New Issue Rating Report

GNB Auto Plan 2017 SP. Z O.O.

Auto ABS/Structured Finance

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RATINGS

Class	Rating	Notional (PLN m)	Notional (% assets)	CE (% assets)	Coupon	Final maturity
Senior Bond	AAA_{SF}	500.0	71.4	30.4[1]	3m-WIBOR + 1.2%	16 July 2030
Mezzanine Bond	Not rated	150.0	21.5	7.1	Confidential	16 July 2030
Sub-loan	Not rated	50.0	7.1	0.0	Confidential	16 July 2030
Rated bonds notional		**500.0**				

Scope's quantitative analysis is based on the portfolio dated 26 June 2017, subsequent updates and the replenishment criteria in the transaction documents, provided by the arranger. 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 SF Rating Definitions

Transaction details

Purpose	Liquidity/Funding
Issuer	GNB Auto Plan 2017 SP. Z O.O.
Originator/Servicer	Getin Noble Bank S.A. (NR)
Account bank	Citibank N.A. London Branch (NR)
Paying Agent	KDPW (NR)
Asset class	Auto ABS
Assets	PLN 700.0m
Rated bonds	PLN 500.0m
ISIN Senior Bond	PLGNBAT00014
Closing date	18 July 2017
Legal final maturity	16 July 2030
Payment frequency	Monthly
Payment dates	16th day of each month

Transaction profile

The transaction is a true-sale securitisation of a PLN 700m revolving portfolio of auto loans with no residual value risk, granted to private individuals and SMEs in Poland by Getin Noble Bank SA. Citibank N.A. London Branch is the issuer account bank and KDPW (the Polish central clearing house) is the paying agent.

The closing portfolio is comprised of 51% loans to SMEs and 49% to private individuals, with a weighted average life of two years and a weighted average portfolio interest rate of 6.9%. The portfolio composition and profile is expected to change as a result of replenishments, within reasonable limits.

Analysts

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Rating rationale (summary)

The rating reflects: i) the solid legal and financial structure of the transaction; ii) the quality of the underlying collateral in the context of the robust Polish macroeconomic environment; iii) the ability of the originator and servicer, Getin Noble Bank SA (Getin); and iv) the counterparty exposure to Citibank N.A. London Branch (Citibank) as the account bank and to KDPW, the Polish central clearing house, as the paying agent.

Credit enhancement of 30.4% subordination and excess interest from the assets protect the bond against losses from the portfolio. After the revolving period, the Senior Bond will benefit from quick amortisation, due to the sequential amortisation schedule and the amortising portfolio. The exposure to macroeconomic deterioration and counterparties is limited for the bond, due to the bond's amortisation over a short expected weighted average life of 1.8 years[2] from the end of the revolving period.

Scope's analytical assumptions on an aggregate portfolio basis are a point-in-time default rate of 6.8%, a coefficient of variation of 54.0% and a base case recovery rate of 32.7% (14.9% in the AAA-rating scenario).

The stable short-term outlook on the robust Polish economy reflects positively on the expected portfolio performance. Scope has determined that sovereign risk does not constrain the rating of the bond over its expected life.

The counterparty risk in this transaction is mitigated by the credit quality of the counterparties, mechanisms in the structure such as regular cash sweeps and back-up arrangements, as well as the limited time exposure. In addition, the account bank is subject to replacement should it lose its BBB rating. The transaction has counterparty exposure to Getin as the servicer, Citibank as the account bank and KDPW as the paying agent. Scope has assessed the credit quality of Getin and KDPW using public information; for Citibank we have also considered the bank's public credit ratings.

[1] Including PLN 12.5m reserve fund.
[2] The weighted average life from the end of the revolving period considers 0% prepayments.

RATING DRIVERS AND MITIGANTS

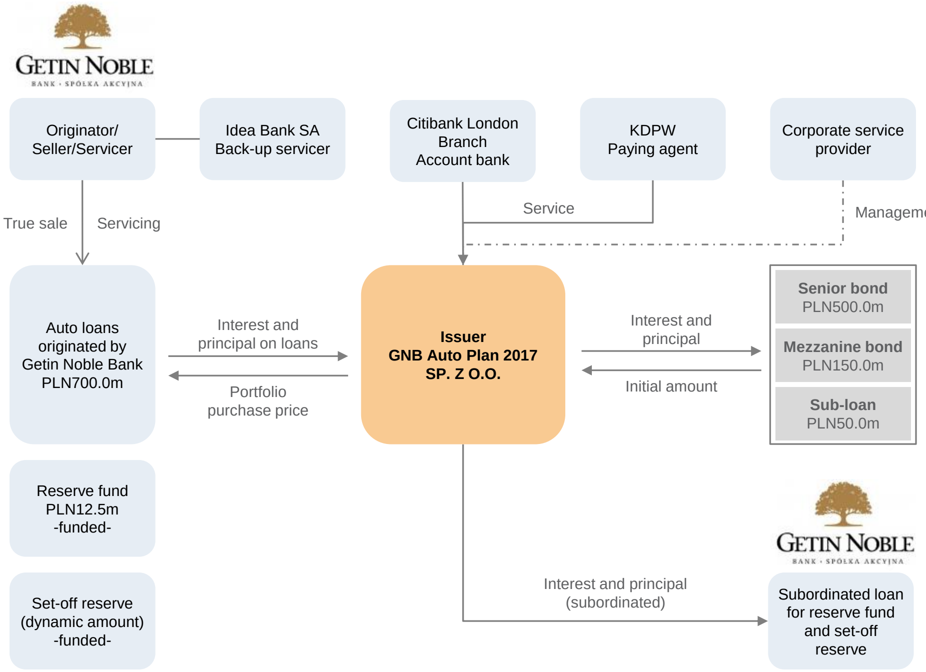
Positive rating drivers	Negative rating drivers and mitigants
Credit enhancement. The bond benefits from 30.4% credit enhancement from overcollateralisation and the cash reserve, which protects against losses from the portfolio.	**Lifetime default rate.** The long risk horizon expected for the portfolio results in a relatively high expected portfolio default rate of 6.8%, based on Getin's vintage data. The vintage data shows significant volatility, which Scope captures in a coefficient of variation of 54.0%
Excess spread. The asset portfolio will generate substantial spread in excess of interest due on the bond and transaction fees. Scope estimates an excess spread at closing of 3.8%, accounting for 1% of stressed senior fees. The analysis only considers an excess spread of 0.7%, which we expect as a result of the portfolio replenishments at the single asset covenant of 2.0% over 3-month WIBOR.	**Low recovery rates.** The high loan-to-value vehicle financing business of Getin (average original loan-to-value for this portfolio is 89.8%; Getin's lending policies allow up to 150%) results in low recovery rates. Scope estimated a base case recovery rate for the portfolio of 32.7% from vintage data, down to 14.9% in a AAA stress scenario.
Robust Polish economy. Scope expects a positive effect on the portfolio performance as a result of the obligor's improving capacity to service debt. The solid economic environment is demonstrated by strong GDP growth and rising employment in combination with sound support from the private sector.	**Revolving portfolio.** The characteristics and credit quality of the portfolio may migrate during the replenishment period of two years after the closing date. This risk is mitigated by the originator's expertise and by adequate single-asset, portfolio and performance covenants in the structure.
Back-up servicer. Operational risk arising from a servicer default is mitigated by the appointment of Idea Bank S.A. at closing as standing back-up servicer.	
Short default definition. The '90 days past due' (dpd) default definition allows the structure to react quickly to asset deterioration to provision for defaults by using excess spread.	
Short lifetime exposure. The bond has an expected weighted average life of 3.8 years[3] at a 0% constant prepayment rate, limiting exposure to counterparties and possible macroeconomic deterioration.	
Simple and transparent structure. The deal features a swapless, strictly sequential structure, two bonds and a subordinated loan, with a combined priority of payments and an adequately sized cash reserve.	
Set-off risk. Set-off risk is mitigated through a dynamic loan facility from Getin. The facility is re-sized according to the monthly updated set-off exposure.	

Positive rating-change drivers	Negative rating-change drivers
Faster-than-expected portfolio amortisation may benefit the rating if credit enhancement builds up before credit losses crystallise.	**Worse-than-expected asset performance** showing in a higher-than-expected default rate or lower-than-expected recovery upon asset default would negatively impact the ratings.
A better-than-expected portfolio at the end of the revolving period and the continued robustness of the Polish economy would also drive a stronger deal performance and could positively impact the rating.	

[3] The weighted average life of 3.8 years reflects the 24-months revolving period and the 1.8 years expected weighted average life of the bond after the revolving period.

1 TRANSACTION SUMMARY

Figure 1. Simplified transaction diagram



Source: Transaction documents and Scope.

GNB Auto Plan 2017 is Getin's first auto ABS transaction since 2012, and first Polish auto loan ABS publicly rated by Scope. The transaction consists of the securitisation of a PLN 700.0m portfolio of 21,838 fully amortising loans with no residual value risk, granted to Polish private individuals and SMEs for the purpose of acquiring vehicles. The transaction features a 24-month replenishment period, subject to performance and asset eligibility covenants.

2 THE AUTO LOAN ENVIRONMENT IN POLAND

Scope assumes that the borrowers in this portfolio benefit from the positive macroeconomic environment in Poland. Investments of EU funds, a well-performing industrial sector, solid availability of credit, and strengthening private consumption have supported Polish economic growth.

Scope views the improving debt service capacity of Polish borrowers as positive with regard to the performance of the underlying portfolio. Greater capacity to service debt, especially among private households, is bolstered by rising wages, low inflation and rising employment, as well as governmental measures, such as the child support programme introduced in 2017.

The greatest challenges for the Polish economy, and thus for borrowers in the portfolio, are of a political nature. Recent political measures, such as the curtailment of the Constitutional Tribunal's independence, could result in a weakened institutional framework, which may undermine the confidence of domestic and foreign investors. In addition, the poor profitability of the Polish banking sector might result in banks amending their lending terms, which could increase the cost of credit and reduce the debt service capacity of obligors.

Related reports

General Structured Finance Rating Methodology, dated August 2016.

Auto ABS Rating Methodology, dated August 2016.

Methodology for Counterparty Risk in Structured Finance, dated August 2016.

Contents

3 ASSET ANALYSIS

3.1 Securitised assets

The portfolio is comprised of standard loans used for vehicle acquisition, which are representative of Getin's auto loan book. The portfolio will benefit from a positive selection compared to Getin's total auto loan book, since eligibility criteria exclude exposures that have been in arrears for more than 90 days in the past, or which are more than 31 days in arrears at closing.

The current loan portfolio is well seasoned (2.0 years) with a low weighted average (WA) remaining term to maturity of 3.6 years. Portfolio replenishments will reduce the seasoning and increase the remaining term to maturity. The loans in the initial portfolio were originated between 2012 and 2017, with 87% originated from 2014 onwards. Loans transferred to the portfolio have at least one instalment paid and mature at a maximum of eight years after the transaction closes.

The loans display a high average original loan-to-value of 89.8%, which is expected to decrease due to the amortising nature of the assets. The standard amortisation scheme is French, and only 0.74% have a linear amortisation scheme. All loans pay a floating interest referenced to 3-month WIBOR.

The loans are granted for the acquisition of new (49.7%), and used (50.3%) cars, for both SMEs (50.9%) and private individuals (49.1%).

Consolidated figures are provided for information only. The asset analysis was performed over four portfolio segments (see Figure 2), and their respective risk profiles at the end of the revolving period.

Figure 2. Portfolio segments and expectation of a post-replenishment composition

	Total portfolio	Private/NEW	Private/USED	SME/NEW	SME/USED
Loan purpose	Private individuals/SMEs finance new/used vehicles	Private individuals finance new vehicles	Private individuals finance used vehicles	SMEs finance new vehicles	SMEs finance used vehicles
Current portfolio share	100.0%	32.4%	16.7%	17.3%	33.6%
Estimated share at end of revolving period	100.0%	39.7%	29.7%	11.2%	19.5%
Current WA seasoning	2.0 years	1.5 years	1.8 years	2.5 years	2.5 years
Estimated WA seasoning at end of the revolving period	2.0 years	1.8 years	1.6 years	2.8 years	2.8 years
WA remaining term	3.6 years	4.1 years	4.2 years	3.0 years	3.1 years
Estimated WA remaining term at end of the revolving period	5.7 years	6.4 years	6.4 years	4.3 years	4.2 years
WA spread[4]	5.2%	4.4%	5.2%	5.1%	5.9%
Estimated WA spread considered from end of the revolving period	2.1%	2.0%	2.0%	2.0%	2.3%

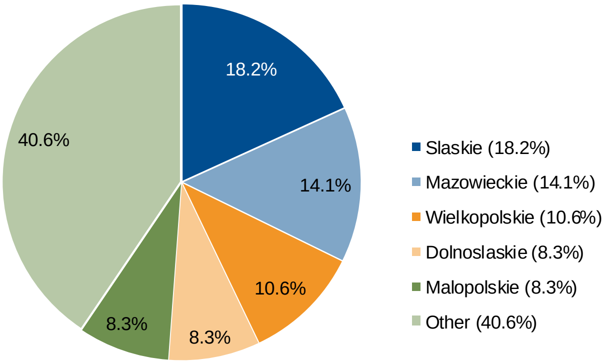
Note: Calculations of seasoning and remaining term figures that refer to the end of the revolving period incorporate the 24 months.

3.1.1 Regional distribution

The five largest regional exposures represent 59% of the current portfolio. Scope does not expect this to change significantly over the replenishment period, as the structure of the current portfolio resembles that of Getin's auto-loan book. Scope considers the higher exposure to these regions to be credit-positive because they contribute the most to Poland's GDP (approx. 59%).

[4] Scope derived the weighted average spread from the weighted average yield reported for each portfolio segment, considering a 3-month WIBOR of 1.73%.

Figure 3. Regional distribution of the initial portfolio



3.2 Replenishment period

We believe the transaction is adequately protected against risks inherent in revolving transactions (i.e. portfolio-quality migration and portfolio-performance deterioration). The risk of adverse changes to portfolio characteristics is mitigated by portfolio and single-asset covenants over the replenishment period.

Replenishment covenants enable migration towards best-performing segment

Scope believes that the single-asset and portfolio covenants should enable a transition of the portfolio towards the best-performing segment, Private/NEW. In combination with the portfolio-performance covenants, the single-asset and portfolio covenants are effective in protecting the transaction against negative portfolio migration from both replenishments and underperformance. A breach of these covenants would prevent the acquisition of additional assets and could lead to the bond's early amortisation.

Portfolio-level covenants set a minimum granularity and limit the potentially adverse impact on portfolio performance from loan restructurings.

Figure 4. Portfolio level covenants – applicable for the entire portfolio from closing

Portfolio covenants	Maximum	Performance covenants	Maximum
SME/USED share in the portfolio	35%	Max. cumulative default rate - during first 12 months - from 12 to 24 months	 3% 6%
SME share in the portfolio	54%	Delinquent-loan share in the portfolio	3%
USED share in the portfolio	52%	Share of loans restructured during preceding 12 months	3%
Balloon-loan share in the portfolio	35%		
Share of 25x4 and 33x3 balloon loans[5] in the portfolio	15.75%		
Top obligor / top-10 obligors	0.14% / 1%		

In addition, special portfolio covenants referring only to replenished assets ensure that the portfolio will migrate towards the 'private' segments, which is credit-positive for the transaction. The single-asset covenants prevent asset-liability mismatches and ensure new assets have a minimum interest, credit quality and history.

Figure 5. Replenishment covenants – applicable for sub-portfolios

Portfolio covenants	Maximum	Single asset covenants	Limit
SME/USED share	15%	Interest rate	Minimum 3-month WIBOR + 2.0%
SME share	25%	Seasoning	Minimum 1 month
USED share	50%	Remaining term	Maximum 96 months, capped at 16 July 2027
Balloon-loan share	35%		

[5] The 25x4 balloon starts with a 25% down-payment at origination followed by three bullet payments over the next three years. The 33x3 balloon starts with a 33% down-payment at origination followed by two bullet payments over the next two years.

3.2.1 Post-replenishment portfolio

Initial portfolio will change due to replenishments

The closing portfolio will change due to monthly replenishments over the two-year revolving period, from the closing date until 16 July 2019. The maximum replenishment amount on each replenishment date is the difference between the initial PLN 700.0m portfolio balance and the outstanding balance.

Scope analysed this revolving transaction, accounting for the risk of portfolio deterioration and the risk of changes to portfolio characteristics. Scope assumed the replenishment of the portfolio based on the covenant limits, both at aggregate portfolio level and by individual loan. We believe the risk of deviation beyond these limits is covered by standard stresses applied in the analysis.

Scope built its expectation of the post-replenishment portfolio by considering the initial portfolio's contractual amortisation and its replacement with new unseasoned loans. For subsequent portfolio replenishments, Scope assumed the most adverse possible additions, i.e. the maximum share of SME/USED loans, the maximum allocation to SME and also the maximum allocation to used-vehicle financing. Scope also took into consideration the minimum average yield for new loans added to the portfolio, the minimum seasoning and the maximum remaining term (see Figure 4 and Figure 5).

Scope assumed 3% of likely-to-default assets in the portfolio at the end of the revolving period, i.e. assets which are non-performing and not provisioned with excess spread. This share is derived from the dynamic delinquency amortisation trigger (see Figure 6) and is deducted from the performing balance at closing, net of assumed recoveries.

3.2.2 Impact of replenishment mechanisms and early amortisation triggers

Replenishment covenants protect collateralisation of the rated bond

The replenishment mechanisms preserve the collateralisation of the bond with non-defaulted assets and cash. The structure uses collected funds to acquire new assets every month. Portfolio defaults trigger excess-spread trapping, resulting in implicit overcollateralisation from potential recoveries on defaulted exposures. The replenishment period ends on 16 July 2019, or earlier if triggered.

The amortisation phase begins early if the originator/seller breaches any representations and warranties regarding either the assets' eligibility or the portfolio's concentration limits; also if the originator/seller cannot originate enough eligible receivables to maintain collateralisation with assets (i.e. maximum collateralisation allowed in cash is 10% on two consecutive payment dates.

The portfolio's underperformance also triggers the end of the replenishment period and the start of the amortisation phase (see triggers in Figure 6).

Early amortisation triggers protect against portfolio underperformance

Figure 6. Early-amortisation triggers related to the originator and the asset[6]

Trigger	Description
Event of default*	Issuer defaults on payment obligation
Redemption event*	Issuer is liquidated; failure to pay Senior Bond obligation; change of issuer's legal set-up
Dynamic delinquencies	Delinquencies (excluding 90+dpd) exceed 3.0% of the outstanding portfolio balance
Cumulative defaults	Balance of 90+dpd delinquencies over the securitised asset balance (initial portfolio plus replenishments) exceed 3.0% during the first 12 months since closing; and 6% from month 12 to the end of the revolving period
Limitation on restructured loans	Balance of assets subject to restructurings during the past 12 months over outstanding assets' principal balance exceeds 3.0%
Reserve fund*	Reserve fund is not at its required level
Portfolio balance	Balance of performing assets is below 90% of the closing portfolio balance on two consecutive preceding payment dates

In addition, the revolving period ends if Getin enters bankruptcy or resolution proceedings, is replaced as the servicer, or fails to extend the set-off reserve loan to the issuer (*)[7].

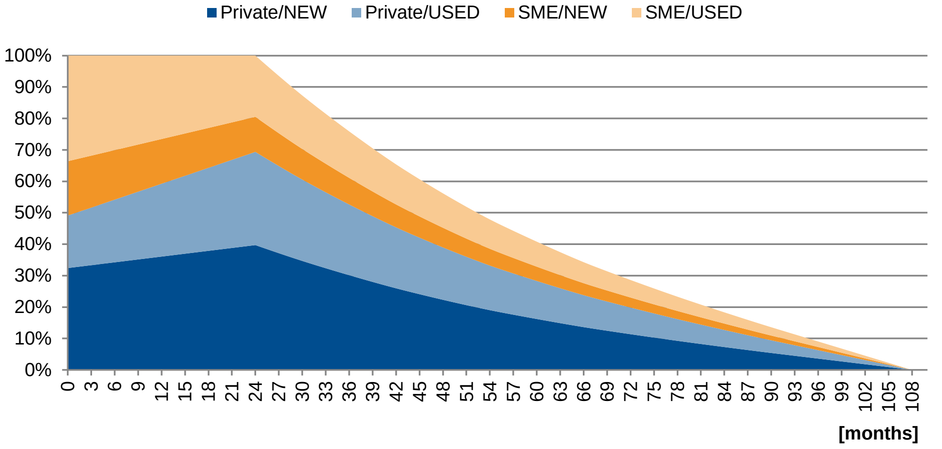
[6] Some of these triggers, not only trigger the end of the revolving period, but also result in accelerated amortisation (*).
[7] See above.

3.3 Amortisation profile

Senior Bond has short exposure to counterparty risk and possible macro-economic decline

The projected amortisation profile reflects the replenishment period as well as covenants over the remaining term and the amortisation scheme for the underlying assets. Figure 7 shows the evolution of the four portfolio segments that Scope considered in its analysis. Scope expects a transition towards a higher share of loans to private individuals, as a result of the replenishment criteria.

Figure 7. Projected portfolio amortisation profile (0% prepayment, 0% defaults)



3.4 Analytical portfolio assumptions

Figure 8. Portfolio assumptions for the projected portfolio at the end of the revolving period

	Portfolio	Private/ NEW	Private/ USED	SME/ NEW	SME/ USED
Share of portfolio at start of amortisation period	100.0%	39.7%	29.7%	11.2%	19.5%
Point-in-time default rate	6.8%	2.2%	10.0%	7.0%	11.0%
Coefficient of variation	54.0%	85.0%	60.0%	35.0%	40.0%
Base case recovery rate	32.7%	38.3%	33.8%	30.9%	29.6%
AAA rating-conditional recovery rate	14.9%	14.0%	18.0%	12.0%	12.0%
CPR low	0.0%	0.0%	0.0%	0.0%	0.0%
CPR high	25.0%	25.0%	25.0%	25.0%	25.0%

3.4.1 Default rate analysis for portfolio

Scope calibrated a point-in-time default rate and recovery assumptions based on 2006-2016 vintage data for the four sub-segments. The vintage data reflects the performance of Getin's auto loan book and captures the mild deterioration of asset performance following the global financial crisis (not as severe in Poland as it was in other European jurisdictions).

Replenishments increase the portfolio risk horizon

The default rate assumptions for the analysis in Figure 8 reflect the potential migration of the portfolio during the revolving period. The most relevant data used for the analysis is shown in Figure 13 to Figure 20 on pages 16 to 18.

3.4.2 Recovery rate

Scope analysed Getin's recovery vintage data, taking accumulated recoveries of up to three years after a default into account when deriving the base case recovery rates from vintage data. Scope estimates the portfolio average recovery lag to be 32 months.

Scope analysed the portfolio using fixed assumptions for recovery rates (derived from vintage data analysis), which were then stressed with haircuts based on the target rating of the bond (see Figure 8).

Analysis incorporates rating-conditional recovery assumptions

Scope applied an average 54.4% haircut to the base case recovery rates under the AAA-rating scenario, which captures the significant volatility found in Getin's recovery vintage data.

3.4.3 Constant prepayment rate (CPR)

Scope tested the Senior Bond against the most conservative 0% CPR assumption

Scope tested the Senior Bond against the most conservative CPR assumption of 0%, as the bond generally benefits from prepayments under the strictly sequential amortisation. Scope also tested a stressed CPR assumption of 25%, to test the transaction's reliance on excess spread. As Getin did not provide product-specific prepayment information, Scope applied a stress to the maximum prepayment rates of 15% shown in Getin's previous transaction. This is to account for the improved credit environment in Poland, which may trigger increased refinancing as a result of improved terms.

4 FINANCIAL STRUCTURE

4.1 Capital structure

Two classes of strictly sequentially bonds were issued. The proceeds from the issuance of the Senior Bond and the Mezzanine Bond were used, together with proceeds from a subordinated loan to purchase the initial portfolio of assets. Getin provides additional subordinated loans to fully fund a cash reserve and a set-off reserve on the closing date.

The Senior Bond pays a monthly coupon of 3-month WIBOR + 1.2%. Unused excess spread is paid to Getin, the holder of the Mezzanine Bond and the provider of the subordinated loan.

4.2 Priority of payments

Combined priority of payments protects against payment interruption

The structure features a combined priority of payments that provides material protection against payment interruption (Figure 9). Principal collections from the assets can be used to pay timely interest on the bond. Furthermore, only a few days' worth of collections suffice to pay the bond interest and other more senior items, even in the unlikely event of a servicer disruption.

Figure 9. Simplified priority of payments and available funds

Pre-enforcement priority of payments	Post-enforcement priority of payments
Available funds Collections from assets, proceeds from interest, treasury and principal accounts and reserve fund.	**Available funds** All issuer moneys, including funds from liquidation of assets and reserve fund.
1) Taxes and senior expenses (ordinary and extraordinary, including servicer fees) 2) Senior Bond interest 3) Reserve fund replenishment 4) Replenishment and amortisation a) Replenishment of portfolio before termination of replenishment period b) Principal for Senior Bond after termination of replenishment period 5) Subordinated items	1) Taxes and senior expenses (ordinary and extraordinary, including servicer fees and liquidation expenses) 2) Senior Bond interest 3) Principal for Senior Bond 4) Subordinated items

4.3 Amortisation and provisioning

Scope believes that the combination of strictly sequential amortisation, a reserve fund and excess spread are effective in protecting the Senior Bond.

Senior bondholders benefit from sequential amortisation

The amount allocated to replenishments – and following the replenishment period, to the principal amortisation of the bond – equals the monthly reduction in the performing balance of the portfolio.

The default definition of the transaction results in the early capture of excess spread. Loans are classified as 'defaulted' when they are more than 90 days in arrears or if subjectively considered unrecoverable by the servicer.

4.4 Replenishment and amortisation period

Portfolio covenants and priority of payments ensure bond's collateralisation

The replenishment covenants and the combined priority of payments ensure proper collateralisation during the revolving period. During the amortisation period, Senior Bond repayment is supported by the use of both excess spread to cover portfolio defaults and the reserve fund to repay the bond at the end of the transaction. These mechanisms are captured in the analysis and reflected in the ratings.

4.5 Reserve fund

Fully funded reserve fund provides 1.8% credit enhancement

The structure features a fully funded cash reserve, provided by Getin, equivalent to PLN 12.5m or 2.5% of the Senior Bond's initial balance. This reserve fund supports liquidity in the structure and can be used to cover losses at the end of the transaction. The reserve fund can cover costs and Senior Bond interest for more than six monthly payment dates, dependent upon changes in the floating interest rate.[8]

The reserve fund cannot be used to fund replenishments.

The reserve fund will not amortise during the life of the Senior Bond, unless the outstanding balance of the Senior Bond falls below that of the reserve fund. In this case, the reserve fund will be used to redeem the outstanding bond balance in full.

4.6 Matched interest rates

Interest type and payment frequency synchronise well with the liabilities

Unhedged interest rate risk has limited materiality for the credit quality of the Senior Bond, as the assets and rated liabilities reference 3-month WIBOR. In addition, the transaction will not become subject to negative carry from interest compression, thanks to the minimum asset interest of 3-month WIBOR + 2.0% for loans added during the revolving period as well as the current distribution of interest rates in the portfolio.

Repayments and replenishments are expected to reduce available excess spread, due to the replenishment interest covenant. In its analysis, Scope considered the minimum spread of the portfolio assets over 3-month WIBOR available during the expected life of the Senior Bond, resulting in an excess spread of 0.7%[9]. This represents a significant stress, compared to the excess spread of 3.8% available at the closing of the transaction. All calculations of excess spread assume stressed senior costs of 1%.

4.7 Issuer accounts

The issuer has a treasury account which collects all asset proceeds and holds the reserve fund, as well as the set-off reserve. The servicer will transfer the portfolio collections on three designated days per collection period.

Account represents commingling exposure to Citibank, the account bank

The account represents commingling risk exposure to Citibank London Branch as the account bank (see 'Counterparty Risk' on page 12). Potential negative carry introduced by this account is covered by available excess spread and credit enhancement.

5 ORIGINATOR AND SELLER

Getin Noble Bank SA is an experienced originator of auto loans in Poland and currently leads the market for new- and used-vehicle financing. Getin protects its market position by providing a wide variety of loan types and lending strategies through several distribution channels. This includes the financing of vehicles with up to a 150% loan-to-value, which generally results in reduced recoveries upon default.

Getin grants its loans via multiple distribution channels, including onsite presences at the vehicles' point of sale. The bank also cooperates with manufacturers to provide the financing service required to sell a vehicle.

The granting of loans is automated and mainly based on information from external credit bureaus. Manual reviews of applications are generally undertaken in non-conclusive cases, i.e. where Getin's internal scoring system does not indicate a clear acceptance or rejection of the application.

Getin's functions, systems, processes and staff are adequate and meet the standards of European banking

Getin's functions, systems, processes and staff are capable at providing efficient lending services in the auto loan market and meet the standards of European banking. On

[8] This calculation incorporates stressed senior costs of 1%.
[9] This calculation considers the contractual amortisation of the high interest closing portfolio and the replenishment with assets at the interest covenant minimum.

8 February 2017, Scope met Getin executives in Warsaw to gain a deeper understanding of the underwriting and servicing aspects which are relevant to the analysis.

Getin's interests are well aligned with those of the bondholders. The bank has provided the reserve fund, is entitled to the full idle excess spread from the portfolio, and holds the remaining instruments which were used to finance the acquisition of the portfolio. Therefore, Getin has a significant subordinate interest in the transaction.

5.1 Sanctioning and underwriting

The sanctioning and underwriting processes of Getin's vehicle finance unit are automated to reduce the response time. If Getin is not present at the point of vehicle sale, car dealers collect information from the customer and pass it on to Getin via digital platforms or by telephone to facilitate the fast processing of the application. A central back-office handles the applications, making use of internal and external data sources concerning the credit quality of the applicant and the value of the vehicle.

Getin's scoring systems automatically approve or reject 26% of loan applications. The remainder of applications are designated 'doubtful' and require an assessment by an experienced credit officer.

Analysts manually analyse cases for which the scoring system is inconclusive (the manual approval rate is 49%). Overall, about 70% of all applications are approved. The latest version of the scoring model was implemented in 2015 to incorporate new rejection cut-off points, which may reduce the number of automated rejections.

Getin regularly reviews the performance of its origination processes to make sure that the origination volumes stay within strategic limits: only loans which meet lending requirements are accepted.

5.2 Servicing and recovery

Adequate and proactive servicing and recovery processes

Scope considers Getin's loan servicing and management of non-performing loans to be adequate. Its approach is reasonably proactive and diligent, with actions initiated on the third day after a payment is missed. These begin with interaction with the obligor and can eventually lead to the collection of the car if the loan has not cured before the 90 dpd threshold.

The management of overdue debt takes place over three stages, which starts with contact with the obligor three days after the payment date in order to assess the situation. The second stage begins after the loan is 16 days overdue and involves the bank's attempt to renegotiate the loan's terms to allow the obligor to meet payment commitments. The final stage begins after 60 days overdue, when the bank negotiates the terms of the recovery process and initiates enforcement.

The recovery processes concentrate on the obligor and the vehicle, while the bank works with internal and external collectors. The bank makes use of all options to monetise collected titles, including portfolio sales and the auction of repossessed vehicles.

Scope believes Getin's servicing and recovery strategy is consistent with its business model, which focuses on the efficient handling of high volumes.

6 QUANTITATIVE ANALYSIS

Scope has assigned an AAA_{SF} rating to the Senior Bond based on its cash flow analysis. This result is underpinned by solid macroeconomic conditions and the strong support that the bond receives from the transaction's credit enhancement mechanisms.

Scope applied its large homogenous portfolio approximation approach (LHPA) when analysing the highly granular collateral pool. Key assumptions were then taken and applied to the cash flow analysis of the transaction over its amortisation period. Scope analysed the transaction using four distinct sub-segments, based on the composition of the portfolio that contains loans to private individuals and SMEs for the purchase of new and used vehicles.

Scope did not adjust the default rate for the long-term, given the historically stable economic expansion in Poland.

Scope used a bespoke cash flow analysis to analyse this transaction

Scope analysed the transaction with a cash flow tool, combined with the portfolio default distribution (inverse Gaussian) to calculate the probability-weighted loss for the bond. The cash flow tool also provides the expected weighted average life for the bond.

Scope used a front-loaded default term structure. Back-loaded default scenarios are not as severe owing to credit enhancement build-up and the effect of seasoning on the portfolio. The cumulative default-timing assumptions are shown in Figure 10 and represent the assumed default timings for the four portfolio segments when the replenishment period ends. The defaults are classified as 90+ dpd, in line with definitions in the documentation.

Front-loaded default timing considered

Figure 10. Cumulative default-timing assumptions for each portfolio segment

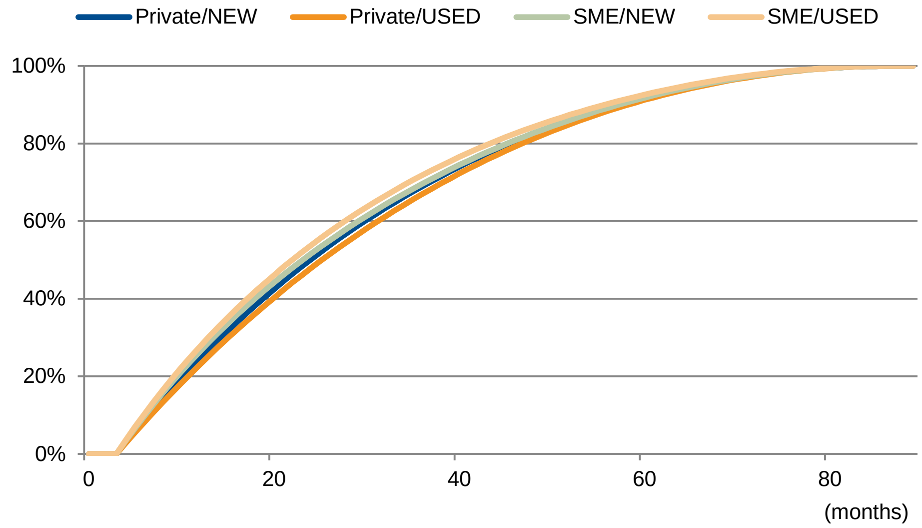
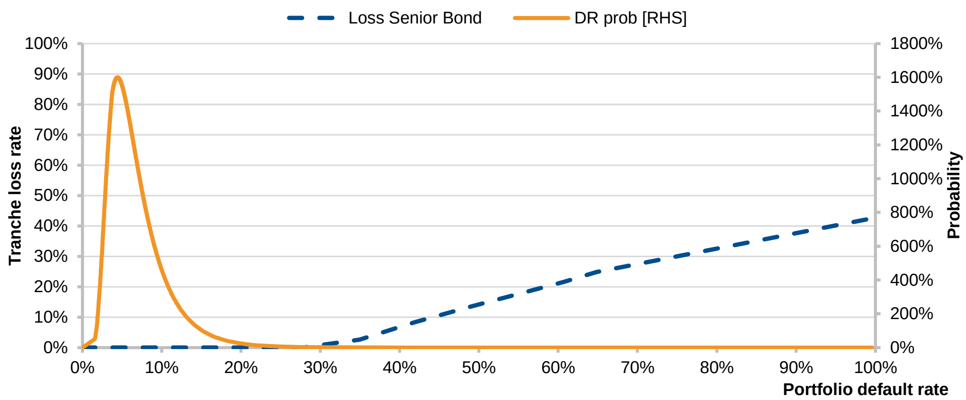


Figure 11 illustrates the losses of the Senior Bond at all portfolio default rates. The chart shows how credit enhancement excess spread and recovery proceeds in case of default protect the bond. The results in Figure 11 factor in an unconditional 5.0% discount to the portfolio balance at the beginning of the amortisation period, which accounts for: i) servicer commingling[10] and ii) potential non-performing assets in the portfolio at the end of the revolving period[11].

Figure 11. Cash flow analysis results for base case mean default rate, coefficient of variation and rating case recovery rate



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

[10] Scope determined servicer commingling equivalent to a loss of 2.4% of the portfolio balance at the end of the revolving period.
[11] Scope assumes that there are 3% of likely-to-default assets in the portfolio at the end of the revolving period, from which we determined a loss of 2.6% of the portfolio balance, accounting for the AAA-recovery rate of 14.9%.

7 RATING STABILITY

7.1 Rating sensitivity

Scope tested the resilience of the rating against deviations in the main input parameters: the portfolio mean default rate and the portfolio recovery rate. This analysis has the sole purpose of illustrating the sensitivity of the rating to input assumptions and is not indicative of expected or likely scenarios.

The following shows how the cash flow analysis-implied rating for the bond changes when the portfolio's expected default rate is increased by 50% and the portfolio's expected recovery rate is reduced by 50%, respectively:

Senior Bond, rated AAA_{SF}: sensitivity to probability of default, four notches; sensitivity to recovery rates, one notch.

7.2 Break-even analysis

The bond would not experience any loss at portfolio default rates of 26.7% or lower for zero recovery rate

The resilience of the Senior Bond rating is demonstrated by the break-even default rate analysis. The bond would not experience any loss at portfolio lifetime default rates of: i) 26.7% or lower, under a zero recovery rate assumption; or ii) 30.7% or lower, under the portfolio's AAA_{SF} recovery rate assumption of 14.9%, compared to a base case of 32.7%.

Figure 12. Break-even default rate analysis as a function of prepayments and recovery rates

Break-even default rates	0% CPR		25% CPR	
Portfolio recovery rate	14.9% (AAA_{SF})	0.0%	14.9% (AAA_{SF})	0.0%
Senior Bond	**30.7%**	**26.7%**	**37.8%**	**32.1%**

Note: All results incorporate the stress that Scope applies for likely-to-default obligors at the end of the revolving period and servicer commingling. Scope assumed a 5.0% upfront discount on the performing balance.

8 SOVEREIGN RISK

Sovereign risk does not limit the transaction's ratings

Sovereign risk does not limit the rating. The risks of an institutional framework meltdown or legal insecurity are immaterial for the Senior Bond rating, especially given its short expected weighted average life.

Scope factors in the solid economic outlook of Poland in the rating analysis, a result of the country's continuously growing GDP, rising wages and falling unemployment. Therefore the financial performance of Polish auto loan obligors is likely to remain stable during 2017, further supported by the improved debt service capacity among borrowers.

Challenges to growth are mitigated for the Senior Bond due to its short expected weighted average life. Scope does not expect a major shift in investor confidence that could adversely impact economic growth to materialise in the short term.

9 COUNTERPARTY RISK

The counterparty risk of the transaction supports the highest ratings. Scope does not consider any of the counterparty exposures to be excessive, i.e. if counterparty risk crystallises, a downgrade is still limited to a maximum of six notches.

9.1 Operational risk from servicer

Servicer replacement unlikely

Operational risk from the servicer; Getin, is well mitigated in the transaction. In the unlikely event of Getin's replacement in this role, Idea Bank SA (not rated by Scope), the standing back-up servicer in this transaction, would step in.

Citibank would support the issuer by appointing a new back-up servicer should Idea Bank become the servicer.

Comingling risk from the exposure to Getin as servicer is factored into the rating and accounts for Getin's credit quality, the limited exposure and the short holding period. Scope deducted 2.4% from the performing portfolio at the end of the revolving period to incorporate the potential loss from servicer commingling.

9.2 Commingling risk from account bank

Commingling risk does not represent a material risk for the bond

The Senior Bond has a short expected weighted average life of just 3.8 years under a 0% constant prepayment rate. Given Citibank's high credit quality, Scope considers the risk of commingling losses to be immaterial for the bond.

The risk is further mitigated by the replacement of the account bank upon loss of BBB.

Scope assessed the credit quality of Citibank using public information as well as public ratings of the bank.

9.3 Commingling risk from paying agent

Scope considers the commingling risk to the paying agent, KDPW, to be immaterial for the transaction. The exposure to KDPW is only intra-day and for a maximum of one monthly collection. In addition, KDPW's credit quality mitigates the commingling risk.

Scope assessed the credit quality of KDPW using public information, considering in particular the shareholder structure and the institution's importance as the central clearing house in Poland for the country's financial system.

9.4 Set-off risk from originator

Scope believes set-off risk from the originator is mitigated fully

Set-off risk is fully mitigated in this transaction. Getin funds a set-off reserve, which is continuously adjusted on a monthly basis, to always cover the set-off exposure in the portfolio. Set-off exposure is recalculated every month to reflect amortisations and additions from replenishment.

A failure to fund the reserve terminates the revolving period.

10 LEGAL STRUCTURE

10.1 Legal framework

This securitisation is governed by Polish law and represents the true sale of the assets to a bankruptcy-remote vehicle without legal personality, represented by TMF Poland sp. z o.o., the corporate service provider. The SPV is essentially governed by the terms in the documentation. Changes to the documentation require the unanimous agreement of all stakeholders to the transaction, i.e. bondholders and creditors.

10.2 Asset replacement

Getin will replace or repurchase any asset in the portfolio that does not comply with eligibility criteria in the documentation. We believe the risk that weaker assets are transferred to the final portfolio is covered by our mean default rate assumption for the portfolio.

10.3 Restructurings

Adverse impact of loan restructurings is limited

The documentation allows the servicer to restructure terms of loan contracts in the portfolio, notably for interest rates, nominal values (e.g. as a result of capitalising interest) and maturity. In all cases, negotiations with obligors would follow the originator's standard procedures and approval processes.

Documentation includes covenants that prevent the economic imbalance of the transaction as a result of restructurings, i.e. the portfolio's share of loans that were subject to a restructuring during the past 12 months is not allowed to exceed 3% of the outstanding balance. We believe the impact of these restructurings is covered in our mean default rate assumption for the portfolio.

10.4 Use of legal and tax opinions

Tax efficient set-up; bankruptcy-remote SPV

Scope reviewed the legal and tax opinions produced for the issuer. The legal opinions provide comfort on the issuer's legal structure and supports Scope's general legal analytical assumptions.

The tax opinions produced for the issuer indicate that the transaction has a tax-efficient structure, i.e. no taxes apply except for value-added tax on contracted services, which remain a cost for the issuer.

11 MONITORING

Scope will monitor this transaction on the basis of the performance reports from the cash manager as well as other available information. The ratings will be monitored continuously and reviewed 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 surrounding the rating analysis, the risks to which this transaction is exposed, and the ongoing monitoring of the transaction.

12 APPLIED METHODOLOGY AND DATA ADEQUACY

For the analysis of this transaction Scope has applied its Auto ABS Rating Methodology, dated August 2016, the General Structured Finance Rating Methodology, dated August 2016 and the Methodology for Counterparty Risk in Structured Finance, dated August 2016, all available on our website www.scoperatings.com.

Getin provided Scope with default and recovery data, segmented by quarterly vintage of origination, referring to a 90 dpd default definition. The default rate data covers a period from 2006 to 2016 and is generally granular, showing defaulted volume of PLN 6,538m. The recovery data also covers a period from 2006 to 2016, referring to all recoveries during that period.

APPENDIX I. SUMMARY OF PORTFOLIO CHARACTERISTICS

Analysis considers replenishment covenants, and the portfolio from 26 June 2017

Key features	Closing portfolio as of 26 June 2017	Portfolio adjustments for replenishments[12]
Originator (% of balance)	Getin Noble Bank SA	
Closing date	18 July 2017	
Portfolio balance (PLN m)	**700.0**	
Number of assets	21,838	
Average asset size (PLN)	32,054	
Maximum asset size (PLN)	483,813	
Minimum asset size (PLN)	809	
Segment: Private/NEW	**32.4%**	**39.7%**
WA life (0% defaults and 0% prepayments) (years)	2.2	**2.8**
WA seasoning (years)	1.5	**1.8**
WA remaining term (years)	4.2	**5.7**
Segment: Private/USED	**16.7%**	**29.7%**
WA life (0% defaults and 0% prepayments) (years)	2.3	**3.0**
WA seasoning (years)	1.8	**1.6**
WA remaining term (years)	4.3	**6.4**
Segment: SME/NEW	**17.3%**	**11.2%**
WA life (0% defaults and 0% prepayments) (years)	1.6	**2.5**
WA seasoning (years)	2.5	**2.8**
WA remaining term (years)	3.0	**4.3**
Segment: SME/USED	**33.6%**	**19.5%**
WA life (0% defaults and 0% prepayments) (years)	1.7	**2.4**
WA seasoning (years)	2.6	**2.8**
WA remaining term (years)	3.1	**4.2**
Largest obligor	0.1%	
Top 10 obligors	0.5%	
Largest region	18.2% (Slaskie)	
Top 3 regions	42.9%	
Current WA coupon	6.9%	**3.8%**
Loans in portfolio referencing 3-month WIBOR (% of balance)	100.0%	
Amortising loans	100.0%	

[12] Weighted average life, seasoning and remaining term refer to the segments' profiles at the end of the 24-months revolving period.

APPENDIX II. VINTAGE DATA PROVIDED BY GETIN NOBLE BANK

Vintage data is granular and representative for the portfolio

Getin provided 90 dpd delinquency and recovery performance data for the four segments in the portfolio. Scope considered the information in its analysis as foundation for the calibration of point-in-time default rates, coefficient of variation and base case recovery rates.

Getin vintage data – default and recovery rates – 90 dpd reference

Figure 13. Private/NEW loans – 90 dpd delinquency vintage data presented by Getin

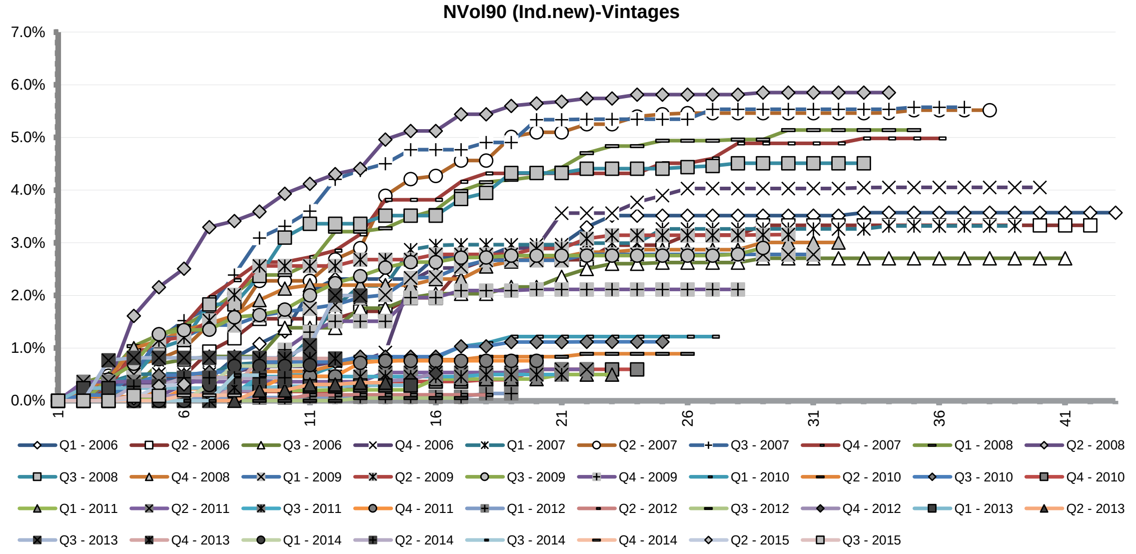


Figure 14. Private/NEW loans – 90 dpd recovery vintage data presented by Getin

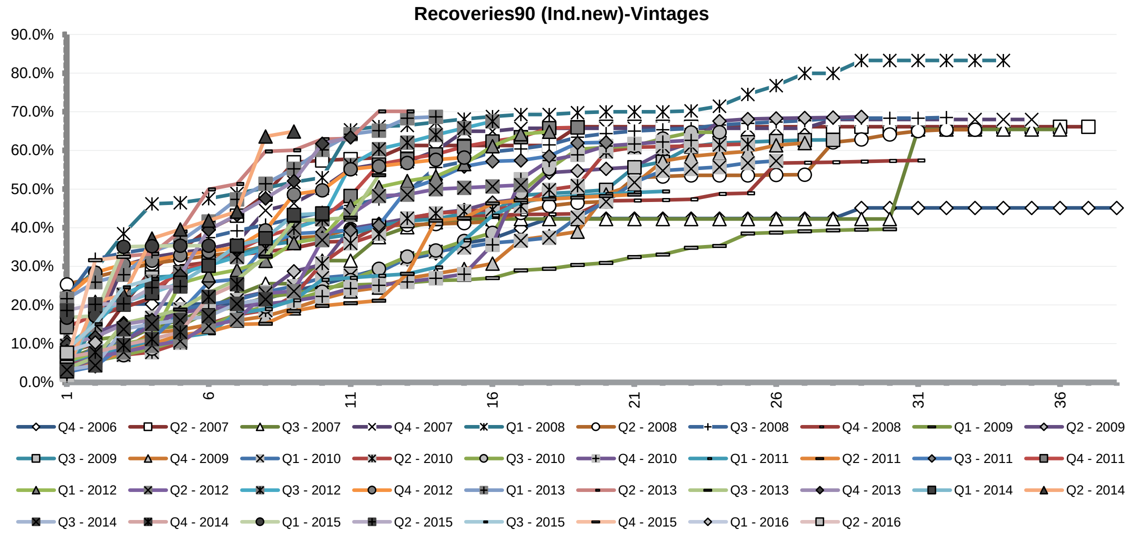


Figure 15. Private/USED loans – 90 dpd delinquency vintage data presented by Getin

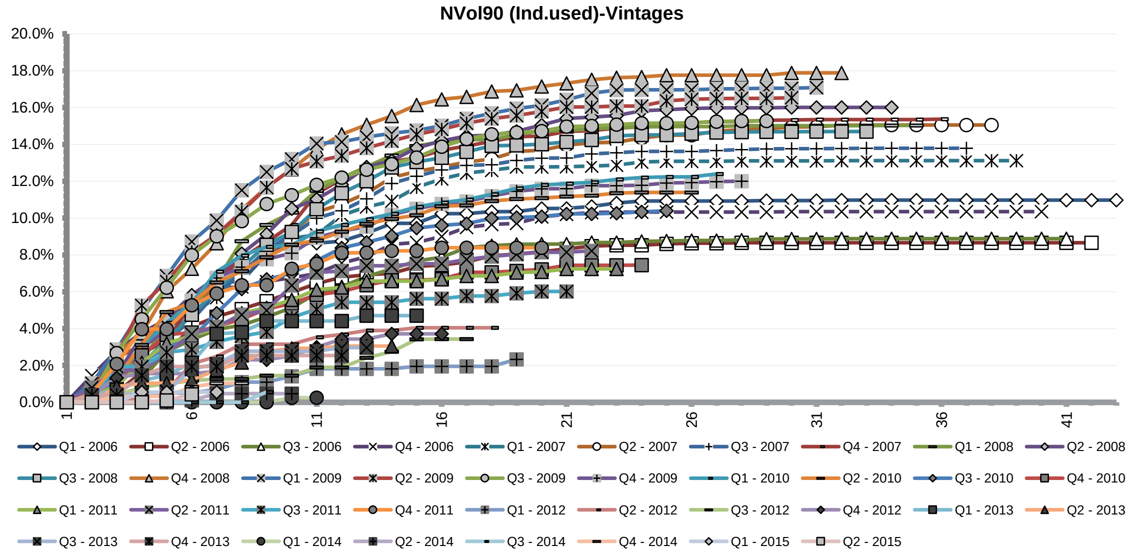


Figure 16. Private/USED loans – 90 dpd recovery vintage data presented by Getin

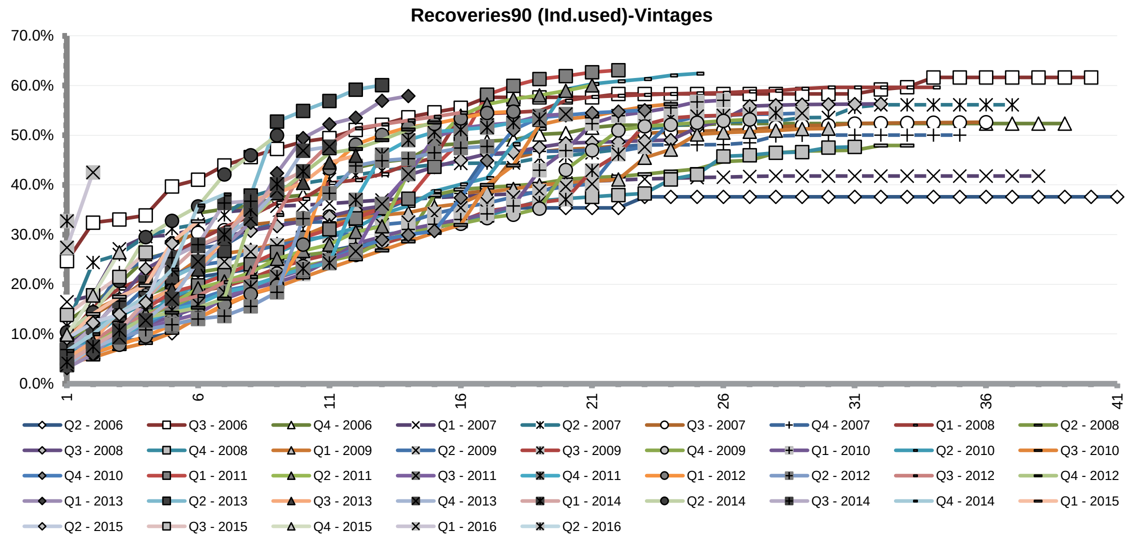


Figure 17. SME/NEW loans – 90 dpd delinquency vintage data presented by Getin

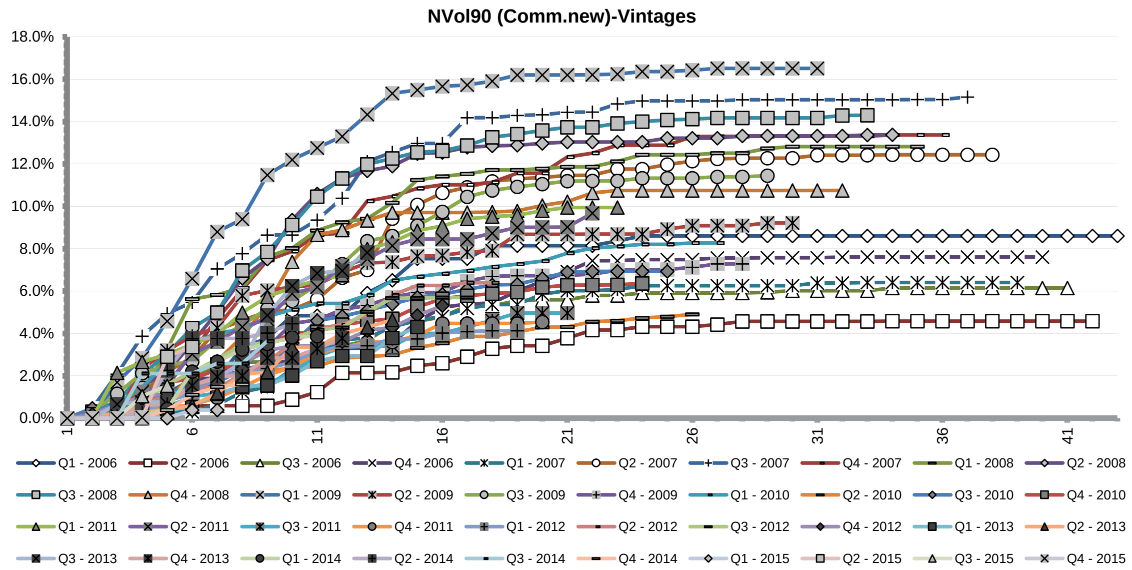


Figure 18. SME/NEW loans – 90 dpd recovery vintage data presented by Getin

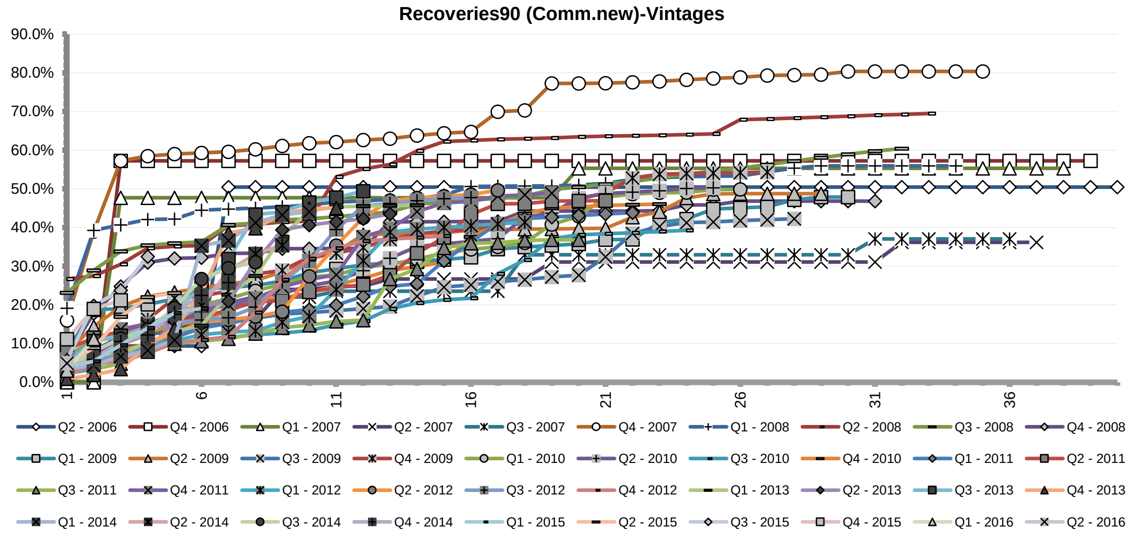


Figure 19. SME/USED loans – 90 dpd delinquency vintage data presented by Getin

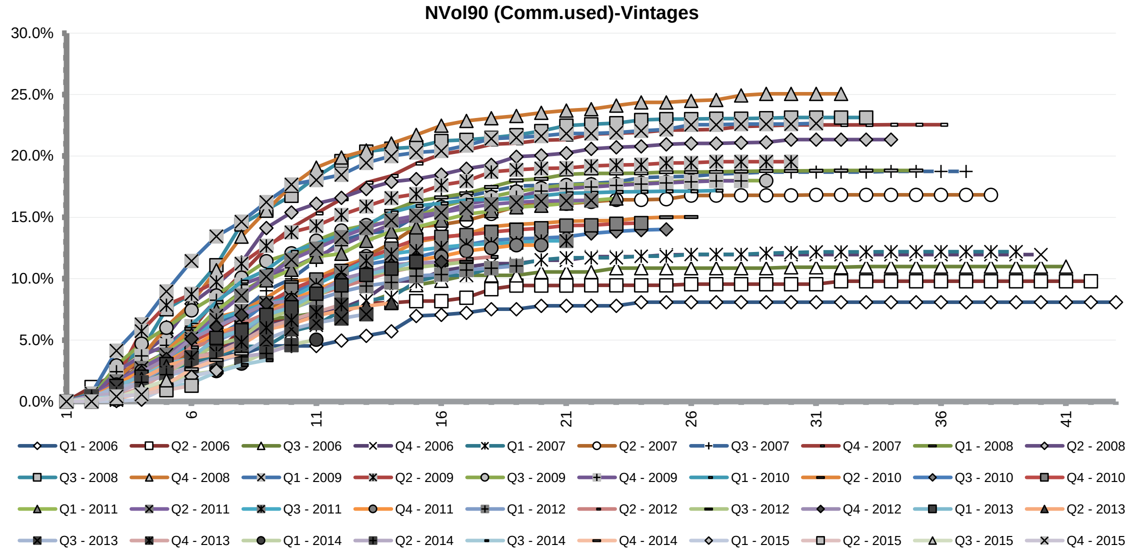
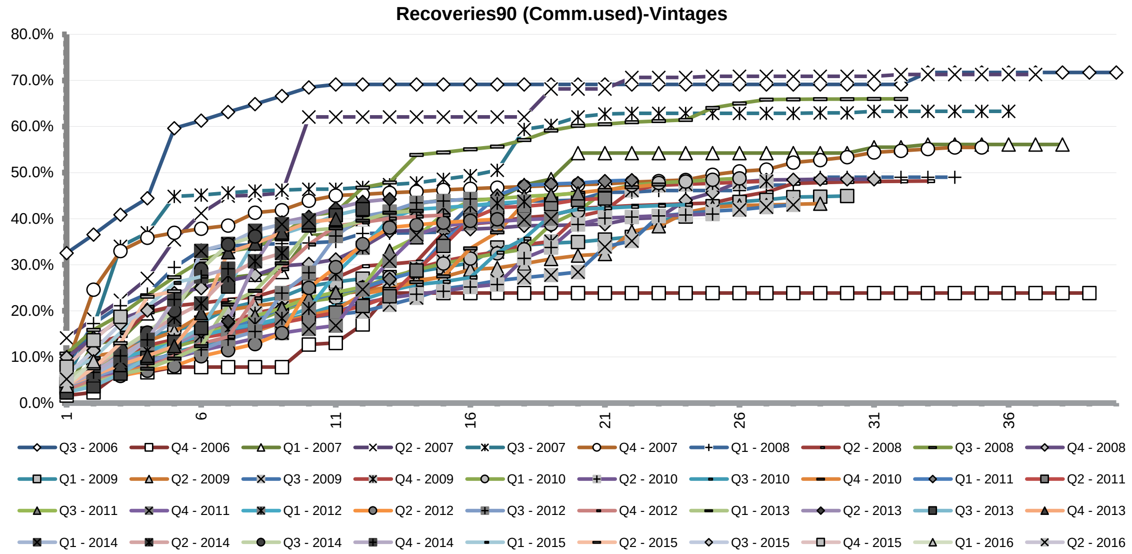


Figure 20. SME/USED loans – 90 dpd recovery vintage data presented by Getin



APPENDIX III. REGULATORY AND LEGAL DISCLOSURES

Important information

Information pursuant to Regulation (EC) No 1060/2009 on credit rating agencies, as amended by Regulations (EU) No. 513/2011 and (EU) No. 462/2013

Responsibility

The party responsible for the dissemination of the financial analysis is Scope Ratings AG, Berlin, District Court for Berlin (Charlottenburg) HRB 161306 B, Executive Board: Torsten Hinrichs (CEO), Dr. Stefan Bund.

The rating analysis has been prepared by Sebastian Dietzsch, Lead Analyst. Guillaume Jolivet, Committee Chair, is the analyst responsible for approving the rating.

Rating history

The rating concerns newly issued financial instruments, which were evaluated for the first time by Scope Ratings AG. Scope had already performed a preliminary rating for the same rated instrument in accordance with Regulation (EC) No 1060/2009 on rating agencies, as amended by Regulations (EU) No 513/2011 and (EU) No 462/2013.

Instrument ISIN	Date	Rating action	Rating
Senior Bond (PLGNBAT00014)	07.07.2017	preliminary	(P) AAA_{SF}

Information on interests and conflicts of interest

The rating was prepared independently by Scope Ratings but for a fee based on a mandate of the issuer of the investment. The issuer has participated in the rating process.

As at the time of the analysis, neither Scope Ratings AG nor companies affiliated with it hold any interests in the rated entity or in companies directly or indirectly affiliated to it. Likewise, neither the rated entity nor companies directly or indirectly affiliated with it hold any interests in Scope Ratings AG or any companies affiliated to it. Neither the rating agency, the rating analysts who participated in this rating, nor any other persons who participated in the provision of the rating and/or its approval hold, either directly or indirectly, any shares in the rated entity or in third parties affiliated to it. Notwithstanding this, it is permitted for the above-mentioned persons to hold interests through shares in diversified undertakings for collective investment, including managed funds such as pension funds or life insurance companies, pursuant to EU Rating Regulation (EC) No 1060/2009. Neither Scope Ratings nor companies affiliated with it are involved in the brokering or distribution of capital investment products. In principle, there is a possibility that family relationships may exist between the personnel of Scope Ratings and that of the rated entity. However, no persons for whom a conflict of interests could exist due to family relationships or other close relationships will participate in the preparation or approval of a rating.

Key sources of information for the rating

Executable versions of the transaction-related contracts; management due diligence material and interview with the originator; and historical vintage data indicative of the originator's auto loan book, all provided by the originator; and detailed portfolio stratifications and contractual amortisation profiles, legal opinions, tax opinions.

Scope Ratings considers the quality of the available information on the evaluated entity to be satisfactory. Scope ensured as far as possible that the sources are reliable before drawing upon them, but did not verify each item of information specified in the sources independently.

Examination of the rating by the rated entity prior to publication

Prior to publication, the rated entity was given the opportunity to examine the rating and the rating drivers, including the principal grounds on which the credit rating or rating outlook is based. The rated entity was subsequently provided with at least one full working day, to point out any factual errors, or to appeal the rating decision and deliver additional material information. Following that examination, the rating was not modified.

Methodology

The methodology applicable for the ratings is ‘General Structured Finance Rating Methodology’, dated August 2016, ‘Auto ABS Rating Methodology’, dated August 2016, and the ‘Rating Methodology for Counterparty Risk in Structured Finance Transactions’, dated August 2016. All files are available on www.scoperatings.com. The historical default rates of Scope Ratings can be viewed on the central platform (CEREP) of the European Securities and Markets Authority (ESMA): http://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml. A comprehensive clarification of Scope’s default rating, definitions of rating notations and further information on the analysis components of a rating can be found in the documents on methodologies on the rating agency’s website.

Conditions of use / exclusion of liability

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