OLYMPIA 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}	261.0	90.0	12.0%	6m Euribor + 1.5%	Jul 2044
Class B	NR	26.1	9.0	1.2%	6m Euribor + 9.5%	Jul 2044
Class J	NR	2.9	1.0	0.1%	Variable return	Jul 2044
Total		290.0	100.0	13.4%		

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

Transaction details

Transaction type	Static cash securitisation
Asset class	Non-performing loans ('NPLs')
Issue date	25 November 2021
Issuer	OLYMPIA SPV S.r.l.
Seller	Unicredit S.p.A.
Master servicer	Italfondiario S.p.A.
Special servicer	doValue S.p.A.
Gross-book value ('GBV')	EUR 2,168m
Cut-off date	31 October 2021
Reference date	30 April 2021
Transfer date	11 November 2021
Key portfolio characteristics	The securitised pool is mostly composed of unsecured loans and of senior secured loans in a smaller share (60% and 35% of the portfolio's GBV, respectively). Remaining exposures are junior secured loans (5.0% of the portfolio's GBV). Loans were granted mainly to corporate debtors (72% of the GBV). Properties with first-lien mortgages are in comparable shares in the north and south of Italy (39% and 37% of the secured collateral value, respectively), while 24% are in the centre of Italy. Most of the secured loans are backed by residential assets (66% of the secured collateral value), while commercial real estate assets, industrial properties, land, and other type of assets have a smaller share (17%, 10%, 5%, and 2% of the secured collateral value, respectively). The issuer is entitled to receive all portfolio's collections after the cut-off date.
Payment frequency	Semi-annual (January and July)
Key structural features	The notes have been structured in compliance with requirements of the GACS scheme. The transaction structure comprises three tranches of sequentially amortising notes, an amortising liquidity reserve equal to 5% of the class A outstanding balance, and an interest rate cap spread agreement on the class A notes.
Arranger, hedging and limited recourse loan provider	UniCredit Bank AG and Unicredit Bank AG, Milan Branch (as limited recourse loan provider)
Other key counterparties	Banca Finanziaria Internazionale S.p.A. (corporate servicer, noteholders' representative, monitoring and calculation agent, back-up servicer facilitator) BNP Paribas Securities Services (principal paying agent, agent bank), Unicredit S.p.A. (account bank)

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December 2021

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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, the liquidity protection, and the interest rate hedging agreement. The rating also addresses exposures to the key transaction counterparties.

We performed specific analyses to determine recoveries, using different approaches for secured and unsecured exposures. For senior secured exposures, we mainly derived expected collections from the most recent property appraisal values, which we stressed to account for: appraisal type, liquidity, and market value risks. We derive recovery timing assumptions using line-by-line asset information detailing the type of legal proceeding, the respective court responsible for the proceeding, and the legal stage of the proceeding as of the portfolio transfer date. For unsecured and junior secured exposures, we used market-wide historical line-by-line data on defaulted loans between 2000 and 2019, also considering the special servicer's capabilities along with servicer-specific historical data. The analysis also accounted for the current macro-economic environment and our forward-looking view on relevant macro-economic expectations.

Rating drivers and mitigants

Positive rating drivers

doValue is already servicing a large share of the portfolio. doValue is already in charge of managing 67% of the portfolio's GBV since 2015. The servicer has therefore performed most of the portfolio take-over activities, including the set-up of servicing strategies. The remaining portion of the portfolio was serviced by the seller (32% of the portfolio's GBV) and by Guber S.p.A. (1% of the portfolio's GBV).

High share of residential properties. Secured loans are backed by residential assets for a share of 66.3% (of the secured collateral value). Residential properties are typically more liquid than non-residential ones.

Material share of recent valuations. 68% of the properties (in terms of total collateral value) were valued from November 2020 onwards.

Negative rating drivers and mitigants

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

Top borrowers' concentration. The top 10 borrowers represent around 14% of total gross book value, which is above the average concentration of Italian NPL transactions rated by Scope.

Significant portion of legal proceedings in initial stages. Around 82% 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

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

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

Downside rating-change drivers

Long-lasting pandemic crisis. Covid-19 impacts may weigh negatively on portfolio's performance, as an economic downturn may deteriorate borrowers' affordability and real estate market liquidity conditions, reducing servicer performance on collection volumes.

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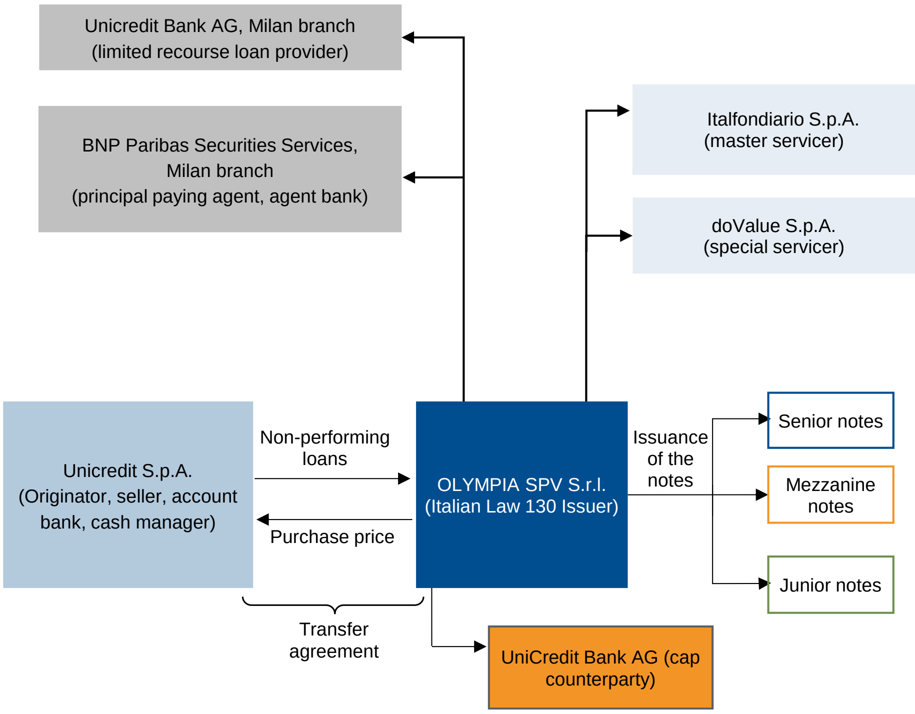
1. Transaction diagram

Figure 1: Transaction diagram



Sources: Transaction documents, Scope Ratings.

2. Macroeconomic environment

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

After 2022, we expect the Italian recovery to moderate in direction of our more modest estimate of medium-run growth potential of 0.8%, constrained by challenges of tepid productivity gains and adverse demographic change, but supported nevertheless by the government investment programme, as well as by continued accommodative borrowing conditions anchored via policies of the European Central Bank. The government headed by Prime Minister Mario Draghi enjoys a robust parliamentary majority, underpinning expectation of continued reform, which, together with increasing public investment expenditure anchored via EUR 192bn of Next Generation EU funding, support the medium-run growth outlook. A strong economic recovery has been also reflected in improvements in government finances, with a deficit for this year expected to fall significantly under initial estimates, although remaining elevated at around 7.5% of gross domestic product (GDP), before further moderation to 5.4% in 2022. Public debt will temporarily revert to a moderately declining trajectory, towards 146% of GDP by 2026 from 156% last year, with however an elevated stock continuing to pose challenges as concerns long-run debt sustainability, especially under a context of normalisation of monetary policies.

3. Special servicer review

3.1. Introduction

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

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 by doValue, 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

doValue is a leading European player in the credit servicing sector, manging around EUR 160bn GBV of assets under management ('AUM'). The serviced exposures are mostly represented by secured receivables (73% in terms of AUM) and are related to NPL exposures (80% of AUM), as of July 2021. doValue services also real estate owned assets, unlikely to pay loans, and early-stage loans for 13%, 5% and 2% of the AUM, respectively.

The company is the largest special servicer in Italy, with around EUR 78bn GBV of AUM. doValue has grown significantly in recent years through mergers and acquisitions: with Italfondiario in 2016, with Altamira (Spanish servicer) in 2019 and with Eurobank FPS (Greek servicer) in June 2020. Listed in the Milan stock exchange, doValue is 27% controlled by funds managed by affiliates of Fortress/SoftBank, 10% by Bain Capital, and around 50% of free float.

3.3. Servicing model

Servicing activities rely on a proprietary credit management system that can interact with the main IT systems adopted by Italian banks for managing non-performing exposures, allowing for a smooth files' on-boarding and data exchange. The servicer has also developed an internal reporting tool that allows the loan manager to regularly monitor collections performance, future projections, loans' legal status, and details of real estate auctions.

Loan managers are organised in teams, supervised by a team leader, and segmented primarily by ticket size (small, medium and large). Large tickets are managed with a tailormade approach and are allocated to senior loan managers. Medium tickets are allocated to loan managers specialised by debtor type (corporate / retail), collateral type (secured / unsecured) and geography. Small tickets are managed by a dedicated unit with a standardised approach and with the support of external specialised operators. Servicing activities are also supported by an external network of lawyers.

After data acquisition and portfolio allocation, the loan manager defines the most suitable resolution strategy based on specific loan and borrower characteristics. First, the loan manager attempts to reach an out-of-court solution with the borrower. The servicer starts a judicial procedure if an agreement with the borrower is not reached and if economically convenient. However, the loan manager continues to pursue an out-of-court solution during the judicial process. Other recovery strategies adopted by the loan managers comprise credit sales, repayment plans and discounted pay-offs.

4. Portfolio characteristics

4.1. Representations and warranties

The securitised pool comprises secured and unsecured Italian NPLs originated and sold by Unicredit S.p.A.

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

i) The seller does not hold or is not able to produce the minimum set of documentation required to initiate a judicial recovery and enforcement procedure for a set of receivables that represent ca. 7% of the portfolio's GBV.

ii) Seller's indemnity obligations do not apply to a set of receivables representing around 25% of the portfolio's GBV, except for the representations ensuring that the receivables are valid for transfer and enforceable. The seller's indemnity obligations will apply to a subset (of the above 25% share) of loans that represent ca. 14% of the portfolio's GBV, in case the seller omitted relevant information to enforce the proceedings or information that would render the documents shared in the virtual data-room materially incorrect or misleading, in accordance with the diligence required to an investor in the market of non-performing receivables.

The provided representations and warranties include the following (as of the transfer date):

- All loans are denominated in euros and governed by Italian law.
- All receivables are valid for transfer without any limitations, free of encumbrances, and enforceable to the extent of their GBV.
- All receivables have been reported as defaulted by the Credit Bureau of the Bank of Italy.
- As of the reference date, all real estate assets secured by first lien voluntary mortgages exist and are located in Italy.
- Each first lien mortgage has the lien indicated in the datatape.
- Bankruptcy proceedings related to bankrupt debtors are ongoing as of the cut-off date, or the relevant distribution plan has become enforceable, or the seller has not been included in the relevant distribution plan.
- Except for otherwise stated in the loan data tape, at the time of disbursement of each loan, the borrower was either an individual resident in Italy or an entity incorporated under the Italian Law.
- Borrowers are not employees of the seller.
- As of the reference date, the information contained in the loan data tape and applicable to each loan, including the real estate asset valuations, reflect the relevant information contained in the Seller's IT system.

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

	All	Senior secured	Junior secured	Unsecured
Number of loans	38,527	7,384	965	30,178
Number of borrowers	11,945			
Gross book value (EUR m)	2,167.6	763.1	115.8	1,288.7
% of gross book value		35.2%	5.3%	59.5%
Cash in court (% of GBV)	0.5%			
Collections since cut-off date (% of GBV)	0.02%			
Collections since reference date (% of GBV)	1.53%			
Weighted average seasoning	4.3	3.0	5.2	5.1
Collateral values (EUR m)		1,188.5	120.7	

Sources: Transaction data tape, Scope Ratings

We adjusted the pool's gross book value using information on collections and sold properties since the reference date. The analysis, which excluded loans we assumed to be closed, accounts for estimated cash-in-court amounting to EUR 11.7m relative to first-lien property value.

These adjustments reduced the portfolio's gross book value from EUR 2,168m to EUR 2,008m. Collections received since the cut-off date will be part of the issuer's available proceeds at the first payment date, while collections received from the reference date and until the cut-off date will be retained by the seller. We assumed cash-in-court would be received within three years after the closing date.

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

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

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

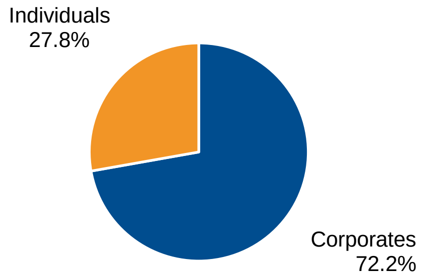


Figure 4: Distribution by loan type (% of GBV)

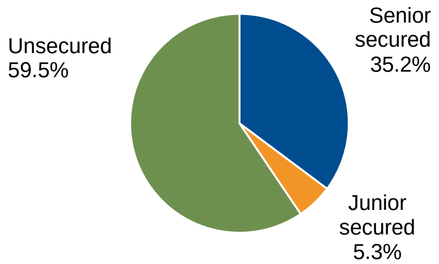


Figure 5: Distribution by recovery procedure (% of GBV)

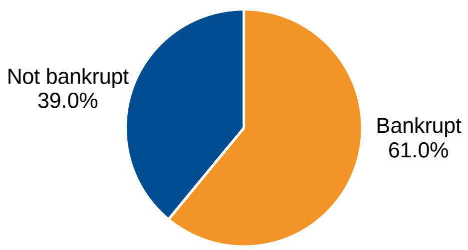


Figure 6: Distribution by recovery stage for secured loans (% of GBV)

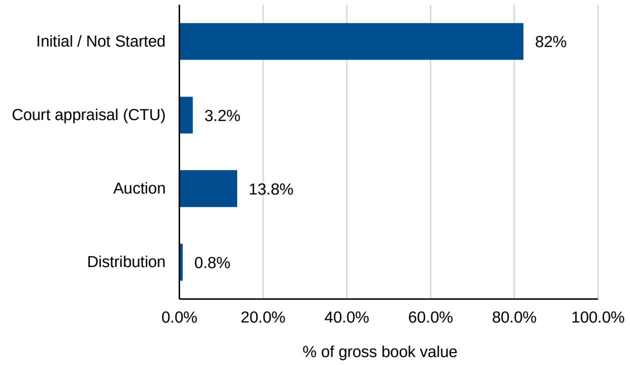


Figure 7: Distribution by court bucket for secured loans (% of GBV)

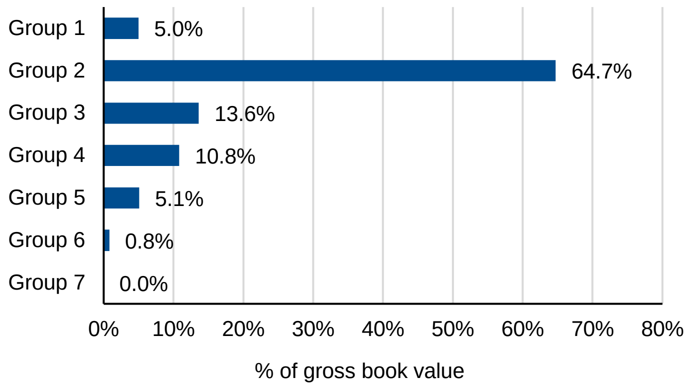


Figure 8: Unsecured and junior secured seasoning (% of GBV)

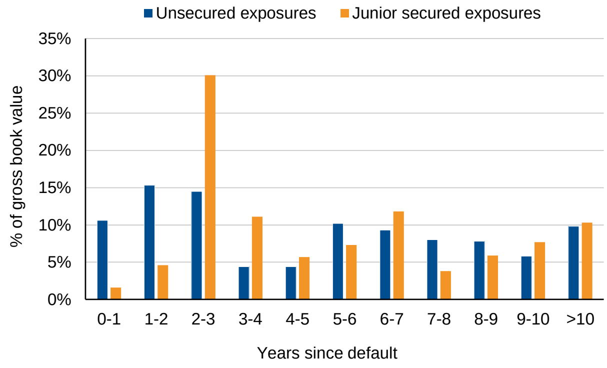


Figure 9: Distribution by collateral type for secured loans (% of appraisal value)

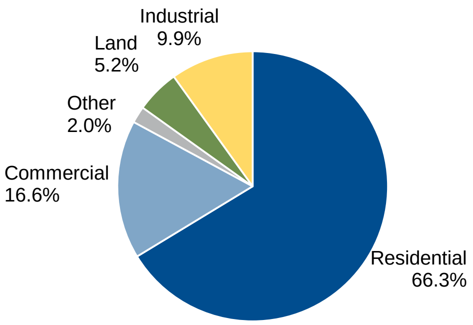


Figure 10: Distribution by valuation type for secured loans (% of appraisal value)

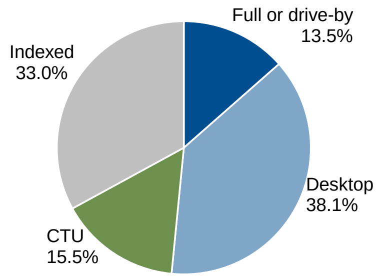


Figure 11: Distribution by collateral location (% of appraisal value)

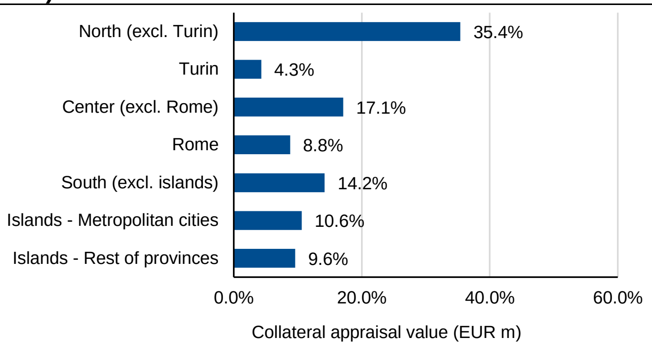
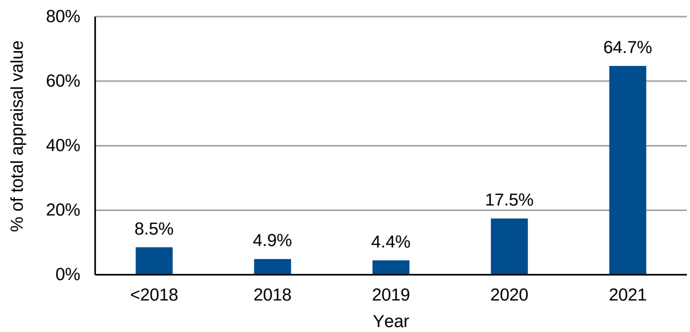


Figure 12: Distribution by valuation date (% of appraisal value)



Sources: transaction data tape, calculations by Scope Ratings

5. Portfolio analysis

Based on 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

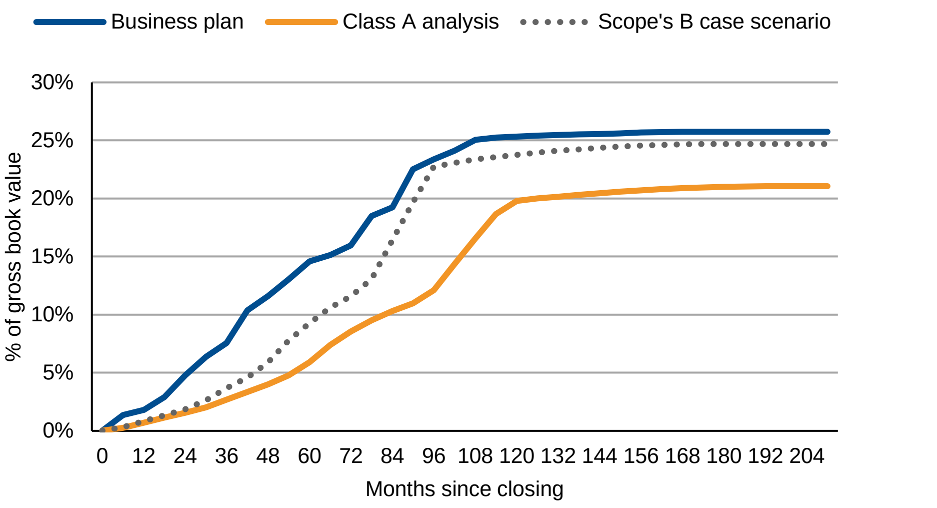
	Class A analysis
Secured recovery rate (% of secured GBV)	49.1
Unsecured recovery rate (% of unsecured GBV)	5.8
Total recovery rate (% of total GBV)	**21.1**
Secured collections, weighted average life (WAL in years)	7.6
Unsecured collections, WAL (years)	4.1
Total collections, WAL (years)	**6.9**

Sources: Transaction data tape, Scope Ratings

Class A recovery rate assumptions are about 18% 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 base case scenario (B case scenario). These assumptions are derived by combining secured and unsecured recovery expectations, together with cash-in-court and ad-interim collections. We only considered cash-in-court and ad-interim collections allocated to specific receivables. Our recovery rate assumptions for the class A notes are 18% below the business plan target. Our calculation of the expected life is longer than the servicer's projections (6.9-year WAL for the class A notes analysis versus 4.9-year WAL in the business plan).

Figure 14: Scope's assumptions[1] vs. business plan's gross cumulative recoveries



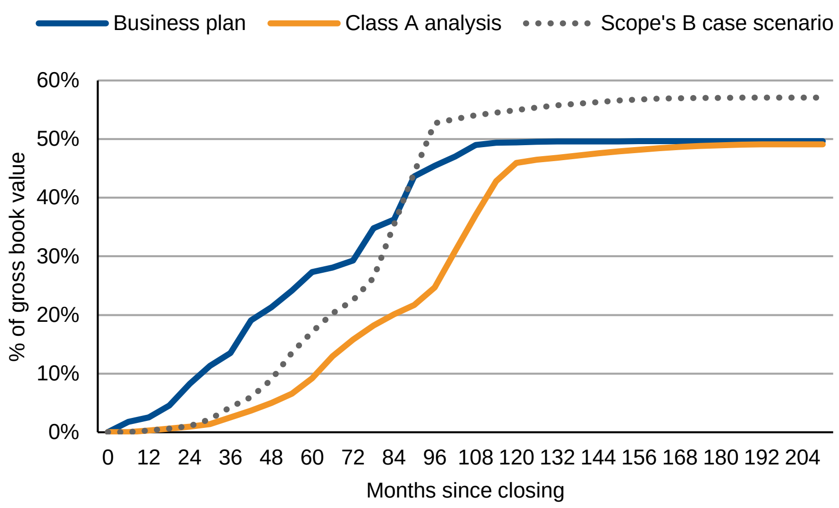
Sources: Servicer business plan, Scope Ratings

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 15: Scope's assumptions[2] vs. business plan's gross cumulative recoveries - secured loans



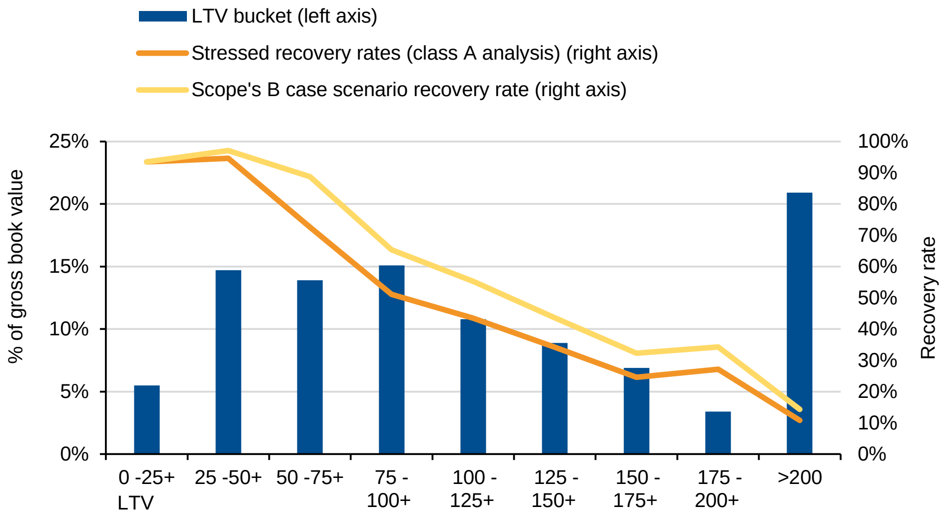
Sources: Servicer business plan, Scope Ratings

[1] Scope's and the servicer's recovery rates are reported on a gross level and include cash-in-court amounts.

[2] Scope's and the servicer's recovery rates are reported on a gross level and include cash-in-court collection amounts. We define secured loans as those guaranteed by at least a first-lien mortgage, based on a loan-by-loan analysis. Business plan secured recoveries are those related to borrowers with at least a first-lien mortgage, as per servicer's classification in the provided business-plan. Therefore, the chart displays Scope's expected collections in relation to a secured portfolio of EUR 763mn,

Figure 16 shows the secured loans' distribution by LTV bucket as well as our recovery rate assumptions for each LTV bucket under our rating-conditional stresses applied for class A notes and our B case scenario. The portfolio's share of under-collateralised secured exposures is material, as 51% of the loans has an LTV above 100%.

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



Sources: Transaction data tape, calculation by Scope Ratings

5.1.1. Appraisal analysis

Appraisal type haircuts range between 10% and 30% for the class A analysis

We applied rating-conditional haircuts ranging from 10% to 30% for the class A analysis, reflecting our view on the quality and accuracy of the underlying appraisals. Full or drive-by valuations are generally more accurate than desktop or CTU valuations.

Figure 17: Scope's transaction-specific valuation haircuts

Valuation type	% of secured collateral value	Class A analysis haircut
Drive-by and full	13.5%	-
Desktop	38.1%	20%
CTU	15.5%	10%
Indexed	33.0%	30%

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.

resulting from Scope's loan-by-loan classification of the exposures. The chart displays servicer's expected collections in relation to a secured portfolio of EUR 955mn, resulting from servicer's borrower-by-borrower classification of the exposures.

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

	North						Centre			South			Islands	
Region	Milan	Turin	Genoa	Bologna	Venice	Others	Rome	Florence	Others	Naples	Bari	Others	Metropolitan cities	Rest of provinces
Class A analysis	-10%	-10%	-10%	-8%	-10%	-11%	-16%	-13%	-14%	-12%	-11%	-14%	-12%	-14%
Portfolio distribution (%)	3.4	4.3	0.7	1.1	0.9	29.3	8.8	0.8	16.2	3.8	1.2	9.2	10.6	9.6

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

5.1.3. Collateral liquidity risk

Fire-sale discounts range between 30% and 40% 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	66.3%	30%
Non-residential	33.7%	35%-40%

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

5.1.4. Concentration risk

The portfolio concentration is higher than average : the largest 10 and 100 borrowers account for 13.8% and 30.9% of the portfolio's GBV, respectively. We addressed borrower concentration risk by applying a 65.0% rating-conditional recovery haircut to the 20 largest borrowers for the class A notes analysis.

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 2019 (Figure 20). We applied rating-conditional timing stresses to bankruptcy and non-bankruptcy procedures: 2.7 years and 1.4 year were respectively added to the total legal procedures' length for the class A analysis.

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

Court group	Bankruptcy proceedings	Non-bankruptcy proceedings	Percentage of courts**
1	4	2	5.0%
2	6	3	64.7%
3	8	4	13.6%
4	10	5	10.8%
5	12	6	5.1%
6	14	7	0.8%
7	18	9	0.0%

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

5.2. Analysis of unsecured portfolio segment

Unsecured portfolio analysis is based on statistical data

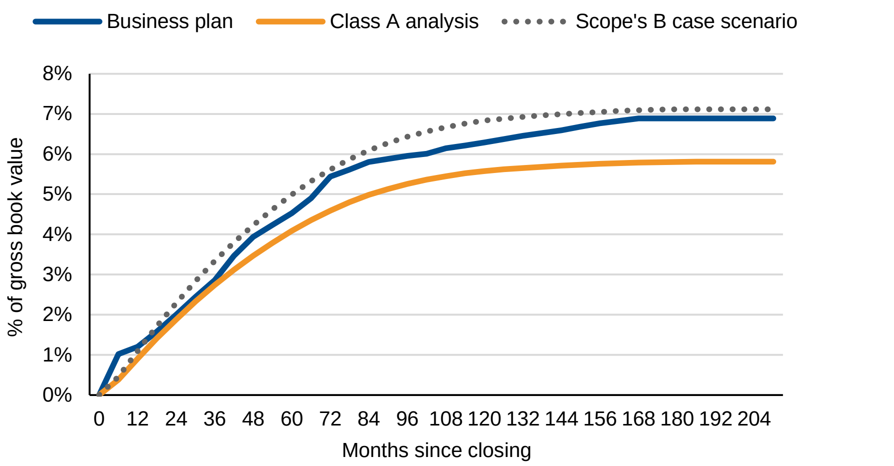
Our unsecured recovery assumptions are primarily based on market-wide historical data on unsecured recovery rates. We also factor in servicer-specific historical recovery data, as well as our view on the quality of the servicer's recovery procedures.

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 aligned market average

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

Figure 21: Scope's assumptions[3] vs. business plan's recoveries – unsecured loans



Sources: Servicer's business plan, Scope Ratings

[3] Scope's and the servicer's recovery rates are reported on a gross level. 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. Therefore, the

6. Key structural features

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

Class A will pay a floating rate indexed to six-month Euribor plus a margin of 1.5%. Class B will pay a floating rate indexed to six-month Euribor plus a margin of 9.5%. The Euribor component for class A and class B notes is capped at certain levels until July 2034. The difference between the class B Euribor interests amount and the class B capped Euribor interest amounts will be paid upon full amortisation of class A notes.

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

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

6.1. Combined priority of payments

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

Figure 22: Simplified priority of payments and available funds

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

chart displays Scope's expected collections in relation to an unsecured portfolio of EUR 1,404mn, resulting from Scope's loan-by-loan classification of the exposures. The chart displays servicer's expected collections in relation to an unsecured portfolio of EUR 1,212mn, resulting from servicer's borrower-by-borrower classification of the exposures.

* Euribor component is capped until July 2034.
**Inclusive of the difference between the Euribor class B interests and the capped Euribor class B interests, matured from the issuance date until the current interest payment date.

Sources: Transaction documents and Scope Ratings

6.2. Interest subordination events

Class B interest subordination event is aligned with the GACS requirements

The occurrence of an interest subordination event results in class B interest being paid under item 14 of the waterfall above. An interest subordination event occurs if i) the cumulative net collection ratio[4] (CCR) falls below 90% of the servicer's business plan targets; ii) the NPV cumulative profitability ratio[5] (NPVPR) falls below 90%; or iii) any due amount of class A interest is unpaid.

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

1. If, on a subsequent payment date, the CCR is between 90% and 100%, class B interest accruing on that payment date will be payable senior to the class A principal repayment.
2. If, on a subsequent payment date, the CCR returns to 100% or above, all due and unpaid class B interest is paid senior to class A principal under item 12 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 servicer's fees with the portfolio's performance, mitigating potential conflicts of interest between the servicer and the noteholders.

The special servicer will be entitled to a performance fee. The exact level of fees is subject to the debtor type and GBV size: secured borrowers (borrowers with at least one loan guaranteed by a first lien mortgage and as per the business plan definition) bear lower performance fees compared to unsecured borrowers. Considering the portfolio composition, we assumed an average performance fee of 8% and 11% for secured and unsecured loan exposures[6], respectively.

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

The occurrence of a servicer underperformance event results in 20% up to 35% of servicer performance fees being subordinated to class A principal payments. This portion is paid under items 15 and 17 of the above simplified priority of payments, as mezzanine or junior servicing fees, respectively. A servicer underperformance event occurs if the CCR or the NPVPR fall below 90%.

An underperformance event is curable if on any subsequent payment date, the CCR and NPVR return above 90%, respectively. If, on any subsequent payment date, the CCR returns above 100%, all mezzanine and junior servicer fees accrued and unpaid in previous periods will be paid junior to the limited recourse loan principal repayment, under item 11 of the simplified priority of payments.

[4] '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 reference date.

[5] '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.

[6] As per Scope's definition.

6.3.2. Special servicer monitoring

Monitoring function protects noteholders' interests

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

The 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 perform controls based on a random sample of loans.

The monitoring agent will report to a committee that represents the interests of both junior and mezzanine noteholders. The committee can authorise the revocation and replacement of the 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. The Representative of the Noteholders, responsible for implementing the decisions of the committee, shall be consulted when envisaged by the transaction's documents.

6.3.3. Servicer termination events

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

A special servicer termination event includes i) insolvency; ii) failure to pay any amount due to the issuer within two business days from the collection reconciliation date, iii) an unremedied breach of obligations that is not remediated within 15 business days from the request of fulfilment sent by the issuer, iv) an unremedied breach of representation and warranties; v) loss of legal eligibility to perform obligations under the servicing agreement; vi) the CCR being below 80% on six consecutive interest payment dates, 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.

The back-up servicer facilitator will step in the event of a master or special servicer termination event. This partially mitigates servicers' disruption risk.

6.4. Liquidity protection

Cash reserve provides liquidity protection to class A notes

A cash reserve will be funded at closing with a limited recourse loan originated by Unicredit Bank AG - Milan Branch, bearing an interest of six-month Euribor plus 3.5%, floored at 0%. The initial cash reserve amounts to EUR 13.05m, its target amount at each payment date will be equal to 5.0% of the total outstanding balance of the class A notes, with a floor of EUR 1m.

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

6.5. Interest rate hedge

Due to the non-performing nature of the securitised portfolio, the issuer will receive irregular cash flows and the collections will not be linked to any defined interest rate. On the liability side, the issuer will pay a floating coupon on the senior notes, defined as six-month Euribor plus a 1.5% margin.

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

An interest rate cap spread partially mitigates the risk of increased liabilities on the class A notes due to a rise in Euribor (Figure 23). The base rate on the class A notes will be capped with an upper bound rate ranging from 3.1% at the issue date to 4.95% in July 2034, while it will be floored with a lower bound rate ranging from 0.1% at the issue date to 1.95% in July 2034. Under the cap spread agreement, the issuer receives the difference, if positive, between six-month Euribor and the lower bound rate and pays the difference, if positive, between six-month Euribor and the upper bound rate, following a pre-defined notional schedule**.** In addition, a cap is embedded in the class A and class B Euribor components, aligned with the upper bound strike of the cap spread, until July 2034. The difference between the class B Euribor component and the class B capped Euribor component will be paid upon class A notes amortisation.

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

Figure 23: Interest rate cap spread on class A notes

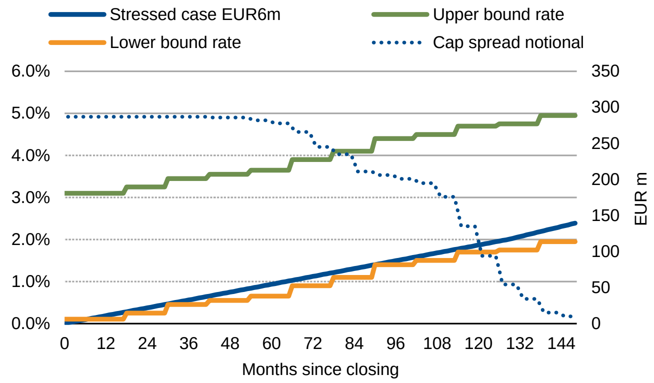
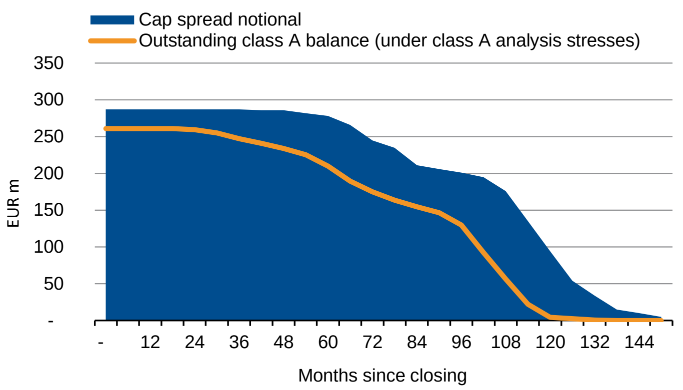


Figure 24: Interest rate cap spread notional vs outstanding class A notes



Sources: Transaction documents, Bloomberg and Scope Ratings

6.6. ReoCo structure

The transaction foresees the option, upon request of the mezzanine and junior noteholders, to activate the involvement of a Real Estate Operating Company ('ReoCo'). If so, the Issuer has undertaken to notify and provide adequate information to the rating agencies and the GACS guarantor.

7. Cash flow analysis and rating stability

Our cash flow analysis considers the structural features of the transaction

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

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

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

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

No mechanistic cap linked to sovereign risk

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

9. Counterparty risk

Counterparty risk does not limit the transaction's rating

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

The transaction is mainly exposed to counterparty risk from the following counterparties: i) Unicredit S.p.A. as originator, seller and representations and warranties provider; ii) Unicredit Bank AG, Milan Branch as limited recourse loan provider; iii) Italfondiario S.p.A. as master servicer; iv) doValue S.p.A. as special servicer; v) Banca Finanziaria Internazionale S.p.A. as corporate servicer, back-up servicer facilitator, noteholders' representative, monitoring and calculation agent; vi) BNP Paribas Securitise Services, Milan Branch as principal paying agent and account bank; vii) UniCredit Bank AG as cap counterparty.

9.1. Servicer disruption risk

Back-up facilitator arrangements mitigate servicing disruption risk

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

The absence of a back-up master servicer slightly weakens the mitigation of the servicer disruption risk in comparison with other transactions foreseeing a back-up master servicer. The back-up servicer facilitator exclusively provides consulting services to the issuer (obbligazione di mezzi); its duties are limited to the identification of at least two eligible entities as substitute of the servicer. The back-up servicer facilitator shall use its best efforts to select an entity to be appointed within five months from the servicer's termination notice.

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 into the collection account within fifteen business days from the payment reconciliation date, if the payments are received within one year from the transfer date or promptly after payments' reconciliation if the payments are received afterwards and for an amount equal to 95% of the received collection. The timeline for the collections' transfer (with reference to the payments performed by the debtors in favour of the originator) for the first year after the transfer date, is longer than the average of peer transactions rated by Scope. The transfer of collections, if they are received by the originator at least one year after the transfer date, envisages that 5% of the proceeds' value is deducted from the transfer as seller's indemnity. 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 value by more than 25% and the issuer cannot prove it was unaware of the originator's insolvency, or

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

9.3. Enforcement of representations and warranties

Representations and warranties limited in time and amount

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

However, the above-mentioned representations and warranties are only enforceable by the issuer within 18 months from the issue date. The total indemnity amount is payable only if its aggregate value exceeds EUR 500,000; it is capped at 15% of the portfolio's purchase price. The cap level is below the average of peer transactions rated by Scope. Furthermore, indemnity amounts will be payable only if they exceed EUR 1,000 on a single-loss basis.

10. Legal structure

10.1. Legal framework

Transaction documents governed by Italian and English Law

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

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

10.2. Use of legal opinions

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

11. Monitoring

Ongoing rating monitoring

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

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

12. Applied methodology

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

Appendix I – Deal comparison

Transaction	OLYMPIA SPV Srl	Aporti	Palatino SPV	Aurelia SPV Srl	Ifis NPL 2021-1 SPV	Relais	Iseo SPV	Prisma
Closing	Nov-21	Jun-21	Jun-21	Jun-21	Mar-21	Dec-20	Dec-19	Oct-19
GACS	Yes	No	No	Yes	No	Yes	Yes	Yes
Originators/Sellers	Unicredit SpA	illimity Bank	6+ Italian Banks	Banco BPM SpA	Ifis NPL Investing	UCG Leasing	UBI Banca	Unicredit
Master servicer	Italfondiario	Prelios	Credito Fondiario	Credito Fondiario	Ifis Servicing	Italfondiario	Italfondiario	Italfondiario
Special servicer	doValue	Prelios	Credito Fondiario	Credito Fondiario Liberty	Ifis Servicing	doValue	doValue	doValue
General portfolio attributes								
Gross book value (EUR m)	2,168	356	865	1,510	1,323	1,583	857	6,057
Number of borrowers	11,945	424	2,188	3,304	47,127	2,335	6,401	52,419
Number of loans	38,527	2,043	5,559	10,411	69,384	3,006	8,373	137,813
WA seasoning (years)*	4.3	5.6	7.7	2.2	7.0	5.8	3.5	5.3
WA seasoning (years) - unsecured portfolio*	5.1	6.7	6.5	2.1	4.0	7.0	4.6	6.8
WA LTV buckets (% or secured portfolio)								
bucket [0-25]	5.5	2.5	3	2.6	3.4	0.3	1.4	3
bucket [25-50]	14.7	19.2	6.2	9.6	4.5	2.5	5.4	8
bucket [50-75]	13.9	11.4	7.9	15.3	7.3	7.9	10.4	13.2
bucket [75-100]	15.1	8.7	7.3	25.3	7.5	14.4	15.8	15
bucket [100-125]	10.8	10.3	7.4	14.1	5.1	16.6	17.7	12.7
bucket [125-150]	8.9	5.5	7.8	8.4	5.2	14.7	15.7	10.6
bucket [150-175]	6.9	0.9	6.2	6	5.6	12.1	10.3	8.5
bucket [175-200]	3.4	3.5	5.5	2.2	4.4	7.4	7.2	6.3
bucket > 200	20.9	37.9	48.7	16.4	57	24	16.1	22.8
Cash in court (% of total GBV)	0.5	1.4	1.4	0.4	1.3	1.5	1.6	1.8
Loan types (% of total GBV)								
Secured first-lien	35.2	68.5	81.0	44.3	30.3	86.5	92.2	64
Secured junior-lien	5.3	4.5	5.8	6.0	0.4	0.0	3.3	0.4
Unsecured	59.5	27.0	13.3	49.7	69.3	13.5	4.5	35.7
Syndicated loans	3.5	8.4	6.9	0.8	1.5	7.1	0	0
Debtors (% of total GBV)								
Individuals	27.8	5.6	27.3	14.6	80	0.8	100	100
Corporates or SMEs	72.2	94.4	72.7	85.4	20	99.2	0	0
Procedure type (% of total GBV)								
Bankrupt	62.0	47.9	44.5	29.1	15.6	36.0	0.9	0.7
Non-bankrupt	28.0	52.1	55.5	70.9	84.4	64.0	99.1	99.3
Borrower concentration (% of GBV)								
Top 10	13.8	35.9	19.8	14.6	5.1	9.3	1.7	0.4
Top 100	30.9	77.9	54.6	39.8	14.9	36.9	7.4	1.7
Collateral distr. (% of appraisal val.)								
North	38.9	46.7	56.6	70.5	18.3	49.2	50.7	37.1
Centre	24.4	20.6	21.2	21.5	13.3	23.4	21.1	24.2
South	36.7	32.7	22.2	8.1	68.4	27.4	28.2	38.6
Collateral type (% of appraisal val.)								
Residential	66.3	32.7	60.5	42.6	60.8	2.6	94.8	90.1
Commercial	16.6	28.5	16.4	27.8	6.6	56.4	1.6	4.5
Industrial	9.9	18.1	7.6	14.1	16.7	36.4	2.1	0
Land	5.2	9.6	10.1	8	9.3	1.2	0.7	1
Other or unknown	2.0	11.1	5.4	7.5	6.6	3.4	0.7	4.4
Valuation type (% of appraisal val.)								
Full or drive-by	13.5	0.6	5.6	27.3	31	29.6	0	0
Desktop	38.1	26.3	37	67.3	51.3	68.1	71.1	0
CTU	15.5	24	10.9	5.4	0	0.0	28.2	29.7
Other	32.9	49.1	46.5	0	17.7	2.3	0.7	70.3
Secured ptf proc. stage (% of GBV)								
Initial	82.2	78.9	70.4	77.4	37.5	NA	64.4	50.9
CTU	3.2	3.1	8.5	5.1	14.2	NA	9.6	22.8
Auction	13.8	17.5	16.2	13.9	33.7	NA	19.9	22.1
Distribution	0.8	0.5	4.9	3.7	14.6	NA	6.1	4.3
Summary of assumptions (BBB rating conditional stress)								
Remaining lifetime recovery rate (%)								
Secured (=net LTV after all stresses)	49.1	39.8	28.2	54.1	20.5	48.6	54.7	46.2
Unsecured	5.8	4.4	4.3	13.8	50.6	17.9	16.5	1.4
Total	21.1	28.6	11.3	31.6	41.5	44.4	52.4	31.8
Weighted average life of collections (yrs)								
Secured	7.6	7.7	7.3	7.0	6.3	5.0	5.4	5.6
Unsecured	4.1	3.1	2.9	4.0	5.4	12.6	4.8	3.2
Total	6.9	7.1	3.0	6.3	5.6	5.4	5.4	5.4
Structural features								
Liquidity reserve (% of class A notes)	5.0	4.5	4.5	4.5	4.5	7.5	4	4
Class A Euribor cap strike	0.1%-4.95%	0%-1%	0.09%-3.0%	0.0%-3.0%	0.2%-3.0%	0.5%-1.7%	0.3%-1.25%	0.2%-1.25%
Class A								
% of GBV	12.0	18.2	15.6	22.7	27.6	29.4	39.1	20
Credit enhancement	88.0	81.0	84.4	77.3	72.4	70.6	60.9	80
Class B								
% of GBV	1.2	2.7	2.7	2.7	5.6	5.75	2.9	1.3
Credit enhancement	86.8	78.4	81.7	74.7	66.8	64.8	58	78.7
Final rating at closing								
Class A	BBB	BBB	BBB	BBB	A-	BBB	BBB	BBB+
Class B	NR	NR	NR	NR	B+	NR	NR	B-

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

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