

# **CRR Assessment**

# **KOROMO ITALY S.R.L.**



PRIME COLLATERALISED SECURITIES (PCS) EU SAS

29 January 2025

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This is a CRR Assessment.

This CRR Assessment must be read together with the PCS Procedures Manual.

This document is based upon the draft materials received by PCS as at the date of this document.

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

**29 January 2025**

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## PRIME COLLATERALISED SECURITIES (PCS) – CRR Assessment

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|---|--|
| Individual(s) undertaking the assessment                  | Daniele Vella                                    |
| Date of Verification                                      | 29 January 2025                                  |
| <b>The transaction to be verified (the “Transaction”)</b> | <b>Koromo Italy S.r.l.</b>                       |
| Issuer  | Koromo Italy S.r.l.                              |
| Originator  | Toyota Financial Services Italia S.p.A. (“TFSI”) |
| Arranger  | Citigroup Global Markets Europe                  |
| Co-Lead Managers  | Citigroup Global Markets Europe and BNP Paribas  |
| Transaction Legal Counsel                                 | Chiomenti  |
| Rating Agencies   | Fitch and Moody’s                                |
| Stock Exchange  | Euronext Access Milan Professional               |
| Closing Date  | 29 January 2025                                  |

**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, 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 R&W in Section "3. THE WARRANTY AND INDEMNITY AGREEMENT - Other representations and warranties" where it is stated that:

<<(xiii) (Concentration) As of the Transfer Date, the aggregate value of all Receivables owed by a single Borrower is not higher than 2% of the aggregate value of all Receivables included in the Portfolio.>>.

See also the table headed "Concentration" in the Section "THE PORTFOLIO", containing data on concentration for top Borrowers.

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 this transaction.

**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.>> **Note:** this §1(d) is 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 %.>> **Note:** this §(4) is 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 1 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**

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 are in force as of 1 January 2025 need to be taken in consideration.

### **PCS Comments**

2 (b) (iii) does apply.

In respect of the nature of the Borrowers as “retail customers”, we note that the Eligibility Criteria require that <<(b) *loans granted only for consumption purposes;*>> (see “THE PORTFOLIO - The Eligibility Criteria”).

See also the following R&Ws in Section “3. THE WARRANTY AND INDEMNITY AGREEMENT - Other representations and warranties” where it is stated that

<<(vii) *(Homogeneity) – (...) (c) (...) and (2) all Receivables reflect at least the homogeneity factor of the “type of obligors”, all Debtors being individual persons as provided under article 2, paragraph 4, letter (a) of the Regulatory Technical Standards regarding the homogeneity of the underlying exposures.*>>.

<<(xiv) *(CRR Criteria) For the purpose of article 243, paragraph (2), letter (b), item (iii) of the CRR, as at the Effective Date and Transfer Date, 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 per cent. on an individual exposure basis for performing positions, since, to the knowledge of the Originator, each Receivable included in the Portfolio is a retail exposure which complies with the criteria set out in article 123 of the CRR.*>>.

See also the data related to concentration of top obligors, contained in the stratification tables (i.e. Section “THE PORTFOLIO – Characteristics of the Portfolio”).

See also the following statement contained in “RISK FACTORS IN RELATION TO THE PORTFOLIO - Consumer credit provisions”:

<<(…) *The Receivables arise from consumer loans granted to individuals (the “consumers”) acting outside the scope of their entrepreneurial, commercial, craft or professional activities.*(…) >>.

See also “THE PORTFOLIO - Main features of the Loan Agreements - Types of Loans” confirming that the Borrower remains obligated to repay the outstanding Balloon Instalment and that any subsequent refinancing agreements that are opened by the same client are new agreements independent from the original Loan Agreement and have no impact on the Securitisation.

For the sake of completeness, it is noted that, as confirmed in the due diligence conducted by the parties on the underlying documents, in some instances, following the exercise of a sale back option, and where the financed vehicle is returned to the relevant dealer, the balloon instalment is paid by the relevant dealer, or in case of its insolvency, by the car manufacturer. In our view, this feature is not relevant for the purpose of complying with this requirement. This is also because this requirement is to be assessed at the time in which the exposures are included in the securitisation, and at such time all the Receivables are due by individual persons, acting as consumers, as confirmed in the statements mentioned above. In any case, as confirmed in the Prospectus, the Borrower is still held to a payment obligation until the Loan Agreement is paid in full, and therefore the loan remains a consumer loan even after the vehicle is returned to the dealer according to the relevant contractual options.

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

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|----------|---|--------------------------------------|
| <b>4</b> | <b>CRR Criteria</b><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). | <b>Meets Criteria?</b><br><b>YES</b> |
|          | <b>PCS Comments</b><br>Not applicable.  |                                      |