# Asti Group RMBS IV S.r.l.

## RMBS - Italy

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**Related Methodologies**

Residential Mortgage-Backed Securities Rating Methodology, July 2024

General Structured Finance Rating Methodology, March 2024

Counterparty Risk Methodology, July 2024

| Note class | Rating | Notional (EURm) | Notional (% assets[1]) | CE (% assets) | Coupon[2] | Final maturity |
|---|---|---|---|---|---|---|
| Class A1 | AAA$_{SF}$ | 365.7 | 55.0 | 17.0 | Eur3m + 0.96% | Dec-2074 |
| Class A2 | AAA$_{SF}$ | 186.1 | 28.0 | 17.0 | Eur3m + 0.85% | Dec-2074 |
| Class J | NR | 113.2 | 17.0 | 0.0 | 3.00% + variable return | Dec-2074 |

[1] The portfolio as of the 31 August 2024 cut-off date has an outstanding amount of EUR 665m.

[2] Eur3m refers to the three-month EURIBOR rate.

Scope's quantitative analysis is based on the portfolio dated 31 August 2024 provided by the seller and its agents. Scope's Structured Finance Ratings constitute an opinion about relative credit risks and reflect the expected loss associated with the payments contractually promised by an instrument on a particular payment date or by its legal maturity. See Scope's website for the Scope Ratings Rating Definitions.

**Transaction details**

| | |
|---|---|
| Purpose | Liquidity/Funding |
| Issuer | Asti Group RMBS IV S.r.l. |
| Originators | Cassa di Risparmio di Asti S.p.A. and former Biver Banca |
| Seller and servicer | Cassa di Risparmio di Asti S.p.A. (CR Asti) |
| Back-up servicer | Banca Valsabbina S.C.p.A. |
| Issuer account bank | BNP Paribas, Italian Branch (BNP Paribas) |
| Corporate services provider, representative of noteholders, computation agent | KPMG Fides Servizi di Amministrazione S.p.A. |
| Hedging counterparty | Unicredit Bank GmbH (Unicredit) |
| Closing date | 13 November 2024 |
| Payment frequency | Quarterly (first payment date on 27 December 2024, 27 March, June, September, December) |

Asti Group RMBS IV S.r.l. is a granular, static securitisation of prime residential mortgage loans originated by CR Asti and by the former Biver Banca, serviced by CR Asti and extended to individual borrowers residing in Italy. The balance of the final securitised portfolio is EUR 665m as of 31 August 2024 (cut-off date).

### Rating rationale (summary)

The ratings reflect: i) the legal and financial structure of the transaction; ii) the quality of the underlying collateral in the context of the Italian macroeconomic environment; iii) the experience and incentives of CR Asti as the transaction's originator and servicer.

Credit enhancement of the rated notes stems from their subordination level as well as the reserve fund. The structure benefits from a fixed-floating swap with Unicredit that mitigates the interest rate risk.

The ratings account for the underlying portfolio's credit quality, considering its expected performance in relation to the current and future development of the residential market in Italy.

The ratings also address the issuer's exposure to the following counterparties: i) Cassa di Risparmio di Asti S.p.A. as originator and servicer; ii) Banca Valsabbina S.C.p.A. as back-up servicer; iii) BNP Paribas, Italian Branch as issuer account bank; iv) KPMG Fides Servizi di Amministrazione S.p.A. as corporate services provider, representative of noteholders and computation agent; v) Unicredit Bank GmbH as hedging counterparty. We considered counterparty substitution provisions in the transaction and, when available, Scope's ratings or other public ratings on the counterparties.

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## Rating drivers and mitigants

| Positive rating drivers | Negative rating drivers and mitigants |
|---|---|
| • **Prudent origination track record.** The former Biver Banca and CR Asti's extensive experience in the origination of residential mortgage products ensures high underwriting standards. Stringent underwriting criteria based on an internal rating system ensure an appropriate assessment of borrowers' credit risk. The originators´ low risk appetite limits default risk.<br>• **Strong security interest.** The portfolio is entirely composed of first-lien residential mortgage loans, with a weighted average LTV of 54%. In addition, only 0.8% of the loans by current balance have an LTV above 80%. The portfolio collateralisation also reflects the originators´ low risk appetite. | • **Regional concentration.** The portfolio is very concentrated in a few regions in the North-West of Italy, including 61% within the Piemonte region. Our distressed default rate captures such high concentration.<br>• **Loans with options and potential renegotiations.** The portfolio includes 64% of loans with the option for borrowers to switch interest rate type: approximately 20% of loans have the option to switch to a fixed interest, while about 44% of loans have the option to switch to a variable interest. All mortgages can also be renegotiated, mainly in terms of type of interest (fixed, floating), level of interest (fixed interest or spread) and maturity, up to predefined thresholds. Our portfolio yield compression factor accounts for this optionality. |

**Rating change drivers**

Changes to the transaction's cash flow model assumptions, driven by observed performance or new data, as well as significant modifications to its collateral and structural features, could negatively affect the ratings. Additionally, a shift in our credit views on the transaction's key rating drivers may also lead to a downgrade. See section 8 Rating stability for more information.

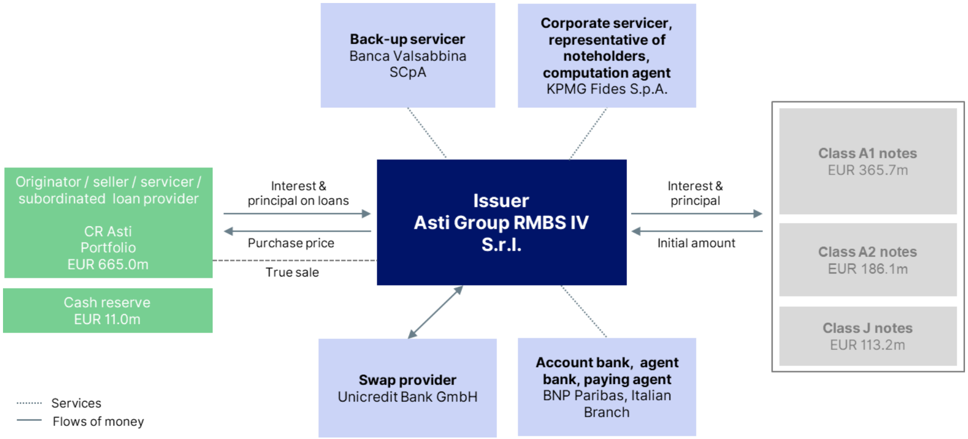
## 1. Transaction summary

Asti Group RMBS IV S.r.l. is a static cash securitisation of prime Italian residential mortgage loans

The transaction is a granular, static securitisation of Italian prime residential mortgage loans originated by Cassa di Risparmio di Asti S.p.A. and by the former Biver Banca, which is now part of CR Asti. At the cut-off date of 31 August 2024, the underlying portfolio yields 5.0% annually and has an estimated initial weighted average residual maturity of 18.9 years. A share of 57% of the portfolio pays a fixed rate with the remainder paying a floating rate.

The transaction comprises two classes of senior notes, class A1 and A2, which pay a floating rate linked to 3-month EURIBOR, and junior class J notes. The main structural features are: i) an initial level of credit enhancement via subordination of 17.0% for both class A1 and A2 notes; ii) a gross excess spread at closing of 1.0%, measured as the difference between the portfolio's yield and the weighted average cost of the rated notes; iii) a bespoke amortisation mechanism for class A1 and A2 notes, upon which class A2 notes receive 55% of the available funds after senior payments (fast-pay) and class A1 notes receive the remaining 45%, as long as class A2 notes are still outstanding (slow-pay); iv) a fixed-floating swap mitigating the risk of having fixed-rate assets against floating-rate liabilities; and v) a reserve fund of EUR 11.0m that covers any shortfalls in interest payments on the class A1 and A2 notes as well as any senior item, ensuring a liquidity coverage of c.4 months, considering the current Euribor spot rate.

**Figure 1: Simplified transaction diagram**




Source: Transaction documentation

## 2. Macroeconomic environment

### 2.1. Sovereign outlook

Stability amid structural challenges

Italy's sovereign outlook remains stable, supported by a diversified economy, manageable debt maturities, and EU financial mechanisms. Public debt, while elevated at 137% of GDP (Gross Domestic Product), is mitigated by favourable financing terms under ECB support. However, structural weaknesses, including low productivity growth and adverse demographics, continue to weigh on long-term growth potential.

Economic growth is projected to remain moderate, underpinned by investments from the EU Recovery and Resilience Facility. Yet, fiscal risks remain, particularly if reform momentum weakens or fiscal consolidation is delayed, potentially exacerbating Italy's high debt burden.

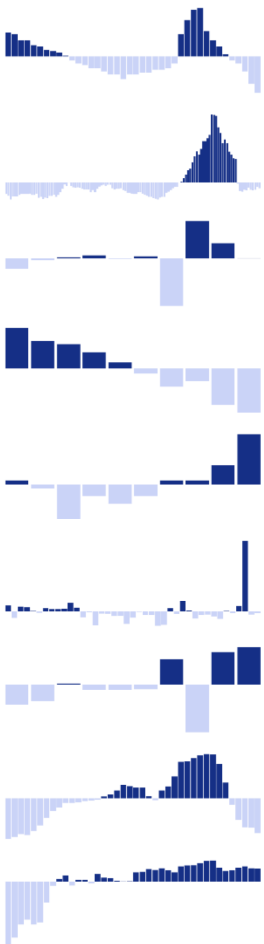
### 2.2. The mortgage environment in Italy

Significant decline in 2023 volumes, more positive prospects for 2024

The volume of residential mortgages in 2023 significantly declined due to higher interest rates, despite a rise in mortgage refinancings. Geopolitical uncertainty, high inflation, and stricter monetary policies were among the major factors contributing to this drop. Starting from 2024, the Italian residential market is expected to benefit from a milder inflation and smoother interest rates. We present below key indicators for the Italian residential market.

**Figure 2: Key indicators for the Italian residential market**

| Ind | Source | Context | Range | Latest_Value | Mean_Value | Mean_Value_10Y | Evolution over 10Y (Z-Score) |
|---|---|---|---|---|---|---|---|
| Household Debt (%GDP) | BIS | Household Health | 1960-2023 | 39.5% | 24.0% | 41.9% | |
| Consumer Inflation | FRED | Macro | 1971-2024 | 1.1% | 6.0% | 2.0% | |
| Real GDP per capita | World Bank | Macro | 1973-2023 | 1.2% | 1.5% | 1.2% | |
| Unemployment Rate | World Bank | Macro | 1991-2023 | 7.6% | 9.8% | 10.2% | |
| Lowest Quartile Income (Share National Income) | Eurostat | Household Health | 1995-2023 | 10.2% | 9.9% | 9.6% | |
| Bad loan New Nb of borrowers (12m change) | Banca d'Italia | Financing | 1996-2024 | -2.9% | 10.6% | 2.4% | |
| Median Income (1Y Change) | Eurostat | Household Health | 1996-2023 | 6.6% | 3.9% | 2.4% | |
| Resi loans (12m change) | Banca d'Italia | Financing | 2011-2024 | -0.5% | 1.6% | 2.1% | |
| Original LTV | Banca d'Italia | Financing | 2012-2024 | 77.1% | 71.1% | 74.0% | |



Source: Scope Ratings with public macroeconomic data

## 3. Originators, seller and servicer overview

The portfolio was mainly originated by CR Asti while a minor share was originated by the former Biver Banca (9.8%) which had been fully acquired by CR Asti in 2019 (with an initial majority stake in 2012). The businesses of the originators are based on sound foundations and benefit from seasoned processes, experienced staff and a granular distribution network.

### 3.1. Origination and underwriting

We analysed the origination practices of both originators, CR Asti and the former Biver Banca, and assessed them to be mostly aligned. Since 2013, both banks adopted the same credit and origination policies, aligning their respective procedures. This explains the adoption of a unique origination adjustment factor for the entire portfolio. For sake of simplicity, we refer further below to CR Asti as both originators.

CR Asti's core business resolves around traditional banking products with a minor share of online trading, asset management and insurance products. CR Asti's extensive experience in originating residential mortgage loans is credit-positive for the transaction.

Underwriting standards are aligned with market practices

Mortgages are originated through CR Asti's network of branches, where the bank is responsible for the negotiation of the contracts and the full origination process.

CR Asti's underwriting standards for residential mortgages are aligned with market practices. Branches are responsible for collecting the documentation related to clients and their respective properties. If mortgages are worth less than EUR 500k, an external company (Revaluta) performs the property's valuation. Otherwise, the valuation is performed by the bank's dedicated office (ufficio tecnico). If properties are located in the Asti municipality (commercial area), Canelli-Nizza-Acqui or Alba-Cuneo, the bank performs the valuation irrespective of the mortgage loan's amount.

CR Asti is responsible for the analysis of mortgage requests. The analysis considers, among others, factors such as the ratio between the average payment and monthly income of the debtor (which shall be less than 40%) and the quality of the client's financial declaration in case of self-employment. The mortgage is then approved by the competent office based on the risk associated with the position. On average, 65% of the mortgage requests are approved.

The origination presents the following key risks and mitigants:

Origination key risks: high concentration in the North-West of Italy and large share of self-employed borrowers

| Risks | Mitigants |
|---|---|
| High concentration in the North-West of Italy where the bank has 209 branches, mainly distributed among Piemonte (84%) and Lombardia (11%), combined with a large share of self-employed borrowers within the portfolio (c.30%). | The origination is mainly concentrated in the wealthiest regions of Italy which benefit from a robust macro-economic outlook, particularly characterised by lower unemployment rates and higher incomes. |

We applied an origination adjustment factor of -10%

Our evaluation of the origination's key risks and mitigants, along with i) the plain-vanilla nature of the origination process, and ii) CR Asti's strong track record and experience in securitisations, led to an origination adjustment factor of -10%. This reflects our view that CR Asti's origination is above the Italian residential market standards, as the bank operates in the wealthiest region of Italy.

### 3.2. Servicing and recovery

Servicing and recovery process is in line with the country standard

We deem CR Asti's servicing and recovery process for non-performing mortgages adequate and in line with the high standards of the European banking sector. The servicer is proactive and diligent, relying on a solid process aiming at initiating recovery actions soon after a payment is missed. We did not incorporate any servicing adjustment factor as the servicing is aligned with the country mortgage standards.

## 4. Portfolio characteristics

### 4.1. Key portfolio characteristics

The portfolio comprises prime residential mortgages located in the North-West of Italy

The portfolio is granular consisting of 7,675 borrowers for an outstanding balance of EUR 665m. Mortgage loans are mainly concentrated in the North-West regions of Italy with a moderate LTV of 54%. They bear both fixed and floating interests leading to a portfolio yield of 5%. The portfolio has a modest seasoning of 5.3 years implying a long outstanding weighted average remaining maturity of 18.9 years.

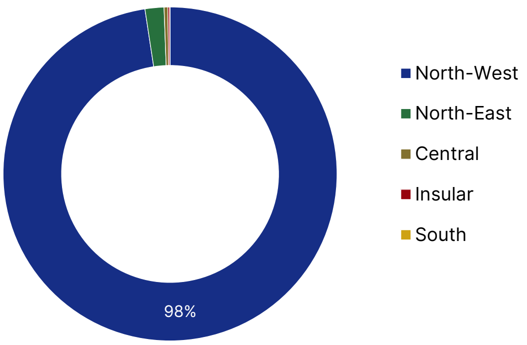
We summarise below the portfolio's main characteristics and stratifications. See Appendix I for more information.

**Figure 3: Portfolio overview as of cut-off date**

| Portfolio characteristics | Value |
|---|---|
| Outstanding balance (EUR m) | 665 |
| # loans | 7,703 |
| # borrowers | 7,675 |
| Average balance per borrower (EUR) | 86,644 |
| Weighted average current LTV (vs. outstanding loan amount) | 54% |
| Share of loans with current LTV>80% | 0.8% |
| Weighted average original LTV (vs. original loan amount) | 65% |
| Share of loans with original LTV>80% | 4.6% |

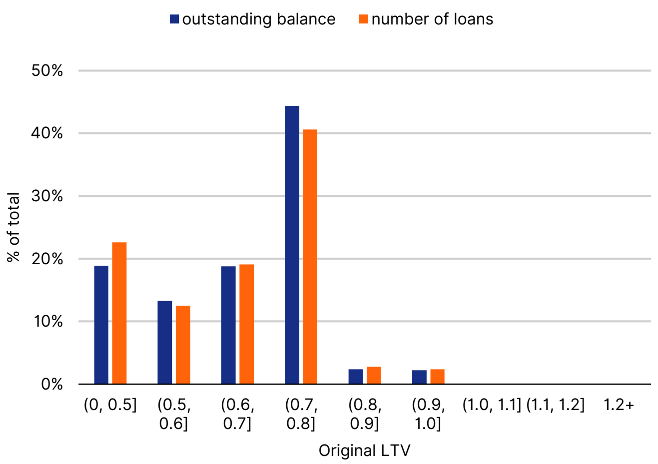
Source: Transaction data tape and Scope Ratings data aggregation

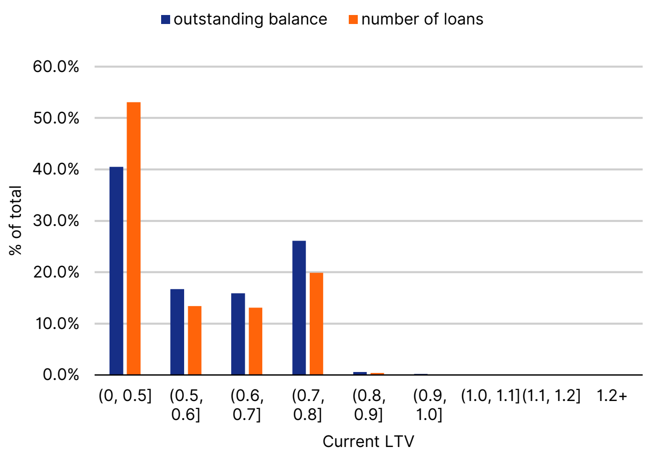
**Figure 4: Regional distribution (outstanding balance)**




Source: Transaction data tape and Scope Ratings data aggregation

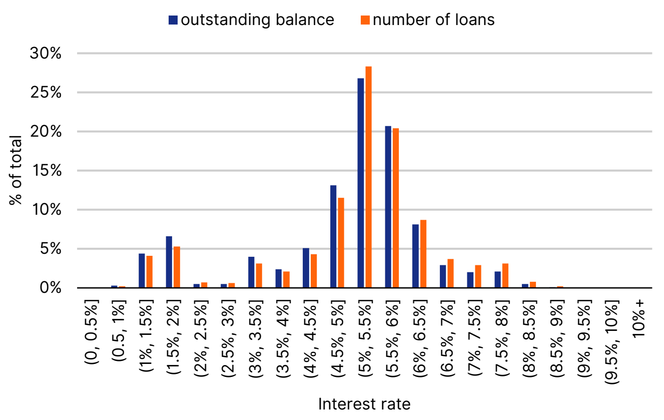
**Figure 5: LTV distribution**



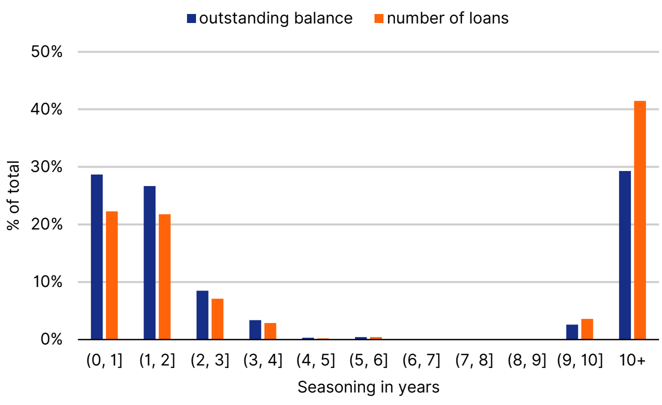

Source: Transaction data tape and Scope Ratings data aggregation

**Figure 6: Interest rate distribution**



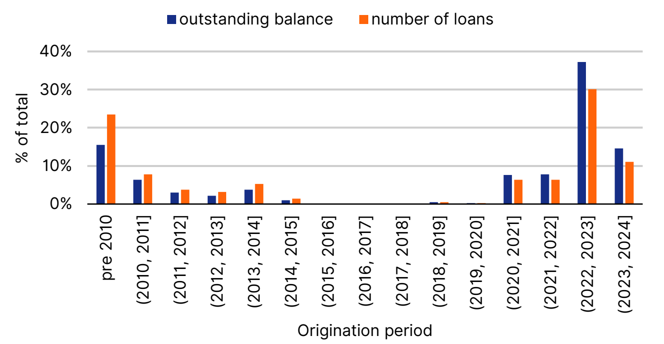

Source: Transaction data tape and Scope Ratings data aggregation

**Figure 7: Seasoning distribution**



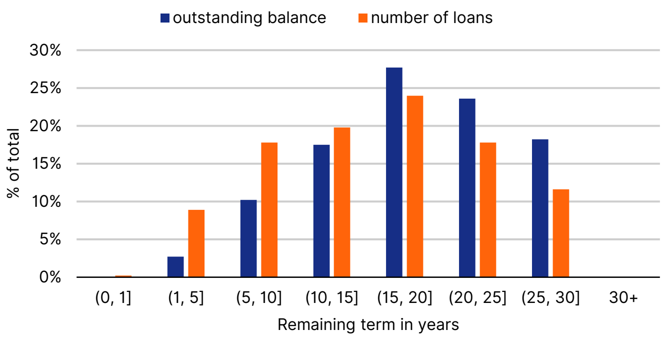

Source: Transaction data tape and Scope Ratings data aggregation

**Figure 8: Origination period distribution**



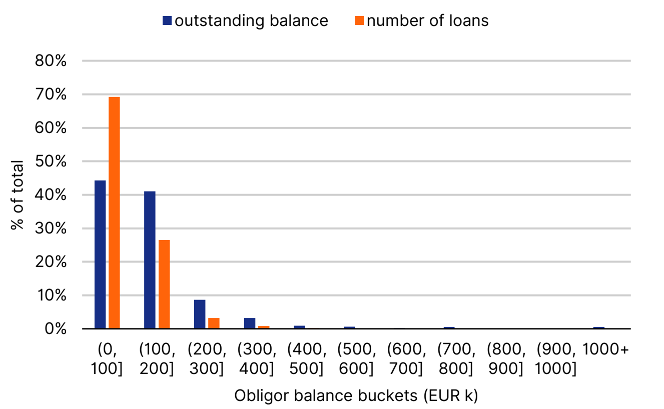

Source: Transaction data tape and Scope Ratings data aggregation

**Figure 9: Remaining term distribution**



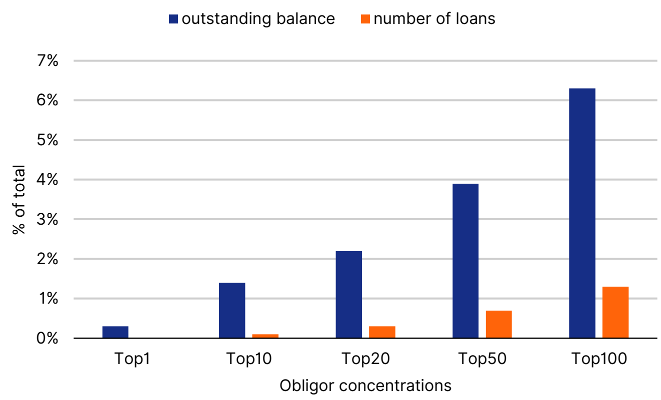

Source: Transaction data tape and Scope Ratings data aggregation

**Figure 10: Obligor balance distribution**




Source: Transaction data tape and Scope Ratings data aggregation

**Figure 11: Obligor concentrations**



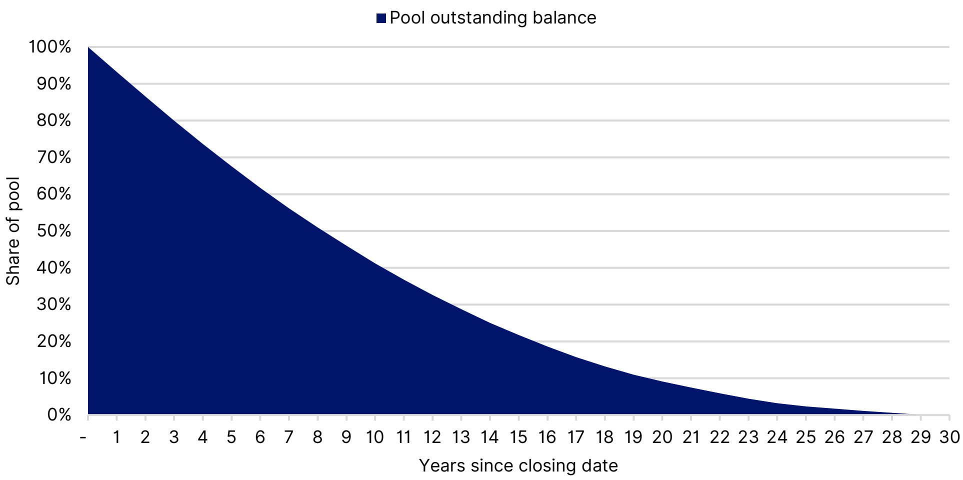

Source: Transaction data tape and Scope Ratings data aggregation

### 4.2. Amortisation profile

We present below the expected amortisation profile of the portfolio that has a weighted average residual maturity of 18.9 years.

The portfolio is expected to amortise in 30 years

**Figure 12: Amortisation profile of the portfolio (assuming no default and no prepayment)**




Source: Transaction data tape and Scope Ratings data aggregation

### 4.3. Environmental risk

Weather risk and climate change leading to catastrophic events, such as floods and wildfire, as well as earthquakes, may cause severe property damages, leading to loss of property value, lower mortgage borrowers' affordability, and thus negatively impact performance of securitisations. The Piemonte region, to which the transaction is mostly exposed, exhibits high exposure to the following natural hazard: flood, landslide and wildfire[1]. There are two type of policies, individual or collective policies, on the underlying properties which are transferred to the issuer.

Individual policies are executed by the borrowers themselves. However, the originator has undertaken to ensure that if a borrower were to fail to pay the insurance premium, it would be paid by the originator and reimbursed by the issuer to the originator. Collective policies are executed by the originator and are covering the properties against risk of non-payment of the individual policies. Both policies are covering certain natural disasters (lightning and wildfire) and socio-political events but not earthquake and flood risks.

## 5. Portfolio modelling assumptions

### 5.1. Assumptions summary

We present below the summary of our modelling assumptions.

[1] Source: ThinkHazard – World Bank.

**Figure 13: Portfolio modelling inputs**

| Portfolio assumptions | |
|---|---|
| Base case default rate | 3.8% |
| Distressed default rate | 17.6% |
| Origination adjustment | -10.0% |
| Base case recovery rate | 60.0% |
| Distressed recovery rate | 36.0% |
| Servicing adjustment | 0.0% |
| Constant prepayment rate | 6.0% |
| Portfolio yield | 5.0% |
| Yield compression | 0.7% |

Source: Computations from Scope Ratings based on transaction material and data

## 5.2. Default rate analysis on portfolio

We assumed a 3.8% base case default rate and a 17.6% distressed default rate

We modelled an inverse Gaussian default rate distribution defined by its mean (the base case default rate) and its standard deviation (implied by the distressed default rate). Our approach to analyse the expected behaviour of the portfolio, in terms of default rates, captures the specificities of the origination keeping consistency across transactions.

We derived a base case default rate assumption of 3.8%, that represents our expectation with regards to most likely future lifetime default rate, considering: (i) the historical performance data from the originators; and (ii) comparisons with previous Asti RMBS securitisations. We derived a distressed default rate of 17.6% based on portfolio characteristics and the assumed origination adjustment of -10%.

### 5.2.1. Base case default rate

We assumed a 3.8% base case default rate from vintage and peers' analysis

The originators provided vintage default data from 2009 until 2023 relating to approximately EUR 4bn of originated loans. We observed two periods of decreasing origination volumes: i) sovereign crisis (2012) and ii) Covid-19 crisis (2020). We considered a time span of 11 years (2012-2022) as the recent vintages showed no default (see Appendix II for further details on vintage data). Biver Banca showed lower historical default rates than CR Asti. However, given Biver Banca originated loans' small share in portfolio, we mainly focused on CR Asti's data to derive our base case default rate.

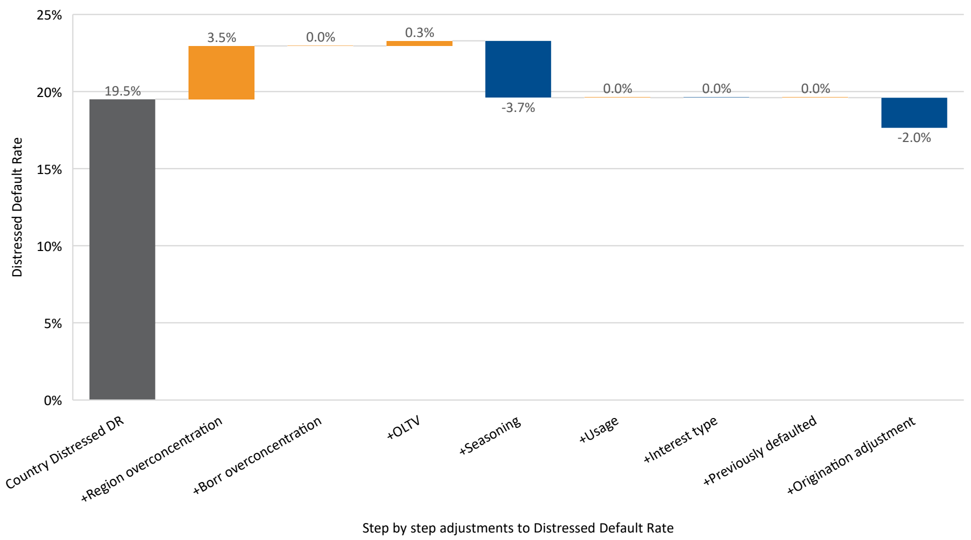
We also analysed the historical performance of previous Asti RMBS securitisations (I, II, III) versus the vintage data we were provided, observing that the past securitisations performed in line or better than the latest vintage cohorts. The analysis led to the assumption of a 3.8% base case default rate.

### 5.2.2. Distressed default rate

We assumed a final distressed default rate of 17.6%

We applied the algorithm presented in our dedicated methodology to compute the distressed default rate assumption, starting from the Italy distressed default rate of 19.5%. We present below the different steps leading to a final distressed default rate of 17.6%.

**Figure 14: Distressed default rate computation**




Source: Computations from Scope Ratings based on transaction material and data

### 5.2.3. Default timing

We defined as base case a default timing scenario with a constant marginal default rate applied to the outstanding balance at each period, hence following the portfolio's scheduled amortisation.

Our base case default timing is based on a constant marginal default rate

## 5.3. Recovery rate analysis: base case and distressed

We define a Beta recovery rate distribution to reflect the stochastic nature of recoveries. The originators provided vintage data recovery data from 2009 until 2023 relating to approximately EUR 78.5mn of originated loans subject to foreclosure proceedings. Our base case recovery rate assumption of 60% is derived trough i) the vintage analysis of originators' recoveries, and ii) peer comparison analysis with previous Asti RMBS securitisations (I, II, III).

We assumed a 60% base case recovery rate and a 36% distressed recovery rate.

Our distressed recovery rate assumption of 36% is derived applying the standard distressed recovery rate haircut (for Italy) of 40% to the base recovery rate assumption. We did not apply any servicing adjustment factor.

### 5.3.1. Timing of recoveries

We modified the standard assumption for recovery timing in Italy based on: i) the analysis we conducted on the vintage recovery data which was provided by the originators; and ii) based on our assessment of servicer's capabilities. The table below shows our assumptions on the timing of recoveries for a time span of eight years.

We assumed a time span of eight years for the recovery timing

**Figure 15: Recovery timing assumption**

| Years | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|---|---|---|---|---|---|---|---|---|
| **Cumulative timing of recoveries** | 19.1% | 36.2% | 52.6% | 65.9% | 77.1% | 86.7% | 92.0% | 100.0% |

Source: Computations from Scope Ratings based on transaction data

## 5.4. Constant prepayment rate (CPR)

Prepayments are mostly driven by loan refinancing or property sale (due to e.g. moving, divorce, etc.). We assumed a base case constant prepayment rate for the full duration of the transaction of 6%. We derived it from the analyses of the originators' historical prepayment data for the period 2015-2023, complemented with a peer analysis.

We assumed a CPR of 6% based on originators' historical data and peer analysis

### 5.5. Asset yield

We modelled a yield compression factor of 0.7%, to penalise for the loan yield heterogeneity and the renegotiations

The transfer agreement allows CR Asti to renegotiate some of the terms of the mortgage loans' contracts in the portfolio, mainly in relation to their type/level of interest (up to 12% of the remaining portfolio amount) and maturity (up to 9% of the remaining portfolio amount). Additionally, more than 60% of the mortgages have the option to switch every 3,5,10 years from fixed to float and vice versa.

A high level of renegotiations coupled with the option exercise and the risk of loans with a high interest rate being prepaid or defaulting faster than other loans may lead to the compression of the portfolio's yield. To capture these risks, we modelled a stressed yield assumption, which incorporates a compression factor of 70bp.

## 6. Key structural features

Our analysis considers the capital structure, the coupon payable on the notes, the reserve fund, the hedging mechanism as well as the fees and costs structure.

### 6.1. Capital structure

The capital structure envisages a fast-pay (class A2) and a slow-pay (class A1) notes

The structure comprises three classes of notes: slow-pay senior class A1 notes, fast-pay senior class A2 notes and strictly subordinated class J notes. Class A2 notes receive 55% of the available funds after senior payments and, therefore, will amortise faster. Class A1 notes receive the remaining 45%, as long as class A2 notes are still outstanding. Class A1 and A2 notes pay a floating rate of 3-month EURIBOR plus 0.96% and 0.85%, respectively, while class J notes will pay a fixed coupon of 3% and a variable return. We modelled senior fees as 0.3% of the performing portfolio balance with a floor of EUR 100k.

### 6.2. Reserve fund (RF)

A reserve fund covers senior interests and costs shortfalls. We deem its level as adequate to support the ratings of the notes

A reserve fund of EUR 11.0m is financed at closing through a subordinated loan provided by CR Asti. The reserve fund target amount at each quarterly payment date will be equal to 2.0% of the class A1 and A2 notes' total outstanding balance, with a floor of EUR 5.5m corresponding to 1% of classes A1 and A2 notes' total original balance. The reserve is available to cover any shortfalls in interest payments on the classes A1 and A2 notes as well as any items senior to them in the priority of payments. The reserve fund covers c.4 months considering the Euribor spot rate, a level that we deem adequate to support the ratings of the notes.

### 6.3. Priority of payments

The issuer's available funds, which include collections from the portfolio, the cash reserve and swap proceeds, will be used in the following simplified order of priority:

**Figure 16: Priority of payments and available funds (simplified)**

| Pre-enforcement priority of payments | Post-enforcement priority of payments |
|---|---|
| **Available funds**<br>Collections from the portfolio, reserve fund, swap proceeds | **Available funds**<br>All issuer moneys, including funds from liquidation of assets and reserve fund |
| 1) Taxes and expenses (ordinary and extraordinary, including servicer fees)<br>2) Swap costs<br>3) Class A1 and A2 interests pro-rata and pari-passu<br>4) Reserve fund replenishment up to the target amount<br>5) Class A1 and A2 amortisation amount*<br>6) Subordinated loan interests<br>7) Subordinated loan principal<br>8) Class J interests<br>9) Class J principal | 1) Taxes and expenses (ordinary and extraordinary, including servicer fees and liquidation expenses)<br>2) Swap costs<br>3) Class A1 and A2 interests pro-rata and pari-passu<br>4) Class A1 and A2 principal amount pro-rata and pari-passu<br>5) Subordinated loan interests<br>6) Subordinated loan principal<br>7) Class J interests<br>8) Class J principal |

*The amortisation amount refers to the issuer's available funds after item 4) that are used to repay class A1 for a 45% share and class A2 for a share of 55%.

Source: Transaction's legal documentation

### 6.4. Hedging of interest rate risk

A fixed-floating swap mitigates the interest rate risk.

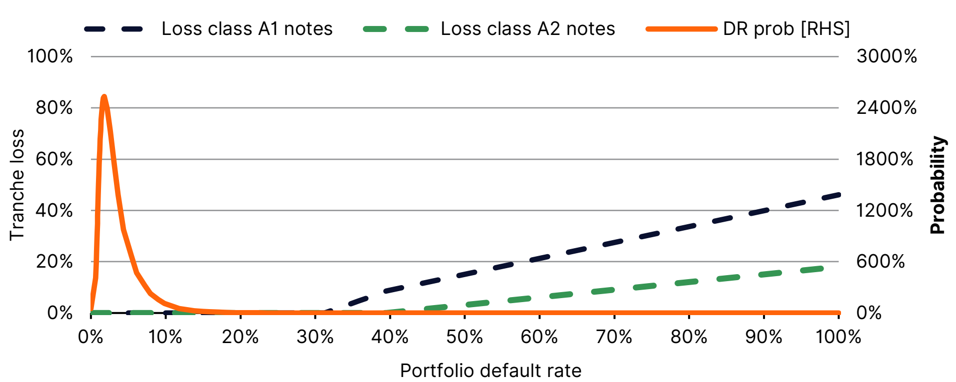
Interest rate risk is mitigated by a fixed-floating swap to cover against the fixed-to-floating interest rate risk i.e., the notes paying a variable interest while 57% of the mortgages pay a fixed rate. The notional of the swap corresponds to the minimum between: i) the aggregate outstanding amount of fixed-rate paying loans in the portfolio; ii) the aggregate outstanding notional of class A1 and A2 notes; and iii) the swap notional amount at the previous interest payment date. The issuer pays 2.2% (fixed leg) in exchange of 3-month EURIBOR (floating leg) on a quarterly basis. Any residual interest rate risk is covered by the modelling of the yield compression assumption (see section 5.5).

## 7. Cash flow analysis and rating stability

Our quantitative analysis determines the cash flows available for the rated notes in each simulated scenario.

We have assigned a $AAA_{SF}$ rating to the class A1 and A2 notes considering our cash flow analysis. This result incorporates our view on the current macroeconomic conditions and displays the strong support provided by the transaction's credit enhancement and payment mechanisms.

**Figure 17: Senior tranche losses (A1 and A2) for all portfolio default rates**




Note: The probabilities displayed on the right-hand side axis has to be considered in the context of the calculation of the probability density.

Source: Computations from Scope Ratings based on transaction data

The above figure shows the losses of the class A1 and class A2 instruments at all portfolio default rates. The chart shows how credit enhancement, recovery in case of default and excess spread protect the rated instruments. We have analysed the transaction with our cash flow model combining the portfolio default (inverse Gaussian) and recovery rate (Beta distribution) distributions to calculate the probability-weighted loss and expected weighted average life of each of the rated tranches.

## 8. Rating stability

### 8.1. Rating sensitivity

Our ratings reflect expected losses over the instrument's weighted average life

We have tested for deviations in the main input parameters: i) the base default rate and ii) the mean recovery rate. This analysis has the sole purpose of illustrating the sensitivity of the ratings to input assumptions and is not indicative of expected or likely scenarios. For the class A1 and A2 notes, the following shows how the results change compared to the assigned credit ratings.

| Class A1 | Class A2 |
|---|---|
| Parallel shift by +50% of the base default rate: **0 notches.** | Parallel shift by +50% of the base default rate: **0 notches.** |
| Parallel shift by -10% of the mean recovery rate distribution: **0 notches.** | Parallel shift by -10% of the mean recovery rate distribution: **0 notches.** |

Source: Computations from Scope Ratings based on transaction data

### 8.2. Break-even analysis

The resilience of the class A1 and A2 notes' rating is also illustrated in the break-even default rate analysis which assesses the minimum rate of default that leads to a loss for a rated instrument.

Class A1 and A2 instruments would not experience any loss at portfolio default rates below 31.2% and 39.5%, respectively.

**Figure 18: Break-even default rate analysis**

| Notes | Break-even default rate |
|---|---:|
| Class A1 | 31.2% |
| Class A2 | 39.5% |

Source: Computations from Scope Ratings based on transaction data

## 9. Sovereign risk

Sovereign risk does not limit the class A1 and A2 notes' rating. The risks of an institutional framework meltdown or legal insecurity are immaterial for the ratings.

For more insight into our fundamental analysis of Italy economy, see our press release dated 12 July 2024 ('Scope affirms Italy's BBB+/Stable long-term credit ratings').

## 10. Counterparty risk

Counterparty risk does not constrain transaction's ratings.

The transaction's counterparty risk supports the rated instruments' rating. We do not consider any counterparty exposure to be excessive. The limited exposures, the generally high credit quality of the counterparties, and the downgrade and replacement mechanisms support the rated instruments.  The counterparty roles performed by the servicer, the issuer account bank and the fixed-floating swap provider are considered material before assessing the available mitigants. The transaction's downgrade and replacement language and related remedy period over the issuer account bank and the swap provider are effective at mitigating counterparty risk for this transaction, with the remaining risk being considered immaterial. The servicer is not a rated entity. However, the servicer substitution clause and the appointment of Banca Valsabbina S.c.p.A. as back-up servicer, furthers mitigate servicer disruption risk.

### 10.1. Commingling risk

The transaction benefits from the following commingling risk mitigants: i) daily sweeps from the servicer ad-interim collection bank account (held at CR Asti) into the issuer collection bank (held at the issuer account bank); and ii) the appointment at closing date of Banca Valsabbina S.c.p.A. as back-up servicer.

We assumed a commingling risk of 0.9% of the current balance of the portfolio

As soon as possible and upon a servicer termination event, the back-up servicer in collaboration with the previous servicer, will instruct all borrowers to redirect their payments into the issuer's account or into the substitute servicer account.

We incorporated commingling risk into our analysis by assuming a reduction of 0.9% of the current portfolio's balance.

### 10.2. Set-off risk from originator

Borrowers may have multiple exposures to CR Asti beyond the residential mortgages which are subject of the securitisation, including deposits. Therefore, in case of CR Asti's default, debtors could be released from honouring the creditor's claim up to the amount of the crossclaim. The originator commits, pursuant to the warranty and indemnity agreement, to indemnify the issuer for any loss relating to the exercise of the set-off right by borrowers, however this does not fully mitigate the set-off risk.

We assumed a set-off risk of 0.7% of the current balance of the portfolio

We incorporated set-off risk into our analysis by assuming a reduction of 0.7% of the current portfolio's balance.

## 11. Legal and tax analysis

### 11.1. Legal framework

The transaction represents a true sale of prime residential mortgage loans to an Italian special purchase vehicle, which is a bankruptcy-remote vehicle.

The securitisation is governed by two different legal regimes. The conditions of the notes and of the subordinated loan, the agency and accounts, the intercreditor, the transfer, servicing and warranty and indemnity agreements are under the Italian law. Documents related to the fixed-floating swap and the security deed are governed by English law.

We assessed the key provisions of the legal documents compared to the requirements outlined in our General Structured Finance Methodology. The effect of taxes in the transaction is considered immaterial and captured within our modelling assumption for senior costs.

### 11.2. Use of legal and tax opinions

We reviewed the legal and tax opinions produced by reputable law firms with significant experience in international securitisations. These provide comfort on the issuer's legal and tax structure and support our general legal analytical assumptions.

The issuer is based in Italy, established as a securitisation company and subject to the Italian securitisation law. The issuer has the authority to enter into transaction documents, exercise and perform its obligations, and to issue notes. The issuer's obligations under an Italian court would be recognised as legal, valid and binding in accordance with the transaction documents. Transaction documents governed by the English law, would be recognised by the English courts.

## 12. Monitoring

We assessed the quality and adequacy of the performance and investor reports for this transaction. This ensures we can monitor the ratings continuously and review them at least once a year, or earlier if warranted by events.

Scope analysts are available to discuss all the details surrounding the rating analysis

Scope analysts are available to discuss all the details regarding the rating analysis, the risks to which this transaction is exposed and the ongoing monitoring of the transaction.

## 13. Applied methodology and data adequacy

For the analysis of this transaction, we applied our Residential Mortgage-Backed Securities Rating Methodology dated July 2024, General Structured Finance Rating Methodology dated March 2024 and Counterparty Risk Methodology dated July 2024, all available on our website scoperatings.com.

We analysed vintage data from the originators, public data, historical performance of previous Asti RMBS securitisations and the data tape

CR Asti provided us with granular performance data regarding its recovery, default, arrears, prepayment rates, covering a period from 2009 to 2023. We also received information on previous Asti RMBS historical renegotiations and analysed the performance from the historical Asti RMBS securitisations in conjunction with the data tape and public data.

## I. Summary of the portfolio characteristics and benchmarking table

| Key Features | Asti Group RMBS IV Srl | Asti Group RMBS III Srl | Asti Group RMBS II Srl | Asti Group RMBS Srl |
|---|---|---|---|---|
| **Number of mortgage loans** | 7,703 | 6,560 | 10,000 | 6,783 |
| **Number of borrowers** | 7,675 | 6,531 | 9,921 | n.a. |
| **Aggregate outstanding principal (EUR)** | 664,995,780 | 611,784,082 | 988,008,896 | 553,261,590 |
| **Minimum outstanding principal (EUR)** | 10,040 | 10,044 | 10,086 | 5,011 |
| **Maximum outstanding principal (EUR)** | 1,765,245 | 1,400,000 | 1,469,968 | 3,120,249 |
| **Average outstanding principal (EUR)** | 86,329 | 93,260 | 98,801 | 81,566 |
| **Aggregate original principal (EUR)** | 920,942,141 | 753,615,471 | 1,127,777,021 | 729,520,573 |
| **Minimum original principal (EUR)** | 18,989 | 17,600 | 14,882 | 6,407 |
| **Maximum original principal (EUR)** | 1,800,000 | 1,500,000 | 1,500,000 | 3,500,000 |
| **Average original principal (EUR)** | 119,556 | 114,880 | 112,778 | 107,551 |
| **Weighted average seasoning (y)** | 5.3 | 3.2 | 2.5 | 4.4 |
| **Weighted average residual maturity (y)** | 18.9 | 19.4 | 19.1 | 17.4 |
| **Interest rate type (fixed, floating)** | 57% / 43% | 61% / 39% | 56% / 44% | 29% / 71% |
| **Weighted average spread, floating rate loans** | 2.02% | 1.90% | 2.20% | 2.60% |
| **Weighted average interest rate, fixed rate loans** | 4.30% | 2.47% | 2.60% | 5.00% |
| **Weighted average interest rate** | 4.99% | 2.20% | 2.40% | 3.40% |
| **Payment frequency (1m/6m/3m)** | 99% / 1% / 0% | 99% / 1% /0% | 98% / 2% / 0% | 97% / 3% / 1% |
| **Weighted average current loan-to-value** | 53.92% | 57.27% | 56.98% | 51.70% |
| **Weighted average original loan-to-value** | 65.35% | 64.67% | 63.13% | 61.90% |
| **Borrower geographical area (north/central/south & islands)** | 99,09% / 0,25% / 0,65% | 98.98% / 0.23% / 0.79% | 99.2% / 0.2% / 0.6% | 99.4% / 0.2% / 0.4% |

## II. Vintage data provided by CR Asti

CR Asti provided default and recovery rate data for the period 2009-2023 that we present below. We considered this information in the calibration of the base case default and recovery rates.

**Figure 19: CR Asti default vintage data**

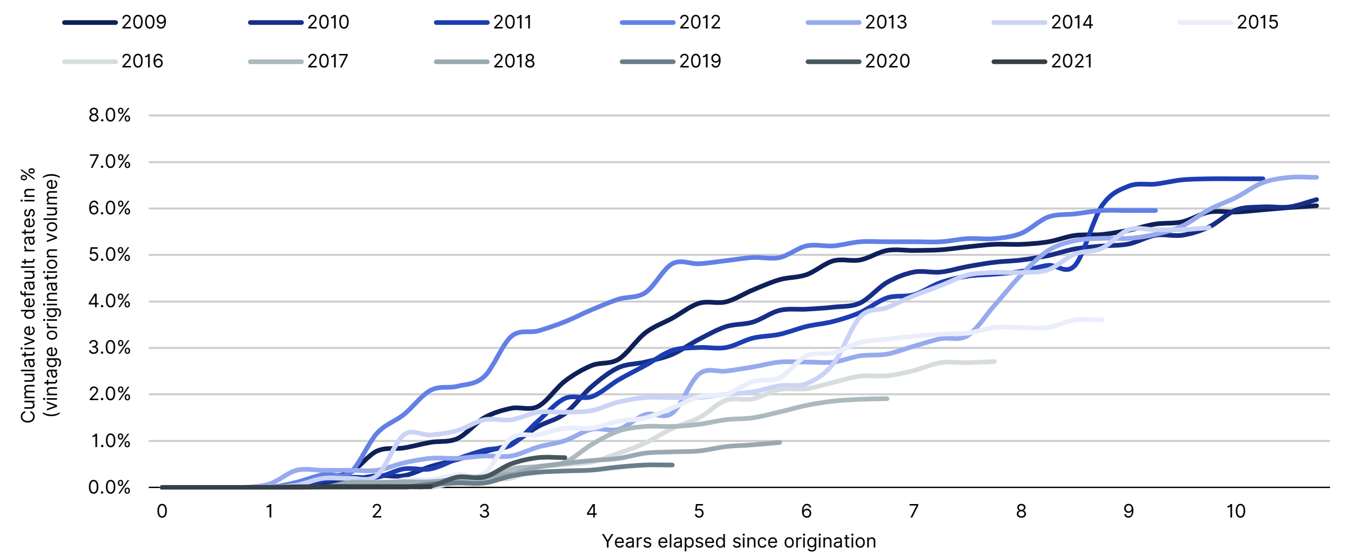
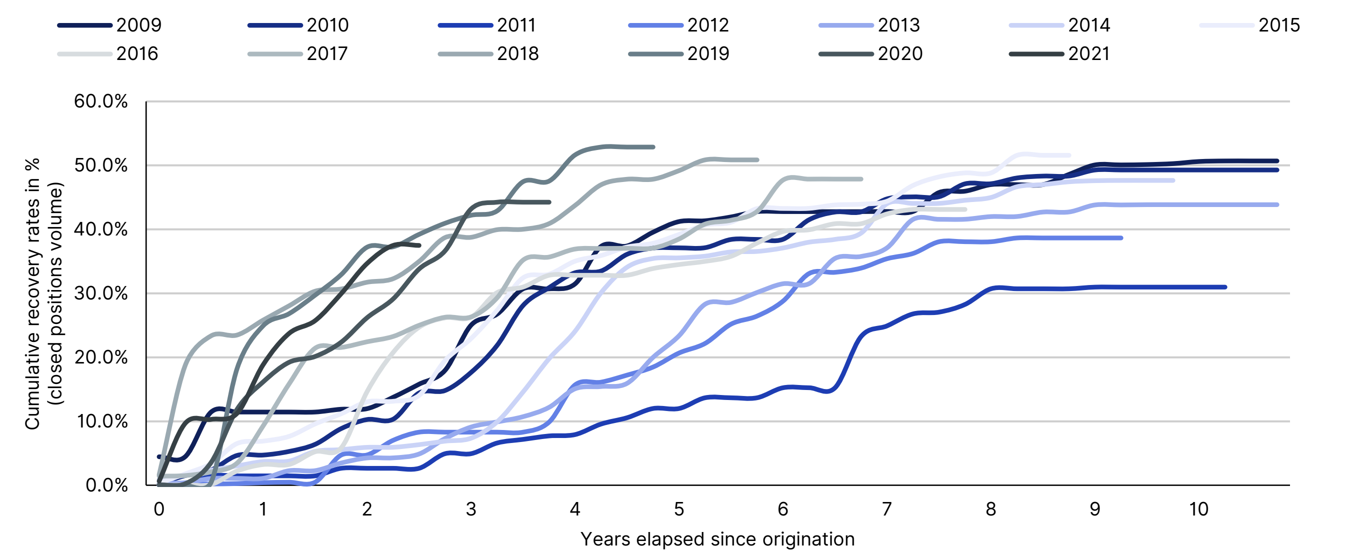



**Figure 20: CR Asti recovery vintage data**




Source: Originator vintage data

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