New Issue Rating Report

IM GBP EMPRESAS VI, FTA

SME CLOs / Structured Finance

Scope Ratings

www.scoperatings.com

RATINGS

Class	Rating	Notional[a] (EURm)	Notional[a] (% assets)	CE[a] (% assets)	Coupon	Final maturity
Series A	AA_{SF}	2,340.0	78.0	25.0	3-mo Euribor + 30bp	22 January 2046
Series B	$B+_{SF}$	660.0	22.0	3.0	3-mo Euribor + 40bp	22 January 2046
Total notes		3,000.0	100.0			

The transaction closed on 30 March 2015. The ratings are based on the final portfolio dated 23 March 2015, provided by the originator, and take into account the situation of the fund as of August 2015. Scope's structured finance ratings constitute an opinion about relative credit risks and reflect the expected loss associated with payments contractually promised by an instrument on a particular date or by its legal maturity. See Scope's website for the SF Rating Definitions.

[a] Figures as of 30 March 2015.

Rated issuer

Purpose	Liquidity/funding
Issuer	IM Grupo Banco Popular Empresas VI, Fondo de Titulización de Activos
Originator	Banco Popular (NR)
Asset class	SME CLO
Assets	EUR 3,000.0m
Country of assets	Spain
Notes	EUR 3,000.0m
ISIN Series A	ES0305064000
ISIN Series B	ES0305064018
Closing date	30 March 2015
Legal final maturity	22 January 2046
Payment frequency	Quarterly
Payment dates	22 Jan, 22 Apr, 22 Jul, 22 Oct

Transaction profile

IM GBP EMPRESAS VI, FTA is a cash flow securitisation of a portfolio of unsecured loans, EUR 3bn at closing, granted to Spanish small- and medium-sized enterprises and self-employed individuals. Grupo Banco Popular (Banco Popular Español SA and its fully-owned subsidiary Banco Popular Pastor SA) originated the assets to finance regular business needs of customers in Spain. The transaction closed on 30 March 2015.

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Rating rationale (Summary)

The ratings reflect the legal and financial structure of the transaction; the quality of the underlying collateral in the context of the Spanish macroeconomic environment; the capability of Grupo Banco Popular as the servicer; counterparty risk exposure to Santander as the account bank and Banco Popular as paying agent; and the management ability of Intermoney de Titulización SGFT SA.

Scope believes the credit enhancement (CE) provided by the structure (28.8% as of July 2015 and 25% at closing) is sufficient to protect class A notes against losses from the portfolio. CE takes the form of overcollateralisation from subordination of the class B and a fully funded cash reserve and substantial excess spread. In addition, the short-term outlook for the Spanish economy benefits the fast-amortising class A notes, with an initial portfolio weighted average life (WAL) of 2.3 years with no prepayments or defaults. Class B notes are more exposed to the still fragile macroeconomic recovery and volatility of obligor performance over the transaction's lifetime, due to the smaller protection and longer life of this class.

Scope's analysis assumes volatile defaults and losses from the unsecured loan portfolio. The majority of the loans were originated in 2013 and 2014 applying sound underwriting standards, but which we believe were slightly more aggressive than those of competitor banks. This has earned Banco Popular a leading market share in SME lending (17.1% in 2013 according to EBA) but results in increased unexpected default risk from weak obligors. In addition, the portfolio eligibility criteria allow for obligors in arrears or considered subjectively defaulted by Banco Popular.

Our analysis reflects this risk in the high volatility assumption of this portfolio with a 70% default-rate coefficient of variation. We also assume a low expected recovery rate of 27%, based on the bank´s vintage data, explained by the bank's relatively non-aggressive recovery processes and the assets' unsecured nature.

Our rating also captures the high fixed-floating interest-rate mismatch in this transaction, which we believe is a lesser problem in the context of European interest rates. We have subject the transaction to stress, taking our expectations of the macroeconomic environment in the eurozone into account, particularly GDP growth prospects. We believe interest rates will remain low during the class A notes' lifetime, but have nevertheless analysed the impact of an unexpected, hypothetical rising interest rate scenario where 3-month Euribor reached 7% over seven years.

Banco Popular has plenty of servicing flexibility in this transaction, as up to 8% of the initial portfolio balance can be modified with respect to interest, margin, maturity or even additional grace periods. This flexibility helps Banco Popular reduce credit losses at the cost of reduced excess spread in the structure. We have haircut available excess spread in our analysis to account for this flexibility. The management company oversees loan modifications.

RATING DRIVERS AND MITIGANTS

Positive rating drivers	Negative rating drivers
Improving Spanish economy. The slowly improving Spanish economy will benefit the class A notes, as the portfolio performance reflects the positive conditions. The impact on the class B notes is less certain due to the recovery's fragility and significant fundamental imbalances still in the Spanish economy.	**Weak selection criteria.** The portfolio criteria allows for weak obligors in the portfolio. At closing, 0.71% of the final portfolio balance was more than 30 days-past-due and up to 90 days-past-due. Scope increased its base case lifetime portfolio default-rate assumption to 6.24% from the historical references obtained from internal probability of default and vintage data (4.6% and 5% respectively) to address this risk.
Fast amortisation. Class A bears a very short risk exposure to counterparties and possible macroeconomic deterioration due to its 1.4 years expected WAL under a conservative zero prepayments assumption.	**Loans with principal grace.** The portfolio contains contracts originally granted with an interest-only period of six months on weighted average (68.4% of the initial portfolio balance was ever under grace). We believe this is a sign of aggressive origination which could result in a weaker obligor base. We consider high volatility (70% coefficient of variation) of portfolio default rates to address the risk of these loans being distressed under a macroeconomic downturn.
High excess spread. The high excess spread available from the asset portfolio allows the class A to only see the first loss at a portfolio default rate of 30.7%. Excess spread is trapped by the structure to provision defaults.	**Unhedged large fixed-floating mismatch.** The notes receive variable interest whereas 49.6% of the initial asset balance pays a fixed rate. This results in excess spread reduction and negative carry in severe rising interest rate scenarios. We applied a stressed interest rate curve in our analysis, incorporating our expectation of GDP and inflation developments in the eurozone. The short life of the class A also mitigates this risk.
Strong liquidity coverage. The structure provides strong liquidity protection to ensure timely interest payment. The structure features a dedicated cash reserve of 3% of the notes balance, which cannot be depleted by defaults, and also a combined priority of payments.	**Vintage data relevance.** Scope believes the vintage data provided for the analysis is only an approximate representation of the securitised assets. Consequently, we also rely on internal PDs provided by the originator and sensitivity analysis when building the portfolio-modelling default-rate distribution.
Stressed performance references. Scope calibrated its forward-looking assumptions of the portfolio analysis with vintage data from 2004 to 2014, a period that contains years of high stress for Spanish SMEs. Scope also considered a long-term economic cycle adjustment to reduce the resulting procyclicality for the class A rating from these stressed point-in-time performance assumptions.	**Latent counterparty risk.** The exposure to Banco Santander as account bank would not be mitigated in the structure if Scope were the only rating agency to downgrade the bank below BBB in a hypothetical future. We consider this scenario unlikely over the short expected weighted-average life of the class A notes. Scope has a A+/Outlook Stable rating on Santander.
Post crisis originations and granular portfolio. The portfolio was originated largely in 2013 and 2014 (87% of the initial portfolio balance) with no significant obligor, sector or geographic concentrations. The loans were originated predominantly under tighter post-crisis standards with short maturities.	**Unrated paying agent.** Scope has no public rating for Banco Popular. Operational and commingling risks from functions performed by Popular are mitigated by: i) the sufficient credit quality of the bank as assessed by Scope; ii) the short funds-holding periods for the paying agent and servicer; and iii) the capacity and experience of the management company to replace counterparties if they compromised the performance of the notes.
Transparent structure. The deal features a swapless, strictly-sequential, two-tranche structure with a combined priority of payments and a liquidity cash reserve available to repay principal at maturity.	**Unsecured recoveries.** The loans in this portfolio do not have mortgage guarantees that allow for fundamental recovery calculation, even when they typically feature some form of security such as a personal guarantee of the business owner. Scope estimates a base case recovery assumption on hard defaults of 27% and a 90dpd cure rate of 15% based on historical recovery performance.

Positive rating-change drivers	Negative rating-change drivers
Fast recovery of employment in Spain would lower the base case default rate used in the analysis. We do not expect this fast recovery of employment to occur, and expect a very slow recovery instead. This recovery will be at permanent risk of a new recession until deeper fundamental reforms are tackled in Spain, addressing public spending and fiscal pressure, in general, and the labour market in particular.	**Crystallisation of weak-obligors risk** would impact the class-B notes because we would increase our base case default rate assumption. The risk from weak obligors lies mainly beyond the risk horizon of our positive outlook for the Spanish economy. Recovery stagnation or even a new recession could again create significant stress for SMEs.

Related reports

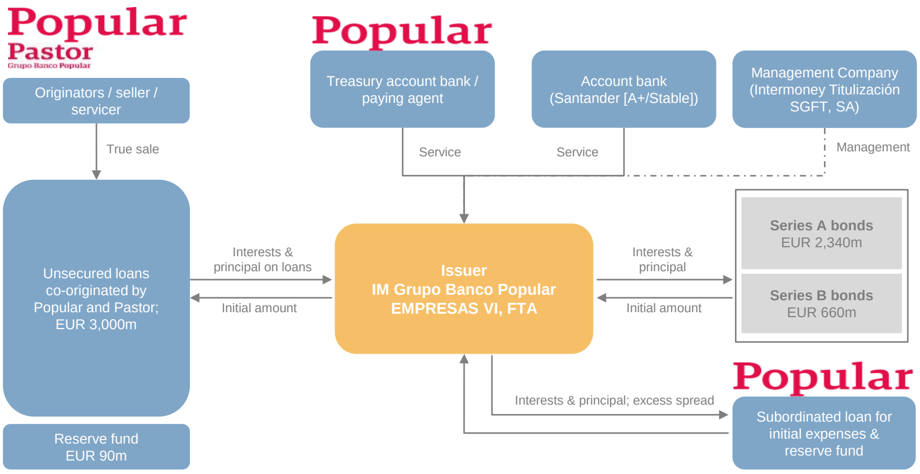
SME CLO Rating Methodology, dated May 2015.

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

General Structured Finance Rating Methodology, dated August 2015.

TRANSACTION SUMMARY

Figure 1. Simplified transaction diagram



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

IM GBP EMPRESAS VI, FTA is a cash flow securitisation of a portfolio of unsecured loans, EUR 2.47bn as of July 2015 and EUR 3bn at closing, granted to Spanish small- and medium-sized enterprises and self-employed individuals. Grupo Banco Popular (Banco Popular Español SA and its fully-owned subsidiary Banco Popular Pastor SA) originated the assets to finance regular business needs of customers in Spain. The transaction closed on 30 March 2015.

FINANCIAL STRUCTURE

Capital structure

Two classes of sequentially subordinated notes were issued. The proceeds from class A and class B notes were used to purchase the initial portfolio of assets. Additionally Banco Popular provided a subordinated loan to fully fund a cash reserve fund (RF) on the closing date.

The notes pay quarterly interest referenced to 3-month Euribor plus a margin. The amortisation is strictly sequential. Class B will not receive any principal until class A has fully amortised. The reserve fund will not amortise over the life of the transaction and its remainder will be used to repay the subordinated loan to Banco Popular.

The issuer's initial expenses were covered by the proceeds from a dedicated subordinated loan. This loan will be amortised out of excess spread in the early stages of the transaction.

Reserve fund (RF)

The structure features a fully-funded cash reserve which is very efficient at ensuring liquidity for the timely payment of senior expenses and senior-class interest. The required balance is EUR 90m or 3% of the initial portfolio balance and is non-amortising. This RF is only available to cover cash shortfalls for the timely payment of senior expenses and interest. Principal shortfalls can only be paid out of the RF upon liquidation or maturity of the transaction. The RF is the primary source of credit enhancement for the class B notes.

The reserve fund is designed to provide liquidity support over the life of the transaction. However, the ability to trap excess spread combined with the coverage of principal shortfall at the termination of the transaction also provides credit enhancement (CE) to the class A and B notes.

The provisioning of defaults cannot deplete the RF under high portfolio-default scenarios. In addition, the significant periodic excess spread tops-up the RF to its initial balance if it is not at target level and transforms excess spread into hard CE.

Contents

Amortisation and provisioning

Provisioning mechanism allows for accelerated amortisation of the most senior class out of excess spread only

Amortisation is strictly sequential. The provisioning mechanism somewhat accelerates the amortisation of the senior class by provisioning defaulted loans with excess spread available on every payment date. This is positive as it prevents the loss of excess spread when recoveries are uncertain. Nevertheless, excess spread cannot be trapped during the first 12 months of the transaction's lifetime, except for subjective defaults.

The mechanism seeks to reduce the total outstanding balance of the notes so that they are collateralised by nondefaulted loans. The amount accrued for principal amortisation is the lesser of: i) the positive difference of the outstanding notes and the outstanding balance of nondefaulted loans; and ii) the cash available in the priority of payments after senior expenses and tax, and senior-class interest.

Unsecured loans more than 12 months in arrears are classified as defaulted. The servicer can also subjectively classify loans as defaulted.

The RF will only be used to amortise notes upon maturity or if the transaction is terminated because the full outstanding balance of the cash reserve is part of funds available for the post-enforcement priority of payments.

Priority of payments

Combined priority of payments is the main protection against payment interruption

The structure features a combined priority of payments, providing substantial protection against payment interruption. Principal collections from assets can be used to pay timely interest on the senior class notes. Furthermore, only a few days' worth of collections suffices to pay senior class interest and other more senior items, minimising the liquidity risk of the fund in an unlikely servicer-disruption event. The combined priority of payments is also effective in allowing losses from negative carry or interest rate mismatches to be covered by credit enhancement. See Figure 2.

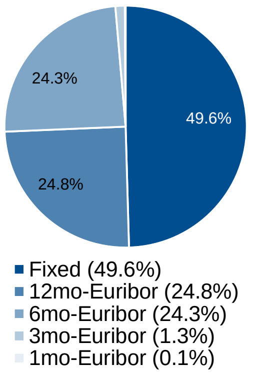
The reserve fund does not support interest payments on class B as long as class A is outstanding. The rating of class B notes captures any loss from the time value of missed interest in scenarios where class B interest payments are deferred. Missed interest payments do not accrue interest for any class in this structure.

Figure 2. Priority of payments and available funds

Pre-enforcement priority of payments	Post-enforcement priority of payments
Available funds Collections from assets; proceeds from interest and treasury accounts and RF withdrawals to cover shortfalls on items 1) and 2) – or 5) if class A is fully amortised.	**Available funds** All SPV moneys, including funds from liquidation of assets and the full balance of the RF.
1) Taxes and expenses (ordinary and extraordinary, including servicer fee if Popular were replaced) 2) **Class A interest** 3) **Principal for class A** 4) Reserve fund replenishment (falls after item 6 if class A has amortised in full) 5) **Class B interest** 6) **Principal for class B** 7) Initial expenses subordinated loan interest 8) Reserve fund subordinated loan interest 9) Initial expenses subordinated loan principal 10) Reserve fund subordinated loan principal 11) Variable commission payment (to Popular)	1) Reserve to pay extinction expenses and liquidation of taxes, admin. Expenses and publicity 2) Taxes and expenses (ordinary and extraordinary, including servicer fee if Popular were replaced) 3) **Class A interest** 4) **Principal for class A** 5) **Class B interest** 6) **Principal for class B** 7) Initial expenses subordinated loan interest 8) Reserve fund subordinated loan interest 9) Initial expenses subordinated loan principal 10) Reserve fund subordinated loan principal 11) Variable commission payment (to Popular)

Unhedged interest rate risk

Interest rates in the portfolio



Scope believes unhedged interest rate risk is limited due to the current low interest rate environment, and because floating rate assets are referenced to indices highly correlated with the 3-month Euribor index of the notes. Potential losses from negative carry are factored into the ratings and thus covered by available credit enhancement.

We have subject the transaction to stress taking into account our expectation about the macroeconomic environment in the eurozone and particularly GDP growth prospects. We believe interest rates will remain low during the class A notes' lifetime, but have nevertheless analysed the impact of an unexpected, hypothetical rising interest rate scenario where 3-month Euribor reached 7% over seven years.

The transaction is exposed to interest-related risks as there is no hedging agreement in place and 49.6% of the assets pay a fixed-interest rate, whereas 100% of the issuer's liabilities are referenced to 3-month Euribor. Furthermore, the distribution of reset-frequencies and reset-dates of the interest indices of floating-rate loans creates an interest rate mismatch between assets and liabilities.

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

Accounts

Accounts represent commingling exposure to account banks Popular and Santander

The issuer has a treasury and a reinvestment account. Both accounts represent commingling exposure to Banco Popular and Banco Santander, respectively, as account banks (see Counterparty Risk, p.7). The accounts also represent a source of negative carry as their yield is lower than the WA coupon on the notes. Any loss from negative carry is covered by available excess spread and credit enhancement.

The treasury account is the account held by the paying agent and holds the payments due on the notes for a period of two days prior to every payment date. The account accrues daily interest at 1-month Euribor.

The reinvestment account holds all collections on assets (including recovered amounts and proceeds from asset liquidation upon early termination of the transaction), as well as interest earned on cash in this account at a rate of 1-month Euribor.

The reinvestment account can be merged with the treasury account if the treasury account provider meets the counterparty eligibility criteria defined in the structure for the reinvestment account provider.

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. This is because the exercise of the option is discretionary and would require the notes be fully repaid.

LEGAL STRUCTURE

Legal framework

This securitisation is governed by Spanish law and represents the true sale of the assets to a bankruptcy-remote vehicle without legal personality, represented by the management company, Intermoney Titulización S.G.F.T. S.A.

This securitisation has been incorporated as a 'Fondo de Titulización de Activos' (FTA, asset securitisation fund), a now extinct legal form defined in the Spanish securitisation framework contained in royal decree 926/1998. This legal form is credit neutral and has been extensively tested as an effective and tax efficient way of incorporating bankruptcy remote securitisation vehicles in Spain.

Asset replacement

The servicers undertake to replace or repurchase any asset transferred to the portfolio which does not comply with the eligibility criteria in the documentation (i.e. arrears status at closing, unsecured type of loan contract, inexistence of prior set-off rights, etc). One percent of the assets transferred to the portfolio can be more than 30 and up to 90 days in arrears at the time of transaction closing. We have incorporated the risk of weak assets transferred to the final portfolio in our portfolio mean default-rate assumption.

Permitted variations

Flexibility to modify loans is addressed in the portfolio modelling

Banco Popular has plenty of servicing flexibility in this transaction, as loans can be modified in regard to interest, margin, maturity or even additional grace periods, limited to a maximum principal payment holiday of 12 months on up to 2% of the initial portfolio balance. In all cases, negotiations would be initiated by the obligors and follow the originator's standard procedures and approval processes.

We believe this flexibility helps the transaction as it allows Banco Popular to reduce credit losses by adjusting the terms and conditions of the loans to fit the payment capacity of the obligors, at the cost of lost excess spread in the structure. We have haircut available excess spread in our analysis to account for this flexibility. The management company oversees loan modifications.

The ratings account for the risk of changes to the portfolio characteristics, especially interest rates and margins. Documentation includes covenants to prevent the economic imbalance of the transaction as a result of permitted variations. The total amount of modified loans is limited to up to 8% of the initial portfolio balance. Scope has haircut the margin of floating rate loans to the minimum 1% defined as portfolio covenant in the documentation and considered large volatility on portfolio default-rate scenarios to address the risk of portfolio changes.

Use of legal opinions

The transaction conforms to Spanish securitisation standards

Scope has reviewed the legal opinions produced by Clifford Chance S.L.P. for the Issuer and trusts the regulatory oversight of CNMV that provides comfort on the issuer's legal structure. The transaction conforms to securitisation standards in Spain effective until 28 April 2015 and supports the general legal analytical assumptions of Scope.

ORIGINATOR AND SELLER

Popular's functions, systems, processes and staff meet the high standards required for SME lending in Spain

Banco Popular is an experienced originator of SME CLOs whose somewhat aggressive lending standards have enabled it to gain a leading 17.1% market share in 2013 (according to EBA). This creates additional unexpected default risk from weak obligors.

Popular is a specialist SME bank whose functions, systems, processes and staff meet the high standards required for SME lending in Spain. The ability and stability of Popular as originator is illustrated by its resilience in overcoming the financial crisis without public capital injection. Scope's analysis incorporates operational review material provided by Popular, that gave us an understanding of the bank's strategy and standing in the Spanish SME loan market, as well as identifying difficulties in their SME loan book.

Underwriting

The majority of the loans have been originated in 2013 and 2014 applying sound underwriting standards. We believe underwriting by Popular was slightly more aggressive than competitor banks, but still conservative compared to pre-crisis years. The more aggressive underwriting was a strategy to get a head start on competitors in the SME segment once Popular realised the recession was ending.

Strong underwriting standards for the assets in this portfolio

Scope believes Popular adequately adjusted its underwriting after the performance of the 2011 and 2012 vintages proved worse than expected. This transaction benefits from the stronger standards implemented in 2013 and 2014 a period characterised by generally tight underwriting standards for SME loans in Spain, but also witnessing a re-loosening beginning early 2014.

Servicing and recovery

The servicing and recovery function of Popular is adequately staffed and organised. The bank has IT systems to track the performance of its customers and generally tries to address problems proactively and amicably. Legal recovery actions are initiated if a negotiated agreement does not seem possible, or whenever the obligor is still delinquent after six months—a period we consider indicative of rather relaxed recovery practices with an impact on the level of recovery achieved.

Scope believes Popular's interests are strongly aligned with the noteholders. As provider of the 3% reserve fund and holder of the whole capital structure, Popular has a significant subordinate interest in the transaction. In addition, the Spanish securitisation framework does not allow securitised assets to be treated differently from nonsecuritised assets on the bank's balance sheet and the servicing is blind to securitised status.

COUNTERPARTY RISK

Popular, Pastor and Santander perform all money-related counterparty roles and Scope's ratings capture the transaction's exposure to the three banks. Scope considers none of the three exposures as excessive, in other words, crystallisation of counterparty risk would not prompt a downgrade of more than six notches, as defined in Scope's Rating Methodology for Counterparty Risk in Structured Finance Transactions (August 2015 available on www.scoperatings.com).

Operational risk from servicer

Servicer replacement more disruptive than continuation of the two banks

Scope does not consider the replacement of Popular and Pastor as servicers of the portfolio. We believe a servicer replacement would be more disruptive than the probable continuation of the two banks operating as a going concern throughout a hypothetical resolution process. This view is supported by Grupo Banco Popular's relevance to the Spanish economy and the framework for orderly bank restructuring in Europe. Additionally, the management company holds power to appoint a new servicer should the timely collection from the assets be at risk.

Comingling risk from exposure to the servicer is not material because of the short-term exposure and the bank's credit strength. Collections from assets are generally transferred to the issuer's account intraday, but no later than 24 hours.

Commingling risk from reinvestment account bank

Commingling risk from account bank does not represent material risk for class A notes

Scope considers risk of commingling losses as immaterial for the class A notes given Santander's current rating of A+/S-1 with Stable Outlook and the short life of the class. This holds, even in the absence of specific counterparty risk protection in the structure with a reference to Scope's rating. The class A notes have a short expected WAL of just 1.4 years under 0% CPR.

Scope believes credit risk from exposure to the account bank is negligible and also mitigated by other risk-substitution covenants in the structure. The lack of rating triggers on Scope's rating has no effect on Scope's rating on the class A. However, it is marginally important for the monitoring phase of the transaction lifetime as the rating of class-B notes could be capped by counterparty risk.

Commingling risk from treasury account bank and paying agent

Final commingling risk from treasury account and paying agent is immaterial for class A

Similarly, the risk of commingling losses from exposure to Banco Popular as treasury account bank and paying agent is also negligible for the class A. There are also no structural protection features with reference to Scope's ratings attached to this role. However, this risk is mitigated by the sufficient credit quality of the bank as assessed by Scope, and the short funds-holding period for the paying agent of 48 hours.

The oversight from Intermoney, an experienced management company, reduces commingling risk further as it would initiate a replacement if the bank's performance were to compromise the performance of the notes.

Setoff risk from originator

Scope believes setoff risk from the originator is immaterial

Scope does not believe setoff risk from the originator is material in the context of Spanish law and under the terms of the documentation. The structure incorporates an undertaking by the seller to compensate the issuer for any setoff loss resulting from rights existing prior to the assets transfer. Furthermore, setoff rights would cease to exist after obligor notification following a servicer event or upon the insolvency of either obligor or seller.

ASSET ANALYSIS

Securitised assets

Unsecured loans: weak recovery under stress

The portfolio comprises only unsecured loans granted to Spanish SMEs and self-employed individuals. The recovery rate on unsecured loans is generally low. In this transaction, “unsecured” means “not secured by mortgage”, although all of the portfolio loans benefit from personal guarantees or other types of security that are generally effective at either reducing delinquencies or increasing recovery. Yet these forms of alternative security are difficult to validate and their impact on performance is already captured in the analysis.

No debt consolidation products and reduced real estate exposure

Debt consolidation loans are excluded

The transaction benefits from exclusion of debt consolidation products and reduced exposure to the real estate sector (a mere 4% or 11.9% including construction). The portfolio is not exposed to the higher risk of refinancing loans, originated to consolidate the obligor’s other debts in a larger contract, with conditions better suited to the SME’s payment capacity.

Portfolio characteristics

Scope conducted its analysis based on the final portfolio dated 23 March 2015.

Fast and homogeneous amortisation profile

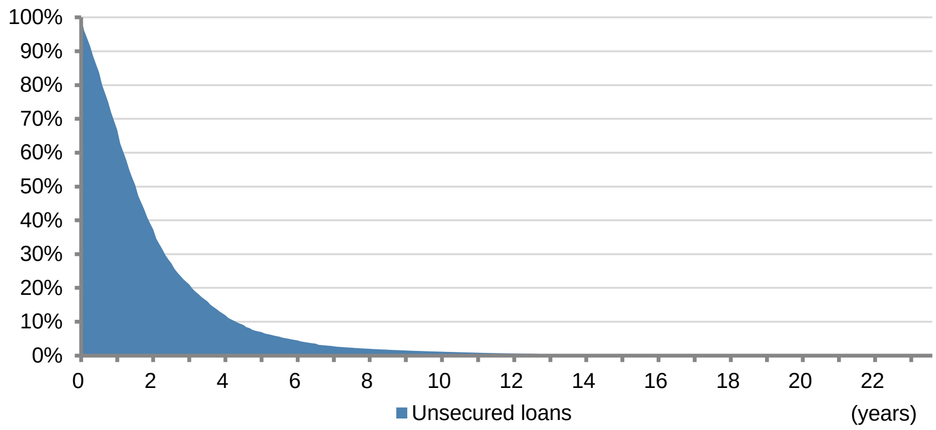
Scope expects the properties of this short-seasoned (1.4 years) and fast amortising portfolio support the strong performance of the class A. Notably, 87% of the initial portfolio balance was originated under tighter post-financial crisis standards.

Class A has a short risk exposure to counterparties and possible macroeconomic deterioration

Class A benefits from fast deleveraging resulting from the short maturity and amortising nature of the assets. The WAL of the portfolio is 2.3 years and the weighted average remaining term is 3.9 years.

A few loans have maturities up to 2029, which can expose class B to the idiosyncratic risk of certain larger obligors at a late stage of the transaction life. Credit enhancement buildup over the life of the transaction will be adequate to cover tail risk from concentration, because the reserve fund is not amortising.

Figure 3. Portfolio amortisation under 0% CPR and 0% default rate



Excess spread

Both class A and class B benefit from significant excess spread available in this transaction. As of closing, gross excess spread is 4% and can be used to cover shortfalls due to periodic defaults and underperformance in the underlying portfolio.

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 servicers; and iii) interest rate mismatches between assets and liabilities.

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 with diversity indices (DI): obligor DI 3,343, industry DI 12.8 and region DI 8.9.

The exposure to sectors affected by the real estate crisis is very low, with non-development real estate and development real estate activity groups representing only 2.8% and 1.2% respectively. Construction and materials is the fourth largest sector in the portfolio, but represents only 7.8% of the portfolio balance at closing.

Figure 4. Portfolio industry distribution

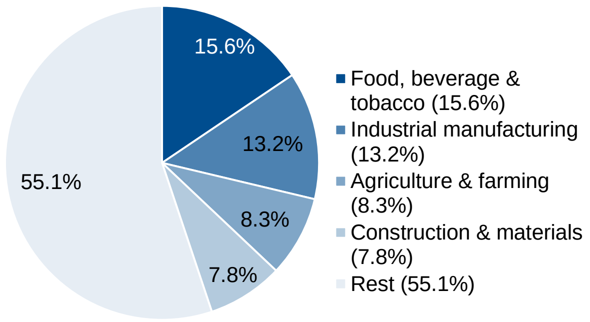
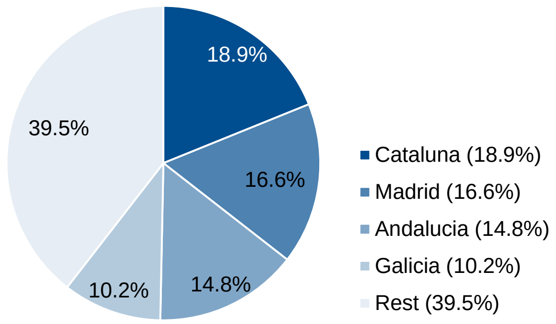


Figure 5. Portfolio regional distribution



The portfolio eligibility criteria do not allow single obligors to account for more than 0.5% of the portfolio. Even the analysis of borrower groups did not reveal an exposure above this threshold.

Weak obligor adjustment

Scope's analysis addresses potential loss from loans to weak obligors eligible for this portfolio. The average obligor is potentially weaker than the average performing Spanish SME, as the portfolio comprises 68.4% of loans granted with a principal average grace period of six months. In addition, the portfolio eligibility criteria allow for obligors in arrears (2.34% as of closing) or subjectively defaulted. We adjust the base case default rate to 6.24% and incorporate a relatively high default-rate volatility assumption (i.e. coefficient of variation of 70%).

We see the risk from weaker obligors is mitigated sufficiently for class A given our positive outlook for the Spanish economy over the next two years.

Vintage data relevance

Scope believes the performance vintage data provided by Popular to estimate the future performance of the underlying portfolio only represents the underlying portfolio approximately. We overcome this limitation by analysing the internal obligor-specific probabilities of default reported by Popular and performing sensitivity analysis to derive our portfolio modelling assumptions. Our assumptions also incorporate our forward-looking and long-term performance expectations.

The vintage data provided for the analysis is representative of the total book of Popular, including: i) real estate exposures known to underperform when compared to the average SME credit; ii) loans to public entities and some types of financial corporations which we believe perform better than SMEs. The result of vintage analysis might incorporate a bias in either direction because of the counter-effects on credit performance of these segments of the book not present in the securitised portfolio, as these segments are excluded by the eligibility criteria.

Portfolio lifetime default rate

Scope assigns a mean lifetime 90 dpd default rate of 6.24% to this transaction, with a default-rate coefficient of variation of 70%. This analysis incorporates the possibility of very volatile defaults from the portfolio of loans as a result of relatively aggressive underwriting and the risk from weaker obligors.

Vintage analysis produced a lifetime default rate of 5% which we found was accurate after the analysis of obligor-specific probabilities of default. We calculated a portfolio lifetime default-rate of 4.6% based on internal default probabilities. This level of defaults is low, particularly considering the high stress for Spanish SMEs in the period covered by vintage data. The most relevant data used for the analysis is included in Appendix II) "Vintage Data".

We amended the vintage analysis result with an adjustment for weak obligors in the portfolio (see Appendix III) "Analytical Notes on Default Analysis"). The modelling assumptions determine the shape of the normal inverse Gaussian probability distribution of portfolio default rates applied in our cash flow modelling.

Portfolio recovery rate

Scope estimated a weighted-average recovery rate of 27% and a recovery lag of 18 months from vintage data provided by Popular. Vintage data considered recoveries on nonmortgage loans for the whole SME loan book. This recovery rate is relatively low and we believe it is the result of relatively less aggressive recovery practices and the weaker nature of the obligors. In our analysis, we only considered accumulated recoveries up to three years after the moment of default when deriving the RR base case from vintage data given the unsecured nature of the credits.

Scope modelled the portfolio with fixed recovery rate assumptions subject to rating-level conditional tiering, down to 0% recovery under AAA-stress. We believe that under high stress the recovery on an NPL portfolio of similar unsecured credits would be very low (i.e. single-digit cents on the dollar). The use of rating-conditional recovery rates results in increased rating stability.

Figure 6 provides the indicative haircuts to the base case recovery rate we have applied for the analysis of each rating category during our analysis of this transaction.

Figure 6. Rating conditional recovery rates

Rating Stress	Haircut to base case	Rating-level conditional recovery rate
AAA	100%	**0.0%**
AA	80%	**5.4%**
A	60%	**10.8%**
BBB	40%	**16.2%**
BB	20%	**21.6%**
B (base case)	0%	**27.0%**

Cure rate (CR)

Scope incorporates a cure rate of 15% to address the default definition mismatch between 90 days-past-due for the vintage data and the 360 days-past-due for the transaction. Scope arrived at a high cure rate of 15% from 90 dpd recovery vintage. Popular did not provide 360 dpd default-rate vintage data to refer a true default rate to the 90 dpd base case assumption for the portfolio.

We maintain a constant cure rate assumption in our analysis (i.e. unlike recovery rates which are rating-level conditional), in order to apply sufficient liquidity stress to the structure. The share of loans that become temporarily delinquent and are cured does not reduce credit losses, but rather reduces the notional of performing assets during our cash flow simulation.

Constant prepayment rate

Scope tested class A notes against a conservative 0% CPR assumption

Class A notes benefit from portfolio prepayments. Scope tested class A against the most conservative 0% CPR assumption as we believe it is a possible scenario in a sudden downturn, when SMEs are forced to make full use of liquidity.

Scope used a CPR assumption of 15% to analyse class B notes. Historical CPR values reported by Popular are volatile and range from 5% to 23%, as could be expected from the period 2004–2014 covered. Extremely high prepayments generally have a refinancing component and can be ruled out as a long-term assumption for the purpose of assigning B-category ratings. The sustained, historical weighted-average CPR reported by Popular is 15%.

MODELLING

Scope assigned an AA_{SF} rating to the class A notes based on results of the cash flow analysis on a long-term adjusted portfolio default rate distribution. This is supported by the positive macroeconomic environment combined with tighter underwriting standards of Popular during 2013 and 2014, when more than 85% of the loans have been originated.

The $B+_{SF}$ rating assigned to class B notes incorporates the results from the cash flow and sensitivity analysis. Its longer life exposes this tranche to potentially weaker obligors under a hypothetical distressed macroeconomic environment in Spain beyond our outlook.

Scope used a bespoke cash flow model to analyse this transaction

Scope used a bespoke cash flow tool to analyse the transaction. The model incorporates key properties of the underlying unsecured loans, taking the fix-floating mismatch, the portfolio amortisation profile and the term structures of the main interest-rate indices of the assets and liabilities into account.

The cash flow tool was combined with the probability distribution of portfolio default rates to calculate the probability-weighted loss (i.e. expected loss) of each of the rated tranches. Scope used a normal inverse Gaussian probability distribution and rating-level conditional recovery rate assumptions (see Figure 6). The cash flow tool also produces the expected WAL of each of the rated tranches.

The results of the model are shown in Figure 7, below. This figure shows the losses of each of the rated tranches under all portfolio default rates and our AA_{SF} recovery rate assumption of 5.4%. The figure displays the interaction of amortisation, default timing, excess spread and recovery, i.e. 100% defaults do not result in 100% tranche loss.

Figure 7. Cash flow model results for base case mean DR, CoV, RR and cure rate and 0% CPR

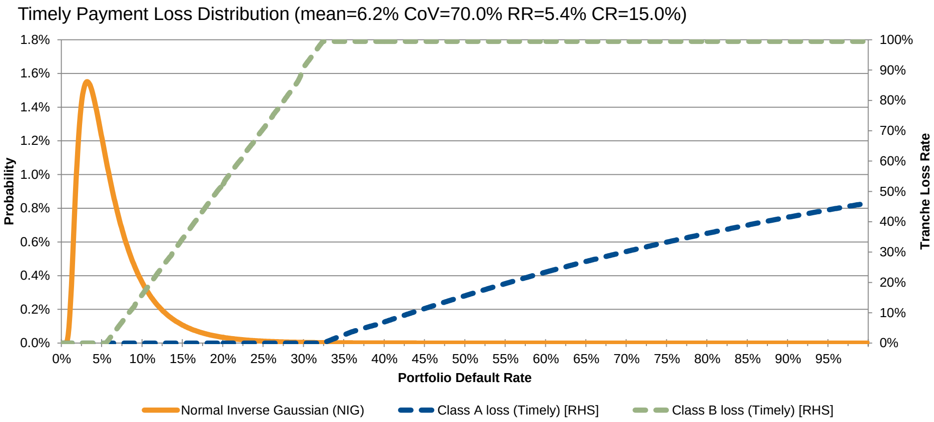


Figure 8 shows the base case portfolio modelling assumptions we have used in our analysis, as presented in the earlier sections.

Figure 8. Base case portfolio modelling-assumptions

	Ratings	Expected WAL	Mean DR	CoV	Cure Rate	Applicable RR	Recovery lag	CPR	Default timing
Series A	AA_{SF}	1.4 years	6.24%	70.0%	15.0%	5.4%	18 months	0.0%	Front loaded
Series B	$B+_{SF}$	5.7 years				27.0%		15.0%	

Besides the base case, Scope analysed the transaction taking a long-term view on portfolio performance, as described in its "SME CLO Rating Methodology". We relied on long-term analysis to produce senior ratings less sensitive to performance swings during a normal economic cycle.

Our long-term mean portfolio default-rate assumption is lower than the base case derived from vintage data by a factor of 0.85 (i.e. 5.3%, down from the unadjusted base case of 6.2%); but the volatility is higher due to the extreme peak-to-trough swings in full economic cycles (i.e. 80%, up from the unadjusted coefficient of variation of 70%).

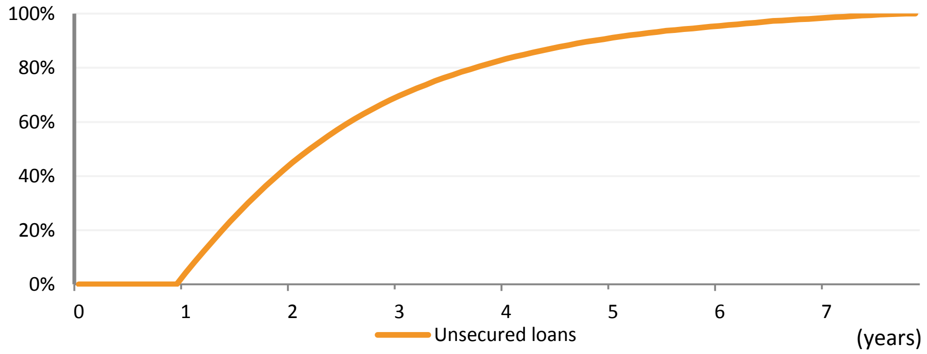
Appendix IV) describes how we performed this adjustment in the context of the Spanish economic cycle and the period for which performance data was available. Figure 9 shows the rating impact of this long-term adjustment. Scope considered a front-loaded default timing term structure. Back-loaded default scenarios would not be as severe because of the credit enhancement buildup.

Figure 9. Notch impacts on the class A rating from long-term analysis

Long-term analysis (sensitivity in notches)	Class A
Long-term assumptions (reduced mean DR = 5.3%; and market CoV = 80%)	**0**
Stressed CoV (reduced mean DR = 5.3%; and market CoV = 90%)	**-2**

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 10. The chart shows defaults as classified according to definitions in the documentation. The structure classifies loans more than 12 months past due as defaulted.

Figure 10. Normalised cumulative default timing modelled in our analysis



RATING STABILITY

Rating sensitivity

Strong protection mechanisms support ratings' stability

The strong protection mechanisms of the structure and the rating level conditionality of recovery rates assumed by Scope, and the use of a long-term performance reference for Spain, support the ratings' stability.

Scope has tested the resilience of the model results towards predefined stresses of the base case values of the main input parameters as per our SME CLO Rating Methodology: mean default rate; default-rate coefficient of variation and recovery rate. Sensitivity stresses have the sole purpose of illustrating sensitivity of the rating to input assumptions and should not be considered indicative of expected or likely scenarios. See Figure 11 and subsequent below.

We also tested the structure against severe interest rate increases in the euro area, which amplify the interest rate evolution as expected by Scope.

Unsurprisingly, the rating of the class A notes is most sensitive to shifts in the portfolio default-rate coefficient of variation due to the already high base case assumption of 70%. The model output shows a five notch difference after a 50% increase of the base case to 105%, a level we consider unrealistic. Also, the model output for an increase of 50% of the portfolio mean default-rate shows a difference of four notches. Again, we believe a portfolio mean default-rate of 9.3% coupled with a coefficient of variation of 70% does not apply to this portfolio.

The class B rating is less sensitive to shifts in modelling assumptions. Model results deteriorate by up to two notches under high default rate shifts.

Both tranches are highly resilient to severe interest rate stresses (i.e. only one notch difference if 3-month Euribor reached 7% over the course of seven years). The short life of the class A and available credit enhancement limit the exposure of this tranche to scenarios that erode the high excess spread provided by the fixed-interest-rate segment of the portfolio.

Figure 11. Model-results sensitivity to portfolio default rate coefficient of variation

DR CoV (sensitivity in notches)	Class A	Class B
Base case CoV + 20%	**-3**	**—**
Base case CoV + 50%	**-5**	**-1**

Figure 12. Model-results sensitivity to portfolio recovery rate

RR (sensitivity in notches)	Class A	Class B
Base case RR - 25%	**0**	**0**
Base case RR - 50%	**-1**	**0**

Figure 13. Model-results sensitivity to portfolio mean default rate

DR (sensitivity in notches)	Class A	Class B
Base case DR + 25%	**-2**	**-1**
Base case DR + 50%	**-4**	**-2**

Figure 14. Model-results sensitivity to portfolio default and recovery rate (combined)

Combined DR/RR (sensitivity in notches)	Class A	Class B
Base case DR + 25%, Base case RR - 25%	**-3**	**-1**

Break-even analysis

Under a zero RR assumption, class A does not experience any loss under default rates of 37% or lower

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 30.7% or lower, under a zero recovery rate assumption. The class A would not experience any loss at portfolio default rates of 32.4% or lower under the AA_{SF} recovery rate assumption for this portfolio (i.e. 5.4%, compared to the base case recovery rate assumption of 27%).

The class B would not experience any loss for portfolio default rates of 6.2% or lower under the B recovery rate assumption of 27%. Negligible tranche losses occur earlier, due to the loss of the time-value of delayed coupon payments.

Figure 15. Break-even default rates as a function of prepayments and recovery rates

Break-even DR (for a cure rate of 15%)				
Prepayments	0% CPR		15% CPR	
Portfolio RR	5.4% (AA_{SF} RR)	0.0% (Zero RR)	27.0% (B_{SF} RR)	0.0% (Zero RR)
Class A	**32.4%**	**30.7%**	44.6%	32.1%
Class B	5.6%	5.3%	**6.2%**	**4.4%**

SOVEREIGN RISK

Sovereign risk does not limit the transaction's ratings

Sovereign risk does not limit the ratings on this transaction. The risks of an institutional framework meltdown, legal insecurity or currency convertibility problems, due to a hypothetical exit of Spain from the eurozone, are immaterial for the rating of the class A notes, and less so given the short expected WAL of this tranche.

Scope factors in the positive economic outlook into its rating analysis. We expect the credit and financial performance of Spanish SMEs to improve in 2015–2016 boosted by growing domestic demand and increased credit availability as Spain's GDP grows.

Macroeconomic imbalances and materialisation of political risk could dilute the positive impact of this trend on class-B notes. These imbalances are the high level of public and private debt; the still large budget deficit; negative net investment position; and very high unemployment. The class A notes are nevertheless protected against these challenges due to the short expected WAL of the tranche.

MONITORING

Scope will monitor this transaction on the basis of the performance reports produced by the management company 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 all the details surrounding the rating analysis

Scope analysts are available to discuss all the details surrounding the rating analysis, the risks which this transaction is exposed to and the 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 as considered by Scope in our analysis.

Figure 16. Comparison of Spanish SME CLO rated by Scope

Key Features	IM GBP EMPRESAS VI
Originator (% of balance)	Banco Popular (91.7%) and Banco Pastor (8.3%)
Closing date	30 March 2015
Portfolio balance (EUR m)	3,000
Number of assets (^{2}D diversity index)	43,638 (4,991)
Number of obligors (^{2}D diversity index)	36,551 (3,343)
Average asset size (EUR)	68,747
Maximum asset size (EUR)	9,200,000
SME obligors	93.2%
Self-employed obligors	6.8%
Largest obligor	0.4%
Top 10 obligors	2.5%
Top 20 obligors	4.1%
Largest region	18.9%
Top 3 regions	50.3%
Largest sector (% of balance)	Food, beverage & tobacco (15.6%)
Top 3 sectors	43.8%
All real estate, construction and materials	11.9%
WAL (0%DR and 0%CPR) (years)	2.2
WA internal 1yr PD	2.4%
Current WA coupon (floating and fixed)	5.0%
Fixed rate assets (% of balance)	49.6%
WA coupon of fixed rate assets	5.2%
WA margin of floating rate assets	2.2%
Amortizing loans	95.7%
Bullet loans	4.3%
Unsecured loans	100%
WA internal 1yr PD	2.4%
Debt consolidation (refinancing)	0%

Source: Originator. Figures as of transaction closing.

APPENDIX II) VINTAGE DATA

The following figures show the granularity of the vintage data used to derive modelling assumptions and the historical performance of the assets portfolio. Figure 19 and Figure 20 show the consolidated annual curves summarising the delinquency and recovery performance of unsecured loans originated by Popular.

Figure 17. Coverage and granularity of vintage data for 90dpd delinquencies

Unsecured loans	
Total volume (EUR m)	63,258
Total number of contracts	729,287
Series	43
Series period (mo)	3
Period covered	2004 to 2014

Figure 18. Coverage and granularity of vintage data for 90dpd delinquency recoveries

Unsecured loans	
Total defaulted volume (EUR m)	3,067
Total number of defaulted contracts	31,471
Series	43
Series period (mo)	3
Period covered	2004 to 2014

Figure 19. 90 dpd delinquency data consolidated by year

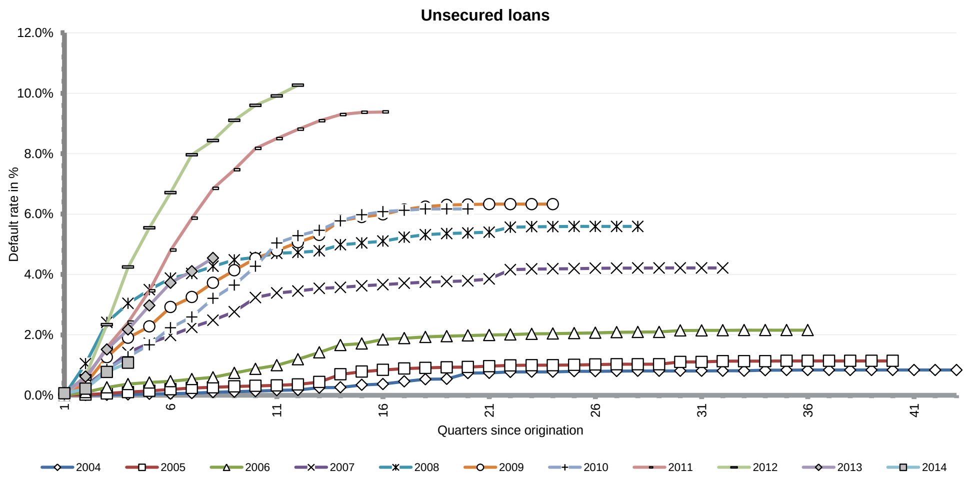
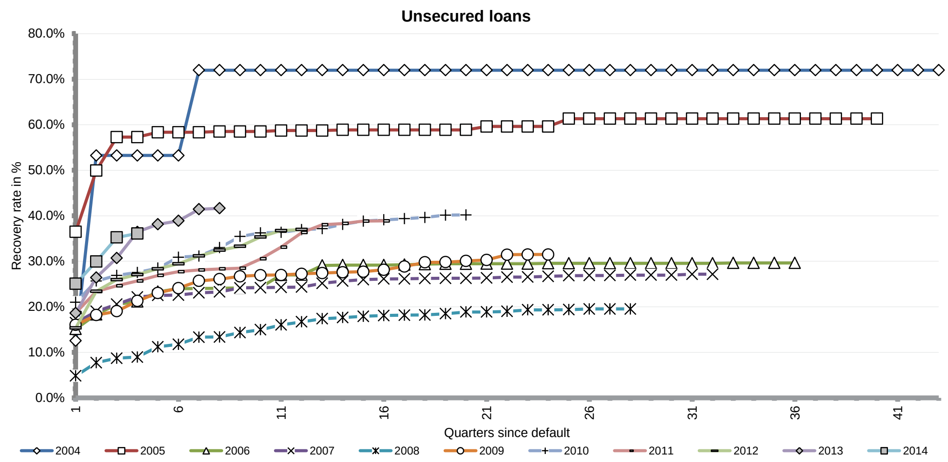


Figure 20. 90 dpd delinquency recovery data consolidated by year



APPENDIX III) ANALYTICAL NOTES ON DEFAULT ANALYSIS

This section complements the analytical approach explained in the SME CLO Rating Methodology of Scope. Scope used vintage data and loan-by-loan information to estimate the base case mean portfolio default-rate and portfolio default-rate coefficient of variation.

Weak obligor adjustment

Adjustment for weak obligors

	Before	After
Mean DR	5.00%	6.24%
DR CoV	70.0%	70.0%

We have increased the mean portfolio default-rate and volatility assumptions to address the risk of weak obligors in the portfolio.

The adjustment for weak obligors has addressed the higher default risk from i) obligors in arrears: 10 dpd to 90 dpd; ii) obligors which are considered subjectively defaulted according to the internal assessment of Popular and Pastor; and iii) obligors who were granted loans with a grace period which we consider a likely indication of a weaker financial strength. We have increased the mean default rate to address i) and ii), and increased the portfolio default-rate volatility to address iii) (i.e. by keeping the portfolio default-rate coefficient of variation constant irrespective of the increase in the mean default-rate).

The final base case mean default-rate assumption for the portfolio after weak obligor adjustments on 1.3% of the portfolio balance is 6.24%, increased from 5.0% estimated from vintage data and internal PDs. Scope assumes a lifetime default rate of 100% for the 1.3% portfolio balance attributed to weak obligors.

Scope has addressed the risk of higher default rate volatility from the potentially weaker obligors under deteriorating macroeconomic conditions, by keeping the high coefficient of variation constant after the weak obligor default rate adjustment. This effectively represents an increased of 27% (i.e. the coefficient of variation would have otherwise decreased to 55%).

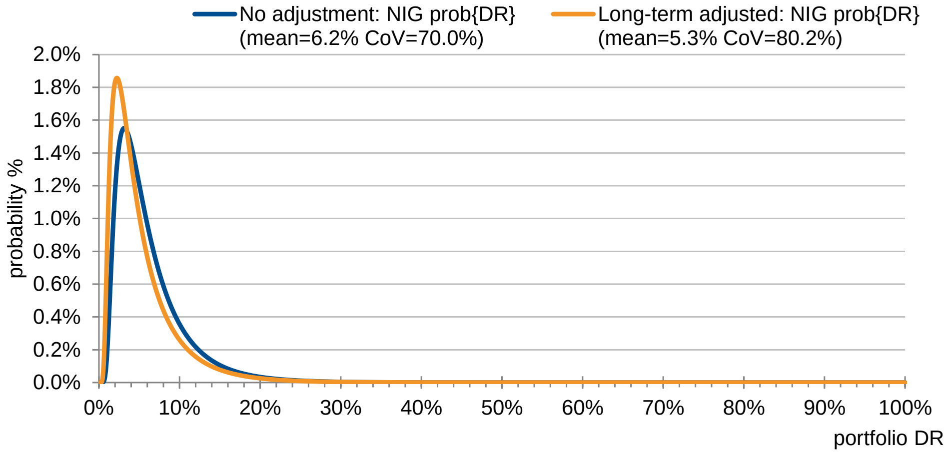
APPENDIX IV) LONG-TERM DEFAULT ANALYSIS

This appendix shows the application of the long-term analysis of this transaction as described in the SME CLO Rating Methodology. This analysis is designed to improve the stability of AAA_{SF} credit enhancement levels and reduce procyclicality of ratings.

The analysis considers modified portfolio default rate modelling assumptions which reflect on our view on the long-term performance of the portfolio, under average full-cycle stresses. The modified assumptions are used to assess the adequacy of protection levels for AAA-rated tranches, whereas lower rating categories gradually take a more forward-looking view. The B_{SF} level is analysed exclusively under the forward-looking view.

Figure 21 shows the long-term adjusted portfolio default rate distribution compared to the unadjusted—base case—distribution. The following sections explain how the long-term adjustment was derived.

Figure 21. Long-term adjusted portfolio default rate distribution compared to base case



Source: Scope.

Adjustment of the portfolio mean default rate

Scope has assigned a long-term adjusted mean default rate for this portfolio of 5.3% (after applying a reduction factor of 0.85 to the unadjusted mean default rate, 6.24%), and a default rate coefficient of variation of 80% (which results from full cycle volatility analysis, higher than the unadjusted 70%).

The reduction factor results from the relative stress of the period covered by vintage data and the full cycle. The adjustment is summarised in Figure 22.

Figure 22. Long-term adjustment of the portfolio mean default rate

Vintage period	Full cycle
2004–2014 (10 years)	1993–2014 (a full cycle)
Portfolio mean DR = 6.24%	
Average market cumulative performance after two years during the vintage window (i.e. average of synthetic cohorts for the market corresponding to the vintage period, 2004 through 2014) = 10.0%	Average market cumulative performance after 2 years during the full cycle (i.e. average of synthetic cohorts for the market corresponding to the full cycle, 1993 through 2014) = 8.5%

The multiplier is obtained by dividing the average for the cycle by the average for the vintage period:

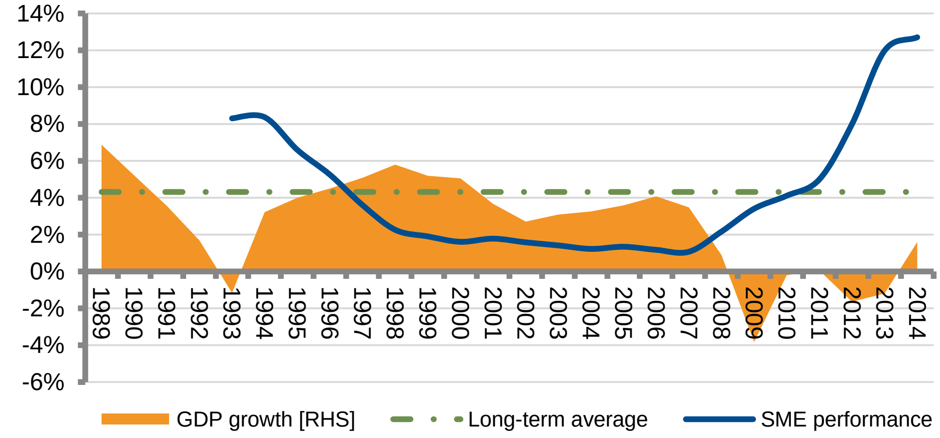
$$\textbf{Adjustment factor} = \frac{\text{(Average market performance through–the–cycle)}}{\text{(Average market performance over vintage period)}} = \frac{8.5\%}{10.0\%} = \mathbf{0.85}$$

Long-term-adjusted portfolio mean DR = 5.3%
(= 6.24% x 0.85)

We consider 1993–2014 to be representative of a complete economic cycle in Spain (see Figure 23). The average market would have a long-term cumulative default rate of 8.5% over a full cycle for portfolios with WAL of two years; whereas the performance over the period analysed with vintage data, 2004–2014 yields a higher cumulative default rate of 10.0%.

The following chart shows the Spanish cycle and the average credit performance of the market, as well as the long-term average.

Figure 23. The economic cycle and the long-term average 90 dpd performance of SMEs



Source: Bank of Spain and Scope.

Adjustment of the portfolio default rate coefficient of variation

The long-term adjustment overrides volatility derived from default vintage data with the volatility estimated for the entire market over a full economic cycle. Scope has derived an adjusted portfolio default rate coefficient of variation of 80% for portfolios with WAL of 2 years.

Figure 24. Long-term adjustment of the portfolio default rate coefficient of variation

Vintage period	Full cycle
2004–2014 (7 years)	1993–2014 (a full cycle)
Unadjusted coefficient of variation = 70%	
	Coefficient of variation of average market default rates for 2 years WAL = 80.0%
Adjusted coefficient of variation = 80%	

APPENDIX V) 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. Dr. Stefan Bund, 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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