MOODY'S
INVESTORS SERVICE

Rating Action: Moody's assigns definitive ratings to Italian ABS notes backed by NPLs issued by Brisca Securitization S.r.l.

Global Credit Research - 05 Jul 2017

Milan, July 05, 2017 -- Moody's Investors Service has today assigned definitive long-term credit ratings to the following notes issued by Brisca Securitization S.r.l. (the "Issuer"):

....€267,400,000 Class A Asset Backed Floating Rate Notes due December 2037, Assigned A3(sf)

....€30,500,000 Class B Asset Backed Floating Rate Notes due December 2037, Assigned B3(sf)

Moody's has not assigned any rating to €11,800,000 Class J Asset Backed Variable Return Notes due December 2037, which are also to be issued at the closing of the transaction.

RATINGS RATIONALE

This is the first transaction backed by non-performing loans "NPLs" rated by Moody's with loans originated by Banca Carige S.p.A. ("Carige"; Caa1/NP), Banca Cesare Ponti S.p.A. (NR) and Banca del Monte di Lucca S.p.A. (NR) (together the "Originators"). The assets supporting the notes are NPLs with a gross book value (GBV) of €938 million as of the cut-off date comprising also collections from cut-off to transfer date that, as of 31 March 2017, amounted to €19.5 million.

The portfolio will be serviced by Prelios Credit Servicing S.p.A. ("PRECS"; NR) in its role as master servicer and special servicer. The servicing activities performed by PRECS are monitored by the monitoring agent, Zenith Service S.p.A. ("Zenith"; NR). Securitisation Services S.p.A. (NR) has been appointed as back-up servicer at closing and will step in to take over the role of master servicer in case the master servicer agreement is terminated. If the servicer report is not available at any payment date, the continuity of payment for the class A rated notes will be assured by the calculation agent that prepares the payment report based on estimates.

RATINGS RATIONALE

Moody's ratings reflect an analysis of the characteristics of the underlying pool of defaulted loans, sector-wide and originator-specific performance data, protection provided by credit enhancement, the roles of external counterparties, and the structural integrity of the transaction.

In order to estimate the cash flows generated by the pool Moody's used a model that, for each loan, generates an estimate of: (i) the timing of collections; and (ii) the collected amounts, which are used in the cash flow model that is based on a Monte Carlo simulation.

The key drivers for the estimates of the collections and their timing are: (i) the historical data received from the special servicer, which shows the historical recovery rates and timing of the collections for secured and unsecured loans; (ii) at borrower level, loans representing around 22.8% of the GBV are unsecured loans, while the remaining 77.2% of the GBV are secured loans whereof about 2.7% in terms of GBV are secured with a second or lower ranking lien; (iii) of the secured loans, 60.3% are backed by residential properties, and the remaining 39.7% by different types of non- residential properties; (iv) in terms of GBV at borrower level, 29.3% of the processes are bankruptcies, which usually take a significantly longer time to go through the legal system than a foreclosure (v) benchmarking with comparable Italian NPL transactions.

Hedging: As the collections from the pool are not directly connected to a floating interest rate, a higher index payable on the notes would not be offset with higher collections from the pool. The transaction therefore benefits from an interest rate cap, linked to six-month EURIBOR, with Banca IMI S.p.A. (Baa1/P-2 and Baa1(cr)/P-2(cr)) as cap counterparty. The notional of the interest rate cap is equal at closing to the outstanding balance of the class A and class B notes with a maximum band. The cap will have a strike of 0.30% at closing, increasing over the life of the transaction up to 1.25% after 7.5 years from closing.

Transaction structure: The transaction benefits from an amortising cash reserve equal to around 4.6% of the

class A notes balance (4% of class A and B notes balance, the equivalent of €11.9 million), which has been funded through part of the recoveries collected from the cut-off date and the issuance date. The cash reserve is replenished after the interest payments on the class A notes. However Moody's notes that the cash reserve is not available to cover Class B interest and that unpaid interest on Class B is deferrable without accruing interest on interest.

Moody's used its NPL cash-flow model as part of its quantitative analysis of the transaction. Moody's NPL model enables users to model various features of a NPL European ABS transaction -- recovery rates under different scenarios, yield as well as the specific priority of payments and reserve funds on the liability side of the ABS structure.

Moody's Parameter Sensitivities: The model output indicates that if price volatility were to be increased to 8.08% from 6.73% for residential properties and to 9.94% from 8.29% for commercial properties and it would take an additional 18 months to go through the foreclosure process the Class A notes rating would move to Baa1 assuming that all other factors remained unchanged. Moody's Parameter Sensitivities provide a quantitative/model-indicated calculation of the number of rating notches that a Moody's structured finance security may vary if certain input parameters used in the initial rating process differed. The analysis assumes that the deal has not aged and 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 have differed if key rating input parameters were varied. Parameter Sensitivities for the typical EMEA ABS transaction are calculated by stressing key variable inputs in Moody's primary rating model.

METHODOLOGY

The principal methodology used in these ratings was "Moody's Approach to Rating Securitisations Backed by Non-Performing and Re-Performing Loans" published in August 2016. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

Please note that on 22 March 2017, Moody's released a Request for Comment, in which it has requested market feedback on potential revisions to its Approach to Assessing Counterparty Risks in Structured Finance. If the revised Methodology is implemented as proposed, the Credit Ratings on Brisca Securitisation S.r.l. are not expected to be affected. Please refer to Moody's Request for Comment, titled " Moody's Proposes Revisions to Its Approach to Assessing Counterparty Risks in Structured Finance," for further details regarding the implications of the proposed Methodology revisions on certain Credit Ratings.

The definitive ratings address the expected loss posed to investors by the legal final maturity of the notes. In Moody's opinion, the structure allows for timely payment of interest and ultimate payment of principal with respect to the class A notes by legal final maturity. Other non-credit risks have not been addressed, but may have significant effect on yield to investors.

FACTORS THAT WOULD LEAD TO A UPGRADE OR DOWNGRADE OF THE RATINGS:

Factors that may lead to an upgrade of the ratings include that the recovery process of the defaulted loans produces significantly higher cash flows realised in a shorter time frame than expected. Factors that may cause a downgrade of the ratings include significantly less or slower cash flows generated from the recovery process compared with our expectations at close due to either a longer time for the courts to process the foreclosures and bankruptcies or a change in economic conditions from our central scenario forecast or idiosyncratic performance factors. For instance, should economic conditions be worse than forecasted, falling property prices the sale of the properties would generate less cash flows for the Issuer or it would take a longer time to sell the properties and in addition the weaker economic conditions could make it harder to recover the unsecured loans and all these factors could result in a downgrade of the ratings. Additionally counterparty risk could cause a downgrade of the rating due to a weakening of the credit profile of transaction counterparties. Finally, unforeseen regulatory changes or significant changes in the legal environment may also result in changes of the ratings.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions of the disclosure form.

The analysis relies on an assessment of collateral characteristics to determine the collateral loss distribution, that is, the function that correlates to an assumption about the likelihood of occurrence to each level of possible losses in the collateral. As a second step, Moody's evaluates each possible collateral loss scenario using a

model that replicates the relevant structural features to derive payments and therefore the ultimate potential losses for each rated instrument. The loss a rated instrument incurs in each collateral loss scenario, weighted by assumptions about the likelihood of events in that scenario occurring, results in the expected loss of the rated instrument.

Moody's quantitative analysis entails an evaluation of scenarios that stress factors contributing to sensitivity of ratings and take into account the likelihood of severe collateral losses or impaired cash flows. Moody's weights the impact on the rated instruments based on its assumptions of the likelihood of the events in such scenarios occurring.

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

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