

Commentary

European Nonperforming Loan Securitisations: Steady Supply but Uncertain Outlook on Performance Post-COVID-19

DBRS Morningstar

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European nonperforming loan (NPL) securitisations have gone from a niche product to a pan-European solution to support the divestment of NPLs from banks and offer access to distress investments for investors. In 2019, there was a steady supply of new transactions across new and diverse regions in Europe. Following this, the NPL sector continues to develop into a stable asset class that can help to support the financial markets in Europe.

All European NPL transactions follow very different dynamics from a performance standpoint. In general, this tends to evolve based on drivers that are both country-related (e.g. dependent on the strength of the local macroeconomic environment and real estate market) and deal-specific (e.g., portfolio composition, servicers' strategy and operational set-up, type of workout procedures implemented, transaction structure, etc.). Key performance trends recently observed in each jurisdiction can be summarised as follows:

- Most of the Italian NPL transactions are underperforming compared with the initial servicer's expectations, with revised business plans largely displaying a downward trend in the gross collection forecast. However, profitability ratios are still above 100%, indicating that the recovery levels on closed loan files are still positive.
- Irish NPL transactions are overall underperforming compared with the initial business plan of the sponsor¹, whose successful implementation is correlated with the sale of the receivables once they become performing.
- Differently from the other jurisdictions, the panel of Portuguese and Spanish transactions provides for a mixed landscape, with the more recent issuances showing a weaker performance in terms of gross recoveries compared with the more seasoned transactions.

DBRS Morningstar's performance analysis is generally based on the latest available investor reporting; however, it is important to note that for most transactions, the last available interest payment date (IPD) falls prior to the Coronavirus Disease (COVID-19) pandemic (i.e. YE2019 or beginning of Q1 2020) and is thus backward looking and does not capture recent macroeconomic developments resulting from the coronavirus. In order to compensate for this, and to formulate a comprehensive view on European NPL transactions' performance at the time of writing, we have closely monitored the performance evolution since the last IPD based on the analysis of the monthly information provided by the servicers.

Thus far, as anticipated in a commentary published by DBRS Morningstar on 30 April 2020, titled, "[European NPL Transactions' Risk Exposure to Coronavirus \(COVID-19\) Effects](#)", all European NPL

1. Save for European Residential Loan Securitisation 2018-1 DAC, which has implemented a loan sale in the first half of 2019.

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transactions are experiencing some form of distress as a consequence to the spread of the pandemic, with different level of severity based on country- and transaction-specific factors.

Key trends observed following the outbreak of the crisis include:

- A general decrease in the average amount of monthly gross collections observed in the last quarter (i.e., from 1 February 2020 to 30 April 2020) compared with the previous six months².
- A further deterioration in the performance of the Italian NPL transactions compared with the end of 2019, which is generally consistent with the higher focus of the servicers' strategy on judicial recoveries.
- A downward trend in the absolute amount of gross collections recorded on a monthly basis after January 2020, affecting most of the Italian NPL transactions and the more seasoned Portuguese issuances, as well as the Spanish transaction, Prosil Acquisition S.A.

While these trends generally confirm our initial expectations, further peculiarities can be observed at a transaction level based deal-specific aspects (as further detailed in the section "Performance Insights Since the Outbreak of COVID-19" of this commentary). Although it is still too early to predict the ultimate effect of the pandemic on recovery timing and value, we anticipate that it will largely depend on the severity of the coronavirus' impact on the economy and real estate market in each country.

In this commentary, we focus on how the asset class has developed, including:

- The increase in NPL securitisation issuance following Italy's renewal of Garanzia Cartolarizzazione Sofferenze (GACS) programme.
- The emergence of new countries to NPL securitisations, such as Greece and Spain.
- How transactions differ from country to country, and even within countries, both in terms of their structure as well as in the collateral composition.
- An overview of how servicers perform with respect to their initial business plan and DBRS Morningstar's expectations as of the latest semiannual update since the first IPD.
- Evolution of the transaction performance since the outbreak of the crisis and key trends observed to date.
- Market expectations in 2020 in light of the challenges resulting from the coronavirus.

2. Few exceptions include some of the most-recently rated issuances, such as European Residential Loan Securitisation 2019 -NPL 1 DAC, European Residential Loan Securitisation 2019 -NPL 2 DAC, and Marathon SPV S.r.l., for which however the historical performance data recorded thus far is fairly limited.

The Italian GACS programme was last renewed in April 2019 and will be available until May 2021; however, contrary to market expectation, the renewed programme did not include unlikely-to-pay (UTP) transactions, despite market interest resulting from large UTP exposures on bank balance sheets (EUR 65 billion as at end of December 2019 according to the April 2020 Financial Stability Report published by Bank of Italy). At this stage it is unlikely that these exposures will flow into the upcoming securitisation transactions.

The renewal of the GACS law differed from the earlier version in the following terms:

- If the ratio between net cumulative recoveries and net recoveries expected in servicer's business plan is less than 100% for two consecutive interest payment dates where the cumulative net recoveries are lower than the initial business plan forecast, the servicer must be replaced.
- If cumulative collections are below 90%, there must be:
 - Subordination of at least 20% of servicing fees, or
 - Subordination of mezzanine note interest (both, only to be paid earlier of cumulative collections catch up to business plan or following the paydown of senior bonds).
- Notes need to be rated at least BBB, compared with BBB (low) in the previous regime.
- A modification of how GACS fees are determined.

The Current Landscape

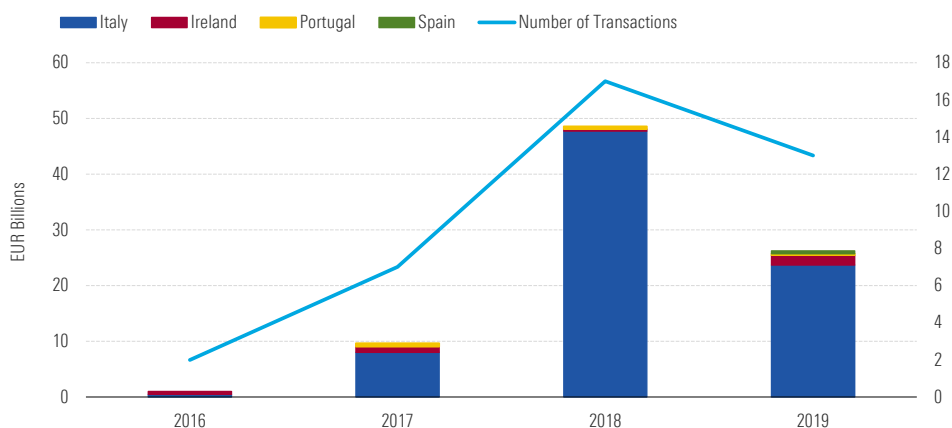
In 2018, the European NPLs market was dominated by Italian NPL securitisations following the introduction of the GACS securitisation programme in 2016. GACS is a government guarantee on the senior tranches of Italian NPL securitisations.

Securitisation issuance momentarily slowed down at the beginning of February 2019 as the GACS renewal deadline approached. However, after the programme's renewal in April 2019 the market saw six Italian NPL transactions close between the third week of October 2019 and YE2019. Two of the six transactions (Marathon SPV S.r.l. and Futura 2019 S.r.l.) were issued without GACS.

Despite the continued disposal of NPLs in 2019, European banks still have a high stock of NPLs. The European Central Bank, the European Banking Authority (EBA), and the Single Resolution Board continue to have a regulatory focus on improving European banks' balance sheets through the removal of NPLs, while simultaneously trying to develop a secondary market. The regulatory pressure combined with a low-yield environment is supportive for European banks to dispose of NPLs either through securitisation or portfolio sales.

In addition to the ongoing success of the Italian GACS programme, NPL securitisation transactions were also issued in Ireland, Portugal, and Spain last year. Additionally, Greece introduced the Hercules Asset Protection Scheme (HAPS), a programme similar to the Italian GACS scheme, which supported NPL securitisation issuance. If 2018 was characterised as the year of GACS, the themes for the European NPL securitisation market in 2019 were steady supply and country diversification. In 2020, due to the coronavirus, we expect the focus to be on state-sponsored transactions like GACS and HAPS with publicly rated secondary market transactions postponed.

Exhibit 1 Nonperforming Loan Issuance by Country (by Gross Book Value of Loans, Outstanding Principal Balance for Ireland)

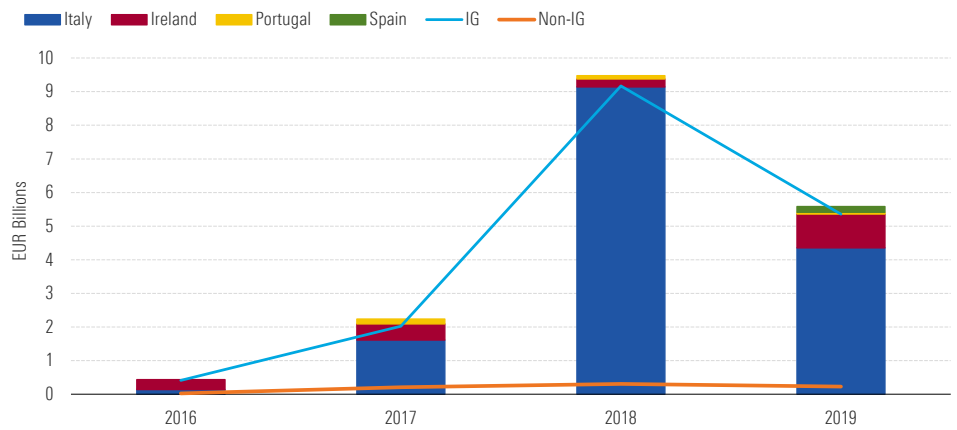


Source: DBRS Morningstar and publicly available information.

In comparison with 2018, European NPL issuance last year was lower by gross book value (GBV) measure (EUR 48.5 billion in 2018 vs. EUR 26.2 billion 2019) and number of transactions (17 in 2018 vs. 12 in 2019). However, 2019 issuance was more geographically diversified than ever before,

which we believe shows signs of more diversification to come. It is also important to note that the 2018 figures are skewed by the EUR 24 billion Siena NPL 2018 S.r.l. transaction—without this large transaction, the 2019 GBV figures are comparable with 2018. For the remainder of 2020, we expect a slowdown of publicly rated secondary trades while Italian and Greek transactions under the HAPS and GACS schemes will continue to be completed. From 2021 onwards, we believe there will be a renewed flow of transactions that will potentially include new jurisdictions following a likely increase of the NPL stock across Europe because of the coronavirus' macroeconomic impact.

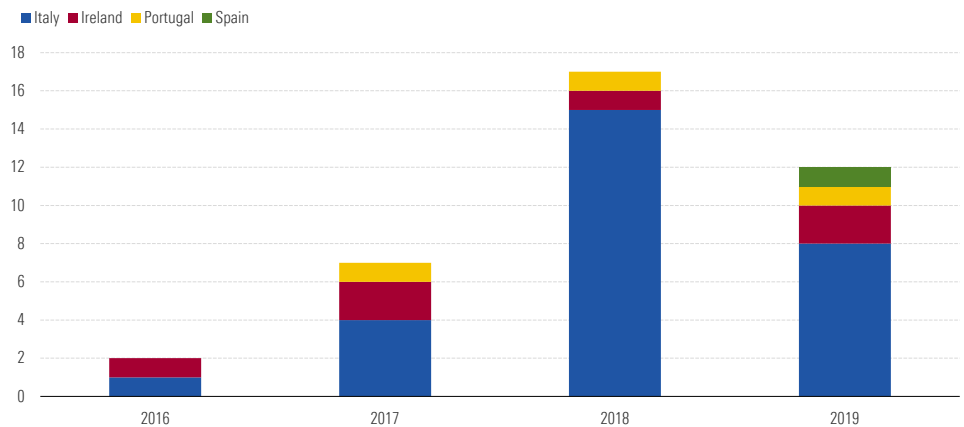
Exhibit 2 European NPL-Rated Bond Issuance 2016-19



Source: DBRS Morningstar and publicly available information.

In total, EUR 17.73 billion of rated notes have been issued across 38 transactions since 2016. The majority of transactions are from Italy (28) whereas six are from Ireland, three are from Portugal, and one is from Spain.

Exhibit 3 Number of European NPL Transactions between 2016-19



Source: DBRS Morningstar and publicly available information.

Improving European Bank Portfolios in 2019

The quality of European banks' loan portfolios has improved over time. In Q4 2019, the ratio of NPLs to total loans further declined to 2.7% from 3.2% as at Q4 2018. The NPL ratio reduction was caused by an increase of total loans and the reduction of NPLs to EUR 584.0 billion as of Q4 2019 from EUR 658.0 billion as of Q4 2018. The NPL coverage ratio was 44.70% in Q4 2019 compared with 45.1% in Q4 2018.

Exhibit 4 NPL Stock (EUR billion) by Country in Q4 2019

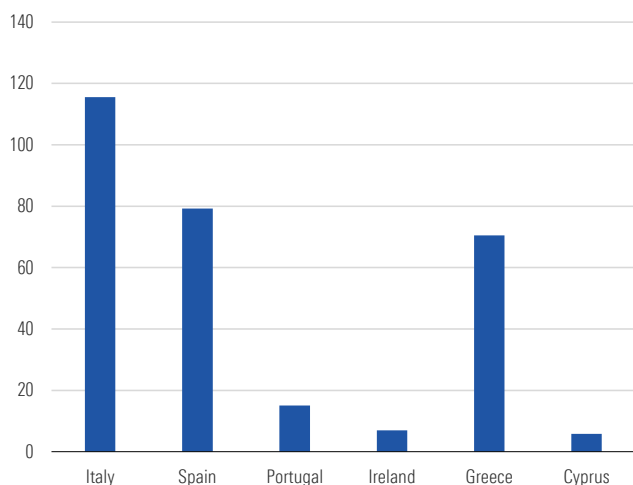
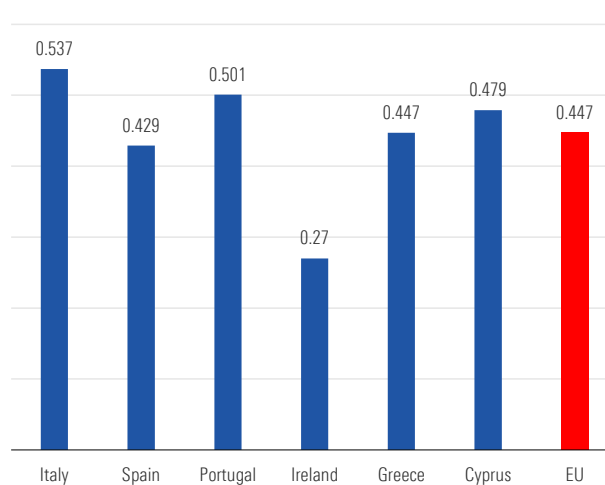


Exhibit 5 NPL Coverage Ratio by Country in Q4 2019



Source: EBA Risk Dashboard.

Over the past three years, securitisation has been a fundamental instrument in this respect, led by Italy and Ireland with multiple NPL securitisation issuances. There have been 38 transactions since 2016 (two in 2016, seven in 2017, 17 in 2018, and 12 in 2019) totalling approximately EUR 85.4 billion in terms of GBV.

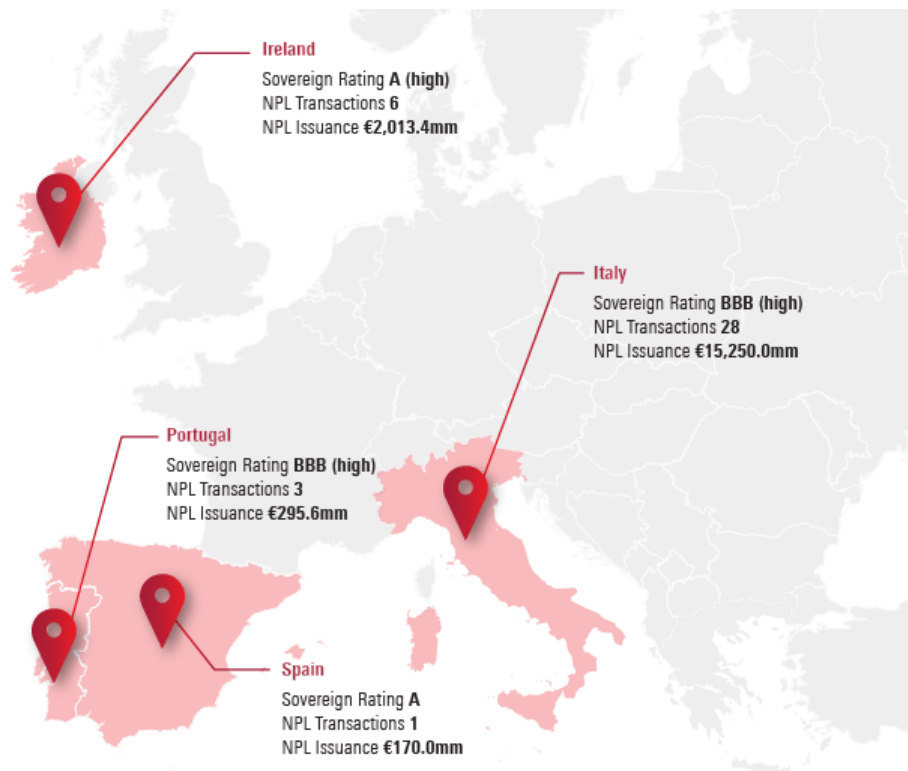
Italy has been the most-active jurisdiction with 28 transactions covering on aggregate EUR 79.9 billion GBV, followed by Ireland and Portugal. Italy's dominance is not surprising, given that it has the highest absolute stock of NPLs in Europe after France (EUR 115.5 billion, NPL ratio of 6.7%; France: EUR 120.2 billion, NPL ratio of 2.5% as of the end of 2019³) coupled with the government initiatives designed to promote the disposal of NPLs via public securitisations.

3. Source: EBA Risk Dashboard.

European Nonperforming Loan Jurisdictions: Traditional and New Markets

The European NPL securitisation markets vary across countries in terms of servicer workout strategy, the percentage of secured loans, borrower type, collateral type concentration, percentage of performing loans or real estate-owned company (ReoCo) assets, and transaction structure.

Public NPL Securitisations Across Europe



Source: DBRS Morningstar.

In terms of the predominant workout strategy, Italy, Portugal, and Spain are similar as all three jurisdictions focus on legal enforcement including property auctions. In Spain, there is a stronger focus on repossession and ReoCos than in Italy or Portugal. In Ireland, NPLs follow alternative workout solutions that to a larger extent include loan restructuring and discounted pay-offs. In Greece, a new entrant to the European NPL securitisation market in 2019, servicers have an altogether different approach, formulated around the old Law 3869 and the new Law 4605, a primary residence protection law whereby the state provides a contribution (on average 33% of total installment, revised on an annual basis) to the monthly installments of qualifying borrowers until loan maturity, as well as other amicable restructuring proposals.

Apart from Marathon SPV S.r.l., which comprises a fully unsecured loan portfolio, Italian NPL securitisations executed before the end of 2019 typically consist of heterogeneous portfolios that include secured and unsecured exposures. By borrower type, these portfolios are dominated by small to medium-size enterprises (SMEs)/corporates, and the secured portion includes residential properties as well as different types of commercial properties. In contrast, Irish NPL securitisations

consist of loans to individuals that are secured by residential properties. The portfolio composition of Portuguese and Spanish NPL transactions issued to date resemble that of their Italian counterparts.

Irish transactions stand out from other jurisdictions as they include a percentage of performing loans that produce interest income for the securitisation transactions, albeit at a reduced pay rate. As a new market entrant, Spanish transactions are also unique as they include a percentage of ReoCo assets producing rental income as well as some performing loans at a reduced pay rate.

Italian Nonperforming Loan Transactions

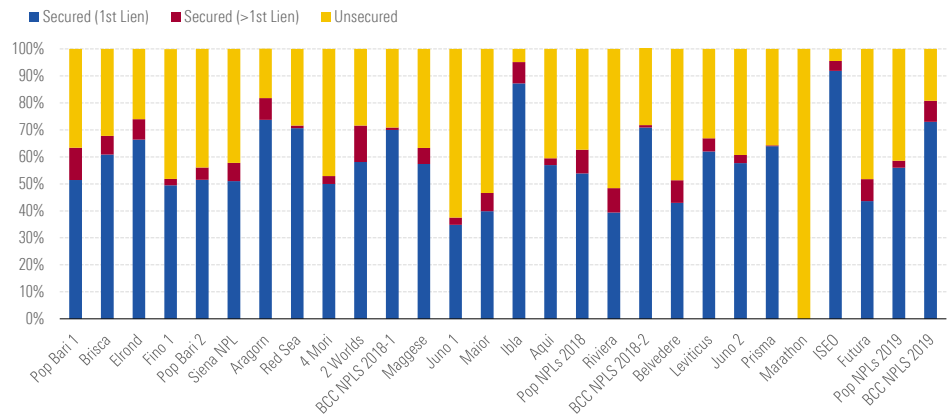
In 2019, the following new trends emerged in the Italian NPL securitisation market:

- Transactions with no GACS guarantee were issued (i.e. Futura 2019 S.r.l., and Marathon SPV S.r.l. in 2019, and Belvedere SPV S.r.l. at the end of 2018).
- The first unsecured and first fixed-rate transaction (Marathon SPV S.r.l.) was issued in December 2019.
- There were portfolios with uncharacteristically high concentration of private individual borrowers, such as Prisma SPV S.r.l. (100% of GBV), ISEO SPV S.r.l. (99.5% of GBV), and Marathon SPV S.r.l. (57.4% of GBV) in the last quarter of 2019.
- Belvedere SPV S.r.l. was the first issuer to incorporate a ReoCo under article 7.1, paragraph 4 of Law 130/1999. Others are expected to follow suit in 2020 thanks to the favourable tax treatment for these structures.

Portfolio Characteristics of Italian NPL Transactions

Italian portfolios securitised to date on average have 56.6% of the total GBV as secured (first lien) and 44.4% of the total securitised GBV with either a lien greater than first or unsecured. The maximum secured portion was observed in ISEO SPV S.r.l. at 91.9%, while the minimum was observed in Marathon SPV S.r.l., which had promissory notes securing part of the loans (19.61% of GBV). In our analysis, we classify loans that are not secured by a first lien as unsecured loans.

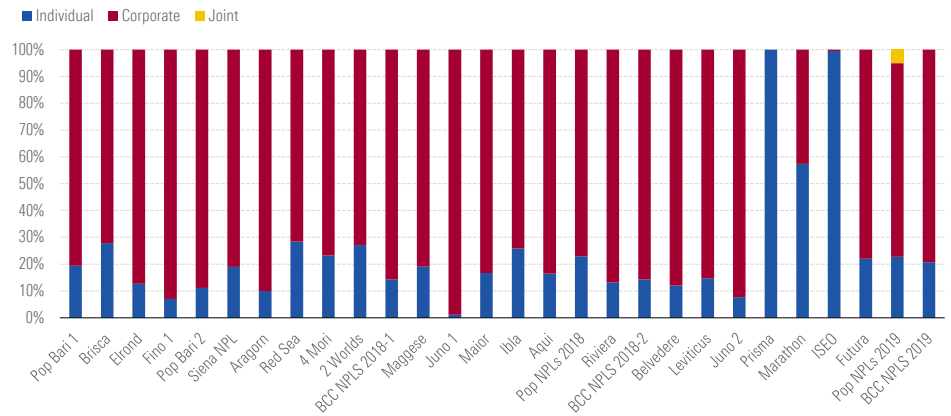
Exhibit 6 Secured vs. Unsecured Loans



Source: DBRS Morningstar and publicly available information.

In terms of borrower type, most borrowers in Italian NPL securitisations are SMEs/corporate at 75.3% by GBV. This ratio has come down from 82.9% of GBV as of the end of 2018 as a result of the issuance of new transactions with higher concentration of private individual borrowers, such as Prisma SPV S.r.l. (100% of GBV), ISEO SPV S.r.l. (99.5% of GBV), and Marathon SPV S.r.l. (57.4% of GBV) in the last quarter of 2019.

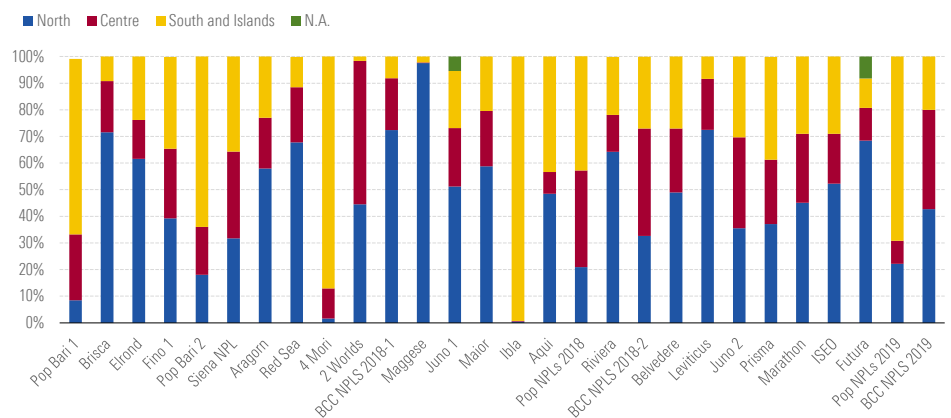
Exhibit 7 Borrower Type



Source: DBRS Morningstar and publicly available information.

The average geographical distribution of the secured collateral in Italian NPL transactions comprises 45.5% in Northern Italy, 21.6% in Central Italy, and 32.3% in the South and Islands. At the transaction level, there are significant differences, largely depending on the geographical focus of the originator. Maggese S.r.l. (97.5% in the North, originated by Cassa di Risparmio di Asti and Cassa di Risparmio di Biella e Vercelli) and Ibla S.r.l. (99.3% in the South, originated by Banca Agricola Popolare di Ragusa) stand out with polarised geographical concentrations.

Exhibit 8 Geographical Distribution

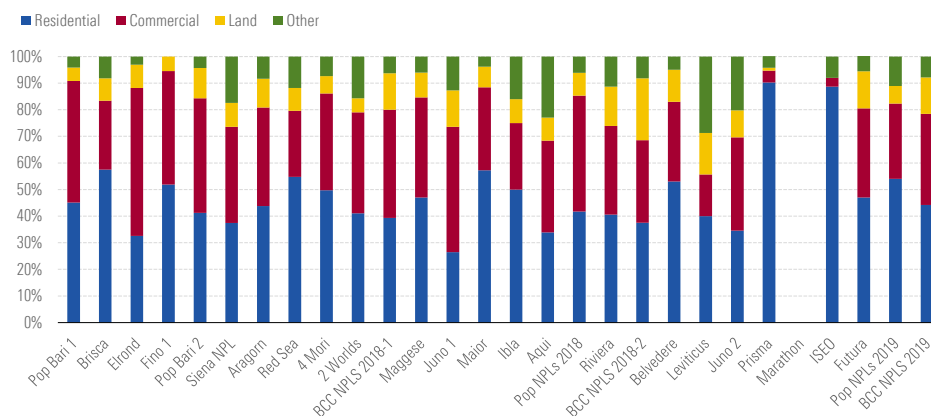


Source: DBRS Morningstar and publicly available information.

Historically, Italian NPL transactions have been heterogeneous in terms of the property type underlying the secured loans. In the last quarter of 2019, two transactions were an exception to this

trend. Prisma SPV S.r.l. comprised 90.2% residential properties by open market value (OMV) and ISEO SPV S.r.l. comprised 88.7% residential properties by OMV. This is not surprising as these transactions were mainly collateralised by loans made to individuals, which is also an exception to most Italian NPL transactions that contain predominantly corporate exposure (see Exhibit 7).

Exhibit 9 Property Type



Source: DBRS Morningstar and publicly available information.

Between 2016 and 2019, by property value, the average contribution of residential properties was 48.1%, while commercial real estate (i.e., office, retail, industrial, and leisure) was 33.0% and land was 9.9%. The remaining 9.3% comprised other property types, which in some transactions included properties that were already sold.

Structural Characteristics of Italian NPL Transactions

Considering the descriptive nature of the GACS law, which requires transactions to follow a certain template to be eligible for the guarantee, Italian NPL transactions issued from 2016 using the GACS strongly resembled each other. The structural requirements of the GACS transactions are that (1) the GACS fee is paid senior in the waterfall, (2) junior tranches are only repaid after the senior tranche, (3) senior and mezzanine notes pay interest on a floating-rate basis, and (4) mezzanine note interest payments are deferrable.

Notably, the GACS requirement that senior and mezzanine notes accrue interest on a floating-rate basis indicates the potential need for hedging instruments in the structure, given that the collateral is nonperforming and, therefore, does not accrue interest on a floating-rate basis.

The Role of Cash Reserves and Liquidity in Italian Transactions

Available cash flow from NPL portfolios can be erratic; therefore, at the transaction level, sufficient liquidity provisions for portfolio cash flow shortfalls are important. In the context of Italian NPL transactions issued since 2016, as well as for all NPLs issued in other countries, this liquidity provision is offered by cash reserves. On average, the cash reserve fund of Italian NPL transactions is 4.2%, ranging from 3.0% in BCC NPLs 2018-2 S.r.l., Marathon SPV S.r.l., and BCC NPLs 2019 S.r.l. to 7.5% in Ibla S.r.l. In some transactions, this percentage only references the senior notes whereas, in others, it references the aggregate of the senior and mezzanine notes.

In our view, a cash reserve target that is calculated as a percentage of the aggregate of the senior and mezzanine note balance provides more protection to Class A noteholders when the senior note is nearly fully repaid.

While all Italian transactions include funded cash reserves (with the exception of Fino 1 Securitisation S.r.l., which included a liquidity facility), the way these are funded vary across transactions. The majority of transactions (e.g., 19 out of 21 DBRS Morningstar-rated Italian NPL transactions) are funded by a limited recourse loan, subordinated loan, or notes that are often repaid senior in the waterfall (i.e., from early collections). In two out of the 21 DBRS Morningstar-rated transactions, the cash reserve is funded by initial collections.

Subordination Triggers

Italian transactions issued under the GACS programme include subordination triggers for mezzanine interest and servicer fees based on cumulative collection ratios varying between 50% (Siena NPL 2018 S.r.l.⁴) and 95% (Aqui S.r.l.) and net present value (NPV) cumulative profitability ratios varying between 70% and 90%. However, it is important to note that for Siena NPL 2018 S.r.l. the mezzanine interest subordination trigger is based on a vector that references an earlier start date than the securitisation and hence based on a different schedule compared with the initial business plan. Each of the four servicers in the Siena transaction are subject to the trigger on their portion of the portfolio from the date they took over. The discount rate used to calculate the NPV cumulative profitability ratio varies between 3.5% and 10.0% for each transaction.

The April 2019 GACS update introduced stricter covenants which introduce the subordination of mezzanine interests, subordination of a portion of servicer fees, and servicer replacement in case of sub-performance with respect to the initial business plan. These were reflected in the GACS-eligible transactions at the end of 2019. Under the previous GACS criteria, the subordination would reverse upon reaching pre-defined trigger levels. Under the updated GACS provisions, reaching pre-defined trigger levels will not be sufficient for reversal. The subordination reversal happens at the earlier of a full paydown of senior notes or when 100% of business plan cumulative collections is achieved. These changes could lead to more conservative business plans with more back-loaded collections expected.

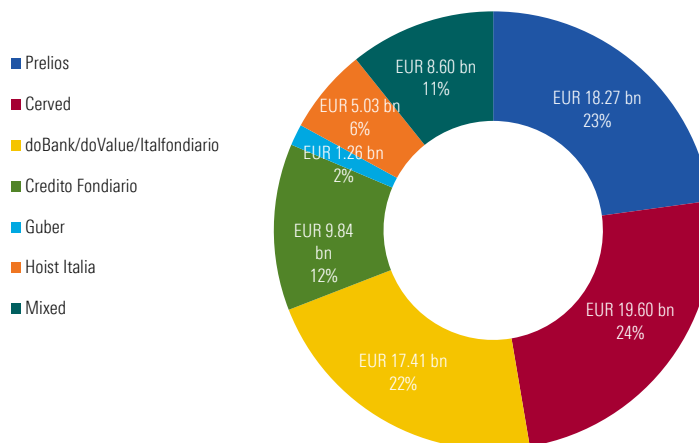
Hedging

Since the first Italian NPL securitisation issuance in 2016, the NPL securitisation notes rated by DBRS Morningstar were issued as floating-rate notes mostly referencing six-month Euribor, with the exception of two transactions (Fino 1 Securitisation S.r.l. and Siena NPL 2018 S.r.l.), which referenced the three-month Euribor. The Italian NPL securitisation notes issued in 2019 were all floating rate and referenced six-month Euribor, with the exception of Marathon SPV S.r.l., which is the first fixed-rate Italian NPL transaction to date and is not GACS eligible. The rated floating-rate notes were mostly hedged with a cap, with a predetermined notional amount. Some issuers used collars, separate cap agreements for senior and mezzanine notes, and additional floating-rate caps incorporated in the terms and conditions of the notes. There are some transactions that sold a cap at a different level to fund the purchase of the first cap. In all cases, the notional amount for the cap

4. It refers to a pre-determined mezzanine notes trigger schedule.

is predetermined. The predetermined notional amount could result in a hedging mismatch over time depending on the timing of collections.

Exhibit 10 Servicer Distribution of Italian NPL Transactions



Source: DBRS Morningstar and publicly available information.

In recent years, a notable trend has been the acquisition of servicing platforms by specialised international investors as well as industry consolidation: Cerved, Prelios (44.9% owned by Davidson Kempner), do Value (owned by Fortress), and Credit Fondiario (controlled by Elliott Management Corp.) have emerged as major market participants.

The top three servicers have a market share of approximately 69% of the Italian NPL securitisation in terms of GBV to date, while the top four have a market share of approximately 81% by GBV.

Irish Nonperforming Loan Transactions

From 2016 to date, six NPL transactions with a total outstanding portfolio balance of EUR 3.1 billion have been issued in Ireland. Two of these transactions, European Residential Loan Securitisation 2016-1 DAC (outstanding principal balance of EUR 536.5 million) and European Residential Loan Securitisation 2017-NPL1 (outstanding principal balance of EUR 419.8 million) have since repaid. The collateral still outstanding in European Residential Loan Securitisation 2016-1 DAC was refinanced with the European Residential Loan Securitisation 2018-1 DAC transaction in March 2018.

Irish transactions are more homogeneous compared with Italian transactions as the collateral is 100% residential and all borrowers are private individuals. While each transaction has similar characteristics, the transactions can be differentiated by the portfolios' Dublin exposure (min 19.9% - max 33.1%, average 26.6%), buy-to-let composition (min 2.0% - max 30.9%, average 12.3%), percentage of performing loans (min 1.39% - max 37.8%, average 16.5%), and percentage of ReoCo assets (min 2.5% - max 15.0%, average 8.7%) in the portfolio.

As a result of the partially performing nature of the Irish NPL securitisation collateral, these transactions have some interest income during the term, which is generally a reduced pay rate on

loans in arrears for more than three months between 26.3% and 38.6% (average 33.1%). The seasoning of the loans and the weighted-average remaining term in the portfolios are also heterogeneous, ranging between 11.0 years and 13.1 years (average 12.1 years) and 13.6 years and 17.4 years (average 13.6 years), respectively.

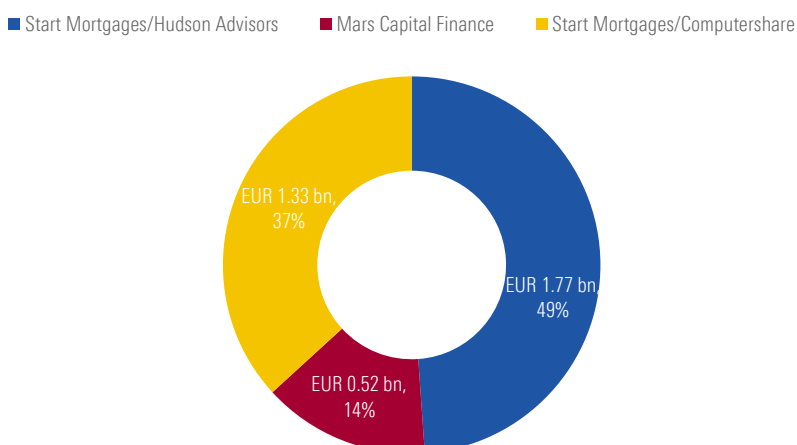
Structurally, Irish NPL transactions issue floating-rate notes indexed to one-month Euribor, with a step-up coupon three to four years from the transaction closing date. One or two years after the step-up coupon date, they are expected to include a coupon cap on the rated bonds. The transactions are hedged with an interest rate cap on an amortising set notional amount until the coupon cap date. The predetermined notional amount could result in a hedging mismatch over time depending on slower or faster recoveries than initially estimated. Most Irish transactions, with the exceptions of European Residential Loan Securitisation 2016-1 DAC, have multiple rated tranches and separate funded cash reserves for each rated tranche.

Five of the six Irish issuances since 2016 have a total outstanding portfolio balance between EUR 350 million and EUR 540 million while the latest Irish issuance, European Residential Loan Securitisation 2019-NPL2 DAC, has an outstanding portfolio balance of EUR 1.3 billion.

While Italian NPL servicers anticipate legal enforcement for majority of the loans, including legal auction for secured exposures, Irish NPL servicers follow alternative workout solutions, such as performing loan portfolio sales, supported voluntary surrender (SVS), and assisted voluntary sales (AVS).

The majority of the Irish transactions are serviced by Start Mortgages, either in partnership with Computershare or Hudson Advisors.

Exhibit 11 Servicer Distribution of Irish NPL Transactions



Source: DBRS Morningstar and publicly available information.

Portuguese Nonperforming Loan Transactions

The three Portuguese securitisations issued since 2016 resemble their Italian counterparts in terms of transaction structure: like their Italian counterparts, Portuguese NPL securitisation transactions include subordination events for junior interest, measured on cumulative collection ratios, and on NPV cumulative profitability ratios.

Exhibit 12 Secured vs. Unsecured Loans

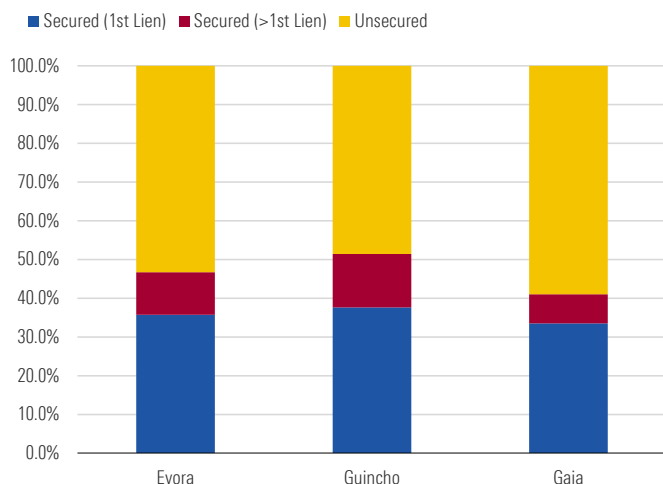
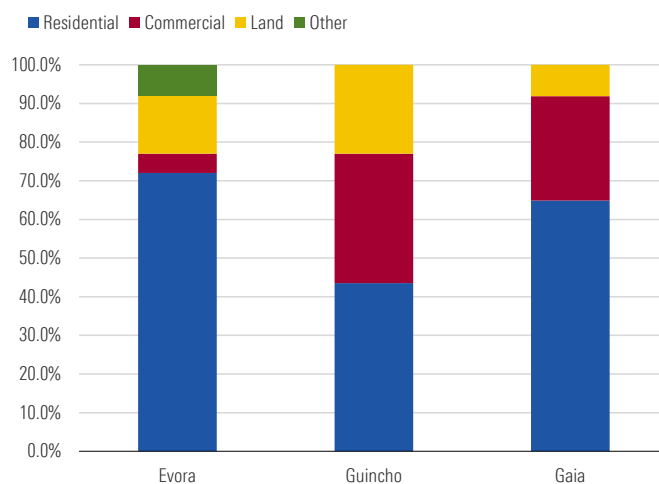


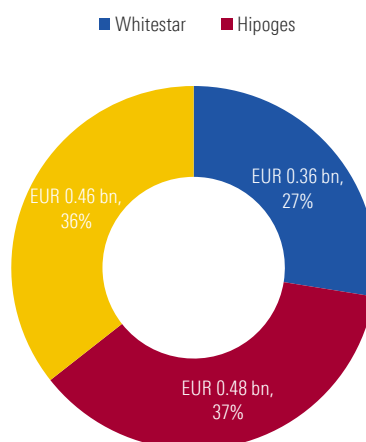
Exhibit 13 Property Type



Source: DBRS Morningstar and publicly available information..

On average about one third of the loan collateral of the Portuguese transactions to date is secured by first-lien loans, with the remaining loans either unsecured or secured by liens lower than first. While the first two Portuguese transactions were predominantly composed of corporate/SME borrowers (65% by GBV in Hefesto, STC, S.A. (Evora Finance) and 82% by GBV in Hefesto STC, S.A. (Project Guincho), Ares Lusitani STC, S.A. (Gaia), issued in 2019, has an equal distribution between corporate/SME and individual borrowers.

The geographical exposure to Lisbon varies between 24.8% and 38.9% for the three transactions. Hefesto, STC, S.A. (Evora Finance) and Ares Lusitani STC, S.A. (Gaia) are mostly residential by collateral type (72% and 64.9%), while the residential percentage is lower in Hefesto STC, S.A. (Project Guincho) at 43%.

Exhibit 14 Servicer Distribution of Portuguese Nonperforming Loan Transactions

Source: DBRS Morningstar and publicly available information.

Spanish Nonperforming Loan Transactions

ProSil Acquisition S.A. (ProSil), which closed in July 2019, was the first NPL securitisation issued in Spain. ProSil resembles its Portuguese counterparts in terms of having a workout strategy that focuses on a mix of legal enforcement and amicable procedures, as well as in terms of transaction structure.

The ProSil transaction was 95.3% secured by first-lien mortgages, and 72% of the portfolio was collateralised by residential properties. This transaction stood out as approximately 32.6% of the loans by GBV had completed a successful auction and/or were in the court distribution phase.

Greek Nonperforming Loan Transactions

The European Commission approved the Hercules Asset Protection Scheme (HAPS) on 10 October 2019 and has deemed it to be free of state aid from the Hellenic Republic, given the market rate costs for the protection offered.

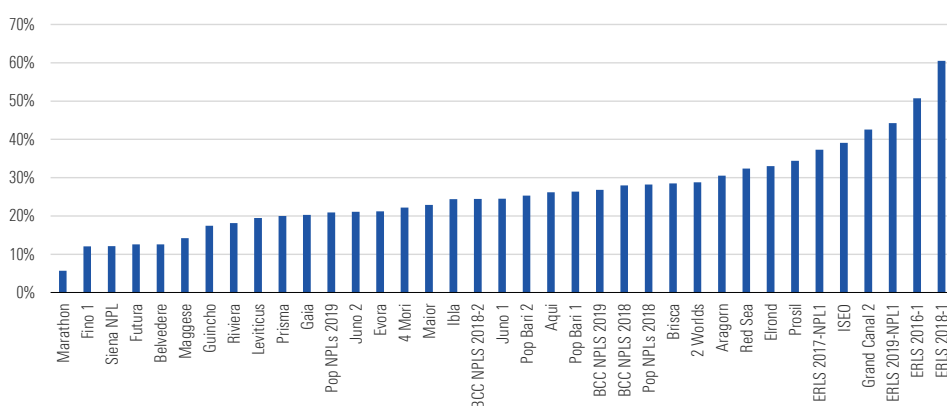
Modelled on GACS, the Greek scheme will place pools of NPLs into a special-purpose vehicle and issue notes to investors. The Hellenic Republic will then provide a public guarantee to the senior notes. The HAPS guarantee fee will be based on the Greek credit default swaps. The scheme will run for 18 months and the state guarantee for the senior tranche of a securitisation transaction will only become effective if at least half of the risk-weighted exposure of nonguaranteed, nonsenior tranches has been sold to private investors and the originator institution does not hold more than 20% of the first loss tranche of the securitisation.

All four Greek systemic banks have submitted plans to significantly reduce their stock of NPLs by 2021-22; accordingly, DBRS Morningstar anticipates several Greek NPL securitisations from 2020 onwards. Cairo No.1 Finance DAC and Cairo No.2 Finance DAC, issued in the first quarter of 2020 by Eurobank, were the first HAPS transactions.

Greek transactions are materially different from their Italian, Irish, Portuguese and Spanish counterparts in terms of workout strategy. Under Law 4605/2019, the new primary residential protection law, the state provides a contribution to the monthly instalment until loan maturity. The contribution of the government on average is approximately 33% of the total instalment and is reviewed annually. Accordingly, the servicer workout strategy is formulated to accommodate the benefits of this law and the old Law 3869, as well as other amicable restructuring proposals.

Benchmarking European Nonperforming Loan Securitisations

Exhibit 15 European NPL Class A Note to GDP Ratio

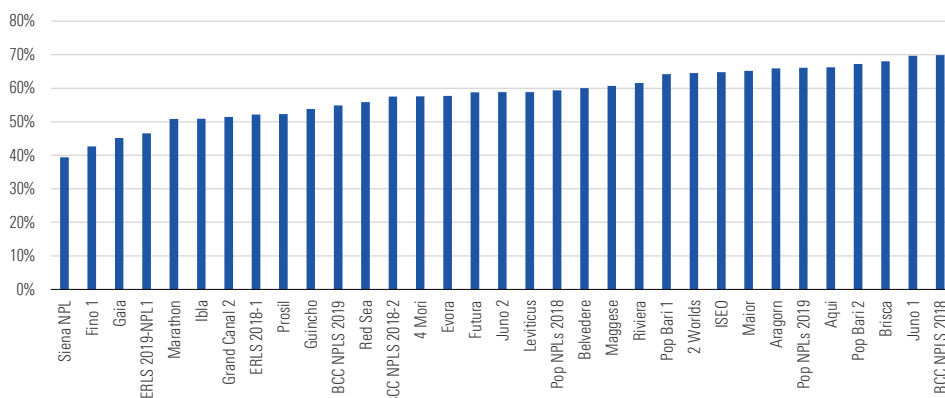


Source: DBRS Morningstar and publicly available information.

The European NPL transaction Class A-to-GBV levels from 2016 to YE2019 range between 5.7% (Marathon SPV S.r.l.) and 60.5% (European Residential Loan Securitisation 2018-1 DAC). The wide difference between transactions is not surprising and depends on a number of factors including the percentage of secured loans in the transaction, property types, the expected timing of court processes in the jurisdiction, and the amount of performing loans in the collateral pool, among other factors.

On one end of the spectrum, Marathon SPV S.r.l. is the first unsecured Italian transaction rated to date. Given the unsecured nature of the underlying loan pool, the expected gross disposition proceeds-to-GBV ratio is low. This is reflected in the low Class A-to-GBV ratio represented in the chart above.

On the other end of the spectrum are the five Irish transactions with 100% secured portfolios in a more creditor-friendly jurisdiction. The Irish NPL securitisations, and in particular European Residential Loan Securitisation 2016-1 (which has now fully repaid) and European Residential Loan Securitisation 2018-1 (a refinancing of the remaining loan collateral of European Residential Loan Securitisation 2016-1), stand out with 34.5% and 37.8% of the loan collateral pool comprising performing loans. ISEO SPV S.r.l. has a high Class A to GBV ratio, with a 99.5% secured portfolio where 99.5% of the loan collateral are private individuals.

Exhibit 16 European NPL Class A Note to GDP Ratio (Initial Servicer or Sponsor's Expectation)

Source: DBRS Morningstar and publicly available information.

The senior notes to servicer's gross disposal proceeds (GDP) provides a narrower range between 39.4% (Siena NPL 2018 S.r.l.) and 69.9% (BCC NPLs 2018). As can be seen in Exhibit 16, for most European NPL securitisations, the senior note-to-gross disposal proceeds is around 60%, which is also the simple average, but outliers still exist. It is important to consider that the ratings of the senior notes in the respective transactions can differ, in particular when comparing the Irish senior notes to GDP ratio with other jurisdictions.

Notably, the note-to-gross disposal proceeds of Siena NPL 2018 S.r.l.s and Fino 1 Securitisation S.r.l. are comparably low, which can be partially explained by the aforementioned interest deferral triggers. Based on cumulative collections only and set at a lower threshold than market standards, mezzanine noteholders receive relatively more cash flow in a stressed scenario relative to transactions with tighter triggers. As a result, the stressed cash flows can only support a smaller senior class as a proportion of expected collections. In addition, we rate the senior bonds of Siena NPL 2018 S.r.l. and Fino 1 Securitisation S.r.l. relatively high at BBB (sf) and BBB (high) (sf), respectively. Another transaction with a low note-to-gross disposal proceeds is Ibla S.r.l., which has a significant concentration in a single region, Sicily.

For Portuguese NPL transactions, the differences in note-to-gross disposal proceeds can be attributed to different property types as Hefesto STC, S.A. (Project Guincho) is more concentrated in commercial properties and land, which are typically subject to higher stresses as compared with residential properties; and in the case of Ares Lusitani STC, S.A. (Gaia), can be attributed to lower secured loan levels.

On the other side of the spectrum, BCC NPLs 2018 S.r.l., Maggese S.r.l., and Brisca Securitisation S.r.l. stand out with relatively high note-to-gross disposal proceeds levels. The latter two transactions have relatively high concentrations in residential properties and Northern Italy.

European Nonperforming Loan Securitisation Performance

Countries relevant to our rated securitisations all have very different dynamics, as detailed below.

Italian Nonperforming Loan Transactions Performance

Our base line expectation for the Italian economy in a moderate scenario as of June 2020 is a GDP growth rate of -7.5% this year, that stabilises at a higher level compared with the one recorded pre-crisis level in 2022 (1.5%). The average unemployment rate is anticipated to increase to 13.0% by the end of 2021 and stabilise around 12.0% in 2022.

On 8 May 2020, our sovereign rating of the Republic of Italy was confirmed at BBB (high) and its trend changed from Stable to Negative. Its second review in 2020 is scheduled in October.

Exhibit 17 Italy House Price Index



Source: Real Residential Property Prices – Bank for International Settlements; Federal Reserve Bank of St. Louis. (Index 2010=100, Quarterly, Not Seasonally Adjusted).

We have assigned ratings to 21 Italian NPL securitisations, five of which closed in December 2019. Among the latter, three are eligible under the updated 2019 GACS regime. Consequently, we have to date received meaningful performance data (i.e., more than one data point as of the latest IPD referring to at least a six-month timeframe since issuance) only for the transactions that closed up to the first quarter of 2019, which include Leviticus SPV S.r.l. and Juno 2 S.r.l. However, based on the information available at the time of writing, all recent 2019 issuances are performing in line with the initial expectations of the servicers⁵.

In terms of cumulative gross collections, most of the Italian NPL transactions we rate are performing below the servicer's initial expectations as of the latest semiannual interest payment date, with the exceptions of Brisca Securitisation S.r.l., Maior SPV S.r.l., BCC NPLs 2018-2 S.r.l., Juno 1 S.r.l., Juno 2 S.r.l. and Marathon SPV S.r.l., which notably recorded actual cumulative gross collections that are to date higher than the amounts estimated in the initial servicer business plan. However, it is important to note that IPD reporting is backward looking compared with the outbreak of the pandemic, and that since the latest IPD the performance trend of BCC NPLs 2018-2 S.r.l. has

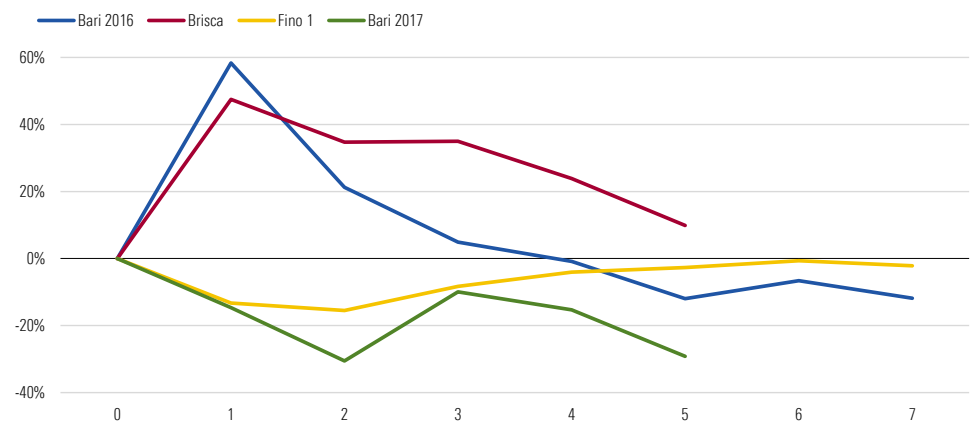
5. This refers to all transactions rated in the second half of 2019 except for Iseo SPV S.r.l., for which no performance data is available yet.

changed to negative, while the cumulative gross collection ratio (CCR) of all transactions has overall deteriorated, as further detailed in the section “Performance Insights Since the Outbreak of COVID-19” of this commentary.

2Worlds S.r.l. and Leviticus SPV S.r.l. performed better than the initial business plan until December 2019, when the servicer reports displayed reductions in actual cumulative gross proceeds compared with the initial business plans of 3.6% and 5.1%, respectively.

In 2018, the performance of Popolare Bari NPLs 2016 S.r.l. began deteriorating, and at the latest IPD was behind the initial business plan by 11.8%. Siena NPL 2018 S.r.l. has been also collecting less than initially estimated by the special servicer, and is currently 24.2% behind the original servicer’s expectations, according to the most recent quarterly performance data as of March 2020. Popolare Bari NPLs 2017 S.r.l., Aragorn NPL 2018 S.r.l., 4Mori Sardegna S.r.l., Maggese S.r.l., Ibla S.r.l., Belvedere SPV S.r.l. and Fino 1 Securitisation S.r.l. have been performing constantly behind the initial business plans presented by the special servicer, although the cumulative gross recoveries recorded for the latter as of March 2020 are just slightly below the initial forecast.

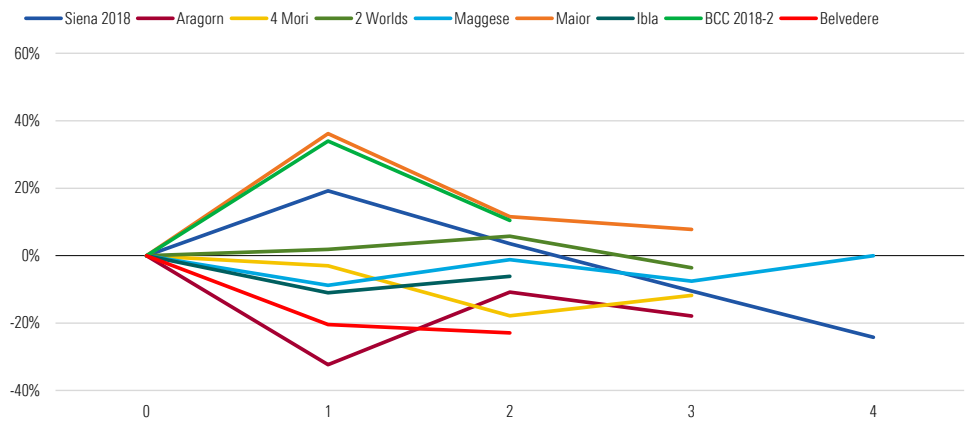
Exhibit 18 Cumulative Gross Collections versus Servicer Initial Business Plan – 2016-17 Italian Transactions⁶



Source: DBRS Morningstar, transaction documentation and information provided by the special servicers.

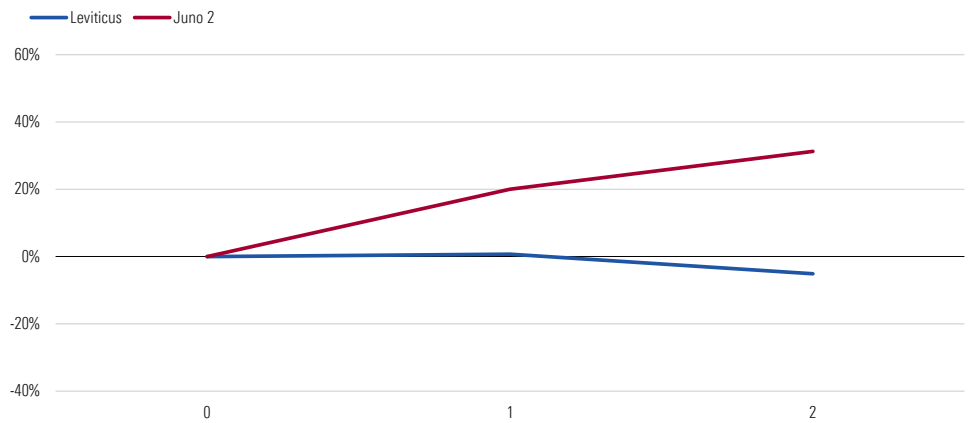
6. Performance data is represented on a semiannual basis starting from the collection period relevant to the first interest payment date.

Exhibit 19 Cumulative Gross Collections versus Servicer Initial Business Plan – 2018 Italian Transactions⁷



Source: DBRS Morningstar, transaction documentation and information provided by the special servicers.

Exhibit 20 Cumulative Gross Collections versus Servicer Initial Business Plan - 2019 Italian Transactions

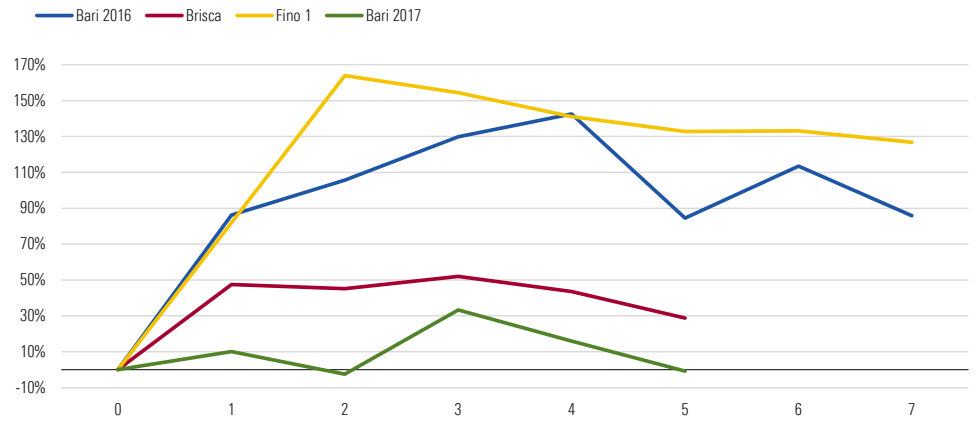


Source: DBRS Morningstar, transaction documentation and information provided by the special servicers.

From the data gathered thus far, even though 11 out of 16 of the Italian NPL transactions with meaningful data available are recovering at a slower pace than the servicer estimates, cumulative gross collections are still higher or in line with our senior note rating stresses as of the latest semiannual IPD update.

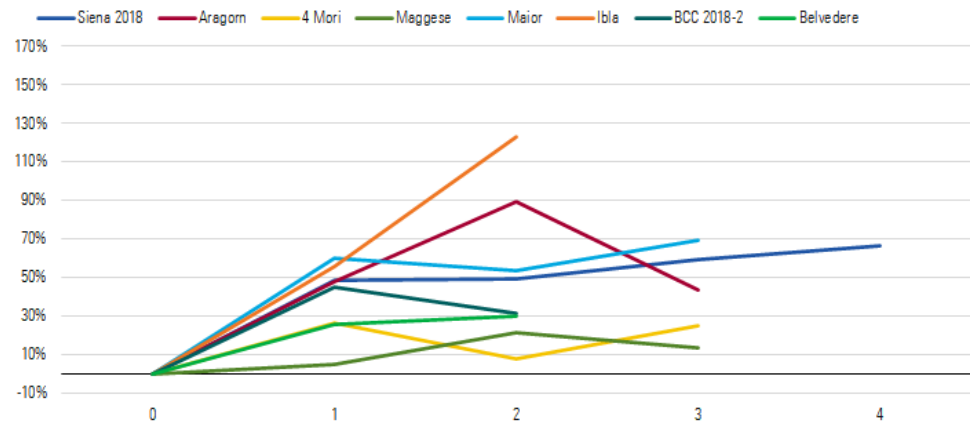
7. The chart does not include Juno 1 S.r.l., which since issuance has been performing significantly above the servicer’s initial expectations – notably: 1st Collection Period: +193.7%; 2nd Collection Period: +93.7%, 3rd Collection Period: +58.3%. Please also note that the ratio for Siena NPL 2018 S.r.l. also accounts for actual and expected servicer collections accrued prior to the Cutoff Date relevant to the securitisation transaction (30 September 2017).

Exhibit 21 Cumulative Gross Collections versus DBRS Morningstar Senior Notes Estimated Gross Collections - Italian Transactions 2016-17



Source: DBRS Morningstar, transaction documentation and information provided by the special servicers.

Exhibit 22 Cumulative Gross Collections versus DBRS Morningstar Senior Notes Estimated Gross Collections - Italian Transactions 2018⁸



Source: DBRS Morningstar, transaction documentation and information provided by the special servicers.

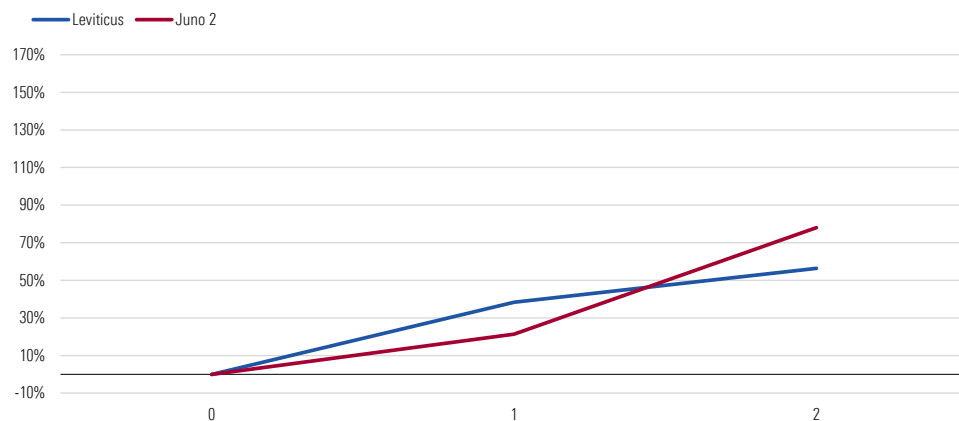
8. The chart does not include Juno 1 S.r.l. and 2Worlds S.r.l., which since issuance have been performing significantly above the DBRS Morningstar Senior Notes Estimated Gross Collections – notably:

- Juno 1 S.r.l.: 1st Collection Period: +374.3%; 2nd Collection Period: +126.2%, 3rd Collection Period: +104.2%.

- 2Worlds S.r.l.: 1st Collection Period: +607.4%; 2nd Collection Period: +380.7%, 3rd Collection Period: +339.5%.

Please note that for Siena NPL 2018 S.r.l. the DBRS Morningstar analysis refers to the period from the Cutoff Date relevant to the securitisation transaction (30 September 2017 onwards).

Exhibit 23 Cumulative Gross Collections versus DBRS Morningstar Senior Notes Estimated Gross Collections – Italian Transactions 2019



Source: DBRS Morningstar, transaction documentation and information provided by the special servicers.

Generally, all Italian DBRS Morningstar rated transactions have two indicators to monitor the performance: the cumulative collection ratio and the net present value cumulative profitability ratio. Generally, these are also considered as mezzanine interest subordination triggers within the relevant transaction structures. Exceptions to this include Popolare Bari NPLS 2017 S.r.l., which only accounts for present value cumulative profitability ratio, and Fino 1 Securitisation S.r.l., Siena NPL 2018 S.r.l., and Marathon SPV S.r.l.. While for the latter the only applicable subordination trigger is the cumulative collection ratio, for Fino 1 Securitisation S.r.l. and Siena NPL 2018 S.r.l. the relevant performance indicators are based on the comparison between actual collections and a predetermined mezzanine notes trigger schedule.

Thus far, the present value cumulative profitability ratio observed as of the latest relevant IPD has been above 100% for all transactions, which indicates that servicers are still liquidating assets above their initial expectations. As mentioned, this statement does not apply to Fino 1 Securitisation S.r.l., Siena NPL 2018 S.r.l., and Marathon SPV S.r.l., as they do not report profitability ratios amid lack of related mezzanine interest deferral trigger. Therefore, consistent with the trend observed last year, it appears that, for transactions underperforming initially expected cumulative recoveries, servicers are working out the exposures slower than initially expected, but the exposure-level recoveries are still in line with or higher than initial expectations.

The performance trend of Italian NPL securitisations observed to date is influenced by a number of factors. More recent transactions are generally likely to be affected by onboarding-specific matters, such as the time required by the special servicer to onboard new portfolios and potential complexities linked to the handover of the recovery activity. Separately, for less recent issuances, downturns in real estate market prices and lengthiness of the judicial recovery process might hit and/or delay special servicer recoveries depending on the geographical concentration of the portfolio. Despite the effort made by the Italian government in implementing changes to the legal framework in order to speed up the judicial procedures, timing differences among courts situated in different locations can still be material because of the procedural overloads experienced, with subsequent impacts on the time to recovery.

In terms of recovery process, the main source of recoveries for the Italian NPL transactions is represented by the distribution of judicial proceedings, which on average account for more than 50% of the total amount of actual gross collections recorded by the special servicers. This is in line with the approach generally envisaged in the business plan prepared at issuance, and it is often combined with recoveries achieved via amicable agreements (representing, on average, about 25% of the actual collections). Additionally, we have observed a growing trend in the share of actual recoveries deriving from the sale of receivables underlying the notes. Although their implementation was generally not contemplated under most of the initial transaction frameworks (such that the legal documentation addressed the matter only to a certain level, albeit their execution is subject to the approval from the representative of the noteholders), loan sales are assuming an increasing relevance as a “tool” to support the recovery performance in the local NPL securitisation market. Consistent with the analysis carried out to date, we will continue to observe the evolution of this and closely monitor related effects on profitability.

To date, we have received an updated version of the initial servicer business plan for 13 out of the 16 Italian NPL transactions rated between 2016 and the first half of 2019, specifically: Popolare Bari NPLS 2016 S.r.l., Brisca Securitisation S.r.l., Fino 1 Securitisation S.r.l., Popolare Bari NPLS 2017 S.r.l., Aragorn NPL 2018 S.r.l., 4Mori Sardegna S.r.l., 2Worlds S.r.l., Maggese S.r.l., Juno 1 S.r.l., Maior SPV S.r.l., Ibla S.r.l., Juno 2 S.r.l. and Leviticus SPV S.r.l.⁹

Based on the analysis of the updated business plans received to date, and more specifically on the comparison between (1) total amount of gross proceeds initially estimated by the servicer and (2) actual collections plus updated business plan projections, we have noticed that servicers have generally reduced the amount of total gross collections in a range between 2.5% and 10.7%, with the exceptions of 4Mori Sardegna S.r.l., Fino 1 Securitisation S.r.l. and Juno 2 S.r.l. which, compared with the initial business plans, have presented either stable or slightly higher forecast.

We anticipate the receipt of further performance data and updated business plan in the coming months, and will continue to monitor the recovery expectations in terms of timing and collected amounts, as well as their development in light of the highly uncertain economic environment amid COVID-19.

Irish Nonperforming Loan Transactions Performance

Over the last few years, the Irish economy recorded a strong growth and sound macroeconomic fundamentals, setting a positive framework to support the performance of NPL transactions. In 2019 Ireland recorded a real GDP growth rate of 5.5% and the unemployment reduced to 4.7% compared with 5.8% in the previous year¹⁰. After a severe decline, Irish house-price have recovered by approximately 50% since the lowest levels reached in 2012, from January 2018 to January 2019, there has been a 4.2% increase in Irish residential property prices.

Following the spread of the coronavirus, the Irish government has taken restrictive measures (including shutting down all parades and festivals, closure of all schools, colleges, and childcare and other public facilities) which, at the time of writing, were in the process of being relaxed.

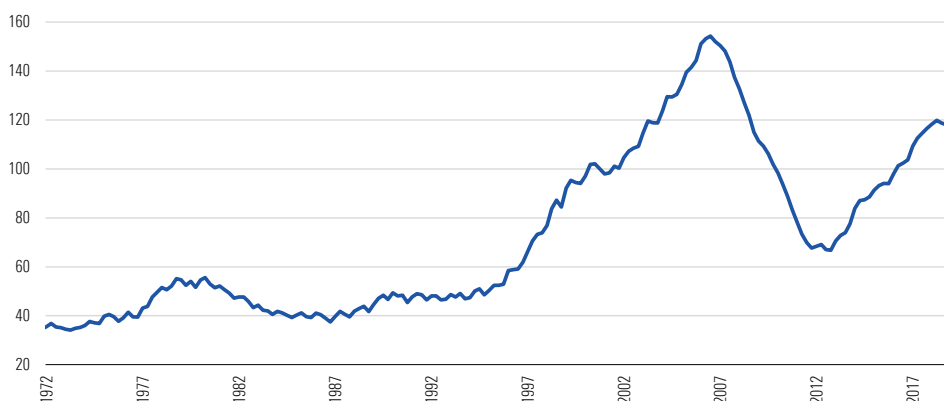
9. The updated business plan has been received for part of the Belvedere SPV S.r.l. pool also.

10. Source: Organisation for Economic Co-operation and Development (OECD).

However, at this stage it is too early to anticipate the ultimate impact of the crisis on economic development and real estate asset prices in Ireland. From a macroeconomic standpoint, our expectation in a moderate scenario as of June 2020 is a negative GDP growth rate of 5.5% this year, which stabilises at a lower level compared with the one recorded pre-crisis level in 2022 (2.5%). The average unemployment rate is anticipated to increase to 9.5% this year and to fall around 6.0% in 2022.

The sovereign rating for the Republic of Ireland is A (high) with a Stable trend, last confirmed in May 2020.

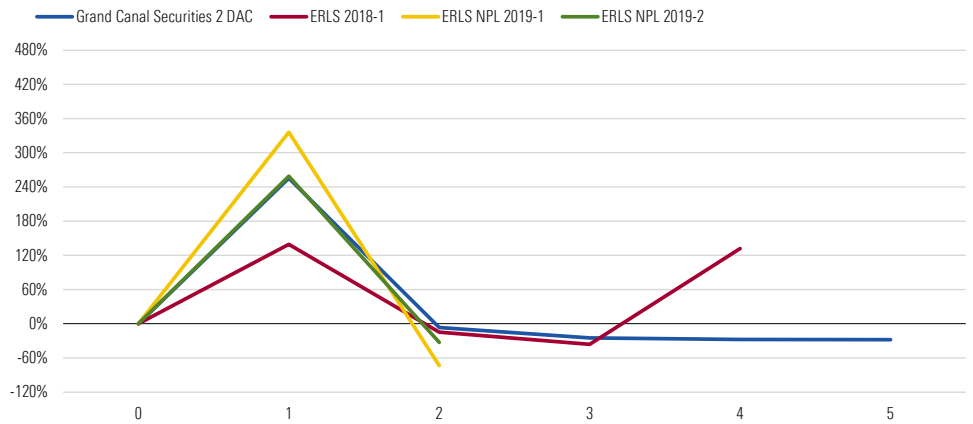
Exhibit 24 Irish House Price Index



Source: Real Residential Property Prices – Bank for International Settlements; Federal Reserve Bank of St. Louis. (Index 2010=100, Quarterly, Not Seasonally Adjusted).

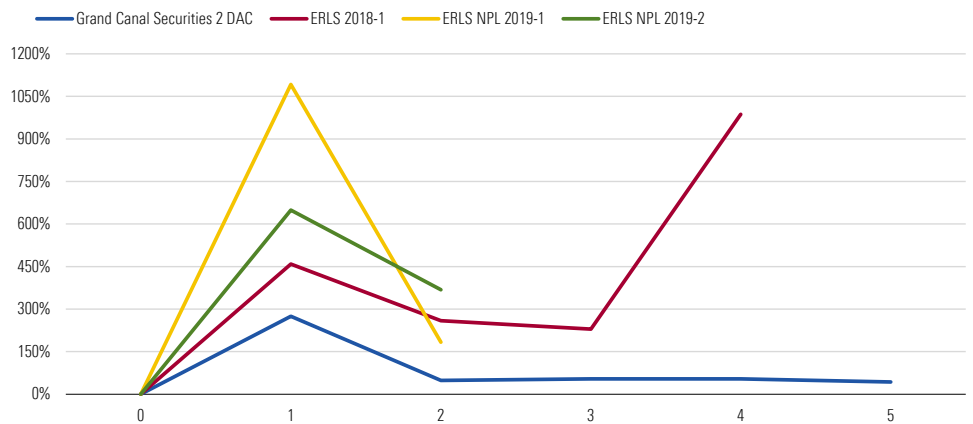
We assigned ratings to six Irish NPL securitisations: four of which are still outstanding and two recently closed in the second half of 2019 (European Residential Loan Securitisation 2019-NPL1 DAC and European Residential Loan Securitisation 2019-NPL2 DAC). European Residential Loan Securitisation 2016-1 DAC was discontinued in April 2018 and European Residential Loan Securitisation 2017-NPL1 was discontinued in September 2019.

Exhibit 25 Cumulative Gross Collections versus Servicer Initial Business Plan – Irish Transactions¹¹



Source: DBRS Morningstar, transaction documentation and information provided by the special servicers.

Exhibit 26 Cumulative Gross Collections versus DBRS Morningstar Senior Notes Estimated Gross Collections - Irish Transactions¹²



Source: DBRS Morningstar, transaction documentation and information provided by the special servicers.

All outstanding transactions are performing well above our stressed assumptions in relation to the senior notes.

It is important to note that for Irish NPL transactions our assumptions are generally quite conservative and we do not give credit to the sale of the receivables once they become performing. Loan sales are a common practice and one of the main strategies used in the servicers’ business plan, and their successful implementation ultimately drives the actual performance of the transactions in comparison with the initial expectations of the servicer.

11. The collections for European Residential Loan Securitisation 2018-1 include proceeds deriving from performing loan sales totalling EUR 131.9 million, that are in the process of being distributed as available funds through the amortisation of a dedicated reserve account.

12. The collections for European Residential Loan Securitisation 2018-1 include proceeds deriving from performing loan sales totalling EUR 131.9 million, that are in the process of being distributed as available funds through the amortisation of a dedicated reserve account.

Unlike other European NPL subsectors, the structure of Irish NPL transactions generally does not include the existence of performance-related interest subordination triggers, nor are there provisions of an updated business plan.

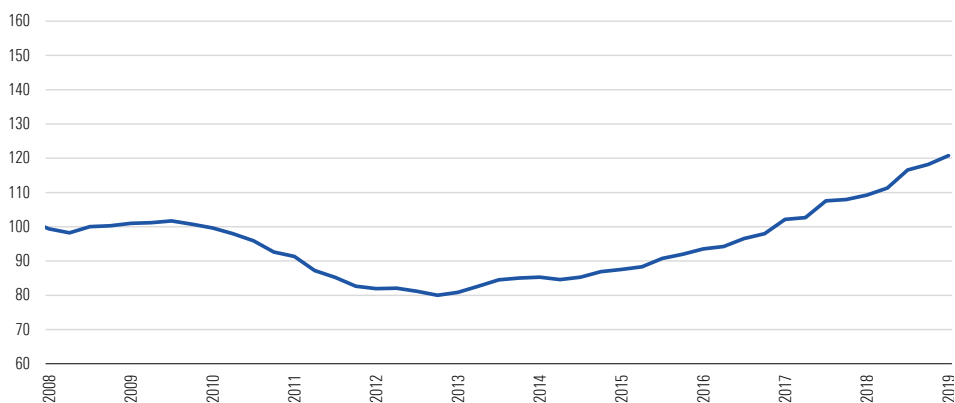
Portuguese Nonperforming Loan Transactions Performance

At the end of 2019 Portugal recorded a real GDP growth of 2.2% and the unemployment rate decreased to 6.7%, compared with 7.0% at the end of 2018¹³. Prior to the COVID-19 crisis, house prices increased steadily: the maximum value was observed in July 2019 and, from January 2018 to January 2019, the house price index has increased by 9.0%.

Following the spread of the coronavirus, the Portuguese government has taken restrictive measures (including introduction of tighter controls at the borders, self-isolation requirements, etc.) which, at the time of writing, are in the process of being relaxed. However, at this stage it is too early to anticipate the ultimate impact of the crisis on economic development and real estate asset prices. From a macroeconomic standpoint, our expectation in a moderate scenario as of June 2020 is a negative GDP growth rate of 6.0% this year, which improves to 3.0% by the end of 2022. The average unemployment rate is anticipated to reach 11.0% this year and stabilise at a higher level compared with the one recorded pre-crisis level in 2022 (8.0%).

The sovereign rating of the Republic of Portugal is BBB (high) with Stable trend, last confirmed in March 2020, and its second review in 2020 is scheduled in September.

Exhibit 27 Portuguese House Price Index



Source: Real Residential Property Prices – Bank for International Settlements; Federal Reserve Bank of St. Louis. (Index 2010=100, Quarterly, Not Seasonally Adjusted).

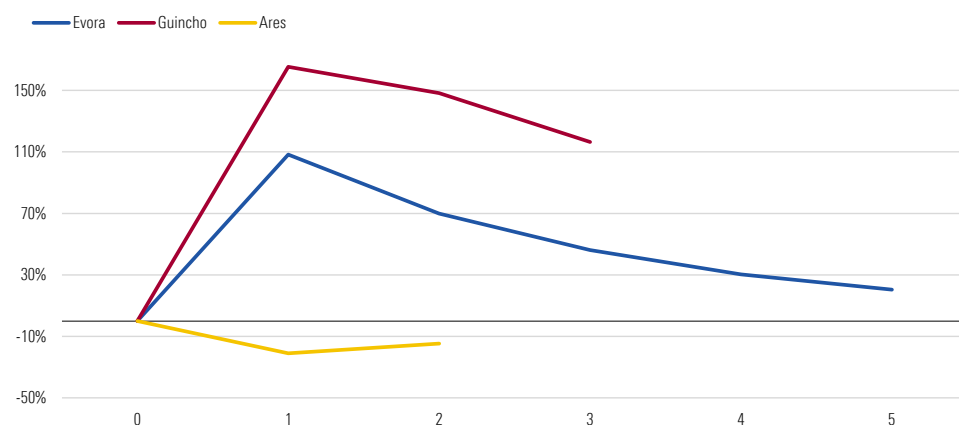
We assigned ratings to three Portuguese securitisations, one of which closed in May 2019: Ares Lusitani STC, S.A. (Gaia). To date, both Hefesto, STC, S.A. (Evora Finance) and Hefesto STC, S A (Project Guincho) are performing well above the servicers' initial recovery expectations (+20.4% and +116.5% as of April 2020, respectively). We will closely monitor whether the current outperformance of the latter will last amid the coronavirus. In the case of the more seasoned

13. Source: Organisation for Economic Co-operation and Development (OECD).

Hefesto, STC, S.A. (Evora Finance), the initial significant outperformance has reduced in subsequent periods, as one would expect.

Compared with the above-mentioned transactions, a different trend has been observed for the more recently rated Ares Lusitani STC, S.A. (Gaia). The transaction has been performing below the servicer's initial expectations since issuance, with actual cumulative gross collections 14.7% below the initial business plan as of April 2020. However, it is important to note that an improvement has been observed compared with the first interest payment date (November 2019), when the actual cumulative gross collections were 21.3% below the initial business plan.

Exhibit 28 Cumulative Gross Collections versus Servicer Initial Business Plan - Portuguese Transactions



Source: DBRS Morningstar, transaction documentation and information provided by the special servicers.

All outstanding transactions are well above our stressed assumptions in relation to the senior notes.

Similar to the Italian NPL transactions, all our Portuguese-rated transactions include performance-related triggers for the deferral of interest due on the mezzanine notes, such as cumulative collection ratio and present value profitability ratio (the latter equal to 138.2% for Evora Finance, 179.4% for Project Guincho and 137.0% for Ares Lusitani STC, S.A. (Gaia) as of April 2020). Both types of indicators are currently well above 100% for all transactions, with the exception of the cumulative collection ratio for Ares Lusitani STC, S.A. (Gaia) at 94.2%.

To date, a revised portfolio business plan was received for all Portuguese transactions. Based on their analysis, we have noticed that the amount of total gross collections expected for transactions performing above the servicers' expectations has been generally increased in the revised forecast, whereas the opposite applies to Ares Lusitani STC, S.A. However, it is important to note that none of them accounts for coronavirus-related assumptions and we are anticipating to receive a further update for both Evora Finance and Project Guincho as the latest business plans received are dated October 2019.

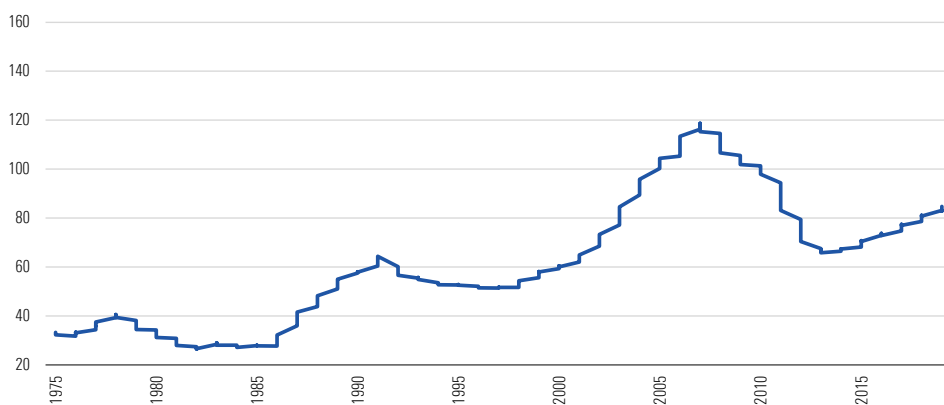
Spanish Nonperforming Loan Transactions Performance

As of the end of 2019, Spain recorded a slight slowdown in the real GDP growth rate, set at 2.0% in 2019 compared with 2.4% in 2018. However, unemployment decreased to 13.8% in 2019 from 15.2% in 2018¹⁴, and house prices recorded an increase since their decline in 2013, with the most recent real house price index value observed being 84.8% in July 2019.

Following the spread of COVID-19, the Spanish government has taken restrictive measures, which are among the tightest in Europe, including the prevention of public events, closure of all shops and nonessential public services, and broad limitations on the movement of the local population. At the time of writing, such measures were in the process of being relaxed; however, it is too early to anticipate the ultimate impact of the crisis on economic development and real estate asset prices in Spain. From a macroeconomic standpoint, our expectation in a moderate scenario is a negative GDP growth rate of 6.5% this year, which reverts to 2.0% by the end of 2022. The average unemployment rate is anticipated to increase to 19.0% this year and to stabilise at a higher level compared with the one recorded pre-crisis level in 2022 (15.0%).

On the 29 May 2020, the DBRS Morningstar sovereign rating of the Kingdom of Spain was confirmed at "A" and its Trend changed from Positive to Stable.

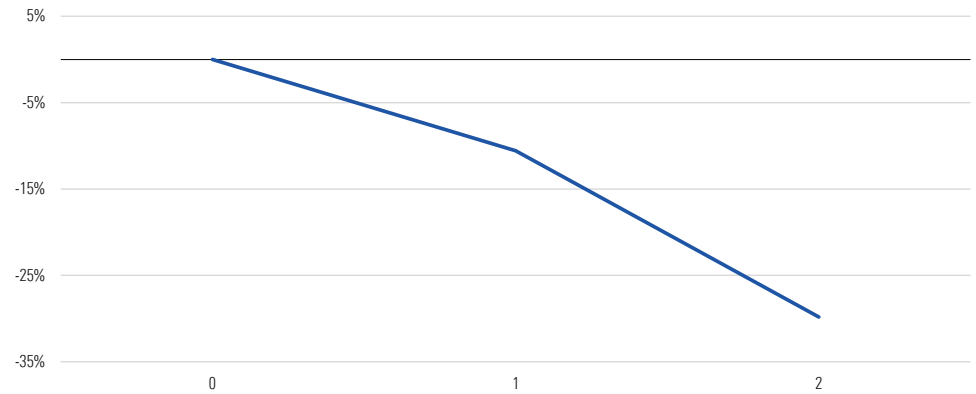
Exhibit 29 Spain House Price Index



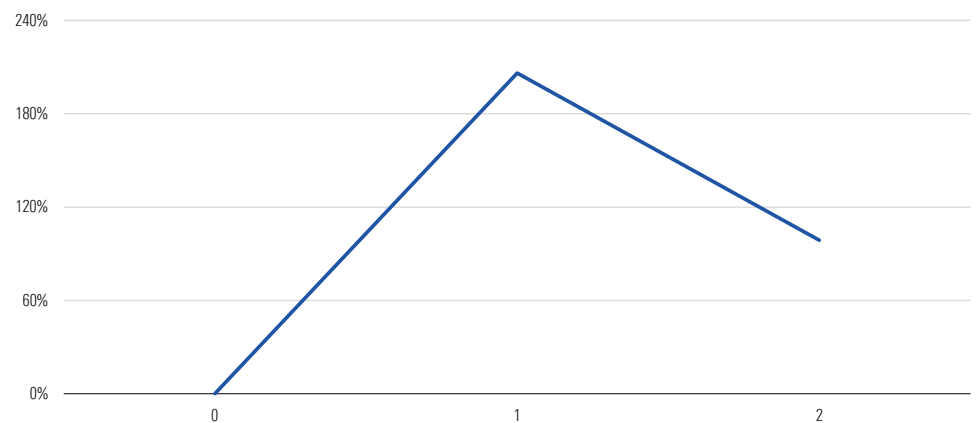
Source: Real Residential Property Prices – Bank for International Settlements; Federal Reserve Bank of St. Louis. (Index 2010=100, Quarterly, Not Seasonally Adjusted).

To date, we have assigned rating to one Spanish securitisation, which recently closed in July 2019 (ProSil Acquisition S.A.). According to the performance data received to date, the transaction is performing significantly below the servicer's initial recovery expectations (-29.8% as of March 2020). However, the cumulative amount of gross collections is well above our stressed assumptions in relation to the senior notes (+98.6%).

14. Source: Organisation for Economic Co-operation and Development (OECD).

Exhibit 30 Cumulative Gross Collections versus Servicer Initial Business Plan

Source: DBRS Morningstar, transaction documentation and information provided by the special servicers.

Exhibit 31 Cumulative Gross Collections versus DBRS Morningstar Senior Notes Estimated Gross Collections

Source: DBRS Morningstar, transaction documentation and information provided by the special servicers.

With regard to the performance ratio subordination event triggers, the transaction was in breach of the NPV cumulative profitability ratio (71.6% as of the April 2020 IPD, compared with the 90% threshold), which triggered the deferral of the interest payment on the mezzanine notes. The net cumulative collection ratio amounted to 93.4% in the same period.

The servicer has recently provided an updated version of the business plan, also revised in light of the coronavirus, which overall displays a slight reduction of the total amount of portfolio collections expected compared with the forecast prepared at closing.

As observed for other recent issuances, the transaction is still in the initial stages of the recovery process and there are not enough data points to form a consolidated view at present, especially in the context of the uncertainty of the current market environment amid the coronavirus.

Performance Insights Since the Outbreak of COVID-19

As the IPD reporting is backward looking¹⁵ and does not capture recent macroeconomic developments resulting from COVID-19, we've analysed monthly data to assess trends since the coronavirus outbreak.

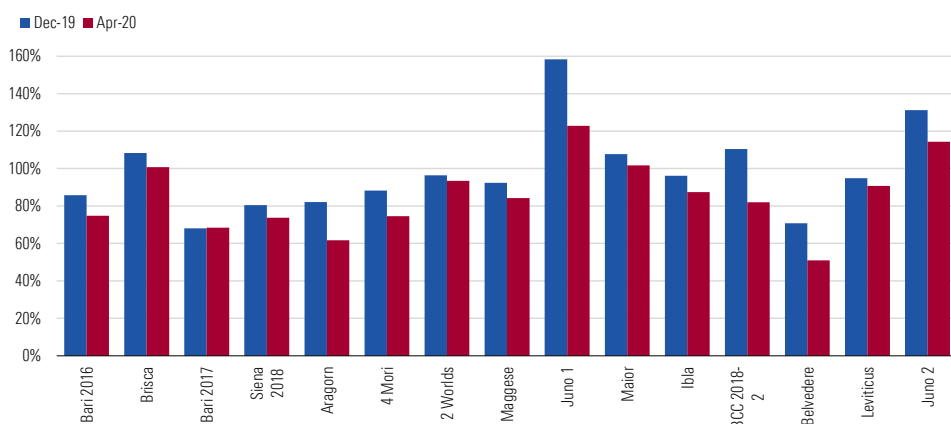
According to the information received from the servicers as of the end of April 2020, the performance of most of the European NPL transaction has deteriorated compared with the end of 2019, in line with the general decrease in the amount of monthly gross collections observed in the last quarter compared with the previous six months. Despite the general trend, different dynamics can be observed in each country and at a transaction level, as further detailed below.

Italy

Among the European jurisdictions relevant to our rated transactions, Italy was the first one to implement the restrictive measures leading to the lock down of the country in the second half of February 2020.

According to the information received as of the end of April 2020, the performance of all Italian NPL transactions rated up to the first half of 2019 has deteriorated since the beginning of this year. The average amount of monthly gross collections recorded following the spread of the pandemic (i.e., from February 2020 to April 2020) has reduced for all transactions¹⁶ in a range between 15% and 70% compared with the previous six months. Additionally, in several cases, a downward trend in terms of absolute gross recoveries was observed on a monthly basis since January 2020. Consistently, the cumulative collection ratios observed in April 2020 have generally deteriorated compared with December 2019, with a reduction in terms of percentage points that ranges from 3.0% to 25.5%.

Exhibit 32 Italian NPL Transactions' Performance Post Covid-19 (Actual Cumulative Gross Collections as a % of Servicer's Initial Expectations)



Source: DBRS Morningstar analysis based on information provided by the special servicers.

15. For most of our rated European NPL transactions the latest interest payment date occurred prior to the outbreak of the pandemic, with the exception of Prosil Acquisition S.A., Ibla S.r.l., Siena NPL 2018 S.r.l., Popolare Bari NPLs 2017 S.r.l. and all the Irish and Portuguese NPL transactions.

16. Please note the analysis refers to 15 of the 16 Italian transactions rated up to June 2019 with available monthly performance data.

To date, the transactions that appear to be most affected by the coronavirus and that have displayed the highest decrease in the average amount of monthly gross collections in the last quarter compared with the previous six months are Aragorn NPL 2018 S.r.l., 4Mori Sardegna S.r.l., and Belvedere SPV S.r.l. On a cumulative basis (April 2020 versus December 2019), the highest deteriorations were to Juno 1 S.r.l., BCC NPLs 2018-2 S.r.l., and Aragorn NPL 2018 S.r.l. While the recoveries for Juno 1 S.r.l. remain well above the initial expectations of the servicer (approximately +23% as of April 2020), the performance trend for BCC NPLs 2018-2 S.r.l. has changed and its cumulative gross collections are now below the business plan forecast for the same period. Aragorn NPL 2018 S.r.l.'s performance has been consistently negative since mid-2018 and is now significantly below the servicer expectations (approximately -40% as of April 2020).

Although the post-coronavirus performance trends observed to date have been largely consistent across all Italian transactions, the severity of the impacts recorded thus far varies on a case-by-case basis and can be significantly different depending on a number of factors. In general, it is important to note that the recovery strategy for Italian NPL transactions is largely based on the implementation of judicial workout procedures and that at the time of writing a number of them might still be able to benefit from the pre-coronavirus cash collections pipeline (e.g., approved cash in court distributions, etc.). Therefore, more time will be required in order to form a consolidated view on the ultimate effects of the crisis. Additionally, about one third of the transactions with available data have recorded collections deriving from the implementation of loan sales in the last quarter. This is consistent with the increasing relevance recently assumed by this strategy in the servicer recovery process; however, in consideration of the risks associated with the current market environment, we will closely monitor the evolution of this trend in the coming months and whether the profitability levels will be maintained in the medium to long term.

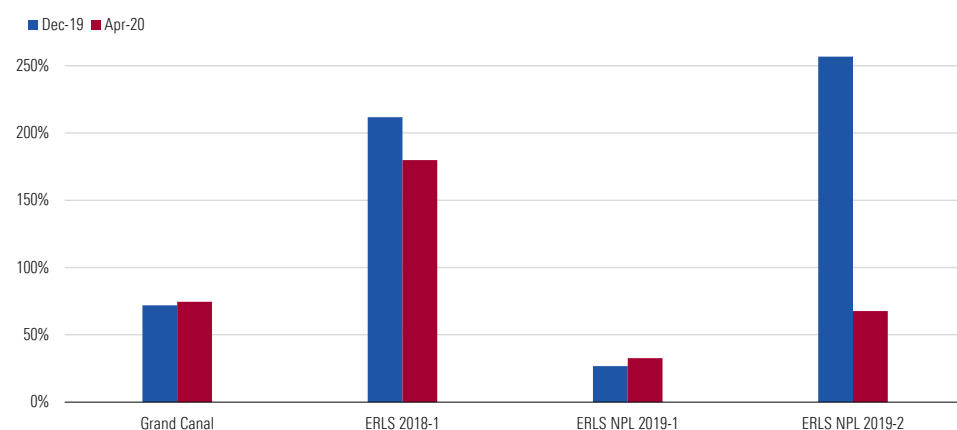
In general, we anticipate that the long-term effects will ultimately depend on a number of factors, including the potential ability of the servicers to mitigate the impact of the crisis by way of shifting to alternative collection strategies (such as out-of-court recoveries), and most importantly the ultimate effect and severity of the crisis on the local economic development and real estate market.

Ireland

According to the information received as of the end of April 2020, the effect of the crisis on the performance of the Irish NPL transactions is to be assessed on a case-by-case basis, albeit in general less recent issuances seem to be affected by a downward trend in the average amount of monthly collections recorded in the last quarter, up to April 2020.

For European Residential Loan Securitisation 2018-1 DAC and Grand Canal Securities 2 DAC, the average monthly amount of gross collections recorded following the spread of the pandemic in Europe (i.e. from February 2020 to April 2020) is approximately 25% lower compared with the previous semester. For European Residential Loan Securitisation 2019 -NPL 1 DAC and European Residential Loan Securitisation 2019 -NPL 2 DAC¹⁷, there is no material evidence of COVID-19 impacts on the monthly gross collections trend thus far, albeit their track record in terms of historical performance data recorded thus far is fairly limited. In general, the absolute amount of monthly inflows recorded since January 2020 is generally displaying a stable trend for all of them.

Exhibit 33 Irish NPL Transactions' Performance Post Covid-19 (Actual Cumulative Gross Collections as a % of Servicer's Initial Expectations)



Source: DBRS Morningstar analysis based on information provided by the special servicers.

Thus far, the evolution of the performance observed since the beginning of this year for Irish NPL transactions does not seem to be highly correlated with the effects of the pandemic. However, we will continue to monitor the amount of actual gross collections recorded on a monthly basis and their sustainability in the medium-long term.

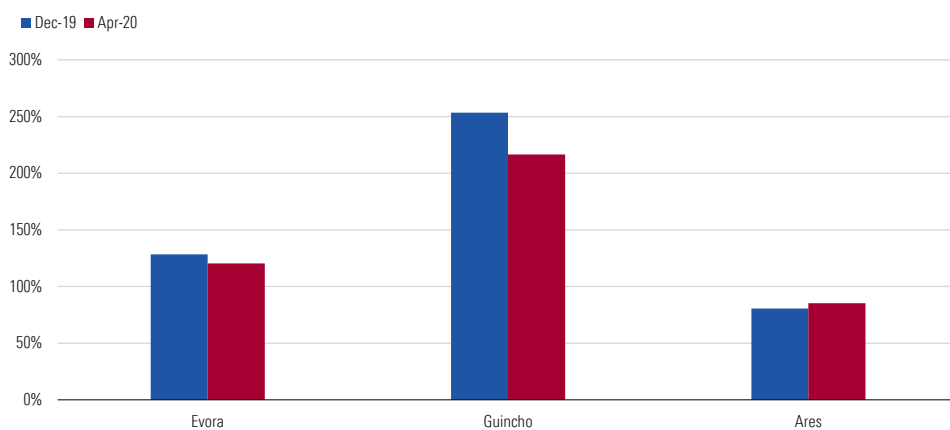
17. For this transaction the comparison is performed with the previous quarter.

Portugal

Based on the information available as of the end of April 2020, all Portuguese NPL transactions appear to be affected by a decrease in the amount of monthly collections recorded on average since February 2020, albeit the ultimate effect on performance is to be assessed on a case-by-case basis.

The average amount of monthly gross collections recorded following the spread of the pandemic (i.e. from February 2020 to April 2020) has reduced for all transactions in a range between 15% and 35% compared with the average observed in the previous six months, with Project Guincho being the less impacted so far.

Exhibit 34 Portuguese NPL Transactions' Performance Post Covid-19 (Actual Cumulative Gross Collections as a % of Servicer's Initial Expectations)



Source: DBRS Morningstar analysis based on information provided by the special servicers.

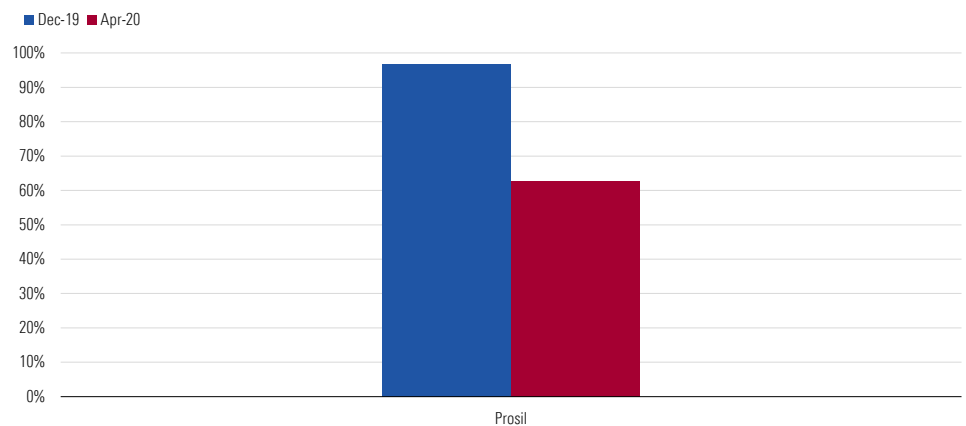
Thus far, the evolution of the performance observed since the beginning of this year for Portuguese NPL transactions, on which we have commented earlier on in this report, does not seem to have been extremely affected by the effects of the pandemic. However, we will continue to monitor their sustainability and evolution in the medium-long term.

Spain

Similar to Italy, Spain is among the countries that have taken one of the tightest restrictive measures in Europe in order to contain the spread of the coronavirus, with subsequent impacts on the local economy.

Since the outbreak of the crisis, the performance of Prosil Acquisition S.A. has deteriorated significantly. As previously mentioned in this report, based on the performance data received as of the end of April 2020 (latest IPD), the actual collections are significantly below the servicer's initial recovery expectations (-29.8% as of March 2020 compared with -3.2% in December 2019). This is consistent with, and mainly driven by, the reduction in the monthly gross collections amounts recorded between February 2020 and April 2020, which on average has decreased by approximately 60% compared with the average of the previous six months.

Exhibit 35 Spanish NPL Transactions' Performance Post Covid-19 (Actual Cumulative Gross Collections as a % of Servicer's Initial Expectations)



Source: DBRS Morningstar analysis based on information provided by the special servicers.

It is important to note that the portfolio servicing strategy is based on a mix of judicial and amicable strategies, with collections deriving from the latter representing the largest share of the cumulative gross recoveries (approximately 80% as of March 2020). However, the low dependency of the servicing strategy on judicial recoveries has not mitigated the exposure of the transaction to the COVID-19 consequences.

As for the other NPL transactions, we will keep on monitoring the developments for Prosil Acquisition S.A..

Conclusion and Outlook on Future Performance

Consistent with the trend observed last year, European NPL transactions differ from deal to deal and across jurisdictions. Although there are some features common to their structures, other variables such as collateral features, recovery strategy, and counterparties involved in the transaction can lead to significant differences and outcomes.

In the current market environment, the performance of all European NPL transactions is experiencing some form of distress as a consequence to the spread of the pandemic. The trend observed thus far confirms our initial expectations on collections shortfalls and general deterioration of the performance; however, it is still too early to form a consolidated view on the magnitude of the actual effects of the crisis on recovery values and timings in the medium term.

In the context of this highly uncertain environment, on 8 May 2020, [DBRS Morningstar placed the ratings of 14 European NPL securitisations Under Review with Negative Implications](#), and assigned a Negative trend to the remaining 15 transactions. The rating actions were defined based on the framework for identifying the NPL transactions that are most at risk and likely to be affected by the fallout of the pandemic on the economy as outlined in our commentary "[European NPL Transactions' Risk Exposure to Coronavirus \(COVID-19\) Effects](#)" published on 30 April 2020, and referenced earlier on in this commentary.

In terms of long-term developments, it is hard to anticipate at this stage how sharp the ultimate impact of the crisis will be on the European NPL market, both in terms of transactions performance and new issuances. We anticipate that this will ultimately be based on the extent to which the current crisis will affect the economic development and the real estate market in each jurisdiction.

In the coming months, we will continue to closely monitor the reported performance the European NPL transactions in order to assess the medium-long term effects of the coronavirus and consider the macroeconomic developments relative to the outbreak of the pandemic on the local economies with exposure to NPL transactions.

Appendix A – Performance Indicators: Cumulative Gross Collection Ratio¹⁸

Transaction Name	Country	Vs Servicer's Initial Business Plan	Collection Date
Popolare Bari NPLS 2016 S.r.l.	Italy	88.2%	11/30/2019
Brisca Securitisation S.r.l.	Italy	109.9%	11/30/2019
Fino 1 Securitisation S.r.l.	Italy	97.8%	3/31/2020
Popolare Bari NPLS 2017 S.r.l.	Italy	70.9%	3/31/2020
Siena NPL 2018 S.r.l.	Italy	75.8%	3/31/2020
Aragorn NPL 2018 S.r.l.	Italy	82.1%	12/31/2019
4Mori Sardegna S.r.l.	Italy	88.2%	12/31/2019
2Worlds S.r.l.	Italy	96.4%	12/31/2019
Maggese S.r.l.	Italy	92.4%	12/31/2019
Juno 1 S.r.l.	Italy	158.3%	12/31/2019
Maior SPV S.r.l.	Italy	107.7%	12/31/2019
Ibla S.r.l.	Italy	90.5%	3/31/2020
BCC NPLs 2018-2 S.r.l.	Italy	110.5%	11/30/2019
Belvedere SPV S.r.l.	Italy	77.1%	11/30/2019
Leviticus SPV S.r.l.	Italy	94.9%	12/31/2019
Juno 2 S.r.l.	Italy	131.3%	12/31/2019
Hefesto, STC, S.A. (Evora Finance)	Portugal	120.4%	4/30/2020
Hefesto STC, S.A. (Project Guincho)	Portugal	216.5%	4/30/2020
Ares Lusitani - STC, S.A.	Portugal	85.3%	4/30/2020
ProSil Acquisition S.A.	Spain	70.2%	3/31/2020
Grand Canal Securities 2 DAC	Ireland	74.4%	4/30/2020
European Residential Loan Securitisation 2018-1 DAC	Ireland	179.9%	4/30/2020
European Residential Loan Securitisation 2019 -NPL 1 DAC	Ireland	32.6%	4/30/2020
European Residential Loan Securitisation 2019-NPL 2 DAC	Ireland	67.5%	4/30/2020

18. Latest available semi annual update since the first IPD. The panel included in the table only refers to transactions for which we have to-date received meaningful performance data (i.e. more than one data point referring at least to a six month timeframe since issuance)

Appendix B – Subordination Event Trigger Performance Ratios

Transaction Name	Country	Last Update		Applicable Ratio		Mezzanine Interest Subordination Event Occurred (Y/N)
		NPV Profitability Ratio (%)	Cumulative Collection Ratio ¹⁹ (%)	NPV Profitability Ratio (%)	Cumulative Collection Ratio (%)	
Popolare Bari NPLS 2016 S.r.l.	Italy	101.0%	93.0%	<90%	<90%	N
Brisca Securitisation S.r.l.	Italy	111.1%	120.2%	<90%	<90%	N
Fino 1 Securitisation S.r.l.	Italy	Not applicable	Not applicable ¹	Not applicable	Not applicable	N
Popolare Bari NPLS 2017 S.r.l.	Italy	Not applicable	74.2%	Not applicable	<90%	N
Siena NPL 2018 S.r.l.	Italy	Not applicable	Not applicable ¹	Not applicable	Not applicable	N
Aragorn NPL 2018 S.r.l.	Italy	113.9%	91.8%	<90%	<90%	N
4Mori Sardegna S.r.l.	Italy	134.3%	106.8%	<90%	<90%	N
2Worlds S.r.l.	Italy	122.3%	96.4%	<85%	<85%	N
Maggese S.r.l.	Italy	104.0%	101.0%	<90%	<90%	N
Juno 1 S.r.l.	Italy	100.3%	158.3%	<85%	<85%	N
Maior SPV S.r.l.	Italy	125.0%	111.9%	<90%	<90%	N
Ibla S.r.l.	Italy	155.7%	90.4%	<=85%	<=85%	N
BCC NPLs 2018-2 S.r.l.	Italy	151.4%	100.4%	<=80%	<=80%	N
Belvedere SPV S.r.l.	Italy	Prelios: 268.7% Bayview: 92.2%	Prelios: 30.7% Bayview: 147.6%	<90%	<90%	N
Leviticus SPV S.r.l.	Italy	104.3%	98.0%	<70%	<70%	N
Juno 2 S.r.l.	Italy	100.3%	131.3%	<85%	<85%	N
Hefesto, STC, S.A. (Evora Finance)	Portugal	138.2%	135.6%	<90%	<90%	N
Hefesto STC, S.A. (Project Guincho)	Portugal	179.4%	233.2%	<90%	<90%	N
Ares Lusitani - STC, S.A.	Portugal	137.0%	94.2%	<90%	<90%	N
ProSil Acquisition S.A.	Spain	93.4%	71.6%	<90%	<90%	Y
Grand Canal Securities 2 DAC	Ireland	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
European Residential Loan Securitisation 2018-1 DAC	Ireland	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
European Residential Loan Securitisation 2019 -NPL 1 DAC	Ireland	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
European Residential Loan Securitisation 2019-NPL 2 DAC	Ireland	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

1. The subordination trigger applicable to Siena NPL 2018 S.r.l. and Fino 1 Securitisation S.r.l., differently from the other transactions, is applied in relation to a predetermined mezzanine notes trigger schedule and not reported in the above table for comparison purposes.

19. Please note this could refer to gross or net cumulative collections, based on the legal provision specific to each transaction.

Transaction Short Name	Pop Bari 1	Brisca	Elrond	Fino 1	Pop Bari 2	Siena NPL	Aragorn	Red Sea	4 Mori	2 Worlds	BCC NPLS 2018-1	Maggesse	Juno 1	Maior	Ibla	Aqui	Pop NPLs 2018	Riviera	BCC NPLS 2018-2	Belvedere	Leviticus	Juno 2	Prisma	Marathon	ISEO	Futura	Pop NPLs 2019	BCC NPLS 2019
Portfolio Characteristics (% of OMV)																												
Top Region	Abruzzo (32.4%)	Liguria (37.1%)	Lombardy (42.8%)	Lazio (15.6%)	Abruzzo (31.1%)	Toscana (17.8%)	Lombardia (46.2%)	N/A	Sardegna (87.0%)	Umbria (39.0%)	Lombardia (51.6%)	Piemonte (76.07%)	Veneto (17.0%)	Lombardia (43.5%)	Sicilia (99.4%)	N/A	N/A	N/A	Marche (20.1%)	Lombardia (27.3%)	Lombardia (38.8%)	Lazio (21.0%)	Sicilia (19.0%)	Lombardia (23.7%)	Lombardia (37.1%)	Lombardia (17.5%)	N/A	Tuscany (20.0%)
North	8.5%	71.6%	61.6%	39.2%	18.0%	31.7%	58.0%	67.8%	1.6%	44.5%	72.4%	97.5%	51.2%	58.8%	0.5%	48.5%	20.9%	64.2%	32.7%	49.0%	72.5%	35.5%	37.1%	45.1% ¹	52.3%	68.4%	22.2%	42.7%
Centre	24.7%	19.2%	14.6%	26.2%	18.0%	32.6%	19.0%	20.7%	11.3%	53.9%	19.5%	0.3%	22.0%	20.8%	0.2%	8.1%	36.3%	13.9%	40.3%	24.0%	19.1%	34.2%	24.2%	25.9% ¹	18.7%	12.3%	8.6%	37.3%
South & Island	65.9%	9.2%	23.8%	34.5%	64.0%	35.7%	23.0%	11.4%	87.1%	1.6%	8.1%	2.2%	21.4%	20.4%	99.3%	43.4%	42.9%	21.8%	27.0%	27.0%	8.4%	30.3%	38.6%	29.0% ¹	29.0%	11.1%	69.2%	20.0%
Info NA													5.5%														8.2%	
Residential	45.1%	57.5%	32.6%	51.9%	41.2%	37.4%	43.8%	54.8%	49.8%	41.1%	39.3%	47.0%	26.4%	57.2%	68.1%	33.9%	41.7%	40.6%	37.5%	53.0%	40.0%	35.0%	90.2%	NA	88.7%	47.0%	54.0%	44.2%
Commercial	45.7%	25.9%	55.6%	42.6%	43.1%	36.2%	37.0%	24.8%	36.4%	37.9%	40.7%	37.6%	47.1%	31.2%	22.6%	34.5%	43.6%	33.3%	31.0%	30.0%	15.7%	35.2%	4.5%	NA	3.3%	33.5%	28.4%	34.2%
Land	5.0%	8.4%	8.7%	5.5%	11.4%	9.0%	10.8%	8.6%	6.5%	5.3%	13.7%	9.3%	13.8%	7.8%	5.9%	8.6%	8.6%	14.8%	23.3%	12.0%	15.6%	10.6%	1.0%	NA	ND	13.9%	6.6%	13.7%
Other	4.2%	8.2%	3.1%	0.0%	4.3%	17.4%	8.4%	11.8%	7.4%	15.7%	6.3%	6.1%	12.7%	3.8%	3.4%	23.0%	6.1%	11.3%	8.2%	5.0%	28.7%	19.2%	4.4%	NA	8.0%	6.6%	11.1%	7.9%
Subordination Triggers																												
Cumulative Collection Ratio	<90%	<90%	N/A	<70%, <75%	NC	<50%	<100% (1st yr), <90% thereafter	<70%	<90%	<85%	<90%	<90%	<85%	<90%	<=85%	<95%	<90%	<90%	<=80%	<90%, <75%	<70%	<85%	<90%	<80%	<90%	<100%	<90%	<90%
NPV Cumulative Profitability Ratio	<90%	<90%	N/A	NC	<90%	NC	<100% (1st yr), <90% thereafter	<70%	<90%	<85%	<90%	<90%	<85%	<90%	<=85%	<95%	<90%	<90%	<=80%	<90%, <75%	<70%	<85%	<90%	NC	<90%	<100%	<90%	<90%
Subordination event refers to..	Class B int	Class B int	N/A	Class B & C Int	Class B int	Class B int	Class B int	Class B int	Class B int	Class B int	Class B int	Class B int	Class B int	Class B int	Class B int	Class B int	Class B int	Class B int	Class B int	Class B int	Class B int	Class B int	Class B int	Class B int	Class B int	Class B int	Class B int	Class B int
Discount rate used in NPV calculation	3.50%	3.50%	N/A	N/A	3.50%	N/A	3.50%	3.50%	8.20%	5.10%	N/A	3.50%	5.00%	5.00%	10.00%	N/A	N/A	N/A	3.50%	3.50%	5.14%	4.00%	N/A	N/A	4.75%	4.00%	5.00%	3.50%
Servicer GDP/GBV	41.10%	41.90%	N/A	29.16%	37.63%	30.76%	46.28%	N/A	38.39%	44.60%	40.00%	35.15%	23.42%	35.07%	47.86%	N/A	N/A	N/A	41.50%	21.00%	33.13%	35.81%	36.51%	11.20%	60.30%	21.42%	31.65%	48.83%
DBRS - Class A GDP/GBV	32.74%	34.09%	N/A	21.55%	30.80%	20.52%	38.06%	N/A	29.40%	34.78%	N/A	28.95%	17.97%	27.36%	35.21%	N/A	N/A	N/A	31.74%	15.97%	25.46%	28.51%	N/A	7.17%	49.49%	16.24%	23.51%	37.43%
Servicer GDP/OMV	45.74%	36.33%	N/A	42.72%	57.33%	39.50%	45.83%	N/A	39.88%	63.12%	22.79%	48.75%	41.45%	33.13%	56.30%	N/A	N/A	N/A	34.90%	44.81%	45.60%	44.33%	46.31%	NA	63.35%	50.04%	51.19% ²	38.69%
DBRS - Class A GDP/OMV	36.43%	29.55%	N/A	31.57%	46.91%	26.36%	37.69%	N/A	30.54%	49.23%	N/A	40.14%	31.81%	25.84%	41.43%	N/A	N/A	N/A	26.70%	34.08%	35.04%	35.29%	N/A	NA	51.98%	37.94%	38.03% ²	29.65%
WAL of BP	4.90	3.67	N/A	4.05	3.98	4.03	5.27	N/A	4.50	3.79	N/A	3.44	4.63	3.85	4.25	N/A	N/A	N/A	4.90	3.49	4.18	4.82	N/A	3.89	4.68	3.71	5.40	6.22

1. %s calculated on GBV.

2. % calculated on first lien value.

Appendix D – Other European NPL Transactions

Transaction Short Name	ERLS 2016-1	ERLS 2017-NPL1	Evora	Grand Canal 2	ERLS 2018-1	Guincho	Gaia	ERLS 2019-NPL1	Prosil	ERLS 2019-NPL2
Closing Date	12/1/2016	4/28/2017	11/2/2017	11/30/2017	3/21/2018	15/11/2018	5/31/2019	7/3/2019	7/10/2019	11/20/2019
Country	Ireland	Ireland	Portugal	Ireland	Ireland	Portugal	Portugal	Ireland	Spain	Ireland
GBV (EUR mm)	536.48	419.82	580.57	517.67	356.09	480.75	234.29	455.90	494.71	1,330.79
Number of Loans	2,948	1,228	20,169	2,381	1,940	7,472	9,791	1,355	2,924	6,921
Number of Borrowers	2,745	1,228	9,315	3,091	1,788	2,455	4,139	1,355	2,612	5,243
Name of Originating Bank	Irish Nationwide Building Society (INBS)	Bank of Scotland (Ireland) Limited, Start Mortgages DAC, NUA Mortgages Limited	Caixa Economica Montepio Geral (CEMG)	INBS and Springboard Mortgages Limited (Springboard)	INBS	Banco Santander Totta, S.A.	Caixa Económica Montepio Geral, Caixa Económica Bancária, S.A. (Montepio)	Permanent TSB Plc	Abanca Corporación Bancaria, S.A. and Abanca Corporación División Inmobiliaria S.L.	Permanent TSB Plc
Name of servicer	Start Mortgages/Hudson Advisors	Start Mortgages/Hudson Advisors	Whitestar / HipoGes	Mars Capital Finance / Acenden	Start Mortgages/Hudson Advisors	Whitestar / HipoGes	Altamira	Start Mortgages/Hudson Advisors	HipoGes	Start Mortgages/Computershare
DBRS Rating - Senior	A	A	BBB	A	A	BBB (low)	BBB (low)	A	BBB (low)	A
% GBV - Senior	50.8%	43.5%	21.2%	44.6%	60.5%	17.5%	20.3%	44.3%	34.4%	46.7%
Class A size / Servicer GDP	N/A	N/A	56.2%	51.4%	52.1%	53.8%	45.1%	46.6%	52.3%	56.7%
HC - Senior	N/A	N/A	23.6%	31.7%	26.7%	30.0%	36.4%	46.4%	28.5%	41.1%
Class A cash reserve as % of Class A	3.3%	4.5%	3.5%	3.0%	3.0%	3.7%	4.0%	6.5%	4.5%	4.0%
DBRS Rating - Mezz	BBB	BBB	B (low)	BBB (low)	BBB	CCC	CCC	BBB (high)	N/R	BBB (high)
% GBV - Mezz	2.3%	4.0%	3.4%	1.8%	5.2%	2.9%	3.2%	7.5%	6.0%	4.5%
HC - Mezz	N/A	N/A	4.9%	26.7%	20.9%	2.8%	22.9%	39.4%	N/A	36.6%

Transaction Short Name	ERLS 2016-1	ERLS 2017-NPL1	Evora	Grand Canal 2	ERLS 2018-1	Guincho	Gaia	ERLS 2019-NPL1	Prosil	ERLS 2019-NPL2
Portfolio Characteristics (% of GBV)										
Secured	100.0%	100.0%	35.7%	100.0%	100.0%	37.6%	41.0%	100.0%	95.3%	100.0%
> 1st Lien	0.0%	0.0%	11.0%	0.0%	0.0%	13.8%	0.0%	0.0%	3.8%	0.0%
Unsecured	0.0%	0.0%	53.3%	0.0%	0.0%	48.6%	59.0%	0.0%	0.6%	0.0%
Individual borrower	100.0%	100.0%	35.4%	100.0%	100.0%	18.0%	49.7%	100.0%	66.0%	100.0%
Corporate /SME Borrower	0.0%	0.0%	64.6%	0.0%	0.0%	82.0%	50.3%	0.0%	34.0%	0.0%
Buy To Let %	13.6%	2.5%	N.D.	12.2%	12.4%	N.D.	N.D.	2.0%	N.D.	30.9%
% of performing loans	34.5%	1.4%	0.0%	16.2%	37.8%	0.0%	0.0%	5.2%	0.0%	3.7%
% of Portfolio REO	15.8%	10.0%	0.0%	N.D.	5.0%	0.0%	N.D.	10.0%	N.D.	2.5%
Residential	100.0%	100.0%	72.0%	100.0%	100.0%	43.5%	64.9%	100.0%	72.6%	100.0%
Commercial	0.0%	0.0%	5.0%	0.0%	0.0%	33.5%	27.0%	0.0%	17.6%	0.0%
Land	0.0%	0.0%	15.0%	0.0%	0.0%	23.0%	8.1%	0.0%	9.8%	0.0%
Other	0.0%	0.0%	8.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Top Region	Dublin (31.0%)	Dublin (33.1%)	Lisboa (38.9%)	Dublin (19.9%)	Dublin (25.3%)	Lisboa (24.8%)	Lisboa (25.5%)	Dublin (23.6%)	Pontevedra (14.32%)	Dublin (26.9%)
WA 6M pay rate (above 3m arrears)	26.3%	38.6%	N/A	35.1%	28.0%	N/A	N/A	36.1%	N/A	34.5%
WA Seasoning	11.7	11.0	10.0	11.4	13.1	N/A	5.0	12.4	N/A	12.8
WA Remaining Term (years)	14.62	13.6	N/A	17.4	14.7	N/A	N/A	16.1	N/A	14.1
WA Coupon	4.0%	1.2%	N/A	4.0%	3.9%	N/A	N/A	3.0%	N/A	2.5%
% of GBV above 100% LTV	49.0%	37.2%	N/A	57.6%	34.9%	N/A	N/A	43.9%	N/A	43.0%
Servicer GDP/GBV	N/A	N/A	37.7%	86.7%	116.0%	32.5%	45.0%	105.3%	65.8%	91.8%
DBRS - Class A GDP/GBV	91.9%	N/A	28.1%	55.1%	85.1%	23.0%	28.6%	55.2%	46.1%	55.2%
Servicer GDP/OMV	N/A	N/A	66.9%	103.6%	110.9%	66.6%	85.9%	64.6%	89.7%	74.9%
DBRS - Class A GDP/OMV	56.4%	0.0%	49.8%	65.8%	81.4%	47.2%	54.7%	37.5%	62.9%	50.2%

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