

Structured Finance Activity Report: Ratings drift trends lower in 2020

Scope
Ratings

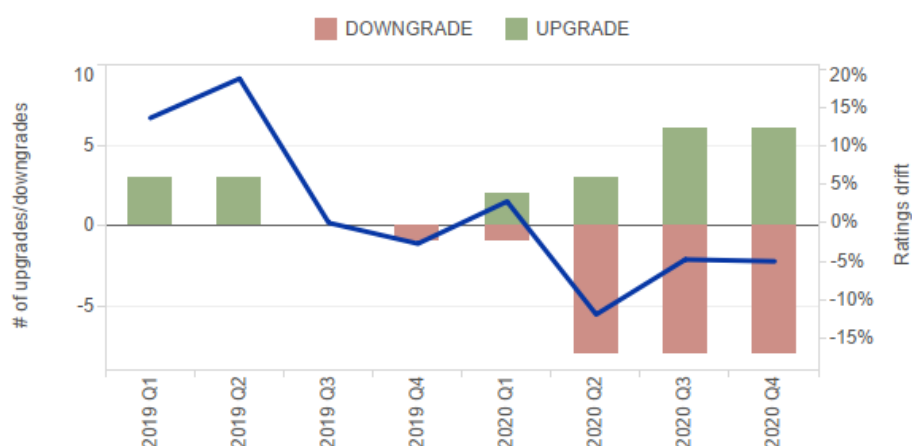
This report provides an overview of breakthrough activity, new ratings, monitoring actions and research published by Scope Ratings in the structured finance market in 2020. Henceforth, this report will be published quarterly.

1. Summary of all rating and ancillary service activity

In 2020, Scope Ratings' rating and ancillary services activity spanned 210 rated instruments across 93 transactions, with the major asset classes being NPL (63), CDO/CLO (27) and Auto and Vehicle (27). Details regarding our asset class classification can be found in [Appendix V: Scope's asset class classification](#).

Scope took public rating actions leading to downgrades on 16% and upgrades on 11% of monitored ratings. Delayed court procedures and increasingly uncertain recoveries resulting from Covid-19 led to numerous NPL downgrades (53% of NPL monitored ratings), while upgrades for CRE/CMBS (43%) and SME (35%) instruments were based on steeper than expected deleveraging.

Figure 1: Ratings drift¹, 2020



Source: Scope Ratings

As a result of this wave of downgrades in Q2, Scope's ratings drift trended sharply downwards following the outbreak of Covid-19 to -12% in the second quarter of 2020, with a rebound to -5% through Q3 and Q4 2020. The list of all public transactions for which a monitoring action was taken in 2020 can be found in [Appendix II: Monitoring rating actions taken over the last 12 months \(public ratings\)](#).

Analysts

Florent Albert
+49 30 27891-164
f.albert@scoperatings.com

Chirag Shekhar
+49 30 27891-143
c.shekhar@scoperatings.com

Cyrus Mohadjer
+49 69 6677389-59
c.mohadjer@scoperatings.com

Team leader

David Bergman
Head of Structured Finance
+39 02 30315 838
d.bergman@scoperatings.com

Investor Outreach

Michael John MacKenzie
+44 20 3714 4981
m.mackenzie@scopegroup.com

Media

Keith Mullin
k.mullin@scopegroup.com

Related methodology

General Structured Finance
Rating Methodology, Dec 2020

Scope Ratings GmbH

Lennéstraße 5
D-10785 Berlin

Phone +49 30 27891 0
Fax +49 30 27891 100

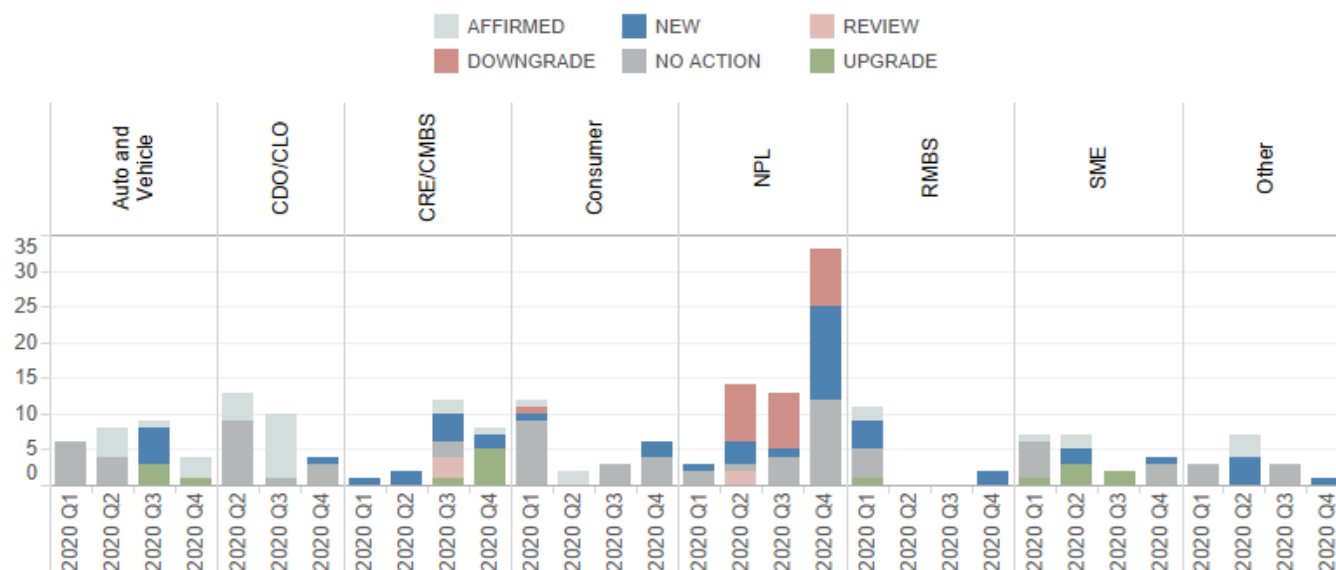
info@scoperatings.com
www.scoperatings.com



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¹ Scope's rating drift is calculated as the ratio between the number of upgrades minus the number of downgrades, and the total number of monitored ratings in each quarter.

Figure 2: Rating activity by asset class, 2020



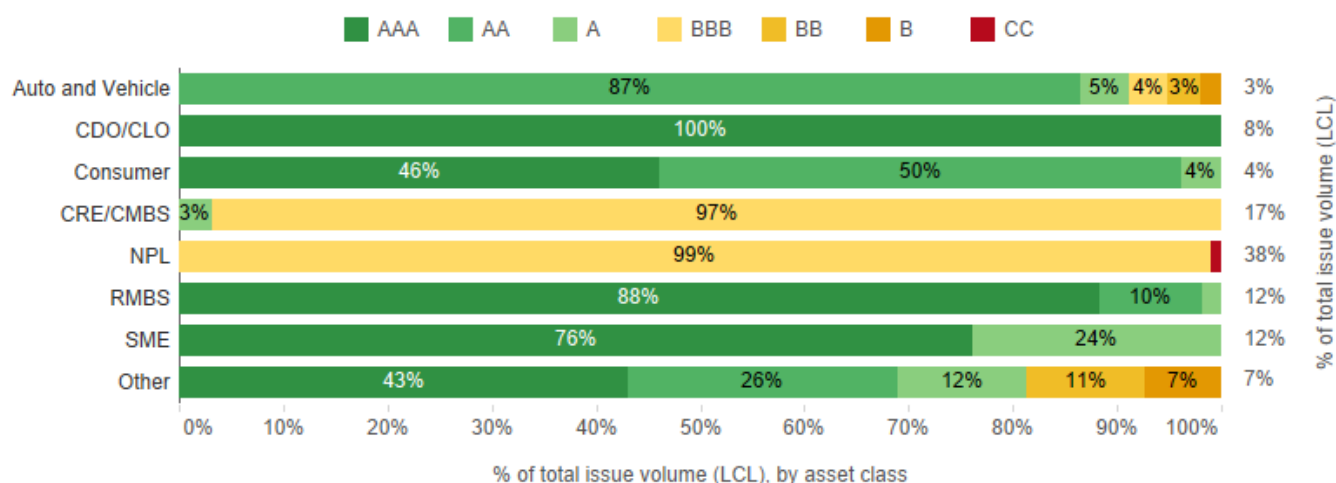
Source: Scope Ratings

2. Summary of new rating and ancillary service activity

Scope assigned new ratings on 50 instruments for 34 transactions across various structured finance asset classes. Approximately 33% of the issue volume was rated AAA, while 1.9% was rated sub-investment grade.

Figure 3 provides a breakdown of new-issue volumes by rating category and asset class for all rating and ancillary services. Please refer to [Appendix I: New public ratings issued over the last 12 months](#) for the full list of all public ratings assigned by Scope in 2020.

Figure 3: Share of issue volume by asset class and rating category



Source: Scope Ratings

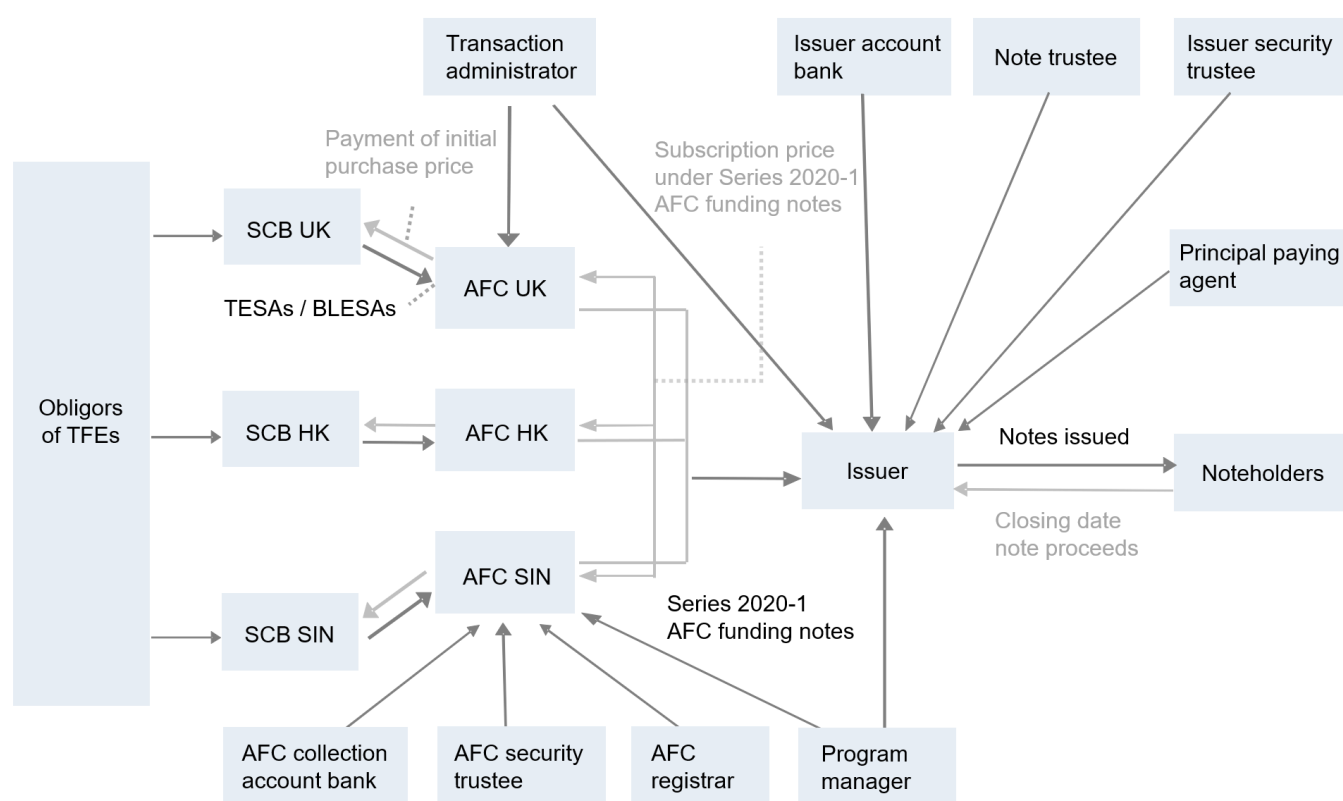
3. Transaction of the quarter: focus on Prunelli Issuer I S.a.r.l., Compartment 2020-1 (“Prunelli”)

Prunelli was the first Trade Finance CLO transaction rated by Scope. The transaction is a multi-jurisdiction cash securitisation of USD 1.45bn in rated notes backed by USD 1.99bn of trade finance exposures (TFEs) originated and serviced by Standard Chartered Bank UK Branch and subsidiaries Standard Chartered Bank (Singapore) Limited and Standard Chartered Bank (Hong Kong) Limited. The securitised exposures were granted by the originators to corporates and financial institutions worldwide.

The main sources of credit enhancement for the notes are over-collateralisation, both at issuance and as required during the revolving phase, as well as available excess spread, which will be fully trapped until redemption. A liquidity reserve is also available to address transaction liquidity risk.

Scope Ratings assigned a **AAAs_{SF}** rating to the Series 2020-1 notes issued by Prunelli (rating report available [here](#)).

Figure 5: Simplified transaction overview, Prunelli Issuer I S.a.r.l., Compartment 2020-1



Source: Scope Ratings. Transaction documents

4. Methodology publications: structured finance publications in 2020

Scope published its CRE Security and CMBS Rating methodology in August 2020 (methodology available [here](#)).

This methodology applies to debt instruments secured by commercial real estate (CRE) either directly (CRE securities) or via securitisation of CRE securities portfolios (CMBS). It is primarily applicable to income-generating CRE and it is also applicable to operating businesses housed in real estate (e.g. hospitality), assets under development or non-European assets.

[Appendix IV: List of structured finance rating methodologies](#) includes the list of all structured finance methodologies with their relevant hyperlinks.

5. Research publications: structured finance publications in 2020

Scope Ratings published 36 structured finance research pieces in 2020 covering seven asset classes. [Appendix III: List of structured finance research pieces published over the last 12 months](#) includes the list of all structured finance publications with their relevant hyperlinks.

Figure 6: Research publications by structured finance asset class and jurisdictions

Asset class	Jurisdiction									Grand Total
	Europe	France	Germany	Ireland	Italy	Portugal	Scandinavia	Spain	UK	
CDO/CLO	3									3
CRE/CMBS	3	1				1			1	6
Consumer	1				1					2
NPL	1			1	13			1		16
RMBS	1		1	1			1		1	5
SME	1									1
Other	3									3
Grand Total	13	1	1	2	14	1	1	1	2	36

Source: Scope Ratings

Figure 7: Top Structured Finance research publications

Other	Making the case for European Secured Notes as an EU safe asset	Europe	Oct-20
NPL	Italian NPL ABS: collection on the way to gradual recovery	Italy	Sep-20
NPL	Italian NPL ABS collections monthly: seasonality effect causes plunge in volumes	Italy	Oct-20
CRE/CMBS	European logistics CRE: performance diverges behind the momentum - a French market study	France	Apr-20
NPL	Covid-19 crisis: adverse consequences possible for NPL ABS in euro area periphery	Europe	Mar-20
NPL	Italian NPL performance: profitability solid but half of transactions behind on expected timing	Italy	Feb-20
NPL	Italian NPL securitisation collections plunge on Covid-19 impacts	Italy	Jun-20
CRE/CMBS	What will the European CRE sector look like when the dust settles?	Europe	May-20
NPL	68% of Italian NPL securitisations set to under-perform by Q1 2021	Italy	Dec-20
NPL	Covid-19: no immediate Italian NPL wave but defaults set to rise from 2021	Italy	Apr-20

Source: Scope Ratings

6. Appendix I: New public ratings issued in 2020

■ AAA
 ■ AA
 ■ A
 ■ BBB
 ■ BB
 ■ B
 ■ CC

Asset Class	Rated Entity	Issue Volume (LCL)	Date	Rating
Auto and Vehicle	Santander Consumer Spain Auto 2020-1, FT - Class A	450.0M	2020-09-25	AA
	Santander Consumer Spain Auto 2020-1, FT - Class B	24.0M	2020-09-25	A
	Santander Consumer Spain Auto 2020-1, FT - Class C	19.0M	2020-09-25	BBB
	Santander Consumer Spain Auto 2020-1, FT - Class D	17.0M	2020-09-25	BB+
	Santander Consumer Spain Auto 2020-1, FT - Class E	10.0M	2020-09-25	B+
CDO/CLO	Prunelli Issuer I S.a.r.l. acting in respect of its compartment 2020-1	1,450.0M	2020-10-16	AAA
Consumer	Eridano II SPV - Class A	324.7M	2020-10-21	AA+
	Eridano II SPV - Class B	25.4M	2020-10-21	A
	Marzio Finance S.r.l. - Series 8-2020 - Class A	298.3M	2020-03-16	AAA
NPL	BCC NPLs 2020 S.r.l. Class A	520.0M	2020-11-30	BBB
	BCC NPLs 2020 S.r.l. Class B	41.0M	2020-11-30	CC
	Buonconsiglio 3 S.r.l. - Class A	154.0M	2020-12-14	BBB
	Diana SPV S.r.l. - Class A	235.0M	2020-06-17	BBB
	POP NPL 2020 - Class A	241.5M	2020-12-23	BBB
	POP NPL 2020 - Class B	25.0M	2020-12-23	CC
	Relais SPV Srl - Class A	466.0M	2020-12-11	BBB
	Sirio NPL S.r.l. - Class A	290.0M	2020-12-16	BBB
	Spring SPV S.r.l. - Class A	320.0M	2020-06-18	BBB
	Summer SPV S.r.l. - Class A	85.4M	2020-12-30	BBB
	Titan SPV S.r.l. - Class A	90.5M	2020-12-28	BBB
	Yoda SPV, srl - Class A	1,010.0M	2020-12-18	BBB
RMBS	FT RMBS Prado VII - Class A Notes	442.9M	2020-11-12	AAA
	FT RMBS Prado VII - Class B Notes	38.6M	2020-11-12	A-
	North Dock No.1 Limited - Class A1	225.0M	2020-03-27	AAA
	North Dock No.1 Limited - Class A2	1,125.0M	2020-03-27	AAA
	North Dock No.1 Limited - Class B1	100.0M	2020-03-27	AA-
	North Dock No.1 Limited - Class B2	100.0M	2020-03-27	AA-
SME	EIB Group SME initiative uncapped guarantee instruments - Romania - Senior Risk Cover EUR	48.0M	2020-04-30	A-
	EIB Group SME initiative uncapped guarantee instruments - Romania - Senior Risk Cover RON	440.4M	2020-04-30	A-
	FCT Bpifrance SME 2020-1 - Class A notes	1,551.7M	2020-11-25	AAA
Other	Alba 11 SPV S.r.l. - Class A1	498.7M	2020-06-25	AAA
	Alba 11 SPV S.r.l. - Class A2	300.0M	2020-06-25	AA
	Alba 11 SPV S.r.l. - Class B	143.6M	2020-06-25	A
	Alba 11 SPV S.r.l. - Class C	131.1M	2020-06-25	BB+

Source: Scope Ratings

7. Appendix II: Monitoring rating actions taken in 2020 (public ratings)

Magnitude ..  -4 4

Asset Class	Rated Entity	Rating	Action Type	Date	
Auto and Vehicle	AutoWheel Securitisation D.A.C. - Class A1	BBB	UPGRADE	2020-07-30	
	AutoWheel Securitisation D.A.C. - Class A2	BBB	UPGRADE	2020-07-30	
	AutoWheel Securitisation D.A.C. - Class A3	BBB	UPGRADE	2020-07-30	
	Globaldrive Germany Retail VFN 2018 B.V. - Class A1	AAA	AFFIRMED	2020-04-01	
	Globaldrive Germany Retail VFN 2018 B.V. - Class A2	AAA	AFFIRMED	2020-04-01	
	GNB Auto Plan 2017 SP. Z O.O.	AAA	AFFIRMED	2020-08-06	
	RED & BLACK Auto Germany 6 UG - Class A Notes	AAA	AFFIRMED	2020-11-25	
	RED & BLACK Auto Germany 6 UG - Class B Notes	AA	UPGRADE	2020-11-25	
	RED & BLACK Auto Germany 6 UG - Class C Notes	BBB+	AFFIRMED	2020-11-25	
	RED & BLACK Auto Germany 6 UG - Class D Notes	BB+	AFFIRMED	2020-11-25	
CDO/CLO	ROOF Leasing Austria S.A., Compartment 2016 - Class A Floating Rate Notes	AAA	AFFIRMED	2020-04-03	
	ROOF Leasing Austria S.A., Compartment 2016 - Schuldchein Loan	AAA	AFFIRMED	2020-04-03	
	Heta Funding Designated Activity Company - Class A-1	AAA	AFFIRMED	2020-08-10	
	Heta Funding Designated Activity Company - Class A-2	AAA	AFFIRMED	2020-08-10	
	Heta Funding Designated Activity Company - Class B-1	AA	AFFIRMED	2020-08-10	
	Heta Funding Designated Activity Company - Class B-2	AA	AFFIRMED	2020-08-10	
	Newfoundland CLO I Limited - Class A-1	AAA	AFFIRMED	2020-04-03	
	Newfoundland CLO I Limited - Class A-2	AAA	AFFIRMED	2020-04-03	
	Newfoundland CLO I Limited - Class B-1	A+	AFFIRMED	2020-04-03	
	Newfoundland CLO I Limited - Class B-2	A+	AFFIRMED	2020-04-03	
Consumer	Renew Project Finance CLO 2017-1 DAC - Tranche A	AAA	AFFIRMED	2020-07-03	
	Renew Project Finance CLO 2017-1 DAC - Tranche B	AA	AFFIRMED	2020-07-03	
	Renew Project Finance CLO 2017-1 DAC - Tranche C	A+	AFFIRMED	2020-07-03	
	Renew Project Finance CLO 2017-1 DAC - Tranche D	BBB+	AFFIRMED	2020-07-03	
	Renew Project Finance CLO 2017-1 DAC - Tranche E	BB-	AFFIRMED	2020-07-03	
	BBVA CONSUMO 8, FT - Serie A	AAA	AFFIRMED	2020-04-03	
	BBVA CONSUMO 8, FT - Serie B	BB	AFFIRMED	2020-04-03	
	CaixaBank Consumo 3, Fondo de Titulización - Series A	AAA	AFFIRMED	2020-03-05	
	CaixaBank Consumo 3, Fondo de Titulización - Series B	BB	DOWNGRADE	2020-03-05	
	Griffon Funding Ltd - A Loan Debenture A1	AAA	AFFIRMED	2020-08-06	
CRE/CMBIS	Griffon Funding Ltd - A Loan Debenture A2	AA+	AFFIRMED	2020-08-06	
	Griffon Funding Ltd - A Loan Debenture A3	A+	AFFIRMED	2020-08-06	
	Red 2 Finance CLO 2018-1 DAC - Tranche A	AAA	AFFIRMED	2020-10-12	
	Red 2 Finance CLO 2018-1 DAC - Tranche B	AAA	UPGRADE	2020-10-12	
	Red 2 Finance CLO 2018-1 DAC - Tranche C	AA+	UPGRADE	2020-10-12	
	Red 2 Finance CLO 2018-1 DAC - Tranche D	AA	UPGRADE	2020-10-12	
	Red 2 Finance CLO 2018-1 DAC - Tranche E	BBB+	UPGRADE	2020-10-12	
	Red 2 Finance CLO 2018-1 DAC - Tranche F	BB+	UPGRADE	2020-10-12	
	2Worlds S.r.l. - Class A	BBB-	DOWNGRADE	2020-06-10	
	2Worlds S.r.l. - Class B	B-	DOWNGRADE	2020-06-10	
NPL	4Mori Sardegna S.r.l. - Class A	A-	REVIEW	2020-06-19	
	4Mori Sardegna S.r.l. - Class B	BBB+	DOWNGRADE	2020-12-18	
	Aqui SPV Srl - Class A	B+	REVIEW	2020-06-19	
	Aragom NPL 2018 Srl - Class A	B	DOWNGRADE	2020-12-18	
	Aragom NPL 2018 Srl - Class B	BB+	DOWNGRADE	2020-11-05	
	Bari NPL 2, S.r.l., - Class A	B+	DOWNGRADE	2020-06-05	
	Bari NPL 2, S.r.l., - Class B	CC	DOWNGRADE	2020-06-05	
	BCC NPLS 2018 S.r.l. - Class A	BB-	DOWNGRADE	2020-06-12	
	BCC NPLS 2018 S.r.l. - Class B	CC	DOWNGRADE	2020-06-12	
	BCC NPLS 2018-II Class A	BB-	DOWNGRADE	2020-07-03	
RMBS	BCC NPLS 2018-II Class B	CC	DOWNGRADE	2020-07-03	
	Belvedere NPL Srl - Class A	BBB-	DOWNGRADE	2020-08-11	
	ELROND NPL 2017 S.r.l., Class A	B	DOWNGRADE	2020-08-11	
	ELROND NPL 2017 S.r.l., Class B	BB+	DOWNGRADE	2020-12-23	
	Maggesi S.r.l. - Class A	B+	DOWNGRADE	2020-07-20	
	POP NPLs 2018 - Class A	CCC	DOWNGRADE	2020-07-20	
	POP NPLs 2018 - Class B	BBB-	DOWNGRADE	2020-05-20	
	Prosil Acquisition S.A. - Class A Mat. 2039	BBB-	DOWNGRADE	2020-11-11	
	Prosil Acquisition S.A. - Class B Mat. 2039	B-	DOWNGRADE	2020-11-11	
	Red Sea SPV S.r.l. - Class A	BB+	DOWNGRADE	2020-07-31	
SME	Red Sea SPV S.r.l. - Class B	CCC	DOWNGRADE	2020-07-31	
	Riviera NPL Srl - Class A	BBB-	DOWNGRADE	2020-06-04	
	Riviera NPL Srl - Class B	BB+	DOWNGRADE	2020-12-17	
	FT RMBS SANTANDER 4 Serie A	CCC	DOWNGRADE	2020-12-17	
	FT RMBS SANTANDER 4 Serie B	AA+	AFFIRMED	2020-03-17	
	FT RMBS SANTANDER 4 Serie C	CCC	UPGRADE	2020-03-17	
	EIB Group SME Initiative for Italy - Banca Popolare di Bari SCPA	C	AFFIRMED	2020-03-17	
	EIB Group SME Initiative Uncapped Guarantee for Italy - Torre del Greco	AA-	UPGRADE	2020-09-11	
	European Investment Fund: SME Initiative Uncapped Guarantee Instruments Senior Risk Cover	A-	UPGRADE	2020-09-16	
	European Investment Fund: SME Initiative Uncapped Guarantee Instruments Upper Mezzanine Risk Cover	AAA	AFFIRMED	2020-05-19	
Other	FT PYMES SANTANDER 14 - Class A	AAA	UPGRADE	2020-05-19	
	FT PYMES SANTANDER 14 - Class B	AAA	UPGRADE	2020-04-03	
	FT PYMES SANTANDER 14 - Class C	BBB	UPGRADE	2020-04-03	
	IM Sabadell PYME 10, FT - Serie A	CCC	AFFIRMED	2020-04-03	
	IM Sabadell PYME 10, FT - Serie B	AAA	AFFIRMED	2020-03-24	
	Alba 9 SPV S.r.l. Class A2	A-	UPGRADE	2020-03-24	
	Alba 9 SPV S.r.l. Class B	AAA	AFFIRMED	2020-04-03	
	Alba 9 SPV S.r.l. Class C	A+	AFFIRMED	2020-04-03	
		BBB-	AFFIRMED	2020-04-03	

Source: Scope Ratings

8. Appendix III: List of structured finance research published in 2020

Asset class	Title (hyperlink)	Geographic coverage	Publication
CDO/CLO	European CLO stays strong but potential risks beckon	Europe	Jan-20
CDO/CLO	Covid-19: short and medium-term consequences for the European CLO market	Europe	Apr-20
CDO/CLO	European CLOs: slowly but surely restarting despite pressure on asset quality	Europe	Sep-20
Consumer	Italian CQS securitisation to remain stable as lower risk weights beckon	Italy	Feb-20
Consumer	Covid-19: household financial resilience put to the test	Europe	May-20
CRE/CMBS	Leasehold property: attractive investment opportunities with diverse risk drivers	Europe	Jan-20
CRE/CMBS	Maroon CRE loan: autopsy of a default UK retail gloomy environment and loan legacy weaknesses	UK	Apr-20
CRE/CMBS	European logistics CRE: performance diverges behind the momentum - a French market study	France	Apr-20
CRE/CMBS	What will the European CRE sector look like when the dust settles?	Europe	May-20
CRE/CMBS	Residential real estate: Lisbon's secure rental income initiative unlikely to stop gentrification	Portugal	Jul-20
CRE/CMBS	Investors should assess debt yield alongside traditional financial covenants to capture CRE risk	Europe	Dec-20
NPL	Irish banks make progress in NPLs but rocky road ahead	Ireland	Jan-20
NPL	Italian NPL performance: profitability solid but half of transactions behind on expected timing	Italy	Feb-20
NPL	Covid-19 crisis: adverse consequences possible for NPL ABS in euro area periphery	Europe	Mar-20
NPL	Covid-19: no immediate Italian NPL wave but defaults set to rise from 2021	Italy	Apr-20
NPL	Covid-19: 2020 slowdown in Italian NPL securitisation	Italy	Apr-20
NPL	Covid-19: GACS changes introduced by Rilancio Decree are credit neutral	Italy	May-20
NPL	Increased legal uncertainty credit negative for Spanish NPL portfolios	Spain	May-20
NPL	Italian NPL securitisation collections plunge on Covid-19 impacts	Italy	Jun-20
NPL	Q2 update: 57% of Italian NPL securitisations now under-performing	Italy	Jun-20
NPL	Italian NPL ABS: May collections pick up but Covid-19 still exerting significant impact	Italy	Jul-20
NPL	Italian NPL ABS: collection data improves but uncertainties still linger	Italy	Aug-20
NPL	Italian NPL ABS: collection on the way to gradual recovery	Italy	Sep-20
NPL	Italian NPL ABS collections monthly: seasonality effect causes plunge in volumes	Italy	Oct-20
NPL	Italian NPL ABS: new lockdown will trigger a plunge in collections	Italy	Nov-20
NPL	68% of Italian NPL securitisations set to under-perform by Q1 2021	Italy	Dec-20
NPL	Italian NPL ABS: October collections show weaker than expected recovery	Italy	Dec-20
Other	Direct lending funds risk assessment	Europe	Feb-20
Other	Credit-enhanced repackaged debt structures: the differences are in the detail	Europe	Sep-20
Other	Making the case for European Secured Notes as an EU safe asset	Europe	Oct-20
RMBS	Swedish house price correction shouldn't lead to looser measures	Scandinavia	Jan-20
RMBS	Growth in German house prices to shift to more sustainable levels	Germany	Feb-20
RMBS	Higher defaults and lower collateral values will impair Irish re-performing RMBS	Ireland	Apr-20
RMBS	UK affordable housing: public policy uncertainty vs assets in high demand	UK	Sep-20
RMBS	European house prices hinge on managing support measures as growth moderates	Europe	Oct-20
SME	Covid-19 and SME ABS: liquidity crunch or fundamental decline?	Europe	Apr-20

Source: Scope Ratings



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9. Appendix IV: List of structured finance rating methodologies

Asset class	Title (hyperlink)	Publication
Structured Finance	General Structured Finance Rating Methodology	Dec-20
NPL	Non-Performing Loan ABS Rating Methodology	Sep-20
CRE/CMBS	CRE Security and CMBS Rating Methodology	Aug-20
Counterparty	Methodology for Counterparty Risk in Structured Finance	Jul-20
SME	SME ABS Rating Methodology	May-20
CLO	CLO Rating Methodology	May-20
Consumer / Auto	Consumer and Auto ABS Rating Methodology	Mar-20
Asset Portfolio	Asset Portfolio Rating Methodology	Apr-20

Source: Scope Ratings



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10. Appendix V: Scope's asset class classification

Scope Ratings classifies structured finance sub-asset classes as follows:

- Auto and vehicle asset-backed securities ("auto and vehicle")
- consumer asset-backed securities ("consumer")
- SME asset-backed securities ("SME")
- collateralised debt and loan obligations ("CDO/CLO")
- residential mortgage-backed securities ("RMBS")
- commercial real estate loans and commercial mortgage-backed securities (CRE/CMBS)
- non-performing loans ("NPL")
- esoteric transactions ("Other").



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Scope Ratings GmbH

Headquarters Berlin

Lennéstraße 5
D-10785 Berlin

Phone +49 30 27891 0

Oslo

Karenslyst allé 53
N-0279 Oslo

Phone +47 21 62 31 42

Frankfurt am Main

Neue Mainzer Straße 66-68
D-60311 Frankfurt am Main

Phone +49 69 66 77 389 0

Madrid

Edificio Torre Europa
Paseo de la Castellana 95
E-28046 Madrid

Phone +34 914 186 973

Paris

23 Boulevard des Capucines
F-75002 Paris

Phone +33 1 8288 5557

Milan

Via Nino Bixio, 31
20129 Milano MI

Phone +39 02 30315 814

Scope Ratings UK Limited

111 Buckingham Palace Road
London SW1W 0SR

Phone +44020-7340-6347

info@scoperatings.com

www.scoperatings.com

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