MOODY'S RATINGS

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

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 cyclicality 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.

For ratings issued on a program, series, category/class of debt or security this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series, category/class of debt, security or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the issuer/deal page for the respective issuer on https://ratings.moodys.com.

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this credit rating action, and whose ratings may change as a result of this credit rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

These ratings are solicited. Please refer to Moody's Policy for Designating and

Assigning Unsolicited Credit Ratings available on its website https://ratings.moodys.com.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

The Global Scale Credit Rating(s) discussed in this Credit Rating Announcement was(were) issued by one of Moody's affiliates outside the UK and is(are) endorsed for use in the UK in accordance with the UK CRA Regulation.

Please see https://ratings.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the issuer/deal page on https://ratings.moodys.com for additional regulatory disclosures for each credit rating.

Gaston Wieder
VP - Senior Credit Officer
Structured Finance Group
Moody's Investors Service Espana, S.A.
Calle Principe de Vergara, 131, 6 Planta
Madrid, 28002
Spain
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

Monica Curti
VP - Senior Credit Officer
Structured Finance Group
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

Releasing Office:
Moody's Investors Service Espana, S.A.
Calle Principe de Vergara, 131, 6 Planta
Madrid, 28002
Spain
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any credit rating, agreed to pay to MJKK or MSFJ (as applicable) for credit ratings opinions and services rendered by it fees ranging from JPY100,000 to approximately JPY550,000,000.

MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.