COLT SPV S.R.L.

ARC Ratings, S.A. has assigned a rating to the Class A and Class B Notes of COLT SPV S.R.L.

CLASS	SIZE	COUPON	SUBORDINATION	RATING	OUTLOOK
Class A Notes	EUR 375,000,000	3m EUR + 2.0%	31.6%	A(sf)	Stable
Class B Notes	EUR 79,100,000	3m EUR + 2.7%	14.6%	B+(sf)	Stable
Class J Notes	EUR 116,012,000	VAR + 5%	0%	NR	NR

Rating Date	19 December 2022
Next Review Date	19 December 2023
Servicer	Illimity Bank S.p.A.
Back-up Servicer, Calculation Agent and Corporate Services Provider	Banca Finint S.P.A.
Transaction Account Bank and Paying Agent	Bank of New York Mellon SA, Milan Branch
Stichting Corporate Services	Wilmington Trust SP Services L.T.D (London)
Criteria Applied	ARC Ratings` Global Structured Finance Criteria ARC Ratings Global Collateralised Loan Obligation ('CLO') Criteria

The ratings were assigned by ARC Ratings, S.A. and endorsed by ARC Ratings (UK) Limited in accordance with Statutory Instrument 2019 nº 266 - The Credit Rating Agencies (Amendment etc.) (EU Exit).

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TRANSACTION OVERVIEW

This transaction is a cash securitisation of corporate Loans granted to micro, small and medium size enterprises originated by Illimity Bank S.p.A. in the Republic. of Italy and transferred to Colt SPV S.R.L, in accordance with Italian [securitisation] law. ARC has assigned a rating to the Class A and Class B Notes issued by the aforementioned vehicle. The portfolio includes 82 corporate loans with a current balance of EUR 531,742,445.66. The cut-off date of the portfolio is the 31st of October 2022.

At closing, the proceeds of the issue of the Class A Notes (the Senior Notes), the Class B Notes (the Mezzanine Notes, together with the Class A Notes, the Rated Notes) and the Class J Notes (the Junior Notes) were used to finance the purchase of the portfolio.

The capital structure includes three classes of Notes that amortise sequentially, where the principal payments of Class B are distributed after the principal payments of Class A. The rating of the Class A and Class B Notes address the timely payment of interest and ultimate repayment of principal by their legal maturity.

Illimity Bank S.p.A. performs the role of the originator, seller and special servicer while Banca Finint S.p.A. (Banca Finanziaria Internazionale S.p.A) acts as the back-up servicer to the transaction. The Notes initial reserve fund was financed through issuance of Junior Notes. The cash reserve represents 3.0% of the Rated Notes initial balance, it will amortise together with the Senior Notes and its target amount will be the lower of (i) 3% of the outstanding Senior Notes balance and (ii) 1% of the original issuance balance of the Senior Notes. The maturity of the Notes falls in February 2040.

RATING RATIONALE

- Credit quality of the portfolio: The majority of the assets in the portfolio are rated by Cerved Rating Agency (Cerved). ARC based its assumptions regarding the asset's credit quality on a mapping primarily derived from Cerved ratings and Cerved ratings related data. We mapped the Cerved rating scale into ARC ratings, analysing and taking into account three different mappings, which comprise: 1) Cerved Rating Agency's EBA mapping, 2) Historical 1-year default information for each Cerved credit quality step and 3) Cerved target DPs for each credit quality step. ARC has used a Monte Carlo simulation-based asset model to derive its portfolio default probability distribution. The recovery assumptions are driven by the presence of government guarantees (see below) and an unsecured recovery rate assumption in rating scenarios at levels higher than Italy's sovereign rating.
- The structure can withstand different, stressed cashflows based on the rating targets of the liabilities. Credit enhancement mechanisms played a key role in the robustness of the structure, in particular the cash reserve and the subordination mechanisms.

- The different guarantees provided by Sace (Servizi Assicurativi Commercio Estero - fully owned by the Italian government) and MedioCredito Centrale S.p.A. (a fund fully financed by Italian government) on each of the loans in the portfolio.
- Counterparty analysis. ARC performed a detailed counterparty analysis based on its Global Structured Finance Criteria (Oct 2022) that takes into account the different counterparty credit risks and the structural mitigants available. For this particular case, ARC paid special attention to Illimity Bank given the importance of its role in the transaction.
- The Originator's (Ilimity Bank) capabilities with respect to origination, underwriting, and servicing.
- Expected performance of the Italian economy. Italy is currently facing a challenging economic situation given its relatively high exposure to the current geopolitical tensions, commodities markets volatility and general economic slowdown.
- ARC has verified that the SPV and its assets are in full compliance with the Italian securitisation framework and its Global Structured Finance Criteria (Oct 2022).

TRANSACTION STRENGTHS

Cash Reserve: At closing, the cash reserve represents 3.0 % of the Class A Note balance, this reserve will amortise pro-rata with the Class A Notes. The cash reserve will protect the items 1 to 5 of the transaction priority of payments (senior fees, other expenses, and Senior Notes interest). During the life of the transaction the cash reserve target amount will be the lower of (i) 3% of the outstanding Senior Notes balance and (ii) 1% of the original issuance balance of the Senior Notes.

Natural Interest Rate Hedge: The transaction liabilities have 3M Euribor as their reference rate. On the asset side, 92.9% of the portfolio is also linked to the aforementioned index with 7.1% using 6M Euribor as their reference. The weighted average yield of the assets is 3.29% at closing. ARC considered the excess spread as credit positive, and it was taken into account during the modelling.

Back up servicing: Banca Finint S.p.A has been appointed as back up servicer and will step in as servicer should the appointment of Illimity Bank S.p.A. be terminated. Banca Finint S.p.A. is a well-established institution in Italy offering financial services to Italian businesses for the last 40 years. As servicer, the bank is fully regulated by the Bank of Italy and represents the first independent Italian back up service provider, fully dedicated to managing transactions arranged pursuant to Law no. 130/1999.

Interest subordination: Interest on the Class B Notes will be subordinated to the principal of Class A Notes (ranking in a more junior position in the waterfall) if the cumulative default rate reaches or exceeds 5%.

Static Transaction: The transaction does not have a revolving period, which will result in payments from the underlying borrowers being used to pay down the rated Notes.

Geographic distribution: In percentage terms of current balance, 83.1% of the borrowers are located in the Northern regions of Italy, with a the maximum concentration being in Lombardia, with 41% of the businesses being located there. The North of Italy, especially the Lombardia region, is considered to be economically more active than the rest of the country. It also tends to have a lower default rate compared to the other areas of the peninsula.

Set-Off Risk Reserve: To mitigate set-off risk, the transaction has a set-off risk reserve that covers 4.5% of the portfolio balance. The initial set off reserve amount is EUR 23,900,000 and it will amortize following withdrawals by relevant debtors with the floor being EUR 6,900,000.

Government Guarantees at an asset level: All of the assets in the portfolio are covered by a guarantee, either provided either by Sace S.p.A. or Mediocredito Centrale S.p.A. The weighted average recovery rate covered by the guarantee(s) of the portfolio is 86.9% weighted by the current balance of each loan. ARC verified that the timing of the guarantees is in line with its criteria to consider this as a valid source of potential income in the case of any of the portfolio assets defaulting.

TRANSACTION WEAKNESSES

Granularity: The portfolio has a relatively low granularity with 82 assets. Also, there is a high concentration in the automotive and metallurgy industries, with 17% and 9.6% of the total value respectively. This last sector is particularly sensitive to macroeconomic events, commodities markets trends and legislative changes.

Obligor Concentration: The portfolio exhibits high obligor concentrations. The largest obligor represents 5.3% of the pool value and top 10 and top 20 obligor groups represent 41.1% and 65.8% of the pool, respectively.

THE ORIGINATOR & SERVICER

Illimity Bank S.p.A.: Italy-based bank, with a share capital of EUR 56M (of which EUR 54,6M is paid up) with fiscal registration in Milan-Monza, operates all over the country also under the brand Banca Interprovinciale. The Bank provides products and services through three segments: Small and Medium Enterprises (SME), Corporate Non-Performing Loans (NPLs), individuals and families. Founded in 2018 by Corrado Passera and with the merging of the financial company SPAX, Illimity Bank S.p.A. has experienced a rapid growth as in 2019 was already listed on the Milan Stock exchange. The credit institution has the principal aim to have a very high degree of technology to improve efficiency and services. In 2020 started a joint venture with Fabrick to digitalize all the services and create platforms for a faster client service.

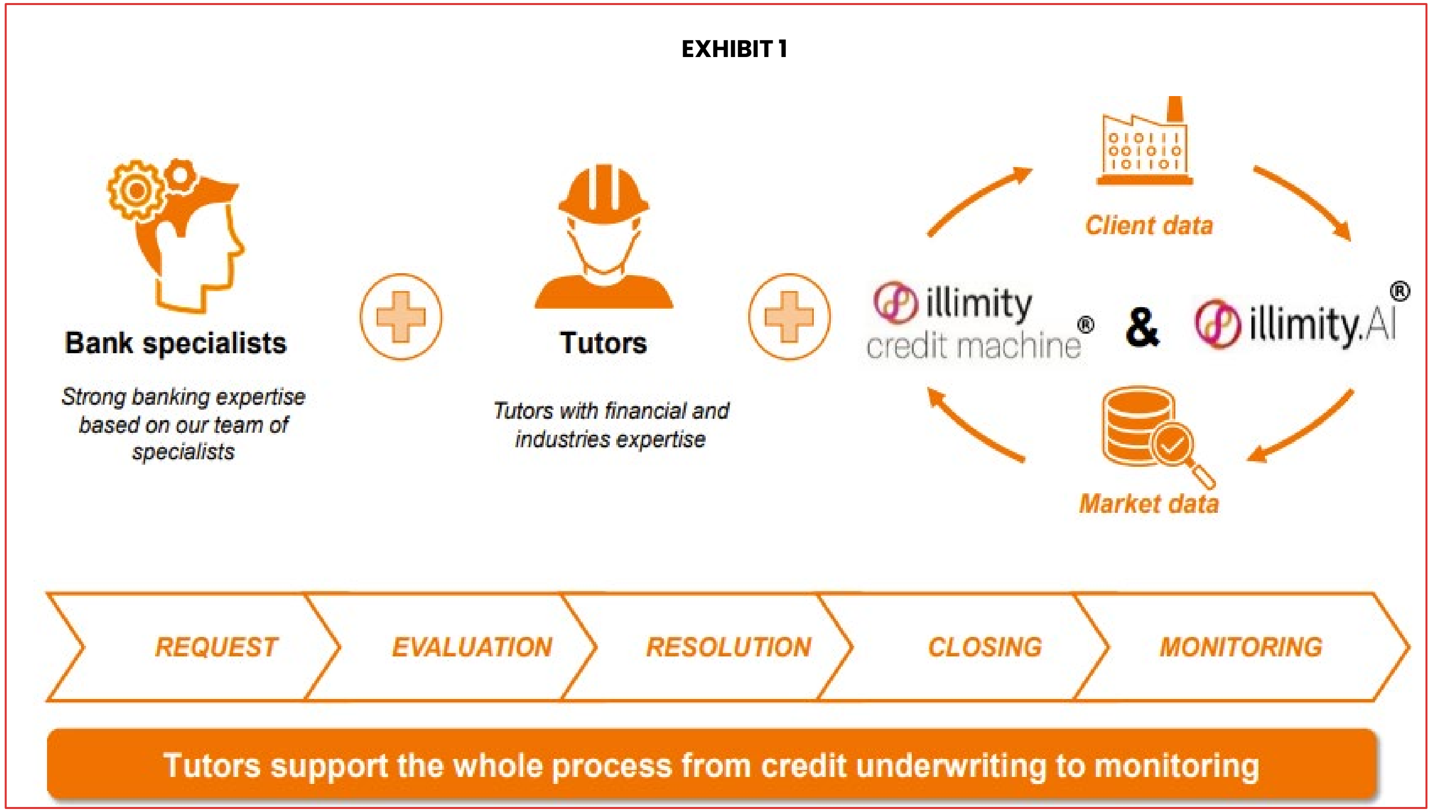
Illimity Bank S.p.A has a shown a stable growth and has implemented a strategy of consolidation reaching a TIER 1 of 18.0% and a Total capital ratio of 23.1%, despite relatively high costs due to investments. The bank enjoys a solid position, mainly in the north of the country where has its main clients base. Considering the liabilities position it is possible to notice that only 30% is funded by market products hence the bank has a considerable resilience to the capital market risks.

Illimity Bank S.p.A adopted an automatised and ad hoc model for SMEs and larger corporates, which includes in the analysis internal data collected through the branch network and external data provided by Bank of Italy, Crif, and Centrale dei Rischi. The models analyse wide range of factors of the application while checks them against the bank's policies.

Credit analysis and classifications of clients are implemented on regular basis by the bank through the internal credit rating system (CRS). The system through statistical models and historical data series, aims to assign to every client and score based on insolvency probability and to prevent any deterioration of the assets quality.

Illimity Bank S.p.A. has a detailed Risk Management Process (RMP) which acts as a model of reference in organisational and process development and in the systematic performance of all operating and business activities. Consistent with the assigned mission, the strategies and the pursued objectives, the latter lead to the assumption and constant management of risk, in this way contributing to a sustainable value-creation process and, at the same time, ensuring regulatory compliance and requiring, among other things, a coordinated use of human resources, technologies and methodologies.

To ensure that the Risk Management Process works in an efficient and effective manner with respect to all current and future significant risks, in compliance with supervisory regulations the Group has introduced a Risk Appetite Framework (hereinafter also "RAF"), an Internal Capital Adequacy Assessment Process (ICAAP), an Internal Liquidity Adequacy Assessment Process (ILAAP), a process for establishing and updating the Recovery Plan and a process for the *ex-ante* assessment of Significant Transactions (STs), with an opinion in advance on their credit and income sustainability and their consistency with the RAF.



Furthermore, the bank follows standard collections and arrears management strategies including compliance with regulatory guidelines surrounding delinquency. For every arrear case, customer contact is initiated immediately after notification to the bank through calls and letters, after a payment becomes due. If these attempts to solve the payment anomalies fail, the account is moved to the centralized UtP & PD management office. This unit is specialized in implementing efficient collection strategies and relies on third-party servicers, if required, in order to protect the bank's assets quality

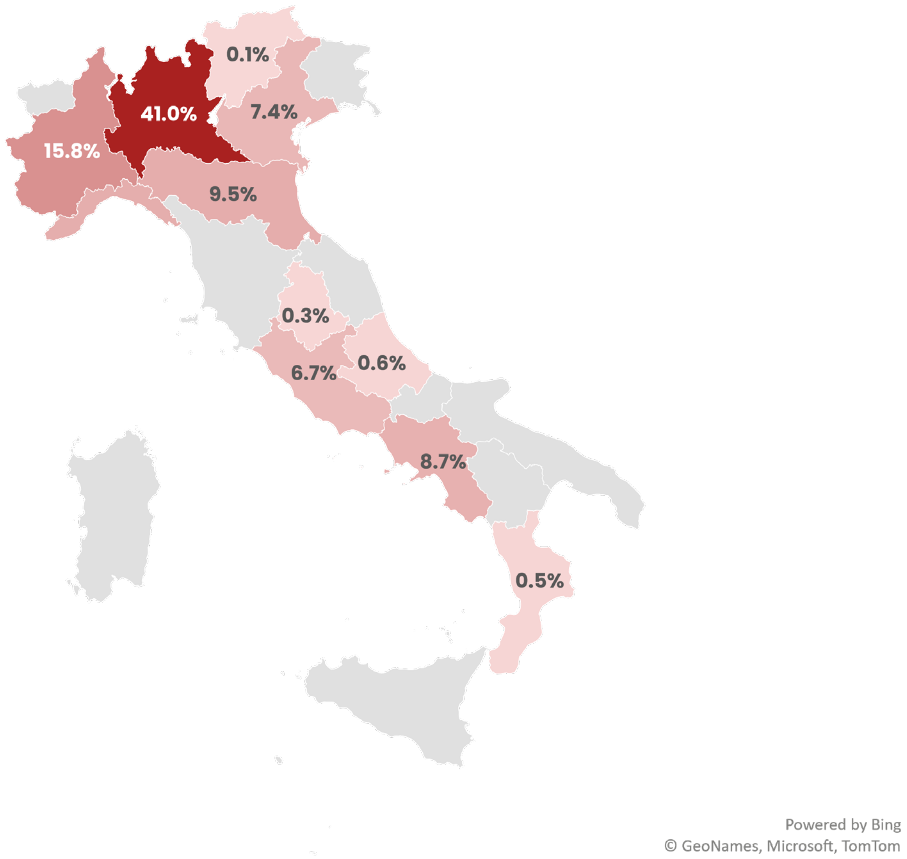
Legal proceedings are generally commenced after a loan is classified as defaulting and all previous attempts at an out of-court resolution have been exhausted.

ASSET ANALYSIS

All of the assets in the portfolio are originated by Illimity Bank S.p.A. related to properties located in Italy.

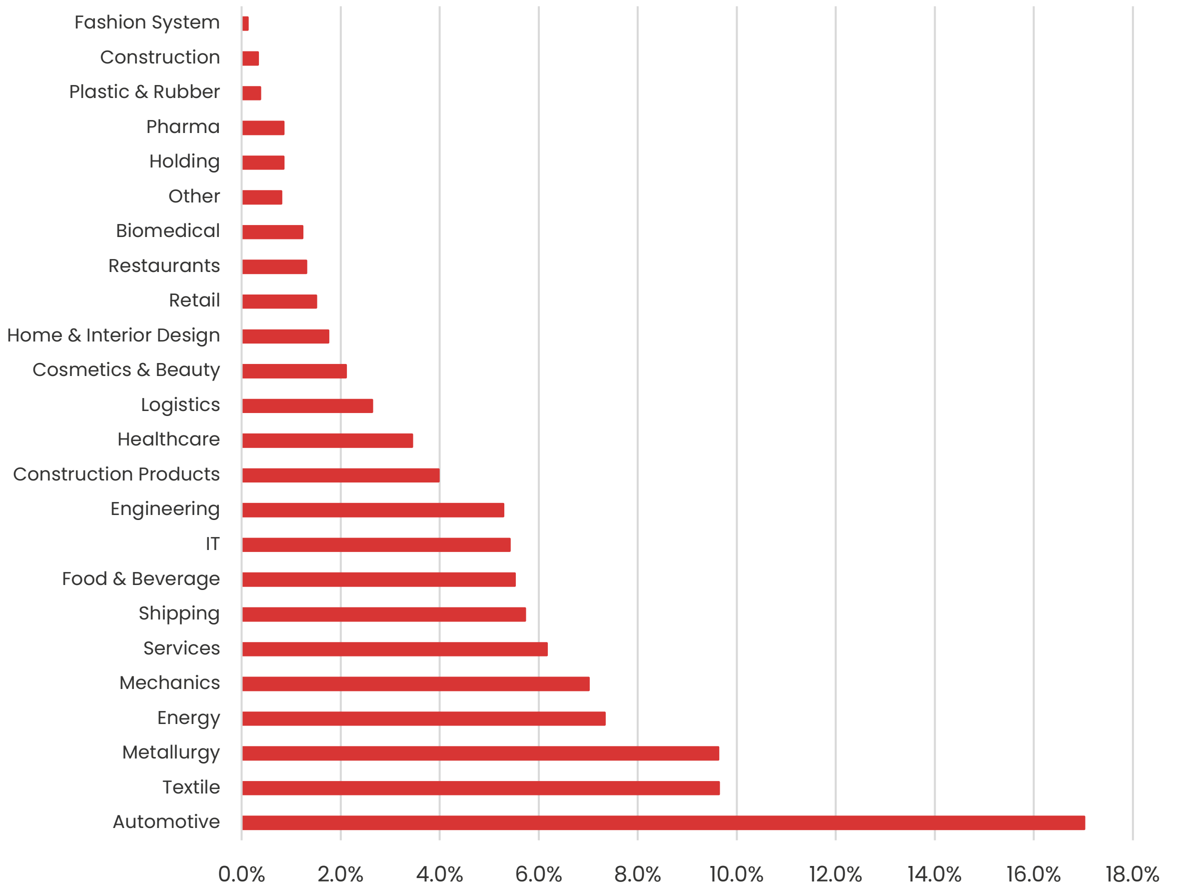
The majority of the assets in the portfolio (83.1%) are located in the northern regions of Italy while the rest of the portfolio is located between Lazio and Umbria in the centre of Italy (7.0%), and the southern region of Campania, Calabria and Abruzzo (9.9%).

EXHIBIT 2 – Geographic Distribution



In Exhibit 3 we show the distribution between the different borrower's economic sectors. The highest concentration levels are found in the Automotive, Textile and Metallurgy sectors, which make up 36.1% of the portfolio value.

EXHIBIT 3 - Portfolio by Sector



In Exhibit 4 it may be observed that 47.2%, 34.2% and 18% of the pool was originated in 2021, 2022 and 2020 respectively, while only 0.5% of the loans were issued in 2019. The resulting weighted average seasoning of 1.1 years is low when compared to other Italian SME transactions. Regarding the maturity of the loans, in Exhibit 5 is shown that the highest concentration falls in 2026 and 2027 with 27.1% and 49.8% respectively, which takes the weighted average maturity date to 4.7 years.

Exhibit 5 shows that 92.9% of the payments are semi-annual, while quarterly payments represent 7.1% of the current total portfolio respectively. Furthermore, this portfolio is currently fully composed of floating rate paying assets. Exhibit 6 shows that all of the semi-annual payments are based on EURIBOR 6m rate while the quarterly payments refer to EURIBOR 3m rate.

EXHIBIT 4 - Portfolio by Origination Year

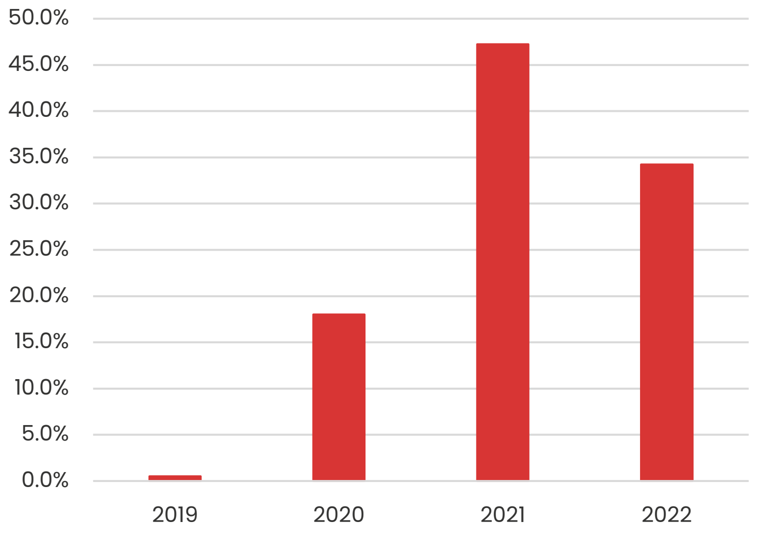


EXHIBIT 5 - Portfolio by Maturity Year

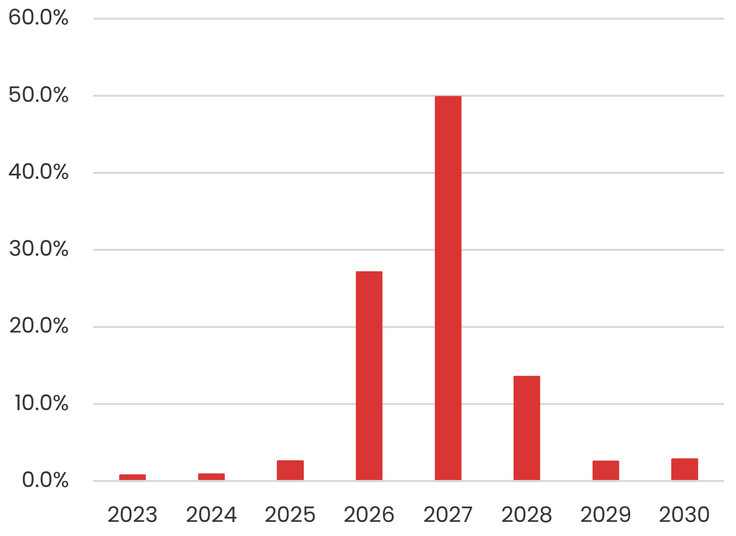


EXHIBIT 6 - Payment Type

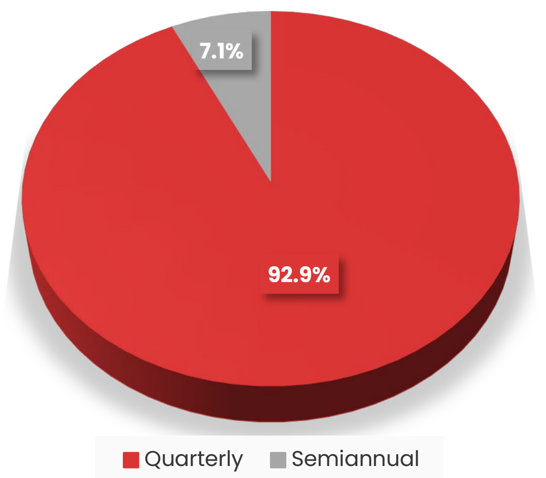


EXHIBIT 7 - Reference Rate

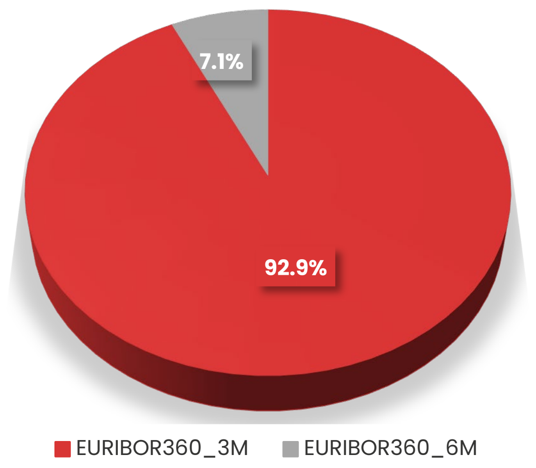


Exhibit 8 below shows the distribution of the portfolio's assets by spread over the reference index, with over 50%, between 3.0% and 3.5%, followed by 20% of the assets value associated to 3.5% to 4.0% range.

Exhibits 9 and 10 below, show the level of guarantees provided on the assets. More than 77% of the portfolio benefits from a 90% guarantee, while 14.6% has a guarantee of 80% and the reaming 7.7% has a guarantee ranging between 75% to 50%. The guarantees are provided by two funds –. SACE insures the payments of 76.2% of the portfolio while MCC the remaining 23.8%. The weighted average proportion of the portfolio guaranteed is 86.9% when weighted by the loans current balance.

EXHIBIT 8 – Portfolio by Spread

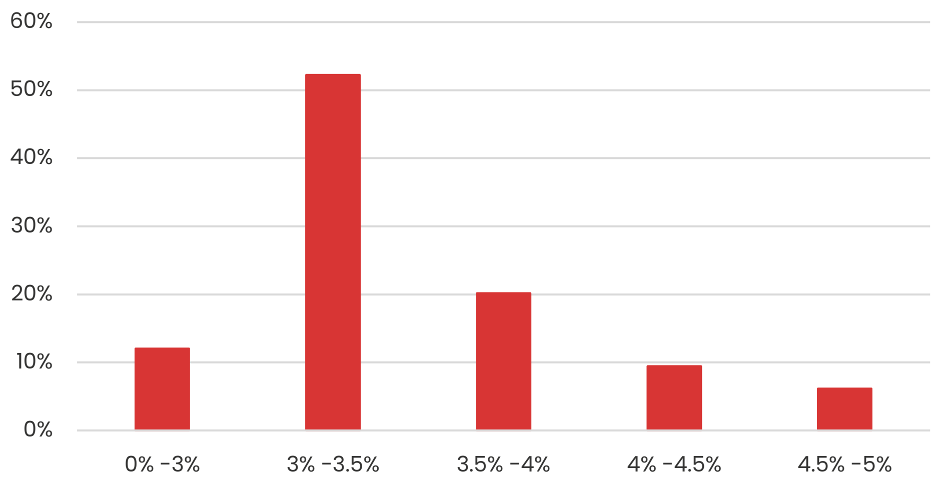


EXHIBIT 9 – Type of Guarantors

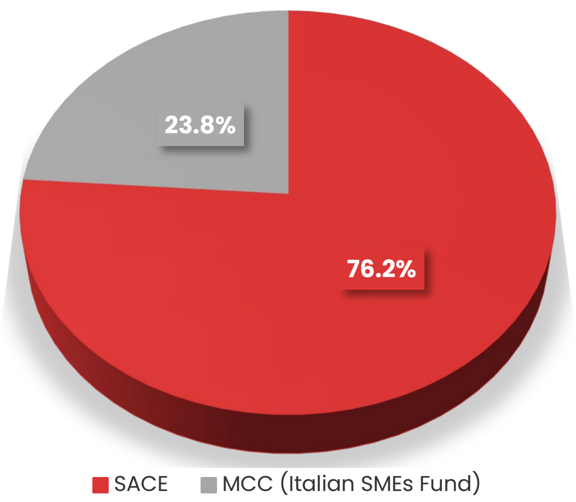
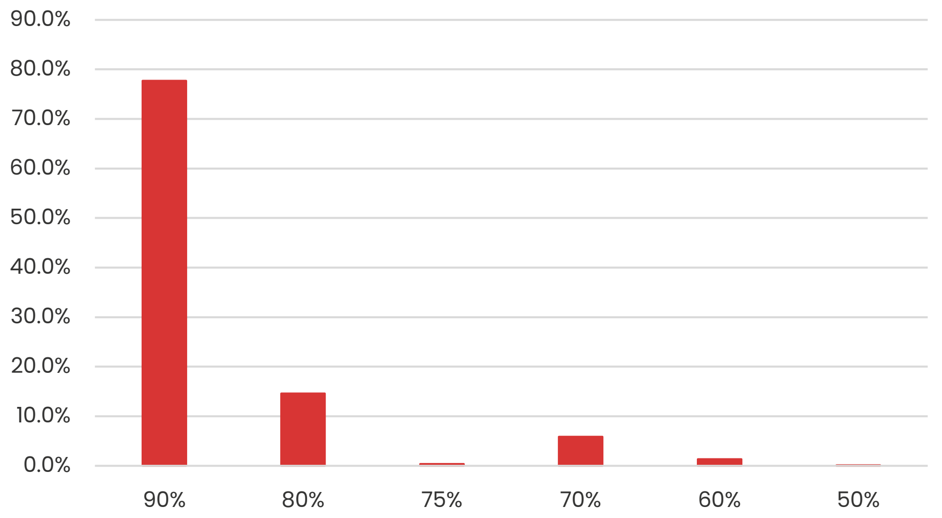


EXHIBIT 10 – Portfolio by % of Guarantee



Renegotiations and Repurchase

The terms of the servicing agreement include the option to renegotiate certain characteristics of the loans:

- Reduction of the interest rate or of the spread of the loan, if the compounded spread of the considered loans is higher than 3% annual.
- The principal payable date, regarding only monthly payment loans.
- Reduction of guarantees, after authorisation of the Notes' holders.
- The final maturity may be adjusted subject to the flowing:
  - The renegotiation agreement shall not include payments after the 30th of June 2030.
  - The renegotiation agreement shall not include a repayment plan with a duration of more than 8 years.
  - The outstanding principal amount of all the Loans object of such renegotiation shall not exceed 20% of the outstanding principal amount of the claims as at the effective date.
  - In case of a granted suspension, it should not exceed 24 months limit.
- Repurchase of loans, considering the following limitations:
  - The aggregate of the Receivables repurchased during four consecutive Collection Periods does not exceed 10% of the aggregate of the Outstanding Principal of the Portfolio as aft the Cut-Off Date.
  - The aggregate of the Receivables repurchased during the Securitisation does not exceed 20% of the aggregate of the Outstanding Principal of the Portfolio as at the Cut-Off Date.

ITALIAN ECONOMY PERFORMANCE

ARC expects the Italian economy to show subdued performance during in 2023. The economy is expected to slow down under the combined pressure of international geopolitical tensions, imported inflation mainly related to energy and raw material prices' volatility. Consumer price inflation is expected to reach 8.7% by end of 2022, maintaining elevated levels in 2023, returning to lower levels around 2.2% in 2024.

Regarding the specific case of the sanctions against Russia, Italy is one of the most affected European economies by the conflict. A high percentage of the country's energy imports come from Russia. Italian companies trade volumes of about EUR 24bn with Russian based companies (before the sanctions), which is approximately 1.5% of the Italian GDP. This percentage is likely to be higher if side effects in other sectors like manufacturing, export and employment will be taken in consideration.

Despite the economic expansion, it has to be taken into consideration that the unemployment rate is likely to remain around 9% (higher than the EU average) and public intervention will be limited by the public debt servicing / reduction expenses which account for 3% of the GDP (exp.to increase) against the public debt that reached 155% of the GDP.

ARC has taken into account the situation of the Italian economy (current and forecasted) and applied the relevant stresses on its assumptions during the quantitative part of the transaction analysis.

ELIGIBILITY CRTIERIA

The most relevant eligibility criteria points for the transaction's portfolio can be found below. The loans in the portfolio were:

(a) granted by illimity Bank S.p.A. and which are owned by illimity Bank S.p.A.

(b) loans granted to legal entities incorporated under Italian law and having their registered office in Italy.

(c) loans governed by Italian law.

(d) not classified as "*non-performing loans*" or "*unlikely to pay*" in accordance with the provisions of Bank of Italy Regulation No. 272 of 30 July 2008 (*Matrice dei Conti*), as amended and supplemented.

(e) performing loans and in relation to which there are no instalments which are past due and unpaid for more than 30 calendar days from the relevant due date.

(f) loans denominated in Euro which do not provide for the conversion into another currency, and which provide that all payments by the debtor shall be made in Euro.

(g) loans that are fully disbursed as of 31 October 2022 (included).

(h) floating rate loans exclusively indexed to: (a) the 3-month Euribor or (b) the 6-month Euribor.

(i) loans with a spread rate higher than or equal to 1% *per annum*.

(j) loans whose principal amount outstanding is equal to or higher than EUR 410,000 and equal to or lower than EUR 25,000,000.

(k) loans providing for the payment by the relevant debtors of quarterly or semi-annual instalments.

(l) loans whose amortization period ends after 28 February 2023 (included).

(m) loans that are not subject to any payment suspension.

(n) loans in respect of which at least one instalment (including interest-only or pre-amortization) has been paid as of 31 October 2022.

BANKRUPTCY REMOTENESS

ARC received a true sale opinion and respective tax opinion on the correct transfer of the assets under the Italian Securitisation Law. Under law 130 (securitization law) and under the special vehicle clauses bankruptcy remoteness was achieved.

On the 6th of December the Originator transferred the portfolio to Colt SPV S.R.L which funds the acquisition of the portfolio with the proceeds of the issued Notes.

SET OFF RISK

Under general principles of Italian law, a borrower is entitled to exercise rights of set-off in respect of amounts due under such loan against any amounts payable by the relevant originator to such borrower if and to the extent that such counterclaims have arisen before the publication of the notice of the assignment of the receivables in the Official Gazette pursuant to article 58, second paragraph, of the Consolidated Banking Act and the registration of such sale with the competent companies' register have been made.

Consequently, after (i) publication in the Official Gazette of the notice of transfer of the Portfolio to the Issuer pursuant to the Receivables Purchase Agreement and (ii) registration of the assignment in the register of companies where the Issuer is enrolled, the Debtors shall not be entitled to exercise any set-off right against their claims against the Originator which arises after the date of such publication and registration.

On 24 December 2013, Decree No. 145 came into force providing expressly that, from the date of publication of the notice of transfer of the receivables in the Official Gazette, the debtors will not be entitled to set-off any claim arisen after such date with the amounts due to the special purpose vehicle in relation to the receivables. Decree No. 145 has been converted into Italian Law No. 9 of 21 February 2014.

The transfer of the receivables from the originator to the Issuer has been (i) published in the Official Gazette as of 10 December 2022 and (ii) registered on the Companies Treviso-Belluno on 7 December 2022. Under the terms of the Warranty and Indemnity Agreement, the Originator has agreed to indemnify the Issuer in respect of any reduction in amounts received by the Issuer in respect of the Portfolio as a result of the exercise by any Debtor of a right of set-off.

In order to mitigate such risk of set-off, under the Warranty and Indemnity Agreement, the Originator has given certain representations and warranties and undertaken certain indemnity obligations aimed at addressing and protecting the Issuer from such set-off risk.; moreover, starting from the Issue Date, *the* risk of any shortfall due to the exercise of set-off rights by the Debtors against the Originator and the latter's inability to comply with the aforementioned indemnity obligations provided for by the Warranty and Indemnity 28 Agreement is further mitigated, with respect to the Rated Notes by the Set-Off Reserve established in the Set-Off Reserve Account.

COMMINGLING RISK

The Issuer is subject to the risk that, in the event of insolvency of the Account Bank or the Servicer, the collections held at the time the insolvency occurs would be lost or temporary unavailable to the Issuer. Indeed, although article 3, paragraphs 2-bis and 2-ter, of the Securitisation Law provides that the sums credited to the accounts opened in the name of the issuer or the servicer with an account bank (whether before or during the relevant insolvency proceeding of such account bank) will not be subject to suspension of payments or will not be deemed to form part of the estate of the servicer or the account bank, as the case may be, and shall be immediately and fully repaid to the issuer, without the need to file any petition (*domanda di ammissione al passivo o di rivendica*) and wait for the distributions (*riparti*) and the restitutions of sums (*restituzioni di somme*), such provisions of the Securitisation Law have not been the subject of any official interpretation and to date they have been commented by a limited number of legal commentators. Consequently, there remains a degree of uncertainty with respect to the interpretation and application thereof. In addition, pursuant to article 95-bis of the Consolidated Banking Act, the liquidation and reorganisation proceedings of an account bank would be governed by the laws of the member state in which the relevant account bank has been licensed; therefore, in the event that an account bank is a foreign entity, there is a risk that the insolvency receiver of the same may disregard the provisions of article 3, paragraph 2-bis and 2-ter, of the Securitisation Law. in order to mitigate any such risk of commingling: (i) pursuant to the Servicing Agreement, the Servicer has undertaken to pay all Collections into the Collection Account by no later than the second Business Day following the relevant collection or reconciliation and (ii) pursuant to the Cash Allocation, Management and Payments Agreement, it is required the Account Bank shall at all times be an Eligible Institution. In addition, pursuant to the Servicing Agreement, within 15 (fifteen) calendar days following receipt of a termination notice or following the date on which the relevant resignation is effective, as the case may be, the Servicer shall, inter alia, instruct in writing the debtors and the guarantors to make future payments relating to the receivables directly into the Collection Account.

TRANSACTION STRUCTURAL FEATURES

On the 6th of December 2022 the Originator transferred the portfolio to Colt SPV S.R.L which funds the acquisition of the portfolio with the proceeds of the issued Notes.

Waterfall of payments: The transaction has a combined waterfall of payments that allows principal payments and the other sources of income (recoveries from defaulted assets, prepayments, etc.) to cover potential shortages of liquidity in case the cash reserve is not sufficient.

The waterfall of payments is as below:

Pre-Enforcement Priority of Payments:

1. Senior fees, expenses and Costs
2. Class A Interest Payments
3. Replenishment of the Cash Reserve up to the target amount
4. Class B Interest (if no Subordination Event has been triggered)
5. Class A Principal Payments
6. Class B Interest (if there is a Subordination Event in place)
7. Class B Principal Payments
8. Class J Interest Payments
9. Class J Principal Payments and potential extra return

The structure does not have a principal deficiency ledger and all funds will be used to repay the Notes after the cash reserve is replenished. There is no excess spread leakage.

The credit enhancement for the senior Notes comes through the subordination of the more junior Notes. The cash reserve represents 3.0% of the balance of Class A Notes and will amortise down to 1.0% of the Class A original balance. It can be used to pay senior fees and class A interest providing extra liquidity to the Notes. The cash reserve provides protection for 2 periods at the closing of the transaction.

Interest Subordination Event

If the cumulative default ratio is equal or above to 5% of original balance the "Interest subordination event" interest payments of Class B will be moved to a more junior position of the waterfall benefiting the Class A Notes. ARC took into consideration this in its modelling assumptions.

COUNTERPARTY ANALYSIS

Back-up Servicer, calculation agent and corporate services provider

Banca Finint S.p.A. was appointed as back-up servicer of the transaction. The company was founded in 2014 and has more than EUR 207bn AUM that they currently service.

As the calculation agent of the transaction, Banca Finint S.p.A will be in charge of calculating the relevant cashflows and informing the different counterparties and investors through the payment and investor reports. Provisions have been made for cases when the servicing report is not available to protect class A interest payments.

Originator, Seller, Servicer, Master Servicer, Collection Account Bank

As described previously on this report Illimity Bank S.p.A is the originator, seller and servicer of this transaction (See Originator / Servicer section in this report). Furthermore, as Collection Account bank Illimity Bank S.p.A will collect the interest and principal payments from the borrowers and will transfer the collections every two business days to the Account Bank, this acts as a mitigant to the credit risk of Illimity Bank S.p.A.

Transaction Account Bank and Paying Agent

Bank of New York Mellon SA, Milan Branch is the account bank and paying agent for the transaction. ARC does not apply any rating cap to the transaction based on the credit risk of this counterparty.

Stichting Corporate Services Provider

Wilmington Trust SP Services L.T.D (London) The firm was founded on July 8, 1903, as a banking, trust, and safe deposit company by DuPont president T. Coleman du Pont. In 2010, it became a subsidiary of M&T Bank. Today is leading provider of wealth and institutional services in US, UK and Europe.

ANALYTICAL ASSUMPTIONS

Asset Credit Quality

ARC was not provided with any historical performance data as the bank has a short origination history. However, the originator provided the borrower's private ratings assigned by an Cerved Rating Agency -registered credit rating agency specialised in Italian non-financial companies. ARC analysed the portfolio credit quality by mapping of such ratings to ARC own rating scale. To maintain and monitor the ratings on the Rated Notes, ARC expects to be provided with updated ratings at least on a yearly basis.

Cerved Rating Agency is fully owned by Cerved S.p.A., it has been operating in Italy since 2015 mainly focusing on the analysis and rating corporates, of different dimensions, FIs, and also consultancy over investment strategies. The agency is certified by ESMA (CE 1060) and ECAI (CE 575/2013).

The agency has rated issuers and published ratings since 2015, however it has been growing inside the group producing internal ratings and evaluations for Cerved S.p.A. Employing more than 140 employees and following the European standards it has been consolidating its position in Italy in the corporates and FIs rating sector. Furthermore, Cerved has been investing in the developing the ESG analysis team and the technologies in order to grow fast in this sector. Currently the agency rates more than 1000 corporates under ESG methodology.

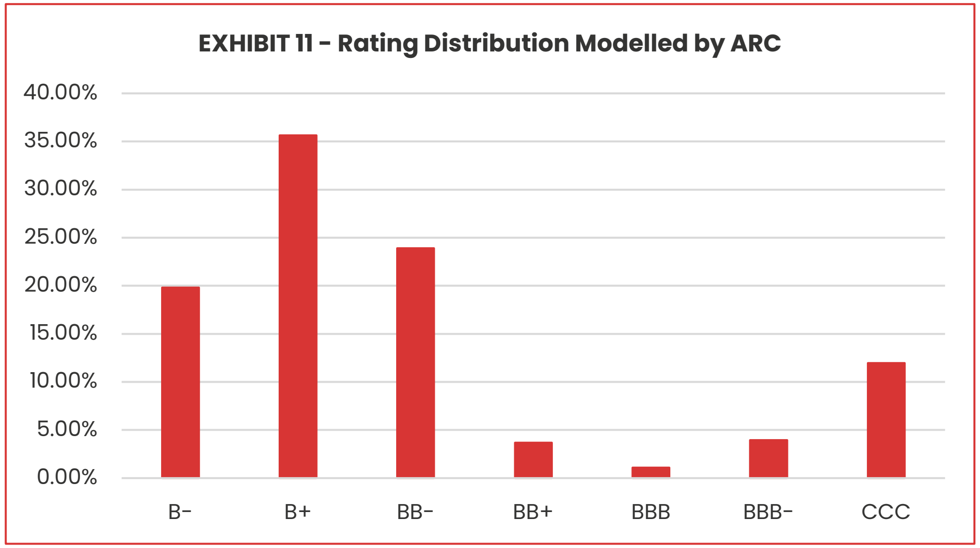
Different mappings were considered in the analysis:

- The European Banking Authority's Mapping (directly from Cerved Ratings to ARC Ratings).
- Historical performance of Cerved ratings mapped to the ARC ratings.
- Cerved 1 year target mid-point default probability mapped to ARC's ratings.

BBB	1.1%
BBB-	3.9%
BB+	3.7%
BB-	23.9%
B+	35.6%
B-	19.8%
CCC	12.0%

There were corporates for which ARC did not receive any rating information:

- A recently incorporated company – rating of CCC was assumed.
- A company whose parent company is currently under bankruptcy proceedings – rating of C was assumed.



Asset Modelling

ARC used its Portfolio Risk Calculator (PRC) to determine the portfolio default distribution and default rate at the target rating levels. PRC uses loan-by-loan information of the assets and incorporates the individual amortisation plans as well as individual borrower industries and mapped ratings. PRC is a Monte Carlo simulation to determine cumulative default rates at each rating stress level. Borrower concentration is taken into account by the PRC.

ARC computed breakeven default rates on the Class A and Class B Notes using the a cash flow tool.

Guarantees and Italy default scenario

For assets that benefit from the FCG or SACE guarantee, ARC gives benefit credit to the guarantees for rating scenarios below BBB(sf). Loans will not benefit from the guarantees post sovereign default.

ARC determined that with a confidence level equivalent to an A- rating that Italy will not default for 2.5 years. Hence we modelled a recovery rate giving benefit to the guarantees for such period and thereafter we assumed a recovery rate of 20%.

SENSITIVITY ANALYSIS

Sensitivity Analysis	Class A	Class B
Stressed Scenario Description	Rating Level	Rating Level
20% Extra Stress on the assets' PD	A(sf)	B+(sf)
25% Extra Stress on the assets' PD	A-(sf)	B+(sf)

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