underperformance Event" occurs if i) the cumulative collection ratio is lower than 72%; or if ii) the PV cumulative profitability ratio is lower than 72%.

Figure 21: Interest rate cap for class A notes

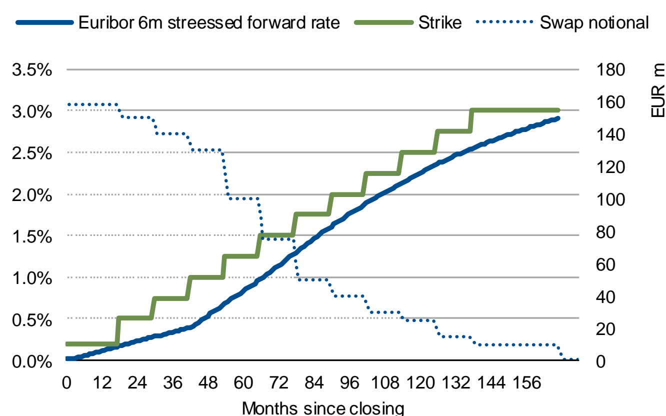
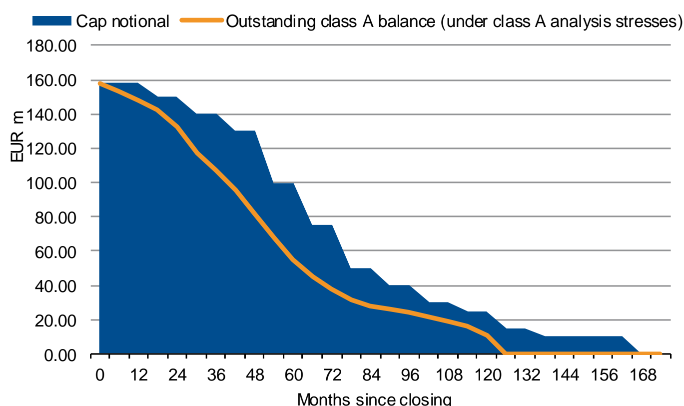


Figure 22: Cap notional vs outstanding class A notes



Sources: Transaction documents, Bloomberg and Scope Ratings

6. Cash flow analysis and rating stability

The cash flow analysis considers the structural features of the transaction

We analysed the transaction's specific characteristics. Asset assumptions were captured through rating-conditional gross recovery vectors. On the liability side, the analysis considers the capital structure, an estimate of legal costs equivalent to 9% of gross collections, servicing fees as described in section 5.2, and issuer senior fees. We considered the reference rate payable on the notes, and the hedging agreement described in the previous section.

The 9% estimated legal costs are aligned with the servicer's estimated level of legal expenses as per the original business plan.

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

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

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 secured and unsecured recovery rates by 10%, less than one notch.
- an increase in the recovery lag by one year, less than one notch.

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 an Italian exit from the euro area, a scenario which we have consistently viewed as highly unlikely, are not material for the notes' ratings.

For more insight into our fundamental analysis on the Italian economy, please refer to the **2020 Sovereign Outlook**, dated 2 December 2019.

8. 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 factored in counterparty replacement triggers implemented in the transaction and relied on publicly available ratings and our ratings, when available, of the involved 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) Futura SPV S.r.l. as indemnity provider and as provider of representation and warranties; ii) Guber Banca S.p.A. as master servicer, special servicer and back-up indemnity provider; iii) Futura MM LLC as back-up indemnity provider; iv) Centotrenta Servicing S.p.A. as back-up servicer, calculation agent, corporate services provider; v) Zenith Services S.p.A. as monitoring agent; vi) 130 Finance S.r.l. as representative of noteholders; vii) BNP Paribas Securities Services, Milan Branch as cash manager, paying agent, account bank and agent bank; viii) J.P. Morgan AG as the cap counterparty..

According to the transaction documents, the account bank and the cap provider must have a minimum short term and long-term rating 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. Operational disruption is mitigated by the presence of a back-up servicer and by the servicer replacement arrangements (see section 5.2).

8.2. Commingling risk

Limited commingling risk

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

8.3. Claw-back risk

Limited claw-back risk

The seller has provided on the issue date: i) a solvency certificate signed by a representative duly authorised and ii) a certificate from the bankruptcy court (tribunale civile – sezione fallimentare) confirming that the relevant seller is not subject to any insolvency or similar proceedings. This will mitigate 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.

8.4. Enforcement of representations and warranties

Representations and warranties limited by time and amount

The issuer will rely on the representations and warranties, limited by time and amount, provided by the seller in the transfer agreement.

If a breach of a representation and warranty materially and adversely affects a loan's value, the indemnity provider may be obliged to indemnify the issuer for damages within 30 business days following the indemnification notice.

However, the above-mentioned representations and warranties are only enforceable by the issuer within 24 months from the issue date. The total indemnity amount will be capped to a maximum of 25% of the portfolio purchase price. Furthermore, the indemnity amounts will be payable only above a minimum amount threshold of EUR 100,000 on an aggregate basis, and EUR 10,000 on a single-loss basis, once the minimum amount threshold is reached.

These deductibility thresholds are aligned with peer transactions rated by Scope.

In Italian NPL securitisations the originator is typically also the seller and it is the entity providing the representation and warranties.

For those transactions in which the seller is not the originator, the indemnity provider set-up is usually different.

Indemnity provider is a special purpose vehicle with two back-up indemnity providers

The transaction envisages a special purpose vehicle (Futura SPV S.r.l.) as indemnity provider, whilst Guber Banca S.p.A. and Futura MM LLC[17], represent the back-up indemnity providers. The liability of each back-up indemnity provider is several and allocated pro-rata with a share of 95% for Futura MM LLC and 5% for Guber Banca S.p.A.

The indemnity set-up for this transaction is weaker in comparison with transactions in which the seller and the indemnity provider is the originating bank.

We have tested the impact that any eventual indemnity amounts is not paid either by the indemnity provider or by the back-up indemnity providers.

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.

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.

9.3. Legal documents

We had access to all transaction documents.

10. Monitoring

Ongoing rating monitoring

Scope will monitor this transaction based on the performance reports, updated loan by loan reports, as well as other public information. The rating will be monitored on an ongoing basis.

Scope analysts are available to discuss all the details surrounding 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.

11. Applied methodology

For the analysis of the transaction Scope applied its Non-Performing Loan ABS Rating Methodology (dated September 2019) and the Methodology for Counterparty Risk in Structured Finance (dated July 2019), both available on www.scoperatings.com

[17] A cayman law-governed limited liability company.

Futura 2019 S.r.l.

Italian Non-Performing Loan ABS

I. Summary appendix – deal comparison

Transaction	Futura	Iseo SPV	BCC NPLS 2019	Marathon	Prisma	Juno 2	Leviticus SPV	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-19	Dec-19	Dec-19	Dec-19	Oct-19	Feb-19	Feb-19	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	53 Banks	UBI Banca	68	17 Fin. Inst.	Unicredit	BNL	BPM	multiple	Lucca	17 Banks	BPER	Ragusa	UBI Banca	C.R. Asti, Biver	BNL	ICCREA	BPS, BDB	Sardegna	Creval	BPM	MPS	BPB, CRO	Creval
Master servicer	Guber Banca	Italfondiario	Italfondiario	Securitisation Services	Italfondiario	Prelios	Prelios	Prelios	Credito Fondiario	Cerved	Prelios		Prelios	Prelios	Prelios	Prelios	Cerved	Prelios	Credito Fondiario	Prelios	Credito Fondiario	Prelios	Cerved
Special servicer	Guber Banca	doValue	doValue	Hoist Italia	doValue	Prelios	Prelios	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)	1,256	857	1,324	5,027	6,057	968	7,385	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	9,639	6,401	8,596	324,282	52,419	1,120	19,747	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	16,152	8,373	15,944	412,795	137,813	3,609	49,404	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)	5.5	3.5	3.4	7.5	5.3*	3.5*	3.8*	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	6.2	4.6	4.2	7.5	6.8*	3.9*	4.4*	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 portfolio)																							
bucket [0-25]	2.3	1.4	3.4	N/A	3	1.8	3.5	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]	5.5	5.4	9.9	N/A	8	8	9.2	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]	8	10.4	11.9	N/A	13.2	15.4	12.6	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]	7.2	15.8	14.6	N/A	15	15.6	14.8	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]	10.1	17.7	13.6	N/A	12.7	11.2	9.5	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]	9.5	15.7	8.5	N/A	10.6	10.9	6.9	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]	6.4	10.3	8.8	N/A	8.5	3.7	6.9	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]	3.8	7.2	6.7	N/A	6.3	7.8	4.7	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	47.2	16.1	22.6	N/A	22.8	25.5	31.9	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)	1.1	1.6	1.1	N/A	1.8	5.9	2.0	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	45.7	92.2	65.9	0.0	64	57.7	50.5	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	6.1	3.3	7.9	0.0	0.4	3	5.6	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	48.2	4.5	26.2	100.0	35.7	39.3	43.9	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	2.4	0	5.2	0.0	0	7.5		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	22	100	20.7	57.4	100	7.7	14.7	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	78	0	79.3	42.6	0	92.3	85.3	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	64.2	0.9	60.5	N/A	0.7	69.9	71.7	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	35.8	99.1	39.5	N/A	99.3	30.1	28.3	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	4.8	1.7	5.3	0.0	0.4	19	5.4	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	21.5	7.4	26	0.0	1.7	56.2	20.3	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	74.1	50.7	38.1	N/A	37.1	32.8	71.1	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	14.6	21.1	35.6	N/A	24.2	38.9	17.4	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	11.3	28.2	26.3	N/A	38.6	28.3	11.4	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	47.1	94.8	43.8	N/A	90.1	34.8	41.6	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	10.6	1.6	18.8	N/A	4.5	21.1	9.5	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		40	32.4
Industrial	21.2	2.1	15.3	N/A	0	16	5.3	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	71.8		23.2
Land	12.1	0.7	14.2	N/A	1	9	16.2	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	9	0.7	7.9	N/A	4.4	19.1	27.5	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	0.9	0	57.7	N/A	0	56.8	32.3	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	53.2	71.1	19.9	N/A	0	24.8	31.7	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	21.1	28.2	9	N/A	29.7	10.4	5.5	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	0.8	0.7	13.4	N/A	70.3	8	30.5	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	43.1	64.4	55.7	N/A	50.9	29.5	65.5	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	15.1	9.6	22.4	N/A	22.8	17	10.0	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	24.3	19.9	17.2	N/A	22.1	35.4	16.6	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	17.4	6.1	4.8	N/A	4.3	18.1	8.0	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	54.7	54.7	N/A	46.2	61.2	51.8	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	7.6	16.5	16	9.1	1.4	8.6	10.2	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	**20.9**	**52.4**	**41.5**	**9.1**	**31.8**	**38.8**	**31.2**	**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 (yrs)																							
Secured	6.57	5.4	7.1	N/A	5.6	5.7	8	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	3.4	4.8	4.5	3.1	3.2	3.6	4.5	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	**5.94**	**5.4**	**6.8**	**3.1**	**5.4**	**5.5**	**7.5**	**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)	4.5	4	3	3	4	4	4	4	4	4	5	7.5	4	4	4	5	4.05 (% of A	4.9 (% of A and	5.0	4.375 (% of A	3.5	4.0	4.0
Class A Euribor cap strike	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%	0.3%	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	12.6	39.1	26.8	5.7	20	21.1	19.5	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	87.4	60.9	73.2	94.3	80	78.9	80.5	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	2.9	2.9	4	0.7	1.3	4.9	3	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	84.5	58	77.2	99.3	78.7	74	77.5	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	BBB-	BBB	BBB	BBB	BBB+	BBB-	BBB	A-	BBB-	BBB	BBB+	BBB	BBB-
Class B	NR	NR	B-	BB	B-	NR	NR	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 immaterial deviations.

II. Summary appendix – originators

Originators	GBV	% GBV	nb. of loans	nb. of loans (%)	nb. of debtors	nb. of debtors (%)
Banca del Territorio Lombardo Credito Cooperativo S.C.	125,885,779	10.03%	871	5.39%	468	4.86%
Cassa di Risparmio di Bolzano S.p.A.	80,903,363	6.44%	1711	10.59%	1177	12.21%
Cassa Padana Banca di Credito Cooperativo S.C.	52,496,002	4.18%	315	1.95%	177	1.84%
Rovigobanca – Credito Cooperativo – Società Cooperativa	48,454,711	3.86%	592	3.67%	289	3.00%
Cassa Rurale di Trento Banca di Credito Cooperativo S.C.	46,372,274	3.69%	437	2.71%	187	1.94%
Cassa Rurale di Rovereto Banca di Credito Cooperativo S.C.	45,139,066	3.59%	385	2.38%	215	2.23%
Banca di Credito Cooperativo Alberobello e Sammichele di Bari S.C.	44,122,549	3.51%	1049	6.50%	792	8.22%
Banca Popolare dell'Alto Adige S.p.A.	40,433,313	3.22%	612	3.79%	364	3.78%
RomagnaBanca Credito Cooperativo Romagna Est e Sala di Cesenatico S.C.	39,778,189	3.17%	285	1.76%	168	1.74%
Bene Banca Credito Cooperativo di Bene Vagienna (Cuneo) S.C.	38,408,949	3.06%	669	4.14%	25	0.26%
Cassa Rurale di Lavis – Mezzocorona – Valle di Cembra Banca di Credito Cooperativo S.C.	32,575,571	2.59%	278	1.72%	132	1.37%
Banca di Credito Cooperativo del Carso S.C. – Zadruga Zadruzna Kraska Banka	29,657,661	2.36%	226	1.40%	118	1.22%
Banca di Caraglio, del Cuneese e delle Riviera dei Fiori S.c.r.l. Credito Cooperativo	28,332,978	2.26%	556	3.44%	233	2.42%
Banca di Credito Cooperativo delle Prealpi – S.C.	27,615,422	2.20%	630	3.90%	334	3.47%
Banca di Viterbo Credito Cooperativo S.C.p.A.	27,465,058	2.19%	114	0.71%	76	0.79%
Banca di Credito Cooperativo di Barlassina S.C.	26,401,594	2.10%	192	1.19%	133	1.38%
Cassa Rurale Vallagarina Banca di Credito Cooperativo S.C.	25,288,750	2.01%	266	1.65%	146	1.52%
Banca di Bologna Credito Cooperativo S.C.	24,386,135	1.94%	413	2.56%	264	2.74%
Banca Centro Emilia Credito Cooperativo S.C.	22,620,809	1.80%	220	1.36%	86	0.89%
Banca di Credito Cooperativo di Spello e Bettona S.C.	22,184,418	1.77%	409	2.53%	252	2.62%
Banca di Credito Cooperativo Monte Pruno di Fisciano, Roscigno e Laurino S.C.	21,830,426	1.74%	275	1.70%	148	1.54%
Banca Malatestiana Credito Cooperativo S.C.	21,529,359	1.71%	257	1.59%	190	1.97%
Centroveneto Bassano Banca di Credito Cooperativo S.C.	20,541,896	1.64%	339	2.10%	226	2.35%
Banca di Credito Cooperativo di Cassano delle Murge e Tolve S.C.	18,190,365	1.45%	80	0.50%	47	0.49%
Banca di Credito Cooperativo di San Giovanni Rotondo – S.C.	17,535,945	1.40%	498	3.08%	408	4.23%
Banca dei Colli Euganei Credito Cooperativo S.C.	17,274,713	1.38%	82	0.51%	56	0.58%
Credito Cooperativo Reggiano Società Cooperativa	16,822,359	1.34%	202	1.25%	100	1.04%
Banca di Credito Cooperativo di Ronciglione e Barbarano Romano S.C.	16,715,964	1.33%	117	0.72%	64	0.66%
Banca Adria Credito Cooperativo S.C.	16,349,834	1.30%	100	0.62%	59	0.61%
BancaTer Credito Cooperativo FVG – S.C.	16,324,152	1.30%	287	1.78%	176	1.83%
Cassa Rurale di Lizzana – Banca di Credito Cooperativo S.C.	16,190,651	1.29%	223	1.38%	128	1.33%
Cassa Rurale Giudicarie Valsabbia Paganella Banca di Credito Cooperativo S.C.	16,115,053	1.28%	117	0.72%	67	0.70%
Cassa Rurale Val di Non Banca di Credito Cooperativo S.C.	15,461,512	1.23%	46	0.28%	19	0.20%
Banca Suasa Credito Cooperativo S.C.	15,080,255	1.20%	484	3.00%	228	2.37%
Banca del Nisseno Credito Cooperativo di Sommatino e Serradifalco S.C.	14,346,295	1.14%	420	2.60%	307	3.19%
Cassa Rurale Adamello-Brenta Banca di Credito Cooperativo – S.C.	13,428,091	1.07%	90	0.56%	51	0.53%
Banca di Credito Cooperativo di Civitanova Marche e Montecosaro – S.C.	12,734,397	1.01%	195	1.21%	105	1.09%
Banca di Credito Cooperativo di Anagni S.C.	12,301,815	0.98%	190	1.18%	151	1.57%
Banca Centro Lazio Credito Cooperativo S.C.	12,127,116	0.97%	185	1.15%	135	1.40%
Cassa Rurale Dolomiti di Fassa Primiero e Belluno Banca di Credito Cooperativo	12,008,216	0.96%	121	0.75%	19	0.20%
Banca di Credito Cooperativo di Conversano S.C.	11,624,199	0.93%	157	0.97%	99	1.03%
Credito Cooperativo Centro Calabria S.C.	11,507,123	0.92%	176	1.09%	126	1.31%
Mediocredito Trentino-Alto Adige S.p.A.	11,365,881	0.91%	28	0.17%	13	0.13%
Banca Popolare del Frusinate S.C.p.A.	10,685,418	0.85%	272	1.68%	194	2.01%
Banca Alto Vicentino Credito Cooperativo del Delta S.C.	10,669,002	0.85%	78	0.48%	51	0.53%
Banca di Credito Cooperativo di Sambuca di Sicilia S.C.	9,082,434	0.72%	351	2.17%	176	1.83%
Cassa Rurale Val di Sole Banca di Credito Cooperativo – S.C.	8,580,164	0.68%	90	0.56%	61	0.63%
Cassa Rurale ed Artigiana di Boves – Banca di Credito Cooperativo (Boves – Cuneo) S.C.	7,324,836	0.58%	96	0.59%	42	0.44%
Banca di Credito Cooperativo di Castagneto Carducci S.C.p.A.	6,512,377	0.52%	116	0.72%	74	0.77%
Banca di Credito Cooperativo Valdostana – Coopérative de Crédit Valdôtaine S.C.	5,550,396	0.44%	151	0.93%	79	0.82%
Cassa Centrale Banca – Credito Cooperativo del Nord Est S.p.A.	5,022,329	0.40%	5	0.03%	322	3.34%
Banca San Biagio del Veneto Orientale di Cesarolo, Fossalta di Portogruaro e Pertegada	3,996,232	0.32%	59	0.37%	44	0.46%
Banca di Credito Cooperativo del Circeo e Privernate S.C.	2,260,923	0.18%	33	0.20%	25	0.26%

Scope Ratings GmbH

Headquarters Berlin
Lennéstraße 5
D-10785 Berlin

Phone +49 30 27891 0

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

Phone +49 69 66 77 389 0

Paris
1 Cour du Havre
F-75008 Paris

Phone +33 1 8288 5557

London
Suite 301
2 Angel Square
London EC1V 1NY

Phone +44 20 3457 0444

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

Phone +34 914 186 973

Milan
Via Paleocapa 7
IT-20121 Milan

Phone +39 02 30315 814

Oslo
Haakon VII's gate 6
N-0161 Oslo

Phone +47 21 62 31 42

info@scoperatings.com
www.scoperatings.com

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