

## **ARC Publishes European Non-Performing Loans (NPLs) Rating Criteria**

London, 6 October 2017 - ARC Ratings has published its European Non-Performing Loans (NPLs) Rating Criteria. The criteria was published for public consultation on 23 August 2017, no comments were received and as such no changes implemented.

This methodology can be accessed at [www.arcratings.com](http://www.arcratings.com).

ARC's European Non-Performing Loans (NPLs) Rating Criteria aims to summarise how ARC assesses credit risks within NPL transactions across Europe. The approach looks to analyse both quantitative and qualitative factors including recovery amount, recovery timing, the transaction structure, operational risk and counterparty risk, amongst others.

As transactions can vary significantly and each transaction is unique, in certain cases analysis may diverge from stated assumptions. For example, assumptions may vary between countries and between structure types etc. If criteria assumptions are amended or supplemented these will be disclosed in individual transaction reports.

Where limited information is available or typical structural mechanisms differ per jurisdiction a rating cap may be applied.

As many financial institutions have mounting books of non-performing loans residing on their balance sheets, there is evidence of increased issuance of notes backed by NPLs across Europe. This criteria is aimed to address both unsecured and secured NPLs. Whilst the definition of NPLs varies between jurisdictions, ARC's definitions of NPLs are defined as loans defaulted in accordance with an originator's default definition.

This should be read in conjunction with ARC's Global Structured Finance Criteria.

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