Retiro Mortgage Securities DAC

Spanish Non-Performing Loan ABS

Series	Rating	Notional (EUR m)	Notional (% pool value[1])	Coupon[2]	Final maturity
Class A1	BBB+$_{SF}$	260.0	24.2	3M Euribor + 2%	July 2075
Class A2	BBB-$_{SF}$	77.0	7.2	3M Euribor + 2%	July 2075
Class B	B-$_{SF}$	34.0	3.2	3M Euribor + 3%	July 2075
Class C	CCC$_{SF}$	15.0	1.4	3M Euribor + 4%	July 2075
Rated notes		386.0			
Total notes		470.0			

Scope's Structured Finance Ratings constitute an opinion about the 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 our SF Rating Definitions.

Scope's ratings of the class A1 and A2 notes address the timely payment of interest and payment of principal by the notes' legal maturity, but do not address class A1 and A2 additional note payments. Scope's ratings of class B and C notes address the payment of principal by the notes' final maturity but do not address the timely payment of interest or additional note payments.

Transaction details

Transaction type	Static cash securitisation
Asset class	Non-performing loans (NPLs) and real estate-owned (REO) properties
Issue date	31 March 2021
Issuer	Retiro Mortgage Securities DAC
Originators	Banco Sabadell, Bankia, Caja De Ahorros De Valencia, Castellon Y Alicante (Bancaja), Caja De Ahorros Layetana, Caja De Ahorros La Rioja, and Caixa D´Estalvis Laietana, and Deutsche Bank
Master servicers	Redwood MS Limited (Redwood MS) and VicAsset Holdings LLC. (VicAsset)
REO servicers	Redwood Real Estate Spain S.L.U (Redwood Spain) and VicAsset Holdings LLC.
Loan servicer	RTA Management Gestion Integral de Activos, S.L. (RTA)
Current balance (CB)	EUR 678.4m
REO indexed property value	EUR 396.2m
Portfolio cut-off date[3]	30 November 2020
Key portfolio characteristics	The portfolio is composed of senior secured[4] (94.5% of CB) and junior secured (5.5% of CB) loans, and REO assets (indexed property value of EUR 396.2m). Properties are mainly residential (77.8% of indexed property value) and concentrated in Valencia (27.1% of indexed property value), Catalonia (26.3%) and Andalucía (14.2%). Most borrowers are corporates including small and medium enterprises (66.9% of CB).
Payment frequency	Quarterly
Key structural features	The transaction's structure comprises eight tranches of sequential, principal-amortising notes and features liquidity support for the four tranches of rated notes. For the class A1 and class A2 notes, the amortising liquidity reserve is equal to 5.0% of the outstanding class A1 and class A2 principal. Class B and class C reserve funds are funded with 7.5% and 10.5% of the respective tranche's outstanding principal amount at closing. The issuer will also use an interest rate cap to hedge against interest rate risk. Once the cap agreement matures, the terms of the rated notes will imply a cap on the payable base rate.
Hedging provider	BNP Paribas
Other key counterparties	Citibank Europe Plc (issuer account bank), Citibank, N.A., London Branch (cash manager, principal paying agent and reference agent), and CSC Capital Markets (Ireland) Limited (issuer corporate services provider)
Arranger	Morgan Stanley & Co. International plc

Analytical Team

Chirag Shekhar
+49 30 27891 143
c.shekhar@scoperatings.com

Paula Lichtensztein
+49 30 27981 224
p.lichtensztein@scoperatings.com

Team Leader

David Bergman
+39 02 30315 838
d.bergman@scoperatings.com

Investor Outreach

Michael John MacKenzie
+44 203 71449 81
m.mackenzie@scoperatings.com

Related Research

Increased legal uncertainty credit negative for Spanish NPL portfolios,

May 2020

Covid-19 crisis: adverse consequences possible for NPL ABS in euro area periphery,

March 2020

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

[1] 'Pool value' means the total current balance of the loans plus the total underwritten valuation amount of the REO assets.
[2] This excludes additional note payments, as described in section 7.
[3] The issuer is entitled to all portfolio collections received since the portfolio cut-off date
[4] Scope's classification of loan types is described in section 5.1.

Rating rationale (summary)

The rating is primarily driven by the expected recovery amounts and timing of collections from the NPLs and REO assets in the portfolio. Our assumptions on recovery amounts and timing consider the portfolio's characteristics as well as our economic outlook for Spain and assessment of the REO servicers' and special servicers' capabilities. The rating is supported by the structural protection provided to the notes, the liquidity reserves available to the noteholders, and the interest rate hedging agreement. The rating also addresses the issuer's exposure to key counterparties, with our assessment based on counterparty substitution provisions in the transaction and, when available, our ratings or other public ratings on the counterparties.

We performed a specific analysis for recoveries, using different approaches for the portfolio's secured and unsecured segments. For both the secured loans and the REO assets, the analysis of collections was mainly based on the latest property appraisal values, which were stressed for the servicers' appraisal methodologies and liquidity and market value risks. For secured loans, recovery timing assumptions were derived using line-by-line asset information detailing the type of legal proceedings, the court in which the proceedings are taking place, and the stage of the proceeding as of the cut-off date. Furthermore, we applied a line-by-line approach to derive time-to-sell assumptions for all collateral and REO assets, considering the property type and market liquidity. We also considered historical data provided by the servicer. For unsecured (junior secured) loans, we considered the servicers' capabilities when calibrating lifetime recoveries and benchmarked this against historical data from other European jurisdictions.

Rating drivers and mitigants

Positive rating drivers

Loan type. The loan portfolio is mainly composed of senior secured loans (94.5% of CB).

Property type. The majority of the REO and collateral assets are residential (77.8% of indexed property value), which are generally more liquid than non-residential properties.

Strong liquidity support. The structure features liquidity protection for all rated notes in the form of a liquidity reserve for the class A1 and A2 notes and a reserve fund for class B and C notes.

Strong interest rate protection. The structure features an interest rate cap agreement, effective from the closing date until (and including) the note payment date in April 2026, which provides an interest risk hedge for all rated notes. Together with a coupon cap embedded in the terms and conditions of the rated notes (effective upon the interest rate cap agreement's maturity), the payable base rate is capped through the life of the notes.

Property concentration in relatively liquid areas. Based on our real estate liquidity analysis, most of the portfolio (86.9% of indexed property value) is concentrated in markets with average or above-average liquidity such as urban and suburban centres. This may result in lower liquidation times than for comparable portfolios.

Portfolio onboarding activities already completed. The sub-portfolios have been serviced by their respective special and master servicers for between 1-4 years as of the closing date. Therefore, there is no onboarding or ramp-up period.

Negative rating drivers and mitigants

Dated valuations. A significant share of the assets were valued before 2018 (37.7% of unindexed property value[5]) and indexed as of the cut-off date. Such valuations may not accurately reflect current values.

Borrower concentration. The top 10 borrowers in the portfolio represent 16.4% of the CB. This is above the average for comparable portfolios we have analysed.

Deferred interest earning penalty interest. Both margin interest and additional note payments earn interest on deferred interest. However, as additional note payments (including penalty interest) are deferred until the respective tranche is fully amortised, the weighted average life of the class B and C notes is higher than it otherwise would be, as payments to these tranches rank junior to additional note payments made in relation to the more senior tranches.

No back-up servicer or BUS facilitator. No back-up servicer or facilitator is in place to assist in the event of a replacement of the servicer or master servicer. However, strong liquidity and the master servicers' undertaking to assist in appointing a replacement mitigate the risk of servicer disruption.

Relatively weak representations and warranties. Warranties provided by the mortgage lenders are weaker than EU market standards.

Concentration in Catalonia and Valencian Community. Most assets are concentrated in Catalonia and Valencian Community (53.4% of indexed property value), where recent legislative developments have favoured borrowers and occupants, such as those at risk of residential exclusion – particularly in the case of residential assets[6,7]. This may result in delayed liquidation and/or additional costs. Similar legal developments in other autonomous communities may also impact the portfolio.

Upside rating-change drivers

Servicer outperformance on recovery timing. The pandemic led to a slowdown of court activity. If courts advance on legal proceeding backlogs faster than expected, an outperformance on recovery timing could occur. This could positively impact the rating.

Downside rating-change drivers

Higher-than-expected expenses. Asset-carry costs, such as property taxes, and asset management fees depend on the liquidation timing of the underlying assets. Therefore, these costs could substantially increase in a materially illiquid market or due to unfavourable legal developments. This could negatively impact the rating.

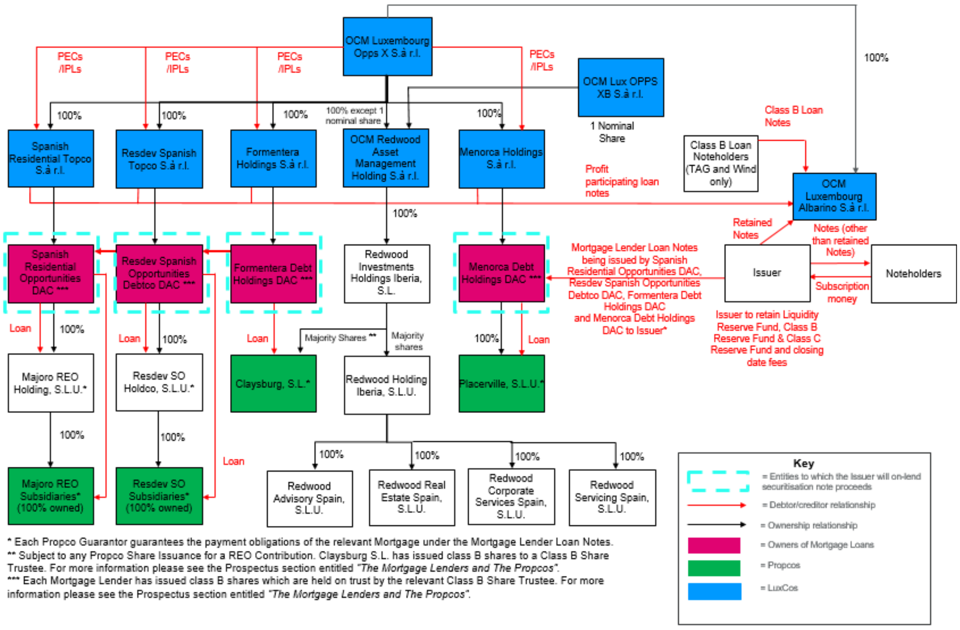
Lasting pandemic-induced crisis. Recovery rates are generally highly dependent on the macroeconomic climate. After a GDP contraction of 11% in 2020, our baseline scenario for Spain foresees a rebound with 6% growth in 2021. If the current crisis lasts beyond our baseline scenario, however, liquidity conditions could deteriorate, reducing servicer performance on collection volumes. This could negatively impact the rating.

[5] Unindexed property value refers to the unadjusted 'underwritten valuation amounts' at the asset level in the data tape.
[6] Increased legal uncertainty credit negative for Spanish NPL portfolios, May 2020, Scope Ratings.
[7] On 28 January 2021, the Spanish Constitutional Court ruled to partially annul the Decree-Law of the Generalitat of Catalonia 17/2019 of 23 December on housing (subsequently amended by Decree-Law 1/2020 of 21 January).

Table of contents

1. Transaction summary

Figure 1: Simplified transaction diagram



Source: Transaction documents and Scope.

Retiro Mortgage Securities DAC is a static cash securitisation of four sub-portfolios: Wind, TAG, Normandia and Tambo, acquired between 2015-17. The transaction does not involve a true sale of receivables to the issuer. It implements a vertical structure for the management of each sub-portfolio, with a mortgage lender, a special-purpose vehicle (SPV) with credit rights over the loans, and PropCos with credit rights over the REO assets. Some parts of the structure remain in place from prior servicing of these portfolios by various entities.

Figure 1 shows the structure and cash flow arrangements between the SPVs involved in the transaction. Figure 2 shows the servicing history of these portfolios since acquisition.

Figure 2: Servicing history of securitised portfolios

Wind	**REO assets**	Aug 2015 - Jul 2018 **Hipoges Iberia and Finsolutia Spain**	Jul 2018 - ongoing **Redwood Spain**
	Loans	Aug 2015 - Jul 2018 **Hipoges Iberia and Finsolutia Spain**	Jul 2018 - ongoing **RTA**
TAG	**REO assets**	Nov 2016 - Sep 2018 **Hipoges Iberia**	Sep 2018 - ongoing **Redwood Spain**
	Loans	Nov 2016 - Sep 2018 **Hipoges Iberia**	Sep 2018 - ongoing **RTA**
Normandia	**REO assets**	Jun 2017 - Jan 2020 **Finsolutia Spain**	Jan 2020 - ongoing **Redwood Spain**
	Loans	Jun 2017 - Jan 2020 **Finsolutia Spain**	Jan 2020 - ongoing **RTA**
Tambo	**REO assets**	Dec 2017 - Ongoing **VicAsset**	
	Loans	Dec 2017 - Ongoing **VicAsset**	

Source: Transaction documents

2. Macroeconomic environment

Low economic growth poses significant challenges to NPL recoveries

In Spain, the current significant cyclical downturn and low nominal growth expectations pose challenges for secured and unsecured NPL portfolio recoveries. Weak macroeconomic conditions may curtail demand for real estate assets as well as for workout options on unsecured business and personal loans.

Of the major euro area economies, the Covid-19 shock had the largest impact on the Spanish economy. In 2020, the country's GDP contraction of 11% was significantly worse than the 8.9% in Italy, 8.3% in France and 5% in Germany. This also reflects Spain's economic structure, with its high reliance on entertainment, trade, transport and tourism. These sectors, which account for about 30% of gross value-added and 35% of employment in Spain, were the most affected by the lockdowns, with a combined fall in gross value-added by 24% in 2020.

Significant monetary policy has helped to finance the sizeable countercyclical fiscal measures to protect the economy. The government's fiscal deficit is estimated to reach 11% of GDP in 2020. In addition, around 15% of GDP in public guarantees and liquidity support has been pledged to businesses. The response to the shock has focused on: i) ensuring continuity of productive activities, including via public guarantees to businesses and social security deferrals; ii) minimising the impact on employment, with enhanced furlough schemes (ERTE); iii) strengthening the healthcare system, including via the EUR 16bn fund for regions; and iv) protecting the vulnerable, through loan moratoriums and rent deferrals.

GDP growth expected to rebound to 6% in 2021 after a contraction by 11% in 2020

We forecast a rebound of 6% in 2021. This assumes the vaccination campaign will continue rapidly and thereby ease the pressure on the healthcare system and reduce the need for lockdowns from the spring. This would encourage economic activity, with the accumulated savings and subdued inflation supporting private consumption. In addition, as uncertainty dissipates, the highly supportive monetary and fiscal policy stances would underpin investment growth as global trade resumes. Still, the recovery is likely to be uneven across sectors, with those requiring physical interaction being the last to recover.

Key sources of downside and upside risks include developments regarding the pandemic and vaccination programmes as well as the economic impact of the Next Generation EU funds. Under a stressed scenario – slower immunisation for the next two quarters and a spread of virus variants, forcing strict containment measures throughout 2021 – we forecast the rebound for 2021 at just 3.5%.

In the following years, we expect convergence towards potential growth, estimated at 1.5%, balancing the flat annual growth in the working-age population with rises in real labour productivity and employment rates boosted by structural reforms and investment related to Next Generation EU funds. Here, careful project selection and implementation to combine investment with pro-growth structural reforms constitute the key uncertainty over the medium term.

3. Special servicers review

3.1. Introduction

Scope conducted an operational review on the three special servicers. In our view, the special servicers' capabilities and processes to manage the securitised portfolio are adequate.

Scope's portfolio recovery assumptions factor in its assessment of the special servicers' capabilities

Our assessment of the special servicers' capabilities addresses, among other things, their corporate structure, business processes and collateral appraisal procedures, servicing IT systems, business discontinuity risks and well as transaction-specific aspects, such as portfolio onboarding procedures, asset manager allocation and asset disposal strategies (i.e. business plan). This assessment is embedded in our recovery rate and recovery timing assumptions, both for unsecured and secured positions.

In addition, Scope conducted a virtual property tour of a small sample of selected properties from the securitisation portfolio with the servicers. The property tour forms an integral part our assessment of the portfolio collateral valuations and secured recovery expectations, which are specifically captured through our property type and appraisal type haircuts (see section 5.1).

3.2. Corporate overview

Redwood Spain and VicAsset have thus far exclusively serviced funds managed by Oaktree

Both Redwood Spain and VicAsset were incorporated to manage investments in Europe on behalf of funds managed by Oaktree Capital Management, L.P., with the latter now also involved in managing Oaktree's direct asset investments, residential developments and structured debt. RTA is a Spanish services provider that has recently added secured loan servicing to its suite of services, in collaboration with Redwood Spain.

Redwood Spain was incorporated in 2015 and onboarded its first portfolio of NPLs and REO assets in late 2015. As of 2020, it had more than EUR 1bn in assets under management. Redwood MS and Redwood Spain are part of a collaborative group of specialised service providers, where the special servicers' activities are monitored and supervised by Redwood MS as the group's master servicer. Redwood Spain specialises in rental, management, and sale of REO assets. Loan servicing activities are conducted in collaboration with RTA.

Incorporated in 2009, RTA has historically offered property and facility solutions for investment funds, SPVs and other financial entities active in the Spanish market. In collaboration with Redwood Spain, RTA established secured loan servicing as a new line of business in 2018. In the context of this securitisation, the company will be the loan servicer for Wind, TAG and Normandia, focusing on legal procedures, documentation, and reporting, under the strategic direction of the respective master servicer.

VicAsset is 100% owned by Oaktree Investment Holdings, L.P., a partnership owned by Oaktree Capital Group Holdings, L.P. and, through certain intermediate entities, Brookfield Asset Management Inc., and is part of an integrated team managing Oaktree's real estate assets in Europe and Asia. Established in 2012, VicAsset supports Oaktree with origination, underwriting, management and reporting activities in these regions. As of June 2020, the company managed 26 portfolios on Oaktree's behalf, with EUR 4bn of assets under management.

3.3. Servicing model

For loan servicing, Redwood Spain and RTA follow a decision tree approach to classify borrowers in strategic buckets, based on the type and cooperativeness of the borrower, type and condition of the underlying collateral, and status of the judicial claim. Redwood Spain focuses on facility and construction management, rental contracts and coordinates a network of external brokers to market and sell REO assets. In the context of this securitisation, Redwood MS shall supervise the performance of loan (RTA) and REO (Redwood Spain) servicers, giving directions to each servicer under the relevant servicing agreement, which mandates consultation with the master servicer contingent on the phase of the resolution strategy.

To onboard portfolios, Redwood Spain/RTA use an off-the-shelf loan management software which is integrated with Primex, another off-the-shelf software for real estate management. Therefore, management of positions and assets is integrated within the same system, operated on by relevant entities in the group. The data from these tools is then used to generate automated reporting to assist both internal and external stakeholders in various business processes.

VicAsset is primarily a master and REO servicer in this securitisation

VicAsset takes a flexible and strategic approach to managing positions under its management, developing a borrower specific resolution strategy that takes all idiosyncratic factors into account. All relevant decision factors such as valuations, asking prices and judicial strategy are reviewed on an ongoing basis at the borrower/asset level, which are prioritised by size and complexity of the position.

As a master servicer in this securitisation, VicAsset primarily offers strategic direction to and supervises the performance of Redwood Spain as the REO servicer and RTA as the loan servicer for Normandia. It also serves as the loan and REO servicer for Tambo, which is the smallest of the four sub-portfolios, and CRE servicer for a small portion of TAG loans. To facilitate these roles, VicAsset partially relies on Redwood Spain/RTA's loan management systems but leverages on its proprietary management and reporting system for real estate assets.

4. Representations and warranties

The representations and warranties (R&W) on the receivables provided by the mortgage lenders are relatively weak compared to peer transactions we rate, and include the following:

- Loans are denominated in euros and governed by Spanish law.
- The payment obligations under the loans constitute legal, valid and binding obligations of the borrowers.
- All securitised REO assets and all mortgaged properties are Spanish real estate or a plot of land in Spain.
- All relevant mortgages are duly registered with the competent Spanish law registries and the mortgage lenders are the registered holders and beneficiaries of the properties securing the loans
- All securitised loans and REO assets are owned by the respective mortgage lender and PropCo, respectively. Except 19 assets with a total indexed property value of EUR 173,034, where the Propco has a sub-participation interest.
- All receivables are free of encumbrances and enforceable to the extent of the contractual terms and current balance.
- There is no obligation to make any further advances towards any securitised loans.
- Bankrupt borrowers are not specially related parties of the respective mortgage lender for the purposes of the Spanish Insolvency Act.
- There are no expropriation proceedings against any of the REO assets owned by the respective PropCos.
- Except for 234 assets explicitly marked as *viviendas de proteccion oficial* in the data tape, no REO assets qualify as social housing.
- The mortgage lenders are not in default of any of its material obligations under any of the loans.
- The reported current balance (as of the cut-off date) of each loan in the data tape is correct.
- Where a property is securing more than one loan, all loans are included within the portfolio (except for syndicated loans).

The following warranties have not been included:

- All debtors are resident/incorporated in Spain.
- All documents, books, accounts and records required for the exercise of security rights in relation to the receivables have been duly kept[8].
- Any tax or duty related to the underlying loans/properties has been duly paid in full[9].

5. Portfolio characteristics

The portfolio is composed of senior secured (95.5% of CB) and junior secured (4.5% of CB) loans, and REO assets (indexed property value of EUR 396.2m). Properties are mainly residential (77.8% of indexed property value) and concentrated in Valencia (27.1% of indexed property value), Catalonia (26.3%) and Andalucía (14.2%). Most borrowers are corporate or small and medium enterprises (66.9% of CB).

5.1. Key portfolio stratifications

Figure 3 provides high-level view on the portfolio characteristics as of the cut-off date. Detailed loan-level portfolio stratifications are provided in Appendix II.

Figure 3: Portfolio summary

	Total	Senior secured (Scope's classification)	Junior secured (Scope's classification)	Senior secured (servicers' classification)	Junior secured (servicers' classification)	REO assets
Number of loans	3,634	3,585	49	3,347	287	
Number of borrowers	1,636	1,596	45	1615	110	
Current balance (EUR m)	678.4	648.0	30.4	628.4	49.9	
Percentage of current balance		95.5	4.5	92.6	7.4	
Cash in court (% of pool value)	0.0					
Collections since cut-off date (% of pool value)	0.0					
Weighted average seasoning (years)	10.9	10.9	11.2	10.9	10.7	
Number of properties	9,480	4,673	88	4,695	66	4,719
Indexed property value (EUR m)	740.5	331.8	12.5	334.2	10.1	396.2

Conservative mapping assumptions applied to missing data

Our analysis is performed on a loan-by-loan level (or asset-by-asset for REO assets), considering all information provided to us in the context of the transaction as well as public information.

In our analysis, loans are defined as 'senior secured' if they are guaranteed by first-lien mortgages, or all senior claims against at least one of the underlying properties are part of the portfolio. Loans that are guaranteed by properties that have an identified prior lien claim against them are defined as 'junior secured', and all other loans are classified as 'unsecured'. Unless otherwise stated, unsecured loans include junior secured loans.

This classification differs from the servicers' classification of loans, which defines loans with at least one senior-lien claim on an underlying property as senior secured, and others as junior secured. For clarity, the servicers' classification of the portfolio is included in Figures 3 and 4.

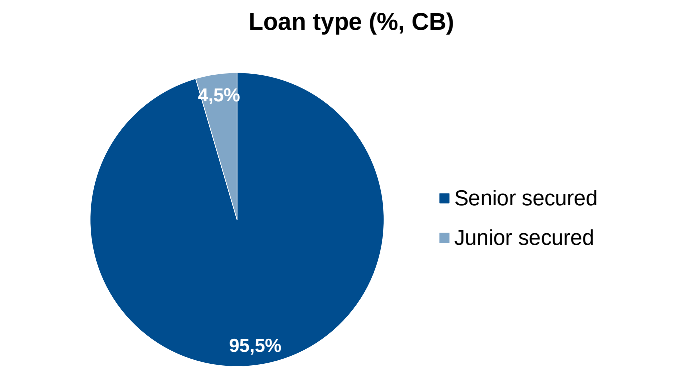
[8] The servicers are required to maintain appropriate records under existing servicing agreements.
[9] This is in accordance with the servicers' normal course of business. Property transfer taxes and other municipal taxes have been agreed and settled at the acquisition of the REO assets and are resolved over time.

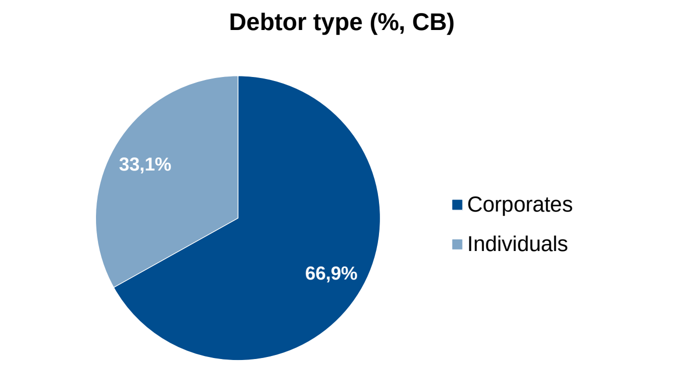
We have used the "unindexed property value" ("underwritten valuation amount" in the data tape) and respective date of valuation as our reference appraisal amounts. As described in section 6.1.3, we then apply our own indexation and depreciation adjustments to these valuations.

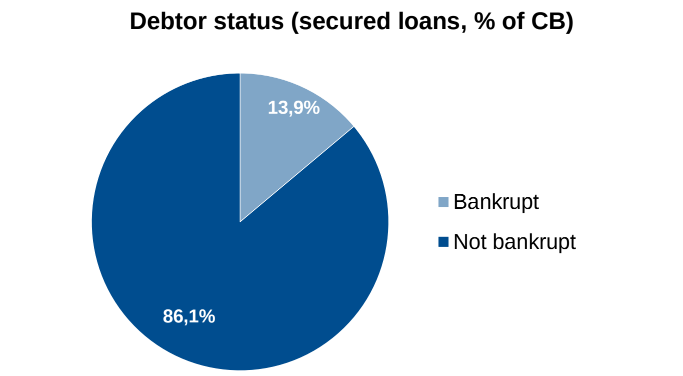
If applicable, we also adjust the pool's current balance using information on collections and sold properties between the cut-off date and the notes' issuance date. The analysis excludes loans that we assume to be closed, based on the amount of collections received since the cut-off date. Collateral connected with these positions is also removed.

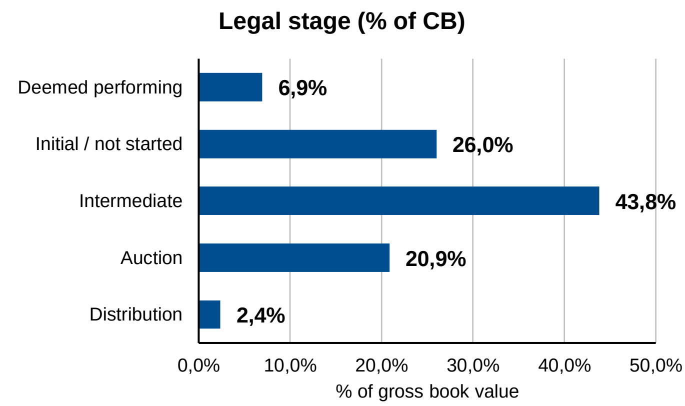
Stratification data provided below may be based, if applicable, on conservative mapping assumptions applied to missing entries for certain fields.

Figure 4: Key portfolio stratifications

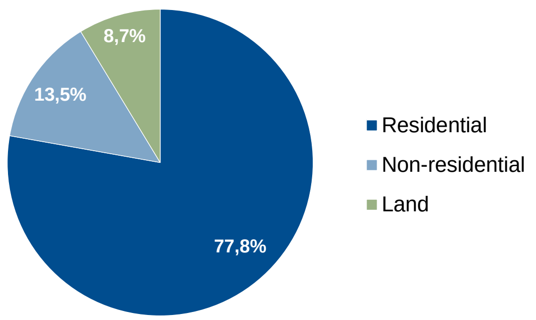




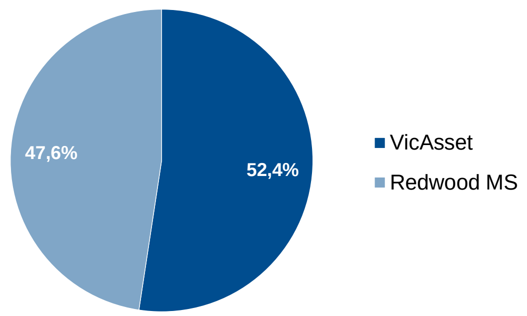




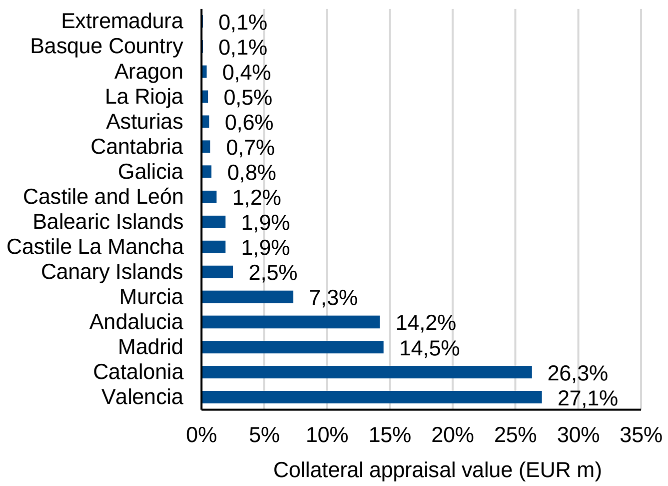
Property type (%, indexed property value)



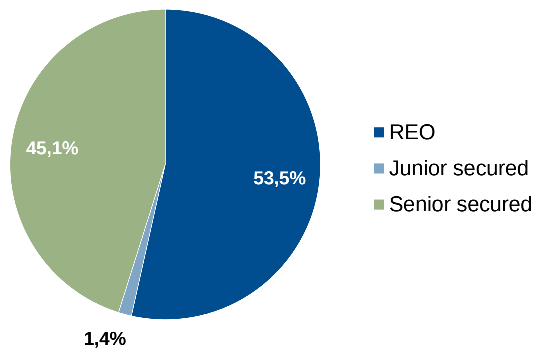
Master servicer[10] (%, indexed property value)



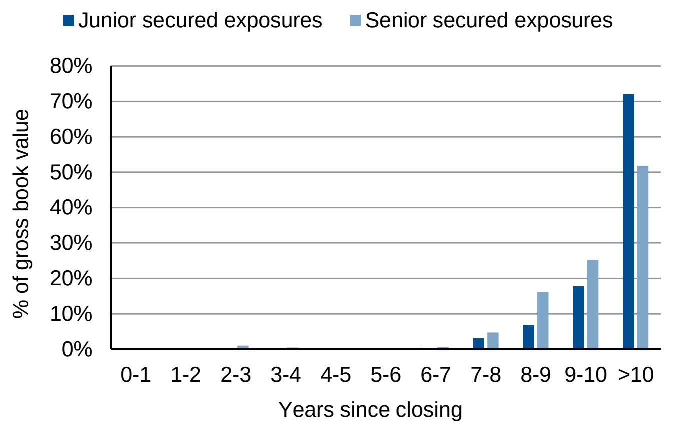
Property macro-region



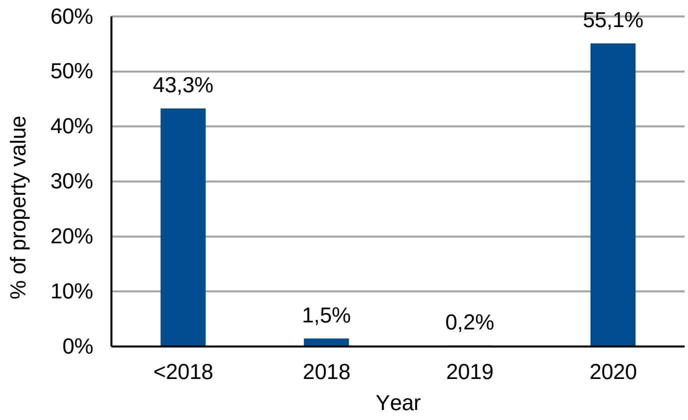
Property claim type (%, indexed property value)



Years since default

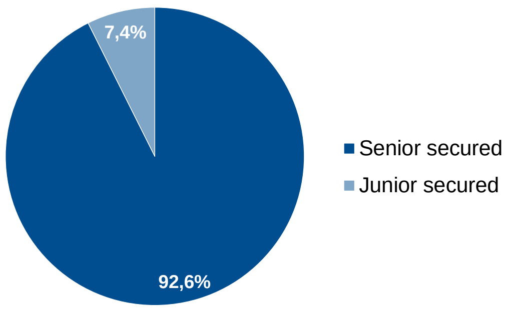


Year of valuation (%, indexed property value)

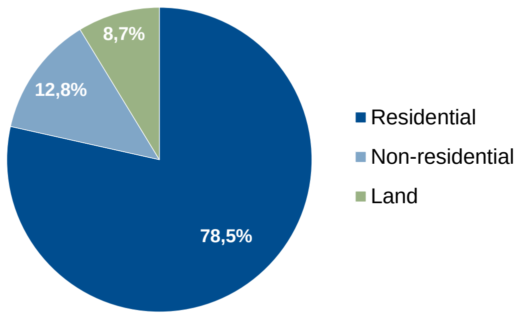


[10] Indexed property value of assets in the Tambo portfolio is included in the share attributed to VicAsset.

Loan type (%, CB), servicers' classification



Property type (%, indexed property value), servicers' classification



Sources: Transaction data tape; calculations by Scope Ratings

6. Portfolio analysis

Under our NPL methodology, we test the resilience of a rated instrument against deterministic, rating-conditional stresses. We apply higher stresses as the instrument ratings become higher. Figure 5 summarises the stressed recovery rate assumptions applied for the analysis of the class A1, class A2, class B and class C notes. We also account for the current macroeconomic scenario, taking a forward-looking view on macroeconomic developments.

Figure 5: Summary of assumptions

	Class A1 analysis	Class A2 analysis	Class B analysis	Class C analysis
Secured recovery rate (% of secured CB)	27.2	30.4	38.9	38.9
Unsecured recovery rate (% of unsecured CB)	0.4	0.5	0.6	0.6
REO recovery rate (% of property value)	61.4	68.8	89.7	89.7
Total recovery rate (% of total pool value)	**38.5**	**42.5**	**55.1**	**55.1**
Secured collections, weighted average life (years)	5.2	5.0	4.6	4.7
Unsecured collections, weighted average life (years)	2.1	2.1	2.0	2.1
REO sale proceeds, weighted average life (years)	1.8	1.7	1.3	1.3
Total collections, weighted average life (WAL)	**3.3**	**3.1**	**2.7**	**2.7**

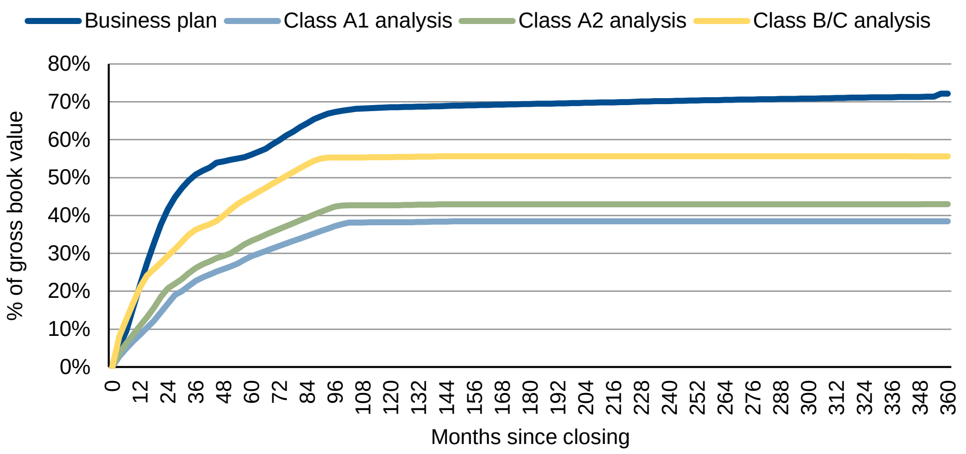
Sources: Scope Ratings

Scope's class A1 recovery rate assumptions are about 47% below business plan targets

Figure 6 compares our lifetime gross collections and recovery timing assumptions for the entire portfolio with those in the servicers' business plan. These assumptions are derived by blending secured and unsecured recovery expectations.

Our class A1 recovery assumptions are about 47% below those in the business plan forecast but take less time to materialise – we assume a weighted average life of 3.3 years compared to about 3.9 years in the business plan. The is because the business plans assume that all collections from currently performing loans that are scheduled to arrive beyond 30 years from closing shall be received as a lump sum at year 30. In our analysis, we assume that like the rest of the loan portfolio, these loans will also undergo foreclosure upon default.

Figure 6: Business plan gross cumulative recoveries vs Scope's assumptions[11]

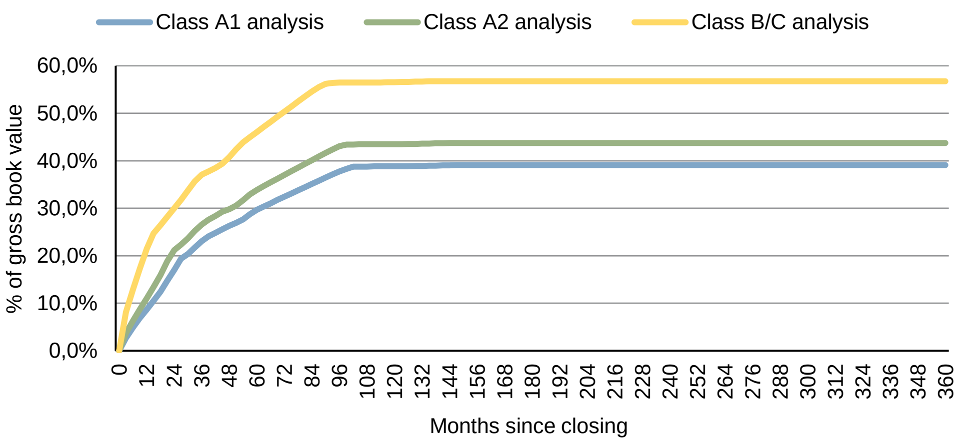


Sources: Special servicers' business plans, Scope Ratings

6.1. Analysis of secured and REO portfolio segments

Figure 7 shows our lifetime gross collections vectors for the secured and REO segments. Our analytical approach mainly consists of estimating the security's current value based on property appraisals and then applying compounded haircuts to capture market value and liquidity risks. Our recovery timing assumptions are mainly based on the length of the proceeding, the type of legal proceeding, the stage of the proceeding and the time to sell the asset upon repossession. Our analysis also captures borrower concentration risk. Finally, we factor in our qualitative assessment of the servicer's capabilities and the business plan.

Figure 7: Scope's secured and REO recovery rate assumptions

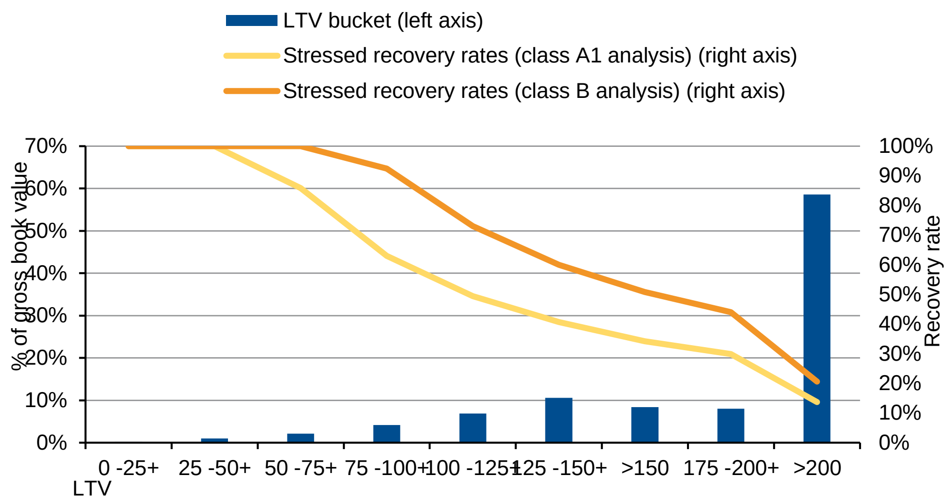


Source: Scope Ratings

Figure 8 shows the secured loans' distribution by loan-to-value (LTV) bucket as well as our recovery rate assumptions for each LTV bucket. The portfolio has a high share of loans with an LTV of above 100% (92.5% of CB), which leads to low security coverage for the secured NPL segment.

[11] For the analysis of class A1 notes, the share of gross recoveries from each sub-portfolio is approximately 49% from Normandia, 32% from WIND, 14% from TAG, and 5% from Tambo.

Figure 8: Scope's recovery rate assumptions by LTV bucket



Sources: Transaction data tape; calculations by Scope Ratings

For assets currently under rental contracts, where Scope was provided evidence of the rental payments being insured, we have considered the contractual rental cash flows in our analysis. However, we assume that these properties will be sold once the rental contract has ended. Therefore, we assume their liquidation will be delayed by the weighted average life of rental payments from the assets.

6.1.1. Property market value assumptions

Figure 9 details our average assumptions regarding forward-looking regional property-price changes over the transaction's lifetime. These assumptions are based on an analysis of historical property price volatility and on fundamental metrics relating to property affordability, property profitability, private sector indebtedness, the credit cycle, population dynamics and long-term macroeconomic performance.

Figure 9: Scope's transaction-specific price change assumptions

Autonomous community	Class A1 analysis haircut	Class A2 analysis haircut	Class B analysis haircut	Class C analysis haircut	Portfolio concentration (% of indexed property value)
Andalucía	28.7%	23.9%	12.0%	12.0%	14.1%
Aragón	32.1%	26.8%	13.4%	13.4%	0.4%
Asturias	16.4%	13.7%	6.9%	6.9%	0.6%
Balearic Islands	27.9%	23.3%	11.6%	11.6%	1.8%
Canary Islands	20.6%	17.2%	8.6%	8.6%	2.5%
Cantabria	18.7%	15.6%	7.8%	7.8%	0.7%
Castile and León	18.7%	15.6%	7.8%	7.8%	1.2%
Castile La Mancha	28.7%	24.0%	12.0%	12.0%	1.9%
Catalonia	27.8%	23.2%	11.6%	11.6%	26.3%
Valencia	31.0%	25.9%	12.9%	12.9%	27.1%
Extremadura	19.5%	16.5%	8.5%	8.5%	0.1%
Galicia	20.6%	17.2%	8.6%	8.6%	0.8%
Madrid	29.2%	24.4%	12.2%	12.2%	14.5%
Murcia	28.9%	24.1%	12.1%	12.1%	7.3%
Basque Country	17.2%	14.4%	7.2%	7.2%	0.2%
La Rioja	26.8%	22.4%	11.2%	11.2%	0.5%

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

6.1.2. Property liquidity risk

Property-type haircuts range between 16.6% and 22.1% for analysis of class A1 notes

Asset liquidity risk is captured through additional property-type fire-sale haircuts applied to property valuations. Figure 10 shows the stresses applied for the analysis of the rated notes. These assumptions are based on historical distressed property sales data (including those provided by the servicers) and reflect our view that non-residential properties tend to be less liquid, resulting in higher distressed-sale discounts.

Figure 10: Scope's transaction-specific fire-sale discount assumptions

Property type	% of indexed property value[12]	Class A1 analysis haircut	Class A2 analysis haircut	Class B analysis haircut	Class C analysis haircut
Residential	77.8	16.6%	13.4%	4.9%	4.9%
Non-residential	13.5	22.1%	17.8%	6.5%	6.5%
Land	8.7	22.1%	17.8%	6.5%	6.5%

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

6.1.3. Appraisal analysis

Appraisal type haircuts range between 1.6% and 9.4% for analysis of class A1 notes

A large portion of valuations in portfolio are based on third-party appraisals conducted at the time of the sub-portfolios' acquisition but were adjusted in accordance with the servicers' review process. Therefore, our analysis focuses on our review of the servicers' valuation methodologies and historical sales data.

We applied additional haircuts ranging from 0.5% to 9.4%, reflecting our view on the level of quality and/or accuracy of the underlying valuation procedures, as shown in Figure 11. We indexed the seasoned valuations using our sub-regional price indices, adjusting for the potential depreciation in asset value that is otherwise absent from outdated valuations. Due to a substantial recovery in residential prices since 2017, indexation has a material impact on this portfolio, increasing the unindexed property value by 8.75%.

Figure 11: Portfolio appraisal types and stressed valuation haircut assumptions

Methodology (master servicer)	% of indexed property value	Class A1 analysis haircut	Class A2 analysis haircut	Class B analysis haircut	Class C analysis haircut
Redwood MS	47.6	9.4%	7.6%	2.8%	2.8%
VicAsset	52.4	1.6%	1.2%	0.5%	0.5%

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

6.1.4. Concentration risk

Top 10 borrowers represent 16.4% of current balance

We addressed borrower concentration risk by applying a 11.7% rating-conditional recovery haircut to the 10 largest borrowers for the analysis of the class A1 notes. The largest 10 and 100 borrowers account for 16.4% and 52.7% of the portfolio's current balance, respectively. These levels are high compared with similar portfolios we have analysed.

6.1.5. Residual claims after security enforcement

We address potential residual claims after security enforcement

A secured creditor may initiate enforcement actions against a debtor despite the closure of an enforcement action concerning the mortgaged property. 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).

[12] This reflects Scope's classification of properties in the portfolio, based on the most granular property classification available in the data tape (as "property type").

No credit to residual claims from corporate borrowers
Partial credit to residual claims from individuals

Based on market-wide historical data, we gave credit to residual claims on 30% of the loans to individuals. Recovery strategies are typically not highly focused 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. For corporate loans, we gave no credit to potential further recoveries on residual claims after the security has been enforced.

6.1.6. Legal recovery timing

For the NPL portfolio, we have applied line-by-line time-to-recovery assumptions that consider the type of legal proceeding (i.e. bankruptcy, non-bankruptcy), and the current stage of the proceeding.

Total recovery timing is around 78 months for analysis of class A1 notes

The recovery process consists of two stages: i) the judicial process; and ii) in the case of asset repossession, the PropCo selling the awarded property on the open market (REO add-on).

The assumption for the judicial process timing is based on public data regarding the average time for a legal procedure, together with the servicers' estimates for the different types of procedures. The data we analysed show similar durations for bankruptcy and non-bankruptcy procedures. We have not differentiated between the courts regarding the estimated time for the judicial process as the data shows limited dispersion among the Spanish courts.

As is generally the case in Spain, we have assumed that the properties will fail to sell in auction and will be awarded to the PropCos. We therefore incorporate additional time it would take to sell these assets on the open market, as discussed in section 6.1.7. Stressed total recovery timing assumptions (from the beginning of litigation to the receipt of asset sale proceeds) are summarised in Figure 12.

Figure 12: Total length of the recovery process by procedure type[13]

		Total recovery timing (months)			
Procedure type	% of current balance	Class A1 analysis	Class A2 analysis	Class B analysis	Class C analysis
Bankruptcy	13.9	78	76	69	69
Non-bankruptcy	86.1	78	76	69	69

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

6.1.7. Time to sell

The time to sell an asset depends on multiple factors, including property type, location, property condition and market dynamics, which we incorporate in our time-to-sell assumptions. The stressed average time to sell applied for the analysis of the rated notes is shown in Figure 13.

[13] This applies to the NPL portfolio and includes time-to-sell assumptions discussed in section 6.1.7.

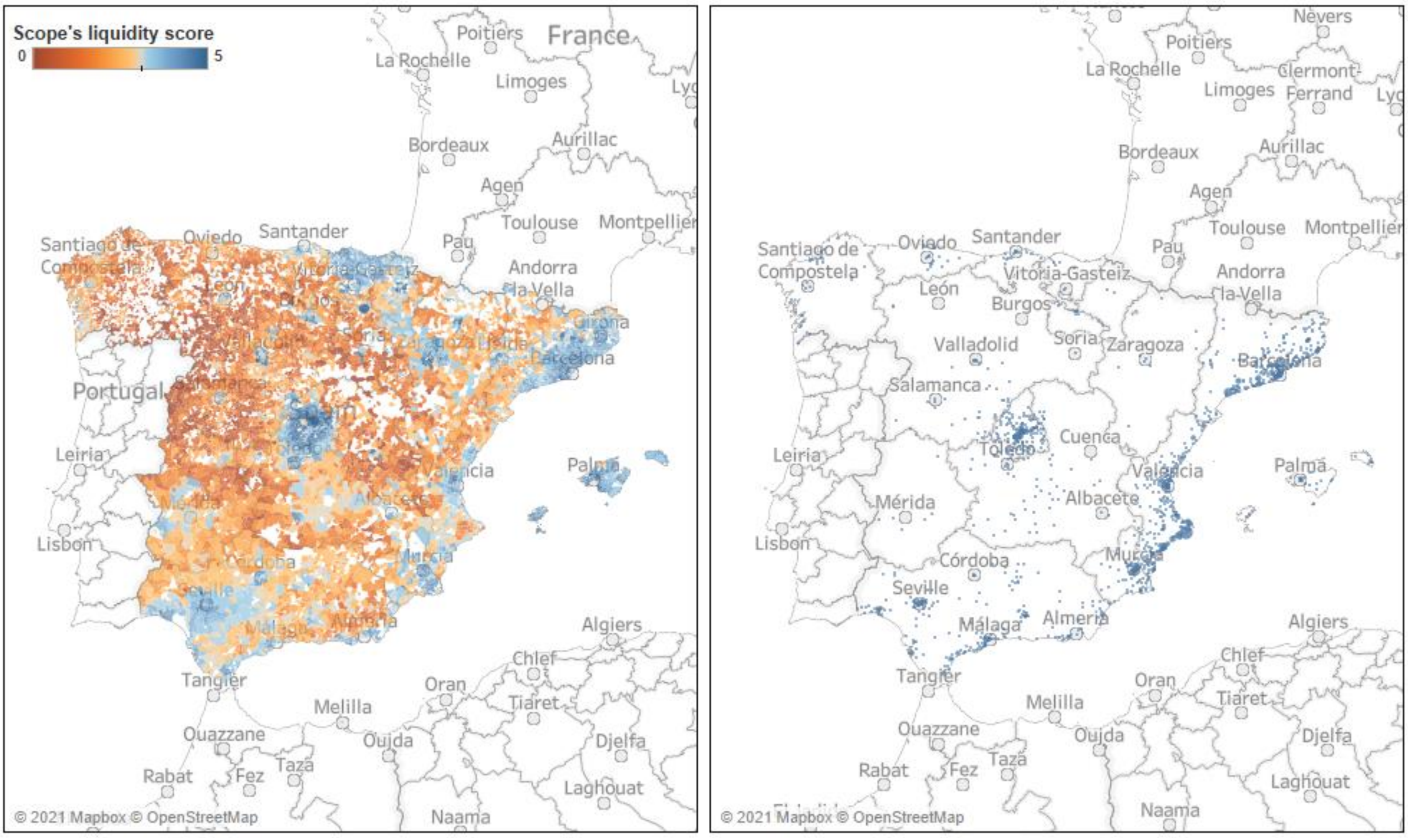
Figure 13: Market liquidity classification and stressed time-to-sell assumptions

		Time to sell (months)			
Scope's market liquidity classification	**% of indexed property value**	**Class A1 analysis**	**Class A2 analysis**	**Class B analysis**	**Class C analysis**
Average/above-average liquidity	86.9	26	23	17	17
Below-average liquidity	13.1	38	36	29	29
Overall	**100**	**28**	**25**	**19**	**19**

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

The time-to-sell assumptions reflect our view on localised market dynamics in Spain, as measured by a liquidity score at the postal-code level. This score is a quantitative assessment based on local market drivers such as socio-economic factors. According to our analysis, more than 86.9% of the portfolio's indexed property value is concentrated in areas with average to above-average liquidity (see Figure 14). This includes major urban and suburban centres.

Figure 14: Scope's postal-code level liquidity score (left) and distribution of properties in the portfolio (right)



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

6.2. Analysis of unsecured (junior secured) portfolio segment

The analysis of the class A1 notes assumes a recovery rate of 0.4% for unsecured loans over a weighted average life of two years, as shown in Figure 15.

Unsecured portfolio analysis based on statistical data

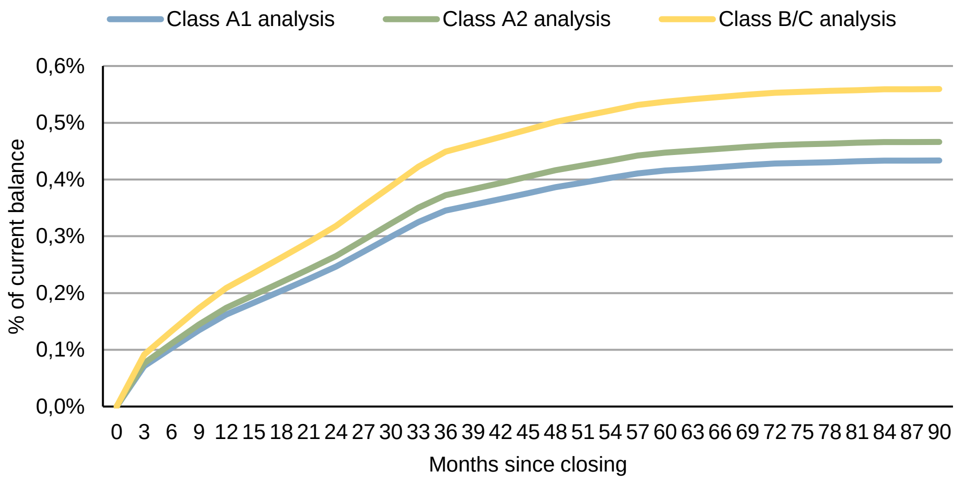
We considered the servicers' capabilities when calibrating lifetime recoveries and benchmarked this against historical data from other European jurisdictions.

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 unsecured portfolio drives recoveries

Finally, transaction-specific assumptions are re-calibrated to reflect the ageing of the unsecured portfolio segment, based on our view that aged unsecured NPLs are less likely to be recovered. The unsecured loans in the portfolio are classified as defaulted for a weighted average of 11.2 years.

Figure 15: Scope's unsecured recovery rate assumptions



Source: Scope Ratings

7. Key structural features

The structure comprises eight classes of notes with sequential principal amortisation. The rated tranches are the class A1, class A2, class B and class C notes. Unrated tranches are the class D1, class D2, class D3 and class E notes.

The class A1 and A2 notes will pay a floating rate indexed to three-month Euribor plus a margin of 2%. Class B will pay a floating rate indexed to three-month Euribor plus a margin of 3%. Class C will pay a floating rate indexed to three-month Euribor plus a margin of 4%. In addition, from the first additional note payment date (April 2024), all rated notes will accrue note payments on the outstanding principal amount, at 2% for classes A1 and A2, 3% for class B, and 4% for class C.

The structure features liquidity protection for all rated notes. Class A1 and A2 interest is paid pro-rata and pari-passu, and the liquidity reserve is also available to pay senior expenses. The combined liquidity reserve can therefore cover shortfalls for more than five payment periods for these notes under our base case scenario. For junior notes, coverage ranges up to 10 payment periods in our base case.

The issuer will enter into an interest rate cap agreement with an amortising notional schedule, effective up to and including the payment date in April 2026 (section 7.4). Immediately after the cap agreement expires, the Euribor component for the rated notes will be structurally capped at 1% for the class A1 and A2 notes and 0% for classes B and C.

If cumulative gross collections fall below 80% of the business plan forecast, up to 50% of certain components of the servicing fees will be deferred until all rated notes have fully amortised.

7.1. Combined priority of payments

Issuer's available funds (i.e. collections from the portfolio paid under various issuer-mortgage lender loan notes, and the pro-rata share of payments received under the interest rate cap agreement[14]) will be used in the following simplified order of priority:

Figure 16: Simplified priority of payments

Pre-enforcement priority of payments	
1)	Senior fees and expenses (including payments towards any shortfalls in working capital and capital expenditure required by at least one mortgage lender or Propco in the current period)
2)	Class A1 and A2 interest on a pro-rata, pari-passu basis
3)	Class A (classes A1 and A2) liquidity reserve up to the liquidity reserve fund required amount
4)	Class A1 principal, until paid in full
5)	Class A2 principal, until paid in full
6)	Class A (classes A1 and A2) additional note payments, payable after the first additional note payment date, until paid in full
7)	Class B interest
8)	Class B principal, until paid in full
9)	Class B additional note payment, payable after the first additional note payment date
10)	Class C interest
11)	Class C principal, until paid in full
12)	Class C additional note payment, payable after the first additional note payment date
13)	Junior notes[15] interest and principal

7.2. Servicing fee structure

The servicing fee structure is designed to mitigate potential conflicts of interest between the servicer and the noteholders, both through a performance-based servicing fee component and through a servicing-fee deferral mechanism, subject to pre-defined underperformance events.

7.2.1. Servicer fees

The servicers shall be entitled to both an annual base fee and a performance fee based on collections. The performance fees range between 1.75%-2.42% (including VAT) of gross collections for REO servicers (depending on the nature of sale) and 0.25%-0.75% (excluding VAT) for loan servicers (depending on the nature of settlement). Master servicers receive up to 2% (excluding VAT) of loan settlement amounts (Wind and TAG) or 0.15% (excluding VAT) of any asset sale or loan settlement amounts (Normandia).

In our base case scenario, we model a total servicing fee of 6.6%, expressed as a share of gross collections.

7.2.2. Servicer fees deferral

Servicing performance fee structures reasonably align interests of servicer and noteholders

If cumulative gross collections for a sub-portfolio fall below a defined threshold, 50% of a subset of the respective servicing fee components are deferred until the payment date on which the rated notes have been fully repaid. For each of the four sub-portfolios, this threshold is defined as 80% of the target cumulative gross cash flows in the respective business plan. The deferrable servicing fee components are:

[14]Payments received under the interest rate cap agreement attributable to each tranche of rated notes $= \frac{\textit{Notes principal outstanding}}{\textit{Principal outstanding on all rated notes}} * \textit{total interest rate cap proceeds}$. Interest rate cap payments attributable to class A1 and class A2 notes are available for items 1-2 in the simplified priority of payments. Interest rate cap payments attributable to class B and class C notes are used exclusively to top up the class B and class C reserve funds.

[15] Sequential payment of class D1, class D2, class D3 and class E notes.

1. Wind master servicing management fee
2. Wind REO servicing fee
3. TAG master servicing management fee
4. TAG REO servicing fee
5. TAG CRE servicing fee
6. Tambo loan servicing fee
7. Tambo REO servicing fee
8. Normandia master servicing fee
9. Normandia REO servicing fee

If cumulative gross collections return above the threshold, servicing fees will again rank senior to class A1 and A2 interest. However, all previously deferred servicing fees amounts will remain subordinated to the full repayment of the rated notes.

7.2.3. Servicer monitoring

Master servicers supervise and report on portfolios to the cash manager, which reports on the issuer's behalf

The loan and REO servicers are responsible for the servicing, administration, collection of receivables, and the management of legal proceedings and properties. The master servicers are responsible for portfolio-level strategic decisions, supervising the special servicers under the respective servicing agreements and reporting on portfolio evolution and performance. The reports are then delivered to the cash manager by the respective master servicer (acting on behalf of the mortgage lenders), which then provide cash management and reporting services to the issuer.

7.2.4. Servicer termination events

No back-up servicer or facilitator in case of potential servicer disruption

Special servicer termination events include i) insolvency; ii) an unremedied breach of obligations; iii) an unremedied breach of representation and warranties; iv) loss of legal eligibility to perform obligations under the applicable servicing agreements; v) underperformance with respect to servicing levels outlined in the respective servicing agreements (for the loan servicers) or levels agreed between the servicer, Propco and mortgage lenders (for the REO servicers); and vii) fraud.

There are no back-up servicing agreements. In case of a termination event, the master servicer will assist in finding a replacement. This may result in servicer disruption and, ultimately, material delays in recovery timing and additional servicer replacement costs (see section 10.1 for more details).

7.3. Liquidity protection

Liquidity reserve and reserve funds support liquidity of all rated notes

Liquidity for each tranche of rated notes is supported with a liquidity reserve that is funded at closing from note proceeds.

The class A liquidity reserve will be available to cover items 1 and 2 in the simplified priority of payments. The target liquidity reserve amount at each payment date will be equal to 5% of the outstanding balance of the class A1 and A2 notes. Under our base case scenario, the class A liquidity reserve covers more than five payment periods of class A1 and A2 interest and senior fees.

The liquidity reserve for the class B and class C notes are sized at 7.5% and 10.5% at closing and are topped up with available interest rate cap payments on a pro-rata basis. Each dedicated liquidity reserve is available exclusively for the respective class' interest payments.

7.4. Interest rate protection

Interest rate risk on rated notes mitigated through interest rate cap and a cap embedded in notes' terms

The interest rate risk on the rated notes is hedged via i) an interest rate cap agreement with BNP Paribas; and ii) a structural cap on the payable coupon.

Figure 15 summarises the structure of the cap agreement: The cap counterparty will pay to the issuer any positive difference between the three-month Euribor and the cap strike schedule, on an amortising cap notional schedule.

Starting on the next payment date immediately following the expiry of the cap agreement (April 2026), the Euribor component for the rated notes will be structurally capped at 1% for the class A1 and A2 notes and 0% for the class B and class C notes.

The cap notional schedule is structured to cover all rated notes (see Figure 18). The schedule is above the amortisation profile of all rated notes in our analysis of each tranche. A delay in recoveries beyond our recovery timing vectors would increase interest rate risk, as this could result in gap between the transaction's cap notional amount and the class A1 notes' outstanding principal.

Figure 17: Interest rate cap for rated notes

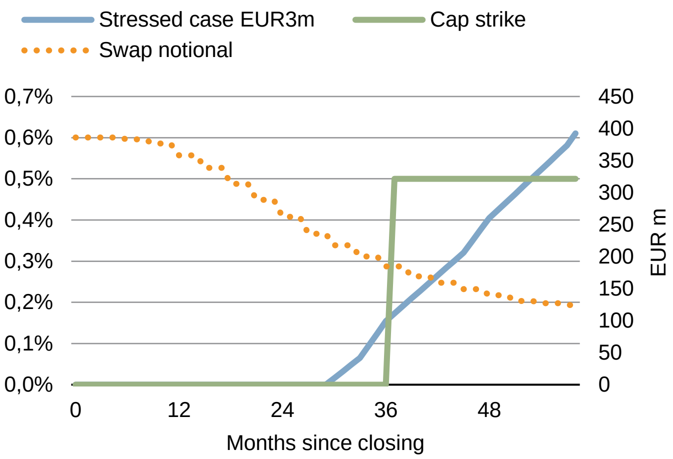
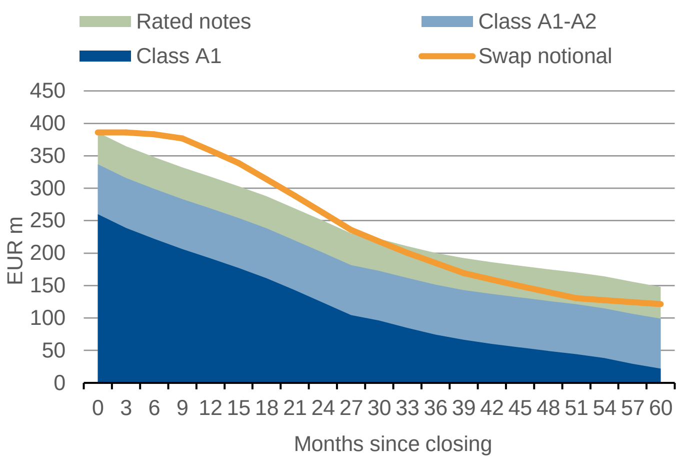


Figure 18: Cap notional vs outstanding class A notes



Sources: Transaction documents, Bloomberg and Scope Ratings

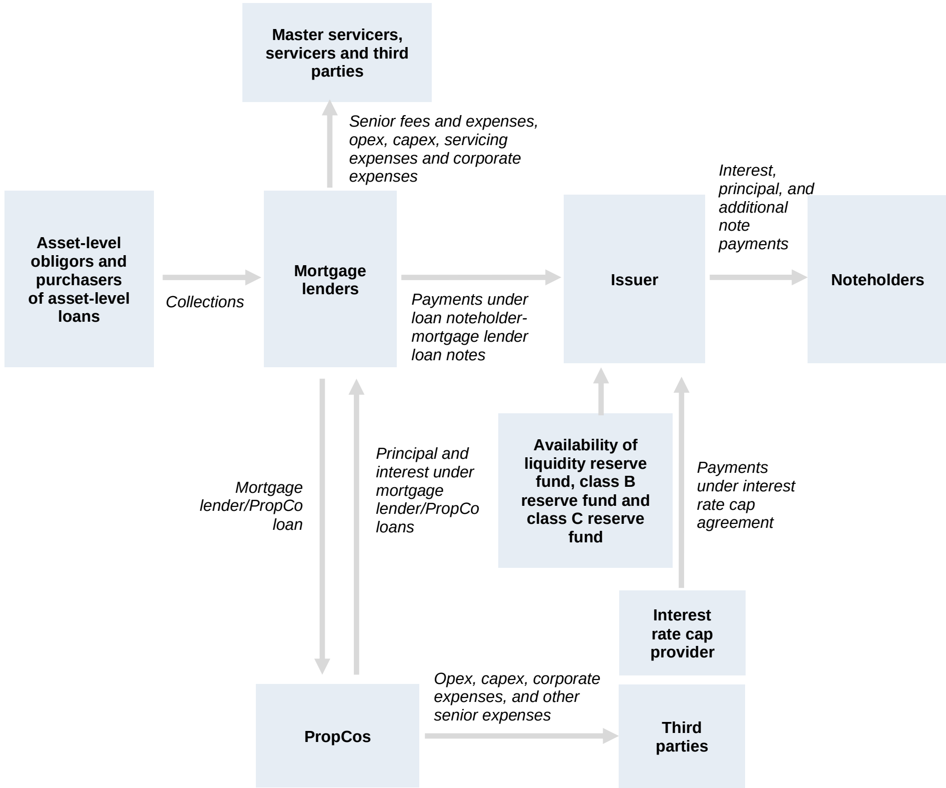
7.5. Mortgage lenders and PropCos

The transaction has a vertical structure for the management of each portfolio, with a mortgage lender, an SPV with credit rights over the loans, and a respective PropCo with credit rights over the REO assets.

To ensure the flow of transaction-related funds between various SPVs – the issuer and various mortgage lenders (owners of the asset level loans), and the mortgage lenders and their respective PropCos (owners of the REO assets) – shall enter various loan agreements at closing. Under these agreements, at the closing date, the issuer shall make advances to the mortgage lenders (using note proceeds) and the mortgage lenders will use these funds to make advances to respective PropCos. Mortgage lenders may make transfer further advances (using the cash flows received from the securitised portfolio) to support the asset acquisition costs, taxes and other working capital and capital expenditure requirements of their respective PropCo (including, in certain cases, servicing fees and costs). Portfolio collections as well as principal and interest payments under each mortgage lender/Propco loan agreement are used by the mortgage lenders to repay principal and interest due on the issuer/mortgage lender loans. These proceeds are ultimately used by the issuer to repay the notes. Figure 19 summarises the ongoing cash flows between various parties.

In each case, the issuer shall be the sole secured creditor of the mortgage lenders and the mortgage lenders shall be the sole secured creditors of the respective PropCos. The mortgage lenders shall also pledge their rights in the underlying loans and collateral in favour of the issuer, and the PropCos (or their respective Holdcos in case of Normandia and Tambo) shall pledge their rights to the security documents in favour of the issuer.

Figure 19: Ongoing cash flows between issuer and other parties



Sources: Transaction documents

8. Cash flow analysis and rating stability

Cash flow analysis considers the structural features of the transaction

We analysed the transaction's specific cash flow characteristics. Asset assumptions are applied using rating-conditional gross collections vectors. The analysis captures the capital structure, legal and other asset-level costs (assumed at 11.7% of our gross recovery assumptions in the base case scenario), servicing fees as described in section 6.2.1, corporate costs and taxes, and annual senior costs estimated at EUR 101,000. We considered the reference rate payable on the notes, considering the cap rate embedded in the terms of the rated notes, the additional note payments, and the interest rate cap agreement as described in the previous section.

The rating assigned to the class A1 and A2 notes reflects expected losses over the instrument's 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 ratings to input assumptions and is not indicative of expected or likely scenarios. We tested the sensitivity of the analysis to deviations from the main input assumptions: i) recovery rate level; and ii) recovery timing.

For class A1, the following shows how the results change compared to the assigned credit rating in the event of:

- a decrease in secured and unsecured recovery rates by 10%, zero notches.

- an increase in the recovery lag by one year, zero notches.

For class A2, the following shows how the results change compared to the assigned credit rating in the event of:

- a decrease in secured and unsecured recovery rates by 10%, one notch.
- an increase in the recovery lag by one year, zero notches.

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

- a decrease in secured and unsecured recovery rates by 10%, zero notches.
- an increase in the recovery lag by one year, zero notches.

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

- a decrease in secured and unsecured recovery rates by 10%, zero notches.
- an increase in the recovery lag by one year, zero notches.

9. Sovereign risk

No mechanistic cap linked to sovereign risk

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

10. Counterparty risk

Counterparty risk does not limit the transaction's rating

In our view, none of the counterparty exposures constrain the ratings 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 and collateral posting provisions included in the cap agreements.

The transaction is mainly exposed to counterparty risk from the following counterparties: i) the mortgage lenders (regarding warranties and the obligation to transfer eventual payments made by the borrowers to the mortgage lenders); ii) the PropCos (regarding the obligation to transfer the eventual sales proceeds to the mortgage lenders); iii) Redwood Spain as REO and master servicer; iv) VicAsset as loan, REO, CRE and master servicer; v) RTA as loan servicer; vi) Citibank N.A. London branch as cash manager, principal paying agent and reference agent; vii) Citibank Europe Plc, as issuer account bank; viii) CSC Capital Markets (Ireland) Limited as issuer corporate services provider; and ix) BNP Paribas as cap counterparty.

The roles of the issuer account bank, Spanish account bank, mortgage lender payment account bank and interest rate cap counterparty must be held by institutions with minimum short-term and long-term ratings of S-3 and BB, if rated by Scope. Other replacement triggers on those counterparties are based on the public ratings of other agencies.

10.1. Servicer disruption risk

Servicer disruption event may have affect transaction performance

A servicer disruption event may have a negative impact on the transaction's performance. The transaction does not feature any back-up servicers appointments at closing. The master servicers undertake to assist in appointing replacement special servicers in the event of a servicer disruption.

While the Redwood entities operate within the same group, both Redwood MS and VicAsset are separate entities incorporated in different jurisdictions. Furthermore, RTA is an independent company unrelated to either of these entities. This partially mitigates the risk of total disruption regarding the special servicer.

Additionally, in the event a replacement loan/REO servicer is not appointed within 180 days of a servicer termination event, the master servicers will step in as the respective loan/REO servicer.

In event that a master servicer is to be replaced, the mortgage lender is responsible for the appointment of a master servicer. The master servicers (Redwood MS and VicAsset) are directly or indirectly owned by the sponsor, Oaktree. We considered Oaktree's financial strength and position based on public sources to assess the materiality of servicer disruption risk.

10.2. Commingling risk

Limited commingling risk

Commingling risk is limited. Even though the mortgage lenders and PropCos receive payments from debtors and buyers respectively, these amounts are swept monthly from these collection accounts into the issuer's accounts under respective loan agreements. However, the sweep frequency is lower than in peer transactions.

The mortgage lenders and PropCos pledge rights to their bank accounts in favour of the issuer, which mitigates commingling risk.

10.3. Claw-back risk

Claw back risk is well mitigated because mortgage lenders have owned the portfolios for more than 12 months as at closing.

10.4. Enforcement of representations and warranties

Representations and warranties limited in time and amount

The issuer will rely on the warranties provided by the mortgage lenders and supported by the sponsor's undertaking, limited in time and amount. If a breach of a warranty materially and adversely affects a loan or REO property's value, the sponsor may be obliged to indemnify the issuer for damages.

However, the above-mentioned warranties are only enforceable by the issuer within 12 months from the closing date. The total indemnity amount will be capped at 25% of the portfolio purchase price. Furthermore, the indemnity amounts will be limited to 50% of the 'recoverable value' (as set out in the transaction data tape) of the relevant asset-level loan, or 50% of the 'underwritten valuation' (as set out in the transaction data tape) of the relevant REO asset.

11. Legal structure

11.1. Legal framework

Transaction documents governed by English, Spanish and Irish laws

The transaction documents are governed primarily by English, Spanish and Irish laws. The transaction is fully governed by the terms in the documentation.

11.2. Use of legal opinions

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

12. Monitoring

Ongoing rating monitoring

We will monitor this transaction based on performance reports as well as other public information. The rating will be monitored on an ongoing basis.

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

13. 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.

I. Deal comparison

Transaction	Retiro (Loans)	Retiro (REO)	Prosil Acquisition (NPL)	Prosil Acquisition (REO)	Titan SPV	Relais	Futura	Belvedere SPV
Closing	Mar-21	Mar-21	Jul-19	Jul-19	Dec-20	Dec-20	Dec-19	Dec-18
Originators	Multiple	Multiple	KKR	KKR	Alba Leasing Release Banco BPM	UCG Leasing	53 banks	Multiple
Master servicer	Victoria and Redwood	Victoria and Redwood	Hipoges	Hipoges	Prelios	Italfondiario	Guber Banca	Prelios
Special servicer	RTA and Redwood	Victoria and Redwood	Hipoges	Hipoges	Prelios	doValue	Guber Banca	Prelios, BVI
General portfolio attributes								
Gross book value (EUR m)	678.4	-	480.7	-	335	1,583	1,256	2,541
Number of borrowers	1,636	-	2793	-	668	2,335	9,639	13,678
Number of loans	3,634	-	2688	-	939	3,006	16,152	31,266
WA seasoning (years)	10.9	-	5.82	-	5.8	5.8	5.5	6.7*
WA seasoning (years) - unsecured portfolio	11.2	-	5.69	-	6.2	7.0	6.2	6.7*
WA LTV buckets (% of secured								
bucket [0-25]	0.2	-	0.6	-	0.2	0.3	2.3	2
bucket [25-50]	1	-	0.9	-	2.1	2.5	5.5	4.9
bucket [50-75]	2.1	-	3.3	-	9.6	7.9	8	5.4
bucket [75-100]	4.2	-	6.9	-	10.6	14.4	7.2	8.5
bucket [100-125]	6.9	-	9.2	-	17.1	16.6	10.1	6.8
bucket [125-150]	10.6	-	11.6	-	9.9	14.7	9.5	8.6
bucket [150-175]	8.4	-	10.7	-	14	12.1	6.4	4.8
bucket [175-200]	8	-	9.9	-	6.2	7.4	3.8	5.2
bucket > 200	58.6	-	46.9	-	30.3	24	47.2	53.9
Cash in court (% of total GBV)	-	-	4.2	-	0.0	1.5	1.1	2.7
Loan types (% of total GBV)*****								
Secured first-lien	95.5	-	93.3	-	87.7	86.5	45.7	41.0
Secured junior-lien	4.5	-	3.5	-	0.0	0.0	6.1	8.2
Unsecured	0.0	-	3.1	-	12.3	13.5	48.2	50.8
Syndicated loans	2.2	-	0	-	2.6	7.1	2.4	0
Debtors (% of total GBV)								
Individuals	33.1	-	65.9	-	0.6	0.8	22.0	12.0
Corporates or SMEs	66.9	-	34.1	-	99.4	99.2	78.0	88.0
Procedure type (% of total GBV)								
Bankrupt	13.9	-	22	-	10.4	36.0	64.2	82.2
Non-bankrupt	86.1	-	78	-	89.6	64.0	35.8	17.8
Borrower concentration (% of GBV)								
Top 10	16.4	-	6.8	-	26.8	9.3	4.8	9.1
Top 100	52.7	-	23	-	74.9	36.9	21.5	24.2
Collateral type (% of indexed appraisal								
Residential	80.4	75.8	67.4	72.8	1.0	2.6	47.1	41.9
Commercial	13.7	12.9	26.1	23.4	46.0	56.4	10.6	9.6
Industrial			0	0	50.8	36.4	21.2	7.2
Land	5.7	11.1	6.5	3.8	1.0	1.2	12.1	8.8
Other or unknown	0	0	0	0	1.3	3.4	9.0	32.5
Valuation type (% of indexed appraisal								
Full or drive-by	100	100	44.9	61.5	79.5	29.6	0.9	31.4
Desktop			55.1	38.5	18.3	68.1	53.2	36.1
CTU	0	0	0	0	0.0	0.0	21.1	0.0
Other	0	0	0	0	2.2	2.3	0.8	32.5
Secured ptf proc. stage (% of GBV)								
Initial	33.8	-	41	-	NA	NA	43.1	52.4
Intermediate/CTU	43.6	-	31	-	NA	NA	15.1	0.0
Auction	20.2	-	22	-	NA	NA	24.3	38.3
Distribution	2.4	-	6	-	NA	NA	17.4	9.3
Structural features								
Liquidity reserve (% of class A notes)	5%		4.5%			7.5	4.5	4
Class A Euribor cap strike	0-0.5%		0.5%		0.05%-4.0%	0.5%-1.7%	0.2%-3.0%	0.5%
Class A								
% of GBV (or pool value****)	31.3		34.4		27.0	29.4	12.6	12.4
Credit enhancement	68.7		65.6		73.0	70.6	87.4	87.6
Class B								
% of GBV	3.2		6.1		4.47	5.75	2.9	3
Credit enhancement	65.5		59.5		68.5	64.8	84.5	84.6
Class C								
% of GBV	1.4		3					
Credit enhancement	64.1		56.5					
Rating								
Class A	BBB+ (class A1) / BBB- (class A2)		BBB-		BBB	BBB	BBB	BBB
Class B	B-		B-		NR	NR	NR	NR
Class C	CCC		N/A					

*The weighted average seasoning includes Scope's qualitative adjustment driven by the special servicers' superior capacity to treat unsecured loans compared to an originator.
**This includes loans with no ongoing legal proceeding or loans where the nature of the proceeding is unknown.
****Pool value includes asset value for REO assets and GBV of loans.
*****Loans are defined as 'senior secured' if they are guaranteed by first-lien mortgages, or if all senior claims against at least one of the underlying properties are part of the portfolio. Loans that are guaranteed by properties that have an identified prior lien claim against them are defined as 'junior secured'. All other loans are classified as 'unsecured'.

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
Edificio Torre Europa
Paseo de la Castellana 95
E-28046 Madrid

Phone +34 914 186 973

Milan
Via Nino Bixio, 31
20129 Milano MI

Phone +39 02 30315 814

Scope Ratings UK Limited

111 Buckingham Palace Road
London SW1W 0SR

Phone +44020-7340-6347

info@scoperatings.com
www.scoperatings.com