

RATING ACTION:

ARC RATINGS ASSIGNS PUBLIC, FINAL LONG-TERM A RATINGS TO THE CLASS A AND CLASS B NOTES ISSUED BY HEXAGON INSURANCE PCC LIMITED TRANSACTING IN RESPECT OF ITS PROTECTED CELL "CELL ZETA", WITH STABLE OUTLOOK

London, 31 December 2021 - ARC Ratings (UK) Limited (ARC) has assigned public, final ratings of 'A' to the Class A and B Notes issued by Hexagon Insurance PCC Limited transacting in respect of its protected cell "Cell Zeta", with stable outlook.

ISSUER	CLASS/ TRANCHE	AMOUNT	RATING CLASS	RATING	OUTLOOK	NEXT REVIEW DATE
Hexagon Insurance PCC Limited in respect of its protected cell "Cell Zeta"	Class A	EUR 66,202,000	CLN	A	Stable	2 January 2023
Hexagon Insurance PCC Limited in respect of its protected cell "Cell Zeta"	Class B	EUR 3,808,000	CLN	A	Stable	2 January 2023

The 'A' credit rating assigned to the Class A and B Notes (the 'Notes') relates to timely payment of interest and the ultimate repayment of principal.

TRANSACTION OVERVIEW

The transaction provides exposure to a portfolio of synthetic risk transfer Credit Linked Notes (the 'CLNs'). The Issuer, a Guernsey incorporated entity and Protected Cell, has two assets to meet the Note liabilities, namely the distributions from the portfolio of CLNs and an insurance policy with a highly rated insurer. The insurance policy has very limited conditionality and the insurer cannot withdraw from the policy. Further, the policy has two separate limbs, being the downstream distributions insurance ('CLN Insurance') and the upstream Note insurance (the 'Note Insurance'). Should a claim arise under either of the insurance limbs the insurer must make payment to the Loss Payee within the contractual waiting period.

ANALYTICAL CONTACT DETAILS

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The two classes of Notes issued do not create credit tranching, as such there is no (sf) modifier, but rather have different maturity dates to align with maturity of the CLNs. Class A has a maturity of the 5th Anniversary of the Utilisation Date, whilst Class B has a maturity of 78 months after the first Utilisation Date.

COUNTERPARTIES

Hexagon Insurance PCC Limited transacting in respect of its protected cell, 'Cell Zeta' (the '**Issuer**') - incorporated and/or established under the laws of Guernsey with company number 53843 with registered address: PO Box 230, Heritage Hall, Le Marchant Street, St Peter Port, Guernsey, GY1 4JH.

Natwest Markets PLC (the "**Agent**", "**Security Agent**", "**Registrar**"): A public limited company incorporated under the laws of Scotland with company number SC090312, with registered address at 36 St Andrew Square, Edinburgh, EH2 2YB.

the **Insurer**: a company authorised and validly incorporated as an insurer under the laws of a major international insurance jurisdiction. ARC has received a certificate of incumbence from the Insurer which also confirms the capacity of the signatories to enter into the policy.

The Royal Bank of Scotland International Limited (Guernsey Branch) ("Cash Account Bank"): incorporated under the laws of Jersey with company number 2304 whose registered address is Royal Bank House, 71 Bath Street, St Helier, Jersey JE2 4SU.

KEY RATING DRIVERS

Insurer: The insurer has an Insurer Financial Strength rating of A2 with negative outlook from Moody's and a Financial Strength Rating of A (excellent) with stable outlook from AM Best. ARC has public access to these ratings and will monitor them on an ongoing basis. Should there be any rating action on the Insurer, ARC will review this rating.

Legal Structure: The structure of this transaction is such that ARC is able to 'look-through' to the rating of the insurer.

Cash Account Bank Rating: The account bank has the following ratings (S&P/Moody's/Fitch) Short-Term A-2/P-2/F1, and Long-Term A-/A3/A, all with stable outlook. The rating of the Notes does not exceed the cap that would otherwise be imposed due to the ratings of the cash account bank in line with ARC's counterparty criteria.

SENSITIVITY ANALYSIS AND TURNING POINTS

Given the linkage to the insurer rating, any change (positive or negative) will result in a review of this rating.

RELATED CRITERIA

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

ARC Ratings' Global Credit Linked Note and Repackaging Vehicle Rating Criteria (Feb 2021).

The rating(s) were assigned by ARC Ratings (UK) Limited and endorsed by ARC Ratings, S.A. in accordance with Regulation (EC) N° 1060/2009 of the European Parliament and of the Council.

DISCLAIMERS

ARC Ratings only provides a rating of the rated securities or of the issuer and neither recommends nor will recommend how an issuer can or should achieve a particular rating outcome. A rating does not cover a potential change in laws and is not and cannot be regarded as an audit. Moreover, ARC Ratings is not a party to any transaction documents of the instrument/transaction it is rating. Users of our ratings should familiarise themselves with the transaction documents. ARC Ratings does not act as a legal, tax, financial, investment or other advisor and users should seek professional advice from appropriate third parties where necessary.

ARC Ratings, S.A. is registered as a Credit Rating Agency with the European Securities and Markets Authority (ESMA), within the scope of the Regulation (EC) N° 1060/2009 of the European Parliament and of the Council, of 16 September, and recognised as External Credit Assessment Institution (ECAI).

ARC Ratings (UK) Limited is registered as a Credit Rating Agency with the United Kingdom Financial Conduct Authority, within the scope of the Statutory Instrument N° 266/2019, of 13 February, and recognised as ECAI.

Credit Ratings assigned by ARC Ratings are independent and forward looking opinions of the relative credit risks of financial obligations issued by various entities. The credit risk is the risk that an entity may not meet its financial obligations as they come due i.e. the capacity and willingness of an entity/issuer to make all required interest and principal payments on a given obligation in a timely manner in accordance with its terms. Credit ratings express risk in relative rank order – they are an ordinal measure of credit risk whose probability of default or loss may vary through the credit cycle. They are issued using an established and defined ranking system of rating categories (rating scale). ARC's credit ratings are determined using ARC's published rating criteria.

The rating(s) assigned by ARC Ratings in this report was/were sought by the entity whose financial commitments are being rated.

ARC Ratings provides to the entity whose financial commitments are being rated the documents that substantiate the rating to be attributed. This entity is thus given the opportunity to clarify or correct factual details. ARC Ratings also grants the issuer the possibility of appealing a rating accorded by ARC as long as this appeal is supported on additional information that hasn't been taken into account in the original rating accordance.

ARC Ratings, S.A. historical default rates are published in the European Securities and Markets Authority Central Repository (CEREP) which can be accessed on the website cerrep.esma.europa.eu/cerrep-web/. It should be highlighted that ARC Ratings' rating portfolio can be characterized as a "very low default portfolio" and therefore the agency's historical defaults are not statistically significant. Default is the lack of full and timely payment of capital or interest or of the occurrence of any event that explicitly indicates that the future full and timely payment of those commitments will not occur (e.g., in case of insolvency).

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In the rating process, ARC Ratings adopts procedures and methodologies aimed at ensuring transparency, credibility and independence, and also that rating classifications are not influenced by conflicts of interest.

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