Andor SPV S.r.l.

Italian Non-Performing Loan ABS

Ratings

Tranche	Rating	Size (EUR m)	% of notes	% of GBV	Coupon	Final maturity
Class A	BBB+$_{SF}$	208.0	82.2%	15.8%	4.25%	Apr 2043
Class B	NR	40.0	15.8%	3.0%	3m Euribor + 10.0%	Apr 2043
Class J	NR	5.0	2.0%	0.4%	Variable	Apr 2043
Total		253.0	100%	19.2%		

Scope's quantitative analysis is based on the portfolio provided by the originator. 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	18 December 2023
Issuer	Andor SPV S.r.l.
Originator and seller	Intesa Sanpaolo S.p.A.
Master servicer	Banca Finanziaria Internazionale S.p.A.
Special servicer	Intrum Italy S.p.A. ('Intrum Italy')
Gross-book value (GBV)	EUR 1,318m
Cut-off date	31 March 2023
Transfer date	18 December 2023 (12 December 2023 as stipulation date)
Key portfolio characteristics	The securitised pool is composed of unsecured loans for a share of 50.7% of the portfolio's GBV and of senior secured loans for a share of 43.8% of the portfolio's GBV. Remaining exposures are junior secured loans (5.5% of the portfolio's GBV). Loans were granted mainly to corporate debtors (71.8% of the GBV). Secured loans are backed by first lien mortgages on residential and non-residential properties (53.9% and 46.1% of the total property value, respectively). Properties are more concentrated in the north of Italy (48.1%) followed by southern (29.3%) and central (22.6%) regions. Asset information reflects aggregation by loans and Scope's pool adjustments related to collections and sold properties since the cut-off date.
Payment frequency	Quarterly (January, April, July, October) starting from 30 April 2024
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 fixed rate of 4.25%. Class B will pay a floating rate indexed to three-month Euribor, plus a margin of 10.0%. The Euribor component of class B interestis subordinated to the repayment of the class A note. Class J principal and interest are subordinated to the repayment of the senior and mezzanine notes.
Other key counterparties	BNP Paribas Italian Branch (agent bank, cash manager, account bank and paying agent), Banca Finanziaria Internazionale S.p.A. (representative of the noteholders, calculation and monitoring agent, corporate services provider), Intesa Sanpaolo S.p.A. (limited recourse loan provider, arranger), Intrum Italy S.p.A. (back-up master servicer facilitator)

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Related Research

Italian NPL collections: October volumes confirm negative year-to-date trend

December 2023

Italian NPL securitisation review: subdued performance expected to persist in 2023

May 2023

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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 servicer's capabilities. The rating is supported by the structural protection provided to the notes, the absence of equity leakage provisions and the liquidity protection.

The rating also addresses the issuer's exposure to key counterparties. Scope considered counterparty substitution provisions in the transaction and, when available, Scope's ratings or other public ratings on the counterparties.

Rating drivers and mitigants

Positive rating drivers

High share of recent valuations. Around 60% of valuations were conducted in 2023, meaning asset values are likely to incorporate the current liquidity risks and recent price fluctuations of the real estate market.

Geographic concentration. A material portion of the portfolio's first lien collateral is concentrated in the North of Italy (48% of first lien GBV). Northern regions are economically more dynamic and have generally more efficient courts compared to southern regions.

Below average seasoning of the unsecured loans. Weighted average seasoning of the securitized unsecured loans is 2.4 years, which is lower if compared with peer transactions rated by Scope.

Negative rating drivers and mitigants

Significant portion of unsecured loans. The securitised portfolio has a material share of unsecured loans (50.7% of GBV). For unsecured loans, recovery rates are typically lower compared to secured loans.

High share of legal procedures at initial stage. Around 78% 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.

Upside rating-change drivers

Servicer overperformance. Servicer performance exceeding Scope's expected collection amounts could positively impact the rating.

Downside rating-change drivers

Economic slowdown. A slowdown of the Italian economy driven by persistent inflationary pressures combined with tighter monetary policy, and the potential deterioration of borrowers' affordability conditions could impair servicer's performance on collections.

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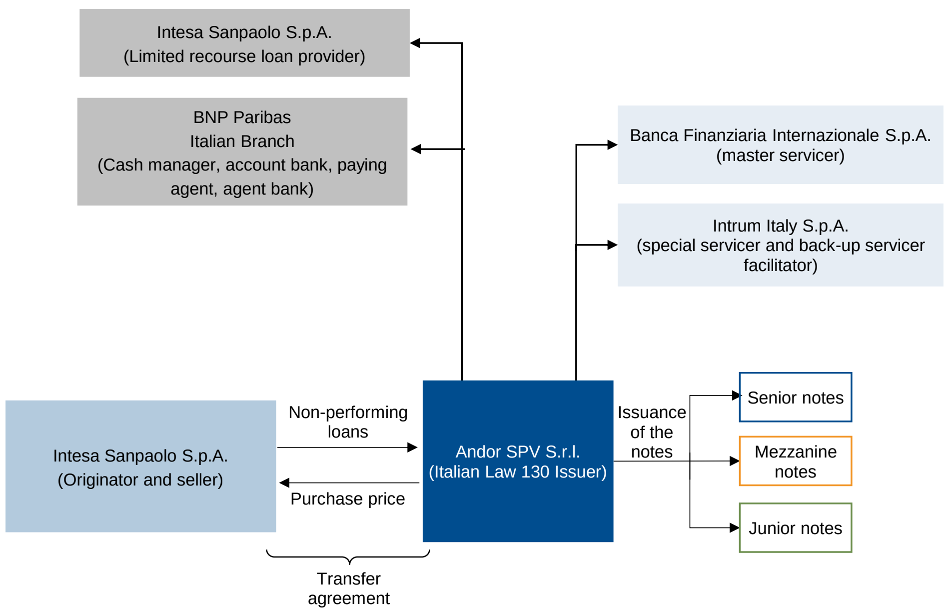
1. Transaction diagram

Figure 1: Transaction diagram



Sources: Transaction documents, Scope Ratings.

2. Macroeconomic environment

The Italian economy grew robustly by 8.3% in 2021 and 3.7% in 2022. Private consumption was the main driver – supported by households' savings and government support measures, together with a strong investment activity. However, the impact of higher interest rates has now started to curb private consumption and investment, and weakening global economic conditions reduce external demand. This led to a contraction in economic activity in Q2 2023 (-0.4% QoQ), followed by a feeble recovery in Q3 (+0.1% QoQ). We expect growth to decelerate to 0.7% and 0.8% in 2023 and 2024, respectively.

Growth to decelerate to 0.8% in 2024, converging in the medium run to 1%

Over the medium-run, we expect growth to converge towards a moderate potential of just 1%, constrained by low productivity growth and a declining working-age population. The implementation of public investments and reforms related to the NGEU programme should partly offset these structural bottlenecks. Italy's modified Recovery Plan increases grant allocation to EUR 71.8bn from EUR 68.9bn, introduces 7 additional reforms and strengthens the focus on key reform and investment areas such as green transition – with the inclusion of the new Repower EU chapter – and digital transition. So far, reforms have advanced well, although delays in the execution of investments remain a key downside risk. HICP[1] inflation averaged 8.7% in 2022, before slowing down steadily over 2023, reaching 0.6% YoY in November 2023, amid declining energy and food prices. Core inflation is also declining, though remains higher at 3.7% in November, signalling broad based price pressures. We expect headline inflation to continue declining to an annual rate of 6.1% in 2023 and 2.4% in 2024. The ECB has accelerated monetary tightening, raising its policy rate to 4.5% in October 2023 and kept it unchanged in December, at the same time continuing to gradually shrink its balance sheet. Still, the ECB will continue to support Italy's financing conditions through flexible PEPP reinvestments, across time and jurisdictions, until the end of 2024 and adopted the Transmission Protection Instrument to

[1] Harmonised Indices of Consumer Prices.

avoid extreme widening of the euro area countries' spreads. The labour market has proved resilient to the recent crises, reflecting some structural improvements. The employment rate was at record high level in October 2023 (61.8%), while the unemployment rate was low at 7.8%. However, structural bottlenecks remain, which still result in an employment rate around 8pp below that of euro area peers, as well as in high inactivity and youth unemployment. Italy's sovereign bond market has adjusted fairly well to the tightening in monetary policy. Domestic investors have supported demand in debt capital markets and the government has kept the commitment to a prudent approach to fiscal policy, while trying to maintain fiscal support amid weakening growth expectations. Still, the required fiscal efforts remain substantial, with the need to maintain ample primary surpluses in the coming years, of at least 1.6% of GDP in the medium term, to be compliant with the EU fiscal rules, set to be reinstated in 2024. We expect the debt-to GDP ratio to decline gradually towards 141% of GDP in the coming years (from 141.7% in 2022), supported by robust nominal growth and a budget deficit projected to decline to 5.3% of GDP in 2023 from 8% in 2022, before gradually reaching levels around 3% of GDP by 2027-28. Rising interest burden and mounting fiscal pressure from an ageing population will, nevertheless, challenge the capacity of the government to achieve necessary primary budget surpluses in the medium run. Over the longer term, Italy's elevated debt burden and funding requirements remain, together with a modest growth potential, the core challenges for the rating.

3. Special servicer review

3.1. Introduction

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

Operational review on Intrum Italy considered to derive modelling assumptions

Our assessment of the special servicer's capabilities addresses, among other aspects, its corporate structure, business processes, collateral appraisal procedures, servicing IT systems, business discontinuity risks and transaction-specific aspects such as portfolio onboarding for those exposures not yet serviced, 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

Intrum Italy is among the top 3 Italian special servicers by asset under management ('AUM') with approximately EUR 40bn[2] of NPLs under management. The servicer has already taken the role of special servicer in several other securitisations originated by Intesa Sanpaolo S.p.A.

Intrum AB is present in 20 European markets and offers a wide range of services: credit optimisation, debt collection, e-commerce, payment services, accounts receivable management and financing services. Intrum Italy is owned by Intrum AB for a 51% share and by Intesa Sanpaolo for a 49% share. 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

[2] As of July 2023.

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 (extensible) exclusive servicing agreement to manage Intesa's current and future NPL flows.

3.3. Servicing model

Intrum Italy is specialised in credit management services. Its servicing capabilities rely on the experience gained through the joint-venture with Intesa and the integration of the bank's operations, including its workforce and IT asset management system (EPC, commonly used by Italian servicers and recently enhanced by the servicer). Credit collection activities are supported by a specialised real estate unit.

More focus on the recovery process by loan managers

Loan managers are organised in teams segregated according to portfolio ownership type (proprietary or third party), ticket size, geography, and borrower type. Recently, Intrum Italy introduced a new segmentation of the serviced portfolios, that coupled with the above-mentioned investments in IT, allow loan managers to focus on the recovery process of the files they are assigned.

The EPC system is used mainly for the management, documentation, and monitoring of legal procedures, including property auctions and the coordination of an external net of lawyers. Recently, the EPC system included a new module for business plans that enables loans managers to have a real-time view of collections achieved compared to forecast projections.

4. Portfolio characteristics

4.1. Representations and warranties

Conditions to request indemnities weaker than peer transactions

The securitised pool comprises secured and unsecured Italian NPLs originated and sold by Intesa Sanpaolo S.p.A. The portfolio will be managed by Intrum Italy S.p.A..

Indemnities claims will not be paid if relating to any fact or circumstance already ascertainable via the due diligence conducted by the servicer. The servicer due diligence covered 58.5% of total portfolio GBV.

Scope has not received any information on the due diligence conducted by the servicer.

The representations and warranties provided by the originator include the following (as of stipulation date unless otherwise stated):

- All loans are denominated in euros and governed by Italian law (as of the cut-off date).
- All receivables are in the full and exclusive ownership of the seller and are free from restraints and encumbrances.
- All receivables and voluntary first (economic) lien mortgages have been executed in compliance with the applicable law and regulations and are valid for transfer without limitations.
- All voluntary first (economic) lien mortgages are valid and enforceable and have been duly created and renewed.
- All receivables have been reported as defaulted by the Credit Bureau of the Bank of Italy (as of the cut-off date).
- All real estate assets guaranteed by voluntary first (economic) lien mortgages exist.

- Each voluntary first (economic) lien mortgage has the lien indicated in the data tape.
- None of the borrowers is an employee of the seller (as of the date on which the financing was granted).
- There are no claims against a commercial company whose bankruptcy proceeding has already ended, in the absence of valid and effective third-party guarantees (as of the cut-off date).
- All information contained in certain fields of the loan data tape are true and accurate (as of the cut-off date).

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

Below average seasoning of unsecured loans

	All	Senior secured	Junior secured	Unsecured
Number of loans	21,895	3,191	462	18,242
Number of borrowers	6,453			
Gross book value (EUR m)	1,318.2	577.7	71.9	668.6
% of gross book value		43.8%	5.5%	50.7%
Cash in court (% of GBV)	1.2%			
Collections since cut-off date (% of GBV)	2.5%			
Weighted average seasoning	2.6	2.7	3.6	2.4
Sum of collateral appraisal values (EUR m)		593.8	226.8	

Sources: Transaction data tape, calculations by Scope Ratings

We adjusted the pool's GBV using information on collections and sold properties since the cut-off date. The analysis excluded portfolio's loans, which we assumed to be closed, based on collections already received and estimated cash-in-court[3] (EUR 16.2m). We also adjusted the pool's GBV to incorporate in the analysis the presence of those portfolio features that in our view could decrease future recoveries.

These adjustments reduced the portfolio's GBV to EUR 1,066m from EUR 1,318m. Collections received since the cut-off date will be part of the issuer's available proceeds at the first payment date. We assumed the amount of cash-in-court would be received within three years.

Our analysis is performed at the loan-level, considering the 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.

[3] Scope estimate based on the sample analysed by the servicer.

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

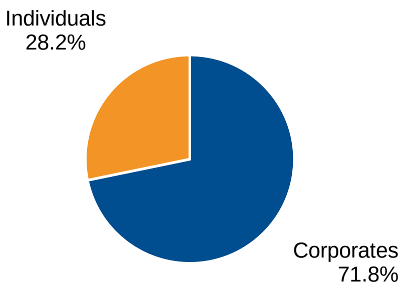


Figure 4: Distribution by loan type (% of GBV)

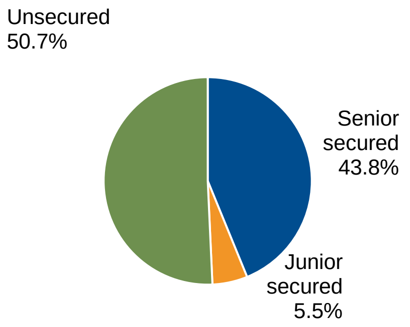


Figure 5: Distribution by recovery procedure (% of GBV)

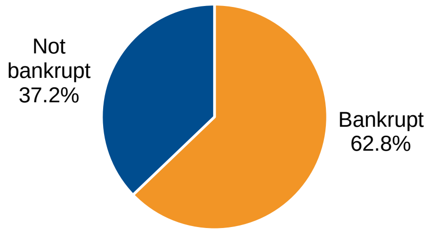


Figure 6: Distribution by recovery stage for secured loans (% of GBV)

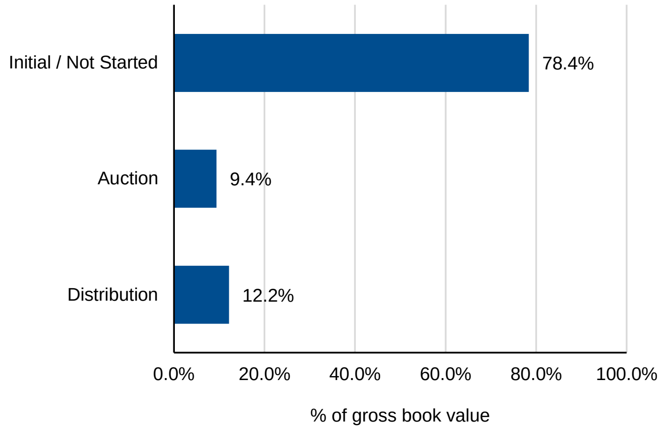


Figure 7: Distribution by court bucket for secured loans (% of GBV)

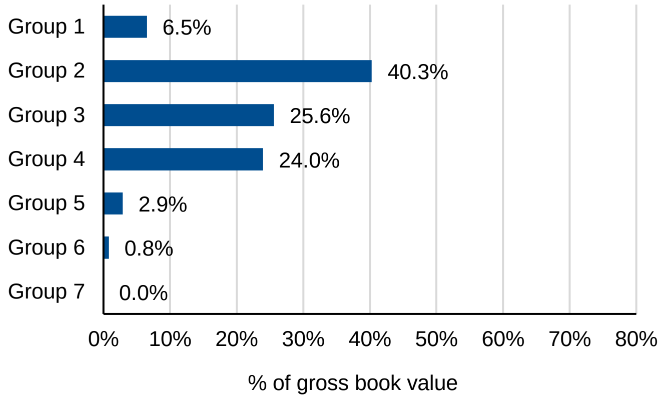


Figure 8: Unsecured and junior secured seasoning (% of GBV)

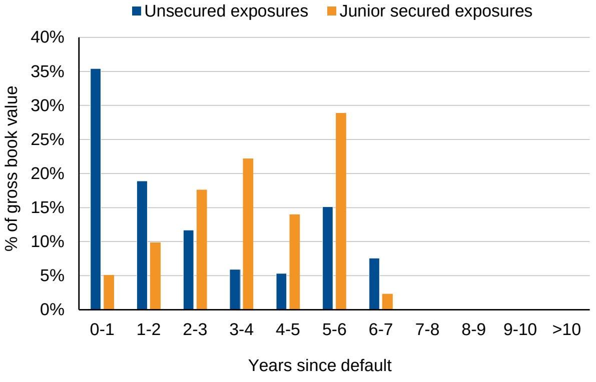


Figure 9: Distribution by collateral type for secured loans (% of appraisal value)

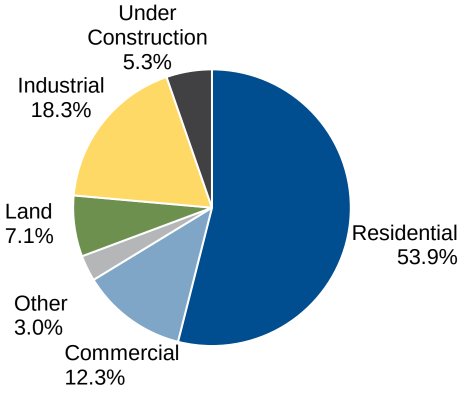


Figure 10: Distribution by valuation type for secured loans (% of appraisal value)[4]

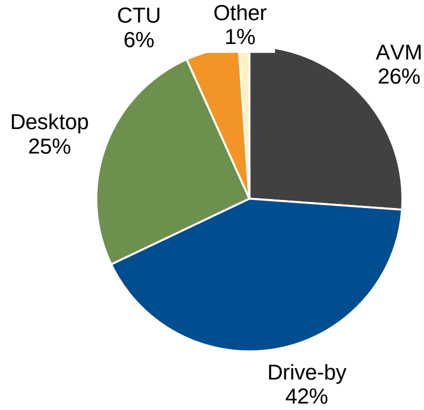


Figure 11: Distribution by collateral location (% of appraisal value)

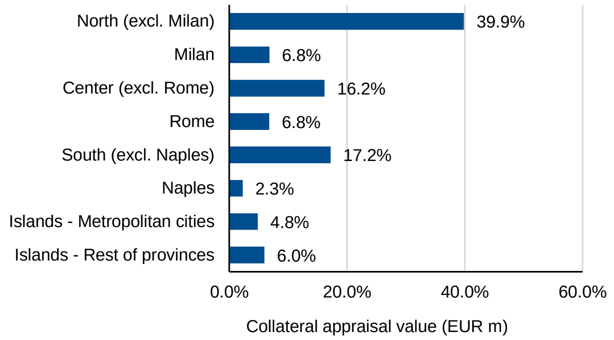
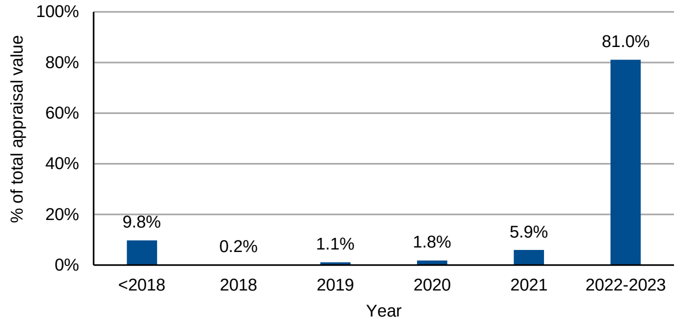


Figure 12: Distribution by valuation date (% of appraisal value)



Sources: transaction data tape, calculations by Scope Ratings

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 servicer's business plan, 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)	33.1%
Unsecured recovery rate (% of unsecured GBV)	12.8%
Total recovery rate (% of total GBV)	**23.9%**
Secured collections, weighted average life (WAL in years)	6.1

[4] AVM means appraisals performed through automated valuation models.

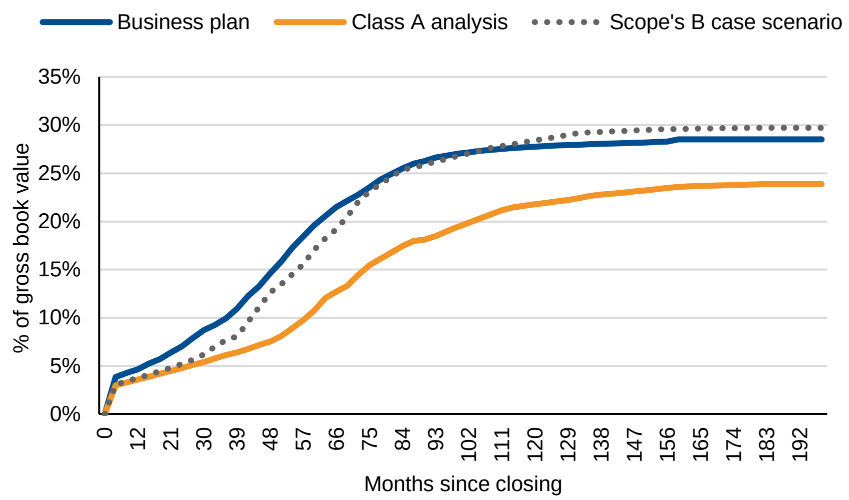
Unsecured collections, WAL (years)	3.4
Total collections, WAL (years)	**5.3**

Sources: Transaction data tape, Scope Ratings

Class A recovery rate assumptions are about 16% below business plan target

Figure 14 compares our lifetime gross collections and recovery timing assumptions for the entire portfolio with the servicer 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. Class A recovery rate assumptions are about 16% below the business plan target. Our calculation of the expected life is longer than the servicer's projections (5.3-year WAL for the class A notes analysis versus 4.6-year WAL in the business plan).

Figure 14: Scope's assumptions[5] vs. business plan's gross cumulative recoveries



Sources: Servicer business plan, Scope Ratings

5.1. Analysis of secured portfolio segment

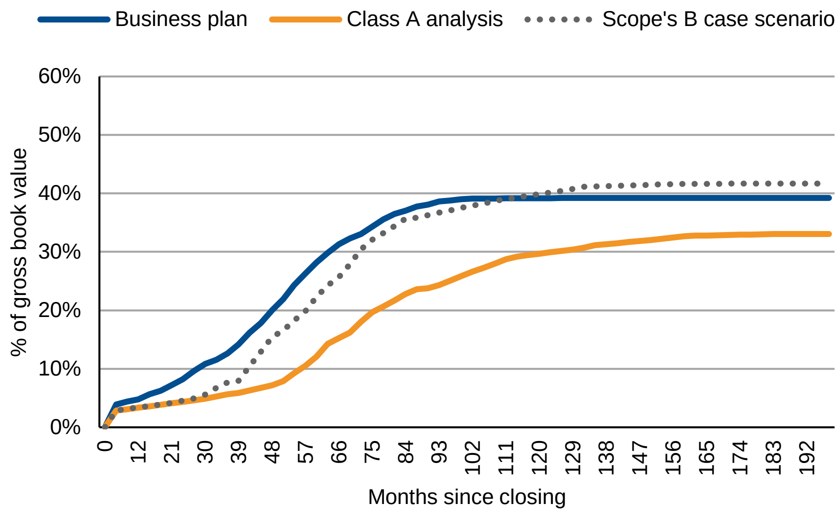
Valuation haircuts address forward-looking market value and liquidity risks

Figure 15 shows our lifetime gross collections vectors for the secured segment compared to those from the servicer's 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 servicer's business plan and the available workout options.

Figure 16 shows the secured loans' distribution by LTV bucket.

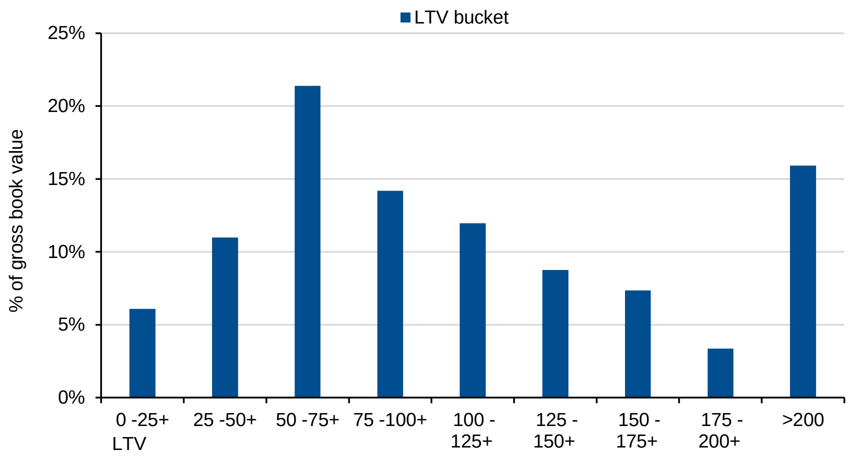
[5] Scope's and the servicer's recovery rates are reported on a gross level and include cash-in-court and collections since the cut-off dates.

Figure 15: Scope's assumptions[6] vs. business plan's gross cumulative recoveries - secured loans



Sources: Servicer business plan, Scope Ratings

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. Drive-by valuations are generally more accurate than CTU or AVM valuations.

[6] Scope's and the servicer's recovery rates are reported on a gross level and include cash-in-court and collections since the cut-off dates. 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 mortgage, as per servicer's classification in the provided business-plan. resulting from Scope's loan-by-loan classification of the exposures.

Figure 17: Scope's transaction-specific valuation haircuts

Valuation type	% of secured collateral value	Class A analysis haircut
Drive-by	0.4%	0%
Desktop	25.4%	5%
CTU	5.6%	10%
Other	32.9%	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.

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 (%)	6.8	2.0	1.6	1.1	1.2	34.0	6.8	1.1	15.1	2.3	4.1	13.1	4.8	6.0

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 servicer), 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	53.9%	41%
Non-residential	46.1%	52%-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 17% rating-conditional recovery haircut to the 10 largest borrowers for the class A notes analysis. The largest 10 and 100 borrowers account for 12.3% and 35.0% of the portfolio's gross book value, 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 servicer 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 2022 (Figure 20). We applied rating-conditional timing stresses to bankruptcy and non-bankruptcy procedures: 2.3 years and 1.2 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[7]

Court group	Bankruptcy proceedings	Non-bankruptcy proceedings	Percentage of courts[8]
1	4	2	6.5%
2	6	3	40.3%
3	8	4	25.6%
4	10	5	24.0%
5	12	6	2.9%
6	14	7	0.8%
7	18	9	0.0%

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 servicer-specific historical recovery data, as well as our view on the quality of the servicer's 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.

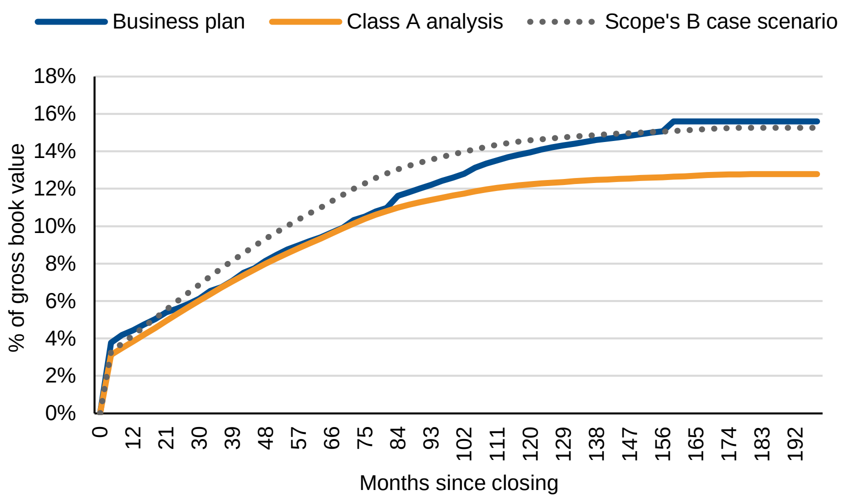
Ageing of the unsecured portfolio is lower than market average

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

[7] The total length of the recovery process does not include the rating-conditional timing stresses per proceeding type.
[8] Percentages incorporate our assumptions on courts not included in available information.

classified as defaulted for a weighted average of 2.4 years, which is lower than the average of transaction peer levels.

Figure 21: Scope's assumptions[9] vs. business plan's recoveries – unsecured loans



Sources: Servicer's business plan, Scope Ratings

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 fixed coupon of 4.25%. Class B will pay a floating rate indexed to three-month Euribor (floored at 0%) plus a margin of 10%. The Euribor component of class B interest (base rate) is subordinated to the repayment of class A notes. The Class B interest (and a portion of the special servicer fees) are subordinated to class A principal payments, if certain under-performance events are triggered.

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

Non-timely payment of interest on the senior notes, among other events, such as the issuer's unlawfulness, would accelerate the repayment of class A through the full subordination of class B payments.

6.1. Combined priority of payments

The issuer's available funds (i.e. collections from the portfolio, the cash reserve, insurance payments and indemnity payments from the originator) will be used in the following simplified order of priority:

Figure 22: Simplified priority of payments

Pre-enforcement priority of payments
1) Senior fees (master and special servicer fees), other senior expenses
2) Expenses account replenishment
3) Agents of the issuer's fees
4) Limited-recourse loan interest
5) Recovery expenses reserve account
6) Class A interest
7) Cash reserve replenishment

[9] Scope's and the servicer's recovery rates are reported on a gross level and include collections since the cut-off dates. We define unsecured loans as those not guaranteed by at least a first-lien mortgage, based on a loan-by-loan analysis. Business plan unsecured recoveries relate to borrowers whose loans are fully unsecured or are guaranteed by junior liens.

Pre-enforcement priority of payments
8) Limited-recourse loan principal
9) Class B margin (provided that no interest subordination event has occurred)
10) Class A principal
11) Class B base rate, and upon occurrence of the interest subordination event, class B margin
12) Class B principal and, provided that a servicer underperformance event has occurred, servicer mezzanine fees
13) Payments due under the Subscription agreement
14) Class J principal and, provided that a servicer underperformance event has occurred, servicer junior fees
15) Any residual amount as class J variable return

Sources: Transaction documents and Scope Ratings

6.2. Interest subordination events

The occurrence of an interest subordination event results in class B interest being paid under item 11 of the waterfall above. Class B interest will be subordinated if one of the following events occurs: i) the cumulative net collection ratio[10] (CCR) falls below 90% of the servicer's business plan targets; or ii) the NPV cumulative profitability ratio[11] (NPVPR) falls below 90%; or iii) any due amount of class A interest is unpaid.

An interest subordination event is curable if, with reference to the CCR, on a subsequent payment date, the ratio returns above 100%. In this case all due and unpaid class B interest is paid senior to class A principal under item 9 of Figure 22.

6.3. Servicing fee structure and alignment of interests

6.3.1. Servicing fees

The servicing fee structure links the level of fees paid to the servicer with the portfolio's performance, mitigating potential conflicts of interest between the servicer and noteholders. The special servicer will be entitled to both an annual base fee and a servicing fee which is linked to the actual amounts collected.

The base fee amounts to 0.07% of the outstanding portfolio's gross book value, plus value added tax (VAT). The exact level of performance servicing fees is subject to the GBV size and the type of borrower's exposure (senior secured or unsecured). Considering the portfolio composition, we assumed an average performance servicing fee of 6.3% and 10.0% (plus VAT) for secured and unsecured exposures, respectively.

Servicing fee structure reasonably aligns the interests of the servicer and the noteholders

The occurrence of a servicer underperformance event results in the subordination of a portion of the servicer performance servicing fees to class A principal payments (between 20% and 30% based on the level of underperformance). This portion is then paid under items 12 and 14 of the above simplified priority of payments, as mezzanine or junior servicing fees, respectively. A servicer underperformance event occurs either if the CCR falls below 90% or if the NPVPR falls below 85%.

An underperformance event is curable if on any subsequent payment date, both the CCR and the NPVPR return above 90 and 85%, respectively. Once the event is triggered all

[10] '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.

[11] '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 servicer's initial business plan) of all receivables relating to exhausted debt relationships.

mezzanine and junior servicer fees accrued and unpaid in previous periods remain subordinated.

6.3.2. Special servicer monitoring

Monitoring function protects noteholders' interests

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

The special servicer is 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 check 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 can authorise the revocation and replacement of a special servicer upon a servicer termination event. The monitoring agent can 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.

6.3.3. Special servicer termination events

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

A special servicer termination event includes i) insolvency; ii) an unremedied breach of obligations; iii) failure to pay any amount due to the issuer within two business days from the collections reconciliation date; iv) an unremedied breach of representation and warranties; v) loss of legal eligibility to perform obligations under the servicing agreement; vi) CCR being below 85% or the NPVPR being below 80%, two quarterly payment dates following the 42 months after the transfer date of the portfolio vii) the special servicer transfers all or a significant part of its business to a company that is not part of the special servicer's group.

6.4. Liquidity protection

Cash reserve provides liquidity protection to class A notes

A cash reserve will be funded at closing through a limited-recourse loan provided by Intesa Sanpaolo S.p.A. The cash reserve target amount at each payment date will be equal to 4.0% of the total outstanding balance of class A note.

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. ReoCo structure

The transaction foresees the option, upon request of the mezzanine and junior noteholders, to activate the proposed Real Estate Operating Company ('ReoCo') structure contained in the transaction documentation. If so, the Issuer has undertaken to notify and provide adequate information to the rating agencies.

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, as well as the servicing fees structure, the transaction senior expenses and legal costs. Legal costs are assumed at 7% of gross collections.

Our rating reflects expected losses over the instrument's weighted average life

The rating assigned to the class A note reflects the 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 rating 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 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%, minus two notches.
- an increase in the recovery lag by one year, minus one notch.

8. 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 note's 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, Scope's 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 counterparties listed on page 1.

9.1. Servicer disruption risk

A servicer disruption event may have a negative impact on the transaction's performance. The transaction envisages monitoring of the servicing activity, that mitigates operational risk, and a back-up master servicer facilitator, in charge for searching a new master servicer, in case of its termination. Special servicer replacement arrangements partially mitigate disruption risk.

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 the servicer receives payments from a debtor, the servicer will transfer the amounts within two business days from the payment reconciliation. In case the originator receives payments from debtors, it will transfer these amounts within ten business days from the end of month date (i.e., during which collections are received and reconciliated).

9.3. Claw-back risk

Limited claw-back risk

The originator has 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 will mitigate claw-back risk, as the issuer should be able to prove it was unaware of the seller's 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 market 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 market 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 by time and amount, provided by the originator in the transfer agreement. If a breach of a representation and warranty materially and adversely affects a loan's value, the originator may be obliged to indemnify the issuer for damages.

Indemnities claims will not be paid for facts or circumstances already ascertainable via the due diligence that was conducted before closing (58.5% of total GBV).

The total indemnity amount is capped at 20% of the portfolio's purchase price and is payable only if its aggregate value exceeds EUR 2.5m. Furthermore, indemnity amounts will be payable only if they exceed EUR 35,000 on a single-loss basis.

The above-mentioned representations and warranties are only enforceable by the issuer within 24 months from the issue date.

10. Legal structure

10.1. Legal framework

Transaction documents governed by Italian Law

The transaction documents are governed by Italian Law.

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	Andor SPV	Organa SPV	Grogu SPV	Yoda SPV
Closing	Dec-23	Apr-22	Dec-21	Dec-20
GACS	No	Yes	Yes	Yes
Originators/Sellers	Intesa Sanpaolo	Intesa Sanpaolo	Intesa Sanpaolo, BPER Banca	Intesa Sanpaolo
Master servicer	Banca Finint	Banca Finint	Banca FinInt	Intrum
Special servicer	Intrum	Intrum	Prelios, Intrum	Intrum
General portfolio attributes				
Gross book value (EUR m)	1,318.2	8,503.3	3,077	6,033.0
Number of borrowers	6,453	36,969	9,734	22,282
Number of loans	21,895	128,981	51,618	74,312
WA seasoning (years)	2.6	6.9	4.57	5.5
WA seasoning (years) - unsecured portfolio	2.4	7.8	5.06	5.9
WA LTV buckets (% or secured portfolio)				
bucket [0-25]	6.1	4.1	2.6	3.9
bucket [25-50]	11.0	10.8	7.5	8.9
bucket [50-75]	21.4	15.2	12.5	15.6
bucket [75-100]	14.2	15.0	14	13.8
bucket [100-125]	12.0	11.5	13.8	13.9
bucket [125-150]	8.8	8.5	9.9	6.9
bucket [150-175]	7.3	6.4	4.4	6.5
bucket [175-200]	3.4	6.1	4.8	3.3
bucket > 200	15.9	22.4	30.5	27.1
Cash in court (% of total GBV)	1.2	0.6	1.6	0.9
Loan types (% of total GBV)				
Secured first-lien	43.8	28.8	50.7	41.2
Secured junior-lien	5.5	3.1	4.6	3.7
Unsecured	50.7	68.1	44.7	55.1
Syndicated loans	1.3	3.4	7.30	1.3
Debtors (% of total GBV)				
Individuals	28.2	17.5	18.8	10.6
Corporates or SMEs	71.8	82.5	81.20	89.4
Procedure type (% of total GBV)				
Bankrupt	18.2	27.3	60.6	49.8
Non-bankrupt	81.8	72.7	39.4	50.2
Borrower concentration (% of GBV)				
Top 10	12.3	4.6	10.3	5.2
Top 100	35.0	16.6	30.8	19.6
Collateral distr. (% of appraisal val.)				
North	48.1	44.6	40.4	36.6
Centre	22.6	22.2	38.7	24.3
South	29.3	33.2	20.9	39.1
Collateral type (% of appraisal val.)				
Residential	53.9	55.2	46.1	38
Commercial	12.3	17.4	21.8	16.7
Industrial	18.3	16.6	20.5	26.3
Land	7.1	6	7.1	14.5
Other or unknown	8.3	4.7	4.4	4.5
Valuation type (% of appraisal val.)				
Full or drive-by	41.8	49.8	31.9	31.1
Desktop	25.4	13.9	48.5	23.4
CTU	5.6	7.7	5.3	23.2
Other	27.3	28.6	14.3	22.3
Secured ptf proc. stage (% of GBV)				
Initial	78.4	70.1	68.3	64.2
CTU	0.0	9.8	7.4	15.5
Auction	9.4	11.7	20.5	15.2
Distribution	12.2	8.4	3.8	5.1
Summary of assumptions (BBB rating conditional stress)				
Remaining lifetime recovery rate (%)				
Secured (=net LTV after all stresses)	35.4	39.4	39.3	45.4
Unsecured	9.8	5.8	6.8	6.3
Total	21.0	17.7	23.3	22.4
Weighted average life of collections (yrs)				
Secured	5.9	6.5	6.5	7.2
Unsecured	3.5	3.7	3.8	3.3
Total	5.3	5.9	6.1	6.6
Structural features				
Liquidity reserve (% of class A notes)	4.0	4.0	4.0	4
Class A Euribor cap strike	No Hedging	0.1%-2.1%	0.1%-1.6%	0%-0.75%
Class A				
% of GBV	15.8	11.4	15.0	16.7
Class B				
% of GBV	3.0	1.5	1.2	3.5
Final rating at closing				
Class A	BBB+	BBB	BBB+	BBB
Class B	NR	NR	NR	NR

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