

1st May, 2021

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

Re: Rating Evaluation Service for for ABC SPV

Dear Sir:

Thank you for requesting that S&P Global Ratings provide you with feedback through its Rating Evaluation Service (RES) on the indicative ratings for the securitization scenarios of ABC SPV. S&P Global Ratings has reviewed the specific scenarios you have provided and the following is a summary analysis reflecting our RES committee response.

Scenarios Presented and Indicative Rating Conclusions:

Scenario 1:

Class	Indicative Rating	Balance (€)	Credit Enhancement	Coupon
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%

Scenario 2:

Class	Indicative Rating	Balance (€)	Credit Enhancement	Coupon
A	AA+ (sf)	370,272,000.00	4.1%	Euribor 1M + 0.5%
B	AA- (sf)	3,857,000.00	3.1%	Euribor 1M + 0.8%
C	BBB+ (sf)	3,857,000.00	2.0%	Euribor 1M +1.25%
D	BBB- (sf)	3,857,000.00	1.0%	Euribor 1M + 1.85%
E	NR	3,857,000.00	-	4%

Supporting Rationale

The indicative ratings assigned by S&P Global Ratings based on the hypothetical portfolio provided, reflect the following factors:

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.

Credit Analysis

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.

Pool Stratification Based on the Credit Assumptions You have Provided to:

ABC SPV			
Field – Penalty	31/03/2021		
Total Principal Balance	€378,500,000.00	>0 and <=2years – 1.0x	13.16%
WA OLTV (%)	90.84%	>2 and <=4 years – 1.0x	44.34%
[0 – 40]	2.11%	>4 and <=5 years – 1.0x	21.46%
(40 – 50]	2.90%	>5 and <=6 years – 0.75x	10.61%
(50 – 60]	4.08%	>6 and <=7 years – 0.70x	3.31%
(60 – 70]	5.91%	>7 and <=8 years – 0.65x	2.24%
(70 – 80]	6.94%	>8 and <=9 years – 0.60x	1.64%
(80 – 90]	9.95%	>9 and <=10 years – 0.55x	1.84%
(90 – 100]	27.63%	>10 years – 0.50x	1.39%
>100	40.50%	Self-employed – 1.25x	5.56%
WA ELTV	87.05%	Protected employment (“civil servant”)	20.3%
WA Seasoning (months) (All loans)	46.6	Second/Holiday home – 1.3x	0.00%
		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%
WA Debt to Income (%) – from 0.7x to 2.5x	31.24%
<= 25	16.39%
>25 and <=30	23.28%
>30 and <=45	60.33%
>45	0.00%
Geo Conc. – 1.1x for Region	
Region #1 (25%)	14.53%
Region #2 (10%)	5.15%
Region #3 (10%)	3.69%

WA Indexed CLTV (%)	71.88%
(70, 80]	25.85%
(80, 90]	29.12%
(90, 100]	9.08%
>100	0.45%
Full Valuation	100.00%
Jumbo Valuations – 1.2x to the excess	4.68%
Guaranteed loans	84.14%
AAA RMVD	52.12%
Originator Adjustment	0.94
Loan Level Arrears	0.00%

Rating Level	WAFF⁽¹⁾	WALS⁽²⁾	CC⁽³⁾
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

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

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

⁽³⁾ 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
AAA WAFF Before Originator Adjustment	16.3%
Originator Adjustment	0.94
AAA WAFF	15.4%

Cash Flow Analysis

Cash flow assumptions you have provided to us:

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		

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.

Important Qualifications

The indicative rating is based on preliminary information. Due to the fact that many key points addressed in our traditional credit rating analysis are not known at this time, the final conclusions may differ significantly. For example, 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 the representations and warranties provided by each transaction party;
- Review of final securitization structure and related cash flow model outputs;
- Changes to the asset portfolio;
- Review of a third-party audit report (AuP) on the securitized portfolio;
- Identity of all transaction participants, including any credit support providers;
- Review of any applicable interest rate hedging agreement;
- Review of any permitted investments;
- Our assessment of counterparty risks; and
- Our assessment of operational risk associated with key transaction parties that provide an essential service to the transaction, including the servicer.

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 : Methodology Applied To Fees, Expenses, And Indemnifications, July 12, 2012
- Criteria | Structured Finance | General : Methodology: Credit Stability Criteria, May 3, 2010
- Criteria | Structured Finance | General: Principles Of Credit Ratings – February 16, 2011

Analytical contact: Analyst Name, Telephone #:

This evaluation is both preliminary and confidential. It is preliminary in that it is based on hypothetical information presented to us by you. You understand that S&P Global Ratings will not review, modify or

surveil this evaluation. Subsequent information or changes to the information previously provided could result in final conclusions that differ from the preliminary proposed conclusions. Please note the conclusions provided herein are based on assumptions you and your team have provided to us. To the extent that these assumptions, our criteria or other factors change, the rating implications could also change. You understand and agree that we are not financial advisors to you and that in performing the RES, S&P Global Ratings is providing indicative rating opinions on the scenarios presented; it is not endorsing or advocating any particular course of action. Nothing in this report is intended to create, or should be construed as creating, a fiduciary relationship between you and us and recipients of the indicative rating opinions. We have not consented to and will not consent to being named an “expert” under applicable securities laws. Neither S&P

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Should you have questions, please do not hesitate to contact me.

Sincerely,

Analytical Manager

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

Analytical contact: