

Italian NPL securitisation collections plunge on Covid-19 impacts

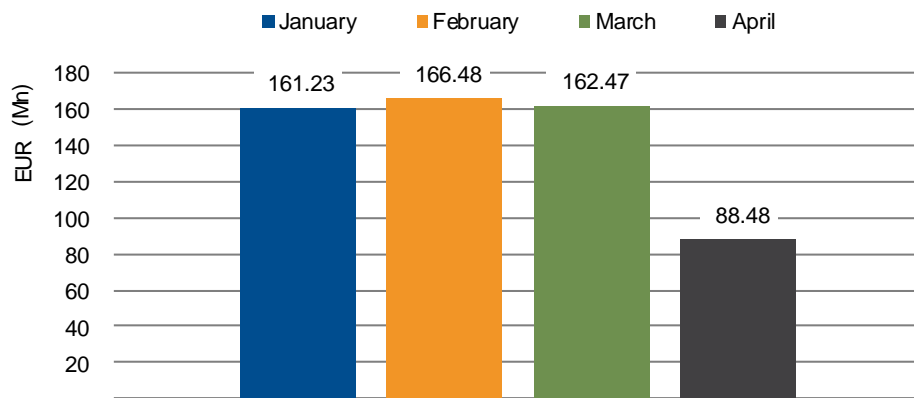


Scope
Ratings

The Covid-19 pandemic has severely hit Italian NPL securitisations. Since April, the volume of gross collections has decreased by about 46% relative to the January-February average. We expect low collection levels to persist for the rest of this year, as Italy's economy will not recover before 2021.

Figure 1 illustrates the magnitude of the decline, which was driven both by a delay in the timing of recovery strategies (where the suspension of court activity¹ has played a clear role); and a deterioration in affordability and liquidity conditions. State aid has helped mitigate reduced income of households and corporates, but not completely. Additionally, deteriorating real estate market conditions could affect collections on secured exposures going forward.

Figure 1. Total gross proceeds (Jan-Apr 2020) – all transactions



Source: Scope calculations on servicing reports

Figures 2 to 5 provide performance details of Italian NPL securitisations rated by Scope on a deal-by-deal basis.² The decrease in gross collections has been reflected similarly in judicial and extra-judicial recovery strategies. So far, there is no evidence of significant changes to servicers' work-out strategies due to the pandemic.

Four transactions actually registered a sharp increase in extra-judicial collections, where about 60%-90% of the proceeds were cashed in from a few borrowers. These could be one-off events or may signal a more profound change in recovery strategies, once servicers have gone through the process of amending their business plans. We will closely monitor collection volumes in upcoming months and expect a clearer trend to emerge from September based on at least six monthly periods of post-Covid-19 collections.

Figure 2 and **3** show that almost all transactions suffered lower collections, with a decrease of 50% relative to the average of January and February³. The decline registered only from April, even though Italy's lock-down was initiated on 9 March.

¹ Please refer to the short commentary "Covid-19: court suspensions delay NPL legal proceedings" (Apr-20).

² The analysis has been conducted on 22 transactions out of the 25 rated by Scope, considering the available monthly collections reports from January 2020 onwards.

³ We compared April collections against January and February levels as April was the first month of full lock-down in Italy, whilst January and February were representative of a pre-Covid scenario. The percentage of decrease has been computed only for transactions showing a negative variation of collection volumes.

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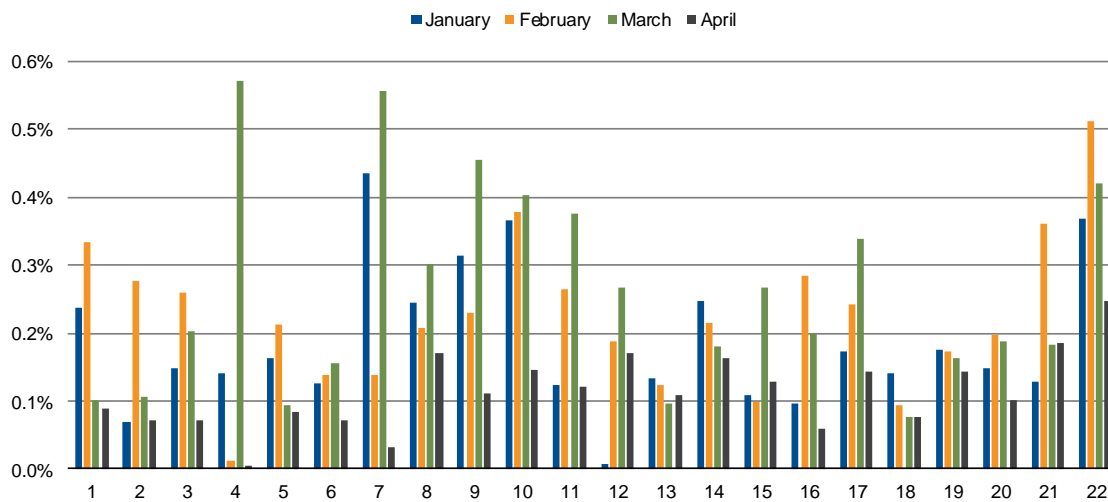
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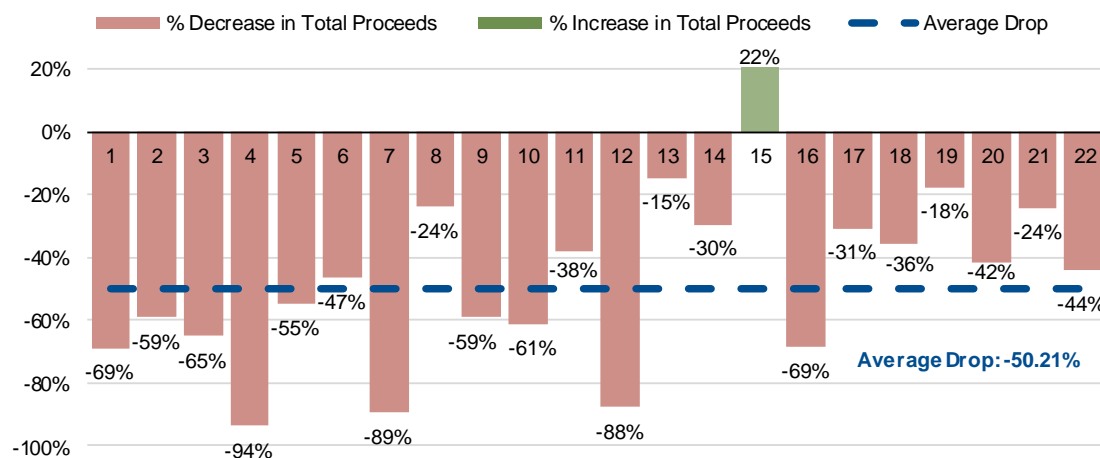
Figure 2. Total gross proceeds Jan. - Apr. (% on original gross-book-value)*



Nb.	Transactions
1	Juno 1 S.r.l.
2	4Mori Sardegna S.r.l.
3	Aqui SPV S.r.l.
4	Bari NPL 2, S.r.l.,
5	BCC NPLs 2018 S.r.l.
6	BCC NPLs 2018 2 S.r.l.
7	Maggese S.r.l.
8	Maior
9	2Worlds S.r.l.
10	Red Sea SPV S.r.l.
11	Juno 2 S.r.l.
12	POP NPLs 2019 S.r.l.
13	Aragorn NPL 2018 Srl
14	Leviticus SPV S.r.l.
15	Riviera NPL Srl CF
16	ELROND NPL 2017 S.r.l.
17	POP NPLs 2018
18	Belvedere NPL Srl
19	Marathon SPV S.r.l.
20	Siena NPL 2018 S.r.l.
21	IBLA S.R.L
22	Prisma SPV S.r.l.

* January gross proceeds for transaction n. 12 have been represented only for the relevant share that was accounted on Jan. 2020
Source: Scope calculations on servicing reports.

Figure 3. Total gross proceeds (% variation) – Apr. versus average Jan. - Feb. 2020*



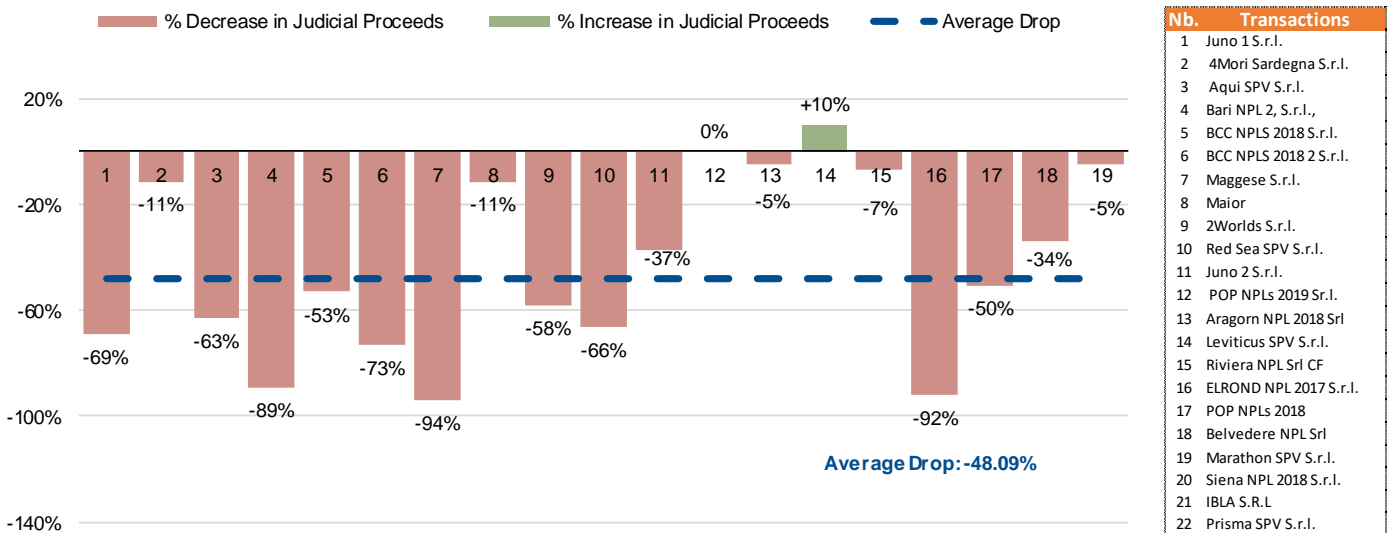
Nb.	Transactions
1	Juno 1 S.r.l.
2	4Mori Sardegna S.r.l.
3	Aqui SPV S.r.l.
4	Bari NPL 2, S.r.l.,
5	BCC NPLs 2018 S.r.l.
6	BCC NPLs 2018 2 S.r.l.
7	Maggese S.r.l.
8	Maior
9	2Worlds S.r.l.
10	Red Sea SPV S.r.l.
11	Juno 2 S.r.l.
12	POP NPLs 2019 S.r.l.
13	Aragorn NPL 2018 Srl
14	Leviticus SPV S.r.l.
15	Riviera NPL Srl CF
16	ELROND NPL 2017 S.r.l.
17	POP NPLs 2018
18	Belvedere NPL Srl
19	Marathon SPV S.r.l.
20	Siena NPL 2018 S.r.l.
21	IBLA S.R.L
22	Prisma SPV S.r.l.

* The Average Drop has been computed only considering those transactions with a negative variation (i.e., transaction n.15 was excluded).

Source: Scope calculations on servicing reports

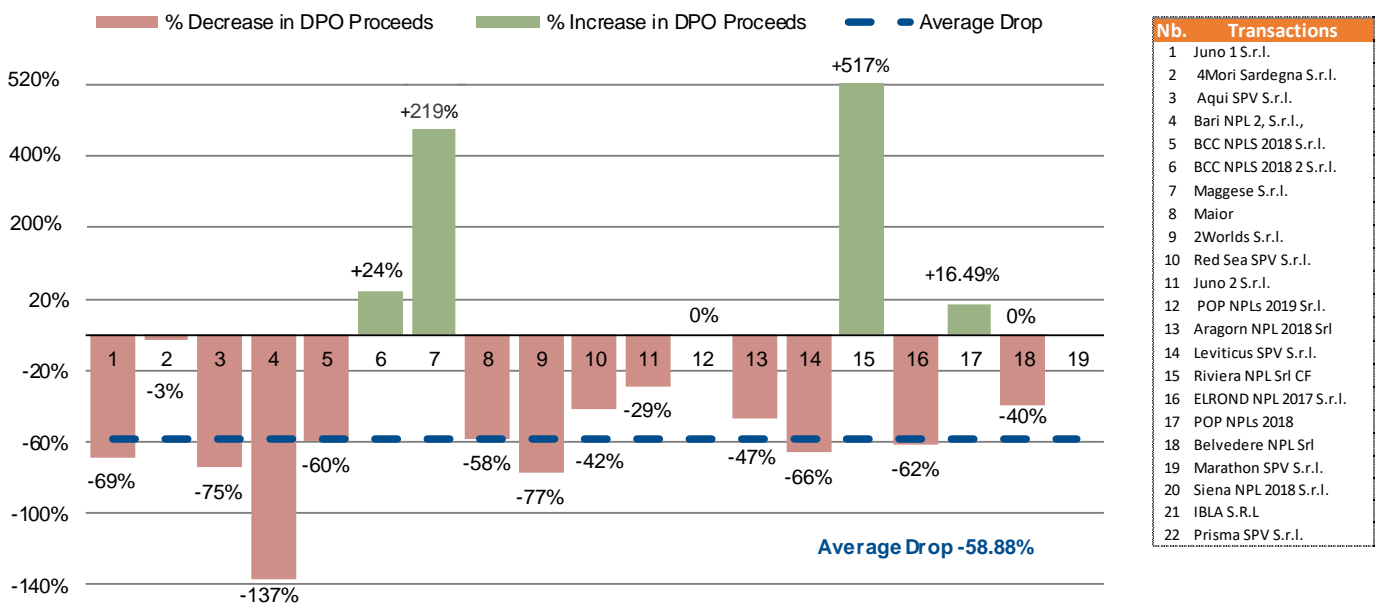
Figure 4 and 5 show that both judicial and extra-judicial proceeds have been heavily impacted, although some transactions that have gone down the extra-judicial route have actually performed better and seen higher collections. If we compare April collections with the average of January and February, the average decrease of judicial collections (computed only for negative variations) was 48%. The same analysis conducted for extra-judicial proceeds, has shown an average decrease of 59%.

Figure 4. Judicial gross proceeds (% variation) – Apr. versus average Jan. - Feb. 2020 *



*The chart refers to a sample of 19 transactions out of the 22, since monthly collections by recovery strategy was not available for transactions n. 20, 21, 22. The Average Drop has been computed only considering those transactions with a negative variation (i.e., transactions n. 12, 14 were excluded). No judicial collections were reported in Jan. / Feb. for Transaction n.12; proceeds were instead classified as "other", whilst in Apr., judicial proceeds amounted to EUR 345k. The variation % was therefore not computable for this specific case.
Source: Scope calculations on servicing reports

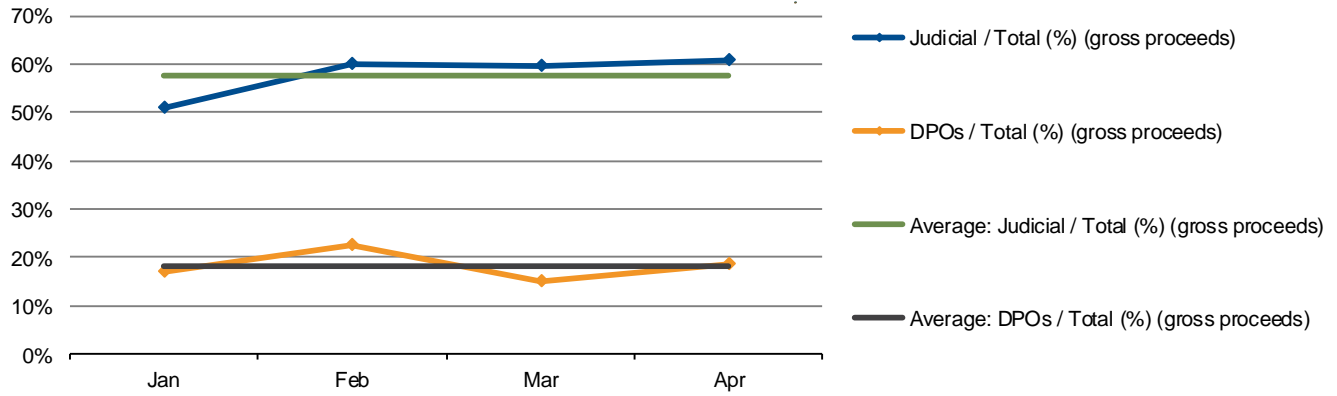
Figure 5. Extra-judicial proceeds (% variation) – Apr. versus average Jan.-Feb. 2020 *



* The term "DPO" refers to discounted-payoff strategies. The chart refers to a sample of 19 transactions out of the 22, since monthly collections by recovery strategy was not available for transactions n. 20, 21, 22. The Average Drop has been computed only considering those transactions with a negative variation (i.e., transactions n. 6, 7, 12, 15, 17, 19 were excluded). No judicial collections were reported in Jan. / Feb. for Transaction n.12; proceeds were instead classified as "other", whilst in Apr., DPO proceeds amounted to EUR 367k. The variation % was therefore not computable for this specific case. Transaction n. 19 does not report DPOs as collection type. Transactions n. 15 and 7 shown 90% of the extra-judicial proceeds related to a single borrower, whilst transactions n. 6 and 17 shown about 60% of the proceeds deriving from three borrowers.
Source: Scope calculations on servicing reports

Figure 6 shows that servicers have not to-date changed their work-out strategies due to the pandemic, as the ratio of judicial and DPOs over total proceeds has not significantly varied.

Figure 6. Share of judicial and extra-judicial proceeds on total gross proceeds (Jan. - Apr. 2020)*



* The chart refers to a sample of 19 transactions out of the 22, since monthly collections by recovery strategy was not available for transactions n. 20, 21, 22.
Source: Scope calculations on servicing reports



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I. Appendix –NPL securitisations rated by Scope

Deal name/Link to Rating report	Issuance	Seller	Servicer (master and special)	GBV at closing (EUR m)	Scope rating Class A: current (at closing)	Scope rating Class B: current (at closing)	Coupon Class A/ Class B	GACS (Y/N)
Elrond NPL 2017 Srl	Jul-17	Credito Valtellinese SpA, Credito Siciliano SpA	Cerved Credit Management SpA, Cerved Master Services SpA	1,422	BB (BBB-)	B- (B+)	6mE+0.5%/ 6mE+6%	Y
Bari NPL 2017 Srl	Dec-17	Banca Popolare di Bari Scpa, Cassa di Risparmio di Orvieto SpA	Prelios Credit Servicing SpA	345	BBB- (BBB)	B- (B+)	6mE+0.3%/ 6mE+6%	Y
GBV of GACS eligible securitisations rated by Scope 2017 (EUR million)				1,767				
Siena NPL 2018 Srl	May-18	Monte dei Paschi di Siena SpA, MPS Capital Services Banca per le Imprese SpA, MPS Leasing & Factoring SpA	Juliet SpA, Italfondario SpA, Credito Fondiario SpA, Prelios Credit Servicing SpA	24,070	BBB+ (BBB+)	Not Rated	3mE+1.5%/ 3mE+8%	Y
Aragorn NPL 2018 Srl	Jun-18	Credito Valtellinese SpA, Credito Siciliano SpA	Credito Fondiario SpA, Cerved Credit Management SpA	1,671	BBB- (BBB-)	B- (B)	6mE+0.5%/ 6mE+7%	Y
Red Sea SPV Srl	Jun-18	Banco BPM SpA and Banca Popolare di Milano SpA	Prelios Credit Servicing SpA	5,097	BBB (BBB)	Not Rated	6mE+0.6%/ 6mE+6%	Y
4Mori Sardegna Srl	Jun-18	Banco di Sardegna SpA	Prelios Credit Servicing SpA	1,045	A- (A-)	BB- (BB-)	6mE+0.9%/ 6mE+8%	Y
2Worlds Srl	Jun-18	Banco di Desio e della Brianza SpA, Banca Popolare di Spoleto SpA	Cerved Credit Management SpA, Cerved Master Services SpA	1,002	BBB (BBB)	B (B)	6mE+0.4%/ 6mE+8%	Y
BCC NPLS 2018 srl	Jul-18	21 co-operative banks co-ordinated by Iccrea SpA and two banks belonging to ICCREA Banca SpA	Prelios Credit Servicing SpA	1,046	BBB- (BBB-)	B+ (B+)	6mE+0.4%/ 6mE+6%	Y



Italian NPL securitisation collections plunge on Covid-19 impacts

Juno 1 Srl	Jul-18	Banca Nazionale del Lavoro SpA	Prelios Credit Servicing SpA	957	BBB+ (BBB+)	Not Rated	6mE+0.6%/6mE+8%	Y
Maggese Srl	Jul-18	Cassa di Risparmio di Asti SpA, Cassa di Risparmio di Biella e Vercelli-Biverbanca SpA	Prelios Credit Servicing SpA	697	BBB- (BBB)	Not Rated	6mE+0.5%/6mE+6%	Y
Maior SPV Srl	Aug-18	Unione di Banche Italiane SpA and IW Bank SpA	Prelios Credit Servicing SpA	2,749	BBB (BBB)	Not Rated	6mE+0.5%/6mE+6%	Y
IBLA Srl	Sep-18	Banca Agricola Popolare di Ragusa SpA	Italfondario SpA	349	BBB (BBB)	B (B)	6mE+0.6%/6mE+8%	Y
AQUI SPV Srl	Nov-18	BPER Banca SpA, Cassa di Risparmio di Saluzzo SpA and Cassa di Risparmio di Bra SpA	Prelios Credit Servicing SpA	2,082	BBB- (BBB-)	Not Rated	6mE+0.5%/6mE+7%	Y
POP NPLS 2018 Srl	Nov-18	17 banks	Cerved Credit Management SpA, Cerved Master Services SpA	1,578	BBB (BBB)	B (B)	6mE+0.3%/6mE+6%	Y
Riviera NPL Srl	Dec-18	Banca Carige SpA and Banca del Monte di Lucca SpA	Italfondario SpA, Credito Fondiario SpA	964	BBB- (BBB-)	B+ (B+)	6mE+0.65%/6mE+7%	Y
BCC NPLS 2018-2 Srl	Dec-18	73 co-operative banks	Italfondario SpA	2,004	BBB (BBB)	B+ (B+)	6mE+0.3%/6mE+6%	Y
Belvedere SPV Srl	18-Dec	Gemini SPV Srl, Sirius SPV Srl, Antares SPV Srl, 1702 SPV Srl, Adige SPV Srl	Bayview Italia S.r.l., Prelios Credit Servicing S.p.A.	2,541	BBB (BBB)	Not Rated	6mE+3.25%/6%	N
GBV of GACS eligible securitisations rated by Scope 2018 (EUR million)				45,311				
GBV of securitisations rated by Scope 2018 (EUR million)				47,852				



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Leviticus SPV Srl	Feb-19	Banco BPM SpA	Credito Fondiario SpA	7,385	BBB (BBB)	Not Rated	6mE+0.6%/6mE+8%	Y
Juno 2 Srl	Feb-19	Banca Nazionale del Lavoro SpA	Prelios Credit Servicing SpA	968	BBB+ (BBB+)	Not Rated	6mE+0.6%/6mE+8%	Y
Prisma SPV Srl	Oct-19	Unicredit SpA	Italfondiaro SpA, doValue SpA	6,057	BBB+ (BBB+)	B- (B-)	6mE+1.5%/6mE+9%	Y
Marathon SPV Srl	Dec-19	Marte SPV Srl, Pinzolo SPV Srl	Hoist Italia Srl, Securitisation Services SpA	5,027	BBB+ (BBB+)	BB (BB)	1.8%/8%	N
Iseo SPV Srl	Dec-19	UBI Banca SpA	Italfondiaro SpA, doValue SpA	858	BBB (BBB)	Not Rated	6mE+0.5%	Y
Futura 2019 Srl	Dec-19	Futura SPV Srl	Guber Banca SpA	1,256	BBB (BBB)	Not Rated	6mE+0.3%	N
BCC NPLs 2019 Srl	Dec-19	68 banks	Italfondiaro SpA, doValue SpA	1,324	BBB+ (BBB+)	B- (B-)	6mE+0.3%/6mE+6.5%	Y
POP NPLs 2019 Srl	Dec-19	12 banks	Prelios Credit Servicing SpA, Fire SpA	826.7	BBB (BBB)	CCC (CCC)	6mE+0.3%/6mE+9.5%	Y
GBV of GACS-eligible securitisations rated by Scope 2019 (EUR million)				17,419				
GBV of securitisations rated by Scope 2019 (EUR million)				23,702				
Total GBV of securitisations rated by Scope (EUR million)				73,321				

Source: Scope Ratings public data



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