12 January 2022 Structured Finance

GROGU SPV S.r.l.

Italian Non-Performing Loan ABS

Scope Ratings

Ratings

Tranche	Rating	Size (EUR m)	% of notes	% of GBV	Coupon	Final maturity
Class A	BBB+$_{SF}$	460.0	92.0	15.0%	3m Euribor + 0.75%	Jan 2042
Class B	NR	37.0	7.4	1.2%	3m Euribor + 9.5%	Jan 2042
Class J	NR	3.0	0.6	0.1%	Variable return	Jan 2042
Total		**500.0**	**100.0**	**16.3%**		

Scope's quantitative analysis is based on the portfolio provided by the originators. Scope's Structured Finance Ratings constitute an opinion about relative credit risks and reflect the expected loss associated with the payments contractually promised by an instrument on a particular payment date or by its legal maturity. See Scope's website for the SF Rating Definitions.

Transaction details

Transaction type	Static cash securitisation
Asset class	Non-performing loans ('NPLs')
Issue date	15 December 2021
Issuer	GROGU SPV S.r.l.
Sellers	Intesa Sanpaolo S.p.A. (Intesa), BPER Banca S.p.A. (BPER)
Master servicer	Banca Finanziaria Internazionale S.p.A.
Special servicers	Intrum Italy S.p.A., Prelios Credit Solutions S.p.A.
Gross-book value ('GBV')	EUR 3,076.5m
Cut-off date	31 May 2021
Transfer dates	28 July 2021, amended on 10 December 2021 (BPER portfolio), 10 December 2021 (Intesa portfolio)
Key portfolio characteristics	The securitised pool is composed of secured loans for a share of 51% of the portfolio's GBV and of unsecured loans for a share of 45% of the portfolio's GBV. Remaining exposures are junior secured loans (4% of the portfolio's GBV). Loans were granted mainly to corporate debtors (81% of the GBV). Properties with first-lien mortgages are located mainly in the north and centre of Italy (40% and 39% of the secured collateral value, respectively), while 21% are in the south of Italy. Most of the secured loans are backed by residential properties (46% of the secured collateral value). Industrial and commercial real estate assets guarantying secured loans are in comparable shares (22% and 21% of the secured collateral value, respectively), while land and other type of assets have a smaller share (7% and 4% of the secured collateral value, respectively).
Payment frequency	Quarterly (Jan., Apr., Jul., Oct.). First interest payment date will be July 2022
Key structural features	The notes have been structured in compliance with the requirements of the GACS scheme. The transaction structure comprises three tranches of sequentially amortising notes, an amortising liquidity reserve equal to 4% of the class A outstanding balance, and an interest rate cap spread agreement on the class A notes.
Cap counterparty, account bank, limited recourse loan providers	Intesa Sanpaolo S.p.A. and BPER Banca S.p.A. as limited recourse loan providers, Intesa Sanpaolo S.p.A. as cap counterparty and account bank
Other key counterparties	Prelios Credit Servicing S.p.A. (back-up servicer), Banca Finanziaria Internazionale S.p.A. (corporate servicer, noteholders' representative, monitoring and calculation agent) BNP Paribas Securities Services, Milan branch (paying agent, agent bank).

Analytical Team

Rossella Ghidoni
+39 02 94758 746
r.ghidoni@scoperatings.com

Paula Lichtensztein
+49 30 27891 224
p.lichtensztein@scoperatings.com

Team Head

David Bergman
+39 02 94758 940
d.bergman@scoperatings.com

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Scope Ratings GmbH

Lennéstraße 5
10785 Berlin

Tel. +49 30 27891 0
Fax +49 30 27891 100

info@scoperatings.com
www.scoperatings.com

Bloomberg: RESP SCOP

Rating rationale (summary)

The rating is primarily driven by the expected recovery amounts and timing of collections from the NPL portfolio. The recovery amounts and timing assumptions consider the portfolio's characteristics as well as Scope's economic outlook for Italy and its assessment of the special servicers' capabilities. The rating is supported by the structural protection provided to the notes, the absence of equity leakage provisions, the liquidity protection, and the interest rate hedging agreement. The rating also addresses exposures to the key transaction counterparties.

We performed specific analyses to determine recoveries, using different approaches for secured and unsecured exposures. For senior secured exposures, we mainly derived expected collections from the most recent property appraisal values, which we stressed to account for: appraisal type, liquidity, and market value risks. We considered servicers' historical repossession data to calibrate our security value haircuts. We derive recovery timing assumptions using line-by-line asset information detailing the type of legal proceeding, the respective court responsible for the proceeding, and the legal stage of the proceeding as of the portfolio transfer date. For unsecured and junior secured exposures, we used market-wide historical line-by-line data on defaulted loans between 2000 and 2019, also considering the special servicers' capabilities.

Rating drivers and mitigants

Positive rating drivers

Above average share of residential properties. Secured loans are backed by residential assets for a share of 46% (of the secured collateral value), which is above the average of peer transactions rated by Scope. Residential properties are typically more liquid than non-residential ones.

Properties concentrated in the center and north of Italy. The collateral backing the secured loans is mostly concentrated in the center and north of Italy (79% of total collateral value), which benefits from the country's most dynamic economic conditions and, in general, the most efficient courts.

Underperformance events linked to each servicers' performance. If servicers' performance falls below their own business plans, their fees are partially subordinated and deferred to the class A payments according to different percentages based on the single servicers' performance. This strengthens the alignment of interest between the transaction's counterparties.

Negative rating drivers and mitigants

Significant portion of legal proceedings in initial stages. Around 68% of the secured loans (in terms of GBV) are in the initial legal phase or are yet to have proceedings initiated. This results in a longer expected time for collections than for loans in more advanced phases.

Significant portion of unsecured loans. The securitised portfolio has an above average share of unsecured loans, for which recovery rates are typically lower compared to secured loans.

Weaker than average representations and warranties. The issuer will not be entitled to claim any indemnities related to any fact or circumstance that was already ascertainable via i) the due diligence that was conducted by the servicers on a sub-portfolio representing 74% of the GBV, or ii) the documentation available in the virtual data-room. Certain loans previously serviced by Intrum (2% of the GBV) have also been excluded from the representations and warranties coverage. Scope has not received any information on the due diligence conducted by the servicers.

Upside rating-change drivers

Faster judicial recovery timings. The pandemic led to a slowdown in court activity. An outperformance on recovery timing could occur if courts advance on proceeding backlogs faster than expected.

Rapid economic growth following the pandemic crisis. A scenario of rapid economic recovery would improve liquidity and affordability conditions and prevent a sharp deterioration in collateral values. This could positively affect the rating, enhancing transaction's performance on collection volumes.

Downside rating-change drivers

Credit-negative findings on the sub-portfolio analysed in due-diligence arising post issuance. If servicers have not accurately factored in the due diligence findings in their business plans, the transaction could underperform against servicers' projections, as the issuer will not be entitled to claim any indemnities on the portion of the portfolio that was analysed via due diligence. This could negatively impact the rating.

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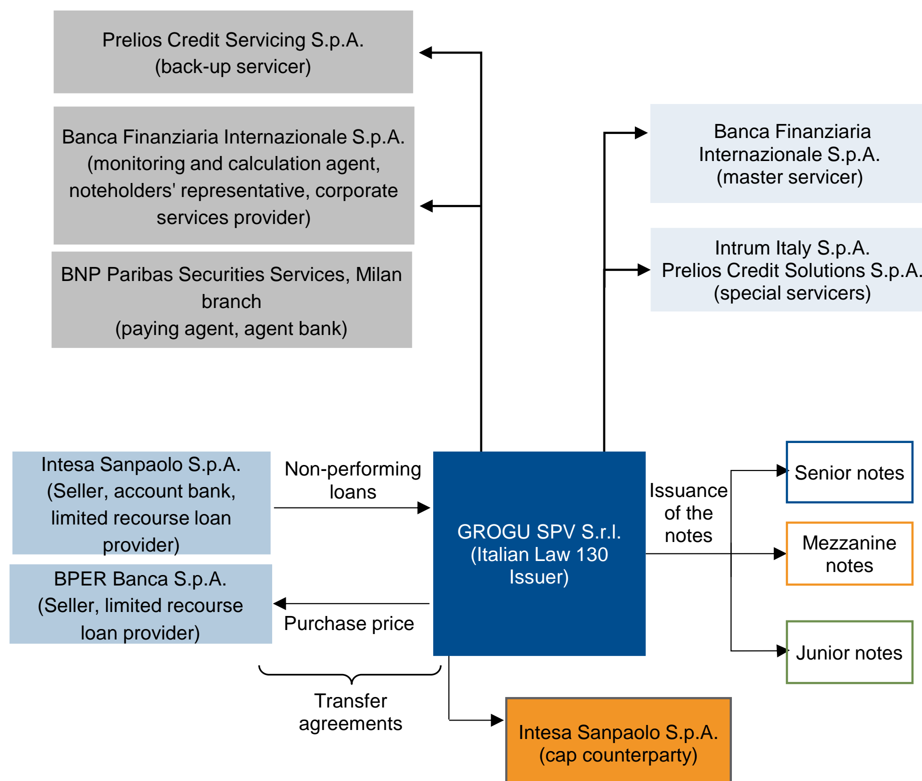
1. Transaction diagram

Figure 1: Transaction diagram



Sources: Transaction documents, Scope Ratings.

2. Macroeconomic environment

After a severe 9.0% economic contraction during 2020, Italy's economy has seen robust recovery this year, with an estimated annual growth rate of 6.6% – revised up from our above-consensus estimate of 5.6% for this year in entering 2021, followed by 4.7% in 2022, as advanced vaccination rates ease vulnerability to severe virus waves, while the manufacturing sector proves comparatively resilient to supply chain bottlenecks vis-à-vis performance in peer economies. In addition, job-market support measures during this crisis have proven effective. The unemployment rate stood at 9.2% as of September 2021, under a pre-crisis level of 9.7%, although employment still counts around 400,000 fewer workers compared with before this pandemic crisis. We expect an average unemployment rate of 9.6% this year, easing further to 8.5% in 2022. Downside risk to the economic outlook has heightened over recent weeks, driven by resurgence of virus in Italy and main trade partners. In addition, the inflation outlook poses risk to the recovery, with very high Harmonised Index of Consumer Prices (HICP) inflation of 4.1% for the euro area and 3.2% in Italy as of October.

After 2022, we expect the Italian recovery to moderate in direction of our more modest estimate of medium-run growth potential of 0.8%, constrained by challenges of tepid productivity gains and adverse demographic change, but supported nevertheless by the government investment programme, as well as by continued accommodative borrowing conditions anchored via policies of the European Central Bank. The government headed by Prime Minister Mario Draghi enjoys a robust parliamentary majority, underpinning expectation of continued reform, which, together with increasing public investment expenditure anchored via EUR 192bn of Next Generation EU funding, support the medium-

run growth outlook. A strong economic recovery has been also reflected in improvements in government finances, with a deficit for this year expected to fall significantly under initial estimates, although remaining elevated at around 7.5% of gross domestic product (GDP), before further moderation to 5.4% in 2022. Public debt will temporarily revert to a moderately declining trajectory, towards 146% of GDP by 2026 from 156% last year, with however an elevated stock continuing to pose challenges as concerns long-run debt sustainability, especially under a context of normalisation of monetary policies.

3. Special servicers review

3.1. Introduction

We conducted an operational review on the special servicers Prelios and Intrum. In Scope's view the special servicers' capabilities and processes to manage the securitised portfolio are adequate.

Our assessment of the special servicers' capabilities addresses, among other aspects, their corporate structure, business processes, collateral appraisal procedures, servicing IT systems, business discontinuity risks and transaction-specific aspects such as portfolio onboarding, asset manager allocation and asset disposal strategies (i.e., business plan).

This assessment was considered when deriving our recovery rate and recovery timing assumptions for both unsecured and secured positions. In addition, we conducted a virtual property tour on a small sample of properties from the securitised portfolio. This is part of our assessment of portfolio collateral valuations and secured recovery expectations, captured through our haircuts based on property and appraisal types.

3.2. Corporate overview

3.2.1. Prelios

Prelios Credit Servicing is a leading Italian player in the credit servicing sector, managing more than EUR 30bn GBV of assets under management ('AUM'), as of June 2021. AUM include both NPLs and unlikely to pay ('UTP') loans, representing, respectively, around two-thirds and one third of total AUM. Additionally, Prelios is servicing around 50% of public securitisations since 2016. Prelios Group is fully owned by funds managed by Davidson Kempner Capital Management LP, and along with Prelios Credit Servicing, the group comprises other companies active in the credit fund and asset management (Prelios SGR), property management (Prelios Integra), property valuations (Prelios Valuations), brokerage & agency (Prelios Agency) sectors and digital platforms for the NPLs sale (Prelios Innovation).

3.2.2. Intrum

Intrum AB is present in 24 European markets plus Brazil and offers a wide range of services: credit optimisation, debt collection, e-commerce, payment services, accounts receivable management and financing services. Intrum Italy, owned by Intrum AB for a 51% share and by Intesa Sanpaolo for a 49% share, is a leading Italian player in the credit servicing sector, with around EUR 42bn of AUM (by gross book value) and 814 employees. Intrum Italy has grown fast in recent years through mergers and acquisitions (e.g. Cross Factor SpA in 2016, and Lindorff, Gextra, CAF and i-law in 2017) and particularly through the joint-venture with Intesa Sanpaolo (in 2018), which involved the deconsolidation of a EUR 10.8bn NPL portfolio through a securitisation. The partnership with Intesa also entailed i) the incorporation of Intesa's servicing workforce and servicing IT systems; and ii) a 10-year exclusive servicing agreement to manage Intesa's current and future NPL flows.

3.3. Servicing model

3.3.1. Prelios

Prelios servicing activities rely on proprietary bespoke tools for NPL (Phoenix platform) and UTP (Pegaso platform) management activities that support loan managers for the entire life of the recovery process, from the underwriting to the closing phase.

The staff dedicated to servicing activities comprises 120 internal loan managers, 150 external loan managers and an external network of around 400 lawyers and around 450 real estate agents.

Within the proprietary platforms, the servicer monitors collections performance, the status of the legal proceedings and assess future projections.

Loan managers are organised in work-out units, each of them dedicated to a specific portfolio and organised by loan type and ticket size. Each work-out unit is supervised by a team leader, a senior employee that coordinates loan managers and monitors their performance. Around 300 positions can be allocated to each loan manager and their activity is supported by external lawyers as far as concern judicial processes and real estate consultant regarding auction sales and voluntary disposal of real estate guarantees. After the data acquisition phase and portfolio allocation, the loan manager defines the most suitable resolution strategy based on specific loan and borrower characteristics. First, the loan manager attempts to reach an out-of-court solution with the borrower. The servicer starts a judicial procedure if an agreement with the borrower is not reached and if economically convenient. However, the loan manager continues to pursue an out-of-court solution during the judicial process. Other recovery strategies adopted by the loan managers comprise credit sales, repayment plans, voluntary real estate disposals and discounted pay-offs.

3.3.2. Intrum

Intrum Italy is specialised in credit management services. Its servicing capabilities rely on the experience gained through the joint-venture with Intesa and the successful integration of the bank's operations, including its workforce and IT asset management system (EPC, commonly used by Italian servicers). Portfolio valuations are generally performed by third parties, supervised by an internal real estate unit.

Loan managers are organised in teams segregated according to portfolio ownership type (proprietary or third party), ticket size and geography. There is no specialisation for collateral type (i.e. secured vs. unsecured).

The ECP system is used mainly for the management, documentation, and monitoring of legal procedures, including property auctions and the coordination of an external net of legal collaborators. For other purposes, the servicer uses eight other operational systems obtained from companies it has acquired over time. This includes repositories of information of property data (e.g. land registries, valuations, holders), personal guarantees, and backup systems. Information on all systems is integrated into an internally developed application, which is mainly used by loan managers as a management tool.

4. Portfolio characteristics

4.1. Representations and warranties

The securitised pool comprises secured and unsecured Italian NPLs sold by Intesa Sanpaolo S.p.A. and BPER Banca S.p.A.

The representations and warranties on the receivables provided by the sellers are not fully aligned with those of peer transactions we rate, as they include the following exceptions.

The issuer will not be entitled to claim any indemnities related to any fact or circumstance that was already ascertainable via i) the due diligence that was conducted by the servicers on a sub-portfolio representing 74% of the GBV, ii) the documentation available in the virtual data-room. Certain loans previously serviced by Intrum (2% of the GBV) have also been excluded from the representations and warranties coverage. Scope has not received any information on the due diligence conducted by the servicers.

The representations and warranties provided by Intesa are as of the transfer date of 10 December 2021, while the representations and warranties provided by BPER are as of the transfer date of 28 July 2021. The representations provided by the sellers include the following:

- All loans are denominated in euros (as of the cut-off date) and governed by Italian law.
- All receivables are valid for transfer without any limitations, free of encumbrances, and enforceable to the extent of their GBV.
- All receivables have been reported as defaulted by the Credit Bureau of the Bank of Italy.
- All real estate assets secured by first economic lien voluntary mortgages exist and are located in Italy.
- Each first lien economic voluntary mortgage has the lien indicated in the data tape, as of the transfer date of each seller.
- Bankruptcy proceedings related to bankrupt debtors are ongoing as of the cut-off date.
- At the time of disbursement of each loan, the borrowers that were individuals, were resident or domiciliated in Italy.
- At the time of disbursement of each loan, borrowers were not employees of the seller.
- As of the cut-off date, the information contained in certain fields of the loan data tape, are true and accurate.

4.2. Key portfolio stratifications

Figure 2 provides a high-level view of portfolio characteristics as of the cut-off date. Detailed loan-level portfolio stratifications are provided in Figures 3-12.

Figure 2: Portfolio summary

	GBV (EUR m)	% on GBV
Sellers		
Intesa	2,162	70%
BPER	914	30%
Servicers		
Serviced by Intrum	2,004	65%
Serviced by Prelios	1,073	35%
Analysed via due-diligence	2,289	74%

	All	Senior secured	Junior secured	Unsecured
Number of loans	51,618	6,971	812	43,835
Number of borrowers	9,734			
Gross book value (EUR m)	3,077	1,561	141	1,375
% of gross book value		50.7%	4.6%	44.7%
Cash in court (% of GBV)	1.6%			
Collections since cut-off date (% of GBV)	1.3%			
Weighted average seasoning	4.6	4.1	5.6	5.0
Collateral values (EUR m)		1,719	401	

Sources: Transaction data tape, Scope Ratings

We adjusted the pool's gross book value using information on collections and sold properties since the cut-off date. The analysis, which excluded loans we assumed to be closed, accounts for estimated cash-in-court amounting to EUR 47.8m relative to first-lien property value.

These adjustments reduced the portfolio's gross book value to EUR 2,912m from EUR 3,077m. Collections received since the cut-off date (EUR 41.3m) will be part of the issuer's available proceeds at the first payment date. We assumed cash-in-court would be received within three years after the closing date.

Our analysis is performed at the loan-level, considering all information provided to us in the context of the transaction as well as publicly available information. Loans are defined as 'senior secured' if they are guaranteed by first-lien mortgages, 'junior secured' if they are guaranteed by second- or lower-lien mortgages, and 'unsecured'. Unless stated otherwise, we treat junior secured loans as unsecured loans.

Stratification data provided below reflects our portfolio aggregation at the loan-level and includes conservative mapping assumptions in case of missing data.

Figure 3: Distribution by borrower type (% of GBV)

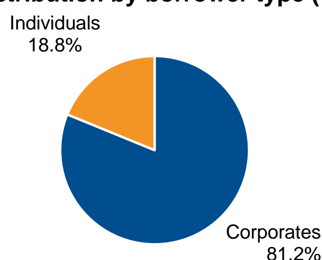


Figure 4: Distribution by loan type (% of GBV)

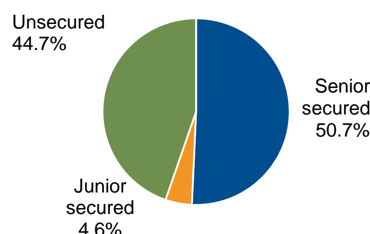


Figure 5: Distribution by recovery procedure (% of GBV)

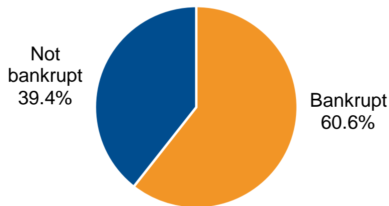


Figure 6: Distribution by recovery stage for secured loans (% of GBV)

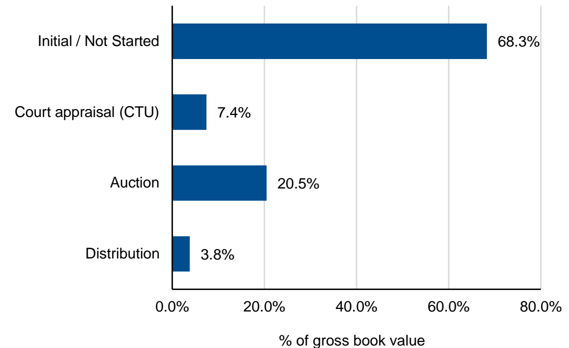


Figure 7: Distribution by court bucket for secured loans (% of GBV)

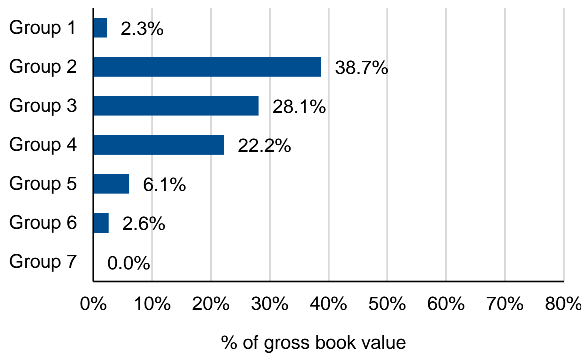


Figure 8: Unsecured and junior secured seasoning (% of GBV)

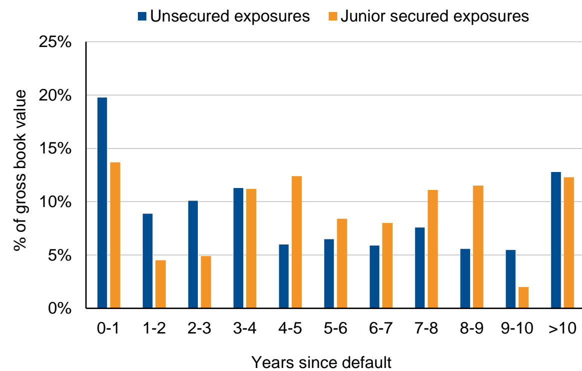


Figure 9: Distribution by collateral type for secured loans (% of appraisal value)

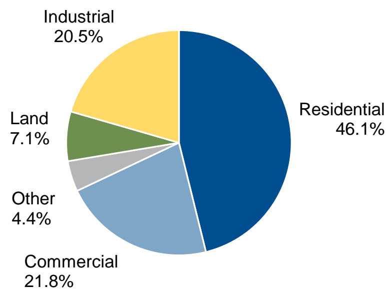


Figure 10: Distribution by valuation type for secured loans (% of appraisal value)[1]

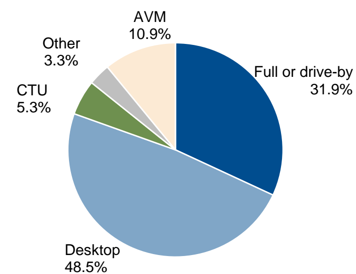


Figure 11: Distribution by collateral location (% of appraisal value)

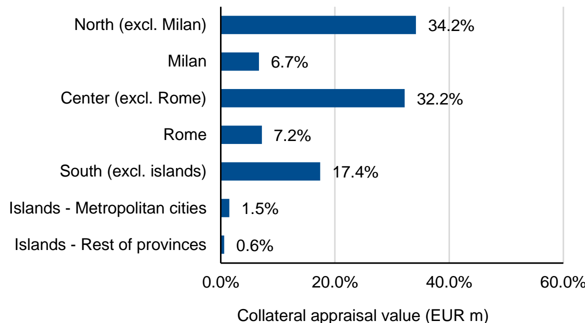
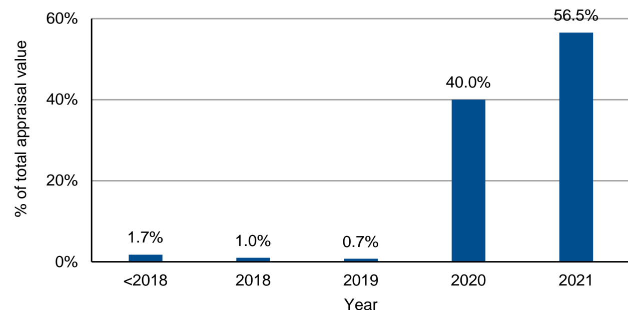


Figure 12: Distribution by valuation date (% of appraisal value)



Sources: transaction data tape, calculations by Scope Ratings

[1] AVM stands for automated valuation models and refers to desktop-light valuations.

5. Portfolio analysis

Following our NPL ABS rating methodology, we test the resilience of a rated instrument against deterministic, rating-conditional stresses. We apply higher stresses as the instrument's rating becomes higher. We follow a bottom-up approach to derive transaction-specific assumptions. This involves an analysis of loan and borrower attributes, the type of security, the security appraisal value, and recovery procedures and strategies. The approach enables us to develop an independent view on the relevant risks. We also consider any relevant insights from the servicers' business plans, historical data and operational review, peer comparisons and market data. We also account for the current macroeconomic scenario, taking a forward-looking view on the macroeconomic developments.

Figure 13 summarises the recovery rate assumptions applied in the analysis of the class A notes.

Figure 13: Summary of assumptions

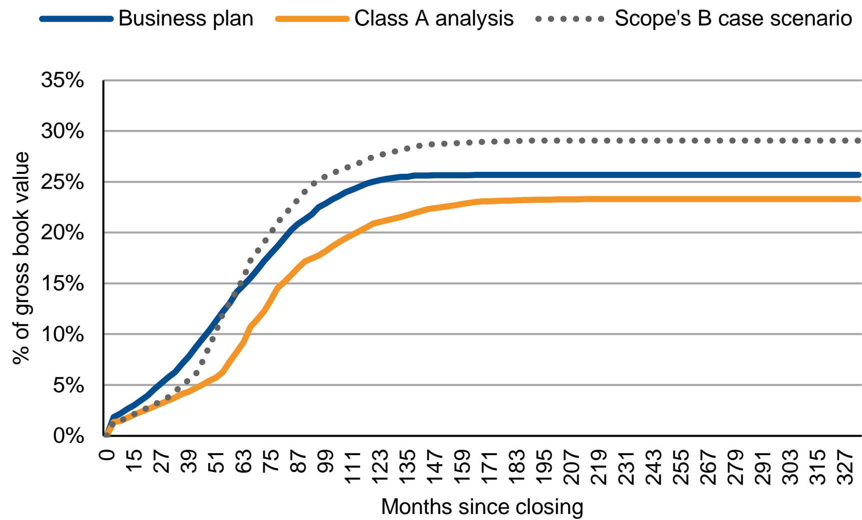
	Class A analysis
Secured recovery rate (% of secured GBV)	39.3
Unsecured recovery rate (% of unsecured GBV)	6.8
Total recovery rate (% of total GBV)	**23.3**
Secured collections, weighted average life (WAL in years)	6.5
Unsecured collections, WAL (years)	3.8
Total collections, WAL (years)	**6.1**

Sources: Transaction data tape, Scope Ratings

Class A recovery rate assumptions are about 9% below business plan target

Figure 14 compares our lifetime gross collections and recovery timing assumptions for the entire portfolio with the servicers' business plan, for class A and our B case scenario. These assumptions are derived by combining secured and unsecured recovery expectations, together with cash-in-court and ad-interim collections. We only considered cash-in-court and ad-interim collections allocated to specific receivables. Our recovery rate assumptions for the class A notes analysis are 9% below the business plan target. Our calculation of the expected life is longer than the servicers' projections (6.1-year WAL for the class A notes analysis versus 4.9-year WAL in the business plan).

Figure 14: Scope's assumptions[2] vs. business plan's gross cumulative recoveries



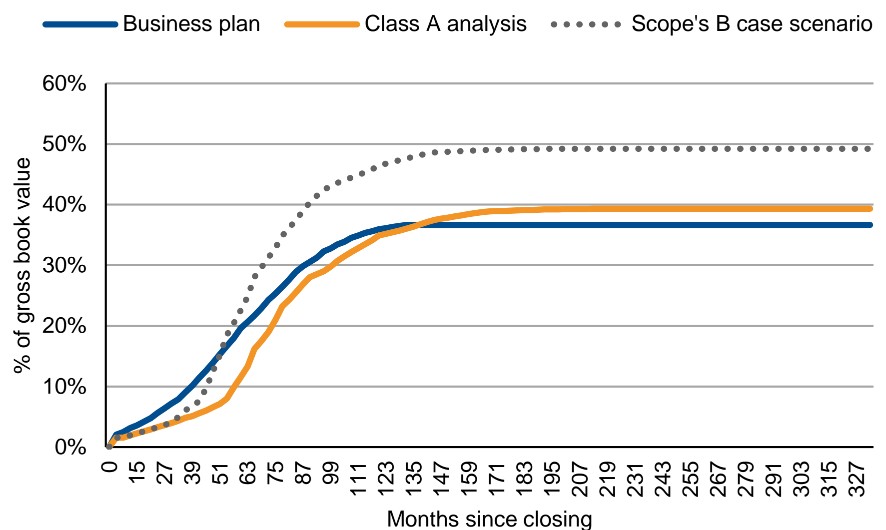
Sources: Servicer business plan, Scope Ratings

5.1. Analysis of secured portfolio segment

Valuation haircuts address forward-looking market value and liquidity risks

Figure 15 shows our lifetime gross collections vectors for the secured segment compared to those from the servicers' business plan. Our analytical approach consists of estimating the security's current value based on property appraisals and then applying security-value haircuts to capture forward-looking market value and liquidity risks. Recovery timing assumptions are mainly determined by the efficiency of the assigned court (based on historical data on the length of the proceedings), and the type and stage of legal proceeding. Our analysis also considers concentration risk, the servicers' business plans and the available workout options.

Figure 15: Scope's assumptions[3] vs. business plan's gross cumulative recoveries - secured loans

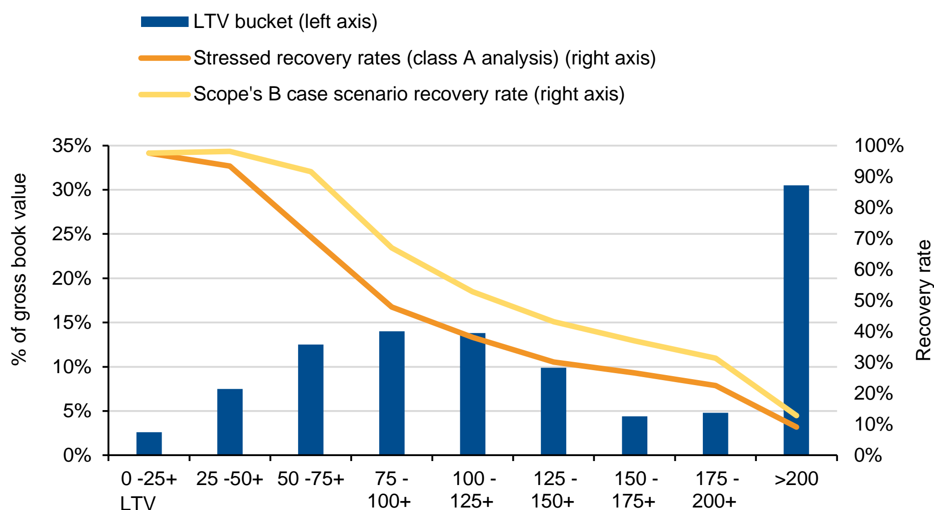


Sources: Servicers business plan, Scope Ratings

[2] Scope's and the servicers' recovery rates are reported on a gross level and include cash-in-court and ad-interim collection amounts.
[3] Scope's and the servicers' recovery rates are reported on a gross level and include cash-in-court and ad-interim collection amounts. We define secured loans as those guaranteed by at least a first-lien mortgage, based on a loan-by-loan analysis. Business plan secured recoveries are those related to borrowers with at least a first-lien

Figure 16 shows the secured loans' distribution by LTV bucket as well as our recovery rate assumptions for each LTV bucket under our rating-conditional stresses applied for class A notes and our B case scenario. The portfolio's share of under-collateralised secured exposures is material, as 63% of the loans has an LTV above 100%.

Figure 16: Secured loans' distribution by LTV and Scope's expected secured recoveries



Sources: Transaction data tape, calculation by Scope Ratings

5.1.1. Appraisal analysis

Appraisal type haircuts range between 5% and 36% for the class A analysis

We applied rating-conditional haircuts ranging from 5% to 36% for the class A analysis, reflecting our view on the quality and accuracy of the underlying appraisals. Full or drive-by valuations are generally more accurate than desktop or CTU valuations.

Figure 17: Scope's transaction-specific valuation haircuts

Valuation type	% of secured collateral value	Class A analysis haircut
Drive-by and full	31.9%	-
Desktop	48.5%	5%
CTU	5.3%	10%
Other (inclusive of AVM)	14.3%	21-36%

Sources: Transaction data tape; calculations and assumptions by Scope Ratings

5.1.2. Property market value assumptions

Figure 18 details our assumptions about property price changes over the transaction's life commensurate with the class A rating. These assumptions are i) specific to the geographical area; ii) based on an analysis of historical property price volatility; and iii) based on fundamental metrics relating to property affordability, property profitability, private sector indebtedness, the credit cycle, population dynamics and long-term macroeconomic performance.

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mortgage, as per servicers' classification in the provided business plans. Therefore, the chart displays Scope's expected collections in relation to a secured portfolio of EUR 1,560mn, resulting from Scope's loan-by-loan classification of the exposures. The chart displays servicers' expected collections in relation to a secured portfolio of EUR 1,922mn, resulting from servicers' borrower-by-borrower classification of the exposures.

Figure 18: Scope's transaction-specific price change assumptions

	North					Centre			South			Islands	
Region	Milan	Turin	Genoa	Bologna	Venice	Others	Rome	Florence	Others	Naples	Bari	Others	Metropolitan cities	Rest of provinces
Class A analysis	-12%	-11%	-11%	-9%	-12%	-12%	-18%	-15%	-16%	-14%	-13%	-16%	-14%	-16%
Portfolio distribution (%)	6.7	0.8	1.9	0.1	0.1	31.3	7.2	0.5	31.7	2.4	1.1	13.9	1.5	0.6

Sources: Transaction data tape; calculations and/or assumptions by Scope Ratings

5.1.3. Collateral liquidity risk

Fire-sale discounts range between 41% and 72% for class A analysis

Asset liquidity risk is captured through additional fire-sale haircuts applied to collateral appraisals. Figure 19 shows the rating-conditional haircuts applied for the class A analysis. These transaction specific assumptions are based on historical distressed market-wide sales data (including those provided by the servicers), consider the specific servicing strategies applied context in this transaction, and reflect our view that non-residential properties tend to be less liquid, resulting in higher distressed-sale discounts.

Figure 19: Scope's transaction-specific fire-sale discount assumptions

Collateral type	% of secured collateral value	Class A analysis haircut
Residential	46.1%	41%
Non-residential	53.9%	47%-72%

Sources: Transaction data tape; calculations and/or assumptions by Scope Ratings

5.1.4. Concentration risk

We addressed borrower concentration risk by applying a 11.7% rating-conditional recovery haircut to the 10 largest borrowers for the class A notes analysis. The largest 10 and 100 borrowers account for 10.3% and 30.8% of the portfolio's GBV, respectively.

5.1.5. Residual claims after security enforcement

A secured creditor may initiate enforcement actions against a debtor if the sale proceeds of the mortgaged property are insufficient to repay the related outstanding debt in full. Secured creditors generally rank equally with unsecured creditors for amounts that have not been satisfied with the security's enforcement. The creditor's right to recover its claim, whether secured or unsecured, arises with an enforceable title (i.e. a judgment or an agreement signed before a public notary).

Partial credit to residual claims after security enforcement for loans to individuals

Based on market wide historical data, we gave credit to residual claims on 10% of the loans to individuals. Recovery strategies do not typically focus on collecting residual claims, as the relevant costs may be higher than the potential proceeds. On the other hand, residual claims can be enforced in a profitable way for some individual borrowers, as the elapsed time after a default may have a positive impact. An individual may, for example, find new sources of income over time and become solvent again. Therefore, the servicers may opt to maximise recoveries when it is cost-efficient to do so, even after the security has been enforced. For corporate loans, we gave no credit to potential further recoveries on residual claims after the security has been enforced.

5.1.6. Tribunal efficiency

We applied line-by-line time-to-recovery assumptions considering the court in charge of the proceedings, the type of legal proceeding (i.e., bankruptcy or non-bankruptcy), and the current stage of the proceeding.

The total length of the recovery processes is mainly determined by the efficiency of the assigned court and the type of legal proceeding. To reflect this, we grouped Italian courts

into seven categories, based on public data on the average length of bankruptcy and foreclosure proceedings between 2015 and 2019 (Figure 20). We applied rating-conditional timing stresses to bankruptcy and non-bankruptcy procedures: 3.0 years and 1.5 year were respectively added to the total legal procedures' length for the class A analysis.

Figure 20: Total length of the recovery process for secured loans, by court group in years*

Court group	Bankruptcy proceedings	Non-bankruptcy proceedings	Percentage of courts
1	4	2	2.3%
2	6	3	38.7%
3	8	4	28.1%
4	10	5	22.2%
5	12	6	6.1%
6	14	7	2.6%
7	18	9	0.0%

*The total length of the recovery process does not include the rating-conditional timing stresses per proceeding type. Percentages of courts incorporate our assumptions on courts not included in available information.
Sources: Transaction data tape; calculations and/or assumptions by Scope Ratings

5.2. Analysis of unsecured portfolio segment

Unsecured portfolio analysis is based on statistical data

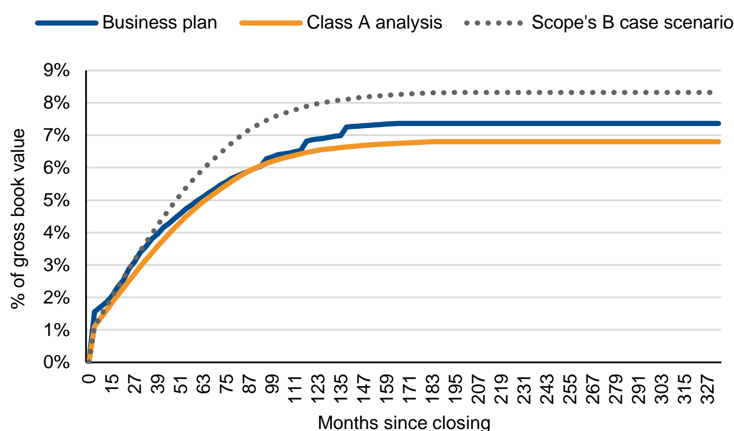
Our unsecured recovery assumptions are primarily based on market-wide historical data on unsecured recovery rates. We also factor in our view on the quality of the servicers' recovery procedures.

Transaction-specific assumptions also reflect the key characteristics of the unsecured portfolio segment, such as average loan size, debtor types (i.e. individual or corporate) and the type of recovery procedure. For instance, bankruptcy proceedings are generally slower and typically result in lower recoveries than non-bankruptcy proceedings.

Ageing of the unsecured portfolio is aligned with market average

Finally, transaction-specific assumptions were re-calibrated to reflect the ageing of the unsecured portfolio, as we consider aged unsecured NPLs to have a lower likelihood of recovery. The unsecured loans in the portfolio (including junior secured loans) are classified as defaulted for a weighted average of 5.1 years, which is aligned with the average of transaction peer levels.

Figure 21: Scope's assumptions[4] vs. business plan's recoveries – unsecured loans



Sources: Servicers' business plan, Scope Ratings

[4] Scope's and the servicers' recovery rates are reported on a gross level and they include ad-interim collection amounts. We define unsecured loans as those not guaranteed by at least a first-lien mortgage, based on a loan-by-loan analysis. Business plans' unsecured recoveries relate to borrowers whose loans are fully unsecured, or are guaranteed by junior liens. Therefore, the chart displays Scope's expected collections in relation to an unsecured portfolio of EUR 1,516mn, resulting from Scope's loan-by-loan classification of the exposures. The chart displays servicers' expected collections in relation to an unsecured portfolio of EUR 1,154mn, resulting from servicers' borrower-by-borrower classification of the exposures.

6. Key structural features

The structure comprises three classes of notes with fully sequential principal amortisation: senior class A, mezzanine class B, and junior class J.

Class A will pay a floating rate indexed to three-month Euribor plus a margin of 0.75%. Class B will pay a floating rate indexed to three-month Euribor plus a margin of 9.5%. The Euribor component for class A notes is capped at certain levels until January 2042. The class B Euribor component, if positive, is paid after class A principal payment.

Non-timely payment of class A interest would trigger an accelerated waterfall

Non-timely payment of interest on the senior notes (unless the GACS guarantee is in place), among other events such as the issuer's unlawfulness, would accelerate the repayment of class A through the full subordination of class B payments. If the GACS guarantee is in place, the non-timely payment of interest on the senior notes will entitle the Representative of the Noteholders to enforce the GACS Guarantee. The Ministry of the Economy and Finance as GACS guarantor will be requested to guarantee the payments of interest and principal on the class A notes, in accordance with the terms and conditions set forth in the GACS Regulation.

6.1. Combined priority of payments

The issuer's available funds (i.e. collections from the portfolio, the cash reserve, payments received under the interest rate cap spread agreement, insurance payments and indemnity payments from the indemnity provider) will be used in the following simplified order of priority:

Figure 22: Simplified priority of payments and available funds

Pre-enforcement priority of payments
1) Senior fees (master and special servicer fees), other senior expenses
2) Expenses account replenishment
3) Senior expenses
4) Limited-recourse loan interest
5) GACS guarantee premium
6) Recovery expenses reserve account
7) Class A interest*
8) Any amount due and payable under GACS scheme (if not paid in item 5)
9) Cash reserve replenishment
10) Limited-recourse loan principal
11) Class B interest** (provided that no interest subordination event has occurred)
12) Class A principal
13) Class B interest** (upon occurrence of the interest subordination event)
14) Class B principal and servicer mezzanine fees (provided that a servicer underperformance event has occurred)
15) Payments due under the Subscription agreement
16) Class J principal and servicer junior fees (provided that a servicer underperformance event has occurred)
17) Any residual amount as class J variable return

* Euribor component is capped until Jan 2042.

** Euribor component, if positive, is paid under item 13 of the priority of payments.

Sources: Transaction documents and Scope Ratings

6.2. Interest subordination events

Class B interest subordination event is aligned with the GACS requirements

The occurrence of an interest subordination event results in class B interest being paid under item 13 of the waterfall above. An interest subordination event occurs if i) the cumulative net collection ratio[5] (CCR) falls below 90% of the servicers' business plan targets; ii) the NPV cumulative profitability ratio[6] (NPVPR) falls below 85%; or iii) any due amount of class A interest is unpaid.

An interest subordination event is curable, according to the following rules:

1. If, on a subsequent payment date, the CCR is between 90% and 100%, class B interest accruing on that payment date will be payable senior to the class A principal repayment.
2. If, on a subsequent payment date, the CCR returns to 100% or above, all due and unpaid class B interest is paid senior to class A principal under item 11 of Figure 22.

6.3. Servicing fee structure and alignment of interests

6.3.1. Servicing fees

Underperformance events are linked to each servicers' performance. This strengthens the alignment of interests between the counterparties

The servicing fee structure links the level of servicers' fees with the portfolio's performance, mitigating potential conflicts of interest between the servicers and the noteholders. The transaction envisages the presence of underperformance events that are linked to each servicers' performance (measured through servicer-specific CCRs and NPVPRs). If the performance of a single servicer falls below its own business plan targets, part of its fees is subordinated to class A principal payments. This event does not necessarily affect the other servicers' fees unless the performance of both servicers on the entire portfolio results into a CCR that is below 90%.

The special servicers will be entitled to a performance fee. The exact level of fees is subject to the debtor type and GBV size: secured borrowers (borrowers with at least one loan guaranteed by a first lien mortgage and as per the business plan definition) bear lower performance fees compared to unsecured borrowers. Considering the portfolio composition, we assumed an average performance fee of 6.7% and 7.5% for secured and unsecured loan exposures[7], respectively.

The occurrence of a servicer underperformance event results in 20% up to 30% of servicers' performance fees being subordinated to class A principal payments. This portion is paid under items 14 and 16 of the above simplified priority of payments, as mezzanine or junior servicing fees, respectively. A servicer underperformance event occurs if the CCR falls below 90% or if the NPVPR falls below 85%.

An underperformance event is curable if on any subsequent payment date, the CCR and NPVR return above 90% and 85%, respectively. Once the event is triggered all mezzanine and junior servicer fees accrued and unpaid in previous periods remain subordinated. In case of a GACS special servicer underperformance subordination event (i.e., if the CCR is lower than 90%), mezzanine and junior servicer fees are subordinated until class A is fully repaid or when the CCR is higher than 100%.

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[5] 'Cumulative net collection ratio' is defined as the ratio between: i) the cumulative net collections; and ii) the net expected cumulative collections. Net collections are calculated as the difference between gross collections and recovery expenses, excluding servicing fees. Collections are computed since the portfolio's cut-off date.

[6] 'NPV cumulative profitability ratio' is defined as the ratio between: i) the sum of the present value of the net collections for all receivables relating to exhausted debt relationships; and ii) the sum of the target price (based on the servicers' initial business plans) of all receivables relating to exhausted debt relationships.

[7] As per Scope's definition.

6.3.2. Special servicer monitoring

Monitoring function protects noteholders' interests

An overview of the servicers' activities and calculations, conducted by the monitoring agent, Banca Finanziaria Internazionale S.p.A., mitigates operational risks and moral hazard that could negatively impact noteholder interests.

The servicers are responsible for the servicing, administration, and collection of receivables as well as the management of legal proceedings. The monitoring agent will verify the calculations of key performance ratios and amounts payable by the issuer, and perform controls based on a random sample of loans.

The monitoring agent will report to a committee that represents the interests of both junior and mezzanine noteholders. The committee may authorise the revocation and replacement of the special servicer upon a servicer termination event. The monitoring agent may also authorise the sale of the receivables (acting upon instructions of the committee), the closure of debt positions, and the payment of additional costs and expenses related to recovery activities. The Representative of the Noteholders, responsible for implementing the decisions of the committee, shall be consulted when envisaged by the transaction's documents.

6.3.3. Servicer termination events

In the event of a special servicer termination event, the monitoring agent will assist the issuer and the master servicer in finding a suitable replacement for the special servicer.

A special servicer termination event includes i) insolvency; ii) failure to pay any amount due to the issuer within two business days from the collection reconciliation date, unless the failure is due to technical reasons; iii) an unremedied breach of obligations; iv) an unremedied breach of representation and warranties; v) loss of legal or regulatory eligibility to perform obligations under the servicing agreement; vi) (with reference to Intrum): the CCR being below 85% or the NPVPR being below 80%, 48 months after the transfer date of the Intesa's portfolio; (with reference to Prelios): the CCR being below 85% or the NPVPR being below 80%, 42 months after the transfer date of the Intesa's portfolio; vii) the special servicer transfers all or a significant part of its business to a company that is not part of the special servicers' group.

The back-up master servicer will step in the event of a master servicer termination event. This mitigates master servicer disruption risk.

6.4. Liquidity protection

Cash reserve provides liquidity protection to class A notes

A cash reserve will be funded at closing with a limited recourse loan originated by the sellers, bearing a fixed interest of 0.75%. The initial cash reserve amounts to EUR 18.4m, and its target amount at each payment date will be equal to 4.0% of the total outstanding balance of the class A notes.

The cash reserve is available to cover any shortfalls in interest payments on the class A notes as well as any items senior to them in the priority of payments.

6.5. Interest rate hedge

Due to the non-performing nature of the securitised portfolio, the issuer will receive irregular cash flows and the collections will not be linked to any defined interest rate. On the liability side, the issuer will pay a floating coupon on the senior notes, defined as three-month Euribor plus a 0.75% margin.

An interest rate cap spread partially mitigates interest rate risk on class A notes

An interest rate cap spread partially mitigates the risk of increased liabilities on the class A notes due to a rise in Euribor (Figure 23). The base rate on the class A notes will be capped

with an upper bound rate ranging from 0.1% at the issue date to 1.6% in January 2033, while it will be floored with a lower bound rate ranging from 0.0% at the issue date to 0.85% in January 2033. Under the cap spread agreement, the issuer receives the difference, if positive, between three-month Euribor and the lower bound rate and pays the difference, if positive, between three-month Euribor and the upper bound rate, following a pre-defined notional schedule. In addition, a cap is embedded in the class A Euribor component, aligned with the upper bound strike of the cap spread.

The notional schedule of the cap spread on class A notes is aligned with our expected class A amortisation profile (see Figure 24). A delay in recoveries beyond our class A recovery timing vector would increase interest rate risk exposure, as it would widen the gap between the transaction's cap spread notional amount and the class A notes' outstanding principal.

Figure 23: Interest rate cap spread on class A notes

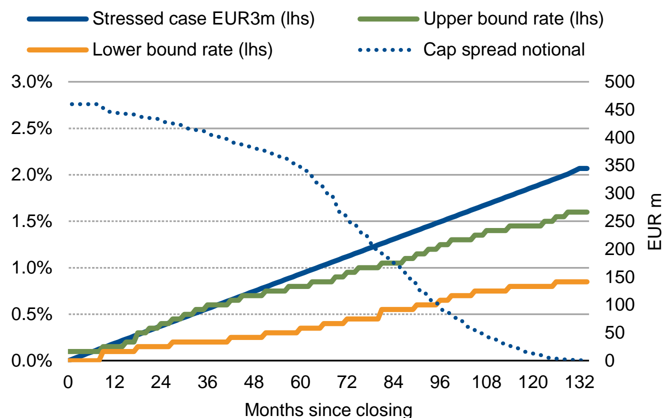
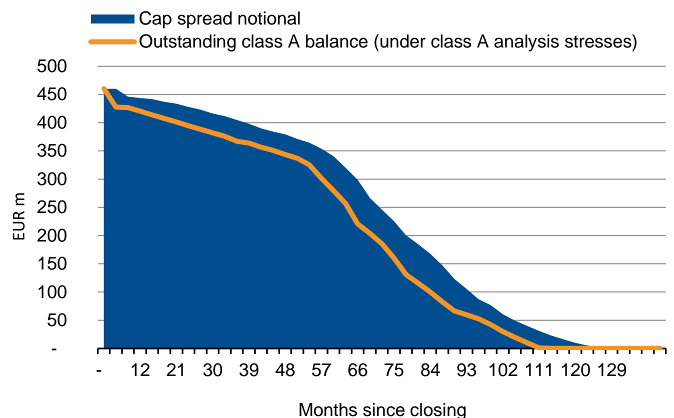


Figure 24: Interest rate cap spread notional vs outstanding class A notes



Sources: Transaction documents, Bloomberg and Scope Ratings

7. Cash flow analysis and rating stability

Our cash flow analysis considers the structural features of the transaction

We analysed the transaction's specific cash flow characteristics. Asset assumptions were captured through rating-conditional gross recovery vectors. The analysis considers the capital structure, the coupon payable on the notes and the hedging structure, as well as the servicing fees structure, the transaction senior fees and legal costs. Legal costs are assumed to amount to 9% of gross collections.

We performed sensitivities with significantly lower collections from the sub-portfolio for which the issuer is not entitled to claim indemnities[8] (74% of the GBV) and the result of those sensitivities were also considered by the rating committee when assigning the rating.

Our rating reflects expected losses over the instruments' weighted average life

The rating assigned to the class A notes reflects the expected losses over the instruments' weighted average life commensurate with our idealised expected loss table.

We tested the resilience of the rating against deviations from expected recovery rates and recovery timing. This analysis has the sole purpose of illustrating the sensitivity of the rating to input assumptions and is not indicative of expected or likely scenarios. We tested the

[8] Unless the claim relates to facts or circumstances that were not evident in the documentation shared during the due diligence or in the virtual data-room.

sensitivity of the analysis to deviations from the main input assumptions: i) recovery rate level; and ii) recovery timing.

For class A, the following shows how the results change compared to the assigned credit rating in the event of:

- a decrease in the portfolio's recovery rate by 10%, zero notches.
- an increase in the recovery lag by one year, zero notches.

8. Sovereign risk

No mechanistic cap linked to sovereign risk

Sovereign risk does not limit the rating. The risks of an institutional framework meltdown, legal insecurity, or currency convertibility problems due to an Italian exit from the euro area, a scenario which we view as highly unlikely, are not material for the notes rating.

9. Counterparty risk

Counterparty risk does not limit the transaction's rating

None of the counterparty exposures constrain the rating achievable by this transaction. We considered counterparty substitution provisions in the transaction and, when available, our ratings or other public ratings on the counterparties. We also considered eligible investment criteria in the transaction documents for cash amounts held by the issuer.

The transaction is mainly exposed to counterparty risk from the following counterparties: i) Intesa Sanpaolo S.p.A. as seller, representations and warranties provider, cap counterparty, account bank and limited recourse loan provider; ii) BPER Banca S.p.A. as seller, representations and warranties provider and limited recourse loan provider; iii) Banca Finanziaria Internazionale S.p.A. as master servicer, noteholders' representative, corporate services provider, monitoring and calculation agent; iv) Prelios Credit Solutions S.p.A. and Intrum Italy S.p.A. as special servicers; v) BNP Paribas Securitise Services, Milan Branch as paying agent and agent bank; vi) Prelios Credit Servicing S.p.A. as back-up servicer.

9.1. Servicer disruption risk

Back-up arrangements mitigate servicing disruption risk

A special servicer or master servicer disruption event may have a negative impact on the transaction's performance. The transaction incorporates servicer-monitoring, a back-up master servicer appointed at closing and servicer replacement arrangements that mitigate operational disruption.

9.2. Commingling risk

Limited commingling risk

Commingling risk is limited, as debtors will be instructed to pay directly into an account held in the name of the issuer. In limited cases, in which any of the servicers receives payments from a debtor, it will transfer the amounts after payment reconciliation (Intrum within two business days and Prelios within three business days). In case of exceptional circumstances not attributable to the servicer, the funds will be transferred to the issuer within two business days from the cease of the exceptional circumstances. In case the sellers receive payments from debtors, they will transfer these amounts into the collection account within ten business days from the payment reconciliation date.

9.3. Claw-back risk

Limited claw-back risk

The sellers have provided on the issue date: i) a solvency certificate signed by a representative duly authorised; and ii) a certificate from the chamber of commerce confirming that the relevant seller is not subject to any insolvency or similar proceedings. This mitigates claw-back risk, as the issuer should be able to prove it was unaware of the sellers' insolvency as of the transfer date.

Assignments of receivables made under the Italian Securitisation Law are subject to claw-back in the following events:

(i) pursuant to article 67, paragraph 1, of the Italian Bankruptcy Law, if the bankruptcy declaration of the relevant originator is made within six months from the purchase of the relevant portfolio of receivables, provided the receivables' sale price exceeds their value by more than 25% and the issuer cannot prove it was unaware of the originator's insolvency, or

(ii) pursuant to article 67, paragraph 2, of the Italian Bankruptcy Law, if the adjudication of bankruptcy of the relevant originator is made within three months from the purchase of the relevant portfolio of receivables, provided the receivables' sale price does not exceed their value by more than 25% and the originator's insolvency receiver can prove the issuer was aware of the originator's insolvency.

9.4. Enforcement of representations and warranties

Representations and warranties limited in time and amount

The issuer will rely on the representations and warranties, limited in time and amount, provided by the sellers in their respective transfer agreements. If a breach of a representation and warranty materially and adversely affects a loan's value, the sellers will be obliged to indemnify the issuer for damages.

However, the above-mentioned representations and warranties are only enforceable by the issuer within 18 months from each seller's transfer date.

The total indemnity amount, with reference to Intesa's portfolio, is payable only if its aggregate value exceeds EUR 2,000,000; it is capped at 20% of the Intesa portfolio's purchase price. Furthermore, indemnity amounts will be payable only if they exceed EUR 30,000 on a single-loss basis.

The total indemnity amount, with reference to BPER's portfolio, is payable only if its aggregate value exceeds EUR 1,000,000; it is capped at 20% of the BPER portfolio's purchase price. Furthermore, indemnity amounts will be payable only if they exceed EUR 30,000 on a single-loss basis.

The issuer will not be entitled to claim any indemnities related to any fact or circumstance that was already ascertainable via i) the due diligence that was conducted by the servicers on a sub-portfolio representing 74% of the GBV, ii) the documentation available in the virtual data-room. Certain loans previously serviced by Intrum (2% of the GBV) have also been excluded from the representations and warranties coverage.

For a 29% share of the portfolio's GBV, related to those loans that were analysed in due diligence and part of Intesa's portfolio, the total indemnity amount is payable only if its aggregate value exceeds EUR 5,000,000. For the remaining loans analysed in due diligence there's no indemnity threshold.

10. Legal structure

10.1. Legal framework

Transaction documents governed by Italian and English Law

The transaction documents are governed by Italian Law, whereas English Law governs the interest cap spread agreement and the deed of charge.

The transaction is fully governed by the terms in the documentation and any changes are subject to the counterparties' consent, with the most senior noteholders at the date of the decision having superior voting rights.

10.2. Use of legal opinions

We had access to the legal opinions produced for the issuer, which provide comfort on the legally valid, binding and enforceable nature of the contracts.

11. Monitoring

Ongoing rating monitoring

We will monitor this transaction based on performance reports, updated loan-by-loan reports, and other public information. The rating will be monitored on an ongoing basis.

Scope analysts are available to discuss all the details surrounding the rating analysis, the risks to which this transaction is exposed and the ongoing monitoring of the transaction.

12. Applied methodology

For the analysis of the transaction, we applied our Non-Performing Loan ABS Rating Methodology, Methodology for Counterparty Risk in Structured Finance, and General Structured Finance Rating Methodology, available on www.scoperatings.com.

Appendix I – Deal comparison

Transaction	Grogu SPV Srl	BCC NPLs 2021 Srl	OLYMPIA SPV Srl	Aporti	Palatino SPV	Aurelia SPV Srl	Ifis NPL 2021-1 SPV	Summer	Sirio NPL	Yoda SPV
Closing	Dec-21	Nov-21	Nov-21	Jun-21	Jun-21	Jun-21	Mar-21	Dec-20	Dec-20	Dec-20
GACS	Yes	Yes	Yes	No	No	Yes	No	Yes	Yes	Yes
Originators/Sellers	Intesa Sanpaolo SpA, BPER Banca SpA	77 Banks	Unicredit SpA	illimity Bank	6+ Italian Banks	Banco BPM SpA	Ifis NPL Investing	BPER Banca, Banco di Sardegna	UBI Banca	Intesa Sanpaolo SpA
Master servicer	Banca FinInt	Italfondiario	Italfondiario	Prelios	Credito Fondiario	Credito Fondiario	Ifis Servicing	Banca FinInt	Prelios	Intrum
Special servicer	Prelios, Intrum	doValue	doValue	Prelios	Credito Fondiario	Credito Fondiario Liberty	Ifis Servicing	Fire	Prelios	Intrum
General portfolio attributes										
Gross book value (EUR m)	3,077	1.311.9	2,168	356	865	1,510	1,323	322	1,228	6.033
Number of borrowers	9,734	6,784	11,945	424	2,188	3,304	47,127	15,172	14,313	22,282
Number of loans	51,618	11,270	38,527	2,043	5,559	10,411	69,384	23,473	22,471	74,312
WA seasoning (years)*	4.57	4.20	4.3	5.6	7.7	2.2	7.0	3.3	3.4	5.5
WA seasoning (years) - unsecured portfolio*	5.06	4.30	5.1	6.7	6.5	2.1	4.0	4.0	3.5	5.9
WA LTV buckets (% or secured portfolio)										
bucket [0-25]	2.6	2.3	5.5	2.5	3	2.6	3.4	14.7	4.5	3.9
bucket [25-50]	7.5	7.4	14.7	19.2	6.2	9.6	4.5	23.4	12.2	8.9
bucket [50-75]	12.5	11.5	13.9	11.4	7.9	15.3	7.3	20.5	17.2	15.6
bucket [75-100]	14	12.8	15.1	8.7	7.3	25.3	7.5	15.6	18.6	13.8
bucket [100-125]	13.8	7.8	10.8	10.3	7.4	14.1	5.1	10.7	12.7	13.9
bucket [125-150]	9.9	9.3	8.9	5.5	7.8	8.4	5.2	6.3	6.7	6.9
bucket [150-175]	4.4	7	6.9	0.9	6.2	6	5.6	2.7	4.4	6.5
bucket [175-200]	4.8	5.6	3.4	3.5	5.5	2.2	4.4	1.8	6	3.3
bucket > 200	30.5	36.2	20.9	37.9	48.7	16.4	57	4.3	17.6	27.1
Cash in court (% of total GBV)	1.6	0.1	0.5	1.4	1.4	0.4	1.3	0.5	1.4	0.9
Loan types (% of total GBV)										
Secured first-lien	50.7	63.6	35.2	68.5	81.0	44.3	30.3	44.4	53.7	41.2
Secured junior-lien	4.6	6.3	5.3	4.5	5.8	6.0	0.4	4.3	7.6	3.7
Unsecured	44.7	30.1	59.5	27.0	13.3	49.7	69.3	51.3	38.7	55.1
Syndicated loans	7.30	3.90	3.5	8.4	6.9	0.8	1.5	0.0	3.2	1.3
Debtors (% of total GBV)										
Individuals	18.8	19.9	27.8	5.6	27.3	14.6	80	51.1	7	10.6
Corporates or SMEs	81.20	80.10	72.2	94.4	72.7	85.4	20	48.9	93	89.4
Procedure type (% of total GBV)										
Bankrupt	60.6	73.4	62.0	47.9	44.5	29.1	15.6	42.4	53.2	49.8
Non-bankrupt	39.4	26.6	28.0	52.1	55.5	70.9	84.4	57.6	46.8	50.2
Borrower concentration (% of GBV)										
Top 10	10.3	7.4	13.8	35.9	19.8	14.6	5.1	1.5	7.8	5.2
Top 100	30.8	30.6	30.9	77.9	54.6	39.8	14.9	11.0	30.3	19.6
Collateral distr. (% of appraisal val.)										
North	40.4	43.4	38.9	46.7	56.6	70.5	18.3	32.0	51.6	36.6
Centre	38.7	38	24.4	20.6	21.2	21.5	13.3	10.2	25.2	24.3
South	20.9	18.5	36.7	32.7	22.2	8.1	68.4	57.8	23.2	39.1
Collateral type (% of appraisal val.)										
Residential	46.1	32.8	66.3	32.7	60.5	42.6	60.8	73.5	35.3	38
Commercial	21.8	22.8	16.6	28.5	16.4	27.8	6.6	9.1	23.5	16.7
Industrial	20.5	21.6	9.9	18.1	7.6	14.1	16.7	7.0	16.5	26.3
Land	7.1	15.4	5.2	9.6	10.1	8	9.3	5.3	12.4	14.5
Other or unknown	4.4	7.3	2.0	11.1	5.4	7.5	6.6	5.1	12.3	4.5
Valuation type (% of appraisal val.)										
Full or drive-by	31.9	53.5	13.5	0.6	5.6	27.3	31	31.5	16.9	31.1
Desktop	48.5	24.5	38.1	26.3	37	67.3	51.3	6.4	36.8	23.4
CTU	5.3	9.1	15.5	24	10.9	5.4	0	0.9	17.7	23.2
Other	14.3	12.9	32.9	49.1	46.5	0	17.7	61.2	28.6	22.3
Secured ptf proc. stage (% of GBV)										
Initial	68.3	70.5	82.2	78.9	70.4	77.4	37.5	76.3	65.2	64.2
CTU	7.4	12.1	3.2	3.1	8.5	5.1	14.2	12.8	14.7	15.5
Auction	20.5	14.7	13.8	17.5	16.2	13.9	33.7	6.7	14.1	15.2
Distribution	3.8	2.7	0.8	0.5	4.9	3.7	14.6	4.2	6.0	5.1
Summary of assumptions (BBB rating conditional stress)										
Remaining lifetime recovery rate (%)										
Secured (=net LTV after all stresses)	39.3	42.9	49.1	39.8	28.2	54.1	20.5	70.4	50.2	45.4
Unsecured	6.8	11.0	5.8	4.4	4.3	13.8	50.6	12.1	12.9	6.3
Total	23.3	31.2	21.1	28.6	11.3	31.6	41.5	38.0	32.9	22.4
Weighted average life of collections (yrs)										
Secured	6.5	7.7	7.6	7.7	7.3	7.0	6.3	7.0	7.6	7.2
Unsecured	3.8	5.3	4.1	3.1	2.9	4.0	5.4	4.9	4.3	3.3
Total	6.1	7.6	6.9	7.1	3.0	6.3	5.6	6.6	6.8	6.6
Structural features										
Liquidity reserve (% of class A notes)	4.0	3.0	5.0	4.5	4.5	4.5	4.5	4	4	4
Class A Euribor cap strike	0.1%-1.6%	0.5% - 1.2%	0.1%-4.95%	0%-1%	0.09%-3.0%	0.0%-3.0%	0.2%-3.0%	0.2%-1.4%	0.6%-3.75%	0%-0.75%
Class A										
% of GBV	15.0	22.6	12.0	18.2	15.6	22.7	27.6	26.5	23.6	16.7
Credit enhancement	85.0	77.4	88.0	81.0	84.4	77.3	72.4	73.5	76.4	83.3
Class B										
% of GBV	1.2	3.0	1.2	2.7	2.7	2.7	5.6	3.1	2.9	3.5
Credit enhancement	83.8	19.6	86.8	78.4	81.7	74.7	66.8	70.3	73.5	79.9
Final rating at closing										
Class A	BBB+	BBB	BBB	BBB	BBB	BBB	A-	BBB	BBB	BBB
Class B	NR	CCC	NR	NR	NR	NR	B+	NR	NR	NR

* Weighted average seasoning includes Scope's qualitative adjustment driven by the special servicer's superior capacity to treat unsecured loans compared to an originator.

Scope Ratings GmbH

Headquarters Berlin
Lennéstraße 5
D-10785 Berlin

Phone +49 30 27891 0

Frankfurt am Main
Neue Mainzer Straße 66-68
D-60311 Frankfurt am Main

Phone +49 69 66 77 389 0

Paris
23 Boulevard des Capucines
F-75002 Paris

Phone +33 1 8288 5557

Oslo
Karenslyst allé 53
N-0279 Oslo

Phone +47 21 62 31 42

Madrid
Paseo de la Castellana 141
E-28046 Madrid

Phone +34 91 572 67 11

Milan
Via Nino Bixio, 31
20129 Milano MI

Phone +39 02 30315 814

Scope Ratings UK Limited

52 Grosvenor Gardens
London SW1W 0AU

Phone +44 (0) 2078245180

info@scoperatings.com
www.scoperatings.com

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