



**Rating Action: Moody's takes actions on multiple EMEA RMBS and ABS notes' ratings**

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Global Credit Research - 20 Mar 2015

London, 20 March 2015 -- Moody's Investors Service has today taken rating actions on asset-backed securities (ABS) and residential mortgage-backed securities (RMBS) transactions across Europe, the Middle East and Africa (EMEA), after the rating agency updated several of its structured finance rating methodologies, combined with the rating review placements for certain banks that its revised bank methodology triggered ([http://www.moody.com/viewresearchdoc.aspx?docid=PR\\_321005](http://www.moody.com/viewresearchdoc.aspx?docid=PR_321005)).

Specifically, Moody's has placed 504 notes on review for upgrade and 9 notes on review for downgrade across 182 EMEA RMBS deals, and 42 EMEA ABS deals.

Moody's has updated several cross-sector, primary and secondary rating methodologies for structured finance securities, to incorporate a new counterparty risk (CR) Assessment introduced for banks as part of its revised bank rating methodology ([http://www.moody.com/viewresearchdoc.aspx?docid=PBC\\_179038](http://www.moody.com/viewresearchdoc.aspx?docid=PBC_179038)).

The updates to the structured finance rating methodologies combined with rating review placements for certain banks prompted today's rating review actions on the ABS and RMBS notes. Please refer to the announcement of the changes to Moody's global approach to rating structured finance transactions and covered bonds released on 16 March 2015. ([http://www.moody.com/viewresearchdoc.aspx?docid=PR\\_320674](http://www.moody.com/viewresearchdoc.aspx?docid=PR_320674)).

Please click on this [http://www.moody.com/viewresearchdoc.aspx?docid=PBS\\_SF400160](http://www.moody.com/viewresearchdoc.aspx?docid=PBS_SF400160) for the List of Affected Credit Ratings. This list is an integral part of this Press Release and identifies each affected issuer.

#### RATINGS RATIONALE

Today's rating actions reflect (1) the updates to Moody's structured finance rating methodologies to incorporate the new CR Assessment for banks; and (2) the rating review actions of banks resulting from its revised bank methodology.

The updates to the structured finance rating methodologies have an overall positive rating impact on EMEA ABS and RMBS transactions. In the European Union, the CR Assessment will generally be at least at bank deposit rating level, leading to the placement on review for upgrade of 504 notes across 220 EMEA ABS and RMBS. Moody's has placed on review for downgrade 9 notes in 4 EMEA RMBS following the placement on review for downgrade of some key counterparties' deposit rating and/or senior unsecured rating.

#### --- INTRODUCTION OF NEW COUNTERPARTY RISK (CR) ASSESSMENT

Moody's introduced a new CR Assessment for banks as part of its revised bank rating methodology. The CR Assessment reflects an issuer's ability to avoid defaulting on certain obligations and contractual commitments, to include payment obligations associated with derivatives, letters of credit, third-party guarantees, servicing and trustee obligations and other operational obligations.

For the EU, Moody's expects that the probability of failing to maintain these key operations or of defaulting on the relevant payment obligations could be lower than indicated by the senior unsecured debt ratings. The CR Assessment will therefore be likely positioned at least at the level of bank deposit ratings.

Moody's uses internal guidance on the CR Assessments to assess the rating impact on outstanding structured finance transactions. The internal guidance is in line with the guidance published in its updated bank rating methodology and its responses to frequently asked bank methodology-related questions.

Where relevant, the approximate CR Assessment values used in structured finance credit analysis will factor in guidance on expected changes to the baseline credit assessment (BCA), senior unsecured debt and bank deposit ratings.

#### UPDATES TO THE STRUCTURED FINANCE RATING METHODOLOGIES

Moody's has updated several of its cross-sector methodologies to incorporate the CR Assessments in its analysis of structured finance transactions. Moody's now matches banks' exposure in structured finance transactions to one of the three reference points: either the CR Assessment, bank deposit rating or senior unsecured rating.

Moody's uses CR Assessments to measure the risk of default for (1) operational risk exposures (including exposures to servicers, cash managers and trustees); (2) exposures to swap counterparties; and (3) exposures to servicers in relation to commingling risk.

Moody's uses the bank deposit rating to measure the default risk for exposures associated with account banks and set-off. Additionally, for bank-related exposures -- e.g., deposits held at a defaulting bank -- Moody's now assumes a recovery rate of 45% in instances when the risk is measured or modelled.

Moody's uses the senior unsecured debt rating for senior unsecured debt and other exposures that carry similar credit risks.

#### --- ANTICIPATED COMPLETION OF THE PLACEMENTS ON REVIEW

Moody's expects to conclude the majority of the structured finance rating reviews in the first half of 2015. The timeline to resolve these reviews will depend on the resolution process applied to the underlying bank ratings, as well as the assignment of CR Assessments.

Additionally, some of the ratings already on review for upgrade in EMEA RMBS and ABS are also impacted by the revised methodology even if not included in today's action. These ratings will be reviewed considering the revised methodologies.

#### FACTORS THAT WOULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS:

Factors or circumstances that could lead to an upgrade of the ratings are (1) a lower probability of high-loss scenarios owing to an upgrade of the country ceiling; (2) performance of the underlying collateral that exceeds Moody's expectations; (3) deleveraging of the capital structure; and (4) improvements in the credit quality of the transaction counterparties.

Factors or circumstances that could lead to a downgrade of the ratings are (1) an increased probability of high-loss scenarios owing to a downgrade of the country ceiling; (2) performance of the underlying collateral that does not meet Moody's expectations; (3) deterioration in the notes' available CE; and (4) deterioration in the credit quality of the transaction counterparties.

Moody's National Scale Credit Ratings (NSRs) are intended as relative measures of creditworthiness among debt issues and issuers within a country, enabling market participants to better differentiate relative risks. NSRs differ from Moody's global scale credit ratings in that they are not globally comparable with the full universe of Moody's rated entities, but only with NSRs for other rated debt issues and issuers within the same country. NSRs are designated by a ".nn" country modifier signifying the relevant country, as in ".za" for South Africa. For further information on Moody's approach to national scale credit ratings, please refer to Moody's Credit rating Methodology published in June 2014 entitled "Mapping Moody's National Scale Ratings to Global Scale Ratings".

#### REGULATORY DISCLOSURES

Please click on this link [http://www.moodys.com/viewresearchdoc.aspx?docid=PBS\\_SF400160](http://www.moodys.com/viewresearchdoc.aspx?docid=PBS_SF400160) for the List of Affected Credit Ratings. This list is an integral part of this Press Release and provides, for each of the credit ratings covered, Moody's disclosures on the following items:

- Lead analyst
- Key Rationale for Action
- Principal Methodology
- National Scale Credit Ratings
- Person Approving the Credit Rating
- Releasing office
- Loss and Cash Flow Analysis

- Stress Scenarios

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions of the disclosure form.

Moody's did not receive or take into account a third party assessment on the due diligence performed regarding the underlying assets or financial instruments related to the monitoring of these transactions in the past six months.

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on [www.moodys.com](http://www.moodys.com).

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this rating action, and whose ratings may change as a result of this rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

The below contact information is provided for information purposes only. Please see the ratings tab of the issuer page at [www.moodys.com](http://www.moodys.com), for each of the ratings covered, Moody's disclosures on the lead analyst and the Moody's legal entity that has issued the ratings.

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Anne-Sophie Spirito  
Asst Vice President - Analyst  
Structured Finance Group  
Moody's France SAS  
96 Boulevard Haussmann  
Paris 75008  
France  
JOURNALISTS: 44 20 7772 5456  
SUBSCRIBERS: 44 20 7772 5454

Carole Gintz  
Senior Vice President/Manager  
Structured Finance Group  
JOURNALISTS: 44 20 7772 5456  
SUBSCRIBERS: 44 20 7772 5454

Ali Khan  
Associate Analyst  
Structured Finance Group  
JOURNALISTS: 44 20 7772 5456  
SUBSCRIBERS: 44 20 7772 5454

Releasing Office:

Moody's Investors Service Ltd.  
One Canada Square  
Canary Wharf  
London E14 5FA  
United Kingdom  
JOURNALISTS: 44 20 7772 5456  
SUBSCRIBERS: 44 20 7772 5454



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