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Research

Presale:

Citizen Irish Auto Receivables Trust 2020 DAC

October 27, 2020

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Preliminary Ratings

Class	Preliminary rating*	Amount (%)	Available credit enhancement (%)§	Interest	Legal final maturity
A	AAA (sf)	84.55%	15.45	One-month EURIBOR plus a margin	Dec. 15, 2029
B-Dfrd	AA- (sf)	5.30%	10.15	One-month EURIBOR plus a margin	Dec. 15, 2029
C-Dfrd	A- (sf)	3.40%	6.75	One-month EURIBOR plus a margin	Dec. 15, 2029
D-Dfrd	BBB (sf)	1.75%	5.0	One-month EURIBOR plus a margin	Dec. 15, 2029
E	NR	5.00%	0	One-month EURIBOR plus a margin	Dec. 15, 2029

Note: This presale report is based on information as of Oct. 27, 2020. The ratings shown are preliminary. Subsequent information may result in the assignment of final ratings that differ from the preliminary ratings. Accordingly, the preliminary ratings should not be construed as evidence of final ratings. This report does not constitute a recommendation to buy, hold, or sell securities. *Our ratings address timely payment of interest and ultimate payment of principal for the class A notes and the ultimate payment of interest and principal on the other rated notes. Interest payments on the class B-Dfrd to D-Dfrd notes cannot be deferred once that class of notes becomes the most-senior outstanding. §Based on subordination. EURIBOR--Euro Interbank Offered Rate. NR--Not rated. TBD--To be determined.

Transaction Summary

- Citizen Irish Auto Receivables Trust 2020 DAC (Citizen Auto 2020) is an ABS transaction backed by a pool of new and used auto finance receivables.
- The preliminary pool predominantly comprises consumer hire-purchase agreements plus a relatively smaller proportion of commercial hire-purchase, acquisition lease, and contract hire agreements originated by First Citizen Finance DAC to its private retail and commercial clients in Ireland.
- This will be the third securitization of First Citizen Finance's assets that we have rated.
- In line with the previous transaction from this originator (Citizen Irish Auto Receivables Trust 2018 DAC), this transaction will feature a 12-month revolving period during which more assets can be sold to the issuer daily.
- There will be no requirement for assets sold to the issuer during the revolving period to have

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made at least one contractual payment. This remains rare in transactions we rate in Europe and unique in the context of revolving deals.

- "One-half rule" rights exist for consumer hire-purchase obligors, which are similar to the voluntary termination rights for consumers in the U.K.
- Liquidity is provided through a nonamortizing reserve fund, sized at 1% of the initial collateral balance. Principal can also be used to pay senior fees and interest on the most senior notes outstanding.
- Our analysis indicates that the class A, B-Dfrd, C-Dfrd, and D-Dfrd notes' available credit enhancement will be sufficient to withstand losses that are commensurate with the assigned preliminary ratings.
- There are no rating constraints in the transaction under our counterparty, operational risk, or structured finance sovereign risk criteria. We consider the issuer to be bankruptcy remote.

Supporting Ratings

Institution/role	Rating
Elavon Financial Services DAC, as issuer account bank provider	AA-/Stable/A-1+
Natixis S.A. as interest rate cap counterparty	RCR: AA-/A-1+

RCR--Resolution credit rating.

The Credit Story

Strength	Concerns and mitigating factors

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- The portfolio is granular and geographically diversified across Ireland with 21.1% in Dublin, 9.7% in Cork, and 6.1% in Meath. The pool has low borrower concentration risk, with the top 15 borrowers accounting for 1.96%.
- An interest rate cap helps protect the structure against liquidity risks in a rising interest rate scenario.
- The transaction benefits from a nonamortizing liquidity reserve equal to 1.0% of the closing pool's outstanding principal balance. In addition, principal can be used to pay senior fees and interest on the most senior notes outstanding.
- Once the revolving period has ended, the notes will pay principal fully sequentially. Credit enhancement can therefore build up over time for the rated notes, enabling the capital structure to withstand performance shocks.
- The transaction is revolving, so the originator may sell additional portfolios to the issuer, subject to certain conditions. Therefore, the portfolio composition after the revolving period may not match the original composition. As a mitigating factor, the revolving period is relatively short, and the transaction documents set certain performance triggers to terminate the revolving period to prevent any significant deterioration in the portfolio quality. We tested cash flows assuming a stressed portfolio composition determined considering the transaction documents' concentration limits, term of the revolving period, historical asset performance, and the stability of the origination practices.
- In line with the previous transaction from this originator (Citizen Irish Auto Receivables Trust 2018 DAC), according to the documented eligibility criteria, there is no requirement for at least one monthly payment to have been made prior to the assets being sold to the issuer. This is unique in the context of revolving transactions in Europe. We analysed historical book data on fraud cases and loans that had not made their first payment, which were limited. However, to account for this risk during the revolving period, we have applied a 0.5% stress in our cash flow analysis.
- In line with the previous transaction from this originator, the seller can sell assets to the issuer daily, which is unique among the ABS and RMBS transactions that we rate in Europe. The seller has committed to providing solvency certificates on each date that assets are sold to mitigate against potential clawback risk.
- The issuer is exposed to potential losses from voluntary termination, under the so-called "one-half rule" as permitted by the Irish Consumer Credit Act. We considered this when determining our credit assumptions.
- As a stand-alone entity the originator/servicer is still a relatively new player in the Irish auto finance market. Overall, we note the management team's experience, the company's extensive dealer network, the employees transferred from Permanent TSB Finance as part of the company's management buyout, as well as the operational platform that First Citizen Finance acquired, enabling it to establish itself over a relatively short period of time. We continue to set our stress multiples at the mid-higher end of our ranges to account for the increased uncertainty related to a relatively new market entrant with limited historical data (due to low, albeit increasing origination volumes). However, we have reduced this multiple in our analysis reflecting, among others, the additional two years of performance data available for this transaction (see "Credit Analysis").
- As a result of the COVID-19 pandemic, as of Sept. 30, 2020, 0.55% of the portfolio were currently still on a payment holiday of their monthly payments,

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down from 5.3% of payment holidays granted for the pool overall. Our credit and cash flow analysis and related assumptions consider the transaction's ability to withstand the potential repercussions of the coronavirus outbreak, namely, higher defaults, longer recovery timing, and additional liquidity stresses. Considering these factors, we believe that the available credit enhancement is commensurate with the ratings assigned. As the situation evolves, we will update our assumptions and estimates accordingly.

Originator/Servicer

First Citizen Finance is an unrated entity that provides car and agrifinancing to its dealer network and their clients. It also provides lending for commercial real estate. The company was formed in 2012 from a management buy-out of Permanent TSB Finance, which was part of Irish Life & Permanent Group and previously one of the largest auto finance providers in Ireland. First Citizen Finance acquired Permanent TSB Finance's entire operational platform and hired many of the employees that had worked for the firm.

First Citizen Finance was authorized as retail credit firm by the Central Bank of Ireland in September 2013 and began originating auto finance contracts in February 2014.

First Citizen Finance as a standalone entity is a relatively new player in the Irish auto finance market. Overall, we note the extensive experience of the management team, which had been in charge of Permanent TSB Finance; the relative continuity in origination and underwriting strategy, which were adjusted to incorporate lessons learned during the financial crisis; the company's stable operational platform; and the extensive dealer network that allowed First Citizen Finance to quickly establish itself in the market over a fairly short period of time.

The operating platform allows First Citizen Finance to fully control its business' end-to-end processes, including product origination and distribution, loan underwriting, customer service, collections, and recovery. All contracts are manually underwritten, though the process heavily relies on customized product-specific scorecards with the functionality to auto-accept for low-risk obligors.

With a relatively conservative definition for defaulted receivables (more 90 days past due), the servicer proactively pursues delinquent obligors in order to minimize exposures at default, thereby limiting losses. The company initiates vehicle repossession once other routes of obtaining repayment have been exhausted. The main sales channel for reclaimed vehicles is through auctions with reserved prices guided by trade publications, such as Car Guide Price.

First Citizen Finance does not take on direct market value risk. However, vehicle residual values (RVs) must be estimated for contract hire and hire-purchase agreements with balloon payments. The company estimates RVs by applying minimum depreciation factors, which are influenced by trade publication estimates of used car values, to derive maximum RVs.

First Citizen Finance has moderated its lending somewhat as a result of COVID-19. There were no direct adjustments to its lending criteria, but the main focus was on additional rigor applied to the underwriting process focusing on "at risk" employment sectors including hospitality and the arts, involving a more detailed and focused underwriting supplemented with the information available in the Central Credit Register.

From the servicing perspective, consistent with other lenders in the Irish market, First Citizen

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Finance granted payment holidays to borrowers who were struggling to make payments from March 2020. Their uptake was about 11% across the whole book (approximately 5.3% for this pool), however, only 0.55% remain under payment holidays within in pool.

During COVID-19, the processes and systems in place have allowed First Citizen Finance to continue to operate with the use of remote work practices as required.

We believe the company's origination, underwriting, servicing, and risk management policies and procedures are in line with market standards and are adequate to support the assigned preliminary ratings.

Collateral Description

Table 1

Transaction Key Features

	Citizen Auto 2020	Citizen Irish Auto Receivables Trust 2018
Expected closing date	November 2020	December 2018
Collateral	Auto finance receivables	Auto finance receivables
Description	Auto finance receivables originated by First Citizen Finance DAC to consumer and nonconsumer clients.	Auto finance receivables originated by First Citizen Finance DAC to consumer and nonconsumer clients.
Country of origin	Republic of Ireland	Republic of Ireland
Outstanding principal balance of the pool (mil. €)*	171.2	138.9
Average outstanding contract principal balance (€)*	12,842	14,067
Weighted-average original term (months)*	54	53
Weighted-average remaining term (months)*	44	45
Weighted-average loan-to-value (%)	76.41	76.09
30+ days delinquencies (%)*	0.28	0.15
Active payment holidays (%)	0.55	N/A
Weighted-average obligor nominal interest rate (%)*	6.28	6.26
Replenishment period (months)	12	12
Liquidity reserve	Equal to 1.0% of the closing pool's outstanding principal balance.	Equal to 1.0% of the closing pool's outstanding principal balance.

*As of Sept. 30, 2020. N/A--Not applicable.

Nature of the loan receivables

The securitized pool mainly comprises receivables from consumer hire-purchase agreements (77.7%) granted to individuals for the finance of new and used vehicles. The remainder of the pool consists of receivables from commercial auto finance agreements, including hire-purchase

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agreements (18.4%), contract hire agreements (2.4%), and acquisition leases (1.5%).

The average outstanding principal balance per contract is approximately €12,842 with a weighted-average nominal interest rate of 6.28% annually. The preliminary pool is granular and geographically diversified across Ireland with 21.1% in Dublin, 9.7% in Cork, and 6.1% in Meath. The pool has very low borrower concentration risk, with the top 15 borrowers accounting for 1.96%.

All receivables are euro-denominated and all obligors must reside in Ireland. Under the issuer's eligibility criteria, there is no requirement for borrowers to have paid at least one installment. We accounted for this risk in our analysis by assuming a day one loss of 0.5%.

Revolving period and purchase termination events

The issuer may buy additional receivables until the earlier of the monthly payment date falling in December 2021 and the day a revolving period termination event occurs.

The purchase of additional receivables is subject to the following conditions, among others:

- The portfolio's weighted-average interest rate is at least 5.75%;
- The percentage of assets with an age at maturity greater than eight years is no higher than 15%;
- The percentage of consumer higher purchase used is no higher than 65%;
- The percentage of non-consumer higher purchase new is no higher than 12%;
- The percentage of non-consumer higher purchase used is no higher than 12%;
- The percentage of assets with a balloon payment is no higher than 10%;
- The percentage of residual value exposure is no greater than 2.5%;
- The weighted-average remaining term of the loans does not exceed 55 months; and
- The weighted-average original loan-to-value (LTV) ratio of the pool is no higher than 80%.

There are various revolving period termination events that could stop the issuer from purchasing additional loans. These include the breach of the following performance triggers:

- Cumulative losses exceed 3%;
- There is an unpaid principal deficiency ledger balance;
- The three-month moving average of the ratio of delinquent loans (loans with more than one but no more than three installments in arrears) over the total portfolio exceeds 1.6%;
- A breach of the documented concentration limits; and
- The liquidity reserve is not at the target level.

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Chart 1

Outstanding Contract Principal Balance

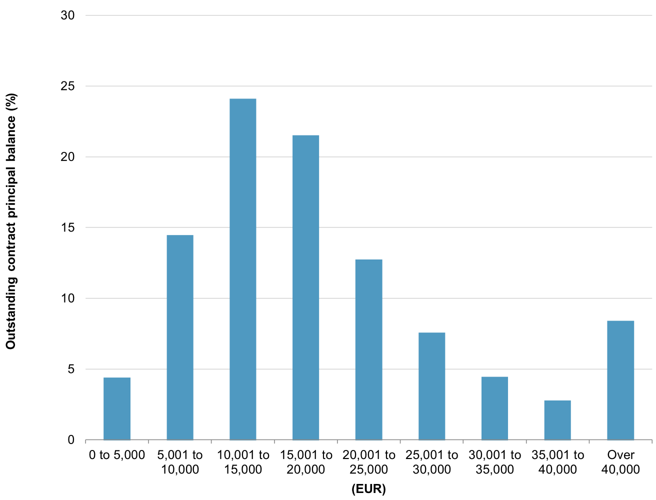

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Chart 2

Nominal Customer Interest Rate

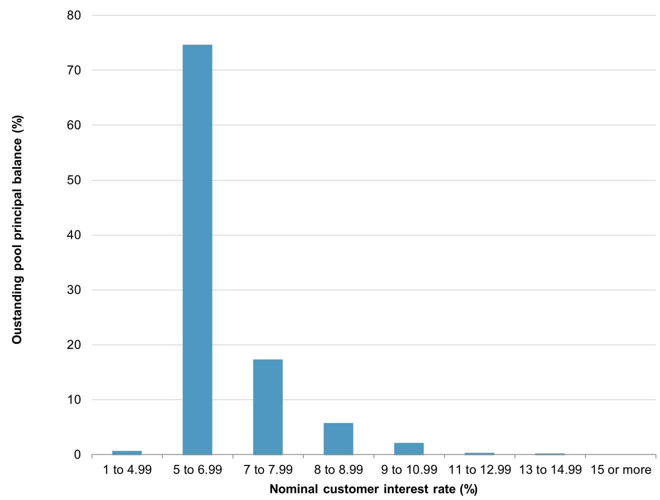

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Chart 3

Original Term To Maturity

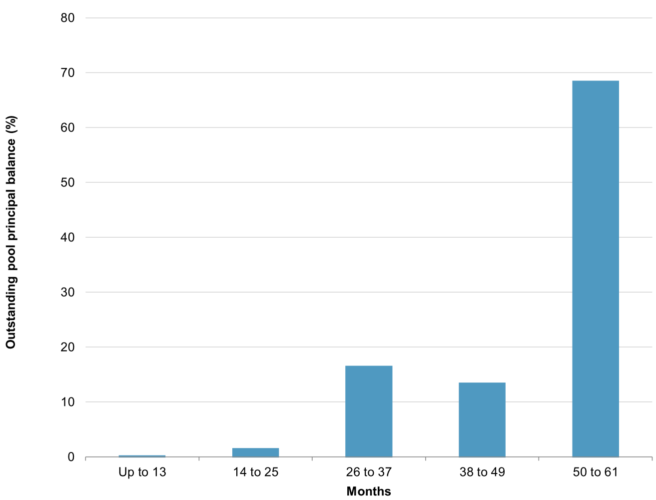

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Chart 4

Remaining Term To Maturity (Months)

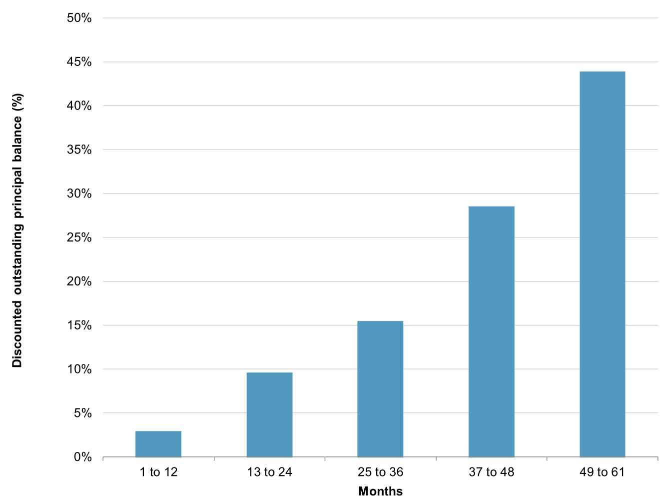

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Table 2

Pool Distribution

By percentage of outstanding pool principal balance	
Customer type (%)	
Private	77.74
Commercial	22.26

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Table 2

Pool Distribution (cont.)

Payment method (%)	
Direct debit	100.00
Other	-
Vehicle brand (%)	
Nissan	13.16
Ford	11.29
Hyundai	11.26
Other	64.29

Credit Analysis

Our analysis includes an assessment of the credit risk inherent in the transaction under various stress scenarios. Our credit analysis for Citizen Auto 2020's rated notes is based on our European auto ABS criteria, European consumer finance criteria, and our global cash flow criteria (see "Related Criteria").

Our European Auto ABS criteria describe our analytical approach to voluntary termination loss analysis for the U.K. Consumer hire-purchase agreements have identical rights under the "one-half rule." Therefore, we applied the same approach to analyzing voluntary termination risk.

Macroeconomic and sector outlook

In our analysis, we considered the economic data listed in the table below and their baseline effect on collateral credit quality in determining our credit assumptions.

S&P Global Ratings acknowledges a high degree of uncertainty about the evolution of the coronavirus pandemic. The current consensus among health experts is that COVID-19 will remain a threat until a vaccine or effective treatment is widely available, which could be around mid-2021. We are using this assumption in assessing the economic and credit implications associated with the pandemic (see our research here: www.spglobal.com/ratings). As the situation evolves, we will update our assumptions and estimates accordingly.

Table 3

Economic Factors

	2019	2020f	2021f	2022f	2023f
Real GDP (year-over-year growth, %)	5.57	(6.5)	3.9	3.3	3.0
Unemployment rate (annual average, %)	5.0	15.5	10.3	6.0	5.0

Sources: S&P Global Ratings. f--Forecast.

Default definition

The transaction documents define defaulted receivables as receivables in arrears for more than

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90 days or those written off by the servicer in line with its policies due to borrower decease or bankruptcy.

Gross losses and gross loss multiples

We received quarterly static gross loss data, which aggregate both credit (hostile termination) and voluntary termination losses, from second-quarter 2014 to the end of second-quarter 2020. We reviewed both aggregate pool level losses and product-type specific subpool losses in determining our credit assumptions. We also received separate dynamic data on voluntary terminations, which allows us to deduce separate credit and voluntary termination losses that attract different stress multiples under our rating methodology. We also supplemented our analysis with the data available from the previous transactions from the originator.

Our base-case assumptions reflect performance trends in the historical data provided, COVID-19's macroeconomic effect, our view of portfolio quality, and our analysis of the originator's underwriting and servicing standards. When deriving our weighted-average base-case default assumptions, we considered the potential for the pool quality and composition to deteriorate during the revolving period. We considered the transaction documents' concentration limits, the term of the revolving period, historical asset performance, and the stability of the origination practices.

Our stress multiple reflects the increased uncertainty related to a relatively new market entrant with limited through-the-cycle historical data (due to low, albeit increasing origination volumes), and the increased availability of data for this transaction. The multiple also reflects our view that we do not currently believe that the expected level of macroeconomic stress warrants an overarching revision to the stressed default assumptions at the 'BBB' rating level or higher, so the multiple has been adjusted accordingly for 'BBB' ratings levels and above.

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Chart 5

Cumulative Quarterly Gross Loss Curves (Hostile And Voluntary Terminations)--Total Pool
Q2-2014-Q1 2020

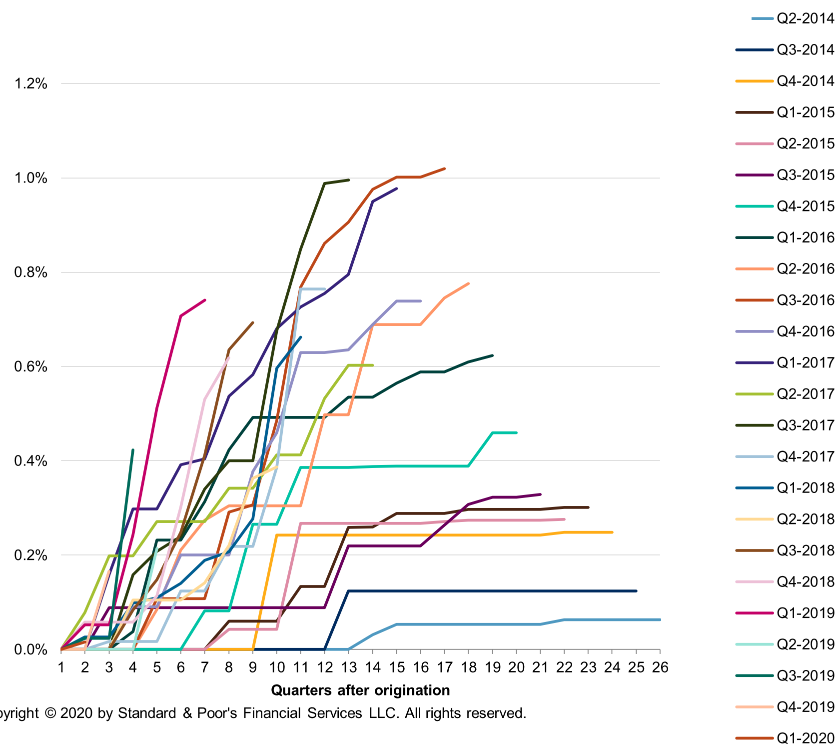

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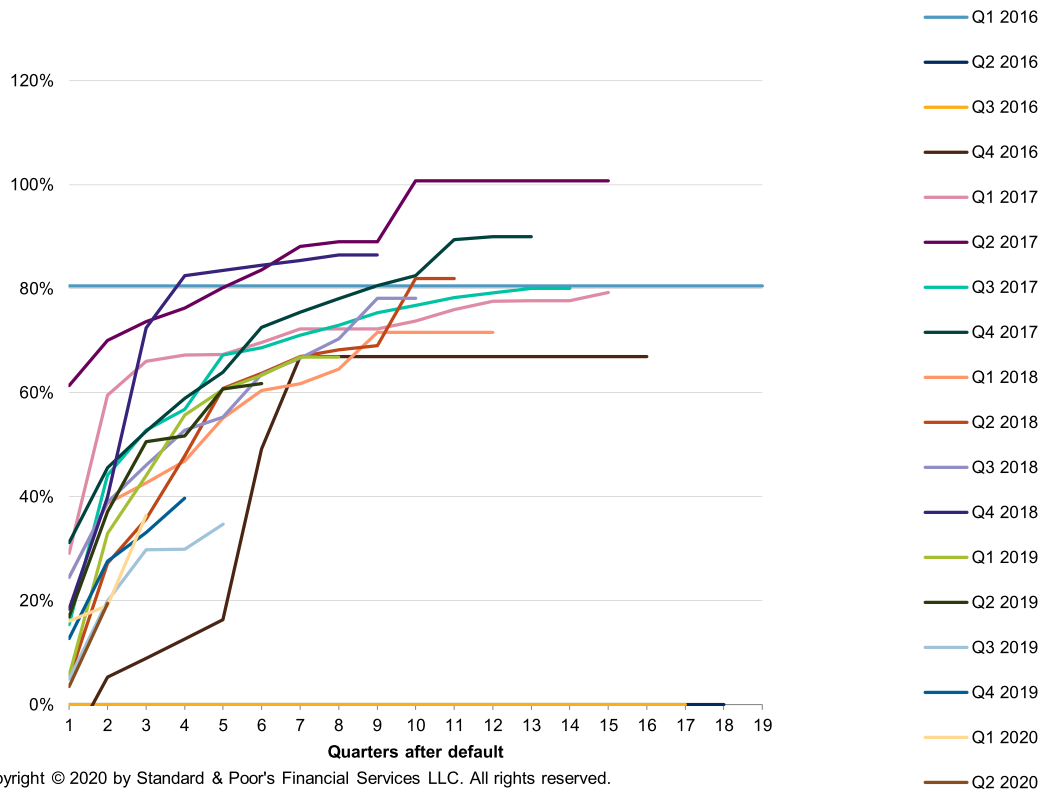
Chart 6

Cumulative Quarterly Recovery Curves--Total Pool



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Recoveries, recovery timings, and recovery rate haircuts

The originator provided static cumulative recoveries data for cohorts of combined hostile and voluntary termination losses as reported above over the same period. We set our stressed recovery rate assuming a maximum recovery period of 24 months. The tables below summarize our gross loss and recovery assumptions.

Table 4

Cumulative Gross Loss And Recovery Assumptions (%)

Segment	Hostile terminations-cumulative default assumptions	Voluntary terminations-cumulative default assumptions	Stressed recovery assumption
Worse-case pool	5.27	0.90	35.0

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Table 5

Credit Assumptions Summary

Rating level	Cumulative hostile termination base-case (%)	Hostile terminations-gross loss multiple	Stressed cumulative hostile terminations (%)	Cumulative voluntary termination base-case (%)	Voluntary terminations-gross loss multiple	Stressed cumulative voluntary terminations (%)	Stressed recovery rate (%)
AAA	5.27	4.64	24.43	0.90	3.00	2.70	35.00
AA	5.27	3.69	19.45	0.90	2.75	2.48	35.00
A	5.27	2.75	14.46	0.90	2.50	2.25	35.00
BBB	5.27	1.85	9.72	0.90	2.25	2.03	35.00

In addition to the hostile termination and voluntary termination losses applied as outlined in table 4 above, we applied separate RV losses to the contract hire receivables that remain after considering prepayments and the other losses. Some hire-purchase agreements are scheduled with a final balloon payment, which introduces indirect market value risk, in our view, as obligors might rely on the sale of the vehicles to make the final balloon payment.

As a result we have also applied balloon losses to the balloon payments portion of the receivables that remain after considering prepayments and the other losses. For both the RV and balloon loss assumptions we considered the limits permitted under the revolving period in our analysis.

Table 6

RV And Balloon Payment Loss Assumptions

Rating level	Balloon payment gross loss	RV loss
AAA	6.0	28.4
AA	4.8	20.6
A	2.6	14.3
BBB	1.4	9.5

RV--Residual value.

Transaction Structure And Cash Flow Mechanics

At closing, First Citizen Finance will sell the receivables to Citizen Auto 2020, the issuing special-purpose entity incorporated in Ireland, which we expect to be bankruptcy remote for the purpose of our credit analysis. Further assets can be sold until the end of the revolving period in December 2021, unless a performance trigger is breached earlier.

Citizen Auto 2020 will buy the receivables using the proceeds from the issuance of the rated class A, B-Dfrd, C-Dfrd, and D-Dfrd notes and the unrated class E notes. Separately, First Citizen Finance will grant the issuer a number of loans under the subordinated loan agreement. The subordinated loans will be used to fund a liquidity reserve, pay for the initial transaction expenses, and pay for the interest rate cap premium. All the notes will be denominated in euros, and the notes' interest will be paid monthly in arrears.

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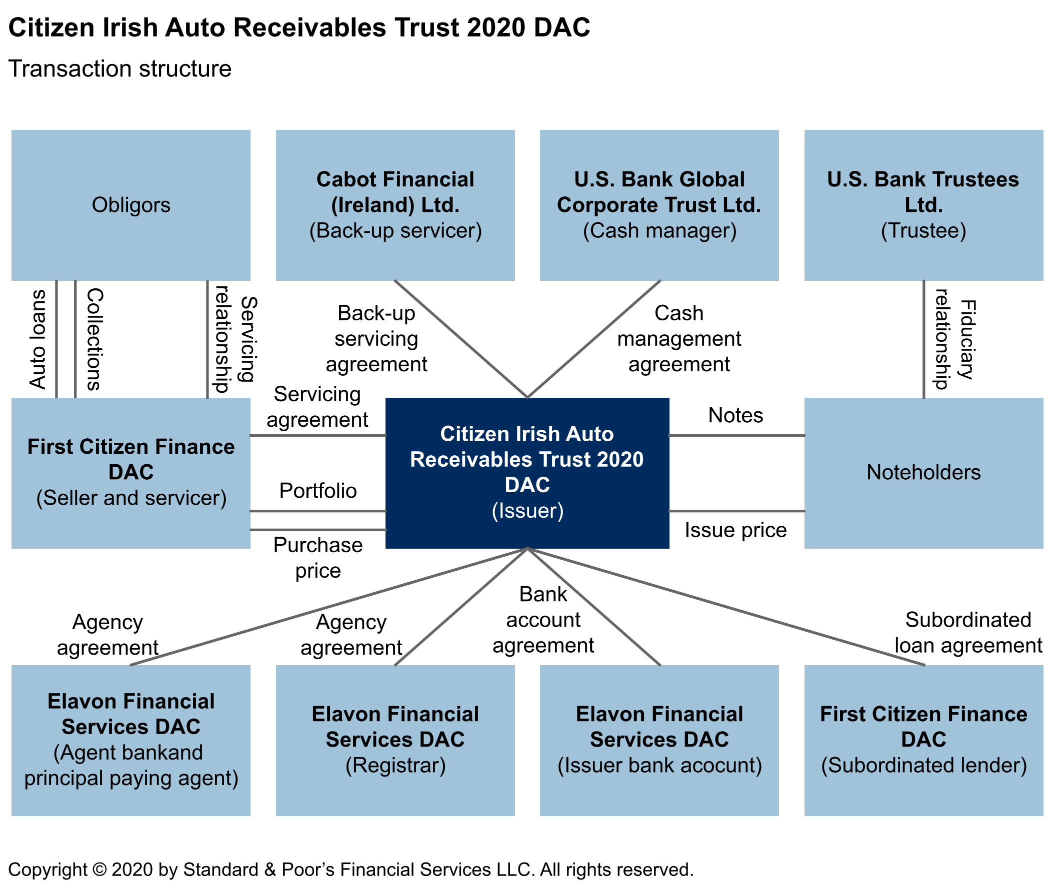
Chart 7



Cash flow mechanics

The notes will pay interest and principal on the monthly interest payment dates (IPDs). The transaction has a separate interest and principal waterfall and cash flows will redeem the notes sequentially, in accordance with the principal priority of payments. The class A, B-Dfrd, C-Dfrd, and D-Dfrd notes will pay interest at a floating rate. The legal final maturity date is Dec. 15, 2029.

Payment waterfalls

On any monthly interest payment date during the amortization period, the issuer will allocate all interest and principal collections, recoveries, hedge receipts, and the liquidity reserve in the order shown in the table below.

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Table 7

Waterfall Payment Priority

Priority	Interest payment	Principal payment
1	Senior expenses including senior servicing fee and taxes, if any.	Prior to expiration of the revolving period, to credit all remaining available principal receipts to the replenishment ledger
2	Class A interest.	After amortization commences: Unpaid senior fees.
3	Credit the class A principal deficiency ledger (up to the elimination of any debit).	Class A unpaid interest and, following the redemption of the class A notes, the most senior notes' interest.
4	Class B-Dfrd interest.	Class A principal.
5	Credit the class B-Dfrd principal deficiency ledger (up to the elimination of any debit).	Class B-Dfrd principal.
6	Class C-Dfrd interest.	Class C-Dfrd principal.
7	Credit the class C-Dfrd principal deficiency ledger (up to the elimination of any debit).	Class D-Dfrd principal.
8	Class D-Dfrd interest.	Class E principal.
9	Credit the class D-Dfrd principal deficiency ledger (up to the elimination of any debit).	
10	Liquidity reserve replenishment up to the required level.	
11	Junior servicing fee.	
12	Amounts due to the interest rate cap provider, if any.	
13	Credit the class E principal deficiency ledger (up to the elimination of any debit).	
14	Interest and then principal due on the subordinated loans.	
15	Any remaining amounts to be paid as class E interest.	

Credit enhancement

A combination of excess spread and subordination provides credit enhancement for the preliminary rated notes.

Liquidity reserve

At closing, the seller's subordinated loan will fully fund the nonamortizing liquidity reserve to an amount equal to 1.0% of the closing pool's outstanding principal balance. On each IPD, if there is a liquidity shortfall (available revenue is insufficient to pay senior expenses and class A and B-Dfrd interest; or, after the full redemption of the class A and B-Dfrd notes, the most senior notes' interest), then the issuer may withdraw funds from the reserve to be applied to make up for the liquidity shortfall in line with the interest waterfall.

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Interest rate cap

To hedge the interest rate mismatch between the fixed-rate notional interest on the assets and the floating-rate interest on the rated notes, the issuer will enter into an interest rate cap agreement with Natixis S.A. The strike rate for the cap is 1.0%. Therefore, Natixis will pay the issuer the amount by which the floating rate exceeds 1.0% in a rising interest rate environment. There is a scheduled notional balance included as part of the cap agreement terms, which we have incorporated into our cash flow modeling. The issuer will pay the cap premium with proceeds from a subordinated loan provided by First Citizen Finance.

Senior fees

We considered stressed servicing fees equal to 1.0% of the portfolio's balance and stressed fixed annual fees of €125,000, which accounts for estimated annual senior expenses (excluding servicing fees), including VAT chargeable at 23% on certain services the issuer receives.

Prepayments and yield compression

We stressed the prepayment rate up to 20.0% and down to 0.5%, considering historical prepayment rates. We also applied a relative spread compression of 1.4% to the minimum portfolio's weighted-average interest of 5.75% over the transaction's weighted-average life.

Default and recovery timing

We applied a default curve distributed over a 24-month period (equivalent to the pool's weighted-average life). We have set our base-case assumptions with a recovery period of 24 months. Under our assumptions, no recoveries will be realized under the first 24 months. In addition, to reflect current disruptions to collection and workout efforts, on account of COVID-19, we have also tested the sensitivity of the structure to an extended recovery timing of six months to 30 months.

Commingling risk

A declaration of trust over the servicer's collection account in favor of the issuer ring-fences the funds in the account, ensuring that they will not form part of the servicer's insolvency estate. The issuer will also appoint a backup servicer at closing. We determined that the transaction may only be exposed to a liquidity stress if the servicer becomes insolvent. Nevertheless, there is no replacement framework on the collection account bank, and, therefore, there is a risk of potential loss of collections in the event of an insolvency of the collection account bank. We accounted for this risk in our cash flow analysis.

Setoff risk

The seller is not a deposit-taking institution. The eligibility criteria preclude the addition of loans that have been provided to the seller's employees while the seller does not directly provide insurance to the borrowers. Therefore, we believe set-off risks are mitigated.

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Back-up servicer arrangement

Cabot Financial (Ireland) Ltd. will be the designated backup servicer. Under the transaction documents and following a servicer termination event, the issuer can terminate the appointment of First Citizen Finance as servicer. Cabot Financial would then become servicer. We believe that, given the preparations in place to expedite such a transition and Cabot Financial's experience in servicing similar pools of auto finance receivables, any servicer transition period will be relatively short.

Call option

The seller can exercise a clean-up call option as soon as the notes' outstanding principal balance is less than or equal to 10% of the principal balance of all the notes at closing. If this option were to be exercised, the notes would be fully redeemed, including any accrued and unpaid interest.

Counterparty risk

The transaction is exposed to counterparty risk relating to Elavon Financial Services DAC, as the bank account provider, and to Natixis, as the interest rate cap provider. The documented replacement and/or remedy provisions adequately mitigate counterparty risk in line with our current counterparty criteria

There is no replacement framework relating to the collection account, held with Allied Irish Banks PLC, into which borrowers make their monthly payments. To address this, we have applied a commingling loss as part of our cash flow analysis.

Table 8

Transaction Participants

Seller, servicer, and subordinated lender	First Citizen Finance DAC
Interest rate cap counterparty	Natixis S.A.
Trustee	U.S. Bank Trustees Ltd.
Collection account bank	Allied Irish Banks PLC
Issuer bank account provider, cash manager, principal paying agent, and agent bank	Elavon Financial Services DAC
Back-up servicer	Cabot Financial (Ireland) Ltd.
Corporate administrator	Wilmington Trust SP Services (Dublin) Ltd.
Share trustee	Wilmington Trust SP Services (Dublin) Ltd.
Cash Manager	U.S. Bank Global Corporate Trust Ltd.

Sovereign Risk

Our long-term credit rating on Ireland is 'AA-' and we assess the underlying assets' sensitivity to sovereign risk as low. This enables the notes to achieve a maximum potential rating of up to 'AAA' if they can pass our 'A' cash flow run addressing a sovereign default scenario. The class A and B-Dfrd notes pass our 'AAA' and 'AA-' stresses, respectively, and therefore can achieve the

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corresponding ratings in accordance with our sovereign risk criteria. Therefore, our preliminary ratings in this transaction are not constrained by our structured finance sovereign risk criteria.

Sensitivity Analysis

As part of our analysis we also conducted additional sensitivity analysis to assess the impact of, all else being equal, an increased gross hostile termination default base case and a haircut to the recovery rate base case. For this purpose, we ran eight sensitivity runs by either increasing stressed defaults and/or reducing expected recoveries as below.

Table 9

Scenario Stresses

	Recovery rate base case (%)		
Gross default rate base case (%)	**0**	**(10)**	(25)
0	Base case	Scenario 3	Scenario 4
10	Scenario 1	Scenario 5	Scenario 7
25	Scenario 2	Scenario 6	Scenario 8

Table 10

Sensitivity Analysis Results

Class	Base Case	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6	Scenario 7	Scenario 8
Gross HT rate (%)	5.27	5.80	6.59	5.27	5.27	5.80	6.59	5.80	6.59
Recovery rate (%)	35.00	35.00	35.00	31.50	26.25	31.50	31.50	26.25	26.25
A	AAA (sf)	AA+ (sf)	AA (sf)	AAA (sf)	AA+ (sf)	AA (sf)	AA- (sf)	AA (sf)	AA- (sf)
B-Dfrd	AA- (sf)	A+ (sf)	A (sf)	AA- (sf)	A (sf)	A (sf)	A- (sf)	A (sf)	A- (sf)
C-Dfrd	A- (sf)	BBB+ (sf)	BBB (sf)	A- (sf)	BBB+ (sf)	BBB+ (sf)	BBB (sf)	BBB (sf)	BBB (sf)
D-Dfrd	BBB (sf)	BBB (sf)	BB+ (sf)	BBB (sf)	BBB (sf)	BBB (sf)	BB (sf)	BBB- (sf)	BB- (sf)

Many of this transaction's features, including the initial subordination levels, excess spread, and the liquidity reserve, enhance the stability of the preliminary ratings under each scenario.

Monitoring And Surveillance

We will regularly assess the following as part of our ongoing surveillance of this transaction:

- The underlying portfolio's performance, including defaults and delinquencies;
- The supporting ratings;
- The servicer's operations and its ability to maintain minimum servicing standards;
- Whether the then-available credit enhancement for the class A, B-Dfrd, C-Dfrd, and D-Dfrd notes is sufficient to withstand losses that are commensurate with the assigned preliminary ratings; and

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- The supporting ratings.

Related Criteria

- Criteria | Structured Finance | General: Counterparty Risk Framework: Methodology And Assumptions, March 8, 2019
- Criteria | Structured Finance | General: Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions, Jan. 30, 2019
- Legal Criteria: Structured Finance: Asset Isolation And Special-Purpose Entity Methodology, March 29, 2017
- Criteria | Structured Finance | ABS: Methodology And Assumptions For European Auto ABS, Oct. 15, 2015
- Criteria | Structured Finance | General: Methodology: Criteria For Global Structured Finance Transactions Subject To A Change In Payment Priorities Or Sale Of Collateral Upon A Nonmonetary EOD, March 2, 2015
- Criteria | Structured Finance | General: Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
- Criteria | Structured Finance | General: Global Framework For Cash Flow Analysis Of Structured Finance Securities, Oct. 9, 2014
- Criteria | Structured Finance | ABS: Global Methodology And Assumptions For Assessing The Credit Quality Of Securitized Consumer Receivables, Oct. 9, 2014
- Criteria | Structured Finance | General: Global Derivative Agreement Criteria, June 24, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- Criteria | Structured Finance | General: Methodology For Servicer Risk Assessment, May 28, 2009

Related Research

- Sovereign Risk Indicators, Oct. 12, 2020
- European Auto ABS Index Report Q2 2020, Sept. 8, 2020
- Credit And Economic Deterioration Signals A Rising European Speculative-Grade Default Rate Despite Market Optimism, Aug. 18, 2020
- European Structured Finance Outlook H2 2020: Weathering The Storm, July 28, 2020
- Reporting Requirements For COVID-19 Payment Holidays In European Structured Finance, May 27, 2020
- European Auto And Consumer ABS: Analysis Adjusted to Reflect COVID-19 Effects, May 11, 2020
- Economic Research: EU Response To COVID-19 Can Chart A Path To Sustainable Growth, April 22, 2020
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- 2017 EMEA ABS Scenario And Sensitivity Analysis, July 6, 2017
- European Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016
- Global Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016
- How We Rate And Monitor EMEA Structured Finance Transactions, March 24, 2016
- Scenario Analysis: Gross Default Rates And Excess Spread Hold The Answer To Future European Auto ABS Performance, May 12, 2009

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