

# **CRR Assessment**

## **Leone Arancio RMBS S.r.l.**



PRIME COLLATERALISED SECURITIES (PCS) EU SAS

12 September 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.

**12 September 2023**

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## PRIME COLLATERALISED SECURITIES (PCS) – CRR Assessment

Individual(s) undertaking the assessment	Daniele Vella
Date of Verification	12 September 2023
<b>The transaction to be verified (the “Transaction”)</b>	<b>Leone Arancio 2023-1 RMBS</b>
Issuer	<b>Leone Arancio RMBS S.r.l.</b>
Originator/Seller/STS Originator for STS purposes	ING Bank N.V., Milan Branch
Arranger and Lead Manager	ING Bank N.V.
Transaction Legal Counsel	Clifford Chance
Rating Agencies	DBRS and Fitch
Stock Exchange	Luxembourg Stock Exchange
Target Closing Date	12 September 2023

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.

1a	<b>CRR Criteria</b> (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.	<b>Meets Criteria?</b> <b>YES</b>
	<b>PCS Comments</b>  This requirement is satisfied since the Receivables will have an exposure value lower than the maximum threshold permitted. See the combined effects of the two following Common Criteria, as set out in Schedule 1 of the MRPA and the size of the whole Portfolio: <<17. Mortgage Loans that have been granted to Borrowers having not more than 1 (one) Mortgage Loan granted by ING Bank;>>; and <<19. Mortgage Loans in respect of <u>which the original Outstanding Principal Due granted to the Borrower is lower than or equal to Euro 2,000,000</u> >>. It is also noted that the Portfolio is granular, and the Average Principal Balance of the Loans as at the Initial Valuation Date is equal to Euro 94,581.12 (see the stratification tables - 1. Summary, as set out in Section "The Master Portfolio" of the Prospectus.	
1b	<b>CRR Criteria</b> 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);	<b>Meets Criteria?</b> <b>YES</b>
	<b>PCS Comments</b> Not applicable.	
2	<b>CRR Criteria</b> (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:	<b>Meets Criteria?</b> <b>YES</b>

	<p>(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);</p> <p>(ii) 50 % on an individual exposure basis where the exposure is a loan secured by a commercial mortgage;</p> <p>(iii) 75 % on an individual exposure basis where the exposure is a retail exposure; (NOTE 2)</p> <p>(iv) for any other exposures, 100 % on an individual exposure basis; (NOTE 3)</p> <p>NOTE 2: See article 123, "Retail exposures" of the Regulation (EU) No 575/2013.</p> <p>NOTE 3: See article 501, "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).</p>	
	<p><b><u>PCS Comments</u></b></p> <p>The Receivables are residential mortgages and the risk weighting under Article 243(2)(b)(i) above applies.</p> <p>See §(n) of Clause 7.1.5 of the MRPA, requiring as a Condition Precedent to the transfer of Subsequent Portfolios, that:</p> <p><i>&lt;&lt;(n) the average risk weight of the Master Portfolio calculated in accordance with the 'standardized approach' under the CRR, weighted by the Outstanding Principal Due, is equal to or lower than 40%;&gt;&gt;.</i></p> <p>See also the Warranty and Indemnity Agreement, Clause 3.3.1 §(nn):</p> <p><i>&lt;&lt;In respect of the Initial Portfolio and each Subsequent Portfolio, the Originator hereby represents and warrants to the Issuer that: (...)</i></p> <p><i>(nn) for the purpose of article 243, paragraph 2 of the CRR, at the time of their inclusion in the Securitisation, the Master Portfolio meets the conditions for being assigned, under the 'standardized approach' (as defined in the CRR) and taking into account any eligible credit risk mitigation, a weighted average risk calculated in accordance with the 'standardized approach' under the CRR, weighted by the Outstanding Principal Due, is equal to or lower than 40%.&gt;&gt;.</i></p> <p><u>As to the nature of residential mortgages</u>, see the following Common Criteria, set out in Schedule 1 to the MRPA:</p> <p><i>&lt;&lt;4. Mortgage Loans that are secured by a Mortgage (ipoteca) created over Real Estate Assets in accordance with applicable Italian laws and regulations and are located in the Republic of Italy;&gt;&gt;;</i></p> <p><i>&lt;&lt;6. Mortgage Loans secured by a Mortgage (ipoteca) on <u>residential Real Estate Assets</u> with cadastral codes which fall under Group A of the table of cadastral categories;&gt;&gt;.</i></p>	
3	<p><b><u>CRR Criteria</u></b></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><b><u>Meets Criteria?</u></b></p> <p><b>YES</b></p>

#### **PCS Comments**

See §1 and §5 of Common Criteria set out in Schedule 1 to the MRPA:

<<1. *Mortgage Loans that were granted in accordance with the laws and regulations concerning credito fondiario;*>>; and

<<5. *Mortgage Loans in respect of which the payment is secured by a first ranking Mortgage (ipoteca di primo grado economico), such term meaning (i) a first ranking Mortgage or (ii) (A) a second or subsequent ranking priority Mortgage in respect of which the lender secured by the first ranking priority mortgage is ING Bank and with respect to which the obligations secured by the mortgage(s) ranking prior to such second or subsequent mortgage have been fully satisfied, or (B) a second or subsequent ranking priority Mortgage in respect of which the obligations secured by the mortgage(s) ranking prior to such second or subsequent Mortgage have been fully satisfied and the relevant lender has formally consented to the cancellation of the mortgage(s) ranking prior to such subsequent Mortgage;*>>.

It is noted that pursuant to Article 38 of the Italian Banking Act the “credito fondiario” is to be granted by a first ranking mortgage.

This requirement is therefore satisfied.

**4**

#### **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 §23 and §24 of Common Criteria set out in Schedule 1 to the MRPA:

<<23. *Mortgage Loans which do not have a ratio between (i) principal outstanding, and (ii) the related mortgaged real estate asset's indexed valuation based on the European Central Bank's index denominated "ECB Residential Property Index" taking into account all residential real estates in Italy (so called "Current Loan to Indexed Market Value"), higher than 80%;*>>.

<<24. *Mortgage Loans that do not have an original loan to market value higher than 80%;*>>.