

Commentary

Italy: 2021 Structured Finance Year-to-Date Snapshot

DBRS Morningstar
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An overview of new DBRS Morningstar-rated issuance in the Italian structured finance market so far in 2021 along with interesting trends and projections for year-end.

Exhibit 1 DBRS Morningstar-Rated Issuance by Country YTD

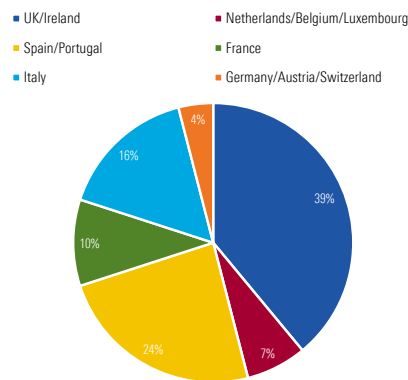
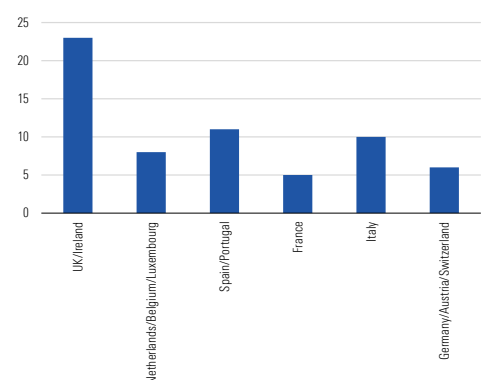


Exhibit 2 DBRS Morningstar New Rating Activity in Europe (Transactions)¹



Source: DBRS Morningstar.

1. Last Mile Logistics Pan Euro Finance DAC and Berg Finance 2021 DAC are pan-European transactions, for which we consider the main jurisdictions to be Germany and the Netherlands, respectively.

New Issuance

NPLs

On 22 June 2021, DBRS Morningstar assigned a BBB (sf) rating with a Negative trend to the Class A Notes issued by **Aurelia SPV S.r.l.**, a securitisation of a portfolio of Italian secured and unsecured NPLs originated by Banco BPM S.p.A.

On 25 June 2021, DBRS Morningstar assigned a BBB (sf) rating with a Negative trend to the Class A Notes issued by **Palatino SPV S.r.l.**, a securitisation of an Italian NPL portfolio sold by Credito Fondiario S.p.A. as part of a larger pool of receivables in December 2020 that represents the restructuring of the notes originally issued to finance the aforementioned acquisition in the context of a securitisation transaction following the standard provisions under Italian securitisation law.

ABS

On 24 February 2021, DBRS Morningstar assigned an A (high) (sf) rating to the Class A Notes issued by **Profamily SPV S.r.l.**, a securitisation of a portfolio of fixed-rate receivables related to consumer and auto loans granted by the originator to private individuals residing in Italy.

On 29 March 2021, DBRS Morningstar assigned ratings of AA (high) (sf), A (high) (sf), BBB (high) (sf), BBB (sf), and BB (high) (sf) to the Class A, Class B, Class C, Class D, and Class E Notes, respectively, issued by **Sunrise SPV 92 S.r.l. - Sunrise 2021-1**, a securitisation of a portfolio of fixed-rate receivables related to consumer and auto loans granted by the originator to private individuals residing in Italy.

On 16 April 2021, DBRS Morningstar assigned a provisional rating of AA (low) (sf) to the Class A Notes issued by **Progetto Quinto S.r.l.**, a securitisation of notes backed by a pool of Italian consumer loan contracts related to salary and pension assignment loans as well as payment delegation loans granted to Italian employees and pensioners.

On 30 April 2021, DBRS Morningstar assigned an A (high) (sf) rating to the Class A Notes issued by **Rocky 2021-1 SPV S.r.l.**, a securitisation of notes backed by a portfolio of fixed-rate receivables related to consumer and auto loans granted by the originator to private individuals residing in Italy.

On 15 June 2021, DBRS Morningstar assigned provisional ratings of AA (low) (sf), A (sf), and A (low) (sf) to the Class A, Class B, and Class C Notes, respectively, issued by **Pelmo S.r.l.**, a securitisation of notes backed by a portfolio of Italian consumer loan contracts related to salary and pension assignment loans as well as payment delegation loans granted to Italian employees and pensioners.

On 30 June 2021, DBRS Morningstar assigned provisional ratings of AAA (sf), AA (sf), A (sf), BBB (high) (sf), B (high) (sf), and B (low) (sf) to Class A, Class B, Class C, Class D, Class E, and Class X Notes, respectively, issued by **Brignole CO 2021 S.r.l.**, a securitisation of notes backed by a pool of fixed-rate receivables related to unsecured Italian consumer loans granted to individuals residing in Italy.

On 29 July 2021, DBRS Morningstar assigned an A (high) (sf) rating to the Class A Notes issued by **Valsabbina SME 3 SPV S.r.l.**, a cash flow securitisation collateralised by a portfolio of performing mortgage and nonmortgage loans to Italian SMEs, entrepreneurs, artisans, and producer families.

On 30 July 2021, DBRS Morningstar assigned a rating of A (high) (sf) to the Class A Notes issued by **Multi Lease AS S.r.l. (Multilease 4)**, a cash flow securitisation collateralised by a portfolio of performing financial lease contracts to Italian corporate and individual companies, professionals, and individuals.

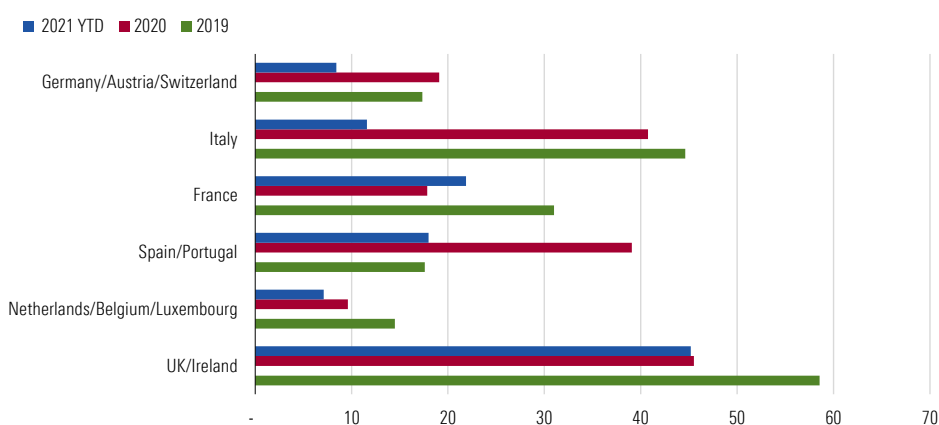
Interesting Trends

In 2015 and 2016, Italian banks were forced to write down and offload problem loans as they were challenged by the surge in NPL exposures. Rather than creating a form of asset management company to take ownership of and manage bad debts like other European countries, the Italian market innovatively created an NPL securitisation concept – the Garanzia Cartolarizzazione Sofferenze (GACS) scheme – that allows the government to offer a guarantee to a securitised pool to improve pricing dynamics and alleviate some of the pressure from writedown valuations.

Italian banks, supported by the GACS scheme, have made progress in the runup to the Coronavirus Disease (COVID-19) pandemic. NPLs totalled EUR 203.3 billion at their peak in April 2017, mainly made up of corporate and household exposures. Since then, NPLs have steadily declined to the pre-pandemic total of EUR 70.9 billion in March 2020. This number briefly rose to EUR 71.2 billion in May 2020, but declined to EUR 52.1 billion in April 2021.

DBRS Morningstar expects NPLs to increase again as special measures are slowly removed and companies artificially supported by pandemic-related government funds are exposed. However, as of June 2021, these had not yet materialised in Italy. For exposures that have been migrated into special servicers and securitisation portfolios, performance has been a challenge, given court closures and the associated complications of selling properties that are secured by NPLs.

Exhibit 3 Total Issuance by Country (EUR billions)



Source: DBRS Morningstar.

Italian Securitisation at a Glance

- **Total Issuance YTD 2021:** EUR 11,601 billion
- **Total Issuance 2020:** EUR 40,763 billion
- **Total Issuance 2019:** EUR 44,611 billion

Recent Upgrades

- On 25 January 2021, DBRS Morningstar upgraded its rating on the Class A Notes issued by **Auto ABS Italian Loans 2018-1 S.r.l.** to AAA (sf) from AA (high) (sf)
- On 8 March 2021, DBRS Morningstar upgraded its rating on the Class A Notes issued by **Golden Bar (Securitisation) S.r.l. - Series 2018-1** to AAA (sf) from AA (sf).
- On 22 March 2021, DBRS Morningstar upgraded its ratings on the Class A, Class B, and Class C Notes issued by **Sunrise SPV Z70 S.r.l. - Sunrise 2019-1** to AAA (sf), AA (sf), and A (low) (sf) from AA (high) (sf), A (high) (sf), and BBB (high) (sf), respectively.
- On 29 March 2021, DBRS Morningstar upgraded its ratings on the Class A (2013), Class A (2016), and Class M (2016) Notes issued by **CR VOLTERRA 2 SPV S.r.l.** to AA (high) (sf), AA (high) (sf), and A (high) (sf) from AA (low) (sf), AA (low) (sf), and A (sf), respectively.

- On 1 April 2021, DBRS Morningstar upgraded its rating on the Class B Notes issued by **Berica ABS 4 S.r.l.** to AA (high) (sf) from AA (sf).
- On 8 April 2021, DBRS Morningstar upgraded its rating on the Class A notes issued by **ResLoc IT S.r.l.** to AAA (sf) from AA (sf).
- On 9 April 2021, DBRS Morningstar upgraded its ratings on the Class A-2014 Notes and Series A2 – 2016 Notes issued by **BPL Mortgages S.r.l., Series VII** to AA (high) (sf) and AA (high) (sf) from AA (low) (sf) and AA (low) (sf), respectively.
- On 12 May 2021, DBRS Morningstar upgraded its rating on the Class A Notes issued by **Valconca SPV S.r.l. (RMBS)** to A (high) (sf) from A (sf).
- On 27 May 2021, DBRS Morningstar upgraded its ratings on the Class A1 and Class A2 Notes issued by **Lanterna Finance S.r.l. (2020)** to AAA (sf) and AAA (sf) from A (high) (sf) and BBB (high) (sf), respectively.
- On 10 June 2021, DBRS Morningstar upgraded its rating on the Class A Notes issued by **Valsabbina SPV 1 S.r.l. (RMBS)** to AAA (sf) from AA (sf). DBRS Morningstar also removed the Class A Notes rating from Under Review with Positive Implications (UR-Pos.), where it was initially placed on 21 December 2020 and maintained on 22 March 2021, following release of the *European RMBS Insight: Italian Addendum*.
- On 16 June 2021, DBRS Morningstar upgraded its ratings on the Class A1 and Class A2 notes issued by **Civitas SPV S.r.l. - Series 2017-1** to AAA (sf) and AAA (sf) from AA (sf) and AA (sf), respectively.
- On 22 June 2021, DBRS Morningstar upgraded its ratings on the Class B and Class C Notes issued by **Siena PMI 2016 S.r.l. - Series 2-2019** to AA (high) (sf) and A (low) (sf) from AA (sf) and BBB (low) (sf), respectively.
- On 25 June 2021, DBRS Morningstar upgraded its ratings on the Class A, Class B, Class C, and Class D Notes issued by **Golden Bar (Securitisation) S.r.l. - Series 2016-1** to A (high) (sf), A (sf), A (low) (sf), and BBB (high) (sf) from A (low) (sf), BBB (high) (sf), BBB (sf), and BB (sf), respectively.
- On 25 June 2021, DBRS Morningstar upgraded its ratings on the Class A and Class B notes issued by **Asti Group RMBS II S.r.l.** to AAA (sf) and A (high) (sf) from AA (low) (sf) and BBB (high) (sf), respectively.
- On 30 June 2021, DBRS Morningstar upgraded both of its ratings on the Class A1 and Class A2 Notes issued by **Leone Arancio RMBS S.r.l.** to AAA (sf) from AA (high) (sf).
- On 2 July 2021, DBRS Morningstar upgraded its rating on the Class A Notes issued by **Auto ABS Italian Balloon 2019-1 S.r.l.** to AAA (sf) from AA (high) (sf).
- On 13 July 2021, DBRS Morningstar upgraded its rating on the Class A Notes issued by **Civitas SPV S.r.l. - Series 2019-1** to AA (low) (sf) from A (high) (sf).
- On 16 July 2021, DBRS Morningstar upgraded its rating on the Class A Notes issued by **Valsabbina SME SPV S.r.l.** to AA (low) (sf) from A (low) (sf).
- On 20 July 2021, DBRS Morningstar upgraded its ratings on the Class A1 and Class A2 Notes issued by **Lanterna Mortgage S.r.l.** to AAA (sf) and AAA (sf) from AA (sf) and AA (low) (sf), respectively.
- On 28 July 2021, DBRS Morningstar upgraded its ratings on the Class C1 and Class C2 Notes issued by **Quadrivio SME 2018 S.r.l.** to AA (sf) and AA (sf) from BBB (high) (sf) and BBB (high) (sf), respectively.
- On 5 August 2021, DBRS Morningstar upgraded its ratings on the Class A1 and Class A2 Notes issued by **2019 Popolare Bari SME S.r.l.** to AA (high) (sf) and AA (low) (sf) from AA (sf) and A (sf), respectively.

- On 18 August 2021, DBRS Morningstar upgraded its ratings on the Class B, Class C, Class D, and Class E Notes issued by **Sunrise SPV 20 S.r.l. - Sunrise 2017-2** to AAA (sf), AA (high) (sf), AA (low) (sf), and BBB (high) (sf) from AA (sf), A (sf), BBB (sf), and BB (low) (sf), respectively.

Recent Downgrades

- On 3 February 2021, DBRS Morningstar downgraded its rating on the Class A notes issued by **Leviticus SPV S.r.l.** to BB (sf) from BBB (sf) and assigned a Negative trend. At the same time, DBRS Morningstar removed the Under Review with Negative Implications status from the Class A notes, which was assigned on 8 May 2020.
- On 4 February 2021, DBRS Morningstar downgraded its ratings on the Class A and Class B notes issued by **2Worlds S.r.l.** to BB (sf) and CCC (sf) from BBB (low) (sf) and B (low) (sf), respectively, and assigned Negative trends to the ratings. These downgrades resolved the Under Review with Negative Implications status of the notes, which was assigned on 8 May 2020.
- On 2 March 2021, DBRS Morningstar downgraded its rating on the Class A notes issued by **ISEO SPV S.r.l.** to BBB (low) (sf) from BBB (sf) and assigned a Negative trend. At the same time, DBRS Morningstar removed the Under Review with Negative Implications status from the Class A notes, which was assigned on 22 December 2020.
- On 23 March 2021, DBRS Morningstar downgraded its rating on the Class A Notes issued by **Magnolia BTV S.r.l.** to A (sf) from A (high) (sf), following an amendment to the transaction.
- On 18 June 2021, DBRS Morningstar downgraded its ratings on the Class A and Class B notes issued by **Popolare Bari NPLS 2017 S.r.l.** to CCC (low) (sf) and C (sf) from B (high) (sf) and CCC (sf), respectively. The Under Review with Negative Implications was resolved and Negative and Stable trends were assigned to the Class A and Class B notes, respectively.
- On 4 August 2021, DBRS Morningstar downgraded its rating on the Class A Notes issued by **Brisca Securitisation S.r.l.** to B (high) (sf) from BBB (low) (sf). The trend on the rating remains Negative.
- On 5 August 2021, DBRS Morningstar downgraded its rating on the Class A notes issued by **Aragorn NPL 2018 S.r.l.** to CCC (high) (sf) from B (low) (sf). DBRS Morningstar concurrently changed the trend on the Class A notes to Negative from Stable.

Regulatory Authorities

- The Bank of Italy (Banca d'Italia)
- The Italian Securities and Exchange Commission (Commissione nazionale per le società e la borsa)

Italian Sovereign at a Glance

DBRS Morningstar Confirms Republic of Italy at BBB (high), Trend Remains Negative (30 April 2021)

Prior to the coronavirus outbreak, Italy's real GDP had not yet recovered to its 2007 level, and the impact of the pandemic has been severe but the outlook now is brighter, albeit with considerable uncertainty. Compared with the previous crisis, Italy appears better equipped to recover rapidly thanks to a resilient manufacturing and construction sector, a supportive fiscal stance along with sizeable EU resources. The next few months are expected to be important in setting the stage for (1) a stronger recovery provided that the vaccine rollout accelerates and/or the country is able to cope with any more vaccine-resistant variants and (2) initiating the reforms outlined in the National

Recovery and Resilience Plan (NRRP). Italy's debt-to-GDP ratio came in better than anticipated last year at 155.8%, but the government plans to continue to provide support, which will likely bring debt close to 160% of GDP in 2021, before gradually declining. The public debt is more affordable due to declining interest costs. As the Next Generation EU programme commences, Italy could address some of its structural weaknesses by supporting reform implementation and further increasing public investment. Execution risk is the main challenge, but the NRRP if successfully implemented could raise productivity and in turn potential GDP growth, improving debt sustainability.

Key Indicators

- **Overall Fiscal Balance (% of GDP):** -8.8% (2021); -9.5% (2020); -1.6% (2019)
- **General Gross Government Debt (% of GDP):** 157.1% (2021); 155.6% (2020); 134.6% (2019)
- **Economic Size (USD billions):** 2,106 (2021); 1,885 (2020); 2,005 (2019)
- **GDP per Capita (USD thousands):** 35.0 (2021); 31.3 (2020); 33.2 (2019)
- **Government Effectiveness (Percentile Rank):** 69.2 (2019)

Related Research

- [Baseline Macroeconomic Scenarios: Application to Credit Ratings](#) (15 September 2021)
- [Baseline Macroeconomic Scenarios For Rated Sovereigns](#) (8 September 2021)
- [European Nonperforming Loan Securitisations Performance - 2021 Update](#) (8 September 2021)
- [DBRS Morningstar Illustrative Insights—Italian Bad Debts](#) (23 June 2021)
- [The Impact of Covid-19 on European Mortgage Performance – One Year On...](#) (14 June 2021)
- [Evolving Business Plans in Italian NPL Transactions](#) (1 June 2021)
- [European Auto ABS — Gear Change From Ownership to Usage](#) (22 March 2021)
- [Payment Holiday Impact on European Structured Finance](#) (3 March 2021)
- [Italy: Government Instability Brings Risk To Pandemic Management and Recovery Plan Implementation](#) (15 January 2021)

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