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Press Release

Creditreform Rating has assigned a restricted rating to CE Credit Management Invest Fund 1 B.V.

Neuss, 24 June 2019

Creditreform Rating has assigned a preliminary rating of BBB-$_{sf}$(restricted) to the senior notes with the ISIN code NL0013526866 planned to be issued by Credit Management Invest Fund 1 B.V. Main reasons for the rating are on the one hand side several enhancements. A planned first loss piece of 5%, the buyback guarantee of Direct Pay Services B.V. and the guarantee of Direct Pay Beheer B.V. have a positive influence on the rating. On the other hand, risks arises mainly from the asset class of non-performing loans, the debtors being sensitive to macroeconomic and political developments, the high volatility of yields between the receivables, and the redemption of the notes at the end of the maturity (asset-liability-mismatch risk).

The rating is subject to restrictions.

The restrictive character of the rating refers to the fact that some rating relevant documents could only be provided at the time of the rating determination in a draft version. Furthermore, the creditworthiness of the guarantor was derived from the annual accounts of 2017. The restriction can be removed by Creditreform Rating upon receipt of the final documentation; insofar the creditor position has not been deteriorated by possible changes in the final documentation. Any additional information would prompt a revision of rating relevant factors.

The rating report can be found below.

Rating Object		Rating Informationen		
Senior Notes issued by CE Credit Management Invest Fund 1 B.V.		Assigned Rating *: **BBB-$_{sf}$(restricted)**		Type: Initial rating Rating report
Issue Date:	[tbd]	Rating Date:	29 May 2019	
Type of Issue:	Registered Notes	Monitoring:	-	
Exchange:	Euronext Growth	Methodology:	CRA "Trade Receivables Securitizations"	
Issuer:	CE Credit Management Invest Fund 1 B.V.			
Type:	B.V. (Dutch law)			

Issue Overview			
Issue Volume	EUR 35-50m	Coupon	6.5% p.a.
Seniority	Senior secured	Coupon Period	Semi-annually
Collateralization	Pledge on debt portfolios	Coupon Type	Fix
Maturity	Five years after issuance	ISIN	NL0013526866

* (P) Preliminary rating of the senior notes as of 29 May 2019. The rating may change at any time. The final rating will be assigned as soon as the restrictive factors of the rating (see Preliminary Remarks) cease to exist. The final rating will be subject to a satisfactory review of the transaction documents.

Contents

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Transaction Summary

The object of this rating are registered senior notes (ISIN NL0013526866) – hereafter referred to as notes – which are planned to be issued by the Dutch special purpose vehicle CE Credit Management Invest Fund 1 B.V. – hereafter referred to as the Issuer, the Fund or “CECM IF1”. The issue proceeds serve to purchase portfolios of receivables from Dutch and Belgian private consumers – hereafter referred to as debt portfolios or underlyings. The Issuer is advised by a Dutch Servicer, Direct Pay Services B.V. - hereafter referred to as the Servicer or “Direct Pay” - , a subsidiary of Direct Pay Beheer B.V., which recovers the debt portfolios on behalf of the Issuer. The issue is secured by a pledge of the portfolios on behalf of the noteholders. The notes are listed on Euronext Growth (Brussels).

The rating of BBB-$_{sf}$(restricted) represents a highly satisfactory level of credit quality and a low to medium investment risk.

Key Rating Findings

+ Credit enhancement (purchase price discount)
+ First Loss Piece (junior tranche) of 5% of the total issued amount with a maximum of EUR 2.5m
+ Undisclosed first-rank pledge on purchased debt portfolios
+ Negative pledge on collateral
+ Guarantee from Direct Pay B.V.: buyback of non-performing portfolios at purchase price plus court costs plus an annual yield of 10% minus the amounts already re-ceived. Guarantor of Direct Pay B.V. for this mechanism is Direct Pay Beheer B.V.
+ Guarantee of minimum return on unused funds

- \+ No further leverage at fund level
- \+ No dividend payments until notes maturity
- \+ Deferrable coupon (for one period, max. three times)
- \+ Granularity of the portfolios – high diversification of receivables
- \+ Very large database and own econometric model to determine the purchase price
- \+ True sale ("silent" cession of the receivables)
- \+ Dilution and fraud risk mitigated by retrocession of the receivables to the Seller
- \+ Low commingling risk
- \+ Positive historical performance of Direct Pay B.V.

- \- High seller concentration of seed portfolio of predecessor fund CE Credit Management II B.V. ("CECM II"): top 3 represent 62% of the planned portfolio
- \- High seasoning of seed portfolio of CECM II: 76% with an invoice date in 2015 or 2016
- \- Asset class sensitive to macroeconomic and political development in the Netherlands and Belgium
- \- Purchase price discount estimations may underestimate risk
- \- Acquisition risk – profitability depends on a critical number of (revolving) portfolios
- \- Potential of reduced deal-flow due to adverse market conditions
- \- Very high variation of the yields between the receivables (dependent on receivable size) and between the portfolios (dependent on the Seller)
- \- No early redemption mechanism, but the Issuer has the right to prepay the notes as of two years after the issue date
- \- Operational / legal risks

Preliminary Remarks

The rating is subject to restrictions.

The restrictive character of the rating refers to the fact that some rating relevant documents could only be provided at the time of the rating determination in a draft version. Furthermore, the creditworthiness of the guarantor was derived from the annual accounts of 2017. The restriction can be removed by Creditreform Rating upon receipt of the final documentation; insofar the creditor position has not been deteriorated by possible changes in the final documentation. Any additional information would prompt a revision of rating relevant factors.

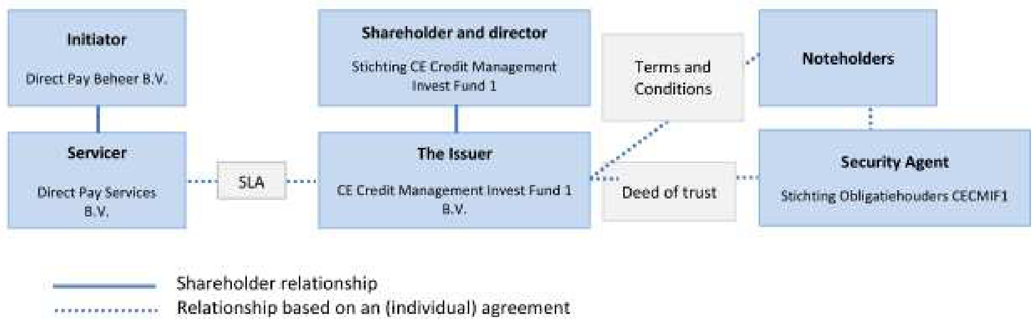
Structural Risk

Transaction Structure

Table 1: Overview of transaction parties | Source: CE Credit Management Invest Fund 1 B.V.

Role	Name
Issuer	CE Credit Management Invest Fund 1 B.V.
Shareholders of the Issuer	Stichting CE Credit Management Invest Fund 1
Servicer	Direct Pay Services B.V.
Initiator and Guarantor	Direct Pay Beheer B.V.
Paying- and ENL Agent	KAS Bank N.V.
Security Agent	Stichting Obligatiehouders CECMIF1
Placing- & Distribution Agent	Merit Capital
Accountant	Deloitte Accountants B.V.
Depositary Agent	Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V. (Euroclear Nederland)

Figure 1: Transaction overview | Source: CE Credit Management Invest Fund 1 B.V.



The object of the rating are the notes amounting to EUR 35-50 million, which will be issued by CE Credit Management Invest Fund 1 B.V. The coupon of 6.5% p.a. is to be paid semi-annually, on the first working day after respectively January 1 and July 1 respectively, and can be deferred for one period, a maximum of three times. If the coupon is deferred, the Issuer is obligated to pay a fee of 2.5% p.a. on the interest due until the respective coupon is paid. The notes maturity is five years. The Issuer has the right to prepay the notes either in part or in full two years after the issue date. The penalty interest for an early redemption is 1% of the principal amount of each note. All notes rank pari passu among each other.

The issue proceeds serve to purchase or acquire and recover debt portfolios, i.e. non-performing loans - hereafter referred to as NPL - from different companies (hereafter referred to as the Sellers) mainly but not exclusively in the following sectors: telecom, utility companies, providers of medical services (dentists, orthodontists, physiotherapists, etc.), online shops, retail, sports (club and fitness centers) and healthcare. The debtors of these NPL are private individuals in the Netherlands or Belgium. The Issuer is also permitted to sell the debt portfolios to third parties (with prior consent of the Seller).

The Servicer, Direct Pay Services B.V., enters into purchase agreements with the Sellers in order to regularly purchase NPL, grouped in debt portfolios. These agreements generally last one year; the Seller sells batches of receivables to the Servicer (true sale) on a regular basis (revolving). The original payment maturity of these receivables is generally 30 days and they are sold to the Servicer by the Seller when they are 180 days overdue. If the receivable is disputed or in the event of fraud, the receivable will be retroceded to the Seller and the purchase price will be recovered by the Servicer from the Seller.

Within the framework of a Service Level Agreement (SLA), Direct Pay Services B.V. advises the CE Credit Management Invest Fund 1 B.V. about which debt portfolios should be purchased by the Fund. If accepted by the Fund, the Servicer transfers the debt portfolios by "silent" cession to the Fund and realizes / recovers them on behalf of the Fund.

The required internal rate of return of the fund on the average investment is 12%, based on historical yields. Direct Pay Services B.V. guarantees a buyback of the portfolios that do not reach an IRR of 12% against the purchase price, plus any incurred court fees and an additional annual yield of 10% minus any amounts already received from the portfolios. Direct Pay Beheer B.V. provides a guarantee on that mechanism.

All cash available to the Issuer, including the collected amounts, will be reinvested in the purchase of new debt portfolios after having paid the coupon and the operational costs. The Servicer is entitled to the residual amount after the Issuer has met all obligations towards the noteholders.

Every year, the profit of the Servicer will be credited to the liabilities of the Issuer's annual accounts as provisions. If the Issuer makes losses, this provision could be negative. The Servicer can make use of this provision at the end of the transaction and after the notes and other obligations have been repaid. After this provision, the net profit of the Issuer is always zero.

If cash available at Issuer level is not sufficient prior to the coupon payment date, the Servicer is obligated to provide liquidity to the Issuer. This liquidity will come from the debt portfolios that have previously been repurchased by the Servicer.

Issuer

The Issuer CE Credit Management Invest Fund 1 B.V. has been established as a limited liability company governed by Dutch law on 19 March 2019 with the registered company number 74325051 for the purpose of issuing notes. It will purchase and hold revolving debt portfolios during the term of the notes. The debt portfolios are constituted of a large amount of individual debt from Dutch private consumers.

The Issuer has the following roles:

- Decision process regarding the decision to purchase or acquire (in both the legal and the economic sense) ownership of debt portfolios
- Decision of execution / enforcement of the purchased portfolios
- Control and supervision of the correct implementation of the SLA by the Servicer
- Ensuring the timely payment of interest and principal obligations linked to the notes

The shares of the fund are held by Stichting CE Credit Management Invest Fund 1, which is the director of the Issuer. This mechanism maintains the bankruptcy-remote character of the Issuer.

There will be no dividend payment during the transaction lifetime.

The Issuer is dependent on the knowledge and experience of key persons (indirectly Mr. R.H.H. Klaassen) and on the Servicer.

The Issuer would be in default if:

- The Issuer cannot pay the principal amount of the notes
- No coupon has been paid and the coupon payment has been already deferred 3 times for one period
- The Issuer fails to comply with its obligations for more than 30 days after the recognition of the breach by the Stichting Obligatiehouders CECMIF1
- A security provided by the Issuer for one or more notes threatens to be disposed
- The Issuer is insolvent or has been dissolved or liquidated
- The Issuer ceases operations
- In the event of any changes that impede the Issuer to comply with its notes obligations

Capital Structure

The notes issue proceeds funds will serve to finance the activities of the Issuer, namely the purchase of debt portfolios. After notes issuance, the balance sheet of the Issuer should be as follows:

Table 2: CECM IF1 Capital Structure | Source: CE Credit Management Invest Fund 1 B.V.

Activa	Volume [EUR]	Passiva	Volume [EUR]	Size (%)
Issue costs shown as assets	1,000,000	Equity capital	100,000	0.19
Liquid assets	51,600,000	Senior Notes	50,000,000	95.06
		Junior tranche	2,500,000	4.76
Total Assets	**52,600,000**	**Total Liabilities**	**52,600,000**	**100.0**

Priority of Payments

The available cash of the issuer will be employed to pay the issuance obligations and the costs from normal operating activities as well as to invest in new debt portfolios. The cash generated by the realization of the debt portfolios will be reinvested in debt portfolios (revolving). The available cash of the Issuer will be constituted as follows:

Table 3: Issuer available amount | Source: CE Credit Management Invest Fund 1 B.V.

Distributable Amounts	
1	Recovered nominal amount of the receivables
2	Supplement on the nominal amount of the receivables linked to the realization process (generally approx. 10% of nominal amount)
3	Court costs if borne by the debtor
4	Issue proceeds not already invested yet

The cost structure of the fund is limited to the incorporation, issue, placement costs and application costs (one-off payment), costs for the maintenance of the structure (annual), accounting costs, fiscal costs, liquidity provision charges, banking charges, and the costs of marketing.

All legal and external costs linked to the friendly (amicable) and judicial processes will be paid by the Servicer with the exception of court costs ("griffiegelden"), which will be borne by the Issuer. They are considered at first as investments of the fund, but are often ultimately borne by the debtor during the judicial process. The court costs ("griffiegelden") are paid by the Servicer to the Issuer before the verdicts are issued by the judge. These prepayments are advances that can be invested in the purchase of new debt portfolios.

The placement fee is expected to be 2% of the principal amount of the issued notes and consist of an advisory fee and a distribution fee, each corresponding to 1%.

The operational costs of the Issuer within the framework of ordinary business operations are not permitted to exceed EUR 100,000 per year.

The Issuer cost structure and priority of payments is illustrated below:

Table 4: CECMIF1 B.V. Priority of Payments| Source: CE Credit Management Invest Fund 1 B.V.

Priority of Payments	
1	Advisory costs
2	Distribution costs
3	costs for the maintenance of the structure, etc. max EUR 100,000 p.a.
4	Investments in court costs
5	Payment of deferrable coupon
6	Payment of the ordinary coupon
7	Investments in new debt portfolios
8	Final redemption

Seniority

The notes are senior in the structure. The junior tranche ranks is subordinated to the notes. Further leverage is not allowed at Fund level.

Collateralization

The transaction is secured by:

(1) an undisclosed first-rank pledge on the purchased debt portfolios. The collateral is managed by the security agent, Stichting Obligatiehouders CECMIF1, which is mandated by the trust deed to protect the rights of the noteholders.

(2) a guarantee from Direct Pay Services B.V.: Direct Pay Services B.V. will, at the request of the Issuer, buyback the portfolios that have not reached an IRR of 12% against the purchase price, plus any incurred court fees and an additional annual yield of 10% minus any amounts already received from the portfolios.

(3) a cash surplus clause, which specifies that for the resources on the account of the Issuer for which no debt portfolio has been or can be purchased, the Servicer shall compensate an interest rate of 2.0% per quarter on the average cash balance of the Issuer. This rule remains valid until it has been modified or until the end of the notes period. This guarantees a return of 8.0% p.a. on the non-used cash of the Issuer.

(4) a commitment fee from the Servicer: if and as long as the Issuer has, at the end of the month, EUR 400,000 of available liquidity and the servicer is not capable of

buying receivable portfolios with that money, the servicer will reimburse the issuer with a "Commitment fee" of 0.4% per month on the available liquidity. The commitment fee is included as part of the net revenue.

(5) no dividend payment during the Fund duration

(6) maximal fixed annual costs of EUR 100,000 p.a. for the Issuer

(7) a first loss piece (junior tranche) amounting to 5% of the nominal issue of notes

Credit Enhancement

The transaction benefits from the indirect credit enhancement of the purchase price discount, applied to the purchased non-performing loan portfolios. A first loss piece (junior tranche) amounting to 5% of the nominal issue of notes improves the credit quality of the senior notes by providing an additional buffer in case of insufficient liquidity to repay the notes at maturity.

Investment Criteria

The debt portfolios that the Issuer intends to purchase must fulfil various selection criteria. The criteria are presented in reduced form (see Table 5). The manager warrants that, as of the purchase date:

Table 5: Investment Criteria | Source: CE Credit Management Invest Fund 1 B.V.

Investment Criteria		
1	Sectors	- Electricity: 0 until 50% - Telecom: 0 until 50% - Retail: 0 until 50% - Healthcare: 0 until 50% - Services: 0 until 50% - Others: 0 until 50%
2	Distribution per Seller	Based on the total investment: max EUR 10,000,000 yearly based
3	Age of the receivable	- Average age <390 days - 80% between 60 and 540 days
4	Size of the receivable	- On average < EUR 1,000 - 75% between EUR 25 and EUR 1,000 - 50% between EUR 1,001 and EUR 5,000 - 25% < EUR 24 and > EUR 5,001

The compliance with the eligibility criteria will be monitored periodically.

Investment Period / Ramp-Up

The Fund's underlyings are revolving debt portfolios. Initially, the Issuer will use the proceeds to purchase the entire outstanding portfolio of CECMI II at a planned purchase price of EUR 15m. The outstanding portfolio and its purchase price will be reviewed and validated by the external valuator Zachary Ventures Limited. For the purpose of transfer a specific resolution and purchase agreement will be signed by the Issuer. The remaining proceeds will be used to acquire new debt portfolios of Sellers in the Netherlands and Belgium. According to the Servicer, the planned ramp-up period is one year.

Due to the revolving character of the transaction, the capability of the manager for a responsible asset-liability management is enormously important to redeem the notes entirely.

Commingling Risk

The commingling risk is mitigated by the fact that only the account number of the Servicer appears on the invoice of the debtor (after purchase of the receivable by the Servicer). Given that the cession to the Fund is silent, the account number of the fund does not appear on the invoice.

The Servicer opened a separate bank account for the liquidity management of CECM Invest Fund 1. We assume that this number only will appear on the receivables (lock-box account).

Nevertheless it cannot be excluded that the debtor might pay directly to the account of the Seller. In this case, the Seller would reimburse the amount to the Issuer. This only constitutes a risk if the Seller is insolvent at the time of the direct payment.

Dilution Risk

Dilution risk is mitigated by the retrocession to the Seller in case of dispute or fraud. Approx. 11.78% of the invested portfolio of the predecessor funds CECM II, CE Credit Management III B.V. ("CECM III") and CE Credit Management IV B.V. ("CECM IV") has been retroceded since its inceptions. The dilution risk is mitigated by the fact that the current Sellers offer standardized products, are well-known market players and the receivables of those Sellers are generally undisputed.

In our opinion, the dispute risk is low given the fact that the receivable is generally older than 180 days after payment date, which already received several payment reminders. The risk of fraud from the part of the Seller is nevertheless not excluded.

True Sale

The purchase of the debt portfolio occurs between the Seller and the Servicer within the framework of a true sale agreement. After the purchase, Direct Pay Services B.V. transfers all the legal and economic rights of the receivable to the fund within the framework of the SLA. The fund then becomes the owner of the receivables. The cession to the fund is "silent": the debtor does not know that the receivable has been ceded. The only sole contact for the debtor is Direct Pay Services B.V.

CRA did not receive a legal opinion on that matter.

We assume that the cession of the receivables to the Fund would be disclosed to the debtors in case of default of Direct Pay Services B.V., fraud from the Sellers, etc. This is not explicitly mentioned in the SLA or in the investment memorandum. After the silent cession of the receivables to the Fund, the Fund should decide what to do with the receivables.

Counterparty Risk

Servicer

Direct Pay Services B.V. is a private limited company, situated in Rotterdam in the Netherlands, governed by Dutch law, and incorporated under the number 24396800. Its manager is C.F. Klaassen, key person for the transaction. Direct Pay Services B.V. is a 100% subsidiary of Direct Pay Beheer B.V. and is specialized in receivables management, the purchase and collection of receivables of private individuals in the Netherlands.

Direct Pay Services B.V. is in turn the parent company of McFactor B.V. The company prepares consolidated financial statements since 2017.

The Issuer makes use of the services of the Servicer Direct Pay Services B.V. through a Service Level Agreement (SLA) to realize the debt portfolios. The rights and obligations of the Issuer and the Servicer for the purchase of debt portfolio are regulated in the SLA.

The Servicer advises the Issuer on the debt portfolio to be purchased (and on the discounts to be applied). Concretely, the SLA foresees:

- Selection of debt portfolio
- Price determination
- Processing / handling of the receivables / debt portfolios.

The main counterparty risk of the Issuer is the insolvency risk of the Servicer. The Issuer selects the debt portfolios and realizes these on behalf of the Issuer. The performance of the Servicer depends on the management team and key staff.

A conflict of interest between the Issuer and the Servicer could occur if

- the Servicer "sells" a portfolio to the Issuer with unfavorable conditions (in comparison with the conditions that the Servicer would have had if it has bought the portfolio directly).
- the Servicer requires extra costs from the Issuer

In our opinion, given the fact that the Servicer benefits from the extra profit of the Issuer at the end of the fund duration, that risk is limited. Furthermore, based on the SLA, the Servicer has to do the necessary to recognize interest conflicts, monitor and manage them.

The Issuer could be endangered if the Servicer would suffer from reputation problems (reputational risk – eventual risk). In order to mitigate this risk, the Servicer hired a dedicated employee with the mission to prevent and adequately react in case of reputational risk.

The main counterparty risk of the Servicer is the insolvency of the debtors. If they are insolvent, it could take more than 5 years to realize the receivables of this debtor.

Direct Pay Services B.V. plays a central role in the operation of the Fund. The Servicer guarantees a buyback of the portfolios that do not reach an IRR of 12% against the purchase price, plus any incurred court fees and an additional annual yield of 10% minus any amounts already received from the portfolios. Direct Pay Beheer B.V. provides a guarantee on that mechanism.

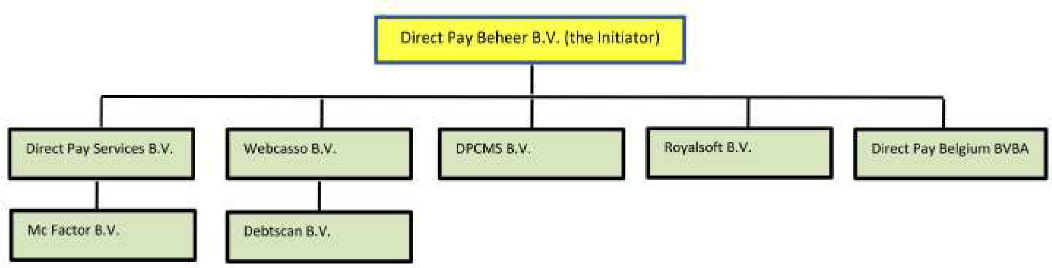
Regarding the risk management of the Servicer, given the internally developed IT systems and the organizational structure of the group headed by Direct Pay Beheer B.V., we see no core risk – insofar as is identifiable. If members of the key staff would leave the Group, the impacts in terms of risk management on the Group are uncertain. Any disruption in the IT infrastructure / in the software would also impact the operating process. In general, any disturbance in the operations of Direct Pay Services B.V. would have a direct negative impact on the Fund's operations

Guarantor

Direct Pay Beheer B.V. is a limited liablility company, situated in Rotterdam in the Netherlands, governed by Dutch law, and incorporated under the number 24396891. The Group headed by Direct Pay Beheer B.V. offers several services in the B2C segment: receivables management, credit information, factoring, amicable debt collection and judicial debt collection. The Group prepares consolidated financial statements under Dutch-Gaap.

Direct Pay Beheer B.V. is guarantor for the guarantee given by Direct Pay Services B.V. to CECM Invest Fund 1 B.V. The Group has been restructured in 2017 in order to separate the IT activities from the other business units. The here relevant business unit (non-performing loans) is composed of the following companies:

Figure 2: Direct Pay Beheer organizational structure | Source: CE Credit Management Invest Fund 1 B.V.



Security Agent

The interests of the noteholders are represented by the Stichting Obligatiehouders CECMIF1. The Stichting has been established in March 2019 under the Kvk number 74324950. By virtue of the trust deed (”trustakte”), the noteholders foundation will serve as a security agent and advocate for and on behalf of the noteholders. It ensures that the notes conditions are pursued and is in charge of keeping the securities for the duration of the transaction.

The Issuer has committed itself vis-à-vis the Stichting Obligatiehouders CECMIF1 not to take any further credit other than the notes, nor to give any pledges or to grant credit or guarantees to third parties (negative pledges).

Custodian

The paying and ENL agent is KAS Bank NV. The custodian could become insolvent. In this case, it could be easily replaced by another bank.

Interest and Currency Risk

There is no FX risk in the structure. All the receivables are denominated in EUR and the notes obligations are also denominated in EUR. The fund has the possibility to purchase receivables coming from countries outside the Netherlands or Belgium (max 20% of the claims purchased from the Sellers).

Termination Rights

The Issuer and the Servicer have 3 years after the beginning of the SLA to unilaterally end the contract with due observance of a notice period of 6 months.

If the Issuer ends the SLA, the Servicer will be offered to purchase the outstanding debt portfolio.

The Issuer and the Servicer can end the SLA immediately if:

- The equity of the Issuer contains only the excess profit

- The other party asks a moratorium of payment
- The other party asks a bankruptcy
- The other party ends its business or cease to exist
- The other party has no respected its obligations under the SLA if the breach of obligations is not healed within 10 days after the breach

Taxation, Legal and Regulatory Risk

The receivables are purchased at gross amount, i.e. including VAT. The fund has always the possibility to recuperate the VAT on each receivable, which could provide liquidity to the fund if needed.

External assessments (Due Diligences) were not made available to Creditreform Rating. The transaction may generally be characterized by taxation, legal and regulatory risks. Creditreform Rating did not perform an independent taxation, legal or regulatory due diligence of the transaction.

Summary Structural Risk

The early redemption possibility, the deferrable character of coupon, the fact that there will be no further leverage in the structure, the mitigation of the acquisition risk as well as the guarantee of the Servicer have a positive effect on the rating.

In our opinion, within the investment process, the main risk is the calculation of the purchase price discounts (margin risk). The database plays a key-role in carrying out credit checks for the purpose of creditworthiness assessment and fraud prevention. Any bad assessment of the purchase price (expected recovery) by the Servicer could lead to a deterioration of the expected IRR of the fund and to a possible default of the Issuer.

This risk is mitigated by the predictive model of the Servicer that assesses the payment morality of the future debtors in advance and predicts the percentage of the debts that can be sold. Many risks relating to the success of the sale are already taken into account in the eventual purchase price.

The risk of “not full issuance” is not excluded.

There is a risk if the SLA ends after three years (on demand of the Servicer) and the notes can only be redeemed after five years. In this case, the Issuer should find another Servicer, which could endanger the proper and further functioning of the fund.

Given the fact that the issuer is allowed to but is not obliged to constitute any cash reserve before the coupon payments, the liquidity management of the fund will be crucial. The Issuer should manage to keep enough liquidity in the structure (and not invests all the cash in the purchase of new debt portfolios) in order to satisfy its payment obligations.

We see no core risk associated with the notes structure. The notes are secured by a pledge on assets, which have been bought on a true sale basis; a trustee is installed by means of a trust deed; and a separate contract (SLA) with the Servicer is in place. Direct Pay Services B.V. and Direct Pay Beheer B.V. play a central role in the structure.

The risk that the whole notes issue is not being invested in debt portfolios is mitigated by the surplus clause.

Operational Risk

Economic Outlook and Market Overview Non-Performing Loans

The transaction is sensitive to the development of the Dutch and Belgian debt portfolio market for particular individuals. The purchase price discounts are also linked with the dynamics of the market (possibility to buy such portfolios).

Real GDP growth of the Netherlands in 2017 rose to a high 3.2%, up from 2.2% in 2016, and is likely to remain solid. The economy is very productive and competitive with high per capita income and a healthy labor market. Annual employment growth was among the strongest in Europe, posting at 3.2%, and the harmonized unemployment rate dropped from 6.0 to 4.9% in 2016-17. Moreover, the Netherlands features the second highest labor markets rate in Europe (79.7%, after Sweden). Private consumption growth remained robust at 1.9% in 2017.

Debt in the household sector, mainly consisting of mortgage debt, remained very high at 117.3% of GDP in the fourth quarter of 2017. Furthermore, households have only engaged in passive deleveraging as debt has continued to increase in nominal terms.

Nevertheless, our economic outlook for the Netherlands remains positive, which is also reflected by its sovereign rating and the related outlook. On June 29, 2018, Creditreform Rating affirmed the unsolicited long-term sovereign rating of “AAA /stable” for the Kingdom of the Netherlands.

In Belgium, a stable economic growth at 1.7% (2017) is underpinned by recovering labor market. Private consumption remained the key growth driver, although household spending decelerated from 1.7 (2016) to 1.3% in 2017. The national unemployment rate decreased from 7.8 to 7.1% in 2017, however, regional disparities, a wide gender employment gap, and a low participation rate continue to present challenges to the labor market.

Our economic outlook for the Kingdom of Belgium remains stable, which is also reflected by its sovereign rating and the related outlook. On June 29, 2018, Creditreform Rating affirmed the unsolicited long-term sovereign rating of “AA /stable” for the Kingdom of Belgium.

In our view, a stable economic environment and strong macroeconomic factors should generally support the Servicer’s strategy.

Given the revolving character of the program, there is an acquisition risk, i.e. risk that there is no portfolio on the market that satisfies the investment criteria of the Issuer or that allows the Issuer to purchase portfolios with acceptable prices and conditions. The Issuer should in this case stop or diminish its purchases.

The development of the portfolio mainly depends on economic activity. If the macroeconomic environment is good, the payment morality is higher, but there are fewer receivables to purchase. If the macroeconomic environment is unfavorable, the payment morality is worse but there are more receivables to purchase.

Given the possible rate of return for this type of business, there is a risk that the competition could increase during the program, which could influence the expected performance of the fund.

According to the management, the current environment for non-performing loans and forward flow is characterized by a contraction of the activity (sale of non-performing loans portfolios), increased competition and price pressure. The adverse selection increases also, given the fact that the Sellers improved their non-performing loans management internally, letting the market with only bad quality receivables. 2017, the market suffered also from a bad image of the non-performing loan business. Since the last year, the market was impacted from more social development of debt collections, especially in the pre-judicial process. This trend has caused incidental delays in collecting debt. The management expects the collections to increase in 2019 again. Nevertheless following management information, Direct Pay and the Direct Pay Beheer Group in general are well positioned on the market and dispose of a good reputation.

Investment Process

The investment process is as follows:

- The Servicer purchases debt portfolios based on a true sale (cession) from third parties (Sellers).
- The Servicer can on behalf of the Issuer, based on a mandate / authorization, purchase certain debt portfolios that satisfy the investment criteria.
- The Servicer selects the debt portfolios for the Issuer (a mix between the highest expected profit margin and the lowest risk).
- The Issuer reviews the characteristics of these debt portfolio mixes on the basis of the in-vestment criteria foreseen in the SLA.
- If the outcome is positive, the Issuer can acquire the debt portfolios (owner) and activate the debt portfolio on its balance sheet. This happens within the framework of a “silent” cession between the Issuer and the Servicer.
- In the SLA, there is a mandate under which the Servicer manages and executes the debt portfolios in its own name but on account and at the risk of the Issuer.
- The Servicer begins the execution process under the SLA.
- Friendly / amicable process:
    - Reminder to the debtor
    - Notice of default – Letter
    - Telephone contact – 7 days after the notice of default
    - Reminder – if there has been no payment after 14 days
    - Telephone contact – legal instruments are announced
    - Notification of legal instruments – letter, 5 days after the reminder
- If the debtor has still not paid:
    - Start of legal action – optional: the receivable can be sold on the market
    - Judicial summons – the debtor received a summon
    - Judgement – verdict from the judge, not by default
    - Execution – verdict is put into effect
    - Court costs – the invoice of the court is to be paid by the Servicer. The Servicer transfers the invoice an the Issuer
    - Verdict execution by a third party – the execution of the verdict is outsourced / given to third parties
- The cash flows that arise from the collection are transferred to the Issuer
- The Servicer is allowed, under the SLA and in relation with its services, to receive the amounts that arise from the debt portfolios after the Issuer has paid its notes obligations to the noteholders (interest and principal payments).

The amicable / friendly process lasts max. one year (generally 2 quarters) and the legal process can take up to 20 years to complete. This is because the receivables can be recovered within 20 years under Dutch law.

The Servicer can on behalf of the Issuer compose debt portfolios based on selection criteria.

The price at which the debt portfolio is bought depends on the assessment / estimates of revenues from the amicable process and the legal process, the estimated number of affairs / cases that will be successful during the amicable process and legal process, the estimated number of retrocessions to the seller, the necessary court costs provisions, cash flow projections and the average and maximum capital requirement based on the cash flow projections.

The Servicer disposes of a broad database with data on 8 million households in the Netherlands and approx. 12 million relevant payment experiences of Dutch consumers. With the help of econometric models, the Servicer analyses the characteristics of the debtors (the debtor's postcode area, the value of the debtor's house, the category of the products or services to which the debt relates, the information provided by the debtor with the application and the debtor's recent payment behavior). On the basis of historical data, a risk weighting can be assigned to the various characteristics. Together, all these individual characteristics, with their associated risk weightings, give an average risk weighting of the debt portfolio.

The database enables the Servicer to estimate the foreclosure risk, and therefore calculate a discount for the debt portfolios that are to be purchased. The cash flow projections are made every quarter for each and every receivables portfolio. On this basis, the average investment amount is estimated / budgeted. Furthermore, it specifies the maximum term within which the Servicer must recover the portfolio. The Servicer purchases the debt portfolio with discounts of between 20% and 60% of the nominal value of the debt portfolio (historically 40% on average). The debt portfolio will be transferred to the Issuer with no additional fees (the Servicer takes no further commissioning).

Risk Management

Given the internally developed IT systems, with which credit management services can be carried out almost fully automated, and the organizational structure of the Direct Pay Beheer Group, we see no core risk regarding the risk management.

Summary Operational Risk

In our opinion, the main risk within the investment process consists in the calculation of the purchase price discounts (margin risk). The database plays a key-role in carrying out credit checks for the purpose of creditworthiness assessment and fraud prevention. Any bad assessment of the purchase price (expected recovery) by the Servicer could lead to a deterioration of the expected IRR of the fund and to a possible default of the Issuer. This margin risk is mitigated by the predictive model of the Servicer that assesses the payment morality of the future debtors in advance and predicts the percentage of the debts that can be sold. Many risks relating to the receivables recovery are already taken into account in the purchase price.

The main counterparty risk of the Fund is Direct Pay Services B.V. Given its experience and market position in the fields of credit information, credit control, debt collection and invoicing of consumer debts, as well as given the broad database, we see the Servicer well-placed to assess, evaluate, manage and sell the debt portfolios. The performance of the Issuer depends on the management team and key staff of the Servicer. Therefore any disruption in the operations or in the management quality of the Servicer or would have a direct impact on the Fund operations. A replacement of the Servicer would be, in our opinion, possible but not easy.

The commingling risk is low and the dilution risk is mitigated by the asset type and the retrocession mechanism. The risk of fraud is nevertheless not excluded.

Credit and Portfolio Risk

Portfolio Structure

The underlying assets of the Issuer are formed by the debt portfolios, which serve to cover all obligations in relation to the noteholders that the Issuer has entered into in the context of the loan. After payment to the seller, the debt portfolios are the property of the issuing institution, both legally and economically. The underlying assets, which serve as security for the issue, have characteristics on the basis of which the capital is shown to generate funds for the payment of the outstanding and payable payments on the securities.

The debt portfolios that the Issuer intends to purchase must fulfil various selection criteria (see p. 7). Within the context of the spread of risks, various types of debts are purchased, which are consolidated into a single debt portfolio.

Historical Performance

This fund is the fifth fund initiated by Direct Pay Beheer B.V. (formerly Credit Exchange Holding B.V.). Due to the inception of the Fund in March 2019, there is no historical performance of the Fund.

The cash flows of every portfolio follow generally the same curve: investment in debt portfolio on the first quarter (-), recovery of receivables during the friendly period (+), investment in court costs in quarter 2, 3 and 4 (-), progressive recovery of receivables from the fourth quarter onwards (+). Based on historical data, the average recovery period is 13 quarters.

Figure 3: Weighted average money multiples of investment year | Source: Direct Pay Services B.V., CRA

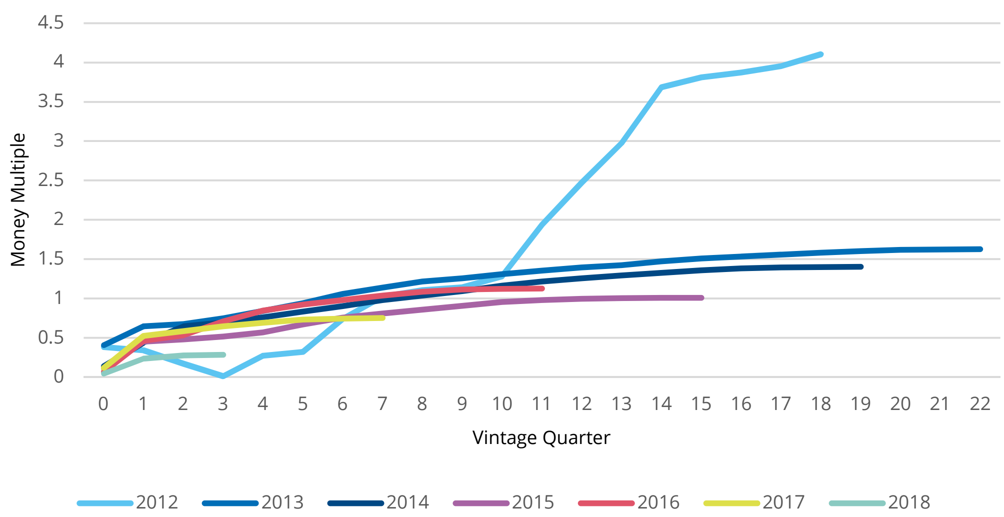


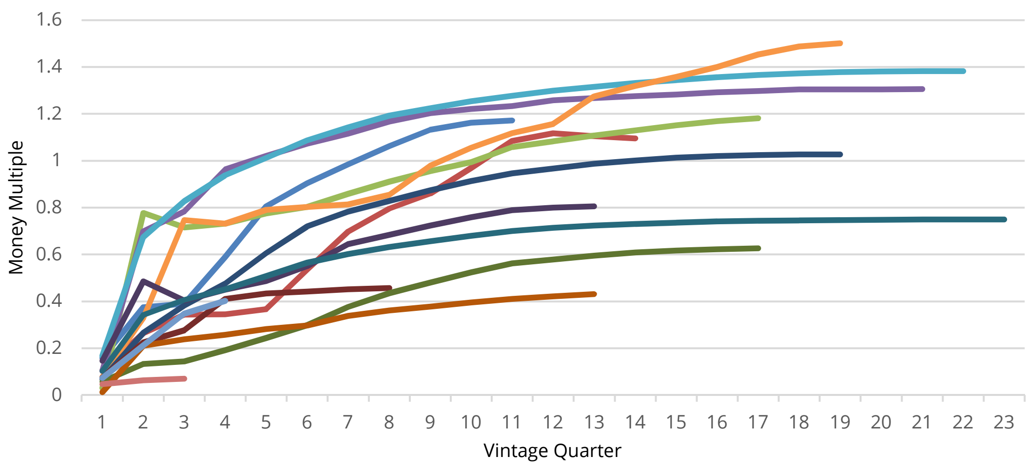
Figure 3 shows the annual performance of receivables of CECM II, CECM III and CECM IV.

We calculated the multiples as follows:

Multiple := [Return – costs] / [Purchase Price]

Due to the discount rates on purchased portfolios the money multiples reach an average of 1.51 after 5 years. Figure 4 presents the performance for each Seller of the three previous funds. For the purpose of confidentiality, the names of Sellers are not shown.

Figure 4: Average money multiple of each seller | Source: Direct Pay Services B.V., CRA



Current Portfolio

Currently, there are no investments in the pool of CECM IF1.

Planned Portfolio

The fund will not invest the resources in one go but in phase. Firstly, the Fund plans to purchase the remaining portfolio of CECM II. The average discounts on the receivables of CECM II were initially of 45% on the nominal value of the receivables. The realized return of the Servicer on the invested amounts of CECM II was 104%. As of December 31, 2018 the open amount of the portfolio is nearly EUR 75m, consisting of remaining receivables, legal costs, collection costs, interest, summons costs and execution costs. According to Direct Pay the expected collections could amount to 63% of these open amounts. The management expects the collection potential to be EUR 47m on the purchase date. For the special purchase agreement of the CECM II portfolio, the receivables will valuate by Zachary Ventures. The purchase price of the outstanding receivables of CECM II will be EUR 15m according to the Servicer.

The residual proceeds will steadily be invested in new debt portfolios in the Netherlands and Belgium with an average discount rate of 20-40%. The Servicer expects a multiple of 1.6 for each EUR invested.

Credit Risk

Asset-Analysis

The underlying assets are exclusively non-performing loans from Dutch or Belgian debtors. Per definition, the payment behavior of the debtors is of bad quality. No individual creditworthiness debtor assessment has been carried out by CRA. The Servicer assesses the credit quality of the debtor in order to determine the expected receivable recovery and therefore the purchase price of the receivable.

Default Risk

We have carried out a balance sheet rating of Direct Pay Beheer B.V. and credit reports of the top Sellers of the predecessor funds.

Servicer and Guarantor

We have been provided with the consolidated financial statement Direct Pay Beheer B.V. as of December 31, 2018. The statements are not audited. While a lack of key information in the financial statement makes it currently impossible to derive a balance sheet rating, the creditworthiness of the guarantor was derived from the annual accounts of 2017. We will review the balance sheet rating, when the audited financial statement as of December 31, 2018 is available. Any change in the creditworthiness would prompt a revision of rating analysis.

Given the securities given by the Servicer on the transaction, the main default risk for the Issuer is the default risk of the Servicer and the guarantor. Any deterioration in the creditworthiness of the Servicer and the guarantor could impact negatively the rating of the notes.

The result of the analysis of Direct Pay Beheer B.V. shows a satisfactory level of creditworthiness with a medium default risk. We do however point out that this constitutes a shadow rating of the company and do not constitutes a rating that can be used for regulatory purposes. A mandated corporate rating could lead to other results.

Sellers

The debt portfolios can consist of a mix of receivables which mainly originate from Sellers in the sectors telecom, utility companies, providers of medical services (dentists, orthodontists, physio-therapists, etc.), web shops, retail, sport (club and fitness centers) and healthcare.

Direct Pay Services B.V. performs no formal due diligence of the Sellers and no formal check of the creditworthiness of the Sellers. This could be problematic if a receivable retrocession is needed and the Seller is insolvent. We assume a very low investment risk for the Sellers.

Debtors

The main default risk of the Servicer is the insolvency of the debtors. Should they be insolvent, it could take more than 3 years to realize the receivables of this debtor. There is also a risk of a decreasing payment morality of debtors (in case of deterioration of the macroeconomic situation in the Netherlands for example), irrecoverability of receivables as well as a risk of false address. These risks are mitigated by a very high granularity of the receivables.

Summary Credit and Portfolio Risk

The portfolio risks are mitigated by the expected high granularity of receivables and of Sellers. The acquisition risk remains, also given the current market situation.

Given the performance guarantee of the Servicer on the portfolios, the credit risk of Direct Pay B.V. takes an important place in our rating assessment. Any deterioration of the creditworthiness of Direct Pay Services B.V. respectively of its parent company Direct Pay Beheer B.V. could impact the rating of the notes issued by CECM IF1.

We are critical of the fact that no formal Due Diligence of the Sellers is performed from Direct Pay Services B.V., in particular regarding possible fraud (e.g. false invoicing). In case of insolvency of a Seller, the retrocession mechanism for dubious invoice would not apply and would signify a loss for the Fund.

Cash Flow Analysis

Method of Analysis

Our cash flow and sensitivity analysis focused on the historical performance of Direct Pay Services B.V. and other internal information of non-performing loan performances. For our analysis the money multiples of the historical performance formed the basis of the calculations.

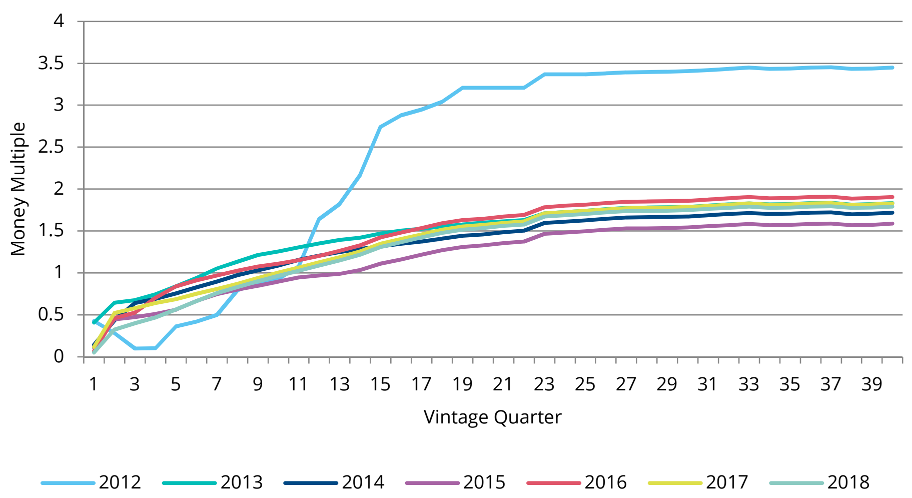
Based on the data and information about its track record of previous funds and its future acquisition strategy that Direct Pay provided to us, we established a scenario-based cash flow model for the portfolio and used these scenarios for a series of Monte Carlo simulations. The objective was to assess the impact of various levels of stress on the Issuer's ability to service the rated notes on the basis of its portfolio and the underlying receivables. We based the model (including our expectations of the portfolio's eventual composition) on the existing investment criteria, the projected portfolio cash flow on the levels of the investment vehicles and of the Issuer as well as on certain assumptions about the portfolio receivables. The investment process and restrictions were disclosed in the Fund's documentation. Our cash flow and portfolio analyses were largely based on data about historical investments.

Rating Scenarios

Base Case Scenario

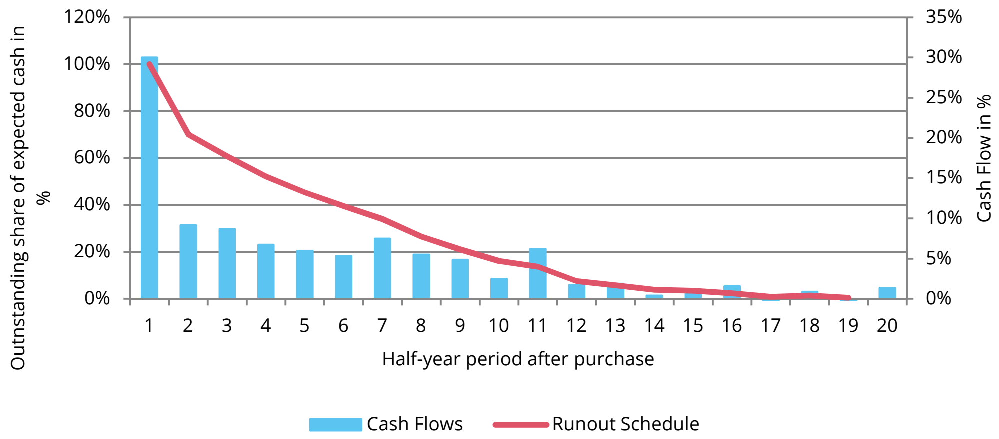
Base assumptions for the money multiples are based on the average performance of the purchased batches from each Seller securitized in the pools of CECM II, CECM III and CECM IV. We have used extrapolated historical data to set base case performance of an average batch at 1.78 after 10 years (Figure 5).

Figure 5: Extrapolated weighted average money multiples of investment year | Source: Direct Pay Services B.V., CRA



The standard deviation of this performance is 32%. The correlation of the assets is assumed to be 53%. We used an average pattern for the quarterly cash flows for dividing the generated multiples into cash flows appropriate to the period (see Figure 6).

Figure 6: Expected Runout Schedule for an average debt portfolio | Source: Direct Pay Services B.V., CRA



In our base case scenario we assumed a delayed investment period of four years. The rating relevant base case assumptions are as follows:

Table 6: Summary of Base Case Assumptions | Source: CRA

Parameter	Value for Base Case Scenario
Weighted average money multiple over 10 years	1.78
Weighted average standard deviation	32%
Correlation of portfolio performance	53%
Creditworthiness guarantor	BB
Number of portfolios/ batches	483
Initial Fund costs	2% placement fee
Yearly Fund costs	EUR 100,000

Taking into account the base case assumptions derived from the historical performance of the Servicer and the creditworthiness of the guarantor, the quantitative result of the base case scenario is BBB-$_{sf}$.

Best Case Scenario

In a best case scenario we expect an upgrade of the guarantor's creditworthiness by one notch and an increase of the weighted average money multiple by 10%. The quantitative result would be two notches higher compared to the base case scenario.

Worst Case Scenario

Since the transaction is highly dependent on the creditworthiness of the guarantor, we expect a default of this counterparty in a worst case scenario. The rating would lead to a two notches lower result compared to the base case scenario.

Sensitivity Analysis

In order to gauge the effect of variations in multiples and changes of the creditworthiness of the guarantor, Creditreform Rating conducted a sensitivity analysis including independent and combined changes of the multiples and probability of default ("PD") assumptions. The resulting rating indications for the rated notes are shown below:

Table 7: Sensitivities: Creditworthiness and money multiple | Source: CRA

PD \ Money Multiple	+10%	Base Case	-10%
BB+	$BBB+_{sf}$	$BBB-_{sf}$	$BB+_{sf}$
BB (Base Case)	$BBB+_{sf}$	**$BBB-_{sf}$**	BB_{sf}
BB-	$BBB+_{sf}$	$BB+_{sf}$	$BB-_{sf}$
Default	BBB_{sf}	BB_{sf}	B_{sf}

The quantitative rating result is $BBB-_{sf}$ under our base assumptions. A decrease of the average multiples of 10% would lead to a downgrade of two notches. If the creditworthiness of the guarantor would deteriorated by one notch, the downgrade would be one notch.

Summary Cash Flow Analysis

The quantitative analysis leads to a final rating result of $BBB-_{sf}$(restricted). The base case rating strongly depends on the creditworthiness of the guarantor. We will revise our analysis, if the balance sheet rating of the guarantor based on the financial statement as of December 31, 2108 leads to a different outcome. Assumptions on the portfolio performance are constantly monitored and adjusted as and when new information becomes available.

Appendix

Rating History

Event	Initial Rating	Publication Date	Monitoring	Result
Preliminary Rating	29 May 2019	24 June 2019	-	BBB-$_{sf}$(restricted)

Key Sources of Information

All documents listed were electronically provided to us in copy. Deviations to this will be explicitly mentioned. Please note that, due to the extent of the documents made available, sample plausibility checks have been carried out.

Documents

Issuer

- Investment memorandum CECM IF1 with annexes as of April 19, 2019
- Calculation of cash flows for a sample portfolio
- Audited annual report 2018 CE Credit Management II B.V.
- Audited annual report 2018 CE Credit Management III B.V.
- Audited annual report 2018 CE Credit Management IV B.V.
- Deed of incorporation of CE Credit Management B.V. (2012)
- Incorporation documents of CE Credit Management Invest Fund 1 B.V. (Concept)
- Service level agreement between Direct Pay Services B.V. and CECM IF1 (Concept)
- Draft engagement letter with Merit Capital (Placing- & Distribution Agent)
- Example of Deed of purchase of receivables between servicer and CECM

Issue

- Unaudited consolidated accounts as of December 31, 2018 Direct Pay Beheer B.V.
- Audited consolidated accounts as of December 31, 2017 Direct Pay Beheer B.V.
- Statement on the annual report 2017 from the auditor
- Example of purchase agreement (between Direct pay services and a Seller)
- Example of investment decision memo, final bid, and performance report for a Belgium portfolio
- Description of the approach to the ERC calculation and ERC policy
- CV of the CEO of Direct Pay B.V.
- Presentation Slides from the meeting with Direct Pay Services B.V. on February 21, 2019
- Register excerpt Credit Exchange B.V.
- Incorporation documents of Stichting CE Credit Management Invest Fund 1 and Stichting Obligatiehouders CECMIF1 (Concepts)
- Articles of Association Credit Exchange B.V.
- Change of Articles of Incorporation document for Direct Pay Beheer B.V.
- Deed of amendment to the Articles of Association of Direct Pay Beheer B.V.

Funds / Underlyings

- Large data samples (including inter alia purchase prices, nominal values, cash flows, outstanding amounts, and ERC) from the portfolios of CECM II, CECM III, CECM IV

Regulatory and Legal Disclosures

Creditreform Rating AG was mandated on 12 April 2019 by Direct Pay Services B.V. to conduct a rating for the Registered Notes , issued by CE Credit Management Invest Fund 1 B.V..

The rating was conducted on the basis of Creditreform Rating´s "Trade Receivables Securitizations" and has taken into account the special characteristics of non-performing loans.

Important sources of information in the context of the rating were, in addition to the submitted documents, a due diligence meeting in Rotterdam on 21 February 2019. The submitted documents and information provided by Direct Pay Services B.V. or rather the Issuer were sufficient to meet the requirements of Creditreform Rating AG's rating methodology.

A complete description of Creditreform Rating´s rating methodologies and Creditreform`s basic document "Rating Criteria and Definitions" is published on the following internet page:

https://www.creditreform-rating.de/en/regulatory-requirements/

This rating was carried out by analysts Philip Michaelis (Lead) und Sardor Abdullaev, all located in Neuss/Germany.

Closing of the transaction occurred on [tbd]. The rating is based on the portfolio information and transaction documentation as of 29 May 2019, as provided by Direct Pay Services B.V. or the Issuer.

The issuer or all relevant parties have examined the rating report prior to publication and were provided with at least one full working day to appeal the rating committee decision and provide additional information. The rating decision was not amended following this examination.

In 2011 Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on the registration Creditreform Rating AG (CRA) is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation.

Conflicts of Interest

No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or approving credit ratings and rating outlooks.

In case of providing ancillary services to the rated entity, CRA will disclose all ancillary services in the credit rating report.

Rules on the Presentation of Credit Ratings and Rating Outlooks

The approval of credit ratings and rating outlooks follows our internal policies and procedures. In line with our "Rating Committee" policy, all credit ratings and rating outlooks are approved by a rating committee based on the principle of unanimity.

To prepare this credit rating, CRA has used following substantially material sources:

1. Transaction structure and participants

2. Transaction documents

3. Issuance documents

There are no other attributes and limitations of the credit rating or rating outlook other than those displayed on the CRA website. Furthermore CRA considers satisfactory the quality and extent of information available on the rated entity. In regard to the rated entity Creditreform Rating AG regarded available historical data as sufficient.

Between the time of disclosure of the credit rating to the rated entity and the public disclosure no amendments were made to the credit rating.

The “Basic Data” information card indicates the principal methodology or version of methodology that was used in determining the rating, with a reference to its comprehensive description.

In cases where the credit rating is based on more than one methodology or where reference only to the principal methodology might cause investors to overlook other important aspects of the credit rating, including any significant adjustments and deviations, Creditreform Rating AG explains this fact in the credit rating report and indicates how the different methodologies or other aspects are taken into account in the credit rating. This information is integrated in the credit rating report.

The meaning of each rating category, the definition of default or recovery and any appropriate risk warning, including a sensitivity analysis of the relevant key rating assumptions, such as mathematical or correlation assumptions, accompanied by worst-case scenario credit ratings and best-case scenario credit ratings are explained.

The date at which the credit rating was initially released for distribution and the date when it was last updated including any rating outlooks is indicated clearly and prominently in the “Basic Data” card as a “rating action”; first release is indicated as “initial rating”, other updates are indicated as an “update”, “upgrade or downgrade”, “not rated”, “confirmed”, “selective default” or “default”.

In the case of a rating outlook, the time horizon is provided during which a change in the credit rating is expected. This information is available within „Basic data“ information card.

In accordance to Article 11 (2) EU-Regulation (EC) No 1060/2009 registered or certified credit rating agency shall make available in a central repository established by ESMA information on its historical performance data, including the ratings transition frequency, and information about credit ratings issued in the past and on their changes. Requested data are available at the ESMA website:

https://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml.

An explanatory statement of the meaning of Creditreform`s default rates are available in the credit rating methodologies disclosed on the website.

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