



Structured Finance Rating Methodology

www.arcratings.com

GLOBAL STRUCTURED FINANCE METHODOLOGY

This is an update to the methodology previously published on 18 September 2018.
There are no material changes and as such no rating impact.

I. INTRODUCTION

ARC Ratings' ('ARC') Global Structured Finance Rating Methodology (the 'Methodology') sets out a framework for the rating of any structured finance transaction rated by ARC. Structured finance transactions include all forms of asset backed securities, for example, amongst others: transactions backed by residential and commercial mortgage loans, car loans, personal loans, consumer loans, equipment leases and structured credit. The Methodology will be complemented by asset class specific criteria, to be published over time by ARC. The asset class specific criteria will disclose any additional observations to or deviations from the Methodology.

The main areas of attention when rating a structured finance transaction are the analysis of: the soundness of the legal structure: the historical and expected performance of the underlying assets to be securitised; any potential counterparty risk, a review of the originator and servicer; a stressed cash-flow modelling of the assets and liabilities, as necessary; and concluded by the rating panel process.

II. RELATED RESEARCH

Each transaction will be accompanied by a transaction specific report that will disclose any additional observations or modifications to the Methodology or asset class specific criteria.

III. STRUCTURED FINANCE RATINGS

In structured finance, a rating is accorded in line with the contents of the transaction documents – in particular the terms and conditions of the rated securities. Note that ARC is not a legal, tax or financial adviser and will only provide a credit opinion of the rated securities. For example, a rating does not cover a potential change in the applicable laws nor can it be regarded as an audit. Moreover, ARC is not a party to the transaction documents.

This Methodology is an update to the version published in September 2018. There are no significant changes to the criteria. The update to the Methodology will not have a rating impact on existing transactions. Going forward, all new transactions will be rated using this Methodology.

Upon request of the arranger, ARC can perform a credit assessment on a contemplated transaction. A credit assessment is based on a limited scope of information received by the Rating Agency and aims to provide an indication of what the final rating could be upon finalisation of the structure. The credit assessment is typically delivered following a review of the indicative structure and the analysis of asset pool and historical performance data.

It is important to note that a credit assessment is not a rating and relies only on a limited amount of information. Should the full set of information provided for the purpose of the final rating differ from or conflict with the information reviewed during the credit assessment process, the rating outcome may vary substantially from the credit assessment initially delivered. Credit assessments are a once-off assessment and are not reviewed/monitored.

IV. KEY RATING DETERMINANTS

ASSET PERFORMANCE ANALYSIS

ARC's Asset Performance Analysis allows the rating agency to understand the credit characteristics of underlying assets and behaviour of the assets under given stress scenarios. ARC's data requirements depend on the asset class to be securitised. The transaction may be backed by a granular pool of assets or a more concentrated pool with several large exposures. Concentration is considered in the analysis and may have an impact on credit enhancement. Relevant portfolio information typically includes: individual obligor risk ratings; the structure of receivables, including original amount and term, interest rate, outstanding balance and term; and specific underlying collateral characteristics.

Where the securitisation involves a homogeneous pool of assets, static pool analysis is necessitated in addition to dynamic analysis of the originator's portfolio. Static pool analysis requires an originator's portfolio to be divided into sub-pools or vintages, typically the month, quarter or year in which the loan or receivable was originated. The performance of the static pool is tracked over its entire life cycle, from the origination of the last loan until the maturity of the last loan in the sub-pool. The static pool analysis provides ARC useful information in respect of the loss horizon.

ARC's review of the historical asset performance and expected performance of the assets to be securitised, as well as available market data, allows the agency to establish a base case scenario of performance. ARC expects to receive a minimum of three years of historical data for transactions, longer for transactions with longer dated collateral or where the data arises from a benign economic period. Where such data does not exist, ARC may decline to rate the transaction or use other available data from market sources or comparable transactions.

ORIGINATOR AND SERVICER REVIEW

As part of the rating process, ARC's analysts will visit the originator and servicer to meet with key personnel and management involved in the transaction. Normally, the originator is also the servicer of the securitised asset pool. ARC expects the originator to provide a presentation that addresses, amongst others, the aspects listed in Appendix D. It is critical to perform an originator / servicer review, to form a qualitative assessment of the transaction. This consists of a review of underwriting / credit granting policies, as well as on-going origination, collections and servicing policies and procedures, to determine the ability of the originator/servicer to service and collect on the securitised portfolio. For existing transactions, a review is expected to be carried out on an annual basis to assess changes to policies and procedures. In addition to the review, an independent audit opinion on the underlying collateral / portfolio is expected for each transaction, except in cases where the collateral is fully insured by an external insurance counterparty. ARC may request an additional audit opinion where it is felt the auditor has a conflict of interest or is not a highly recognised firm. In instances, where an audit opinion is not provided, ARC will do a file review on a random selection of files relating to the underlying collateral.

ARC will form an opinion of the credit quality of the originator. In order to estimate correct proxies for the performance of the asset pool, ARC expects adequate historical performance information to be available, usually

in the form of static pool analysis. In the event that performance information does not include a full economic cycle, the rating panel might adjust the outcome of the base case calculations to more appropriately reflect the expected performance during the life of the transaction. Where insufficient information is available ARC may decline to rate a transaction.

ARC prefers each transaction to be supported by a suitable back-up servicer at closing. ARC expects the back-up servicer to be a party that is capable of servicing the asset pool in the event that the servicer becomes insolvent or incapable of doing so. ARC expects the back-up servicer to be a party rated by a registered ECAI to have relevant experience and to have performed a collection system review of the servicer. ARC expects to receive written confirmation from the back-up servicer that it can take-over the collection function; providing an estimate of the time it would take and that it will receive periodically all relevant information enabling it to take-over the function. ARC may also carry out a review of the back-up servicer's policies and procedures, as well as considering their experience and expertise in providing this function to other transactions.

In transactions where the corporate credit rating of the originator/servicer is of sufficient quality, or the assets are 'vanilla' in nature (i.e. are the subject of frequent securitisation) the back-up arrangements may be of a less restrictive nature. However, ARC expects that appropriate documents and arrangements are in place at closing to allow for a swift appointment of a back-up servicer upon material deterioration of the originator's credit rating. In the event that, during the initial rating process, ARC is not comfortable that the back-up servicer will be able to swiftly take-over the collection function, additional credit enhancement or liquidity arrangements may be necessary to support certain rating scenarios.

ARC expects the back-up servicing agreement to include the full cost of assuming the back-up servicing function. A back-up servicer can only withdraw from this role with at least 6 months' notice in which period a replacement back-up servicer would need to be found. In the event of non-performance, the SPV should be entitled to cancel the back-up servicing agreement without costs. In the event that the back-up servicer has no credit rating nor servicer ratings from any registered ECAI ARC is able to provide a servicer quality rating where an opinion is formed on management and staff, systems and controls, debtor administration, arrears management and the financial strength of the back-up servicer.

CASHFLOW ANALYSIS AND FINANCIAL STRUCTURE

ARC will publish, on its website, further asset specific criteria reports which should be read in conjunction with this report. If no such Asset Specific "Criteria Reports" are available, a transaction may be rated under this Methodology together with an asset specific methodology that will be detailed within the transaction report.

It should be noted that ARC does not structure transactions nor provide structural advice.

Primarily on the basis of the historical performance of the originator's assets, ARC sets a base case scenario that is reflective of ARC's expectation of the performance of the assets during the life of the transaction. This includes an expectation of the cumulative defaults and recoveries likely to occur during the life of the transaction to derive an expected loss. ARC may also use data collected from sources other than the originator to derive an appropriate base case.

The base case assumptions are determined in a rating panel and subsequently stressed for the relevant rating scenarios. Typically, a base case will correspond to a 'B(sf)' rating. For higher rating categories, progressively more severe stresses are applied to the base case in accordance with ARC's rating category definitions. Although a forward looking approach to rating is always adopted, the method of setting a base case scenario can differ per asset class; for example, for consumer ABS transactions the originator's historical portfolio information is used, whilst for a Collateralised Debt Obligation a Monte Carlo simulation estimates the securitised portfolio's future credit performance. Where a portfolio is exposed to concentrations, the transaction needs to be able to withstand a certain number of obligor defaults for each rating scenario.

ARC also forms an opinion on how delinquencies, prepayments, recoveries and portfolio yield (excess spread) impact the transaction, and will expect to see historic information relating to each of these factors.

The determined cumulative default and recovery rates (and their respective time vectors) are used as inputs to a cashflow model. To test the ability of the transaction to withstand stress in high rating scenarios, higher cumulative defaults and lower cumulative recoveries are assumed. The cashflow model attempts to mirror the transaction structure in a practical manner, but as accurately as possible. In addition to the elements mentioned in the previous paragraph, the cashflow model incorporates - to the extent relevant - running costs, transaction accounts, interest rate scenarios, liquidity facilities, swaps, the priority of payments and repayment profiles of the debt securities (sequential, pro rata or bullet redemption).

The method described above particularly applies to assets with a fixed repayment profile. For assets with no fixed repayment profile, such as trade receivables and credit card receivables, dynamic methods are used to calculate the appropriate credit enhancement.

Other considerations in the cashflow analysis are the repayment structure of the notes i.e. are the notes revolving or amortising, do the notes repay pro rata, sequentially or upon bullet maturity. The type of structure will determine the stresses applied in the model and the sensitivity to particular variables, such as prepayments, is likely to be tested.

Pro rata vs Sequential Structures

Pro rata structures provide for principal and interest collections to be paid proportionately to each tranche based upon its outstanding balance. This is more appropriate for underlying collateral where each instalment is a mix of interest and principal. However, where such structures also experience unscheduled payments (e.g. prepayments) such proportional pay down of notes is not appropriate because it is likely that the higher quality and/or higher yielding receivables will prepay. In such circumstances ARC would normally expect to see different principal waterfalls for scheduled and unscheduled payments, the former being pro rata and the latter sequential. In addition, even structures with pro rata pay down of principal would typically include triggers to revert to sequential. This effectively prevents the subordinated tranches from receiving unscheduled principal collections and reduces the balance of the senior tranches faster, thus increasing their level of subordination.

Alternatively, notes may be repaid via a sequential pay structure where the senior notes are repaid first. Sequential pay structures may also be based upon maturity, where the earliest maturing note may be repaid upon its maturity in full ahead of later maturing notes. Notes that pertain to a pro rata structure may convert to a sequential structure upon certain triggers being breached, typically linked to the performance of the underlying asset pool. In a pro

rata transaction, it is typical that the structure automatically reverts to a sequential structure upon 10% of the total aggregated issued notes remaining outstanding.

Under some structures, notes only receive interest on each payment date and do not receive principal collections because for a limited period (the 'revolving period') these can be invested in new assets (in accordance with pre-determined criteria). The timeframe of the revolving period is taken into consideration in the rating analysis, where ARC will rate to the worst-case portfolio according to the eligibility criteria, and is typically between 1-2 years (although longer periods can be considered). Provision is usually made for the revolving period to be terminated early in the event of breach of any performance triggers (e.g. higher than expected defaults).

CREDIT ENHANCEMENT

The financial analysis includes a review of the historical and expected performance of the assets to be securitised, and a cashflow modelling exercise that tests the adequacy of credit enhancement in the transaction under different rating scenarios. Credit enhancement can appear in different forms such as over-collateralisation, subordination, excess spread and guarantees. Credit enhancement is a key factor in a structure as it is the mechanism that provides protection from losses on the underlying pool. Credit enhancement for the transaction should be proposed by the arranger through the capital structure. ARC will then in most instances calculate expected loss and recovery rates to determine the appropriateness of the credit enhancement proposed, as well as perform cash flow modelling to test the availability of cashflows and credit enhancement in a stressed rating scenario. Credit-linked transactions do not provide for credit enhancement but are instead linked in some form to the rating of the underlying entity or guarantee provider.

Subordination is the most typical means of providing credit enhancement in a Structured Finance transaction. The subordinated class of notes and / or equity provide credit enhancement to the senior class of notes by having all losses on the asset pool allocated to the unrated tranches (including equity) first until its balance is reduced to zero. Transactions are often tranching into multiple rating categories with losses first allocated to equity, then to unrated tranches, then to the rated tranches in ascending order of seniority. The junior tranche is typically protected by overcollateralisation, excess interest (i.e. income received less all senior expenses and note interest obligations) or a fully funded cash reserve. Transactions which 'trap' excess spread in the structure, rather than pay out to the originator/servicer, might be able to achieve better ratings as a result.

COUNTERPARTY RISK

Securitisations rely to a certain extent on counterparties such as the collection and issuer account bank, the hedge provider, the liquidity facility provider, the originator in its capacity as asset servicer, and issuers of securities in which the SPV may temporarily invest retained cash ('Permitted Investments').

In order to support a rating higher than that of the originator, ARC expects transaction counterparties to meet the counterparty criteria summarised in Appendix C. ARC expects at closing that transaction documentation incorporates its counterparty criteria. If transaction documentation does not incorporate these criteria, ARC's rating panel will factor this into the credit analysis, with one potential outcome being a rating cap. The potential capping

of a rating depends on how important the counterparty is to the transaction. The underlying analytical assumption of the criteria listed in Appendix C is that a jump-to-default of the relevant counterparty within the specified remedial period is sufficiently remote to support the associated maximum achievable securities ratings.

If a transaction relies to a large extent on a counterparty without the associated risks being properly mitigated, the rating of the debt securities is likely to be closely linked to that of the counterparty. For example, the rating of a credit linked note is likely to be closely linked to the corporate credit rating of the specific reference obligor. However, if a suitable guarantee is in place, a higher rating may be possible in the event that the corporate credit rating of the guarantor is higher than that of the reference obligor. In a trade receivables transaction for example, given the nature of the underlying assets, the appropriate quantum of credit enhancement may be linked to the rating of the originator, particularly with reference to non-investment grade originators.

LEGAL REVIEW

The primary principle for a cash flow securitisation is to isolate the credit risk of a pool of assets from the corporate credit risk of the seller of such assets. In order to achieve this, an originator sells a set of clearly identified assets to a separate company, a so-called special purpose vehicle (SPV). If the sale qualifies as a true sale, the SPV will be the legal owner of the assets and as such be entitled to the proceeds arising from the assets, even in the event that the seller becomes insolvent. ARC expects this de-linkage to be described in a legal opinion. ARC's basic expectations regarding the SPV and the content of the legal opinion are listed in Appendices A and B respectively.

The SPV will typically issue debt instruments to fund the purchase of the assets. ARC's ratings will cover the payment ability of such instruments in accordance with transaction documentation unless indicated otherwise. The assets should generate enough cash to service the debt instruments in all relevant rating scenarios. Investors in the debt instruments normally only have recourse to the assets of the SPV. Under a synthetic securitisation, no sale of assets takes place and risk is taken to a pool of reference exposures, for example via credit default swaps.

ARC's analysts will review the documentation pertaining to the transaction, as well as legal opinions, to determine the robustness of the structure and that they are a true representation of the presented transaction. Legal opinions may also be reviewed by external counsel. Legal opinions are expected to address the legal structure of the transaction, as well as address the legal, valid, binding and enforceable nature of the documents, including those related to the underlying collateral, in respect of all relevant laws. For refinances or tap issuances a new legal opinion may not be sought if a legal opinion has been provided within the past 12 months, except where there has been a change to the transaction structure, in which case a fresh legal opinion will be required.

As part of the legal review, ARC will also request a letter of confirmation from the issuer that the pool of assets forming security to the transaction has not been dual-ceded to another party.

V. QUALIFICATION

Note that ARC is not a legal, tax or financial adviser and will only provide a credit opinion of the rated securities. For example, a rating does not cover a potential change in the applicable laws nor can it be regarded as an audit. Moreover, ARC is not a party to the transaction documents, nor does it provide legal, tax or structuring advice.

APPENDIX A: SPECIAL PURPOSE VEHICLE FEATURES

A properly established SPV should delink the credit risk of the securitised pool of assets from the credit risk of the originator. Amongst others, the following features typically apply to a SPV:

- The SPV is a stand-alone legal entity that can acquire rights and obligations;
- The SPV is set up as a bankruptcy remote entity. To achieve this, transaction parties agree that they can only rely on the proceeds of the securitised assets (i.e they are non-recourse) , that they will only be paid in accordance with a predetermined priority of payments and are bound to non-petition language (i.e. they will not file for bankruptcy of the SPV unless all rated securities have been repaid);
- If the originator becomes insolvent, the SPV's assets do not form part of the originator's bankruptcy estate. The SPV has an independent board of directors with restricted powers;
- The flow of cash out of the SPV is controlled by an independent party;
- The SPV's activities are restricted by its formation documents. The SPV can only perform activities instrumental to the transaction, as described in the transaction documentation;
- The directors of the SPV have limited ability to change the formation documents;
- The SPV is not an operating business, does not engage any employees nor occupies any premises;
- The directors of the SPV cannot alienate or encumber its assets, nor incur obligations other than as agreed per the transaction documents;
- The directors of the SPV cannot reorganise the SPV. The ownership structure of the SPV cannot change; and
- Dividends to be distributed out of the SPV, if any, can only be declared if, after payment, sufficient credit enhancement remains available in the transaction.

Different features may apply depending on the nature of the specific transaction, the securitised assets and the jurisdictions involved.

APPENDIX B: LEGAL OPINION

ARC's legal assumptions are factored into the credit analysis and are expected to be supported by a satisfactory legal opinion which may be reviewed by external counsel. Depending on the nature of the specific transaction, the securitised assets and the jurisdictions involved, different assumptions may apply.

Transaction Parties

- The SPV is a bankruptcy remote entity. If the SPV is not a new entity, the opinion includes a description of potential risks, if any;
- All transaction parties have been duly incorporated/ established, exist and are in good standing;
- All transaction parties have the power, capacity and authority to enter into and perform their obligations under the transaction documents to which they are a party;
- Any transaction documents to which the transaction parties are a party constitute legal, valid, binding and enforceable obligations against the relevant party;
- All transaction parties have obtained all necessary valid licenses, consents, authorisations etc; and
- The opinion will cover any local legal, regulatory and/or tax requirements or consequences that may affect any transaction party, in particular the SPV. The entry into or the creation of the transaction documents does not contravene any relevant law.

Transfer of Assets and Security

- The transfer of the assets from the originator to the SPV is a legal, valid, binding and enforceable sale. The sale withstands the insolvency of the seller and is enforceable against third parties and any insolvency official of the seller. In the event that legal title to the assets is not transferred at closing of the transaction, the opinion describes the mechanism how and when transfer of legal title happens and whether or not this creates any risks. The transfer of the assets is not re-characterised as a loan;
- The underlying receivables agreements constitute legal, valid, binding obligations of the related obligor.
- A cession of collection accounts is legal, valid, binding and enforceable. The cession should withstand the insolvency of the party ceding the accounts and is enforceable against third parties and any insolvency official of the seller; and
- Security granted to the SPV by whatever party is perfected, legal, valid, binding, and enforceable against third parties and any insolvency official.
- Cession, enforcement and validity of insurance policies, if applicable.

Non-petition, Limited Recourse, Subordination Provisions

Non-petition, limited recourse, subordination/priority of payments provisions are legal, valid, binding and enforceable obligations against all relevant parties (including hedge counterparties) and any insolvency official.

Commingling Risk

If there is commingling risk in the transaction, i.e. cash expected to be received by the Issuer is held by a transaction party that might be at risk of insolvency, the opinion describes this risk and the mitigants, if any.

Set-off Risk

If there is set-off risk in the transaction, i.e. the obligors might, in certain circumstances, have a right to reduce their obligation to repay by an amount owed to them by the originator, the opinion describes this risk and the mitigants, if any.

Reasoned Analysis

To the extent insolvency or enforcement issues could have an impact on the transaction; the opinion includes a reasoned analysis on these risks.

Tax Opinion

A separate tax opinion addresses all relevant taxes that could impact the transaction. Without limitation, this includes a description of the potential impact on the transaction of deferred tax liabilities, withholding tax, value added tax, stamp duty, transfer tax and corporate income tax. ARC is interested in understanding how the transaction documents incorporate adequate provision for taxes in a cash reserve, where relevant.

APPENDIX C: COUNTERPARTY RISK CRITERIA

Commingling Risk upon Insolvency of Account Bank

Bank Rating	Minimum ST Bank Rating with Remedial Action Language in Place	Maximum Rating of Securities	Remedial Action Upon Downgrade of Bank	Maximum Timing of Remedial Action
A1	Loss of A1	AAA	1. Replacement with suitable bank 2. Obligations unconditionally and irrevocably guaranteed by a suitable party 3. Any costs borne by the downgraded party	15 working days
A2	Loss of A2	A	As per above	15 working days
A3	Loss of A3	BBB+	As per above	15 working days
< A3	NA	No higher than rating of counterparty	NA	NA

Column 1 indicates the typically expected minimum short term rating in order to support the maximum security rating as per column 3. However, if remedial action language is in place as per columns 4 and 5, the short term ratings in column 2 suffice. ARC expects other parties, such as paying agents, to comply with the same rating thresholds as an account bank and money transfers should be made swiftly, preferably intra-day.

Commingling Risk upon Insolvency of Originator

ST Originator Rating	Maximum Rating of Securities	Collections Sweep Frequency from Originator to SPV	Maximum Contractual Payment Grace Period
A3 or better	AAA	At least once per month	N/A
Below A3	BBB	Weely	5 working days

ARC prefers collection accounts to be in the name of the SPV or properly ceded to the SPV in order to completely mitigate the potential risk that asset collections commingle with funds in the insolvency estate of the originator. However, for originators rated A3 or higher, this risk may be suitably mitigated as indicated in the table above.

For lower rated originators, more restrictive mitigants are appropriate, e.g. additional credit enhancement. The commingling quantum is the maximum estimated asset collections during the commingling horizon. The commingling horizon is the number of days between each cash sweep (taking into account any contractual payment grace period, plus the assumed debtors' notification period). An originator losing its minimum A3 rating is expected to trigger an automatic daily cash sweep to the Issuer's account.

Risk of Default on Permitted Investments

Minimum Investment Rating	Maximum Rating of Securities	Remedial Action Upon Downgrade of Investment	Maximum Timing of Remedial Action
A1 or AA-	AAA	Replacement with a suitable investment	Next Interest Payment Date
< A1 or AA-	No higher than rating of investment	NA	NA

ARC expects investments to be of a short term nature and to mature at least 2 days prior to the next payment date in the transaction, and the investment to pay interest and principal in full at maturity of the investment.

Risk of Non-payment of Hedge Counterparty

Counterparty Rating	Minimum ST Counterparty Rating with Remedial Action Language in Place	Maximum Rating of Securities	Remedial Action Upon Downgrade of Counterparty	Maximum Timing of Remedial Action
A1	Loss of A1-	AAA	1. Replacement with suitable party 2. Obligations unconditionally and irrevocably guaranteed by a suitable party 3. Posting of collateral to Issuer's Account 4. Any costs borne by the downgraded party	15 working days
A2	Loss of A2	A	As per above	15 working days
A3	Loss of A3	BBB+	As per above	15 working days
< A2	NA	No higher than rating of counterparty	NA	NA

ARC expects swap documentation to be drafted such that it is ancillary to the mechanics of the transaction. For example, automatic termination events for the benefit of the swap counterparty need to be limited. ARC expects a collateral support agreement to be in place at closing of the transaction. ARC expects a potential termination net settlement payment to be paid by the SPV to the swap counterparty to rank junior in the priority of payments if the termination is caused by a default of the swap counterparty.

Risk of Non-payment of Liquidity Facility Provider

Counterparty Rating	Minimum ST Counterparty Rating with Remedial Action Language in Place	Maximum Rating of Securities	Remedial Action Upon Downgrade of Counterparty	Maximum Timing of Remedial Action
A1	Loss of A1	AAA	1. Replacement with suitable party 2. Obligations unconditionally and irrevocably guaranteed by a suitable party 3. Fully draw of the available limit into the Issuer's account 4. Any costs borne by the downgraded party	15 working days
A2	Loss of A2	A	As per above	15 working days
A3	Loss of A3	BBB+	As per above	15 working days
< A2	NA	No higher than rating of counterparty	NA	NA

In the event that the liquidity facility provider needs periodic renewal, ARC expects a renewal notice to be sent out at least 20 working days in advance. If the facility is not renewed, the SPV needs to fully draw the available limit before maturity. ARC expects the margin to be paid by the SPV exceeding the interest earned on the transaction account, to rank junior in the priority of payments.

As indicated in the tables above, ARC's focus is on short term ratings, because the relevant time horizons will typically be of a short-term nature. For transactions that incorporate hedges, this may be different and the inclusion of a long-term rating threshold may be appropriate. ARC will determine this on a case-by-case basis.

APPENDIX D: ORIGINATOR / SERVICER REVIEW ATTENTION POINTS

An Overview of the Business

- History;
- Organisational structure;
- Recent material developments competition;
- Market share statistics;
- Financial performance and funding profile prospects for the future;
- Description of the main features of the assets to be securitised; and
- Biographies of senior management.

An Overview of the Underwriting / Credit and Collection Policies

- An overview of the underwriting department and origination channels;
- An overview of the credit department;
- Experience of credit personnel procedures for granting new credit ageing policy;
- Rehabilitation programs;
- Collection procedures, including expectations for the future write-off policies; and
- IT systems and disaster recovery.

An Historical Overview of the Performance of the Relevant Asset Book

- Dynamic arrears rates dynamic prepayment rates dynamic portfolio yield;
- Static cumulative default rates by vintage static cumulative recovery rates by vintage;
- Portfolio composition by relevant characteristics, ideally for each vintage other relevant performance information; and
- If possible, a comparison with the performance of competitors.

An Overview of the Proposed Transaction and How it will be Managed

- Depending on the specific transaction, other information may be requested;
- In addition to the above a review of the back-up servicer may be deemed necessary; and
- In absence of an audit report a sample file review may be carried out

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ARC Ratings is registered as a Credit Rating Agency with the European Securities and Markets Authority (ESMA), within the scope of the Regulation (EC) N° 1060/2009 of the European Parliament and of the Council, of 16 September, and recognised as External Credit Assessment Institution (ECAI).

Ratings assigned by ARC Ratings represent opinions on the capacity and willingness of an entity to make all required payments on a given obligation in a timely manner.

The rating(s) assigned by ARC Ratings in this report was / were sought by the entity whose financial commitments are being rated.

Prior to the assignment or revision of a rating ARC Ratings provides to the entity whose financial commitments are being rated the documents that substantiate the rating to be attributed. This entity is thus given the opportunity to clarify or correct factual details, thus allowing the rating assigned to be as accurate as possible. The comments made by the entity whose financial commitments are being rated are taken into account by ARC Ratings in the assignment of the rating.

ARC Ratings, S.A. historical default rates are published in the European Securities and Markets Authority Central Repository (CEREP) which can be accessed on the website cerep.esma.europa.eu/cerep-web/. ARC Ratings default rate is the probability of lack of full and timely payment of capital or interest or of the occurrence of any event that explicitly indicates that the future full and timely payment of those commitments will not occur (e.g., in case of insolvency).

Ratings do not constitute a recommendation to buy or sell, but only one of the factors to be weighted by investors.

Throughout the entire period during which ratings are valid, ARC Ratings monitors the issuer's performance on a constant basis, and may even bring forward the date of the review unless stated as point in time. Hence, prior to an investor using a rating, ARC Ratings recommends that it be confirmed, namely by consulting the list of public ratings available on the website www.arcratings.com.

ARC Ratings' ratings are assigned based on information, which may include confidential information, collected from a wide group of sources, which may include the entity whose financial commitments are subject to rating. ARC Ratings uses and treats this information with due care and attention. Although all due care was taken in the collection, cross-checking and processing of the information for the purposes of the rating analysis, ARC Ratings cannot be held liable for its accuracy. ARC Ratings must make sure that the information has a minimum level of quality prior to assigning a rating based on such information.

In the rating process, ARC Ratings adopts procedures and methodologies aimed at ensuring transparency, credibility and independence, and also that rating classifications are not influenced by situations of conflict of interests. Any exceptions to these principles are disclosed by ARC Ratings together with the rating of the financial commitment in question.