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New Issue: FCT Ginkgo Compartment PERSONAL LOANS 2016-1

€800 Million Asset-Backed Floating- And Fixed-Rate Notes

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Ratings Detail

Ratings As Of July 20, 2016

Class	Rating*	Amount (mil. €)	Available credit enhancement (%)§	Interest (%)†	Legal final maturity
A	AAA (sf)	500.0	38.50	One-month Euro EURIBOR plus 0.45%	Jan. 18, 2039
B	AA (sf)	78.4	28.70	One-month Euro EURIBOR plus 0.80%	Jan. 18, 2039
C	A (sf)	62.4	20.90	Fixed-rate of 1.45%	Jan. 18, 2039
D	NR	159.2	1.00	Fixed-rate of 2.00%	Jan. 18, 2039

*S&P Global Ratings' credit ratings in this transaction address timely interest and ultimate principal. §Includes the notes subordinated to the relevant class of notes and the 1% fully-funded non-amortizing cash reserve (see "Transaction Key Features"). †The total coupon on the class A and B notes (i.e. one-month EURIBOR plus spread) will be subject to a minimum level of zero percent. NR--Not rated. EURIBOR--Europe interbank offered rate.

Transaction Participants

Arranger and lead manager	Crédit Agricole Corporate and Investment Bank
Management company	EuroTitrisation
Seller, originator, and servicer	CA Consumer Finance
Custodian and cash manager	CA Consumer Finance
Paying agent	CACEIS Corporate Trust
Issuer bank account provider	CA Consumer Finance
Interest rate swap counterparty	CA Consumer Finance

Supporting Ratings

Institution/role	Rating
CA Consumer Finance as issuer account bank provider, interest rate swap counterparty, and servicer (potentially funding the commingling reserve)	A/Stable/A-1

Transaction Key Features*

Closing date	July 20, 2016
First interest payment date	Aug. 18, 2016
Collateral	Receivables arising under unsecured personal and debt consolidation loans granted to private individual borrowers resident in France.
Country of origination	France
Total receivable outstanding principal balance (mil. €)	800
Transaction structure	Revolving true sale

Transaction Key Features* (cont.)	
Replenishment period (months)	18
Concentration limits during revolving period	Debt consolidation loans <35% of pool; weighted-average effective rate of assets: >4.9%.
Performance triggers (if breached would lead to early amortization)	Delinquency ratio: <6.1%; Cash in portfolio: <10.0%; Monthly class C notes' PDL fully cured.
Notes payment frequency	Monthly
Redemption profile	Fully sequential
Credit enhancement for the class A notes (as a percentage of asset volume; %)	Subordination: 37.5; Cash Reserve: 1.0
Credit enhancement for the class B notes (as a percentage of asset volume; %)	Subordination: 27.7; Cash Reserve: 1.0
Credit enhancement for the class C notes (as a percentage of asset volume; %)	Subordination: 19.9; Cash Reserve: 1.0
Initial annual excess spread (as a percentage of asset volume; %)§	3.40
Cash reserve description	Fully funded at closing at 1.0% of initial notes balance. The reserve is split in three subledgers with different target levels (0.7%, 0.2%, and 0.1% for the class A, B, and C notes, respectively). The class C notes' general reserve ledger is available to cover any liquidity shortfalls on senior fees, swap payments, and interest on the class A, B, and C notes during the transaction's life, whereas the class A and B notes' ledgers cannot be used to cover interest shortfalls on subordinated notes. Non-amortizing during the life of the transaction and could be used at legal final maturity to redeem notes without restriction, if needed.

*Based on the pool as of June 30, 2016. §Estimated, at end of the revolving period, as minimum allowed asset pool yield minus the sum of stressed senior fees and swapped coupon of rated notes.

Transaction Summary

S&P Global Ratings has assigned its credit ratings to FCT Ginkgo Compartment PERSONAL LOANS 2016-1's (Ginkgo PL 2016) asset-backed floating-rate class A and B notes, and fixed-rate class C notes. At closing, Ginkgo PL 2016 also issued unrated subordinated class D notes.

Ginkgo PL 2016 is the twelfth securitization of French consumer loans originated by CA Consumer Finance (CACF), a specialized lender fully owned by Crédit Agricole S.A. CACF has the second largest consumer lending market share in France, behind the BNP Paribas group.

The personal loans branch of CACF's securitization program securitizes its short distribution channels (i.e., direct sales through branches, call centers, and the internet), and its sales finance branch securitizes its long distribution channels (i.e., point-of-sale credit offers through car dealers, household equipment retailers, and brokers).

The collateral backing the notes comprises French unsecured personal and debt consolidation loan receivables, which CACF originated and granted to private individual borrowers in the ordinary course of its business.

The transaction has an eighteen-month revolving period, during which the issuer reinvests the principal proceeds from the pool to purchase further receivables subject to certain concentration limits and performance triggers, notably an asset-liability test. The notes start to amortize fully sequentially after the revolving period ends.

The transaction uses separate interest and principal priorities of payments and implemented a principal deficiency ledger (PDL) mechanism, enabling it to capture excess spread to cure defaults if needed.

A combination of note subordination, cash reserve, and any available excess spread provides credit enhancement for the rated notes.

The special-purpose entity (SPE) is exposed to counterparty risk through CACF, as issuer bank account provider, fixed-to-floating-rate swap counterparty, and servicer, potentially funding the commingling reserve. The downgrade and replacement languages, which are in line with our current counterparty criteria, mitigate these risks (see "Counterparty Risk Framework Methodology And Assumptions," published on June 25, 2013).

Rating Rationale

Economic outlook

In our base-case scenario, following the Brexit vote, we forecast that France will record GDP of 1.5% in 2016, 1.2% in 2017, and 1.4% in 2018, compared with 1.2% in 2015. We expect the unemployment rate to slightly decrease to 9.9% in 2016, 9.4% in 2017, and 9.3% in 2018, from 10.4% in 2015 (see "Europe's Economic Outlook After The Brexit Vote," published on July 4, 2016, and "European Economic Snapshots--May 2016: Signs Point To Sustained Recovery Despite External Headwinds," published on May 31, 2016). In our view, changes in GDP growth and the unemployment rate largely determine the performance of consumer loan portfolios. We have considered the French economic outlook, notably the structurally high level of unemployment, when determining our base-case credit assumptions.

Operational risk

The originator and servicer in this transaction is CACF, a specialized lender, fully owned by Crédit Agricole. CACF has the second largest market share in the French consumer lending market, behind the BNP Paribas group. We visited CACF in May 2016 and believe that the company's origination, underwriting, servicing, and risk management policies and procedures are in line with market standards and are adequate to support the ratings assigned. Our operational risk criteria focus on key transaction parties (KTPs) and the potential effect of a disruption in the KTP's services on the issuer's cash flows, as well as the ease with which the KTP could be replaced if needed (see "Global Framework For Assessing Operational Risk In Structured Finance Transactions," published on Oct. 9, 2014). Based on our view of the servicer's capabilities and the nature of the securitized receivables, our operational risk criteria do not constrain our ratings in this transaction.

Credit risk

We analyzed credit risk under our European consumer finance criteria, using cumulative gross loss vintage curves for the personal loans and debt consolidation loans subpools (see "European Consumer Finance," published on March 10, 2000).

As the transaction re-invests principal collections into new receivables during the eighteen-month replenishment period, there is a risk of portfolio deterioration through substitution. To account for this risk, we considered at the start of the amortization, a worst-case asset pool based on the implemented concentration limits, which limit the debt consolidation loans to 35% of the asset portfolio and enforce a minimum weighted-average asset yield of 4.9%. The transaction also benefits from the protection of certain performance triggers, which would stop the replenishment period if the transaction's performance were to deteriorate substantially.

Considering our macroeconomic forecasts and the historical data provided, we expect to see 11.05% of cumulative defaults in our worst-case pool scenario.

We also sized a base-case recovery rate of 32.5%, based on historical cumulative recovery data provided by the originator with a split between accelerated loans and overindebteness loans.

We set mid-range gross loss multipliers (4.4 at the 'AAA' level) and recovery rate haircuts (45% at the 'AAA' level) for our base-case assumptions, as we consider that CACF is a repeat issuer with significant securitization experience. Furthermore, the originator has provided more than 10 years of historical data.

Payment structure and cash flow analysis

We have assessed the transaction's documented payment structure. During the eighteen-month revolving period, the transaction benefits from a principal deficiency ledger (PDL) mechanism, combined with an asset-liability test. If available excess spread is insufficient to cure monthly defaults recorded in the PDL, the transaction would stop revolving and the notes would start to redeem.

During the revolving and normal amortization period, the transaction uses separate interest and principal priorities of payments, under which repayment of the notes is fully sequential. The transaction also benefits from a nonamortizing fully funded liquidity reserve. The latter primarily provides liquidity support to mitigate any temporary shortfalls, and at legal final maturity date, can only be used to redeem the notes.

Our analysis indicates that the credit enhancement available to the notes is sufficient to withstand the credit and cash flow stresses that we apply in the relevant scenarios for the ratings assigned to the class A, B, and C notes (see "Global Framework For Cash Flow Analysis Of Structured Finance Securities," published on Oct. 9, 2014).

Counterparty risk

The transaction is exposed to counterparty risk through CACF as the issuer bank account provider, fixed-to-floating interest rate swap counterparty, and servicer--potentially funding the commingling reserve. The transaction's replacement mechanisms adequately mitigate its exposure to counterparty risk at the assigned rating levels under our current counterparty criteria.

Legal risk

The issuer is a French "Fonds Commun de Titrisation" (FCT), which is bankruptcy remote by law.

We reviewed legal opinions confirming that the sale of the assets would survive the seller's insolvency. Notably, the seller has to produce a solvency certificate before each additional purchase once its rating falls below 'BBB', which mitigates claw-back risk under French law (see "Europe Asset Isolation And Special-Purpose Entity

Criteria--Structured Finance," published on Sept. 13, 2013).

The transaction is not exposed to set off risk, as the originator is not a deposit-taking institution in France, and the eligibility criteria exclude the seller's employees from the securitization's scope.

Additionally, we believe the transaction may become exposed to servicer commingling risk, as the collection account is in CACF's name. To mitigate this risk, the servicer would have to post a commingling reserve representing two months' worth of collection, assuming a stressed prepayment rate, should its long-term rating fall below 'BBB', or short-term rating below 'A-2'. In our view, this remedy mechanism is in line with our current counterparty criteria and adequately mitigates the commingling risk.

Ratings stability

We have analyzed the effect of a moderate stress on the credit variables, and its ultimate effect on our ratings on the notes. We have run two scenarios, the results of which are in line with our credit stability criteria (see "Methodology: Credit Stability Criteria," published on May 3, 2010).

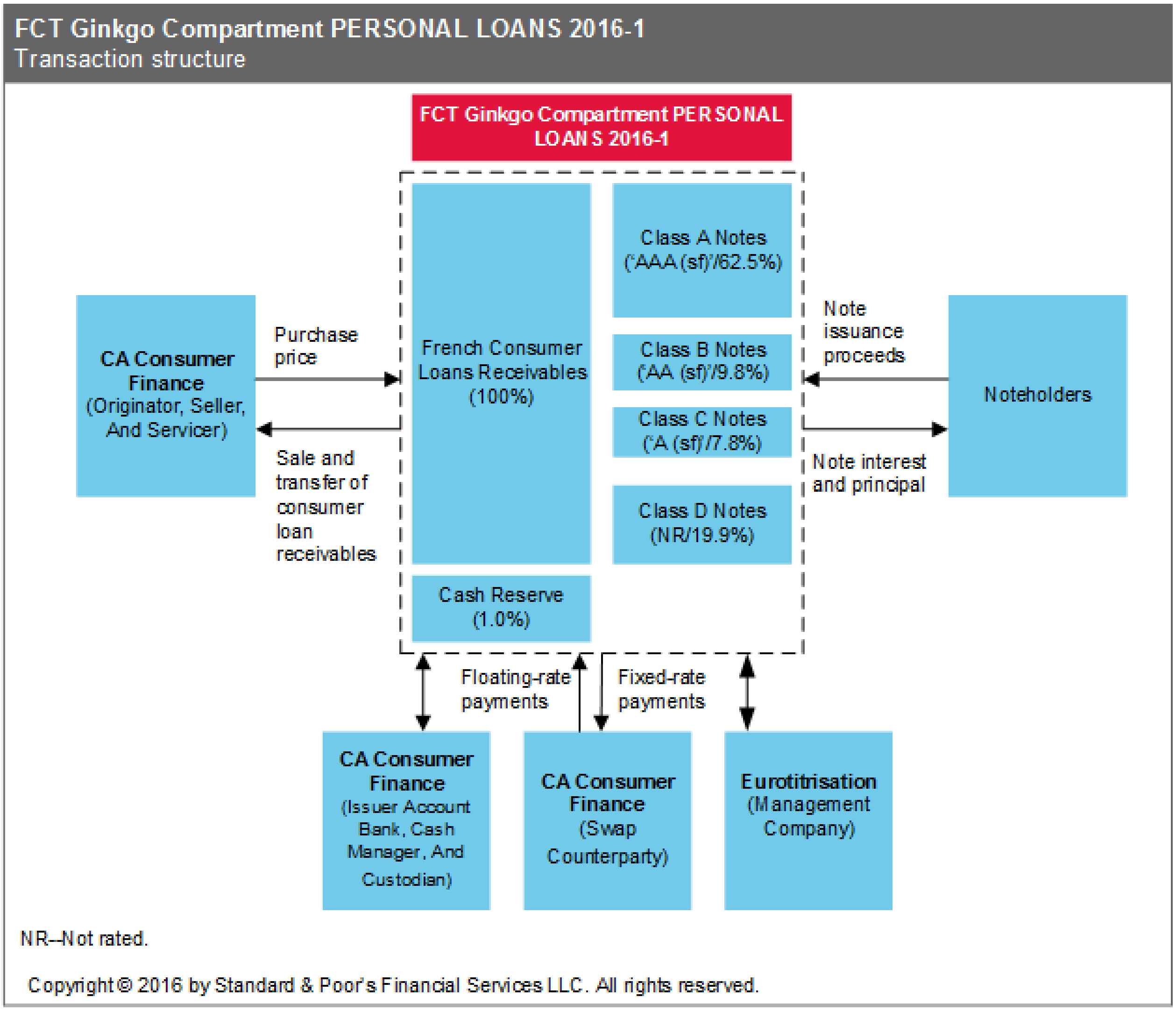
Sovereign risk

Our unsolicited foreign currency long-term sovereign rating on France is 'AA'. Therefore, our ratings in this transaction are not constrained by our criteria for rating single-jurisdiction securitizations above the sovereign foreign currency rating (see "Methodology And Assumptions For Ratings Above the Sovereign--Single-Jurisdiction Structured Finance," published on May 29, 2015).

Transaction Structure

At closing, the issuer bought a pool of French consumer loan receivables at par value using the issuance proceeds of the class A, B, C, and D notes.

Chart 1



Revolving period

The transaction comprises an eighteen-month revolving period during which the issuer reinvests principal proceeds from the asset pool to purchase further receivables.

During the revolving period, re-investment is subject to the following replenishment conditions, among others.

Table 1

Replenishment Conditions	
Subpool or pool metrics	**Condition**
Debt consolidation loan (percentage of portfolio after additional purchases)	<35.0%
Weighted-average effective interest rate of the pool (level after additional purchases)	>4.9%

In our analysis, we relied on these limits to construct a worst-case asset pool at the start of the amortization period, which comprises the maximum 35% proportion of debt consolidation loans and yields the lowest allowed weighted-average coupon of 4.9%.

During the revolving period, all types of defaults are registered on the class PDLs in reverse seniority order.

If available excess spread in the interest priority of payments is insufficient to cure the class C PDL, i.e. to replace defaulted assets with new performing ones (including cash), the asset/liability test implemented in the transaction would be breached, which would cause the revolving period to end.

This curing mechanism and the corresponding asset/liability test aim to ensure that no uncured defaults would accumulate within the structure during the revolving period. However, the way the asset/liability test is implemented in the documentation could result in an uncured PDL representing one month of defaults at the time of exit of the revolving period. We have considered this potential asset liability unbalance in our cash flow model.

The following events would cause the revolving period to end and trigger the redemption of the notes:

- Scheduled end of the revolving period;
- Purchase shortfall (i.e. the cash bucket in the portfolio exceeds 10% due to insufficient re-investment);
- The delinquency ratio exceeds 6.1%;
- The cash reserve is not at its target level;
- A seller event of default;
- A servicer termination event;
- The class C PDL remains in debit after the application of the relevant priority of payments (asset/liability test); and
- The downgraded swap counterparty fails to remedy (collateral posting or replacement/guarantee).

Revolving and normal redemption period priorities of payments

The class A and B notes pay interest in arrears monthly, at a rate of one-month Euro Interbank Offered Rate (EURIBOR) plus a class-specific margin. The class C notes pay fixed-rate interest.

The first payment date is on Aug. 18, 2016. The legal final maturity date of the notes is in January 2039.

The transaction uses separate interest and principal priorities of payments.

On each monthly payment date, the issuer applies any interest collections and recoveries from the previous month and net swap receipts in the order outlined in table 2.

Table 2

Interest Priority Of Payments (Simplified)	
1	Senior fees
2	Payments to the swap counterparty (except termination payments if the swap counterparty is the defaulting party or, following a swap termination, due to an unremedied downgrade of the swap counterparty)
3	Interest on the class A notes
4	Top-up of the class A cash reserve ledger up to its required level (0.70% of initial notes)
5	Curing of the class A PDL
6	Interest on the class B notes
7	Top-up of the class B cash reserve ledger up to its required level (0.20% of initial notes)
8	Curing of the class B PDL
9	Interest on the class C notes

Table 2

Interest Priority Of Payments (Simplified) (cont.)	
10	Top-up of the class C cash reserve ledger up to its required level (0.10% of initial notes)
11	Curing of the class C PDL
12	Payments to the swap counterparty not paid above
13	Interest on the class D notes

On each monthly payment date, the issuer applies any principal collections from the previous month and any amount diverted from the interest waterfall to cure PDLs in the order outlined in table 3.

Table 3

Principal Priority Of Payments (Simplified)	
1	After full depletion of the cash reserve, payment of any interest waterfall shortfall in relation to senior fees, swap, and the class A notes interest payment
2	Payment of the receivables' purchase price (during the revolving period only)
3	The class A notes' principal (during the normal redemption period only)
4	The class B notes' principal (during the normal redemption period only)
5	The class C notes' principal (during the normal redemption period only)
6	The class D notes' principal payment (during the normal redemption period only)

After exhaustion of the cash reserve, principal can be diverted at the top of the principal waterfall to cure interest shortfalls down to the class A interest payments. This mechanism constitutes an additional inherent source of liquidity.

Accelerated priority of payments

The following events would cause the revolving or normal redemption periods to end and trigger the switch to the combined principal and interest accelerated waterfall:

- Issuer's failure to pay interest on the most senior class of notes; and
- Compartment liquidation.

The first event is remote in our rating scenarios, whereas the second is subject to full redemption of the notes including accrued interest. Therefore, we considered only the non-accelerated waterfalls in our analysis.

Principal deficiency ledger (PDL)

The PDL is default-based and captures:

- Loans accelerated by the servicer;
- Loans for which a borrower has applied for overindebtedness at the Bank of France committee and whose file has been accepted;
- Loans with eight or more installments in arrears (back-stop definition of default); and
- Any principal amounts borrowed to pay senior expenses or class A notes' interest shortfalls.

The PDL is split in three class-specific subledgers. As this is typically the case, amounts are recorded on the PDLs in reverse seniority order up to the corresponding class outstanding amount, whereas the amounts are cured according to the interest waterfall to the extent excess spread is available.

Cash reserve

The structure benefits from a nonamortizing reserve fund, representing 1.0% of the initial principal amount of all classes of notes. The seller fully funded this cash reserve at closing.

The reserve is split into three subledgers:

- Class A ledger (0.70%): available to cover senior fees, swap payments, and the class A notes' interest in the interest priority of payments;
- Class B ledger (0.20%): available to cover senior fees, swap payments, and the class A and B notes' interest in the interest priority of payments; and
- Class C ledger (0.10%): available to cover senior fees, swap payments, and the class A, B, and C notes' interest in the interest priority of payments.

The reserve fund is the main source of inherent liquidity in the structure and is intended to cover any liquidity shortfalls on senior fees, swap payments, and interest on the class A, B, and C notes during the transaction's life, subject to the restrictions mentioned above. We estimate that this reserve is sufficient to provide at least six months' worth of liquidity to the transaction in the event of payment disruption caused by servicer termination and replacement.

This reserve is available to redeem the notes without restriction at their legal final maturity date.

Mitigation Of Seller Risks

Commingling risk

The standard payment method for borrowers is direct debit, which is enforced by a specific eligibility criterion. As a result, 100% of consumer loans in the pool are paid by direct debit into a collection account held in the servicer's name.

The servicer is required to transfer monthly these accumulated collections to an account of the issuer.

If the servicer becomes insolvent, we consider that the amounts standing on the servicer's accounts at time of default and any collections received before the borrowers have been notified to redirect their payments would be lost.

In order to mitigate this risk, a commingling reserve funded on day one is available to pay for one month of scheduled collections and prepayment, assuming a monthly prepayment rate of 1.6%. If the long-term rating on the servicer falls below 'BBB', or the short-term rating falls below 'A-2', this reserve amount would increase within 30 calendar days to two months of scheduled collections and prepayment, assuming a stressed monthly prepayment rate of 1.8%.

Set-off risk

CACF does not take deposits from French borrowers and we understand that at the time of this review it had no medium-term plans to start such a deposit-taking business in France. Additionally, a specific eligibility criterion excludes the seller's employees when receivables are transferred to the securitization vehicle.

Therefore, we currently consider the transaction's exposure to deposit and employee set-off risk to be negligible.

Collateral Description

As of June 30, 2016, the pool comprises 84,721 loan contracts, with a total outstanding principal balance of about €800 million. The pool's weighted-average interest rate is approximately 5.7%. The pool is very granular; the largest single borrower represents 0.01% of the pool, and the top 10 obligors represent about 0.12% of the pool balance.

All of the loans in the portfolio were granted to private individual borrowers in France and are fixed-rate and amortizing, with monthly equal installments.

The pool comprises unsecured personal loans, without specified purposes, and unsecured debt consolidation loans, which are consumer loans refinancing existing performing loans.

Table 4

Pool Composition*	
Outstanding principal (mil. €)	800
Number of loans	84,721
Number of borrowers	81,616
Weighted-average effective loan contract rate (%)	5.7
Average remaining loan principal balance (€)	9,443
Weighted-average original term (months)	67
Weighted-average seasoning (months)	11
Weighted-average remaining term (months)	56
Payment by direct debit (as a percentage of the pool's principal balance; %)	100.0
Distribution by type of financing contracts (as a percentage of the pool's principal balance; %)	
Debt consolidation loans	28.3
Personal loans	71.7
Distribution by type of amortization (as a percentage of the pool's principal balance; %)	
Fully amortizing	100.0
Amortizing with balloon payment	0.0
Bullet	0.0
Distribution by customer type (as a percentage of the pool's principal balance; %)	
Private individual borrower	100.0
Corporate	0.0
Distribution by borrower type (as a percentage of the pool's principal balance; %)	
Civil servant/military personnel	14.5
Independent worker	6.9
Other	1.0
Pensioner	33.3
Salaried employee	44.2
Top three region exposure (as a percentage of the pool's principal balance; %)	
Ile de France (including Paris)	21.3
Provence Alpes Cote d'Azur	9.7
Rhône Alpes	9.2

Table 4

Pool Composition* (cont.)	
Top borrower exposure (as a percentage of the pool's principal balance; %)	
Top 1	0.01
Top 5	0.06
Top 10	0.12

* As of June 30, 2016.

The pool is geographically diversified, reflecting the residential distribution in France.

Main eligibility criteria

The transaction's simplified eligibility criteria for the inclusion of receivables in the pool are as follows:

- They cannot be defaulted, granted to an insolvent obligor, or be delinquent;
- They must represent a legally binding obligation of the obligor; and
- They must pay a fixed interest rate and pay fixed monthly installments.

Under the transaction documents, the seller remedies any breach of these criteria either by correcting the breach where possible, or by repurchasing the affected receivable at a price equal to its outstanding principal balance.

Credit Analysis

Our rating analysis includes an assessment of the credit risk inherent in the transaction. We analyzed various stress scenarios and their effects on the transaction's cash flow by applying our European consumer finance criteria.

Default definition

Under the transaction documents, a loan would be considered defaulted if:

- The loan's servicing has been transferred to the servicer's legal department and the loan is accelerated;
- The loan has eight or more unpaid installments; or
- The borrower has filed a restructuring petition with an over indebtedness committee. This petition has been upheld by the committee and the restructuring of the loan agreement has been enacted (which applies to overindebtedness loans and consumer protection restructured loans).

Cumulative default rate base-case assumptions

We received quarterly static cumulative default data expressed as a percentage of origination volumes for personal loans and debt consolidation loans. The data span over about 12 years, to Q1 2016 from Q1 2004.

Chart 2

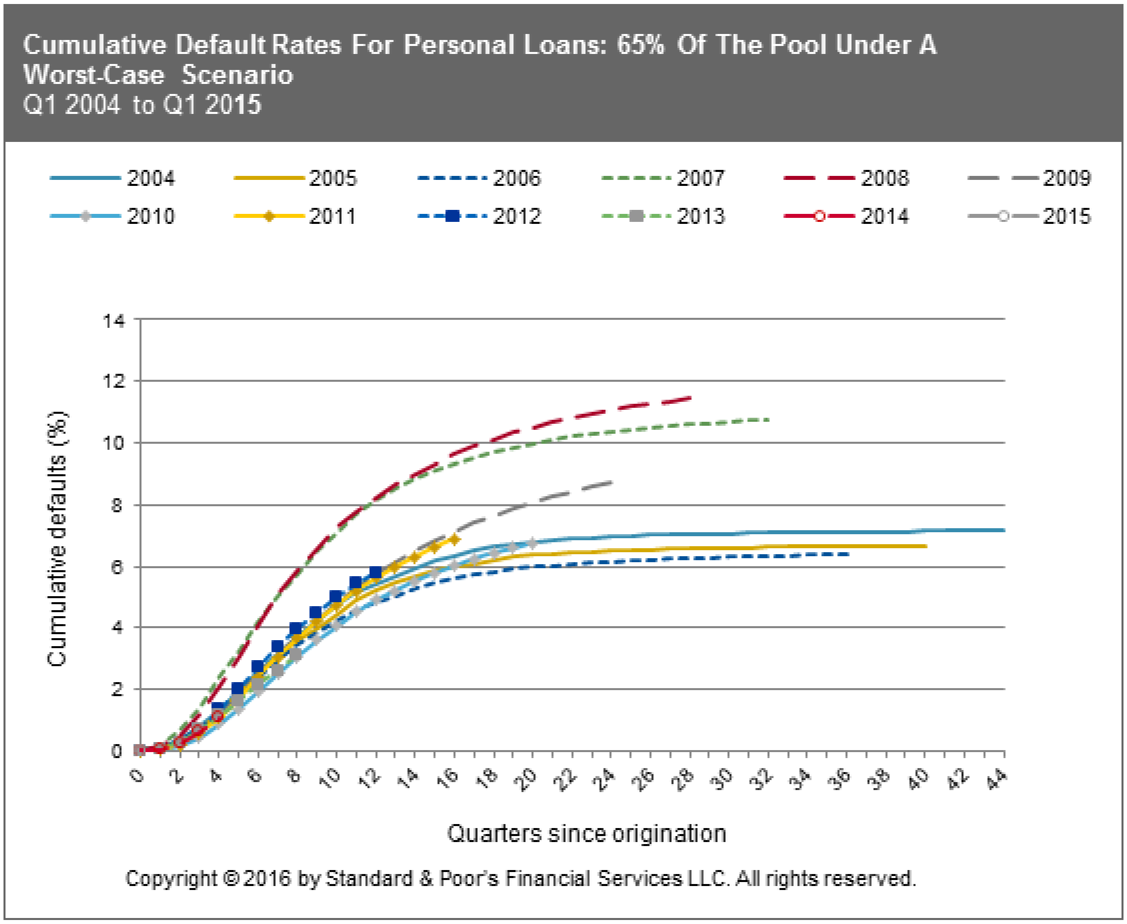

Cumulative Default Rates For Personal Loans: 65% Of The Pool Under A Worst-Case Scenario
Q1 2004 to Q1 2015
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
Cumulative defaults (%)
0
2
4
6
8
10
12
14
Quarters since origination
0
2
4
6
8
10
12
14
16
18
20
22
24
26
28
30
32
34
36
38
40
42
44
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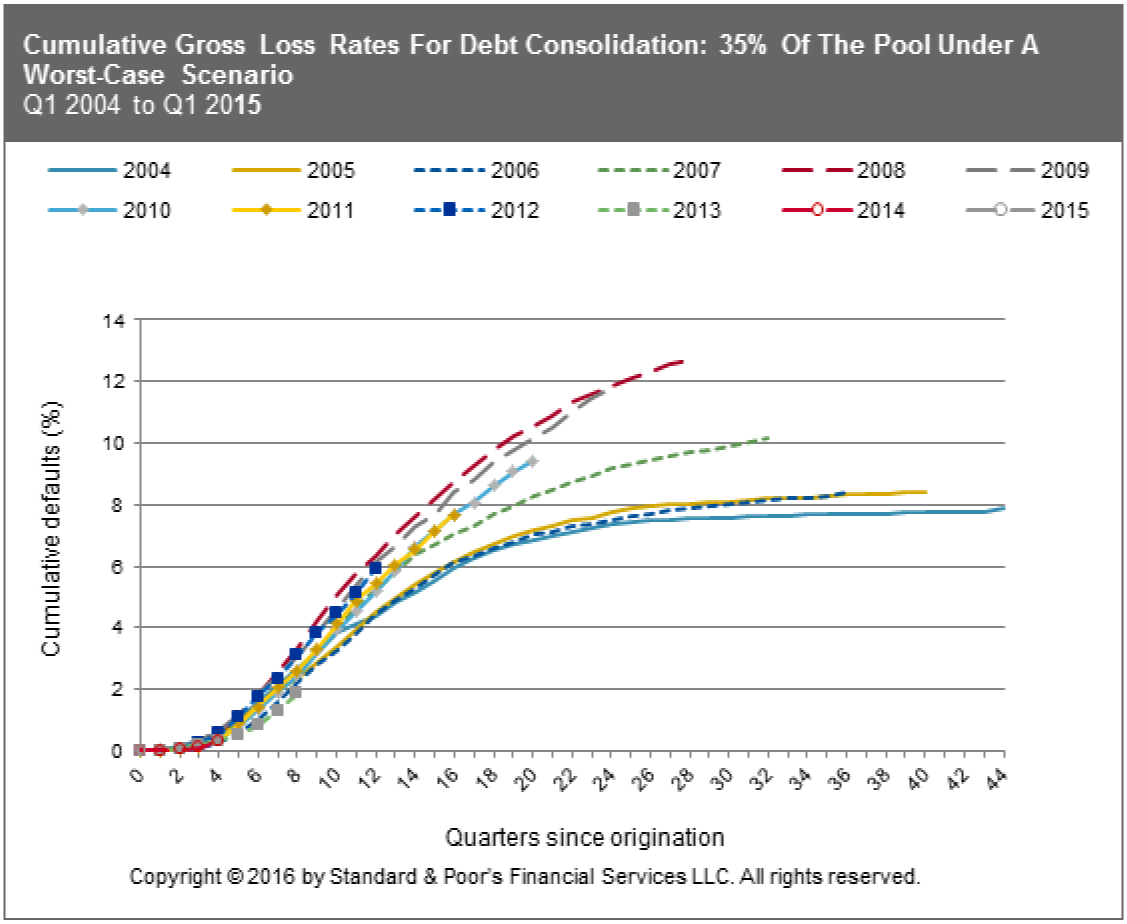
Chart 3



When we set our default base case we considered, among others, the stable or slightly improving macroeconomic environment for France and the structurally high level of unemployment in France.

Table 5

Base-Case Cumulative Default Rate Assumptions	
	(%)
Personal loans	10
Debt consolidation loans	13

We have considered equally loaded (linear) defaults over the asset portfolio's weighted-average life of 31 months, starting from month one.

Recovery rate base-case assumptions

We received quarterly static cumulative recovery data expressed as a percentage of default volumes for accelerated loans and over-indebtedness loans. The data span over about 12 years, to Q1 2016 from Q1 2004.

Chart 4

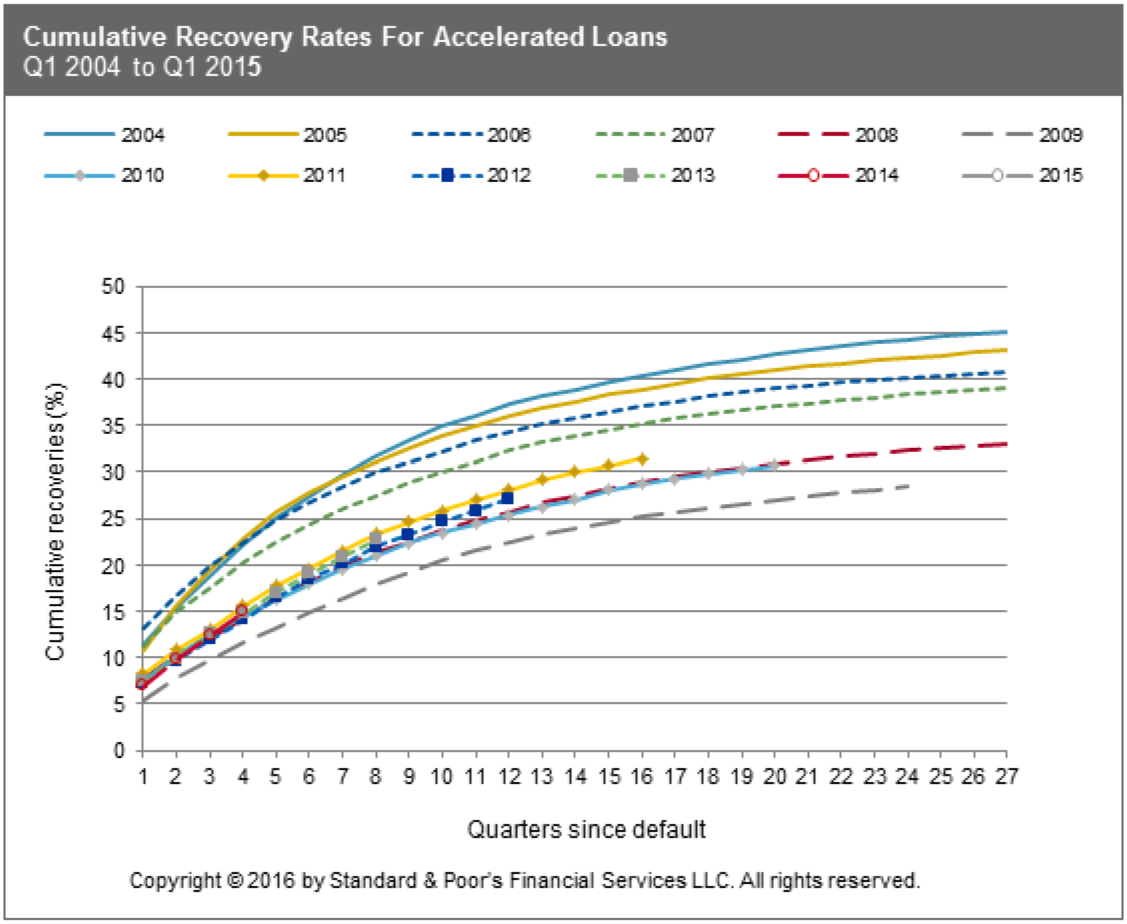

Cumulative Recovery Rates For Accelerated Loans
Q1 2004 to Q1 2015
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
Cumulative recoveries (%)
50
45
40
35
30
25
20
15
10
5
0
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27
Quarters since default
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Chart 5

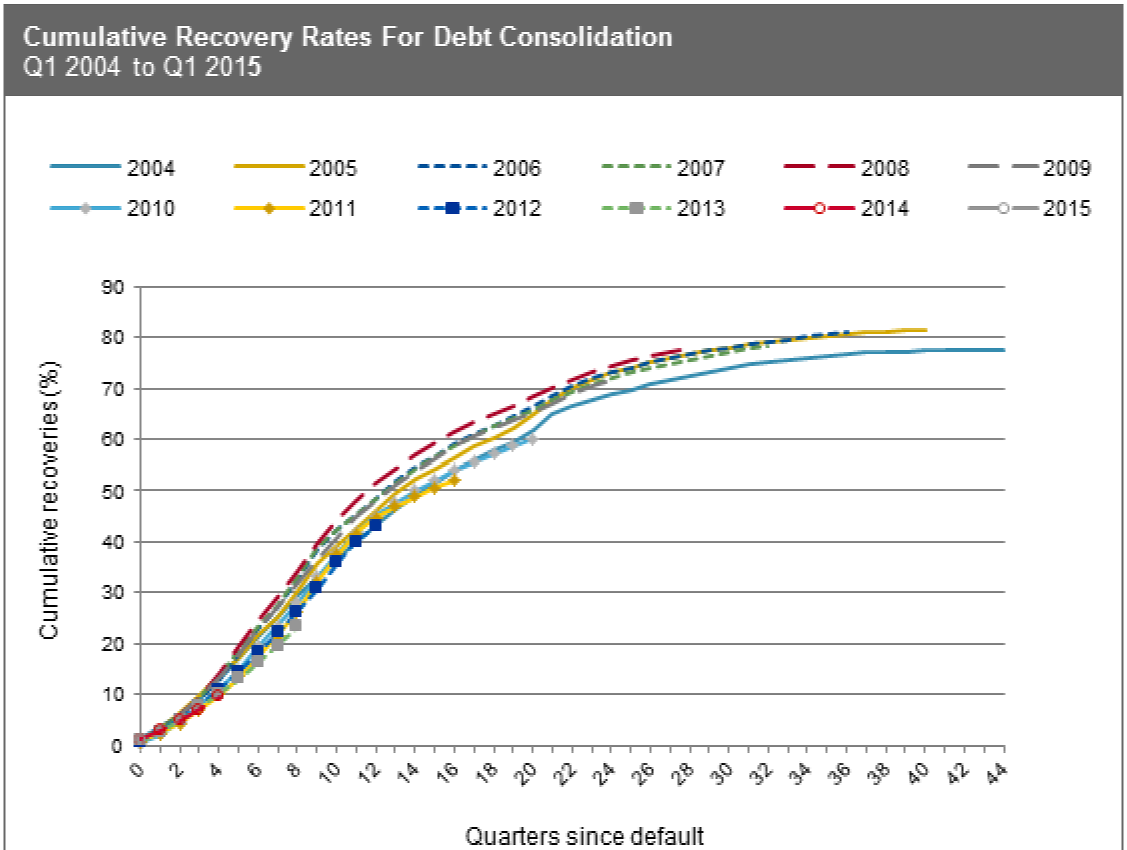

Table 6

Base-Case Cumulative Recovery Rate Assumptions	
	(%)
Accelerated loans	25
Overindebtedness loans	50*

*Before adjustment.

In the recovery data provided, all loans in the personal balance sheet of an overindebtedness borrower are aggregated in order to determine the recovery rate. Therefore, we adjusted our overindebtedness loans base case by considering a haircut of 20% in order to mitigate the positive effect of overindebtedness files that comprise a residential loan (about 15% of all overindebtedness files according to Banque de France's overindebtedness barometer from Q1 2016) and for which the recovery rate is expected to be higher.

Table 7

Overindebtedness Cumulative Recovery Rate Assumptions	
	(%)
Base	50
Haircut	20

Table 7

Overindebtedness Cumulative Recovery Rate Assumptions (cont.)	
	(%)
Adjusted	40

Finally, to determine the blended recovery base case for the portfolio we considered a conservative default mix on the basis of the historical data provided by the seller, as shown in table 8.

Table 8

Blended Recovery Rate

Default type	Percentage of overall default in a stressed scenario (%)	Base-case Cumulative Recovery Rate (%)
Accelerated loans	50	25
Overindebtedness loans	50	40
Stressed default mix	100	32.5

We have assumed that recovery proceeds from each defaulted loan are spread over 48 months and start to come in one month after default.

S&P Global Ratings' Stress Test

Credit and stress test assumptions summary

Table 9

Base Case Default Rate and Recovery Rate Based On A Worst-Case Composition Of The Pool

Loan type	Percentage of the portfolio under a worst-case scenario (%)	Cumulative default rate base-case (%)*	Cumulative recovery rate base-case (%)§
Personal loans	65.00	10.00	32.50
Debt consolidation loans	35.00	13.00	32.50
Worst-case pool	100.00	11.05	32.50

*Applied linearly over the weighted-average life of the asset portfolio of 31 months. §Starting one month after default and applied linearly over 48 months.

Table 10

Stress Test Recap

	Multiple	Stressed cumulative default rate (%)	Recovery rate haircut (%)	Stressed loss severity (%)	Stressed net losses (%)
'AAA' scenario	4.4	48.6	45.0	82.1	39.9
'AA' scenario	3.4	37.6	40.0	80.5	30.2
'A' scenario	2.4	26.5	35.0	78.9	20.9

We based the rating multiple and recovery haircuts on the quality of quarterly data received (more than 10 years of data), the originator's experience of, as well as the originator's experience of the securitization market.

Cash Flow Analysis

Senior fees

In our cash flow model, we have considered stressed senior expenses of 1% per annum of the outstanding loan balance to take into account a potential servicer replacement. We also considered stressed fixed annual fees of €200,000.

Prepayment and yield compression

We have stressed the prepayment rate up to 30.0% and down to 0.5%.

We have assumed that 50% of the prepayments correspond to the highest-yielding loans, which resulted in the compression of the portfolio's yield over its weighted-average life of 31 months.

Interest rates

We ran different interest rate scenarios: Increasing, flat, and decreasing interest rates (down to 0%, up to 12%). Our modeling considers the impact of the fixed to floating swap agreement which is intended to hedge potential mismatches between asset yield and floating-rate coupons on the class A and B notes.

Delinquencies

We have stressed delinquencies in our cash flow analysis by assuming that a proportion of the pool representing two-thirds of the default rate at each rating scenario would be in arrears for six consecutive months for each month during the stressed period.

Scenario Analysis

This scenario analysis section incorporates:

- A description of our methodology and scenario stresses;
- Results of the effects of the stresses on ratings; and
- Results of the effects of the stresses on our cash flow analysis.

Methodology

For rating European auto and consumer asset-backed securities (ABS) transactions, we have developed a scenario analysis and sensitivity-testing model framework. This framework demonstrates the likely effect of scenario stresses on the ratings in a transaction over a one-year outlook horizon. For ABS, we consider scenario stresses over a one-year horizon to be appropriate, given the relatively short weighted-average life of the loans backing the notes. For these types of securities, there are many factors that could cause the downgrade and default of a rated class of notes, including loan performance and structural features. However, for the purposes of this analysis, we have focused on the three fundamental drivers of collateral performance, namely:

- Cumulative default rates,
- Recovery rates, and
- Prepayment rates.

Given current economic conditions, the proposed stress scenarios reflect negative events for each of these variables. Increases in default rates could arise from a number of factors, including rises in unemployment and company insolvencies. Additionally, these effects would most likely cause collateral recovery rates to fall as the structural imbalance between supply and demand leads to reductions in loan prices. In this environment, we would also expect prepayment rates to fall as fewer refinancing options leave obligors unable to prepay finance agreements.

For this analysis, we have included two stress scenarios to demonstrate the rating transition of a class of notes (see table 11).

Table 11

Scenario Stresses		
Rating variable (%)	**Scenario 1 (relative stress to base-case)**	**Scenario 2 (relative stress to base-case)**
Cumulative default rate	30	50
Recovery rate	(30)	(50)
Constant prepayment rate	(20)	(33)

Our base-case assumptions for each transaction are intended to be best estimates of future performance for the loan portfolio. Our approach in determining these base cases would consider historically observed performance and our expectation of potential changes in these variables over the life of the transaction. The sensitivity of rated classes of notes in each transaction differs depending on these factors, in addition to structural features of the transaction, including reliance on excess spread, payment waterfalls, and levels of credit enhancement at closing.

For each proposed scenario stress, we separate the applied methodology into three distinct stages. In the first stage, we stress our expected base-case assumptions over a one-year period, to replicate deviations away from our expected performance over the stress horizon. We assume the stresses that we apply occur at closing, with defaults applied based on our expectation of a cumulative default curve for the portfolio.

The second stage applies our usual rating methodology, including revising our base-case assumptions at the one-year horizon, to reflect the assumed deviations as a result of the stressed environment. In the final stage of the analysis, we re-rate the transaction at the one-year horizon, after revising our base-case assumptions and applying our standard credit and cash flow stresses at each rating level. The output of the analysis shows the likely rating transition of the rated class of notes, given the applied stresses and the value and timing of any forecasted principal and interest shortfalls under the most stressful scenario.

Scenario stress and sensitivity analysis

When applying scenario stresses in the manner described above, the results of this modeling are intended to be a simulation of what could happen to the ratings on the notes for the given transaction. For the purposes of our analysis for this transaction, we applied the two scenarios described above in our cash flow modeling (see tables 6, 7, and 8).

Table 12

Scenario Stresses			
Stress horizon--12 months			
Rating variable (%)	**Base-case**	**Scenario 1**	**Scenario 2**
Cumulative default rate	11.05	14.40	16.60

Table 12

Scenario Stresses (cont.)

Stress horizon--12 months

Rating variable (%)	Base-case	Scenario 1	Scenario 2
Recovery rate	32.50	22.80	16.30
Constant prepayment rate	10.00	8.00	6.70

Table 13

Scenario Stress Analysis: Rating Transition Results

Class	Initial rating	Scenario 1	Scenario 2
A	AAA	AA+	AA
B	AA	AA-	A
C	A	A	BBB

Monitoring And Surveillance

As part of our ongoing surveillance of this transaction, we will regularly assess:

- The performance of the underlying portfolio, including defaults, delinquencies, and prepayments;
- The supporting ratings in the transaction; and
- The servicer's operations and its ability to maintain minimum servicing standards.

Related Criteria And Research

Related Criteria

- Methodology And Assumptions For Ratings Above The Sovereign--Single-Jurisdiction Structured Finance, May 29, 2015
- Criteria For Global Structured Finance Transactions Subject To A Change In Payment Priorities Or Sale Of Collateral Upon A Nonmonetary EOD, March 2, 2015
- Global Methodology And Assumptions For Assessing The Credit Quality Of Securitized Consumer Receivables, Oct. 9, 2014
- Global Framework For Cash Flow Analysis Of Structured Finance Securities, Oct. 9, 2014
- Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
- Europe Asset Isolation And Special-Purpose Entity Criteria--Structured Finance, Sept. 13, 2013
- Counterparty Risk Framework Methodology And Assumptions, June 25, 2013
- Global Derivative Agreement Criteria, June 24, 2013
- Multiple-Use Special-Purpose Entity Criteria--Structured Finance, May 7, 2013
- Criteria Methodology Applied To Fees, Expenses, And Indemnifications, July 12, 2012
- Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
- Methodology: Credit Stability Criteria, May 3, 2010
- Standard & Poor's Revises Criteria Methodology For Servicer Risk Assessment, May 28, 2009
- European Consumer Finance Criteria, March 10, 2000

Related Research

- Europe's Economic Outlook After The Brexit Vote, July 4, 2016
- European Economic Snapshots--May 2016: Signs Point To Sustained Recovery Despite External Headwinds, May 31, 2016
- How We Rate And Monitor EMEA Structured Finance Transactions, March 24, 2016
- 2015 EMEA ABS Scenario And Sensitivity Analysis, Aug. 6, 2015
- New Issue: FCT Ginkgo Compartment Personal Loans 2015-1, Feb. 9, 2015
- European Structured Finance Scenario And Sensitivity Analysis 2014: The Effects Of The Top Five Macroeconomic Factors, July 8, 2014
- Global Structured Finance Scenario And Sensitivity Analysis: Understanding The Effects Of Macroeconomic Factors On Credit Quality, July 2, 2014
- Scenario Analysis: Gross Default Rates And Excess Spread Hold The Answer To Future European Auto ABS Performance, May 12, 2009

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