FCT Ginkgo Compartment Sales Finance 2013-1

New Issue Report

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Related New Issue Appendix

FCT Ginkgo Compartment Sales Finance 2013-1

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Capital Structure

Class	Rating	Outlook	Amount (EURm)	CE (%)	Interest Rate (%)	Final Maturity	TT[a] (%)	TTLM[b]
A	AAAsf	Stable	500.0	25.3	Euribor + 0.75	December 2040	76.2	21.2
B	AAsf	Stable	40.0	19.2	Euribor +1.25	December 2040	6.1	1.7
C	A+sf	Stable	30.1	14.6	2.50	December 2040	4.6	1.3
D	NRsf	n.a.	85.9	1.5	3.50	December 2040	n.a.	n.a.
Total			**656.0**					

Closing occurred on 19 December 2013. The transfer of the portfolio to the issuer occurred on 19 December 2013. The ratings assigned above are based on the portfolio information as of 30 November 2013 provided by the originator
[a]Tranche Thickness (TT) percentage – ratio of class size to collateral balance
[b] Tranche Thickness Loss Multiple – TT% divided by Fitch Ratings' base-case loss expectation. See also *Structured Finance Tranche Thickness Metrics*, dated 29 July 2011

Transaction Summary

FCT Ginkgo Compartment Sales Finance 2013-1 is a 12-month revolving securitisation of French unsecured consumer loans originated in France by CA Consumer Finance (CACF; A/Stable/F1). The securitised portfolio consists of home equipment, recreational vehicle, new vehicle and used vehicle loans advanced to individuals. All the loans bear a fixed interest rate and are amortising with constant monthly instalments.

This is the seventh consumer loans securitisation transaction by CACF, after FCT Ginkgo Compartment Consumer Loans 2013-1 in September 2013 and other deals closed since 2009.

Key Rating Drivers

Underlying Receivables Credit Risk: Fitch Ratings analysed obligor credit risk by forming base-case default expectations (6.7%) and recovery assumptions (46%), stressing these assumptions according to the rating level of each of note. The agency reviewed separate default and recovery data, and assigned distinct base-case default and recovery assumptions for home equipment, recreational vehicle, new vehicle and used vehicle loans.

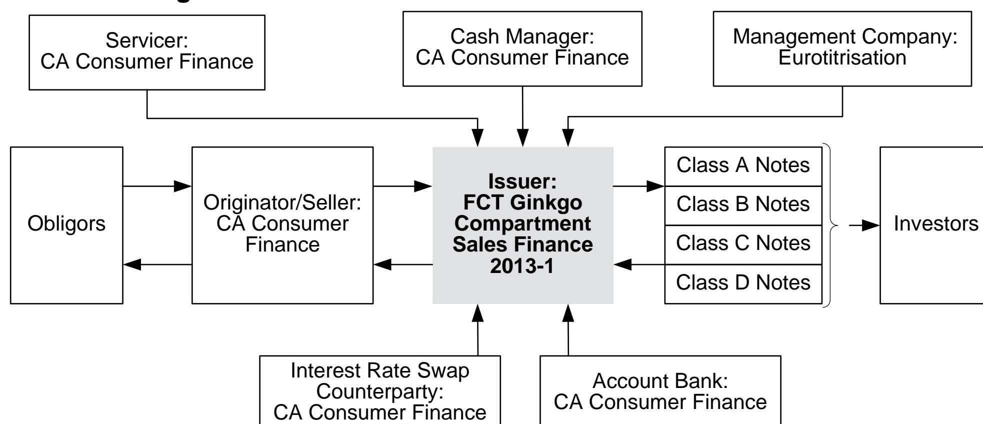
Revolving Period Risk Mitigated: The transaction has a 12-month revolving period. The early amortisation triggers, along with eligibility criteria and available credit enhancement, adequately mitigate the risk added by the revolving period. In any case, Fitch has analysed potential pool mix shifts during this period and modelled a worst-case portfolio.

Servicing Continuity Risk: CACF is the servicer. No back-up servicer will be appointed at closing. However, servicing continuity risks are mitigated by, among other things, monthly transfer of borrowers' details, a commingling reserve and a reserve fund to cover liquidity shortfalls.

Asset Outlook: Fitch has a stable to declining asset outlook for French consumer ABS assets. Although the agency forecasts French economic activity to remain weak over the next two years, characterised by high unemployment, Fitch believes defaults are likely to remain within base-case expectations, as these already incorporate Fitch's short-term macroeconomic expectations.

Figure 1

Structure Diagram



Source: Transaction documents, Fitch

Transaction and Legal Structure

Issuer and True Sale

The issuer is a newly created compartment of a French compartmentalised debt mutual fund (fonds commun de titrisation à compartiments) jointly established by the management company and the custodian and regulated and governed under French law in October 2011.

The FCT Ginkgo Compartment Sales Finance 2013-1 transaction is the fifth compartment to be created. At closing, the seller transferred the loan receivables and their related ancillary rights to FCT Ginkgo Compartment Sales Finance 2013-1. The issuer financed the acquisition of the loan receivables through the issuance of notes and "asset-backed units" (as required under French law). The issuer does not have legal personality; rather, the management company acts in the name and on behalf of the issuer.

Capital Structure and Credit Enhancement

The issuer issued four classes of notes. The proceeds of the class A, B, C and D notes were used to purchase the portfolio of receivables. In addition, a reserve fund, aimed at providing liquidity, was funded at inception. The subordination of the class B, C and D notes, along with the reserve fund, provides credit enhancement to the class A notes. The subordination of the class C and D notes and the reserve fund provides credit enhancement to the class B notes. The subordination of the class D notes and the reserve fund provides credit enhancement to the class C notes. The transaction will also benefit from excess spread.

Reserve Fund

At closing, the reserve fund, aimed at liquidity (the fund can also be used to redeem the notes on the final maturity date), was equal to 1.5% of the initial notes' balance. It is not allowed to amortise before the final maturity date or unless an accelerated amortisation event has occurred (ie any most senior notes interest amount remaining unpaid three business days after the relevant payment date). It is split among three distinct ledgers: the class A reserve ledger (credited with an amount equal to 1.20% of the initial notes' balance, the class A reserve required amount); the class B reserve ledger (credited with an amount equal to 0.15% of the initial notes' balance, the class B reserve required amount); and the class C reserve ledger (credited with an amount equal to 0.15% of the initial notes' balance, the class C reserve required amount). It is available at any time for liquidity purposes, ie it can be used only to the extent that available interest proceeds are insufficient to cover certain payments, as follows:

- the class A reserve ledger can be debited for an amount up to the class A reserve required amount to cover: senior fees, swap payments and interest payments on the class A notes;

Related Criteria

EMEA Consumer ABS Rating Criteria (July 2013)

Counterparty Criteria for Structured Finance and Covered Bonds (May 2013)

Criteria for Servicing Continuity Risk in Structured Finance (July 2013)

Global Structured Finance Rating Criteria (May 2013)

- the class B reserve ledger can be debited for an amount up to the class B reserve required amount to cover: senior fees, swap payments and interest payments on the class A and B notes; and
- the class C reserve ledger can be debited for an amount up to the class C reserve required amount to cover: senior fees, swap payments and interest payments on the class A, B and C notes.

The reserve fund will be released in the interest priority of payments at the final maturity date of the notes or if an accelerated amortisation event has occurred (as described above).

Interest Rate Swaps

At closing, the issuer entered into a swap transaction to address the interest rate mismatch between the fixed interest paid by the loans and the floating interest payable under the Class A and B notes.

Under the interest rate swap agreements, the issuer will make a fixed-rate payment and, in return, will receive one-month Euribor. The class A and B notes interest rate swap notional amount will be the outstanding balance of the class A and B notes.

Selection Criteria

Eligibility Criteria

The following eligibility criteria, among other things, have to be fulfilled for the initial asset purchase, and for additional purchases during the replenishment period.

- Each receivable pays a fixed interest rate (not less than 2% a year) and is denominated in euros, with payments made via direct debit.
- No receivable is in arrears and none of the receivables is a defaulted or an over-indebted borrower receivable.
- The borrower is resident in the French metropolitan territory.
- The final instalment date for the receivable is not beyond December 2028.
- Each receivable has had at least one full instalment paid by the borrower.
- Each receivable has been entirely disbursed and any grace period has expired.
- The seller has full title to the receivables and their ancillary rights.
- The receivables (and ancillary rights) are not subject to assignment, delegation or pledge, attachment claim, set-off claims or rights of set-off or encumbrance.
- No borrower is unemployed on the date of origination of the loan agreement.

Portfolio Criteria

Furthermore, for each purchase date, replenishment criteria, which contain certain concentration limits (listed in *Asset Analysis – Portfolio Summary* below, together with the actual portfolio as of closing), have to be considered.

Priority of Payments

The transaction envisages two different priorities of payments. Before the service of an accelerated amortisation event during the revolving and the amortisation periods, separate and sequential waterfalls for principal and interest collections are foreseen. Upon the occurrence of an accelerated amortisation event, the issuer's available funds will be distributed according to a sequential and combined waterfall.

Interest Priority of Payments During the Revolving and Amortisation Periods

Figure 2
Interest Priority of Payments

1	Senior expenses
2	Net amounts due to the senior swap counterparties (other than swap subordinated payments)
3	Interest on the class A notes
4	Replenishment of the class A reserve ledger up to the class A reserve required amount
5	Payment of class A principal deficiency ledger (PDL)
6	Interest on the class B notes
7	Replenishment of the class B reserve ledger up to the class B reserve required amount
8	Payment of class B PDL
9	Interest on the class C notes
10	Replenishment of the class C reserve ledger up to the class C reserve required amount
11	Payment of class C PDL
12	Payment of subordinated interest rate swap amounts
13	Interest on the class D notes
14	Payment of any fees related to the operation of the compartment
15	On the final maturity date, repayment of the reserve fund amounts to the seller
16	Excess released to the residual units holder

Source: Transaction documents, Fitch

Provisioning is made through the PDL, which comprises three sub-ledgers: the class C notes' PDL (up to the class C and D notes' initial balance); the class B notes' PDL (up to the class B notes' initial balance); and the class A notes' PDL (up to the class A notes' initial balance). The transaction operates a PDL mechanism to record, on any calculation date, the defaulted amounts, over-indebted borrower amounts, late delinquency amounts (related to receivables that are eight instalments or more in arrears) and the reallocation of principal receipts to interest, made in accordance with item 1 of the principal waterfall.

On each payment date the interest and principal available funds are applied according to the interest and principal priority of payments described in Figures 2 and 3. In addition, if there are insufficient available interest funds, the reserve fund can be used to cover items 1, 2, 3, 6 and 9 of the interest priority of payments and, subsequently, principal available funds can be used to cover items 1, 2 and 3 of the interest priority of payments. Payment can only be made after all payments of senior items in the waterfalls have been met.

Interest available funds include: interest collections; amounts (other than principal) obtained from the termination or indemnification of purchased receivables; financial income generated from the investment of available cash; and any amounts credited to the interest account by debit of the principal account.

Principal Priority of Payments During the Revolving and Amortisation Periods

Figure 3
Principal Priority of Payments

1	Sequential payment of items 1, 2 and 3 in the interest priority of payments (if not fully paid from application of the interest priority of payments)
2	During the revolving period, payment of the principal component purchase price of additional receivables
3	Class A principal payment
4	Class B principal payment
5	Class C principal payment
6	Class D principal payment

Source: Transaction documents, Fitch

Principal available funds include: principal collections; any remaining balance on the principal account from the previous payment date; and the amount credited to the PDL by debit of the interest available funds.

Revolving Period Termination Events

Following a revolving period termination event, as listed below, the purchase of additional receivables will stop and the notes will immediately start amortising.

- The payment date falling in December 2014 has elapsed.
- One of the following portfolio performance triggers is breached:
  a. The delinquency percentage exceeds 5.0% - the ratio of receivables between two and eight instalments overdue or a pending over-indebted borrower receivable to the outstanding principal of performing receivables.
  b. A purchase shortfall has occurred, ie the ratio between the outstanding principal balance of the receivables and the outstanding principal balance of the notes is less than 80.0%.
- The credit balance of the reserve account is less than the required amount after giving effect to the interest waterfall.
- A seller event of default or a servicer termination event has occurred and is not cured or remedied within the applicable cure period.
- The management company has determined that for the second consecutive payment date the class C PDL is to remain in debit on the next payment date after the application of the relevant waterfall.

In Fitch's view, the early amortisation triggers, along with eligibility criteria and available credit enhancement, adequately mitigate the risk added by the revolving period.

Accelerated Amortisation Events

Similar to the amortisation events above, the occurrence of an accelerated amortisation event also ends the revolving period. These events include a class A note interest shortfall (not remedied within three business days).

However, the occurrence of this event not only triggers the end of the revolving period (if ongoing) but also causes the priority of payments to switch to the accelerated priority of payments.

Issuer Liquidation Events

Likewise, the occurrence of an issuer liquidation event may trigger a switch to the accelerated priority of payments. These events include:

- The liquidation is in the interest of the residual unit holders and noteholders.
- The notes and the residual units issued by the compartment in respect of the issuer are held by a single holder and this holder requests the liquidation of the issuer.
- The notes and the residual units issued by the compartment are held solely by the seller and the seller requests the liquidation of the issuer.
- The outstanding balance of the performing receivables falls below 10% of the initial balance of the outstanding receivables.

Upon the occurrence of a compartment liquidation event, the management company may propose to the seller that it repurchases the remaining receivables in a single transaction at a fair market price and only if the total amount is sufficient to enable the issuer to repay the notes in full.

Accelerated Priority of Payments

After an accelerated amortisation event or an issuer liquidation event, if the management company decides to liquidate the compartment all classes of notes would become payable under an accelerated priority of payments. This is a combined and sequential priority of payments, as summarised in Figure 4.

Figure 4
Accelerated Priority of Payments

1	Senior expenses
2	Net amounts due to the senior swap counterparties (other than swap subordinated payments)
3	Interest on the class A notes
4	Class A principal payment (until redemption in full)
5	Interest on the class B notes
6	Class B principal payment (until redemption in full)
7	Interest on the class C notes
8	Class C principal payment (until redemption in full)
9	Payment of subordinated interest rate swap amounts
10	Interest on the class D notes
11	Class D principal payment (until redemption in full)
12	Payment of any fees related to the operation of the compartment
13	On the final maturity date, repayment of the reserve fund amounts to the seller
14	Excess released to the residual units holder

Source: Transaction documents, Fitch

Repurchases and Substitution

If the management company (or the seller) becomes aware that any of the representations and warranties given (or made) by the seller in relation to the compliance of any purchased receivable to the eligibility criteria were false or incorrect, the management company (or the seller) will promptly inform the other party of the non-compliance, which shall trigger a repurchase or substitution of the related receivables.

The repurchase price payable by the seller to the compartment on the following settlement date will be equal to the then-outstanding principal balance of these receivables plus any accrued and unpaid interest and any other related outstanding amounts of principal, expenses and other ancillary amounts.

Alternatively, receivables that are not compliant with the eligibility criteria can be replaced by eligible receivables if the management company decides to proceed with a substitution provided that:

- it shall not result in a reduction of the average interest rate of the pool; and
- it shall not result in an increase of the average remaining term to maturity of the pool.

In addition, the seller can repurchase the accelerated receivables (ie those declared due and payable) for a repurchase price not less than 80% of the outstanding amount principal balance of the receivable if the borrower is over-indebted, and 45% if the borrower is not over-indebted – in line with Fitch's recovery expectations. The management company can reject the repurchase offer if it considers that such a purchase would negatively affect the rating of the notes.

In addition, new receivables will be added into the compartment in the revolving period as long as the portfolio criteria are not breached.

Representations and Warranties

A full list of the representations and warranties contained in the transaction documents is available in *FCT Ginkgo Compartment Sales Finance 2013-1 – Appendix*, dated 19 December 2013 (see *Related Presale Appendix* on page 1).

Legal Opinions

Fitch has reviewed legal opinions that cover French law. These opinions support Fitch's analytical assumptions and have been factored into the credit analysis.

This gives opinions on, among other things, the enforceability of the obligations of the parties under the transaction, and that the bankruptcy remoteness is legal, valid, binding and enforceable. See Fitch's general disclaimer on legal opinions below.

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Asset Analysis

Originator Overview

CACF, formerly known as Sofinco, is the consumer finance arm of Crédit Agricole (CA, rated A/Stable/F1) and is 100% owned by CA. It is one of the largest consumer finance companies in Europe.

CACF offers a wide range of consumer loan products, together with other associated insurance products. At end-2012 it was the second-largest consumer loan finance firm in France.

Although it operates globally, CACF is based mainly in Europe, present in France, Germany, Italy, the Netherlands and Belgium, among others. Globally, it operates in 21 countries.

The company is a major international auto loan provider and has partnership agreements with some of the world's largest car makers, such as Fiat and Ford, and a recent partnership with the sixth-largest Chinese auto maker, Guangzhou Automobile Group Co Ltd. It also operates a large number of partnerships with major retailers in France, such as Decathlon and Darty.

Crédit Agricole S.A., CACF's parent company, has completed a deleveraging programme that translated at CACF level into a reduction in its outstanding loan book by EUR4.6bn between June 2011 and December 2012. This was achieved through, among other things, a tightening of CACF's underwriting criteria, the termination of partnerships and an overall decline in demand due to a gloomy macroeconomic environment.

Fitch reviewed CACF's origination and servicing processes in February 2013 at the company's offices in Evry (near Paris). In the agency's view CACF has an experienced management team and stable processes that follow market practices in origination, underwriting and servicing.

Loan Products

CACF offers a range of consumer finance products, including:

- home equipment loans: granted to finance the purchase of specific durable goods for the home, usually with a term of between three and 180 months and for a minimum loan amount of EUR150;
- recreational vehicle loans: granted for the purchase of specified large leisure items, such as boats or caravans, usually with a term of between 12 and 180 months and for a minimum loan amount of EUR1,500;
- new-vehicle loans: granted for the purchase of new vehicles, usually with a term of between 12 and 72 months (exceptionally up to 84 months) and for a minimum loan amount of EUR1,500 (exceptionally EUR200 for vehicle equipment);
- used-vehicle loans: granted for the purchase of used vehicles, usually with a term of between 12 and 72 months and for a minimum loan amount of EUR1,500 (exceptionally EUR200 for vehicle equipment).

All loans pay fixed rates and amortise monthly via direct debit.

Origination Channels

CACF originates the loan products listed above via point-of-sale credit offers. It distributes consumer durable financing (for equipment and services, including hi-fi systems, furniture, kitchens and PCs) under the Sofinco brand, via about 12,000 retailers. It uses the Viaxel brand for vehicle financing, offering car financing facilities via about 2,000 car dealers nationwide. CACF discontinued its operations under the Finaref brand in July 2013 and now operates only under the Sofinco brand.

Underwriting

Loan underwriting is subject to the company's internal scoring mechanism – used to assess the borrower – and internal and external checks of details relating to the personal information of the borrower, including:

- proof of identity;
- if the borrower is already a customer, internal records;
- if the borrower is a new customer, credit background checks (from Banque de France databases);
- if a loan application is for an auto loan, proof of the vehicle's existence and accurate purchase price;
- the customer's income (salary, social benefits) and expenses (rent, other loans and utility bills);
- the customer's most recent two pay slips (in all cases for vehicle loans and when the committed amount is above EUR3,000 for home equipment loans).

The information is collected by CACF staff.

The internal scoring system is applied to assess various underwriting criteria, such as socio-demographic information, credit information and historical/prior information on the client. The results of the scoring are then used to establish whether a loan can be underwritten, whether further background information is needed or whether the loan is refused. Manual over-ride of approvals can be done in certain cases by the relevant manager (these delegation procedures are dependent on, in particular, the financed amount, the type of good financed, or the level of household indebtedness for debt consolidation loans).

Servicing and Collections

All payments on the loans securitised under the contemplated transaction are made monthly and have been set up at inception through automatic debit of a bank account authorised by the borrower at the signature of the loan agreement. The servicing of delinquent and defaulted loans (and over-indebted loans) is carried out by specific specialised servicing centres.

There were some delays in the treatment of over-indebtedness cases up to September 2013 due to the migration of the Finaref IT platform to the Sofinco IT platform in July 2013 (after the merger of Finaref into Sofinco). Some new over-indebtedness cases were consequently not recorded in due time. CACF informed Fitch that corrective actions are under way to bring the situation up to date by end-2013. This technical issue affected two of the five CACF transactions rated by Fitch. The management company of these transactions informed Fitch that the situation will be regularised and explanatory notices will be included in the next investor reports. Fitch does not expect this technical problem to recur.

Delinquent Receivables – One to Four Instalments

For loans that have between one and four unpaid instalments, the servicing is undertaken by two specific departments:

- "Agence de recouvrement amiable Sofinco et partenaires" (MODREC), based in Lille and Toulouse, made up of 65 staff and dealing with an average of 1,300-1,400 cases per person per month;

- “Bureau de recouvrement spécialisé”, based in Lyon, made up of 20 staff and dealing with cases requiring more attention (eg larger loan amounts, recently originated loans and over-indebted loans).

These departments focus on finding a way, based on established guidelines, to recoup any unpaid amounts and return a borrower to a performing status.

Delinquent Receivables – Five to Six Instalments

The servicing of loans that have with between five and six unpaid instalments is generally transferred to the specialised “Centre National CINERIS”, which deals with pre-defaulting loans and employs a team of 13.

This department focuses on recovering the outstanding capital on the borrower’s loan and looking at alternative solutions, such as repossessing a vehicle or prepayments of amounts due.

Over-Indebted Receivables

Borrowers declared over-indebted by the French over-indebtedness (OI) commission will be serviced by the specialised “Agence nationale d’aide aux particuliers”, based in Bordeaux and employing 33 staff. Loans for which an OI procedure has been launched are managed by this dedicated entity, which, at the same time, negotiates on repayments with the French central bank and services the loans.

Defaulted Receivables

Loans that have been classified as defaulted (generally between six and eight months delinquent) are handled by one of five specialised teams, located throughout France, totalling about 200 staff. Depending on the outstanding value of the loan, the recovery method used will vary and will be handled by different teams as follows.

- For a defaulted amount of less than EUR150, a letter will be sent, followed by a call to the borrower.
- For a defaulted amount of EUR150-EUR610, the recovery will be undertaken by a specialised call centre, after which the case will be passed on to internal specialised bailiffs (who undertake amicable recovery discussions) and then finally to an external debt recovery service.
- For a defaulted amount of EUR610-EUR1,500 and for some defaulted amounts above EUR1,500, the same process as above will be applied, after which, if no agreement has been reached, the case will be handed over to bailiffs, who will carry out any possible seizures.
- For some defaulted amounts above EUR1,500 or for defaulted auto loans, the case will be handed directly to bailiffs, who will carry out any possible seizures.

After these procedures, the remaining outstanding amount will be classified as a loss. However, following a two-month delay, the processes will be reactivated.

Portfolio Summary

Fitch divided the portfolio into four sub-portfolios of receivables, which were identified as homogeneous in terms of their defaults and recoveries, as shown by historical data. These categories were as follows: home equipment loans (HE loans); recreational vehicles loans (RV loans or recreational loans); new-vehicle loans (NV loans); and used-vehicle loans (UV loans). This categorisation took into account the different underlying loan characteristics and historical performances.

Figure 5

Key Characteristics of the Final Portfolio[a]

Type of loan agreements	Number	Current balance (EUR)	Current balance (%)	Average current balance (EUR)	WA remaining term (months)	WA seasoning (months)	WA interest rate (%)
HE loans	42,434	172,527,970	26.3	4,066	93.7	23.1	7.5
RV loans	5,953	137,759,699	21.0	23,141	105.5	24.1	6.2
NV loans	13,566	145,629,476	22.2	10,735	51.4	9.8	6.2
UV loans	21,435	200,079,890	30.5	9,334	50.8	9.4	6.4
Total	**83,388**	**655,997,035**	**100.0**	**7,867**	**73.7**	**16.2**	**6.6**

[a] Portfolio breakdown as of 30 November 2013
Source: Fitch, CACF

At 30 November 2013 the final portfolio comprised 83,388 loans with an average current balance of EUR7,867, totalling EUR656m. The portfolio has a weighted-average (WA) seasoning of 16.2 months and a WA remaining term of 73.7 months. All the loans pay a fixed interest rate (the WA interest rate is 6.6%). For more details, see Figures 5-9.

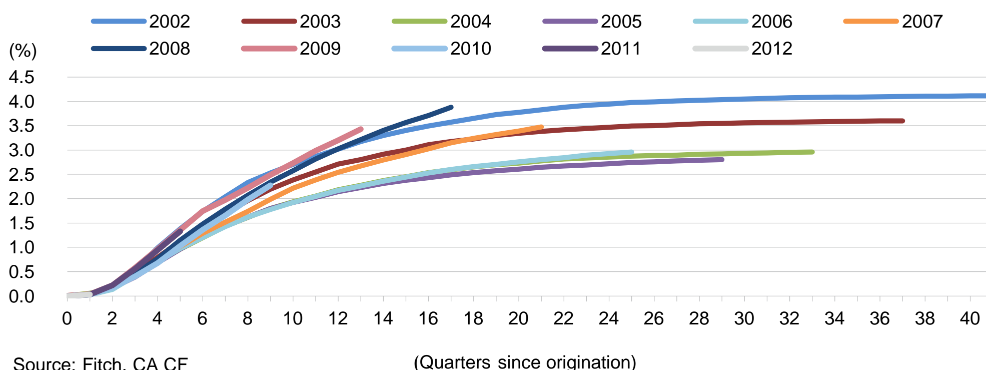
Portfolio Credit Analysis

Default Risk

Fitch reviewed separate default data (cumulative defaults per origination vintages), as well as separate OI data (cumulative OI cases per origination vintages), for each of the loan sub-pools, covering the period from at least 2004 to 2013.

Figure 6

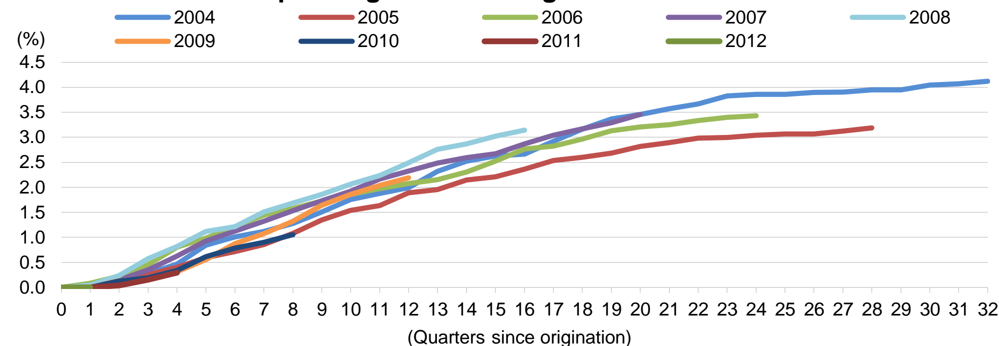
Cumulative Defaults per Origination Vintage on Home Equipment Loans



Source: Fitch, CA CF

Figure 7

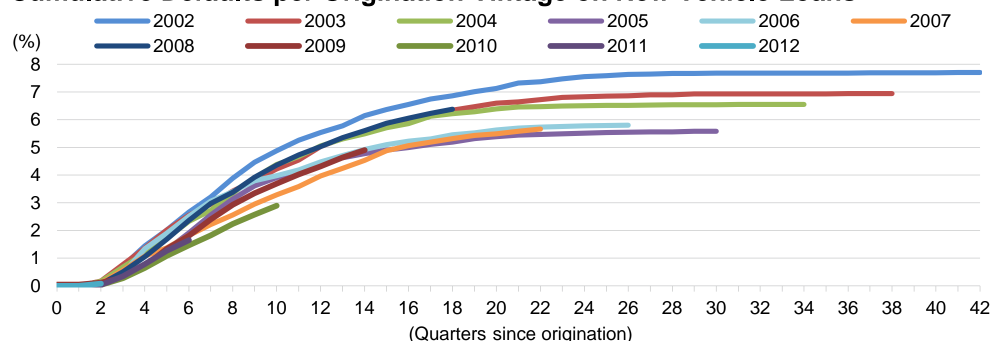
Cumulative Defaults per Origination Vintage on Recreational Vehicles Loans



Source: Fitch, CA CF

Figure 8

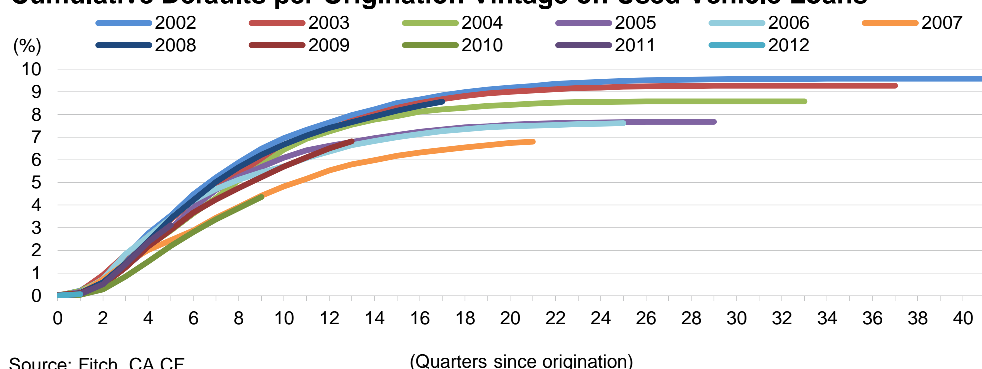
Cumulative Defaults per Origination Vintage on New Vehicle Loans



Source: Fitch, CA CF

Figure 9

Cumulative Defaults per Origination Vintage on Used Vehicle Loans



Source: Fitch, CA CF

A loan is considered as defaulted, and provisioned for at transaction level, if it has been accelerated ("déchu du terme") by the servicer, if it is eight or more monthly instalments in arrears, or if it has entered into OI proceedings (more precisely if a restructuring petition filed by a borrower with an OI committee has been upheld and the restructuring of the loan has been finalised and enacted). As a result, the base cases established by Fitch for the four sub-pools incorporate not only the default expectations of loans via the normal delinquency cycle, but also those loans that enter into these OI proceedings.

Based on the historical default data, and taking into account long-term performance cycles and Fitch's short-term macroeconomic expectations (such as unemployment rates), the agency established specific default base cases for the various sub-pools, as described below. Similarly, based on the specific sub-pool OI data, the agency also established separate OI base cases. These two separate base cases were then aggregated to determine the overall default base cases for the various sub-pools and the weighted overall default base case for the transaction.

Figure 10

Default Expectations

(%)	Default rate expectations	Over-indebtedness expectations	Total default expectations
HE	2.8	2.0	4.8
RV	3.5	1.0	4.5
NV	5.8	1.5	7.3
UV	7.0	1.8	8.8

Source: Fitch

In line with its EMEA consumer ABS criteria, Fitch has applied rating-dependent stresses to the base-case default. The agency applied multiple stresses to the default base case at the low to median level (4.5x at 'AAAsf', 3.6x at 'AAsf' and 2.7x at 'Asf'), taking into account the quality of the data used to derive the base-case figures, and the fact the default base case incorporates

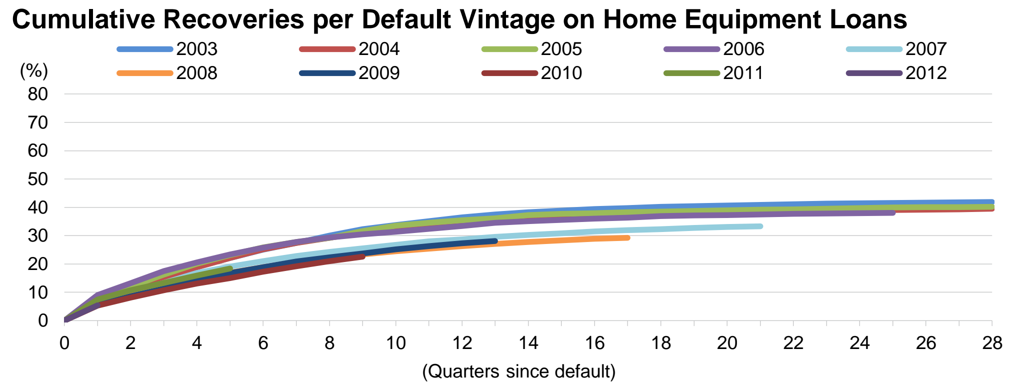
elements of economic stress (capturing a period of significant rise in unemployment) and the 12-month revolving period.

Recoveries

Fitch established recovery base cases for each type of default, based on the analysis of separate historical vintage recovery rates (cumulative recovery rates following default and following over-indebtedness) and taking into account macroeconomic stresses and performance cycles. For recoveries following OI, Fitch received amalgamated data for all product types originated by CACF (ie, personal loans, debt consolidation loans, home equipment loans, new, used or recreational vehicles loans). For recoveries following defaults, the agency received combined historical data for recreational vehicles, new vehicles and used vehicles loans, and a separate set of recovery data for home equipment loans.

Figure 11

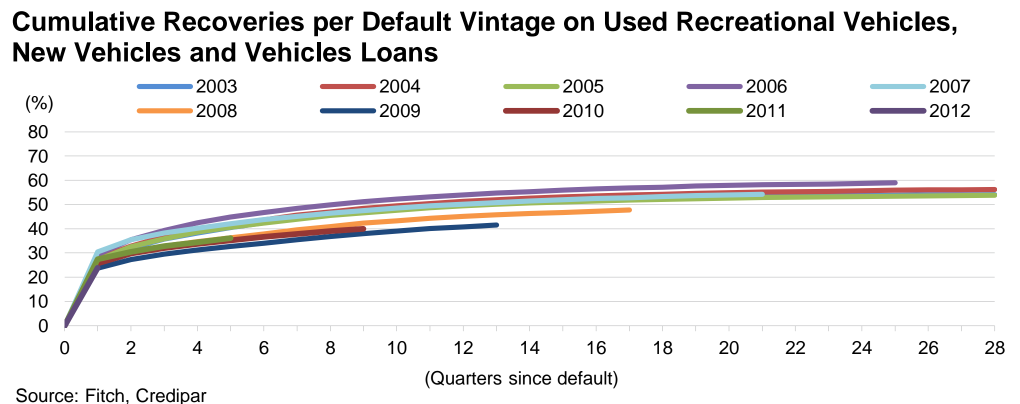
Cumulative Recoveries per Default Vintage on Home Equipment Loans



Source: Fitch, Credipar

Figure 12

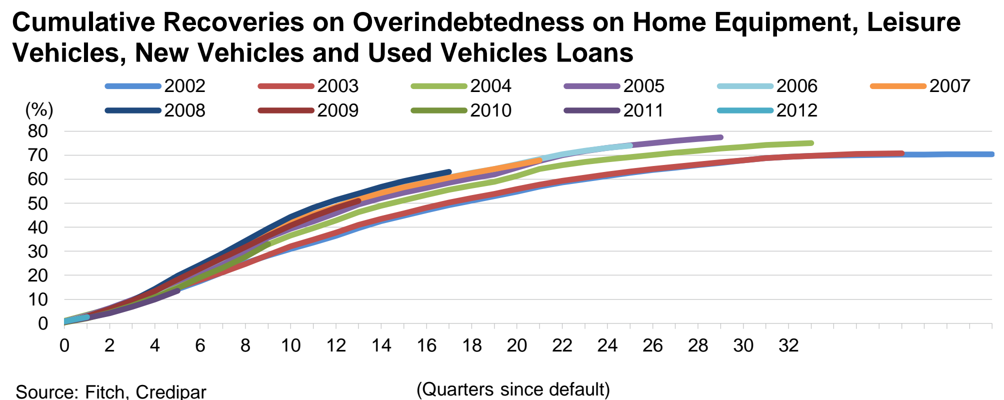
Cumulative Recoveries per Default Vintage on Used Recreational Vehicles, New Vehicles and Vehicles Loans



Source: Fitch, Credipar

Figure 13

Cumulative Recoveries on Overindebtedness on Home Equipment, Leisure Vehicles, New Vehicles and Used Vehicles Loans



Source: Fitch, Credipar

Figure 14

Recovery Expectations

(%)	Recovery rate expectations following default rate expectations	Recovery rate expectations following OI expectations	Aggregate recovery expectations
HE	30.0	60.0	42.5
RV	45.0	60.0	48.3
NV	45.0	60.0	48.1
UV	45.0	60.0	48.1

Source: Fitch

Fitch has applied rating-dependent stresses to the base-case recovery levels In line with its EMEA consumer ABS criteria. The agency applied a median recovery stress haircut at each rating level (eg 50% at 'AAAsf', 40.0% at 'AAsf' and 33.3% at 'A+sf'), taking into account the quality of the data used to derive the base cases, the setting of the base case relative to the historical data and, in particular, the fact that the recovery base case incorporates elements of economic stress (eg capturing a period of high unemployment).

Revolving Period and Worst-Case Portfolio

The transaction has a maximum 12-month revolving period, which would stop under certain conditions (see the amortisation events described in *Priority of Payments* above).

Figure 15

Portfolio Replenishment Criteria

	Replenishment criteria	Pool as of end-November 2013
HE + LV	≥45.0	47.3
UV	≤35.0	30.5
WA interest rate (%)	≥6.0	6.6

Source: Transaction documents, Fitch

Fitch considers that the amortisation events should prevent any significant shift of portfolio quality as a result of the revolving feature. In addition, as a principal deficiency shortfall would trigger the end of the revolving period, the credit-enhancement available to the notes will not be eroded during the revolving period. Furthermore, the agency considers that the applicable individual eligibility and portfolio replenishment criteria (see *Eligibility Criteria* and Figure 15 above) provide limited room for the portfolio to deteriorate substantially.

The agency determined a worst-case portfolio, ie an achievable portfolio in terms of composition (in light of the portfolio replenishment criteria described in Figure 15, which apply at closing and during the revolving period) built on the view of maximising the overall portfolio expected loss. This worst-case portfolio is 45% composed of home equipment loans, 20% of new vehicle loans and 35% of used vehicle loans.

Figure 16

Expectations

(%)	Total default rate expectations	Total recovery rate expectations	Loss rate expectations
HE	4.8	42.5	2.8
RV	4.5	48.3	2.3
NV	7.3	48.1	3.8
UV	8.8	48.1	4.6
"Worst Case" pool	**6.7**	**46.3**	**3.6**

Source: Fitch

Figure 17

Stressed Assumptions for the "Worst Case" Pool

(%)	Rating default rate	Rating recovery rate	Rating loss rate
AAA	30.2	23.1	23.2
AA	24.1	27.8	17.4
A+	20.1	30.9	13.9
Base case	**6.7**	**46.3**	**3.6**

Source: Fitch

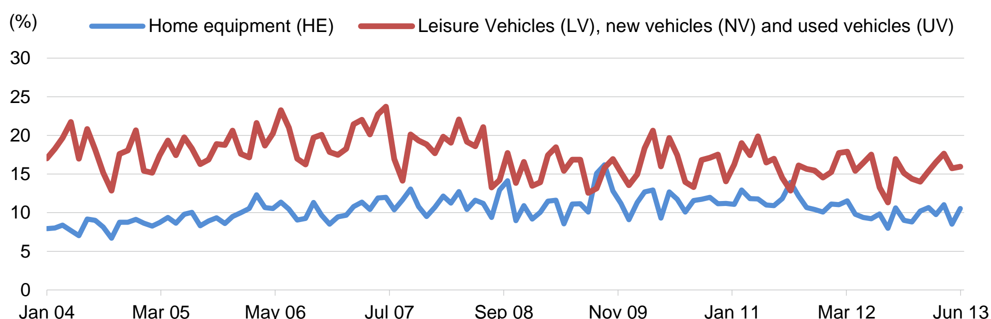
Prepayment Risk

The transaction is exposed to prepayment risk on the basis that the asset pool generates positive excess spread (WA yield of about 6.6% at closing), which would be reduced if average coupon compression on prepayments is assumed. Fitch also tested the resilience of the structure to different prepayment assumptions (low and high), with the prepayment assumption the main driver of the speed of deleveraging for the notes. For more details, see *Financial Structure and Cash Flow Analysis* below.

Fitch reviewed historical dynamic prepayment data (monthly data available from January 2004 to June 2013).

Figure 18

Monthly Annualised Dynamic Prepayments



Source: Fitch, CA CF

Fitch assumed a base-case constant prepayment rate (CPR) of 13%, leading to the overall high and low prepayment assumptions provided in Figure 19, which were tested by the agency.

Figure 19

Prepayment Rate Assumptions

(%)	Base case	A+sf	AAsf	AAAsf
High	13.0	16.9	18.2	19.5
Low	5.0	5.0	5.0	5.0

Source: Fitch

Asset Outlook

Fitch has a stable to declining asset outlook for French consumer ABS assets. Although the agency forecasts French economic activity to remain weak over the next two years, characterised by high unemployment, Fitch believes defaults are likely to remain within base-case expectations, as they already incorporate Fitch's short-term macroeconomic expectations. This also led the agency not to apply default multiples at the higher end.

Financial Structure and Cash Flow Modelling

Fitch used its proprietary cash flow model to test the ability of the asset pool to make interest and principal payments due under the rated notes. It modelled the static asset pool, taking into account the scheduled amortisation profile, and the stressed default, recovery and prepayment assumptions.

The liability structure was configured to reflect the transaction structure, specifically in relation to the capital structure and priority of payments. Fitch modelled a standard stressed servicing fee assumption of 1.0% at 'AAAsf', 0.9% at 'AAsf' and 0.8% at 'A+sf'.

The model used a default definition of eight-month delinquency, in line with the transaction default definition.

In view of the relatively high underlying yield on the receivables, excess spread can contribute to covering a certain proportion of the defaulted loans, even in high rating scenarios. However, Fitch's cash flow modelling gave limited credit to excess spread, due to the WA coupon compression assumptions (whereby the available coupon earned on the asset balance is stressed with a 50% compression for defaulted loans and a 25% compression for prepaying loans). This was combined with a high prepayment scenario and the high levels of assumed defaults.

Fitch also modelled the normal priority of payments, leading to some excess spread being released, rather than trapped by the structure at the start of the life of the transaction – while the yield is at its highest, most defaulted (or over-indebted) loans are not yet provisioned for, due to the actual timing of their arrival. This is driven, in particular, by the time of migration to defaulted status.

In light of available static historical default data, Fitch tested the resilience of the structure to different default timing assumptions – front-, even- and back-loaded. The agency modelled the timing of recovery after default and after OI, based on the historical recovery data received.

Due to the interest-rate swap arrangement – where the swap counterparty pays one-month Euribor on the class A and B notes outstanding – the issuer is not sensitive to the interest-rate environment. Fitch has modelled high and low interest-rate scenarios. According to Fitch's modelling results, sufficient cash flows will be generated in the relevant rating scenario to make timely payment of interest and payment of principal to the class A, class B and class C notes by the final maturity date, in accordance with the transaction documents.

Rating Sensitivity[1]

This section of the report provides a greater insight into the model-implied sensitivities the transaction faces when one risk factor is stressed, while holding others equal. The modelling process first uses the estimation and stress of base-case assumptions to reflect asset performance in a stressed environment. Second, the structural protection was analysed in a customised proprietary cash flow model (see *Financial Structure and Cash Flow Modelling* above). The results below should only be considered as one potential outcome, as the transaction is exposed to multiple risk factors that are all dynamic variables.

Rating Sensitivity to Default and Recovery Rates

The change in rating (ie, ratings migration) if the base-case joint probability of default for each loan is increased by a relative amount is demonstrated below. For example, increasing the base-case default by 50% may result in a four-notch downgrade of the class A notes, from 'AAAsf' to 'A+sf'.

[1] These sensitivities only describe the model-implied impact of a change in one of the input variables. This is designed to provide information about the sensitivity of the rating to model assumptions. It should not be used as an indicator of possible future performance

Rating Sensitivity to Increased Defaults

	Class A	Class B	Class C
Original rating	AAA	AA	A+
Increase base case by 10%	AA+sf	AA-sf	Asf
Increase base case by 25%	AAsf	A+sf	A−sf
Increase base case by 50%	AA-sf	A−sf	BBB+sf

Source: Fitch

The change in rating if the base-case recovery rates are adjusted is demonstrated in the Rating Sensitivity to Reduced Recovery Rates table.

Rating Sensitivity to Decreased Recoveries

	Class A	Class B	Class C
Original rating	AAA	AA	A+
Reduce base case by 10%	AA+sf	AAsf	A+sf
Reduce base case by 25%	AA+sf	AA−sf	Asf
Reduce base case by 50%	AA+sf	A+sf	Asf

Source: Fitch

Rating Sensitivity to Shifts in Multiple Factors

The Rating Sensitivity to Increased Default and Reduced Recovery Rates table summarises the rating sensitivity to stressing multiple factors concurrently. Three scenarios are evaluated to demonstrate the sensitivity of the rating to varying degrees of stress: mild, moderate and severe changes to the expected level of defaults and recoveries.

Rating Sensitivity to Increased Defaults and Decreased Recoveries

	Class A	Class B	Class C
Original rating	AAA	AA	A+
Increase defaults by 10% and reduce recoveries by 10%	AA+sf	AAs-f	Asf
Increase defaults by 25% and reduce recoveries by 25%	AAsf	Asf	BBB+sf
Increase defaults by 50% and reduce recoveries by 50%	Asf	BBB+sf	BBB-sf

Source: Fitch

Criteria Application, Model and Data Adequacy

Criteria Application

Due to the nature of the underlying receivables, which are highly granular and homogeneous in their default risk, the transaction was analysed primarily using *EMEA Consumer ABS Rating Criteria,* published in July 2013 and available at www.fitchratings.com.

Model

In accordance with *EMEA Consumer ABS Rating Criteria* the transaction cash flows were modelled under different asset performance stress assumptions, taking into account the deal structure, as outlined in this report (see *Financial Structure and Cash Flow Modelling* above).

Data Adequacy

The originator provided Fitch with portfolio stratification data covering various parameters, including current and original loan balances, original and remaining terms to maturity, seasoning, geographical distribution, yield and origination breakdown, and split by loan type.

Fitch was also provided with: monthly origination volumes; dynamic delinquency data; prepayment data; and data on cumulative defaults, OI and recoveries (following default or following enactment of the restructuring plan by the French OI commission) from at least 2004 to 2013, split by different sub-pools when possible.

Fitch considered the data received sufficient for the application of the above criteria. Origination volumes have been relatively stable. The period considered (2004-2013) covers an entire

economic cycle in France. In particular, the default, OI and recovery data incorporate elements of economic stress, including the steady increase in unemployment in France in 2008 and 2009.

Fitch also reviewed the agreed-upon procedures (AUP) report regarding the data provided by the arranger for the previous securitisation deal (FCT Ginkgo Compartment Consumer Loans 2013-1), which included the same products. Fitch believes that the sample size, relevance of the tested fields, and the lack of material error findings suggest the originator provided an acceptable quality of data. As a result, Fitch made no adjustments to its analysis regarding the data provided. For more detail regarding Fitch's review of the origination process, see *Asset Analysis* above.

Counterparty Risk

Servicing

No back-up servicer was appointed at closing of the transaction. Nevertheless, a number of operational and structural features mitigate servicing discontinuity risk.

Upon the occurrence of a servicer event of default (SED, which includes the insolvency of the servicer), the management company will be entitled to identify a new servicer and negotiate a replacement servicing agreement with the new servicer. Following the termination of the appointment of the servicer, or upon the occurrence of the SED in case of the insolvency of the servicer, the management company will notify the debtors of the assignment of the relevant receivables to the issuer and instruct them to pay into an account specified by it.

Notification of borrowers will be made possible by the mechanism under which the seller delivers each month to the management company an encrypted data file containing the debtors' information (in compliance with the applicable confidentiality and data protection laws). This data can be decrypted through the delivery of a decryption key by the custodian upon the occurrence of a SED. The servicer will also have to transfer to the new servicer all necessary information in order to effectively transfer the servicing functions.

Fitch's view is that the management of loan data and information – together with the operational steps at transaction level and the defined responsibility of the management company to find a replacement servicer – should reduce the servicing transfer time. The structure also provides several mitigating factors regarding liquidity and commingling risk, which are described in *Commingling* and *Liquidity* below.

In Fitch's opinion, the different arrangements adequately mitigate the servicing continuity risk, in accordance with *Criteria for Servicing Continuity Risk in Structured Finance*, dated 26 July 2013.

Account Bank

CACF acts as the compartment account bank. The compartment bank accounts include: the general collection account, the principal account, the interest account, the reserve account and the commingling reserve account.

The replacement language relating to the account bank is in line with Fitch's criteria, with the short-term unsecured, unsubordinated, unguaranteed debt obligations of that bank rated at least 'F1' by Fitch and the long-term unsecured, unsubordinated, unguaranteed debt obligations rated at least 'A' by Fitch.

In Fitch's opinion, this arrangement adequately mitigates the counterparty risk related to the account bank, in accordance with *Counterparty Criteria for Structured Finance and Covered Bonds*, dated 13 May 2013.

Commingling

All the payments made on the receivables are credited to the servicer accounts and transferred on each monthly payment date to the issuer accounts. Upon termination of the appointment of the servicer, or upon the occurrence of the SED in case of the insolvency of the servicer, the management company will instruct the debtors to pay into the issuer account.

A commingling reserve was established on the closing date to mitigate the commingling risk regarding the amounts that were on the servicer account but had not been credited to the issuer account before an insolvency of the servicer, and regarding the payments that would go to the servicer accounts between the insolvency of the servicer and the effective notification of all borrowers. The reserve was credited with an amount, adjusted monthly, that should be sufficient to cover about a month and a half of scheduled payments and prepayment amounts as long as the servicer is rated at least 'A'/'F1' and about two months of scheduled payments and prepayments otherwise. The available credit enhancement can also be used to cover any commingling losses if the commingling reserve would not be sufficient.

Fitch expects the notification period to be relatively short because of the involvement of the management company (independent from the servicer) in the process and the availability of borrower information (in an encrypted format). In light of this and the commingling reserve, Fitch considers commingling risk adequately mitigated, in accordance with *Counterparty Criteria for Structured Finance and Covered Bonds*.

Liquidity

The risk of liquidity outage in case of servicing disruption will first be mitigated by the availability of the reserve fund, which is for liquidity purposes. At any time, it will be sufficient to cover several months of senior fees and interest on the class A notes under a 'AAAsf' scenario, as well as interest on the class B notes under a 'AAsf' scenario and interest on the class C notes under a 'A+sf' scenario.

Furthermore, the amounts available in the commingling reserve that can be drawn to compensate for any instalments not credited to the issuer (see *Commingling* above) would be available to provide liquidity support if needed.

Fitch considers liquidity risk adequately mitigated, in accordance with *Counterparty Criteria for Structured Finance and Covered Bonds*.

Set-Off

Due to the originator/seller's position as a special lender, no borrower holds a current account with the originator. Therefore, deposit-related set-off risk does not exist. Furthermore, Fitch considers it very unlikely that any material insurance set-off risk will arise during the transaction term because: CACF and the insurance companies are legally different entities; and the insurance premiums are paid monthly (along with the instalment) without any upfront payment of premium, and directly transferred to the bank account of the insurance company without being debited into the issuer's bank account. At the transfer date of the receivables the eligibility criteria exclude borrowers that can bring a claim against the seller for the payment of any receivable.

Performance Analytics

Throughout the life of the transaction, Fitch will monitor the performance of the collateral and any changes at the servicer, or with the structure, that may influence the ratings of the notes.

Fitch will receive monthly servicer reports detailing the performance of the portfolio. These will provide the basis for the agency's surveillance of the performance of the transaction against both base-case expectations and the performance of the industry as a whole. Fitch expects the investor report to contain all relevant information based on the monthly reporting of the

previous transactions of the servicer, which has received the top grade – five stars – under issuer report grading standards.

The ratings on the notes issued under the FCT Ginkgo Compartment Sales Finance 2013-1 transaction will be reviewed by a committee at least once every 12 months, or where considered appropriate (eg if there is a deterioration in performance, an industry-wide development, or a change at CACF that may influence the transaction) with any affirmation or change in the ratings disseminated publicly.

Fitch’s quantitative analysis will focus on monitoring the key performance parameters (delinquencies, defaults, recoveries and prepayments) against the base-case assumptions.

The agency’s Structured Finance Performance Analytics team ensures that the assigned ratings remain, in the agency’s view, an appropriate reflection of the issued notes’ credit risk. Details of the transaction’s performance are available to subscribers at www.fitchratings.com.

Appendix A: The Over-Indebtedness Procedure in France

The legal framework that regulates OI cases in France – known as the Neiertz Law – has been modified several times since its inception on 31 December 1989. The latest amendments, the Lagarde Law in 2010, were primarily geared towards the increased protection of individuals and the acceleration of the overall process.

Over-indebted borrowers are individuals who, despite efforts to repay their loan and debt instalments on a long-term basis, are no longer able to do so. OI commissions are public commissions, managed by the Banque de France. A borrower can freely submit a file to an OI commission, which will examine it and determine whether or not the borrower is in an OI situation. When such situations are identified, the commission will try to find a solution by promoting an "amicable" agreement between the over-indebted individual and their creditors.

If the debtor and creditors are able to reach an agreement, the commission will put forward a conventional recovery plan. When no agreement can be reached, the borrower may demand that the commission implement forced or recommended measures. If the borrower does not request such measures, the file is closed and creditors can resume the recovery process.

Since August 2003 the Borloo Law has offered a new option for resolving cases to OI commissions. If a borrower is in an irremediably jeopardised situation, the case may be referred to an execution judge for a personal re-establishment application; this is comparable to a bankruptcy procedure for a corporate entity and can be implemented with or without a liquidation of assets (depending on whether such assets exist and can be liquidated to repay the debt).

For more details on OI procedures and trends in France, see Fitch's Special Report, *Consumer Over-Indebtedness in France on the Rise*, dated 8 June 2012.

Appendix B: Transaction Comparison

Figure 20

Transaction Comparison

Overview of CACF latest consumer loans transactions and other similar transactions

Issuer	FCT Ginkgo Compartment Sales Finance 2013-1	FCT Ginkgo Compartment Consumer Loans 2013-1	FCT Ginkgo Compartment Personal Loans 2013-1	FCT Ginkgo Compartment Sales Finance 2012-1	Red & Black Auto France 2012
Country of assets	France	France	France	France	France
Originator	CACF	CACF	CACF	CACF	Compagnie Générale de Location d'Equipements
Closing date/rating assignment date	December 2013	September 2013	May 2013	July 2012	July 2012
Notes as of closing					
Issuance volume (EURm)	656	695.6	900.0	800.0	631.0
Class	A	A	A	A	A
Rating	AAAsf	AAAsf	AAAsf	AAAsf	AAAsf
Amount (EURm)	500.0	450.0	577.8	613.6	500.0
Credit enhancement (%)	25.3	37.3	37.3	24.8	21.5
Class	B	B	B	B	B
Rating	AAsf	AAsf	AAsf	AAsf	NR
Amount (EURm)	40.0	52.2	82.8	46.4	131.0
Credit enhancement (%)	19.2	29.8	28.1	19.0	n.a.
Class	C	C	C		
Rating	A+sf	Asf	Asf		
Amount (EURm)	30.1	54.9	76.5		
Credit enhancement (%)	14.6	21.9	19.6		
Portfolio summary as of closing/provisional pool					
Type	Revolving	Revolving	Static	Static	Static
Total receivables principal amount (EURm)	656.0	712.2	900.0	800.0	625.7
Number of receivables	83,388	100,968	106,822	125,767	101,974
WA remaining term (months)	74	61	52	69	43
WA seasoning (months)	16	15	16	29	17
WA interest rate (%)	6.6	6.9	7.1	7.5	8.1
Portfolio composition (as of closing) (%)					
Home equipment	26	12	-	33	-
Recreational vehicles	21	11	-	21	-
New vehicles	22	10	-	20	43.9
Used vehicles	31	15	-	26	56.1
Personal loans	-	36	66	-	-
Debt-consolidation loans	-	15	34	-	-
AAAsf rating scenario assumptions					
Probability of default	30.2	42.5	42.7	28.4	26.5
Recovery rate	23.1	21.9	20.2	23.6	31.9
Loss rate	23.2	33.2	34.0	21.7	18.0
AAsf rating scenario assumptions					
Probability of default	24.1	34.0	34.1	22.7	-
Recovery rate	27.8	26.3	24.3	28.3	-
Loss rate	17.4	25.1	25.8	16.3	-
A+sf rating scenario assumptions					
Probability of default	20.1	25.5	25.6	-	-
Recovery rate	30.9	30.7	28.3	-	-
Loss rate	13.9	17.7	18.3	-	-
Base-case assumptions					
Probability of default	6.7	9.7	10.7	6.3	5.9
Recovery rate	46.3	43.9	40.5	47.2	58.0
Loss rate	3.6	5.4	6.4	3.3	2.5

Source: Fitch, CACF

Appendix C: Transaction Overview

FCT Ginkgo Compartment Sales Finance 2013-1 — France/ABS

Figure 21
Capital Structure

Class	Ratings	Rating outlook	Size (%)	Size (EURm)	CE (%)	PMT freq.	Final maturity	TT (%)	TTLM
A	AAAsf	Stable	76.2	500.0	25.3	Monthly	December 2040	76.2	21.2
B	AAsf	Stable	6.1	40.0	19.2	Monthly	December 2040	6.1	1.7
C	A+sf	Stable	4.6	30.1	14.6	Monthly	December 2040	4.6	1.3
D	NRsf	n.a.	13.1	85.9	1.5	Monthly	December 2040	n.a.	n.a.
Total				**656.0**					
Reserve fund			**1.5% of initial notes balance**						

Source: Fitch

Key Information

Details		Parties	
Closing date	19 December 2013	**Seller/originator**	Crédit Agricole Consumer Finance
Country of assets and type	French consumer loans	**Servicer**	Crédit Agricole Consumer Finance
Country of SPV	France	**Account bank**	Crédit Agricole Consumer Finance
Analyst	Damien Zarowsky	**Management company**	Eurotitrisation
	+33 1 4429 9139	**Custodian**	Crédit Agricole Consumer Finance
	damien.zarowsky@fitchratings.com		

Source: Fitch

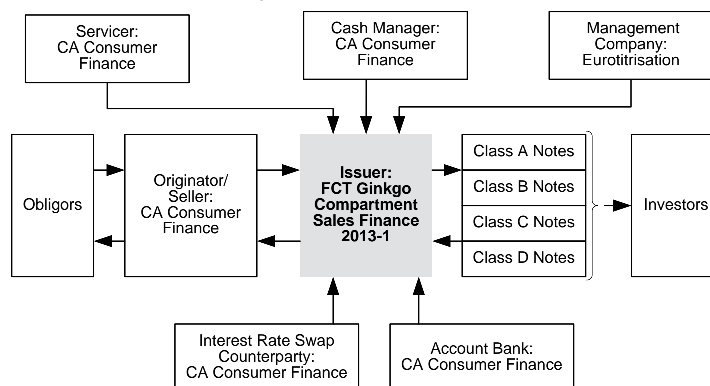
Summary

Key rating drivers

- **Underlying Receivables Credit Risk:** Fitch Ratings analysed obligor credit risk by forming base-case default expectations (6.7%) and recovery assumptions (46%), stressing these assumptions according to the rating level of each of note. The agency reviewed separate default and recovery data, and assigned distinct base-case default and recovery assumptions for home equipment, recreational vehicle, new vehicle and used vehicle loans.
- **Revolving Period Risk Mitigated:** The transaction has a maximum 12-month revolving period. The early amortisation triggers, along with eligibility criteria and available credit enhancement, adequately mitigate the risk added by the revolving period. In any case, Fitch has analysed potential pool mix shifts during this period and modelled a worst-case portfolio.
- **Servicing Continuity Risk:** CACF is the servicer. No back-up servicer will be appointed at closing. However, servicing continuity risks are mitigated by, among other things, monthly transfer of borrowers' details, a commingling reserve and a reserve fund to cover liquidity shortfalls.
- **Asset Outlook:** Fitch has a stable to declining asset outlook for French consumer ABS assets. Although the agency forecasts French economic activity to remain weak over the next two years, characterised by high unemployment, Fitch believes defaults are likely to remain within base-case expectations, as these already incorporate Fitch's short-term macroeconomic expectations.

Source: Fitch

Simplified Structure Diagram



Source: Transaction documents, Fitch

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

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