S&P Global Ratings

Research

New Issue: Globaldrive Auto Receivables 2024-A B.V.

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New Issue: Globaldrive Auto Receivables 2024-A B.V.

Ratings Detail

Ratings

Class	Rating*	Amount (mil. €)	Subordination (%)	Cash reserve (%)	Available credit enhancement (%)§	Interest	Legal final maturity
A	AAA (sf)	350.0	7.48	0.96	8.44	One-month EURIBOR plus 0.43% with a 0.0% floor	June 2032
B	AA (sf)	13.0	4.05	0.96	5.01	One-month EURIBOR plus 0.85% with a 0.0% floor	June 2032
C	NR	15.308	0.00	N/A	N/A	6.00% fixed rate	June 2032

Note: *Our ratings address timely payment of interest and ultimate payment of principal. §Available credit enhancement is expressed as a percentage of the discounted principal pool balance and consists of subordination and a nonamortizing liquidity reserve that is ultimately available to mitigate potential principal shortfalls. NR--Not rated. N/A--Not applicable. EURIBOR -- Euro Interbank Offered Rate.

Supporting ratings

Institution/role	Ratings	Replacement trigger	Collateral posting trigger
BNP Paribas S.A. Niederlassung Deutschland as the transaction accounts provider*	A+/Stable/A-1	A/A-1 or A+	N/A
BNP Paribas S.A.	A+/Stable/A-1	A/A-1 or A+	N/A
Bank of America Europe DAC as interest rate swap counterparty*	A+/ A-1§	A-	A-

*Based on the ratings on the parent company, BNP Paribas S.A. §Resolution counterparty rating. N/A--Not applicable.

Transaction Summary

S&P Global Ratings assigned its credit ratings to Globaldrive Auto Receivables 2024-A B.V.'s asset-backed floating-rate class A and B notes. At closing, Globaldrive 2024-A also issued unrated class C notes. Our ratings address timely payment of interest and ultimate payment of principal on the class A and B notes.

Globaldrive 2024-A's notes securitize a portfolio of German auto loan receivables, which Ford Bank GmbH (FBG) originated to its mostly private and commercial retail customer base to finance new, used, and ex-demo cars. The loan receivables arise from fixed-rate, amortizing loan contracts, paying monthly, with 87.13% of the pool comprising a final larger balloon payment.

The transaction is static (it has no replenishment period), and the notes started to amortize immediately after closing. It uses separate interest and principal priority of payments. The interest waterfall features a principal deficiency ledger (PDL) mechanism, by which the issuer can use excess spread to cure principal losses.

At closing, a liquidity reserve was funded through a subordinated loan. The reserve is available to cure any shortfalls

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on the senior fees, expenses, interest on the class A and B notes, senior payments to the swap counterparty, and ultimately to repay the notes, if needed.

A combination of subordination, a nonamortizing cash reserve, and excess spread provides credit enhancement to the rated notes.

A fixed-to-floating interest rate swap agreement with a suitable counterparty, in line with our counterparty criteria, mitigates the risk of potential interest rate mismatches between the fixed-rate assets and floating-rate liabilities.

The seller did not fund a commingling reserve at closing. We have sized the exposure to this risk and accounted for it as a loss in our cash flow model. We also sized and considered employee setoff risk as a loss, whereas we deem deposit and insurance setoff risks to be minimal.

Our structured finance sovereign risk criteria and operational risk criteria do not constrain the ratings.

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The credit story

Strengths	Concerns and mitigating factors
In our view, FBG and its parent company FCE Bank PLC are experienced and established originators and servicers in the European securitization market. Globaldrive 2024-A is the bank's 31st European rated ABS transaction. The previous transactions have performed in line with our expectations.	About 87.13% of the portfolio's discounted principal balance relates to balloon loans, which could increase default risk if the car's market value declines significantly. Although a buy-back agreement with dealers generally hedges against the risk, we assume a large share of the dealers become insolvent in our rating scenarios. In such circumstances, borrowers would face a payment shock and borrower default risk would increase, resulting in additional balloon losses in our analysis.
The portfolio is highly granular and well diversified across Germany's federal states. As of the end of June 2024 (the pool cut-off date), the largest single obligor represented about 0.15%, and the top 20 obligors comprised 1.11% of the pool's discounted principal balance.	Commingling risk arises because collections from the assets are channeled via FBG's accounts. The servicer has to deposit these collections into the issuer's distribution account within two business days which mitigates the accumulation part of the commingling risk. Deutsche Trustee Company Ltd., as the security trustee, will notify, on the issuer's behalf, the borrowers to redirect their payments if the servicer becomes insolvent. We consider that the security trustee will take at least one third of a month to notify the borrowers. Since the issuance of Globaldrive Auto Receivables 2019-A B.V., these transactions have not had commingling reserves in place. We have therefore modeled commingling risk as a loss in our cash flows (see "Commingling risk").
As of the end of June 2024 cut-off date, the portfolio did not contain any contracts that are overdue for more than 30 days or defaulted, as per the eligibility criteria.	
The notes amortize in strictly sequential order.	
The structure benefits from a nonamortizing cash reserve, which was fully funded at closing by the seller and represents 1.0% of the class A and B notes' aggregate principal outstanding balance (0.96% of the portfolio principal discounted balance) and amounting to about €3.63 million. The reserve serves primarily as liquidity support for the rated notes but would ultimately be available to repay the notes, if needed.	
The transaction does not revolve, so the pool's credit quality will not change through asset substitution.	

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Asset Description

As of the end of June 2024 cut-off date, the collateral pool backing the notes comprised 18,557 loans, with a total discounted principal balance of about €378.3 million.

Table 1

Collateral key features*

	Globaldrive 2024-A B.V.	Globaldrive 2023-A B.V.	Globaldrive 2021-A B.V.
Pool cut-off date	June 30, 2024	June 30, 2023	Feb. 28, 2021
Principal outstanding of the pool (mil. €)	378.3	440	546.5
Average remaining loan principal balance (€)	20,386	19,665	19,872
Number of loans	18,557	22,375	27,501
WA original term (months)	47.6	45.5	45.1
WA seasoning (months)	12.3	13.0	6.6
WA remaining term (months)	35.3	32.5	38.5
Minimum discount rate/WA discount rate	5.8/6.0	6.0	3.25
Top 1 borrower concentration (%)	0.15	0.11	0.08
Top 20 borrower concentration (%)	1.11	0.73	0.58
Top 3 geographic concentration (%)	32.12 (NRW); 12.33 (BW); 11.48 (Bayern)	33.12 (NRW); 12.51 (BW); 10.18 (Bayern)	31.38 (NRW); 13.26 (BW); 10.45 (Bayern)
Manufacturer concentration	100.0 (Ford)	99.99 (Ford); 0.01 (other)	99.98 (Ford); 0.02 (other)
Loan type (%)			
Amortizing	12.87	10.48	7.04
Standard with balloon	19.61	15.22	5.84
Balloon (TCM)	67.51	74.3	87.11
Vehicle type (%)			
New	82.37	92.94	90.74
Ex-demo (treated as used)	12.46	3.66	7.47
Used	5.17	3.4	1.78
Customer type (%)			
Private	84.32	87.49	90.51
Commercial	15.68	12.51	9.49
Engine type (%)			
Petrol	22.66	23.9	51.68
Diesel	34.21	27.54	31.73
Others (plug-ins, hybrids, etc.)	43.13 (1.74 EV, 31.33 hybrid, 10.06 plug-in hybrid)	48.56 (2.84 EV, 26.78 hybrid, 18.94 plug-in hybrid)	16.59

*Calculations are according to S&P Global Ratings' methodology and based on the outstanding discounted principal balance. WA--Weighted average. NRW--North Rhine-Westphalia. BW--Baden-Wuerttemberg. TCM--Trade cycle management. PHEV--Plug-in hybrid electric vehicle. BEV--Battery electric vehicle.

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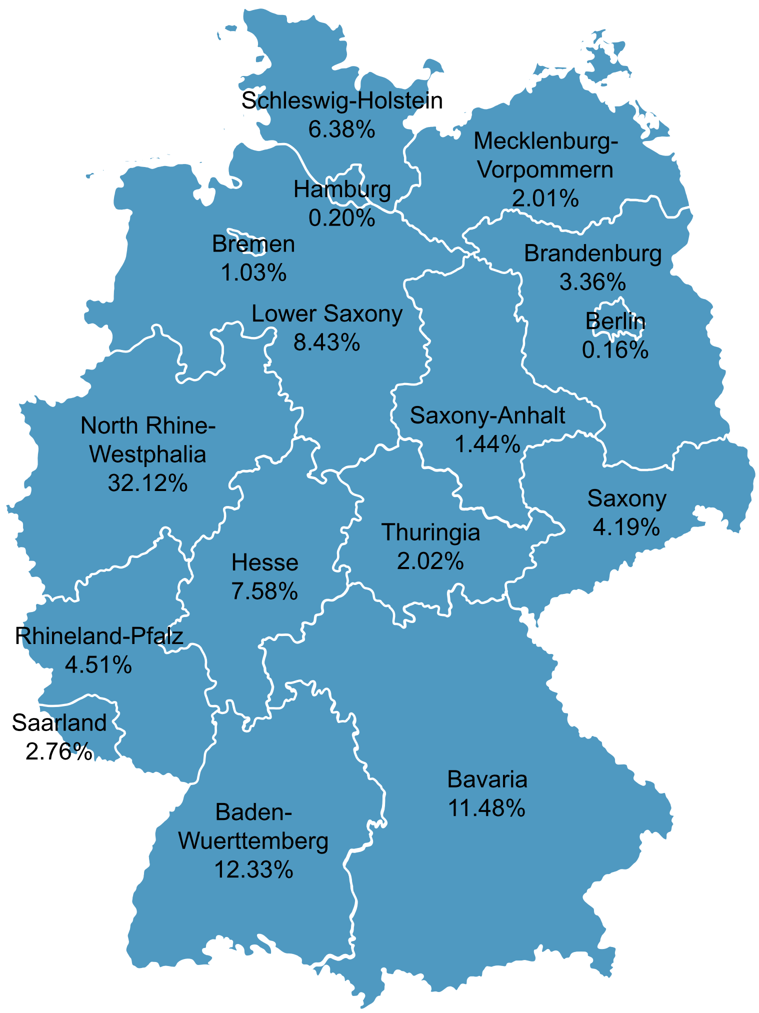
Chart 1

Geographic distribution



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Eligibility criteria

The transaction documents set out the eligibility criteria for receivables in the pool. Simplified, these state that:

- The receivable must be payable in euros;
- The receivable must have a positive net present value;
- The related loan agreement must have been entered into to finance the purchase of a new, ex-demo, or used car or light commercial vehicle;
- The borrower must have made at least one full payment under the loan agreement;
- No amount (greater than €1) is more than 30 days overdue under the loan agreement;

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- The number of monthly payments remaining must not exceed 71;
- The receivable arises from a loan agreement that has been entered into with a borrower who was domiciled in Germany at the point of sale; and
- The receivable arises from a loan agreement for the repayment of a loan which bears interest at a fixed rate.

Product types

The portfolio comprises two main types of auto loan contracts:

- Standard loans, which generally amortize with equal installments over the contract's life (with about half of them having a final balloon payment) and have a term between six and 72 months.
- Trade cycle management (TCM) amortizing contracts, which comprise a larger final balloon payment set 5%-8% below the financed vehicle's expected residual value, include buy back agreements with the dealer, and have a term between 12 and 48 months. If the dealer cannot repurchase the vehicle, the borrower remains obliged to repay the loan to Ford Bank.

Originator/seller

FCE Bank is the European captive financing company of the Ford Group. Until July 2018 it was operating in Germany through a German branch. Since this date, due to regulatory reasons, notably the consequences of Brexit, FCE Bank operates in Germany through a fully owned subsidiary, FBG. It remains headquartered in Cologne with its operational set-up largely unaffected.

Its main objective is to provide financing to commercial and private Ford brand customers in Germany and support the sale of Ford vehicles.

Servicing

We reviewed FBG's origination, underwriting, collections, and risk management practices. We consider these to be in line with general market practice and our operational risk criteria (see "Related Criteria"). In our operational risk analysis, we look at the risk that cash flows may be disrupted following an operational failure of the servicer. Our ratings on the class A and B notes reflect our assessment of the company's origination policies, as well as our evaluation of FBG's ability to fulfil its role as servicer under the transaction documents. Our structured finance operational risk criteria do not cap the ratings.

The transaction did not have a back-up servicer at closing. We rely on the general availability of servicing in the German market to mitigate the risk of servicing disruption and have applied a stressed servicing fee in our cash flow analysis, in line with market standards.

Credit Analysis

We analyzed the transaction's credit risk under various stress scenarios by applying our European auto ABS criteria (see "Related Criteria").

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Economic outlook

In our analysis, we considered the following economic data and their baseline effect on collateral credit quality in determining our credit assumptions (see "Related Research").

Table 2

Economic forecast summary--Germany					
	2023	**2024f**	**2025f**	**2026f**	**2027f**
Real GDP (y/y growth, %)	(0.3)	0.3	1.2	1.2	1.1
Unemployment rate (annual average, %)	3.0	3.3	3.2	3.0	3.1
CPI growth	6.1	2.7	2.2	1.9	1.9

Sources: National statistics offices, OECD, Eurostat, European Central Bank, S&P Global Ratings. y/y--Year over year. CPI--Consumer price index. f--Forecast.

In our base-case scenario for Germany, we forecast economic growth of 0.3% in 2024 after decreasing by 0.3% in 2023. In 2025 and 2026, we forecast GDP growth of 1.2%. We expect inflation to reduce to 2.7% in 2024 from 6.1% in 2023 and forecast 2.2% for 2025 and 1.9% for 2026. At the same time, we expect the unemployment rate to slightly increase to 3.3% in 2024 from 3.0% in 2023, reducing to 3.2% and again to 3.0% in 2025 and 2026 respectively. We believe changes in GDP growth, inflation, and the unemployment rate largely determine portfolio default performance, and reflect this in our credit assumptions.

Cumulative net losses

We received quarterly static net loss data showing cumulative net losses (i.e., actual write-offs after recoveries) as a percentage of origination volume for a given quarter. The data range from fourth-quarter 2017 to first-quarter 2024 and are split into four subpools: TCM loans for new and used cars, and standard loans for new and used cars. To arrive at a gross loss proxy, we gross up the net loss data, using a recovery rate assumption of 65%, which we derived from the historical recoveries of predecessor German Globaldrive transactions. We applied this methodology separately for all four subpools.

The quality of data provided is in line with our standards in relation to quality, timeliness, and reliability.

Charts 2, 3, 4 and 5 show the historical cumulative net losses for the four subpools, by quarter of origination.

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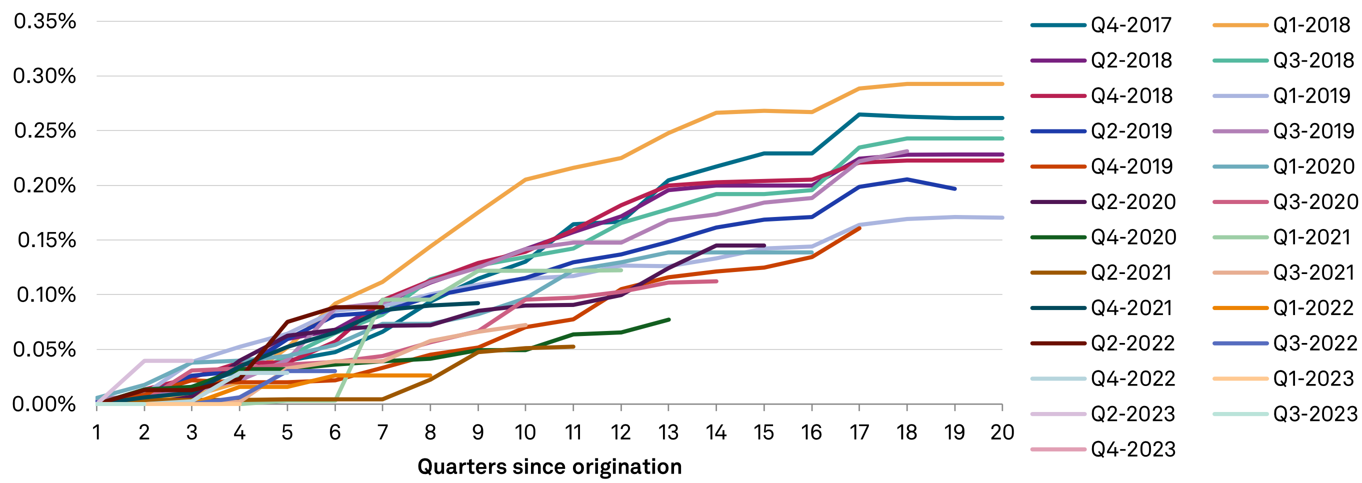
Chart 2

Cumulative net losses--TCM new loans



TCM--Trade cycle management.

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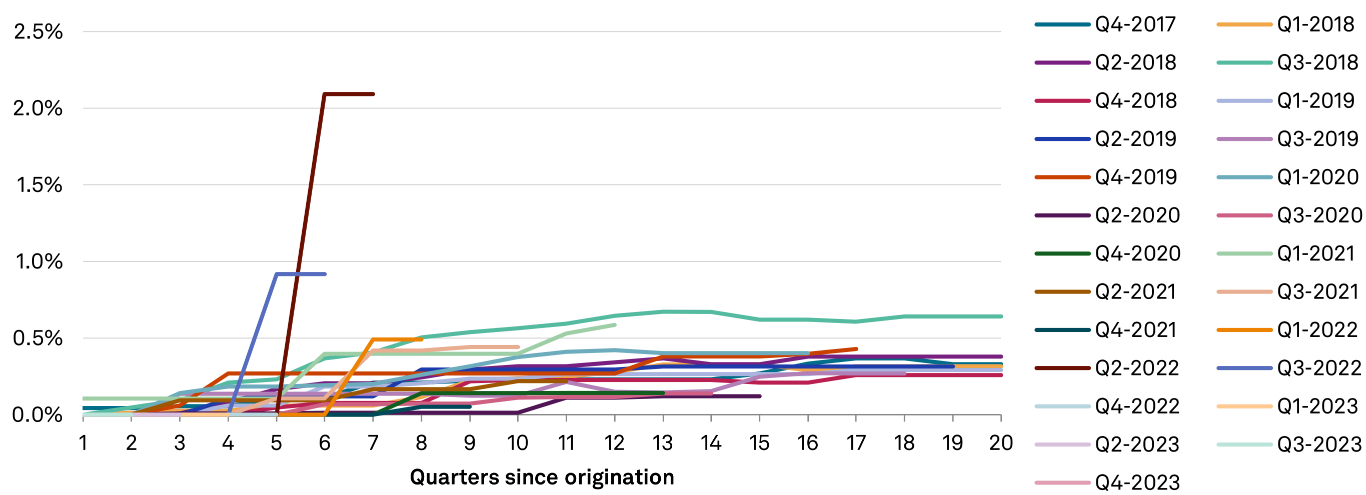
Chart 3

Cumulative net losses--TCM used loans



The higher cumulative net losses observed during Q2 2022 (€45,449) were due to a fraud case. TCM--Trade cycle management.

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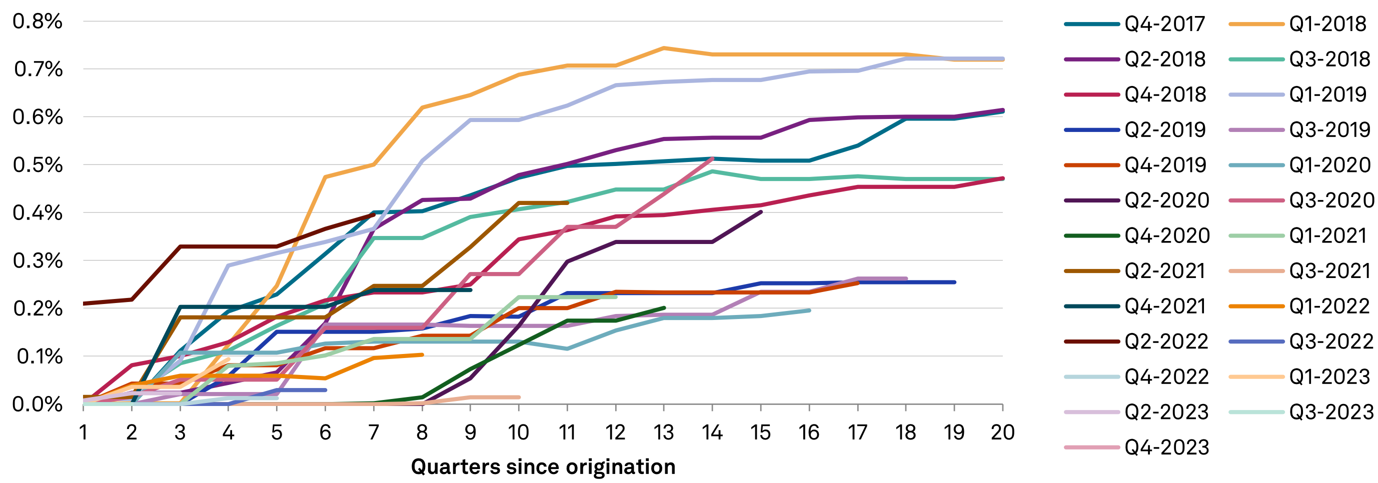
Chart 4

Cumulative net losses--Standard new loans



TCM--Trade cycle management.

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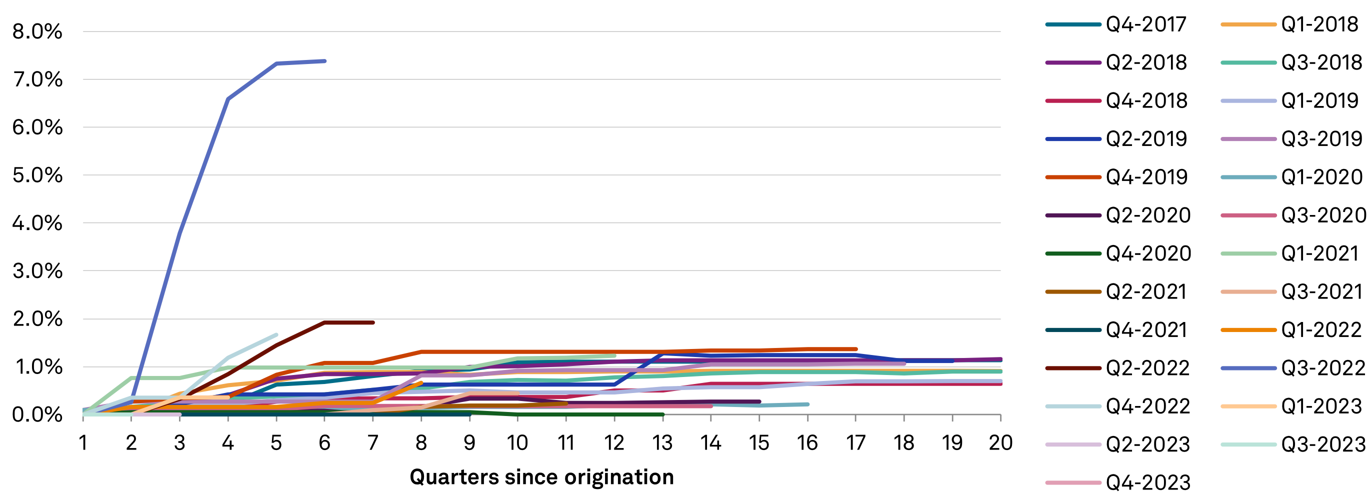
Chart 5

Cumulative net losses--Standard used loans



The higher cumulative net losses observed during Q3 2022 (€414,409) were due to a fraud case. TCM--Trade cycle management.

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Based on the historical performance of receivables originated by FBG and of the outstanding Globaldrive transactions, and considering the approach described above, we derived the following base cases:

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Table 3

Credit base cases

Subpools	Pool discounted principal balance (%)	Cumulative net loss base case (%)	Recovery rate base case (%)*	Cumulative grossed-up loss base-case (%)
TCM new	59.65	0.40	65.00	1.14
TCM used	7.86	0.80	65.00	2.29
Standard new	22.72	0.90	65.00	2.57
Standard used	9.77	1.40	65.00	4.00
Whole pool (WA, %)	**100**	**0.64**	**65.00**	**1.84**

*Used for grossing-up our cumulative net-loss base cases. TCM--Trade cycle management. WA--Weighted-average.

Recoveries and recovery timing

Under our global auto ABS criteria, we apply a base case recovery rate and rating level dependent haircuts. We establish recovery rate assumptions based primarily on analysis of historical recovery rates for the issuer and the market, the volatility of past performance, as well as credit, operational, or other factors that might affect recovery rates' timing, amount, and sustainability.

In this transaction, we sized a recovery rate base case of 65%. We based our recovery assumptions on data provided for previous FBG transactions and a peer comparison with other German auto loan transactions. We set recovery rate haircuts at 45% at 'AAA' and 35% at 'AA'. This is at the higher end of our range and accounts mainly for the high level of balloon loans in the pool. The stressed recovery rate is 35.8% at 'AAA' and 42.3% at 'AA'. We also assume that 100% of recoveries are realized 12 months after defaults.

Table 4

Credit risk stress assumptions

Rating Level	Cumulative gross loss base-case (%)	Stress multiple	Stressed cumulative gross losses (%)	Recovery rate base case (%)*	Recovery rate haircut (%)	Stressed recovery rate (%)	Stressed cumulative net losses (%)§
AAA	1.84	4.40	8.08	65.00	45.00	35.75	5.19
AA	1.84	3.40	6.24	65.00	35.00	42.25	3.61
A	1.84	2.40	4.41	65.00	24.00	49.40	2.23
BBB	1.84	1.65	3.03	65.00	17.50	53.63	1.41
BB	1.84	1.35	2.48	65.00	11.00	57.85	1.04

*We assume that 100% of recoveries are realized 12 months after default in our cash flow model. §The stressed cumulative net losses shown in this table do not comprise the additional balloon losses we consider in our analysis as they are a function of the prepayment scenario (see section below).

Table 5

Peer comparison at 'AAA'

Rating level	Globaldrive Auto Receivables 2024-A B.V.	Globaldrive Auto Receivables 2023-A B.V.	Globaldrive Auto Receivables 2021-A B.V.	Globaldrive Auto Receivables 2020-A B.V.
Stressed cumulative gross loss (%)	8.08	8.04	9.15	9.08
Stressed recovery rate (%)	35.75	35.20	40.00	40.00
Stressed cumulative net loss (%)	5.19	5.21	5.49	5.45

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Market value risk linked to balloon loans

Balloon contracts, mainly present via TCM loans in the portfolio, introduce an element of market value risk to the transaction. In cases where the dealer is insolvent and therefore cannot honor its obligation to repurchase the car under the buy-back contract, the borrower may have to rely on selling the car in the open market to meet its obligation to pay the final larger balloon instalment. If second-hand car market prices are depressed, the borrower may face a payment shock and default on the final payment obligation. Under our stressed scenarios, we assume a significant percentage of dealers will default following manufacturer insolvency.

Our balloon gross loss assumptions consider the type of vehicles securitized, the absence of car make diversification in the pool, the originator's residual value setting policy, and the presence of put options on the dealer in the TCM loans. We also considered that about 12% of the pool comprises battery electric vehicles or plug-in hybrid electric vehicles.

Table 6

Balloon loss assumptions

Rating level	Additional losses on balloon payments (%)*
AAA	7.5
AA	6.0
A	3.5
BBB	2.0
BB	N/A

*Applied to the non-defaulted and non-prepaid balloon payments. N/A--Not applicable.

In applying the additional loss rate in our cash flow analysis, the aggregate balloon payments on the securitized loans are adjusted to reflect stress scenario defaults and prepayments to establish an adjusted balloon payment amount. The applicable additional balloon loss rate is multiplied by the adjusted balloon payment amount as a percentage of the total pool balance to calculate the incremental balloon gross loss rate. The incremental balloon gross loss rate is then added to the stress scenario cumulative gross loss rate.

Transaction Structure

At closing, Globaldrive 2024-A bought a pool of auto loan receivables with a net present value of approximately €378.30 million from the seller (see chart below). The issuer and the seller calculated the loans' purchase price as the net present value of the future payments under the loans, using for each loan a discount rate equal to the higher of 5.8% and the contractual interest rate payable on that loan.

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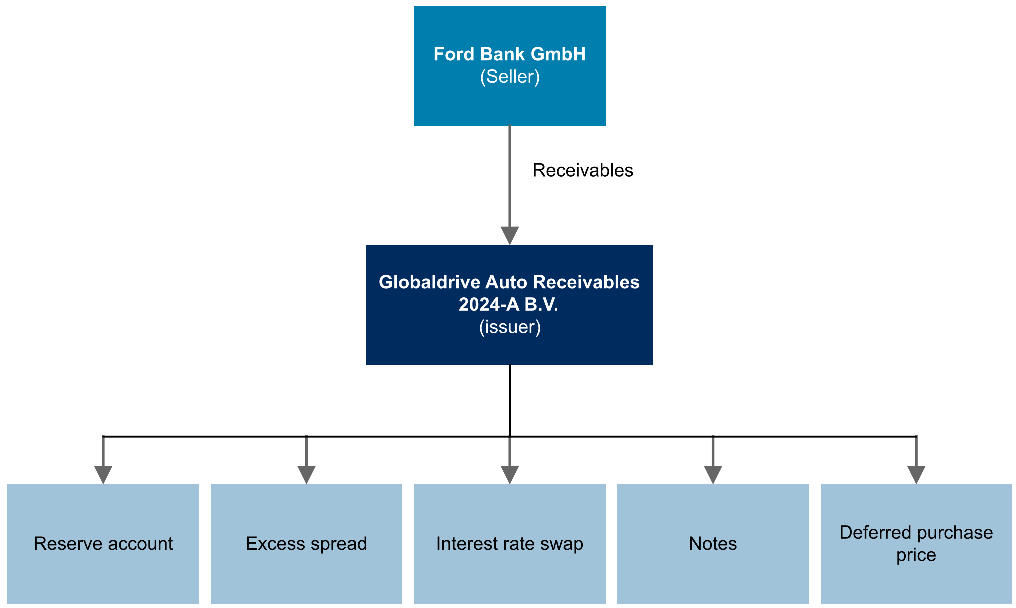
Chart 6

Globaldrive Auto Receivables 2024-A B.V.
Transaction structure



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The issuer is a Dutch special-purpose entity, which we consider to be bankruptcy remote under our legal criteria (see "Related Criteria"). The transaction legal opinion at closing confirmed that the sale of the assets would survive the seller's insolvency.

Cash Flow Mechanics

The class A and B notes pay interest in arrears on the 20th of each month at the one-month euro interbank offered rate (EURIBOR) plus a respective margin, provided that if the overall notes' coupon is less than zero, it will be deemed to be zero. The first interest payment date (IPD) will be Aug. 20, 2024, and the notes' legal final maturity will be in June 2032.

Priorities of payment

The transaction uses separate interest and principal waterfalls. The interest waterfall features a PDL mechanism, by which the issuer can use excess spread to cure principal losses. Globaldrive 2024-A will make all principal payments to the notes in a strict sequential order.

On any monthly IPD, Globaldrive 2024-A will apply to the interest waterfall the sum of the following payments that it received on the preceding month:

- Interest collections (equal to the discount portion of each installment);
- Ancillary recoveries;

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- Interest accrued on bank accounts and reserve accounts; and
- Amounts it has drawn from the liquidity reserve (only down to the class B notes' interest).

Table 7

Interest priority of payments	
1	Any arrears in issuer expenses
2	Issuer expenses (capped at €250,000)
3	Servicing fees
4	Payments to the swap
5	Interest on the class A notes (after payment of any interest shortfall on the class A notes)
6	Interest on the class B notes (after payment of any interest shortfall on the class B notes)
7	Reserve replenishment
8	Reimbursed losses and principal deficiencies
9	Swap subordinated amounts
10	Issuer expenses (amounts above €250,000 paid under item 2)
11	Interest on the class C notes (after payment of any interest shortfall on the class C notes)
12	Deferred purchase price

Principal priority of payment

On any monthly IPD, Globaldrive 2024-A will apply to the principal waterfall the sum of the following collections that it has received during the preceding month:

- Principal collections (including prepayments);
- Vehicle sale proceeds;
- Repurchase prices from the seller; and
- Any amounts it has transferred from the interest waterfall via the PDL mechanism.

Table 8

Principal priority of payments	
1	The class A notes' principal
2	The class B notes' principal
3	The class C notes' principal
4	To the seller, repayment of the subordinated loan in full
5	Deferred purchase price owed to the seller

Clean-up call

FBG can exercise a clean-up call as soon as the aggregate principal amount outstanding on the class A and B notes is equal to, or lower than, 10% of the initial aggregated discounted principal loan balance as of the cut-off date. If FBG exercises this option, it will fully redeem the notes (including accrued interest).

Events of default

Each of the following is an event of default under the notes and might lead, among others, to an acceleration of the notes by the trustee:

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- The issuer fails to pay interest due on the most senior class of notes (five-day cure period);
- The issuer fails to pay the principal amount of a class of notes in full on its final legal maturity date;
- The issuer fails to perform or comply with its covenants (60-day cure period);
- The security granted under the transaction documents is terminated or becomes void or ineffective (30-day cure period); or
- The issuer becomes insolvent.

We consider these events as rating remote, and as such, we do not model the accelerated priority of payments in our analysis. If the notes were to be accelerated following an event of default, it could affect the transaction's cash flows. Notably, no interest would be paid on the class B notes until the class A notes' principal amount has been fully paid.

Cash reserve

At closing, the seller funded through the proceeds of the subordinated loan a nonamortizing cash reserve equal to 1.0% of the class A and B notes' closing balance (0.96% of the discounted principal pool balance), amounting to about €3.63 million. The cash reserve serves primarily as a liquidity buffer to cover any potential shortfalls in the payment of senior costs and expenses and interest on the class A and B notes. We anticipate this cash reserve to provide an initial coverage of about three months of unstressed senior fees and the class A and B notes' swapped coupon. On the final maturity date, when the performing asset pool balance is nil, or once the reserve is larger than the class A and B notes' total outstanding amount, the issuer may use amounts credited to the reserve account to repay principal on any class of notes, if necessary.

Excess spread

Excess spread results from the difference between the interest income received from the assets and the interest paid to the noteholders, plus any senior fees and expenses. The net present value-based purchase price mechanism effectively converts a share of principal receipts into interest receipts through discounting the future principal payments under the loans at the higher of 5.80% and their contractual interest rate.

Interest rate hedging

At closing the issuer entered into a fixed-to-floating interest rate swap agreement with Bank of America Europe DAC to hedge the risk between the assets' fixed-rate interest and the class A and B notes' floating-rate interest. Under the swap agreement the issuer pays a fixed rate and receives one-month EURIBOR (the floating leg of the swap being floored at minus the spread on the class A notes). The swap notional is the lower of the class A and B notes' outstanding balance and a predetermined class A and B notes' amortization schedule, considering no prepayments and no defaults over the transaction's life. We have considered these features in our cash flow analysis.

Mitigation Of Seller Risks

Commingling risk

FBG acts as servicer of the loan receivables and can commingle collections from the securitized pool with its own funds. In case of the servicer's insolvency, the collections accumulated with the servicer at the time of its default and any amounts that the borrowers would continue to pay to the defaulted servicer before they have been notified to

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redirect their payments might become commingled into the servicer's insolvency estate and lost. Upon the servicer's termination or insolvency, the security trustee will notify the borrowers and ask them to redirect their payments.

Since Globaldrive 2019-A, the servicer does not fund a commingling reserve at closing to account for this risk. We have therefore sized the risk exposure along its two components, accumulation and notification risks, and considered it as a loss in our analysis.

The borrowers pay via direct debit (about 99% of payments).

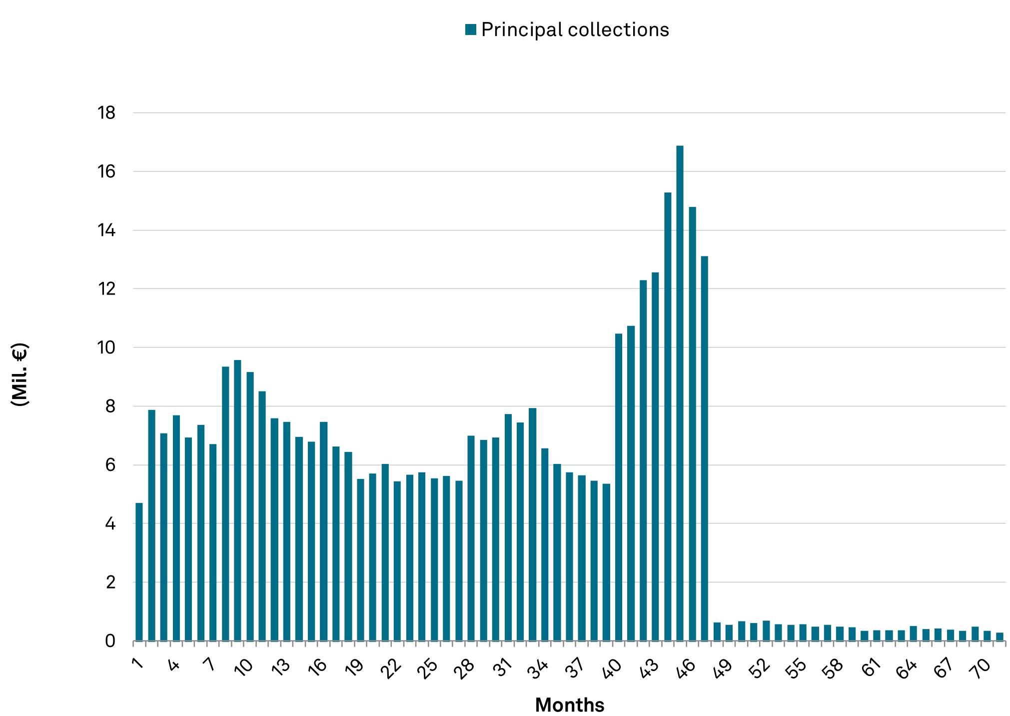
The servicer has to deposit these collections on the receivables into the issuer's distribution account within two business days (or on a monthly basis if FBG is rated at least 'A/A-1', among other conditions). We consider that this high cash sweep frequency between the servicer and issuer mitigates the accumulation component of the commingling risk.

However, we consider that the security trustee will take at least one third of a month to notify the borrowers to redirect their payments. This corresponds to an exposure of about 30% of the monthly collections.

Due to the high share of balloon contracts in the pool, principal collections are unevenly distributed throughout the transaction's life with a significantly backloaded redemption profile.

Chart 7

No prepayment or default pool run-out schedule



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In our cash flow runs, we have therefore also tested the structure's sensitivity to delayed commingling loss timing under various prepayment scenarios. Our ratings on the class A and B notes considered the results of this sensitivity analysis which is in line with the credit stability considerations in our rating definitions.

Setoff risk

In general, if the servicer becomes insolvent, setoff risk may arise. This is because obligors can potentially try to set off their loan installments against:

- Their salary (employee setoff risk);
- Their deposits (deposit setoff risk); or
- Insurance obligations, if the insurance provider becomes insolvent (insurance set-off).

The eligibility criteria do not exclude loans granted to employees from the securitized portfolio. We have therefore considered the potential employee setoff risk as a loss in our analysis, based on the exposure as of the cut-off date (about 0.51% of the pool discounted principal balance).

In December 2020, FBG launched its retail deposit taking business in Germany with the goal of diversifying its funding sources and reducing its funding costs. The eligibility criteria do not exclude borrowers with deposits at FBG from the securitization perimeter. As a result, if the seller were to become insolvent, these borrowers may be able to set off amounts they owe under the loan contract against amounts they deposited with the insolvent seller.

If the servicer is not rated high enough and the exposure in relation to deposits exceeds 1% of the closing collateral balance, the servicer will fund a reserve up to the potential deposit setoff exposure. We do not give credit to this mechanism in our analysis, notably because the seller is already below the documented rating trigger.

In our opinion, the potential deposit-related setoff risk remains minimal, considering the current exposure (about 0.2% of the pool discounted principal balance), the transaction's short weighted-average life (about 27 months), and the German deposit protection scheme. Therefore, we have not sized any additional losses in relation to this risk.

Finally, some of the loan contracts finance insurance premiums linked to payment protection policies bundled with the financing of the car. Should the insurer default, obligors may try to set off part of their loan obligations against the unused part of the insurance premium. In normal circumstances FBG would mitigate any related shortfalls. However, the risk cannot be fully excluded if FBG and the insurer simultaneously become insolvent and the borrower succeeds in setting off these amounts. We consider this risk to be minimal in our analysis.

Cash Flow Assumptions

Table 10

Cash flow assumptions	
Recession start	At closing
Length of recession	Weighted-average life (27 months)
Cumulative gross loss curve	Evenly distributed over weighted-average life
Recovery lag	12 months

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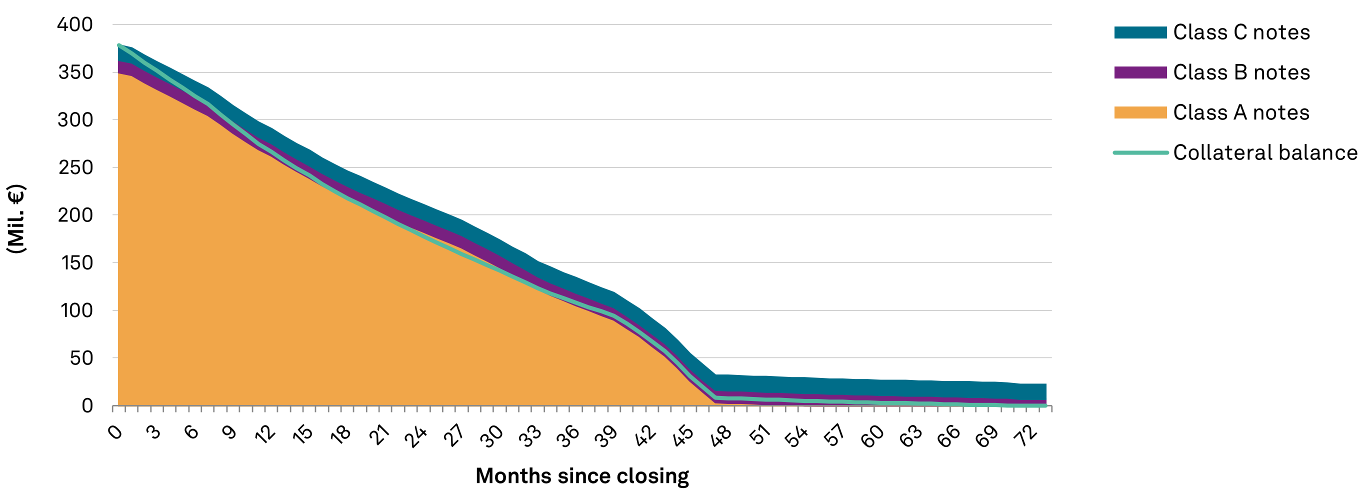
Table 10

Cash flow assumptions (cont.)	
Delinquency	Two-thirds of credit losses recovered six months later*
Stressed servicing fees (%)	1.0
Fixed fees (€)	250,000
Issuer's bank replacement cost (€)	100,000
Prepayments (high/low)(%)	24.0/0.5
Interest rate	Up, down, up/down, down/up§
Minimum discount rate (%)	5.8 (from day 1)
Commingling stress	Loss, 0.30 months of interest and principal payments.Sensitivity test: at various commingling exposure peaks during the transaction's weighted average life.

*Calculations are according to S&P Global Ratings' methodology.
§The swap is structured to hedge negative interest rate risk, with its floating leg floored at minus the spread on the class A notes.

Chart 8

Collateral and note balances
In the 'AAA' most stressful scenario



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Counterparty Risk

Our ratings also reflect that the transaction's replacement mechanisms adequately mitigate its counterparty risk exposures. The final documentation and the presented remedy provisions at closing adequately mitigate counterparty risk in line with our counterparty criteria.

Sovereign Risk

Our long-term unsolicited credit rating on Germany is 'AAA'. Therefore, our structured finance sovereign risk criteria

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do not constrain the ratings.

Forward-Looking View

We consider the transaction's resilience to additional stresses to some key variables, in particular defaults and recoveries, to determine our forward-looking view.

In our view, borrowers' ability to repay their auto loans will be highly correlated to macroeconomic conditions, particularly the unemployment rate and, to a lesser extent, consumer price inflation and interest rates. Given the loans are fixed-rate, we believe rising interest rates will have a lower near-term effect on these borrowers, while longer term, they will likely further stretch household finances. Our current unemployment rate forecasts for Germany are 3.3% in 2024, 3.2% for 2025, and 3.0% for 2026. Our inflation forecasts for Germany is 2.7% in 2024, 2.2% in 2025, and 1.9% in 2026.

Furthermore, a decline in second-hand car values typically impacts the level of realized recoveries. Although used car prices may decline moderately in Germany in 2024, we do not expect them to fall significantly.

Given our current macroeconomic forecast and forward-looking view of Germany's auto market, our sensitivity scenarios consider, all else being equal, the hypothetical effect on our credit ratings of:

An increased gross default base case of up to 30%; and

A maximum haircut of 30% to the recovery rate base case.

We therefore ran eight scenarios with increased gross defaults and/or reduced expected recoveries, as shown in the table below.

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Sensitivity analysis

Class	Base case	1	2	3	4	5	6	7	8
Default rate base-case increase (%)	0	10	30	0	0	10	30	10	30
Recovery rate base-case decrease (%)	0	0	0	10	30	10	10	30	30
Gross default rate (%)	1.84	2.02	2.39	1.84	1.84	2.02	2.39	2.02	2.39
Recovery rate (%)	65	65	65	58.5	45.5	58.5	58.5	45.5	45.5

Class of notes	Initial rating	1	2	3	4	5	6	7	8
A	AAA	AAA	AA+	AAA	AAA	AAA	AA+	AA+	AA
B	AA	AA	AA-	AA	AA-	AA	AA-	AA-	A+

No change
One-notch downgrade
Two-notch downgrade
Three-notch or more downgrade

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The results of the above sensitivity analysis indicate a deterioration of no more than two notches on the notes, which is in line with the credit stability considerations in our rating definitions. Transaction features such as initial subordination levels and a liquidity reserve enhance the stability of the ratings under each scenario.

The transaction also embeds some other strengths that may offset a sudden increase in defaults. The transaction has a short weighted-average life and delivers fast build-up of additional credit enhancement as the transaction amortizes. The underlying receivables pay a fixed rate of interest, limiting the impact of increasing interest rates on the performance in the near term.

Monitoring And Surveillance

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

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

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Appendix

Transaction participants	
Issuer	Globaldrive Auto Receivables 2024-A B.V.
Originator, seller, servicer, and subordinated loan provider	Ford Bank GmbH
Trustee, security trustee, and collateral agent	Deutsche Trustee Company Ltd.
Registrar and data agent	Deutsche Bank Luxembourg S.A.
Issuer corporate service provider	Vistra Capital Markets (Netherlands) N.V.
Swap provider	Bank of America Europe DAC
Issuer's bank account provider	BNP Paribas S.A. Niederlassung Deutschland
Cash manager, principal paying agent, and calculation agent	Deutsche Bank AG, London Branch

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
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- 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
- General Criteria: Methodology Applied To Bank Branch-Supported Transactions, Oct. 14, 2013
- Criteria | Structured Finance | General: Global Derivative Agreement Criteria, June 24, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- Criteria | Structured Finance | General: Methodology For Servicer Risk Assessment, May 28, 2009

Related Research

- European Auto ABS Index Report Q1 2024, May 17, 2024
- Germany 'AAA/A-1+' Ratings Affirmed; Outlook Stable, March 22, 2024
- S&P Global Ratings Definitions, June 9, 2023

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- ESG Industry Report Card: Auto Asset-Backed Securities, March 31, 2021
- How Much Is Enough? Information Quality Standards For The EMEA RMBS And ABS Rating Process, Jan. 8, 2019
- 2017 EMEA ABS Scenario And Sensitivity Analysis, July 6, 2017
- European Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016
- Global Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016

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