# CRR Assessment

# Brignole CQ 2024 S.r.l.

PRIME COLLATERALISED SECURITIES (PCS) EU SAS

24 September 2024

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

**24 September 2024**

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# PRIME COLLATERALISED SECURITIES (PCS) – CRR Assessment

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| **Individual(s) undertaking the assessment** | Daniele Vella |
| **Date of Verification** | 24 September 2024 |
| **The transaction to be verified (the "Transaction")** | **Brignole CQ 2024** |

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| **Issuer** | **Brignole CQ 2024 S.r.l.** |
| **Originator/Seller/STS Originator for STS purposes** | Creditis Servizi Finanziari S.p.A. |
| **Joint Lead Managers** | BofA Securities<br>Citigroup Global Markets Europe AG<br>Société Générale |
| **Transaction Legal Counsel** | A&O Shearman |
| **Rating Agencies** | Fitch and Morningstar DBRS |
| **Stock Exchange** | Euronext Access Milan Market of Borsa Italiana |
| **Closing Date** | 24 September 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.

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| **1a** | **CRR Criteria**<br>(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?**<br>**YES** |
| | **PCS Comments**<br>See section headed “DESCRIPTION OF THE TRANSACTION DOCUMENTS - 2. WARRANTY AND INDEMNITY AGREEMENT - 2.5 Compliance with certain EU STS Requirements” sub §(m) where it is represented that:<br>*<<(m) Debtor’s concentration: on the Valuation Date and on the Transfer Date, the Outstanding Balance 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 purposes of article 243(2)(a) of the CRR.>>.* | |
| **1b** | **CRR Criteria**<br>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?**<br>**YES** |
| | **PCS Comments**<br>Not applicable: the underlying assets are consumer loans. | |

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**<u>CRR Criteria</u>**

(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;

**<u>NOTE 2</u>**: 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.>>* **<u>Note</u>**: 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 %.>>* **<u>Note</u>**: 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).

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 <u>unconditional transfer of part of the borrower's pension or salary</u> to that credit institution shall be assigned <u>a risk weight of 35 %, provided that all the following conditions are met</u>:*

*(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.>>*.

It is also noted that Article 123 has been further 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, but which do not impact this typology of assets.

**<u>Meets Criteria?</u>**

**YES**

**PCS Comments**

2 (b) (iii) applies.

In respect of the nature of the Borrowers as "retail customers", we note the statements contained in the Prospectus (see "*2: RISKS RELATING TO THE PORTFOLIO - Italian consumer protection legislation contains certain protections in favour of Debtors*"), confirming that:

<<*The Portfolio comprises only Receivables deriving from Loans qualifying as consumer loans pursuant to article 121 and following of the Consolidated Banking Act, i.e. loans granted to individuals acting outside the scope of their entrepreneurial, commercial, craft or professional activities.*>>.

See also in "THE PORTFOLIO – The Criteria", the eligibility criterion requiring that the Receivables arise from Loans that:

<<*(a) are granted to consumers as defined by article 121 of the Legislative Decree No. 385 of 1 September 1993 (as amended and supplemented from time to time) and are assisted by the payment delegation (delegazione di pagamento) and/or salary/pension assignment (cessione del quinto, pursuant to Decree 180 as amended and supplemented) which have been notified to the relevant employer/pension authority and accepted by it;* >>.

See also the following statement in section headed "DESCRIPTION OF THE TRANSACTION DOCUMENTS - 2. WARRANTY AND INDEMNITY AGREEMENT - 2.5 Compliance with certain EU STS Requirements":

<<*(n) Risk weighting: at the Valuation Date and as at the Transfer Date, the Receivables meet the conditions provided for by article 243, paragraph (2), letter (b), item (iii) of the CRR 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) 75% on an individual exposure basis with respect to Receivables arising from Payment Delegations, and (ii) 35% on an individual exposure basis with respect to Receivables arising from Salary Assignments.*>>.

It is noted that "Salary Assignment" and "Payment Delegation" are defined, respectively, as follows:

<<***Salary Assignment*** *(or also* ***CQS****) means the assignment of up to one-fifth of the salary and/or pension with reference to the relevant Loan Agreement, made by the Debtor in favour of Creditis, pursuant to Decree 180 and implementing regulation.*>>; and

<<***Payment Delegation*** *(or* ***DP****) means the payment delegation issued, pursuant to the relevant Loan Agreement, by a Debtor in favour of Creditis according to which the Debtor (delegator) has delegated its Employer (delegate) to retain a fixed amount of the Debtor's salary and to transfer it to Creditis (delegatee) in order to repay the Loan pursuant articles 1269 and 1723, second paragraph, of the Italian Civil Code and the further regulation applicable on the subject matter.*>>.

The Receivables are "retail exposures", as defined in Article 123 of the CRR and in particular:

- for the portion of the Portfolio made of Salary Assignments, the specific provisions regulating receivables backed by a salary ore pension assignment as described in the last paragraph of Article 123 of CRR shall also apply, and the risk weighting is therefore 35%.
- for the portion of Portfolio made of consumer loans that are assisted by a Payment Delegation on pension or salary rights, the risk weighting is equal to or smaller than 75%, since the specific requirements set out in Article 123 for a risk weighting of 35% is not satisfied, given the absence of an "unconditional transfer" of salary /pension rights.

| 3 | **CRR Criteria** | **Meets Criteria?** |
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| | (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; | **YES** |
| | **PCS Comments**<br><br>Not applicable. | |

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| **4** | **CRR Criteria**<br><br>(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?**<br><br>**YES** |
| | **PCS Comments**<br><br>Not applicable. | |