LUISS

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Chair of Real Estate Finance

Securitization in Real Estate: The *Relais* case

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1. Introduction to Real Estate market

Real estate market is a modern used to describe all that is land or affixed to it, the mains objects of real estate are buildings, fences, all the things that are affixed to buildings, like heating systems, plumping systems ore light fixtures.

All the other properties that are not affixed regards personal properties, like furniture and draperies.

The majors' activities in the real estate market are development, construction, sale and lease all regulated by laws. The main types of houses in real estate market are commercial and residential. The first one is developed to sale and lease properties for business purposes, the second one involves the sale and rental of lands and houses to individual and families for daily living.

The main assumptions in this market are:

- Less liquidity
- Less transparency
- Default of standardization

This because the number of the Vendor and Buyer is less than in other market.

The assets are considered as a cover, and this explain recurrent tendency in the market and is a counter-cyclical market compared to the stock one.

The real estate assets claim can support different requirements like residential housing, industrial's production, management of private or collective savings and shelter against oversaturation.

Another difference of the real estate market from the others market is that there is a high exposure to market locality and this cause lack in equality of information for the investors bringing to a market advantage for local investors.

1.1.The main factors that influence the real estate market:

- Demographics are data that describes the composition of population like age, race, gender, income, migration patterns and growth. This statics affects a lot of real estate and the properties that are in demand. The majors shift in demographic of nation can have a large impact on real estate trends for several decades.
- Interest rates impacts on the real estate market, changes in interest rates can change the possibility of a person to purchase an asset in real estate market. With increase in interest rate the cost to have a mortgage will be higher and so the investors or a buyer might could has more difficulties in buy an asset, at the opposite a decrease in interest rate will affect positively the cost of real estate assets making more accessible the use of a mortgage.
- Economy, in particular, overall health of people, indicators like GDP, employment data, manufacturing activity and price of goods. What happen in economy is totally reflected in real estate market, but with the different effect caused by a change in time.
- Government policies and subsidies, the legislation is a factor that can affects seriously the real estate market in terms of demand and price, subsidies, tax credits and deductions are some of the ways that

government can use to boost request of assets in real estate.

The asset class known as Real Estate is universally recognised for its contribution to develop economy and society, given the demand and the high contribution of the Real Estate sector and buildings to the overall functioning of a modern economy.

The buildings in fact generate a building asset, public or private, while the Real Estate service industry generate the services necessaries at the growth and the develop of the sector to answer the changed needs of the system.

In this context the Real estate industry has a relevance in the modern economy of services because allow the meet of demand and supply generating the conditions for a more efficient use of the properties, making the market more clear, transparent, and open. This industry promotes the capital inflow in the sector, the technology and the financialisaton of the sector.

In this view the Real Estate industry does an extremely productive work necessary in a dynamic economy open at the innovation and brim to quality.

In this changing economy appear as relevant the role played by the modern Real Estate industry, that is qualified as an industry of services, and as part of this industry in the lasts years had a great expansion, an expansion that was a line between the industrial economies and the economies of services.

The innovation that recently were integrated in the Real Estate growth are described below:

- Asset and property management
- Agency
- Facility
- Project management
- Revenue management

The boarders of this new sector are not clearly defined but, in this industry, its important include, this is a different from others industries, linked and related activities as legal, planning, and consultancy services.

1.2.The Italian Real Estate market

Italy is characterized by direct ownership of the assets compared to other OECD Country is not true only for residential destination,

In the lasts three decades Italy has followed the Anglo-Saxons and the mature markets (UK, USA, Germany), was an introduction of new kind of vehicles:

- Real estate funds
- Securitization
- Listed Estate Investment Trust

The order is not random is a chronological order, from 1994 to 2007.

In Italy there was also the launch of innovative type of assets already developed in the mature markets, like shopping malls, entertainment centres, logistic complexes.

In the last decade there was an increase in integration between stock market and real estate market, the properties were not sell by they considering their architectural value but evaluate and sell considering their capacity to produce cash flow.

The real estate asset can be securitized in financial titles representing the financial and economic value.

This market considers differences in which we can classify the assets:

- For residential activities
- For industrial activities
- For retail activities
- For offices activities
- For receptive activities

This classification is important not only to general economic valuation but also for estimate evaluations, a special category for market is the "land".

These are the segmentation that real estate market could have:

By destination	**By location**	**By availability**	**By state of repair**	**By ownership**
Residential	Luxury	Vacant	New	Free hold
Retail	Central, CBD	Occupied	Used	Lease hold
Industrial	Semi-central	Leased	Refurbished	
Offices	Periphery		To be refurbished	
Logistics				
Hotels				
Health Services				

The real estate market as others markets as different phases, caused by the economic cycles. In order to succeed in Real Estate market any investors must know and understand the principles of the economic cycle. Using the classification of real estate market by destination the phases in which the assets are could be different.

These are the main phases of the Real Estate market:

- **Recovery**, there is decrease in vacancy rate, low rate of new construction a moderate space absorption, not a high employment growth and a negligible rate in rental growth.
- **Expansion**, there is a decrease in vacancy rate, increase in new construction, high absorption, a significant and tangible employment growth and an important rental growth
- **Over supply**, higher vacancy rate than before, significant increase in new construction, negative or low absorption rate, low or moderate employment growth and low rental growth.
- **Recession**, increase in vacancy rate, not significant increase in new construction, low absorption rate

of space, negative employment growth and negative rate of rental growth.

This is a summary of the real estate market phase described as a cyclical market.

The recovery could also be seen as a "Growth" phase that is the initial phase of the market cycle demand exceed the available supply and so the rental start to increase. The annual rents lease continues to increase till reach yield potential of the development activities in the market, and at this point the enterprises begin to consider the possibility of building new units. Also the prices of existing properties begin to rise due to increase the occupancy rate and simultaneously the supply of available space decrease. Managers of real estate can renegotiate rising rent or build new properties.

The expansion could also be seen as the "Maturity" phase there is thriving real estate development stimulated by rents rising. Offer continues to increase until reaches the area of balance or get partial imbalance where supply exceeds available space the application. When this last thing happens the rate of growth of rents start to become slower than before and vacancy rates start a reversal trend.

The oversupply phase could be seen as a "Fall" phase here there is a market peak and then flatten out, Real estates assets are overpriced, who want to get in the market is already in this is why there fewer buyer than the two previous phases. The sellers try to hold without reduce price but this will happen for some of them, in this phase the buyer still thing is a good deal buy although the market conditions don't suggest so.

The recession phase could be considered as the "Crisis" phase, in this period the fees are very low and a no real estate development activity, the offer remains stable and a high excess of space in market. Phase accompanied by limited growth in economy and demand for space. The market reaches the bottom and with the slow increase in demand with a stable supply it reach again the initial.

The far-sighted investors join the market in this period, in fact many real estate portfolios are valued by the market at below the cost of replacement of the underlying properties.

In the Italian Real Estate market not only the language as an Anglo-Saxon origin but also a huge number of players has the same origin. This depends on the internationalization of the market today more open and linked than before thanks the transparency promoted by the best practices imported. The internationalization of the Real Estate industry was accelerated by the low interest rate that have put large amount of capital in search of return.

Other factors that have worked as pros for the internationalization were:

- The consolidation of the EU economic union
- The legal and institutional EU convergence policy

The Real Estate can be considered as one of the main examples of this institutional and legal harmonisation.

The large number of changes has brought to a notably transformation of the sector in both quantitative and qualitive terms. Considering only the changes in terms of employment, and internationalization of the sector in strategic sectors like finance and investment management. The Real Estate is the "silent" strategic partner of public sector in land transformation that promote the urbanistic revolution loosen the rigidity of old regulatory plans.

Considering the market movements in the last years there was an explosion in terms of demand caused by the wealth elevated mobility, while, in supply terms there was the emerging of recoveries of brownfield site, new form of commercial distribution and logistics.

From the 2000s the Real estate sector was one of the main points of interest for the investors, in fact, still nowadays the Real Estate finance represent an interesting investment opportunity given the relevance that the Real Estate asset as in portfolio construction in a modern portfolio view.

Nowadays for private client the main kinds to invest in the Real estate sector are two:

- The direct investment in a property
- The indirect investment in company vehicles, that invest in properties. This type of investment is more appropriate than the direct investment to understand the Real Estate finance.

It's undeniable that the property not used as good of use can be represented as an asset class for its specific attributes in terms of current profitability, capital profitability and in the last decade as emotional profitability, sometimes also in negative terms, because of the strong emotional connotations that characterize this investment. These characteristics, if considered together, are a decisive element are a decisive factor in the preference given to the real estate sector over alternative forms of investment, like stocks, bonds, and commodities.

The main peculiarities that determine the Real Estate investment attribute are:

- The immobility and the consequent strong link with the local economic base
- The uniqueness that is to say the imperfect replicability with other similar properties
- The stability over time of the investment which translates into a long economic life and a consequent need for adequate financial planning
- The low investment turnover and consequent low liquidity
- The limited divisible nature of the investment and the consequent need for large resources
- The long production cycle, which determines the substantial rigidity of supply in the short term
- The high cost and trading time
- The management complexity deriving from the physicality of the asset

The uniqueness characteristics is related to the complexity of property itself. A property varies its characteristics according to the location, price, type, services insist on it, the methods of transfer of ownership, age, image, architectural and urban planning choices. It's not possible find a property equal to another From here derives the segmentation between real estate cannot be done having regard only to the price and location but must take into account the secondary characteristics of the property which become essential elements for a product diversification strategy.

Furthermore, the limited divisibility of real estate entails for direct real estate investments the request for more capital than financial investments, effectively limiting access to this market only to institutional and private investors, effectively precluding access to savers except through mediated forms of investment.

The use of leverage mitigates this characteristic even if the first reflection of the inability to divide assets limits the number of Real Estate investments that can be purchased by an individual investor reducing the possibility of diversification. Since direct real estate investments require large sums of capital, they are the least followed path, as the aggregation of more investors can bring more significant advantages. The characteristics listed above translate into advantages and disadvantages in the evaluation of a Real Estate investment. The benefits can be distinguished between those related to investments and returns produced by Real Estate assets.

Regarding Real Estate investments, the study over time of the evolution of these markets at international level allows us to indicate that:

- They are a source of portfolio risk diversification
- They have risk-adjusted returns
- They are generators of constant cash flows over time,
- They guarantee a hedge against inflation

Regarding Real Estate returns, the observation of the trend of values over time leads to indicate that:

- They are typically high compared to alternative forms of low-risk investment
- They have low correlation with the returns of stocks and bonds
- They can be predicted with reasonable accuracy

The disadvantages of Real Estate investment are linked:

- To the lower liquidity that makes it difficult to rebalance the portfolio
- To the difficulty in determining prices because there are no official quotations of Real Estate
- To the high costs and transaction times required by the need to repress information regarding the supply and demand of the local market both as regards price fees
- The limited divisible nature of the real estate asset
- The heterogeneity and high volume of the minimum investment
- The expenses due to the use of specific skills to determine investment opportunities and for the subsequent physical management of the properties

Some of the disadvantages listed, such as heterogeneity and the high volume of minimum investment required, are circumvented through the use of indirect investment, implemented through the purchase of units in real estate funds or companies; other disadvantages translate into a higher cost of ownership which must be taken into account in the estimation of the risk and therefore in the evaluation of the investment.

However, it must be considered that even considering the high management costs, Real Estate assets are able to offer clear and comparable benefits in terms of risk diversification in a well-differentiated portfolio. Real estate investment by its intrinsic nature ensures a good degree of security, given the low volatility, but also an acceptable degree of diversification given the substantial discrepancy of the real estate sector compared to other economic sectors. It potentially allows a reduction in the risk profile and a strong diversification for investors who want to modify their securities portfolio and orient it in a balanced way.

What has been said about the real estate market translates into the reference market, the real estate market, which in turn has peculiarities that make it unique and that distinguish it from the paradigm of the efficient market.

The real estate market is characterized by:

- small purchases, few subjects buy more than four homes in their lifetime, for this reason the subjects are rarely involved in real estate transfer,

- The importance of purchases: buying a house is, for the average family, the most important investment in life

- The importance of the role of the legislator: the government plays a decisive role in the sector through regulation and regulation

- The geographical limitation due to the specific location of the property and its unmovable, the Real Estate markets are mainly local

The Real Estate transaction is complex and expensive, requiring legal and technical knowledge that is normally not widespread. Finally, sellers and buyers are often misinformed about market trends and this lack of information can spill over into the price paid. Choosing a home is an extremely engaging process consumers search extensively in a temporal and spatial sense, their property, and reiterate the process of search-choice for a long period.

The complexity and duration of buying Real Estate are well-known aspects.

The reality, however, is quite different, the availability of properties is a function of the actions carried out by builders or real estate developers, which determine the range of offer proposed by the market. In addition, the geographical limitation of the buyer and the immovability of the immovable property create additional problems when meeting consumer needs. Even though manufacturers and developers are aware that choices are dominated by primary elements their objective of increasing the profit margin or increasing the marketability of value-added products requires that secondary elements of choice be clearly considered.

With reference to the drivers that condition the evolution of the real estate industry, it is possible to highlight two types of variables:

- Structural factors, of a socio-demographic nature (such as: the increase in migratory flows, the reduction in the average size of households, the process of tertiarization of virtual economies), which provide an indication of the nature of the changes that are taking place in the sector and that are destined to change its structure. These are elements that strongly affect the demand for properties in terms of quantity, type and location and that require a process of redevelopment on the offer available on the market. For example, the trend towards the formation of small households, together with the greater mobility of workers, generates an increase in demand for smaller housing than that traditionally required.

- cyclical factors, of an economic-financial nature (such as the level of interest rates and the dynamics of stock and bond market returns) which identify the macro-economic determinants underlying the current real estate cycle. The interest rate factor, for example, weighs heavily on mortgage demand and the real estate sector, because a reduction in the cost of borrowing facilitates access to the mortgage credit market by of households, pushing up home sales. Similarly, uncertainty in the international economic environment or financial market instability can lead to a reallocation of wealth to less risky assets. In periods of financial turbulence there is usually a shift of capital from the equity sector to Real Estate.

The Real Estate sector also has a significant correlation with:

- The dynamics of the construction market due to the repercussions of construction activity on the production of new units and on the redevelopment of existing assets.

- The development of real estate finance, both to the traditional component, represented by mortgage loans, and the innovative component, consisting with greater importance of real estate funds, securitizations, secured loans on mortgages on real estate and revenues from future sales, or real estate leasing, which significantly influences the share of real estate assets in the investors' portfolio.

The evolution of these sectors has a different impact on the development processes of Real Estate in relation to the specific characteristics of each sector in which the market is segmented. The real estate industry has, in fact, an extremely articulated structure, which primarily reflects the intended use of the buildings.

2. What is a Securitization?

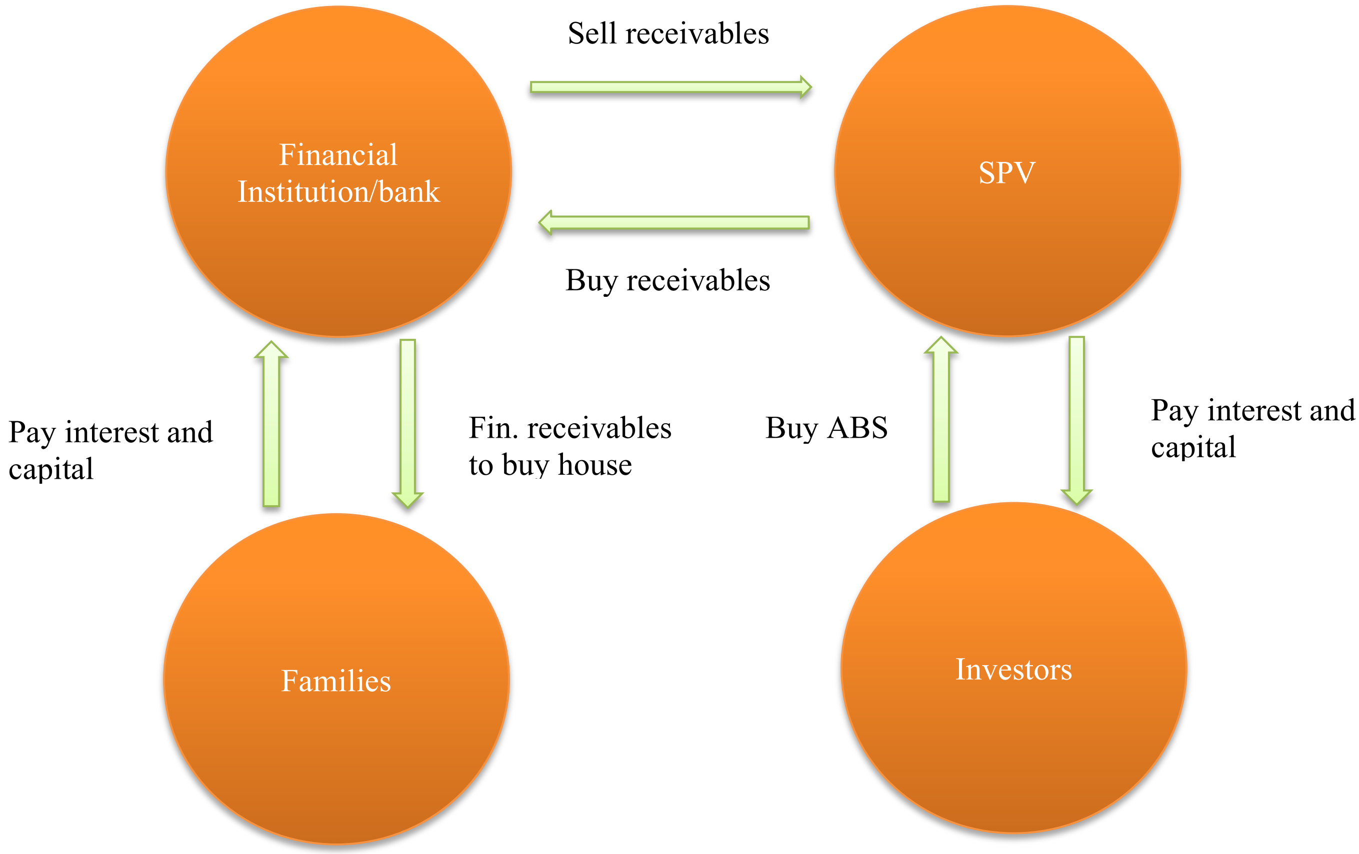
The securitization is a financial technique used to draw additional financial resources that is increasingly widespread in economic and financial landscape. Its diffusion as alternative tool for raising finance and income has grown considerably in the last years in public and private sector.

The securitization of debt technically is a process in which one or more assets indivisible and illiquid is split in divided sellable assets, or in so called asset backed securities ("ABS").

The name of transformation the securitization depends on the underlying assets we can have:

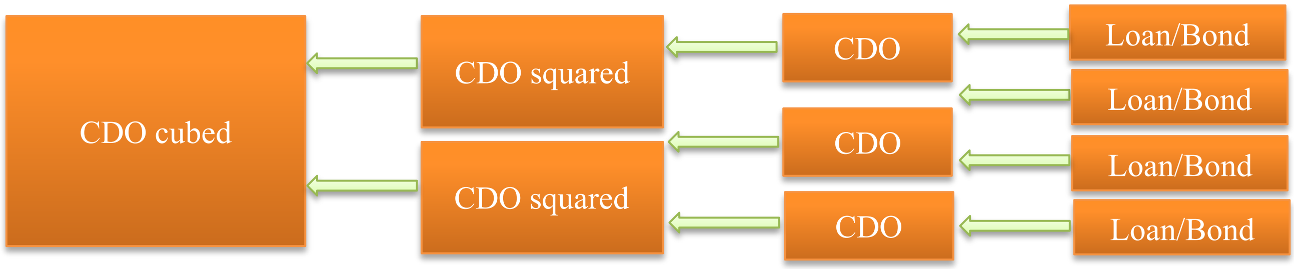
- Mortgage-backed securities ("MBS" the underlying assets are mortgages)
- Collateralized-backed obligation ("CDO" the underlying assets are obligations public or privates)
- Asset backed commercial paper ("ABCP" the underlying assets account receivables in short term)

In practice, the bank or the financial institution cedes the whole amount of these assets to a Special purpose Vehicle ("SPV"), built for the purpose, that outputs obligations (in case of MBS) that places to investors using this income to buy the underlaying of the previous obligations. In this way the risk is totally transferred to the investors because the interests and the capital that mature in the expiration date is totally related to the collection of the mortgages. The payments to the investors depend to the cash flows generated by the account receivables yielded.



Before, subprime crisis there was a global growth in securitization as stated by Consob in its description of securitization: "11 trillion in U.S. and 2 trillion in Europe". After the crisis the reboot was greater in U.S. than Europe where was slower.

The exponential growth of this financial assets was related to the CDO ("Collateralized Debt Obligation") that also become the underlying of the CDO squared. The CDO squared where used by banks to transfer the credit risk that emerge having in their balance sheets the CDO, the SPV packaged the CDO in CDO squared that were sell in tranches to investors in financial markets. The CDO squared were also used as underlying for the CDO cubed.



The securitization was one of the causes that during the financial crisis in 2007 – 2009 has transferred the risk without a direct control, from that moment this financial instrument was no considered so good by legislator, investors, and rulers.

After that was ensured the financial stability also with legislative and rules acts the securitization became, another time, a satisfactory method to transfer risk and in order to grow the banks financial resources destined and the market economy.

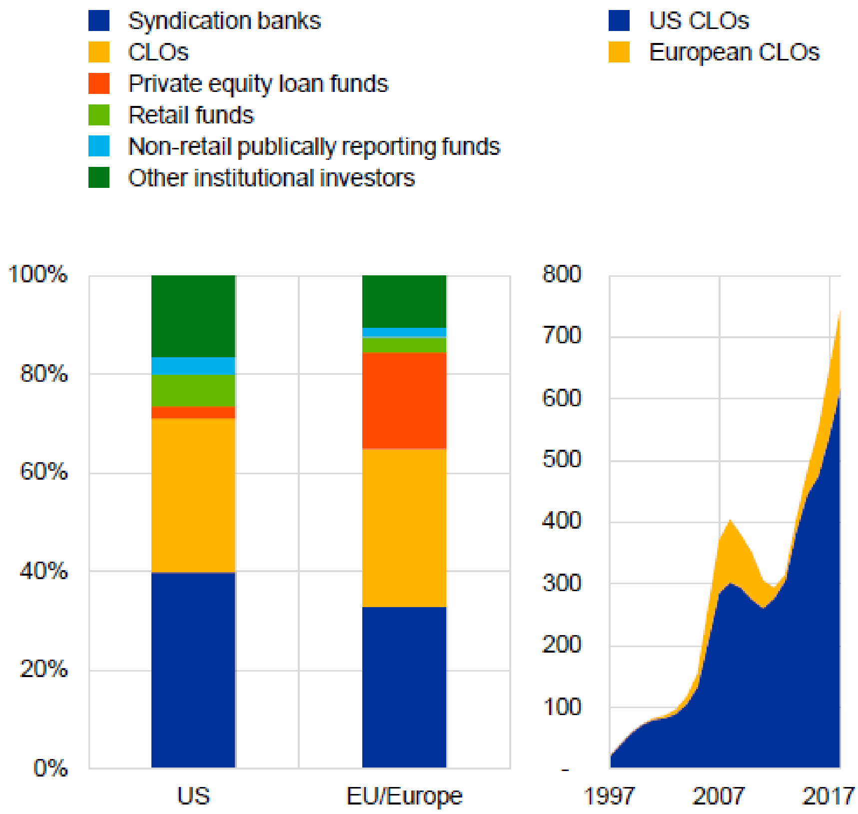


Figure 1 describe the data in banks' balance sheet, figure 2 describe the values in billions of CLOs, source ECB.

The data provided by ECB are from 1997 to 2018 in which there is a clear view of the growing of securitization, in particular, CLOs (Collateralized Loan Obligation) after 2007 growth firstly in U.S. than in Europe. Quoting Guggenheim Investment: "Collateralized Loan Obligations (CLOs) represent a high yielding, scalable, floating-rate investment alternative with a history of stable credit performance".
CLOs use the fund from issuance of debt and equity to buy a portfolio of loans, this kind of securitization include also ABS and its trend could be used as an example that after the more regulations occurred after 2007 – 2009 there was an increase in securitization volumes during last years in western economies.

The SPV must issue at least two class of bonds during a securitization process in compliance with the Italian law: a *senior* and a *junior.*

The *senior* bonds in the future will be paid in priority in line with interest over all other securities issued.

One or more classes of mezzanine notes may also be issued, which may collect interest only after payment of the interest on the senior notes but before the principal of the senior notes is repaid.

Senior notes and mezzanine notes must be issued with floating rate interest. The payment of this interest will be made in arrears quarterly, half-yearly or annually, depending on the residual nominal value of the security at the beginning of the reference interest period.

The repayment of the principal of the senior notes and mezzanine notes before the maturity date will be based on cash flows from recoveries and receipts made in relation to the portfolio of NPLs sold.

The junior class shall be entitled to receive principal repayment, interest payments or other forms of remuneration only after full repayment of the principal of the securities of the other classes.

2.1.The Italian NPE Market

The NPE (Non Performing Exposure) are related to the Real Estate, in fact banks in their books accounts have assets like loan, or participation/ownership in leasing company that at their time have lease exposure in Real Estate lease, this is the case of UniCredit Leasing and so the case of "Relais SPV" project. This factor affects a lot Real Estate market in particular in terms of liquidity of the assets. The assets that are in these accounts despite are non-performing could be used as a warranty for bond emissions increasing the liquidity of the market.

A description of the NPE Market in Italy must be done in order to better understand the conditions that drive the values of Real Estate assets than before, because without these exposures the credit institutions don't have the obligation to use securitization.

2.1.1. Introduction To Italian NPE Market nowadays

To better understand why nowadays securitization in the Italian Real Estate market are in an increasing phase, we must consider the NPE market. The NPE are the non-performing-exposure in banks' balance sheets that sometimes are totally related to Real Estate market because like described before the loan has as a object the purchase of real estate property.

The 2022 was supposed to be the year of normalization and acceleration of the economic growth but after the Russia invasion of Ukraine and the effects caused the inflation growth in all the world. This affects all the forecast about a strong economic recovery in future.

With this more difficult macroeconomic scenario the space for manoeuvres of the regulators in fiscal and monetary policy is lower than before. The banks had still not felt the aid and the support to soften the effects on their performance caused by Covid-19, despite this the pressure of the regulator persist. Revenues are over the level of 2019 in 2021 with a stability in operating efficiency and limited loan loss provision based on lower-than-expected deterioration in loan quality.

Despite this consideration as emerge in the report "The Italian NPE Market" of PWC published in July 2022 "This stability, however, was only apparent", in fact beside the 78 billion of euro of non-performing exposure present in the Italian banks balance sheets in 2022 there were also:

- The number of loans classified as Stage 2, loans that show an increase in credit risk and require at least a close monitoring 222 billion of euro at the end of 2021, 13% of total loan book, versus 144 billion of euro, 10% of total loan book at the end of 2019.

- Over 250 billion of euro in state-guaranteed loans granted between 2020 and 2021, of which 45 billion of euro being without ordinary credit analysis.

- Huge stock of 300 billion of euro NPEs still under management, sold by the banks in recent years in their deleverage process that now are owned by investors.

NPE is a trending topic in all Europe: in March 2022 there were 400 billion of euro NPEs on banking books and over 1800 billion of euro of stage 2 credits in the EU.

The Italian NPE market is still one of the largest in Europe. Despite the deleveraging attempts in recent years, "the Italian banking system still has a "higher" risk profile than other European countries in terms of credit quality (gross NPL ratio 3.0% vs. 1.9 EU average; Stage 2 on total credits 13% vs. 9% EU average in March 2022)" as reported by PWC in The Italian NPE Market report of July 2022.

The market expects an increase in NPE flows up to €70-90bn over the next 2/3 years. However, this estimate is still now speculative since we can expect new government measure to aid the worsening macroeconomic conditions. As already happen in the last two years with the effects generated by the ongoing pandemic.

Banks with these new sizes of NPE flows are now more ready to face this new phase thanks to the sizeable de-risking processes achieved in recent years like a more adequate capitalization of banks than before and improved NPE management strategies.

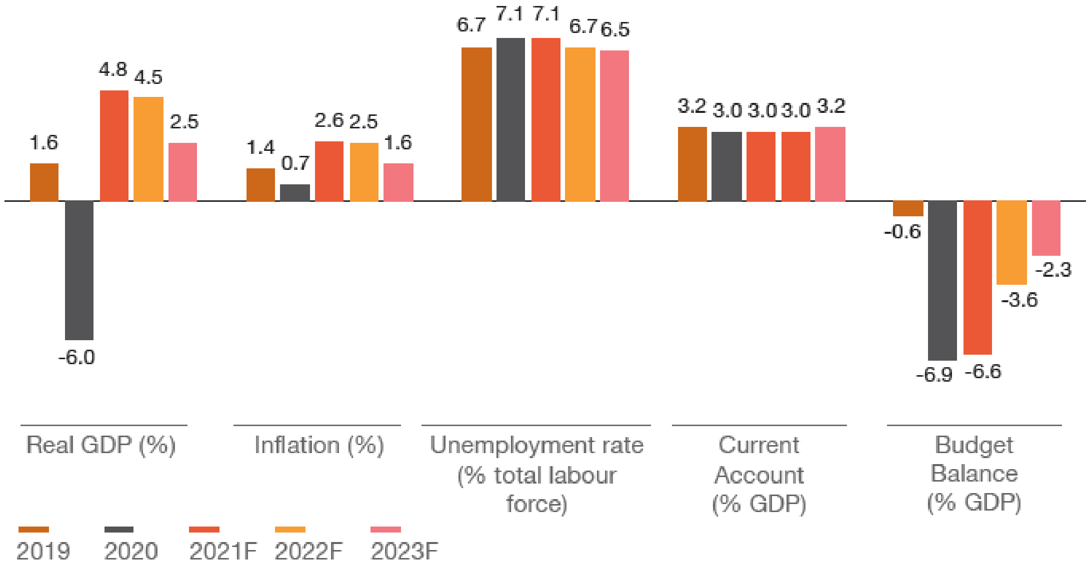
Some banks are already committed to additional NPE disposals, which would had been finalized the third quarter of 2022. This attempt would have alleviated the potential deterioration of the asset quality.
The Italian NPE has nearly 300 billion of euro of UtP and Stage 2 credits. These two assets, mainly done by SMEs, are to be considered in sectors most affected by the latest crisis and the effects of the Covid-19 pandemic.

Considering that these UtP/ Stage 2 loans still have a direct impact on the current economy, they require manage with care banks.
So far, the NPLs recorded in the banking books have been managed in a liquidation or divestiture (with GACS instrument 96 billion of euro of disposals recorded between 2016 and 2021) perspective. As reported in by PWC in "the Italian NPE Market" of July 2022: "Banks will need to pay more attention to a prompt management of past due and will need to develop new skills in the area of "industrial" management for the struggling companies, as well as adopt "more sophisticated" solutions to solve these crises".

2.1.2. NPE market during project "Relais SPV"

This is a brief introduction to nowadays NPE Market in Italy, but what was the situation during the procedures of "Relais SPV" ?

Despite, there was a spreading of COVID-19 during the 2021, that forced governments to build some measures against the increasing contagions, the forecast showed some positive news about the future like the vaccination campaign and the tentative of a relaunch of economy enforced by central banks and regulators in order to reach again the levels of pre-pandemic situation.



PwC analysis on European Commission institutional paper "European Economic Forecast – Autumn 2021". Unemployment rate calculated as a % of total labour force, current account balance and budget balance as a % of GDP. Displayed data and forecasts for the EU refer to the EU27.

This was the macroeconomic situation Europe during the "Relais SPV" project without knowing the consequence that occurred after the Russian invasion of Ukraine.

As described in figure above the COVID-19 pandemic has damaged the European economy causing one of the most difficult time of history. During 2020, in the pick of the pandemic period, Governments had to sustain the economy with measures that are to be considered as indispensable.

The local economic tissue has limited the spread of the virus introducing lockdown restrictions. These measures were focused on:

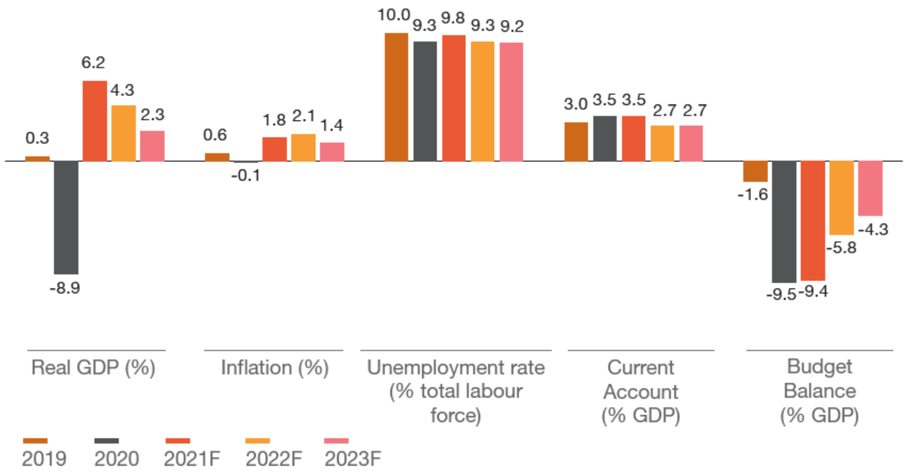
- accommodating monetary policy
- Schemes for workers protection
- guaranteed loans and repayment moratoria

The last measure was fundamental because avoided the collapses of local economic systems to collapse.

Thanks to the COVID-19 vaccine at the end of 2020, the number of people that completed the vaccination cycle during 20 increased (nearly 67% of the EU population was vaccinated at the end of November 2021). In addition, the lower restrictive measures than 2020 has allowed the EU economy to progressive return to normality in the spring/summer of 2021.

There was the expectation of an expansion in EU economy certified by the consistent increase of Real GDP (4,8% is forecasted in 2021) in EU compared to the previous year (-6.0% as of 2020) and by decrease of unemployment rate starting from the beginning of 2022 (as described by the graph above).

As described in the report: "The Italian NPE Market" by PWC in December 2021: "the EU current account surplus, based on last available forecast, it will grow up to 3.2% in 2023, in line with the prepandemic values registered in 2019. The foregoing is in any case subject to potential significant fluctuations due to the current emergency resulting from the pandemic course."



PwC analysis on European Commission institutional paper "European Economic Forecast – Autumn 2021".
Unemployment rate calculated as a % of total labour force, current account balance and budget balance as a % of GDP

There is strict correlation between the macroeconomic factors between Europe and Italy, all the indicators in Italy were higher than Europe, expect for the inflation that was negative in 2020 and in the Euro are was positive.
This was the Macroeconomic situation of Italian NPE Market during the "Relais" project. Despite, these forecasts there were differences in the years after caused by the Russian invasion of Ukraine.

The Italian Real Estate Market during the "Relais" project is described by the chart below:

Asset type	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	H1 2020	H1 2021	Y 2019	Y 2020	Delta (%) - H1 21-20
Residential	117,047	116,174	141,325	183,381	162,258	201,492	233,221	363,750	603,541	557,927	56.0%
Office	1,821	1,812	2,067	3,765	2,744	3,288	3,633	6,032	10,477	9,463	66.0%
Retail	5,918	5,015	6,448	9,581	7,953	9,740	10,933	17,693	31,434	26,961	61.8%
Industrial	1,951	2,069	2,262	4,329	2,803	3,837	4,020	6,640	12,124	10,615	65.2%
Total	**126,737**	**125,070**	**152,102**	**201,056**	**175,758**	**218,357**	**251,807**	**394,115**	**657,576**	**604,966**	**56.5%**
Appurtenances	81,716	84,249	103,117	144,016	124,209	154,898	165,965	279,107	428,390	413,098	68.2%
Other	**11,294**	**10,893**	**15,021**	**20,266**	**16,920**	**35,793**	**22,187**	**52,713**	**62,813**	**57,474**	**137.6%**
Grand Total	**219,747**	**220,212**	**270,240**	**365,338**	**316,887**	**409,048**	**439,959**	**725,935**	**1,148,779**	**1,075,538**	**65.0%**

PwC analysis on Italian IRS data

The 2020 was the year with lowest number of transactions in terms of Real Estate units, but in H1 of 2021 there was a strong increase of the 65% higher than in 2020.
The most significant increase was for office use which grew 66% between 2020 and 2021. Residential transactions, in the H1 of 2021 had an increase of 56% in Italy compared to 2020.

Area	H1 2020	H1 2021	Year 2019	Year 2020	Delta (%) - H1 21-20
North	128,499	198,274	329,396	306,268	54.3%
Center	48,846	75,178	122,995	113,897	53.9%
South	55,876	90,296	151,150	137,762	61.6%
Italy	**233,221**	**363,748**	**603,541**	**557,927**	**56.0%**

PWC analysis on Italian IRS data

The South of the country had the largest increase 61.6%, the second increase in dimension was in the North with 54.3% followed by Center with 53.9%.

NTN H2 2020 Office	H1 2020	H1 2021	Y 2019	Y 2020	Delta (%) - H1 21-20
North	2,264	3,549	6,377	5,729	56.8%
Center	692	1,218	2,089	2,011	76.0%
South	677	1,265	2,011	1,723	86.9%
	3,633	**6,032**	**10,477**	**9,463**	**66.0%**

NTN H2 2020 Retail	H1 2020	H1 2021	Y 2019	Y 2020	Delta (%) - H1 21-20
North	5,233	8,675	15,413	13,036	65.8%
Center	2,578	4,071	7,125	6,147	57.9%
South	3,120	4,946	8,896	7,778	58.5%
	10,931	**17,692**	**31,434**	**26,961**	**61.9%**

NTN H2 2020 Industrial	H1 2020	H1 2021	Y 2019	Y 2020	Delta (%) - H1 21-20
North	2,662	4,276	8,081	7,039	60.6%
Center	669	1,157	2,001	1,799	72.9%
South	689	1,208	2,042	1,777	75.3%
	4,020	**6,641**	**12,124**	**10,615**	**65.2%**
	18,584	**30,365**	**54,035**	**47,039**	**63.4%**

PWC analysis on Italian IRS data

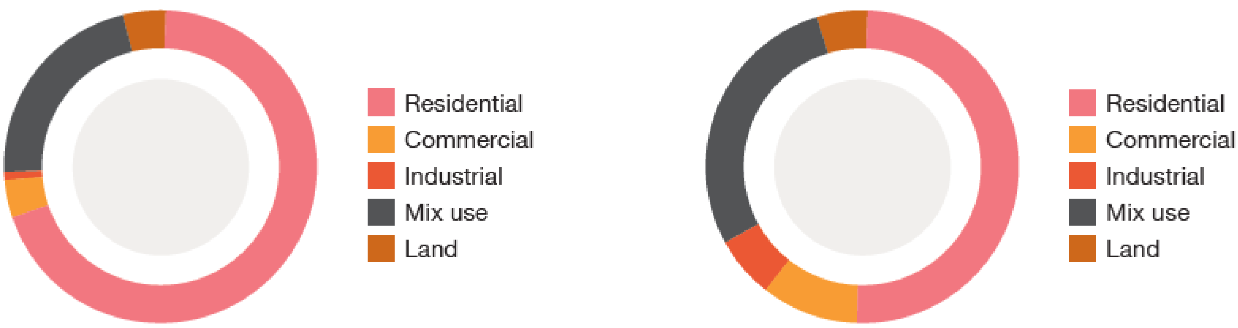
During the first half of 2021, the transactions of nonresidential assets increased significantly in the country, with an average increase of about 63.4% over the first half of the previous year. The office sector in South Italy recorded an extraordinary increase of 86.9%, the highest in the sector.

The Real Estate properties guaranteed by mortgages amount to 808,568 in 2020, where lower the 12.5% than 2019, to which have a monetary value of financing of over 78 billion euros, lower the 13.1% than 2019.

Use	N. of Properties Mortgaged 2020	N. of Properties Mortgaged 2019	Delta (%) Properties Mortgaged Y20-19	% Mortgaged Allocation 2020	Secured Debt 2020 (ml €)	Secured Debt 2019 (ml €)	Delta (%) Secured Debt Y20-19	% Debt Allocation 2020
Residential	559,970	600,215	-6.7%	69.2%	39,325	41,480	-5.2%	50.2%
Commercial	33,384	54,582	-38.8%	4.1%	7,700	12,222	-37.0%	9.9%
Industrial	5,517	7,888	-30.1%	0.7%	5,049	5,036	0.3%	6.4%
Mix Use	**175,820**	**216,297**	**-18.7%**	**21.8%**	**22,162**	**26,249**	**-15.6%**	**28.3%**
Land	**33,877**	**44,943**	**-24.6%**	**4.2%**	**4,099**	**5,191**	**-21.0%**	**5.2%**
Total	**808,568**	**923,925**	**-12.5%**	**100%**	**78,335**	**90,178**	**-13.1%**	**100%**

PWC analysis of IRS data

The analysis of the distribution of mortgaged properties explains that 69.2% of the properties are in residential deeds and for these deeds the financed capital represents almost 2/3 of the total, 39.325 billion euros the 5.2% lower than 2019 (41.480 billion euros).
The mortgage deeds that concern exclusively mixed use, corresponds the highest share of the mortgage sector, in terms of number of properties are equal 21.8% and in terms of financed capital with a share equal to 28.3%.



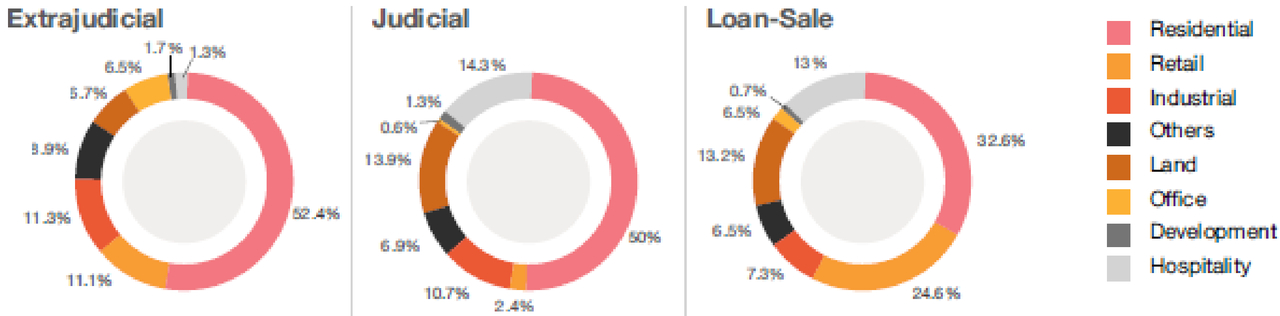
PWC report Italian NPE Market July 2021, first picture described Mortgaged allocation by use, the second the debt allocation be use

The geographical distribution reveals a high concentration, in terms of number of properties, in the northern regions. In a general view of both the number of mortgaged properties and debt capital, there is a decrease in volumes in 2020 other 2019, more significant in the central and southern areas.

Area	N. of Properties Mortgaged 2020	N. of Properties Mortgaged 2019	Delta (%) Properties Mortgaged Y20-19	% Mortgaged Allocation 2020	Secured Debt 2020 (ml €)	Secured Debt 2019 (ml €)	Delta (%) Secured Debt Y20-19	% Debt Allocation 2020
Nord	484,992	542,983	-10.7%	60.0%	44,960	48,280	-6.9%	57.4%
Center	166,791	189,374	-11.9%	20.6%	16,552	20,221	-18.1%	21.1%
South	149,513	176,307	-15.2%	18.5%	13,114	16,666	-21.3%	16.7%
Other	7,272	15,261		0.9%	3,709	5,011		4.7%
Total	**808,568**	**923,925**	**-12.5%**	**100%**	**78,335**	**90,178**	**-13.1%**	**100%**

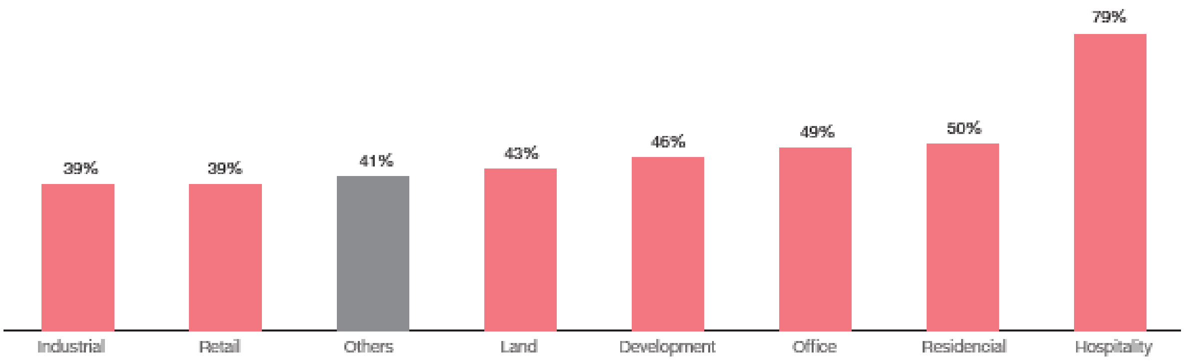
PWC analysis on Italian IRS

After the analysis of the Real Estate market in Italy in terms of quantitative data during the project "Relais" it's important consider a brief focus on closed portfolio during that years in terms of asset class and in terms of way to perform the closure.



PWC report Italian NPE Market July 2021

The charts above show the portfolios closed by the Servicers, taking in consideration the recovery strategies and the recovery rate by asset class.
For the three the recovery strategies, the asset with most volume is the residential one, the one that in closed portfolios appear as the lowest in terms of share in the market is Development.

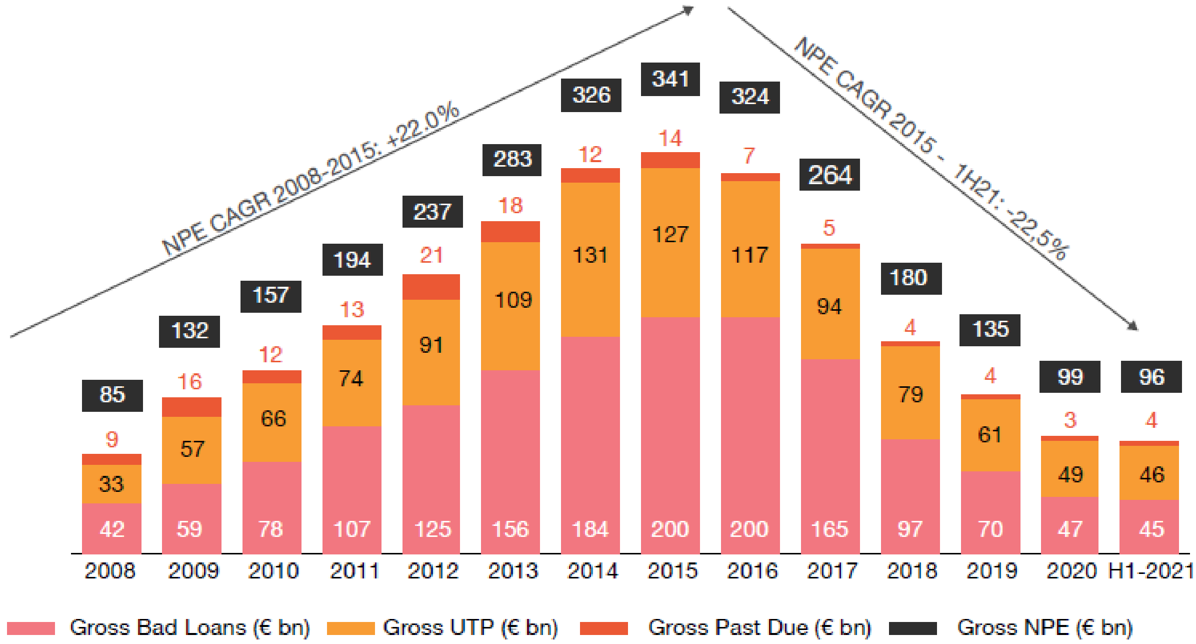


PWC report Italian NPE Market July 2021

Despite the volumes indicates Residential assets as the most present in the closed portfolio in terms of recovery rate by each asset class, Hospitality asset class show the highest performance (79%), followed by Residential (50%), Office (49%) and Development (46%).

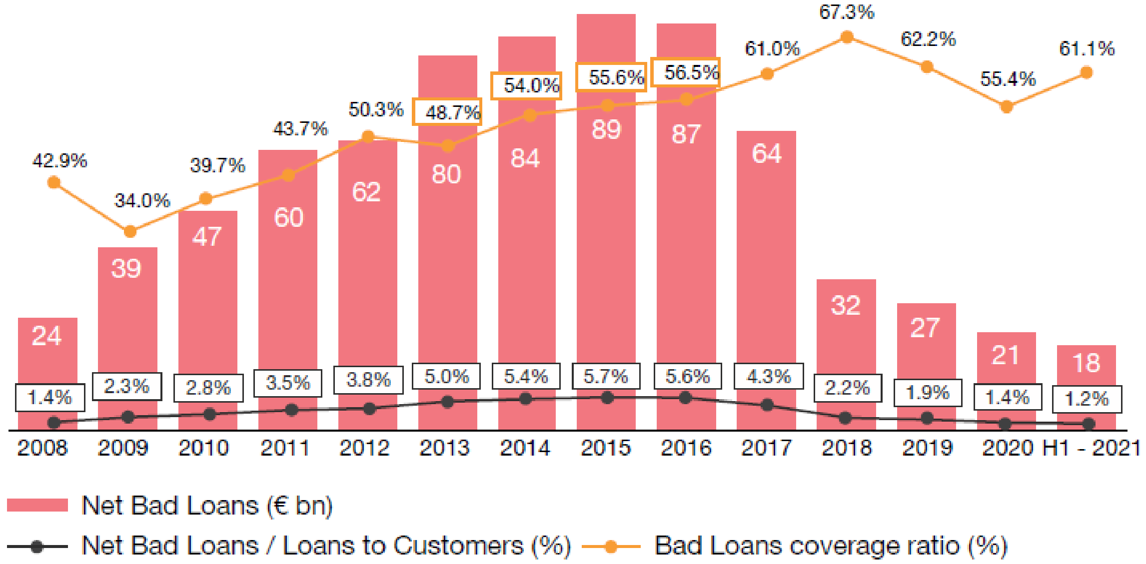
From here we can start to describe the trend of the real NPE market in Italy in which project "Relais" is collocated in Italian country.

After a peak in 2015 of 341 billion euro, the trend continues to decrease, reaching, in the first half of 2021, 96 billion euro. The Gross Bad loans stock follow the same drop, that reached in the first half of 2021 a downward peak 45-billion-euro, lower 2020 of about 2 billion, the lowest since 2008 when it reached 42 billion. For what concern UtPs, a more gradual decline was experienced, from a value of 61billion euro in 2019 to 49 billion euro in 2020 and lastly in the first half of 2021 46 billion euro. From the start of 2021, the Gross UtP stock were higher than the Gross Bad Loans, emphasizing one more time the relevance of those credits for the Italian banking sector. The Gross Past Due has increased from 3 billion in 2020 to 4 billion in first half of 2022, with a return at pre-pandemic level and remaining in line with the recent years trend.
This description of the trend of Italian NPEs' stock is showed in the chart below.



PWC analysis on Banca d'Italia "Banche e istituzioni finanziarie: condizioni e rischiosità del credito per settori e territori", dicembre 2021

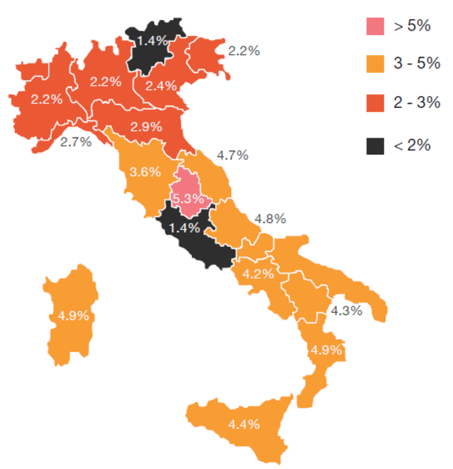
The Net Bad Loans as the same decreasing trend observed for Gross Bad Loans, in 2015 there was a peak of 89 billion euro and then there was a reduction to 18 billion euro in the first half of 2021, 3 billion lower the 2020 reaching the lowest value in the last decade. The Italian banking system followed an upward trend for the Bad Loans coverage ratio in the period from 2008 to 2018 reaching a peak of 67.3% in 2018. In first half of 2021 the coverage ratio increased from 55.4% in 2020 to 61.1%, this change is partially caused by the first impact of calendar provisioning scheme.



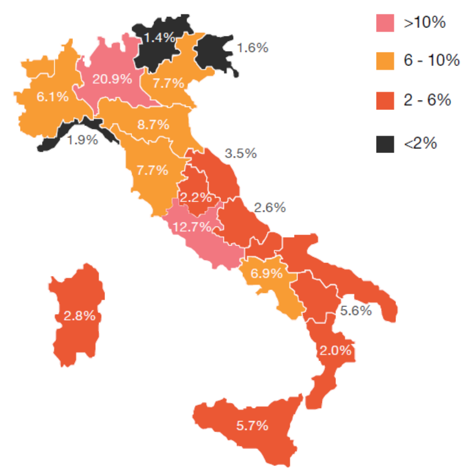
PWC analysis on ABI monthly Outlook Monthly Outlook and Bank of Italy data, October 2021

The breakdown of Gross Bad Loans:
The highest percentages of Gross Bad Loans ratio are recorded in Umbria 5.3%, Sardinia 4.9%, Calabria 4.9% and Abruzzo-Molise 4.8%. In a general view northern regions tend to show a lower Gross Bad Loans ratio than central and southern regions.

Gross Bad Loans ratio by region



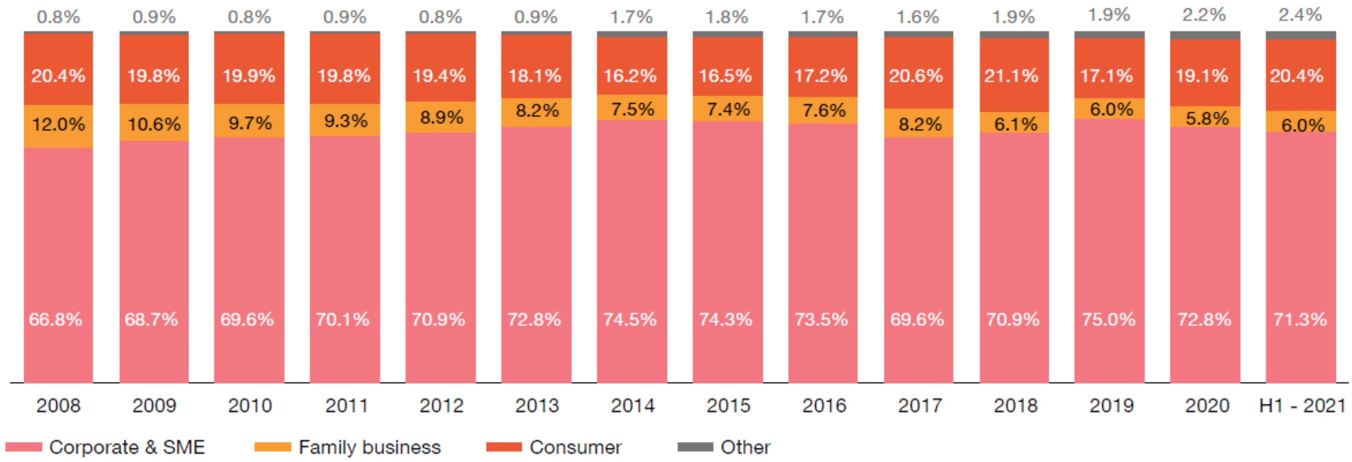
Breakdown of Gross Bad Loans by region



PwC analysis on Banca d'Italia «Banche e istituzioni finanziarie: condizioni e rischiosità del credito per settori e territori», October 2021

Italian Gross Bad Loans are mostly concentrated in Lombardy and Lazio which account for 20.9% and 12.7% of the overall stock. Despite, both regions show a low Bad Loans ratio lower than other regions, 2.2% in Lombardy and 1.4% in Lazio.

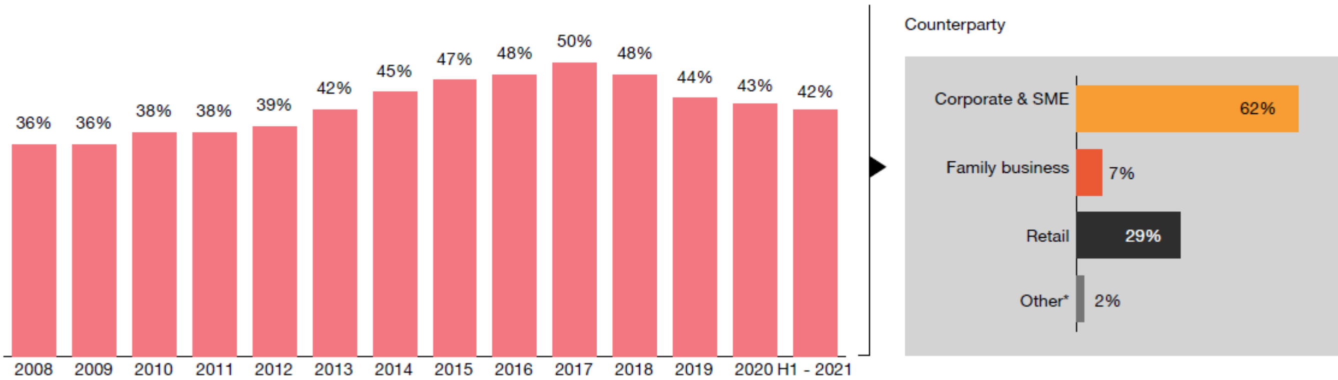
Breakdown of Gross Bad Loans by counterparty



PwC analysis on Banca d'Italia "Banche e istituzioni finanziarie: condizioni e rischiosità del credito per settori e territori", June 2021

As shown in "Breakdown of Gross Bad Loans by counterparty", that focuses on the composition of Italian Gross Bad Loans, in first half of 2021 as in the recent years, the "Corporate & SME" sector is confirmed as the most important, with a share of 71.3% lower than 2020 of about 1.5%, followed by Consumer loans at 20.4% higher than 2020 of 1.3%.

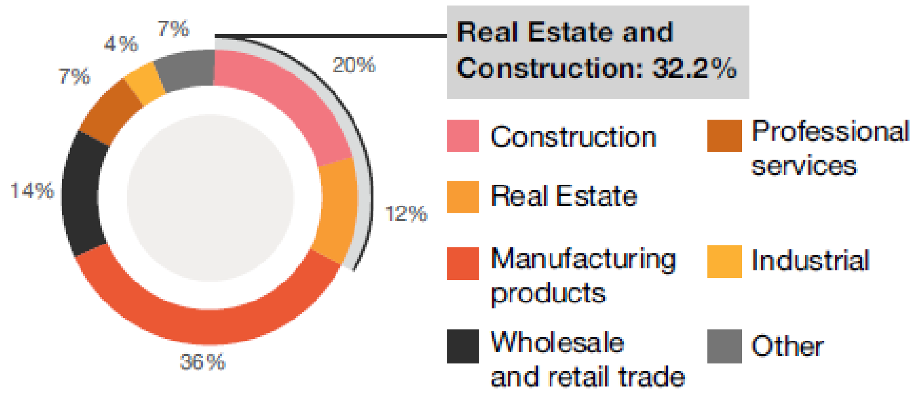
Secure Bad Loans trend %



PwC analysis on Banca d'Italia "Banche e istituzioni finanziarie: condizioni e rischiosità del credito per settori e territori", June 2021

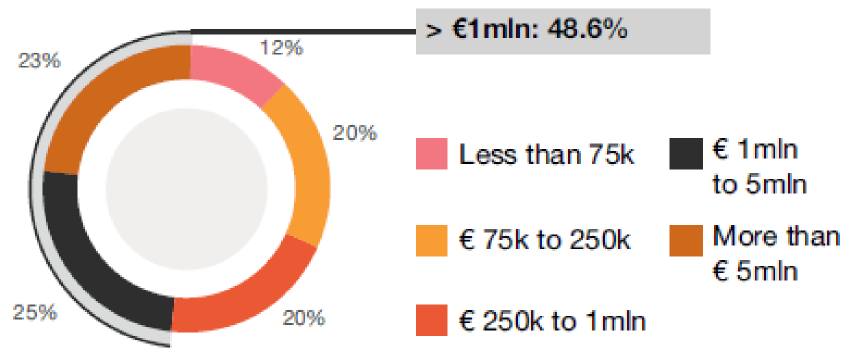
The percentage of Secured Bad Loans 42% didn't change significantly compared to 2020 (43%) and to 2019 (44%). The 62% of the secured Bad Loans are represented by "Corporate & SME" and the 29% by Retail, family business and other reach the 9% .

The chart below shows Gross Bad Loans by economic sector and indicates that manufacturing products accounts for 35.6%, followed by Real Estate and Construction 32.2% and Wholesale and retail trade 14.4%.



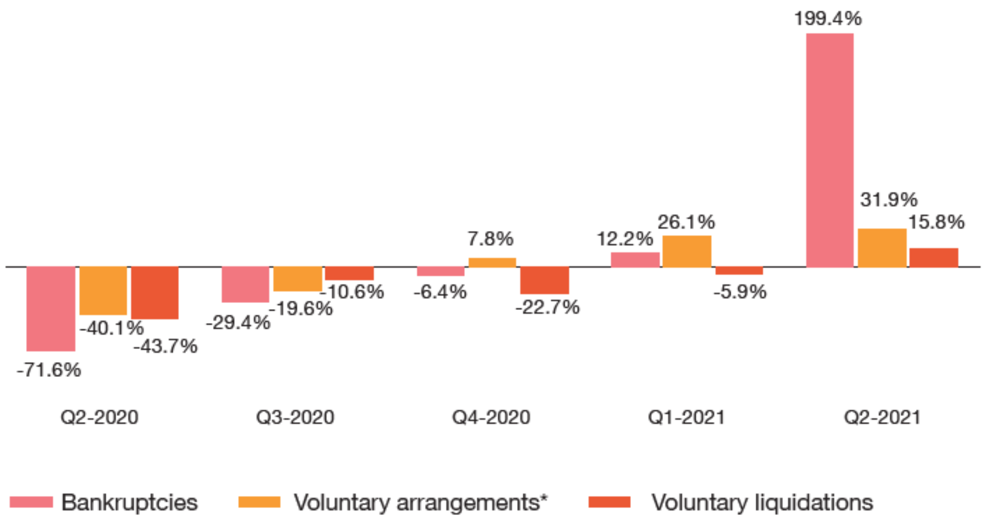
PwC analysis on Banca d'Italia «Banche e istituzioni finanziarie: condizioni e rischiosità del credito per settori e territori», June 2021

The graph below show Gross Bad Loans by ticket size describes that large-size exposures over 1 million euro represent 48.6% of total GBV, 2.1% lower than 2020, whereas mid-size exposures, from 75 thousands euro to 1 million euro represent 39.78 % and small-size exposures, under 75 thousands euro, are 11.58% of the total.



PwC analysis on Banca d'Italia «Banche e istituzioni finanziarie: condizioni e rischiosità del credito per settori e territori», June 2021.

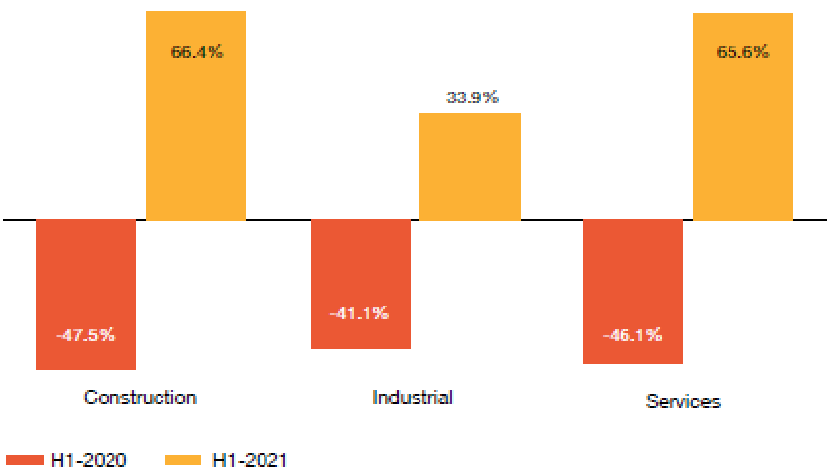
The chart below shows that during the second quarter of 2020, the beginning of the pandemic, the number of business closures was lower than previous year, this was due to the effect of court closures and the substantial slowdown of the Italian procedures in the first pandemic lockdown. The number of business closures remained lower than the same period of previous years. On the contrary, in the second quarter of 2021 there has been a huge rise in bankruptcies 199.4% and Voluntary arrangements 31,9% compared to the same period in 2020.



PwC analysis on "Osservatorio su fallimenti, procedure e chiusure di imprese", Cerved, September 2021

Bankruptcies by economic sector chart provides a break-up of the Bankruptcies trend within Construction, Industrial and Services sectors. after a decrease in the number of procedures in 2020, all sectors analysed have experienced a significant increase in first half 2021 compared to the previous year. This is probably caused by the effects restarting of the procedures in all economic sectors after the freezing period caused by the 2020 first lockdown.

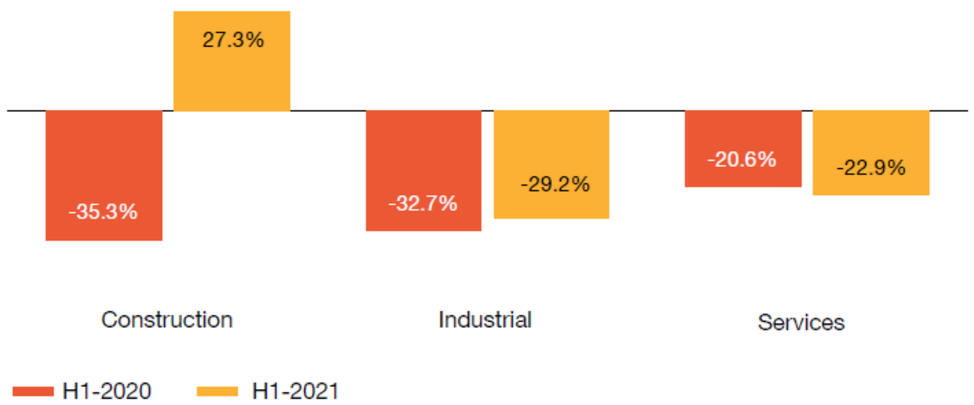
Bankruptcies by economic sector



PwC analysis on "Osservatorio su fallimenti, procedure e chiusure di imprese", Cerved, September 2021

An increase in insolvency proceedings is showed in the business of Construction, while the other two sectors, in the chart: "Other insolvency proceedings by economic sector", industrial and services have a decreasing trend since 2020 and were far from the prepandemic levels.

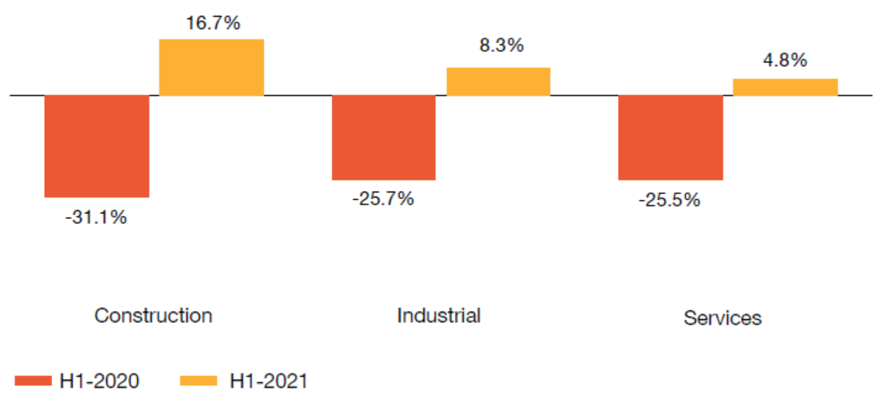
Other insolvency proceedings by economic sector



PwC analysis on "Osservatorio su fallimenti, procedure e chiusure di imprese", Cerved, September 2021

Despite this, the voluntary liquidations by economic sectors trend shows a time by time a positive trend for voluntary liquidations in all sectors from 2020 to 2021 in which there is a different from other insolvency proceeding, a growth can be observed in in all the sectors objects of analysis: Construction, Industrial and Services.

Voluntary liquidations by economic sectors



PwC analysis on "Osservatorio su fallimenti, procedure e chiusure di imprese", Cerved, September 2021

2.1.3. What are GACS?

The GACS or "Garanzia sulla cartolarizzazione delle sofferenze" is a guarantee mechanism of State that has a significant role in Non-Performing Exposure (NPE) in Italy, becoming for banks one of the main elements for their deleveraging strategy in the last years.
As stated in PWC's report on the Italian NPE market of December 2021: "GACS means the unconditional, irrevocable and payable on first demand guarantee issued by the Ministero dell'Economia e delle Finanze (MEF) on senior tranches issued under an NPLs securitization transaction."

With this mechanism all the subscribers of the senior notes at the occurrence of an event like: missed repayment of principal by the SPV or non-payment of interest, will obtain from MEF of the whole amount in 120 days.

The Italian Government in February 2016 firstly introduced the GACS scheme, and extended it several times: most recently, there was a negotiant between Italian Government and the European Commission about the renewal of the GACS scheme in June 2022, in order to incentivize the banks to divest their non performing exposures and so keeping as the most active their primary the credit activity.

But, the extension of the GACS scheme to Unlikely-to-Pay (UtP) positions, that was also discussed during the negotiation phase with the European Commission, has seen to be unlikely frozen for the moment.

The most relevant updates introduced by the new GACS scheme are:

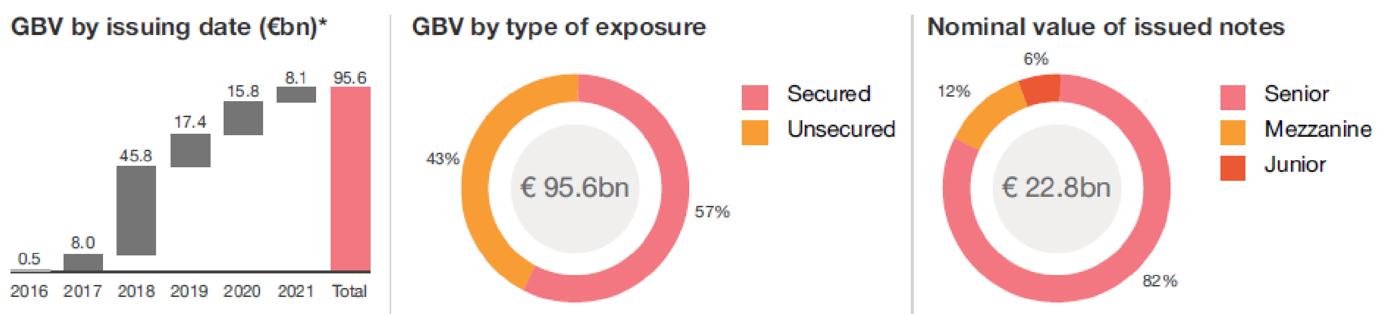
- The rating issuance: An independent rating agency must give to Senior notes a rating higher or equal to BBB and no like the previous years at least equal to investment grade level BBB-.

- The performance objectives related to servicer replacement, if the ratio between net cumulative recoveries and net recoveries expected in servicer's business plan is less than 100% for two consecutive interest payment periods servicer substitution could be done without any penalties.

- The performance objectives related to servicer fee: a portion not less than 20%, of the total due fee shall be deferred to the total reimbursement of senior note or when in a specific date the ratio returns greater than 100% this could be done only if the ratio between net cumulative recoveries and net recoveries expected in servicer's business plan is less than 90%,

- The performance objectives related to interest payment on mezzanine notes: the mezzanine's interest is deferred since the full reimbursement of senior notes capital or since the ratio is greater than 100% this could be done if the ratio between net cumulative recoveries and net recoveries estimated in portfolio business plan is less than 90% at the mezzanine interest payment date.

NPE portfolio subject to securitization with GACS



PWC the Italian NPE Market, December 2021

From 2016 to the end of 2021, were closed 39 GACS transactions for a total GACS Book Value of approximately 96 billion of euro, of which 57% secured.

The nominal value of these notes issued by the SPV s is nearly 23 billion euro, the more relevant part represented by senior notes the 82%, while the mezzanine notes account for the 12% and the junior notes account for 6%. In terms of GACS Book Value, the deals that are higher than 1 billion euro are approximately the 60%, 24 of 39, in which six have a value higher than 5 billion euro.

In terms of Book Value the biggest GACS deal closed was closed by MPS in 2018 and was the jumbo sale of 24 billion euro of NPLs (Siena NPL 2018), this deal drove the 2018 Italian GACS volume to the all-time high (in terms of volumes) recorded, that was nearly 46 billion euro (the half of all the transaction from 2016 to 2022).

The most relevant transactions in 2020 were:

- ICCREA deal of 2.4 billion
- Intesa Sanpaolo's deal of 6 billion,
- BPER's Project of €1.4bn,

- Banca Popolare di Sondrio's deal of 1 billion,
- UBI's deal for 1.2 billion
- **UniCredit deal of 1.6 billion in which there was (Relais project)**

In the first semester of 2021 the only transaction closed were the Banco BPM's deal of 1.5 billion, in the second semester of 2021 three transactions have been closed: UniCredit for a total of 2.2 billion euro, ICCREA deal for 1.3 billion and Intesa Sanpaolo/BPER for 3.1 billion euro.

Looking the collection performances, the cumulative net collection of GACS vehicles compared with their business plan the first half of 2021 there are 13 GACS that in terms of performance were below the original projections, as a confirm that in 2020 the trend was negative.

This underperformance was mainly by stricter clauses linked to performance targets imposed by the last GACS Decree and the extensive impacts resulting from the need for strict pandemic containment measures. Coronavirus outbreak resulted in many legal proceedings been put on hold, due to Court closures during the lockdowns, the operations were resumed in July 2020 then slowdown in the last quarter of 2020, while there was a less-liquid property market and a downgrade of borrowers' reliability caused by the economic difficulties.

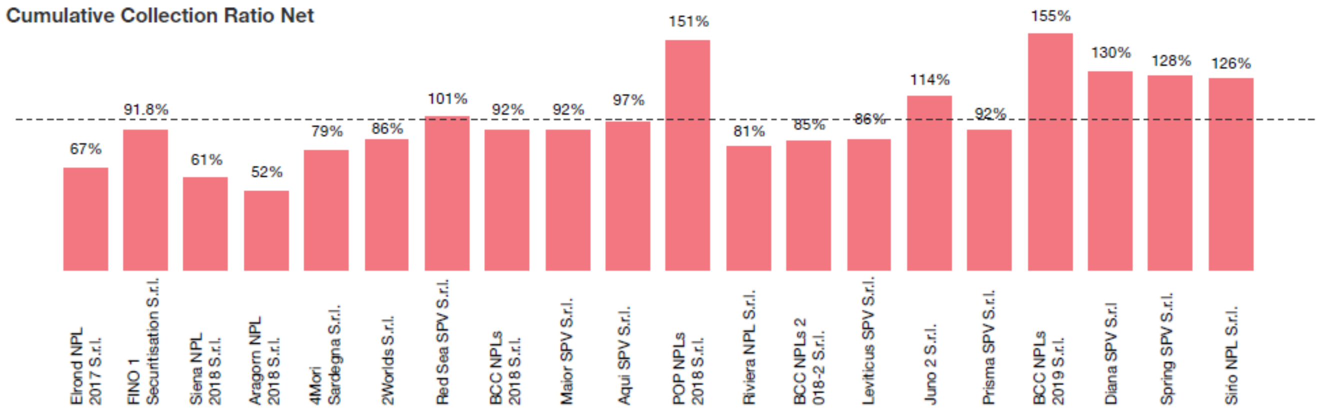
Cerved has estimated that court closures and delays related to the Coronavirus effects have caused expected debt collections to be paid more than 120 days later. Furthermore, for what regard the transactions closed in 2020, the business plans that were published at the issuance date were too much optimistic in terms of collection expectations, not considering into their projections the unpredictable and damaging economic impacts of a pandemic, so also at the end of 2021 the collections were below the initial business plan.

These underperformances would had open a new phase where servicers must improve their collection performance to meet the expectations so to avoid the bad performances.

At the end of the first "wave" of COVID-19 pandemic the "Decreto Rilancio" was approved by the Italian Government in which stated that Ministry of Finance can approve temporary suspensions of performance triggers related to the payment of servicers' fees.

The Decree, that was in July 2020 converted in law, must ensure full servicing fees even if recoveries underperform the original business plans. The conditions were:

- The payment dates must be between Decree date and 31 July 2021
- The senior notes ratings should not be downgraded due to the suspension
- The worsening of collections is only related to COVID-19 impacts.



PwC analysis on Moody's report "Sector Profile – Nonperforming –Loans-Europe- 7 April 2021" and PwC analysis on Scope Rating's report "Semi-annual Italian NPL performance report", July 2021 (last IPD May 2021)

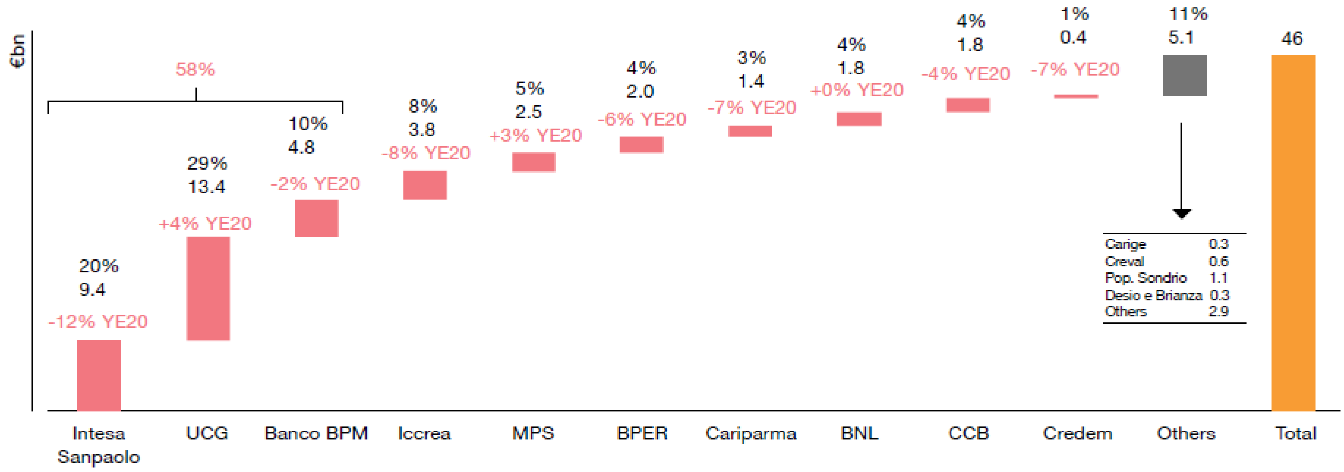
2.1.4. The Italian UtP Market

The spreading of COVID-19 had emphasized once more the role of management the Unlikely to pay as one of the main factors in the Italian NPE playing field. Considering the uncertainties the related situation that there was by the pandemic and, on the other hand, that the measures implemented by the Italian Government to limit the risk of credit quality deterioration were mainly focused on NPLs, it has seen likely that the total amount of UtP exposures within the Italian banking system would increase in the next years.

Furthermore, the significant stock of Stage 2 credits, about 195 billion euro in first half 2021 in line with 2020, would play a role in the trend of the UtP stock in the period, because a certain portion of those credits that would potentially deteriorate in terms of credit quality and be downgraded to subsequent stages of classification.

In the period of the case, there was out of 46 billion of Italian banking system UtP stock, 41.3 billion were on the on main Italian Banks' balance sheets. Such banks, even if at a slightly slower reduction versus last years, have been following their deleveraging plans, and so the average Gross UtP ratio from 3.1% in 2020 to 2.8% in first half of 2021.

The chart below shows how the top 20 banks had split the 41.3 billion euro, with a comparison between exposures at firs half of 2021 and in 2020, the top 3 Italian Banks that detain the 60% of the outstanding UtP stock in their balance sheet, only UniCredit experienced an increasing of 4% from 2020 in the trend of UtPs remaining the bank with the higher amount of UtP stock, 13.4 billion.



PwC analysis of financial statements and analysts' presentations. The list of Top 10 Italian Banks is based on the Total Asset as of H1-2021. Half-year financial report for BNL and CCB not available, data represented are as of YE-2020.

The trends of the UtP landscape were:

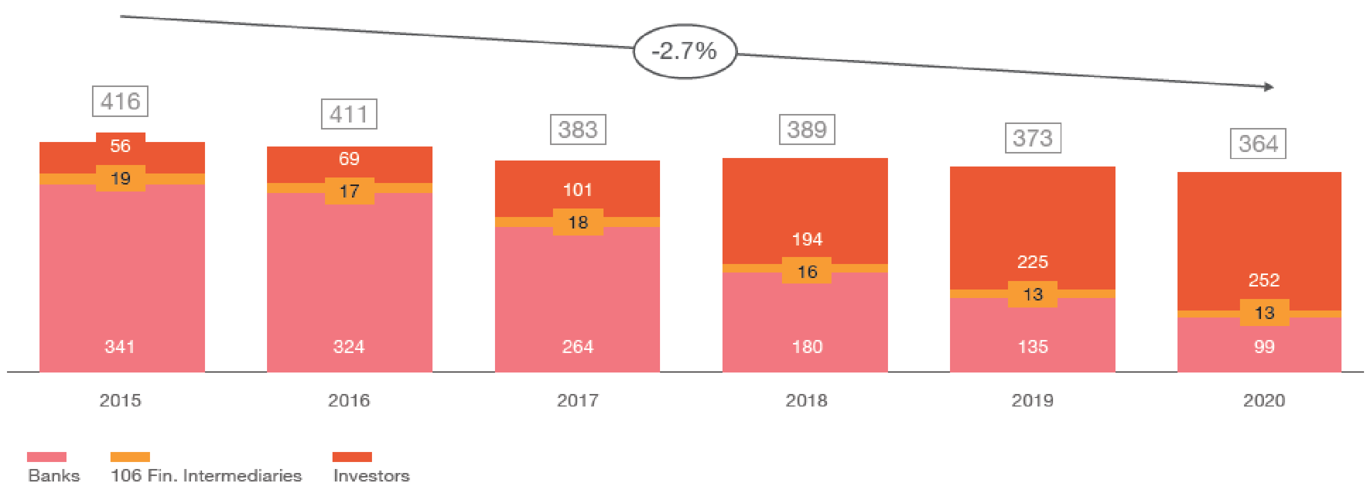
(i) The market was moving on larger transactions compared to the first UtP portfolio disposals

(ii) The number of servicers active was rising in the UtP subsector from 2020 to 2021.

The outbreak of Coronavirus allowed the major Italian banks to continue without other stop the UtP their deleveraging strategies, despite physiological delay in the past transactions (the ones carried out in 2020) due to COVID-19 and to flexible guidelines promoted by the European Central Bank to prevent future financial crisis.

2.1.5. Servicing market

The deleverage process that was carried out by Italian banks in recent years generate an important stock of securitised asset to be manage. The total NPE stock in Italy was estimated to had a reduction by only 3% in the last 5 years.



Pwc: The Italian NPE market, December 2021

Without wasn't taking in consideration future NPEs inflow, in 2021 in Italy PWC had estimated that more than 130,000 companies at "risk" classified as "Unlikely to Pay / UtP".

The new flows that had occurred in the next years were "live" loans (UtP) and had require ad-hoc management by the banks. The new NPE flows werel mainly consist of small / medium-sized enterprises belonging to the sectors most damaged by the crisis of Covid-19.

UtPs would be among the asset classes most affected by the pandemic without any doubts the most complex for banks to manage.

During the years a very consistent industry has developed for the management of bad loans while for the UtPs was still in 2021 in a start-up phase.

UtP significant portfolio were managed only by a very restricted number of players.

At 30/06/2021 the UtP debt servicing, AMCO was the leader in the ranking of debt servicers specialized in UtP management, with a valuable combination of both corporate and retail expertise. At the same time, specialized players were consolidating their position by focusing on very large, secured positions, such as Aurora REcovery Capital.

Looking at Corporate UtP, the Prelios Credit Servicing remained the first in the ranking, thanks to a long-term agreement signed with Intesa Sanpaolo regarding UtP management.

Lastly, there were different players focused on retail positions and mainly working on small tickets, namely Fire, Crif, Advancing Trade and Cerved. UtPs were among the asset classes most affected by the pandemic and the most complex for banks to manage.

During the 2021 there were some changed context outlines that regard specific priorities for credit management:

- Strong focus on rapid and proactive management of "overdue"
- Investments with priority in data analytics and emerging technologies
- Greater focus than before on industrial management rather than pure liquidation of positions
- Identify and prioritize solutions that ensure effective support to the real economy, also leveraging, where possible, PNRR initiatives

3. THE SECURITISATION LAW

3.1. Introduction

The Italian Law No. 130 of 30 April 1999 (the "Law 130") was enacted and conceived to simplify the securitisation process and to facilitate the increased use of securitisation as a financing technique in the Republic of Italy.

It applies to securitisation transactions involving the "true" sale (by way of non-gratuitous assignment) of receivables, where the sale is to a company created in accordance with Article 3 of the Law 130 (the "**130 SPV**") and all amounts paid by the assigned debtors in respect of the receivables are to be used by the relevant company exclusively to meet its obligations under the notes issued to fund the purchase of such receivables and all costs and expenses associated with the securitisation transaction.

The Law 130 has been subject to a number of amendments in order to, *inter alia*, **(a)** extend the scope of application of the Law 130 as well to **(b)** create a specific legal regime applicable to securitisation of receivables owed by debtors classified as "*esposizioni deteriorate*" if transferred to the 130 SPV by banks and financial intermediaries having their registered office in the Republic of Italy.

In particular, on 15 June 2017, the Italian Parliament approved the conversion law relating to Italian Law Decree No. 50 of 24 April 2017 (*Disposizioni urgenti in materia finanziaria, iniziative a favore degli enti territoriali, ulteriori interventi per le zone colpite da eventi sismici e misure per lo sviluppo*) concerning urgent "Corrective Measures" (Manovra Correttiva) (the "Decree 50/2017") converted with amendments into Law No. 96 of 21 June 2017. Article 60-*sexies* of the Decree 50/2017 introduces new provisions in the Law 130, the purpose of which is to improve the likelihood of recoveries and collections in respect of non-performing exposure receivables.

In accordance with these new provisions of the Law 130, a 130 SPV will be able to, *inter alia*:

(i). disburse loans to entities other than individuals and microenterprises in accordance with the conditions set out in Article 1, paragraph 1-*ter*, of the Law 130, also where there is **(a)** an economic and financial restructuring agreement or plan in place with the receivables seller, **(b)** an agreement made under Articles 57, 60, 84, 85 and 240 the Italian Bankruptcy Law (i.e., the Legislative Decree No. 14 of 12 January 2019 (*Nuovo codice della crisi di impresa e dell'insolvenza*));

(ii). A similar corporate recovery or restructuring procedure or agreement in place. Further, Articles 2467 and 2497-*quinquies* of the Italian Civil Code relating to the subordination of shareholder loans have been disapplied, thereby removing a disincentive for making these new loans; and

(iii). Establish corporate vehicles to directly acquire the real estate and other (registered) assets securing the relevant receivables. This includes property financed by leasing contracts, regardless of whether such contracts have been terminated, together with the related contractual rights. As is the case with amounts deriving from instruments purchased or subscribed for by 130 SPVs, amounts deriving from these assets and the proceeds of sale will be deemed to be ring-fenced assets of the 130 SPV which must be used exclusively to satisfy the noteholders and to meet transaction costs.

3.2. Assignment of the receivables

The assignment of the receivables under the Law 130 is governed by Article 4 of the Law 130, according to which the assignment can be perfected against the seller, assigned debtors and third party creditors by way of publication of the relevant notice in the *Gazzetta Ufficiale della Repubblica Italian* (the "**Official Gazette**") in respect of the assigned receivables and registration of the transfer in the companies' register where the 130 SPV is enrolled, so avoiding the need for notification to be served on each assigned debtor. Furthermore, the Bank of Italy could require further formalities.

Upon compliance with the formalities set forth by the Law 130, the assignment becomes enforceable against:

(a) the assigned debtors and any creditors of the seller who have not, prior to the date of publication of the notice of assignment in the Official Gazette and registration of the assignment in the companies' register where the 130 SPV is enrolled, commenced enforcement proceedings in respect of the relevant receivables;

(b) the liquidator or any other bankruptcy officials of the assigned debtors (so that any payments made by an assigned debtor to the purchasing company may not be subject to any claw-back action according to Article 166 of the Italian Bankruptcy Law and the liquidator of the seller (*provided that* the seller has not been subjected to insolvency proceeding prior to the date of publication of the notice of assignment in the Official Gazette and the registration of the assignment in the register of companies where the 130 SPV is enrolled); and

(c) other permitted 130 SPVs of the seller who have not perfected their assignment prior to the date of publication of the notice of assignment in the Official Gazette and the registration of the assignment in the companies' register where the 130 SPV is enrolled.

The benefit of any privilege, guarantee or security interest guaranteeing or securing repayment of the assigned receivables will automatically be transferred to and perfected with the same priority in favour of the company which has purchased the receivables, without the need for any formality or annotation.

As from the date of publication of the notice of the assignment in the Official Gazette and registration of the assignment in the companies' register where the 130 SPV is enrolled, no legal action may be brought against the receivables assigned or the sums derived therefrom other than for the purposes of enforcing the rights of the holders of the notes issued for the purpose of financing the acquisition of the relevant receivables and to meet the costs of the transaction.

In addition to the above, the Decree 50/2017 has introduced a specific legal publication regime for disposals applicable to securitisation of receivables owed by debtors classified as "*esposizioni deteriorate*" if transferred to the 130 SPV by banks and financial intermediaries having their registered office in the Republic of Italy.

These disposals shall be published by way of entry in the relevant Italian companies registry and publication in the Official Gazette of the notice of assignment. Pursuant to Article 7.1 of the Law 130, the notice must include details of the seller, the purchaser, the date of the assignment, general information on the nature of the contractual relationships giving rise to the assigned receivables and the period during which such relationships arose or will arise, together with details of the website where the seller and purchaser will, for so long as any receivables are outstanding, make available representative data relating to the assigned receivables and enable assigned debtors to obtain confirmation of the notice of assignment upon request.

The legal effects of Article 1264 of the Italian Civil Code shall apply to the assigned debtors upon and from the date of publication of the notice of assignment in the Official Gazette. The ancillary rights and guarantees of any kind arising in favour of the seller, together with the entries in public registers of the purchase deeds relating to the property the subject of the finance leases that have been assigned, shall remain valid and maintain their security ranking in favour of the purchaser without further formality. Any other special legal regimes which previously applied to the relevant assigned receivables, including of a procedural nature, will also continue to apply.

Assignments executed under the Law 130 are subject to revocation upon bankruptcy under Article 166 of the Italian Bankruptcy Law but only in the event that the securitisation transaction is entered into within three months of the adjudication of bankruptcy of the relevant party or, in cases where paragraph 1 of Article 166 of the Italian Bankruptcy Law applies, within six months of the adjudication of bankruptcy.

3.3. Ring-fencing of the assets

Pursuant to operation of Article 3 of the Law 130, the assets relating to each securitisation transaction are segregated, by operation of law, for all purposes from all other assets of the company which purchases the receivables (including, for the avoidance of doubt, any other portfolio purchased by the company pursuant to the Law 130). Prior to and on a winding-up of the 130 SPV, such assets (for so long as such amounts are credited to one of the 130 SPV's accounts under the Transaction and not commingled with other sums) will only be available to holders of the notes issued to finance the acquisition of the relevant receivables and to certain creditors claiming payment of debts incurred by the 130 SPV. In addition, the assets relating to a particular transaction will not be available to the holders of notes issued to finance any other securitisation transaction or to general creditors of the 130 SPV. However, under Italian law, any other creditor of the 130 SPV would be able to commence insolvency or winding-up proceedings against the 130 SPV in respect of any unpaid debt.

In addition to the above, under the Law 130:

(i) the amounts credited into the accounts opened by 130 SPVs with the servicers or with the depositary bank of securitisation transactions, on which the amounts paid by the assigned debtors as well as any other amount due to the relevant 130 SPV under the securitisation may be credited, may be utilized only to fulfil the obligations of the relevant 130 SPV against the noteholders and the other creditors under the securitisation and to pay the expenses to be borne in connection with the securitisation. Should any proceeding under Title IV of the Legislative Decree No. 385 of 1 September 1993 (the "Consolidated Banking Act"), or any other insolvency procedure apply to the relevant servicer or depositary bank, the amounts credited on such accounts and the sums deposited during the course of the relevant insolvency procedure **(a)** will not be subject to the suspension of payments and **(b)** will be immediately and fully returned to the 130 SPV in accordance with the provisions of the relevant agreement and without the need for the filing of any petition in the relevant insolvency proceeding and outside any distribution plan;

(ii) in respect of the accounts opened by the servicers and the sub-servicers with banks, and into which the amounts paid by the assigned debtors may be credited, the creditors of the relevant servicer or sub-servicer may exercise receivables only in respect of the amounts credited on such accounts that exceed the amounts due to the relevant 130 SPV. Should any insolvency procedure apply to the relevant servicer or sub-servicer, the amounts credited on such segregated accounts and the sums deposited during the course of the relevant insolvency procedure will be immediately and fully returned to the 130 SPV in accordance with the provisions of the relevant agreement and without the need for the filing of any petition in the relevant insolvency proceeding and outside any distribution plan. Under Italian law, however, any creditor of the 130 SPV would be able to commence insolvency or winding-up proceedings against the 130 SPV in respect of any unpaid debt; and

(iii) with respect to the possible establishment of corporate vehicles - aimed at directly acquiring the real estate and other (registered) assets securing the relevant receivables - and any amounts deriving from instruments purchased or subscribed for such companies, amounts deriving from these assets and the proceeds of sale will be deemed to be ring-fenced assets of the 130 SPV which must be used exclusively to satisfy the noteholders and to meet transaction costs.

3.4. Claw-back of the sale of the receivables

The sale of the receivables by the relevant seller to the 130 SPV may be clawed back by a receiver of the relevant seller under Article 166 of the Italian Bankruptcy Law but only in the event that such seller was insolvent when the assignment was entered into and was executed within three months of the admission of the seller to compulsory liquidation pursuant to Title IV, Heading I, Section III of the Consolidated Banking Act or in cases where Article 166 of the Italian Bankruptcy Law apply, within six months of the admission to compulsory liquidation.

3.5. Payments made by the debtors to the 130 SPV

Pursuant to Article 4 of the Law 130, the payments made by an assigned debtor to the 130 SPV may not be subject to any claw-back action pursuant to Article 166 of the Italian Bankruptcy Law.

All other payments made to the 130 SPV by any party in the six months or one year "suspect period" (i.e. the period leading up to the bankruptcy or compulsory liquidation declaration) prior to the date on which such party has been declared bankrupt or has been admitted to the compulsory liquidation ("*liquidazione coatta amministrativa*") may be subject to claw-back action according to Article 166 of the Italian Bankruptcy Law. The relevant payment will be set aside and clawed back if the receiver gives evidence that the recipient of the payments had knowledge of the state of insolvency when the payments were made.

3.6. The 130 SPV

Under the provisions of Article 5, paragraph 2, of the Law 130, the standard limits and the other provisions related to the issue of securities prescribed for Italian companies (other than banks) under the Italian Civil Code (Articles from 2410 to 2420) are inapplicable to the 130 SPV.

3.7. Ineffectiveness of prepayments by debtors

The Law 130 provides that **(i)** the claw-back provisions set forth in Article 166 of the Italian Bankruptcy Law do not apply to payments made by the debtors to the 130 SPV in respect of the securitised receivables and **(ii)** the payments made by assigned debtors under securitised receivables are not subject to the declaration of ineffectiveness pursuant to Article 164 of the Italian Bankruptcy Law.

3.8. GACS Law

Pursuant to Law Decree No. 18 of 14 February 2016 converted into law No. 49 of 8 April 2016 (the "GACS Law") as implemented by the Decree issued by the MEF on 3 August 2016 and the Decree issued by the Ministry of Economy and Finance (the "MEF") on 21 November 2017 and the Decree issued by the MEF on

10 October 2018 (the "GACS Decree") an originator of non-performing loans under a securitisation transaction complying with certain requirements as described in the relevant GACS Law may request the MEF to guarantee the payments of interest and principal on the senior tranche of asset backed securities (the "GACS Guarantee"). Pursuant to the GACS Law the GACS Guarantee shall not apply to the tranches of asset backed securities being subordinated to the senior classes.

Pursuant to the GACS Law a specific fund has been established within the MEF in order to achieve the purposes of the GACS Law. The initial budget of the fund has been set to Euro 120 million. The fund is further financed with the annual fees of the granted GACS Guarantee. Such amounts are paid on special accounting secured for the payment related to the enforcement (if any) of such guarantees, as well as for any additional costs in connection with the implementation of the GACS Law.

Key features of the securitisation

Article 4 of the Chapter II of the GACS Law sets out the main key features of a securitisation transaction in order to benefit from the GACS Guarantee:

(i). the assigned receivables shall be transferred to the 130 SPV for a purchase price not higher than their net book value (*valore contabile netto*) as of the date of the transfer (i.e. gross book value net of depreciations - *valore lordo al netto delle rettifiche*);

(ii). the structure of the relevant transaction should provide for the issuance of at least two different classes of notes, in consideration of the degree of subordination in the absorption of losses;

(iii). the junior tranche of asset backed securities should be redeemed or repaid only if the other tranches have been redeemed in full;

(iv). the 130 SPV may issue one or more tranches of mezzanine notes, which are subordinated to the payment of interests of the senior notes but may be paid, as to interest, in priority to the repayment of principal of the senior notes;

(v). the 130 SPV may enter into financial hedging agreements with market counterparties in order to reduce interest rate risks;

(vi). for the purpose of managing the risk of mismatch between the recoveries and the amount due as interests on the senior asset backed securities, a credit facility can be provided for an amount sufficient to keep the minimum level of financial flexibility consistent with the creditworthiness of the senior tranche.

Investment grade credit rating from at least one ECAI

As provided in article 5 of the Chapter II of the GACS Law, for the issuance of the GACS Guarantee, the senior tranches of the asset backed securities should have received a rating equal to or higher than the investment grade from an External Credit Assessment Institution (an "ECAI") accepted by the European Central Bank as at 1 January 2016. In case a second rating is required by the applicable legislation, the second rating on the senior tranche may be issued by an ECAI and such second rating shall be equal to or higher than the investment grade. Alternatively, the assessment of the credit worthiness (in any case equal to or higher than the investment grade) may be private and solely addressed to the MEF. In this case, the rating agency - chosen from those accepted by the European Central Bank as at 1 January 2016 - shall be proposed by the relevant selling originator and approved by the MEF.

The servicer being independent from the originator

Pursuant to Article 5 of the GACS Law, the entity appointed to service and manage the non-performing loans receivables shall be an external and independent servicer (different from the originator and not belonging to the same company group). The decision (if any) of the noteholders to substitute the servicer shall not negatively affect the rating assigned to the senior notes.

Characteristics of the senior notes and the mezzanine notes

Article 6 of the GACS Law specifies that the senior notes and the mezzanine notes (if any), should have the following characteristics:

- a floating rate remuneration
- the repayment of principal before the maturity date is linked to the cash flows deriving from the amount recovered and the collections arising from the portfolio of assigned receivables, net of all costs related to the activity of recovery and collection of the assigned receivables; and
- the payment of interests is made in arrears quarterly, semi-annually or annually and it depends on the outstanding nominal value of the note at the beginning of the relevant interest period

In addition, it may be provided that the remuneration of the mezzanine notes may be deferred or subordinated to the full repayment of the principal of the senior notes under certain conditions or may depend on performance targets in the collection or recovery activities in respect of the portfolio of assigned receivables.

Order of priority of payments

Article 7 of the GACS Law specifies that the 130 SPV available funds are used, net of the amounts withheld by the entity appointed for the collection of the assigned receivables for its management activity according to the terms agreed with the 130 SPV, in the payment of the following items, according to the following order of priority:

- taxes (if any);
- amounts due to services providers
- payment of the amounts due by way of interest and fees in connection with the activation of the credit facility provided under Article 4, paragraph (f), of the GACS Law
- payment of the amounts due in respect of the granting of the GACS Guarantee on the senior notes
- payment of the amounts due to counterparties of financial hedging agreements
- payment of the amounts due by way of interest on the senior notes
- replenishment of the credit facility (if drawn)

- payment of the amounts due by way of interest on the mezzanine notes (if issued)
- repayment of the principal of the senior notes until full repayment of such notes
- repayment of the principal of the mezzanine notes until full repayment of such notes
- payment of the amounts due as principal and interest or other form of remuneration on junior notes

The transaction may provide that the payments under items 2 and 5 above may be subordinated to the achievement of performance targets related to the recovery of the receivables or, subject to certain conditions, subordinated to the full redemption of the principal of the senior notes.

Main features of the GACS Guarantee

Pursuant to the GACS Law, the GACS Guarantee shall cover exclusively payments contractually provided in respect of interests and capital of the senior tranches in favour of the senior noteholders and becomes effective only once the relevant originator has transferred for consideration at least 50% plus 1 of the junior notes and, in any case, an amount of junior notes (and, if issued, mezzanine notes) which allows the de-recognition of the securitised receivables from the accounts of the selling originator. The GACS Guarantee is an unconditional, irrevocable and first demand guarantee for the benefit of the senior noteholders. In addition, it has been provided that the Italian State, the public authorities and the companies controlled, directly or indirectly, by public authorities cannot purchase the junior or the mezzanine notes issued in the context of securitisation transaction in relation to which application to the GACS Guarantee has been made.

As consideration for the GACS Guarantee, the MEF will be entitled to receive an annual fee to be determined in accordance with the formula provided by the GACS Law.

The GACS Guarantee is granted by decree to be issued by the MEF, upon documented request by the relevant originator to be filed with the MEF.

Enforcement of the GACS Guarantee

Upon failure by the 130 SPV to make the relevant payment (in full or in part) of the amounts due as principal or interests under the senior notes, the GACS Guarantee may be enforced by the relevant senior noteholder within 9 months following the maturity date of the senior notes, in compliance with the mandatory terms set out in Article 11 of the GACS Law. In the event that such failure to pay lasts for more than 60 days from the relevant payment date, the senior noteholders, with the agreement and also through the representative of the noteholders, shall send to the 130 SPV a request for the payment of the amount due and not paid.

After 30 days and within 6 months from the date of receipt of such request, if the 130 SPV has not made any of the relevant payments, the senior noteholders, with the agreement and also through the representative of the noteholders, may request the intervention of the GACS Guarantee.

Within 30 days from the receipt of such relevant documented request from the senior noteholders, the MEF shall pay the relevant amount to the senior noteholders in compliance with the transaction documents, without any further interests or costs.

The GACS Law provides that, by making the relevant payment, the MEF is subrogated to the rights of the senior noteholders (subject to the contractual limitations set forth in the securitisation documents) and is entitled to recover (i) the amount paid under the GACS Guarantee, (ii) the interests - at the legal interest rate - accrued from the payment date to the redemption date and (iii) the costs incurred for the recovery, also by way of the registration procedure in the register ("*ricorso alla procedura di iscrizione a ruolo*").

Implementing measures of the GACS Law

On 12 August 2016 the Decree of the MEF dated 3 August 2016, implementing the provisions on the GACS Guarantee under article 13 of the law decree 14 February 2016, n. 18, as amended and converted by article 1, paragraph 1, of the GACS Law (the "Decree") was published in the Official Gazette.

In particular, Article 2 of the Decree deals with the features that the securitisation transaction must have for the purposes of eligibility to the GACS Guarantee. To this end, the receivables must in first place be transferred to the SPVs for an aggregate amount not higher than the aggregate gross value, net of any adjustments and gross of any collections on the same receivables being transferred and received by the seller between the date on which the book value of the sale is determined and the transfer date, as evidenced by the seller based on the accounting records. Furthermore, the receivables being securitised shall have been classified and reported as non-performing on a date prior to the transfer to the 130 SPV.

In addition to that, Article 3 of the Decree provides for a definition of senior notes, specifying that these are those classes of notes which are not subordinated to any other classes of the same issue (a class is considered as not subordinated to other classes of the same issue if, in accordance with the priority of payment applicable following an action of enforcement of the notes (*post-enforcement priority*) and, where applicable, the priority of payment following deliver of a formal notice (*post-acceleration priority*), as indicated in the terms and conditions of the notes, no other class receives a payment of principal and interest in priority to it). It is further specified that, in case of issue of several tranches of senior notes, the GACS Guarantee may be required for the benefit of one or more tranches of senior notes.

With regard to the order of priority of payments, Article 4 of the Decree specifies that the proceeds from recoveries and collections made in relation to the portfolio of receivables are used for the payment of the amounts due to the noteholders and other costs or expenses associated with the transaction.

From the application of such payment priorities there shall not be payments ranking higher in priority to the senior notes other than those provided for in Article 7 of the GACS Law. Any additional payments or reserves, that are aimed to the successful completion of the transaction, are performed in the order of priority provided for in the terms and conditions of the notes and in the transaction documents.

Article 5 of the Decree regulates the eligibility conditions for the GACS Guarantee. In particular, the terms and conditions of the notes and the transaction documents shall include the following provisions:

(A) the failure to pay interest on the senior notes and the enforcement of the guarantee do not involve the acceleration of the payments due by the SPV

(B) the following amendments cannot be made without the express consent of the MEF:

  (i) amendment of the nominal amount or capital of the senior notes

  (ii) increase of the interest rate applied on the senior notes or, if it ranks in priority to payment of principal of senior notes, on the mezzanine notes

(iii) amendment of the maturity date of the senior notes

(iv) amendment of those events (trigger events) that entitle the holders of the senior notes to accelerate payments due by the SPV or apply the payment priorities arising from a formal notice (post-acceleration or post enforcement priority)

(v) amendment of the terms and conditions of the notes and the transaction documents resulting in a downgrading of the senior notes

(vi) any amendment of the terms and conditions of the notes and the transaction documents in the event of enforcement of the GACS Guarantee

C) data on the performance of the ongoing transaction assisted by the GACS Guarantee are sent to the *gestore* (i.e., CONSAP) and to the *soggetto indipendente* (such term as defined under the Decree) periodically and in electronic format.

Furthermore, for the purpose of admission to the benefit of the GACS Guarantee, the rating agencies shall have access to at least to the information provided under Article 5 of the Decree.

In addition, the rating agencies shall have access to information, both quantitative and qualitative, on the entity in charge of collecting the receivables, and the seller shall ensure that all information necessary for assessing that the GACS Guarantee has been issued in compliance with the required criteria are provided to the *soggetto indipendente*.

Article 7 of the Decree governs the procedures to apply for the GACS Guarantee and the related procedure.

Of particular relevance is the provision that provides for the transfer of junior notes and, if any, of mezzanine notes, for the purpose of derecognition of the underlying receivables as a condition precedent for the effectiveness of the GACS Guarantee.

If the conditions above are not realized within 12 months from the date of adoption of the MEF decree granting the GACS Guarantee, the seller will forfeit admission to the benefit of the GACS Guarantee, and the request must be resubmitted.

Finally, Article 8 of the Decree deals with the cases where the GACS Guarantee has been declared as ineffective by order of the MEF, taking into account the findings of the investigation carried out by the *gestore*. In particular, the MEF will be entitled to act against the seller, in case the GACS Guarantee was granted on the basis of statements which have been found to be untrue, inaccurate or incomplete. In addition to that, the GACS Guarantee shall be void in the following cases:

a) the decision of the SPV or the noteholders to terminate the appointment of the person responsible for collecting the receivables has caused a deterioration in the rating of the senior notes by the ECAI (External Credit Assessment Institutions)

b) the terms and conditions of the notes and the transactions documents have been amended not in accordance with the provisions of the Decree

4. The Relais Case

The 14th of December 2020 was successfully completed the project “Relais” in which the group Unicredit did a securitization of about 1.6 billion, mainly composed by Real Estate assets.

As part of the program of acceleration of the Non-Core Portfolio Run-down, UniCredit Leasing (UCL) has successfully completed the securitization of nearly 1.6 billion euro of an Italian portfolio of Non performing represented by Real estate leasing (NPL Lease Portfolio) to an SPV (Relais SPV SrL) and the Real Estate asset to a Lease company, a company subordinated by Italian law in securitization for the management of the Real Estate assets.

The securitization is structured by Unicredit Bank AG as unique arranger and it’s the first transaction in italy with nonperforming leasing receivables as underlying finalized to receive the GACS warranty (“Garanzia sulle Cartolarizzazioni delle Sofferenze”) for the senior note.

The 11th December 2020, RELAIS issued three class of stock: 466 milion euro senior, 91 milion euro mezzanine and 10 milion euro junior. The senior note have received from Moody's a Baa2 rating and from Scope a BBBsf rating. (Below a brief description of ratings scales)

SCA Scale	
aaa (sca)	Financial obligations assessed aaa (sca) are judged to have the highest credit quality and thus subject to the lowest credit risk, when used as inputs in determining a structured finance transaction's rating.
aa (sca)	Financial obligations assessed aa (sca) are judged to have high credit quality and thus subject to very low credit risk, when used as inputs in determining a structured finance transaction's rating.
a (sca)	Financial obligations assessed a (sca) are judged to have upper-medium credit quality and thus subject to low credit risk, when used as inputs in determining a structured finance transaction's rating.
baa (sca)	Financial obligations assessed baa (sca) are judged to have medium-grade credit quality and thus subject to moderate credit risk, and as such, may possess certain speculative credit elements, when used as inputs in determining a structured finance transaction's rating.
ba (sca)	Financial obligations assessed ba (sca) are judged to have speculative credit quality and subject to substantial credit risk, when used as inputs in determining a structured finance transaction's rating.
b (sca)	Financial obligations assessed b (sca) are judged to have speculative credit quality and subject to high credit risk, when used as inputs in determining a structured finance transaction's rating.
caa (sca)	Financial obligations assessed caa (sca) are judged to have speculative credit quality and subject to very high credit risk, when used as inputs in determining a structured finance transaction's rating.
ca (sca)	Financial obligations assessed ca (sca) are judged to be highly speculative and are likely to be either in, or very near, default, with some prospect for recovery of principal or interest, when used as inputs in determining a structured finance transaction's rating.
c (sca)	Financial obligations assessed c (sca) are typically in default with little prospect for recovery of principal or interest, when used as inputs in determining a structured finance transaction's rating.

Moody’s rating symbols and definitions, 20th December 2022

AAA	Credit Ratings at the AAA level reflect an opinion of exceptionally strong credit quality.
AA	Credit Ratings at the AA level reflect an opinion of very strong credit quality.
A	Credit Ratings at the A level reflect an opinion of strong credit quality.
BBB	Credit Ratings at the BBB level reflect an opinion of good credit quality.
BB	Credit Ratings at the BB level reflect an opinion of moderate credit quality.
B	Credit Ratings at the B level reflect an opinion of weak credit quality.
CCC	Credit Ratings at the CCC level reflect an opinion of very weak credit quality.
CC	Credit Ratings at the CC level reflect an opinion of extremely weak credit quality.
C	Credit Ratings at the C level reflect an opinion of exceptionally weak credit quality.
D/SD	Credit Ratings at the D or SD level reflect a default* situation with average to low or no recoveries.

Credit rating definitions, Scope ratings GmbH & Scope Ratings UK ltd., 5th January 2023

The suffix sf is used by Scope Ratings' Credit Ratings to describe structured finance instruments: "carry an SF suffix (e.g. BBB+SF). This symbol identifies Credit Ratings assigned to structured finance instruments as defined by Regulation (EU) No. 1060/2009 on Credit Rating Agencies of the European Parliament and the European Council4." As stated in: Credit rating definitions, Scope ratings GmbH & Scope Ratings UK ltd., 5th January 2023

Italfondiario and doValue worked respectively as Master and Special servicer of the securitization.

RELAIS and RELAIS LeaseCo were established by Banca Finint, that also had the role of Corporate Servicer, Monitoring Agent, Calculation Agent, Representative of Noteholders and Back-up Servicer for both.

UCL was assisted by Cappelli RCCD while UniCredit Bank AG by Legance; Ernst & Young has played the role of consultant of UCL.

UniCredit lastly have notified to ECB its intention to obtain the "*Significant Risk Transfer*" until the 31 March 2021 related to the sell.

4.1. Who were the "players" in "Relais" project?

To must be able to understand how the project Relais was done its needed to know the firms, the banks that has worked on it, starting from the originator.

4.1.1. UniCredit Group and UniCredit Leasing

UniCredit Logo, UniCredit's site, 30th of March 2023

UniCredit is a pan-European Commercial Bank with offering its service in: Italy, Germany, Central and Eastern Europe. The UniCredit bank purpose is "to empower communities to progress,

delivering the best-in-class for all stakeholders, unlocking the potential of our clients and our people across Europe."
(UniCredit Bank site, about us, 30th of March 2023)

UniCredit group serve over 15 million customers in the world. The customers for the Group are the heart of what it does in all its markets. UniCredit is organized in four regions and two product factories, the corporate and the individual solutions. This allows UniCredit to be closer with its clients and use the scale of the entire Group for developing and offering the best products across all its markets.

The digitalisation and the commitment to ESG principles are key drivers for UniCredit service. These commitments help the group to deliver excellence to stakeholders and creating a sustainable future for clients, communities and people.

UniCredit Leasing (UCL) is one of the leasing leaders' companies in Italy, the company is totally owned by the UniCredit group. UCL can offers to the clients opportunity in development due to the leasing instrument which empower the business.

"Choose UniCredit Leasing means trust in a huge Global Group" (UniCredit Leasing, Company Profile, 30th of March 2023). The UniCredit group offer strong competences local and in unique global net to ensure a easy access to the European and the global market. The bank model created as a pan-European commercial bank invented to satisfy each specific need, using strong synergies between the division of the business for each kind of client.

In the table there are some numbers about UniCredit Leasing:

Branches	**Country in which work**	**Number of clients**
3000	30 in Europe	Over 26 million

4.1.2. Italfondiario

After over 130 years Italfondiario (founded in 1891), and from 2016 part of the group doValue, changed its name the 21st of February of 2022 in **doNext**.

Do Value site, 30th of March 2023

DoNext identify now the evolution of Italfondiario, the first operator in Italy for number of performing and nonperforming securitized portfolio and in the management of UTP. Italfondiario is nowadays one the most high scored Servicing Rating acknowledge by the main international agencies and in the last years was able to develop an innovative strategy to be more innovative in its market strategy, also using dynamism and experience in Banking, Restructuring and Corporate Finance.

Founded in 1891 as a bank, in the 1999 changed its company object and became a company specialized in the credit management and nowadays, after the acquisition done by doValue in 2016, one of the main players in the integrated management of the receivables at the top of the main internationals rating. doNext, thanks to the perfect complementarity with doValue, is the strategic partner for bank and investors for the management of receivables performing or non-performing. It' the first in Italy in terms of securitization done over 50 structured securitizations from 2000 to today.

Part of the doValue group, doNext is the leading operator in management of securitization of NPL in Italy, working as Master Servicer and as Primary Servicer and Special Servicer. Totally owned by doValue S.p.A..

DoNext in the “Relais “operation played the role of Master.

4.1.3. doValue

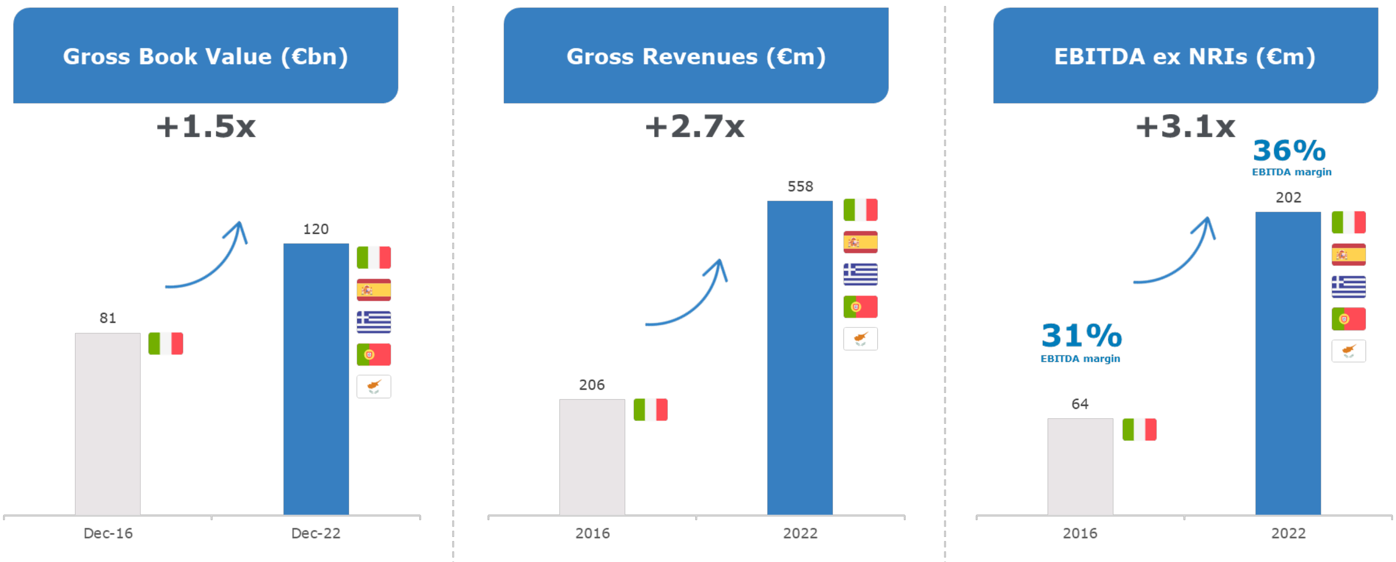
DoValue is an operator in credit management and Real Estate assets deriving from non-performing receivables, by banks or investors.

DoValue gives services best in class in management of receivables portfolio and in Real Estate assets giving an innovative, professional and etics approach with debtors. Using an “innovative and sustainable model” (doValue site, Mission and Vision, 30th of March 2023), in fact doValue considers as fundamental develop a trusted relation with its Stakeholder.

The vision of the company is to evolve the servicing sector through investments in technology, developing strong strategic relationships with clients and increase the market in which work.

The growth from 2016 to nowadays has permitted to doValue to reach a huge grade of diversification in terms of geographic markets, clients and product.

GBV from 2016 to 2023, doValue’s site, 30th of March 2023



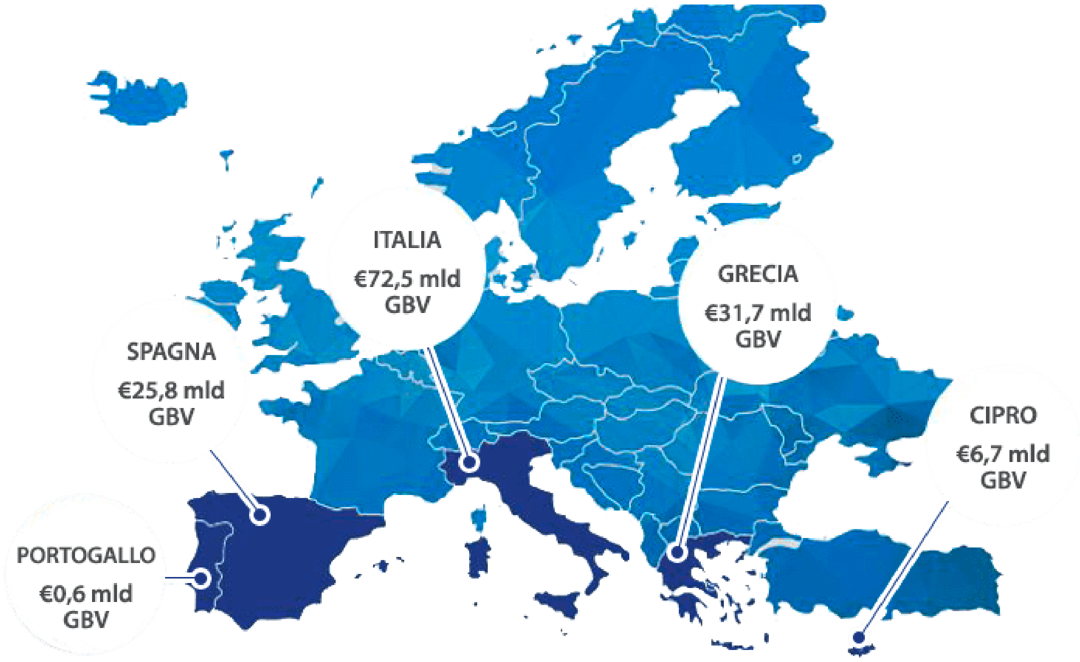
This diversification was researched to obtain a supply more diversified than before for the clients and a balanced risk profile for the shareholders and to give a growth path more completed to the employees.

This growth was reached mainly by the acquisition of Altamira Asset Management that was done in 2019 and FPS in 2020, that today are totally integrated in company.

At the same time the strategy of acquisition was incentered on the innovation process in the case of minority operation in the fintech company QueroQuitar and in the company proptech BidX1, and the creation of the joint venture with Debitos for establishing the NPL trading platform doLook. All this activity that has as a target the innovation had accelerated the growth path of the Group.

Dovalue is leader in Europe in its activity and work across five countries: Italy, Greece, Spain, Cipro and Portugal.

GBV for country, by doValue's site, 30th of March 2023



4.1.4. Banca Finint

Banca Finint established RELAIS LeaseCo had various roles in the operation, as described above, in fact Banca Finint in the operation "Relais" operate as: Corporate Servicer, Monitoring Agent, Calculation Agent, Representative of Noteholders and Back-up.

Banca Finint logo, uniud's site 2023

FINANZIARIA INTERNAZIONALE

The "Finanziaria Internazionale" was established the 17th of April 1980 by Enrico Marchi and other shareholders with the name Finvest S.r.l. the of company goal was create a big financial group in the north-east of Italy.

In March 1991 Banca Commerciale e Finint built the first loan securitization for FinLeasing Italia, Auriga S.r.l. with a total value of 140 billion euro. In 1999 was established FISG a company with as objects the structuring and the management of securitizations operations. In 2001 "born" Securitisation Services the first Italian servicer in the management of securitization operations. In 2005 there was another development with Finint Alternative Investment SGR, then in 2014 Finanziaria Internazionale became Bank, Bank Finint. In the 2016 was officially born Banca Finint Group, in 2020 there was a merge by incorporation of FISG and Finint Corporate Advisor both were securitization servicers companies, the group had from that moment simplify its company structure. Bank Consulia was integrated in the group in 2022 becoming Finint Private Bank and also there was a merge by incorporation two branches of Unica SIM in Finint Private Bank, there was also the acquisition of Finint Revalue in the same year.

“The integrity, the professionality and the independence are the characteristics that distinguish us, we collaborate with the main players in the market, and we hold the top rank (STRONG) of S&P.” (Banca Finint’s site, April 2023).

The group participate in the most innovative and complex operations done in Italy, related to 25 typologies of assets, in the NPLs 40 of the 45 operations done with the GACS were done by Banca Finint.

The group is leader in the Italian market with AUM 310 billion of euro and a ranking Strong by S&P

The Group offer these services for the securitization’s operations:

- Consultancy in Structured Finance
- Set-Up of Special Purpose Vehicle
- Management of securitizations operations with performance monitoring
- Management of bond emissions

4.1.4.1.Brief digression on Banca Finint

To better describe the operation is important to understand how one of most important players in project “Relais” works, this because many of activities in the securitization process, as mentioned before, were done by Banca Finint.

The services for SPV includes:

- Establish the SPV → Domiciliation, use of premises and keeping of social book, convocation of shareholders' meetings and drafting of minutes, preparation of statute with exclusive object in accordance with Law 130/1999
- Shareholder of SPV→ Directly or with the support of external partners, support in setting up a Dutch foundation to hold shares in the SPV.
- Manager of SPV→ Identification of independent and qualified directors with a deep knowledge of the legal and financial structure of operations

As Corporate Servicer Banca Finint does:

1. Corporate and secretarial activities
2. Tax compliance
3. Relationships with foreign securities and stock exchanges
4. Preparation of special purpose vehicle financial statements
5. PEC management and registry of reports
6. Reporting IAS and IFRS
7. Accounting obligation
8. Statistical reporting for Bank of Italy

The bank also is a supplier of corporate servicer for REOCO company that are as goal the value of Real Estate assets deriving from securitized receivables.

Banca Finint as Master Servicer verify the compliance of the transaction with the law, delegating activities related to the management of receivables to third parties, the group as also best practices in this activity:

- Professional teams with expertise in regulatory, legal, data management and credit management
- Dedicated IT platform with investor dashboard
- Best practice in terms of monitoring methodology
- Strong servicer ranking assigned by S&P
- Management of various types of assets both performing and non-performing

As servicer the bank manages credits directly as well as carry out the monitoring functions required by law.

Banca Finint works also as monitoring Agent, required in particular in the context of public NPL transactions equipped with GACS, their team has twenty years of experience in the portfolio management sector of the NPL world. The goals of the monitoring agent are:

- Independent supervision of servicing activities
- Conjunction between service and investors through the investor committee
- Professional and independent point of view for the investor committee

As monitoring agent Banca Finint has services like:

1. Servicer Report Verification
2. Sample analysis of activities carried out by the servicer
3. Portfolio performance monitoring vs business plan
4. Analysis of credit settlement proposals submitted to the Investors' Committee
5. Publication, in the reserved area of the site, of the documents of the investor committee

Banca Finint also provide service as computation agent, the experience combined with a precise and reliable interdisciplinary approach make the bank as a benchmark for high quality of services in fact the company set itself as a point of reference for all parties involved.

1. Checks on the completeness and consistency of the information received and preparation of reports
2. Support to the servicer, rating agencies, investors and any reporting entity designated under SecReg ESMA and UK
3. Payment and customized report for the investors made with internal software
4. Assistance in preparing payment instructions

Banca Finint is also a RON (representative of noteholders), the representative of Securities Holders is the legal representative of investors and issuers secured creditors that coordinates the actions that investors decide to undertake avoiding problems potentially arising from uncoordinated individual actions.

This is a description of what roles Banca Finint could do in a securitization operation.

4.1.5. Cappelli RCCD

Studio Cappelli RCCD is a law firm for Italian and international clients in their ordinary and extraordinary financial and corporate activities.

The firm was founded in 2009 by Silvio Riolo, Paolo Calderaro and Michele Crisostomo, joined in 2017 by Alberto Del Din and Roberto Cappelli in 2020, the Firm today avails itself of the collaboration of a hundred professionals who operate through the offices in Milan, Rome and London.

Studio Cappelli RCCD to manage the non-performing loan has a structured finance team that collaborates closely with the Litigation, Bankruptcy Law and Restructuring and Real Estate teams, providing complete and multidisciplinary assistance to its clients in the acquisition, management and sale of portfolios of non-performing or unlikely-to-pay loans, as well as in the establishment of platforms suitable for investing and optimizing the management of non-performing loans.

4.1.6. Legance

The Law Firm was founded in 2007 by a group of professionals already established in the market and grown in the same Firm, the name Legance, which evokes principles like flexibility and growth of young talents, wanted to mark the innovative approach in the legal landscape, aimed at enhancing teamwork and the institutional value of the Firm.

“The partners of the law firm shared the desire to define Legance as an independent Italian firm with the objective, achieved, of positioning itself among the full-service law firms, leaders in the Italian and European legal landscape.” (Legance’s site, 7th of April 2023).

The Firm has offices in Milan, Rome, as well as in London, confirming the strong international vocation also guaranteed by a consolidated network of relationships established with partners of independent firms in different jurisdictions, which ensure high legal quality and an approach to the relationship with clients in line with the Legance style.

The trust and appreciation of customers is also demonstrated by the numerous awards obtained by the firm over the years.

The Firm has always grown attracting young talents but also established professionals on the market who have shared the project and the founding principles. Legance in fact, is also the sharing of a great professional experience where, in addition to attention to customers, there is a strong spirit of belonging on the part of professionals and employees.

4.1.7. Ernst & Young

EY’s site, 7th of April 2023

EY, is a firm dedicated to helping organizations solve their toughest challenges and realize their greatest ambitions, from start-ups to Fortune 500 companies, and the work done with them is as diverse as they are.

Through its four service lines — Assurance, Consulting, Strategy and Transactions, and Tax — the firm try to help its clients capitalize on transformational opportunities.

The firm help its clients to meet regulatory requirements, keep investors informed and meet the needs of all their stakeholders. And in a rapidly changing world, EY try to give to its clients the support they need to be effective today and create long-term value for tomorrow.

4.1.8. BNP Paribas securities service, Milan branch

Bnp Paribas securite services' logo, AIBE's site 24th of April 2023

BNP Paribas Securities Services, Milan branch has been operating as an autonomous entity since 1 July 2001, as part of specialized post-trading services for Italian and foreign institutional clients (transaction banks). Prior to 2001 BNP Paribas Securities Services was a division of BNP Paribas and has been considered a "top player" in the Securities Services market since the early 90s.

The growth of activities has been constant over time, and in particular in recent years, through an important commercial effort aimed at increasing market share and extraordinary transactions aimed at acquiring divisions of Securities Services dismissed from Italian and foreign financial institutions.
Currently, BNP Paribas Securities Services carries out all the main activities in Italy and offers the entire range of products provided by the holding Company.

The mission of the Milan branch is to offer clients products and services of Clearing, Settlement & Custody (Italian securities settlement and custody), Asset & Funds Services (custodian bank, payment processor, fund accounting), Corporate Trust Services (services to issuers) and Market & Financing Services (securities lending and loans to internal customers).

The core clientele of the branch is composed of the main Italian and foreign financial institutions and groups, mostly banks and insurance companies, asset management companies, pension and corporate funds.
With reference to the organizational model, the Branch is aligned with the model of the parent company structured to pursue the best quality in the services offered to customers and the greatest possible internal efficiency.

4.2. The Relais Case

4.2.1. The macroeconomic environment

The significant cyclical downturn and low nominal growth expectations that there were in December of 2020 posed challenges for secured and unsecured non-performing-loan portfolio recoveries, as weak macroeconomic conditions could curtail demand for real estate assets as well as for workout options on unsecured business and personal loans.

Scope estimated that the Italian economy's medium-run growth potential is weak at 0.7%, though supported by growth-enhancing fiscal stimulus to address the economic and public-health consequences of the Covid-19 crisis, alongside accommodative borrowing and investment conditions anchored by the extraordinary interventions of the ECB. In comparison, pre-crisis output growth (2010-19 period) averaged 0.2%.

The ECB's monetary policy response and the EU Recovery Fund of 750 billion euro over 2021-26 had brought Italy to have access to capital markets a very low rates and enabled a significant fiscal response by the Italian government to the current crisis.

In 2020, Italian authorities executed meaningful budget stimulus of around 6% of GDP. The government's in "Documento di Economia e Finanza" explained the budgetary plans envisage discretionary measures in 2021 amounting to a fiscal expansion of 1.4% of GDP, including capital for southern Italian regions and a huge support for businesses.

"Under our baseline scenario, we foresee the Italian economy contracting by 9.6% in 2020 but rebounding with growth of 5.6% in 2021. This scenario assumes a firmer foothold for the recovery by the spring of 2021 after an easing of the anticipated double-dip contraction in Q4 amid a gradual re-opening of the economy. Even so, recovery in 2021 will remain uneven and subject to setbacks in the short term.
There are both upside and downside risks to these baseline projections for 2021. Under a stressed scenario of a full renewed lockdown by Q1 2021, we estimate a further contraction of GDP next year of 0.7%." (Scope, Relais SPV S.r.l., 29th of December 2020).

The crisis in which Italy faced was hard and the loss of investment could have attenuated Italy's growth potential because longer-term plans for reform faced with some challenges, moreover, including from policy implementation and structural increased in public debt ratios which restrict available fiscal space.

Italy's public debt ratio has constantly increased across the multiple business cycles, from 104% of GDP at the end of 2001, to 135% by end of 2019 and around 160% in 2020.

Moving ahead in this decade might occur additional shocks with potential adverse impacts on debt trajectory remain likely.

4.2.2. The characteristics of the portfolio

The portfolio that was securitised by UniCredit Leasing was manly done by Italian non-performing leasing contracts originated by UniCredit Leasing.

The representations and warranties on the receivables provided by the originator were not so strong as those of peer transactions that rating agencies had rate, as they did not explicitly cover the fields in the data tape.

Representations and warranties included the following:

- All the receivables were denominated in euros and governed by Italian law.
- All the receivables were valid for transfer without any limitations.
- Lessees had been reported by the originator as defaulted by the Credit Bureau of the Bank of Italy as of the transfer date.
- The activities related to the management and recovery of leasing receivables had been carried out by either Unicredit Leasing or doValue, in accordance with the recovery rules of Unicredit Leasing or doValue.
- As of the date on which financings were granted, corporate lessees were entities incorporated under Italian law with a registered office in Italy.
- As of the date on which financings were granted, lessees were individuals residing in Italy.

Additional representation and warranties apply to the immediately transferrable assets. In Which there were:

- The assets can be deeded and transferred to the LeaseCo.
- The assets hade urbanistic and energy performance certificates; cadastral data comply with the 'status quo' of the assets.

In the chart below there is the description of the portfolio in terms of stratifications

Transaction tape, Scope rating, Relais S.r.l., 29th of December 2020

	All	Secured leases	Unsecured receivables
Number of leases	3,006	1,874	1,132
Number of borrowers	2,335		
Gross book value (EUR m)	1,583	1,369	214
Percentage of total GBV		86.5%	13.5%
Collections since cut-off date (% of GBV)	0.2		
Preliminary sales proceeds (% of GBV)*	1.6		
Sold assets proceeds (% of GBV)	1.5		
Weighted average seasoning (years)	5.8	5.6	7.0
Collateral value (before haircuts, EUR m)	1,070	1,070	
Repossessed and regularised assets (% of GBV)		23.7	
Non-repossessed or non-regularised assets (% of GBV)		76.3	
o/w non-repossessed		45.4	
o/w repossessed		30.9	

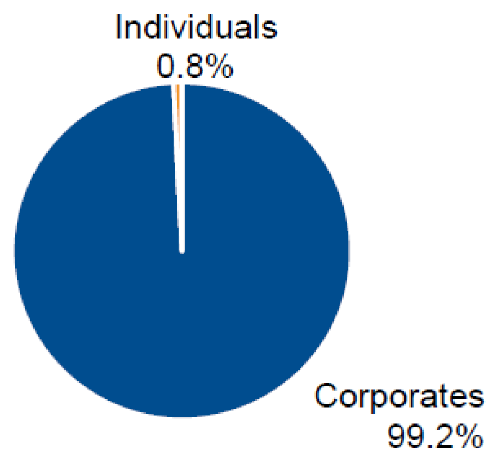
The analysis provided by the is performed on a line-by-line level, considering all information provided to the rating agencies during the transaction, and also considering all publicly available information.

"Leases are defined as 'secured' if the relevant assets are yet to be sold, whereas unsecured receivables refer to leases for which the relevant assets have been already sold." (Scope, Relais S.r.l, 29th December 2020)

The pool's GBV are adjusted using information on collections and sold properties since the cut-off date. Collections received since the cut-off date were part of the issuer's available proceeds at the first payment date.
It was assumed that preliminary sales proceeds would be received within five years from the closing date of the procedure.

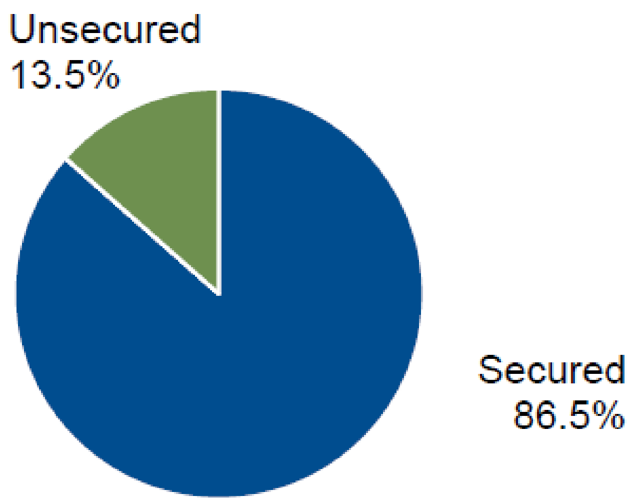
The data provided below may be based, if applicable, on conservative mapping assumptions applied to address missing data.

Distribution by Borrower type in % of GBV



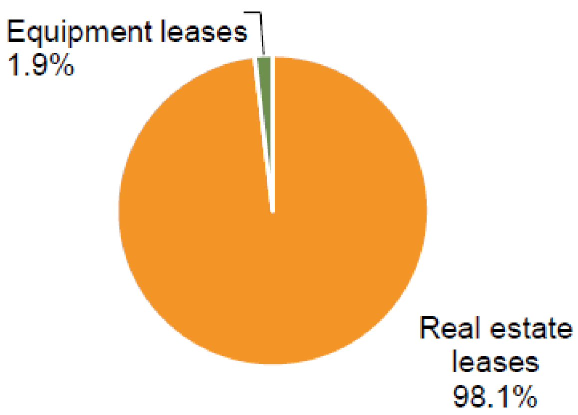
Scope, Relais SPV S.r.l, 29th of December 2020

Distribution by Lease type in % of GBV



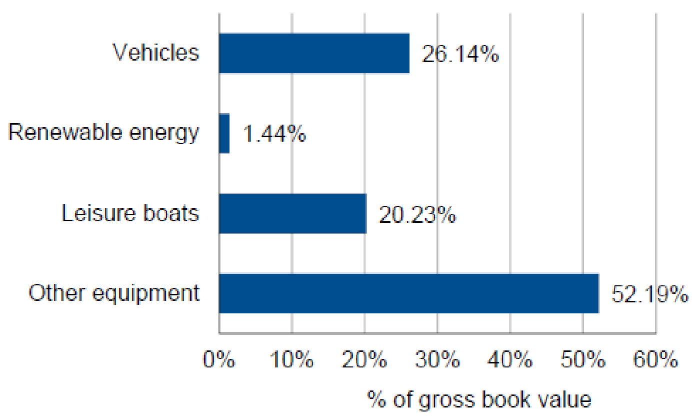
Scope, Relais SPV S.r.l. 29th of December 2020

Distribution by lease type % of GBV



Scope, Relais SPV S.r.l. 29th of December 2020

Distribution by asset type equipment leases % of GBV1



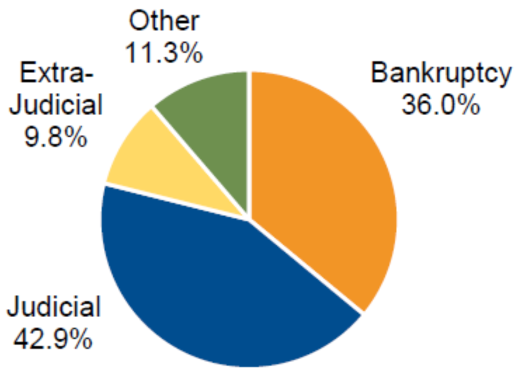
Scope, Relais SPV S.r.l. 29th of December 2020

As shown in the graphs above the leases object of securitization are mainly composed by corporates clients, and mainly related to the Real Estate sector. The most of them were secured, but the main type of assets is "Other equipment" in which can be seen the bigger percentage of GBV.

These values explain well the portfolio composition in particular can be notice the illiquidity of the assets of securitization process.

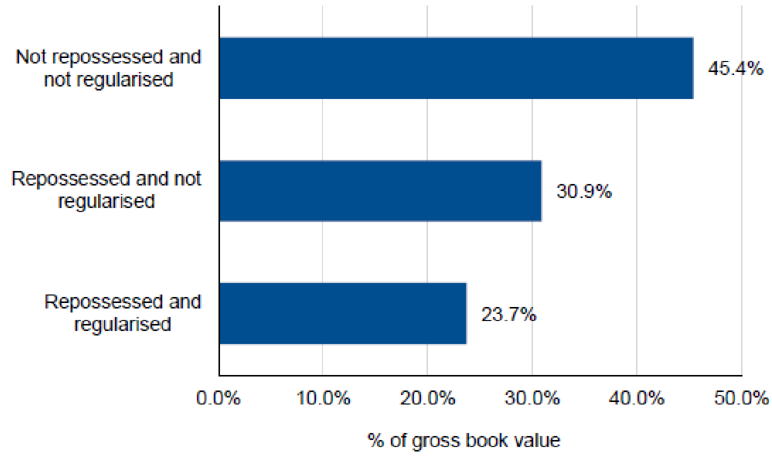
The assets that were object of the leases didn't have the same procedures of recovery in the first chart below there is a brief description of the percentage in terms of GBV of the vary recovery used, in the second chart there is a description of repossession stages as of cut-off date.

Recovery procedure by borrower type



Scope, Relais SPV S.r.l., 29th of December 2020

Distribution by repossession stage

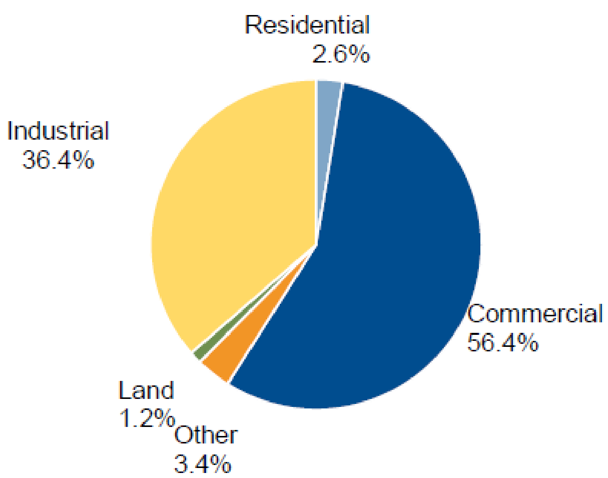


Scope, Relais SPV S.r.l. 29th of December 2020

The main types of procedure by borrowers were Bankruptcy and Judicial, about 78,9%, the major part of the assets were repossessed the 54,6% by the cut-off date but there is a high amount of assets that were not repossessed 45,4%, also a significant part of repossessed assets were not regularised the 30,9%.

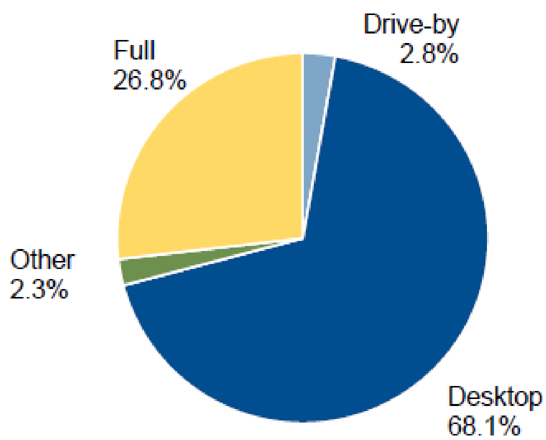
In the charts below there is a description of collateral and valuation type, the two more significant percentages in the two charts are respectively "Commercial" the 56.4% and "Desktop" the 68.1%.

Distribution by collateral type % of appraisal value



Scope, Relais SPV S.r.l.,29th of December 2020

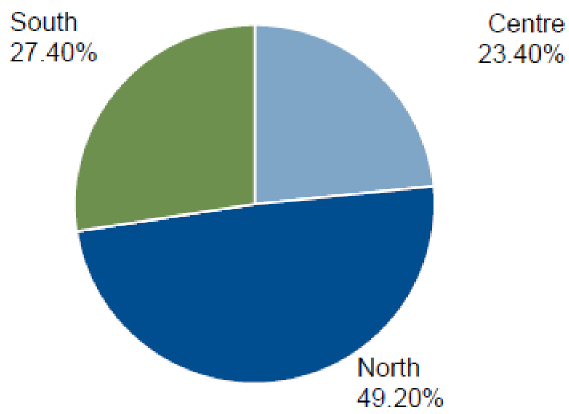
Distribution by valuation type % of the appraisal value



Scope, Relais SPV S.r.l., 29th of December 2020

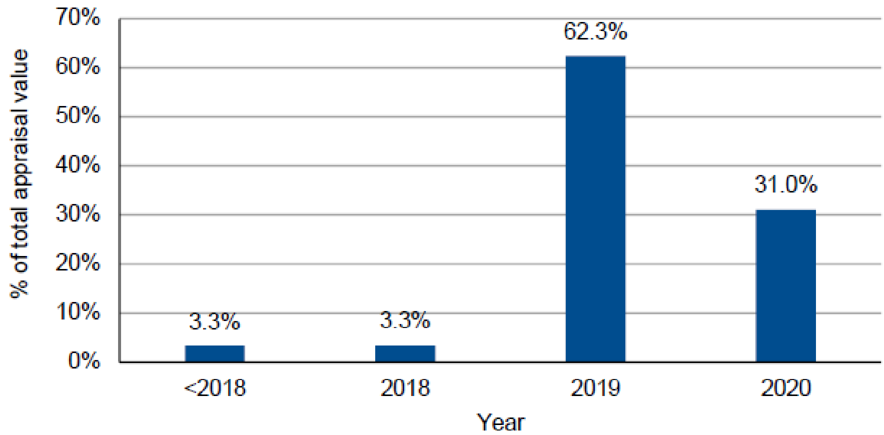
Also "Industrial" collateral type is significant in this securitization, to have more detailed description of the assets object of securitization the description of the Italian region in which they are situated and the evaluation date in which they were evaluated.

Collateral distribution by Italian region % of the appraisal value



Scope, Relais SPV S.r.l., 29th of December 2020

Distribution by evaluation date % of the appraisal value

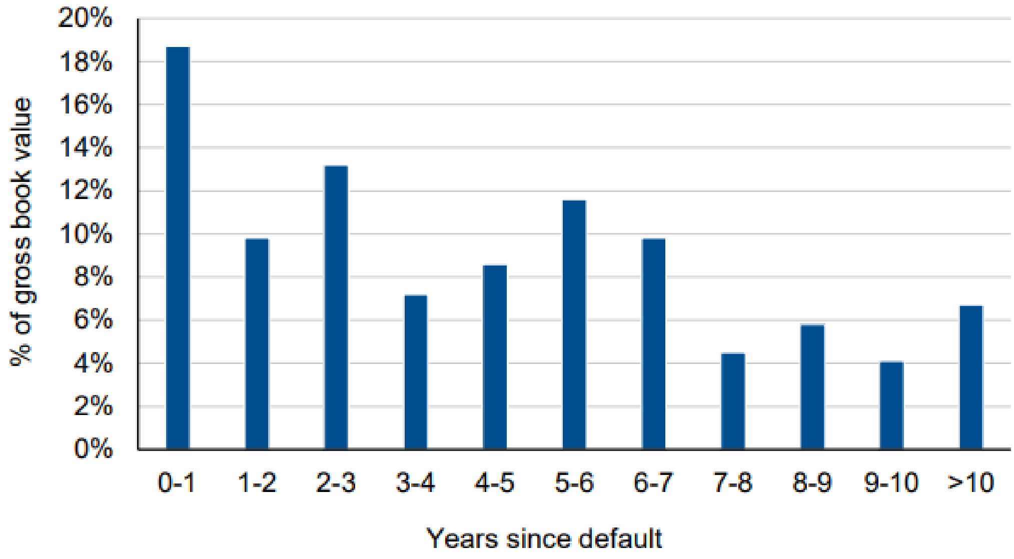


Scope, Relais SPV S.r.l., 29th of December 2020

Nearly the half of the collateral assets were in North of Italy, the assets located in the south and the centre of the country were nearly the same in percentage. The 93,3% of the assets were evaluated after the 2019, the most of evaluation were very near from the start of the "Relais" project giving a value that could be near the fair value. The evaluation of the collateral was done as percentage of GBV and not in terms of square meters, this could partially explain the higher percentage in north Italy than in south Italy.

Therefore, these data between the years 2019 and 2020 there was the Covid pandemic and the 62,3% of the valuation were done in 2019 before the pandemic effects on the economy, the 31% was done in 2020 during the lockdown restriction this could probably give a more related evaluation to the economic situation.

Distribution by unsecured receivables seasoning in % of GBV



Scope, Relais SPV S.r.l., 29th of December 2020

The distribution for the unsecured receivables shows that the higher percentage of the assets considered reach the default before five years from the operation, in fact from the period "0-1" to the period "4-5" in the chart is represented more than the 50% of the GBV with a clear outlier in the first period ("0-1").

Considering these data, it's clear that the larger amount of assets in the GBV were not older than 5 years during the "Relais" project.

4.2.3. The Portfolio analysis

After the NPL ABS rating process done by the rating agencies with their methodology, in which the resilience of a rated instrument was stressed against deterministic, rating conditional. The rating agency Scope describe its procedures: "apply higher stresses as the instrument's ratings become higher" (Scope, Relais S.r.l., 29th December of 2020).

The figure below summarises the recovery rate assumptions applied for the analysis of the class A notes:

	Class A Analysis
Secured recovery rate in % of GBV	**48.6**
Unsecured recovery rate in % of GBV	**17.9**
Total recovery rate in % of GBV	**44.4**
Secured collections weighted average life (year)	**5.0**
Unsecured collections weighted average life (year)	**12.6**
Total collections weighted average life (WAL)	**5.4**

Data from Scope, Relais SPV S.r.l., 29th of December 2020

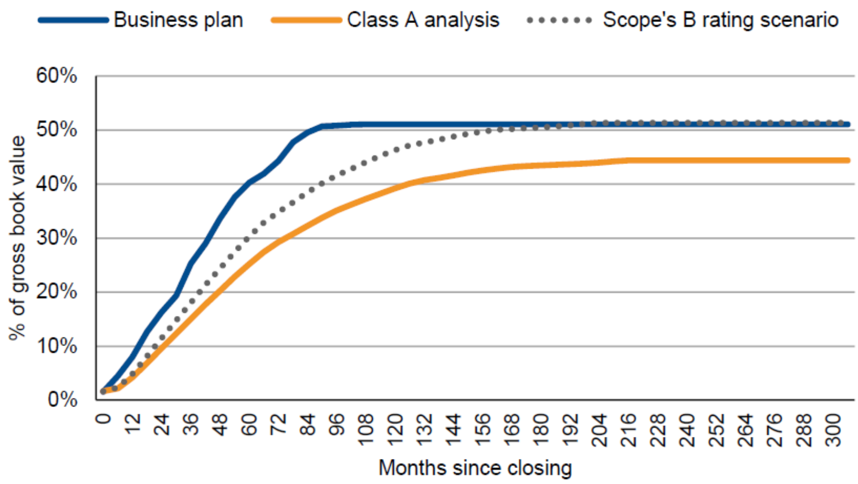
The recovery assumptions made by the rating agency were the 13% below the business plan target.

The figure: "Business plan's gross cumulative recovery vs Scope assumptions" compares the Scope rating agency lifetime gross collections and recovery timing assumptions for the entire portfolio with the servicer business plan.

These assumptions are derived by blending secured and unsecured recovery expectations. The recovery assumption for class A done by Scope were about 13% below business plan targets. For the analysis of class A notes, the rating agency assumed a longer recovery timing than the one forecasted in the business plan (the assumption was based on the chart above in which the WAL was 5.4 years versus the business plan WAL of about 3.5 years).

Before the transaction's closing date, doValue (the special servicer) was already managing about 27% of portfolio's GBV. The servicer's business plan was prepared "on an analytical basis or based on the asset managers' assessment (by either performing a due diligence on individual leases or by assessing the output of the statistical business plan model for leases already serviced by doValue) for 32% of pool's GBV, while a statistical business plan was performed for the remainder pool." (Scope, Relais S.r.l., 29th December of 2020).

Business plan's gross cumulative recovery vs Scope assumptions



Scope, Relais SPV S.r.l.., 29th of December 2020

The chart: "Business plan's gross cumulative recoveries for secured leases vs Scope's assumptions" shows the rating agency lifetime gross collections vectors for the secured segment compared to those from the servicer's business plan.

The analytical approach used to estimate the security's current value is based on property appraisals and then applying security-value haircuts to capture forward-looking market value and liquidity risks.

In the transaction done by UniCredit Leasing the data received by the rating agency Scope were the special servicer's repossession data, in which the rating agency incorporated in the calibration of its fire-sale discount assumptions. The analysis that was done consider the concentration risk.
Recovery timing assumptions were mainly determined by the type and efficiency of the repossession strategy, by the court issuing the repossession proceeding, by properties' status, and by the type of property. Recovery timing assumptions were also based on expected Real Estate market liquidity conditions and the rating agency assessment of the special servicer's capabilities in selling the assets after repossession.

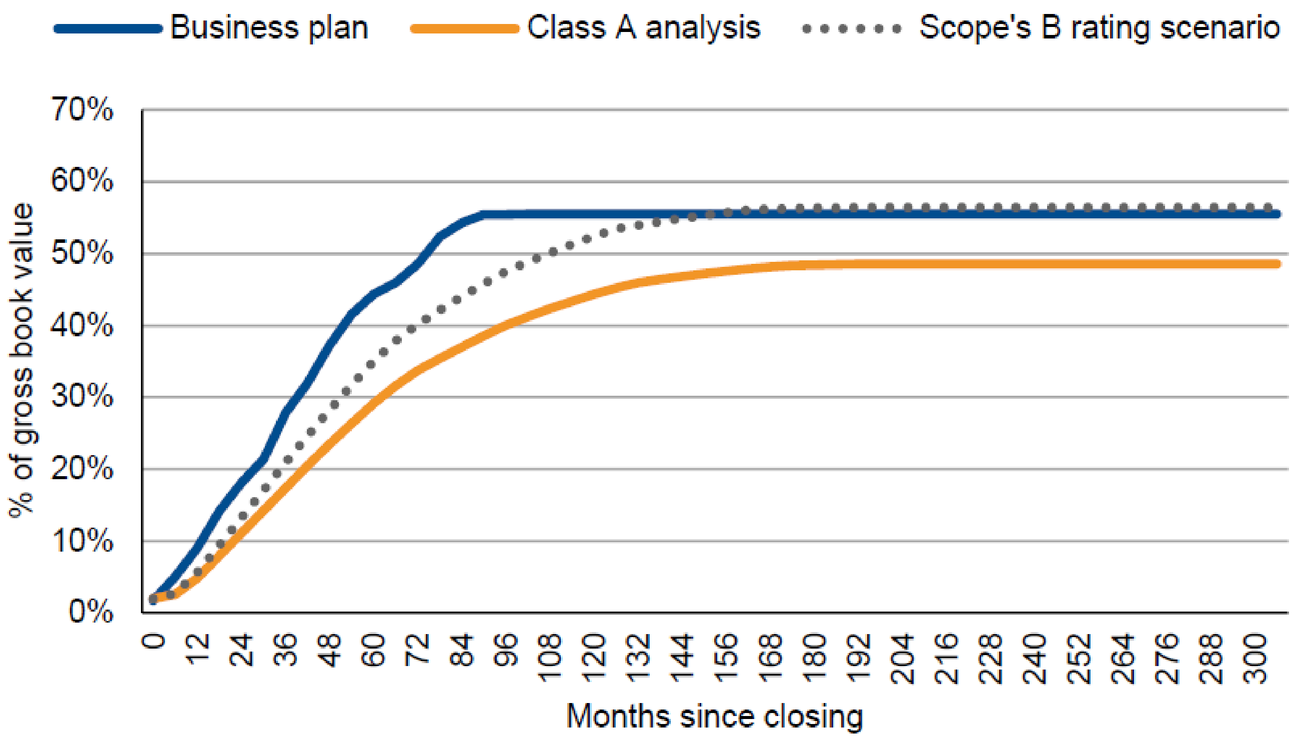
The timing assumptions, done by the rating agency were based on the following data sources: "

- Historical data provided by the servicer in the context of this transaction, regarding its time to sell and time to repossess
- Public market data
- Scope's proprietary data"

Scope, Relais S.r.l., 29th December of 2020

The analysis also had taking in consideration the servicer's business plan and strategies.

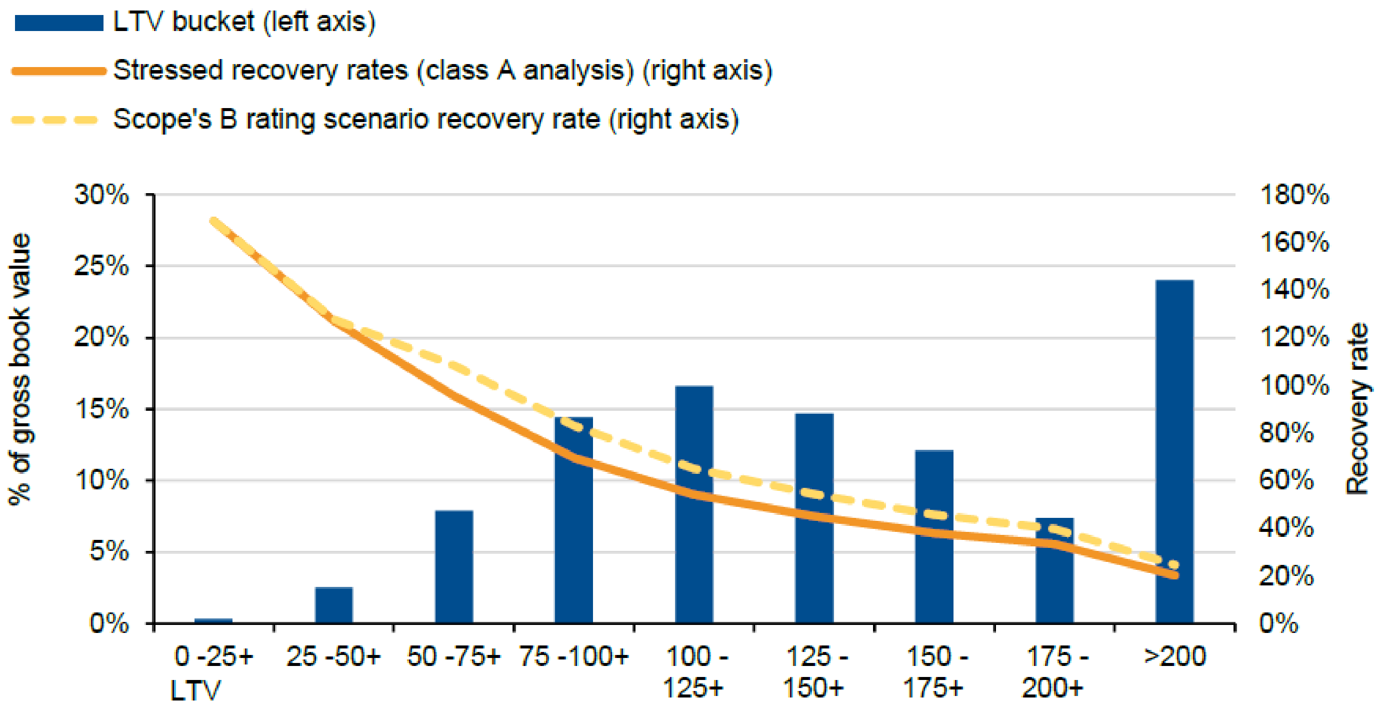
Business plan's gross cumulative recoveries2 for secured leases vs Scope's assumptions



Servicer Business Plan, Scope, Relais SPV S.r.l., 29th of December 2020

The chart below shows the secured leases' distribution by lease-to-value (LTV) bucket as well as the Scope rating agency's recovery rate assumptions for each LTV bucket (under the rating-conditional stresses applied for the class A).

Secured leases' distribution by lease-to-value (LTV) and scope expected secured recoveries



Scope, Relais SPV S.r.l., 29th of December 2020

The analysis of rating agency applied a rating-conditional haircuts ranging from 0% to 15%, reflecting the view that the rating agency as on the quality and accuracy of each valuation type (full or drive-by valuations are generally more accurate than desktop valuations).

The valuation haircut assumptions consider the originator's internal policies on asset appraisals. At the repossession date, full valuations were performed; assets that have been repossessed for more than one year are appraised through annual desktop valuations and on-site bi-annual visits conducted by third-party service providers.

Scope's transaction-specific valuation haircuts

Valuation type	Percentage of collateral value	Class A analysis haircut
Full	26.8%	0%
Drive-by	2.8%	0%
Desktop	68.1%	2.5%
Other/Statistical	2.3%	15.0%

Scope, Relais SPV S.r.l., 29th of December 2020

The chart below details the rating agency assumptions about property price changes over the transaction's life commensurate with class A rating.

These assumptions were:

a. The specificity to the transaction and geographical area

b. Based on the analysis of historical property price volatility

c. Based on fundamental metrics relating to property affordability, property profitability, private sector indebtedness, the credit cycle, population dynamics and long-term macroeconomic performance.

Scope's transaction - specific price change assumptions

	North						Centre			South			Islands	
Region	Milan	Turin	Genoa	Bologna	Venice	Others	Rome	Florence	Others	Naples	Bari	Others	Metropol-itan cities	Rest of provinces
Class A analysis	-13.0	-11.0	-11.0	-11.0	-13.0	-13.0	-17.0	-15.0	-15.0	-13.0	-13.0	-15.0	-13.0	-15.0
Portfolio distribution (%)	6.6	3.0	1.0	1.4	1.7	35.6	8.8	0.4	14.2	5.5	0.9	15.2	2.2	3.7

Scope, Relais SPV S.r.l., 29th of December 2020

The collateral liquidity risk was captured through additional fire-sale haircuts on collateral valuations. Compared with mortgage collateral, leased assets generally have lower discounts upon disposal (as they are mostly sold on the open market than through judicial auctions) and are better maintained. Moreover, upon repossession, most leased assets are put under the custody of third parties, with the servicer managing their maintenance, capex and opex.

The chart below shows the rating-conditional haircuts applied for the class A analysis, whose assumptions were based on historical distressed property sales data (including those provided by the servicer) and reflect the view that non-residential properties tend to be less liquid, resulting in higher distressed-sale discounts.

Assumption on discount transactions (fire-sale)

Collateral type	Percentage of collateral value	Class A analysis haircut
Residential	2.6%	18%
Non-residential	97.4%	24%-32%

Scope, Relais SPV S.r.l., 29th of December 2020

The chart addressed to borrower a concentration risk by applying a 10% rating-conditional recovery haircut to the 10 largest borrowers for the class A notes analysis. The largest 10 and 100 borrowers account for 9.3% and 36.9% of portfolio GBV, respectively.

The recovery assumptions consider three phases:

a. repossession

b. regularisation

c. asset disposal

The three phases could be overlap, so the rating agency assumed them to be sequential.

The repossession phase takes place when there was the resolution of lease contracts.
If the lessee doesn't return the asset to the lessor by the deadline stipulated in the resolution contract, the lessor can initiate asset repossession via judicial or bankruptcy proceedings against the lessee, or through extra-judicial routes.

When the asset was repossessed and placed under third-party custody, the regularisation phase began, during which cadastral, urbanisation and environmental activities were performed as required by the asset's deed.

The regularisation phase involves a technical asset due diligence, with an on-site inspection and the gathering of all necessary documentation requested by the notary. The asset could be sold only after the repossession and regularisation phases, but the servicer most of the times starts marketing the asset during the regularisation phase to accelerate the disposal process.

The analysis applied line-by-line repossession timing assumptions, considering the court in charge of the repossession's proceeding, the type of legal proceeding like bankruptcy or non-bankruptcy, and the current stage of the proceeding.

The differentiated repossession timing assumptions based on the asset type, incorporating an operational timing stress.

In the analysis was applied line-by-line regularisation timing assumptions, based on the asset type and the servicer's historical experience.

The disposal timing assumptions were based on the analysis of the servicer's historical data, on Scope's proprietary data, and on public market data. These assumptions also depended on the size of the asset.

In a comparison with non-performing loans, the time to recover for non-performing leases depend less on court efficiency, as courts were involved only until the repossession phase, while asset sales occurred on the open market. There was applied a rating-conditional timing stress related to total timing assumptions, based on the type of repossession proceeding (like bankruptcy vs non-bankruptcy).

Lenght of Recovery Process

Type of proceeding	Length* (years)
Bankruptcy	4.3-7.1
Non-bankruptcy	4.2-6.5

Scope, Relais SPV S.r.l., 29th of December 2020

Total recovery time by phase

Phase	Percentage of total recovery timing*	Bankruptcy	Non-bankruptcy
Repossession	39%-61%	43%-61%	39%-57%
Regularisation	4%-8%	4%-7%	4%-8%
Disposal	34%-55%	34%-51%	38%-55%

Scope, Relais SPV S.r.l., 29th of December 2020

To completely describe the portfolio an analysis on unsecured receivables and residual claims must be done. The unsecured receivables refer to lease exposures for which the relevant assets have been soldan the residual claims refer to future unsecured receivables that could arise from future asset sales that are not expected to cover the corresponding outstanding debt.

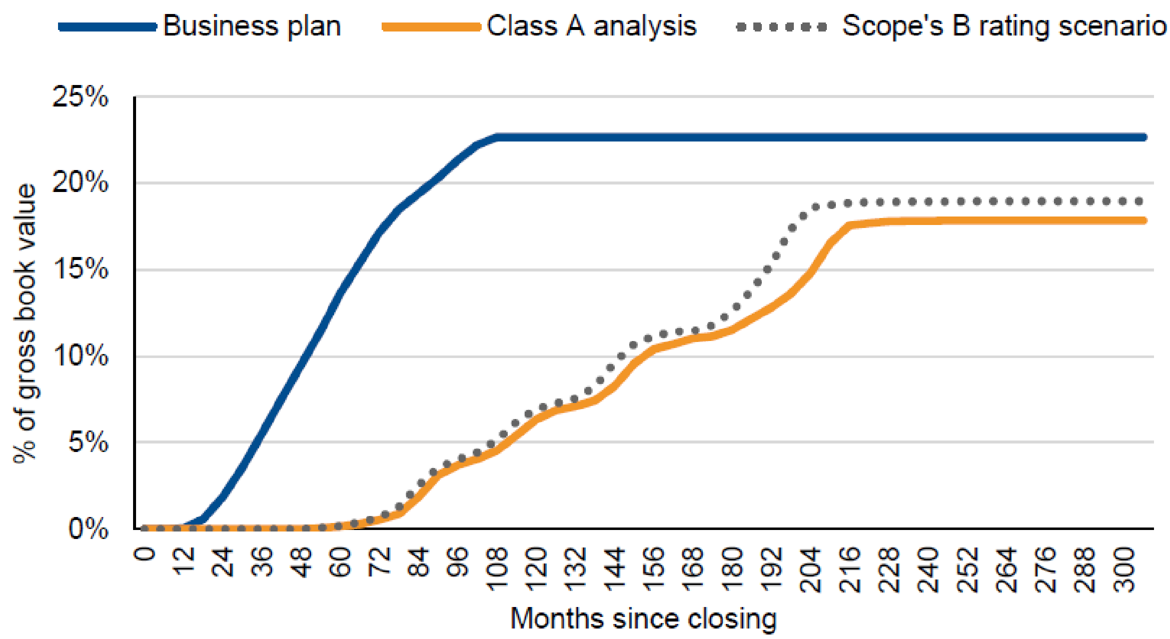
In the analysis done by the rating agency unsecured recovery assumptions include collections from both unsecured receivables and residual claims.

The unsecured recovery assumptions were based on market-wide proprietary data and on the potential coverage from third-party guarantees, that were the result of rating agency analysis on the pool's line-by-line guarantor data.

The analysis was also based on the servicer's historical recovery data provided by third-party guarantors from the portfolios they manage. In addition, was incorporated the rating agency assessment on the quality of the servicer's recovery procedures.
The specific assumptions for the transaction also reflect the key characteristics of the unsecured and residual claims receivables:

- average exposure size
- debtor type
- recovery proceeding type

Servicer unsecured recoveries vs Scope Assumptions



Scope, Relais SPV S.r.l., 29th of December 2020

In the residual claims after security sale the secured creditor might enforce actions against a debtor despite the sale of the leased property. The secured creditors usually have a 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 arises with an enforceable title if it's secured or unsecured.

The analysis on the pool's line-by-line data on third-party guarantors and on the servicer's historical data, as generate that there would be 6% of leases value in residual claims. The recovery strategies typically do not focus on collecting residual claims because the costs associated to those may exceed potential proceeds.

But residual claims could be enforced in profitable ways for some lessees: the elapsed time after a default may have a positive impact as third-party guarantors may at that stage own assets that can be enforced.

The servicer to maximise recoveries do the procedures even after the security has been enforced, only when it is cost-efficient.

4.3.The Operation

The structure of the operation had three classes of notes with fully sequential principal amortisation:

- senior class A
- mezzanine class B
- junior class J

The class A notes pay a floating interest rate indexed to six-month Euribor plus a spread of 1.5%.

The class B notes pay a floating interest rate indexed to six-month Euribor plus a spread of 9.5%. The class B interest and a portion of the special servicer fees would be subordinated to class A principal payments if were triggered certain under performance events.

The GACS guarantee ensured interest and principal were paid by the final maturity of the class A notes.
The rating analysis on the class A notes didn't consider the coverage of the GACS guarantee but considered its potential cost (like the GACS premium) if the guarantee would be added to the structure.

Non-timely payment of class A interest (despite there was in place the GACS guarantee), among other events such as the issuer's unlawfulness, would accelerate the repayment of class A principal through the subordination all class B payments.

4.3.1. Priority of the payments

The issuer's available funds (like cash reserve, payment received under interest rate agreement and collection received after the management of the portfolio) would be used, as stated in Relais S.r.l., by Scope, "in the following simplified order of priority:

1) LeaseCo fees, master and special servicer senior fees, and other senior expenses

2) Expenses account replenishment

3) Senior fees

4) Limited-recourse loan interest

5) GACS guarantee premium

6) Replenishment of SPV recovery expenses reserve and LeaseCo recovery expenses reserve

7) Class A interest

8) Other GACS costs, if due

9) Cash reserve replenishment

10) Limited-recourse loan principal

11) Class B interest (provided that no interest subordination event has occurred)

12) Class A principal

13) Class B interest (upon occurrence of the interest subordination event)

14) Class B principal and mezzanine servicer fees (provided that a servicer underperformance event has occurred)

15) Class J interest

16) Class J principal and junior servicer fees (provided that a servicer underperformance event has occurred)

17) Any residual amount as class J variable return" (Scope, Relais S.r.l., 29th December 2020).

The item 13 in the list above occur in case of an interest subordination event results in class B interest being paid. An interest subordination event occurs if:

- The cumulative net collection ratio (CCR) falls below 90% from the business plan targets by the servicer
- the NPV cumulative profitability ratio (NPVPR) falls below 90%;
- any due amount of class A interest is unpaid.

An interest subordination event is considered curable if comply with the following rules:

1. If, after the payment date, the CCR is between 90% and 100% and the NPVPR is above 90%, class B interest accruing on that payment date will be paid senior to the class A principal repayment.

2. If, in later payment date, the CCR returns to 100% or above and the NPVPR is above 90%, all due and unpaid class B interest will be paid senior to the class A principal repayment.

4.3.2. Servicing fees

The link between the servicer fee amount with portfolio's performance is built on the servicing fees structure, in order to mitigate a potential conflict of interest between the servicer and noteholders. The special servicer is entitled to both an annual base fee and a performance fee.

The annual base fee for the special servicer ranged from 0.06% to 0.02% of the outstanding GBV, which, obviously, decreases during the transaction's life. Performance fees were 0.75% - 2.25% on secured leases, 3.5% - 6.5% on unsecured receivables and residual claims, and 1.5%-4.5% on secured leases applying DPO strategies. Master fees amount to 0.0012% of outstanding GBV and were subjected to the transaction's caps and floors.

LeaseCo master servicing fees amount to 0.0006% of the pool's outstanding collateral value and were also subject to the transaction's caps and floors.

The level to set the fees depends on GBV and the recovery strategy (judicial versus extra-judicial). The extra-judicial strategies and lower tickets generally bear higher performance fees relative to collection amounts.

When was taken in consideration the portfolio composition, was assumed an average performance fees of 1.05% for secured and 5.01% for unsecured.

The underperformance of a service is an event that results in 20-35% of the servicer performance fees were subordinated to class A principal payments. This portion is then paid after items 14 (Class B principal and mezzanine servicer fees), 15 (Class J interest) and 16 (Class J principal and junior servicer fees) of the above list of priority of payments, as mezzanine or junior servicing fees, respectively. A servicer underperformance event could occur if the CCR or the NPVPR falls below 90%.

An underperformance event could be resolved if on any later payment date, the CCR returns above 100% and the NPVR above 90%. In case the event was resolved all mezzanine and junior servicer fees accrued and unpaid in previous periods would be paid under starting from item 1 (LeaseCo fees, master and special servicer senior fees) and other expenses of the previous list.

A brief digression on CCR and NPVPR is necessary to better describe the servicing fees.

CCR is defined as the ratio between:

- The cumulative net collections
- The net expected cumulative collections, that are calculated as the difference between gross collections and LeaseCo operating expenses and SPV legal costs, excluding servicing fees. LeaseCo operating expenses take in consideration the management and marketing costs, the property taxes, the eviction and insurance costs, the maintenance and development capex, the brokerage fees.

$$\frac{Cumulative\ net\ collections}{Net\ expected\ cumulative\ collections}$$

NPVPR is defined as the ratio between:

- The sum of the present value of the net collections for all receivables relating to exhausted debt relationships
- The sum of the target price (based on the servicer’s initial business plan) of all receivables relating to exhausted debt relationships

$$\frac{Sum\ of\ present\ value\ of\ net\ collections\ related\ to\ debt}{Sum\ of\ target\ price\ of\ all\ recevibales\ related\ to\ debt}$$

4.3.3. Monitoring the servicer

An analysis of servicer’s activities and calculations, that was conducted by the monitoring agent (Banca Finanziaria Internazionale S.p.A.), mitigated operational risks and moral hazard that could negatively impact noteholders.

The servicer, in a securitization operation, is responsible for the servicing, administration, and collection of receivables as well as the management of legal proceedings. The servicer was also entrusted by the LeaseCo with the repossession, regularisation, and disposal of the leased assets. The monitoring agent must verify the calculations of key performance ratios and amounts payable by the issuer and checking from a random sample of leases.

The monitoring agent has to reporting all to a committee that represents the interests of both junior and mezzanine noteholders. The committee could authorise the revocation and the replacement of a servicer upon a servicer termination event.

The monitoring agent, in certain cases acting after have the instruction of the committee, the closure of debt positions, the payment of additional costs and like expenses related to recovery activities.

4.3.4. The servicer terminations events

In case of a servicer termination event, the monitoring agent and the back-up facilitator must assist the issuer in finding a suitable replacement for the servicer. For the master a termination event triggers a special servicer termination and vice versa.

"A servicer termination event includes:

- Insolvency
- Non-payment of amounts due to the issuer
- An unremedied breach of obligations
- An unremedied breach of representation and warranties;
- Loss of legal eligibility to perform obligations under the servicing agreement
- Six consecutive periods of underperformance (i.e. CCR below 80%)
- Following the enforcement of the GACS guarantee, if the CCR has been lower than 100% for two consecutive collection dates."

Scope, Relais S.r.l., 29th December 2020

4.3.5. Liquidity protection

There was a cash reserve generated by Unicredit Bank AG this limited-resource loan funded at the closing date.

The target amount for the cash reserve would be equal to 7.5%, at each payment date, of the total outstanding balance of class A notes, with a floor set at 5 million of euro.

The cash reserve was available to cover any shortfalls of class A note's interest payments and any type of items senior to them in the priority of payments.

In addition, the cash reserve funds could be withdrawn to restore the LeaseCo recovery expenses reserve to its targeted level.

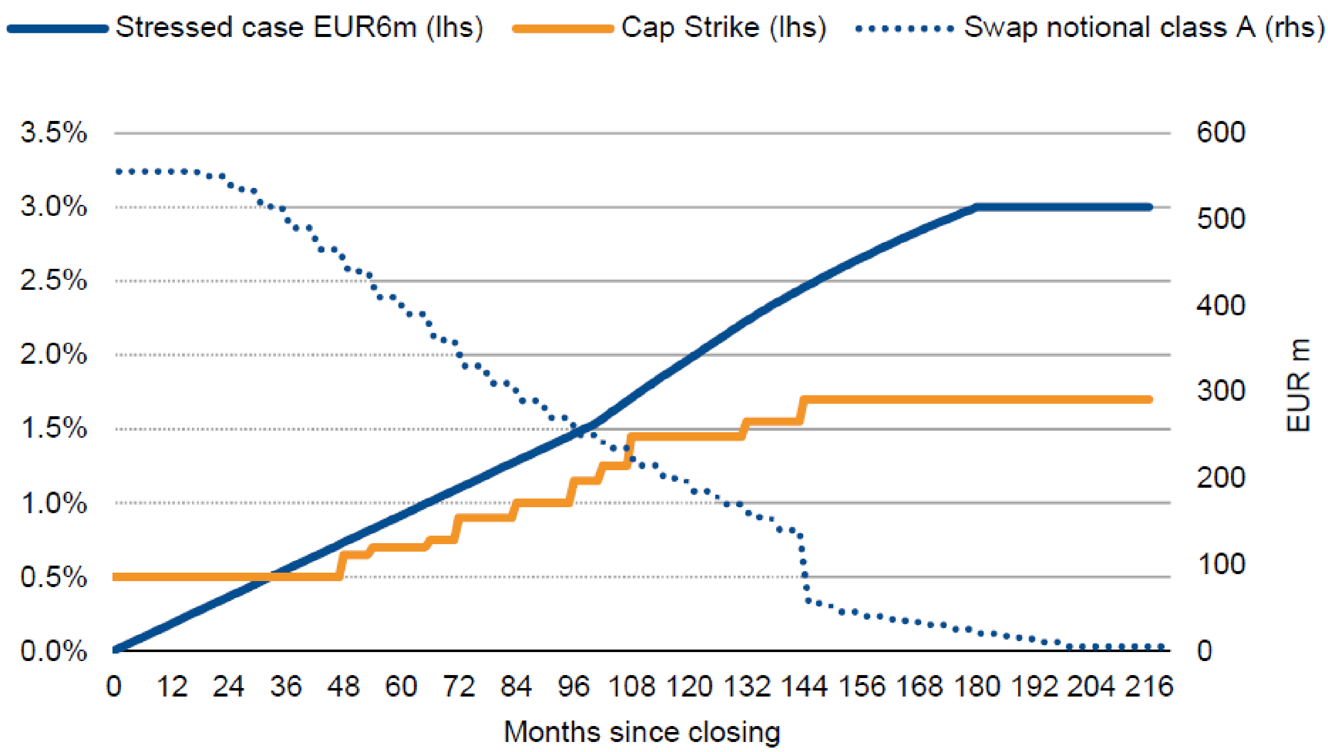
4.3.6. Hedging procedures for interest rate

The hedging procedures were caused by the non-performing nature of the securitised portfolio, the issuer would not receive regular cash flows and the collections would not be linked to any defined interest rate.

Regarding liability side, the issuer would pay on the notes a floating-rate coupon, that was defined as six-month Euribor plus a spread of 1.5% for the class A and a 9.5% for the class B.

The interest rate cap mitigated partially the risk of increased liabilities on the A class note caused by a rise in Euribor rate. (Chart Below). The issuer would receive, on a predefined notional, the difference between six-month Euribor and the cap strike.

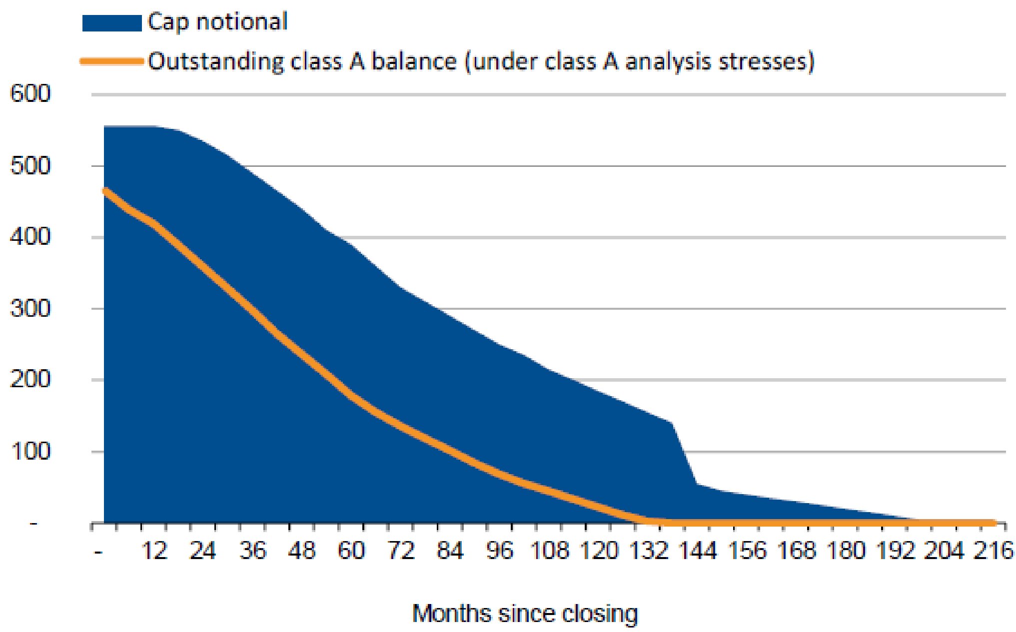
Interest rate cap on A class note



Scope, Relais SPV S.r.l., 29th of December 2020

The cap strike started from 0.5%, and based on the agency rating analysis would progressively reach 1.70 after the 2033. The cap agreement notional schedule was aligned with rating agency expected class A amortisation profile (Chart Below). The rating agency expected the class A to amortise slower than the cap notional.

Cap notional vs outstanding class A notes



Scope, Relais SPV S.r.l., 29th of December 2020, data from Bloomberg and Scope

4.3.7. Recovery expenses reserves

The SPV recovery expenses reserve, that was consisting of 10 million euro limited-recourse loan provided by UniCredit BanK AG, would be funded with at closing through. The reserve target would be amortised based on the outstanding class A notional by up to 3 million euro when the class A outstanding amount was lower than 30% of its original value at closing.

This reserve was available to cover: the leased assets' costs, legal recovery expenses, and property taxes other than servicing fees. In case the reserve falls below 200 thousand euro, the funds could be withdrawn (to bring the reserve up to its target) respectively from the collection account or investment account, upon notification of the master or special servicer to the cash manager and account bank.

The LeaseCo recovery expenses reserve would be funded with 5 million euro at closing from the SPV recovery expenses reserve. The LeaseCo reserve had a target amount to 5 million euro at each payment date. That reserve was available to cover the cost related to the assets: other than servicing fees, legal expenses, and property taxes.

In the case the reserve felt below 1 million euro, funds could be withdrawn (to bring the reserve up to its target) respectively from the: LeaseCo collection account, the SPV recovery expenses reserve, the cash reserve and, lastly, from the collection account, immediately after the master or special servicer's notification to the cash manager and account bank.

4.4. The operation's cash flows analysis

The rating agency analysed the transaction's specific cash flow characteristics. Asset assumptions were captured through rating-conditional gross recovery vectors. The analysis considered: the capital structure, the coupon payable on the notes and the hedging structure, the servicing fees structure, the transaction senior fees, operating and legal cost of LeaseCo and SPV, assumed at 11% of gross collections.

The class A notes rating reflected the expected losses over the instruments' weighted average life commensurate with the Scope's idealised expected loss table.

The resilience of the rating was tested against deviations from expected recovery rates and recovery timing. This analysis has the purpose of illustrate the sensitivity of the ratings to input assumptions and was not indicative of expected or likely scenarios. In the analysis was tested the sensitivity of the analysis to deviations from the main input assumptions:

- recovery rate level
- recovery timing

For the class A note, "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, zero notches"

(Scope, Relais S.r.l., 29th December 2020)

4.5. Sovereign risk

The sovereign risk did not limit any of the ratings.

The risks related to sovereign risk were: institutional framework meltdown, legal insecurity, currency convertibility problems due to an Italian exit from the euro area (a scenario that the rating agencies viewed as highly unlikely) were not material for the notes' ratings.

4.6. Counterparty risk

According to Scope rating agency, "none of the counterparty exposures constrain the ratings 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." (Scope, Relais S.r.l., 29th December 2020).

The counterparties that mainly exposed the transaction to counterparty risk were:

- UniCredit Leasing as originator (representations and warranties)
- UniCredit Bank AG as limited recourse (loan and hedging)

- Italfondiario and doValue as master and special servicer
- BNP Paribas Securities Services, Milan Branch as agent bank and principal paying agent
- UniCredit S.p.A., as account bank
- Banca Finanziaria Internazionale S.p.A. as back-up servicer facilitator, corporate servicer, LeaseCo corporate servicer, calculation agent, noteholders' representative, and monitoring agent.

A disruption event caused by the servicer could have a negative impact on the transaction's performance. The transaction incorporated servicer-monitoring and a back-up servicer facilitator arrangement that have mitigated the operational disruption.

The commingling risk was considered as limited, as debtors would be instructed to pay directly into an account held in the name of the issuer. In the limited cases in which the servicer received payments from a debtor, the servicer would transfer the amounts within two business days from payment reconciliation.
In case the originators received payments from debtors, they would transfer these amounts, within 10 business days, into the collection account.

The sellers have provided on the issue date:

- The solvency certificate signed by an authorised representative
- The certificate from the chamber of commerce to confirm that the relevant seller is not subject to any insolvency proceedings. This would 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.

The assignments of receivables made under the Italian Securitisation Law are subject to claw-back in these cases:

- "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.
- 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."

  (Scope, Relais S.r.l., 29th December 2020)

The issuer would rely on the representations and warranties provided by the originator in the transfer agreement, limited by time and amount.
If a breach of a representation and warranty materially and adversely affected a lease's value, the originator would be obliged to indemnify the issuer for damages within 10 business days of:

- the expiry of the period of opposition
- an agreement being reached on a challenge
- a court's decision in case of challenges without a subsequent agreement

The above-mentioned representations and warranties are only enforceable by the issuer within the following periods:

- Within 18 months from the issue date for immediately transferrable assets
- Within 48 months from the issue date for non-immediately transferrable assets
- By the transfer date of the assets to third parties.

The total indemnity amount is capped at 15% of the portfolio purchase price, a threshold that is lower than on peer transactions. Moreover, indemnity amounts will only be payable above 2.5 million euro on an aggregate basis, and above 25 thousand euro on a single-loss basis once the minimum aggregate threshold is reached.

4.7.Legal structure

The Italian Law governed the transaction documents, but the English Law governs the interest cap agreement and the deed of charge.

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

The Scope rating agency had "access to legal opinions produced for the issuer, which provide comfort on the legally valid, binding and enforceable nature of the contracts." (Scope, Relais S.r.l., 29th December 2020).

4.8. Monitoring

The rating agency would monitor this transaction based on the performance reports, and update reports, and other public information. The ratings will be monitored on an ongoing basis.

4.9. After the transaction 2021

No action has been taken on class A notes issued by Relais SPV S.r.l. from the issue date.

"Scope Ratings GmbH (Scope) monitors and reviews its credit ratings on an ongoing basis and at least annually, or every six months in the case of sovereigns, sub-sovereigns and supranational organisations.

Scope performs monitoring reviews to determine whether material changes and/or changes in macroeconomic or financial market conditions could have an impact on the credit ratings. Scope considers all available and relevant information when undertaking the monitoring review.

Monitoring reviews are conducted by performing a peer comparison, benchmarking against the rating-change drivers, and/or reviewing the credit ratings' performance over time, as deemed appropriate by the Lead Analyst or Analytical Team Head, in addition to an assessment of all aspects of the relevant methodologies, including key rating assumptions and models. Scope publicly announces the completion of each monitoring review on its website." (Scope's site, 19th November of 2021)

On 16th November 2021, Scope completed the monitoring review for Relais SPV S.r.l.. The credit rating were still as follows:

- *Class A (ISIN IT0005429128), EUR 427,941,780: BBB_{SF}*
- *Class B (ISIN IT0005429144), EUR 91,000,000: not rated*
- *Class J (ISIN IT0005429151), EUR 10,000,000: not rated*

Relais SPV S.r.l. was a static cash securitisation of an Italian non-performing lease portfolio that worthed around 1.5 billion of euro (at closing date) by gross book value (as total gross claim amount).

The transaction closed on 11 December 2020 and the legal maturity is July 2040. The rating agencies did not rate the class B and J notes.

This review was conducted by Scope Ratings GmbH considering available servicer reports, payment reports and investor reports up to August 2021 payment date.

The data in the review note from the scope site does not constitute a credit rating action. Information about the latest credit rating action connected with the transaction object of study and monitoring note along with the associated rating history can be found on **www.scoperatings.com.**

On the 2nd of August of 2021, the aggregate gross collections were 73 million euro, which was 100.8% of the original business plan gross expectations up to that date 72.4 million euro. Total gross collections were split between:

- sales and rent proceeds the 36.9%
- discounted payoff proceeds the 3.3%
- and other types of collections the 59.8%

Nearly the 95% of gross collections came from open debtors (like debtors for which the recovery process was still ongoing). The servicer has closed debtors for a total gross book value of 0.4% of the transaction's initial gross book value.

The class A has amortised by 8% since the issuance date. "No interest subordination event for the class B interests occurred, as the Net Cumulative Collection Ratio and the Net Present Value Cumulative Profitability Ratio stood at 134.3% and 134.9%, above the 90% threshold for the interest subordination event. Recovery expenses amounted to 15.4% of gross collections, which is higher than Scope's recovery costs assumptions under class A analysis." (Scope's site, 19th November of 2021)

All the transaction counterparties continue to support the current rating.

4.9.1. Positive credit

The cumulate net collections timing, the aggregate net collections (net of recovery expenses) were 61.7 million euro and had outpaced Scope's timing expectations (that were describe before) under class A analysis.

The cumulative net collections against business plan, the aggregate net collections were higher than the original business plan net estimates by 34.3%.

4.9.2. Negative credit

The Italian economy faced lower growth rate than the mean of previous years in the first half of 2021 caused by the Covid-19 pandemic. Despite governmental support measures that increased collateral liquidity risk and weakened borrower liquidity positions could have a negative impact on recovery.

The property sales could have a negative impact on rating score. The special servicer has sold 129 leased properties in the open market most of these properties were commercial (the 41% of the total sold properties) and industrial leased assets (the 46% of the total sold properties). The Sale prices were on average significantly lower than the asset valuations available at the issuance date (-45.2% and -38.4% weighted average discounts). The resulting discount for commercial leased properties was higher than the Scope rating agency's original stresses used for the Class A analysis.

4.10. After the transaction 2022

- *Class A (ISIN IT0005429128), EUR 466m original balance, EUR 391.1m current balance: BBB_{SF}*
- *Class B (ISIN IT0005429144), EUR 91m original balance, EUR 91m current balance: Not rated*
- *Class J (ISIN IT0005429151), EUR 10m original balance, EUR 10m current balance: Not rated*

The cumulative collections were faster than expected (this is a positive mark). The aggregate gross collection amount to 135.9 million euro and net collections amount to 109.6 million euro, respectively. The aggregate net collections, which represent 124% of the original servicer's expectations, had also exceeded the Scope rating agency's timing expectations under the class A rating scenario.

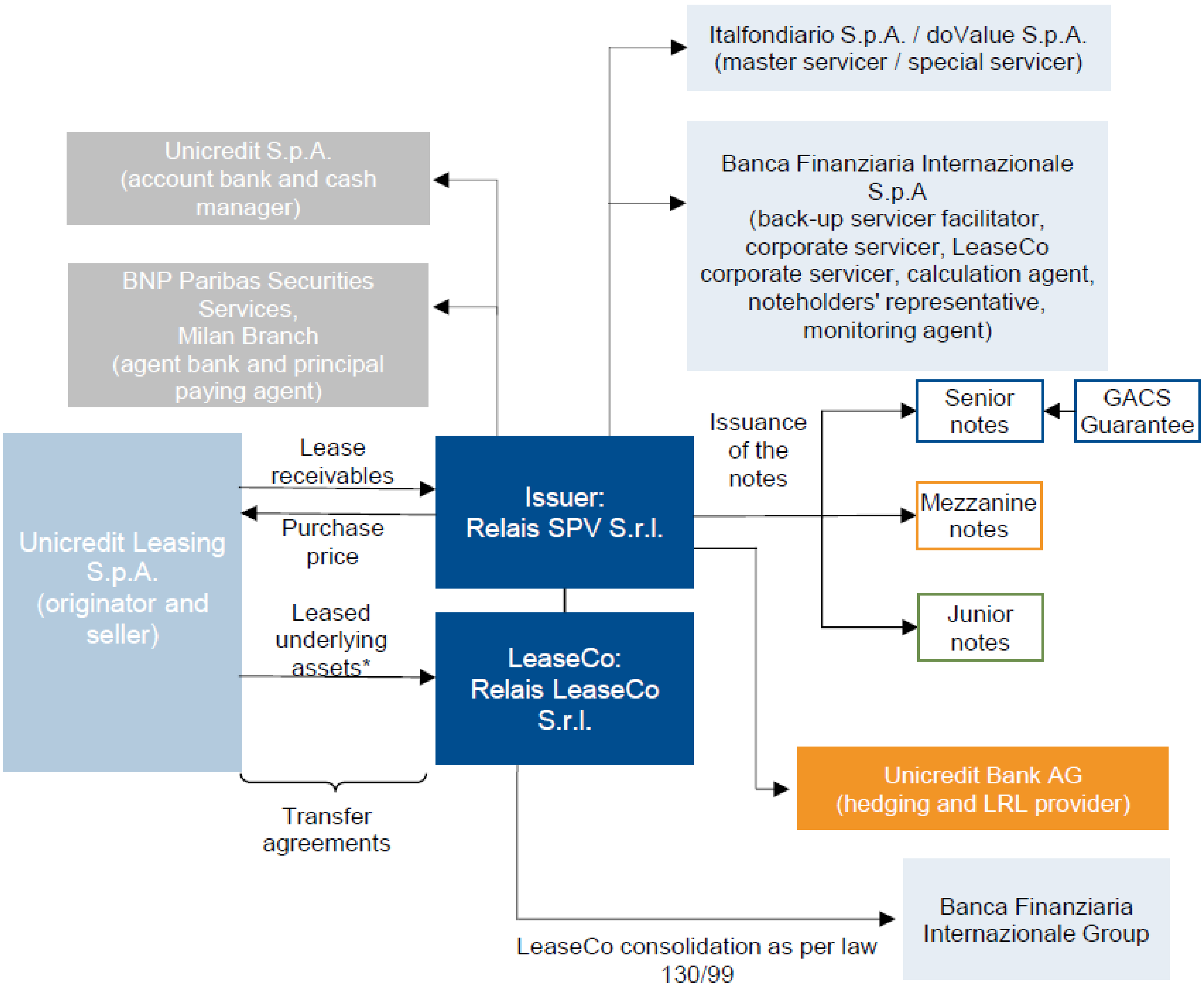
The cumulative expenses (worked as negative mark). Cumulative recovery expenses, at 18% of cumulative collections, were above Scope rating agency lifetime assumption. However, this expense level could be the result of the servicer front-loading some recovery expenses. If this was the case, the expense ratio would decrease once collections on the related positions would be received.

The closed debtors' profitability is low (this is a negative mark). Gross collections from closed leases were 12% of cumulative collections and were mainly obtained through assets' sales. Based on Scope's analysis: "closed leases account for around 2% of the transaction's initial GBV. Profitability on these leases, at 84%, is below Scope's expectations under the B case scenario." (Scope's site, 27th July of 2022)

5. Sum up of the transaction

After the description of the "Relais case" and the consideration of the rating agencies on it, could be useful sum up the entire case in a diagram that could better summarize than words what was done in the operation and what each "players" had done during the "Relais Project".

Transaction diagram



Scope, Relais SPV S.r.l., 29th of December 2020

The chart above perfectly describes the transaction and the player with their respective roles:

- UniCredit Leasing S.p.A. originator and seller
- Relais SPV S.r.l. issuer
- Relais LeaseCo S.r.l. LeaseCo
- Bnp Paripas Securites Services, Milan branch agent and principal paying agent

- UniCredit S.p.A. account bank and cash manager
- UniCredit Bank A.G. hedging and LRL provider
- Banca Finanziaria Internazionale S.p.A back-up servicer facilitator, corporate servicer, LeaseCo corporate servicer, calculation agent, noteholders' representative, monitoring agent

5.1. Comparison with other transactions

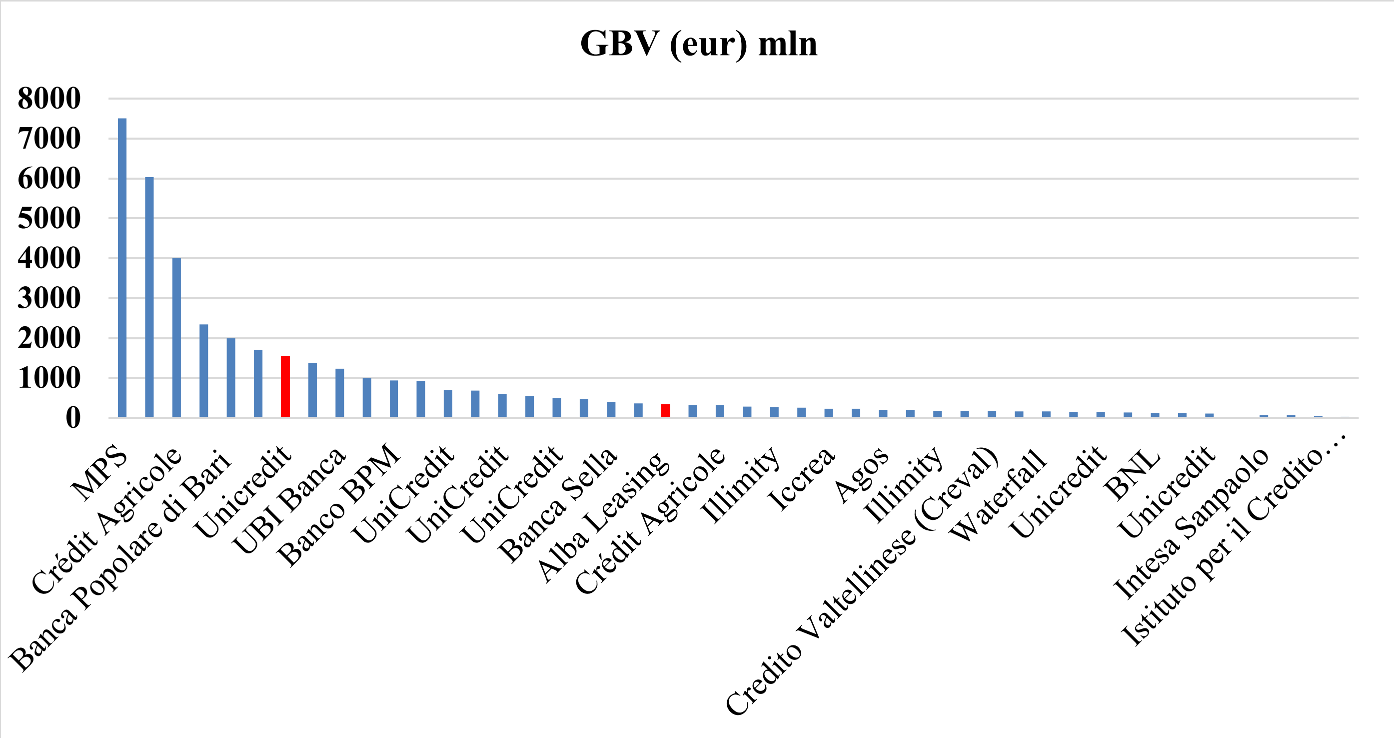
In order to better understand the market of the securitization and analyse the possibility that the securitizations could make the Real Estate market more liquid, it's needed describe other types of securitizations transactions. To do this must be taken the same period of analysis and taking in consideration only the securitizations that were very similar to the "Relais" case. The following chart can give a comparison of the 2020 securitizations and find out the ones that fit these requisites.

Year	Vendor	Project	Type	Buyer	GBV (eur) mln
2020	MPS	Hydra	Mixed Secured and Unsecured	AMCO	7500
2020	Intesa Sanpaolo	Yoda	GACS - Mixed Secured and Unsecured (Securitization)	NA	6040
2020	Crédit Agricole	Pelican	Unsecured	Goldman Sachs with LCM	4000
2020	Multioriginator	BCC NPLs 2020	GACS - Mixed Secured and Unsecured (Securitization)	NA	2.347
2020	Banca Popolare di Bari	NA	Mixed Secured and Unsecured	AMCO	2000
2020	Crédit Agricole	Pelican (Island)	Unsecured	Elliot	1.700
2020	Unicredit	Relais	GACS - Leasing (Securitization)	NA	1.538
2020	BPER	Spring	GACS - Mixed Secured and Unsecured (Securitization)	NA	1.377
2020	UBI Banca	Sirio	GACS - Mixed Secured and Unsecured (Securitization)	NA	1.228
2020	Banca Popolare di Sondrio	Diana	GACS - Mixed Secured and Unsecured (Securitization)	NA	1.000
2020	Banco BPM	Django	Mixed Secured and Unsecured	AMCO and Credito Fondiario	942
2020	Multioriginator	POP NPLa 2020	GACS - Mixed Secured and Unsecured (Securitization)	NA	919
2020	UniCredit	New York	Secured - Residential	NA	692
2020	Multioriginator	Buonconsiglio 3	GACS - Mixed Secured and Unsecured (Securitization)	NA	680
2020	UniCredit	Dawn	Unsecured - Corporate	Illimity	600
2020	Intesa Sanpaolo	Simba	Unsecured - Consumer	Banca IFIS	553
2020	UniCredit	Tokyo	Unsecured - SME	Banca IFIS	500
2020	UniCredit	Lisbon	Unsecured - Corporate	Illimity	477
2020	Banca Sella	POS	Unsecured (Securitization)	NA	400
2020	Credito Valtellinese (Creval)	NA	Unsecured - Corporate	Hoist	357
2020	Alba Leasing	Titan	GACS - Leasing (Securitization)	NA	335
2020	BPER	Summer	GACS - Mixed Secured and Unsecured (Securitization)	NA	322
2020	Crédit Agricole	Sparta	Mixed	Banca IFIS and Guber Banca	320
2020	BPER	Winter	Mixed Secured and Unsecured	Intrum	282
2020	Illimity	NA	Unsecured	Banca IFIS	266
2020	Agos	ACES	Unsecured - Consumer	CarVal/Axis	260
2020	Iccrea	NA	Unsecured	Banca IFIS	231
2020	UniCredit	Lisbon	Unsecured - Corporate	Guber Banca	225
2020	Agos	NA	Unsecured - Consumer	MBCredit Solutions	206
2020	UniCredit	Tokyo	Unsecured - SME	Guber Banca	200
2020	Illimity	NA	Mixed Secured and Unsecured (Secondary)	Sorec, Phinance Partners, and CGM Italia SGR	182
2020	UniCredit	Forward Flow	Unsecured - Consumer	Banca IFIS	180
2020	Credito Valtellinese (Creval)	NA	Secured	AMCO	177
2020	Credito Valtellinese (Creval)	Marengo	Mixed - Corporate	AMCO and MBCredit Solutions	160
2020	Waterfall	Elrond notes resale	Mixed Secured and Unsecured	Phoenix Asset Management	158
2020	UniCredit	Loira	Unsecured - Consumer	Banca IFIS	155
2020	Unicredit	NA	Mixed Secured and Unsecured	Illimity	153
2020	Credito Valtellinese (Creval)	Marengo	Mixed - Corporate	AMCO	140
2020	BNL	NA	Unsecured - Consumer	MBCredit Solutions	129
2020	Agos	NA	Unsecured - Consumer	LCM	120
2020	Unicredit	NA	Secured	Illimity	115
2020	Prelios	Milaredo	Secured - Corporate (Secondary)	NA	11
2020	Intesa Sanpaolo	Pixar	Unsecured - Consumer	Kruk	75
2020	UniCredit and Unipol REC	NA	Secured	Illimity	73
2020	Istituto per il Credito Sportivo (ICS)	NA	Secured	AMCO	47
2020	4Mori Sardegna and Maggese 2018	NA	Unsecured	AnaCap	31

KPMG, Navigating European distressed market, European debt Sales 2021

The unique securitization project that was done in the same year and with same condition (GACS - Leasing Securitization) is Titan that was done by Alba Leasing.

Before starting the comparison between "Titan" case and "Relais" case it's important do some consideration on the amount that were considered during the securitization of 2020.



KPMG, Navigating European distressed market, European debt Sales 2021

In terms of Gross book value (GBV) the "Relais" transaction was the seventh in 2020, and the "Titan" transaction was the twenty first in 2020 but the two transactions were the only ones that used GACS – secured leasing as method in that year (both the transaction are highlighted in red in the chart above). These two securitization transactions had in common the method and the period, but the object of the transaction was not the same.

Titan securitization was done by Alba Leasing the 12th of December 2020, the issuer acquired the portfolio at the transfer date. "The disposable assets were transferred to Zeus LeaseCo S.r.l. on the same date. The originators have undertaken to transfer the non-immediately disposable assets to Zeus LeaseCo S.r.l. by 30 June 2021. If there are any leased assets that are not yet eligible to be transferred by 30 June 2021 the originators will return the original purchase prices (plus indemnity amounts) for those." (Scope, Titan SPV S.r.l., 21st January 2021).

5.1.1. Main characteristics of the comparable

The securitised pool comprised Italian non-performing leasing contracts originated by Alba Leasing S.p.A., Banco BPM S.p.A. and Release S.p.A.

The representations and warranties on the leases provided by the originators were generally aligned with those of peer transactions that the Scope rating agency rate, and include the following:

- All receivables were denominated in euros and governed by Italian law
- All receivables were valid for transfer without any limitations

- Lessees have been reported by the originators as defaulted by the Credit Bureau of the Bank of Italy as of the transfer date

- As of the date on which financings were granted, corporate lessees were entities incorporated under Italian law with a registered office in Italy

- As of the date on which financings were granted, borrowers were individuals residing in Italy

- Lessees were not employees, managers or directors of the originators

.
Additional representation and warranties apply to the immediately transferrable assets. Among them were:

- The assets were fully owned by the originators and were in Italy.

- The assets could be deeded and transferred to the LeaseCo.

- The assets had urbanistic and energy performance certificates; cadastral data comply with the ‘status quo’ of the assets.

The immediately transferrable assets had been transferred with a notary deed, this ensured the assets’ compliance with the criteria required by the notary’s deed. The above representations and warranties apply also to the non-immediately disposable assets, starting from their relevant transfer date. No specific representations and warranties were provided with reference to the equipment leases’ underlying assets.

The portfolio summary could be represented in the chart below:

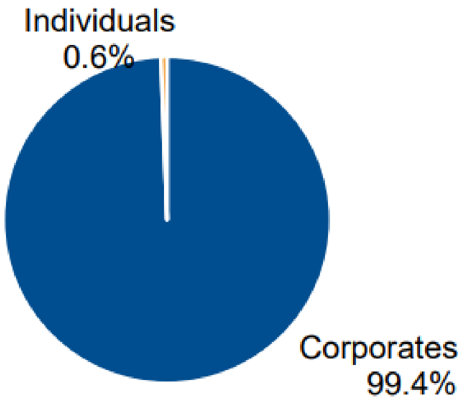
	All	Secured leases	Unsecured receivables
Number of leases	939	328	611
Number of borrowers	668		
Gross book value (EUR m)	335.4	294.2	41.2
Percentage of total GBV		87.7	12.3
Collections since cut-off date (% of GBV)	3.1		
Real estate deposits and sales proceeds (% of GBV)*	3.6		
Weighted average seasoning (years)	5.8	5.7	6.2
Collateral value (before haircuts, EUR m)	202.0	202.0	
Repossessed and regularised assets (% of GBV)	59.2		
Non-repossessed or non-regularised assets (% of GBV)	40.8		

Scope, Titan SPV S.r.l., 21st of January 2021

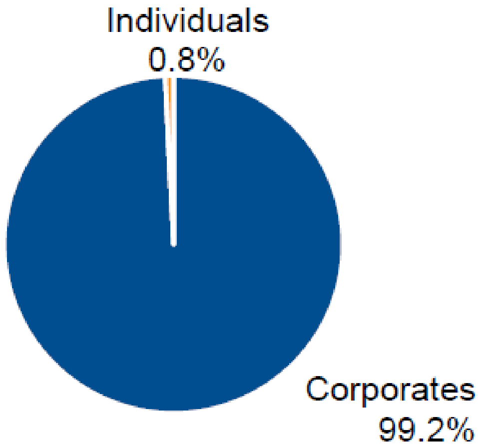
Leases were defined as ‘secured’ if the relevant assets were yet sold, whereas unsecured receivables refer to both leases for which the relevant assets had been already sold and equipment leases.

This is only to have some data in order to better understand the comparison for two different processes, the first one “Relais” the second one “Titan”, in which in both of cases the procedures were the same a GACS – Leasing securitization, but there were many differences in the assets composition.

Transactions by Borrower type % of GBV



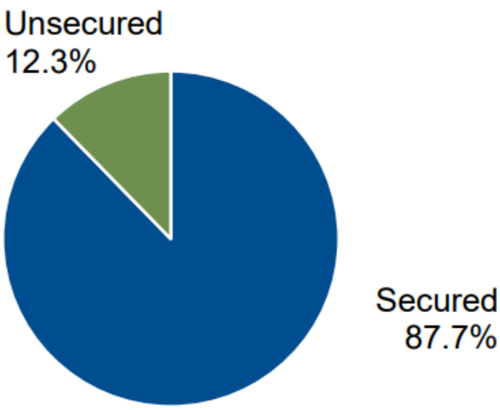
Scope, Titan SPV S.r.l., 21st of December 2021



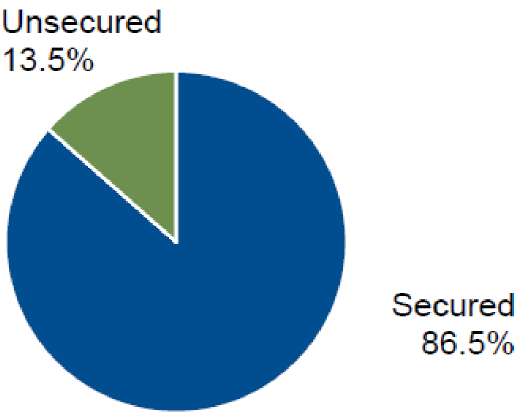
Scope, Relais SPV S.r.l., 29th of December 2020

In considering the borrower type the transactions were very similar in both the cases above the 99% of the borrowers were Corporates. This means that the large amount of the leasing contract was issued to corporate clients and not to private client.

Distribution by Lease type in % of GBV



Scope, Titan SPV S.r.l., 21st of December 2021



Scope, Relais SPV S.r.l., 29th of December 2020

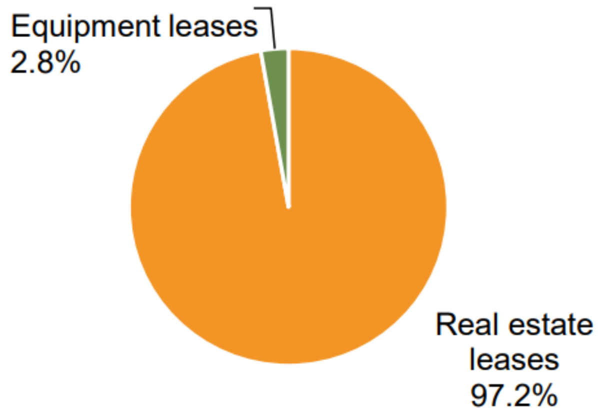
In both the transactions the Secured and the Unsecured percentage of the GBV was more than 85% and differ in the transaction only for 1.2%.

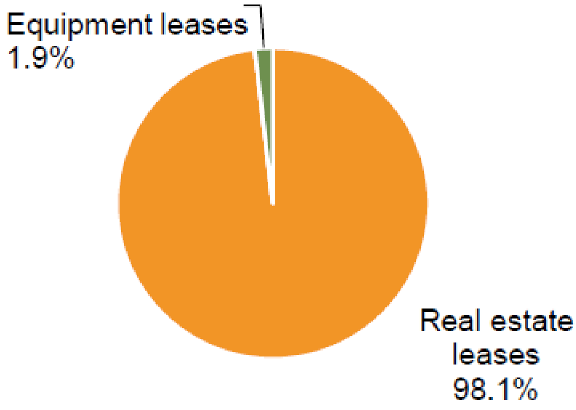
These aspects were very similar in the two transactions:

- The majority of the client in terms of GBV were corporate clients
- The most of value was secured

In these two terms the transactions were very similar.

Distribution by lease type in % of GBV

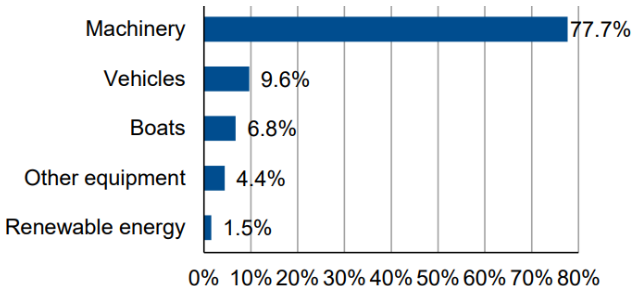


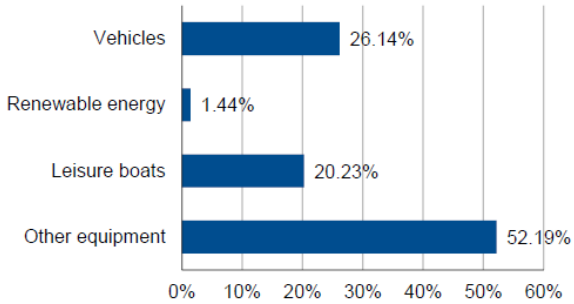


Scope, Titan SPV S.r.l., 21st of January 2021 *Scope, Relais SPV S.r.l., 29th of December 2020*

Also, in terms of lease type in percentage of the GBV the two transactions are very similar in both the cases the most of Gross Book Value is represented by Real Estate Assets and this is another point of similarity between the two cases. This characteristic allows to consider both the securitizations as Real Estate securitizations.

Distribution by equipment lease type in % of GBV





Scope, Titan SPV S.r.l., 21st of January 2021 *Scope, Relais SPV S.r.l., 29th of December 2020*

In this comparison there is a first difference between the two transactions in the case of Titan SPV the largest amount of lease type in terms of GBV was "Machinery" with a percentage of 77.7% of the total GBV in the case of Relais SPV the largest amount in terms of GBV was "Other equipment" with a percentage of 52.19%.

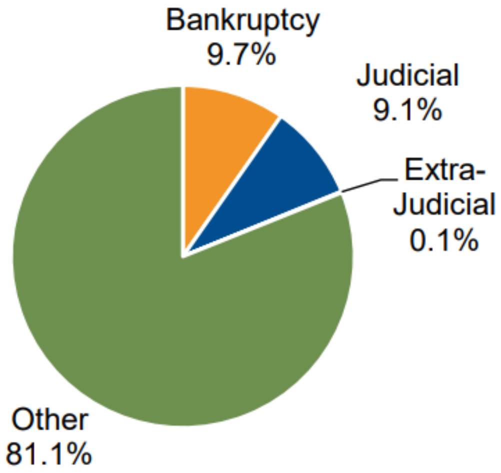
The two transactions also differ in percentage in "Boats or Leisure boats" where Titan SPV had the 6.8% of its GBV and Relais SPV had the 20.23% of its GBV more than the double of Titan.

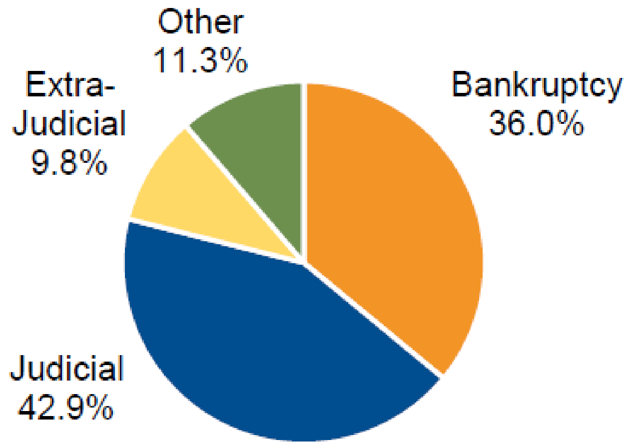
Another difference could be found in the percentage of the Gross Book Value attributed to the vehicles, in which in Titan SPV were the 9.6% of the GBV than in Relais SPV were the 26.14% of the GBV not so far from three times the Titan SPV.

The terms other equipment is completely different in the two cases in Titan SPV was the 4.4.% and in Relais SPV was the 52.19% this could be the main difference in terms of distribution of the GBV in the two cases.

The Renewable energy in percentage of the GBV in the two cases were the same in Titan SPVV the value was the 1.5% of the GBV and in Relais SPV the value was the 1.44% of the GBV, so there was not a significant difference between the two values.

Recovery procedure by borrower type



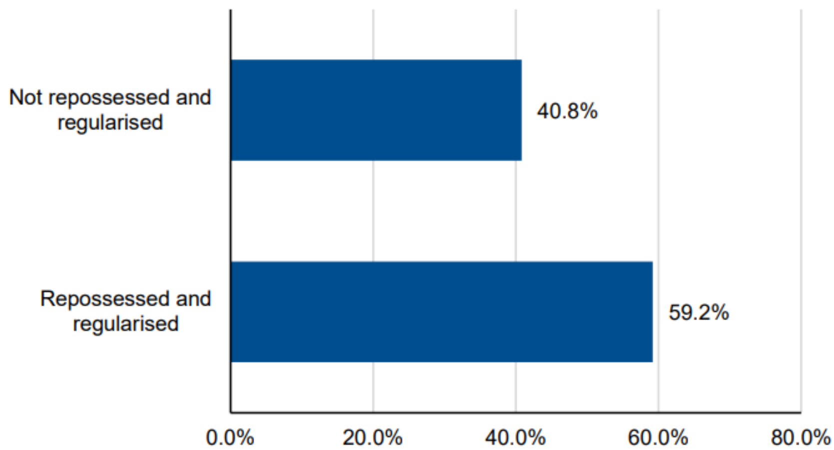


Scope, Titan SPV S.r.l., 21st of January 2021 *Scope, Relais SPV S.r.l., 29th of December 2020*

In these two charts is clear another difference between the two operations, in Titan SPV the most important recovery procedure was "Other" in the case of Relais SPV the two larger percentage were "Bankruptcy" and "Judicial" respectively the 36% and the 42.9%, "Other" was the 11.3 % this was a large difference from the case of Titan SPV.

In Titan SPV "Bankruptcy" and "Judicial" procedures didn't reach the 20% this was another difference. Another large difference between the two transactions was the "Extra-Judicial" procedure that in case of Relais SPV was the 9.8% of the recoveries type in the Titan SPV was a paltry amount the 0.1%.

Distribution by repossession stage as of cut-off date in % of GBV

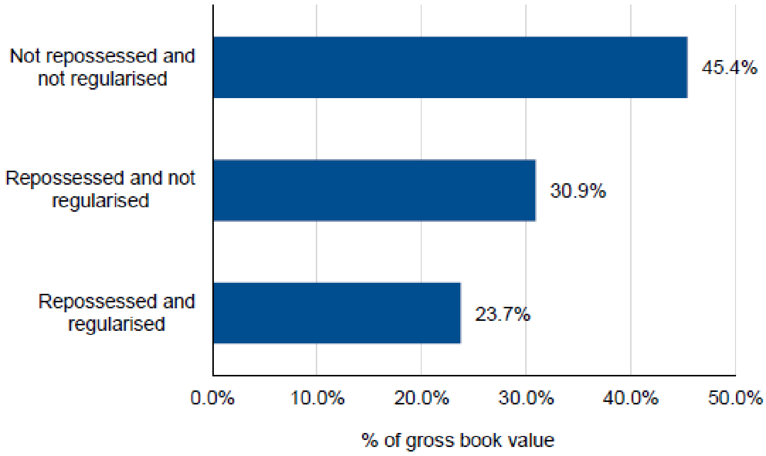


Scope, Titan SPV S.r.l., 21st of January 2021

At the cut-off date the repossession was divided in only two types in project "Titan" the first type was "Not repossessed and regularise", the second type was "Repossessed and regularised" there was an higher percentage in this second category (59.2%) than in "Not repossessed and regularised" (40.8%).

In terms of GBV could be resulted clear that the most of the assets objects of Titan SPV were already repossessed and the process was already regularised.

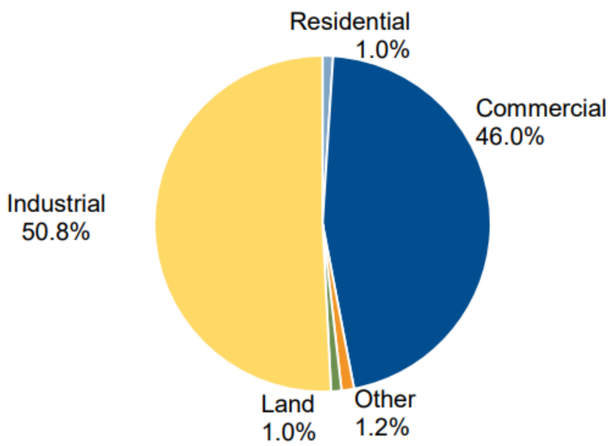
Distribution by repossession stage as of cut-off date in % of GBV



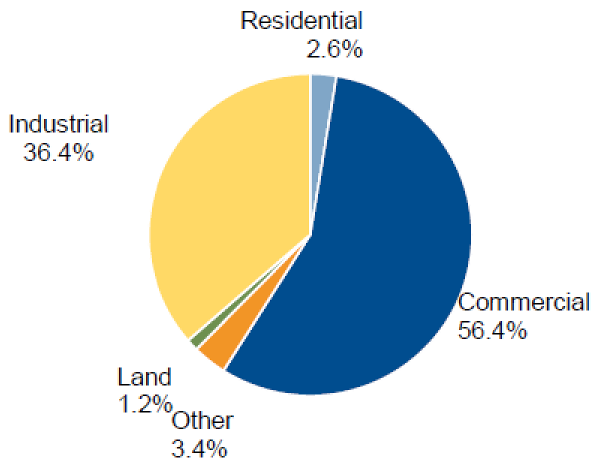
Scope, Relais SPV S.r.l., 29th of December 2020

In "Relais" project the situation was not the same, in fact the most of assets were already repossessed the 54.6% ("Repossessed and not regularised" + "Repossessed and regularised"), but a huge number of GBV the 30.9% was not "regularised" and another 45.4% wasn't repossessed and regularised.

Distribution by collateral type in % of appraisal value



Scope, Titan SPV S.r.l., 21st of January 2021



Scope, Relais SPV S.r.l., 29th of December 2020

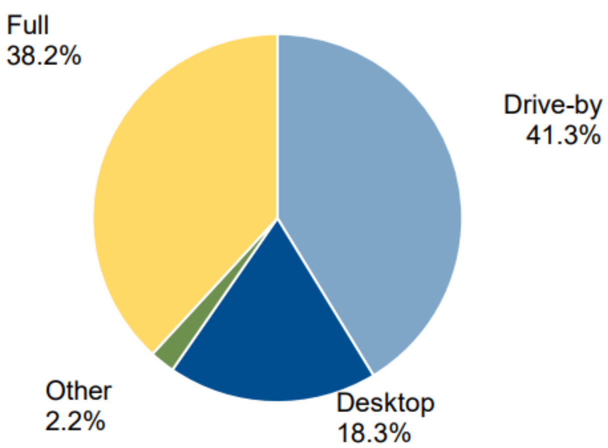
In both the cases the main two categories were "Industrial" and "Commercial" but with different distributions in both the cases. In Titan SPV the most used collaterals were the ones belonging in "Industrial" type the 50.8%, in Relais SPV the most used collateral were the ones belonging to "Commercial" type the 56.4%. In case of project "Titan" "Commercial" category had a 46% relevance overall the appraisal value, "Relais" case the "Industrial" category was the second for importance as collateral type, in fact the 36.4% of collateral type were belonging to this category.

There were also other differences like in project "Titan" the category "Residential" was the 1% of the appraisal value and the category "Land" amount in the same percentage of "Residential", in "Relais" case the category "Residential" amount at 2.6% of the appraisal value and the category "Land" amount to 1.2%, in these two category the main difference is the 1.6% between the "Residential" category.

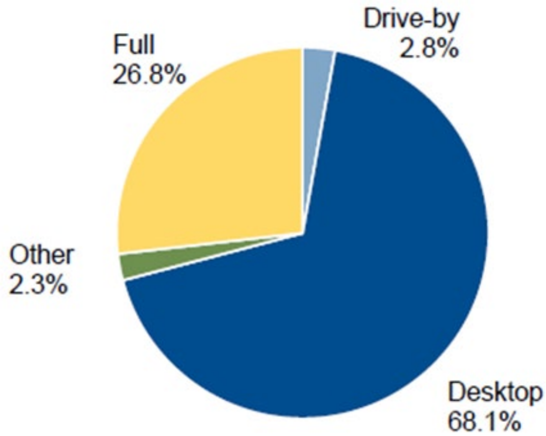
Another difference could be found in the category "Other" that was higher in Relais SPV than in Titan SPV, 3.4% vs 1.2%.

But these differences were not so significant as the difference between "Commercial" type and "Industrial" type that were the two main categories.

Distribution by valuation type % of appraisal value



Scope, Titan SPV S.r.l., 21st of January 2021

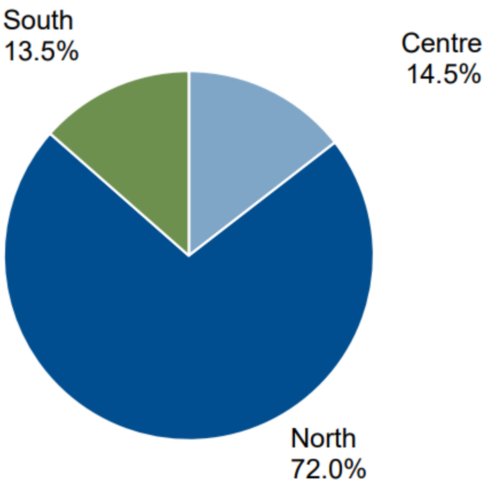


Scope, Relais SPV S.r.l., 29th of December 2020

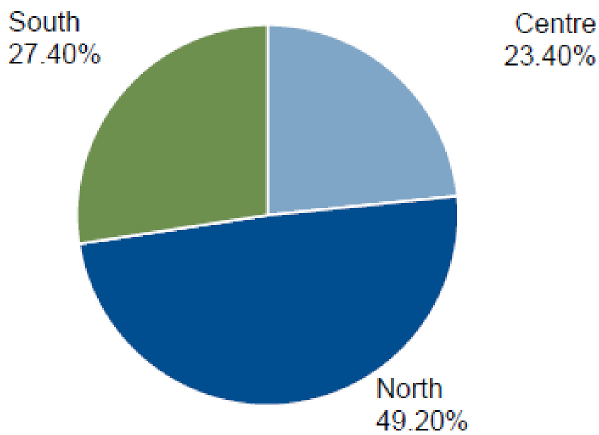
These charts below show the difference in terms of valuation type in percentage of the appraisal value in the case of Relais SPV there was clear higher use of "Desktop" valuation the 68.1% than the other, in Titan SPV there was a significant use of three type of valuation methods: "Driven-by" the 41.3%, "Full" the 38.2% and "Desktop" the 18.3%. There was a clear difference between the two-approach used in "Relais" case the most used procedures adopted by Titan SPV ("Driven-by") was only used for the 2.8% of the appraisal value, but there was a lower difference in the case of use of "Full" valuation in case of Relais SPV was adopted for the 26.8% the 11.4% lower than Titan SPV.

In case of "Other" valuation method the difference was not significant only the 0.6% of the amount the appraisal values.

Collateral distribution by Italian region % of the appraisal value



Scope, Titan SPV S.r.l., 21st of January 2021



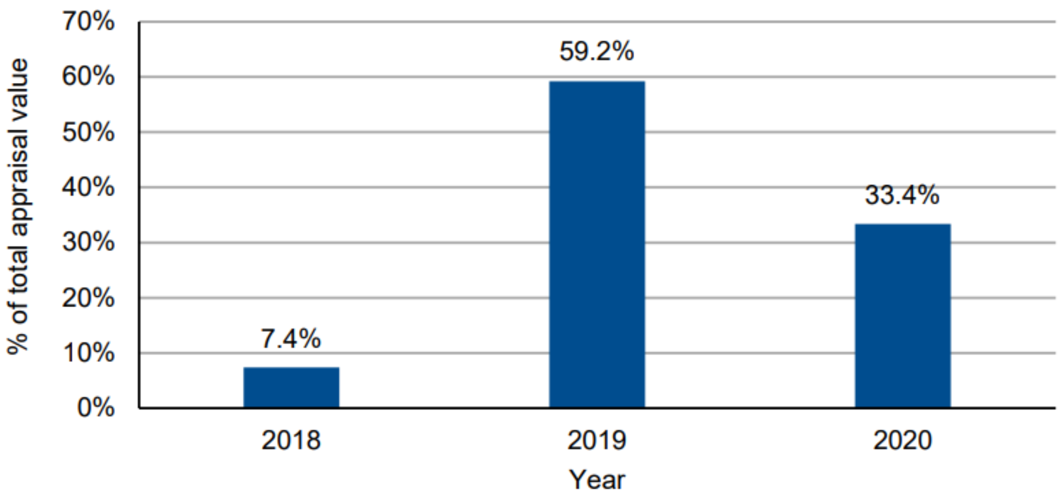
Scope, Relais SPV S.r.l., 29th of December 2020

The collateral distribution was different in two securitizations case in case of "Titan" project the most of the collateral where situated in the north of Italy the 72% in "Relais" project the 49% was located in North. There were also differences in the distribution in the two other regions considered in the south of Italy the Titan SPV had the 13.5% of the collateral value the Relais SPV had the 27.4% of the collateral value, in centre there were the 14.5% of the value for project "Titan" and the 23.4% for "Relais" project.

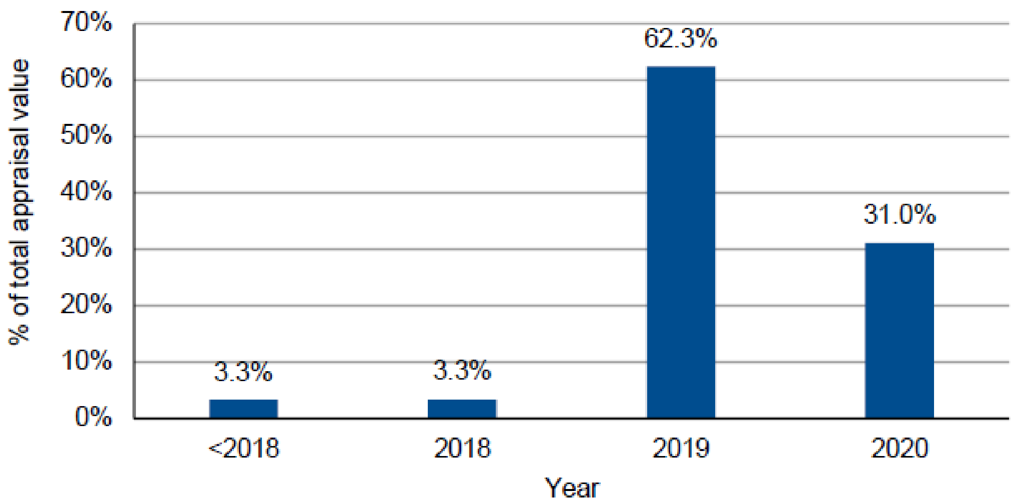
Although these differences in both the cases the larger amount of the collateral type was situated in the north of italy, but also in the other distribution could be seen that the difference between south and centre was not significant.

The last consideration on these two charts below could be seen in the omogenety, in fact, Relais SPV had collateral spread more omegenuisly than Titan SPV that had a large number of assets in the north of Italy.

Distribution by evaluation date % of the appraisal value



Scope, Titan SPV S.r.l., 21st of January 2021

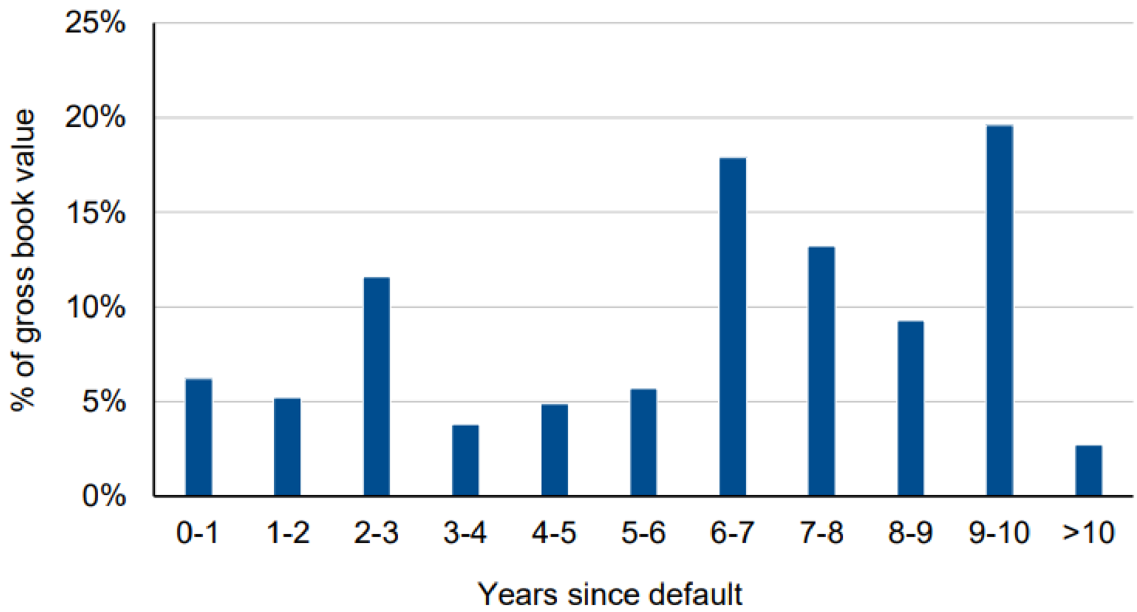


Scope, Relais SPV S.r.l., 29th of December 2020

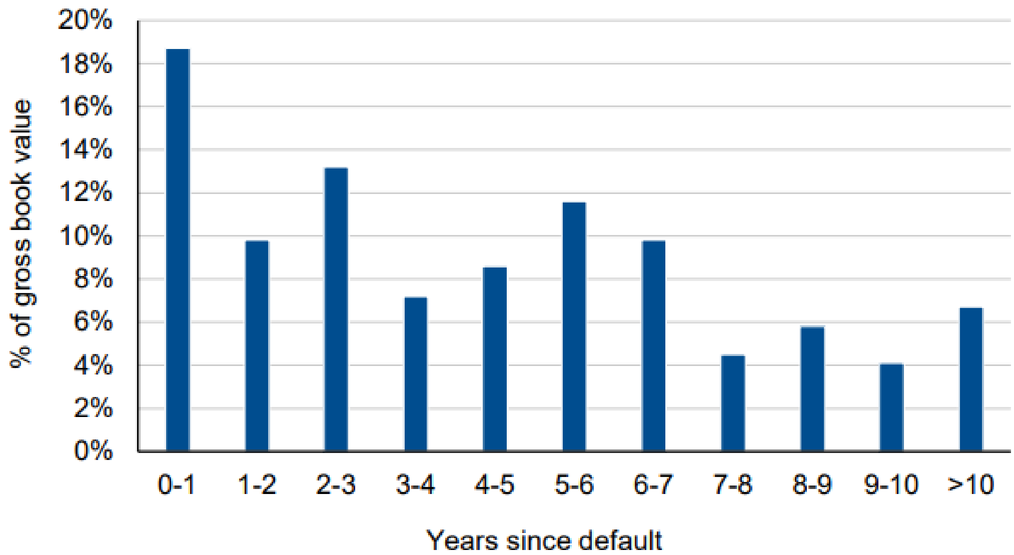
In the two securitization most of the valuations were done in 2019 in Titan SPV the 59.2% of the appraisal value in Relais SPV the 62.3% of the appraisal value. The same could be considered for 2020 in fact in both the cases the second year in terms of evaluations was the 2020 with 33.4% for Titan SPV and 31% for Relais SPV respectively, considering 2019 and 2020 in both the case over the 90% of appraisal value was evaluated in fact in the “Titan” project the amount was of 92.6% and in “Relais” project was of 93.3%.

In both the cases the years before 2019 had a lower valuation amount in case of Titan SPV there was only the 2018 with a total amount of evaluation of 7.4%, in case of Relais SPV there were also other year before 2018 not only a single years but the amount of the appraisal value that depended from these evaluation was only the 3.3% considering these years together with the 2018 the total percentage of the appraisal value evaluated before 2019 was only the 6.6%. This last percentage was not so different from the one considered in Titan SPV (7.4%).

Distribution by unsecured receivables seasoning in % of GBV



Scope, Titan SPV S.r.l., 21st of January 2021



Scope, Relais SPV S.r.l., 29th of December 2020

It could be seen that the distribution in the charts below are different, there was in the case of Titan SPV a distribution in which the most of GBV in percentage was after six years from the default, in fact, over the 50% of GBV considered derived from contracts that had overlapped the six from their default. In the case of Relais SPV the contract had more "younger" age from the default data than in "Titan" project. Using the data below can be determined that over the 50% of the assets evaluated didn't reach the default not before the last five years.

It's clear that the two distribution have an opposite trend, also the two outliers that could be considered follow this thesis in fact the outlier for the Titan SPV's distribution was referred to period of "9-10" since the default date, in the case of Relais SPV the outlier could be seen in the period "0-1" and the value in terms of GBV was more or less the same nearly the 19% in both the case, this confirm the thesis mentioned above.

5.1.2. Portfolios comparison

The recovery assumptions built by Scope rating agency analysed the portfolios in particular for the class A notes. In both the cases could be found the summaries of the assumptions.

Summary of the assumptions

	Class A analysis
Secured recovery rate (% of secured GBV)	48.6
Unsecured* recovery rate (% of unsecured GBV)	6.1
Total recovery rate (% of total GBV)	**43.4**
Secured collections weighted average life (years)	4.3
Unsecured* collections weighted average life (years)	7.9
Total collections weighted average life (WAL)	**4.4**

Scope, Titan SPV S.r.l., 21st January of 2021

	Class A analysis
Secured recovery rate (% of secured GBV)	48.6
Unsecured* recovery rate (% of unsecured GBV)	17.9
Total recovery rate (% of total GBV)	**44.4**
Secured collections weighted average life (years)	5.0
Unsecured* collections weighted average life (years)	12.6
Total collections weighted average life (WAL)	**5.4**

Scope, Relais SPV S.r.l., 29th of December 2020

There was a similarity in the secured recovery rate in both the cases was considered that the 48.6% of secured GBV would be recovered, but there was a huge different when was taken in consideration the unsecured GBV in the case of Titan SPV was supposed that the 6.1% of the unsecured GBV would be recovered in the case of Relais SPV was supposed that the 17.9% would be recovered from unsecured GBV. In this first difference there was mismatch between these two values of the 11.8%.

Although the difference in terms of recovery rate of unsecured GBV the difference between the total recovery rate of total GBV between the two operation was only 1%, Relais SPV was supposed to recover a one percent more than Titan SPV.

The difference in weighted average life in years between the secured collection in the two cases was only of 0.7 years in fact the weighted average life in years counted respectively 4.3 for Titan SPV and 5 for Relais SPV. The significant difference in this case was described by the unsecured collections weighted average life in years that counted 7.9 years for Titan SPV and 5 for Relais SPV.

This last difference between the unsecured collections weighted average life in years had a deeper impact than the precedent difference in the two chart above, because could be seen that the Total collections weighted average life in years (WAL) had value that differs significantly in the case on "Titan" project the WAL was estimated to 4.4 years in the case of project "Relais" the WAL was estimated to 5.4 years, that was the 22.7% higher from the WAL of Titan SPV.

In the evaluation of the collaterals done by Scope rating agency there were assumptions about the changing in price in the specific of each transaction regarding the location where the assets were situated.

The chart below shows the assumptions done by the Scope rating agency for the project "Titan":

	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	-13.0	-11.0	-11.0	-11.0	-13.0	-13.0	-17.0	-15.0	-15.0	-13.0	-13.0	-15.0	-13.0	-15.0
Portfolio distribution (%)	11.9	3.1	1.8	2.4	0.9	52.0	3.6	1.1	9.8	0.0	2.1	4.7	6.3	0.4

Scope, Titan SPV S.r.l., 21st of January 2021

The chart that describes the same procedure but for the "Relais" project is showed below:

	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	-13.0	-11.0	-11.0	-11.0	-13.0	-13.0	-17.0	-15.0	-15.0	-13.0	-13.0	-15.0	-13.0	-15.0
Portfolio distribution (%)	6.6	3.0	1.0	1.4	1.7	35.6	8.8	0.4	14.2	5.5	0.9	15.2	2.2	3.7

Scope, Relais SPV S.r.l., 29th of December 2020

Between the two charts could be seen some evidence of what was said before about the homogeneity of the Relais SPV distribution but this time with more accurate details than before. The sum of the collateral type situated in the north of Italy were respectively 72% for the "Titan" project and 49.2% for the "Relais" project, but with a more detailed analysis in the construction of the portfolios the distributions were significantly similar in term of regional distribution, the charts below show better this concept:

Titan North		
Location	**% of portfolio**	**% on zone**
Milan	11,90%	**16,50%**
Turin	3,10%	**4,30%**
Genoa	1,80%	**2,50%**
Bologna	2,40%	**3,33%**
Venice	0,90%	**1,25%**
Others	52%	**72,12%**
sum	72,10%	

Relais North		
Location	**% of portfolio**	**% on zone**
Milan	6,60%	**13,39%**
Turin	3,00%	**6,09%**
Genoa	1,00%	**2,03%**
Bologna	1,40%	**2,84%**
Venice	1,70%	**3,45%**
Others	35,60%	**72,21%**
sum	49,30%	

In fact, the percentage that was invested in the cities was in both the cases nearly the 28% and in both the cases the percentage invested in not the majors' cities of north Italy ere the same the 72%, in terms of each one of the five main cities in north of Italy the numbers didn't change significantly between the two operations.

To better understand the calculation done it's important know that all the data present in the chart above and the three charts below were taken from the two Scope chart above that describe the portfolio allocation in percentage, the formula used to find the allocation in percentage of each zone was:

$$\% \text{ on zone} = \frac{\% \text{ of portfolio specific to each zone}}{\text{sum of the percentages of the region under analysis}}$$

Titan Centre		
Location	**% of portfolio**	**% on zone**
Rome	3,60%	**24,83%**
Florence	1,10%	**7,59%**
Others	9,80%	**67,59%**
sum	14,50%	

Relais Centre		
Location	**% of portfolio**	**% on zone**
Rome	8,80%	**37,61%**
Florence	0,40%	**1,71%**
Others	14,20%	**60,68%**
sum	23,40%	

The same analysis could be done to the other Italian regions, in the centre of Italy the result would not been so different if it was taken in consideration each city, because in both the projects there was a higher percentage of the portfolios, in regional terms, in Rome than in Florence and in both the cases the highest percentage of the regional portfolio was invested outside these two main cities. But the percentage of the portfolio that Titan SPV attributed to Rome was significantly lower than the one attributed by Relais SPV 24,83% vs 37,61%.

Titan South		
Location	**% of portfolio**	**% on zone**
Naples	0,00%	**0,00%**
Bari	2,10%	**30,88%**
Others	4,70%	**69,12%**
sum	6,80%	

Relais South		
Location	**% of portfolio**	**% on zone**
Naples	5,50%	**23,50%**
Bari	0,90%	**3,85%**
Others	15,20%	**64,96%**
sum	21,60%	

In the south there was an important difference in terms of cities in which the two portfolios were diversify in particular Titan SPV hadn't assets in Naples, instead of Relais SPV that had the 23,5% of its south assets invested in Naples, the opposite could be said about Bari, in which Titan SPV had assets for the 30,88% of its south portfolio and Relais SPV had assets for its 3,85% for its south portfolio.

Although this opposite allocations in the main two south Italy cities there was a similar allocation in the category of "Others" in both the cases the allocation in this category was above the 60%.

The last region analysed in the one called "islands" in which the allocation of the assets in the two portfolio differs a lot.

Titan Islands		
Location	**% of portfolio**	**% on zone**
Metropolitan cities	6,30%	**94,03%**
Rest of province	0,40%	**5,97%**
sum	6,70%	

Relais Islands		
Location	**% of portfolio**	**% on zone**
Metropolitan cities	2,20%	**37,29%**
Rest of province	3,70%	**62,71%**
sum	5,90%	

The two charts above perfectly describe the situation that differ in the two cases, because Titan SPV had an islands portfolio composed mainly assets located in Metropolitan cities, the 94,03%, Relais SPV on opposite had only the 37,29% that was not a low amount but clearly lower than the one of Relais SPV.

This could also be seen in the other category of location, "rest of province", in fact the 5,97% of the island portfolio of Titan SPV was in "rest of province", then Relais SPV had a higher amount the 62,71% of the island's portfolio allocation.

The analysis done, shows that the assets were not allocated in the same way in the two portfolios, Relais SPV had a more homogeneous portfolio in terms of macro-regions (the four presented) but if it is considered in detail of each city and zone only the north region had a specific homogeneity in the portfolio distribution in the other region the specific distribution was heterogeneous as in Titan SPV.

5.2. Rating comparison

The results of these analysis were the rating valuation received in each class of the tranches, the tables below show the details of each transaction, specifying the rating, the percentage of notes, the percentage of the GBV, the coupon and the final maturity of each bond that derives from the two transactions:

Tranche	Rating	Size (EUR m)	% of notes	% of GBV	Coupon	Final maturity
Class A	BBB_{SF}	90.5	78.3	27.0	6M Euribor + 0.5%	Jan 2041
Class B	NR	15.0	13.0	4.5	6M Euribor + 8.0%	Jan 2041
Class J	NR	10.1	8.7	3.0	6M Euribor + 10% + VR	Jan 2041
Total		115.6				

Scope, Titan SPV S.r.l., 21st of January 2021

Tranche	Rating	Size (EUR m)	% of notes	% of GBV	Coupon	Final maturity
Class A	BBB_{SF}	466.0	82.2	29.4	6M Euribor + 1.5%	Jul 2040
Class B	NR	91.0	16.0	5.7	6M Euribor + 9.5%	Jul 2040
Class J	NR	10.0	1.8	0.6	Variable return	Jul 2040
Total		567.0				

Scope, Relais SPV S.r.l., 29th of December 2020

The first similarity was the rating in both the cases the "Class A" notes received a BBB_{SF} rating and the "Class B" and "Class J" received a NR rating. The first difference was the "Size" Relais SPV was 4.9 times Titan SPV in terms of book value of the notes.

Another difference could be found in the percentage of the notes because the "Class J" notes in the case of project "Relais" counted for the 1.8% of the total value in euro in the but in the case of project "Titan" the same type of notes counted for 8.7% in euro, even if the amount notes was the same in both the cases nearly 10 million euro.

In the others two class of bonds there wasn't the same difference in fact in "Class B" notes the percentages of notes were quite equal in the case of Titan SPV 13% and in the case of Relais SPV the 16% of the emission size, for what regarded the "Class A" notes the percentages of the emission were, also in this in case more or less the same, the 78.3% for "Titan" project and the 82.2% for "Relais" project.

The main difference, in terms of amount, was only in the riskiest type of class notes.

The same could be seen considering the percentage of the GBV value, analysing the two first types of notes class, "Class A" and "Class B", the difference between the two securitizations cases was under the 1.5% in both the cases, but considering the riskiest class type the difference was of 2.4% confirming what was said before.

The main difference that could be found in each type of emission independently from the class type was the "Coupon" that each class received in each type of note. In fact, the "Class A" of Titan SPV received a six months Euribor plus a 0.5% than the same type of notes for Relais SPV received a six-month Euribor plus a 1.5%, the same difference in terms could be seen in "Class B" notes of the two securitization, Relais SPV notes had a 1% more, in terms of spread, than Titan SPV notes except for "Class J" notes. The "Class J" notes were the most different in terms of coupon as described in the chart above in the case of Titan SPV the coupon was represented by a six-month Euribor plus a spread of 10% and a variable return in the case of project "Relais" there was only the variable return. These data clearly identify Relais SPV's notes as riskier than Titan SPV notes.

Regarding the final maturity the difference was negligible of only six months between the two cases considered.

6. Conclusion

The main goal of this work was describe the securitization, in particular, referring to Real Estate market, in fact the project "Relais" was a securitization of a non-performing leasing with a Real Estate collaterals, these collaterals were located in Italy so the law that must be applied was the Italian law, in the work and in all rules, of the applied by the Italian rules, the main object appear clear, these operations has to make more "liquid" the Real Estate market, that, as write in the first part of this work, is an illiquid market.

As written by Doorstead a USA Real Estate property management company: "Real estate securitization is a process by which illiquid real estate assets are converted into easily tradable financial instruments or securities. It is a form of financial engineering, whereby the ownership of a pool of underlying real estate assets is transferred to a special purpose vehicle (SPV). The SPV then issues financial securities to investors that represent ownership of the pool of real estate assets. Real estate securitization is used to raise capital for real estate activities, such as acquisition, development and construction, as well as providing investors with a more liquid asset class in which to invest." (property management, Real estate securitization, Doorstead's site, 7th of May 2023).

6.1. Market view

In market point of view these financial operations consent a growth of capital in the Real Estate market because the assets generated from a securitization process are more tradable than a pure Real Estate asset. In fact, the placement of this securities is faster than the placement of a physic property, as described before, these are issued and bought in a shorter time than a property transaction. In fact, as said in project "Relais" the 11th of December 2020 the securities were issued and by the 14th of December 2020 the placement and the securitization were completed. This is evidence of the faster time in the securitization procedures than in the "normal" Real Estate market. Also, because lot of people need to finance the cash flow necessary to buy a Real Estate property in fact in this case the times tend to be longer than without a loan, quoting Banco BPM: "Also taking into account this last step, we can summarize the time needed to buy a house as follows:

2-3 months if a mortgage is needed;
4-5 months if the transferee has not yet identified the property to which he intends to move."
(Tutte le tempistiche quando si vuole comprare casa, Banco BPM's site, 8th May of 2023).

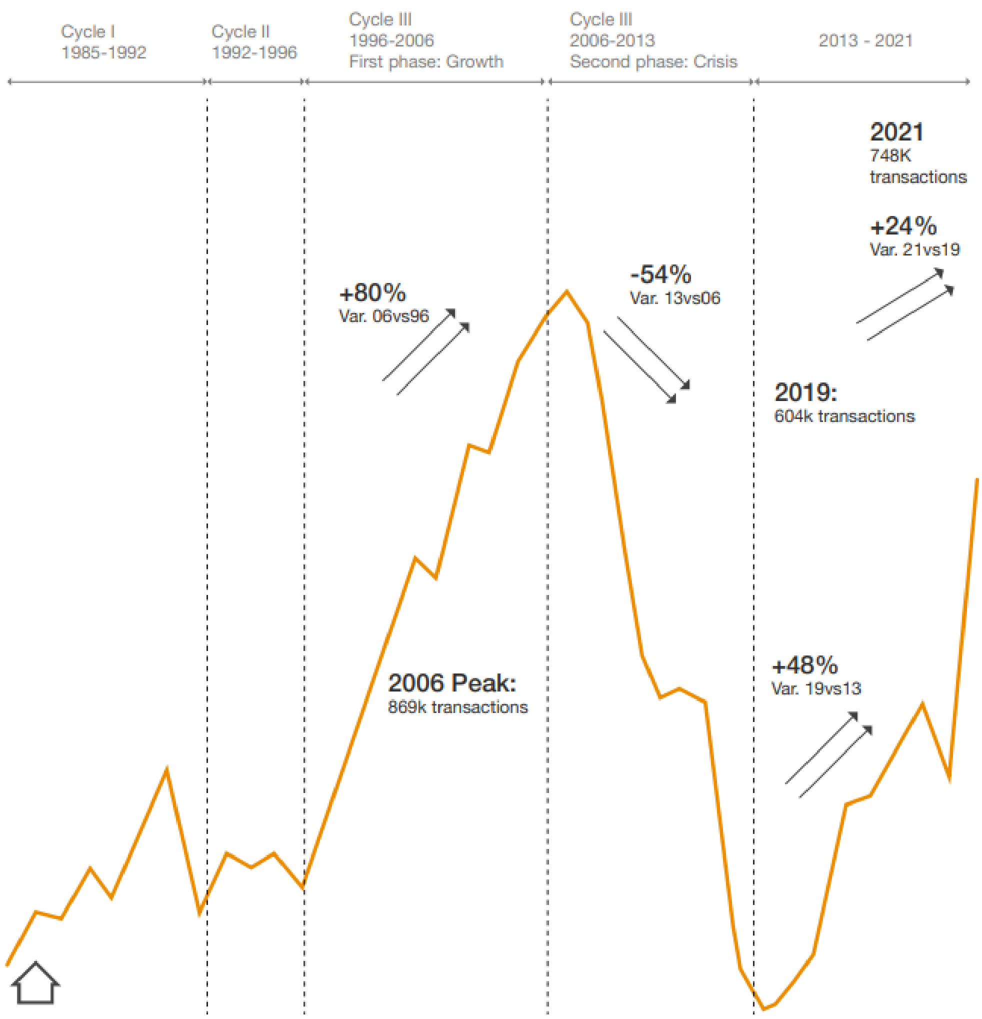
In case that there is not the need of financial aids to buy a house the time are no so long but remains longer than the purchase of a securities like the ones described in this thesis. The times in fact as described by "Agenzia Entrate" as in all the cases of a Real Estate purchase this rule: "The preliminary contract of sale must be registered within 30 days of signing (until the entry into force of the decree law n. 73/2022, article 14, the deadline was 20 days of signing). If stipulated with a notarial deed, the notary will do so within 30 days." (L'acquisto della casa: le imposte e le agevolazioni fiscali, Agenzia Entrate's site, 8th May of 2023).

It's obvious that the time affects the liquidity in all the cases not only in the Real Estate market, because the time of a transaction is inversely related to the liquidity of the same transaction.

The same thing could be said about the amount of cash required to buy a security or a Real Estate asset, in fact the cash needed to buy a security is much lower than the one needed to buy a property like a house, a factory or a plant.

Another important element that must be considered is the relation of the Real Estate with financial intermediaries, the relevance of the securitization is very important, in fact the Real Estate market mentioned the relevance of cash flow needed to buy a property put a link between the two sectors, Real Estate and financial sector. The securitization allows financial institutions to satisfy better this demand of cash than without this procedure, in fact with this process of structured finance the banks and the other financial institutions, as leases companies, could remove from their balance sheets non-performing loans that limits the possibility of issue new loans necessary, in most of the cases, to buy new Real Estate properties. This is caused by the "prudential regulamentation" that banks and others financial institutions have to respect, these rules were changed in stricter after than 2008 crisis causing a lower flow of capital in the market and causing a negative shock in the Real Estate market. The chart below shows this concept:

Historic residentials transactions numbers (1985 – 2021)

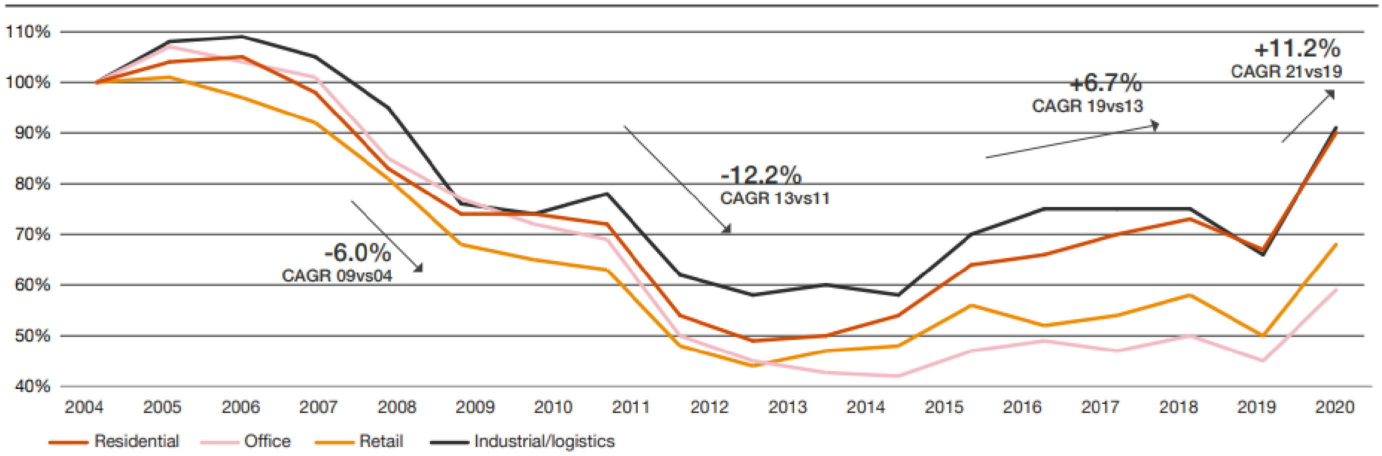


Real Estate Market Overview, PWC, 2022

The same thing could be said about the inversion of the trend in 2013, as shown in the graph after 2008 there was a negative trend that became positive in 2013, quoting the Real Estate Market Overview of PWC: " The positive turnaround registered in 2014 was mainly influenced by lower registration costs that came into effect on January 1, 2014 for mortgages and cadastral documents, which are applicable to the transfer of real property (Article 10 of D.lgs 14 marzo 2011, n. 23). Since 2014, the market has recorded six consecutive years of growth" (Real Estate Market Overview, PWC, 2022).

This statement was not valid only for the residential transactions was also valid for each type of Real Estate asset class, as shown in the chart below:

Transactions Trend



Real Estate Market Overview, PWC, 2022

This trend was also described by Societe General: "Italian banks have accomplished an incredible deleveraging plan starting in 2015, when the gross amount of NPE picked at €340+ Bn[1]. By the end of 2021 the total NPE was calculated to have reduced to €78 Bn, of which €45 Bn of UTPs and €33 Bn of NPLs[2]. Between 2015 and 2021, deleveraging was focused towards NPLs, and a key role was played by the GACS[3] scheme. In a nutshell, GACS is Italy's public guarantee issued in favour of investment grade senior tranches of public NPL securitisations. Arguably, it was GACS which re-started a rather sleepy public securitisation market. Almost €100 Bn of Gross Book Value (**GBV**) have been deleveraged through GACS so far[4]." (TO THE RESCUE...HOW ITALY'S NPE MARKET IS MORPHING INTO A UTP MARKET AND WHY ONLY THE FITTEST WILL SURVIVE, Societe General's site, 30th June of 2022).

The securitization had boosted the Real Estate market throw the financial institution balance sheets that has described before must fulfil capital requirements.

6.2. Legal View

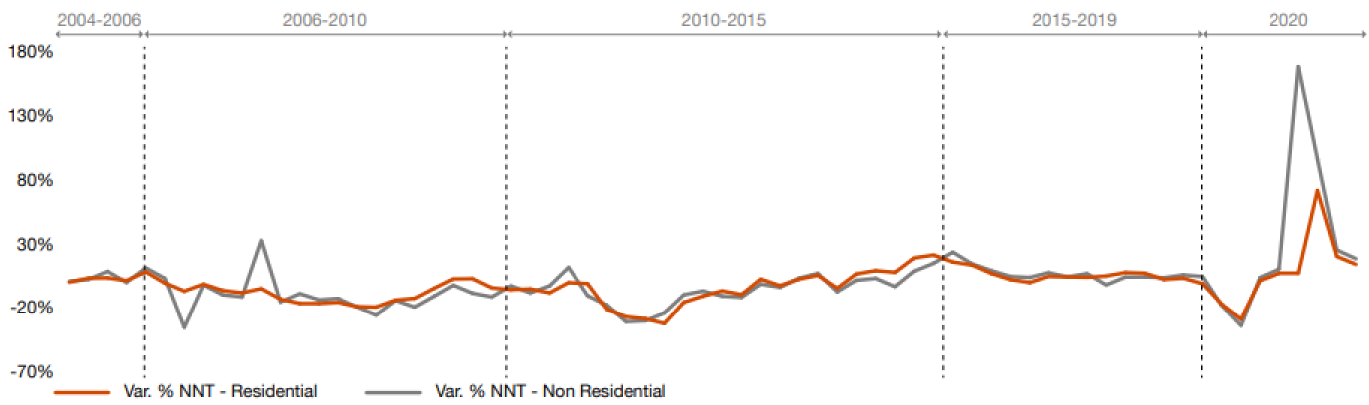
In a normative point of view there were from 2019 some changes in the rules of Real Estate market that has said by KPMG: "Italy new tax incentives to boost real estate sector" (Tax alert, KPMG, 5th of July 2019). In fact, as described in the paragraph 3. (The Securitization Law) in 2019 there was the conversion in Law of the Growth Degree that introduced some tax incentives to boost the Real Estate sector. These changes regarded:

- "Securitization of Real Estate Properties and Registered Movable assets
- Tax incentives for Real Estate Companies and Lease Companies
- Further tax incentives for Real Estate industry"

(Tax Alert, KPMG, 5th of July 2019)

There are evidences that this policy had boosted the sector in the chart that analyse the trend of the Real Estate market, as seen before in the previous paragraph but not only in terms of transactions but also in terms of NNT

NNT % change of the Italian real estate market (2004 - 2021)



Real Estate Market Overview, PWC, 2022

In both the cases in the residential and non-residential market "Var.% NNT" the variation after these changes was positive, probably due to the empowerment of the mentioned laws.

Furthermore, it's important consider that there was an empowerment in the capital system of all the European country, due to the monetary policy did after the pandemic in order to contrast the effects of this natural event on the economies of the EU countries.

6.3. Final conclusion

In synthesis, could be argued that both the legal intervention, the financial institution policy and the monetary policy done by the Central Banks after the pandemics had boosted the Real Estate market that has become more liquid, as said before. There are evidences that securitizations have taken part in this process of empowerment the Real Estate sector making it faster than before and with capital needed to its correct functioning.

The data showed in this work put together the Real Estate sector and the securitizations processes because in the main case analysed (project "Relais") the securitization was done with collaterals that were for the 99% Real Estate properties this not only "clean" the UniCredit Leasing balance sheets from assets that needs capital for satisfy the capital requirement but put also a more liquid assets in the market, the securities issued, that are more tradable than the collaterals. Also, in the case of the comparison between the two projects, Titan SPV and Relais SPV, what emerge was a great correlation between the collaterals, must of them Real Estate properties, considered and the liquidity of the market in fact in both the case there was a bond emission with different kind of payment but surely more tradable and easier to manage than a pure property.

The liquidity provided be a securitization process could be so described as "doable" in terms of initial cash-flow to purchase a property, in the first case, as described this structured finance operation avoid a waste in terms of capital requirement for the financial institutions, in fact the these processes the credit access become simpler because the financial institutions can have in their balance sheets more investment like leasing or loans that are ones of the most used form to buy a house or plant but in more general terms each kind of property, this is the first kind of liquidity that the securitization gives to Real Estate assets was described before the other because the first phase is the purchase of the property.

The second kind of liquidity provided by a securitization to the Real Estate sector, it's related to the final phase of the process analysed in detail in Relais SPV, the main object of this effects are the securities issued because as said are more tradable than a physical asset, in terms of time, costs (lower tax than the ones for a property purchase), tradability and guaranties, the bonds issued from a securitization process are evaluated by rating agencies that try to giving the most objective rating related to the risk at which the bonds are exposed.

After these considerations could be said that for the first kind of liquidity provided by securitization process is indirect related to Real Estate market, in the second type of liquidity provided the securitization process is direct related to Real Estate market liquidity.

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Gazzetta Ufficiale

Summary

The analysis done starts with an introduction of the Real Estate market (all that is land or affixed to it), considering three main assumptions:

- Less liquidity
- Less transparency
- Default of standardization

The analysis develops mainly the first assumption, the securitization in fact try to make more liquid the Real Estate market.

The assets are considered as a cover, and this explain recurrent tendency in the market and is a counter-cyclical market compared to the stock one.

The main factors that influence the real estate market:

- Demographics
- Interest rates impacts on the real estate market
- Economy, in particular, overall health of people
- Government policies and subsidies

The asset class known as Real Estate is universally recognised for its contribution to develop economy and society, given the demand and the high contribution of the Real Estate sector and buildings to the overall functioning of a modern economy.

In this context the Real estate industry has a relevance in the modern economy of services because allow the meet of demand and supply generating the conditions for a more efficient use of the properties. This industry promotes the capital inflow in the sector, the technology and the financialisaton of the sector.

In this view the Real Estate industry does an extremely productive work necessary in a dynamic economy open at the innovation and brim to quality.

The role played by the modern Real Estate industry was an expansion that was a line between the industrial economies and the economies of services.

Considering Italy that is characterized by direct ownership of the assets compared to other OECD Country is not true only for residential destination,

In the lasts three decades Italy has followed the Anglo-Saxons and the mature markets (UK, USA, Germany), was an introduction of new kind of vehicles:

- Real estate funds
- Securitization
- Listed Estate Investment Trust

The order is not random is a chronological order, from 1994 to 2007.

In Italy there was also the launch of innovative type of assets already developed in the mature markets, like shopping malls, entertainment centres, logistic complexes.

In the last decade there was an increase in integration between stock market and real estate market, the properties were not sold considering their architectural value but evaluate and sell considering their capacity to produce cash flow.

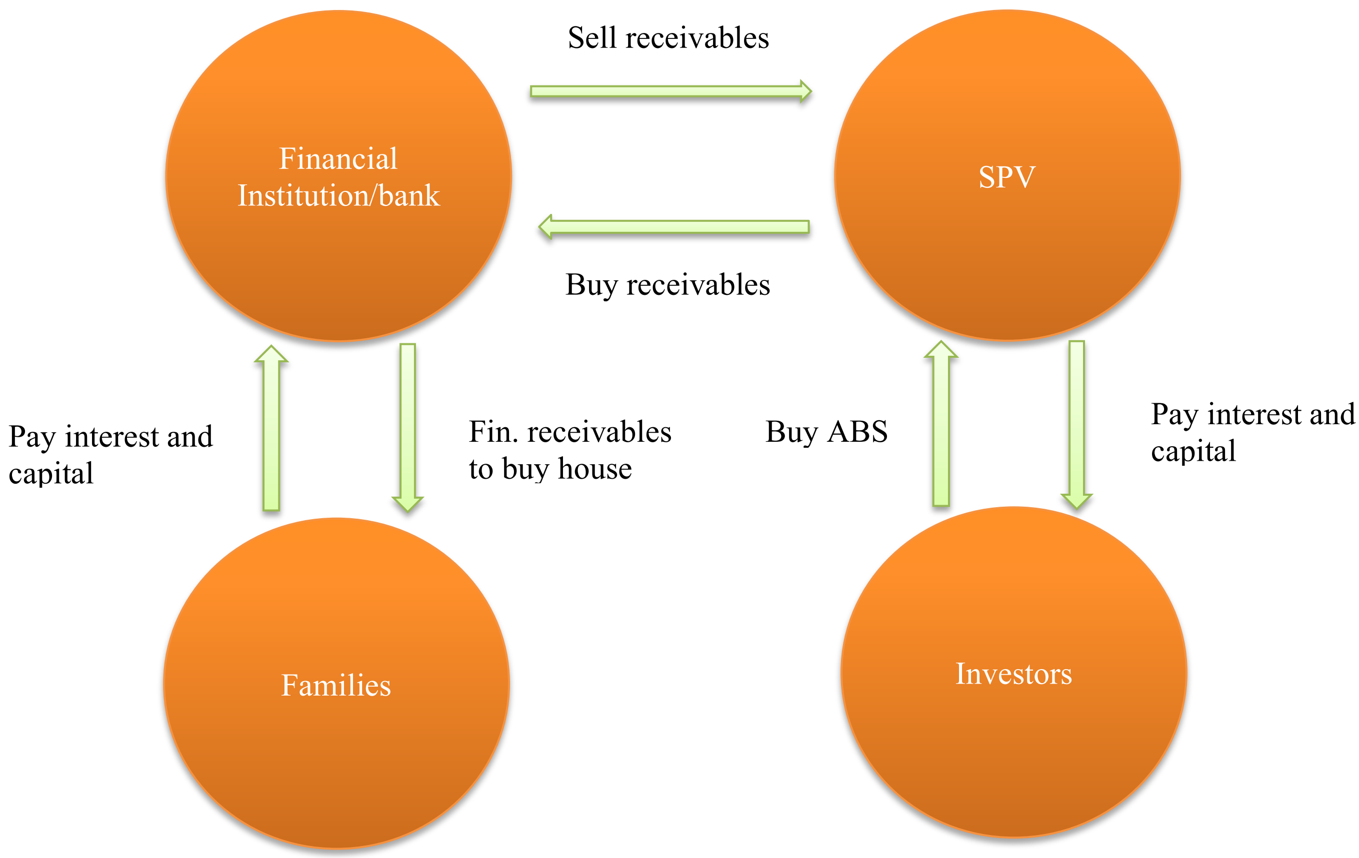
The work done after consider the securitization, that is a financial technique used to draw additional financial resources that is increasingly widespread in economic and financial landscape, consider a specific Italian case "Relais" and a comparison with a securitization of the same kind.

The securitization of debt technically is a process in which one or more assets indivisible and illiquid is split in divided sellable assets, or in so called asset backed securities ("ABS").

The name of transformation the securitization depends on the underlying assets we can have:

- Mortgage-backed securities ("MBS" the underlying assets are mortgages)
- Collateralized-backed obligation ("CDO" the underlying assets are obligations public or privates)
- Asset backed commercial paper ("ABCP" the underlying assets account receivables in short term)

In practice, the bank or the financial institution cedes the whole amount of these assets to a Special purpose Vehicle ("SPV"), built for the purpose, that outputs obligations (in case of MBS) that places to investors using this income to buy the underlaying of the previous obligations.



The case described in the work done was a securitization case of a NPE securitization that as collaterals Real Estate assets, so to understand the details of these kinds of transactions was done a description of the Italian NPE market.

The NPE (Non-Performing Exposure) are related to the Real Estate, in fact banks in their books accounts have assets like loan, or participation/ownership in leasing company that at their time have lease exposure in Real Estate lease, this is the case of UniCredit Leasing and so the case of "Relais SPV" project. The procedures used to did these types of securitization is the GACS.

The GACS or "Garanzia sulla cartolarizzazione delle sofferenze" is a guaranteed mechanism of State that has a significant role in Non-Performing Exposure (NPE) in Italy.
The most relevant updates introduced by the new GACS scheme are:

- The rating issuance: An independent rating agency must give to Senior notes a rating higher or equal to BBB and no like the previous years at least equal to investment grade level BBB-.
- The performance objectives related to servicer replacement
- The performance objectives related to servicer fee
- The performance objectives related to interest payment on mezzanine notes

The "Relais" Case

The 14th of December 2020 was successfully completed the project "Relais" in which the group UniCredit did a securitization of about 1.6 billion, mainly composed by Real Estate assets.
As part of the program of acceleration of the Non-Core Portfolio Run-down, UniCredit Leasing (UCL) has successfully completed the securitization of an Italian portfolio of Non performing represented by Real estate leasing (NPL Lease Portfolio) to an SPV (Relais SPV SrL) and the Real Estate asset to a Lease company.

The securitization is structured by Unicredit Bank AG as unique arranger and it's the first transaction in italy with nonperforming leasing receivables as underlying finalized to receive the GACS warranty ("Garanzia sulle Cartolarizzazioni delle Sofferenze") for the senior note.

The 11th of December 2020, RELAIS issued three class of stock: 466 milion euro senior, 91 milion euro mezzanine and 10 milion euro junior. The senior note have received from Moody's a Baa2 rating and from Scope a BBBsf rating.

Italfondiario and doValue worked respectively as Master and Special servicer of the securitization.

RELAIS and RELAIS LeaseCo were established by Banca Finint, that also had the role of Corporate Servicer, Monitoring Agent, Calculation Agent, Representative of Noteholders and Back-up Servicer for both.

UCL was assisted by Cappelli RCCD while UniCredit Bank AG by Legance; Ernst & Young has played the role of consultant of UCL.

UniCredit lastly have notified to ECB its intention to obtain the "*Significant Risk Transfer*" until the 31 March 2021 related to the sell.

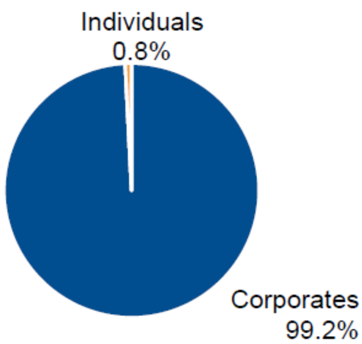
In the chart below there is the description of the portfolio in terms of stratifications:

Transaction tape, Scope rating, Relais S.r.l., 29th of December 2020

	All	Secured leases	Unsecured receivables
Number of leases	3,006	1,874	1,132
Number of borrowers	2,335		
Gross book value (EUR m)	1,583	1,369	214
Percentage of total GBV		86.5%	13.5%
Collections since cut-off date (% of GBV)	0.2		
Preliminary sales proceeds (% of GBV)*	1.6		
Sold assets proceeds (% of GBV)	1.5		
Weighted average seasoning (years)	5.8	5.6	7.0
Collateral value (before haircuts, EUR m)	1,070	1,070	
Repossessed and regularised assets (% of GBV)		23.7	
Non-repossessed or non-regularised assets (% of GBV)		76.3	
o/w non-repossessed		45.4	
o/w repossessed		30.9	

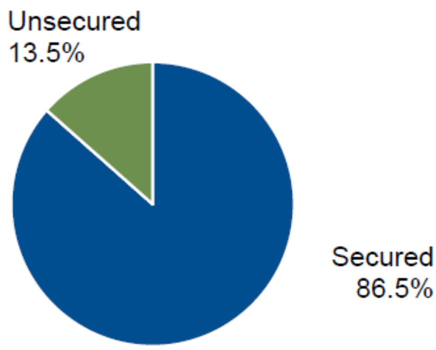
“Leases are defined as ‘secured’ if the relevant assets are yet to be sold, whereas unsecured receivables refer to leases for which the relevant assets have been already sold.” (Scope, Relais S.r.l, 29th December 2020)

Distribution by Borrower type in % of GBV



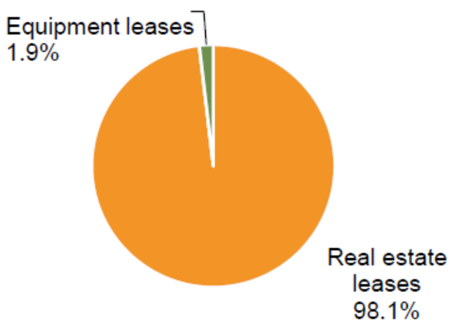
Scope, Relais SPV S.r.l, 29th of December 2020

Distribution by Lease type in % of GBV



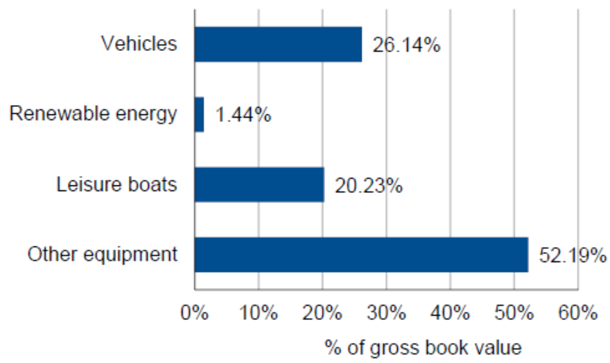
Scope, Relais SPV S.r.l. 29th of December 2020

Distribution by lease type % of GBV



Scope, Relais SPV S.r.l. 29th of December 2020

Distribution by asset type equipment leases % of GBV2



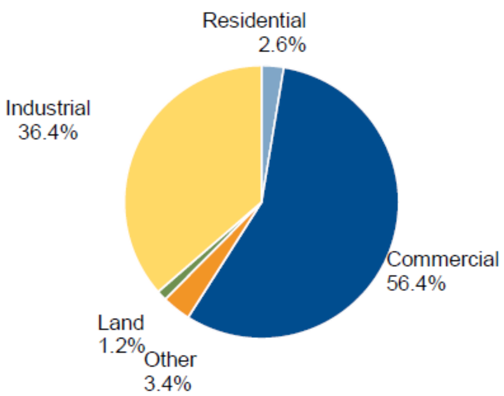
Scope, Relais SPV S.r.l. 29th of December 2020

As shown in the graphs above the leases object of securitization are mainly composed by corporates clients, and mainly related to the Real Estate sector.

These values explain well the portfolio composition in particular can be notice the illiquidity of the assets of securitization process.

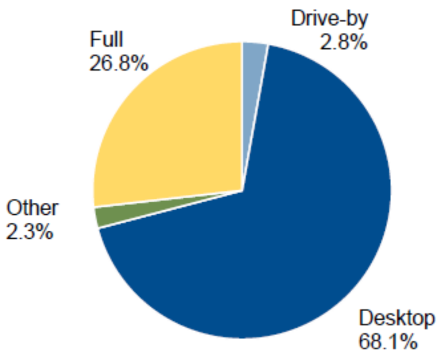
In the charts below there is a description of collateral and valuation type, the two more significant percentages in the two charts are respectively "Commercial" the 56.4% and "Desktop" the 68.1%.

Distribution by collateral type % of appraisal value



Scope, Relais SPV S.r.l.,29th of December 2020

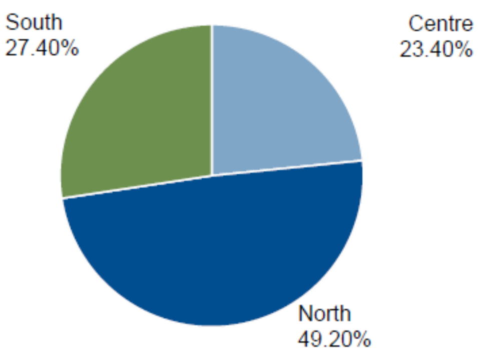
Distribution by valuation type % of the appraisal value



Scope, Relais SPV S.r.l., 29th of December 2020

Also "Industrial" collateral type is significant in this securitization, to have more detailed description of the assets object of securitization the description of the Italian region in which they are situated.

Collateral distribution by Italian region % of the appraisal value



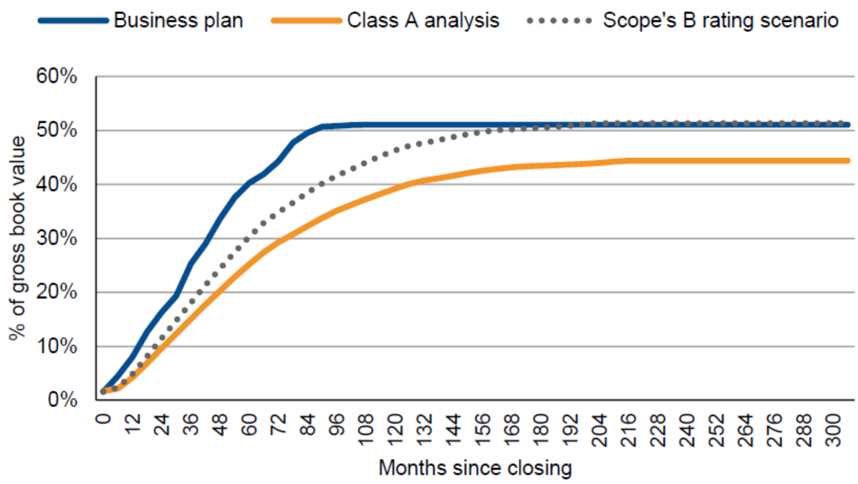
Scope, Relais SPV S.r.l., 29th of December 2020

Nearly the half of the collateral assets were in North of Italy, the assets located in the south and the centre of the country were nearly the same in percentage.

The figure below summarises the recovery rate assumptions applied for the analysis of the class A notes:

	Class A Analysis
Secured recovery rate in % of GBV	**48.6**
Unsecured recovery rate in % of GBV	**17.9**
Total recovery rate in % of GBV	**44.4**
Secured collections weighted average life (year)	**5.0**
Unsecured collections weighted average life (year)	**12.6**
Total collections weighted average life (WAL)	**5.4**

Data from Scope, Relais SPV S.r.l., 29th of December 2020
Business plan's gross cumulative recovery vs Scope assumptions



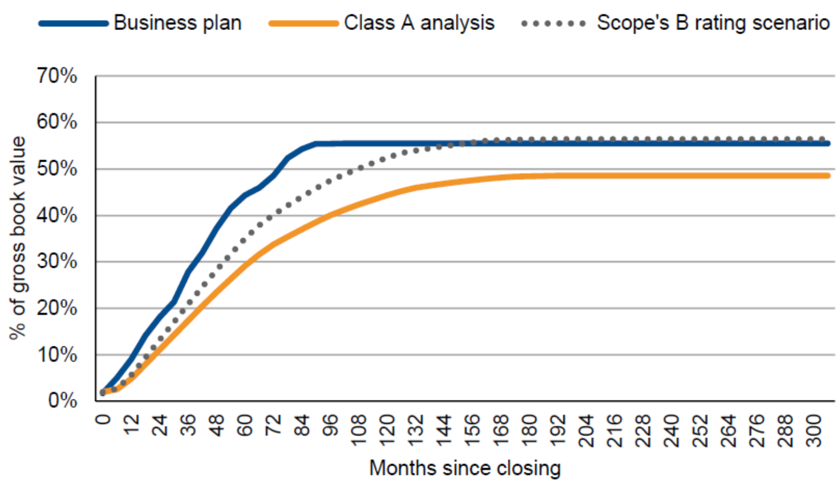
Scope, Relais SPV S.r.l.., 29th of December 2020

The chart: "Business plan's gross cumulative recoveries for secured leases vs Scope's assumptions" shows the rating agency lifetime gross collections vectors for the secured segment compared to those from the servicer's business plan.

The analytical approach used to estimate the security's current value is based on property appraisals and then applying security-value haircuts to capture forward-looking market value and liquidity risks.

The analysis also had taking in consideration the servicer's business plan and strategies.

Business plan's gross cumulative recoveries2 for secured leases vs Scope's assumptions



Servicer Business Plan, Scope, Relais SPV S.r.l., 29th of December 2020

The valuation haircut assumptions consider the originator's internal policies on asset appraisals. At the repossession date, full valuations were performed; assets that have been repossessed for more than one year are appraised through annual desktop valuations and on-site bi-annual visits conducted by third-party service providers.

Scope's transaction-specific valuation haircuts

Valuation type	Percentage of collateral value	Class A analysis haircut
Full	26.8%	0%
Drive-by	2.8%	0%
Desktop	68.1%	2.5%
Other/Statistical	2.3%	15.0%

Scope, Relais SPV S.r.l., 29th of December 2020

Scope's transaction - specific price change assumptions

	North						Centre			South			Islands	
Region	Milan	Turin	Genoa	Bologna	Venice	Others	Rome	Florence	Others	Naples	Bari	Others	Metropol-itan cities	Rest of provinces
Class A analysis	-13.0	-11.0	-11.0	-11.0	-13.0	-13.0	-17.0	-15.0	-15.0	-13.0	-13.0	-15.0	-13.0	-15.0
Portfolio distribution (%)	6.6	3.0	1.0	1.4	1.7	35.6	8.8	0.4	14.2	5.5	0.9	15.2	2.2	3.7

Scope, Relais SPV S.r.l., 29th of December 2020

In a comparison with non-performing loans, the time to recover for non-performing leases depend less on court efficiency, as courts were involved only until the repossession phase, while asset sales occurred on the open market. There was applied a rating-conditional timing stress related to total timing assumptions, based on the type of repossession proceeding (like bankruptcy vs non-bankruptcy).

Lenght of Recovery Process

Type of proceeding	Length* (years)
Bankruptcy	4.3-7.1
Non-bankruptcy	4.2-6.5

Scope, Relais SPV S.r.l., 29th of December 2020

The structure of the operation had three classes of notes with fully sequential principal amortisation:

- senior class A
- mezzanine class B
- junior class J

The class A notes pay a floating interest rate indexed to six-month Euribor plus a spread of 1.5%.

The class B notes pay a floating interest rate indexed to six-month Euribor plus a spread of 9.5%.

The GACS guarantee ensured interest and principal were paid by the final maturity of the class A notes.

The analysis considered: the capital structure, the coupon payable on the notes and the hedging structure, the servicing fees structure, the transaction senior fees, operating and legal cost of LeaseCo and SPV, assumed at 11% of gross collections.

The class A notes rating reflected the expected losses over the instruments' weighted average life commensurate with the Scope's idealised expected loss table.

The sellers have provided on the issue date:

- The solvency certificate signed by an authorised representative
- The certificate from the chamber of commerce to confirm that the relevant seller is not subject to any insolvency proceedings. This would 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.

2021

No action has been taken on class A notes issued by Relais SPV S.r.l. from the issue date.

On 16th November 2021, Scope completed the monitoring review for Relais SPV S.r.l.. The credit rating were still as follows:

- *Class A (ISIN IT0005429128), EUR 427,941,780: BBB$_{SF}$*
- *Class B (ISIN IT0005429144), EUR 91,000,000: not rated*
- *Class J (ISIN IT0005429151), EUR 10,000,000: not rated*

Relais SPV S.r.l. was a static cash securitisation of an Italian non-performing lease portfolio that worthed around 1.5 billion of euro (at closing date) by gross book value (as total gross claim amount).

Nearly the 95% of gross collections came from open debtors. The servicer has closed debtors for a total gross book value of 0.4% of the transaction's initial gross book value.

The class A has amortised by 8% since the issuance date.

2022

- *Class A (ISIN IT0005429128), EUR 466m original balance, EUR 391.1m current balance: BBB$_{SF}$*
- *Class B (ISIN IT0005429144), EUR 91m original balance, EUR 91m current balance: Not rated*
- *Class J (ISIN IT0005429151), EUR 10m original balance, EUR 10m current balance: Not rated*

The cumulative collections were faster than expected (this is a positive mark). The aggregate net collections, which represent 124% of the original servicer's expectations, had also exceeded the Scope rating agency's timing expectations under the class A rating scenario.

The cumulative expenses (worked as negative mark). Cumulative recovery expenses, at 18% of cumulative collections, were above Scope rating agency lifetime assumption.

The closed debtors' profitability is low (this is a negative mark). Gross collections from closed leases were 12% of cumulative collections and were mainly obtained through assets' sales.

Comparison with other securitization transactions

In order to better understand the market of the securitization and analyse the possibility that the securitizations could make the Real Estate market more liquid, it's needed describe other types of securitizations transactions. To do this must be taken the same period of analysis and taking in consideration only the securitizations that were very similar to the "Relais" case. The following chart can give a comparison of the 2020 securitizations and find out the ones that fit these requisites.

Year	Vendor	Project	Type	Buyer	GBV (eur) mln
2020	MPS	Hydra	Mixed Secured and Unsecured	AMCO	7500
2020	Intesa Sanpaolo	Yoda	GACS - Mixed Secured and Unsecured (Securitization)	NA	6040
2020	Crédit Agricole	Pelican	Unsecured	Goldman Sachs with LCM	4000
2020	Multioriginator	BCC NPLs 2020	GACS - Mixed Secured and Unsecured (Securitization)	NA	2.347
2020	Banca Popolare di Bari	NA	Mixed Secured and Unsecured	AMCO	2000
2020	Crédit Agricole	Pelican (Island)	Unsecured	Elliot	1.700
2020	Unicredit	Relais	GACS - Leasing (Securitization)	NA	1.538
2020	BPER	Spring	GACS - Mixed Secured and Unsecured (Securitization)	NA	1.377
2020	UBI Banca	Sirio	GACS - Mixed Secured and Unsecured (Securitization)	NA	1.228
2020	Banca Popolare di Sondrio	Diana	GACS - Mixed Secured and Unsecured (Securitization)	NA	1.000
2020	Banco BPM	Django	Mixed Secured and Unsecured	AMCO and Credito Fondiario	942
2020	Multioriginator	POP NPLa 2020	GACS - Mixed Secured and Unsecured (Securitization)	NA	919
2020	UniCredit	New York	Secured - Residential	NA	692
2020	Multioriginator	Buonconsiglio 3	GACS - Mixed Secured and Unsecured (Securitization)	NA	680
2020	UniCredit	Dawn	Unsecured - Corporate	Illimity	600
2020	Intesa Sanpaolo	Simba	Unsecured - Consumer	Banca IFIS	553
2020	UniCredit	Tokyo	Unsecured - SME	Banca IFIS	500
2020	UniCredit	Lisbon	Unsecured - Corporate	Illimity	477
2020	Banca Sella	POS	Unsecured (Securitization)	NA	400
2020	Credito Valtellinese (Creval)	NA	Unsecured - Corporate	Hoist	357
2020	Alba Leasing	Titan	GACS - Leasing (Securitization)	NA	335
2020	BPER	Summer	GACS - Mixed Secured and Unsecured (Securitization)	NA	322
2020	Crédit Agricole	Sparta	Mixed	Banca IFIS and Guber Banca	320
2020	BPER	Winter	Mixed Secured and Unsecured	Intrum	282
2020	Illimity	NA	Unsecured	Banca IFIS	266
2020	Agos	ACES	Unsecured - Consumer	CarVal/Axis	260
2020	Iccrea	NA	Unsecured	Banca IFIS	231
2020	UniCredit	Lisbon	Unsecured - Corporate	Guber Banca	225
2020	Agos	NA	Unsecured - Consumer	MBCredit Solutions	206
2020	UniCredit	Tokyo	Unsecured - SME	Guber Banca	200
2020	Illimity	NA	Mixed Secured and Unsecured (Secondary)	Sorec, Phinance Partners, and CGM Italia SGR	182
2020	UniCredit	Forward Flow	Unsecured - Consumer	Banca IFIS	180
2020	Credito Valtellinese (Creval)	NA	Secured	AMCO	177
2020	Credito Valtellinese (Creval)	Marengo	Mixed - Corporate	AMCO and MBCredit Solutions	160
2020	Waterfall	Elrond notes resale	Mixed Secured and Unsecured	Phoenix Asset Management	158
2020	UniCredit	Loira	Unsecured - Consumer	Banca IFIS	155
2020	Unicredit	NA	Mixed Secured and Unsecured	Illimity	153
2020	Credito Valtellinese (Creval)	Marengo	Mixed - Corporate	AMCO	140
2020	BNL	NA	Unsecured - Consumer	MBCredit Solutions	129
2020	Agos	NA	Unsecured - Consumer	LCM	120
2020	Unicredit	NA	Secured	Illimity	115
2020	Prelios	Milaredo	Secured - Corporate (Secondary)	NA	11
2020	Intesa Sanpaolo	Pixar	Unsecured - Consumer	Kruk	75
2020	UniCredit and Unipol REC	NA	Secured	Illimity	73
2020	Istituto per il Credito Sportivo (ICS)	NA	Secured	AMCO	47
2020	4Mori Sardegna and Maggese 2018	NA	Unsecured	AnaCap	31

KPMG, Navigating European distressed market, European debt Sales 2021

The unique securitization project that was done in the same year and with same condition (GACS - Leasing Securitization) is Titan that was done by Alba Leasing.

In terms of Gross book value (GBV) the "Relais" transaction was the seventh in 2020, and the "Titan" transaction was the twenty first in 2020 but the two transactions were the only ones that used GACS – secured leasing as method in that year.

Titan securitization was done by Alba Leasing the 12^{th} of December 2020, the issuer acquired the portfolio at the transfer date.
The securitised pool comprised Italian non-performing leasing contracts originated by Alba Leasing S.p.A., Banco BPM S.p.A. and Release S.p.A. .

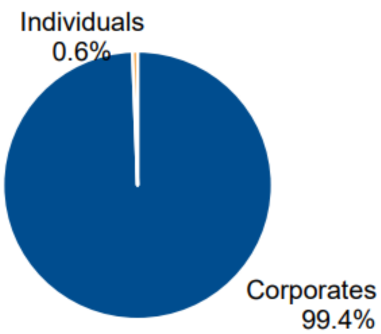
The portfolio summary could be represented in the chart below:

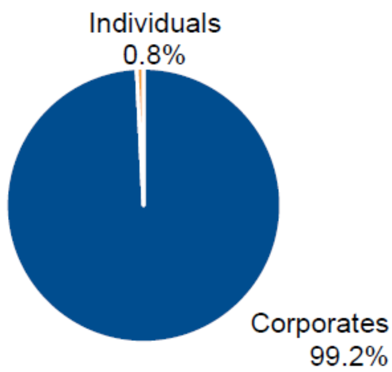
	All	Secured leases	Unsecured receivables
Number of leases	939	328	611
Number of borrowers	668		
Gross book value (EUR m)	335.4	294.2	41.2
Percentage of total GBV		87.7	12.3
Collections since cut-off date (% of GBV)	3.1		
Real estate deposits and sales proceeds (% of GBV)*	3.6		
Weighted average seasoning (years)	5.8	5.7	6.2
Collateral value (before haircuts, EUR m)	202.0	202.0	
Repossessed and regularised assets (% of GBV)	59.2		
Non-repossessed or non-regularised assets (% of GBV)	40.8		

Scope, Titan SPV S.r.l., 21st of January 2021

This is only to have some data in order to better understand the comparison for two different processes, the first one "Relais" the second one "Titan", in which in both of cases the procedures were the same a GACS – Leasing securitization, but there were many differences in the assets composition.

Transactions by Borrower type % of GBV



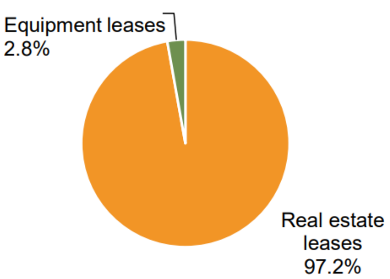


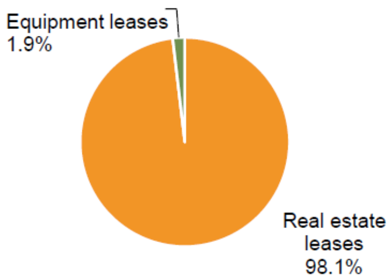
Scope, Titan SPV S.r.l., 21st of December 2021 *Scope, Relais SPV S.r.l., 29th of December 2020*

In considering the borrower type the transactions were very similar in both the cases above the 99% of the borrowers were Corporates.

In both the transactions the Secured and the Unsecured percentage of the GBV was more than 85% and differ in the transaction only for 1.2%.

Distribution by lease type in % of GBV

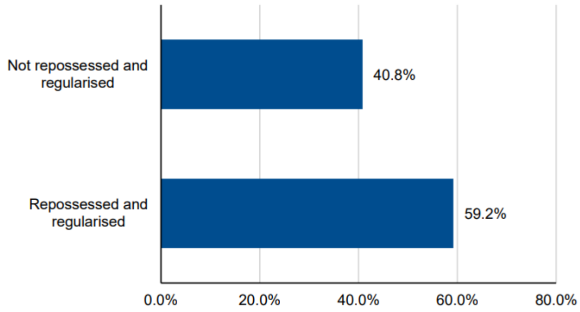




Scope, Titan SPV S.r.l., 21st of January 2021 *Scope, Relais SPV S.r.l., 29th of December 2020*

The most of Gross Book Value is represented by Real Estate Assets, in both the cases, allowing to consider both the securitizations as Real Estate securitizations.

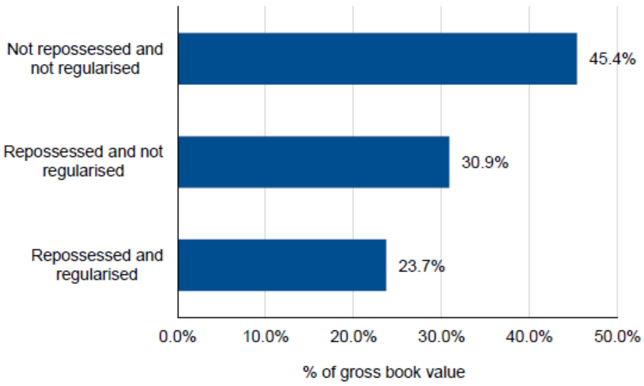
Distribution by repossession stage as of cut-off date in % of GBV



Scope, Titan SPV S.r.l., 21st of January 2021

In terms of GBV could be resulted clear that the most of the assets objects of Titan SPV were already repossessed and the process was already regularised.

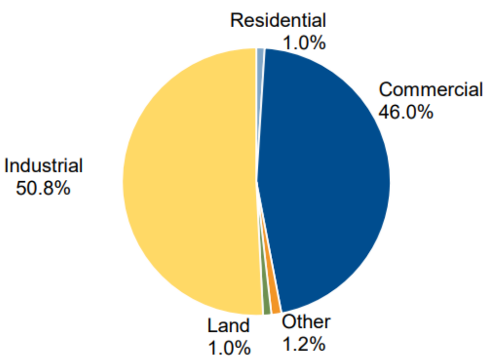
Distribution by repossession stage as of cut-off date in % of GBV

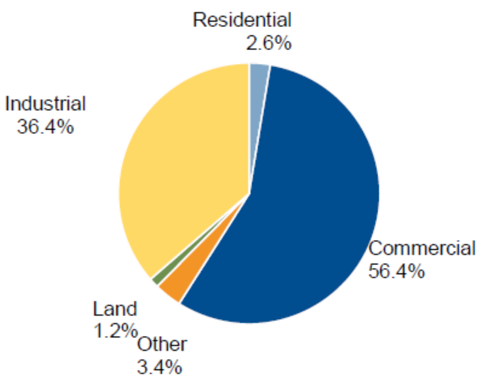


Scope, Relais SPV S.r.l., 29th of December 2020

In "Relais" project the situation was not the same, in fact the most of assets were already repossessed the 54.6% ("Repossessed and not regularised" + "Repossessed and regularised"), but a huge number of GBV the 30.9% was not "regularised" and another 45.4% wasn't repossessed and regularised.

Distribution by collateral type in % of appraisal value



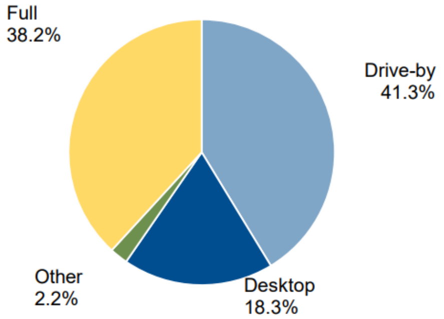


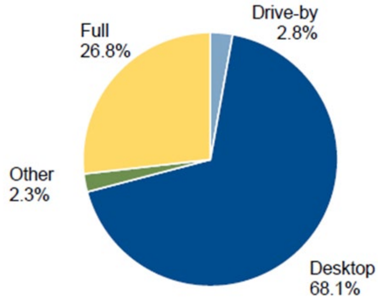
Scope, Titan SPV S.r.l., 21st of January 2021 *Scope, Relais SPV S.r.l., 29th of December 2020*

In both the cases the main two categories were "Industrial" and "Commercial" but with different distributions.

But the other differences were not so significant as the difference between "Commercial" type and "Industrial" type that were the two main categories.

Distribution by valuation type % of appraisal value

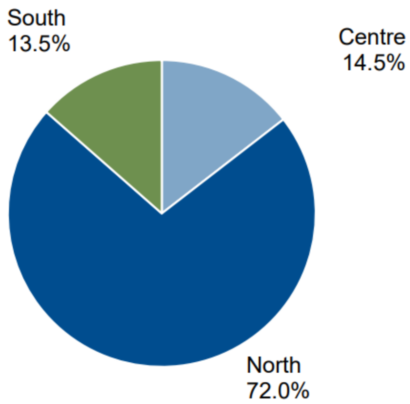


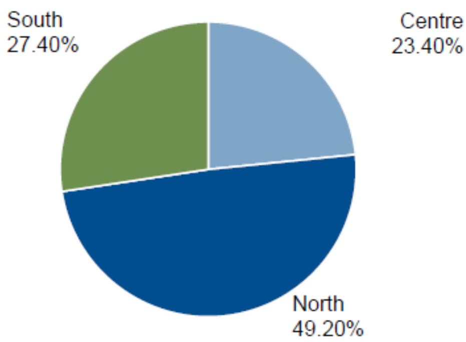


Scope, Titan SPV S.r.l., 21st of January 2021 *Scope, Relais SPV S.r.l., 29th of December 2020*

There was a clear difference between the two-approach used in "Relais" case the most used procedures adopted by Titan SPV ("Driven-by") was only used for the 2.8% of the appraisal value, but there was a lower difference in the case of use of "Full" valuation in case of Relais SPV was adopted for the 26.8% the 11.4% lower than Titan SPV.

Collateral distribution by Italian region % of the appraisal value





Scope, Titan SPV S.r.l., 21st of January 2021 *Scope, Relais SPV S.r.l., 29th of December 2020*

The collateral distribution was different in two securitizations case in case of "Titan" project the most of the collateral where situated in the north of Italy the 72% in "Relais" project the 49% was located in North in fact the last project mentioned had a more omogeneus distirbution of the collaterals.

Portfolios comparison

The recovery assumptions built by Scope rating agency analysed the portfolios in particular for the class A notes. The charts below show these assumptions done by the rating agency:

Summary of the assumptions

	Class A analysis
Secured recovery rate (% of secured GBV)	48.6
Unsecured* recovery rate (% of unsecured GBV)	6.1
Total recovery rate (% of total GBV)	**43.4**
Secured collections weighted average life (years)	4.3
Unsecured* collections weighted average life (years)	7.9
Total collections weighted average life (WAL)	**4.4**

Scope, Titan SPV S.r.l., 21st January of 2021

	Class A analysis
Secured recovery rate (% of secured GBV)	48.6
Unsecured* recovery rate (% of unsecured GBV)	17.9
Total recovery rate (% of total GBV)	**44.4**
Secured collections weighted average life (years)	5.0
Unsecured* collections weighted average life (years)	12.6
Total collections weighted average life (WAL)	**5.4**

Scope, Relais SPV S.r.l., 29th of December 2020

There was a similarity in the secured recovery rate in both the cases was considered that the 48.6% of secured GBV would be recovered, but there was a different in the unsecured GBV.

Although the difference in terms of recovery rate of unsecured GBV the difference between the total recovery rate of total GBV between the two operation was only 1%.

The difference between the unsecured collections weighted average life in years had a deeper impact than the precedent difference in the two chart above, because could be seen that the Total collections weighted average life in years (WAL) had value that differs significantly in the case on "Titan" project the WAL was estimated to 4.4 years in the case of project "Relais" the WAL was estimated to 5.4 years.

The sum of the collateral type situated in the north of Italy were respectively 72% for the "Titan" project and 49.2% for the "Relais" project, but with a more detailed analysis in the construction of the portfolios the distributions were significantly similar in term of regional distribution, the charts below show better this concept:

Titan North		
Location	**% of portfolio**	**% on zone**
Milan	11,90%	**16,50%**
Turin	3,10%	**4,30%**
Genoa	1,80%	**2,50%**
Bologna	2,40%	**3,33%**
Venice	0,90%	**1,25%**
Others	52%	**72,12%**
sum	72,10%	

Relais North		
Location	**% of portfolio**	**% on zone**
Milan	6,60%	**13,39%**
Turin	3,00%	**6,09%**
Genoa	1,00%	**2,03%**
Bologna	1,40%	**2,84%**
Venice	1,70%	**3,45%**
Others	35,60%	**72,21%**
sum	49,30%	

In fact, the percentage that was invested in the cities was in both the cases nearly the 28% and in both the cases the percentage invested in not the majors' cities of north Italy ere the same the 72%.

To better understand the calculation done it's important know that all the data present in the chart above and the three charts below were taken from the two Scope chart above that describe the portfolio allocation in percentage, the formula used to find the allocation in percentage of each zone was:

$$\% \text{ on zone} = \frac{\% \text{ of portfolio specific to each zone}}{\text{sum of the percentages of the region under analysis}}$$

Titan Centre		
Location	**% of portfolio**	**% on zone**
Rome	3,60%	**24,83%**
Florence	1,10%	**7,59%**
Others	9,80%	**67,59%**
sum	14,50%	

Relais Centre		
Location	**% of portfolio**	**% on zone**
Rome	8,80%	**37,61%**
Florence	0,40%	**1,71%**
Others	14,20%	**60,68%**
sum	23,40%	

The same analysis was done in the centre of Italy the result would not been so different.

Titan South		
Location	**% of portfolio**	**% on zone**
Naples	0,00%	**0,00%**
Bari	2,10%	**30,88%**
Others	4,70%	**69,12%**
sum	6,80%	

Relais South		
Location	**% of portfolio**	**% on zone**
Naples	5,50%	**23,50%**
Bari	0,90%	**3,85%**
Others	15,20%	**64,96%**
sum	21,60%	

In the south there was an important difference in terms of cities in which the two portfolios were diversify in particular Titan SPV hadn't assets in Naples, instead of Relais SPV that had the 23,5% of its south assets invested in Naples, the opposite could be said about Bari, in which Titan SPV had assets for the 30,88% of its south portfolio and Relais SPV had assets for its 3,85% for its south portfolio.

Although this opposite allocations in the main two south Italy cities there was a similar allocation in the category of "Others" in both the cases the allocation in this category was above the 60%.

The last region analysed in the one called "islands" in which the allocation of the assets in the two portfolio differs a lot.

Titan Islands		
Location	**% of portfolio**	**% on zone**
Metropolitan cities	6,30%	**94,03%**
Rest of province	0,40%	**5,97%**
sum	6,70%	

Relais Islands		
Location	**% of portfolio**	**% on zone**
Metropolitan cities	2,20%	**37,29%**
Rest of province	3,70%	**62,71%**
sum	5,90%	

The two charts above perfectly describe the situation that differ in the two cases, because Titan SPV had an islands portfolio composed mainly assets located in Metropolitan cities, the 94,03%, Relais SPV on opposite had only the 37,29%.

The analysis done, shows that the assets were not allocated in the same way in the two portfolios.

Rating comparison

The results of these analysis were the rating valuation received in each class of the tranches:

Tranche	Rating	Size (EUR m)	% of notes	% of GBV	Coupon	Final maturity
Class A	BBB_{SF}	90.5	78.3	27.0	6M Euribor + 0.5%	Jan 2041
Class B	NR	15.0	13.0	4.5	6M Euribor + 8.0%	Jan 2041
Class J	NR	10.1	8.7	3.0	6M Euribor + 10% + VR	Jan 2041
Total		115.6				

Scope, Titan SPV S.r.l., 21st of January 2021

Tranche	Rating	Size (EUR m)	% of notes	% of GBV	Coupon	Final maturity
Class A	BBB_{SF}	466.0	82.2	29.4	6M Euribor + 1.5%	Jul 2040
Class B	NR	91.0	16.0	5.7	6M Euribor + 9.5%	Jul 2040
Class J	NR	10.0	1.8	0.6	Variable return	Jul 2040
Total		567.0				

Scope, Relais SPV S.r.l., 29th of December 2020

The main similarity was the rating in both the cases the "Class A" notes received a BBB_{SF} rating and the "Class B" and "Class J" received a NR rating. The main difference was the "Size" Relais SPV was 4.9 times Titan SPV in terms of book value of the notes.

The main difference, in terms of amount, was only in the riskiest type of class notes (Class J).

Another difference that could be found in each type of emission independently from the class type was the "Coupon" that each class received in each type of note identifying Relais SPV's notes as riskier than Titan SPV notes.

Conclusion

The main goal of this work was describing the securitization, in particular, referring to Real Estate market, in fact the project "Relais" was a securitization of a non-performing leasing with a Real Estate collaterals, the conclusions could be divided in two parts:

- In market point of view these financial operations consent a growth of capital in the Real Estate market because the assets generated from a securitization process are more tradable than a pure Real Estate asset. In fact, the placement of this securities is faster than the placement of a physic property, as described before, these are issued and bought in a shorter time than a property transaction. In fact, as said in project "Relais" the 11th of December 2020 the securities were issued and by the 14th of December 2020 the placement and the securitization were completed. This is evidence of the faster time in the securitization procedures than in the "normal" Real Estate market. The same thing could be said about the amount of cash required to buy a security or a Real Estate asset. The securitization, although, allows financial institutions to satisfy better this demand of cash than without this procedure, in fact with this process of structured finance the banks and the other financial institutions, as leases companies, could remove from their balance sheets non-performing loans that limits the possibility of issue new loans necessary, in most of the cases, to buy new Real Estate properties.

- In a normative point of view there were from 2019 some changes in the rules of Real Estate market that has said by KPMG: "Italy new tax incentives to boost real estate sector" (Tax alert, KPMG, 5th of July 2019).

Final conclusions

In synthesis, could be argued that both the legal intervention, the financial institution policy and the monetary policy done by the Central Banks after the pandemics had boosted the Real Estate market that has become more liquid, as said before. There are evidences that securitizations have taken part in this process of empowerment the Real Estate sector making it faster than before and with capital needed to its correct functioning.