

RATING ACTION:

ARC RATINGS ASSIGNS A PUBLIC, FINAL LONG-TERM 'AAA(SF)' RATING TO THE BALANCE GUARANTEED SWAP OF BLUE ASSETCO S.Á.R.L., WITH STABLE OUTLOOK

Lisbon, 23 December 2021 - ARC Ratings, S.A. (ARC) has assigned a public, final long-term rating of 'AAA(sf)' to the Balance Guaranteed Swap of Blue AssetCo S.Á.R.L. ('Blue'), with stable outlook.

ISSUER	ORIGINATOR	CLASS/TRANCHE	RATING CLASS	RATING	OUTLOOK	NEXT REVIEW DATE
Blue AssetCo S.Á R.L.	RNHB B.V.	Balance Guaranteed Swap	RMBS	AAA(sf)	Stable	23 December 2022

The public credit rating accorded to the 'AAA(sf)' rated swap relates to timely payment of the swap obligations.

COMPANY PROFILE

Blue acts as the issuer for this transaction and is a company incorporated under the laws of Luxembourg and subject to Luxembourg Securitisation Law. NatWest Markets PLC (NWM) is the Hedge Counterparty to the transaction and is rated F1, P-1 and A-2 by internationally recognised credit rating agencies. A termination event will be introduced if there is an un-remedied ratings downgrade of NWM.

TRANSACTION OVERVIEW

The transaction is a securitisation warehouse of Dutch residential and commercial mortgage loans, funded by banks. The swap is in place to hedge the risk between fixed rate mortgages and the floating rate on the debt. The Hedge Counterparty receives fixed payments and pays a floating rate, with netting of the payments. The swap is only payable on the performing mortgages, therefore a deterioration of

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the credit quality of the portfolio would not impact Blue AssetCo's ability to meet the swap obligations as these would decrease. In the event of any payment due to the Hedge Counterparty such payment ranks immediately prior to the most senior notes issued, but ranks behind certain senior creditors such as the Servicer and Cash Manager. In accordance with the transaction's priority of payments, which has a combined principal and interest waterfall, the Hedge Counterparty is paid from proceeds derived from both principal and interest receipts. These structural features provide sufficient funds to honour swap payments in an 'AAA(sf)' scenario.

KEY RATING DRIVERS

The portfolio is relatively granular with the reference obligations exhibiting strong historical performance. ARC's analysis of the swap coverage demonstrates that the cash waterfall structure continues to provide sufficient funds to service the obligations at an 'AAA(sf)' rating level. In particular, the Issuer's obligations under the swap are de minimis when compared to its interest income, even assuming a high stress scenario where there are no principal receipts and where EURIBOR, the swap reference rate, falls substantially below its current level of -0.611% as of 21 December 2021. If EURIBOR rises above the weighted average fixed swap rate (the 'ATS Rate'), the Hedge Counterparty will become a net payer under the swap, thus eliminating credit risk. Related transactions to Blue, Armstrong and Yellow, which have near identical terms, have an average coverage ratio (utilising all available cash against swap payments and senior fees) of c.123x since rating coverage began in March 2021.

SENSITIVITY ANALYSIS AND TURNING POINTS

Given the degree of coverage under an 'AAA(sf)' scenario, ARC does not envisage a situation where the rating is downgraded.

RELATED CRITERIA

ARC Ratings' Global Structured Finance Rating Criteria (September 2021).

ARC Ratings' Global Residential Mortgage Backed Security (RMBS) Rating Criteria (May 2021).

The rating was assigned by ARC Ratings, S.A. and endorsed by ARC Ratings (UK) Limited in accordance with Statutory Instrument 2019 n° 266 - The Credit Rating Agencies (Amendment etc.) (EU Exit).

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