Presale:

Metro Finance 2023-2 Trust

September 14, 2023

PRIMARY CREDIT ANALYST

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Preliminary Ratings

Class	Preliminary rating	Preliminary amount (mil. A$)	Minimum credit support* (%)	Credit support provided by subordination (%)
A	AAA (sf)	430.00	10.9	14.0
B	NR	27.50	N/A	8.5
C	NR	13.50	N/A	5.8
D	NR	7.00	N/A	4.4
E	NR	11.50	N/A	2.1
F	NR	2.00	N/A	1.7
G1	NR	4.25	N/A	0.9
G2	NR	4.25	N/A	N/A

Note: This presale report is based on information as of Sept. 15, 2023. The rating shown is preliminary. Subsequent information may result in the assignment of a final rating that differs from the preliminary rating. Accordingly, the preliminary rating should not be construed as evidence of a final rating. This report does not constitute a recommendation to buy, hold, or sell securities. *Minimum credit support for credit losses. NR--Not rated. N/A--Not applicable.

Profile

Expected closing date	October 2023
Final maturity date	August 2029
Collateral	Receivables generated by a pool of commercial chattel mortgage, finance lease and novated lease agreements backed by motor vehicles and wheeled and nonwheeled equipment.
Issuer	Perpetual Corporate Trust Ltd. as trustee of the Metro Finance 2023-2 Trust
Originator, trust manager, and servicer	Metro Finance Pty Ltd.
Trustee	Perpetual Corporate Trust Ltd.
Security trustee	P.T. Ltd.
Backup servicer	AMAL Asset Management Pty Ltd.
Primary credit enhancement	Note subordination and excess spread, if any

Supporting Ratings

Bank account provider, liquidity facility provider, and interest-rate hedge provider	National Australia Bank Ltd.

Overview

This is the tenth securitization of auto and equipment assets originated by Metro Finance Pty Ltd. and the fifth to be rated by S&P Global Ratings. The preliminary 'AAA (sf)' rating assigned to the class A notes to be issued by Perpetual Corporate Trust Ltd. as trustee of Metro Finance 2023-2 Trust (the issuer) reflects the following factors.

The credit risk of the underlying collateral portfolio and the credit support provided to each class of rated notes are commensurate with the ratings assigned. Credit support for the class A notes is provided in the form of subordination.

The rated notes can meet timely payment of interest and ultimate payment of principal under the rating stresses. Key rating factors are the level of subordination provided to the class A notes and liquidity support in the form of principal collections and a liquidity facility.

The legal structure of the trust is established as a special-purpose entity. This meets our criteria for insolvency remoteness.

The counterparty exposure is expected to be to National Australia Bank Ltd. (NAB) as bank account provider, interest-rate swap provider, and liquidity facility provider. The transaction documents include downgrade language consistent with our counterparty criteria.

The operational risk of Metro Finance Pty Ltd. as servicer. This does not constrain our rating on the notes.

All contract payments, including balloon payments, are an obligation of the borrower. As a result, the trust is not exposed to any market-value risk associated with the sale of the motor vehicles (on performing receivables), which is a risk that may be associated with other products, such as operating leases.

Environmental, Social, And Governance (ESG)

Our rating analysis considers a transaction's potential exposure to ESG credit factors.

The transaction's above-average exposure to environmental credit factors, given that the collateral pool primarily comprises vehicles with internal combustion engines, is in line with our sector benchmark. While the adoption of electric vehicles and future regulation could in time lower the value of internal combustion engine vehicles, we believe our current approach to evaluating recovery values is adequate, given the relatively short expected life of the transaction.

The transaction's exposure to social credit factors is average, in line with the sector benchmark. Social risks for the auto sector could become more relevant over the longer term if consumer preferences change regarding vehicle ownership and usage.

The transaction's exposure to governance credit factors is below average, in line with the sector benchmark. Given the nature of structured finance transactions, most have relatively strong governance frameworks that typically restrict what activities the special-purpose entity can undertake. We consider the risk-management and governance practices in place to be consistent with industry standards and our benchmark expectations.

Strengths And Weaknesses

Table 1

Key Credit Considerations

Strengths	Weaknesses
All loans have an original term of less than or equal to 60 months. S&P Global Ratings has observed that longer-term loans (greater than 60 months) tend to be correlated with higher default and/or lower recovery rates.	The originator, Metro Finance, has been originating receivables since 2014. Most receivables have not gone through a full life cycle by this time. S&P Global Ratings has considered this limited history in its analysis of expected loss.
About 74.6% of the loans by principal balance are backed by passenger and light- and medium-duty commercial vehicles. S&P Global Ratings has given recovery credit to these receivables.	About 47.4% of the pool balance comprises contracts that are partly amortizing, with balloon payments due at the end of the contracts, and aggregate balloons represent 16.1% of the initial pool balance. However, the scheduled payment dates for the balloons are reasonably diversified, and the maximum aggregate balloon payments due in any single month represents 2.0% of the initial pool balance.
The pool is a closed pool, with no substitution of receivables.	The swap in the transaction is not a balance guaranteed swap; rather, it follows a predetermined notional schedule. S&P Global Ratings has run various prepayment and interest-rate scenarios to stress the cash flow associated with the swap.

Comparative Transactions

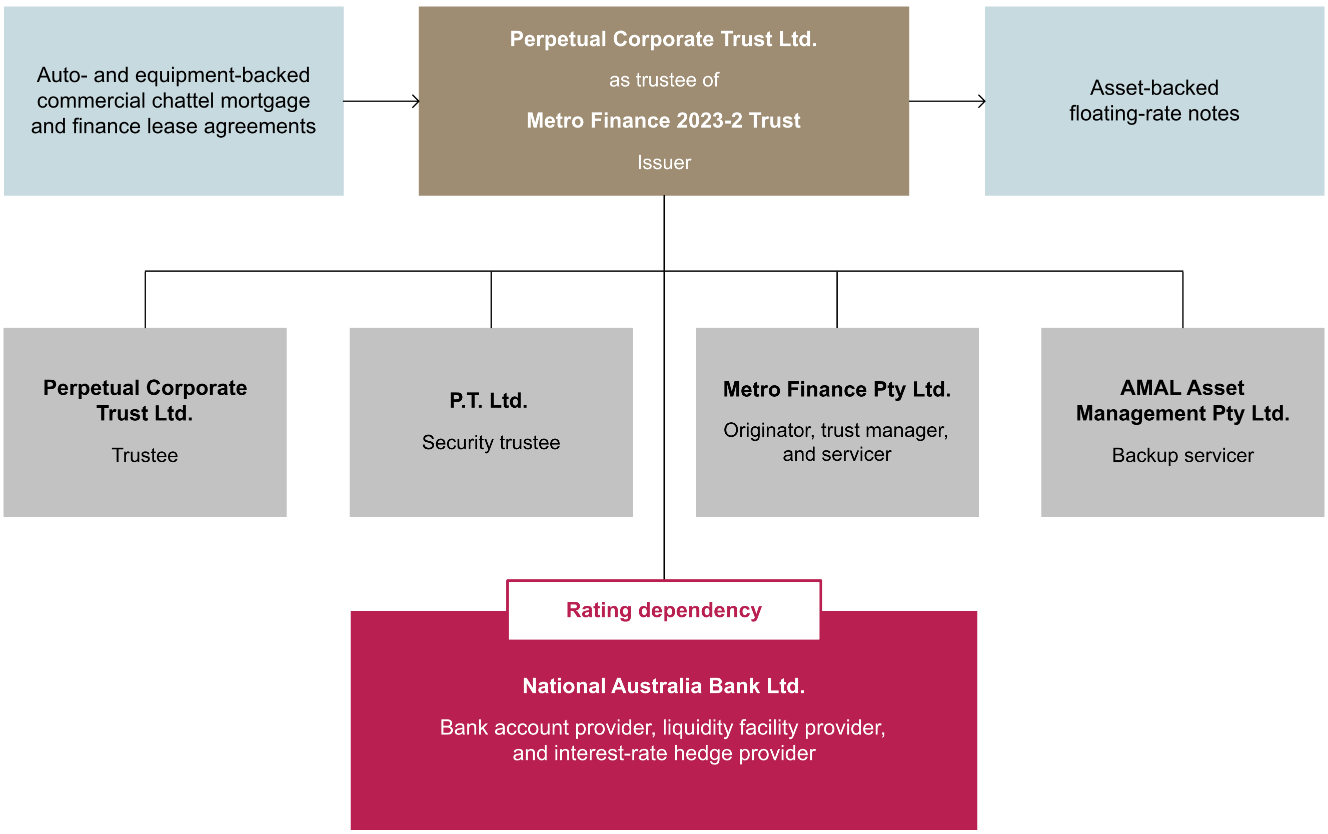
The closest comparable rated transaction is Metro Finance 2023-1 Trust. The key difference between the two transactions is an additional principal step-down test based on cumulative defaults.

Transaction Structure

The structure of the transaction is shown in chart 1.

Chart 1

Metro Finance 2023-2 Trust
Transaction structure



We understand that transaction counsel will lodge the relevant financing statements on the Personal Property Securities Register in connection with the security interest.

Note Terms And Conditions

Call date

On any date on or after the payment date in May 2027 or when the aggregate invested amount of the notes is less than 20% of its initial invested amount, the trust manager may elect to call the notes and repay them at their invested amount plus accrued interest.

Interest payments

The notes are floating-rate, pass-through notes, paying a margin over the one-month bank-bill swap rate (BBSW) on the invested amount of the notes. Interest is paid sequentially to each class of notes, except the class G1 and class G2 notes interest, which is subordinated in the waterfall below reimbursement of carryover charge-offs.

A step-up margin will apply to each class of notes (except the class G2 notes) on and after the call-option date.

Principal payment structure

The transaction's principal payment structure is not fully sequential. Principal, after application as principal draws if necessary to cover any income shortfalls, will be initially paid to the notes on a sequential-payment basis.

The transaction can convert to a pro-rata payment structure, in which principal would be allocated to each class of notes on a pro-rata basis if the step-down tests are met.

In addition, the repayment structure will switch back to fully sequential principal repayments on or after the call-option date, further mitigating tail-end risk.

Loss allocation

Charge-offs will be first allocated to the class G2 notes until their stated amount is reduced to zero, followed by the class G1, class F, class E, class D, class C, class B, then class A notes.

Under the transaction structure, reimbursements of charge-offs will occur in the reverse order.

Pro-rata paydown conditions

Provided certain performance conditions are met, principal repayments will occur on a pro-rata basis to all classes of notes. The conditions to allow pro-rata paydown are:

- That the subordination percentage for the class A notes is equal to or greater than 21%.
- That arrears greater than 90 days must not exceed 4.0% of the aggregate outstanding loan amounts as of the last day of the immediately preceding collection period.
- That the payment date is prior to the call-option date.
- That there are no principal draws, charge-offs, or carryover charge-offs to any notes.

- That the cumulative default ratio is less than or equal to 3% up to and including the payment date, which is 24 months after closing, and less than or equal to 6% afterward.

Originator/Servicer Overview

We assess the quality of the origination, underwriting, and servicing of the loans as part of our credit analysis because it can affect the performance of the portfolio.

Origination

The originator, Metro Finance, was established in 2011 as a commercial auto and equipment securitization platform. Metro Finance targets prime borrowers for small-ticket auto and equipment assets in low-volatility industries. Metro Finance 2023-2 Trust represents the tenth securitization of auto and equipment assets originated by Metro Finance and the fifth to be rated by S&P Global Ratings.

Metro Finance originates its lending through commercial auto and equipment broker and aggregator channels nationally, with a focus on the East Coast of Australia, particularly the states of New South Wales and Victoria. Metro Finance is responsible for all credit decisions. No introducer is given any credit authority. Significant origination growth began in 2014. As of June 30, 2023, outstanding receivables under management totaled about A$3.1 billion.

Metro Finance employs a centralized credit approach. All approvals are vested in its credit department or higher authority, if appropriate, with designated lending authorities built into the origination platform. Metro Finance does not use automated credit decision systems or proprietary score cards. Credit decisions are based on judgements by credit analysts who have discretion to make decisions within Metro Finance's risk appetite.

Metro Finance's target market is small and medium-size companies with clear serviceability and acceptable credit histories and credit references. Industries covered include trade, professionals, transport, manufacturing, and construction. Metro Finance limits its exposure to the mining, agriculture, hospitality, and retail industries.

Generally, businesses should be trading profitably for the past two years and should reflect profitability and operating free cash flow sufficient to service total finance commitments. Metro Finance offers a streamlined product in which obligors who meet certain stringent requirements are not required to provide financial statements. S&P Global Ratings has separately analyzed the performance of this streamlined assessment compared with the full assessment. Furthermore, Metro Finance performs monthly "hindsighting" of at least 5% of approved applications to maintain credit quality standards. The application approval rate is approximately 85%.

Servicing

Metro is responsible for servicing the receivables in the collateral pool. Before 2020, AMAL Asset Management Pty Ltd. performed the role of primary servicer, with responsibility for servicing the initial collections activities up to seven days past due. Metro Finance has performed the primary servicing role since the end of 2019. Metro Finance conducted extensive testing to ensure that the calculations and reporting outputs from its servicing platform matched those previously provided by AMAL. AMAL provides backup servicing to the collateral pool should Metro Finance be replaced as servicer.

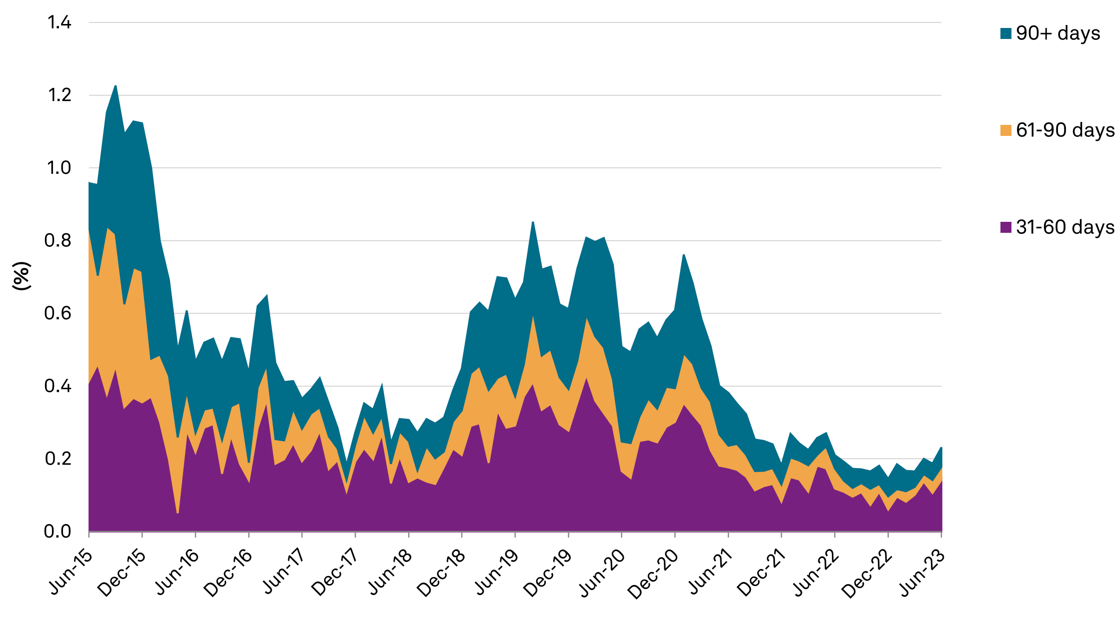
Metro Finance undertakes daily servicing through a highly automated system, with nearly all payments made via direct debit. Based on a direct debit trigger, different workflows will kick off in Metro Finance's servicing platform. Metro Finance uses an accredited panel of mercantile agents to carry out field calls and repossessions as well as a panel of auction houses to liquidate repossessed assets.

Metro Finance maintains a policy on extenuating circumstances that allows borrowers to defer payments for up to three months with an extension of maturity. This policy was utilized during the Australian bushfires in late 2019 to early 2020 and during the COVID-19 pandemic.

Metro Finance's historical arrears performance is reflected in chart 2.

Chart 2

Metro Finance Pty Ltd.
Arrears history



Source: S&P Global Ratings.

Performance Of Previous Transactions

Metro Finance 2021-1 Trust is at a pool factor of about 43.2% as of July 31, 2023. There are six loans more than 90 days in arrears, representing 0.03% of the outstanding principal balance of the pool. There are no carryover charge-offs because cumulative gross losses of about 0.04% of the original pool balance have been covered by recoveries and/or excess spread.

Metro Finance 2022-1 Trust is at a pool factor of about 48.2% as of July 31, 2023. There are six loans more than 90 days in arrears, representing 0.09% of the outstanding principal balance of the pool. There are no carryover charge-offs because cumulative gross losses of about 0.04% of the original pool balance have been covered by recoveries and/or excess spread.

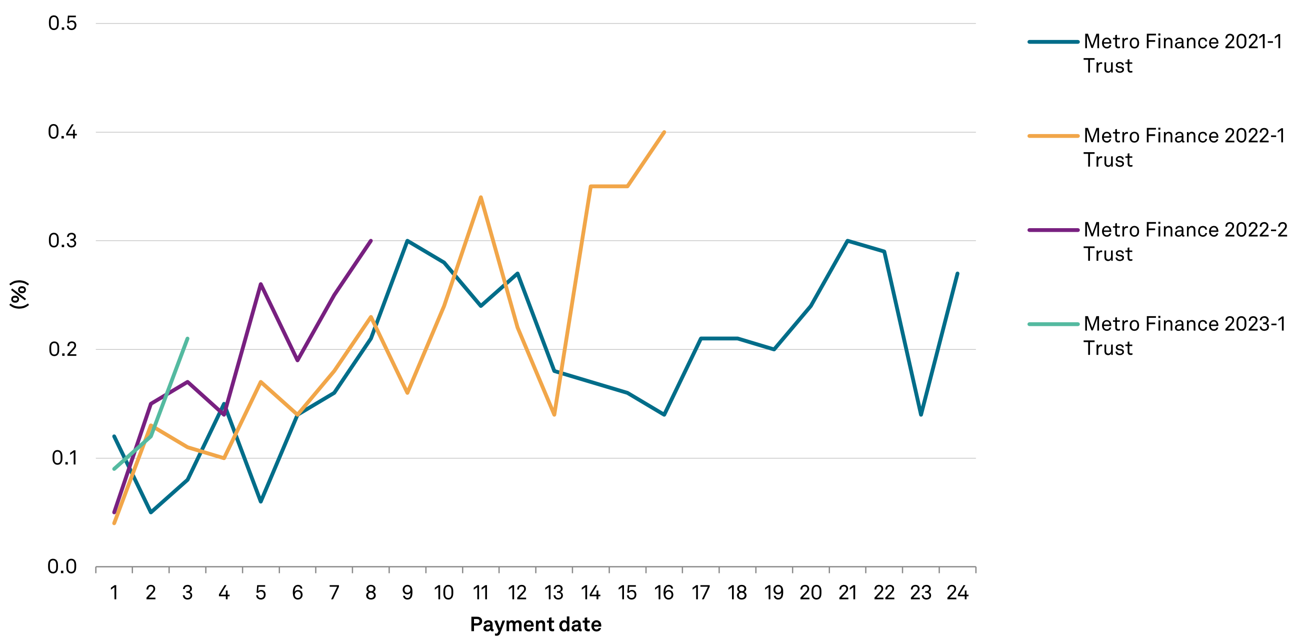
Metro Finance 2022-2 Trust is at a pool factor of about 77.4% as of July 31, 2023. There are seven loans more than 90 days in arrears, representing 0.08% of the outstanding principal balance of the pool. There are no carryover charge-offs because cumulative gross losses of about 0.01% of the original pool balance have been covered by recoveries and/or excess spread.

Metro Finance 2023-1 Trust is at a pool factor of about 91.9% as of July 31, 2023. There are no loans more than 90 days in arrears and no losses to date for this trust.

The arrears performance of previous Metro Finance trusts is illustrated in chart 3.

Chart 3

Metro Finance Trusts
Contract balance in arrears 31 days and greater



Source: S&P Global Ratings.

Collateral

The collateral pool contains 8,756 contracts, made up of commercial finance agreements (chattel mortgage), novated lease, and finance lease agreements secured by motor vehicles and wheeled and nonwheeled equipment. The aggregate principal balance is about A$500 million. Metro Finance will equitably assign the receivables and associated rights to the trust. Title may be perfected if the originator becomes insolvent.

The receivables pool for Metro Finance 2023-2 Trust as of July 31, 2023, is summarized and compared with the closing pool of Metro Finance 2023-1 Trust in table 2 and table 3.

Table 2

Summary Characteristics

	Metro Finance 2023-2 Trust	Metro Finance 2023-1 Trust
Total number of contracts	8,756	8,315
Total number of obligors	8,223	7,765
Total value of contracts (A$)	499,999,999	499,999,981
Maximum contract size (A$)	244,586	385,060
Average current contract size (A$)	57,104	60,132
Weighted-average interest rate (%)	7.4	6.9
Total balloon payments as a percentage of total pool balance (%)	16.1	15.8
Weighted-average contract seasoning (months)	6.0	6.2
Weighted-average remaining term to maturity (months)	49.0	51.0

Table 3

Pool Characteristics (% pool balance)

	Metro Finance 2023-2 Trust	Metro Finance 2023-1 Trust
Finance type		
Commercial finance agreement (chattel mortgage)	84.8	92.9
Finance lease	0.4	0.2
Novated lease	14.8	6.9
Assessment type		
Streamlined	73.0	73.0
Full assessment	12.0	20.0
Novated lease	15.0	7.0
Asset type		
Bus	0.5	0.2
Heavy commercial (> 12T GVM)	4.3	4.9
Light commercial (< 3.5T GVM)	51.2	48.1
Medium commercial (3.5>12T GVM)	8.4	9.1
Passenger vehicle	13.7	14.8

Table 3

Pool Characteristics (% pool balance) (cont.)

	Metro Finance 2023-2 Trust	Metro Finance 2023-1 Trust
Prime mover	0.7	0.9
Trailer	6.8	6.8
Agricultural	1.1	0.7
Earthmoving	7.2	7.9
Material handling	1.3	1.5
Nonwheeled equipment	3.0	2.7
Other wheeled equipment	1.9	2.5
New and used		
New	55.4	55.6
Used/demo	44.6	44.4
Geographic distribution		
New South Wales	34.7	37.9
Victoria	30.5	31.6
Queensland	20.2	19.0
Western Australia	5.2	4.0
South Australia	3.9	3.2
Australian Capital Territory	2.0	1.6
Tasmania	1.8	1.8
Northern Territory	1.6	1.0
Seasoning		
Less than or equal to 12 months	90.8	93.4
>12 to <=18 months	4.6	6.0
>18 to <=24 months	2.5	0.4
Greater than 24 months	2.1	0.2
Original term to maturity		
Less than or equal to 36 months	14.9	5.6
>36 to <=48 months	10.9	9.4
>48 to <=60 months	74.3	85.0
Top 10 borrower industry		
Construction	31.1	31.8
Transport and storage	14.7	15.5
Personal and other services	12.7	13.1
Electricity, gas, and water supply	4.9	4.9
Agriculture, forestry, and fishing	4.0	4.2
Manufacturing	4.0	3.3
Retail trade	3.8	3.8

Table 3

Pool Characteristics (% pool balance) (cont.)

	Metro Finance 2023-2 Trust	Metro Finance 2023-1 Trust
Professional, scientific, and technical services	3.7	3.7
Finance and insurance	3.5	2.9
Administrative and support services	3.1	1.2

The top 10 obligor concentrations for the collateral pool are set out in table 4. Obligor concentration does not present an additional risk for this transaction. The obligors are also geographically diversified across Australia.

Table 4

Top 10 Obligor Concentrations (% initial pool balance)

	Metro Finance 2023-2 Trust	Metro Finance 2023-1 Trust
Obligor 1	0.05	0.08
Obligor 2	0.05	0.08
Obligor 3	0.05	0.08
Obligor 4	0.05	0.07
Obligor 5	0.05	0.07
Obligor 6	0.05	0.07
Obligor 7	0.05	0.07
Obligor 8	0.05	0.06
Obligor 9	0.05	0.06
Obligor 10	0.05	0.06

Eligibility Criteria

As of the cut-off date, all receivables comply with eligibility criteria including, but not limited to:

- Each receivable is denominated and payable only in Australian dollars.
- Each receivable relates to the financing of an asset that is a new or used vehicle or equipment.
- If the asset is a passenger car or light commercial vehicle, it must be no more than 12 years old at the end of the scheduled term of that receivable.
- Each receivable has been financed for use in Australia.
- Each receivable is governed by the laws of an Australian state or territory.
- No receivable is in liquidation, receivership, or administration.
- Each receivable was approved and originated by Metro Finance in its ordinary course of business in accordance with the credit policies.
- Each relevant obligor is either an Australian resident or a registered Australian business.
- At the date of origination, each obligor had a clear credit history, inclusive of no more than two telecommunication or utility defaults of an amount less than A$1,000 each, or an overdue

payment on an investment property that the obligor was unaware of, or a trade dispute that is actively being disputed or has been settled.

- The outstanding balance of any receivable does not exceed A$500,000.
- The aggregate outstanding balance of receivables to any one non-novated lease obligor does not exceed A$1,000,000.
- The aggregate outstanding balance of receivables to any one novated lease obligor does not exceed A$500,000.
- No receivable has a remaining term that exceeds 60 months.
- No receivable is more than 30 days in arrears as of the cut-off date.
- No receivable incorporates a balloon or residual payment greater than 55% of the total payments to be made over the life of the receivable, unless the term is less than or equal to 24 months, in which case the balloon payment must not exceed 65% of the total payments to be made over the life of the receivable.
- Each receivable is legal, valid, binding, and enforceable with its terms against each relevant obligor.
- Each receivable complies with applicable laws and is not subject to any material litigation or claim.
- Each receivable requires fixed repayments to be made to the collections account via direct debit, BPAY, or electronic funds transfer.
- Each receivable requires the obligor to make payments, including any final balloon payment, which will amortize the outstanding balance of the receivable to zero.
- Each receivable obliges the obligor to make payments even if the asset is damaged, destroyed, stolen, or lost.
- Each receivable requires the obligor to keep the asset in good repair.
- Each receivable requires the obligor to maintain insurance against fire, accident, and theft.
- If a receivable is terminated before term, then Metro Finance has the right to recover an amount that is at least equal to the outstanding principal balance.
- No payments for a receivable in arrears by more than 30 days have been rescheduled.
- Each receivable provides that the obligor must not withhold or deduct any amount from any payment for any reason.
- Metro Finance has no obligation under the contract to make any further accommodation to the obligor.
- The servicer holds all documents necessary to enable enforcement of the asset.
- No documents have been entered into by Metro Finance and the obligor other than those in accordance with the credit policy.
- The originator has received no notice of any accident on the asset that would lead to a material loss.
- Each receivable is not subject to fraud.
- All necessary efforts have been made to establish Metro Finance's title to the receivable.

Commingling Risk

The collections account for this transaction will be opened in the name of the trustee and held with NAB. The transaction documents require all accounts to be held with an eligible bank that has a minimum long-term rating of 'A' or a short-term rating of 'A-1'.

Metro Finance must deposit collections into the trust collections account within two business days to mitigate commingling risk. In addition, the documented eligibility criteria in respect of the collateral pool include that the receivables require repayments to be made to the collections account for this transaction via direct debit, BPAY, or electronic funds transfer.

Set-Off Risk

There is no set-off risk for cash deposits in this transaction because Metro Finance is not an authorized deposit-taking institution.

Liquidity

If there are insufficient interest collections, then liquidity support to meet senior fees, expenses, and interest on the notes, excluding the class G1 and class G2 notes, is first provided by principal draws and then a liquidity facility (provided by NAB). Liquidity support will not be available to meet interest shortfalls on the class B, class C, class D, class E, and class F notes if at any time that class has any unreimbursed charge-offs.

The required balance of the liquidity facility is 2.0% of the invested amount of all classes of notes, except the class G notes, subject to a floor of A$983,000. To the extent there is a liquidity facility draw, interest collections will be used to reimburse the liquidity reserve on subsequent payment dates. The liquidity facility will be terminated when the balance of the class F notes have been redeemed in full.

Interest-Rate Risk

The entire collateral pool comprises fixed-rate receivables. To hedge the mismatch between the fixed-rate asset cash flows and the floating-rate interest payable on the notes, the issuer will enter into a fixed- to floating-rate interest-rate swap with NAB.

The swap in the transaction is not a balance guaranteed swap; rather, it follows a predetermined notional schedule. S&P Global Ratings has run various prepayment and interest-rate scenarios to stress the cash flow associated with the swap.

The swap agreement includes downgrade language consistent with S&P Global Ratings' counterparty criteria that requires the posting of collateral or the replacement of the swap counterparty or other remedy if the swap counterparty rating falls below the applicable rating.

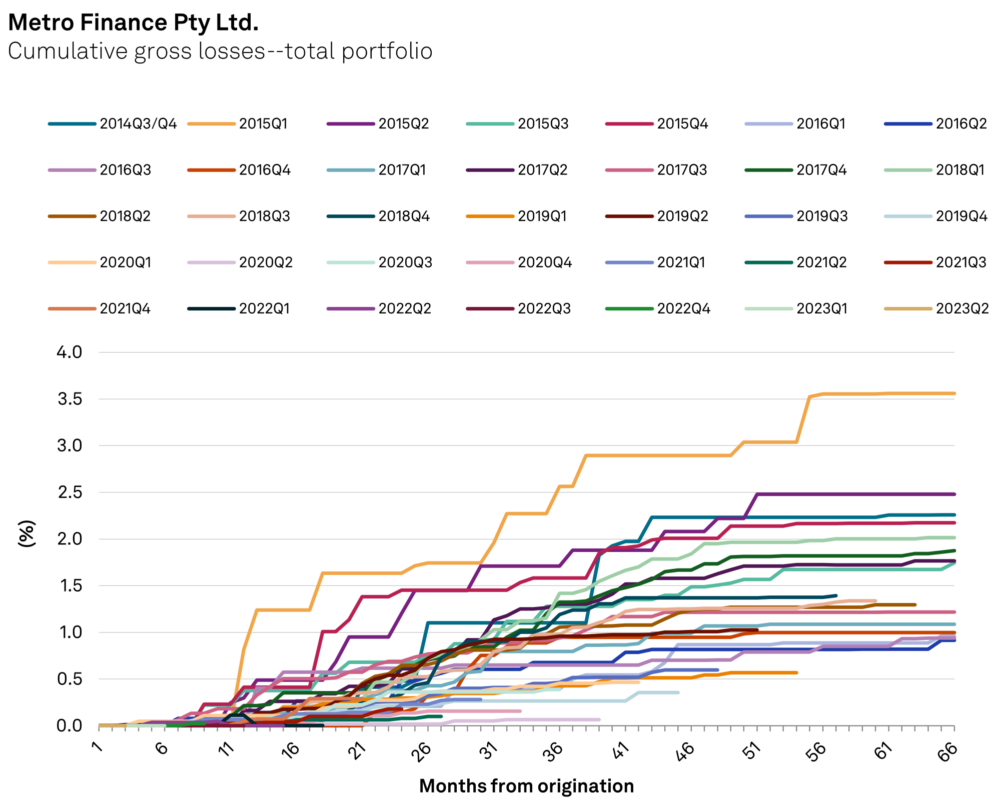
Credit And Cash-Flow Analysis

S&P Global Ratings considers the principal rating transition risk for this transaction to be a significant deterioration in the performance of the underlying receivables.

Metro Finance has provided quarterly vintage historical gross and net loss data, dating back to the third quarter of 2014. However, within this origination history, there is a limited amount of data that covers a full life cycle for any one vintage. To address this limited history, we have also benchmarked the historical data to data from other comparable originators.

Charts 4 and 5 illustrate the cumulative gross default and cumulative net loss experience of Metro Finance's total portfolio from quarterly vintages from the third quarter of 2014 to the second quarter of 2023.

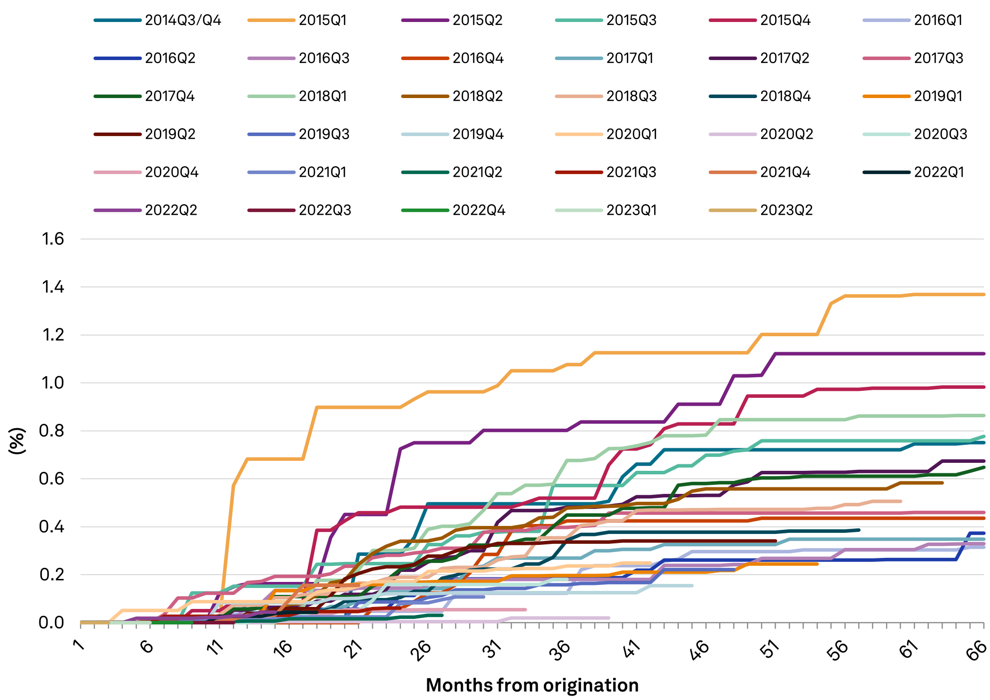
Chart 4



Q--Quarter. Source: S&P Global Ratings.

Chart 5

Metro Finance Pty Ltd.
Cumulative net losses--total portfolio



Q--Quarter. Source: S&P Global Ratings.

Historical gross loss and recovery data

For the purposes of our loss analysis, we analyzed the total portfolio static loss data and separately analyzed multiple subsets of data segregated by asset type and assessment method (streamlined or full assessment). To address the limited history, we have also benchmarked the historical data to data from other comparable originators.

We derived historical recovery percentages by comparing the gross and net loss data provided by Metro Finance. We gave credit to recoveries for light- and medium-duty commercial motor vehicles. We did not give credit to receivables backed by heavy trucks and wheeled and nonwheeled equipment.

We also analyzed the proportion of total originations during the loss-data period to determine whether there had been material changes over time in the origination proportions of the various asset types and assessment methods.

Notwithstanding the quantitative analysis, S&P Global Ratings' qualitative judgment will also have a bearing on the base-case loss assumptions. Our qualitative view is based on several factors, including our industry knowledge in local and offshore markets, concentration, event, industry, and economic risk that may affect the performance of the assets in a changing environment.

We considered each of these factors, in addition to the actual composition of the collateral pool, in our determination of base-case gross loss and recovery assumptions for this transaction.

Based on the above, our base-case gross loss assumption for the collateral pool is 2.7%. We apply a stress multiple to the base-case gross default percentage to derive our 'AAA' gross default percentage.

Our base-case recovery assumption for the collateral pool is 41.0%. The credit given to recovery at 'AAA' is a percentage of base-case expected recoveries.

Based on the above, our net loss expectation--also commonly referred to as "base-case loss level"--for the underlying pool is 1.6%. The net loss expectation reflects our opinion of the combination of the expected gross loss on the underlying pool of 2.7 %, and the expected recoveries of 41.0% from sales of the underlying assets upon a default.

Table 5 shows a summary of the credit assessment.

Table 5

Summary Credit Assessment

	AAA
Stress multiple used (x)	5.0
Default frequency (%)	13.5
Loss severity (%)	80.8
Minimum credit support after credit to recovery (%)	10.9

Cash-flow modeling analysis

We analyzed and modeled the structure of the transaction to include all note balances and margins, trust expenses, liquidity mechanisms within the structure, the priority of payments for both income and principal, and the loss allocation, as described in the transaction documents. We analyzed the capacity of the transaction's cash flow to support the class A notes by running several different scenarios at the 'AAA' rating category. The key rating stresses and assumptions modeled are as follows:

- Gross defaults and recoveries commensurate with a 'AAA' rating level.
- Recovery period (assumed to be nine months).
- Timing of defaults (front-loaded, back-loaded, and normal) reflective of the loss timing observed for Metro Finance and other comparable originators.
- Increased servicer fees and extraordinary expenses.
- Varying bank-bill swap rate curves.
- Prepayment stresses (table 6).

Table 6

Assumed Conditional Prepayment Rates

Months from transaction close	Low CPR (% per year)	High CPR (% per year)
0 to 6	0.0	10.0

Table 6

Assumed Conditional Prepayment Rates (cont.)

Months from transaction close	Low CPR (% per year)	High CPR (% per year)
7 to 9	0.5	12.0
10 to 12	0.5	14.0
13 to 18	1.0	16.0
19 to 21	1.5	18.0
22 to 24	1.5	20.0
25 to 27	2.0	22.0
28 to 30	2.0	24.0
31 onward	3.0	26.0

CPR--Conditional prepayment rates. Note: Total CPR shown includes voluntary prepayments only.

Our preliminary rating addresses not only the availability of funds for full payment of interest and principal, but also the timeliness of these payments in accordance with the terms of the rated securities.

Sensitivity Analysis

We cash-flow modeled two additional scenarios to determine how vulnerable the notes would be to a downgrade under each scenario:

- Scenario 1: Base-case gross losses are 1.25x higher than our expected level of 2.8%.
- Scenario 2: Base recoveries are only 75% of our expected base recovery rate of 40.2%.

The minimum credit support for credit losses under each scenario is set out in table 7.

Table 7

Minimum Credit Support After Credit To Recovery

Scenario	AAA (%)
Expected	10.9
Scenario 1	13.7
Scenario 2	11.6

Table 8 sets out what the rating level of the class A notes would be at transaction close--after incorporating cash flow modelling outcomes--under each scenario.

Table 8

Rating Transition

Scenario	Class A
Expected	AAA (sf)
Scenario 1	AA+ (sf)
Scenario 2	AAA (sf)

Related Criteria

- Criteria | Structured Finance | ABS: Global Auto ABS Methodology And Assumptions, March 31, 2022
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Structured Finance | General: Global Framework For Payment Structure And Cash Flow Analysis Of Structured Finance Securities, Dec. 22, 2020
- Criteria | Structured Finance | General: Methodology To Derive Stressed Interest Rates In Structured Finance, Oct. 18, 2019
- Criteria | Structured Finance | ABS: Global Equipment ABS Methodology And Assumptions, May 31, 2019
- Criteria | Structured Finance | General: Counterparty Risk Framework: Methodology And Assumptions, March 8, 2019
- Legal Criteria: Structured Finance: Asset Isolation And Special-Purpose Entity Methodology, March 29, 2017
- Criteria | Structured Finance | General: Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
- Criteria | Structured Finance | General: Global Derivative Agreement Criteria, June 24, 2013
- General Criteria: Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
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