

CRR ASSESSMENT

BPL Mortgages S.r.l.



PRIME COLLATERALISED SECURITIES (PCS) EU SAS

7 August 2024

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7 August 2024

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PRIME COLLATERALISED SECURITIES (PCS) – CRR Assessment

Individual(s) undertaking the assessment	Daniele Vella
Date of Verification	7 August 2024
The transaction to be verified (the “Transaction”)	BPL Mortgages S.r.l.
Issuer	BPL Mortgages S.r.l.
Originator	Banco BPM S.p.A.
Arranger	Banco BPM S.p.A.
Transaction Legal Counsel	DLA Piper Studio Legale Tributario Associato
Rating Agencies	DBRS and Moody's
Stock Exchange	Regulated market of Euronext in Milan (Euronext Access Milan Professional)
Closing Date	7 August 2024

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

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, as amended from time to time.

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

See the following statement in Clause 11.7(d)(i) of the Master Amendment Agreement entered into in the context of the 2024 issuance (the "MAA") (and reflected in the Section "THE PORTFOLIO"):

<<d) *The Originator hereby represents and warrants to the Issuer that, for the purposes of article 243 of CRR:*

i) at the New Issue Date, the aggregate exposure value of all exposures to a single obligor in the Portfolio does not exceed 2% of the exposure values of the aggregate outstanding exposure values of the Portfolio; (...)>>.

See the following R&W in Clause 3.2 "Dichiarazioni e garanzie della Banca Cedente" of each of the Warranty and Indemnity Agreements, where it is stated that the residual principal amount by way of principal as at the Valuation Date of any Receivables or of the Receivables against the same Borrower is in no event higher than a specified percentage of the aggregate residual amount by way of principal as at the Valuation Date of all the Receivables, which is in each case lower than the 2% threshold.

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.

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 3);

NOTE 2: For retail exposures, see article 123 on "Retail exposures". It is noted that Article 123 has been amended by Regulation (EU) 2024/1623 of 31 May 2024, and that it contains provisions that are in force as of 9 July 2024 and other provisions that will be in force as of 1 January 2025.

In particular, "Retail Exposures" shall satisfy the following additional requirements:

<<1. Exposures that comply with all of the following criteria shall be considered retail exposures:

(a) the exposure is to one or more natural persons or to an SME;

(b) the total amount owed to the institution, its parent undertakings and its subsidiaries, by the obligor or group of connected clients, including any exposure in default but excluding exposures secured by residential property, up to the property value shall not, to the knowledge of the institution, which shall take reasonable steps to confirm the situation, exceed EUR 1 million;

(c) the exposure represents one of a significant number of exposures with similar characteristics, such that the risks associated with such exposure are substantially reduced;

(d) the institution concerned treats the exposure in its risk management framework and manages the exposure internally as a retail exposure consistently over time and in a manner that is similar to the treatment by the institution of other retail exposures.>> **NB:** this §1(d) shall be in force starting from 1 January 2025.

<<The present value of retail minimum lease payments shall be eligible for the retail exposure class. (...)

(...) 4. Where any of the criteria referred to in paragraph 1 are not met for an exposure to one or more natural persons, the exposure shall be considered a retail exposure and shall be assigned a risk weight of 100 %.>> **NB:** this §(4) shall be in force starting from 1 January 2025.

In addition, specific provisions apply to salary /pension backed exposures and to transactor exposures (as defined in the Regulation (EU) 2024/1623 of 31 May 2024).

NOTE 3: For SME loans 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 and supplemented, including pursuant to Regulation (EU) 2024/1623 of 31 May 2024.

From January 2025, in Article 501(2), points (a) and (b) are replaced by the following:

(a) the exposure to an SME shall be included either in the retail or in the corporates or secured by mortgages on immovable property exposure classes but excluding ADC exposures;

(b) an SME shall have the meaning laid down in Article 5, point (9);'

"land acquisition, development and construction exposures", or "ADC exposures", means exposures to corporates or special purpose entities financing any land acquisition for development and construction purposes, or financing the development and construction of any residential property or commercial immovable property;

"non-ADC exposure" means any exposure secured by one or more residential properties or commercial immovable properties that is not an ADC exposure;'

**Meets Criteria?
YES**

	<p>Article 126a (1) An ADC exposure shall be assigned a risk weight of 150 %. IPRE provisions that are in force as of 9 July 2024 and other provisions that will be in force as of 1 January 2025 need to be taken in consideration.</p>	
	<p><u>PCS Comments</u></p> <p>2 (b) (i) applies.</p> <p>See the following statement in Clause 11.7(d)(ii) of the MAA (reflected in the Section “THE PORTFOLIO”):</p> <p><<d) <i>The Originator hereby represents and warrants to the Issuer that, for the purposes of article 243 of CRR: (...)</i></p> <p><i>ii) at the New Issue Date, the Claims included in the Portfolio meet the conditions for being assigned, under the Standardised Approach (as defined in the CRR) and taking into account any eligible credit risk mitigation, a risk weight equal to or smaller than: 40% on an exposure value-weighted average basis for the Portfolio, such Claims arising only from loans secured by residential mortgages, for the purposes of Article 243(2)(b)(i) of the CRR;>>.</i></p>	
3	<p><u>CRR Criteria</u></p> <p>(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;</p>	<p><u>Meets Criteria?</u></p> <p>YES</p>
	<p><u>PCS Comments</u></p> <p>See the following R&W in each of the four Warranty and Indemnity Agreements (as amended), confirming first ranking (or lower ranking if the mortgage loan ranking in priority has been paid in full or there’s the consent to cancelling the relevant mortgage):</p> <p><<(xv) <i>Tutti i Crediti sono garantiti da Ipoteca di primo grado economico in favore della Banca Cedente, intendendosi per tale: (a) un’ipoteca di primo grado, ovvero (b) un’ipoteca di secondo grado o successivo, in riferimento alla quale (i) il creditore avente grado ipotecario prioritario sia Banco BPM e rispetto alla quale tutte le obbligazioni garantite dall’ipoteca di grado prioritario rispetto ad essa siano state interamente soddisfatte, ovvero (ii) le obbligazioni garantite dall’ipoteca o dalle ipoteche di grado ipotecario prioritario siano state interamente soddisfatte, e il creditore con grado prioritario abbia formalmente acconsentito alla cancellazione della ipoteca o dalle ipoteche di grado prioritario.>>.</i></p> <p>The Prospectus contains also a R&W (in Section “COMPLIANCE WITH STS REQUIREMENTS AND REGULATORY CAPITAL REQUIREMENTS”) on homogeneity compliance, confirming that:</p> <p><<(iii) <i>the Claims arise from Mortgage Loans secured by mortgages on residential real estate assets and therefore fall in the asset type named “residential loans that are either secured by one or more mortgages on residential immovable property” (...)</i> and meet the homogeneity factors set out under article 2(1)(a)(i), 2(1)(b)(ii) and 2(1)(c) of the Commission Delegated Regulation on Homogeneity (given that (i) <u>Mortgage Loans are secured by first ranking security rights on a residential immovable property</u>, (ii) <u>the Real Estate Assets are non-income producing properties</u> and (iii) <u>the Real Estate Assets are located in the Italian territory</u>).>>.</p>	

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**

See the following statement in Clause 11.7(d)(iii) of the MAA and reflected in the Section "THE PORTFOLIO":

<<d) The Originator hereby represents and warrants to the Issuer that, for the purposes of article 243 of CRR: (...)

iii) no Mortgage Loan in the Portfolio shall have a loan-to-value ratio higher than 100%, at the New Issue Date (also in light of the repurchase by the Originator of the Re-Transferred Claims), measured in accordance with point (d)(i) of article 129(1) and article 229(1) of the CRR, it being understood that the calculation of the value of the relevant mortgaged real estate asset is made taking account indexed values.

In this respect, the Originator hereby confirms that a portion of Mortgages Loans, when originally included in the Portfolio had a loan-to-value ratio that was in excess of the required threshold pursuant to article 243 of CRR. However, as at the date hereof and on the New Issue Date, each single Mortgages Loans contained in the Portfolio that had a loan-to-value ratio in excess of 100% was repurchased by the Originator (such loan to value ratio having being calculated in accordance with the principles set out in Article 229 of the CRR and based on indexation) pursuant to the Repurchase Agreement.>>.

It is noted that some of the Claims, when originally included in the Portfolio had a Loan to Value that was in excess of the required threshold. However, as at the New Issue Date, concurrently with the contractual amendments entered into for the purpose of complying with the STS requirements, each single Claim contained in the Portfolio that still had a loan-to-value ratio in excess of 100% was repurchased by the Seller (such loan to value ratio having being calculated in accordance with the principles set out in Article 229 of the CRR and based on indexation).

See also the following statement in the MAA, Clause 10.7(d) of the MAA, where it is confirmed as follows:

<<d) The Originator hereby confirms that the Claims included in the Aggregate Portfolio 2024 satisfy the representations and warranties set forth under each Warranty and Indemnity Agreement (as amended pursuant to this Agreement as at the New Issue Date) and the criteria set forth under paragraph (c) above.>>.

The definition of Aggregate Portfolio 2024 is contained in Clause 4.5(b) of the MAA:

<<b) The Parties hereby acknowledge that, following (i) the repurchases occurred with reference to the Initial Portfolio, the First Subsequent Portfolio and the Second Subsequent Portfolio pursuant to the Repurchase Agreement and (ii) the purchase of the Claims 2024, the Portfolio shall comprise the Claims listed under Schedule 6 (The Portfolio) to this Agreement (the "Aggregate Portfolio 2024").>>.