MOODY'S
INVESTORS SERVICE

Rating Action: Moody's assigns definitive ratings to Notes to be issued by Futura 2019 S.r.l.

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158 million RMBS Notes rated, relating to a portfolio of Italian residential mortgage loans

Milan, December 16, 2019 -- Moody's Investors Service ("Moody's") has assigned definitive ratings to Notes issued by Futura 2019 S.r.l.:

....EUR158.0M Class A Asset Backed Floating Rate Notes due July 2044, Assigned Baa2 (sf)

Moody's has not assigned any rating to EUR 37.0M Class B Asset Backed Fixed Rate Notes due July 2044 and EUR 8.0M Class J Asset Backed Fixed Rate and Variable Return Note due July 2044.

RATINGS RATIONALE

This is the first issuance sponsored by Guber Banca S.p.A. ("Guber", unrated) and it is the second Italian transaction backed by a portfolio of non-performing loans ("NPLs") that is not benefitting from a public guarantee (GACS). The seller is a special purpose vehicle Futura SPV S.r.l., sponsored as well by Guber Banca S.p.A. ("Guber", unrated) that has also serviced the portfolio since the initial transfer from the originators.

The assets supporting the Notes are NPLs with a gross book value ("GBV") of EUR 1,255.6 million as of June 30, 2019 and have been originated by 53 different local cooperative banks.

The pool includes cash at closing of around EUR 6.5 million resulting from collections between the 30th of June and the 22th of November as well as around EUR 15.6 million of cash in court ready for distribution.

The collections between the 30th of June and the 30th of September and for a total value of around EUR 11 million will be retained by the seller and therefore not available to repay notes and interest at the first payment date. The portfolio is serviced by Guber Banca S.p.A. ("Guber", unrated) in its role as special servicer and Guber also acts as master servicer. The servicing activities are monitored by the monitoring agent Zenith Service S.p.A. ("Zenith"; unrated). Centotrenta Servicing S.p.A. ("130"; unrated) 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. The monitoring agent together with the back-up master servicer are also acting as back-up servicer facilitators.

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 a 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 Guber, which shows the historical recovery rates and timing of the collections for the secured and unsecured loans;

(ii) the portfolio composition with 51.8% of the GBV being secured loans benefitting from a mortgage, out of which 8.2% has second or higher lien mortgage, and 48.2% of the GBV representing unsecured loans with an average seasoning of around 7 years. 43.8% of the properties (by value) has a recent valuation performed by an independent third-party appraiser. The remaining are mainly properties with a valuation performed by an expert appointed by the court (Consulente Tecnico d'Ufficio or CTU, 24.8%), or by the servicer (29.3%).

(iii) the granularity of the portfolio in terms of low borrower concentration. Borrowers with a GBV below EUR 5 million and EUR 1.0 million represent 95.8% and 63.8% of the total portfolio, respectively. In addition, the top 1, top 10 and top 20 obligors respectively represent around 0.7%, 4.8% and 7.6% of the pool in GBV terms;

(iv) around 48.2% of the loans in terms of GBV are unsecured loans with a weighted average time from default of 6.3 years, and 11.0% of the unsecured loans have defaulted before 2009;

(v) residential properties represent around 47.0% of the secured portfolio GBV, the remaining 53.0% being commercial properties of different types (land, hotels and unfinished properties represent 13.9%, 5.1% and 2.9%, respectively). First-lien secured loans located in the North of Italy and in particular, in Veneto region, account for approximately 68.4% and 18% of the GBV, respectively;

(vi) around 35.3% of the secured portion of the portfolio in terms of GBV is in the initial legal proceeding stage or the information is missing, whereas around EUR 268.7 million (21.4% of the GBV) of the portfolio is in the cash distribution phase, i.e. the judicial recovery process has been completed and cash (EUR 15.6 million) only needs to be distributed among creditors;

(vii) 40% of the GBV of the secured loans is expected to undergo a bankruptcy process, which usually takes significantly longer than a foreclosure. Secured loans in foreclosure represent 60% of the GBV; and

(viii) benchmarking with comparable Italian NPL transactions.

As the collections from the pool are not directly connected to a floating interest rate, a higher index payable on the Class A Notes would not be offset with higher collections from the pool. The transaction benefits from an interest rate cap on the underlying six-month EURIBOR for Class A, with J.P. Morgan AG acting as cap counterparty. The SPV receives the difference, if positive, between six-month EURIBOR and a cap value that changes during the life of the transaction. The initial notional of the interest rate cap is equal to EUR 158 million and that will amortize down with pre-defined amounts till 31 July 2033.

Transaction structure:

To align the interest of the special servicer and the noteholders, the servicing fees have been constructed so that Guber as special servicer is incentivized to maximize recoveries, as a result of, among others, triggers related to their performance against the business plans. In addition, Futura MM LLC (not rated) is obligated to indemnify the issuer in case of the representation and warranties regarding the receivables being proven incorrect.

The transaction benefits from an amortising cash reserve equal to 4.5% of the Class A Notes balance (corresponding to EUR 7.1 million at closing) and funded with over issuance of the Class J. The cash reserve is replenished immediately after the payment of interest on the Class A Notes and mainly provides liquidity support to the Class A Notes, whereas interest on Class B is paid junior to reimbursement of Class A if the subordination trigger is breached.

Moody's used its NPL cash-flow model as part of its quantitative analysis of the transaction. The Moody's NPL model enables users to model various features of a European NPL ABS transaction, such as 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.

Methodology

The principal methodology used in this rating was 'Moody's Approach to Rating Securitizations Backed by Non-Performing and Re-Performing Loans' published in February 2019. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

FACTORS THAT WOULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATING:

Factors that may lead to an upgrade of the rating include the recovery process of the defaulted loans producing significantly higher cash flows realised in a shorter time frame than expected resulting from, for example, an improvement of the residential and commercial real estate markets.

Factors that may cause a downgrade of the rating 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 (such as the deterioration of the real estate market) from our central scenario forecast or idiosyncratic performance factors. For instance, should economic conditions be worse than forecasted and the sale of the properties would generate less cash flows for the Issuer or it would take a longer time to sell the properties, all these factors could result in a downgrade of the rating. 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 rating.

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 a Monte Carlo simulation that generates a large number of collateral loss or cash flow scenarios, which on average meet key metrics Moody's determines based on its assessment of the collateral characteristics. Moody's then evaluates each simulated scenario using model that replicates the relevant structural features and payment allocation rules of the transaction, to derive losses or payments for each rated instrument. The average loss a rated instrument incurs in all of the simulated collateral loss or cash flow scenarios, which Moody's weights based on its assumptions about the likelihood of events in such scenarios actually 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.

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Andrea Corda
AVP-Analyst
Structured Finance Group
Moody's Italia S.r.l
Corso di Porta Romana 68
Milan 20122
Italy
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

Olga Gekht
Senior Vice President/Manager
Structured Finance Group
JOURNALISTS: 44 20 7772 5456

Client Service: 44 20 7772 5454

Releasing Office:
Moody's Italia S.r.l
Corso di Porta Romana 68
Milan 20122
Italy
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

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