MOODY'S
INVESTORS SERVICE

Rating Action: Moody's assigns ratings to the sixth Italian ABS Notes backed by non-performing loans originated mainly by Iccrea banking group and issued by BCC NPLs 2022 S.r.l.

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Milan, May 11, 2022 -- Moody's Investors Service ("Moody's") has today assigned the following ratings to the debts issued by BCC NPLs 2022 S.r.l. (the Issuer):

....EUR 142M Class A Asset Backed Floating Rate Notes due January 2047, Assigned Baa1 (sf)

Moody's has not assigned a rating to the EUR 19.5M Class B Asset Backed Floating Rate Notes due January 2047 and to EUR 6.5M Class J Asset Backed Fixed Rate and Variable Return Notes due January 2047, which are also issued at the closing of the transaction.

The transaction is a multi-originator static cash securitisation of non-performing loans (NPLs) granted by 68 out of 128 banks belonging to Gruppo Bancario Cooperativo Iccrea (unrated) as well as Cassa di Risparmio di Asti S.p.A., Banca Valsabbina S.C.P.A. and Banca di Credito Popolare S.c.p.A. (unrated, all together the "originators") to small and medium-sized enterprises (SMEs), self-employed individuals and individuals located in Italy. This represents the sixth NPL transaction sponsored by Iccrea Banking Group. This transaction is expected to benefit from the public guarantee for non-performing securitizations (GACS).

The assets supporting the Notes are NPLs with a gross book value (GBV) of EUR 644.47M. For 78.5% of the assets the selection date was 31 December 2021, for 21.4% of the portfolio the selection date was 31 March 2022 and for the remaining 0.1% between the 6 and the 15 April 2022. The gross collections from the selection date until 31 March 2022 amount to approximately EUR 1.15 million, out of which EUR 548,654 represent cash available at closing for the transaction.

The portfolio will be serviced by doNext S.p.A. and doValue S.p.A. in their roles as master and special servicer, respectively, both belonging to doValue banking group (unrated). doValue S.p.A. will also act as Real Estate Operating Company ("ReoCo") asset manager for the ReoCo, if activated. The servicing activities will be monitored by the monitoring agent Zenith Service S.p.A. ("Zenith", unrated). In addition, Banca Finanziaria Internazionale S.p.A. ("Banca FinInt", unrated) has been appointed as back-up servicer at closing and will step in to take over the role of master servicer in case the master servicer agreement is terminated. The monitoring agent together with the back-up servicer will help the Issuer to find a substitute special servicer in case the special servicing agreement with doNext S.p.A. is terminated.

The transaction also envisages the option, upon request of the mezzanine and junior investors, to activate the involvement of a Real Estate Operating Company. Should the ReoCo be activated before January 2024, the special servicer may propose the ReoCo's intervention at the auction of real estate properties. The resale of such properties will need to occur within up to 20 months after the purchase, otherwise the ReoCo will grant an irrevocable mandate to a professional to sell the properties. The ReoCo can at any time own properties for an amount not higher than EUR 4 million (in terms of purchase price). The financing of the ReoCo to purchase the real estate properties, as well as the financing of the ReoCo operating costs, will be provided by a replenishable funding reserve of EUR 400,000, which represent part of the upfront costs of the transaction and financed via interim collections. The ReoCo funding reserve may be replenished over the life of the transaction via partial retention of the surplus on sold properties and with third party financing under certain conditions, e.g. good performance of the transaction and of the ReoCo.

RATINGS RATIONALE

Moody's ratings reflect an analysis of the characteristics of the underlying pool of defaulted loans, sector-wide and originator-specific performance data, protection provided by credit enhancement, the roles of external counterparties, and the structural integrity of the transaction.

In order to estimate the cash flows generated by the pool, Moody's used a model that for each loan, generates an estimate of: (i) the timing of collections; and (ii) the collected amounts, which are used in the cash flow model that is based on a Monte Carlo simulation.

In Moody's view, the credit positive features of this deal include, among others:

(i) the loan portfolio composition with 66.7% of the GBV relating to borrowers with at least a secured loan. 79% of the real estate value relates to first lien loans. Properties valued by third party with a drive-by or internal visit (mainly performed after 2020) represent around 54% of the property valuation amount. Only 19% and 14.4% of the properties have been valued with a desktop or automated valuation, respectively;

(ii) the granularity of the portfolio resulting from the multi-originators: top 1, top 10 and top 20 obligors represent 2.6%, 12.3% and 17.9%, respectively, of the portfolio in GBV terms and borrowers with a GBV below EUR 5.0 million represent 89.88% of the total portfolio;

(iii) secured loans benefitting from a first lien are backed by properties located mainly in the North and Center of Italy (accounting for approximately 40% and 48% of the real estate value, respectively);

(iv) the relative low weighted average loan-to-value of the portfolio, which is below 100%;

(v) the relative low weighted average seasoning of unsecured loans with 3.8 years;

(vi) interest on the Class B Notes is postponed to a more junior position in the waterfall, if the cumulative collection ratio or the PV cumulative profitability ratio is lower than 90% of the expected cumulative recovery rate according to the initial business plan anticipated by the special servicer. The Class A Notes will benefit from this structural feature; and

(vii) alignment of interest for the special servicer with the servicing fees have been constructed so that the special servicer is incentivized to maximize recoveries on the loans rather than collecting the very limited base fees.

However, the transaction has several challenging features, such as:

(i) loans representing around 71.7% of the GBV of the loan portfolio are in their initial legal proceeding stage, including 55.4% for which the legal proceedings have not started yet or no information is available;

(ii) 49.2% of the GBV related to the loans with a legal proceeding started are undergoing a bankruptcy process, which usually takes significantly longer than a foreclosure;

(iii) loans collateralized by land and hotels represent 10.6% and 2%, respectively, in terms of real estate value, whereas industrial and commercial buildings represent 9.25% and 20.4% respectively of lease portfolio property market value. Historically industrial properties have taken longer to sell than offices but the trend in e-commerce and appetite for last mile logistics in Italy is reversing the trend. On the opposite, retail properties have been particularly impacted by the coronavirus crisis and the social distancing measure put in place by the Italian government. In addition, the liquidity of some non-residential properties could be significantly impacted in a stressed economic environment;

(iv) 12.95% of the unsecured loans are residual claims after sale of the leased real estate properties.

As of selection date, the underlying portfolio was composed of 9,042 non-performing loans for a gross book value (GBV) amounting to EUR 644M. Loans to corporates make up 71.3% of the portfolio, while loans to individuals account for the remaining 28.7%. Borrowers defaulted from 2013 onwards represent 89.5% of the total GBV. Loans representing around 71.7% of the GBV of the portfolio are in their initial legal proceeding stage, whereas loans representing around 3.84% of the GBV are in the cash distribution phase, i.e. the judicial recovery process has been terminated and cash only needs to be distributed among creditors. Around 67.1% of the loan portfolio is secured by mortgage guarantees over different types of properties. Residential properties represent around 45.3% of the real estate value, the remaining being commercial properties of different types. Geographically, the properties backing the loans are concentrated mostly in the Centre of Italy (47.9%) and in the North of Italy (40.4%). The classification as non-performing exposure occurred on average around 3.8 years before the selection date for the unsecured loans.

Key transaction structure features:

Reserve fund: The transaction benefits from an amortizing cash reserve equal to 3.0% of the Class A Notes balance (corresponding to EUR 4.26M million at closing) and funded by a EUR 4.6M limited recourse loan extended by Iccrea Banca S.p.A., Cassa di Risparmio di Asti S.p.A., Banca Valsabbina S.C.P.A. and Banca di

Credito Popolare S.c.p.A. The cash reserve is replenished immediately after the payment of interest on the Class A Notes and mainly provides liquidity support to the Class A Notes. The outstanding limited recourse loan will be reimbursed in line with the amortization of the Class A Note, mainly with the release of the cash reserve.

Hedging: Class A Notes pay six-month EURIBOR which has a cap starting at 0.05% for the payment date in January 2023, moving up progressively to 2% in July 2034 and till final maturity. Moreover, the transaction benefits from interest rate cap spread agreements linked to six-month EURIBOR, with Banco Santander S.A. (Spain) (A3(cr)/P-2(cr)) acting as the cap counterparty. The Class A cap will have a lower strike starting at 0% moving up to 0.2% in January 2025, to 0.4% in January 2027 and being stable till July 2034 and an upper strike starting at 0.05% for the payment date in January 2023, moving up progressively to 2% in July 2034 and till final maturity. The notional of the interest rate caps are equal to the outstanding balance of the Class A Notes at closing decreasing over time with pre-defined amounts.

Moody's used its NPL cash-flow model as part of its quantitative analysis of the transaction. Moody's NPL model enables users to model various features of a European NPL ABS transaction - recovery rates under different scenarios, yield as well as the specific priority of payments and reserve funds on the liability side of the ABS structure.

Counterparty risk analysis:

DoNext S.p.A. and doValue S.p.A. act as master servicer and special servicer, respectively, of the non-performing loans for the Issuer, while Zenith Service S.p.A. (unrated) is the monitoring agent and Banca FinInt (unrated) is the back-up servicer and the calculation agent of the transaction. All collections are paid directly into the issuer collection account at BNP Paribas Securities Services (Aa3/P-1) with a transfer requirement if the rating of the account bank falls below Baa2.

The principal methodology used in this rating was "Non-Performing and Re-Performing Loan Securitizations Methodology" published in April 2020 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBS_1222103 . Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

Factors that would lead to an upgrade or downgrade of the rating:

The notes' ratings are sensitive to the performance of the underlying portfolio, which in turn depends on economic and credit conditions that may change. The evolution of the associated counterparties risk, the level of credit enhancement and the Italy's country risk could also impact the notes' ratings.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

The analysis relies on a Monte Carlo simulation that generates a large number of collateral loss or cash flow scenarios, which on average meet key metrics Moody's determines based on its assessment of the collateral characteristics. Moody's then evaluates each simulated scenario using model that replicates the relevant structural features and payment allocation rules of the transaction, to derive losses or payments for each rated instrument. The average loss a rated instrument incurs in all of the simulated collateral loss or cash flow scenarios, which Moody's weights based on its assumptions about the likelihood of events in such scenarios actually occurring, results in the expected loss of the rated instrument.

Moody's quantitative analysis entails an evaluation of scenarios that stress factors contributing to sensitivity of ratings and take into account the likelihood of severe collateral losses or impaired cash flows. Moody's weights the impact on the rated instruments based on its assumptions of the likelihood of the events in such scenarios occurring.

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