

# MOODY'S

## RATINGS

### Rating Action: Moody's Ratings assigns definitive ratings to Alba 14 SPV S.r.l. Notes

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30 May 2024

#### EUR 725.4 million of securities rated

Madrid, May 30, 2024 -- Moody's Ratings (Moody's) has today assigned the following definitive ratings to the Notes issued by Alba 14 SPV S.r.l. (the Issuer):

...EUR550.3M Class A Asset-Backed Floating Rate Notes due January 2044, Definitive Rating Assigned Aa3 (sf)

...EUR175.1M Class B Asset-Backed Floating Rate Notes due January 2044, Definitive Rating Assigned Ba1 (sf)

Moody's has not assigned a rating to the EUR115.6M Class J Asset-Backed Floating Rate Notes due January 2044.

The transaction is a static cash securitisation of lease receivables granted by Alba Leasing S.p.A. (NR) to small and medium-sized enterprises (SMEs) located in Italy.

#### RATINGS RATIONALE

The ratings of the Notes are primarily based on the analysis of the credit quality of the underlying portfolio, the structural integrity of the transaction, the roles of external counterparties and the protection provided by credit enhancement.

In Moody's view, the strong credit positive features of this deal include, among others: (i) its static nature as well as the structure's efficiency, which provides for the application of all cash collections to repay the senior Notes should the portfolio performance deteriorate beyond certain limits (i.e. Class B interest subordination events); (ii) the granular portfolio composition as reflected by low single lessee concentration (with the top lessee and top 5 lessees group exposure being 0.77% and 3.13%, respectively); (iii) limited industry sector concentration (i.e. lessees from top 2 sectors represent not more than 40.28% of the pool); and (iv) no potential losses resulting from set-off risk as obligors do not have deposits and did not enter into a

derivative contract with Alba Leasing S.p.A.

However, the transaction has several challenging features, such as: (i) the impact on recoveries upon originator's default (in Italian leasing securitisations future receivables not yet arisen, such as recoveries, might not be enforceable against the insolvency of the originator); (ii) the building and real estate sectors of activity, in terms of Moody's industry classification, account for 26.59% of the portfolio, and (iii) the potential losses resulting from commingling risk that are not structurally mitigated but are reflected in the credit enhancement levels of the transaction. Moody's valued positively the appointment of Banca Finanziaria Internazionale S.p.A. (NR) as backup servicer on the closing date. Finally, Moody's considered a limited exposure to fixed-floating interest rate risk (10.54% of the pool reference a fixed interest rate) as well as basis risk given the discrepancy between the interest rates paid on the leasing contracts compared to the rate payable on the Notes and no hedging arrangement being in place for the structure.

#### Key collateral assumptions

Mean default rate: Moody's assumed a mean default rate of 9% over a weighted average life of 2.75 years (equivalent to a B1/Ba3 proxy rating as per Moody's Idealized Default Rates). This assumption is based on: (1) the available historical vintage data, (2) the stable performance of the previous transactions originated by Alba Leasing S.p.A., and (3) the characteristics of the lease-by-lease portfolio information. Moody's took also into account the current economic environment and its potential impact on the portfolio's future performance, as well as industry outlooks or past observed cyclicity of sector-specific delinquency and default rates.

Default rate volatility: Moody's assumed a coefficient of variation (i.e. the ratio of standard deviation over the mean default rate explained above) of 54.6%, as a result of the analysis of the portfolio concentrations in terms of single obligors and industry sectors.

Recovery rate: Moody's assumed a 35% stochastic mean recovery rate, primarily based on the characteristics of the collateral-specific loan-by-loan portfolio information, complemented by the available historical vintage data. In addition, Moody's assumed a 10.5% recovery rate mean upon insolvency of the originator.

Portfolio credit enhancement: the aforementioned assumptions correspond to a portfolio credit enhancement of 20%, that takes into account the Italian current local currency country risk ceiling (LCC) of Aa3.

As of 23 March 2024, the audited asset pool of underlying assets was composed of a portfolio of 9,918 contracts amounting to EUR 833.7 million. The top industry sector in the pool, in terms of Moody's industry classification, is Construction and building (26.59%). The top borrower represents 0.77% of the portfolio and the effective number of obligors is 1,461. The assets were originated between 2010 and 2024 and

have a weighted average seasoning of 1.58 years and a weighted average remaining term of 4.88 years. The interest rate is floating for 89.46% of the pool while the remaining part of the pool bears a fixed interest rate. The weighted average spread on the floating portion is 2.59%, while the weighted average interest on the fixed portion is 5.78%. Geographically, the pool is concentrated mostly in Lombardia (27.95%) and Emilia Romagna (11.85%). At closing, any lease in arrears for more than 30 days has been excluded from the final pool.

Assets are represented by receivables belonging to different sub-pools: real estate (15.74%), equipment (57.65%) and auto transport assets (25.47%). A small portion (1.13%) of the pools is represented by lease receivables whose underlying asset is an aircraft, a ship or a train. The securitized portfolio does not include the so-called "residual value instalment", i.e. the final instalment amount to be paid by the lessee (if option is chosen) to acquire full ownership of the leased asset. The residual value instalments are not financed, i.e. it is not accounted for in the portfolio purchase price, and is returned back to the originator when and if paid by the borrowers. However, the Issuer benefits from the interest paid on the residual value, hence the excess spread will increase over time.

#### Key transaction structure features

Reserve fund: the transaction benefits from EUR 7,254,000 reserve fund, equivalent to 1.00% of the original balance of the rated Notes. The reserve will amortise to a floor of 0.5% in line with the rated Notes.

#### Counterparty risk analysis

Alba Leasing S.p.A. acts as servicer of the receivables on behalf of the Issuer, while Banca Finanziaria Internazionale S.p.A. (NR) is the backup servicer and the calculation agent of the transaction.

All of the payments under the assets in the securitised pool are paid into the servicer account and then transferred on a daily basis into the collection account in the name of the Issuer. The collection account is held at BNP Paribas (Aa3 long term bank deposits rating), acting through its Italian Branch, with a transfer requirement if the rating of the account bank falls below Baa2. Moody's has taken into account the commingling risk within its cash flow modelling.

#### Principal Methodology

The principal methodology used in these ratings was "Equipment Lease and Loan Securitizations methodology" published in September 2023 and available at <https://ratings.moodys.com/rmc-documents/408616>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

Factors that would lead to an upgrade or downgrade of the ratings:

The Notes' ratings are sensitive to the performance of the underlying portfolio, which in turn depends on economic and credit conditions that may change. The evolution of the associated counterparties risk, the level of credit enhancement and the Italy's country risk could also impact the Notes' ratings.

## REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

The analysis relies on an assessment of collateral characteristics to determine the collateral loss distribution, that is, the function that correlates to an assumption about the likelihood of occurrence to each level of possible losses in the collateral. As a second step, Moody's evaluates each possible collateral loss scenario using a model that replicates the relevant structural features to derive payments and therefore the ultimate potential losses for each rated instrument. The loss a rated instrument incurs in each collateral loss scenario, weighted by assumptions about the likelihood of events in that scenario occurring, results in the expected loss of the rated instrument.

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