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Research

New Issue: Finance Ireland Auto Receivables No. 2 DAC

Primary Credit Analyst:
Philip Bane, Dublin + 353 1 568 0623; philip.bane@spglobal.com

Secondary Contact:
Aarondeep Hothi, London + 44 20 7176 0111; aarondeep.hothi@spglobal.com

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3352409

New Issue: Finance Ireland Auto Receivables No. 2 DAC

Ratings Detail

Ratings

Class	Rating*	Amount (mil. €)	Available credit enhancement (%) §	Interest	Legal final maturity
A	AAA (sf)	330.247	9.45	One-month EURIBOR plus 0.68%	Nov. 14, 2034
B	AA (sf)	15.795	5.05	One-month EURIBOR plus 0.90%	Nov. 14, 2034
C	NR	12.923	0.00	4.50% fixed rate	Nov. 14, 2034

*Our ratings address timely payment of interest and ultimate payment of principal for the class A and class B notes. §Based on subordination and the reserve fund. EURIBOR--Euro Interbank Offered Rate. NR--Not rated.

Transaction Summary

- Finance Ireland Auto Receivables No.2 DAC is an ABS transaction backed by a pool of new and used auto finance receivables.
- The pool predominantly comprises consumer hire-purchase agreements, plus a smaller proportion of nonconsumer hire-purchase and personal contract plan agreements. The assets were originated by Finance Ireland Credit Solutions DAC, trading as Finance Ireland Motor and Leasing (FIML), to its private retail and commercial clients in Ireland.
- This is the second securitization of Finance Ireland Motor and Leasing's assets that we have rated. However, Finance Ireland Credit Solutions DAC (trading as FIML) is a frequent issuer from its RMBS platform, with seven transactions issued to date, along with three small ticket CMBS transactions.
- This transaction is static and does not feature a revolving period.
- An amortizing reserve fund provides liquidity. It is sized at 1.5% of the class A to B notes' closing balance. This reserve amortizes along with the class A to B notes' outstanding balance. Principal can also be used to pay senior fees and interest on all notes outstanding subject to certain conditions.
- Our analysis indicates that the class A and B notes' available credit enhancement is sufficient to withstand losses commensurate with the assigned ratings.
- There are no rating constraints in the transaction under our counterparty, operational risk, or structured finance sovereign risk criteria. We consider the issuer to be bankruptcy remote.

Supporting ratings

Institution/role	Rating
U.S. Bank Europe DAC, as issuer account bank provider	A+/Stable/A-1

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Supporting ratings (cont.)	
Institution/role	**Rating**
BNP Paribas as swap provider	RCR: AA-/A-1+

RCR--Resolution counterparty rating.

The credit story	
Strengths	**Concerns and mitigating factors**
The portfolio is granular and geographically diversified across Ireland with 27.04% in Dublin, 12.58% in Cork, and 6.80% in Kildare. The pool has low borrower concentration risk, with the top 15 borrowers accounting for 0.67%.	The transaction pays pro rata until the sequential payment triggers are breached. This is a risk factor if the triggers are breached later in the transaction's life. If a recession starts after a benign economic period, there would be limited credit enhancement build-up compared to a sequential pay structure, and principal collections and excess spread would have already been used to pay junior notes. As such, credit enhancement exits the transaction, and the transaction is more exposed to back-loaded defaults. To capture this risk, our driving cash flow runs incorporate back-loaded defaults and a delayed recession. We also note that the sequential amortization triggers are non-reversible and relatively tight and are closely linked to the transaction's performance.
An interest rate swap helps protect the structure against liquidity risks in a rising interest rate scenario.	The issuer is exposed to potential voluntary termination (VT) losses under the so-called "one-half rule" as permitted by the Irish Consumer Credit Act. We considered this in our credit assumptions.
The transaction benefits from an amortizing reserve fund equal to 1.50% of the class A and B notes' closing balance. In addition, principal can be used to pay senior fees and interest on the notes outstanding, subject to certain conditions.	There is no documented replacement framework relating to the collection account, into which borrowers make their monthly payments. To address this, we have applied a commingling loss as part of our cash flow analysis.
All origination vintages' performance since inception in 2011 has been strong. In terms of quarterly vintages, the highest cumulative gross loss amount is 2.53%, while the highest cumulative net loss amount is 0.86%.	16.14% of the pool are personal contract purchase (PCP) loans, exposing the transaction to residual value (RV) risk from PCP balloon payments at maturity (8.40% of the pool). Although there is a guaranteed minimum future value (GMFV) available on all PCP contracts underwritten by the dealers and not FIML, the issuer could be exposed to principal shortfalls if dealers default and there are higher market value declines (MVD) on the vehicles. Given the transaction's exposure to MVD, we have applied market values stresses to address the risk that the asset's value is lower than anticipated at the end of the PCP balloon loans' contract term.
The servicer, FIML, has well-established servicing systems and policies. Its management is very experienced, with 35 years of relevant industry experience on average.	
The transaction benefits from initial excess spread of 3.39% for the class A notes and 3.24% for the class B notes at closing, which can be used to cover defaults and VT losses within the transaction.	

Changes From Previous Transaction

- In Finance Ireland Auto Receivables No. 1 DAC, the transaction paid sequentially until a minimum subordination level for the class A notes was met (15%), before it switched to pro rata with triggers. However, in this transaction, there is no such minimum subordination requirement and the transaction pays pro rata from closing.
- This transaction's PCP exposure stands at 16.14% versus 11.3% in the prior transaction. The balloon proportion is also higher at 8.4% versus 6.5%.
- Exposure to electric vehicles is significantly higher in this transaction. Battery electric vehicles (BEVs) account for 22.07% of the pool (from 13.2%), and exposure to plug-in hybrid electric vehicles (PHEVs) has increased to 11.20% from 6.52%. The exposure to BEVs is above the 10% concentration limit outlined in our criteria. We therefore

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applied a lower recovery rate to the excess BEV concentration.

- The balance-guaranteed swap now follows the rated notes' balance rather than the outstanding balance of the pool excluding defaults.
- The definition of cumulative losses now includes RV losses, which are booked to the principal deficiency ledger (PDL). In the prior transaction, this was not the case.

Environmental, Social, And Governance

Our rating analysis considers the transaction's potential exposure to environmental, social, and governance (ESG) credit factors. For the auto ABS sector, we view the exposure to environmental credit factors as above average, social credit factors as average, and governance credit factors as below average (see "ESG Industry Report Card: Auto Asset-Backed Securities," March 31, 2021). In our view, the exposure to ESG credit factors in this transaction is in line with our sector benchmark.

Environmental credit factors are generally viewed as above average given that the collateral pool primarily comprises vehicles with internal combustion engines (ICE), which create emissions of pollutants including greenhouse gases. While the adoption of electric vehicles and future regulation could in time lower ICE vehicle values, we believe that our current approach to evaluating recovery values adequately accounts for vehicle values over the transaction's relatively short expected life. As a result, we have not separately identified this as a material ESG credit factor in our analysis.

Originator/Servicer

Finance Ireland Credit Solutions DAC, trading as FIML, is one of Ireland's largest specialist lenders. FIML is an unrated entity providing car financing to its dealer network and their clients. Its predecessor company, First Auto Finance (FAF), was established in 2011 and served as an intermediary for Close Brothers. FAF fully originated, underwrote, executed, and serviced each auto loan issued. In June 2022, Finance Ireland terminated the Close Brothers agreement and moved its motor business onto its balance sheet as FIML.

Overall, we note the management team's extensive experience, the relative continuity in origination and underwriting strategy, the stable operational platform, and the dealer network that allowed Finance Ireland to establish itself in the market over time. Its focus is on organic growth, with the hope to gain additional white-label contracts over time.

All contracts are manually underwritten with no scorecards and no auto-accept functionality incorporated in the process.

With a relatively conservative definition for defaulted receivables (more than 90 days past due), the servicer proactively pursues delinquent obligors to minimize exposures at default, thereby limiting losses. The company initiates vehicle repossession once other repayment methods have been exhausted. The main reclaimed vehicles sales channel is auctions with reserved prices.

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Although there is a GMFV available on all PCP contracts, which are underwritten by the dealers and not FIML, if dealers default and there are potentially higher MVDs on the vehicles, there could be exposure to principal shortfalls. Vehicle RVs are estimated for all PCP contracts with balloon payments. The company assigns RVs according to a matrix that incorporates expected values of similar age assets using online sales platforms (rather than predicted future values as is common in the U.K.), to derive maximum RVs.

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

We received an audit report on the pool. We consider the data provided to be in line with our quality, timeliness, and reliability standards.

Collateral Description

Table 1

Transaction key features

	Finance Ireland Auto No. 2	Finance Ireland Auto No. 1	Citizen Auto 2023	Citizen Auto 2020	Citizen Irish Auto Receivables Trust 2018
Closing date	April 2025	November 2023	September 2023	November 2020	December 2018
Collateral	Auto finance receivables	Auto finance receivables	Auto finance receivables	Auto finance receivables	Auto finance receivables
Description	Originated by FIML to consumer and nonconsumer clients.	Originated by FIML to consumer and nonconsumer clients.	Auto finance receivables originated by First Citizen Finance DAC to consumer and nonconsumer clients.	Auto finance receivables originated by First Citizen Finance DAC to consumer and nonconsumer clients.	Auto finance receivables originated by First Citizen Finance DAC to consumer and nonconsumer clients.
Country of origin	Republic of Ireland	Republic of Ireland	Republic of Ireland	Republic of Ireland	Republic of Ireland
Outstanding principal balance of the pool (mil. €)*	358.9	288.3	238.1	171.2	138.9
Average outstanding contract principal balance (€) *	17,702	16,615	15,255	12,842	14,067
Weighted-average original term (months)*	55	55	55	54	53
Weighted-average remaining term (months)*	46	48	43	44	45
Weighted-average loan-to-value (%)	73.83	73.41	71.90	76.41	76.09
30+ days delinquencies (%) *	0.00	0.00	0.07	0.28	0.15
Weighted-average obligor nominal interest rate (%) *	7.23	8.19	6.24	6.28	6.26

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Table 1

Transaction key features (cont.)

	Finance Ireland Auto No. 2	Finance Ireland Auto No. 1	Citizen Auto 2023	Citizen Auto 2020	Citizen Irish Auto Receivables Trust 2018
Liquidity reserve	Equal to 1.50% of the class A to B notes' closing balance.	Equal to 1.50% of the class A to C-Dfrd notes' closing balance.	Equal to 1.25% of the closing pool's outstanding principal balance.	Equal to 1.0% of the closing pool's outstanding principal balance.	Equal to 1.0% of the closing pool's outstanding principal balance.

*As of March 10, 2025. N/A--Not applicable.

Nature of the loan receivables

The securitized pool mainly comprises receivables from consumer hire-purchase agreements (72.4%) granted to individuals for the finance of new and used vehicles. The remainder consists of receivables from nonconsumer hire-purchase agreements (11.5%) and PCP loans (16.14%).

The average outstanding principal balance per contract is approximately €17,702 with a weighted-average nominal interest rate of 7.23% annually. The pool is granular and geographically diversified across Ireland with 27.04% in Dublin, 12.58% in Cork, and 6.8% in Kildare. The pool has very low borrower concentration risk, with the top 15 borrowers accounting for 0.67%.

All receivables are euro-denominated, and all obligors must reside in Ireland.

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Chart 1

Outstanding contract principal balance

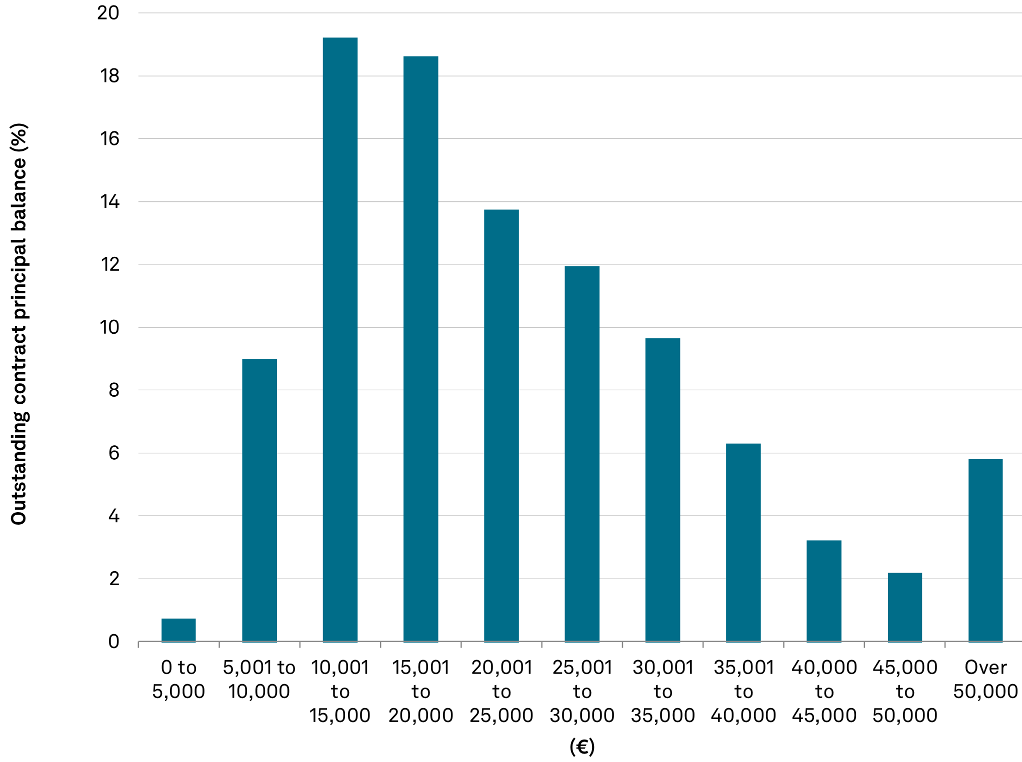

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Chart 2

Nominal customer interest rate

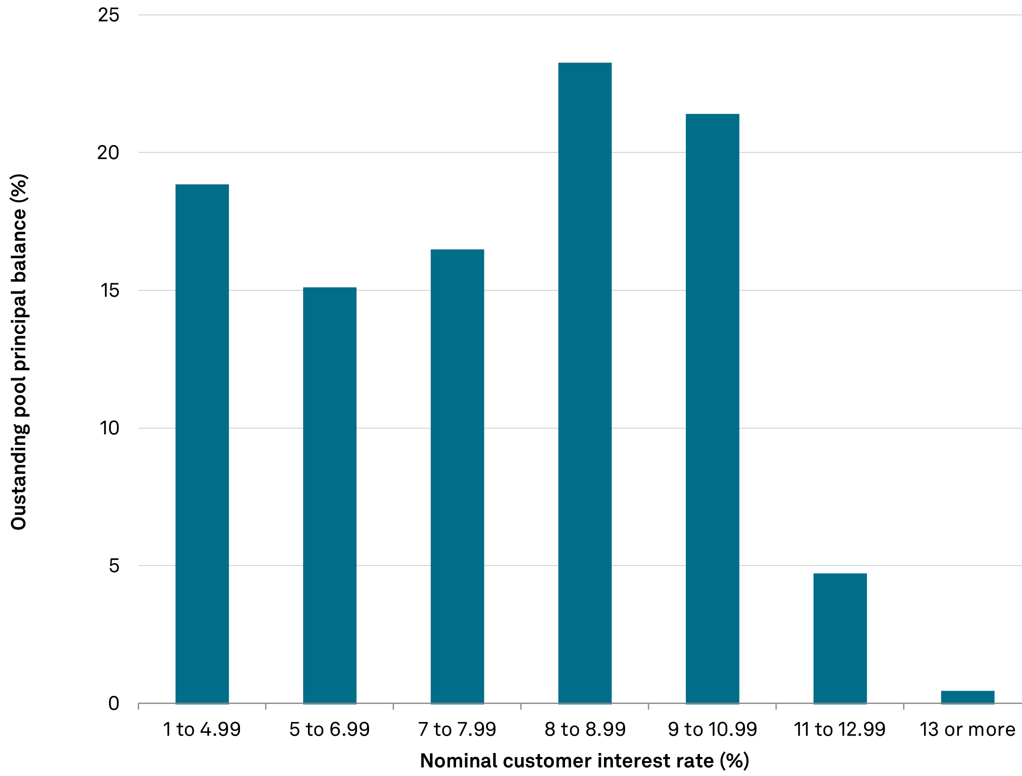

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Chart 3

Original term to maturity

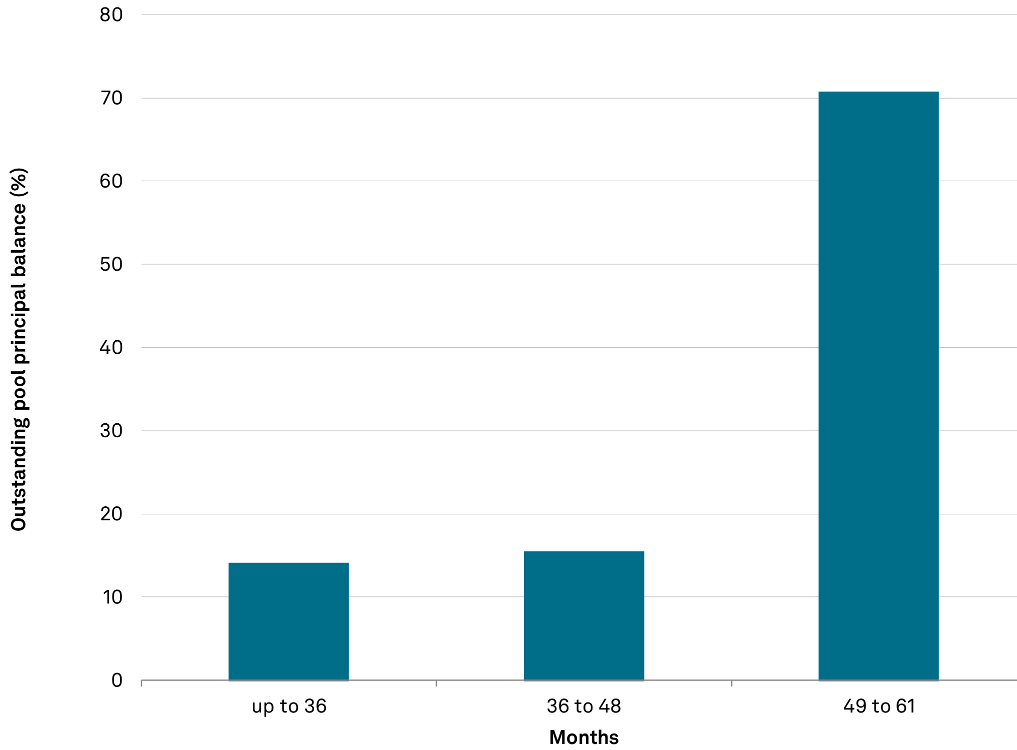

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Chart 4

Remaining term to maturity

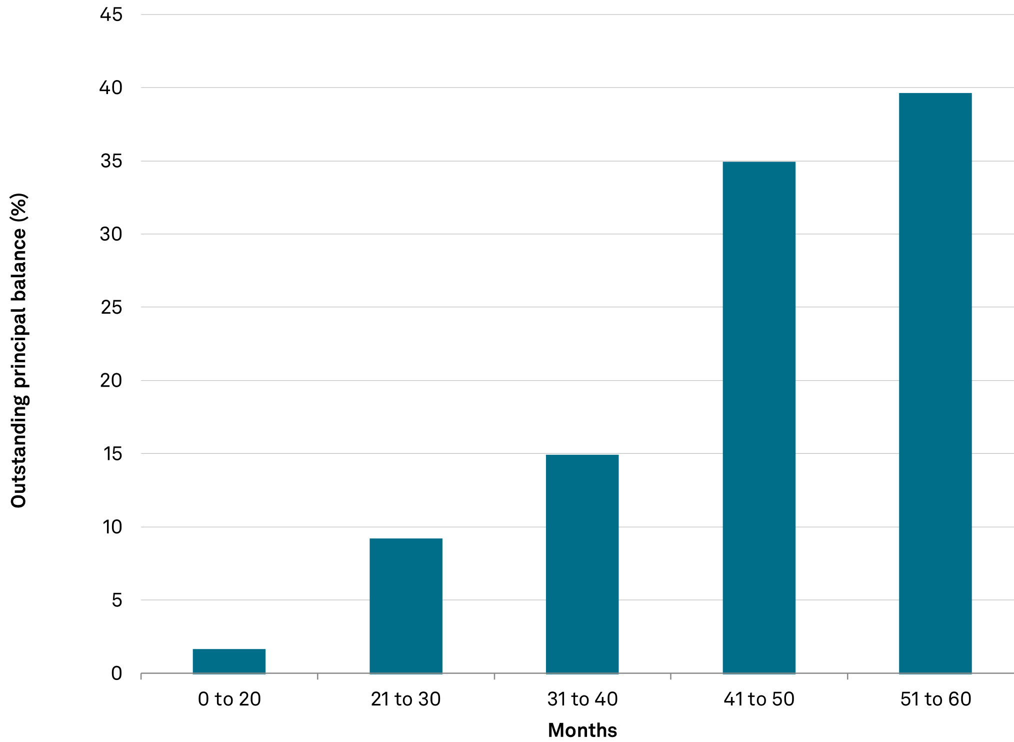

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Table 2

Pool distribution	
By percentage of outstanding pool principal balance	
Customer type (%)	
Private	88.54
Commercial	11.46
Payment method (%)	
Direct debit	100.00
Vehicle brand (%)	
Tesla	17.52
Volkswagen	7.58
Kia	7.57
Other	67.33

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Credit Analysis

Our analysis includes an assessment of the credit risk inherent in the transaction under various stress scenarios. Our credit analysis for Finance Ireland Receivables No. 2's rated notes is based on our global auto ABS criteria, and our global cash flow criteria (see "Related Criteria").

We analyzed VT loss under the "one-half rule" according to approaches outlined under our global auto ABS criteria. The "one-half rule" rights exist for consumer hire-purchase obligors, which are similar to the voluntary termination rights for consumers in the U.K.

Macroeconomic and sector outlook

In our analysis, we considered the economic data listed in table 3 and their baseline effect on collateral credit quality in determining our credit assumptions.

Table 3

Economic factors

	2023	2024f	2025f	2026f	2027f
Real GDP (% change, year-on-year)	(3.2)	2.1	2.2	2.0	2.2
Unemployment rate (%)	4.3	4.1	4.0	4.0	4.0

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

Default definition

The transaction documents define defaulted receivables as receivables in arrears for more than 90 days, cases subject to fraud, cases where an order for repossession has been issued, or cases considered unrecoverable by the servicer in line with its policies.

Gross losses and gross loss multiples

We received quarterly static gross loss data, which aggregate both credit (hostile termination; HT) and VT losses, from Q1 2011 to the end of Q4 2024. We reviewed both aggregate pool-level losses and product-type specific subpool losses in determining our credit assumptions. We also received separate dynamic data on VTs, which allows us to deduce separate credit and VT losses that attract different stress multiples under our rating methodology.

Our base-case assumptions reflect performance trends in the historical data provided, our macroeconomic expectations, our view of portfolio quality, and our analysis of the originator's underwriting and servicing standards.

Our stress multiple reflects the fact that this is a second-time auto ABS issuer, along with the static nature of the transaction and the long history of data availability for this transaction.

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Chart 5

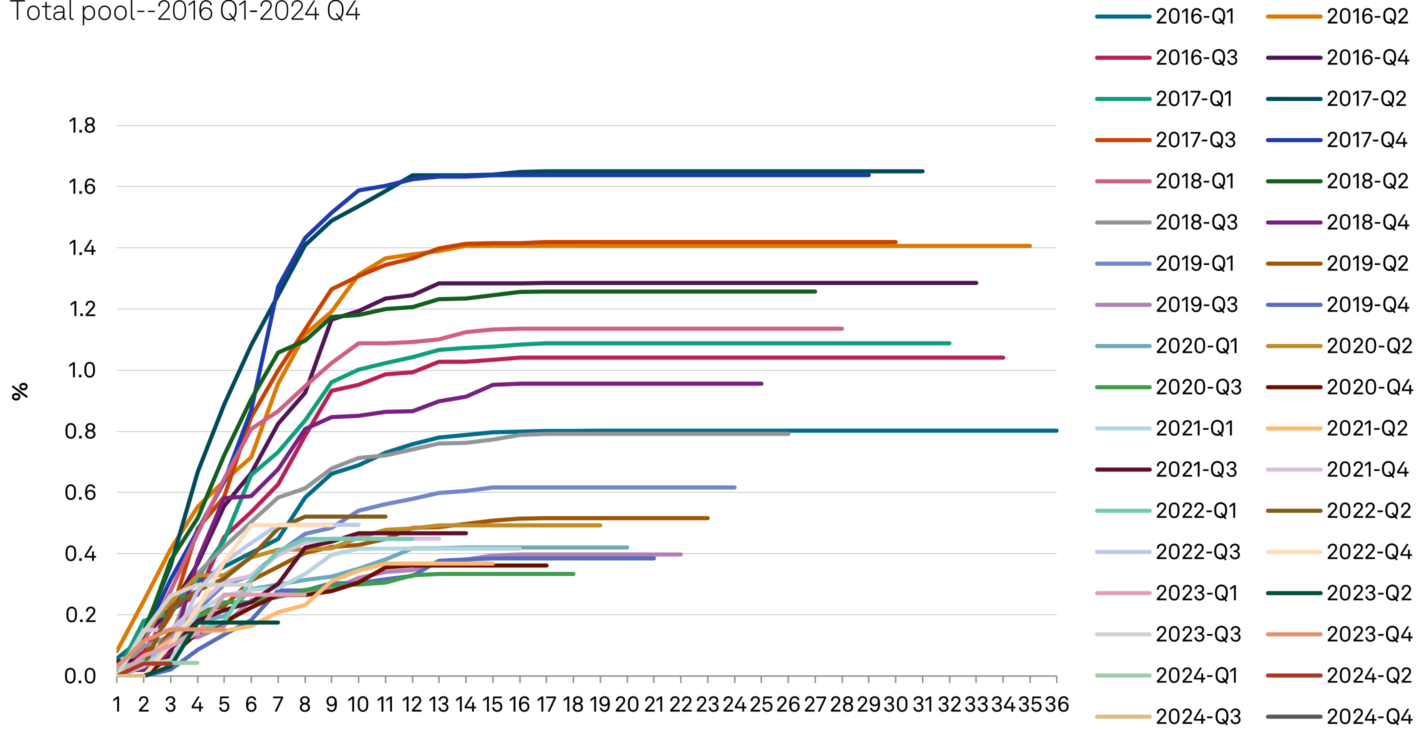

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Table 4

Voluntary termination gross losses

Year of origination	Cumulative losses (%)
2016	0.01
2017	0.05
2018	0.05
2019	0.02
2020	0.00
2021	0.00
2022	0.02
2023	0.00
2024	0.00

Recoveries and recovery rate haircuts

The originator provided static gross loss and net loss data for cohorts of combined HT and VT losses as shown in table 4 over the same period, through which we calculated recovery rates. Tables 5 and 6 summarize our gross loss and recovery assumptions.

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Table 5

Cumulative gross loss and recovery assumptions (%)

Segment	Hostile terminations--cumulative default assumptions	Voluntary terminations--cumulative default assumptions	Recovery rate assumption
Total pool	1.75	0.50	53.77

Table 6

Credit assumptions summary

Rating level	Cumulative hostile termination base-case (%)	Hostile terminations--gross loss multiple	Stressed cumulative hostile terminations (%)	Cumulative voluntary termination base-case (%)	Voluntary terminations--gross loss multiple	Stressed cumulative voluntary terminations (%)	Recovery rate base-case (%)	Recovery rate haircut (%)
AAA	1.75	4.80	8.40	0.50	3.00	1.50	53.77	40.00
AA	1.75	3.80	6.65	0.50	2.75	1.38	53.77	30.00

Based on the strong performance that we continue to observe on the originator's book, we have reduced our HT base case by 0.25% compared to the previous transaction. We have also reduced our HT stress multiple by 0.1x at 'AAA' and 'AA', considering the originator's historical performance and comparison to peer transactions.

We have maintained our base-case VT assumption at 0.5%, considering historical performance and loan and collateral characteristics.

We have sized the applicable VT multiple at the 'AAA' rating level at 3.0x, unchanged from the prior transaction.

In addition to the HT and VT losses applied, as outlined in table 7, we applied separate RV losses to the balloon component of the PCP contracts in the pool after considering prepayments and other losses.

Table 7

RV loss assumptions

Rating level	RV loss (%)
AAA	38.9
AA	23.4

RV--Residual value.

Transaction Structure And Cash Flow Mechanics

At closing, FIML sold the receivables to Finance Ireland Auto Receivables No. 2, the issuing special-purpose entity incorporated in Ireland, which is bankruptcy remote for the purpose of our credit analysis. Our ratings included a review of the final documents and legal opinions that mitigate legal risk in line with our criteria.

Finance Ireland Auto Receivables No. 2 purchased the receivables using the proceeds from the issuance of the rated class A, B, and unrated class C notes. Separately, FIML granted the issuer a loan under the subordinated loan agreement. The subordinated loan funded a reserve fund and paid for the initial transaction expenses. All the notes are euro-denominated, and the notes' interest is paid monthly in arrears.

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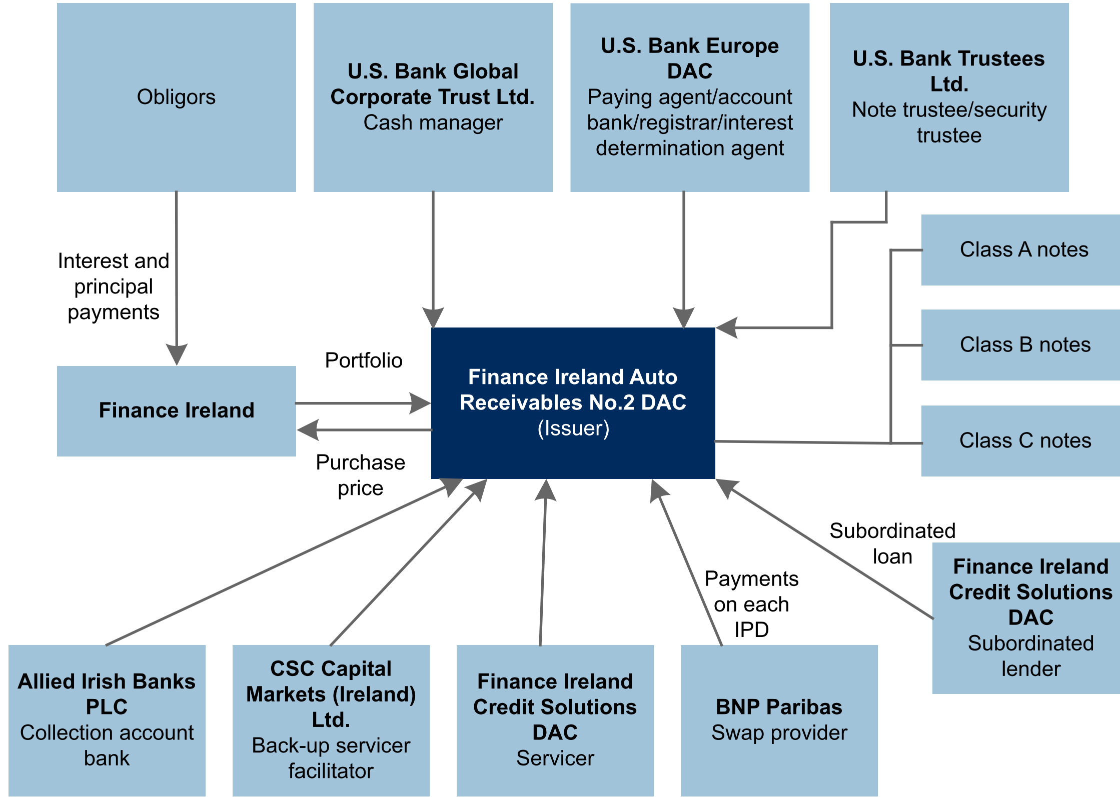
Chart 6

Finance Ireland Auto Receivables No.2 DAC

Transaction structure



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Cash flow mechanics

The notes pay interest and principal on the monthly interest payment dates (IPDs). The transaction has a separate interest and principal waterfall, and cash flows will redeem the notes pro rata until breach of a sequential repayment trigger. The rated notes pay a floating-rate interest. The legal final maturity date is Nov. 14, 2034.

Payment waterfalls

On any monthly IPD, the issuer will allocate all interest and principal collections, recoveries, hedge receipts, and the reserve in the order shown in the table below.

Table 8

Waterfall payment priority

Priority	Interest payment	Principal payment
1	Issuer profit amount and senior expenses including senior servicing fees	After application of the reserve fund, principal borrowing to pay any unpaid senior fees and expenses (including servicing fees), senior swap payments, and unpaid interest on the notes (subject to conditions, see "Principal to pay interest").
2	Swap payment (excluding swap subordinated amounts)	Until a sequential payment trigger occurs, class A to C principal, on a pro rata basis

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Table 8

Waterfall payment priority (cont.)

Priority	Interest payment	Principal payment
3	Class A interest	After a sequential payment trigger occurs, full sequential payment of the class A to C notes
4	Credit the class A principal deficiency ledger (up to the elimination of any debit)	Payment of outstanding principal in relation to the subordinated loan
5	Class B interest	Available revenue receipts
6	Credit the class B principal deficiency ledger (up to the elimination of any debit)	
7	Reserve fund replenishment up to the required level	
8	Class C interest	
9	Credit the class C principal deficiency ledger (up to the elimination of any debit)	
11	Any subordinated amounts due to the swap provider	
12	Payment of subordinated loan interest	
13	Payment of subordinated loan principal in an amount equal to the reserve fund excess amount	
14	Deferred consideration due to the seller	

Sequential payment triggers

The transaction pays pro rata across the rated notes from closing. However, the transaction will revert to sequential payment if a sequential payment trigger event occurs. These include:

- The cumulative default ratio exceeds: (i) 0.75% on any payment date before (and including) October 2025, (ii) 1.25% on any payment date after (but excluding) October 2025 until (and including) the payment date falling in April 2026, and (iii) 1.75% on any payment date thereafter;
- The portfolio outstanding balance is less than 10% of the original portfolio outstanding balance;
- The debit balance of the class C PDL exceeds 0.50% of the portfolio outstanding balance;
- A servicer termination event has occurred; and
- The reserve fund is not funded to the required amount at the relevant payment date.

For this trigger, the cumulative default ratio includes defaults, VTs, and RV losses.

The transaction's pro rata payment structure represents a risk factor. If the sequential repayment triggers are breached later in the transaction's life and the recession starts after a benign economic period, there would have been limited credit enhancement build up compared to a sequential pay structure, and principal collections and excess spread would have already been used to pay junior notes. As such, credit enhancement exits the transaction, and the transaction is more exposed to back-loaded defaults. To capture this risk, our driving cash flow runs incorporate back-loaded defaults combined with a delayed recession. We also note that the triggers are non-reversible and relatively tight and are closely linked to the transaction's performance.

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Credit enhancement

A combination of excess spread, subordination, and the reserve fund (through PDL clearance) provides credit enhancement for the rated notes.

Table 9

Estimated excess spread at closing

	Pool (%)
Weighted-average collateral yield	7.23
Stressed senior fees	1.03
Expected fixed swap payment	2.29
Floating swap receipt	2.54
Spread available for note coupons	6.45
Excess spread remaining after payment of class A interest	3.39
Excess spread remaining after payment of class B interest	3.24

Reserve fund

At closing, the seller's subordinated loan fully funded the amortizing reserve fund to an amount equal to 1.5% of the class A and B notes' closing balance. The reserve amortizes in line with the outstanding balance of the class A and B notes, down to a floor of 0.5% of the class A and B notes' initial balance. On each IPD, if there is a revenue shortfall (available revenue is insufficient to pay senior fees and expenses, including servicing fees, senior swap payments, class A and B interest, or the class A and B PDLs) the issuer may withdraw funds from the reserve to make up for the shortfall in line with the interest waterfall. Upon redemption of the class B notes, all reserve fund excess is released down the revenue priority of payments.

Principal to pay interest

In high-delinquency scenarios, there may be liquidity stresses where the issuer would not have sufficient revenue receipts to pay senior fees or interest on the outstanding class A to C notes. To mitigate this risk, the issuer can use any existing principal receipts to pay shortfalls in senior fees and expenses, issuer profit amounts, senior swap costs, and interest on the class A notes without any restrictions. Principal can be used to pay interest on the class B notes if there is no debit balance registered to the class B PDL, and once the class B notes are most senior this PDL condition no longer applies, and principal can be used to pay class B interest with no restrictions. Principal can be used to pay interest on the class C notes only when they are the most senior class of notes outstanding. We do not rate the payment of interest or principal on the class C notes. The use of principal to pay interest would result in the registering of a debit in the PDL and may reduce the credit enhancement available to the notes. Principal can be used only if there is a shortfall after application of the reserve fund.

Interest rate swap

To hedge the interest rate mismatch between the fixed-rate notional interest on the assets and the floating-rate interest on the rated notes, the issuer entered into an interest rate swap agreement with BNP Paribas. Under the terms of the swap, the issuer pays a fixed rate and receive one-month EURIBOR, each based on a notional schedule linked to the rated notes' outstanding balance. We have incorporated the swap into our cash flow modelling assumptions.

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Senior fees

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

Prepayments and yield compression

We stressed the prepayment rate up to 24.0% and down to 0.5%, considering historical prepayment rates. We also applied a relative spread compression of 4.4% to the portfolio's weighted-average interest of 7.23% over the transaction's weighted-average life.

Default timing

We applied a default curve distributed over a 27-month period (equivalent to the pool's weighted-average life). We used both an evenly distributed curve and a backloaded curve in our analysis. Our driving cash flow run considered a backloaded default curve combined with a delayed recession for six months.

Commingling risk

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

Setoff risk

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

Back-up servicer facilitator arrangement

CSC Capital Markets (Ireland) Ltd. is the designated backup servicer facilitator. Under the transaction documents and following a servicer termination event, the issuer can terminate FIML as the servicer. CSC Capital Markets would then use reasonable efforts to identify and assist the issuer in the appointment of a suitable replacement.

Cash Flow Assumptions

Table 10

Cash flow assumptions	
Recession start	Closing
Length of recession	Minimum of the weighted-average life and 36 months (27 months)
Cumulative gross loss curve	(i) Evenly distributed over the weighted-average life, and (ii) back-loaded
Recovery lag	18 months
Delinquency	Two-thirds of credit losses recovered six months later
Stressed servicing fees and trustee fee per annum (%)	1.0

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Table 10

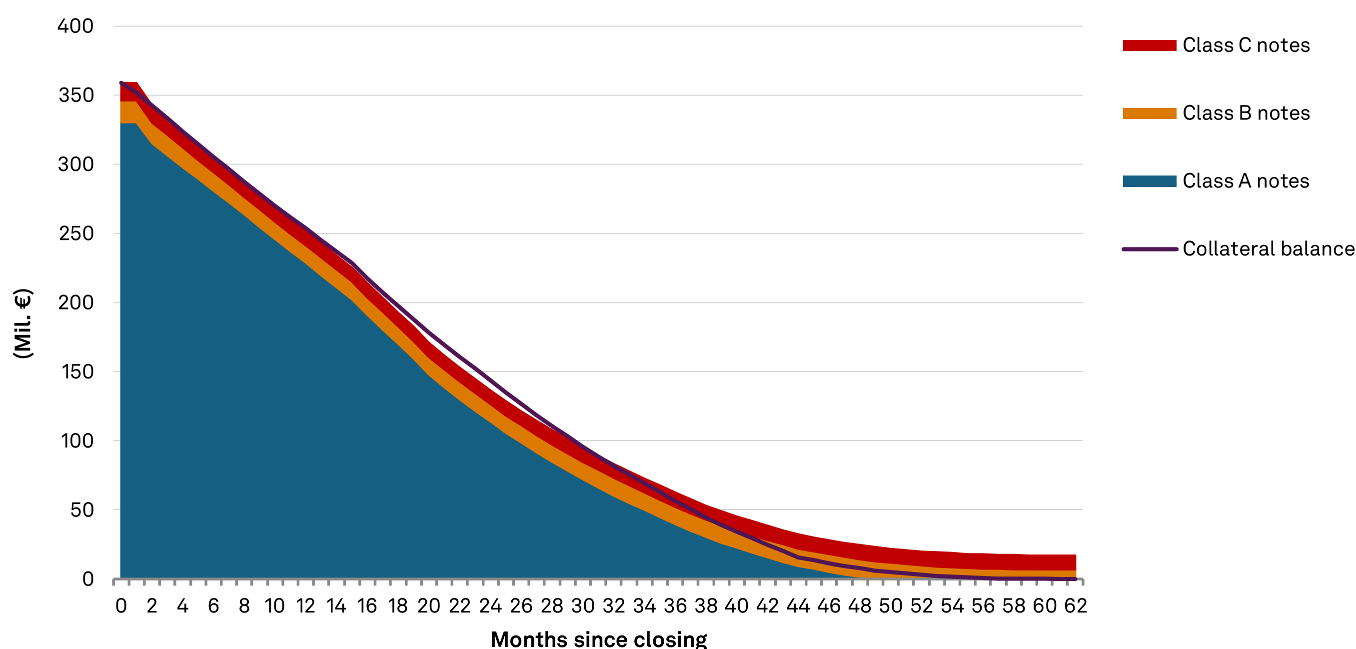
Cash flow assumptions (cont.)	
Fixed fees per annum (€)	125,000
Replacement bank cost (€)	100,000
Prepayments (high/low) (%)	24.0/0.5
Interest rate	Up, down and flat interest rate curves
Initial WAC (%)	7.23
Relative WAC compression (%)*	4.40
Commingling stress	1 month loss
Setoff stress (%)	N/A

*Based on a high prepayment scenario. WAC--Weighted average coupon. N/A--Not applicable.

Chart 7 shows the collateral and the note amortization profile under our most stressful scenario.

Chart 7

Collateral and note balances (end of period) in a 'AAA' rating scenario



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Counterparty risk

The transaction is exposed to counterparty risk relating to U.S. Bank Europe DAC, as the bank account provider, and to BNP Paribas, as the swap provider. The documented replacement and/or remedy provisions adequately mitigate counterparty risk in line with our current counterparty criteria.

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

Table 11

Transaction participants	
Seller, servicer, and subordinated lender	Finance Ireland Credit Solutions DAC
Swap counterparty	BNP Paribas
Note trustee and security trustee	US Bank Trustees Ltd.
Collection account bank	Allied Irish Banks PLC
Cash manager	U.S. Bank Global Corporate Trust Ltd.
Back-up servicer facilitator	CSC Capital Markets (Ireland) Ltd.
Issuer account bank	U.S. Bank Europe DAC
Corporate services provider	CSC Capital Markets (Ireland) Ltd.

Sovereign Risk

Our long-term sovereign credit rating on Ireland is 'AA' and we assess the underlying assets' sensitivity to sovereign risk as low. This enables the notes to achieve a maximum potential rating of up to 'AAA' if they can pass our 'A' cash flow run addressing a sovereign default scenario. The class A and B notes pass our 'AAA' and 'AA' stresses, respectively, and therefore can achieve the corresponding ratings in accordance with our sovereign risk criteria. Therefore, our structured finance sovereign risk criteria do not constrain the ratings.

Sensitivity Analysis And Forward Looking View

We considered the transaction's resilience in the case of 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.

Our forecast for Irish unemployment rates is 4.0% over 2025 and 2026. Our forecast for inflation is 2.1% over 2025 and then down to 1.9% in 2026.

Furthermore, a decline in second-hand car values typically affects the level of realized recoveries and increases the transaction's RV risk exposure (where the liquidation proceeds from vehicle sales are lower than their securitized values).

We therefore ran eight scenarios with increased gross defaults and/or reduced expected recoveries. The results of the sensitivity analysis indicate a deterioration of no more than four notches on the notes, which is in line with the credit stability considerations in our rating definitions.

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Table 12

Scenario stresses

	Recovery rate base-case (%) and RV loss (%)		
Gross HT and VT default rate base-case (%)	0	Recovery rate: -10.0; market value decline +5.0	Recovery rate: -30.0; market value decline: +15.0
0	Base-case	Scenario 3	Scenario 4
10	Scenario 1	Scenario 5	Scenario 7
30	Scenario 2	Scenario 6	Scenario 8

HT--Hostile termination. VT--Voluntary termination.

Table 13

Sensitivity analysis

Class	Base case	1	2	3	4	5	6	7	8
Default rate base-case increase (%)	-	10	30	0	0	10	30	10	30
Recovery rate base-case decrease (%)	-	0	0	10	30	10	10	30	30
Gross default rate HT (%)	1.75	1.93	2.28	1.75	1.75	1.93	2.28	1.93	2.28
Gross default rate VT (%)	0.50	0.55	0.65	0.50	0.50	0.55	0.65	0.55	0.65
Recovery rate (%)	53.8	53.8	53.8	48.42	37.66	48.42	48.42	37.66	37.66

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

No change

One-notch downgrade

Two-notch downgrade

Three-notch or more downgrade

HT--Hostile termination. VT--Voluntary termination.
Source: S&P Global Ratings.
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Many of this transaction's features, including the initial subordination levels, excess spread, and the reserve fund, enhance the stability of the ratings under each scenario.

Monitoring And Surveillance

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

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

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- The supporting ratings.

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- Economic Outlook Eurozone Q1 2025: Next Year Will Be A Game Changer, Nov. 26, 2024
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