

CRR ASSESSMENT

KOROMO ITALY S.R.L.



PRIME COLLATERALISED SECURITIES (PCS) EU SAS

28 February 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.

28 February 2023

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PRIME COLLATERALISED SECURITIES (PCS) – CRR Assessment

Individual(s) undertaking the assessment	Daniele Vella
Date of Verification	28 February 2023
The transaction to be verified (the “Transaction”)	Koromo Italy S.r.l.
Issuer	Koromo Italy S.r.l.
Originator	Toyota Financial Services Italia S.p.A. (“TFSI”)
Sole Arranger, Lead Manager and Bookrunner	Citigroup Global Markets Limited
Transaction Legal Counsel	Chiomenti - Allen & Overy
Rating Agencies	Fitch and Moody’s
Stock Exchange	ExtraMOT PRO
Closing Date	28 February 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

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

<<(xii) (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.>>.

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);

for any other exposures, 100 % on an individual exposure basis (NOTE 3);

(NOTE 2) See article 123, "Retail exposures" of the Regulation (EU) No 575/2013;

(NOTE 3) See 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) 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", being all Debtors individuals persons as provided under article 2, paragraph 4, letter (a) of the Regulatory Technical Standards regarding the homogeneity of the underlying exposures.>>.

<<(xiii) (CRR Criteria) To the knowledge of the Originator each Receivable included in the Portfolio 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.(...)>>.

In this respect and with reference to the Loans providing for a balloon payment, PCS received confirmation from the Originator that if /when the Borrower returns the car to the dealer, the Borrower may, as part of an agreement between the Borrower and the dealer, upon returning the car to the dealer, delegate the dealer to pay the balloon instalment to the Originator in the name and on behalf of the Borrower. The agreement between dealer and Borrower has no effect on the Loan itself. The Borrower remains liable (towards the Originator and therefore the SPV) to pay the balloon instalment even after having returned the car to the dealer.

The Loan remains an obligation of the Borrower, and while in practice the payment of the balloon instalment may be made by the dealer, this does not change the retail nature of the Loans.

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.

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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.