

1st May, 2021

XYZ Limited  
Street address  
City  
Postcode  
Country XYZ  
Attention: Recipient's Name

Re: Confidential Credit Assessment for ABC SPV

Dear Sir:

Pursuant to your request for a S&P Global Ratings confidential credit assessment, we have performed an abbreviated review of the relevant information furnished to us relating to the above-referenced Class A, B, C and D notes. Based on those materials and without the benefit of a more extensive analysis or meetings with any of the parties involved that are integral to our standard rating process for obligations such as the Class A, B, C and D notes, and, subject to the enclosed Terms and Conditions and to the qualifications set out in this letter below, S&P Global Ratings has assigned a confidential credit assessment of :

<b>Class</b>	<b>Indicative rating</b>	<b>Balance (€)</b>	<b>Credit Enhancement</b>	<b>Coupon</b>
A	aaa (sf)	366,415,000.00	5.1%	Euribor 1M + 0.5%
B	aa+ (sf)	3,857,000.00	4.1%	Euribor 1M + 0.8%
C	aa (sf)	3,857,000.00	3.1%	Euribor 1M +1.25%
D	bb+ (sf)	5,785,500.00	1.5%	Euribor 1M + 1.85%
E	NR	5,785,500.00	-	4%

as explained further in the enclosed report ("Report").


**This is a confidential point-in-time credit assessment as of the date set forth above ("Effective Date"). S&P Global Ratings does not maintain surveillance on the credit assessment and will not review or modify the credit assessment after the Effective Date. An assessment any time after the Effective Date could be different.**

**The credit assessment in no sense represents a rating and should not be represented as a rating.** The credit assessment does not imply an indicative rating of financial obligations that may be issued in the future secured on the Class A, B, C and D notes, or on the Class A, B, C and D notes themselves. Further, in the event that an actual rating is issued by us on financial obligations secured on the Class A, B, C and D notes, or on the Class A, B, C and D notes, such rating would be based on a complete review of the transaction, and it may be higher or lower than the credit assessment.

The credit assessment may not be used to distribute or underwrite debt. The Credit Assessment, including this letter and the Report, is provided by S&P Global Ratings to you on a confidential basis. You may not disclose the Credit Assessment, including this letter or Report, to third parties except (i) as required by law or regulation, or for regulatory purposes, or (ii) to third parties that are bound by appropriate confidentiality obligations; and in each case, only in accordance with law and in its entirety (including this letter, the enclosed Terms and Conditions and the Report) without any changes.

We are pleased to have had the opportunity of being of service to you. If we can be of any further help, please do not hesitate to call upon us.

Very truly yours,

A handwritten signature in cursive script that reads "S & P Global Ratings". The signature is written in black ink on a light-colored background.

S&P Global Ratings, acting through  
S&P Global Ratings Europe Limited

Analytical Contact:

Name:

Telephone #:

## **S&P Global Ratings Terms and Conditions Applicable To Credit Assessments**

You understand and agree that:

General. The credit ratings and other views of S&P Global Ratings, including, without limitation, credit assessments ("Credit Assessments"), are statements of opinion and not statements of fact. Credit ratings and other views of S&P Global Ratings are not recommendations to purchase, hold, or sell any securities and do not comment on market price, marketability, investor preference or suitability of any security. While S&P Global Ratings bases its credit ratings and other views on information provided by issuers and their agents and advisors, and other information from sources it believes to be reliable, S&P Global Ratings does not perform an audit, and undertakes no duty of due diligence or independent verification, of any information it receives. Such information and S&P Global Ratings' opinions should not be relied upon in making any investment decision. S&P Global Ratings does not act as a "fiduciary" or an investment advisor. S&P Global Ratings neither recommends nor will recommend how you or an issuer can or should achieve a particular credit assessment or credit rating outcome nor provides or will provide consulting, advisory, financial or structuring advice. To the extent permitted by applicable law, you will be liable to S&P Global Ratings and its affiliates for all Losses actually incurred and directly resulting from (x) a claim relating to S&P Global Ratings' provision of the Credit Assessment or (y) a claim that the provision by you or your authorized agents and advisors of information to S&P Global Ratings hereunder infringes or violates the intellectual property rights of a third party. For purposes of this paragraph, "Losses" means losses, damages, liabilities, judgments, costs, charges, expenses and reasonable attorneys' fees, including any such losses arising from claims asserted by a third party against S&P Global Ratings, in each case as finally determined by a court of competent jurisdiction in a proceeding in which you are a party. Losses do not include amounts resulting from S&P Global Ratings' fraud, willful misconduct or negligence resulting in death or personal injury as finally determined by a court of competent jurisdiction in a proceeding in which you are a party.

Not a credit rating. A Credit Assessment is not a credit rating and should not be represented as a credit rating. A Credit Assessment is S&P Global Ratings' view of the general credit strengths and weaknesses of an issuer, obligor, a proposed financing structure, or elements of such structures. It may also pertain to limited credit matters or carve out certain elements of a credit that would ordinarily be taken into account in a credit rating.

Credit Assessments Engl. law (04/18)

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Actions in S&P Global Ratings' Sole Discretion. S&P Global Ratings may assign, raise, lower, suspend, place on CreditWatch, or withdraw a credit rating, assign or revise an Outlook, and provide, update, suspend or withdraw a Credit Assessment, at any time, in S&P Global Ratings' sole discretion. S&P Global Ratings may take any of the foregoing actions notwithstanding any request for a Credit Assessment or a confidential or private credit rating, withdrawal of a credit rating or Credit Assessment, or termination of this Agreement.

Dissemination. The Credit Assessment, including any related letter or report, will be provided by S&P Global Ratings to you on a confidential basis. You may not disclose the Credit Assessment, including any related letter or report, to third parties except (i) as required by law or regulation, or for regulatory purposes, or (ii) to third parties that are bound by appropriate confidentiality obligations; and in each case, only in accordance with law and in its entirety without any changes. A breach of your obligations under this paragraph shall constitute a material breach of this Agreement. If S&P Global Ratings suspends or withdraws the Credit Assessment, you shall cease all use and dissemination of the Credit Assessment. If a Credit Assessment is disclosed other than in accordance with this Agreement or subsequently becomes public other than by an act of S&P Global Ratings or its affiliates, S&P Global Ratings reserves the right to suspend or withdraw the Credit Assessment, publicly comment on the Credit Assessment and/or publish any related letter or report. S&P Global Ratings may publish explanations of S&P Global Ratings' credit ratings criteria or credit assessment methodology from time to time and nothing in this Agreement shall be construed as limiting S&P Global Ratings' ability to modify or refine its credit ratings criteria or credit assessment methodology at any time as S&P Global Ratings deems appropriate. The provisions of this paragraph are subject to the restrictions on disclosure of Confidential Information set forth in this Agreement.

Information to be Provided by You. For so long as this Agreement is in effect, in connection with the Credit Assessment provided hereunder, you will provide, or cause to be provided, as promptly as practicable, to S&P Global Ratings all information requested by S&P Global Ratings relevant to the Credit Assessment. The Credit Assessment may be affected by S&P Global Ratings' opinion of the information received from you or your authorized agents and advisors. All information provided to S&P Global Ratings by you or your authorized agents and advisors regarding the Credit Assessment, will, as of the date such information is provided, contain no untrue

statement of material fact nor omit a material fact necessary in order to make such information, in light of the circumstances in which it was provided, not misleading. A material breach of the agreements in this paragraph shall constitute a material breach of this Agreement.

Confidential Information. For purposes of this Agreement, "Confidential Information" shall mean verbal or written information that you or your authorized agents and advisors have provided to S&P Global Ratings and, in connection with providing such information, have indicated in writing that the information is "Confidential." Notwithstanding the foregoing, information disclosed by you or your authorized agents and advisors to S&P Global Ratings shall not be deemed to be Confidential Information, and S&P Global Ratings shall have no obligation to treat such information as Confidential Information, if such information (i) was known by S&P Global Ratings at the time of such disclosure and was not known by S&P Global Ratings to be subject to a prohibition on disclosure, (ii) was known to the public at the time of such disclosure, (iii) becomes known to the public (other than by an act of S&P Global Ratings or its affiliates) subsequent to such disclosure, (iv) is disclosed to S&P Global Ratings by a third party subsequent to such disclosure and S&P Global Ratings reasonably believes that such third party's disclosure to S&P Global Ratings was not prohibited, (v) is developed independently by S&P Global Ratings or its affiliates without reference to the Confidential Information, or (vi) is approved in writing by you or your authorized agents and advisors for public disclosure. S&P Global Ratings is aware that securities laws may impose restrictions on trading in securities when in possession of material, non-public information and has adopted securities trading and communication policies to that effect.

S&P Global Ratings' Use of Information. Except as required by applicable law or regulation or otherwise provided herein, S&P Global Ratings shall not disclose Confidential Information to third parties.

S&P Global Ratings may (i) use Confidential Information to provide, update, suspend or withdraw a Credit Assessment, as well as to make internal determinations about commercial arrangements for its credit assessment activities, (ii) use Confidential Information to assign, raise, lower, suspend, place on CreditWatch, or withdraw a credit rating, and assign or revise an Outlook on a credit rating, and (iii) share Confidential Information with its affiliates or agents engaged in the credit ratings business who are bound by appropriate confidentiality obligations ("Ratings Affiliates and Agents").

Subject to the other provisions herein, S&P Global Ratings may also use, and share Confidential Information with any of its affiliates or agents engaged in other financial services businesses who are bound by appropriate confidentiality obligations ("Other Affiliates and Agents", and together with Ratings Affiliates and Agents, "Affiliates and Agents"), for modelling, benchmarking and research purposes.

Subject to the other provisions herein, S&P Global Ratings may publish and/or share with its Affiliates and Agents, who also may publish, data aggregated or derived from Confidential Information, excluding data that is specific to and identifies individual debtors, customers or clients.

S&P Global Ratings acknowledges for itself and on behalf of its affiliates that you may be entitled to seek specific performance and injunctive or other equitable relief as a remedy for S&P Global Ratings' or its affiliates' disclosure of Confidential Information in violation of this Agreement. S&P Global Ratings and its Affiliates and Agents reserve the right to use, publish, disseminate, or license others to use, publish or disseminate any non-Confidential Information provided by you or your authorized agents and advisors.

S&P Global Ratings Not an Expert, Underwriter or Seller under Securities Laws. S&P Global Ratings has not consented to and will not consent to being named an "expert" or any similar designation under any applicable securities laws or other regulatory guidance, rules or recommendations and does not accept responsibility for any part of, or authorize the contents of, any prospectus or listing particulars in relation to any securities. S&P Global Ratings is not an "underwriter" or "seller" as those terms are defined under applicable securities laws or other regulatory guidance, rules or recommendations. S&P Global Ratings has not performed the role or tasks associated with an "underwriter" or "seller" under any applicable securities laws or other regulatory guidance, rules or recommendations in connection with this engagement. S&P Global Ratings is not a provider of investment advice as that term is defined for the purposes of the Financial Services and Markets Act 2000, or the equivalent under any other applicable law, and has not provided any advice as an investment adviser or otherwise.

Economic and Trade Sanctions. As of the date of this Agreement, (a) neither you nor the issuer (if you are not the issuer) or any of your or the issuer's subsidiaries, or any director or corporate officer of any of the foregoing entities, is the subject of any economic or trade sanctions or restrictive measures issued by the United Nations, United States or European Union ("Sanctions"), (b) neither you nor the issuer (if you are not the issuer) is 50% or more owned or controlled, directly or indirectly, individually or collectively, by one or more persons or entities that is or are the subject of Sanctions, and (c) to the best of your knowledge, no entity 50% or more owned or controlled by a direct or indirect parent of you or the issuer (if you are not the issuer) is the subject of Sanctions. For purposes of clause (c) in this section, "parent" is a person or entity owning or controlling, directly or indirectly, 50% or more of you or the issuer (if you are not the issuer). For so long as this Agreement is in effect, you will promptly notify S&P Global Ratings if any of these circumstances change.

Entire Agreement. Nothing in this Agreement shall prevent you, the issuer (if you are not the issuer), or S&P Global Ratings from acting in accordance with applicable laws and regulations. Subject to the prior sentence, this Agreement, including any

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amendment made in accordance with the provisions hereof, constitutes the complete and entire agreement between the parties on all matters regarding the Credit Assessment provided hereunder. The terms of this Agreement supersede any other terms and conditions relating to information provided to S&P Global Ratings by you or your authorized agents and advisors hereunder, including without limitation, terms and conditions found on, or applicable to, websites or other means through which you or your authorized agents and advisors make such information available to S&P Global Ratings, regardless if such terms and conditions are entered into before or after the date of this Agreement. Such terms and conditions shall be null and void as to S&P Global Ratings.

**Limitation on Damages.** (a) S&P Global Ratings does not and cannot guarantee the accuracy, completeness, or timeliness of the information relied on in connection with a Credit Assessment or the results obtained from the use of such information. S&P GLOBAL RATINGS GIVES NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR SATISFACTORY QUALITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE.

(b) Except to the extent the relevant damages or other amounts are finally determined by a court of competent jurisdiction in a proceeding in which you and S&P Global Ratings are parties to result from fraud, willful misconduct or negligence resulting in death or personal injury, of S&P Global Ratings, S&P Global Ratings, its affiliates or third party providers, or any of their officers, directors, shareholders, employees or agents shall not be liable to you, your affiliates, or any person asserting claims on your behalf, directly or indirectly, in respect of: (i) any decisions alleged to be made by you or any other person as a result of the issuance of the Credit Assessment provided hereunder or the related analytic services provided by S&P Global Ratings hereunder or based on anything that may be perceived as advice or recommendations; (ii) any failure by S&P Global Ratings to comply with the provisions of any statutes, legislation, laws, rules or regulations; (iii) any negligence by S&P Global Ratings in the provision of the Credit Assessment or related analytic services; (iv) any costs, expenses, legal fees or losses that are consequential, indirect or incidental; (v) any lost income, lost profits or opportunity costs howsoever caused (whether caused directly or indirectly); (vi) any punitive or exemplary damages; and/or (vii) to the extent not already provided for in sub-paragraphs (b)(i)-(vi) above, any other actions, damages, claims, liabilities, costs, expenses, legal fees or losses whatsoever in any way arising out of or relating to the Credit Assessment or the related analytic services (in each case regardless of cause, including alleged inaccuracies, errors, or omissions) even if advised of the possibility of such damages or other amounts.

(c) Notwithstanding the above, in no event shall S&P Global Ratings be liable in an aggregate amount in excess of the aggregate fees paid to S&P Global Ratings for the Credit Assessment giving rise to the cause of action, except to the extent the relevant damages or other amounts directly result from fraud, willful misconduct or negligence resulting in death or personal injury.

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(d) The provisions of this paragraph shall apply regardless of the form of action, damage, claim, liability, cost, expense, or loss, whether in contract, statute, tort (including, without limitation, negligence), or otherwise.

(e) The invalidity, illegality or unenforceability of any provision of this paragraph does not affect or impair the continuation in force of the remainder of this paragraph.

(f) Neither party waives any protections, privileges, or defenses it may have under law, including but not limited to, laws relating to the freedom of expression.

**Termination of Agreement.** This Agreement may be terminated by either party at any time upon written notice to the other party. Except where expressly limited to the term of this Agreement, these Terms and Conditions shall survive the termination of this Agreement.

**No Third Party Beneficiaries.** Nothing in this Agreement, or the Credit Assessment when provided, is intended or should be construed as creating any rights on behalf of any third parties, including, without limitation, any recipient of the Credit Assessment. No person is intended as a third party beneficiary of this Agreement or of the Credit Assessment when provided. A person who is not a party to this Agreement shall have no rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Agreement.

**Binding Effect.** This Agreement shall be binding on, and inure to the benefit of, the parties hereto and their successors and assigns. Subject to the limitations contained in this Agreement, S&P Global Ratings shall be liable for the conduct of its affiliates that would otherwise constitute a breach of the terms of this Agreement if S&P Global Ratings had engaged in such conduct itself.

**Severability.** In the event that any term or provision of this Agreement shall be held to be invalid, void, or unenforceable, then the remainder of this Agreement shall not be affected, impaired, or invalidated, and each such term and provision shall be valid and enforceable to the fullest extent permitted by law.

**Amendments.** This Agreement may not be amended or superseded except by a writing that specifically refers to this Agreement and is executed manually or electronically by authorized representatives of both parties.

**Governing Law.** This Agreement and any related Credit Assessment letter or report shall be governed by the laws of England and Wales. The parties hereby submit to the exclusive jurisdiction of the English courts.

# Confidential Credit Assessment

## ABC SPV

Credit Assessment	May 1, 2021
Sector:	RMBS
Country:	Country XYZ
Originator:	XYZ Limited
Servicer:	XYZ Limited

The Credit Assessment reflects the following key points:

### Strengths

- None of the loans are in arrears;
- All assets are backed by owner-occupied properties;
- 20% of the borrower are civil servant;
- All mortgages are first-lien and 84% of the pool benefit from a guarantee;
- The priority of payment is sequential; and
- There is a fully funded general reserve fund on day 1, which benefits to class A notes.

### Weaknesses

- The closing assets do not benefit from seasoning credit, as the vast majority of the assets have been originated less than four years from the provided closing date;
- The weighted-average original loan-to-value (WA OLTV) of the closing assets is 91%, which is higher the neutral point defined in our archetypical pool – 80%; and
- The swap Counterparty does not hedge the step-up interest rate component leading to a decrease in excess spread.

## Qualifications and Assumptions

### Credit Assumptions Made by S&P Global Ratings:

- We applied an originator adjustment equal to 0.94x (the range we use is typically between 0.7x and 1.3x). We considered that an originator adjustment at 1.0x is commensurate with the trading history of XYZ Limited. XYZ Limited is an experienced RMBS originator with underwriting and servicing process in line with what we see in the Country XYZ market.
- In addition to the above 1.0x adjustment we applied a -0.06x adjustment to the originator adjustment to account for 20% of civil servant.
- Pool Audit – there are no errors, hence no penalty.

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## Pool Stratification Based on the Credit Assumptions You have Provided to Us and Our Analytical Judgement:

ABC SPV	
<b>Field – Penalty</b>	<b>31/03/2021</b>
Total Principal Balance	€378,500,000.00
<b>WA OLTV (%)</b>	<b>90.84%</b>
[0 – 40]	2.11%
(40 – 50]	2.90%
(50 – 60]	4.08%
(60 – 70]	5.91%
(70 – 80]	6.94%
(80 – 90]	9.95%
(90 – 100]	27.63%
>100	40.50%
<b>WA ELTV</b>	<b>87.05%</b>
<b>WA Seasoning (months) (All loans)</b>	<b>46.6</b>
>0 and <=2years – 1.0x	13.16%
>2 and <=4 years – 1.0x	44.34%
>4 and <=5 years – 1.0x	21.46%
>5 and <=6 years – 0.75x	10.61%
>6 and <=7 years – 0.70x	3.31%
>7 and <=8 years – 0.65x	2.24%
>8 and <=9 years – 0.60x	1.64%
>9 and <=10 years – 0.55x	1.84%
>10 years – 0.50x	1.39%
Self-employed – 1.25x	5.56%
<b>Protected employment ("civil servant")</b>	<b>20.3%</b>
<b>Second/Holiday home – 1.3x</b>	<b>0.00%</b>
BTL – 1.3x	0.00%
Second-lien – from 1.3x to 1.7x	0.00%

Interest Rate Product	
Float Life	0.00%
Fixed Life	100.00%
Fixed Float	0.00%
<b>WA Debt to Income (%) – from 0.7x to 2.5x</b>	<b>31.24%</b>
<= 25	16.39%
>25 and <=30	23.28%
>30 and <=45	60.33%
>45	0.00%
<b>Geo Conc. – 1.1x for Region</b>	
Region #1 (25%)	14.53%
Region #2 (10%)	5.15%
Region #3 (10%)	3.69%
<b>WA Indexed CLTV (%)</b>	<b>71.88%</b>
(70, 80]	25.85%
(80, 90]	29.12%
(90, 100]	9.08%
>100	0.45%
<b>Full Valuation</b>	<b>100.00%</b>
<b>Jumbo Valuations – 1.2x to the excess</b>	<b>4.68%</b>
<b>Guaranteed loans</b>	<b>84.14%</b>
<b>AAA RMVD</b>	<b>52.12%</b>
<b>Originator Adjustment</b>	<b>0.94</b>
<b>Loan Level Arrears</b>	<b>0.00%</b>

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## Credit Analysis Results

Rating Level	WAFF <sup>(1)</sup>	WALS <sup>(2)</sup>	CC <sup>(3)</sup>
AAA	15.43	26.10	4.03
AA	12.43	23.10	2.87
A	10.43	20.10	2.10
BBB	9.43	19.10	1.80
BB	7.43	18.10	1.34
B	5.43	16.10	0.87

<sup>(1)</sup> Weighted average foreclosure frequency expressed as a percentage of the initial pool balance

<sup>(2)</sup> Weighted average loss severity expressed as a percentage of the initial pool balance

<sup>(3)</sup> Credit coverage expressed as a percentage of the initial pool balance

WAFF Adjustment at AAA (Starting Point is 12%)	ABC SPV
LTV adjustment	1.16
Debt to income adjustment	1.25
Self-employed adjustment	1.01
Seasoning adjustment	0.93
<b>AAA WAFF Before Originator Adjustment</b>	<b>16.3%</b>
Originator Adjustment	0.94
<b>AAA WAFF</b>	<b>15.4%</b>

## Cash flow Analysis

Cash flow assumptions you have provided to us:

### Capital Structure

Class	Balance (€)	Credit Enhancement	Coupon
A	366,415,000.00	5.1%	Euribor 1M + 0.5%
B	3,857,000.00	4.1%	Euribor 1M + 0.8%
C	3,857,000.00	3.1%	Euribor 1M +1.25%
D	5,785,500.00	1.5%	Euribor 1M + 1.85%
E	5,785,500.00	-	4%

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**Closing Date:**

October 28, 2020.

**Legal Final Maturity:**

October 30, 2054.

**Payment Frequency**

- Notes – Monthly
- Assets – Monthly

**Reserve Fund**

The reserve required amount means 2% of the Principal Amount of the Rated Notes.

- Day one: 7,200,000€
- Amortizing: yes
- Floor: 1,000,000€

- Available for: unpaid items: (1), (2), (3), (4), (6), (8) & (10) of the revenue waterfall.

Any excess amount shall be release as principal available funds to amortize the notes.

**Hedging (Interest Rate Swap)**

- Notional: Class A to D outstanding amount at closing
- Start date: Closing date
- End date: 24 August 2037
- Fixed interest rate paid by the issuer: -0.368%

Swap Termination Payment due from the Issuer to the Interest Rate Swap Provider are subordinated in payment ranking.

**Revenue Waterfall (Simplified)**

	Item	Interest Funds	Principal Funds	General Reserve Fund
1	Senior fees (management company + senior expenses)	Y	Y	Y
2	Servicing fee	Y	Y	Y
3	Swap payment	Y	Y	Y
4	Class A notes interest	Y	Y	Y
5	Class A PDL	Y	N	N
6	Class B notes interest	Y	Y	Y
7	Class B PDL	Y	N	N
8	Class C notes interest	Y	Y	Y
9	Class C PDL	Y	N	N
10	Class D notes interest	Y	Y	Y
11	Class D PDL	Y		
12	Reserve top up amount	Y		
13	Class E PDL	Y		
14	Junior collection fees	Y		
15	Class E note interest	Y		
16	Remaining amount to the residual unitholder	Y		

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## Principal Waterfall (Simplified)

	Item	Principal Funds
1	Unpaid items (1), (2), (3), (4), (6), (8) & (10) of the Revenue waterfall, if not paid via the reserve	Y
2	Top up of reserve	Y
3	Class A notes principal amount	Y
4	Class B notes principal amount	Y
5	Class C notes principal amount	Y
6	Class D notes principal amount	Y
7	Class E notes principal amount	Y
8	Remaining amount to the Residual Unitholder	Y

## Fixed Fees

€185,000 per annum

## Cash Flow Assumptions Made by S&P Global Ratings:

### Recovery Timing on Defaulted Assets

29 months representing a weighted average recovery timing based on a combination of loan backed by a guarantee and a mortgage.

### Replacement Servicing Fee

We have modelled a stressed fee of 35bps, equal to the higher of 1.5x actual or 35bps, as per our criteria.

### Asset Fixed Rate

The Loan Eligibility Criteria states in item (xx) that “the Home Loan bears a fixed interest rate strictly greater than 1.25% per annum”. In a worst-case scenario, the weighted average fixed rate paid by the borrowers could decrease to 1.25% if all borrowers were able to renegotiate their mortgages. Consequently, we modelled a portfolio paying 1.25% as interest rate.

### Commingling Risk

As part of a Credit Assessment engagement, we assume that the counterparty documentation will be in line with our criteria and therefore no loss should take place. However, if the servicer becomes insolvent, there is a risk of the cash being 'frozen' resulting in delayed transfers of funds from the collection account to the issuer account. As XYZ Limited aims to fund a commingling reserve below a certain rating trigger, we considered this risk as fully mitigated.

### Set-Off Risk

We did not model any set-off risk as in country XYZ transactions (including XYZ Limited transactions rated by S&P) we usually obtain at closing a legal opinion that provides us comfort on that risk.

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## **This Credit Assessment is Subject to the Following Qualifications:**

- This credit assessment is point-in-time.
- The credit assessment on the Referenced Portfolio has been carried out using our RMBS WAFF (Weighted Average Foreclosure Frequency) and WALs (Weighted Average Loss Severity) quantitative credit approach and by applying, in part, relevant aspects of RMBS cash flow criteria.
- The following key areas of analysis have not been presented or fully addressed and many of these key areas could have a significant impact on S&P Global Ratings' conclusions:
  - Legal and tax analysis review
  - Review of final documentation and legal opinions
  - Review of final securitization structure and related cash flow model outputs, including the establishment of satisfactory expense caps (including indemnification) for various third parties
  - Review of final back-up servicing arrangements
  - Changes to the asset portfolio
  - Identity of all transaction participants, including any credit support providers
  - Review of any applicable interest rate or foreign exchange risk management
  - Our assessment of counterparty risks
  - Our assessment of operational risks

## **Criteria**

- Criteria | Structured Finance | General: Methodology To Derive Stressed Interest Rates In Structured Finance, Oct. 18, 2019
- Criteria | Structured Finance | General: Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions, Jan. 30, 2019
- Criteria | Structured Finance | RMBS: Global Methodology And Assumptions: Assessing Pools Of Residential Loans, Jan. 25, 2019
- Criteria | Structured Finance | General: Global Framework For Payment Structure And Cash Flow Analysis Of Structured Finance Securities – December 22, 2020
- Criteria | Structured Finance | General: Principles Of Credit Ratings – February 16, 2011
- Criteria | Structured Finance | General: Criteria Methodology Applied To Fees, Expenses, And Indemnifications, July 12, 2012
- Criteria | Structured Finance | General: Credit Stability Criteria, May 3, 2010

## **Dissemination**

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Analytical contact: Analyst Name, Telephone #:

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