MOODY'S
INVESTORS SERVICE

CREDIT OPINION
22 September 2016

Pre-Sale

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Closing Date
[30 September] 2016

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Voba 6

ABS / SME / Italy

Capital Structure

Exhibit 1
Provisional (P) Ratings

Series	Rating	Amount (million)	% of Assets*	Legal Final Maturity	Coupon	Subordi-nation**	Reserve Fund***	Total Credit Enhance-ment****
A1	(p) [Aa2] (sf)	€ 100.00	18.9%	November-60	3mE + []%	83.53%	2.27%	85.80%
A2	(p) [Aa2] (sf)	€ 257.40	48.7%	November-60	3mE + []%	34.84%	2.27%	37.11%
B	(p) [Baa1] (sf)	€ 59.60	11.3%	November-60	3mE + []%	23.56%	2.27%	25.83%
J	NR	€ 124.55	23.6%	November-60	3mE + []%	0.00%	0.00%	0.00%
Total		€ 541.55	102.4%					

The ratings address the expected loss posed to investors by the legal final maturity. In our opinion, the structure allows for timely payment of interest and ultimate payment of principal at par on or before the rated final legal maturity date for Class A1 and A2 only. Our ratings address only the credit risks associated with the transaction. Other non-credit risks have not been addressed, but may have a significant effect on yield to investors.
* Without taking into account accrued interest. Class J funds a portion of the portfolio as of the closing date, but also the debt reserve amount plus some expenses.
** At close, in % of total assets.
*** For the purpose of this table in % of total assets; which is re-calibrated from what is defined in the transaction documents as 2.88% of rated notes (i.e. class A1, A2, B). The reserve fund will provide credit support only at deal maturity.
****No benefit attributed to excess spread.
Source: Moody's Investors Service.

Summary Rating Rationale

Voba 6 Srl is a cash securitisation of secured and unsecured loans extended to small and medium-sized enterprises (SMEs) and individual entrepreneurs located mainly in the North East of Italy and originated by Banca Popolare dell'Alto Adige (BPAA). Our quantitative, structural and legal analysis of this transaction supports the ratings that we have assigned. The sensitivity of the assigned ratings to changes in the local country ceiling (LCC) is on page 23 of the report in the Parameter Sensitivities section.

Credit Strengths

» *Portfolio composition:* Securitised portfolio is granular with the top borrower, top 5 and 20 borrowers exposure being 2.5%, 7.3% and 16% respectively. (See Asset Description – Pool Characteristics)

» *High proportion of secured loans:* Approximately half of the portfolio is collateralized by mortgages on real estate property.

» *Transaction structure*: The structure does not include a revolving period during which additional loans may be sold to the special-purpose vehicle (SPV). This feature limits portfolio performance volatility caused by additional purchases. (See Asset Description – Asset Acquisition Guidelines)

» *Liquidity arrangement*: The deal structure includes a unified interest and principal waterfall and an amortizing cash reserve fund, funded for an amount equal to 2.88% of class A1, A2 and B notes' balance at closing. The reserve fund works as a liquidity line for class A1, A2 and B (only if the performance event trigger is not hit) and it is available to repay principal on the rated notes at maturity. (See Securitization Structure Description – Detailed Description of the Structure)

Credit Challenges

» *Financial strength of originator*: We do not rate Banca Popolare dell'Alto Adige. However, the transaction benefits from (i) a back-up servicing arrangement with Securitisation Services S.p.A. (NR) signed at closing, and (ii) a reserve fund as liquidity cushion. (See Asset Description – Pool Characteristics)

» *Portfolio composition:* The portfolio is heavily concentrated in the regions of Trentino Alto Adige and Veneto, which exposes the transaction to economic and real estate cycles in these regions. At the same time the North-Eastern regions of Italy may be deemed, from an economic point of view, relatively stronger and more efficient than other regions in Italy. The portfolio exhibits also a specific concentration in the Construction and Building sector representing about 27% of the portfolio. Moreover, 13% of the portfolio was originally originated by Marostica Bank displaying much higher problem loans than BPAA. (See Asset Description – Pool Characteristics)

» *Loan renegotiations of the servicer:* The servicer can revise spread, interest rate and extend the amortization profile for loans. Specific limits in transaction documents partially mitigate this risk. We account for this exposure in our quantitative analysis. (See Securitization Structure Description – Detailed Description of the Structure)

» *Set-off risk:* The transaction is exposed to set off risk, prior to or after notification of the transfer, on savings, current accounts, deposits and bonds issued by the originator which are held by the borrowers. The borrowers have no derivative contracts with the originator and the net exposure represents less than 1.5%. (See Securitization Structure Description – Detailed Description of the Structure)

» *Commingling risk:* The transaction is exposed to commingling risk as debtors pay in the servicer's account. Risk is limited thanks to the daily sweep of collections into the Issuer Account opened with an eligible institution (at least Baa1/P-2 rated bank) and hence subject to certain triggers (replacement at loss of Baa2 or P-2). (See Securitization Structure Description – Detailed Description of the Structure)

» *No hedging arrangements*: The transaction structure does not include a hedging mechanism to cure potential interest rate mismatches between the portfolio and the notes. However, interests on the rated notes are capped. We accounted for this feature in our modelling of the transaction. (See Securitization Structure Description – Detailed Description of the Structure)

Key Characteristics

Exhibit 2

Asset Summary and Related Key Party Characteristics

Asset Characteristics	
Receivables:	Loans extended to small and medium-sized enterprises (SMEs) and individual entrepreneurs located in Italy.
Methodologies Used:	Moody's Global Approach to Rating SME Balance Sheet Securitizations (2015-October)
Model Used:	ABSROM v 3.10.1 and Moody's CDOROM v 2.15-4
Total Amount:	528.6 Mio (without accrued interests)
Length of Revolving Period:	None
Number of Borrowers:	3782
Number of Borrower Groups:	3099
Number of Assets:	4132
Effective Number:	387
WA Remaining Term:	7.7
WA Seasoning:	2.6
WAL of Portfolio in Years:	3.9
Interest Basis:	93.8% floating, 6.2% fixed
WA Current Collateral Ratio:	NA
Delinquency Status:	None
Historical Portfolio Performance Data	
Default Rate Observed:	8.8%, 4.9% respectively for secured and unsecured loans (based on extrapolated historical vintage analysis using similar default definition of transaction, 2009-2014)
Delinquencies Observed:	loans delinquent for more than 90 days are 2.25% and 1.42% on average respectively for secured and unsecured loans
Coefficient of Variation Observed:	82% and 41% respectively for secured and unsecured loans (based on extrapolated historical vintage analysis using similar default definition of transaction)
Recovery Rate Observed:	63%, 58% respectively for secured and unsecured loans (based on extrapolated historical vintage analysis)

Source: Moody's Investors Service

Exhibit 3

Securitization Structural Features and Related Key Party Characteristics

Structural Characteristics	
Excess Spread at Closing:	2.3% (assuming Euribor at 2% and senior fees of 0.5%)
Credit Enhancement/Reserves:	Subordination of the notes and excess spread
	Cash Reserve of 2.88% (as percentage of rated notes) is fully funded at closing , provides liquidity to class A1 and A2 as well as B (if no performance event hit)
Form of Liquidity:	Excess spread, cash service, implied principal to pay interest as unified waterfall
Number of Interest Payments Covered by Liquidity:	Approximately 3 quarterly payment dates assuming a Euribor of 2%
Interest Payments:	Quarterly in arrears on each payment date
Principal Payments:	Pass-through on each payment date
Payment Dates:	November 2016, thereafter the 27th day of each of February, May, August and November of each year or following business day
Hedging Arrangements:	None
Transaction Parties	
Issuer:	Voba No. 6 S.r.l.
Seller/Originator:	BPAA
Servicer:	BPAA
Back-up Servicer:	Securitisation Services S.p.A. (NR)
Back-up Servicer Facilitator:	N/A
Cash Manager:	BPAA
Back-up Cash Manager:	NA
Computational agent:	Securitisation Services S.p.A. (NR)
Back-up Calculation/Computational Agent:	N/A
Swap Counterparty:	N/A
Issuer Account Bank:	BNPP Securities Services (**A1** / P-1)
Collection Account Bank:	BNPP Securities Services, Milan Branch (**A1** / P-1), if servicer not rated Baa1 or P2
Paying Agent:	BNPP Securities Services, Milan Branch (**A1** / P-1)
Corporate Service Provider:	Securitisation Services S.p.A. (NR)
Representative of the Noteholders:	Securitisation Services S.p.A. (NR)
Arranger:	Unicredit

Source: Moody's Investors Service

Asset Overview

Voba 6 Srl is a cash securitisation of secured and unsecured loans extended to small and medium-sized enterprises (SMEs) and individual entrepreneurs located in Italy originated by Banca Popolare dell'Alto Adige. We analyzed the assets based on asset characteristics, historical performance data and originator and servicer quality.

Asset Description

Asset Description at Closing

The securitised portfolio consists of loans extended by BPAA mainly to rather small-sized businesses and individual entrepreneurs in the North East of Italy. The balance of the portfolio (as of 31 July 2016) is approximately €528.6 million. The vast majority of the portfolio are amortizing loans that pay monthly (75%) and have floating rates (94%).

POOL CHARACTERISTICS

The below tables and exhibits show some basic characteristics of the initial pool of assets.

Exhibit 4
Initial Pool Details

Initial Pool Details	
Number of Contracts	4,132
Type of Contracts	Loans receivables
Contract Amortisation Type	French amortization
% Bullet Loans	0.47%
% Large Corporates	0.00%
% Real Estate Developers	13.20%
WA Interest Rate	3.50%
WA spread	2.80%
WA Internal Rating	Ba1/Ba2

Source: BPAA.

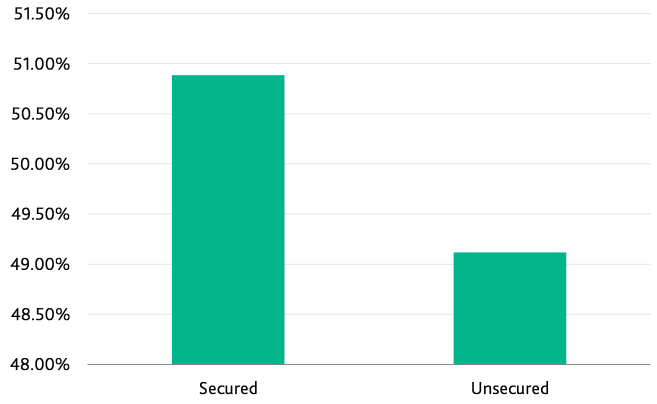
The following exhibits show portfolio concentrations according to obligor size, industry and region.

Exhibit 5
Top Pool Concentration Levels

Top Pool Concentration Levels	
Top Debtor Concentration	2.5%
Top 5 Debtors	7.3%
Top 10 Debtors	10.9%
Top 20 Debtors	16.0%
Top Industry Concentration	Construction & Building (27%)
Top Geographic Concentration	Alto Adige 51.9%

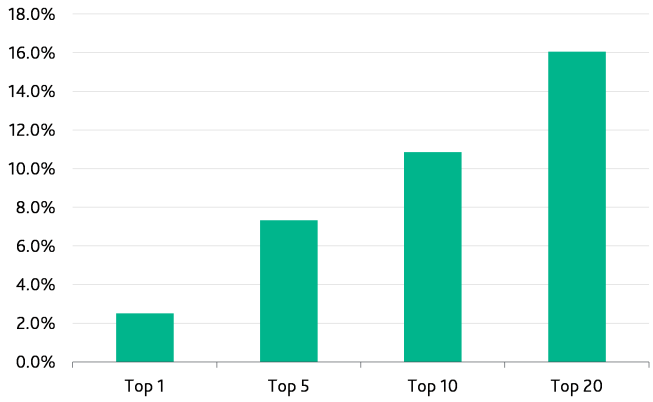
Source: BPAA.

Exhibit 6
Security Type



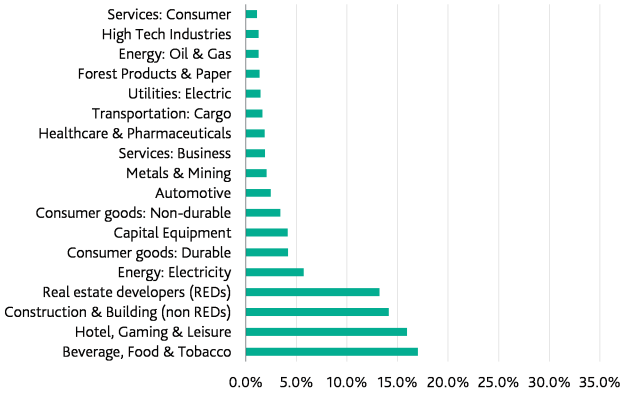
Source: BPAA

Exhibit 7
Borrower Concentrations



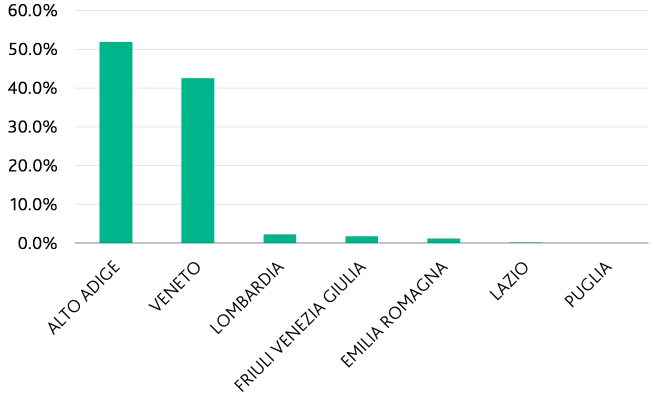
Source: BPAA

Exhibit 8
Sector Concentrations



Source: BPAA

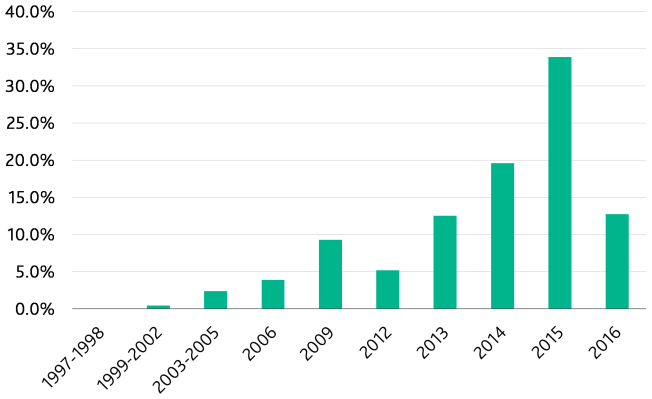
Exhibit 9
Region Concentrations



Source: BPAA

The charts below show the portfolio concentrations by year of origination and final maturity year.

Exhibit 10
Year of Origination



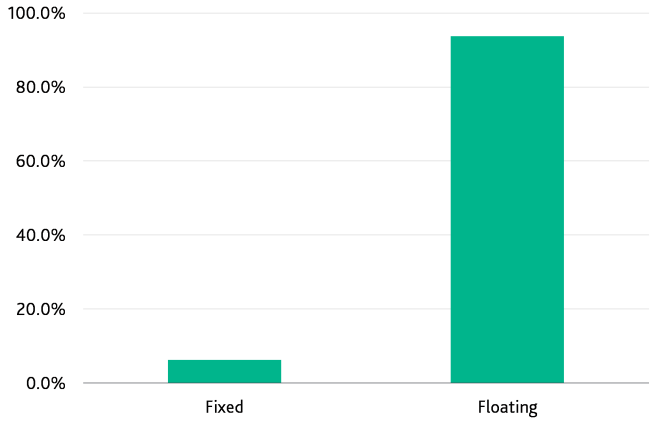
Source: BPAA

Exhibit 11
Final year of Maturity

Source: BPAA

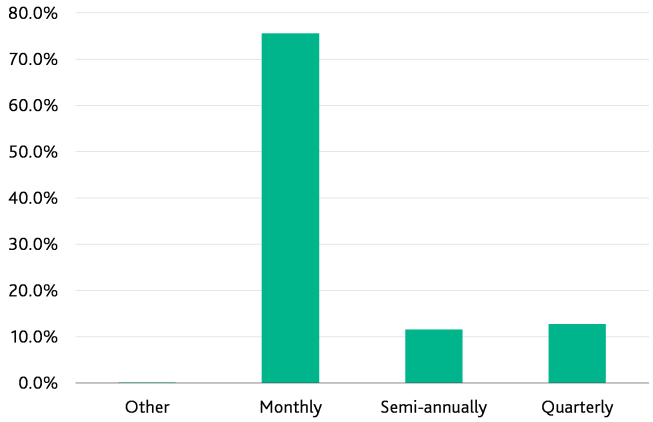
The charts below show portfolio concentrations by interest rate type and loan payment frequency.

Exhibit 12
Interest rate type



Source: BPAA

Exhibit 13
Loan payment frequency



Source: BPAA

ORIGINATOR

Banca Popolare dell'Alto Adige ("BPAA", NR) is the transaction's originator and servicer. BPAA is a small regional bank that merged with Banca Popolare di Treviso (not rated) in May 2015 and integrated Banca Popolare di Marostica (rating withdrawn in 2012) effective since April 2015. It operates mainly in the North East of Italy. The table below provides details about BPAA.

Exhibit 14
Originator Background:

Originator Background: Banca Popolare dell'Alto Adige	
Rating:	» Not rated
Financial Institution Group Outlook for Sector:	
Ownership Structure:	58072 Shareholders
Asset Size:	8.983.521.057
% of Total Book Securitised:	31,8%
Transaction as % of Total Book:	12,0%
% of Transaction Retained:	

Source:

We last reviewed their operations in June 2016. See the table below for further details.

ORIGINATOR QUALITY

Exhibit 15

Originator Review

Originator Assessment	Main Strengths (+) and Challenges(-)
	Overall Assessment: Average
	Strengths:
	» Origination through branches only, focusing mainly on the core region (healthy Alto Adige region)
	» All borrowers are checked thoroughly with all relevant credit bureaus (Centrale Rischi, Crif, Cerved)
	» Authorization depends on risk and amount
	» Acceptance rating system in place
	» Only for loans below €400.000 internal real estate valuations are performed internally
	» Outsourcing of IT system to SEC Servizi, common platform providing IT services to eleven Italian banks
	» Sound origination focusing on a core region in line with other bank of the same size
	» Compensation of the staff not really linked to the origination volume
	Weaknesses:
	» Part of the portfolio has been originated by Banca Marostica, outside of Alto Adige
	» Uncertainty in the origination process following the bank's process of transformation in S.p.A.

Source: Moody's Investors Service

SERVICER

BPAA is also the transaction's servicer, with a staff of 3 people servicing roughly 48,000 receivables.

Exhibit 16

Servicer Background:

Servicer Background: Banca Popolare dell'Alto Adige	
Rating:	» Not rated
Regulated by:	» Bank of Italy
Total Number of Receivables Serviced:	47.989
Number of Staff:	3

Source: BPAA

SERVICER QUALITY

Exhibit 17

Servicer Review

Servicer Assessment:	Main Strengths and Challenges
	Overall Assessment: Average
	Strengths:
	» Use of external developed and validated behavioural rating system supporting an early warning system
	» Collateral monitoring: re-evaluation of the real estate done on a yearly basis either with Nomisma data (for properties below eur 3 million) or by experts
	» For the recovery process, the bank benefits from fast tribunals in Bolzano and Trento, but is also exposed to Vicenza (with relatively long duration time of proceedings)
	» Centralised group managed all NPLs with the help of external lawyers
	Weaknesses:
	» Merge with Banca Marostica represents a challenge due to the poor asset quality of this bank; the stock of NPLs has doubled
	» Due to the relative limited number of defaults of loans originated by BPAA, the team does not have much experience in facing such high NPLs
	» As of now,the heavy delinquent loans and loans in sofferenza are treated in 2 separate groups;
	» Compensation not based on the performance achieved from recovery department

Source: Moody's Investors Service

BACK-UP SERVICER

Securitization Services SpA is the transaction's back-up servicer.

Exhibit 18

Back-Up Servicer Background: Securitization Services SpA. The table below provides details about Securitization Services.

Rating:	Not rated
Ownership Structure:	Owned by Finint SpA (unrated)
Regulated By:	Bank of Italy
Total Number of Receivables Serviced:	EUR 16.2 billion
Number of Staff:	About 20 in servicing department
Strength of Back-up Servicer Arrangement:	» Hot back-up servicer » The company is leader in Italy in managing securitizations transactions acting principally as servicer, computation agent, corporate servicer and representative of the noteholders.
Receivables Administration	
Method of Payment of Borrowers in the Pool:	Most borrowers pay by direct debit into a dedicated servicer account.
% of Obligors with Account at Originator:	N/A
Distribution of Payment Dates:	All borrowers pay on the first day of the month

Source: BPAA

ELIGIBILITY CRITERIA

The types of assets that the transaction has purchased were subject to eligibility criteria. See the appendix for a complete list of the transaction's eligibility criteria.

ASSET ACQUISITION GUIDELINES

No revolving period: The securitization does not include a revolving period during which the SPV may purchase additional loans, limiting portfolio performance volatility caused by additional purchases.

Assets Analysis

Primary Asset Analysis

We based our analysis of the assets on factors including historical performance data, originator and servicer quality and pool characteristics.

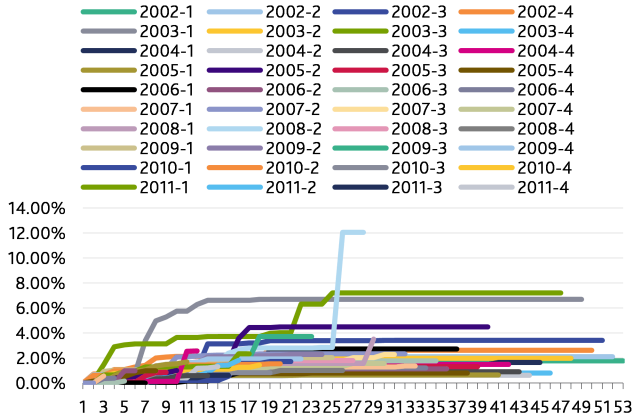
The exhibits below show the historical performance data of BPAA originations.

» The data sets consisted of: static vintage data on defaults and recoveries, dynamic delinquency information and dynamic prepayment information.

» Moody's has received data from 2002 through 2015Q1 reflecting gross defaults consistent with the transaction's default definition as well as corresponding recoveries. Data has been provided on secured and unsecured sub-pools.

Exhibit 19

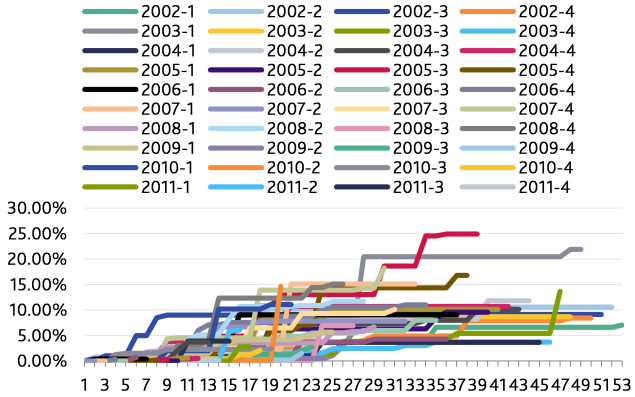
Cumulative Default Rate for Unsecured Loans



Source: BPAA

Exhibit 20

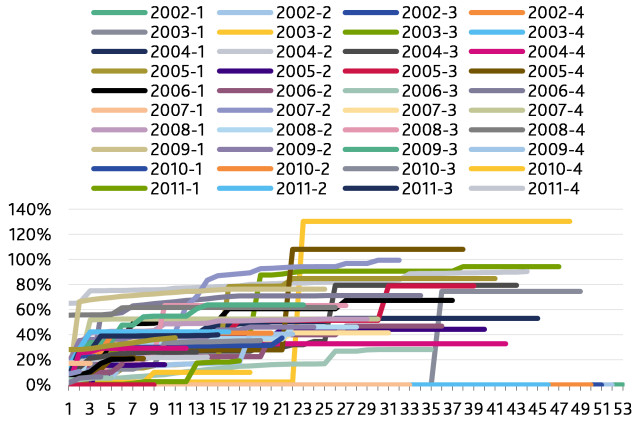
Cumulative Default Rate for Secured Loans



Source: BPAA

Exhibit 21

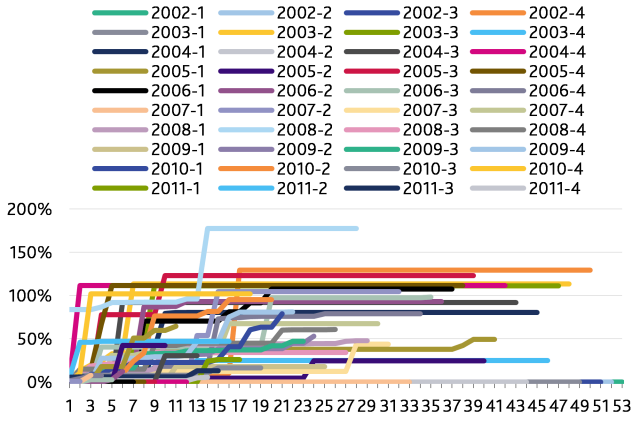
Cumulative Recovery Rate for Unsecured Loans



Source: BPAA

Exhibit 22

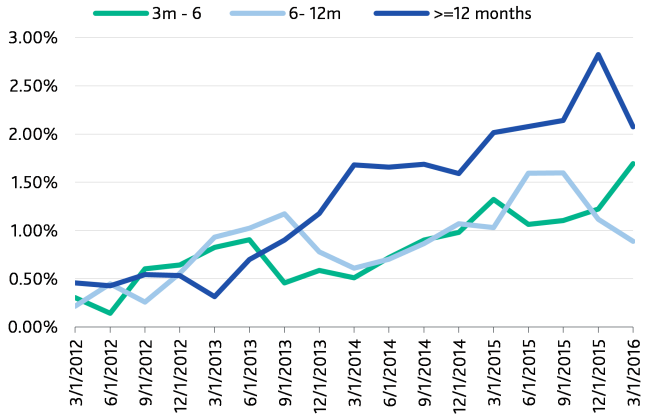
Cumulative Recovery Rate for Secured Loans



Source: BPAA

Exhibit 23

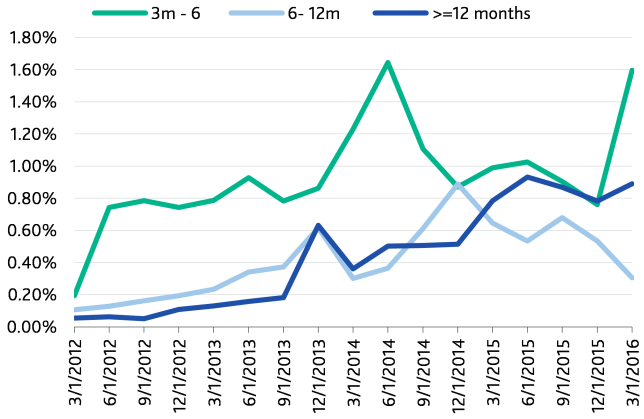
Dynamic Arrears for Unsecured Loans



Source: BPAA

Exhibit 24

Dynamic Arrears for Secured Loans



Source: BPAA

PROBABILITY OF DEFAULT

We use the originator's historical performance data to help determine the probability of default of the securitised pool. This transaction defines a defaulted asset as an asset that is more than 360 days in arrears, or any contract classified as bad loan (i.e. "sofferenza") in accordance with the Bank of Italy definition.

The default definition applied for the historical data is broadly aligned with the default definition for the transaction (sofferenza according to Bank of Italy).

Derivation of default rate assumption: We analysed the available historical performance data the bank provided by sub-portfolio type and the performance observed since closing of Voba No. 4, a previous transaction from BPAA closed in 2012. We extrapolated the default vintage data to define the cumulative default curve for each of the origination vintages.

We complemented the above analysis with a top-down approach, as we typically apply when rating SME loan transactions. Starting from Italy's (Baa2/P-2) base rating proxy for SME of Ba2, we evaluate the portfolio based on:

1. The size of the companies (assuming one notch penalty for micro-SMEs representing approximately 63.5% of the portfolio)
2. The borrowers' sector of activity. For example, we applied a ¾-notch penalty to loans whose underlying borrower was active in the construction sector and a two-notch penalty for borrowers classified as real estate developers.

We also adjusted our assumption to take into account the current economic environment and its potential impact on the portfolio's future performance (i.e ¼ -notch penalty) and similarly, we evaluate and benchmark the originator's underwriting capabilities against other Italian originators (½-notch penalty). Finally, we applied a 1 notch penalty for all loans not originally originated by BPAA (approx. 13% of the portfolio).

As a result, we expect an average portfolio credit quality equivalent to a B1 proxy for an average life of approximately 4 years for the portfolio. This translates into a gross cumulative default rate of around 13%.

DATA QUALITY

The quantity and quality of the originator's historical default data we received is generally good compared with other transactions in this sector with high investment grade ratings.

SEVERITY

We analyzed the historical recovery data as provided by the originator shown in the exhibits above as well as the observed recovery rates for the defaults that occurred in Voba No.4.

Derivation of recovery rate assumption: The recovery data includes both open and closed files. However, the number of observations per quarterly vintage was limited for the secured sub-portfolio. As such we also tested an alternative method of estimating potential recoveries. Based on the contract-by-contract information provided and the asset values available of the property underlying the contract, we applied price stresses. Based on this analysis, which we combined with historical recovery information and benchmarked against other transactions, we assumed a stochastic mean recovery rate of 45% and a standard deviation of 20%. We assumed the base case recovery timing to range from 2 to 6 years with a weighted average timing of approx. 4 years.

EXPOSURE TO REAL ESTATE

Approximately 27% of the portfolio is exposed to the building and real estate sector (according to our industry classification). In the implementation of the top down approach, we assumed a higher default probability for these borrowers.

Comparables

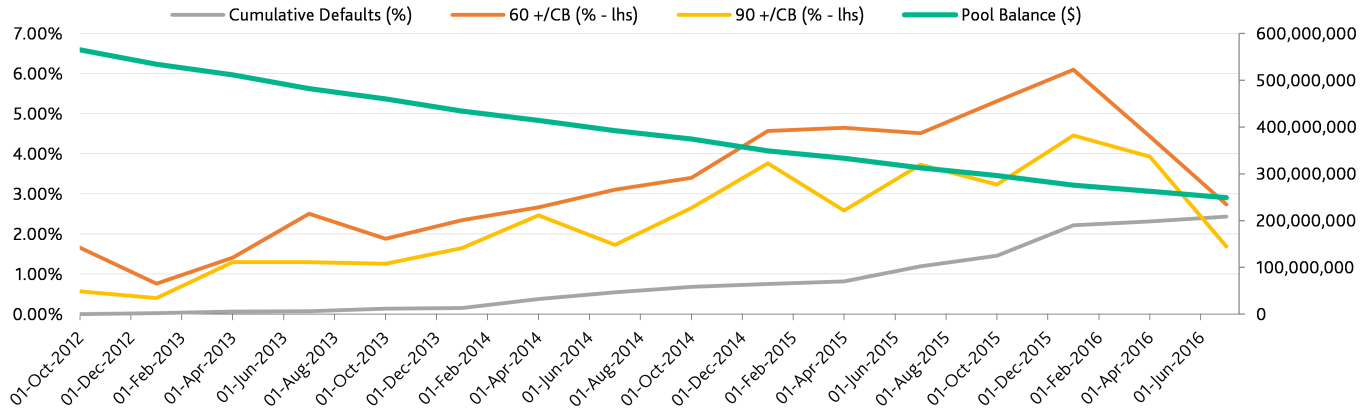
PRIOR TRANSACTIONS OF THE SPONSOR

We have performance information for one previous transaction from BPAA that we rated: Voba No.4 S.r.l., which we rated in 2012.

The performance of the this transaction is in line with our original expectations and also comparable to other Italian SME loan transactions. Cumulative defaults in Voba No. 4 totaled 2.44% of the original balance, as of July 2016, which reflects a Ba1 pool quality since the closing date. Voba 4 has amortised to 38% of the initial portfolio balance as of July 2016. We upgraded the senior class of Voba to Aa2 in October 2015 reflecting the deleveraging of the transactions and the build-up of credit enhancement.

Exhibit 25

Delinquencies, Cumulative Defaults and Portfolio Outstanding for Voba No. 4 S.r.l.



Source: Moody's Investors Service, BPAA.

TRANSACTIONS OF OTHER SPONSORS

Voba 6's expected metrics are largely in line with those of other transactions in this sector, with some notable exceptions. Namely, the assumed default rate of 13% is slightly better than those of other transactions, whereas the assumed recovery rate of 45% is below those of its peer group. However, the resulting assumed portfolio credit enhancement is in the lower end of the spectrum for the Italian ABS SME transactions.

Exhibit 26

Benchmark Table

Deal Name	Voba No. 6	Voba No 4.	BPL 7	Lanterna Finance S.r.l.	Siena PMI 2015
Country	Italy	Italy	Italy	Italy	Italy
Closing Date or Rating Review Date (dd/mm/yyyy)	[ ]	7/27/2012	2/26/2016	2/12/2015	31/7/2015
Currency of Rated Issuance	EUR	EUR	EUR	EUR	EUR
Rated Notes Volume (excluding NR and Equity)	417M	443M	2517.2M	385.0 million	1921.35M
Originator	Banco Popolare dell'Alto Adige, Banco Popolare di Marostica (merged into BP dell'Alto Adige)	Banco Popolare dell'Alto Adige	Banco Popolare Societa Cooperativa, Credito Bergamasco S.p.A. (merged into BP on June 1st 2014)	5 banks belonging to the Carige Group	MPS
Long-term Rating	NR	Ba1	Ba2	Caa1 (Banca Carige SpA)	B3
Short-term Rating	NR	NP	NP	NP	N/R
Name of separate Cash Administrator1	BNP Paribas Securities Services	BNP Paribas Securities Services	BNP Paribas Securities Services	BNP Paribas Securities Services	BNP Paribas Securities Services
Long-term Rating	A1	A2	A1	A1	A1
Short-term Rating	P-1	P-1	P-1	P-1	P-1
Portfolio Information (as of [...])	7/31/2016	5/31/2012	2/25/2016	10/18/2015	6/26/2015
Currency of securitised pool balance	EUR	EUR	EUR	EUR	EUR
Securitised Pool Balance ("Total Pool")1	528.6M	601.3M	3,456.7M	712.5M	3,002 M
Floating rate contracts %	94%	94%	95.00%	87.40%	88.38%
WAL of Total Pool initially (in years)	3.9	5.1	4.03	5.1	4.13
WA seasoning (in years)	2.6	2.1	4.54	3.4	2.85
No. of contracts	4,132	3,714	31,560	8,597	24,683
Obligor Information (as % Total Pool)					
No. of obligors	3,782	3,107	27,511	6,243	22,497

Name 1st largest industry	Construction & Building	Construction & Building	Construction & Building	Construction & Building	Construction & Building
Size % 1st largest industry	27.30%	29.50%	54.10%	53.40%	27.02%
Effective Number (obligor group level)	387	429	1818	531	378
Single obligor (group) concentration %	2.5%	1.03%	0.54%	1.70%	4.12%
Top 10 obligor (group) concentration %	10.9%	8.68%	4.24%	8.53%	10.91%
Collateral Information (as % Total Pool)					
Portfolio share that is collateralised (in exposure)	51%	60%	77%	66%	12.00%
Geographical Stratification (as % Total Pool)					
Name 1st largest region	Alto Adige	Trentino Alto Adige	Lombardia	Liguria	Tuscany
Size % 1st largest region	51.90%	70.60%	33.10%	45%	21.92%
Asset Assumptions					
Type of default / loss distribution	Inverse Normal	User defined	Inverse Normal	Monte Carlo	Inverse Normal
Mean gross default rate - initial pool	13%	17%	20.30%	19.96%	16.45%
CoV	48%	46%	52.00%	55%	40.30%
Mean recovery rate	45%	47%	55%	40%	35%
Recovery lag (in months)	48	51.6	63.6	68	60
Payment frequency under the Notes	Quarter	Quarter	Quarter	Quarter	Quarter
Size of credit RF up front (as % of Total Pool)	2.77%	2.00%	5%	1.33%	1.20%
Principal available to pay interest?	Yes	Yes	Yes	Yes	Yes
Set-off risk?	Yes	Yes	Yes	Yes	Yes
Commingling Risk?	Yes	Yes	Yes	Yes	Yes
Back-up servicer (BUS)	Yes	Yes	No	Yes	Yes
Swap in place?	No	No	No	No	No
Capital structure (as % Total Pool)					
Size of: Aaa rated-class					
Aa rated-class	67.6%(Aa2)			54% (Aa2)	47.1% (Aa2)
A rated-class		73.7%(A2)	64.9% (A1)		13.7% (A3)
Baa rated-class	11.3%(Baa1)		7.8% (Baa1)		
Ba rated-class					9.5% (Ba1)
B rated-class					
Caa and below rated-class					
Equity/NR	23.6%	28.30%	27%	46.60%	29.60%

Source: Moody's Investors Service.

Securitization Structure Overview

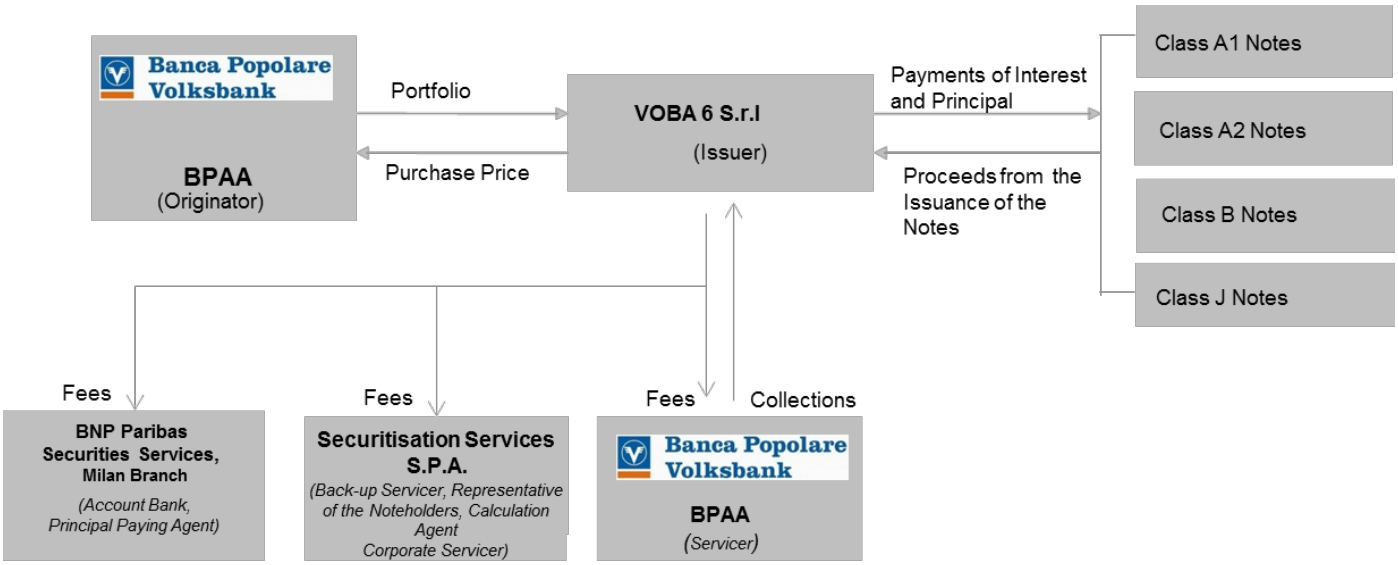
Voba 6 Srl is a sequential pay structure. As part of our rating analysis, we modeled the bond structure and cash flow waterfall to assess the amount of credit enhancement supporting each class of rated securities. We also analyzed the allocation of payment, bankruptcy remoteness and other structural issues.

Securitization Structure Description

The proceeds of the notes will be used to finance the acquisition of the portfolio, the original amount of which equals €528 million (without accrued interests). The interest and principal priorities of payment are combined in a single waterfall. The amortization period will start on the first interest payment date.

Structural Diagram

Exhibit 27
Structural Diagram



Source: Unicredit

Detailed Description of the Structure

CREDIT ENHANCEMENT

Cash reserve: At close, the cash reserve amount is 2.88% of the principal outstanding of the rated notes (being the Class A1 and A2 and B notes), i.e. €12.0 million. After closing, the reserve level will amortise to 3% of the rated notes' outstanding with a floor of 0.5% of the initial outstanding amount of the rated notes (i.e. €2.0 million).

The cash reserve provides liquidity support for Class A and B during the lifetime of the transaction and will be available for the payment of principal on the rated notes upon the portfolio amortisation or, if earlier, on the maturity date.

Liquidity: The single waterfall means principal is available to make interest payments. The cash reserve is a further source of liquidity; it covers coupon payments on the Class A and B notes for approximately 3 quarterly payment dates assuming a three-month Euribor of 2%.

WATERFALL

On each quarterly payment date, the issuer's available funds (i.e. interest and principal amounts received from the portfolio, the reserve fund, and interest earned on the issuer's account) will be applied in the simplified order of priority shown in the Appendix. Please note that upon the occurrence of the performance event described in the Exhibit below, the interest on the Class B will be subordinated to the reimbursement of class A1 and A2. In this respect, Moody's notes that unpaid interests on Class B is deferrable without accruing interest on interest.

TRIGGERS

The performance event dictates the change in the priority of payments, as the exhibit below shows.

Exhibit 28
Performance Triggers

Performance Triggers		
Trigger	Conditions	Remedies/Cure
Class B Notes Interest Subordination Event	The gross cumulative default ratio > 14%	If the condition is met, payment of Interest on the class B notes will be subordinated to the payment of Principal of the class A1 and A2 notes .

Source: MIS

Exhibit 29
Originator, Servicer, Cash Manager and Counterparty Triggers

Originator/Servicer/Cash Manager Related Triggers	
Key Servicer Termination Events:	Insolvency, Payment Default
Appointment of Back-up Servicer Upon:	At closing
Key Cash Manager Termination Events:	N/A
Notification of Obligors of True Sale:	At closing with publication on the Gazzette
Conversion to Daily Sweep (if original sweep is not daily):	Daily at closing, if servicer not rated Baa1 or P-2
Notification of Redirection of Payments to SPV's Account:	Following the termination of the appointment of the Servicer
Accumulation of Set Off Reserve:	N/A
Accumulation of Liquidity Reserve :	N/A
Set up Liquidity Facility:	N/A

Source: BPAA

CASH COMMINGLING

Commingling risk generally arises when cash belonging to the SPV is deposited in an account held in the name of a third party, specifically the servicer. All debtors pay by direct debit into a dedicated servicer account held at BPAA (not rated).

Collections are transferred daily into the issuer collection account held at BNP Paribas Milan Branch (A1/p-1) so long as the servicer is not rated at least Baa1 or P-2. In this case, the servicer will be able to open a transaction account in its name and transfer the collections into the issuer account on a monthly basis.

Within 15 business days of a servicer termination event, all borrowers will be notified – either by the servicer or the back-up servicer – to redirect their payments directly into the SPV account. We have modelled a commingling exposure equal to one month of lost collections, following originator insolvency.

CLAW-BACK RISK

A transfer pursuant to the Italian Securitisation Law 130 is potentially subject to claw back by a liquidator of the transferor (1) within three months following the transfer, where the sale is at a discounted price, if (i) the transferor was insolvent at the time of the transfer and (ii) the liquidator can prove that the transferee was, or ought to have been, aware of such insolvency, or (2) within six months following the transfer, where the sale is not at a discount, if (i) the transferor was insolvent at the time of the transfer and (ii) the transferee cannot prove that it was not, or ought not to have been, aware of such insolvency. In general, payments may be subject to claw-back if they are made to the issuer by any party under the transaction document during the 12-month suspect period prior to the date on which such party has been declared bankrupt or has been admitted to compulsory liquidation. The relevant payment will be set aside and clawed back if the receiver gives evidence that the issuer had knowledge of the payer's insolvency when the payments were made. The question as to whether or not the issuer had knowledge of the state of insolvency at the time of the payment is a question of fact with respect to which a court may in its discretion consider all relevant circumstances.

This risk mainly exists when loans are repurchased, as they are either ineligible when assigned or renegotiated.

To mitigate this risk, repurchases (up to a maximum of 1% of the portfolio on a yearly basis, and 10% of the portfolio on a cumulative basis) will be paid for in cash. Should the payment obligation of the originator exceed €500,000, the originator will provide evidence of its solvency by presenting a solvency certificate signed by its legal representatives, as well as certificates issued by the chamber of commerce and the bankruptcy section of the relevant tribunal.

SET-OFF

Under Italian law, mutual debt obligations may be set off against each other to the extent they are both due and payable. After a debt is assigned to a third party – such as a securitisation issuer – the debtor may still set off claims owed to it by the originator. However, set off rights against securitised debt are limited to the amount of claims that exist when the notice of assignment is published in the

Italian Official Gazette. The following products, which are generally offered by banks, would give rise to set-off: bonds issued by the originator, bank deposits, current accounts and derivatives contracts. The borrowers in this portfolio have no derivatives contracts.

BPAA has provided loan-by-loan data on the set-off exposure regarding deposits and bonds that the borrowers have with the seller. Given this data Moody's is able to estimate how much of the deposits could be covered by the Italian deposit scheme (Fondo Interbancario di Tutela dei Depositi) as per Moody's methodology. The net potential set-off exposure is equal to 1.48%, incl. 0.2% from bonds issued by the originator and held by borrowers. The set-off could lead to a linkage to the originator.

RENEGOTIATIONS

Although the servicer can renegotiate the terms of the performing loans, its ability to do so is limited. Specifically, the servicer may, amongst other things:

» renegotiate interest rates on fixed rate loans and margins on floating rate loans up to 10% of the portfolio at closing subject to minimum rate for fixed rate loans of 1.75% (vs. 3.5% in current portfolio) and minimum spreads for floating rate loans of 1.2% (vs. 2.8% in current portfolio). Same limits apply from variables loans converted to fixed loans, with a limit of 15% of fixed loans as % of total portfolio (vs. 6% in current portfolio), considering a minimum spread of 1.5% for fixed loans converted into floating loans. We have stressed accordingly the yield vector.

» extend or grant payment holidays to up to 1% of the defaulted loans (sofferenza and incaglio) and twice per loan relating to principal payments up to 10% of the non-defaulted loans and with the final installment falling at least seven years before the legal maturity.

» grant an extension of the loans repayment plan up to 5 years provided the last installment payment date falls seven years before the legal maturity and up to 5% of the performing loans at closing.

» replace up to 2% of the initial pool, where the original loan is removed from the pool, subject to the credit quality (internal rating of BPAA) of the new borrower being not worse than that of the original borrower and the mortgage lien level not worse than the original mortgage lien level.

MARGIN COMPRESSION DUE TO REPAYMENTS

Assuming 100% margin compression (i.e. 100% of CPR applied to highest interest rate paying loans), we reduced the fixed-rate yield vector as given by the originator through the arrangers by 0.19% and the floating-rate margin vector by 0.20%, in each period.

INTEREST RATE MISMATCH

At closing, 94% of the pool balance comprises floating-rate loans and 6% fixed-rate loans, whereas the notes are floating liabilities referring to three-month Euribor with a cap of 3% on class A1 and a cap of 5% on class A2 and B (See Key Characteristics).

As a result the issuer is subject to (1) limited base rate mismatches on the floating portion of the portfolio (i.e. the risk that (i) the reference rate used to compute the interest amount payable on the notes will differ from the reference rate used on the underlying receivables, and (ii) the interest rate payable on the notes is determined on a different date than the rate to be paid on the underlying receivables); and (2) limited fixed/floating mismatch (i.e. the risk that the interest rate on the notes will differ from the interest rate payable on the fixed portion of the portfolio).

Floating portion of the portfolio: We needed to size the potential mismatch between the index rate payable by the SPV to the noteholders and the rate the SPV will receive on the portfolio. The large majority of the floating-rate loans are indexed to six-month Euribor, and the rest, essentially, to three-month Euribor (26%). We applied a haircut of 0.50% to the margin of the floating-rate loans to take into account the timing mismatch between the relevant base rate index paid by the loans and the one on the notes.

Fixed portion of the portfolio: For this portion of the portfolio, we defined a stressed Euribor forward curve up to 5% (i.e. cap on the majority of the rated notes) and then deducted the values in this vector from the original yield vector on the fixed sub-pool as provided. We did this to define the stressed yield vector associated with such pool that takes into account the lack of any swap agreement in place.
Having thus defined the stressed (i.e. that takes into account the lack of swap up to the cap) yield vectors for both the floating- and fixed-rate sub-pools, considering also the renegotiations possibilities (in particular potential reduction of the floating margins up to

10% of the initial porfolio), we computed the whole portfolio yield vector, whose values we derived on a weighted average basis for each period.

We found that the credit enhancement available to the Class A1, A2 and B notes is sufficient to cover this additional risk inherent in the structure.

COMPUTATION AGENT

Securitisation Services is also the transaction's computation agent.

Exhibit 30

Computation Agent Background: Securitisation Services SpA

Rating:	NR
Main Responsibilities:	Preparation of payment report and, if the servicers don't deliver the service report, preparation of a simplified payment report to avoid payment disruption
Calculation Timeline:	Collection period: quarterly
	Calculation date; the 5th business day prior to each IPD
	IPD: 27th February, May, August and November

Source: Moody's Investors Service

Securitization Structure Analysis

Primary Structure Analysis

EXPECTED LOSS

We determine expected losses for each tranche based on a number of assumptions, listed in the exhibit below.

Exhibit 31
Expected Loss Assumptions

Expected Loss Assumptions

Default Distribution	Normal inverse
Default Rate	13% (B1 equivalent)
Default Definition	1 year
Standard Deviation/Mean	48%
Timing of Default	Flat over portfolio average life
Recovery mean	45%
Recovery Stand Dev	20%
Recovery Lag	WA timing around 4 years
Correlation Defaults/Recoveries	5%
Conditional Prepayment Rate (CPR)	8%
Amortisation Profile	Vector as provided by originators
Portfolio yield	based on vector provided by originators, stressed to take into account lack of hedge mechanism and the possible renegotiations
Fees (as modeled)	0.5% on portfolio p.a. +100,000 fixed fees
Euribor/Swap Rate	4%/NA
PDL Definition	NA
PCE	24%

Source: Moodys Investors Service

DEFAULT DISTRIBUTION

The first step in the analysis of the expected loss on the bonds is to define a default distribution of the loan portfolio to be securitised (See Asset Analysis – Probability of Default). Owing to the high granularity of the pool, we used a normal inverse default distribution. Two basic parameters needed to be assessed as main inputs for the model as follows:

» The mean default probability for the portfolio, and

» The standard deviation of the normal inverse distribution.

Standard deviation: To define the standard deviation for the normal inverse default distribution, we ran a Monte Carlo simulation (using the Moody's CDOROM™v2.15-4) based on the securitised portfolio's actual loan-by-loan information to capture the pool concentrations in terms of single obligors and industry segments. We used, inter alia, the loan-by-loan default probabilities (i.e.

outcome of our top-down approach), the borrower industry sectors, the weighted average life and a probabilistic correlation framework.

As a result, we assume a normal inverse default distribution with a coefficient of variation (ratio between standard deviation and mean default rate) of 48% that takes into account sovereign risk as well.

Timing of default: We assumed a flat default timing curve as base case, spread over the portfolio's average life starting after the default definition.

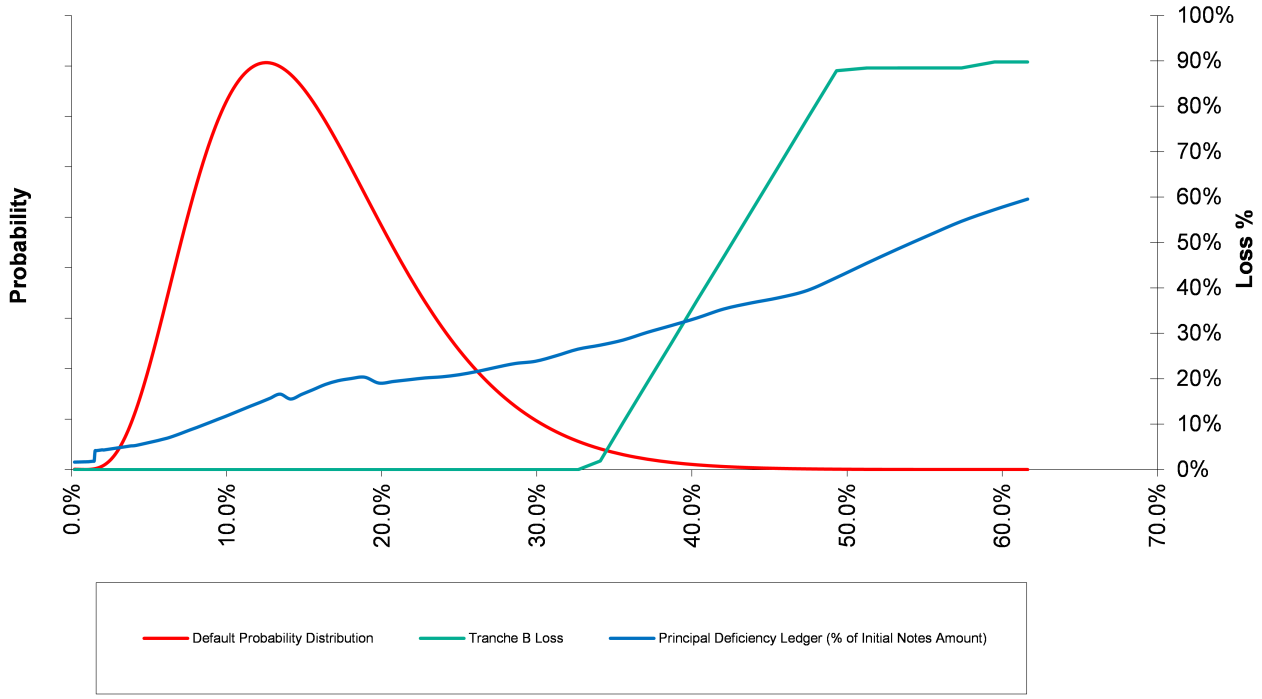
Prepayments: Based on historical prepayment information and based on benchmarking with other lessors, we assumed a CPR at a level of 8% per annum.

TRANCHING OF THE NOTES

To derive the level of losses on the notes, we applied the above specified normal inverse default distribution and the stochastic recovery distribution to numerous default scenarios on the asset side. The exhibit below shows the default distribution (red line) we used to model the transaction's cash flows.

Exhibit 32

Loss Probability Distribution



Source: Moody's Investors Service

We have considered how the cash flows generated by the collateral are allocated to the parties within the transaction, and the extent to which various structural features of the transaction might themselves provide additional protection to investors, or act as a source of risk. In addition, we analysed the strength of triggers to reduce the exposure of the portfolio to the originator/servicer bankruptcy.

To determine the rating assigned to the notes, we used an expected loss approach that reflects the probability of default for each series of notes times the severity of the loss expected for the notes. To allocate losses to the notes in accordance with their priority of payment and relative size, we used a cash-flow model (ABSROM v.3.10.1) that reproduces many deal-specific characteristics such as the main input parameters of the model described above. Weighting each default scenario's severity result on the notes with its probability of occurrence, we calculated the expected loss level for each series of notes as well as the expected average life. We then

compared the quantitative values to the Moody's Idealised Expected Loss table to determine the ratings assigned to each series of notes.

The green line in Exhibit 32 represents the loss suffered by the Class B notes (in our modeling) for each default scenario on the default distribution curve, without taking into account the absence of accrual of interest on deferred interest when the performance trigger is hit: for default scenarios up to 34%, the line is flat at zero, hence the Class B notes are not suffering any loss. The steepness of the curve then indicates the speed of the increase of losses suffered by the Class B note holders.

Additional Structural Analysis

TRUE SALE AND BANKRUPTCY REMOTENESS

True sale: According to the legal opinion, the securitisation of assets has been carried out in compliance with the Italian securitisation law. Notification of the sale was published on the Official Gazette (Gazzetta Ufficiale della Repubblica Italiana) on 11 August 2016 and registered in the Companies Register on 9 August 2016.

Bankruptcy remoteness: The transaction achieved bankruptcy remote status by the provisions of Law 130 and through the Italian SPV's bylaws, as well as the provisions of the deal documentation.

Methodology and Monitoring

Methodology

See Moody's Global Approach to Rating SME Balance Sheet Securitizations, October 2015

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

Monitoring

We will monitor the transaction on an ongoing basis to ensure that it continues to perform in the manner expected, including checking all supporting ratings and reviewing periodic servicing reports. Any subsequent changes in the rating will be publicly announced and disseminated through Moody's Client Service Desk.

The following factors may have a significant impact on the subject transaction's rating: lengthening of the recovery process and marked deterioration of the pool performance.

Monitoring report: Data Quality:

» Investor report format finalized and discussed with Moody's analyst.

» The report includes all necessary information for Moody's to monitor the transaction.

» Undertaking to provide Moody's with updated pool cut on a periodical basis

Data Availability:

» The timeline for Investor report is provided in the transaction documentation. The priority of payment section is published on the Interest Payment Date.

» The completed report is published on the 2nd Business Day day after the IPD.

» The frequency of the publication of the investor report is quarterly and the frequency of the IPD is quarterly.

» Investor reports publicly available on www.securitisation-services.com not later than the 2nd Business Day following each Payment Date.

Appendix 1: Parameter Sensitivities

Parameter Sensitivities for Tranche A and B

Parameter sensitivities provide a quantitative, model-indicated calculation of the number of notches that a structured finance security we rate may vary if certain input parameters used in the initial rating process differed. The analysis assumes that the deal has not aged. It is not intended to measure how the rating of the security might migrate over time, but rather, how the initial rating of the security might differ as certain key parameters vary.

As we also take qualitative factors into consideration in the ratings process, the actual ratings that we assign in each case could differ from the ratings that the parameter sensitivity analysis implies. This adjusted analysis will show how the notes' initial ratings will differ if the Local Country Ceiling (LCC) changes and other rating factors remain the same.

For more information on "Parameter Sensitivities" on EMEA SME ABS transactions, please refer to "Updated Sensitivity Analysis Clarifies How Sovereign Risk Affects", May 2014.

Model Output sensitivity: Parameter sensitivities for this transaction have been calculated in the following manner: Moody's tested 9 scenarios derived from the combination of mean default : 13% (base case), 15% (base case +2%), 17% (base case + 4%,) and recovery rate: 40% (base case -5%), 45% (base case), 50% (base case +5%). The 13% / 45% scenario would represent the base case assumptions used in the initial rating process.

The charts below show the parameter sensitivities for this transaction with respect to all Moody's rated tranches.

Exhibit 33

A1 , A2 and B Sensitivities

Tranche A1		Recovery Rate		
		40%	**45%**	**50%**
Mean Default	13%	Aa2(0)	**Aa2***	Aa2 (0)
	15%	Aa2 (0)	Aa2 (0)	Aa2 (0)
	17%	Aa2 (0)	Aa2 (0)	Aa2 (0)

Exhibit 34

Tranche A2		Recovery Rate		
		40%	**45%**	**50%**
Mean Default	13%	Aa2(0)	**Aa2***	Aa2 (0)
	15%	Aa2 (0)	Aa2 (0)	Aa2 (0)
	17%	A1 (-2)	Aa3 (-1)	Aa2 (0)

Tranche B		Recovery Rate		
		40%	**45%**	**50%**
Mean Default	13%	Baa1(0)	**Baa1***	Baa1 (0)
	15%	Baa3 (-2)	Baa2 (-1)	Baa1 (0)
	17%	Ba1 (-3)	Baa3 (-2)	Baa3 (-2)

Note: Results under base case assumptions indicated by asterisk ' * '.
Note: Change in model-indicated rating (# of notches) is noted in parentheses.
Note: Results are model-indicated ratings, which are one of the many inputs considered by rating committees, which take quantitative and qualitative factors into account in determining actual ratings. The analysis assumes that the deal has not aged. The model does not intend to measure how the rating of the security might migrate over time, but rather, how the initial rating of the security might have differed if key rating input parameters were varied.
Source: Moody's Investors Service

WORST-CASE SCENARIOS

At the time the rating was assigned, the model output indicated the Class A1 would have achieved Aa2 even if the mean default rate was as high as 17% with a recovery rate assumption of 40% (all other factors unchanged). Under the same stressed assumptions, Class A2 and B Notes would have achieved A1 and Ba1, respectively.

LCC SENSITIVITY

The exhibits below show the sensitivities for this transaction if the LCC would have been different.

Exhibit 35

Tranche A1, A2 and B Sensitivity to LCC

		Tranche A1	Tranche A2	Tranche B
LCC	A1 (-2)	A1 (-2)	A1 (-2)	Baa1 (0)
	Aa2	**Aa2**	**Aa2**	**Baa1**
	Aaa (+2)	Aaa (+2)	Aa1 (+1)	Baa1 (0)

Note: Results under base case assumptions indicated by asterisk ' * '.
Note: Change in model-indicated rating (# of notches) is noted in parentheses.
Note: Results are model-indicated ratings, which are one of the many inputs considered by rating committees, which take quantitative and qualitative factors into account in determining actual ratings. The analysis assumes that the deal has not aged. The model does not intend to measure how the rating of the security might migrate over time, but rather, how the initial rating of the security might have differed if key rating input parameters were varied.
Source: Moody's Investors Service

The Aa2 (LCC ceiling) scenario represents the base case assumptions used in the initial rating process.

At the time of the rating assignment, the model output indicated that the Class A1 and A2 notes would be A1 if the LCC ceiling was A1, other factors unchanged. Under the same scenario, the rating of the Class B notes would remain unchanged to Baa1.

Factors which could lead to a downgrade: We may downgrade the ratings on one or more classes of notes if: the underlying collateral performs worse than expected; the credit quality of the counterparties deteriorates; Italy's sovereign risk increases.

Appendix 2: Originator and Servicer Detail

Exhibit 36

Summary of Originator's Underwriting Policies and Procedures

Originator Ability	At Closing
Sales and Marketing Practices	
Origination Channels:	Shareholding banks: 88.79% Other banks: 6.97% Others: 4.24%
Underwriting Procedures	
% of Loans Manually Underwritten:	N/A
Ratio of Loans Underwritten per FTE* per Day:	N/A
Average Experience in Underwriting or Tenure with Company**	N/A
Approval Rate:	N/A
Percentage of Exceptions to Underwriting Policies:	N/A
Underwriting Policies	
Source of Credit History Checks:	Internal database, Cerved, Centrale Rischi , Assilea
Use of Internal Ratings:	Y
Methods Used to Assess Borrowers' Repayment Capabilities:	» Balance Sheet analysis: Y » Cash flow analysis » Ratio Analysis: Y
Other Borrower's Exposures (i.e. other debts) Taken into Account in Affordability Calculations:	The Bank takes into account all borrower's exposures in affordability calculations.
Risk Adjusted Pricing Applied:	Y
Maximum Loan Size:	N/A
Collateral Requirement Policy:	N/A
Valuation Types Used for Secured Loans & LTV Limits:	Ltv 80%
Valuation Types & Procedure for Construction Loans & LTV Limits:	N/A
Collateral Valuation Policies and Procedures	
Value in the LTV Calculation:	Not Relevant
Type, Qualification and Appointment of Valuers:	External Valuers
Monitoring of Quality of Valuers:	Y
Credit Risk Management	
Reporting Line of Chief Risk Officer:	To General Manager
Internal Rating System:	Y
Approach Adopted under Basel II:	N/A
Segmentation of the Portfolio by Rating Models:	Y
Validation of the Model:	N/A

Source: BPAA.

Exhibit 37

Summary of Servicer's Collection Procedures

Servicer Ability	At Closing
Loan Administration	
Entities Involved in Loan Administration:	Two central entity
Early Stage Arrears Practices:	
Entities Involved in Early Stage Arrears:	Staff at branches
Definition of Arrears:	
Arrears Strategy for 1-29 Days Delinquent	Reminder, phone calls
Arrears Strategy for 30 to 59 Days Delinquent	Reminder, file transferred to Credit Recovery Comapany
Arrears Strategy for 60 to 89 Days Delinquent	File transferred to Internal Client Manager in order to define more efficient recovery strategy
Loss Mitigation and Asset Management Practices:	
Transfer of a Loan to the Late Stage Arrears Team:	After 90 days past missed payment date
Entities Involved in Late Stage Arrears:	Central Entity plus Legal advisor and recovery company
Ratio of Loans per Collector (FTE):	N/A
Time from First Default to Litigation and from Litigation to Sale:	N/A
Average Recovery Rate:	N/A

Servicer Stability	At Closing
Management and Staff	
Average Experience in Servicing or Tenure with Company:	Several Years
Training of New Hires Specific to the Servicing Function (i.e. excluding the company induction training)	Classroom training & work with experienced collector
Quality Control and Audit	
Responsibility of Quality Assurance:	N/A
IT and Reporting	

Source: BPAA.

Appendix 3: Eligibility Criteria and Waterfall

Eligibility Criteria

The key eligibility criteria are as follows:

» All loans granted directly and exclusively by Banca Popolare dell'Alto Adige S.C.p.A. or Banca di Treviso or Banca Popolare di Marostica through its network branches and Banca Popolare dell'Alto Adige S.C.p.A. is the owner of such loans

» All borrowers are companies, sole proprietorships or professional firms having their registered offices or being resident in Italy or an individual person resident in Italy

» All loans are fully disbursed, denominated in Euro, governed by Italian law

» None of the loans had the benefit, as at the valuation date, of any payment holiday and none of the loans had benefitted in the past of a full payment holiday;

» All mortgaged loans had original loan-to-value ratios not higher than 100%

» All loans have either a fixed interest rate or a floating interest rate for the entire duration of the relevant loan;

» None of the loans as at the valuation date had an installment due and unpaid for more than 31 days with BPAA.

» None of the loans was classified, as at the valuation date, as a bad loan ("crediti in sofferenza") nor as unlikely to pay nor as past due in accordance with the Bank of Italy's supervisory regulations;

Moreover, the servicer has represented that all borrowers are classified as SME according to the ECB definition (i.e. with a turnover up to EUR 50 million) and that loans granted to finance photovoltaic installations benefitting from GSE incentives were excluded.

Waterfall

Allocation of payments/pre accelerated waterfall: On each quarterly payment date, the issuer's available funds (e.g. interest and principal amounts received from the portfolio, the reserve fund, and interest earned on the issuer's account) will be applied in the following simplified order of priority:

1. Senior fees and expenses
2. Interest on Class A1 and Class A2 notes on a pro-rata basis
3. Interest on Class B notes, if gross cumulative defaults not larger than 14% (i.e. performance event)
4. Fill-up of the debt service reserve account up to the required level
5. Principal on Class A1
6. Principal on Class A2
7. Interest on Class B, if gross cumulative defaults exceed 14%
8. After repayment of Class A1 and A2 notes, principal on Class B
9. (...) Principal on Class J
10. Variable return to the Class J

Allocation of payments/post accelerated waterfall:

1. Senior fees and expenses
2. Interest on Class A1 and Class A2 notes on a pro-rata basis
3. Principal on Class A1 and Class A2 notes on a pro rata and pari-passu basis

4. Interest on Class B notes
5. Principal on Class B notes
6. (...) Principal on Class J
7. Variable return on Class J

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