IFIS NPL 2021-1 SPV S.R.L.

Italian Non-Performing Loan ABS

Ratings

Tranche	Rating	Size (EUR m)	% of notes	% of GBV	Coupon	Final maturity
Class Ax	A-SF	158.8	34.3	12.0	6M Euribor + 2.15%	Jan 2051
Class Ay	A-SF	206.2	44.5	15.6	6M Euribor + 2.15%	Jul 2051
Class B	B+SF	74.4	16.1	5.6	6%	Jul 2051
Class J	NR	23.6	5.1	1.8	12%+ variable return	Jul 2051
Total		463.0	100.0	35.0		

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 loans ('NPLs')
Issue date	19 March 2021
Issuer	Ifis NPL 2021-1 SPV S.r.l.
Seller	Ifis NPL Investing S.p.A.
Master servicer	Ifis NPL Servicing S.p.A.
Special servicer	Ifis NPL Servicing S.p.A.
Gross-book value ('GBV')	EUR 1,323m
Cut-off date	31 July 2020
Transfer date	1 March 2021
Key portfolio characteristics	The securitised pool is mostly composed of unsecured loans (69.3%). Remaining exposures are senior secured (30.3%) or junior secured (0.4%). Loans are granted mainly to individuals (80.0%) and about 91% of the unsecured portfolio has a wage garnishment order (ODA). Secured loans are backed by residential and non-residential properties (60.8% and 39.2% of total first-lien property value, respectively) that are concentrated in the south (68.4%) and north of Italy (18.3%). The issuer is entitled to all portfolio collections received since the portfolio cut-off date.
Payment frequency	Semi-annual (January and July)
Key structural features	The transaction structure comprises four tranches. Classes Ax and Ay which are paid pari-passu and pro-rata, while classes B and J are sequentially amortising. The structure comprises an amortising liquidity reserve with a target amount equal to 4.5% of the outstanding class Ax and Ay balance as well as an interest rate cap on the class Ax and Ay notes.
Arrangers	Deutsche Bank A.G. and J.P. Morgan AG
Hedging provider	J.P. Morgan AG
Other key counterparties	BNP Paribas Securities Services, Milan Branch (agent bank, account bank, cash manager and principal paying agent) Banca Finanziaria Internazionale S.p.A. (corporate servicer, calculation agent, noteholders' representative, monitoring agent) Zenith Service S.p.A. (back-up servicer) Banca Ifis S.p.A. (recovery account bank)

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Related Research

Italian NPL collections: January volumes plunge after December boost (March 2021)

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

Better liquidity from growth of NPL platforms and regulatory action will drive note sales (February 2021)

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Bloomberg: RESP SCOP

Rating rationale (summary)

The ratings are primarily driven by the expected recovery amounts and timing of collections from the NPL portfolio. The recovery amounts and timing assumptions consider the portfolio's characteristics, the servicer's recovery strategy, as well as our economic outlook for Italy and assessment of the special servicer's capabilities. The ratings are 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 ratings also address exposures to the key transaction counterparties.

We determined recoveries using different approaches for secured and unsecured exposures. For senior secured exposures, collections were mainly derived from the latest property appraisal values, which were stressed to account for appraisal-type, liquidity and market-value risks. Recovery timing assumptions were derived using line-by-line asset information detailing the type of legal proceeding, the respective court responsible for the proceeding, and the legal stage of the proceeding as of the portfolio transfer date. For unsecured and junior secured exposures, we used market-wide historical line-by-line data on defaulted loans between 2000 and 2019, also considering the special servicer's capabilities along with servicer-specific historical data. For unsecured exposures with wage garnishment orders (ODA[1]), we analysed historical line-by-line recoveries by the servicer of the analysed portfolio since the ODA's issuance date. We also assessed the servicer's operational process and the efficiency of its recovery strategy.

[1]An ODA is a judicial order of assignment (ordinanza di assegnazione) issued in favour of the seller pursuant to article 553 of the Italian Civil Procedure Code in relation to any of the receivables. Under this regulation, the relevant employer and/or social security administration shall pay to the seller a portion of the salary and/or pension of the assigned debtor and/or the guarantor in the maximum amount calculated in accordance with article 545 of the Code, in or towards payment of interest and/or repayment of principal in respect of the receivables. Under the wage garnishment recovery strategy, up to one-fifth of a borrower's salary/pension is typically seized, with the seller receiving monthly payments. The seizure is performed also on the 13th and 14th monthly salaries along with the TFR (trattamento di fine rapporto or severance indemnity).

Rating drivers and mitigants

Positive rating drivers

High share of recent valuations. 90% of the property's valuations have been performed recently (i.e. from 2018 onwards).

Above-average share of residential assets. 61% of the collateral value is associated with residential assets (against the peer average of 47%), which are more liquid than other types of properties.

Moderately regular cash flows expected for the ODA portfolio. NPLs that are attached to an ODA generate more regular cash flows than those serviced following other recovery strategies. The seizure of borrower incomes or pensions ensures the issuer is paid monthly, although recovery cash flows are generally spread over several years.

ODAs are valid and not challengeable. The period for objecting to the ODAs has already elapsed, as represented by the seller. Therefore, the portfolio's ODAs are valid, existing and not challengeable. Also, the risk of borrowers losing their jobs in the short term due to their employers' insolvency is limited, as none are subject to insolvency proceedings as at closing.

Most ODAs' related legal costs already covered. The seller has already paid all costs and taxes related to ODAs issuances. Remaining legal costs are therefore expected to be minor.

Negative rating drivers and mitigants

High share of under-collateralised secured exposures. About 77% of the secured loans' GBV have a loan to value (LTV) of more than 100%.

High seasoning. The portfolio without any ODAs has a seasoning of 15 years, among the highest of peer transactions.

High exposure of ODAs to the private sector. The most frequent events leading to a payment interruption from an ODA are the death or job loss of a borrower. Private sector employees (59% of the pool's GBV) are generally more exposed to job loss events, while pensioners (28%) are generally more exposed to life events.

Material share of borrowers with ODAs have a temporary job. About 23% of the employed borrowers (in terms of GBV) have a temporary job. If they are unable to renew their employment contracts or find a new job before the contract expires, the ODA's associated cash flows will be interrupted, even though the ODA will remain legally valid.

Hedging structure. An interest rate cap mitigates the class Ax and Ay notes' interest rate risk only in high-stress scenarios. The cap strike ranges from 0.2% in July 2021 to 3% in July 2037.

Upside rating-change drivers

Servicer outperformance on recovery timing. The pandemic led to a slowdown in court activity. An outperformance on recovery timing could occur if courts advance on proceeding backlogs faster than expected.

Rapid economic growth following the pandemic crisis. A scenario of rapid economic recovery would improve liquidity and affordability conditions and prevent a sharp deterioration in collateral values. This could positively affect the rating, enhancing servicer performance on collection volumes.

Downside rating-change drivers

Long-lasting pandemic crisis. Recovery rates are generally highly dependent on the macroeconomic environment. Our baseline scenario foresees GDP growth of 5.6% in 2021 after a contraction in 2020. If the current crisis lasts beyond our baseline scenario, affordability among borrowers and real estate liquidity could deteriorate, reducing servicer performance on collection volumes. This could negatively impact the rating.

Higher unemployment rates. If the pandemic situation lasts longer than expected or its impact on national employment is higher than expected, the likelihood of job losses will increase, limiting the effectiveness of the ODAs. The servicer's alternative recovery strategies are key to ensuring an exposure is recovered in case of job losses. As a mitigant, the servicer can pursue an ODA strategy for any employed or retired guarantor of the exposure.

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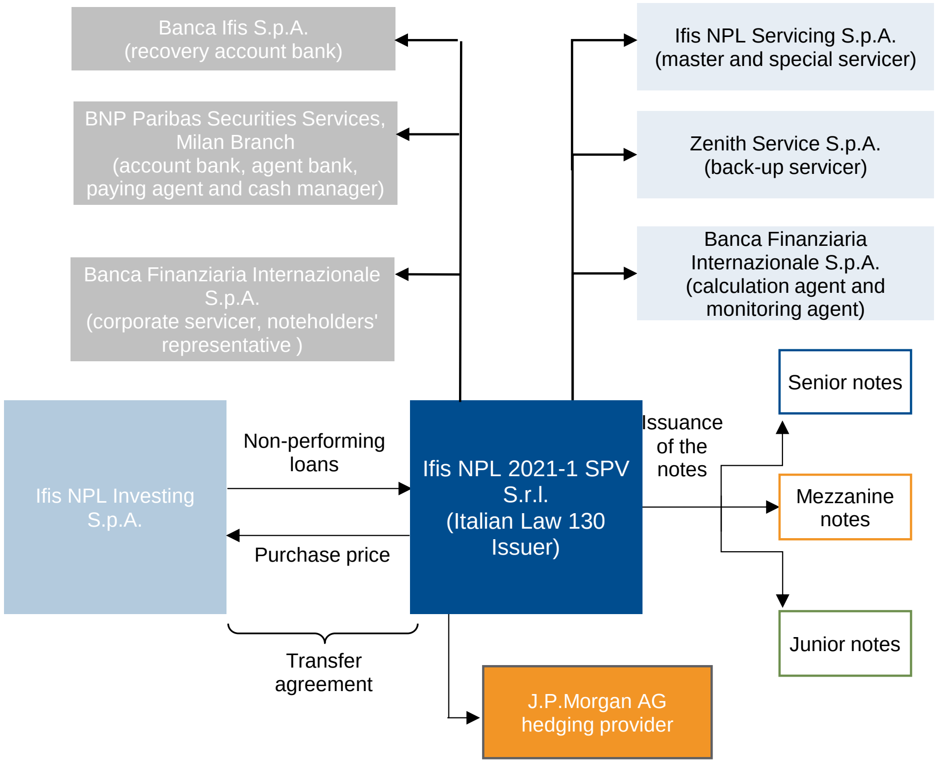
1. Transaction diagram

Figure 1: Transaction diagram



Sources: Transaction documents, Scope Ratings.

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 NPL 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 a weak 0.7%, supported by growth-enhancing fiscal stimulus to address the economic and public-health consequences of this crisis, and accommodative borrowing and investment conditions anchored by the extraordinary interventions of the ECB. In comparison, pre-crisis output growth averaged 0.3% over 2010-19.

Under our baseline scenario, we foresee the Italian economy rebounding with growth of 5.6% in 2021. However, the risk to this estimate is skewed to the downside, given the extended state of emergency through to April 2021, the renewed increase in coronavirus cases, and the slow vaccine roll-out across the EU. However, improvements in purchasing manager indices since November demonstrate increasing resilience to lockdown conditions.

Throughout the crisis, unemployment increases have been mitigated by job-market support measures and worker exits from the labour force. The unemployment rate stood at 9% as of December 2020, down slightly from 9.6% just before the crisis (end-2019). This year, we expect an increase in the average unemployment rate to 10.5% as job-market measures gradually taper off. However, there is clear downside risk to this forecast should unemployment remain more moderate than anticipated as government support continues and recovery gains traction.

3. Special servicer review

3.1. Introduction

Banca Ifis S.p.A. (Banca Ifis) is an Italian banking group with three units devolved to its NPL business: Ifis NPL Servicing S.p.A., Ifis NPL Investing S.p.A. and Ifis Real Estate S.p.A. (the latter is not part of the banking group). Based on an operational review of the special servicer, Ifis NPL Servicing S.p.A. (Ifis), we have concluded that its capabilities and processes to manage the securitised portfolio are adequate.

Portfolio recovery assumptions factor in our assessment of the special servicer's capabilities

Our assessment of the special servicer's capabilities addresses aspects such as its corporate structure, business processes, collateral valuation procedures, servicing IT systems and business continuity risks. We assessed transaction-specific elements in relation to the efficiency of servicer's recovery strategies, such as wage garnishment, asset manager allocation, and asset disposal strategies. We considered the special servicer's assessment when deriving our recovery rate and recovery timing assumptions for both unsecured and secured positions.

In addition, we conducted virtual tours on a small sample of properties from the securitised portfolio. This contributed to our assessment of collateral appraisals and secured recovery expectations, primarily reflected through our haircuts based on property-type and valuation methods.

3.2. Corporate overview

Banca Ifis currently manages EUR 24bn of NPLs

Banca Ifis was founded in 1983 as a factoring specialist and has been listed on the Milan Stock Exchange since 2003. The bank is active in commercial and corporate banking, and Italian NPL investing and servicing. Its core NPL segments are banking (56%) and consumer loans (42%) in primary and secondary markets.

Banca Ifis currently manages EUR 24.4bn of NPLs, making it the fourth largest Italian NPL operator by assets under management and the market leader for unsecured NPLs, with a share of 50%.

In 2020, Banca Ifis purchased 26 NPL portfolios for EUR 2.7bn in GBV. In the last quarter of 2020, Banca Ifis originated EUR 6bn of customer loans, i.e. lending to large corporations and SMEs via leasing and factoring.

Banca Ifis has evolved by seizing new market opportunities in 'specialty finance'. The bank entered the Italian NPL market in 2011 by acquiring Toscana Finanza S.p.A. In 2013, it launched its NPL unit dedicated to the purchase, management and servicing of consumer NPLs. In 2019, Banca Ifis expanded its operating servicing structure through the acquisition of Italian servicer FBS S.p.A. In 2020, Banca Ifis' restructuring led to a new centralised unit that oversees the bank's investing and servicing.

3.3. Servicing model

Ifis is a specialised servicer that manages proprietary and third-party portfolios. Ifis expertise is focused on unsecured Italian NPLs.

Ifis follows wage garnishment recovery strategies, in addition to the typical NPL recovery strategies (judicial, discounted-pay-off (DPOs) and repayment plans). For unsecured loans with a GBV lower than EUR 70,000, the servicer relies mostly on the ODA strategy, while for bigger secured and unsecured exposures, the servicer mainly follows judicial and extra-judicial strategies.

Ifis investigates the borrower's credit history to assess whether it is both legally and economically viable to issue an ODA, as its issuance entails costs. A dedicated department follows the relevant legal proceedings, from the injunction decree until the ODA's issuance by the competent court (see section 3.3.1). Ifis also has a dedicated unit in charge of monitoring, at least every six months, the ODAs' performance, current ODA's status and instalment paid amount. Monitoring activity is particularly important as some events may interrupt the ODAs' payments (e.g., the occurrence of the borrower's job loss or another termination event). In those cases, it is key to ensure the ODA is promptly re-issued, preventing that other creditors successfully garnish the borrower's salary preceding Ifis. According to Ifis, the average time to re-issue an ODA when a borrower changes jobs is 6-9 months. If an ODA ceases to be effective, the exposure is assigned to the recovery unit in charge of phone collections, to debt collection companies or to financial agents. Bigger exposures (both secured and unsecured) are assigned to a loan manager based on elements such as the type of credit, the loan manager's expertise, and loan manager/law firm court coverage. In this case, Ifis also follows judicial strategies.

3.3.1. ODA legal framework and recovery strategy

Obtaining an enforcement title is a pre-requisite for an ODA's issuance, as this allows the creditor to start the enforcement proceedings and request the ODA issuance to the competent court. The creditor typically obtains the enforcement title from an injunction decree (decreto ingiuntivo). Afterwards, the creditor serves to the debtor a formal request of payment (atto di precetto), which is a final warning to the debtor to fulfil his obligation as described in the enforcement title. The enforcement proceeding begins when the deed of seizure (atto di pignoramento) is served on i) the debtor; and ii) the employer and/or the social security administration by a court officer. Following the deed of seizure, the creditor files a request to the judge for the ODA's issuance. Upon the ODA's issuance, the employer/social security administration will pay, in compliance with the terms and conditions in the relevant ODA, directly to the proceeding creditor; therefore, there is no direct contact with the borrower. Usually, if several creditors are simultaneously proceeding with enforcement over portions of the salary/pension, the law provides for a progressive satisfaction to protect the employee.

The ODA may by challenged by a debtor (opposizione agli atti esecutivi) within 20 days of the date of service of the relevant ODA. If the court accepts the opposition, the ODA becomes null and void. If no challenge is filed within 20 days, the ODA becomes final and cannot be further appealed. In case the injunction decree is issued by the judge as an enforcement title, the court may issue a temporarily enforceable injunction, allowing the creditor to immediately start the enforcement proceeding, without prejudice to the possibility for the debtor to oppose the injunction. In such cases, the ODA may become ineffective if the injunction decree is successfully challenged and all the payments made under the ODA shall be reimbursed.

In the event of i) a termination of employment; ii) a change of job; or iii) retirement, the enforcement title remains valid (in case no further oppositions are made). The creditor submits a new formal request of payment for the residual amount to be recovered, a new deed of seizure is served and the competent court issues a new ODA towards the new employment or social security administration. In the event of creditor compositions (concordato preventivo), bankruptcy (fallimento), extraordinary administration (amministrazione straordinaria), winding-up (liquidazione) of the employer, or other similar proceedings relating to the employer as per the Italian Bankruptcy Act, the ODA becomes ineffective but the enforcement title remains valid. In this scenario, if the debtor finds a new job, the creditor is able to reinstate the ODA with the new employer.

4. Portfolio characteristics

4.1. Representations and warranties

The securitised pool comprises secured and unsecured Italian NPLs sold by Ifis NPL Investing S.p.A. The representations and warranties on the receivables provided by the seller with reference to the transfer date are generally aligned with those of peer transactions we rate, and include the following:

- All loans are denominated in euros and governed by Italian law.
- All receivables are valid for transfer without any limitations, free of encumbrances, and enforceable to the extent of their GBV.
- All receivables have been reported as defaulted by the Credit Bureau of the Bank of Italy.
- All real estate assets secured by mortgages (both voluntary and judicial) exist and are located in Italy.
- Bankruptcy proceedings related to bankrupt debtors are ongoing as of the cut-off date, except for third-party guarantees that are valid and effective as of the cut-off date.
- As of the date on which financing was granted, all individual borrowers were resident or domiciled in Italy, as far as the seller is aware.
- As of the date on which financing was granted, all corporate borrowers had a registered office in Italy, as far as the seller is aware.
- Borrowers are not employees or directors of the seller.
- All the information included in the portfolio’s data tape is true, accurate and up to date at the transfer date.
- Each ODA exists and the transfer of the rights deriving from the ODA does not negatively affect the seller’s right to receive the payments as set out in the relevant ODA issued in respect of the relevant receivables.
- The borrowers or guarantors with respect to an issued ODA are individuals employed in the private or public sector, or pensioners. As far the seller is aware, they are all resident in Italy.
- The employers and/or social security administration have a registered office in Italy.
- At the cut-off date, no employer and/or social security administration was subject to an insolvency proceeding.
- At the cut-off date, each ODA and any other deed/acts leading to the issuance of an ODA, including any formal request of payment (precetto) and/or seizure (pignoramento), had not been challenged by the borrower or guarantors. The period for opposition against each ODA or any such other deed/acts had elapsed.
- At the cut-off date, there were no legal proceedings pending to challenge any injunction decree (in relation to which enforcement actions leading to the issuance of any ODA have been taken) and the terms for any opposition to such an injunction decree had elapsed.

4.2. Key portfolio stratifications

Figure 2 provides a high-level view of portfolio characteristics as of the cut-off date. Detailed loan-level portfolio stratifications are provided in Figures 3-23 and in Appendix II.

Figure 2: Portfolio summary

	All	Senior secured	Junior secured	Unsecured
Number of loans	69,384	4,169	64	65,151
Number of borrowers	47,127			
Total portfolio GBV (EUR m)	1,323.1	400.8	4.7	917.6
% of GBV		30.3%	0.4%	69.3%
Non-ODA portfolio GBV* (EUR m)	490.3	400.8	4.7	84.8
% of Non-ODA GBV		81.8%	1.0%	17.3%
ODA portfolio GBV* (EUR m)	832.8	0	0	832.8
% of ODA GBV		0%	0%	100%
Cash in court (% of GBV)	1.3%			
Collections since cut-off date (% of GBV)	3.3%			
Weighted average seasoning	7.0	14.0	12.0	4.0
Collateral values (EUR m)	284.6	264.3	20.0	

*The non-ODA and ODA portfolios are defined below in the section.
Sources: Transaction data tape, Scope Ratings

We adjusted the pool's GBV using information on sold properties since the cut-off date. The analysis accounts for a cash-in-court amount estimated at EUR 17.1m relative to the total first-lien property value.

These adjustments reduced the portfolio's GBV from EUR 1,323m to EUR 1,265m. Collections received since the cut-off date will be part of the issuer's available proceeds at the first payment date. We assumed cash-in-court amounts would be received within three years after the closing date.

Our analysis is performed at the loan level, considering all information provided to us in the context of the transaction as well as public information. Loans are defined as 'senior secured' if they are guaranteed by first-lien mortgages, and 'junior secured' if they are guaranteed by mortgages with a second lien or lower. Unless stated otherwise, we treat junior secured loans as unsecured loans.

Stratification data provided below reflect our portfolio aggregation at the loan level and may be based, if applicable, on conservative mapping assumptions applied to missing entries for certain fields. For clarity, stratification data are provided with reference to i) the portion of the portfolio not employing a wage garnishment recovery strategy ('non-ODA portfolio', for a GBV of EUR 490.3m), and with reference to ii) the portion of the portfolio employing a wage garnishment recovery strategy ('ODA portfolio', for a GBV of EUR 823.8m).

4.2.1. Non-ODA portfolio

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

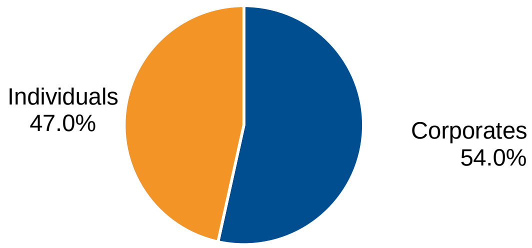


Figure 4: Distribution by loan type (% of GBV)

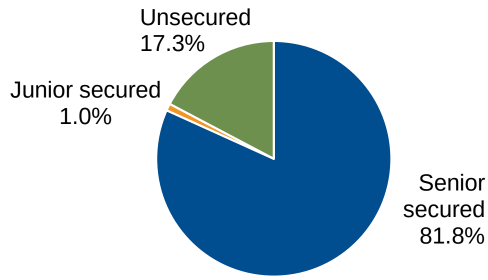


Figure 5: Distribution by recovery procedure (% of GBV)

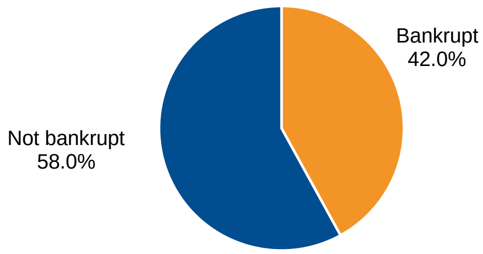


Figure 6: Distribution by recovery stage for secured loans (% of GBV)

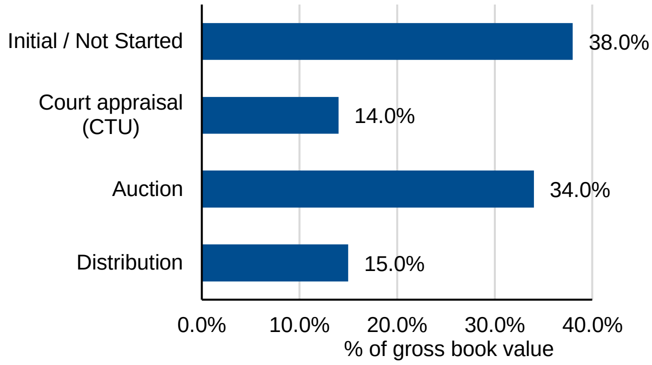


Figure 7: Distribution by court bucket for secured loans (% of GBV)

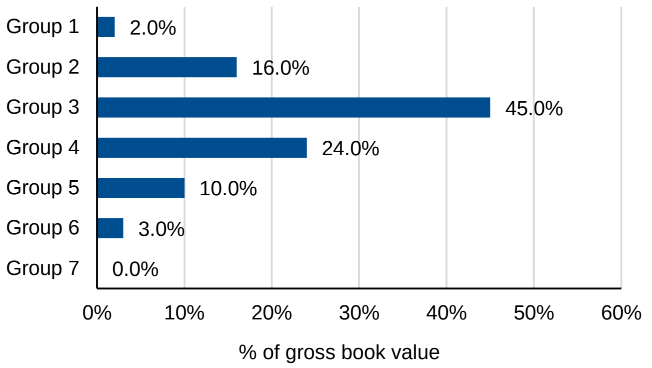


Figure 8: Unsecured and junior secured seasoning (% of GBV)

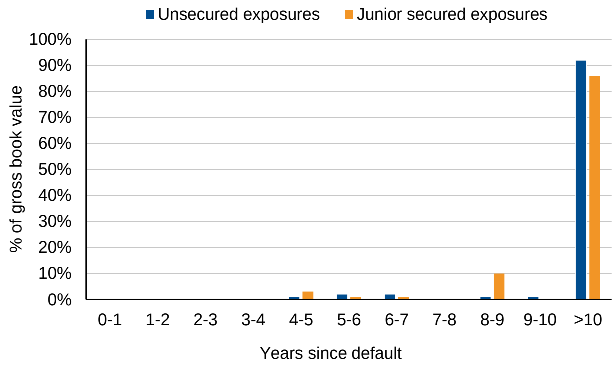


Figure 9: Distribution by collateral type (% of appraisal value)

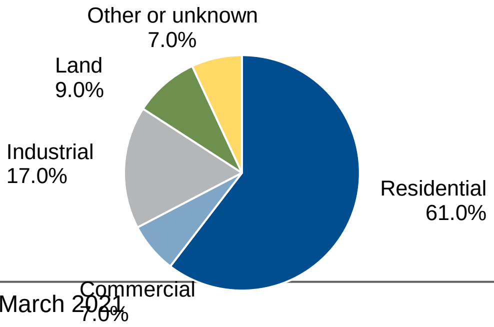


Figure 10: Distribution by valuation type (% of appraisal value)

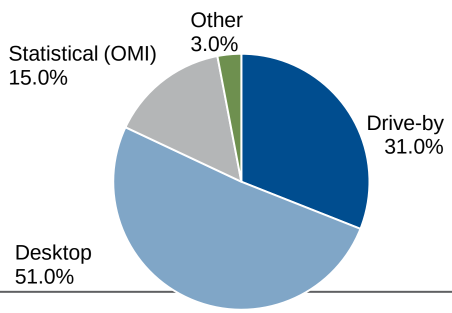


Figure 11: Distribution by collateral location (% of appraisal value)

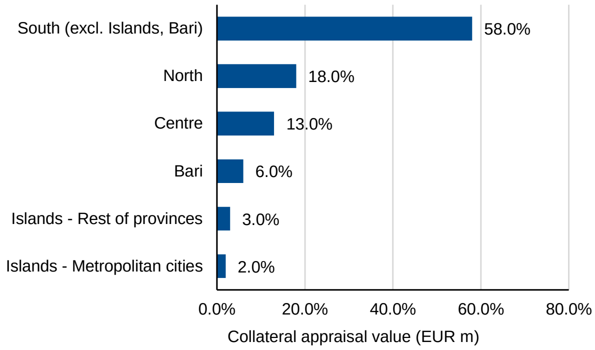
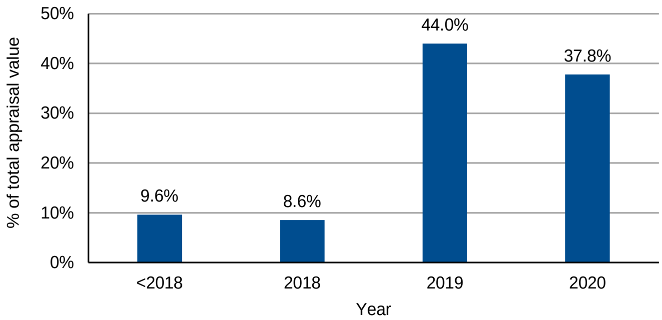


Figure 12: Distribution by valuation date (% of appraisal value)



Sources: Transaction data tape, calculations by Scope Ratings

4.2.2. ODA portfolio

Figure 13: Distribution by borrower type (% of GBV)

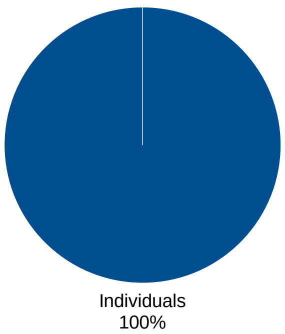


Figure 14: Distribution by borrower age (% of GBV)

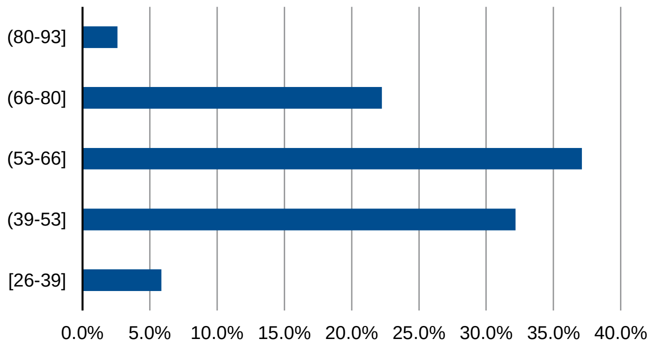


Figure 15: Distribution by borrower gender (% of GBV)

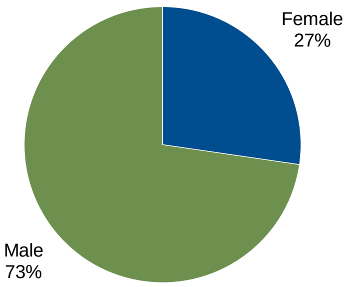
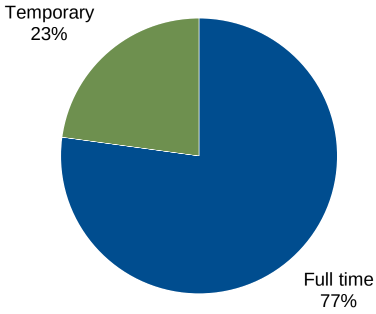


Figure 16: Distribution by employment type* (% of GBV)



*Missing data (around 20% of GBV) was classified as "temporary"

Figure 17: Distribution by loan type (% of GBV)

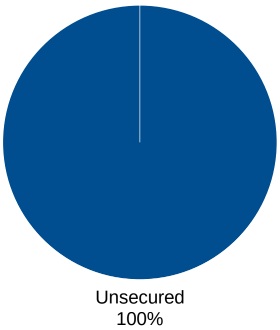
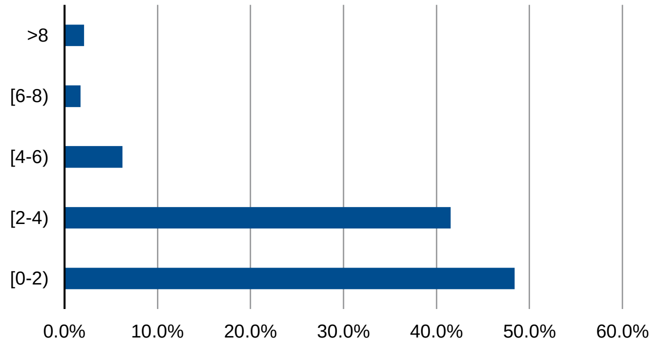


Figure 18: ODAs seasoning* (% of GBV)



*ODA seasoning is measured as the time between the ODA issuance date and the portfolio's cut-off date

Figure 19: Distribution by borrower region (% of GBV)

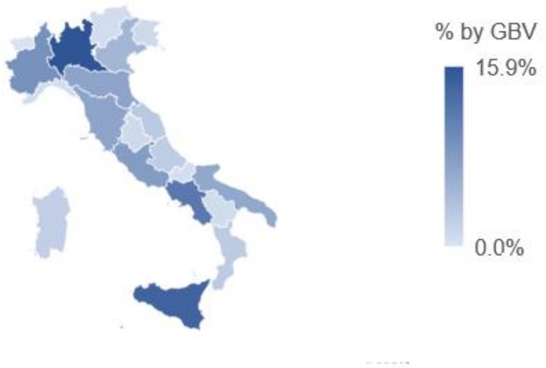


Figure 20: Distribution by employer type (% of GBV)

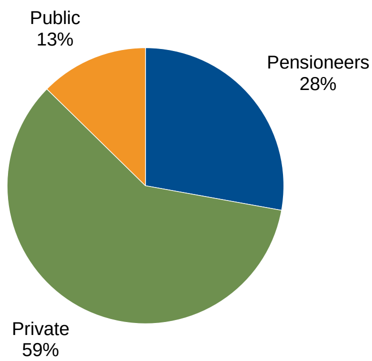


Figure 21: Distribution by ODA payment status (% of GBV) as of cut-off date**

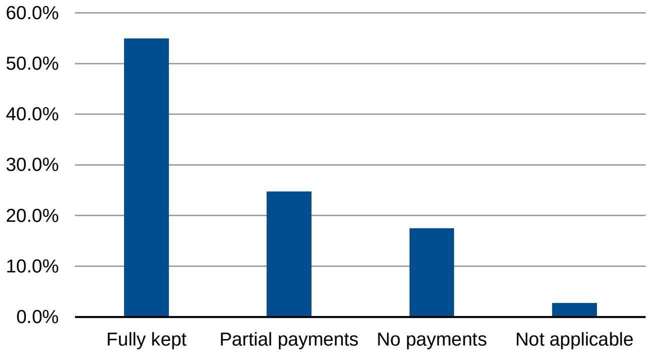
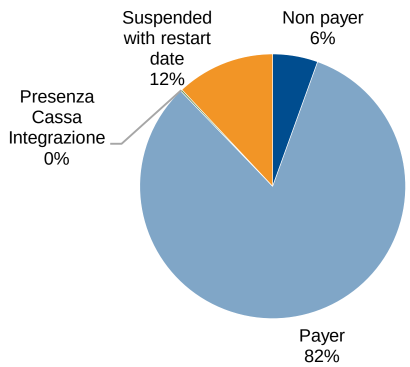


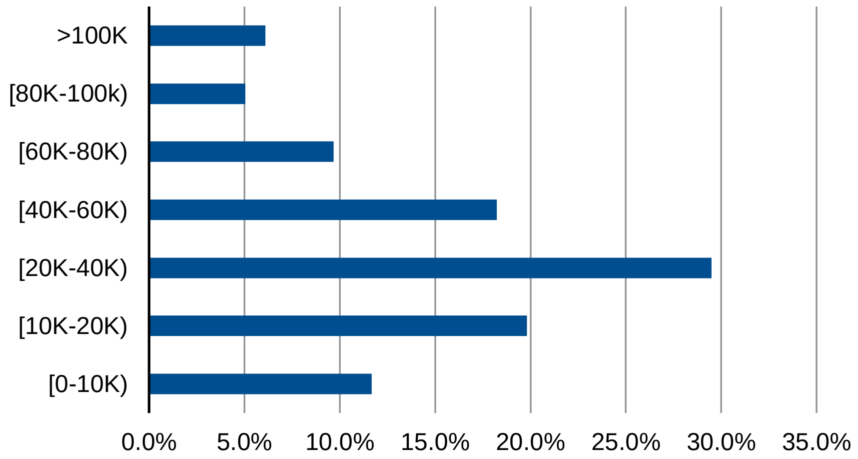
Figure 22: Distribution by borrowers payment status (% of GBV) as of cut-off date***



** **Fully kept**: ODAs paying yearly and since their issuance date.
Partial payments: ODAs paying only during certain years and since their issuance date. An interruption of payments might derive from a job change or job-suspension period.
No payments: ODAs not paying since their issuance date. This typically happens when the borrower's wage was already garnished by another creditor, when the ODA was granted to Ifis.
Not applicable: ODAs registering payments before their issuance date. This might occur if older ODAs were satisfied prior to a new issuance.

*** **Payer**: borrowers with ODAs that paid (always or partially) since their issuance date, on a yearly basis.
Non-payer: borrowers with non-paying ODAs since their issuance and with no expected restart payment date, as per servicer's information.
Suspended with restart date: borrowers with non-paying ODAs since their issuance but with an expected restart payment date (as provided by the servicer).
Presenza Cassa Integrazione: borrowers under a furlough scheme (referred to as cassa integrazione) as of the cut-off date.

Figure 23: Distribution by GBV size



Sources: Transaction data tape, calculations by Scope Ratings

5. Portfolio analysis

Under our NPL ABS rating methodology, we test the resilience of a rated instrument against deterministic, rating-conditional stresses. We apply higher stresses as the instrument's rating becomes higher. We follow a bottom-up approach to derive transaction-specific assumptions. This involves an analysis of loan and borrower attributes, the type of security, the security appraisal value, and recovery procedures and strategies. The approach enables us to develop an independent view on the relevant risks. We also consider any relevant insights from the servicer's business plan and historical data, peer comparisons and market data. We also account for the current macroeconomic scenario, taking a forward-looking view on the macroeconomic developments.

Figure 24 summarises the recovery rate assumptions applied in the analysis of the class Ax, Ay and B notes.

Figure 24: Summary of assumptions

Total portfolio	Class Ax and Ay analysis	Class B analysis
Secured recovery rate (% of secured GBV)	19.0	24.0
Unsecured recovery rate (% of unsecured GBV)	46.0	60.2
Total recovery rate (% of total GBV)	**37.8**	**49.2**
Secured collections, weighted average life (WAL in years)	6.4	6.0
Unsecured collections, WAL (years)	5.3	5.8
Total collections, WAL (years)	**5.5**	**5.8**
Non-ODA portfolio		
Secured recovery rate (% of secured GBV)	19.0	24.0
Unsecured recovery rate (% of unsecured GBV)	0.6	0.7
Total recovery rate (% of total GBV)	**15.7**	**19.7**
Secured collections, WAL (years)	6.4	6.0
Unsecured collections, WAL (years)	2.7	2.7
Total collections, WAL (years)	**6.4**	**6.0**

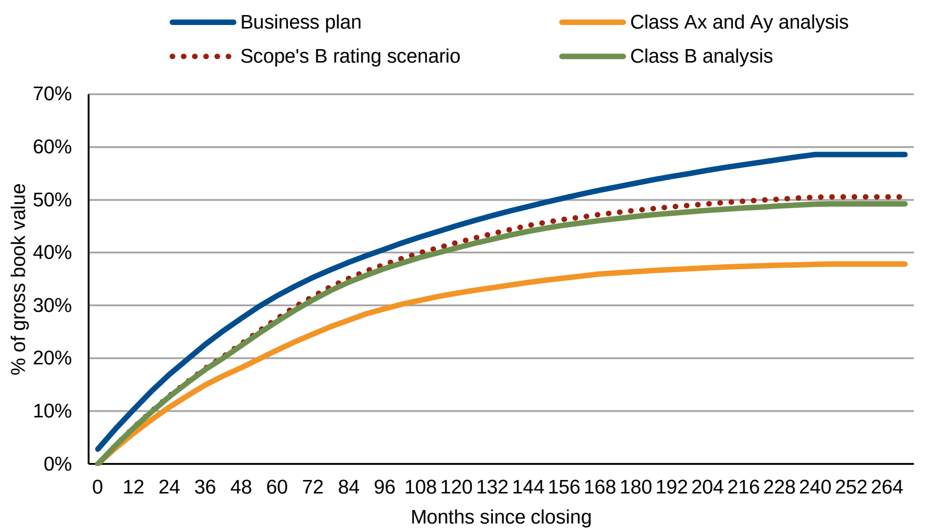
ODA portfolio		
Secured recovery rate (% of secured GBV)	na	na
Unsecured recovery rate (% of unsecured GBV)	50.9	66.6
Total recovery rate (% of total GBV)	**50.9**	**66.6**
Secured collections, WAL (years)	na	na
Unsecured collections, WAL (years)	5.3	5.8
Total collections, WAL (years)	**5.3**	**5.8**

Sources: Transaction data tape, Scope Ratings

Class Ax and Ay recovery rate assumptions are about 35% below business plan target

Figure 25 compares our lifetime gross collections and recovery timing assumptions for the entire portfolio with the servicer business plan, for classes Ax, Ay and B and our base case scenario (B rating scenario). These assumptions are derived by combining secured and unsecured recovery expectations, together with cash-in-court and ad-interim collections. We only considered cash-in-court and ad-interim collections allocated to specific receivables. Our recovery rate assumption for the class Ax and Ay notes is 35.4% below the business plan target. Our calculation of the expected life is shorter than the servicer's projections (5.5-year WAL for the class Ax and Ay notes versus 6.3-year WAL in the business plan).

Figure 25: Scope's assumptions[2] vs. business plan's gross cumulative recoveries



Sources: Servicer business plan, Scope Ratings

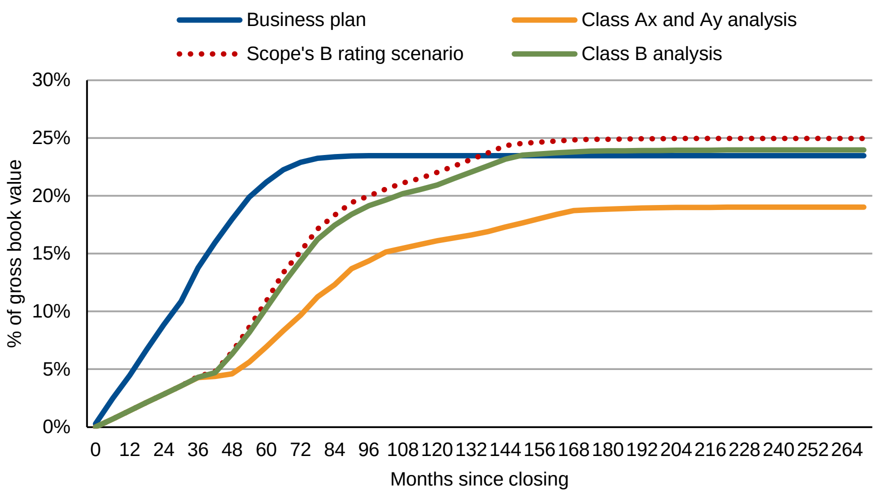
5.1. Analysis of non-ODA portfolio – secured segment

Valuation haircuts address forward-looking market value and liquidity risks

Figure 26 shows our lifetime gross collections vectors for the secured segment of the Non-ODA portfolio 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. Recovery timing assumptions are mainly determined by the efficiency of the assigned court (based on historical data on the length of the proceedings), and the type and stage of legal proceeding. Our analysis also considers concentration risk, the servicer's business plan and the available workout options.

[2] Scope's and the servicer's recovery rates are reported on a gross level and include cash-in-court amounts.

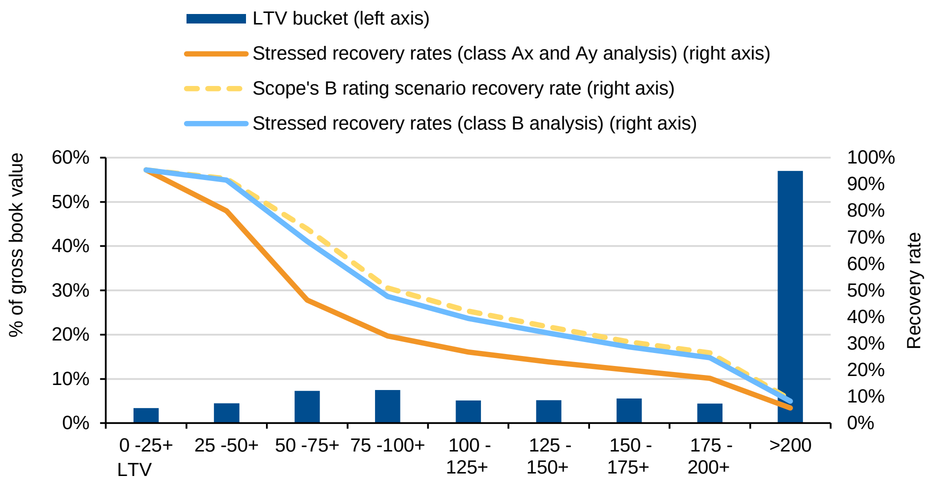
Figure 26: Scope's assumptions[3] vs. business plan's gross cumulative recoveries-secured loans



Sources: Servicer business plan, Scope Ratings

Figure 27 shows the secured loans' distribution by LTV bucket as well as our recovery rate assumptions for each LTV bucket under our rating-conditional stresses applied for classes Ax, Ay and B and our base case scenario (B rating scenario). The portfolio's share of under-collateralised secured exposures is higher than peer transactions rated by Scope, with 77% of the loans showing an LTV above 100%. This drives low recovery rates for the secured portfolio.

Figure 27: Secured loans' distribution by LTV and Scope's expected secured recoveries



Sources: Transaction data tape, calculation by Scope Ratings

5.1.1. Appraisal analysis

Appraisal type haircuts range between 5% and 21% for the class Ax and Ay analysis

We applied rating-conditional haircuts ranging from 5% to 21% for the class Ax and Ay analysis, reflecting our view on the quality and accuracy of the underlying appraisals. Full or drive-by valuations are generally more accurate than desktop or CTU valuations.

[3] Scope's and the servicer's recovery rates are reported on a gross level and include cash-in-court amounts. We define secured loans as those guaranteed by at least a first-lien mortgage (with the mortgaged asset's ownership title other than: "usufrutto", "nuda proprietà", "diritto di superficie"), based on a loan-by-loan analysis. Business plan secured recoveries are those related to borrowers with at least a first-lien mortgage (with the mortgaged asset's ownership title other than "usufrutto", "nuda proprietà", "diritto di superficie").

Figure 28: Scope's transaction-specific valuation haircuts

Valuation type	% of collateral value	Class Ax, Ay analysis haircut	Class B analysis haircut
Drive-by	31.0%	0%	0%
Desktop	51.3%	5%	4%
CTU	0%	11%	8%
Other (statistical, bank valuations or unknown)	17.7%	16%-21%	13%-17%

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

5.1.2. Property market value assumptions

Figure 29 details our assumptions about property price changes over the transaction's life commensurate with the class Ax, Ay and B ratings. These assumptions are i) specific to the 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 29: 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
Class Ax & Ay analysis	-13%	-11%	-11%	-11%	-13%	-13%	-17%	-15%	-15%	-13%	-13%	-15%	-13%	-15%
Class B analysis	-8%	-7%	-7%	-7%	-8%	-8%	-9%	-8%	-8%	-8%	-8%	-8%	-8%	-8%
Portfolio distribution (%)	0.0	0.0	1.0	1.0	0.0	16.0	0.0	1.0	12.0	0.0	6.0	58.0	2.0	3.0

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

5.1.3. Collateral liquidity risk

Property type haircuts range between 53% and 64% for the class Ax and Ay analysis

Asset liquidity risk is captured through additional fire-sale haircuts applied to collateral appraisals. Figure 30 shows the rating-conditional haircuts applied for the class Ax and Ay analysis and the class B analysis. These transaction specific assumptions are based on historical distressed market-wide sales data (including those provided by the servicer), consider the specific servicing strategies applied context in this transaction, and reflect our view that non-residential properties tend to be less liquid, resulting in higher distressed-sale discounts. Secured loans have a high average seasoning (14 years); therefore, the liquidity risk of the relevant assets is higher than average as assets deteriorate more following a borrower's default.

Figure 30: Scope's transaction-specific fire-sale discount assumptions

Collateral type	% of collateral value	Class Ax, Ay analysis haircut	Class B analysis haircut
Residential	60.8%	53%	42%
Non-residential	39.2%	59% - 64%	47%-51%

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

5.1.4. Concentration risk

The portfolio presents a higher-than-average concentration risk: the largest 10 and 100 borrowers account for 13.8% and 40.3% of the portfolio's GBV, respectively. We addressed borrower concentration risk by applying a 33.3% rating-conditional recovery haircut to the 20 largest borrowers for the class Ax and Ay notes analysis.

5.1.5. Residual claims after security enforcement

A secured creditor may initiate enforcement actions against a debtor if the sale proceeds of the mortgaged property are insufficient to repay the related outstanding debt in full. 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 after security enforcement for loans to individuals

Based on the high seasoning of secured loans and on the portfolio's business plan, which reflects the servicer's recovery strategy in relation to residual claims, we gave no credit to residual claims.

5.1.6. Tribunal efficiency

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

Courts mostly have below-average court timing

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 2015 and 2019 (Figure 31). We applied rating-conditional timing stresses to bankruptcy and non-bankruptcy procedures: 3.7 years and 1.9 years were respectively added to the total legal procedures' length for the class Ax and Ay analysis, while 2.2 years and 1.1 years were added for the class B analysis.

Figure 31: Total length of the recovery process by court group in years

Court group	Bankruptcy proceedings	Non-bankruptcy proceedings	Percentage of courts*
1	4	2	2.2%
2	6	3	16.4%
3	8	4	44.8%
4	10	5	24.4%
5	12	6	9.5%
6	14	7	2.6%
7	18	9	0.1%

* Percentages incorporate our assumptions on courts not included in available information.
Sources: Transaction data tape; calculations and/or assumptions by Scope Ratings

5.2. Analysis of non-ODA portfolio - unsecured segment

Unsecured portfolio analysis is based on statistical data

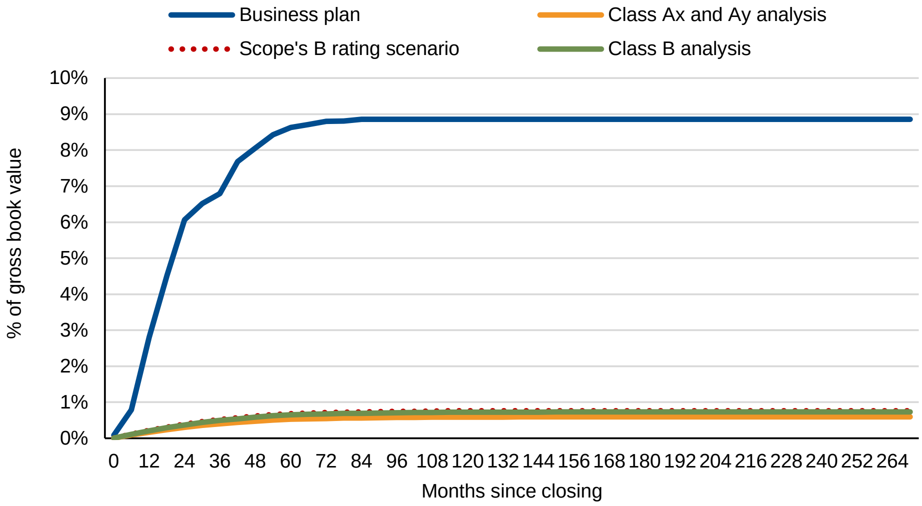
Our unsecured recovery assumptions are primarily based on market-wide historical data on unsecured recovery rates. We also factor in servicer-specific historical recovery data, as well as our view on the quality of the servicer's recovery procedures.

Transaction-specific assumptions also reflect the key characteristics of the unsecured portfolio segment, such as average loan size, debtor types (i.e. individual or corporate) and the type of recovery procedure. For instance, bankruptcy proceedings are generally slower and typically result in lower recoveries than non-bankruptcy proceedings.

Ageing of the unsecured portfolio is above the average of peer transactions rated by Scope

Finally, transaction-specific assumptions were re-calibrated to reflect the ageing of the unsecured portfolio, as we consider aged unsecured NPLs to have a lower likelihood of recovery. The unsecured loans in the portfolio (including junior secured loans) are classified as defaulted for a weighted average of 18.70 years, which is above the average of transaction peer levels.

Figure 32: Scope's assumptions[4] vs. business plan's recoveries – unsecured loans



Sources: Servicer's business plan, Scope Ratings

5.3. Analysis of the ODA portfolio

Our recovery assumptions for the ODA portfolio are primarily based on the analysis of the servicer's historical collections. We analysed line-by-line recovery proceeds from the ODA portfolio since the respective ODA's issuance date. Historical data covered yearly proceeds for a period of four years (2016-20) as well as the aggregated proceeds from the ODA's issuance date until 2016.

We also factor in our view on the quality of the servicer's recovery procedures for the wage garnishment recovery strategy.

We analysed ODAs vintage data provided by the servicer. However, the data only covered a four-year period of collections and was provided in an aggregate form and on a yearly basis.

We complemented vintage analysis with a regression analysis based on the line-by-line historical data since the ODA's issuance dates, to assess the main factors impacting the ODAs payment rates. The regression variables were time-elapsed and incorporate a payment percentage. Time-elapsed refers to the ODA's seasoning, i.e., the time between the pool cut-off date and the ODA issuance date. The payment percentage is the ratio between the actual payments and the contractual payments expected for each ODA.

Transaction-specific assumptions reflect ODA portfolio characteristics that we deem relevant for the pool's performance. Among these are the borrower's age, gender, employment type (i.e. full-time, temporary, or full-time under a furlough scheme referred to as cassa integrazione), and job type (i.e. private employee, public employee or pensioner).

Our final recovery rate assumptions implemented rating-conditional stresses based on:

- The life expectancy of borrowers (conditional to the borrower's age, based on ISTAT[5] data).

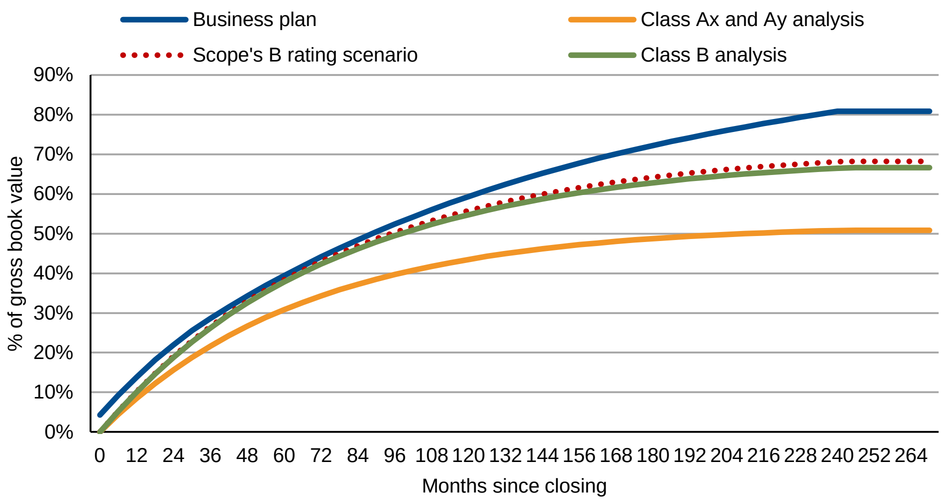
[4] We define unsecured loans as those not guaranteed by at least a first-lien mortgage (or those guaranteed by a first lien mortgage where the borrower's ownership title on the asset is "usufrutto", "nuda proprietà", "diritto di superficie"), based on a loan-by-loan analysis. Business plan unsecured recoveries relate to borrowers whose loans are fully unsecured, guaranteed by junior liens or guaranteed by mortgaged assets where the borrower has the following ownership titles: "usufrutto", "nuda proprietà", "diritto di superficie".

[5] Istituto Nazionale di Statistica.

- The expected age of retirement of borrowers.
- The expected pension as a percentage of the current salary.
- The presence of a temporary job or job-suspension period (with the stress calibrated based on historical Italian and European unemployment rates).
- The regression coefficient, which is linked to ageing.
- Scope's expected restart payment date for non-payer borrowers (i.e. borrowers from whom no payments were received since the ODA's issuance date and for whom no expected restart payment date was provided in the context of the transaction).

We measured the ODA portfolio's ageing using the date on which the recovery strategy was initiated (i.e. ODA issuance date), instead of from the borrowers' dates of default. This is because our analysis is based on the historical payment rates on ODAs, that ultimately depend on their seasoning.

Figure 33: Scope's assumptions[6] vs. business plan's recoveries – unsecured loans with ODAs



Sources: Servicer's business plan, Scope Ratings

6. Key structural features

The structure comprises four classes of notes. Senior classes Ax and Ay have pro-rata and pari-passu principal amortisation, while the mezzanine class B and junior class J feature fully sequential principal amortisation.

Classes Ax and Ay will pay a floating rate indexed to six-month Euribor plus a margin of 2.15%. Class B will pay a fixed rate of 6.0%. The class B interest (and a portion of the special servicer fees) are subordinated to class Ax and Ay principal payments if certain under-performance events are triggered.

Non-timely payment of class Ax and Ay interest would trigger an accelerated waterfall

Non-timely payment of interest on the senior notes, for example, due to the issuer's unlawfulness, would accelerate the repayment of classes Ax and Ay through the full subordination of class B payments.

[6] We define unsecured loans with ODAs as those not guaranteed by at least a first-lien mortgage and associated with ODA strategies, based on a loan-by-loan analysis. Business plan unsecured recoveries are those related to unsecured loans as per the business plan definition and associated with ODA strategies.

6.1. Combined priority of payments

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

Figure 34: Simplified priority of payments and available funds

Pre-enforcement priority of payments	
1)	Senior fees (master and special servicer senior fees), other senior expenses
2)	Expenses account replenishment
3)	Senior expenses
4)	Recovery expenses reserve account
5)	Class Ax and Ay interest pro-rata and pari-passu
6)	Cash reserve replenishment
7)	Class B interest (provided that no interest subordination event has occurred)
8)	Class Ax and Ay principal pro-rata and pari-passu
9)	Class B interest (upon occurrence of interest subordination event)
10)	Class B principal and servicer mezzanine fees (provided that a servicer underperformance event has occurred)
11)	Class J interest
12)	Class J principal and servicer junior fees (provided that a servicer underperformance event has occurred)
13)	Any residual amount as class J variable return

Sources: Transaction documents and Scope Ratings

6.2. Interest subordination events

The occurrence of an interest subordination event results in class B interest being paid under item 9 of the waterfall above. An interest subordination event occurs if i) the cumulative gross collection ratio[7] (CCR) falls below 100% of the servicer's business plan targets; ii) the PV cumulative profitability ratio[8] (PVPR) falls below 100%; or iii) any due amount of class Ax and Ay interest is unpaid, the event being not cured via the application of a liquidity facility.

Class B interest accrued but not paid due to an interest subordination event will only be paid, under item 7 of the waterfall above, if the CCR and PVPR return above 100%, or if class Ax and Ay notes are fully repaid.

6.3. Servicing fee structure and alignment of interests

6.3.1. Servicing fees

The servicing fee structure links the level of servicer fees with the portfolio's performance, mitigating potential conflicts of interest between the servicer and the noteholders. The special servicer will be entitled to a performance fee. The servicer will not receive any fixed fees.

The exact level of fees is subject to the GBV size and the type of recovery strategy (judicial versus extra-judicial). Extra-judicial strategies and small positions generally bear higher performance fees relative to collection amounts. Considering the portfolio composition,

[7] 'Cumulative gross collection ratio' is defined as the ratio between: i) the cumulative gross collections; and ii) the gross expected cumulative collections since the cut-off date.

[8] 'PV cumulative profitability ratio' is defined as the ratio between: i) the sum of the present value of the gross 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.

we assumed an average performance fee of 7.4% and 4.1% (plus VAT) for secured and unsecured exposures, respectively.

Servicing fee structure reasonably aligns the interests of the servicer and the noteholders

The occurrence of a servicer underperformance event results in a certain portion of servicer performance fees (between 5% and 15%, depending on the level of underperformance) being subordinated to class Ax and Ay principal payments. This portion is then paid under items 10 and 12 of the above simplified priority of payments as mezzanine or junior servicing fees, respectively. A servicer underperformance event occurs if the CCR falls below 100%.

An underperformance event is curable if on any subsequent payment date, the CCR returns above 100%. All mezzanine and junior servicer fees accrued and unpaid in previous periods will stay subordinated, even after the event has been cured.

6.3.2. Special 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., mitigate operational risks and moral hazard that could negatively impact noteholder 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 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 of debt positions, and the payment of additional costs and expenses related to recovery activities.

6.3.3. Servicer termination events

In the event of a special servicer termination event, the monitoring agent will assist the issuer in finding a suitable replacement for the special servicer.

A special servicer termination event includes i) insolvency; ii) failure to pay any amount due to the issuer within two business days from the collection reconciliation date, except where such non-payment is due to technical reasons and the relevant payment is made within five business days from the relevant reconciliation, 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) in the 24 months after closing, the occurrence of two consecutive first or second level underperformance events[9].

The back-up servicer will step in the event of a master servicer termination event. This mitigates master servicer disruption risk.

6.4. Liquidity protection

Cash reserve provides liquidity protection to class Ax and Ay notes

A cash reserve will be funded at closing with a portion of class J notes issuance proceeds. The initial cash reserve amounts to EUR 18.25mn. The cash reserve target amount at each payment date will be equal to 4.5% of the total outstanding balance of the class Ax and Ay notes.

[9] A first (second) level underperformance event occurs if, on an interest payment date, the CCR is lower than 80% (72%) or the PVPR is lower than 80% (72%).

The cash reserve is available to cover any shortfalls in interest payments on the class Ax and Ay notes as well as any items senior to them in the priority of payments.

6.5. Interest rate hedge

Due to the non-performing nature of the securitised portfolio, the issuer will receive partially irregular 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 senior notes, defined as six-month Euribor plus a 2.75% margin.

Interest rate risk on class Ax and Ay notes is partially mitigated through an interest rate cap structure

An interest rate cap partially mitigates the risk of increased liabilities on the class Ax and Ay notes due to a rise in Euribor (Figure 35 and 36). Its notional schedule is aligned with the expected class Ax and Ay amortisation profiles under the class Ax, Ay notes analysis. However, in our baseline scenario the Euribor remains below the cap strike, therefore the structure remains unhedged considering this Euribor evolution path.

The base rate on the class Ax and Ay notes will have a floor with a strike ranging from 0.2% in July 2021 to 3.0% in July 2037. Under the interest rate cap agreement, the issuer receives any positive difference between six-month Euribor and the strike, following a pre-defined notional schedule.

A delay in recoveries beyond the class Ax and Ay recovery timing vector we have derived would increase interest rate risk exposure, as it would widen the gap between the transaction's cap notional amount and the class Ax and Ay notes' outstanding principal.

Figure 35: Interest rate cap on class Ax, Ay notes

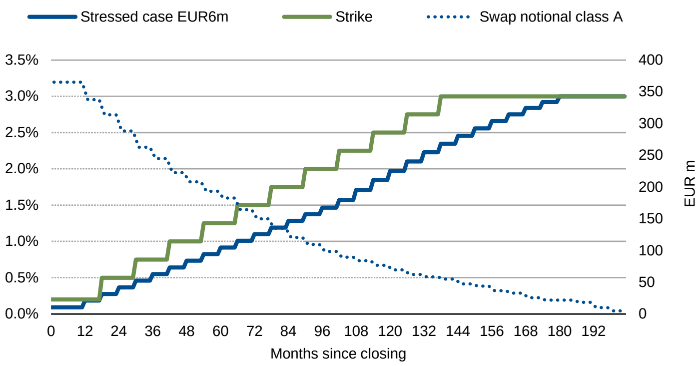
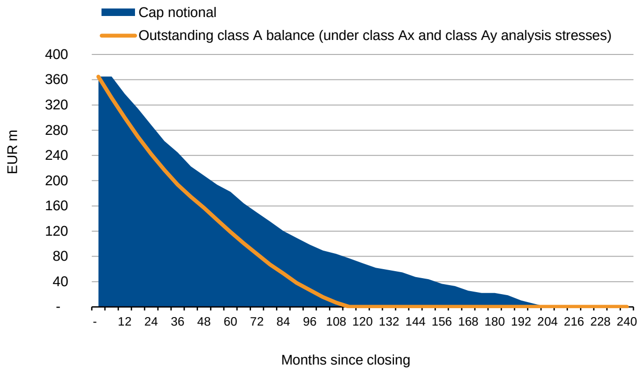


Figure 36: Interest rate cap notional vs outstanding class Ax, Ay notes



Sources: Transaction documents, Bloomberg and Scope Ratings

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 and legal costs.

Legal costs are assumed to amount to 1% of gross collections with reference to the ODA portfolio, since most legal costs have been already paid by the seller upon issuance of the respective ODAs. Legal costs are assumed to amount to 9% for the non-ODA portfolio.

Our ratings reflect expected losses over the instruments' weighted average life

The ratings assigned to the class Ax and Ay notes reflect the expected losses over the instruments' weighted average life commensurate with our idealised expected loss table.

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

For class Ax and Ay notes, 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%, zero notches.
- an increase in the recovery lag by one year, zero notches.

For class B note, 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%, zero 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

None of the counterparty exposures constrain the ratings achievable by this transaction. We considered counterparty substitution provisions in the transaction and, when available, our 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) Ifis NPL Investing S.p.A. as seller, and representations and warranties provider; ii) Zenith Service S.p.A. as back-up master servicer; iii) Banca Finanziaria Internazionale S.p.A. as corporate servicer, calculation agent, noteholders' representative and monitoring agent; iv) Ifis NPL Servicing S.p.A. as master and special servicer; v) BNP Paribas Securities Services, Milan Branch as agent bank, account bank, principal paying agent and cash manager; vi) Banca Ifis S.p.A. as recovery account bank and vii) J.P.Morgan AG as cap counterparty.

9.1. Servicer disruption risk

A special servicer or master servicer disruption event may have a negative impact on the transaction's performance. The transaction incorporates servicer-monitoring, a back-up master servicer appointed at closing and servicer replacement arrangements that mitigate operational disruption.

9.2. Commingling risk

Limited commingling risk

Commingling risk is limited. Regarding the non-ODA portfolio, 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 the payment reconciliation. In case the seller receives payments from debtors, it will transfer these amounts into the collection account within two business days from the payment reconciliation.

With reference to the ODA portfolio, the seller will collect on behalf of the issuer and in the seller's accounts any amount paid by a borrower's employer and by the social security administration in relation to a specific ODA. The seller will transfer within two business days of payment receipt the amount received into the collection account. Given that salaries and pensions are typically paid at end or beginning of the month, there is the risk of a high payments concentration during those days.

9.3. 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 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 in time and amount

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

However, the above-mentioned representations and warranties are only enforceable by the issuer within 18 months from the issue date. The total indemnity amount is payable only if its aggregate value exceeds EUR 250,000; it is capped at 23% of the portfolio's purchase price. Furthermore, indemnity amounts will be payable only if they exceed EUR 7,000 on a single-loss basis or 5% of the loan's individual purchase price.

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 the counterparties' consent, with the most senior noteholders at the date of the decision having superior voting rights.

10.2. Use of legal opinions

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

11. Monitoring

Ongoing rating monitoring

We will monitor this transaction based on performance reports, updated loan-by-loan 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, Methodology for Counterparty Risk in Structured Finance, and General Structured Finance Rating Methodology, available on www.scoperatings.com.

Appendix I – Deal comparison

Transaction	Ifis NPL 2021-1 SPV	Summer	Titan SPV	Sirio NPL	Buonconsiglio 3	Relais	POP NPLS 2020	Yoda SPV	BCC NPLS 2020	Spring SPV	Diana SPV	Futura	Marathon	Belvedere SPV
Closing	Mar-21	Dec-20	Dec-20	Dec-20	Dec-20	Dec-20	Dec-20	Dec-20	Nov-20	Jun-20	Jun-20	Dec-19	Dec-19	Dec-18
GACS	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No
Originators/sellers	Ifis NPL Investing	BPER Banca, Banco di Sardegna	Alba Leasing Release Banco BPM	UBI Banca	38 Banks	UCG Leasing	15 Banks	Intesa Sanpaolo	90 Banks	BPER, Banco di Sardegna, CR Bra	BPS	53 Banks	17 Fin. Inst.	multiple
Master servicer	Ifis Servicing	Banca FinInt	Prelios	Prelios	Zenith	Italfondiario	Credito Fondiario	Intrum	Italfondiario	Prelios	Prelios	Guber Banca	Securitisation Services	Prelios
Special servicer	Ifis Servicing	Fire	Prelios	Prelios	Guber Banca	doValue	Credito Fondiario & Fire	Intrum	doValue	Prelios	Prelios	Guber Banca	Hoist Italia	Prelios, BVI
General portfolio attributes														
Gross book value (EUR m)	1,323	322	335	1,228	679	1,583	919.9	6.033	2347.1	1377.3	999.7	1,256	5,027	2,541
Number of borrowers	47,127	15,172	668	14,313	3,671	2,335	3,978	22,282	9,580	2,544	2,981	9,639	324,282	13,678
Number of loans	69,384	23,473	939	22,471	6,520	3,006	8,128	74,312	17,246	11,669	4,813	16,152	412,795	31,266
WA seasoning (years)	7.0	3.3	5.8	3.4	3.7	5.8	3.4	5.5	3.8	4.6	4.0	5.5	7.5	6.7*
WA seasoning (years) - unsecured portfolio*	4.0	4.0	6.2	3.5	4.4	7.0	3.8	5.9	4.5	4.9	4.4	6.2	7.5	6.7*
WA LTV buckets (% or secured portfolio)														
bucket [0-25]	3.4	14.7	0.2	4.5	1.6	0.3	4.6	3.9	3.3	5.2	2	2.3	N/A	2
bucket [25-50]	4.5	23.4	2.1	12.2	7.9	2.5	9	8.9	7.7	13.4	7.4	5.5	N/A	4.9
bucket [50-75]	7.3	20.5	9.6	17.2	11.9	7.9	12.9	15.6	13.1	18.2	11.4	8	N/A	5.4
bucket [75-100]	7.5	15.6	10.6	18.6	14.2	14.4	19.2	13.8	13.5	15	19	7.2	N/A	8.5
bucket [100-125]	5.1	10.7	17.1	12.7	10.7	16.6	16.7	13.9	11.7	12.8	10.2	10.1	N/A	6.8
bucket [125-150]	5.2	6.3	9.9	6.7	10.6	14.7	10.2	6.9	9.5	6.2	7.5	9.5	N/A	8.6
bucket [150-175]	5.6	2.7	14	4.4	10.1	12.1		6.5	4.9	3.9	8.6	6.4	N/A	4.8
bucket [175-200]	4.4	1.8	6.2	6	7.6	7.4	27.4	3.3	5.4	3.9	3.7	3.8	N/A	5.2
bucket > 200	57	4.3	30.3	17.6	25.5	24		27.1	31	21.1	30.2	47.2	N/A	53.9
Cash in court (% of total GBV)	1.3	0.5	0	1.4	1.3	1.5	0.3	0.9	0.4	3.0	3.3	1.1	N/A	2.7
Loan types (% of total GBV)														
Secured first-lien	30.3	44.4	87.7	53.7	65.5	86.5	55.9	41.2	59.8	52.5	64.7	45.7	0	41.0
Secured junior-lien	0.4	4.3	0.0	7.6	4.0	0.0	9.0	3.7	7.5	42.4	3.4	6.1	0	8.2
Unsecured	69.3	51.3	12.3	38.7	30.5	13.5	35.1	55.1	32.7	5.1	31.9	48.2	100	50.8
Syndicated loans	1.5	0.0	2.6	3.2	6.2	7.1	1.1	1.3	6.4	14.0	0.0	2.4	0	0
Debtors (% of total GBV)														
Individuals	80	51.1	0.6	7	26.4	0.8	25.3	10.6	16.6	11.1	21.5	22	57.4	12.0
Corporates or SMEs	20	48.9	99.4	93	73.6	99.2	74.7	89.4	83.4	88.9	78.5	78	42.6	88.0
Procedure type (% of total GBV)														
Bankrupt	15.6	42.4	10.4	53.2	64.9	36.0	55.1	49.8	59.1	52.8	22	64.2	N/A	82.2
Non-bankrupt	84.4	57.6	89.6	46.8	35.1	64.0	44.9	50.2	40.9	47.2	78	35.8	N/A	17.8
Borrower concentration (% of GBV)														
Top 10	5.1	1.5	26.8	7.8	8.7	9.3	9.1	5.2	6.1	11.5	8.7	4.8	0	9.1
Top 100	14.9	11.0	74.9	30.3	38.4	36.9	35.3	19.6	25.1	39.7	34.7	21.5	0	24.2
Collateral distr. (% of appraisal val.)														
North	18.3	32.0	72	51.6	64.7	49.2	62.2	36.6	42.8	39.2	83.8	74.1	N/A	48.8
Centre	13.3	10.2	14.5	25.2	21.7	23.4	12.4	24.3	40.6	8.3	9.7	14.6	N/A	23.6
South	68.4	57.8	13.5	23.2	13.6	27.4	25.4	39.1	16.5	52.5	6.5	11.3	N/A	27.6
Collateral type (% of appraisal val.)														
Residential	60.8	73.5	1	35.3	35.3	2.6	46.6	38	31.6	32.8	46.6	47.1	N/A	41.9
Commercial	6.6	9.1	46	23.5	27.8	56.4	22.3	16.7	20.9	22.1	17.9	10.6	N/A	9.6
Industrial	16.7	7.0	50.8	16.5	15.0	36.4	9.9	26.3	21.1	12.4	11.5	21.2	N/A	7.2
Land	9.3	5.3	1.0	12.4	17.3	1.2	9.5	14.5	14.2	14.7	12.5	12.1	N/A	8.8
Other or unknown	6.6	5.1	1.3	12.3	4.7	3.4	11.7	4.5	12.2	18.0	11.6	9	N/A	32.5
Valuation type (% of appraisal val.)														
Full or drive-by	31	31.5	79.5	16.9	58.1	29.6	46.1	31.1	57.4	74.3	62	0.9	N/A	31.4
Desktop	51.3	6.4	18.3	36.8	23.4	68.1	22.5	23.4	19.4	11.4	9.8	53.2	N/A	36.1
CTU	0	0.9	0.0	17.7	13.9	0.0	20	23.2	10.3	13.4	19.1	21.1	N/A	0.0
Other	17.7	61.2	2.2	28.6	4.6	2.3	11.4	22.3	12.9	0.9	9.1	0.8	N/A	32.5
Secured ptf proc. stage (% of GBV)														
Initial**	37.5	76.3	NA	65.2	52.6	NA	57.7	64.2	51.2	67.4	63.5	43.1	N/A	52.4
CTU	14.2	12.8	NA	14.7	26.6	NA	22.6	15.5	18.4	4.2	2.5	15.1	N/A	0.0
Auction	33.7	6.7	NA	14.1	16.6	NA	12.8	15.2	18.5	13.7	22.3	24.3	N/A	38.3
Distribution	14.6	4.2	NA	6.0	4.2	NA	7	5.1	11.9	14.6	11.8	17.4	N/A	9.3
Summary of assumptions (BBB rating conditional stress)														
Remaining lifetime recovery rate (%)														
Secured (=net LTV after all stresses)	20.5	70.4	48.6	50.2	43.1	48.6	48.9	45.4	43.8	53.1	47.7	36.7	N/A	36.7
Unsecured	50.6	12.1	6.1	12.9	8.2	17.9	8.7	6.3	11.6	9.5	8.9	7.6	9.1	7.3
Total	41.5	38.0	43.4	32.9	31.1	44.4	31.2	22.4	30.8	32.4	34	20.9	9.1	19.4
Weighted average life of collections (yrs)														
Secured	6.3	7.0	4.3	7.6	7.4	5.0	7.6	7.2	8.3	6.0	3.8	6.57	N/A	8.2
Unsecured	5.4	4.9	7.9	4.3	4.8	12.6	4.7	3.3	5.2	3.6	4.4	3.4	3.08	5.2
Total	5.6	6.6	4.4	6.8	5.9	5.4	7.2	6.6	7.7	5.4	5.1	5.94	3.1	6.4
Structural features														
Liquidity reserve (% of class A notes)	4.5	4	5	4	4	7.5	4	4	3	5	4.5	4.5	3	4
Class A Euribor cap strike	0.2%-3.0%	0.2%-1.4%	0.05%-4.0%	0.6%-3.75%	0.6%-3.75%	0.5%-1.7%	0.2%-1.6%	0%-0.75%	0.5%-1.2%	0.2%-1.6%	0.6%-3.75%	0.2%-3.0%	N/A	0.5%
Class A														
% of GBV	27.6	26.5	27	23.6	22.7	29.4	26.3	16.7	22.2	23.2	23.5	12.6	5.7	12.4
Credit enhancement	72.4	73.5	73.01	76.4	77.3	70.6	73.7	83.3	77.8	76.8	76.5	87.4	94.3	87.6
Class B														
% of GBV	5.6	3.1	4.47	2.9	3.1	5.75	2.72	3.5	1.7	1.5	3.5	2.9	0.7	3
Credit enhancement	66.8	70.3	68.5	73.5	74.2	64.8	70.98	79.9	76.1	75.3	73	84.5	99.3	84.6
Final rating at closing														
Class A	A-	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB+	BBB
Class B	B+	NR	NR	NR	NR	NR	CC	NR	CC	NR	NR	NR	BB	NR

* 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 for which the nature of the proceeding is unknown.

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