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DBRS Morningstar Upgrades and Confirms Ratings on SAGRES - Sociedade de Titularização de Créditos, S.A. (Ulisses Finance No. 1)

Industry Group: Structured Finance

Sub-Industry: Auto

Region: Europe

DBRS Ratings GmbH (DBRS Morningstar) took the following rating actions on the bonds issued by SAGRES - Sociedade de Titularização de Créditos, S.A. (Ulisses Finance No. 1) (the Issuer):

- Class A Notes confirmed at AAA (sf)
- Class B Notes confirmed at AAA (sf)
- Class C Notes upgraded to AA (sf) from A (sf)

The ratings address the timely payment of interest and ultimate payment of principal on or before the legal final maturity date in March 2033.

The rating actions follow an annual review of the transaction and are based on the following analytical considerations:

- Portfolio performance, in terms of delinquencies, defaults, and losses as of the March 2022 payment date;
- Probability of default (PD), loss given default (LGD), and expected loss assumptions on the remaining receivables; and
- Current available credit enhancement to the notes to cover the expected losses at their respective rating levels.

The transaction is a Portuguese securitisation of auto loan receivables granted and serviced by 321 Crédito – Instituição Financeira de Crédito, S.A. (321C), a subsidiary of Banco CTT S.A., after the acquisition that closed in May 2019. The transaction closed in July 2017 and had a 12-month revolving period which ended in the July 2018 payment date. As of the March 2022 payment date, the EUR 27.7 million portfolio (excluding defaulted receivables) consisted primarily of loans granted for the purchase of used vehicles (over 99% of the outstanding pool balance).

PORTFOLIO PERFORMANCE

As of the March 2022 payment date, total delinquencies represented 4.5% of the outstanding principal balance of the portfolio. The gross cumulative defaults amounted to 2.0% of the aggregate original portfolio balance, with cumulative principal recoveries of 22.4% to date.

PORTFOLIO ASSUMPTIONS AND KEY DRIVERS

DBRS Morningstar conducted a loan-by-loan analysis of the remaining pool of receivables and maintained its base case PD and LGD assumptions at 6.1% and 75.3%, respectively.

CREDIT ENHANCEMENT

The subordination of the junior obligations and the cash reserve provides credit enhancement to the rated notes. As of the March 2022 payment date, credit enhancement to the Class A, Class B, and Class C Notes was 81.2%, 55.8%, and 30.2%, up from 51.8%, 36.6%, and 21.3%, respectively, at the last annual review in May 2021. The increase in credit enhancement prompted the aforementioned rating actions.

The Cash Reserve Account is available to cover senior expenses and interest shortfalls on the rated notes. It also provides credit support to the rated notes through the subordination to the Class A, Class B, and Class C Principal Deficiency Ledgers. The Cash Reserve Account was funded at closing with EUR 2.0 million and its required balance is set at 1.5% of the rated notes balance, subject to a EUR 1.3 million floor. The Cash Reserve has always been at its target level and, as of the March 2022 payment date, the reserve stood at EUR 1.3 million.

Citibank N.A., London branch (Citibank London) acts as the account bank for the transaction. Based on the DBRS Morningstar private rating of Citibank London, the downgrade provisions outlined in the transaction documents, and other mitigating factors inherent in the transaction structure, DBRS Morningstar considers the risk arising from the

exposure to the account bank to be consistent with the ratings assigned to the notes, as described in DBRS Morningstar's "Legal Criteria for European Structured Finance Transactions" methodology.

Deutsche Bank AG, London branch (DB London) acts as the cap counterparty for the transaction. The DBRS Morningstar private rating of DB London is consistent with the ratings assigned to the rated notes, as described in DBRS Morningstar's "Derivative Criteria for European Structured Finance Transactions" methodology.

ESG CONSIDERATIONS

A description of how DBRS Morningstar considers ESG factors within the DBRS Morningstar analytical framework can be found in the DBRS Morningstar Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings at: <https://www.dbrsmorningstar.com/research/373262>.

DBRS Morningstar analysed the transaction structure in Intex DealMaker.

Notes:

All figures are in euros unless otherwise noted.

The principal methodology applicable to the ratings is the "Master European Structured Finance Surveillance Methodology" (8 February 2022).

Other methodologies referenced in this transaction are listed at the end of this press release. These may be found at: <http://www.dbrsmorningstar.com/about/methodologies>.

DBRS Morningstar has applied the principal methodology consistently and conducted a review of the transaction in accordance with the principal methodology.

A review of the transaction legal documents was not conducted as the legal documents have remained unchanged since the most recent rating action.

For a more detailed discussion of the sovereign risk impact on Structured Finance ratings, please refer to "Appendix C: The Impact of Sovereign Ratings on Other DBRS Morningstar Credit Ratings" of the "Global Methodology for Rating Sovereign Governments" at: <https://www.dbrsmorningstar.com/research/381451/global-methodology-for-rating-sovereign-governments>.

The DBRS Morningstar Sovereign group releases baseline macroeconomic scenarios for rated sovereigns. DBRS Morningstar analysis considered impacts consistent with the baseline scenarios as set forth in the following report: <https://www.dbrsmorningstar.com/research/384482/baseline-macroeconomic-scenarios-application-to-credit-ratings>.

The sources of data and information used for these ratings include investor reports provided by Citibank London and loan-by-loan data from the European DataWarehouse GmbH.

DBRS Morningstar did not rely upon third-party due diligence in order to conduct its analysis.

At the time of the initial rating, DBRS Morningstar was supplied with third-party assessments. However, this did not impact the rating analysis.

DBRS Morningstar considers the data and information available to it for the purposes of providing these ratings to be of satisfactory quality.

DBRS Morningstar does not audit or independently verify the data or information it receives in connection with the rating process.

The last rating action on this transaction took place on 13 May 2021 when DBRS Morningstar confirmed its AAA (sf) rating on the Class A Notes and upgraded the Class B and Class C Notes to AAA (sf) and A (sf) from A (high) (sf) and BBB (low) (sf), respectively.

The lead analyst responsibilities for this transaction have been transferred to Preben Cornelius Overas.

Information regarding DBRS Morningstar ratings, including definitions, policies and methodologies is available at www.dbrsmorningstar.com.

To assess the impact of changing the transaction parameters on the ratings, DBRS Morningstar considered the following stress scenarios as compared with the parameters used to determine the ratings (the base case):

-- DBRS Morningstar expected a lifetime base case PD and LGD for the pool based on a review of the current assets. Adverse changes to asset performance may cause stresses to base case assumptions and therefore have a negative effect on credit ratings.

-- The base case PD and LGD of the current pool of loans for the Issuer are 6.1% and 75.3%, respectively.

-- The risk sensitivity overview below illustrates the ratings expected if the PD and LGD increase by a certain percentage over the base case assumption. For example, if the LGD increases by 50%, the rating of the Class A Notes would be expected to remain at AAA (sf), ceteris paribus. If the PD increases by 50%, the rating of the Class A Notes would also be expected to remain at AAA (sf), ceteris paribus. Furthermore, if both the PD and LGD increase by 50%, the rating of the Class A Notes would be expected to remain at AAA (sf), ceteris paribus.

Class A Notes Risk Sensitivity:

- 25% increase in LGD, expected rating of AAA (sf)
- 50% increase in LGD, expected rating of AAA (sf)
- 25% increase in PD, expected rating of AAA (sf)
- 50% increase in PD, expected rating of AAA (sf)
- 25% increase in PD and 25% increase in LGD, expected rating of AAA (sf)
- 25% increase in PD and 50% increase in LGD, expected rating of AAA (sf)
- 50% increase in PD and 25% increase in LGD, expected rating of AAA (sf)
- 50% increase in PD and 50% increase in LGD, expected rating of AAA (sf)

Class B Notes Risk Sensitivity:

- 25% increase in LGD, expected rating of AAA (sf)
- 50% increase in LGD, expected rating of AAA (sf)
- 25% increase in PD, expected rating of AAA (sf)
- 50% increase in PD, expected rating of AAA (sf)
- 25% increase in PD and 25% increase in LGD, expected rating of AAA (sf)
- 25% increase in PD and 50% increase in LGD, expected rating of AAA (sf)
- 50% increase in PD and 25% increase in LGD, expected rating of AAA (sf)
- 50% increase in PD and 50% increase in LGD, expected rating of AAA (sf)

Class C Notes Risk Sensitivity:

- 25% increase in LGD, expected rating of AA (sf)
- 50% increase in LGD, expected rating of AA (sf)
- 25% increase in PD, expected rating of AA (low) (sf)
- 50% increase in PD, expected rating of A (high) (sf)
- 25% increase in PD and 25% increase in LGD, expected rating of AA (low) (sf)
- 25% increase in PD and 50% increase in LGD, expected rating of AA (low) (sf)
- 50% increase in PD and 25% increase in LGD, expected rating of A (high) (sf)
- 50% increase in PD and 50% increase in LGD, expected rating of A (high) (sf)

For further information on DBRS Morningstar historical default rates published by the European Securities and Markets Authority (ESMA) in a central repository, see: <https://cerp.esma.europa.eu/cerp-web/statistics/defaults.xhtml>. DBRS Morningstar understands further information on DBRS Morningstar historical

default rates may be published by the Financial Conduct Authority (FCA) on its webpage:
<https://www.fca.org.uk/firms/credit-rating-agencies>.

These ratings are endorsed by DBRS Ratings Limited for use in the United Kingdom.

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The rating methodologies used in the analysis of this transaction can be found at:
<http://www.dbrsmorningstar.com/about/methodologies>.

- Master European Structured Finance Surveillance Methodology (8 February 2022),
<https://www.dbrsmorningstar.com/research/392000/master-european-structured-finance-surveillance-methodology>.
- Rating European Consumer and Commercial Asset-Backed Securitisations (29 October 2021),
<https://www.dbrsmorningstar.com/research/387042/rating-european-consumer-and-commercial-asset-backed-securitisations>.
- Rating European Structured Finance Transactions Methodology (30 July 2021),
<https://www.dbrsmorningstar.com/research/382486/rating-european-structured-finance-transactions-methodology>.
- Legal Criteria for European Structured Finance Transactions (29 July 2021),
<https://www.dbrsmorningstar.com/research/382171/legal-criteria-for-european-structured-finance-transactions>.
- Derivative Criteria for European Structured Finance Transactions (20 September 2021),
<https://www.dbrsmorningstar.com/research/384624/derivative-criteria-for-european-structured-finance-transactions>.
- Operational Risk Assessment for European Structured Finance Servicers (16 September 2021),
<https://www.dbrsmorningstar.com/research/384513/operational-risk-assessment-for-european-structured-finance-servicers>.
- Interest Rate Stresses for European Structured Finance Transactions (24 September 2021),
<https://www.dbrsmorningstar.com/research/384920/interest-rate-stresses-for-european-structured-finance-transactions>.
- DBRS Morningstar Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings (3 February 2021),
<https://www.dbrsmorningstar.com/research/373262/dbrs-morningstar-criteria-approach-to-environmental-social-and-governance-risk-factors-in-credit-ratings>.

A description of how DBRS Morningstar analyses structured finance transactions and how the methodologies are collectively applied can be found at <https://www.dbrsmorningstar.com/research/278375>.

For more information on this credit or on this industry, visit www.dbrsmorningstar.com or contact us at info@dbrsmorningstar.com.

<u>Issuer</u>	<u>Debt Rated</u>	<u>Rating Action</u>	<u>Rating</u>	<u>Trend</u>
Ulisses Finance No. 1	Class A Notes (PTSSCAOM0012)	Confirmed	AAA (sf)	--
Ulisses Finance No. 1	Class B Notes (PTSSCBOM0011)	Confirmed	AAA (sf)	--
Ulisses Finance No. 1	Class C Notes (PTSSCCOM0010)	Upgraded	AA (sf)	--

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