

CRR ASSESSMENT

ARTS Consumer 2023 S.r.l.



PRIME COLLATERALISED SECURITIES (PCS) EU SAS

11 October 2023

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It is important that the reader of this checklist reviews and understands the disclaimer referred to on the following page.

11 October 2023

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PRIME COLLATERALISED SECURITIES (PCS) –CRR Assessment

Individual(s) undertaking the assessment	Daniele Vella
Date of Verification	11 October 2023
The transaction to be verified (the “Transaction”)	ARTS Consumer 2023 S.r.l.
Issuer	ARTS Consumer 2023 S.r.l.
Originator	UniCredit S.p.A.
Sole Arranger, Lead Manager and Bookrunner	UniCredit Bank AG
Transaction Legal Counsel	Studio Legale Cappelli RCCD / Morgan, Lewis & Bockius
Rating Agencies	DBRS and Moody’s
Stock Exchange	Luxembourg Stock Exchange
Closing Date	11 October 2023

PCS confirms that all checklist points have been verified as detailed in the associated comment box in the checklist below.

Within the checklist, the relevant legislative text is set out in light blue introductory boxes with specific criteria for our verification listed underneath.

Legislative Text

Article 243 (NOTE 1)

2. Positions in a securitisation, other than an ABCP programme or ABCP transaction, that qualify as positions in an STS securitisation, shall be eligible for the treatment set out in Articles 260, 262 and 264 where the following requirements are met:

NOTE 1: Regulation (EU) 2017/2401 of the European Parliament and of the Council of 12 December 2017 amending Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms.

1a CRR Criteria

(a) at the time of inclusion in the securitisation, the aggregate exposure value of all exposures to a single obligor in the pool does not exceed 2 % of the exposure values of the aggregate outstanding exposure values of the pool of underlying exposures. For the purposes of this calculation, loans or leases to a group of connected clients shall be considered as exposures to a single obligor.

Meets Criteria?
YES

PCS Comments

As for the Initial Portfolio, see the following details in the stratification table headed “Debtors” contained in Section “THE MASTER PORTFOLIO”:

- Top 1 debtor (% of Outstanding Principal of the Master Portfolio) – Euro 120,739.52 – 0.01%;
- Top 10 debtors (% of Outstanding Principal of the Master Portfolio) – Euro 872,126.57 – 0.10%; and
- Top 20 debtors (% of Outstanding Principal of the Master Portfolio) – Euro 1,622,027.38 – 0.19%.

As for the Portfolio during the Revolving Period, see the R&W set out in the Warranty and Indemnity Agreement, Schedule 1 – part 2, §(t):

<<Outstanding Balance of the Receivables: as at the Valuation Date the Outstanding Balance of the Receivables owed by the same Debtor does not exceed 2 per cent. of the aggregate Outstanding Balance of all Receivables comprised in the Portfolio, for the purpose of article 243(2)(a) of the CRR;>>.

1b CRR Criteria

In the case of securitised residual leasing values, the first subparagraph of this point shall not apply where those values are not exposed to refinancing or resell risk due to a legally enforceable commitment to repurchase or refinance the exposure at a pre-determined amount by a third party eligible under Article 201(1);

Meets Criteria?
YES

PCS Comments

Not applicable to consumer loans.

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CRR Criteria

- (b) at the time of their inclusion in the securitisation, the underlying exposures meet the conditions for being assigned, under the Standardised Approach and taking into account any eligible credit risk mitigation, a risk weight equal to or smaller than:
 - (i) 40 % on an exposure value-weighted average basis for the portfolio where the exposures are loans secured by residential mortgages or fully guaranteed residential loans, as referred to in point (e) of Article 129(1);
 - (ii) 50 % on an individual exposure basis where the exposure is a loan secured by a commercial mortgage;
 - (iii) 75 % on an individual exposure basis where the exposure is a retail exposure (NOTE 2);
 - (iv) for any other exposures, 100 % on an individual exposure basis;

NOTE 2: See article 123, "Retail exposures" of the Regulation (EU) No 575/2013; for Consumer loans see the amendments to article 123 in (59) Regulation (EU) 2019/876 and Regulation (EU) 2020/873, article 2 (1) (a). In particular, pursuant to the amendments to Article 123, under Regulation (EU) 2019/876:

<<Exposures due to loans granted by a credit institution to pensioners or employees with a permanent contract against the unconditional transfer of part of the borrower's pension or salary to that credit institution shall be assigned a risk weight of 35 %, provided that all the following conditions are met:

- (a) in order to repay the loan, the borrower unconditionally authorises the pension fund or employer to make direct payments to the credit institution by deducting the monthly payments on the loan from the borrower's monthly pension or salary;*
- (b) the risks of death, inability to work, unemployment or reduction of the net monthly pension or salary of the borrower are properly covered through an insurance policy underwritten by the borrower to the benefit of the credit institution;*
- (c) the monthly payments to be made by the borrower on all loans that meet the conditions set out in points (a) and (b) do not in aggregate exceed 20 % of the borrower's net monthly pension or salary;*
- (d) the maximum original maturity of the loan is equal to or less than ten years.>>.*

See also article 501 on "Adjustment of risk-weighted non-defaulted SME exposures for "SME Loans" of the Regulation (EU) No 575/2013, as amended in Regulation (EU) 2019/876 and Regulation 2020/873 in (19) and Article 2.1(b).

Meets Criteria?

YES

PCS Comments

2 (b) (iii) applies.

In respect of the nature of the Borrowers as "retail customers", we note that a specific representation is contained in this respect in the Warranty and Indemnity Agreement, Schedule 1, Part 2, §(y):

<<(y) Retail exposure pursuant to article 123 of the CRR: each Receivable included in the Initial Portfolio complies, and each Receivable included in each Subsequent Portfolio will comply, with the criteria set out in article 123 of the CRR.>>.

In respect of the nature of the Receivables as consumer loans see the following R&W in the Warranty and Indemnity Agreement, Schedule 1, Part 2, §(l):

<<(I) Asset category: as at the relevant Valuation Date as to the Existing Receivables (or Arising Date, as to the Future Receivables) and as at the relevant Transfer Date, the Receivables fall or will fall, as the case may be, within the asset category named "credit facilities to individuals for personal, family or household consumption purposes";>>.

The "Common Criteria" also confirm the nature of consumer /personal loans to individuals (see THE MASTER PORTFOLIO – Common Criteria).

Finally, PCS received due diligence confirming that at the time of inclusion in the securitisation the underlying exposures meet the conditions for being assigned, under the Standardised Approach and taking into account any eligible credit risk mitigation, a risk weight equal to or smaller than 75 % on an individual exposure basis, since the exposures are retail exposures for the purposes of article 243(2)(b)(iii) of CRR.

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CRR Criteria

(c) where points (b)(i) and (b)(ii) apply, the loans secured by lower ranking security rights on a given asset shall only be included in the securitisation where all loans secured by prior ranking security rights on that asset are also included in the securitisation;

Meets Criteria?
YES

PCS Comments

Not applicable.

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CRR Criteria

(d) where point (b)(i) of this paragraph applies, no loan in the pool of underlying exposures shall have a loan-to-value ratio higher than 100 %, at the time of inclusion in the securitisation, measured in accordance with point (d)(i) of Article 129(1) and Article 229(1).

Meets Criteria?
YES

PCS Comments

Not applicable.