Pre-Sale Rating Report

ROOF Poland Leasing 2014, DAC

Auto and Equipment Leases/Structured Finance

Scope Ratings

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RATINGS

Class	Rating	Notional (PLN m)	Notional (% receivables)	CE[a] (% receivables)	Coupon	Final maturity
Class A-1	(P) AAA_{SF}	636.0	43.12	43.0	3-mo WIBOR + 85 bps	2 Oct 2025
Class A-2	(P) AAA_{SF}	234.3	15.88	43.0	3-mo WIBOR + 85 bps	2 Oct 2025
Class B	(P) $BBB+_{SF}$	383.5	26.00	17.0	3-mo WIBOR + 155 bps	2 Oct 2025
Total notes		1,253.8	85.00			
Total receivables		1,475.0	100.00			

The transaction closed on 15 December 2014 and will be restructured on 2 December 2015. The ratings are based on the preliminary portfolio, as of 28 July 2015 and provided by the originator. Scope's SF Rating Definitions are available at www.scoperatings.com.

[a] Gross credit enhancement as of the restructuring date, inclusive of the cash reserve (i.e. 2% of total receivables).

Rated issuer

Purpose	Liquidity/Funding
Issuer	ROOF Poland Leasing 2014, DAC
Originator	Raiffeisen-Leasing Polska SA (RLPL)
Asset class	SME CLO
Country of assets	Poland
ISIN class A-1	XS1123386838
ISIN class A-2	XS1313115161
ISIN class B	XS1313115328
Closing date	2 December 2015
Legal final maturity	2 October 2025
Replenishment frequency	Monthly
Replenishment dates	Every 2nd day until 31 Dec 2017
Payment frequency	Quarterly
Payment dates	2 Jan., 2 Apr., 2 Jul., 2 Oct.

Transaction profile

ROOF Poland Leasing 2014, DAC is a cash flow securitisation of a two-year revolving portfolio made up of leasing receivables, worth PLN 1,475m at the restructuring date, which are granted to Polish small- and medium-sized enterprises and self-employed individuals. Raiffeisen-Leasing Polska SA originated the assets to finance the acquisition of vehicles and machinery by customers in Poland. The transaction closed in December 2014 and will now be restructured.

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Rating rationale (summary)

The ratings reflect the legal and financial structure of the transaction; quality of the underlying receivables in the context of the Polish macroeconomic environment; capability of Raiffeisen-Leasing Polska SA (RLPL) as the servicer and TMF Poland Sp. z o.o. as the back-up servicer (BUS); counterparty risk exposure to Elavon Financial Services Ltd, UK branch as the account bank and paying agent; and the corporate and trustee services of TMF Administration Services Ltd and US Bank Trustees Limited, respectively.

Scope believes the credit enhancement from overcollateralisation and excess spread can sufficiently support the ratings, and protect class A-1 and A-2 (jointly, the 'class A notes' or 'class A') and class B notes against losses from the revolving portfolio of SME leasing receivables. The risk of portfolio performance deterioration is mitigated partly by early amortisation triggers. Asset- and portfolio-level covenants limit qualitative changes to the portfolio's composition.

We modelled a static portfolio resulting from the least-favourable migration of portfolio characteristics (i.e. maximum concentrations of leasing contracts to finance trucks and trailers, 12%, and machinery and equipment, 25%) and the maximum principal deficiency from losses over the replenishment period (0.5% of the preliminary portfolio). We expect a blended mean lifetime default rate of 8.2% with a coefficient of variation of 43%, assuming an inverse Gaussian probability distribution of portfolio default rates. These assumptions are driven by the different historical performances of the four receivable segments in the portfolio: new cars (5.5%), used cars (7.0%), trucks and trailers (11.0%), and machinery and equipment (12.5%).

We accounted for the risk of a change in origination strategy after RLPL is sold by considering the rating sensitivity against a higher portfolio default-rate volatility (blended coefficient of variation of 88%). The risks of changes to the portfolio's credit profile or the risk of performance deterioration are enlarged for this transaction because of uncertainty around the sale of RLPL as announced by Raiffeisen Bank International.

Scope modelled a weighted average recovery rate of 30%. This rate does not include recovery proceeds from the liquidation of leased objects, which are at risk of being commingled with the insolvency estate of the originator upon its default.

Scope determined that the ratings are not negatively affected by sovereign risk in Poland. Institutional meltdown or capital transfer risks are remote over the class A's expected weighted average life (WAL) of 3.2 years. Poland benefits from a growing economy that is supported by domestic growth and recovery in the eurozone. The transaction is denominated in local currency and not subject to convertibility risks.

RATING DRIVERS AND MITIGANTS

Positive rating drivers	Negative rating drivers
Steadily growing Polish economy. The transaction will benefit from steady growth in Poland, which we expect to continue over the next five years. The recovery in the eurozone will favour Poland's exports, mainly to Germany, with additional support from the EU via foreign direct investment in Poland.	**Revolving portfolio.** The portfolio will be replenished monthly over a period of two years after the restructuring date. The characteristics and the credit quality profile of the portfolio can migrate during this period.
Fast amortisation. The class A bear a very short risk exposure to counterparties and possible macroeconomic deterioration due to an expected WAL of 1.2 years during the amortisation phase under a conservative zero-prepayment assumption (total expected WAL is two years longer).	**Unsecured recoveries**. The commitment of the originator to transfer proceeds from the sales of leased objects would generally not be enforceable after an insolvency event of the originator. We have analysed this transaction as a purely unsecured transaction.
High excess spread. The high excess spread available from the asset portfolio allows the class A notes to only see the first loss at a portfolio default rate of 44% under a conservative zero-recovery assumption. Further, the structure traps excess spread in the cash reserve to build additional cash collateral if the weighted average margin on the assets falls below 275 bps.	**Servicer for sale**. Raiffeisen Bank International (RBI) has announced its intention to sell its Polish operations, including the originator. This poses the risk of changes to the market positioning and origination strategy, which could further alter the characteristics of the revolving portfolio. External noteholders have the right to call for the start of the amortisation period as soon as RBI no longer owns an absolute majority stake in RLPL.
Strong liquidity coverage. The structure provides strong liquidity protection via a fully interconnected, separate priority of payments to ensure the timely payment of class A interest. Additionally, the structure has an amortising cash reserve, which is 2% of the total balance of non-defaulted receivables plus the balance of the principal deficiency ledger (PDL). The cash reserve cannot be used to provision defaults.	**Unhedged interest-reset risk.** The structure does not include a hedging agreement to cover the reset risk from assets paying 1-month WIBOR, and liabilities and notes receiving 3-month WIBOR. We have stressed the margin of the assets to accommodate temporary margin compression during possible scenarios of sharply rising interest rates along the life of the transaction.
Servicer commingling risk. Servicer commingling risk is covered unconditionally by the available credit enhancement. The loss of collections from receivables on the two-month period when balances are largest would not impact the class A rating and would only result in a one-notch downgrade for the class B.	**Vintage data volatility.** The vintage data used for the analysis is very volatile. We also relied on internal probabilities of default provided by the originator when building the portfolio-modelling default-rate distribution.
No residual value risk. All contracts amortise with constant annuities (i.e. French amortisation). The terminal payment is part of the ordinary payment schedule of the contract.	

Positive rating-change drivers	Negative rating-change drivers
Better-than-expected credit quality of the portfolio at the end of the replenishment period would trigger our revision of base case assumptions used for the analysis, which could result in upgrades.	**Changes to the strategic positioning of the originator** after its sale which increase the risk of the portfolio, together with a decision of external noteholders to not start the amortisation phase, could result in downgrades.

Related reports

SME CLO Rating Methodology, dated May 2015.

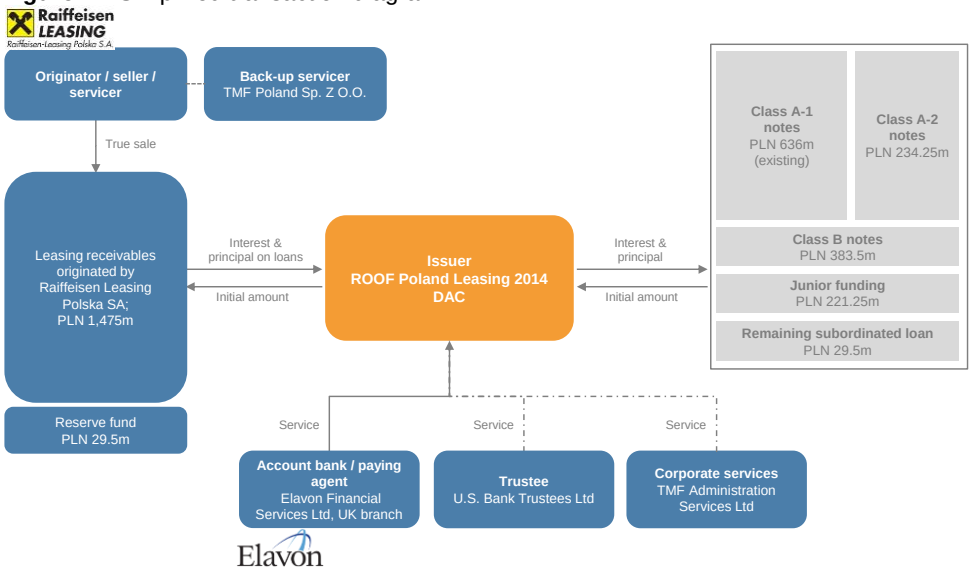
Rating Methodology for Counterparty Risk in Structured Finance Transactions, dated August 2015.

General Structured Finance Rating Methodology, dated August 2015.

Contents

TRANSACTION SUMMARY

Figure 1. Simplified transaction diagram



Source: Transaction documents (figures as of closing date).

ROOF Poland Leasing 2014, DAC is a cash flow securitisation of a revolving portfolio made up of leasing receivables, worth PLN 1.475m as of restructuring date, which is granted to Polish small- and medium-sized enterprises and self-employed individuals. Raiffeisen-Leasing Polska originated the assets to finance the acquisition of vehicles and machinery by customers in Poland.

The transaction closed in December 2014 and will now be restructured to: i) increase the total volume of issued notes; ii) incorporate machinery leases to the portfolio; iii) adjust the capital structure; iv) add a back-up servicer; v) increase the frequency of cash sweeps from the servicer; vi) substitute Raiffeisen Bank International in all counterparty roles; and vii) obtain public ratings for the notes.

FINANCIAL STRUCTURE

Capital structure

The capital structure will feature two senior classes of notes: a new class A-2 note will be issued, which will rank pari-passu with the existing senior class A-1 in the new capital structure. The senior notes will be supported by the strict subordination of the new class B notes, and a subordinated loan. The new size of the subordinated loan will provide the desired level of credit enhancement.

Proceeds from the new class A-2 and class B notes will be used to purchase additional receivables and to partially amortise the old subordinated loan balance down to the new subordinated loan amount. The new subordinated loan will be used to fund i) receivables (for an amount referred to as 'junior funding' in the structure); and ii) the cash reserve. The subordinated loan has been granted by RLPL, who will hold the first-loss piece of the capital structure.

The notes pay quarterly interest, referenced to 3-month WIBOR, plus a margin. The amortisation of the notes will not start until the end of the revolving period, which is two years after the restructuring date, or earlier if triggered by events. The pass-through amortisation is strictly sequential, with classes A-1 and A-2 receiving pro-rata payments in the priority of payments. Class B will not receive any principal until the class A have fully amortised.

Default and delinquency definitions

We believe the structure establishes prudent definitions of default and delinquency, which match the originator's practices and allow for timely management of asset credit events

during servicing and monitoring. Defaulted assets are assets considered by the originator as subjective defaults, in which the obligor either has filed for insolvency or is in arrears of 120 days or more on an amount larger than PLN 500. This is only 30 days longer than the standard Basel threshold for provisioning and risk metrics (i.e. 90 days past due). Delinquent assets are non-defaulted assets more than 60 days in arrears on amounts larger than PLN 500 (i.e. 30 days shorter than the Basel reference).

Reserve fund (RF)

We believe the amount of cash provided by the fully funded cash reserve is sufficient to ensure the timely payment of senior expenses and interest on the class A notes upon a servicer event for which cash is not collected from the assets during one full payment period of three months, assuming a stressed three-month WIBOR rate of 10%.

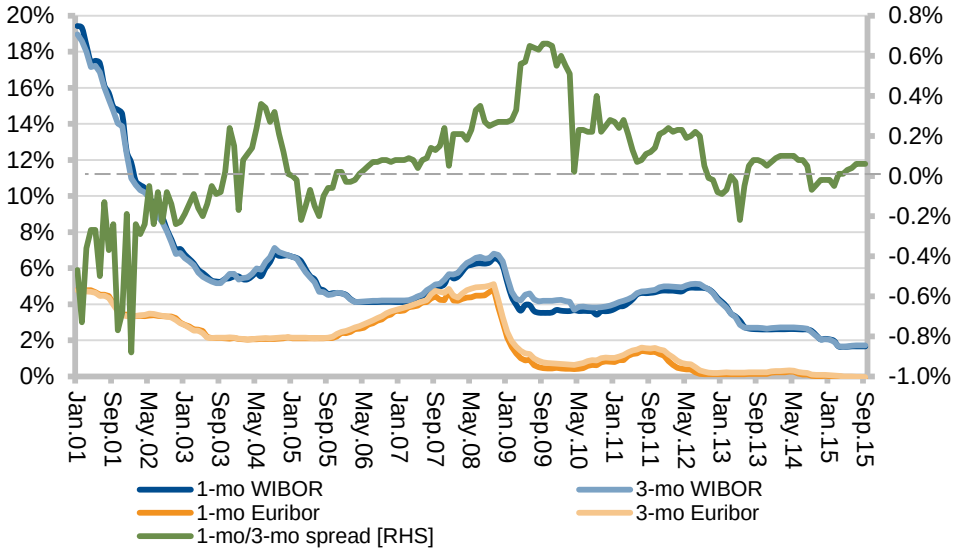
The reserve amount can cover senior expenses and class A interest over three payment periods at the current 3-month WIBOR rate of 1.7%. The amount can also cover senior expenses and class A and B interest over one payment period under a stressed 3-month WIBOR rate of 7%. The cash reserve increases liquidity support provided by the priority of payments when cash flows from assets are interrupted. Figure 2 shows the historical 1-month and 3-month WIBOR rates.

This RF is only for covering cash shortfalls in order to pay senior expenses and interest on time. The RF provides credit enhancement to the notes because principal shortfalls can be paid out of the RF upon the liquidation or maturity of the transaction, but it cannot be depleted by the provisioning of defaults under high portfolio-default scenarios. In addition, the significant, periodic excess spread restores the RF to its initial balance, if it is under the target level, and transforms excess spread into hard credit enhancement.

The required RF balance is 2% of the outstanding balance of the class A and B notes plus the junior funding, and can thus amortise to an absolute floor of 10 bps of the initial portfolio balance or PLN 1.5m.

Nevertheless, the RF would trap all excess spread in the structure if the portfolio margin is less than 2.75% in order to build cash collateralisation that ensures the timely payment of class A interest. This mechanism is known as the minimum margin test.

Figure 2. WIBOR 1-month and 3-month interest rates and spread



Source: Eurostat, Narodowy Bank Polski and Scope.

Amortisation and provisioning

We believe that the strict amortisation and the principal deficiency ledger (PDL) mechanism effectively protect senior noteholders, ensuring proper collateralisation during the revolving period, and accelerated amortisation during the amortisation phase. These mechanisms are captured in our modelling and reflected in our ratings.

The amortisation of the notes is strictly sequential, with classes A1 and A2 ranking pari-passu and thus sharing principal payments pro-rata. During the replenishment period, no principal is distributed to the notes. Instead, available funds in the principal priority of payments will be used to acquire new assets.

During the replenishment period, the provisioning mechanism implicit in the PDL mechanism is designed to increase overcollateralisation when assets are classified as defaulted. This is achieved by trapping excess spread available in the interest priority of payments and diverting the cash to the principal priority of payments, where it will be used to acquire additional assets for the portfolio.

During the amortisation period, the same mechanism results in the accelerated amortisation of the notes, making use of the excess spread trapped and diverted to the principal waterfall, where it will be used to repay the notes.

Revolving mechanism

We believe that the replenishment mechanism effectively preserves the proper collateralisation of notes with non-defaulted assets. The structure applies collected principal to acquire new assets every month, and covers any shortfall with excess spread. The replenishment period will end on 31 December 2017 or earlier if triggered by events.

Early amortisation triggers

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 changes to the characteristics of the portfolio is notable in this transaction given RBI's intention to sell the originator (announced publicly) but is mitigated by conditions that trigger the early amortisation of the notes.

The amortisation phase would start if the servicer breaches any of the representations and warranties that relate to the eligibility of the assets or the concentration limits of the portfolio; or if the servicer could not originate enough eligible receivables to maintain the collateralisation (i.e. the maximum amount of collateralisation allowed in cash is 10%). This would be possible if the strategic positioning of the originator changed significantly over the replenishment period.

We believe the noteholders are also protected against changes to origination strategy that result from the sale of the originator to another banking group. Noteholders can call for the transaction's early amortisation if RBI no longer holds a majority stake in RLPL (51% or more), and retained notes will not have voting rights.

The underperformance of the portfolio of assets will also trigger the end of the replenishing period and the start of the amortisation phase. The structure defines several triggers that start the amortisation phase (see Figure 3).

Figure 3. Asset- and originator-performance early-amortisation triggers

Trigger	Description
Dynamic delinquencies	Amortisation will start if the rolling three-month average of delinquent receivables is more than 1.5% of the total portfolio balance including outstanding defaulted receivables (i.e. non-defaulted receivables plus total defaults minus total recoveries).
Cumulative defaults	Amortisation will start if total defaults over the total initial balance of all assets ever transferred to the issuer (i.e. initial portfolio plus all replenished amounts) is greater than 4.5% for the first year after the restructuring; or greater than 5.5% for the second year after the restructuring. Total defaults considers the balance of defaulted receivables as of the time of default.
Principal deficiency	Amortisation will start if the principal deficiency ledger is greater than 0.5% of the portfolio balance (i.e. when the notes and junior funding are undercollateralised by 0.5%).
Reserve fund	Amortisation will start if the reserve fund is not at its required level.
Portfolio balance	Amortisation will start if the portfolio balance is less than 90% of the combined balance of the notes and junior funding.

The structure essentially relies on the PDL trigger to preserve the credit enhancement available for the notes. We believe the trigger on the reserve fund is not very effective because strong liquidity is supported by the interconnected priority of payments. The reserve fund provides only subsidiary liquidity support. We expect it will only be used

during a transition to the servicing of the back-up servicer, which would anyway trigger the end of the replenishment period.

The structure will also enter the amortisation phase upon illegality (including fraud), tax or regulatory events relating to the issuer. It will also enter accelerated amortisation upon enforcement events (e.g. insolvency or default of the issuer on its obligors in respect of class A-1 or A-2 notes).

Portfolio- and asset-level covenants

The transaction has adequate covenants to limit the migration of portfolio characteristics during the replenishment period. Figure 4 and Figure 5 summarise the main asset-level and portfolio-level covenants, respectively.

Figure 4. Main asset-level replenishment covenants

Risk factor	Restriction
Obligor nature	Lessees cannot be consumers or affiliates of the originator.
Contract purpose	Contracts must have cars (new and used), machinery and equipment, or trucks and trailers as leased objects.
Maturity	Maximum maturity is 84 months at origination and 83 months at cut-off date.
Interest rate and margin	Contracts yield floating rates indexed to 1-month WIBOR with a minimum margin of 1.75%.
Payment frequency	Receivables are amortising and payable monthly.
Overdue contracts	Lessees cannot be more than seven days overdue on balances greater than PLN 500.

Figure 5. Main portfolio-level replenishment covenants

Risk factor	Restriction
Segment concentration	Portfolio segments cannot represent more than the following maximum concentrations: • Machinery and equipment: 25% • Trucks and trailers: 12% • Used cars: 27%
Vehicle-brand concentration	One vehicle brand cannot represent more than 17%
Lessee concentration	One lessee group cannot represent more than 0.65%. Furthermore: • The third largest lessee group cannot exceed 0.35%. • The sixth largest lessee group cannot exceed 0.25%. • The ten largest lessee groups combined cannot exceed 2.75%. • The 50 largest lessee groups combined cannot exceed 8.00%.

Priority of payments

The priority of payments effectively protects class A noteholders by providing liquidity for timely interest payments and trapping excess spread to cover principal losses from defaults.

The structure is simple, despite the only apparent complication of the separate interest and principal waterfalls and separate deficiency ledger mechanisms. The separate priority of payments is well interconnected and behaves like a combined waterfall in which principal collections can cover interest-related cash shortfalls and excess spread can restore collateralisation after a principal deficiency due to asset defaults. These mechanisms are controlled by an interest deficiency ledger (IDL) and a principal deficiency ledger (PDL), respectively. See Figure 6.

Missed interest payments do not accrue interest for any class in this structure.

Figure 6. Interest and principal: priorities of payments and available funds

	Interest priority of payments	Principal priority of payments
Available funds	♦ Ordinary and penalty interest collections from the assets; ♦ all recoveries; ♦ in relation to defaulted receivables: • security collections; • insurance payments; • sale proceeds from leased objects; ♦ interest earned on issuer accounts; ♦ borrowed principal to cover up to item 4 in the interest waterfall (this amount increases the balance of the IDL); ♦ cash drawn from the cash reserve.	♦ Principal collections from the assets; ♦ in relation to non-defaulted receivables: • security collections; • insurance payments; • sale proceeds from leased objects; ♦ amounts allocated to clear the IDL (cash diverted from the interest priority of payments under item 6); ♦ amounts allocated to clear the PDL (cash diverted from the interest priority of payments under item 7); and ♦ on legal final maturity only, outstanding balance of the cash reserve.
Replenishment period	**Monthly replenishment dates:** No application. Interest collections remain in issuer account.	**Monthly replenishment dates:** 1) Principal lent to interest waterfall (amount will be recorded in the IDL) 2) Repurchase of new eligible receivables
	Quarterly notes' payment dates: 1) Scheduled expenses and taxes 2) Servicing fee (even back-up servicer if applicable) 3) Class A1 and A2 interest (pro-rata) 4) Class B interest 5) Reserve fund to required level 6) Allocation to clear IDL 7) Allocation to clear PDL 8) Minimum margin test: a) PASS: subordinated loan interest b) FAIL: excess spread retained in the excess spread account 9) (Subordinated items if applicable)	**Quarterly notes' payment dates:** 1) Principal lent to interest waterfall (amount will be recorded in the IDL) 2) Repurchase of new eligible receivables
Amortisation period	**Quarterly notes' payment dates:** 1) Scheduled expenses and taxes 2) Servicing fee (even back-up servicer if applicable) 3) Class A1 and A2 interest (pro-rata) 4) Class B interest 5) Reserve fund to required level 6) Allocation to clear IDL 7) Allocation to clear PDL 8) Minimum margin test: a) PASS: subordinated loan interest b) FAIL: excess spread retained in the excess spread account 9) (Subordinated items if applicable)	**Quarterly notes' payment dates:** 1) Principal lent to interest waterfall (amount will be recorded in the IDL) 2) Class A1 and A2 principal pro-rata (in full) 3) Class B principal (in full) 4) (Subordinated items)
Post-enforcement	The post-enforcement priority of payments is triggered by the issuer's default on its obligations with respect to the class A-1 and A-2 notes. **Quarterly application of all funds available (combined interest and principal):** 1) Scheduled expenses and taxes 2) Servicing fee (even back-up servicer if applicable) 3) Class A1 and A2 interest (pro-rata) 4) Class A1 and A2 principal pro-rata (in full) 5) Class B interest 6) Class B principal (in full) 7) (Subordinated items)	

Natural hedge of interest rate risk

Scope believes interest rate risk is limited due to the natural hedge resulting from the floating nature of the assets and liabilities, all referenced to WIBOR rates. All assets yield interest indexed on 1-month WIBOR, which is highly correlated with the 3-month WIBOR index of the notes (see Figure 2). Potential losses from negative carry are factored into the ratings and are thus covered by available credit enhancement.

We subjected the transaction to stress, taking into account our expectation of the macroeconomic environment in Poland and, particularly, GDP and growth prospects on the gross monetary base. We believe interest rates will remain low during the class A notes' expected lifetime, but have nevertheless considered the impact of an unexpected, hypothetical scenario of rising interest rates in which the 3-month WIBOR reached 10% over the next five years.

The higher reset frequency of the assets' indices naturally mitigates the risk of material negative carry under scenarios of sharply rising interest rates. The risk of negative carry because of reset risk under decreasing-interest-rate scenarios is also low due to the already low interest rate level. Negative carry from reset risk is nevertheless temporary as, eventually, the rates will converge when a steady state is reached. Three-month WIBOR rates have historically been 7 bps higher than 1-month WIBOR rates, but this average hides seven periods during which the interest rate curve was inverted and the spread was negative. The longest positive-spread period lasted 78 months between April 2006 and September 2012, when the spread averaged 24 bps. Figure 28 on page 20 shows Poland's inflation, and Figure 2 on page 4 shows WIBOR interest rates. For more details, refer to the 'Sovereign risk' section of this report, page 18.

We applied a conservative, sustained haircut of 50 bps to the margin of all contracts to address interest-related risks in this transaction, principally the spread between the 3-month and 1-month WIBOR rates and reset risk. This haircut further reduces our consideration of only the minimum margin guaranteed by the structure (275 bps).

Interest-related risks are covered by the structure's credit enhancement and liquidity mechanisms such as the reserve fund and the interconnected priority of payments on interest and principal. These mechanisms effectively transfer any losses from interest rate mismatches to the structure's most subordinated liabilities (i.e. subordinated loan first via the junior funding portion, then the class B notes).

Issuer account

The issuer has a treasury account held by the paying agent, which holds all moneys of the issuer. The account accrues interest daily at the WIBOR overnight rate with a negative margin of 150 bps. The account represents a source of negative carry as its yield is lower than the weighted average coupon on the notes. Any loss from negative carry is covered by available excess spread and credit enhancement via the support of the principal priority of payments to the interest priority of payments.

We have not stressed the account's yield in our analysis as we would in instances when the account bank is also the originator and sponsor of a securitisation. The contractual rate for this transaction already represents a market reference, which, in our opinion, would not be modified materially in the event an account bank is replaced.

Clean-up call

Scope's analysis does not incorporate the option that allows the originator and seller to terminate the transaction before final legal maturity if the assets' balance is less than 10% of the original portfolio balance after restructuring. The call option does not affect the class A notes as they would be redeemed in full under all scenarios.

In our view, the call option does not affect the class B notes because the credit enhancement of the class B is 17%, and losses from defaulted assets in excess of this structural protection would make it impossible to hit the call trigger (i.e. the balance of outstanding receivables would be greater than 10%, even if these are defaulted receivables).

ORIGINATOR AND SELLER

Raiffeisen Leasing Polska SA (RLPL) is an experienced lessor in the Polish market and has maintained a focus on SMEs since its inception. We believe RLPL has developed its business on sound foundations, and it is currently among the top five players in the Polish leasing market. The market share of RLPL has suffered from its decision to not grow aggressively in the real estate sector, which we believe indicates a prudent positioning in the market.

Sale of originator

Raiffeisen Bank International (RBI) has made public its intention to sell its Polish operations, which include Raiffeisen Bank Polska SA (RBPL) and RLPL, and is preparing actively for the sale. Scope believes this announcement does not create the risk that RLPL's operations will be wound down, and therefore believes this transaction is not part of any hypothetical exit strategy from the Polish leasing market.

The sale of RLPL does, however, create uncertainty about the market positioning strategy of the originator. We nevertheless believe that the business model of RLPL is traditional and there is limited leeway in defining this positioning. The leasing franchise has been developed locally and does not rely on strategic alliances of the banking franchise (either RBPL or RBI). This mitigates the risk of a drastic market-positioning disruption after the sale of RLPL is completed. RLPL explained that auto brands with which it cooperates closely would not terminate the relationship with RLPL if and when the sale is completed.

Scope has accounted for the risk of a change in origination strategy and market positioning, which could lead to changes in the credit profile of the least-favourable portfolio after the replenishment period. We have stressed our lifetime default-rate assumptions to address this risk (i.e. the increase was forced by extending the life of the least-favourable portfolio beyond the limit set by the portfolio-level covenant, which triggers early amortisation if the weighted average life exceeds two years).

Positioning

The originator seeks to grow primarily in the trucks and trailers, and machinery and equipment segments (growth rates in 2014 were 20%-30% in these segments). It will continue to focus on the micro SME lessee segment, which provides better margins. We considered the maximum concentrations of these contract segments in the least-favourable portfolio after the replenishment period.

Growing leasing activity in Poland is due to new SME customers who previously did not know about the benefits of using leasing contracts over loan contracts to finance fixed assets (i.e. leasing contracts allow fixed assets to amortise faster). About 95% of RLPL's book comprises financial or capital leases, for which the leased object is in the balance sheet of – and is amortised by – the lessee.

Main lessors in Poland are protected from the competition of banking institutions, which are not allowed to run leasing business lines directly. This strong competitive advantage is evident in the pricing and underwriting of contracts.

For example, around 95% of the contracts are indexed to WIBOR rates and have floating margins, even when lessees can choose to contract fixed rates. Margins are adjusted in line with RLPL's funding cost, which is transferred to the lessee. The margins of contracts since November 2014 could only be adjusted upwards. SME lessees are only informed of the updated instalment amount they will have to pay under a contract.

Underwriting

The underwriting directives of RLPL have sufficient quality as to not represent an obstacle to the ratings of this transaction. RLPL directives follow those of RBI, focusing on the expected critical points: i) economic and financial standing of the lessee; ii) leased object and supplier; and iii) transaction risk. Sanctioning is conditioned to the exposure and risk that falls within limits set for the client. The documentation required is comprehensive, and comparable to that prepared by regulated banks.

We believe RLPL controls the average quality of contracts in its underwriting process, even when external agents are involved. RLPL does not have a system that incentivises for the quality of contracts that are originated by external sales networks, but RLPL does perform risk analysis on all contracts. RLPL provides IT programs that pre-screen contracts on-site, and maintains a blacklist of sectors for which it does not originate contracts.

RLPL's credit committee has ample flexibility to sanction large and potentially risky contracts (i.e. exposures up to EUR 6m and maturities up to 10 years). Deviations from the sanctioning policy require approval from the higher-level credit committee. The sanctioning power is delegated and segmented so that smaller transactions get lower scrutiny and the simplest ones are pre-approved automatically.

Servicing and recovery

Collections are performed either by direct debits on the lessees' accounts or by the lessees transferring directly into contract-specific subaccounts which help identify payments. RLPL created the subaccounts with the support of RBI, but we believe the services offered by the back-up servicer would allow the same level of flexibility and identification if needed.

The identification of payments may need manual reconciliation if the collection method is not a direct debit or transfer into a contract-specific account. This creates marginal liquidity risk for the transaction, which we believe is immaterial as it would affect a very few customers, and payments would be identified as part of the monitoring of contracts in arrears, which involves contacting the lessee.

RLPL may modify contract terms over its life as part of the portfolio's servicing. Relevant modifications must be approved by a credit committee (i.e. reductions of interest rate or maturity extensions of more than six months).

Contracts are terminated, and the full amount due shortly before they are three months past due. Terminating the contract triggers the recovery process, which includes the repossession of the leased object. In the normal course of business, outstanding debt is set off against proceeds from selling the leased object. Any marginal claim is then recovered from the lessee, via legal proceedings if necessary.

Scope does not rely on RLPL's ability to realise value from the leased objects in this analysis. We believe the commitment to transfer sales proceeds of leased objects to the issuer could be challenged by an insolvency administrator. Therefore, our analysis only considered unsecured recoveries (i.e. money obtained from the lessees, not including any value obtained from the leased objects).

Nevertheless, we believe RLPL has set up effective processes to recover defaulted contracts: RLPL relies on a centralised facility to liquidate the leased objects underlying defaulted contracts.

We believe the recovery process would differ for scenarios in which the back-up servicer has taken over the portfolio's servicing. The back-up servicer would direct the claim against the lessee, without trying to repossess the leased object. We expect the back-up servicer is likely to be more aggressive in servicing than RLPL because the back-up servicer does not have to deal with customer relationships. For this reason, we have given credit to the historical unsecured recoveries reported by RLPL.

ASSET ANALYSIS

Asset and obligor characteristics

The transaction securitises four different contract types of financial-leasing receivables, depending on the nature of the leased object: i) new cars; ii) used cars; iii) trucks and trailers; and iv) machinery and equipment (see Figure 7).

We have incorporated specific risks of the different contract segments to our analysis. SME financial-leasing receivables perform typically better than bank loans. This is because of two main reasons. Firstly, there is a stronger incentive to stay current in the obligations under a leasing contract because the SME relies on the leased object for its business activity, and the leased object remains the lessor's property. Secondly, the average SME lessee is typically more sophisticated and marginally stronger from a credit perspective than the average SME bank-debt obligor.

Scope deems the receivables as unsecured SME credits. This is despite the issuer's entitlement to liquidation proceeds from leased objects according to the transaction documents. Nevertheless, there is no security over the leased objects, and the issuer would only have an unsecured claim against the insolvency estate of RLPL in the case of an originator default.

Figure 7. Portfolio segments by contract type

Portfolio segment/ Contract type	Characteristics
New cars	Financial-leasing receivables related to new vehicles that can be driven with a driver's license B (up to 3,500 kg with max. eight people excluding the driver), different to trucks or trailers. This segment is not limited regarding its maximum or minimum share in the portfolio.
Used cars	Same as 'new cars', but to finance used vehicles. This segment cannot be more than 27% of the total portfolio.
Trucks and trailers	Financial-leasing receivables related to trucks or trailers licensed for public roads in Poland. This segment cannot be more than 12% of the total portfolio.
Machinery and equipment	Financial-leasing receivables related to machinery or equipment of any kind different to vehicles (e.g. machines, printing machines, and medical equipment). This segment is new and only joined the portfolio after restructuring. It cannot be more than 25% of the total portfolio balance.

The receivables have short maturities that never exceed 84 months and typically result in weighted average maturities of 3.5 years and WALs below two years. The coupon structure is floating, indexed to 1-month WIBOR, and with adequate margins which are also floating (i.e. increasing RLPL's funding cost may trigger upside revisions of the margins).

There is no residual risk in this transaction. All contracts are amortising with constant annuities (i.e. French amortisation). The terminal payment for the residual value of the leased object is priced to equal the value of the other constant instalments under the contract, and is part of the ordinary payment schedule.

RLPL classifies customers in three main segments: i) micro; ii) small and medium businesses (SMB); and iii) corporate. See Figure 8.

Figure 8. General customer segmentation

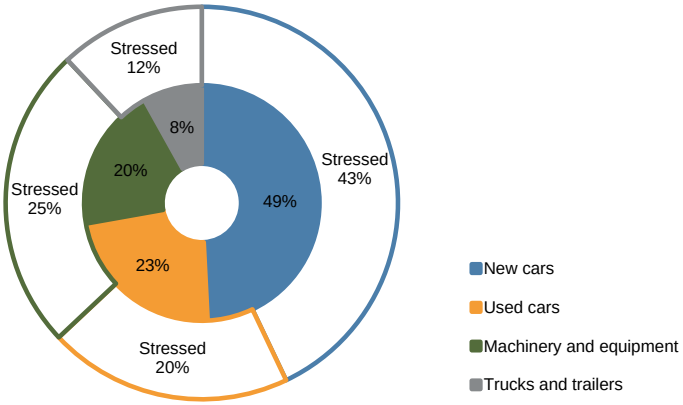
Customer segment	General characteristics
Micro	♦ Total sales less than EUR 1m, ♦ Total exposure to client less than EUR 0.1m, and ♦ Fails to qualify as a SMB or corporate.
Small and medium business (SMB)	♦ Total sales less than EUR 5m, ♦ Total exposure to client less than EUR 1.5m, and
Corporate	♦ Not micro or SMB

Preliminary portfolio characteristics

Scope conducted its analysis based on the preliminary portfolio as of 28 July 2015.

New and used cars account for two-thirds of the preliminary portfolio balance, but in our analysis we have accounted for a higher – stressed – weighting of the trucks and trailers, and the machinery and equipment segments (see Figure 9).

Figure 9. Preliminary and stressed portfolio-segment weights



Fast amortisation

The portfolio's fast amortisation suggests that the characteristics of the preliminary portfolio could change significantly over the replenishment period. This is nevertheless mitigated by the limited leeway of the originator in changing its strategic positioning.

Class A notes benefit from fast deleveraging resulting from the short maturity and amortising nature of the assets. The WAL of the portfolio is 1.5 years and the weighted average remaining term is 2.5 years.

Class B notes are not exposed to the risk during the tail of the life of the portfolio because this class benefits from significant subordination from junior funding, and lessees with the longest contracts (i.e. up to 84 months) will mostly influence the performance of the subordinated loan.

Figure 10. Amortisation under 0% CPR and 0% default rate

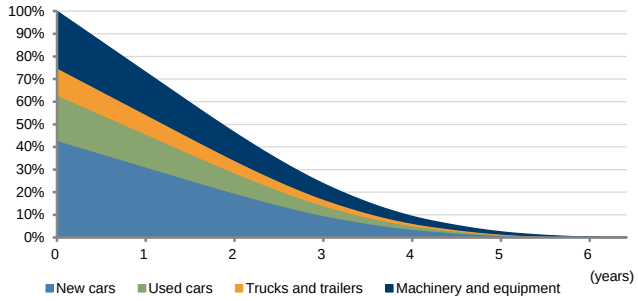


Figure 11. Weighted average life and time to maturity of least-favourable portfolio

	WAL[a] (years)	RTM (years)
New cars	2.0	6.3
Used cars	2.0	6.3
Machinery and equipment	2.2	7.9
Trucks and trailers	2.1	6.3

[a] These are stressed weighted average lives. WAL is limited by a portfolio covenant up to two years. Stressed WALs assumed by Scope exceed the covenant as they were used to stress the performance of the least-favourable portfolio.

Figure 12. Preliminary portfolio seasoning profile

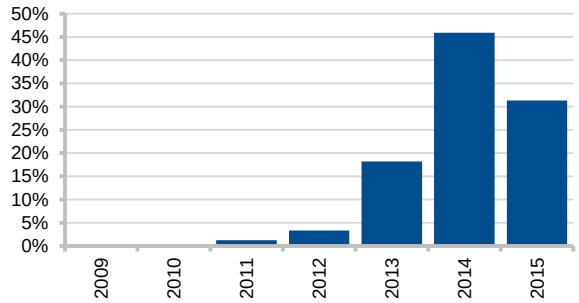
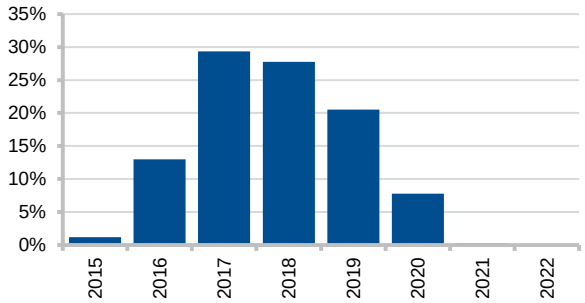


Figure 13. Preliminary portfolio maturity profile



Excess spread

Both class A and class B benefit from significant excess spread available in this transaction. The preliminary portfolio provides a gross excess spread of 2.4% on the date of the restructuring and can be used to cure undercollateralisation due to periodic defaults.

Scope's modelling of the transaction incorporated margin and interest rate stresses to address: i) excess spread reduction due to prepayments, amortisation and defaults; ii) loan-modification flexibility available to the servicer; and iii) interest rate mismatches between assets and liabilities. Scope assumed the margin of the asset portfolio to be at the threshold of the margin test (i.e. 2.75%), equivalent to a gross excess spread of 1.6%.

Granular portfolio with no relevant concentrations

Scope did not adjust the portfolio credit figures estimated from vintage data due to obligor, sector or regional concentrations. The portfolio is granular and well diversified. Diversity indices for the number of obligors, industries and regions are 3,880, 12.21 and 8.7, respectively.

Figure 14. Portfolio industry distribution

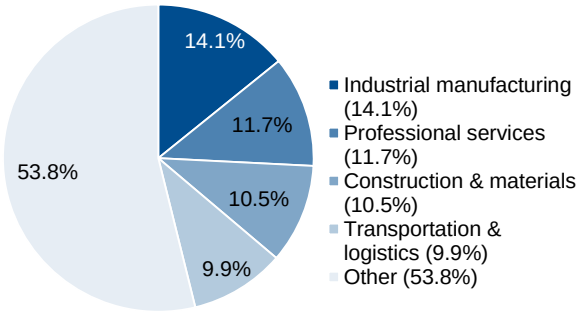
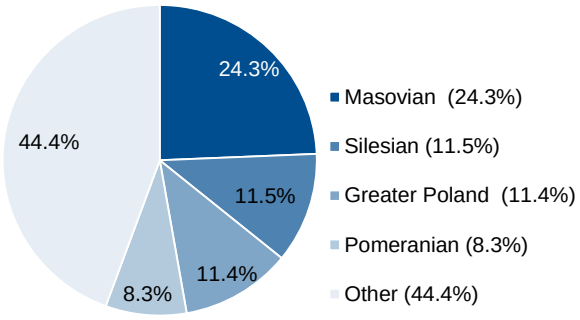


Figure 15. Portfolio regional distribution



The portfolio eligibility criteria do not allow single obligors to account for more than 0.65% of the portfolio, and actual obligor concentration in the preliminary portfolio was well below this threshold, even when consolidating obligor groups.

Reduced real estate exposure

The risk of the exposure to real estate and construction sectors is covered by our base case modelling assumptions. The real estate sector has generally not been a focus of RLPL's strategy. Nevertheless, the preliminary portfolio shows marginal concentration in this sector (i.e. 3% or, when combined with construction, 13.5%).

Poland's real estate sector boomed between 2002 and 2008, and the subsequent corrections debilitated firms exposed to this sector. The exposure to development real estate is only 1.5% of the preliminary portfolio. Construction and materials is the third largest sector in the portfolio, but represents only 10.5% of the current portfolio balance.

MODELLING

Revolving risk and least-favourable portfolio

Scope analysed this revolving transaction, accounting for the risk of portfolio deterioration and the risk of changes to portfolio characteristics, all within reasonable (feasible) limits that comply with portfolio- and asset-level covenants. We believe that the risk of deviation beyond these limits is covered by the standard stresses applied in the analysis.

We built our expectation of the least-favourable portfolio by: i) increasing the concentrations of trucks and trailers, and machinery and equipment, to the covenant maximums (i.e. 12% and 25%, respectively); ii) reducing the effective notional of performing receivables by 0.5% in line with the PDL early-amortisation trigger; iii) increasing historical delinquency references from vintage data to account for obligor quality; iv) reducing the margin from the assets to the level set by the minimum margin test mechanism (i.e. 275 bps); and v) analysing the rating sensitivity to a very high default-rate volatility scenario.

Portfolio lifetime default rate

Scope assigns a blended mean lifetime 120 days past due (dpd) default rate of 8.2% to this transaction with a default-rate coefficient of variation of 43%. This blended figure considers the concentrations and individual default rates of the four contract-type segments in the least-favourable portfolio at the end of the revolving period. These base-case default-rate modelling assumptions are listed in Figure 16.

Our default rate assumptions for the least favourable portfolio result from the combined analysis of historical 120 dpd delinquency vintage data and the extrapolated lifetime default rates based on the internal probabilities of default (PD) assigned by RLPL to the

lessees, assuming the two-year portfolio WAL allowed under portfolio covenants (see Appendix II).

Figure 16. Final default rates and default-rate coefficients of variation

Segment	DR	CoV
New cars	5.5%	38.0%
Used cars	7.0%	27.5%
Trucks and trailers	11.0%	32.0%
Machinery and equipment	12.5%	60.0%
Blended for least-favourable portfolio[a]	8.2%	42.9%

[a] This is for indicative purposes only. Scope modelled the portfolio segments separately.

Scope assumes that lessees more than 120 days in arrears are effectively hard-defaulted and cannot again become performing (i.e. cure rate assumption of 0%). The default definition in the structure matches the delinquency threshold used in delinquency vintage data.

We derived the volatility assumption from historical delinquency vintage data. The coefficients of variation for the different segments, as used in the analysis, are listed in Figure 16. The analysis of vintage data shows relatively high default-rate dispersions, and we further accounted for the additional volatility which could result from the revolving period. We consequently considered a special sensitivity case in our analysis, which doubles the coefficients of variation (these are listed in the summary of portfolio modelling assumptions in Figure 24).

Internal probabilities of default and vintage data relevance

The performance vintage data provided by RLPL adequately represents the securitised portfolio. The originator has provided nine years of historical delinquency data for 60 dpd and 120 dpd, segmented by the type of leased object (i.e. the segmentation used in our analysis). The data does not differentiate between performances of different obligor types, but the granularity of the vintage data and portfolio enables us to assume it is a good representation of obligor-type distributions that are also expected during the replenishment period.

Scope also analysed the adequacy of internal PDs assigned by RLPL to the lessees by comparing the internal PDs to the actual observed default frequencies. The internal PDs provide a fair estimation of default frequencies and the internal models have adequate discriminatory power (GINI coefficients of 68%, 74% and 44% for micro, SMB and corporates, respectively; the GINI for corporates is low due to the lower granularity of the segment).

We believe that the amortising nature of the portfolio will result in a naturally front-loaded time distribution of defaults from the assets. This is shown in Figure 17. The chart shows defaults as classified according to definitions in the documentation. The structure classifies loans more than four months past due as defaulted.

Figure 17. Normalised portfolio-default timing

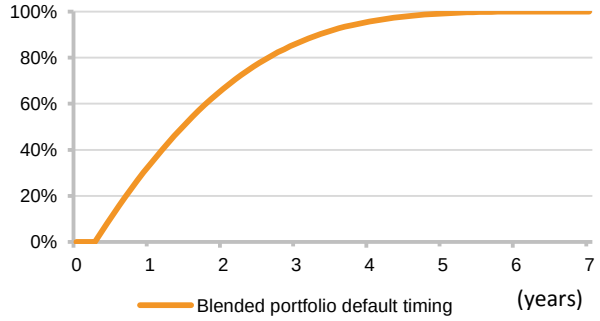
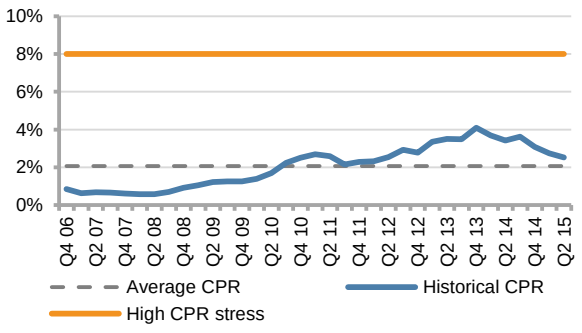


Figure 18. Historical prepayments and stress



Portfolio recovery rate

Scope estimated a blended weighted-average recovery rate of 30% for all portfolio segments from 120 dpd recovery vintage data provided by RLPL, which explicitly excluded recovery cash flows from the liquidation of leased objects given the unsecured nature of the credits. We did not differentiate between contract types as the differences in the unsecured recovery vintage data were not significant.

Figure 19 lists the rating-level conditional recovery rate assumptions we used in the analysis, as well as the implicit haircuts to the base case recovery rate. Scope modelled the portfolio with fixed recovery rate assumptions subject to rating-level conditional stress (i.e. under AAA stress we assumed a recovery of 18%). The use of rating-conditional recovery rates results in increased rating stability.

We estimated the weighted average time to recovery using recovery vintage data (see Figure 20). Also, when deriving the base case recovery rate from vintage data, we only considered recoveries up to three years after the moment of default.

Figure 19. Rating-conditional recovery rate assumptions

Rating Stress	Haircut to base case	Rating-level-conditional recovery rate
AAA	40%	**18.0%**
AA	32%	**20.4%**
A	24%	**22.8%**
BBB	16%	**25.2%**
BB	8%	**27.6%**
B (base case)	**0%**	**30.0%**

Figure 20. Weighted average time to recovery from vintage data per segment

Segment	Weighted average time to recovery (months)
New cars	24
Used cars	27
Trucks and trailers	31
Machinery and equipment	32

Constant prepayment rate

Scope analysed the class A under the most conservative 0% CPR assumption because this class benefits from portfolio prepayments. We believe it is a possible scenario in a sudden downturn, when lessees have to make full use of their liquidity.

We modelled a CPR assumption of 8% to analyse the class B notes. Historical CPR values reported by RLPL are volatile and range from 0% to 4%. Figure 18 shows historical prepayment rates and our modelling stress of 8%.

RATINGS

Scope assigned an AAA_{SF} rating to the class A-1 and class A-2 notes based on its resilience to default, interest and prepayment stresses. We ran a cash flow analysis under a base-case portfolio-default-rate distribution and also under a high volatility default-rate distribution. We expect a WAL of 1.2 years for this class from the moment the amortisation phase starts, which makes a total expected WAL of 3.2 years for the class A.

The $BBB+_{SF}$ rating assigned to class B notes also reflects its resilience to stresses and, specifically, the sensitivity of expected losses for this tranche on portfolio default-rate volatility and recovery rates. The class B benefits from the credit enhancement provided by overcollateralisation from the subordination of junior funding. Overcollateralisation protects the class B notes from the risk of the tail of the life of the portfolio of assets. For this class, we expect a WAL of 2.7 years from the start of the amortisation phase (i.e. expected total WAL 4.7 years).

The short lives of all rated classes gives significant comfort in relation to hypothetical negative macroeconomic developments in Poland over the next five years.

Scope used a bespoke cash flow tool to analyse the transaction. The model accurately implements the structural features of this transaction from the start of the amortisation phase with the exception of the call option. The four segments of the portfolio were considered with their corresponding amortisation and default timing profiles, interest rate indices, prepayments, and recovery rate.

The cash flow tool was combined with the probability distribution of portfolio default rates to calculate the probability-weighted loss (i.e. expected loss) for each of the rated

tranches. Scope used a highly granular portfolio approach and modelled portfolio defaults with an inverse Gaussian probability distribution. The cash flow tool also produces the expected WAL of each of the rated tranches.

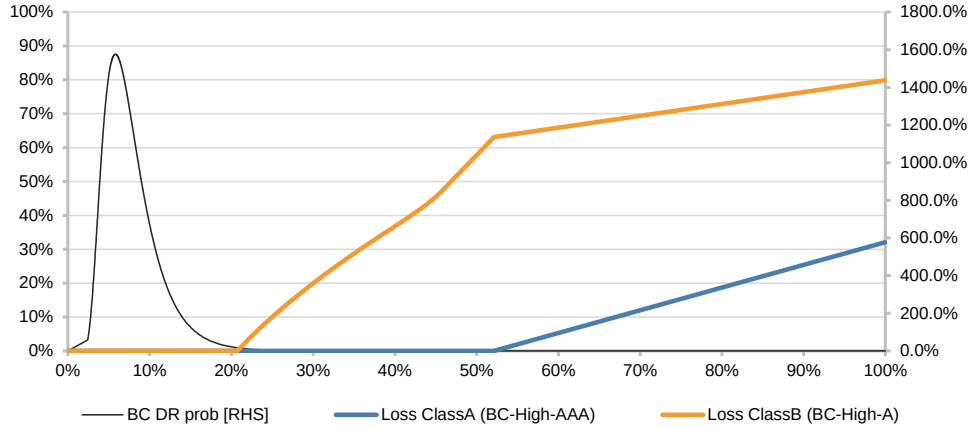
The results of base case cash flow analysis are shown in Figure 21, which also shows the break-even portfolio default rates under different recovery assumptions.

Figure 21. Cash flow analysis results and break-even portfolio default rates

	Class A	Class B
Expected loss rating	**AAA**	**A+[a]**
Expected WAL (years)[b]	**1.2**	**2.7**
PD rating	AAA	AAA
Loss break-even DR (implied-rating recovery rate)	52.3% (AAA RR)	20.4% (A RR)
Loss break-even DR (B recovery rate)	53.4%	22.4%
Loss break-even DR (zero recovery rate)	44.0%	16.3%
PD break-even DR (zero recovery rate)	44.0%	29.4%

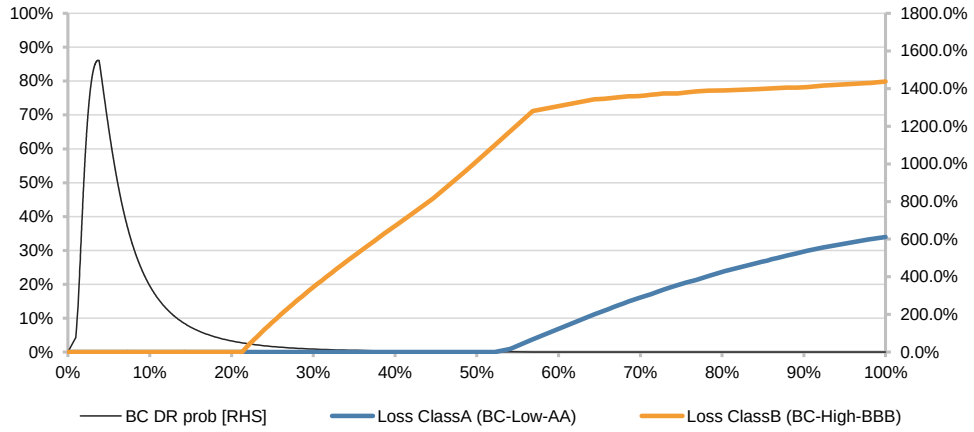
[a]The rating assigned to the class B overrides the model result in light of its sensitivity to default-rate volatility.
[b]The total expected WAL is two years longer when the revolving period is consumed.

Figure 22. Tranche losses[a] and portfolio-default-rate distribution



[a]Tranche losses under high prepayments and AAA and A recovery assumptions for class A and class B, respectively.

Figure 23. Sensitivity of tranche[a] losses to high default-rate volatility



[a]Class A losses under low prepayments and AA recovery assumptions, and high prepayments and BBB recovery for class B.

These cash flow model results are based on the base-case portfolio-modelling assumptions presented in earlier sections, which are also summarised in Figure 24.

Figure 24. Summary: main portfolio modelling assumptions

Scenario	Ratings	New cars	Used cars	Trucks and trailers	Machinery and equipment
Base case	**Default rate**	5.5%	7.0%	11.0%	12.5%
	Coefficient of variation	38.0%	27.5%	32.0%	60.0%
	Cure rate	0.0%	0.0%	0.0%	0.0%
	Recovery rate B	30.0%	30.0%	30.0%	30.0%
	Recovery rate BBB	25.2%	25.2%	25.2%	25.2%
	Recovery rate A	22.8%	22.8%	22.8%	22.8%
	Recovery rate AAA	18.0%	18.0%	18.0%	18.0%
	Recovery lag (months)	24	27	31	32
	CPR low	0.0%	0.0%	0.0%	0.0%
	CPR high	8.0%	8.0%	8.0%	8.0%
High DR volatility sensitivity	**Default rate**	5.5%	7.0%	11.0%	12.5%
	Coefficient of variation	77.0%	56.0%	64.0%	120.0%

RATING STABILITY

Rating sensitivity

The class A is very resilient and does not show any rating impact under any of our base case sensitivity cases. This is due to the structure's robustness, which results in the high ratings' stability with respect to deviations from our modelling assumptions (see Figure 25).

The rating of the class B is sensitive to deviations of the base case mean default rates, which would make it vulnerable in the context of this revolving transaction. The rating is BBB+ when the mean default rates increase by 25%. We considered this sensitivity result in assigning the final rating to this class.

Scope has tested deviations of the main input parameters as per our 'SME CLO Rating Methodology': i) mean default rate; ii) base case recovery rate; iii) default-rate coefficient of variation; and iv) joint default and recovery rates.

We also considered a special sensitivity case in our analysis, which doubles the coefficients of variation. This analysis highlights the robustness to changes in origination strategy, which could lead to portfolio default rates that differ significantly to the mean values we consider in our base case.

Figure 25. Rating sensitivity to deviations from base case assumptions

Rating changes (notches) from base case assumptions	Class A		Class B	
	Historical DR volatility	Stressed DR volatility	Historical DR volatility	Stressed DR volatility
Assigned rating	**AAA_{SF}**		**$BBB+_{SF}$**	
Base case	AAA	AA+	A+	BBB-
Default rate +25%	0 (AAA)	-2 (AA-)	-3 (BBB+)	-1 (BB+)
Default rate +50%	0 (AAA)	-4 (A)	-5 (BBB-)	-2 (BB)
RR -25%	0 (AAA)	-1 (AA)	-1 (A)	-1 (BB+)
RR -50%	0 (AAA)	-2 (AA-)	-2 (A-)	-1 (BB+)
Default rate +25% and RR -25%	0 (AAA)	-3 (A+)	-4 (BBB)	-2 (BB)
CoV +50%	0 (AAA)	N/A[a]	-4 (BBB)	N/A[a]

[a]This result would represent a 200% volatility stress which lacks significance – i.e. base case x (1+100%) x (1+50%).

Break-even analysis

The resilience of the class A rating is even better illustrated in the break-even default rate analysis. Class A would not experience any loss at portfolio default rates of 45.7% or lower, under a zero recovery-rate assumption. This break-even default rate is 5.6 times higher than our blended base-case default-rate for the portfolio. The class A would not make any losses at portfolio default rates of 52.1% or lower under the AAA recovery-rate assumption for this portfolio (i.e. 18%).

The class B would not make any losses for portfolio default rates of 25.2% or lower under the BBB recovery-rate assumption of 25.2%. The class B does not suffer losses under portfolio default rates two times higher than our blended base case default rate for the portfolio and a zero-recovery assumption from the assets.

Figure 26. Break-even default rates as a function of prepayments and recovery rates

Prepayments	0% CPR		8% CPR		
Portfolio RR	AAA_{SF} RR (18.0%)	Zero RR	BBB_{SF} RR (25.2%)	A_{SF} RR (22.8%)	Zero RR
Class A	**52.3%**	**44.0%**	N/A	N/A	N/A
Class B	N/A	N/A	**21.3%**	**20.4%**	**16.4%**

COUNTERPARTY RISK

The credit strength of the counterparties, as assessed by Scope, and the appointment of a credible back-up servicer, mitigate counterparty risk in this transaction. Scope has assessed the credit strength of the issuer's counterparties in order to factor counterparty risk into our ratings.

In our analysis, we applied the principles defined in Scope's 'Rating Methodology for Counterparty Risk in Structured Finance Transactions' (August 2015, available on www.scoperatings.com), even when none of the counterparties have public ratings by Scope. The transaction documents do not contain any structural protection against counterparty risk that makes reference to Scope's ratings.

We found none of the counterparty exposures to be excessive (i.e. crystallisation of counterparty risk would not prompt downgrades of six notches or more to the notes).

Role	Counterparty
Issuer	ROOF Poland Leasing 2014, DAC
Originator/ Servicer/ Calculation agent	Raiffeisen Leasing Polska SA (RLPL)
Back up servicer	TMF Poland Sp. z o.o.
Account bank/ Cash administrator/ Interest determination agent	Elavon Financial Services Ltd, UK Branch
Paying agent	Elavon Financial Services Ltd, UK Branch
Trustee	US Bank Trustees Limited
Corporate services	TMF Administration Services Ltd
Arranger	Raiffeisen Bank International AG (RBI)
Subordinated creditor	Raiffeisen Leasing Polska SA
Portfolio auditors	PricewaterhouseCoopers
Legal counsel	DLA Piper (Polish and English law) Walkers (Irish law)
Tax counsel	DLA Piper Warsaw (Polish tax) Walkers (Irish tax)
SPV auditor	MKO Partners

Operational and commingling risk from servicer

Scope believes that a disruption of the servicer function when performed by the originator is a possible – yet not an expected – risk in this transaction. The originator and servicer is not a resolvable financial institution and, consequently, severe financial impairment could trigger its liquidation and the default on its obligations under the servicer agreement.

We considered operational risk in our analysis. The structure provides structural mitigants to this risk – first and foremost, the provision of a back-up servicer agreement. Quarterly payment periods, combined with an independent and financially strong account bank, also contribute to the reduced severity of a servicer disruption. This is because a few days' worth of collections from receivables is enough to ensure timely payment of senior expenses and class A interest, with the support of the reserve fund if needed.

Servicer commingling risk is not a rating driver in this transaction because the ratings are not materially affected by the crystallisation of servicer commingling risk which compromises collections from assets on the two-month period when balances are largest. The class A rating would remain unchanged, and the class B rating would lose one notch. This analysis of servicer commingling risk is the most conservative possible. The servicer

collects payments from the lessees and retains moneys for one week, before transferring the money to the account bank.

Back-up servicer agreement

The provision of a back-up servicing agreement with TMF Poland Sp. z o.o., effective from from day one after the restructuring, mitigates operational risk exposure to the originator as servicer, if it is disrupted during the life of the transaction. The back-up servicer is part of TMF Group, a multinational group specialised in providing services to corporations. This requires a capacity similar to that needed for servicing the portfolio of receivables. For example, payroll services require the management of a large number of timely wire transfers, which have to be tapped into the banking system using batch processes, as well as the timely delivery of large numbers of pay slips.

The back-up servicer also replaces the figure of the data trustee after the restructuring, and will hold the encryption key to grant it access to lessee contact data and other data if it needs to step in as servicer.

The back-up servicer will not pose a commingling risk as collections will be received in an account the issuer has opened with Bank Pekao SA, a Polish retail bank controlled by UniCredit, which owns 59% of the company. Transfers will be made daily to the account bank.

Commingling risk from account bank and paying agent

Scope considers the risk of commingling losses from the account bank and the paying agent as immaterial for the class A notes. These functions are performed by Elavon Financial Services Ltd, UK Branch (a subsidiary of US Bancorp), which specialises in payment systems and services.

Our credit assessment indicates that the credit strength of Elavon is not only sufficient, but is also stable over the total life of the class A notes, including the maximum replenishment period of two years. The structure also provides for the substitution of the account bank upon the loss of a minimum rating level by another credit rating agency.

Scope will monitor the credit quality of the account bank and paying agent, which we will update and incorporate to our ratings during the life of the transaction.

Setoff risk from originator

Scope does not believe setoff risk from the originator is material in the context of this transaction. The lessees are not entitled to set off against the receivables any claim against RLPL, as set forth in the terms of the receivables, except when pursuant to a mandatory rule of law. The originator is not a deposit-taking financial institution, and lessees generally do not have claims that can be set off against the lessor's.

Furthermore, setoff from linked insurance contracts does not result in a material contribution to the expected loss on the notes. The originator pays the insurance policy premia upfront, and then invoices these to the lessees, who can choose between full or pro-rata payments. Crystallisation of setoff losses from insurance would require the joint default of the originator and the insurance company, and lessee's choice to pay the insurance premium upfront.

SOVEREIGN RISK

Sovereign risk does not limit the ratings on this transaction. The risks of an institutional framework meltdown, legal insecurity, capital transfer or problems converting currency are not material for the rating of the class A notes given the short expected WAL of this tranche (1.2 years expected WAL during the amortisation phase, plus two years of the revolving period under base case assumptions).

Scope factors into its analysis the efforts of Poland towards convergence with EU countries, and the orthodoxy of Poland's central bank in managing monetary policy and inflation.

Explicitly, we rule out the risks of hyperinflation or a systemic bank run in Poland. These would be the main reasons resulting in convertibility risk for an international investor. The

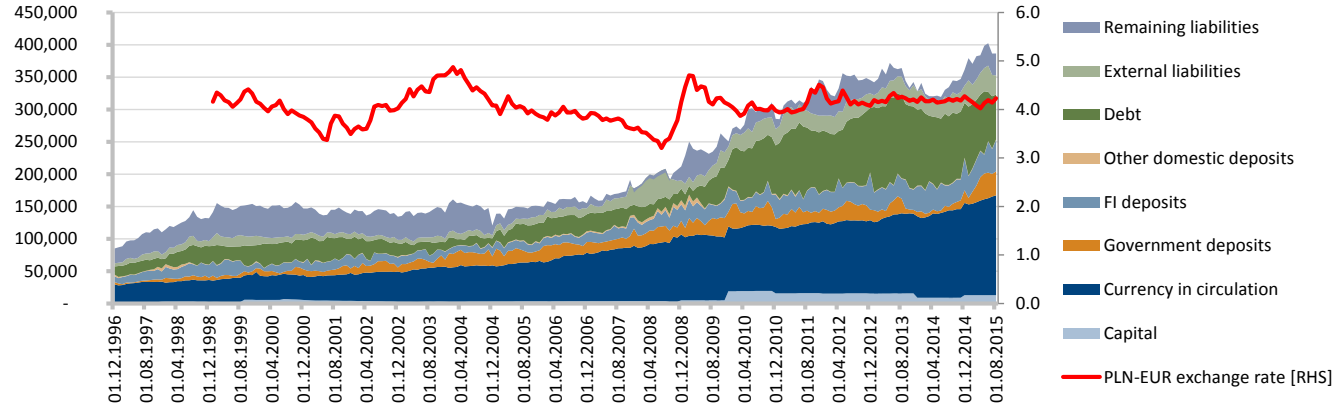
Polish banking system is well capitalised, and Poland enjoys the flexibility of having an independent monetary policy.

Poland is a growing economy. We estimate real GDP growth of 3.3% in 2014 and this trend is likely to continue in 2015 and 2016. Economic growth is driven mostly by domestic activity, supported by increases in wages and credit expansion.

The fact that Polish economic growth is driven mostly by domestic factors will benefit this transaction, as the performance of Polish SMEs relies on cash flows from households and other small- and medium-sized companies. Also, government consumption is expected to grow in 2015, a usual occurrence in election years, as well as in the following years in light of the programmes of the political parties that stand for election. A government deficit would risk an increase in fiscal pressure, which would be a credit-negative for the performance of the assets in this securitisation.

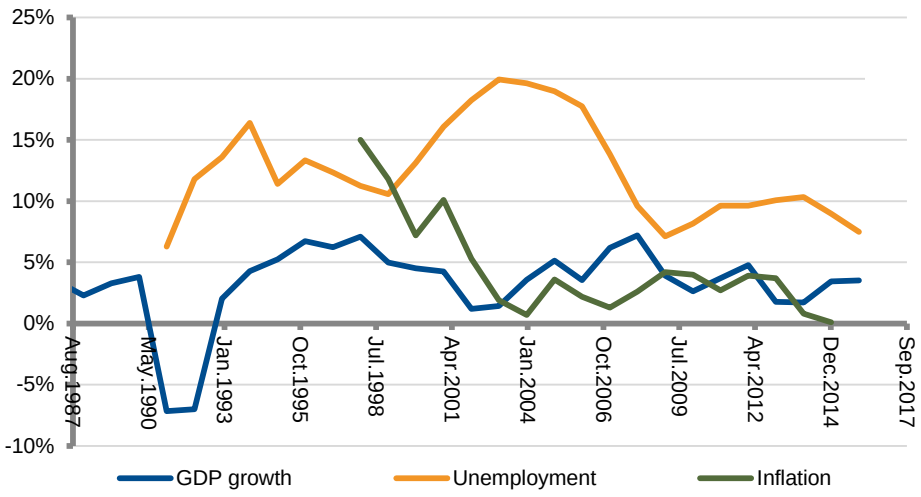
A recovery in the eurozone, particularly in Germany, will boost Poland's exports. An appreciation of the zloty in 2015 and 2016 would endanger this increase in exports, while Poland's central bank has done well to control the PLN-EUR exchange rate to date. Poland's central bank cut its policy rate to 1.5% from 2% (see Figure 2 on page 4). The credit expansion will strengthen domestic GDP growth drivers, but the actions of Poland's central bank are not as aggressive as the ECB's and we believe some appreciation of the zloty against euro is possible.

Figure 27. Expansion of Poland's central bank liabilities and control of the PLN-EUR exchange rate



We expect inflation in Poland will continue to be under control with a slight deflation in 2015, and then low inflation in 2016. Our expectation is supported by the low propensity of Polish households and companies in Poland to take on a lot of debt (compared to most European countries).

Figure 28. GDP, unemployment and inflation (HICP): annual rates of change



Source: Eurostat and IMF.

The main vulnerability in this portfolio's performance lies in the openness of Poland's economy: Poland's productive sector is now tightly incorporated in the supply chain of Germany's manufacturing (in 2013 Germany accounted for 26% of Polish exports), and its exposure to eurozone countries is also high (54% of total exports, including Germany).

Stress scenarios for the performance of this transaction are linked to a double-dip recession in the Eurozone. Poland's exposure to Russia and Ukraine (both expected to contract economically in 2015) is moderate at 8%. Foreign direct investments from the EU until 2020 help Poland finance its current account deficit, so sharp changes in the external position of the Polish economy are unlikely. National savings also support investment and represented 16-17% in the last four to five years.

Other potential sources of stress to Polish economy, which could indirectly impact the performance of the portfolio are: i) the impact of a normalisation of US Fed policy rates on Poland's balance of payments; or ii) an escalation of the conflict between Russia and Ukraine.

LEGAL STRUCTURE

Legal framework

This securitisation is affected by three different legal regimes. Receivables are originated and transferred under Polish law. The issuer is incorporated in Ireland, and though subject to Irish law, is governed by English law. The nature and purpose of the vehicle and the legal structure of the issuer effectively results in a tax-efficient issuer that deems the effect of taxation immaterial. There is no loss of value or cash flows because of taxation either in Poland or Ireland.

The transaction represents the true sale of the assets to a bankruptcy-remote vehicle, represented by the trustee, US Bank Trustees Limited.

Use of legal and tax opinions

Scope reviewed the legal and tax opinions produced by legal advisers of the originator: i) opinion on Polish law by DLA Piper Wiater sp.k.; ii) opinion on English law by DLA Piper UK LLP; iii) opinion on Irish law and tax by Walkers Ireland; and iv) Polish tax opinion by DLA Piper Warsaw.

The transaction conforms to international securitisation standards and supports the general legal analytical assumptions of Scope (see 'Legal Risks in Structured Finance – Analytical Considerations', dated January 2015 and available in www.scoperatings.com).

MONITORING

Scope will monitor this transaction on the basis of performance reports produced by the servicer and any other information received from the originator. 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 the rating analysis in detail, the risks to which this transaction is exposed, and ongoing monitoring of the transaction.

APPLIED METHODOLOGY AND DATA ADEQUACY

For the analysis of this transaction, Scope applied its 'SME CLO Rating Methodology', dated 6 May 2015, available on our website www.scoperatings.com.

APPENDIX I) SUMMARY OF PORTFOLIO CHARACTERISTICS

The following table shows the summary of portfolio characteristics considered in Scope's analysis.

Figure 29. Preliminary portfolio characteristics

Key Features	Preliminary portfolio as of 3 Sep 2015	Least-favourable portfolio as of December 2017
Originator (% of balance)	Raiffeisen-Leasing Polska S.A.	
Closing date	16 November 2015	
Portfolio balance (PLN m)	**1,452**	**1,466**[a]
Number of assets (^{2}D diversity index)	33,622 (11,853)	
Number of obligors (^{2}D diversity index)	21,288 (3,880)	
Average asset size (EUR)	68,747	
Maximum asset size (EUR)	2,281,493	
Micro obligors	76.1%	
SMB obligors	8.9%	
Corporate obligors	15.0%	
Segment: new cars	**49.3%**	**43.0%**
Segment: used cars	**23.0%**	**20.0%**
Segment: trucks and trailers	**8.1%**	**12.0%**
Segment: machinery and equipment	**19.7%**	**25.0%**
Largest obligor	0.57%	
Top 10 obligors	2.71%	
Top 20 obligors	4.17%	
Largest region	24.30%	
Top 3 regions	47.20%	
Largest sector (% of balance)	Industrial manufacturing (11.7%)	
Top 3 sectors	36.30%	
All real estate, construction and materials	13.50%	
WAL (0% DR and 0% CPR) (years)	1.5	**2.0**
WA internal 1yr PD	4.03%	
Current WA coupon	5.30%	**4.35%**
Fixed-rate assets (% of balance)	0.00%	
WA coupon of fixed-rate assets	N/A	
WA margin of floating-rate assets	3.65%	**2.75%**
Amortising loans	100.0%	
Bullet loans	0.0%	
Unsecured loans	100.0%	
Debt consolidation (refinancing)	N/A	

[a] Assuming an initial balance of PLN 1,475m with undercollateralisation at start of redemption due to principal deficiency of 0.5% as per PDL early-amortisation trigger and 0.1% expected loss from servicer commingling risk. Scope also tested the undercollateralisation which would result from the loss of maximum servicer commingling exposure over a period of two months (i.e. 5.6%) and principal deficiency of 0.5% (i.e. total assets PLN 1,385m).
Source: Preliminary portfolio.

APPENDIX II) INTERNAL PDS AND VINTAGE DATA

Internal probabilities of default

The originator provided obligor-specific internal probabilities of default for the lessees in the portfolio. We calculated lifetime default rates for the portfolio segments considering the risk horizon of the different types of contracts. Figure 30 shows the calculated values, considering the current weighted average life of the preliminary portfolio, and a stressed weighted average life for the least-favourable portfolio.

We used the stressed lifetime default rates from this analysis to benchmark the historical performance as shown in vintage data and decide on the default modelling assumptions for the least-favourable portfolio at the end of the revolving period.

Figure 30. Preliminary portfolio lifetime default rates as extrapolated from internal PDs

Segment	WA one-year internal PD	WAL (years)	WA lifetime DR	Stressed WAL[a] (years)	Stressed WA lifetime DR
New cars	3.8%	1.4	5.6%	2.0	9.2%
Used cars	4.3%	1.4	6.0%	2.0	10.1%
Machinery and equipment	3.4%	1.6	5.6%	2.2	9.4%
Trucks and trailers	5.9%	1.5	8.4%	2.1	13.3%

[a] The WAL is limited by a portfolio covenant up to two years. The values assumed by Scope exceed the covenant because we extended the average life to stress the overall lifetime default rate.

Vintage data

Figure 31 and Figure 32 show the granularity of the vintage data provided by the originator. The data refers to a delinquency threshold of 120 days, which matches the default definition in the structure.

Figure 31. Coverage and granularity of 120 dpd delinquency vintage data

	Used cars	New cars	Trucks and trailers	Machinery and equipment
Total origination (PLNm)	5,762	1,661	2,693	2,907
Total origination (contracts)	76,963	22,428	26,158	25,159
Series	37	36	37	37
Series period (mo)	1	1	1	1
Period covered	2006 to 2015	2006 to 2015	2006 to 2015	2006 to 2015

Figure 32. Coverage and granularity of 120 dpd recovery vintage data

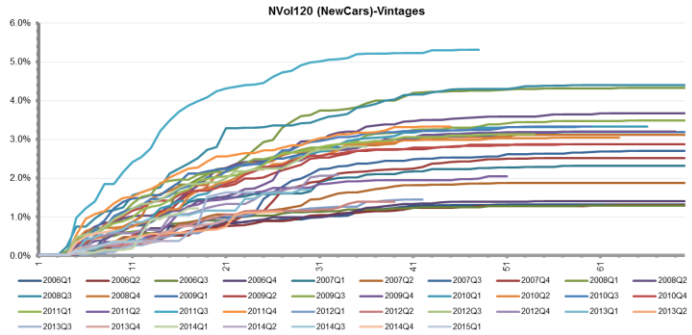
	Used cars	New cars	Trucks and trailers	Machinery and equipment
Total defaults (PLNm)	137	47	112	129
Total defaults (contracts)	3,150	1,074	1,859	1,417
Series	37	37	36	37
Series period (mo)	1	1	1	1
Period covered	2006 to 2015	2006 to 2015	2006 to 2015	2006 to 2015

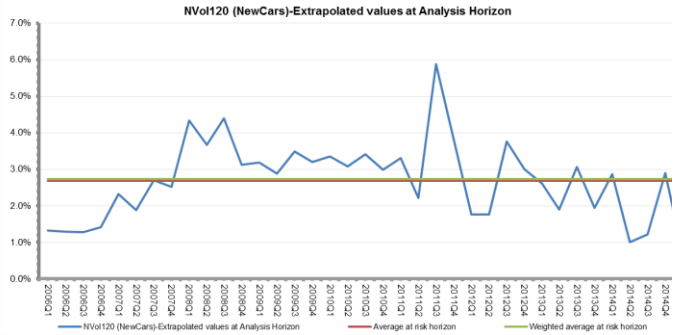
The following figures show the vintage data used in our analysis. The figures display three charts for each of the portfolio segments and delinquency or recovery data sets. The charts represent the following:

- Top left chart: vintage data provided by the originator.
- Top right chart: values extrapolated by Scope to the risk horizon in which all assets in the vintage are paid out or defaulted, for each of the series in the vintage data set.
- Bottom left chart: vintage data consolidated by Scope in annual series.

Delinquency vintage data for 120 days past due

Figure 33. Delinquency vintage data (new cars)





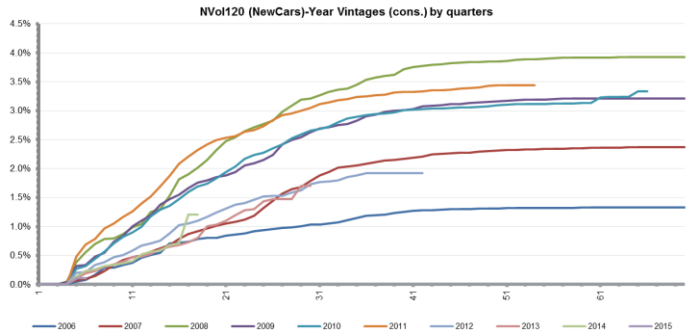
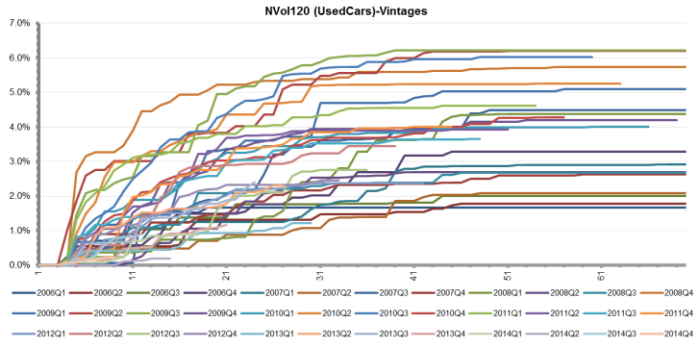
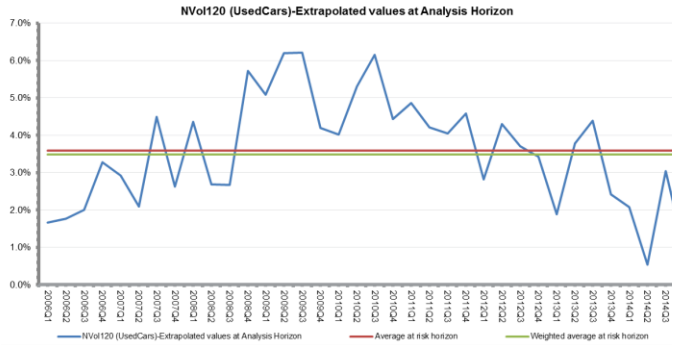


Figure 34. Delinquency vintage data (used cars)





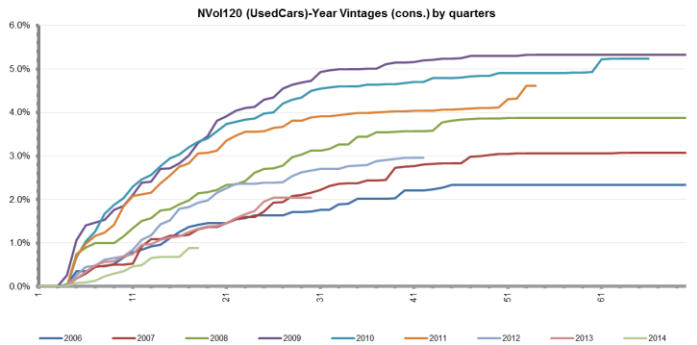
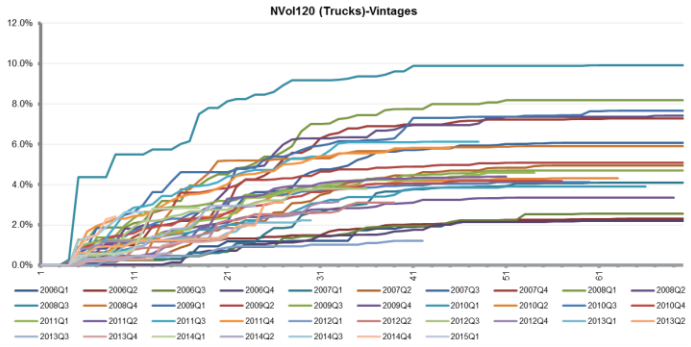
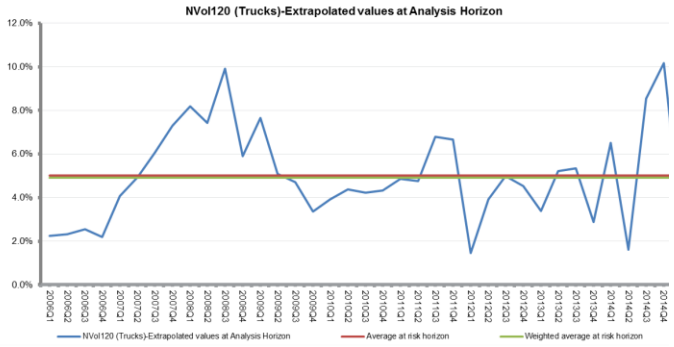


Figure 35. Delinquency vintage data (trucks and trailers)





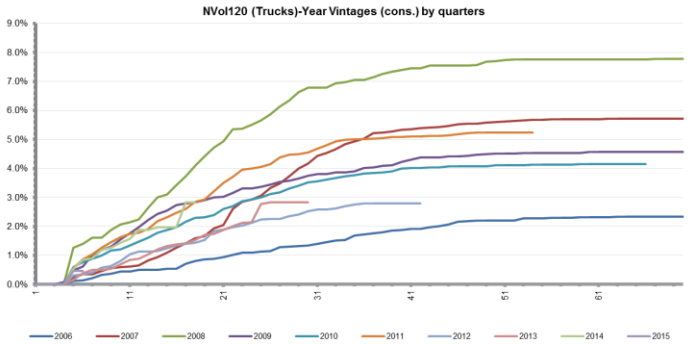
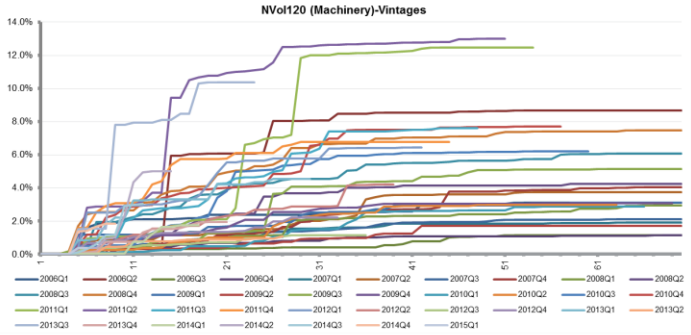
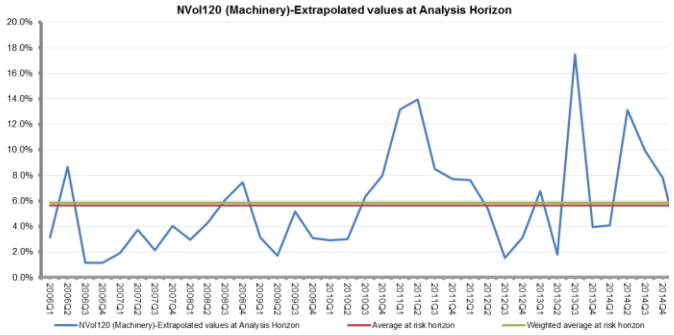
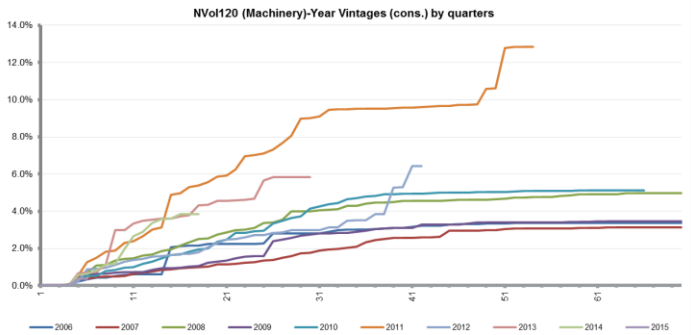


Figure 36. Delinquency vintage data (machinery and equipment)

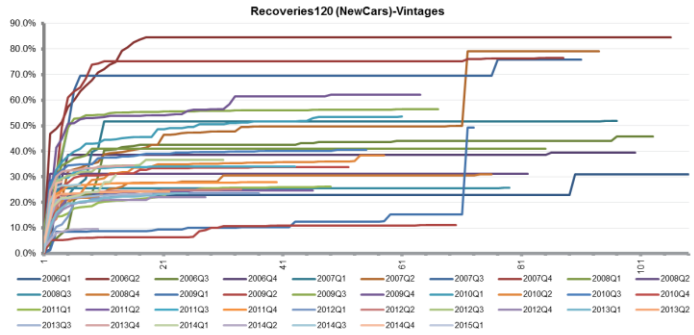


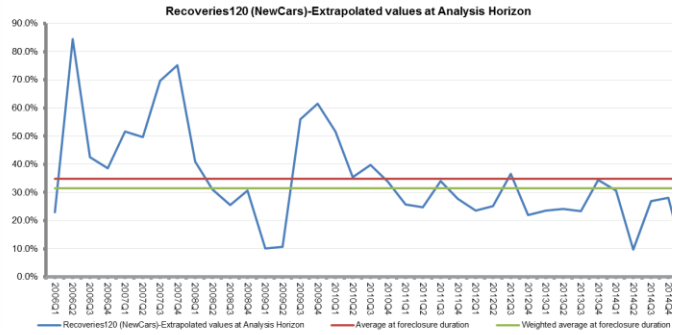




Recovery vintage data for 120 days past due arrears

Figure 37. Recovery vintage data (new cars)





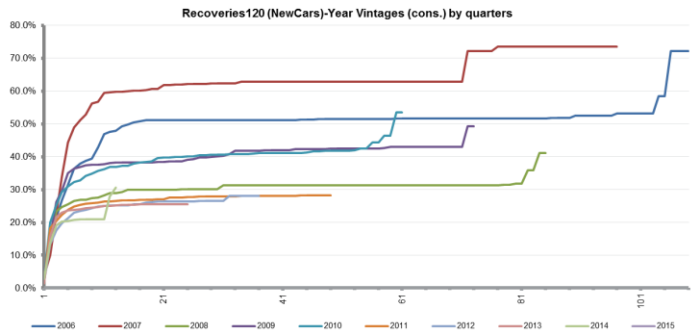
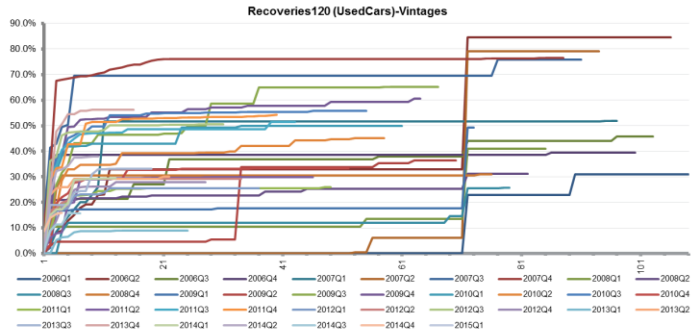
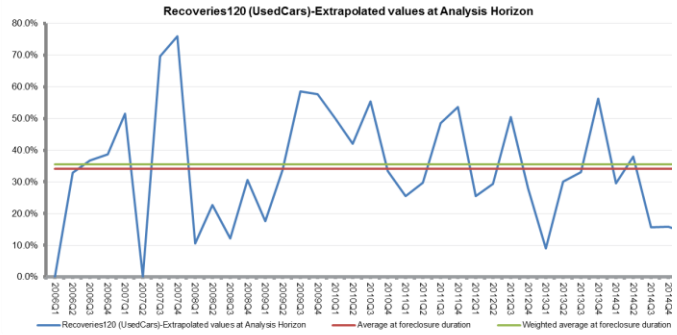


Figure 38. Recovery vintage data (used cars)





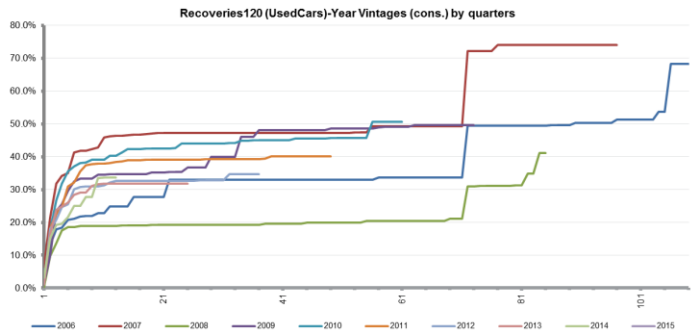
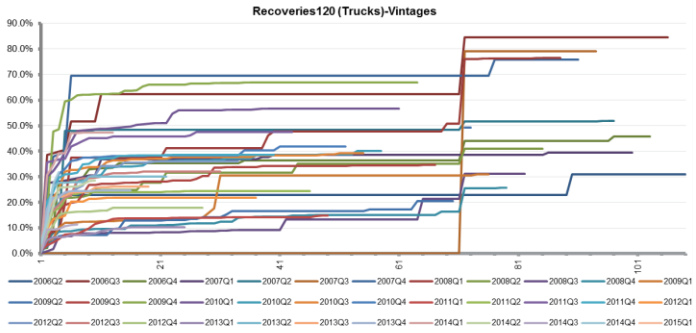
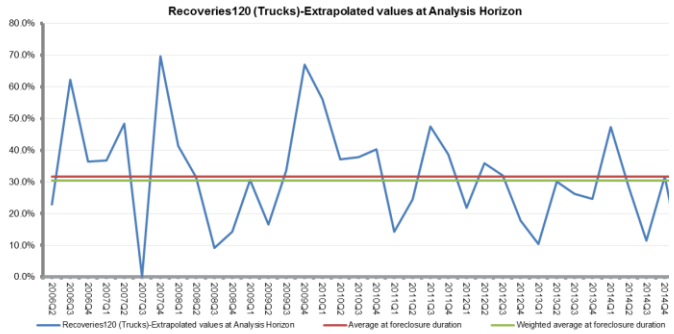


Figure 39. Recovery vintage data (trucks and trailers)





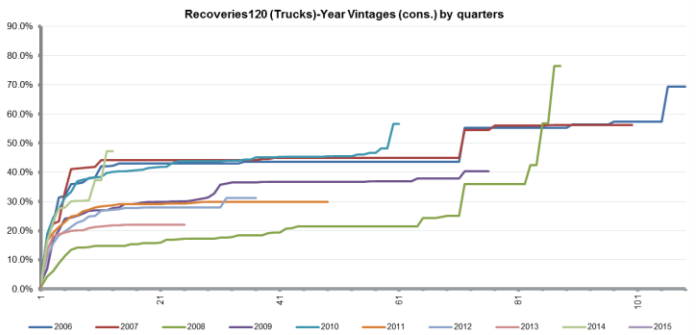
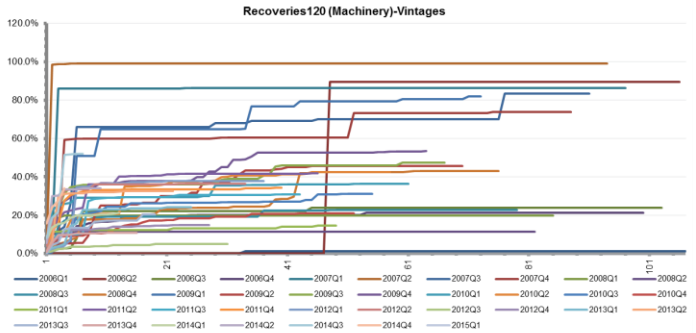
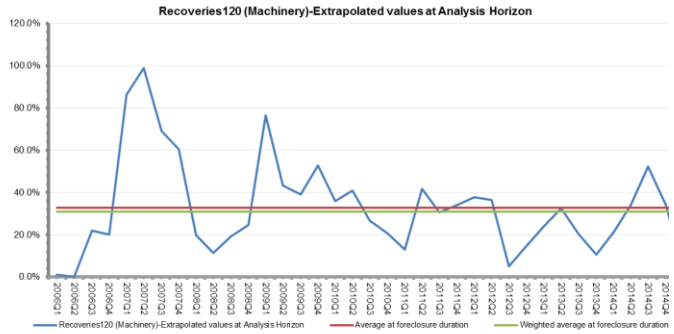
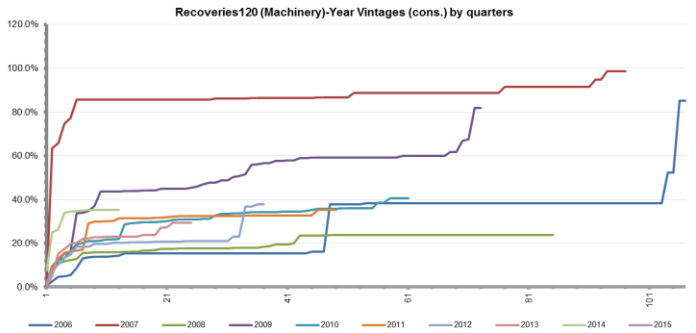


Figure 40. Recovery vintage data (machinery and equipment)







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 Carlos Terré, 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.

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, represented by the management company.

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

Offering circular and contracts; operational review presentation of the originator; delinquency and recovery vintage data; loan-by-loan final portfolio information; legal opinion; and portfolio audit report.

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 this rating is "SME CLO Rating Methodology", dated May 2015. Scope also applied the principles contained in the call-for-comments paper "Rating Methodology for Counterparty Risk in Structured Finance Transactions", dated August 2015. Both 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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