Relais SPV S.r.l.

Italian Non-Performing Lease ABS

Ratings

Tranche	Rating	Size (EUR m)	% of notes	% of GBV	Coupon	Final maturity
Class A	BBB_{SF}	466.0	82.2	29.4	6M Euribor + 1.5%	Jul 2040
Class B	NR	91.0	16.0	5.7	6M Euribor + 9.5%	Jul 2040
Class J	NR	10.0	1.8	0.6	Variable return	Jul 2040
Total		567.0				

Scope's quantitative analysis is based on the portfolio provided by the originators. 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.

Transaction details

Transaction type	Static cash securitisation
Asset class	Non-performing leases
Issue date	11 December 2020
Issuer	Relais SPV S.r.l. (SPV)
Leasing company	Relais LeaseCo S.r.l. (LeaseCo)
Originators and sellers	Unicredit Leasing S.p.A. (Unicredit Leasing)
Master servicer	Italfondiario S.p.A. (Italfondiario)
Special servicer	doValue S.p.A. (doValue)
Gross book value (GBV)	EUR 1,583m
Portfolio cut-off date	31 March 2020
Key portfolio characteristics	The pool is composed of 86.5% of secured leases (relevant assets yet to be sold) and 13.5% of unsecured receivables (relevant assets already sold). Borrowers are mainly corporates (99.2%). Secured leases are mainly backed by commercial and industrial real estate assets (56.4% and 36.4% of property values, respectively), while the remaining assets are residential properties, land and other types of assets (2.6%, 1.2%, and 3.4%, respectively). Properties are concentrated in northern Italy, with 49.2% of property values. Southern and central regions account for 27.4% and 23.4%, respectively.
Payment frequency	Semi-annual (January and July)
Key structural features	The notes have been structured in accordance with the GACS requirements. The structure comprises three classes of notes with fully sequential principal amortisation: senior class A, mezzanine class B, and junior class J. The class A notes will pay a floating rate indexed to six-month Euribor plus a margin of 1.50%. Class B will pay a floating rate indexed to six-month Euribor plus a margin of 9.5%. The class J principal and interest are subordinated to the principal repayment of the senior and mezzanine notes.
Hedging provider	Unicredit Bank AG
Other key counterparties	Unicredit S.p.A. (account bank and cash manager) BNP Paribas Securities Services, Milan Branch (agent bank and principal paying agent) Banca Finanziaria Internazionale S.p.A. (back-up servicer facilitator, corporate servicer, LeaseCo corporate servicer, calculation agent, noteholders' representative, monitoring agent, and LeaseCo corporate services provider)
Arranger	Unicredit Bank AG

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Related Research

Italian NPL ABS: October collections show weaker than expected recovery (December 2020)

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

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Italian NPL ABS collections monthly: seasonality effect causes plunge in volumes (October 2020)

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Rating rationale (summary)

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

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

Rating drivers and mitigants

Positive rating drivers

Full valuations performed at repossession date. Assets that have been repossessed for more than one year were appraised via annual desktop valuations and on-site bi-annual visits by third-party service providers. These valuation types are generally more accurate than CTU or statistical valuations.

Recent appraisals. 93.2% of valuations were conducted between 2019 and 2020, meaning asset values are likely to reflect the liquidity risks and price fluctuations currently present in the real estate market.

Negative rating drivers and mitigants

Material portion of non-repossessed and non-regularised assets as of cut-off date. By GBV, 76% of secured leases are backed by non-repossessed or non-regularised assets. Specifically, 45% of secured leases by GBV are in the initial phase after contract resolution, 15% are repossessed but not regularised, and 16% are repossessed and undergoing regularisation. Before being sold on the open market, assets need to be repossessed and regularised, processes which entail longer collection times than for collateral in more advanced phases.

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

Upside rating-change drivers

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

Downside rating-change drivers

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

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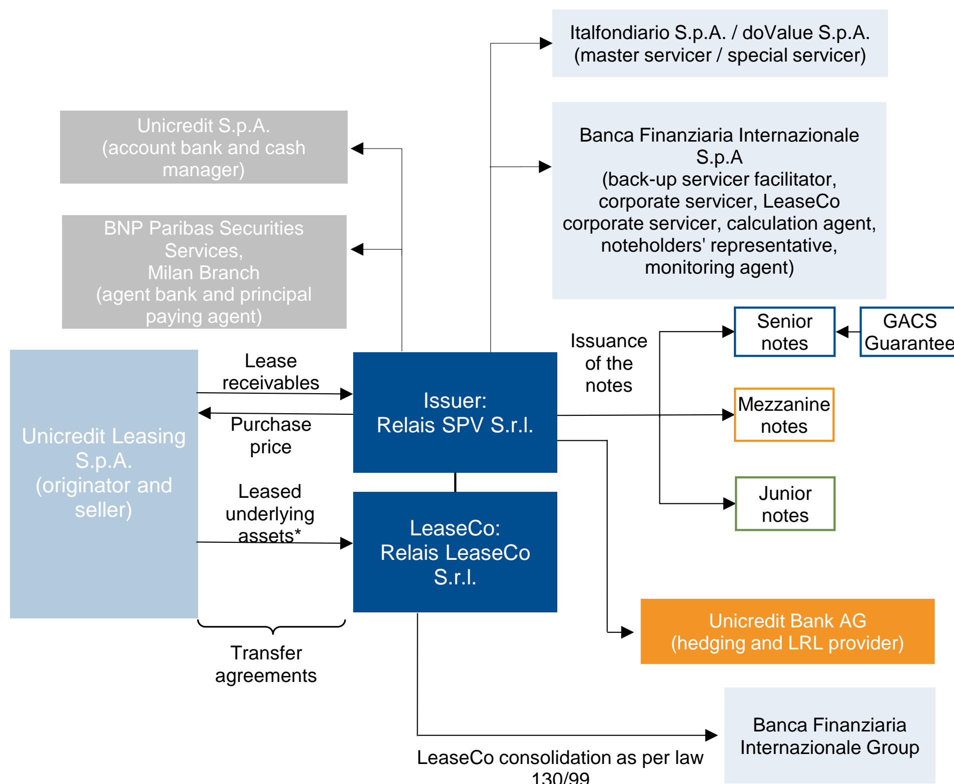
1. Transaction diagram

Figure 1: Transaction diagram



*Immediately transferrable assets were transferred to the LeaseCo via the ex tub 58 notary deed. Non-immediately transferrable assets were assigned to the LeaseCo via a partial demerger.

Sources: Transaction documents, Scope Ratings

The issuer acquired the portfolio at the transfer date of 1 December 2020. The disposable assets were transferred to Relais LeaseCo S.r.l. on the same date. The non-immediately transferrable assets (i.e. non-repossessed assets, repossessed assets not yet regularised, or assets subject to specific laws or contractual provisions) were assigned to Relais LeaseCo S.r.l. through a partial de-merger of Unicredit Leasing S.p.A. on 1 December 2020.

2. Macroeconomic environment

Low economic growth poses significant challenges to NPL recovery expectations

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

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

The ECB's monetary policy response and the EU Recovery Fund of EUR 750bn over 2021-26 have anchored Italy's access to capital markets at record-low rates and enabled a significant fiscal response by the Italian government to the current crisis. In 2020, Italian

authorities executed meaningful budget stimulus of around 6% of GDP. The government's latest budgetary plans contained in the Documento di Economia e Finanza envisage discretionary measures in 2021 amounting to a fiscal expansion of 1.4% of GDP, including monies for southern Italian regions and support for businesses.

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

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

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

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

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

3. Special servicer review

3.1. Introduction

We conducted an operational review on the special servicer, doValue, and on its partner, Yard REEAS Group (Yard). In the context of this transaction, doValue is responsible for the legal management, portfolio's monitoring and control activities, as special servicer for the transaction. doValue will delegate to Yard certain taks, such as leased assets' valuations, as well as property management and marketing activities. We view doValue's servicing capabilities, along with the processes to manage the securitised portfolio, as adequate. We view Yard's valuation and management capabilities as adequate.

Portfolio recovery assumptions factor in our assessment of doValue and Yard capabilities

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

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

3.2. Corporate overview

The special servicer, doValue, is a leading European player in the credit servicing sector, with around EUR 159bn (GBV) of assets under management as of September 2020. The company is the largest special servicer in Italy, with around EUR 76bn of assets by GBV.

Special servicer do Value is the largest in Italy by GBV under management

The company has grown significantly in recent years through mergers and acquisitions: with Italfondiario in 2016, with Altamira (Spanish servicer) in 2019 and with Eurobank FPS (Greek servicer) in June 2020. Listed on the Milan stock exchange, doValue is 27%

controlled by funds managed by affiliates of Fortress/SoftBank, and 10% by Bain Capital, and around 50% of its shares are free float.

The company is mostly focused on the Italian, Greek, Spanish and Portuguese markets, with Italy representing its core servicing business. Its expertise ranges from servicing performing and early-arrears loans to non-performing loans and real estate assets. The company has been active since 2002 in the leasing market for captive and non-captive clients and the servicing of non-performing loans and real estate assets (81% and 12% of total assets under management, respectively) for banks and third-party investors. The managed book is mostly composed of secured assets (73% of total GBV). Additionally, doValue is servicing around EUR 23bn of non-performing loans securitised under the GACS scheme.

3.3. Servicing model for leasing exposures

As mentioned above, doValue services the securitised collateral in partnership with Yard.

The recovery process envisages assigning lease exposures to asset managers, from a dedicated team of doValue, according to GBV and repossession status (i.e. not repossessed, repossessed, unsecured or a residual claim). Each asset manager is responsible for the entire procedure, from contract resolution to oversight of the sale phase (including residual claim proceedings).

The entire flow of the recovery activity, from property to sale management, is tracked through an internal centralised IT platform.

4. Portfolio characteristics

4.1. Representations and warranties

The securitised pool comprises Italian non-performing leasing contracts originated by Unicredit Leasing. The representations and warranties on the receivables provided by the originator are weaker than those of peer transactions we rate, as they do not explicitly cover the fields in the data tape. Representations and warranties include the following:

- All receivables are denominated in euros and governed by Italian law.
- All receivables are valid for transfer without any limitations.
- Borrowers have been reported by the originator as defaulted by the Credit Bureau of the Bank of Italy as of the transfer date.
- The activities related to the management and recovery of leasing receivables have been carried out by either Unicredit Leasing or doValue, in accordance with the recovery rules of Unicredit Leasing or doValue.
- As of the date on which financings were granted, corporate borrowers were entities incorporated under Italian law with a registered office in Italy.
- As of the date on which financings were granted, borrowers were individuals residing in Italy.

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

- The assets can be deeded and transferred to the LeaseCo.
- The assets have urbanistic and energy performance certificates; cadastral data comply with the ‘status quo’ of the assets.

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

4.2. Portfolio characteristics

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

Figure 2: Portfolio summary

	All	Secured leases	Unsecured receivables
Number of leases	3,006	1,874	1,132
Number of borrowers	2,335		
Gross book value (EUR m)	1,583	1,369	214
Percentage of total GBV		86.5%	13.5%
Collections since cut-off date (% of GBV)	0.2		
Preliminary sales proceeds (% of GBV)*	1.6		
Sold assets proceeds (% of GBV)	1.5		
Weighted average seasoning (years)	5.8	5.6	7.0
Collateral value (before haircuts, EUR m)	1,070	1,070	
Repossessed and regularised assets (% of GBV)		23.7	
Non-repossessed or non-regularised assets (% of GBV)		76.3	
o/w non-repossessed		45.4	
o/w repossessed		30.9	

*Preliminary sales proceeds refer to sales not yet closed but for which a cautionary deposit has been made by the bidder. The bidder may still withdraw the offer, but deposits are non-refundable. Preliminary sales proceeds are reported as of 30 September 2020.

Sources: transaction data tape, Scope Ratings

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

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

We adjusted the pool's GBV using information on collections and sold properties since the cut-off date. Collections received since the cut-off date will be part of the issuer's available proceeds at the first payment date. We assumed preliminary sales proceeds would be received within five years from the closing date.

Stratification data provided below may be based, if applicable, on conservative mapping assumptions applied to address missing data.

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

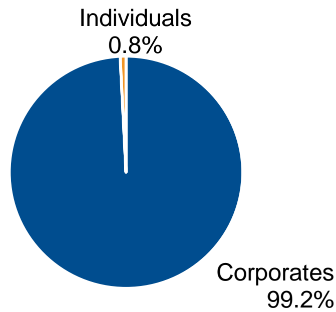


Figure 4: Distribution by lease type (% of GBV)

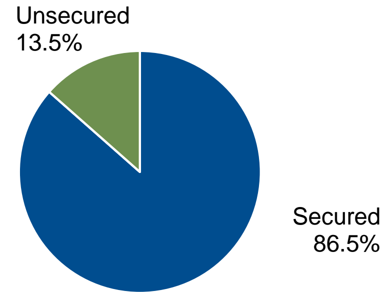


Figure 5: Distribution by lease type (% of GBV)

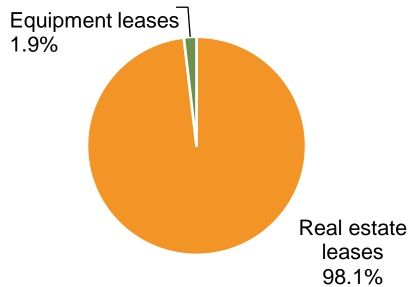


Figure 6: Distribution by asset type equipment leases (% of GBV)

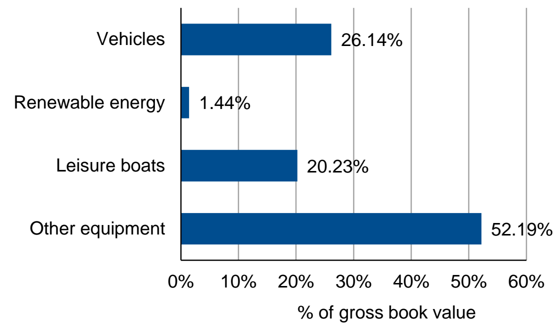


Figure 7:Recovery procedure by borrower type (% of GBV)

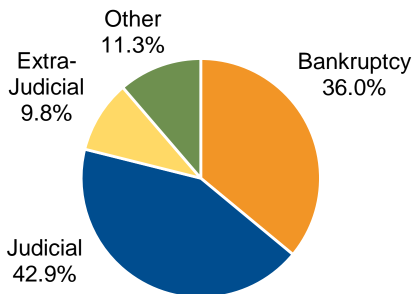


Figure 8: Distribution by repossession stage as of cut-off date (secured leases) (% of GBV)

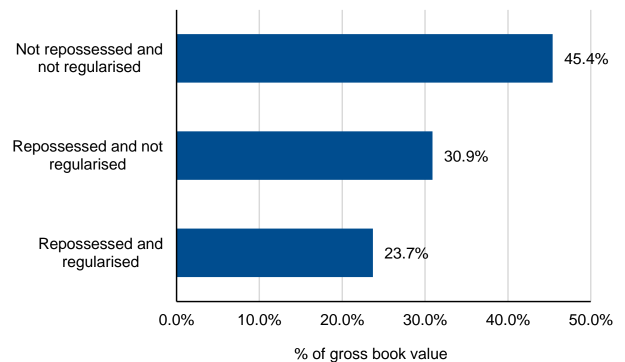


Figure 9: Distribution by collateral type (% of appraisal value)

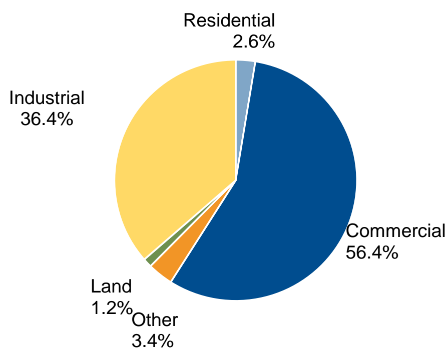


Figure10: Distribution by valuation type (% of latest appraisal value)

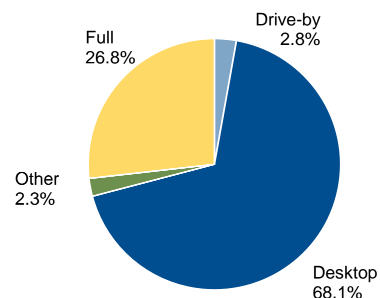


Figure 11: Distribution by collateral location (% of appraisal value)

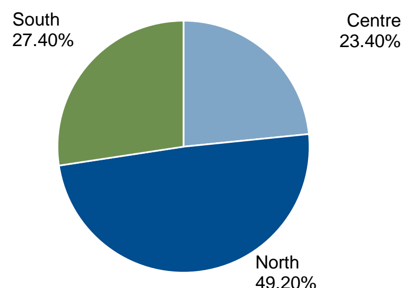


Figure 12: Distribution by valuation date (% of appraisal value)

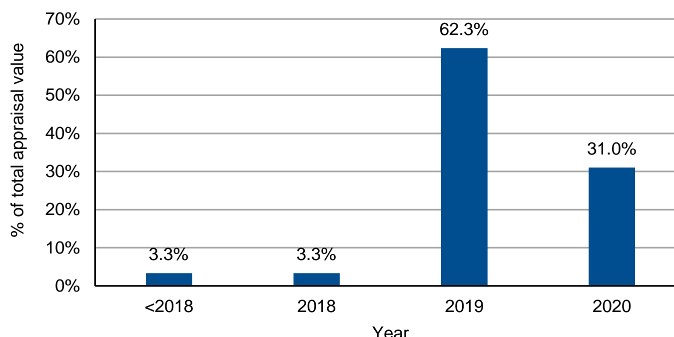
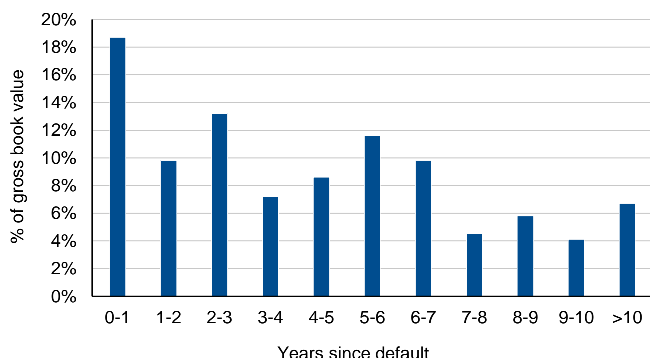


Figure 13: Distribution by unsecured receivables seasoning (% of GBV)



Sources: Transaction data tape, Scope Ratings

5. Portfolio analysis

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

Figure 14: Summary of assumptions

	Class A analysis
Secured recovery rate (% of secured GBV)	48.6
Unsecured* recovery rate (% of unsecured GBV)	17.9
Total recovery rate (% of total GBV)	**44.4**
Secured collections weighted average life (years)	5.0
Unsecured* collections weighted average life (years)	12.6
Total collections weighted average life (WAL)	**5.4**

*Unsecured recovery rate is inclusive of collections from residual unsecured claims after the asset's sale.

Sources: transaction data tape, Scope Ratings

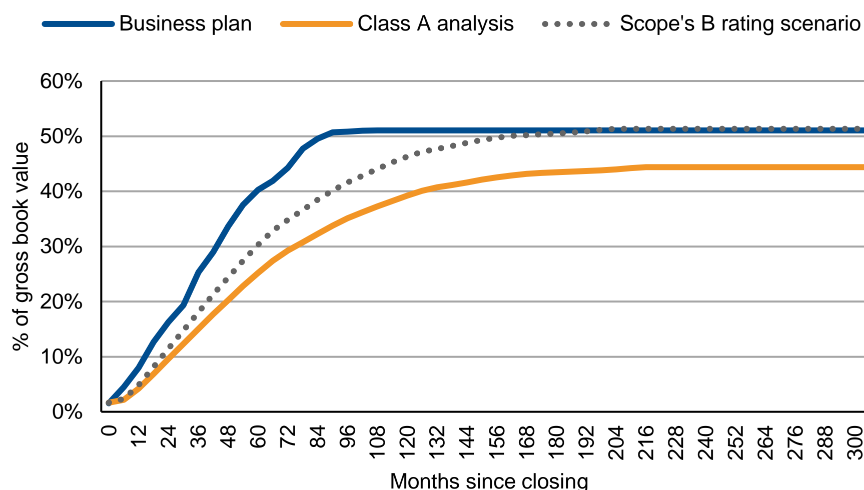
Class A recovery assumption is about 13% below business plan targets

Figure 15 compares our lifetime gross collections and recovery timing assumptions for the entire portfolio with the servicer business plan. These assumptions are derived by blending secured and unsecured recovery expectations. Our recovery assumption for class A is about 13% below business plan targets. For the analysis of class A notes, we

assume a longer recovery timing than the one forecasted in the business plan (we assume a WAL of 5.4 years versus the business plan WAL of about 3.5 years).

Prior to transaction's closing date, doValue was already managing about 27% of portfolio's GBV. The servicer's business plan has been prepared on an analytical basis or based on the asset managers' assessment (by either performing a due diligence on individual leases or by assessing the output of the statistical business plan model for leases already serviced by doValue) for 32% of pool's GBV, while a statistical business plan was performed for the remainder pool.

Figure 15: Business plan's gross cumulative recoveries[1] vs Scope's assumptions



Sources: Servicer business plan, Scope Ratings

5.1. Analysis of secured portfolio segment

Valuation haircuts address forward-looking market value and liquidity risks

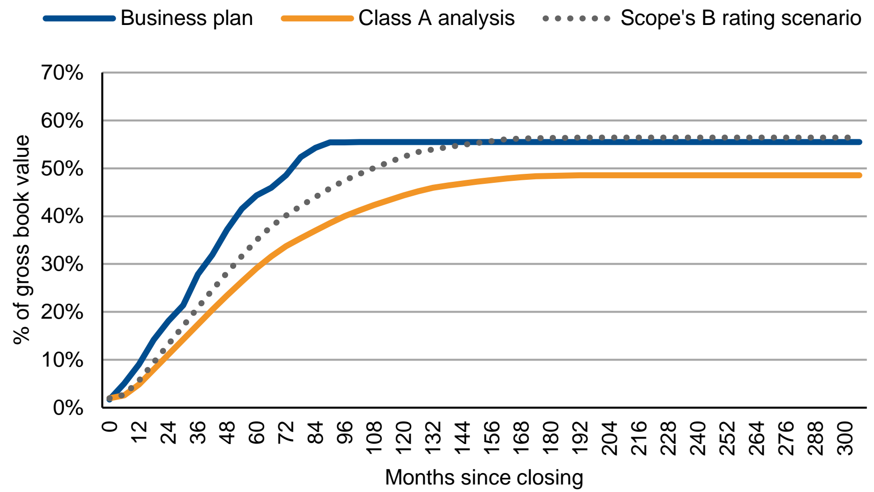
Figure 16 shows our lifetime gross collections vectors for the secured segment compared to those from the servicer's business plan. Our analytical approach consists of estimating the security's current value based on property appraisals and then applying security-value haircuts to capture forward-looking market value and liquidity risks. In the context of this transaction we received the special servicer's repossession data, which we incorporated in the calibration of our fire-sale discount assumptions. Our analysis also considers concentration risk.

Timing assumptions consist of time to repossess, time to regularise and time to sell

Recovery timing assumptions are mainly determined by the type and efficiency of the repossession strategy, by the court issuing the repossession proceeding, by properties' status (i.e. repossessed, regularised), and by the type of property. Recovery timing assumptions also depend on expected real estate market liquidity conditions and on our assessment of the special servicer's capabilities in selling the assets after repossession. Our timing assumptions are based on the following data sources: i) historical data provided by the servicer in the context of this transaction, regarding its time to sell and time to repossess; ii) public market data; iii) Scope's proprietary data. Our analysis also considers the servicer's business plan and strategies, as highlighted during the operational review.

[1] Recovery assumptions by Scope and per the business plan are net of any repayment obligation due to the original borrowers (i.e. lease recoveries exceeding the original GBV and the associated expenses are for the benefit of the lessee as prescribed by the relevant laws). Figures include preliminary, sold assets and ad-interim collections proceeds.

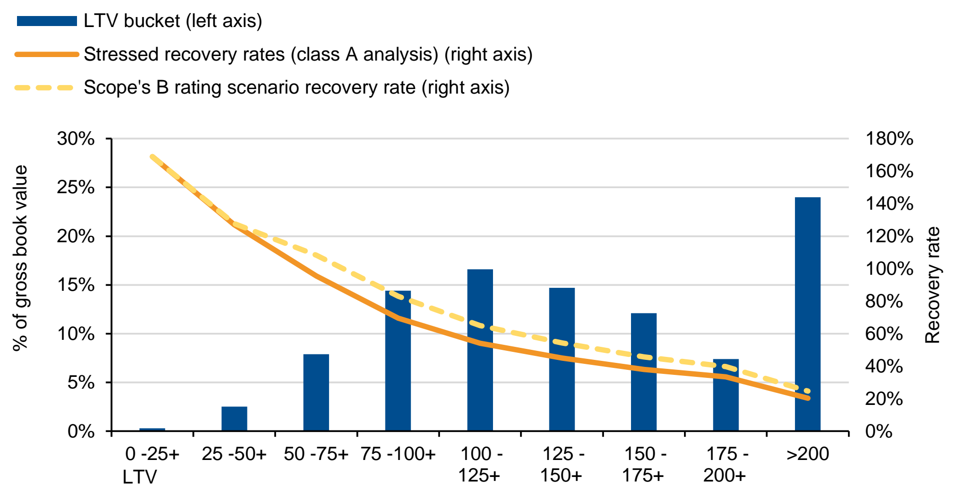
Figure 16: Business plan's gross cumulative recoveries[2] for secured leases vs Scope's assumptions



Sources: Servicer business plan, Scope Ratings

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

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



Sources: Transaction data tape, Scope Ratings

5.1.1. Appraisal analysis

Appraisal type haircuts range between 0% and 15%

We applied rating-conditional haircuts ranging from 0% to 15%, reflecting our view of the quality and accuracy of each valuation type (full or drive-by valuations are generally more accurate than desktop valuations). Our valuation haircut assumptions consider the originator's internal policies on asset appraisals. At the repossession date, full valuations were performed; assets that have been repossessed for more than one year are

[2] Recovery assumptions by Scope and per the business plan are net of any repayment obligation due to the original borrowers (i.e. lease recoveries exceeding the original GBV and the associated expenses are for the benefit of the lessee as prescribed by the relevant laws). Figures are inclusive of preliminary, sold assets and ad-interim collections proceeds.

appraised through annual desktop valuations and on-site bi-annual visits conducted by third-party service providers.

Figure 18: Scope's transaction-specific valuation haircuts

Valuation type	Percentage of collateral value	Class A analysis haircut
Full	26.8%	0%
Drive-by	2.8%	0%
Desktop	68.1%	2.5%
Other/Statistical	2.3%	15.0%

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

5.1.2. Property market value assumptions

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

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

	North						Centre			South			Islands	
Region	Milan	Turin	Genoa	Bologna	Venice	Others	Rome	Florence	Others	Naples	Bari	Others	Metropol-itan cities	Rest of provinces
Class A analysis	-13.0	-11.0	-11.0	-11.0	-13.0	-13.0	-17.0	-15.0	-15.0	-13.0	-13.0	-15.0	-13.0	-15.0
Portfolio distribution (%)	6.6	3.0	1.0	1.4	1.7	35.6	8.8	0.4	14.2	5.5	0.9	15.2	2.2	3.7

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

5.1.3. Collateral liquidity risk

Property type haircuts range between 18% and 32%

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

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

Collateral type	Percentage of collateral value	Class A analysis haircut
Residential	2.6%	18%
Non-residential	97.4%	24%-32%

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

5.1.4. Concentration risk

We addressed borrower concentration risk by applying a 10% rating-conditional recovery haircut to the 10 largest borrowers for the class A notes analysis. The largest 10 and 100 borrowers account for 9.3% and 36.9% of portfolio GBV, respectively.

5.1.5. Repossession and sale timing assumptions

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

The repossession phase takes place with the resolution of lease contracts. If the lessee does not return the asset to the lessor by the deadline stipulated in the resolution contract, the lessor can initiate asset repossession via judicial or bankruptcy proceedings against the lessee, or through extra-judicial routes. Once the asset is repossessed and placed under third-party custody, the regularisation phase begins, during which cadastral, urbanisation and environmental activities are performed as required by the asset's deed. The regularisation phase typically involves a technical asset due-diligence, with an on-site inspection and the gathering of all necessary documentation requested by the notary. The asset can be sold only after the repossession and regularisation phases, but the servicer usually starts marketing the asset during the regularisation phase to accelerate the disposal process.

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

We applied line-by-line regularisation timing assumptions, based on the asset type and the servicer's historical experience.

Our disposal timing assumptions were based on the analysis of the servicer's historical data, on Scope's proprietary data, and on public market data. These assumptions also depended on the size of the asset.

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

Figure 21: Length of recovery process

Type of proceeding	Length* (years)
Bankruptcy	4.3-7.1
Non-bankruptcy	4.2-6.5

*Timing assumptions are shown for Scope's base case (B rating) and are derived from line-by-line timing assumptions, based on the proceeding type, court and asset type.

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

Figure 22: Total recovery time by phase

Phase	Percentage of total recovery timing*	Bankruptcy	Non-bankruptcy
Repossession	39%-61%	43%-61%	39%-57%
Regularisation	4%-8%	4%-7%	4%-8%
Disposal	34%-55%	34%-51%	38%-55%

*Timing assumptions are shown for Scope's base case (B rating) and are derived from line-by-line timing assumptions, based on the types of proceeding, asset, and court.

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

5.2. Analysis of unsecured portfolio segment and residual claims

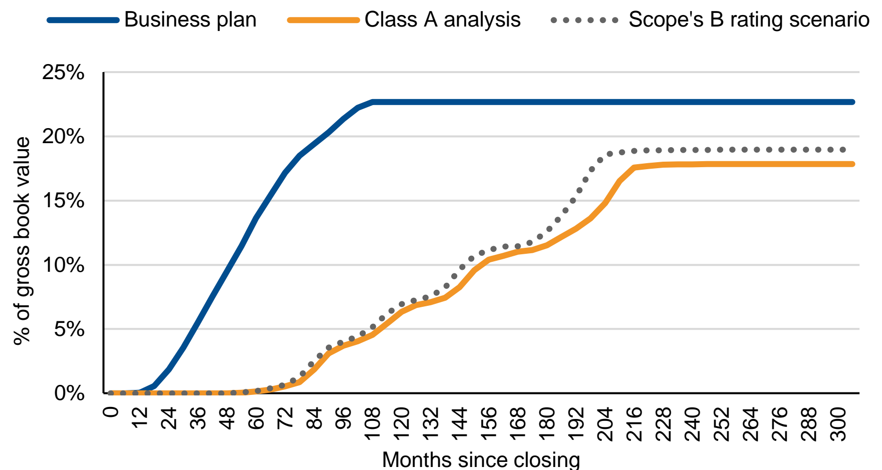
Recovery rates for unsecured leases and residual claims consider line-by-line third-party guarantor data

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

Our unsecured recovery assumptions include collections from both unsecured receivables and residual claims. Unsecured recovery assumptions are based on market-wide proprietary data and on the potential coverage from third-party guarantees, which result from our analysis on the pool's line-by-line guarantor data. Our analysis was also based on the servicer's historical recovery data provided by third-party guarantors from the portfolios they manage. Additionally, we incorporated our assessment on the quality of the servicer's recovery procedures.

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

Figure 23: Servicer's unsecured [3] recoveries vs Scope's assumptions



Sources: Servicer's business plan, Scope Ratings

5.2.1. Residual claims after security sale

A secured creditor may initiate enforcement actions against a debtor despite the sale of the leased 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).

Partial credit to residual claims after security sale for leases

Based on the pool's line-by-line data on third-party guarantors and on the servicer's historical data, we gave credit to residual claims at up to 6% of the leases. Recovery strategies typically do not focus on collecting residual claims as the associated costs may exceed potential proceeds. On the other hand, residual claims can be enforced in a profitable way for some borrowers: the elapsed time after a default may have a positive impact as third-party guarantors may at that stage own assets that can be enforced. The

[3] Recovery assumptions by Scope and per the business plan are net of any repayment obligation due to the original borrowers (i.e. lease recoveries exceeding the original GBV and the associated expenses are for the benefit of the lessee as prescribed by the relevant laws). Figures include ad-interim collections proceeds.

servicer may also opt to maximise recoveries when it is cost-efficient to do so, even after the security has been enforced.

6. Key structural features

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

Class A will pay a floating rate indexed to six-month Euribor plus a margin of 1.5%. Class B will pay a floating rate indexed to six-month Euribor plus a margin of 9.5%. Class B interest (and a portion of the special servicer fees) is subordinated to class A principal payments if certain under-performance events are triggered.

Scope's rating does not address the GACS guarantee

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

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

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

6.1. Combined priority of payments

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

Figure 24: Simplified priority of payments and available funds

Pre-enforcement priority of payments
1) LeaseCo fees, master and special servicer senior fees, and other senior expenses
2) Expenses account replenishment
3) Senior fees
4) Limited-recourse loan interest
5) GACS guarantee premium
6) Replenishment of SPV recovery expenses reserve and LeaseCo recovery expenses reserve
7) Class A interest
8) Other GACS costs, if due
9) Cash reserve replenishment
10) Limited-recourse loan principal
11) Class B interest (provided that no interest subordination event has occurred)
12) Class A principal
13) Class B interest (upon occurrence of the interest subordination event)
14) Class B principal and mezzanine servicer fees (provided that a servicer underperformance event has occurred)
15) Class J interest
16) Class J principal and junior servicer fees (provided that a servicer underperformance event has occurred)
17) Any residual amount as class J variable return

Source: Transaction documents and Scope

6.2. Interest subordination event

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

The occurrence of an interest subordination event results in class B interest being paid under item 13 of the waterfall above. An interest subordination event occurs if i) the

cumulative net collection ratio[4] (CCR) falls below 90% of the servicer's business plan targets; ii) the NPV cumulative profitability ratio[5] (NPVPR) falls below 90%; or iii) any due amount of class A interest is unpaid.

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

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

6.3. Servicing fee structure and alignment of interests

6.3.1. Servicing fees

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

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

The annual base fee ranges from 0.06% to 0.02% of the outstanding GBV, which decreases during the transaction's life. Performance fees are 0.75%-2.25% on secured leases, 3.5%-6.5% on unsecured receivables and residual claims, and 1.5%-4.5% on secured leases applying DPO strategies. Master fees amount to 1.2 bps of outstanding GBV and are subject to the transaction's caps and floors. LeaseCo master servicing fees amount to 0.6 bps of the pool's outstanding collateral value and are also subject to the transaction's caps and floors.

The exact level of fees depends on GBV and the recovery strategy (judicial versus extra-judicial). Extra-judicial strategies and lower tickets generally bear higher performance fees relative to collection amounts. Considering the portfolio composition, we assumed average performance fees of 1.05% for secured and 5.01% for unsecured.

The occurrence of a servicer underperformance event results in 20-35% of the servicer performance fees being subordinated to class A principal payments. This portion is then paid under items 14 and 16 of the above simplified priority of payments, as mezzanine or junior servicing fees, respectively. A servicer underperformance event occurs either if the CCR or the NPVPR falls below 90%.

An underperformance event is curable if on any subsequent payment date, the CCR returns above 100% (NPVR above 90%). In case the event is cured all mezzanine and junior servicer fees accrued and unpaid in previous periods will be paid under item 1 of the waterfall above.

6.3.2. Servicer monitoring

Monitoring function protects noteholders' interests

An overview of the servicer's activities and calculations, conducted by the monitoring agent (Banca Finanziaria Internazionale S.p.A.), mitigates operational risks and moral hazard that could negatively impact noteholders.

[4] CCR is defined as the ratio between: i) the cumulative net collections; and ii) the net expected cumulative collections. Net collections are calculated as the difference between gross collections and LeaseCo operating expenses and SPV legal costs, excluding servicing fees. LeaseCo operating expenses refer to management and marketing costs, property taxes, eviction and insurance costs, maintenance and development capex, brokerage fees and other typed of costs.

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

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

The monitoring agent will report to a committee that represents the interests of both junior and mezzanine noteholders. The committee can authorise the revocation and replacement of the servicer upon a servicer termination event. The monitoring agent can also authorise the sale of the receivables (acting upon instructions of the committee), the closure of debt positions, and the payment of additional costs and expenses related to recovery activities.

6.3.3. Servicer termination events

Back-up facilitator arrangements mitigate servicing disruption risk

In the event of a servicer termination event, the monitoring agent and the back-up facilitator will assist the issuer in finding a suitable replacement for the servicer. A termination event for the master servicer triggers a special servicer termination and vice versa.

A servicer termination event includes i) insolvency; ii) non payment of amounts due to the issuer, iii) an unremedied breach of obligations; iv) an unremedied breach of representation and warranties; v) loss of legal eligibility to perform obligations under the servicing agreement; vi) six consecutive periods of underperformance (i.e. CCR below 80%); and vii) following the enforcement of the GACS guarantee, if the CCR has been lower than 100% for two consecutive collection dates.

6.4. Liquidity protection

Cash reserve provides liquidity protection to class A notes

A cash reserve will be funded at closing through a limited-recourse loan provided by Unicredit Bank AG. The cash reserve target amount at each payment date will be equal to 7.5% of the total outstanding balance of class A notes, with a floor of EUR 5m.

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

6.5. Interest rate hedge

Due to the non-performing nature of the securitised portfolio, the issuer will not receive regular cash flows and the collections will not be linked to any defined interest rate. On the liability side, the issuer will pay a floating-rate coupon on the notes, defined as six-month Euribor plus a margin of 1.5% for the class A and 9.5% for the class B.

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

An interest rate cap partially mitigates the risk of increased liabilities on the class A notes due to a rise in Euribor (Figure 25). The issuer will receive the difference between six-month Euribor and the cap strike, on a predefined notional. The cap strike starts from 0.5% and will progressively reach 1.70% by 2038.

The notional schedule of the cap agreement is aligned with our expected class A amortisation profile (see Figure 26). We expect the class A to amortise slower than the cap notional.

Figure 25: Interest rate cap on class A notes

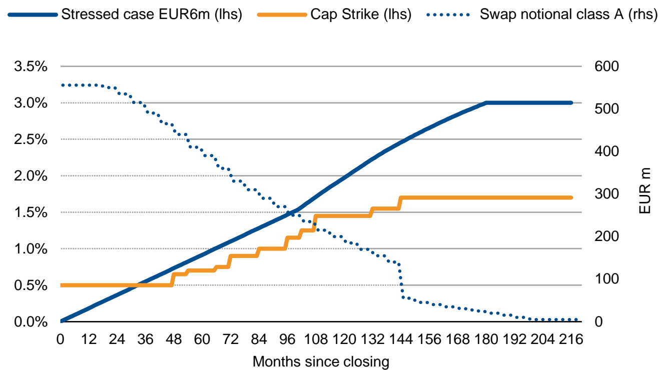
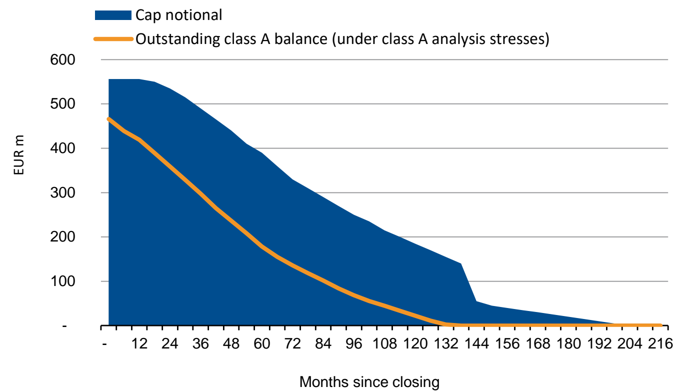


Figure 26: Cap notional vs outstanding class A notes



Sources: Transaction documents, Bloomberg and Scope Ratings

6.6. Recovery expense reserves

The SPV recovery expenses reserve will be funded with EUR 10m at closing through a limited-recourse loan provided by Unicredit Bank AG. The reserve target will amortise based on the outstanding class A notional by up to EUR 3m when the class A outstanding amount is lower than 30% of its original value at closing. This reserve is available to cover the leased assets' costs, legal recovery expenses, and property taxes other than servicing fees. In case the reserve falls below EUR 200.000, funds can be withdrawn (to bring the reserve up to its target) respectively from the collection account or investment account, upon notification of the master or special servicer to the cash manager and account bank.

The LeaseCo recovery expenses reserve will be funded with EUR 5m at closing from the SPV recovery expenses reserve. The LeaseCo reserve has a EUR 5m target amount at each payment date. This reserve is available to cover the assets' related costs – other than servicing fees, legal expenses and property taxes. In case the reserve falls below EUR 1mn, funds can be withdrawn (to bring the reserve up to its target) respectively from the LeaseCo collection account, the SPV recovery expenses reserve, the cash reserve and, ultimately, from the collection account, upon the master or special servicer's notification to the cash manager and account bank.

7. Cash flow analysis and rating stability

Our cash flow analysis considers the structural features of the transaction

We analysed the transaction's specific cash flow characteristics. Asset assumptions were captured through rating-conditional gross recovery vectors. The analysis considers the capital structure, the coupon payable on the notes and the hedging structure, as well as the servicing fees structure, the transaction senior fees, LeaseCo and SPV operating and legal costs, assumed at 11% of gross collections.

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

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

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

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

- a decrease in the portfolio's recovery rate by 10%, minus two notches.
- an increase in the recovery lag by one year, zero notches.

8. Sovereign risk

No mechanistic cap linked to sovereign risk

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 view as highly unlikely) are not material for the notes' ratings.

9. Counterparty risk

Counterparty risk does not limit the transaction's ratings

In our view, none of the counterparty exposures constrain the ratings achievable by this transaction. We considered counterparty substitution provisions in the transaction and, when available, Scope's ratings or other public ratings on the counterparties. We also considered eligible investment criteria in the transaction documents for cash amounts held by the issuer.

The transaction is mainly exposed to counterparty risk from the following counterparties: i) Unicredit Leasing as originator, regarding representations and warranties; ii) Unicredit Bank AG as limited-recourse loan and hedging provider; iii) Italfondiario and doValue as, respectively, master and special servicer; iv) BNP Paribas Securities Services, Milan Branch as agent bank and principal paying agent; v) Unicredit S.p.A., as account bank; vi) Banca Finanziaria Internazionale S.p.A. as back-up servicer facilitator, corporate servicer, LeaseCo corporate servicer, calculation agent, noteholders' representative, and monitoring agent.

9.1. Servicer disruption risk

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

9.2. Commingling risk

Limited commingling risk

Commingling risk is limited, as debtors will be instructed to pay directly into an account held in the name of the issuer. In limited cases in which the servicer receives payments from a debtor, the servicer will transfer the amounts within two business days from payment reconciliation. In case the originators receive payments from debtors, they will transfer these amounts into the collection account within 10 business days.

9.3. Claw-back risk

Limited claw-back risk

The sellers have provided on the issue date: i) a solvency certificate signed by a representative duly authorised; and ii) a certificate from the chamber of commerce confirming that the relevant seller is not subject to any insolvency or similar proceedings. This 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.

9.4. Enforcement of representations and warranties

Representations and warranties limited by time and amount

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

However, the above-mentioned representations and warranties are only enforceable by the issuer within the following periods:

- Within 18 months from the issue date for immediately transferrable assets;
- Within 48 months from the issue date for non-immediately transferrable assets; and
- By the transfer date of the assets to third parties.

The total indemnity amount is capped at 15% of the portfolio purchase price, a threshold that is lower than on peer transactions. Furthermore, indemnity amounts will only be payable above EUR 2.5m on an aggregate basis, and above EUR 25,000 on a single-loss basis once the minimum aggregate threshold is reached.

10. Legal structure

10.1. Legal framework

Transaction documents governed by Italian and English Law

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

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

10.2. Use of legal opinions

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

11. Monitoring

Ongoing rating monitoring

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

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

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

12. Applied methodology

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

I. Appendix I – deal comparison

Transaction	Relais	Yoda SPV	BCC NPLS 2020	Spring SPV	Diana SPV	POP NPLS 2019	Futura	Iseo SPV	BCC NPLS 2019	Marathon	Prisma	Juno 2	Leviticus SPV	BCC NPLs 2018-II	POP NPLS 18	BCC NPLS 2018	Aragorn NPL 2018	Elrond NPL 2017
Closing	Dec-20	Dec-20	Nov-20	Jun-20	Jun-20	Dec-19	Dec-19	Dec-19	Dec-19	Dec-19	Oct-19	Feb-19	Feb-19	Dec-18	Nov-18	Jul-18	Jun-18	Jul-17
Originators	UCG Leasing	Intesa Sanpaolo	90 Banks	BPER Banca	BPS	12 Banks	53 Banks	UBI Banca	68 Banks	17 Fin. Inst.	Unicredit	BNL	BPM	73 Banks	17 Banks	ICCREA	Creval	Creval
Master servicer	Italfondiario	Intrum	Italfondiario	Prelios	Prelios	Prelios	Guber Banca	Italfondiario	Italfondiario	Securitisation Services	Italfondiario	Prelios	Prelios	Italfondiario	Cerved	Prelios	Credito Fondiario	Cerved
Special servicer	doValue	Intrum	doValue	Prelios	Prelios	Prelios, Fire	Guber Banca	doValue	doValue	Hoist Italia	doValue	Prelios	Prelios	Italfondiario	Cerved	Prelios	Cerved, Credito Fondiario	Cerved
General portfolio attributes																		
Gross book value (EUR m)	1,583	6,033	2,347	1,377	1,000	827	1,256	857	1,324	5,027	6,057	968	7,385	1,954	1,510	1,009	1,676	1,422
Number of borrowers	2,335	22,282	9,580	2,544	2,981	6,633	9,639	6,401	8,596	324,282	52,419	1,120	19,747	10,089	6,578	2,518	4,171	3,712
Number of loans	3,006	74,312	17,246	11,669	4,813	16,718	16,152	8,373	15,944	412,795	137,813	3,609	49,404	22,041	17,093	5,359	8,289	6,951
WA seasoning (years)	5.8	5.5	3.8	4.6	4.0	6.1	5.5	3.5	3.4	7.5	5.3*	3.5*	3.8*	1.8*	2.9*	2.6*	2.5	3.7
WA seasoning (years) - unsecured portfolio	7.0	5.9	4.5	4.9	4.4	7.7	6.2	4.6	4.2	7.5	6.8*	3.9*	4.4*	2.5*	3.5*	2.9*	3.2	N/A
WA LTV buckets (% or secured portfolio)																		
bucket [0-25]	0.3	3.9	3.3	5.2	2	4.3	2.3	1.4	3.4	N/A	3	1.8	3.5	4	5.5	4.3	2.0	3.6
bucket [25-50]	2.5	8.9	7.7	13.4	7.4	10.3	5.5	5.4	9.9	N/A	8	8	9.2	9.4	11.4	6.8	4.2	11.1
bucket [50-75]	7.9	15.6	13.1	18.2	11.4	12.4	8	10.4	11.9	N/A	13.2	15.4	12.6	13.2	17.5	12.5	8.2	13.7
bucket [75-100]	14.4	13.8	13.5	15	19	17.4	7.2	15.8	14.6	N/A	15	15.6	14.8	14.8	14.9	15.1	13.9	19.6
bucket [100-125]	16.6	13.9	11.7	12.8	10.2	11.7	10.1	17.7	13.6	N/A	12.7	11.2	9.5	10.3	13.8	11.8	22.3	24.6
bucket [125-150]	14.7	6.9	9.5	6.2	7.5	8.6	9.5	15.7	8.5	N/A	10.6	10.9	6.9	9.1	10.1	7.7	17.9	8.6
bucket [150-175]	12.1	6.5	4.9	3.9	8.6	6.2	6.4	10.3	8.8	N/A	8.5	3.7	6.9	7.2	5.6	6.4	11.9	4.8
bucket [175-200]	7.4	3.3	5.4	3.9	3.7	3.7	3.8	7.2	6.7	N/A	6.3	7.8	4.7	4.5	7.4	6.1	3.7	1.6
bucket > 200	24	27.1	31	21.1	30.2	25.5	47.2	16.1	22.6	N/A	22.8	25.5	31.9	27.6	13.8	29.3	16.0	12.5
Cash in court (% of total GBV)	1.5	0.9	0.4	3.0	3.3		1.1	1.6	1.1	N/A	1.8	5.9	2.0	0.8	1.3	24	0.5	2
Loan types (% of total GBV)																		
Secured first-lien	86.5	41.2	59.8	52.5	64.7	46.9	45.7	92.2	65.9	0	64	57.7	50.5	58.4	53.9	70	67.3	66.4
Secured junior-lien	0.0	3.7	7.5	42.4	3.4	5.3	6.1	3.3	7.9	0	0.4	3	5.6	10.0	8.8	0.9	8.1	7.6
Unsecured	13.5	55.1	32.7	5.1	31.9	47.7	48.2	4.5	26.2	100	35.7	39.3	43.9	31.6	37.3	29.1	24.6	26.0
Syndicated loans	7.1	1.3	6.4	14.0	0.0	1.4	2.4	0	5.2	0	0	7.5		3.6	3	6.1	1.8	
Debtors (% of total GBV)																		
Individuals	0.8	10.6	16.6	11.1	21.5	27.8	22	100	20.7	57.4	100	7.7	14.7	20.9	22.9	14.3	9.9	12.7
Corporates or SMEs	99.2	89.4	83.4	88.9	78.5	72.2	78	0	79.3	42.6	0	92.3	85.3	79.1	77.1	85.7	90.1	87.3
Procedure type (% of total GBV)																		
Bankrupt	36.0	49.8	59.1	52.8	22	51.5	64.2	0.9	60.5	N/A	0.7	69.9	71.7	59.6	56.6	62.7**	55.0	57.6
Non-bankrupt	64.0	50.2	40.9	47.2	78	48.5	35.8	99.1	39.5	N/A	99.3	30.1	28.3	40.4	43.4	37.3	45.0	42.4
Borrower concentration (% of GBV)																		
Top 10	9.3	5.2	6.1	11.5	8.7	5.6	4.8	1.7	5.3	0	0.4	19	5.4	3.8	7.3	6.7	8.3	13.4
Top 100	36.9	19.6	25.1	39.7	34.7	26.6	21.5	7.4	26	0	1.7	56.2	20.3	19.4	26.4	29	39.5	42.4
Collateral distr. (% of appraisal val.)																		
North	49.2	36.6	42.8	39.2	83.8	21.2	74.1	50.7	38.1	N/A	37.1	32.8	71.1	34.1	20.9	72.4	58.5	61.6
Centre	23.4	24.3	40.6	8.3	9.7	8.7	14.6	21.1	35.6	N/A	24.2	38.9	17.4	47.5	36.3	19.5	18.4	14.6
South	27.4	39.1	16.5	52.5	6.5	70.1	11.3	28.2	26.3	N/A	38.6	28.3	11.4	18.4	42.9	8.1	23.1	23.8
Collateral type (% of appraisal val.)																		
Residential	2.6	38	31.6	32.8	46.6	54.4	47.1	94.8	43.8	N/A	90.1	34.8	41.6	36.9	41.7	39.3	43.4	32.6
Commercial	56.4	16.7	20.9	22.1	17.9	22.2	10.6	1.6	18.8	N/A	4.5	21.1	9.5	19.2	27.4	29.5	22	32.4
Industrial	36.4	26.3	21.1	12.4	11.5	6.1	21.2	2.1	15.3	N/A	0	16	5.3	13.9	16.2	11.2	15.3	23.2
Land	1.2	14.5	14.2	14.7	12.5	6	12.1	0.7	14.2	N/A	1	9	16.2	18.0	8.6	13.7	0.0	8.7
Other or unknown	3.4	4.5	12.2	18.0	11.6	11.3	9	0.7	7.9	N/A	4.4	19.1	27.5	12.1	6.1	6.3	19.3	3.4
Valuation type (% of appraisal val.)																		
Full or drive-by	29.6	31.1	57.4	74.3	62	25.9	0.9	0	57.7	N/A	0	56.8	32.3	29.2	45.5	68.4	96.1	70.8
Desktop	68.1	23.4	19.4	11.4	9.8	11	53.2	71.1	19.9	N/A	0	24.8	31.7	21.6	13.8	5.4	1.2	4.0
CTU	0.0	23.2	10.3	13.4	19.1	14.3	21.1	28.2	9	N/A	29.7	10.4	5.5	22.3	26	12.1	2.7	23.6
Other	2.3	22.3	12.9	0.9	9.1	48.8	0.8	0.7	13.4	N/A	70.3	8	30.5	26.9	14.7	14.1	0	0.5
Secured ptf proc. stage (% of GBV)																		
Initial	NA	64.2	51.2	67.4	63.5	56.2	43.1	64.4	55.7	N/A	50.9	29.5	65.5	59.8	44.6	73.6	66.6	36.1
CTU	NA	15.5	18.4	4.2	2.5	16.1	15.1	9.6	22.4	N/A	22.8	17	10.0	14.7	31.7	11	23.4	10.7
Auction	NA	15.2	18.5	13.7	22.3	16.6	24.3	19.9	17.2	N/A	22.1	35.4	16.6	23.7	20.7	11.5	4.7	36.4
Distribution	NA	5.1	11.9	14.6	11.8	11.1	17.4	6.1	4.8	N/A	4.3	18.1	8.0	1.7	3	3.8	5.5	16.8
Summary of assumptions (BBB rating conditional stress)																		
Remaining lifetime recovery rate (%)																		
Secured (=net LTV after all stresses)	48.6	45.4	43.8	53.1	47.7	52	36.7	54.7	54.7	N/A	46.2	61.2	51.8	55.6	61.8	50.3	48.3	61.7
Unsecured	17.9	6.3	11.6	9.5	8.9	9.7	7.6	16.5	16	9.1	1.4	8.6	10.2	15.3	10.9	13.5	16.8	13.7
Total	**44.4**	**22.4**	**30.8**	**32.4**	**34**	**29.5**	**20.9**	**52.4**	**41.5**	**9.1**	**31.8**	**38.8**	**31.2**	**38.8**	**38.6**	**39.6**	**40.6**	**47.1**
Weighted average life of collections (yrs)																		
Secured	5.0	7.2	8.3	6.0	3.8	7.2	6.57	5.4	7.1	N/A	5.6	5.7	8	7.3	7.2	8.2	7.9	4.8
Unsecured	12.6	3.3	5.2	3.6	4.4	3.5	3.4	4.8	4.5	3.08	3.2	3.6	4.5	5	4.7	4.5	4.2	3.1
Total	**5.4**	**6.6**	**7.7**	**5.4**	**5.1**	**6.6**	**5.94**	**5.4**	**6.8**	**3.1**	**5.4**	**5.5**	**7.5**	**6.9**	**6.9**	**7.8**	**7.9**	**4.6**
Structural features																		
Liquidity reserve (% of class A notes)	7.5	4	3	5	4.5	4.5	4.5	4	3	3	4	4	4	3	4	5	5.0	4.0
Class A Euribor cap strike	0.5%-1.7%	0%-0.75%	0.5%-1.2%	0.2%-1.6%	0.6%-3.75%	0	0.2%-3.0%	0.3%-1.25%	0.3% - 2.5%	N/A	0.2%-1.25%	0.4% - 2.5%	0.25% -1.5%	0.42%-1%	0.5%-2.5%	0.5%-2.5%	0%-0.1%	0.50%
Class A																		
% of GBV	29.4	16.7	22.2	23.2	23.5	20.9	12.6	39.1	26.8	5.7	20	21.1	19.5	23.8	27.0	27	30.5	33.0
Credit enhancement	70.6	83.3	77.8	76.8	76.5	79.1	87.4	60.9	73.2	94.3	80	78.9	80.5	76.2	73.0	73	69.5	67.0
Class B																		
% of GBV	5.75	3.5	1.7	1.5	3.5	3	2.9	2.9	4	0.7	1.3	4.9	3	3	3.2	3	4.0	3.0
Credit enhancement	64.8	79.9	76.1	75.3	73	76.1	84.5	58	77.2	99.3	78.7	74	77.5	73.2	69.8	70	65.5	64.0
Final rating at closing																		
Class A	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB+	BBB+	BBB+	BBB+	BBB	BBB	BBB	BBB-	BBB-	BBB-
Class B	NR	NR	CC	NR	NR	CCC	NR	NR	B-	BB	B-	NR	NR	B+	B	B+	B	B+

* the weighted average seasoning includes Scope's qualitative adjustment driven by the special servicer's superior capacity to treat unsecured loans compared to an originator.

** This includes loans with no ongoing legal proceeding or loans where the nature of the proceeding is unknown.

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