S&P Global Ratings

Research

New Issue: Master Credit Cards Pass Compartment France Series 2025-1

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Table Of Contents

Table Of Contents (cont.)

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Ratings Detail

Ratings					
Class	**Rating***	**Amount (€ mil.) §**	**Minimum subordination (%)†**	**Interest (%)**	**Legal final maturity**
A2025-1	AAA (sf)	300.0	26.2	One-month EURIBOR plus 0.71%‡	Nov. 26, 2040
B2025-1	NR	83.5	5.7	0.50	Nov. 26, 2040
S	NR	96.3	0.0	N/A**	Nov. 26, 2040

*Our rating addresses timely payment of interest and ultimate repayment of principal. §Amount (€ mil.) is the amount at the issue date. †Subordination of the class B2025-1 and S notes in both the amortization and accelerated amortization periods. Subordination only reflects the minimum seller share of 6% of the class A2025-1 and B2025-1 notes' outstanding balances. ‡Subject to a step-up of 1.5x the initial margin after the notes' call date in April 2028, if the class A2025-1 notes have not been redeemed. **The class S notes' interest rate is not defined. NR--Not rated. EURIBOR--Euro Interbank Offered Rate. N/A-- Not applicable.

Transaction Summary

Master Credit Cards Pass Compartment France is a socialized master trust that issues notes, in separate series, commonly referred to as a linked structure. The issuer is a bankruptcy remote French securitization fund (a "Fonds Commun de Titrisation"; FCT). Series 2025-1 is the eighth issuance from the FCT since the inaugural issuance of series 2013-1 in November 2013.

The securitized portfolio comprises drawings from private individuals under a revolving credit agreement that Carrefour Banque S.A. originated in France. Carrefour Banque is the captive consumer finance arm of the French retailer Carrefour S.A., Europe's largest retailer. Carrefour (60%) and BNP Paribas Personal Finance (40%) jointly own Carrefour Banque.

The series 2025-1 notes have a 36-month revolving period, subject to early amortization upon the occurrence of certain events including performance-based and minimum seller share tests.

During the program's revolving and amortization periods, the transaction uses separate revenue and principal waterfalls, where excess spread can be used to cure any principal deficiencies. During the program's accelerated amortization period, there will be a combined waterfall, and all collections will be used to redeem all the outstanding class A notes in the master program (i.e., full turbo).

Credit enhancement for the rated class A2025-1 notes is provided by subordination of the class B2025-1 and S notes, excess spread, and the overcollateralization resulting from the transfer of purchased receivables to the compartment by the seller and their funding through a deferred purchase mechanism.

A general liquidity reserve is available to cover timely interest payments on the rated notes, and during the program's normal amortization period excess amounts can only be used to clear a principal deficiency ledger (PDL), if any, and the amounts will be released to the reserve provider. During the program's accelerated amortization period, however, excess liquidity reserve amounts can be used to redeem the rated notes.

There are no rating constraints in the transaction under our operational risk or structured finance sovereign risk criteria.

The Credit Story

Strengths, concerns, and mitigating factors

Strengths	Concerns and mitigating factors
Carrefour Banque is an experienced player in the revolving loan market. As part of our operational risk analysis, we are satisfied with its ability to both service the current portfolio and to originate new loans during the revolving period.	The portfolio is revolving, and the pool's characteristics could change over time. However, the addition of new loans is subject to certain limits, and our base-case assumptions consider potential changes in the pool composition. Performance triggers are also in place to end the revolving period if asset performance significantly deteriorates.
In our view, low payment rates in the portfolio reduce potential volatility. Under the French regulatory environment, the amortization profile of revolving credits is subject to stringent rules, which allow the full repayment of the loan over a defined maximum period. In addition, the minimum payment rate is a function of the credit limit, meaning the minimum nominal monthly payment amount remains constant as the receivables amortize.	Special drawings, which are drawings made within the limit of the available credit amount but with a lower interest rate (down to 0%) and a shorter maturity that cannot exceed 24 months, can be securitized. Although there are almost none in the securitized pool, the portfolio criteria limit the purchase of these drawings at 10% of the performing balance. We have taken this into account in our analysis.
The class S notes are subordinated in the normal amortization and accelerated amortization periods. The priority allocation rule also effectively subordinates receivables held by the seller that have not been sold to the issuer.	The low payment rates result in slow amortization of the portfolio, meaning noteholders are exposed to losses for a longer time while macroeconomic conditions could be deteriorating. We have applied the minimum contractual payment rate in our cash flow analysis, while we assumed that charge-offs and yields deteriorate in our stressed assumptions.
Portfolio yield has been stable over time, and there is currently a significant amount of excess spread to mitigate an increase in charge-offs.	Servicer commingling risk exists for non-direct-debit payments, which a dynamically adjusted commingling reserve mitigates, and these amounts are transferred daily into a specially dedicated bank account. The specially dedicated bank account arrangement mitigates servicer commingling risk related to the direct debit payments.
The program payment structure is strictly sequential in both normal amortization and accelerated amortization periods.	There is no back-up servicer in this transaction. The transaction's cash reserve fund limits the risk of cash flow disruption during the time that it would take for the issuer to find a replacement. Additionally, we modeled stressed servicer fees that we consider sufficient to attract a replacement servicer.
The structure benefits from a general liquidity reserve which provides liquidity support to the class A notes.	

Asset Description

The portfolio comprises drawings from private individuals under a revolving credit agreement that Carrefour Banque originated in France.

The initial receivables pool has been audited. Our rating on the notes reflects our anticipation that the results meet our standards for data reliability.

Table 1

Key collateral characteristics*	
Aggregate receivables (€)	439,486,677.43

Table 1

Key collateral characteristics* (cont.)	
Average principal balance (€)	2,316.84
Weighted-average credit limit (€)	5,194.77
Weighted-average utilization rate (% of credit limit)	90.10
Weighted-average contractual payment rate (% of credit limit)§	1.96
Weighted-average seasoning (years)	15.01
Annual interest rate (%)	14.45
Top three regional concentration (by balance %)	Ile-de-France (28.02), Provence-Alpes Côte d'Azur (13.04), Auvergne-Rhône-Alpes (11.56)

*Data is based on the pool as of Feb. 28, 2025. §Intermediate amortization method: instalment calculation based on principal amount due at the last drawing date (36 and 60 months).

Eligibility And Portfolio Criteria

The transaction documents set out certain eligibility criteria for the receivables and client accounts, some of which are highlighted below.

Eligibility criteria

The eligibility criteria require that each receivable:

- Is governed by French law and is in line with consumer credit legislation and all other applicable legal/regulatory provisions;
- Has been granted to private individuals in France, excluding the seller's employees;
- Constitutes the relevant borrower's legal obligations;
- Was originated by the seller;
- Is payable by direct debit (prélèvement automatique) on the origination date;
- Is euro-denominated and payable only in euros;
- Interest is payable monthly;
- Is not subject to restrictions on transferability, and borrower consent is not required; and
- Has already resulted in the payment of at least one installment.

The eligibility criteria for each client account include:

- The borrower is obligated to pay each month an amount equal to or greater than the relevant minimum installment detailed in the agreement;
- The client account related to the receivable is performing;
- It has been established in compliance with data protection laws;
- The outstanding balance of the client account does not exceed 108% of the applicable credit limit established in the revolving credit agreement; and

- It has not been identified as fraudulent in accordance with the servicing procedures.

Special drawings limit

On each purchase date, the outstanding balance of special drawings must be lower than 10% of the performing assets' outstanding balance, taking into account the specific purchase outstanding balance that is taking place.

Originator And Servicer

The originator, Carrefour Banque, has been underwriting consumer loans since 1980 and is the captive consumer finance arm of the French retailer Carrefour, Europe's largest retailer (see "Carrefour Banque," published on Oct. 17, 2024).

Our operational risk criteria focus on key transaction parties and the potential effect of a disruption in the transaction parties' services on the issuer's cash flows, as well as the ease with which the transaction party could be replaced if needed (see "Related Criteria"). There is no back-up servicer in place.

As part of our analysis, we conducted a management meeting with Carrefour Banque. We consider its origination and underwriting policies, as well as its servicing and risk management procedures, to be in line with general market practice and sufficient to enable it to perform its servicing duties in line with the transaction documents. The portfolio comprises prime revolving credit agreements, and all accounts pay by direct debit. As a result, we assess the severity risk following a potential disruption to the servicer as low. We also classify the portability risk as low because we believe that the market depth of qualified replacement servicers, the servicer's IT system, the fee incentive for a replacement servicer, the management company's ability to substitute the servicer, as well as the issuer's right to terminate the servicer are in line with market standards.

Since we deem both severity and portability risks associated with a disruption to the servicer as low, our operational risk criteria do not constrain our rating on the class A2025-1 notes.

Credit Analysis

We set our base case and stressed performance assumptions using our global methodology and assumptions for assessing the credit quality of securitized consumer receivables (see "Related Criteria"). The variables that we stress for revolving lines of credit include charge-offs, portfolio yield, payment rate, purchase rate, and dilutions. We have received historical performance data for these variables from December 2014 to February 2025. The quality and timeliness of the data provided is in line with our minimum standards.

Macroeconomic and sector outlook

We expect France's GDP growth forecast for 2025 to be 0.8%, down from our previous projection of 1.0%. By 2028, we forecast that France's average cost of debt will roughly equal nominal GDP growth, meaning that in order to reduce debt to GDP, France will need to operate a primary budget surplus, which it has not achieved since 2001.

We revised to negative the outlook on the 'AA-/A-1+' unsolicited sovereign ratings on France on Feb. 28, 2025 (see

"Related Research"), given public finance pressures and limited political backing for reforms. Uneven political support for budgetary consolidation is evident in the 2025 budget's reliance on temporary tax measures to deliver a deficit reduction of about 0.4% of GDP this year. The fiscal strategy beyond 2025 remains uncertain. The outlook for France's open economy is uncertain due to weak business and household confidence, elevated public and private sector debt, and increasing international trade protectionism.

S&P Global Ratings believes there is a high degree of unpredictability around policy implementation by the U.S. administration and possible responses--specifically with regard to tariffs--and the potential effect on economies, supply chains, and credit conditions around the world. As a result, our baseline forecasts carry a significant amount of uncertainty. As situations evolve, we will gauge the macro and credit materiality of potential and actual policy shifts and reassess our guidance accordingly

Table 2

France statistics

	2024	2025f	2026f	2027f
Real GDP (% y/y)	1.1	0.7	1.1	1.2
CPI inflation (% y/y)	2.3	1.8	1.8	1.7
Unemployment rate (%)	7.5	7.8	7.7	7.5

f--Forecast. y/y--Year on year. Source: Oxford Economics.

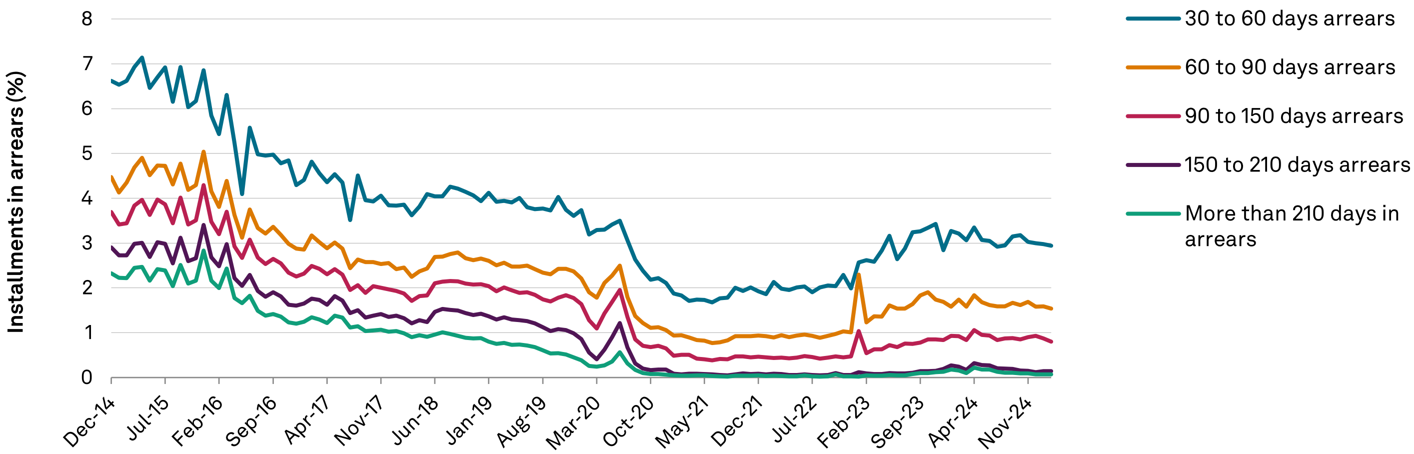
Charge-off rate

We define charge-offs as defaulted principal receivables divided by the pool balance at the beginning of the month, which is annualized and expressed as a percentage. A receivable is considered defaulted in the transaction when it is 210 days past due, the receivable is considered as restructured following an overindebtedness notification, if the receivable has been accelerated or written-off, or if the borrower is insolvent ("precedure de rétablissement personnel").

Our base-case charge-off assumption increased to 7.8% from 7.5% compared to the previous series 2022-1 issuance. This reflects the increase in charge-off performance and was partially driven by Carrefour Banque's more aggressive underwriting policy, which was designed to face higher competition in the market amid a weaker macroeconomic environment. Our base-case assumptions reflect performance trends based on historical data in Carrefour Banque's book, our economic forecasts for France, our view of the portfolio's quality, and our analysis of the originator's underwriting and servicing standards. Following an increase in defaults in 2023, Carrefour Banque immediately intervened by tightening its originator policy and improving its scoring system to underwrite better credit quality clients in mid-2023. In our 'AAA' scenario, we apply a multiple of 4.80x to the base-case assumption, resulting in a stressed charge-off rate of 37.4%. Charge-offs are assumed to peak over 12 months and then remain at that level for the transaction's life.

Chart 1

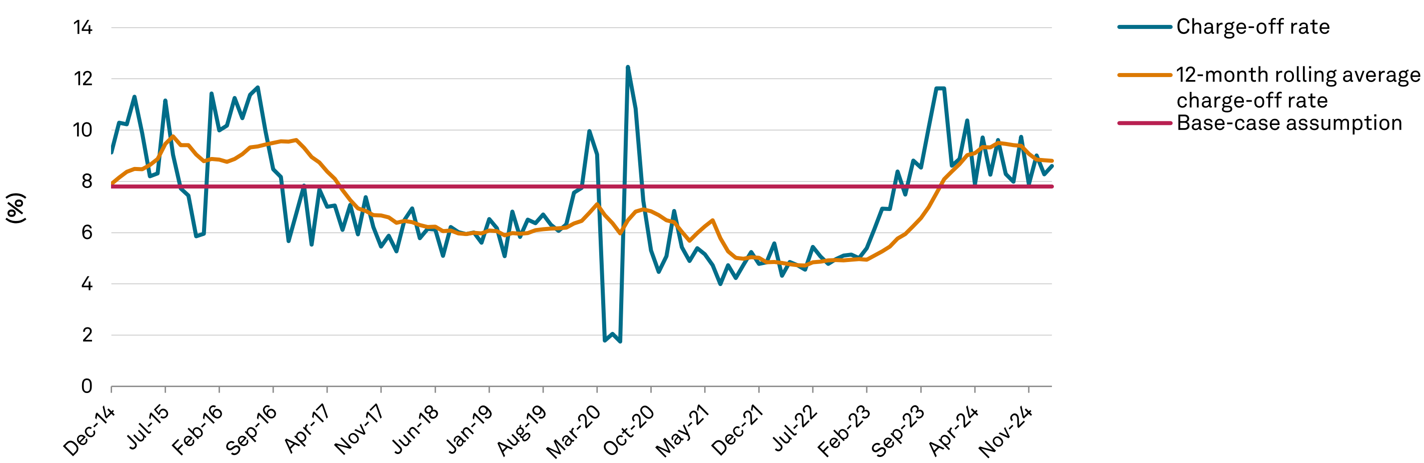
Delinquencies



Source: S&P Global Ratings.

Chart 2

Gross charge-offs



Source: S&P Global Ratings.

Yield

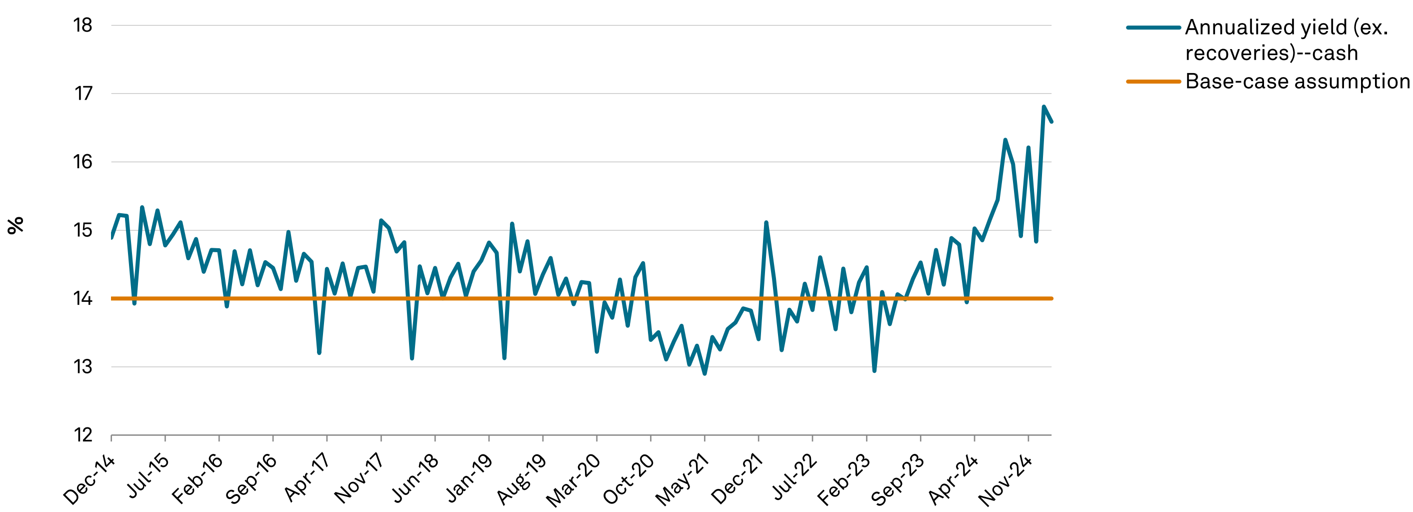
We define yield as finance charge and fee income in a particular month divided by the pool balance at the beginning of the month, annualized and expressed as a percentage. The yield in the transaction excludes interchange and insurance fees but includes any recoveries. We believe high yield is beneficial for a transaction because it means a higher income to offset any losses and pay the interest on the notes.

Our base-case yield assumption is 14.00%, which reflects the increase in the observed yield considering the rising interest rate environment since 2022. Our assumption is mainly driven by Carrefour Banque's pricing strategy, which is linked to the legal cap, which corresponds to the maximum legal rate that can be offered by French creditors as defined by Banque de France. Usuary rates have increased over the last two years, especially for clients with outstanding drawings ranging between €3,000 and €6,000.

In our 'AAA' scenario, we apply a haircut of 32.50% to the base-case assumption, resulting in a stressed yield of 9.45%. The stressed yield rate is applied from the first month of cash flows over the transaction's life.

Chart 3

Yield



Source: S&P Global Ratings.

Payment rate

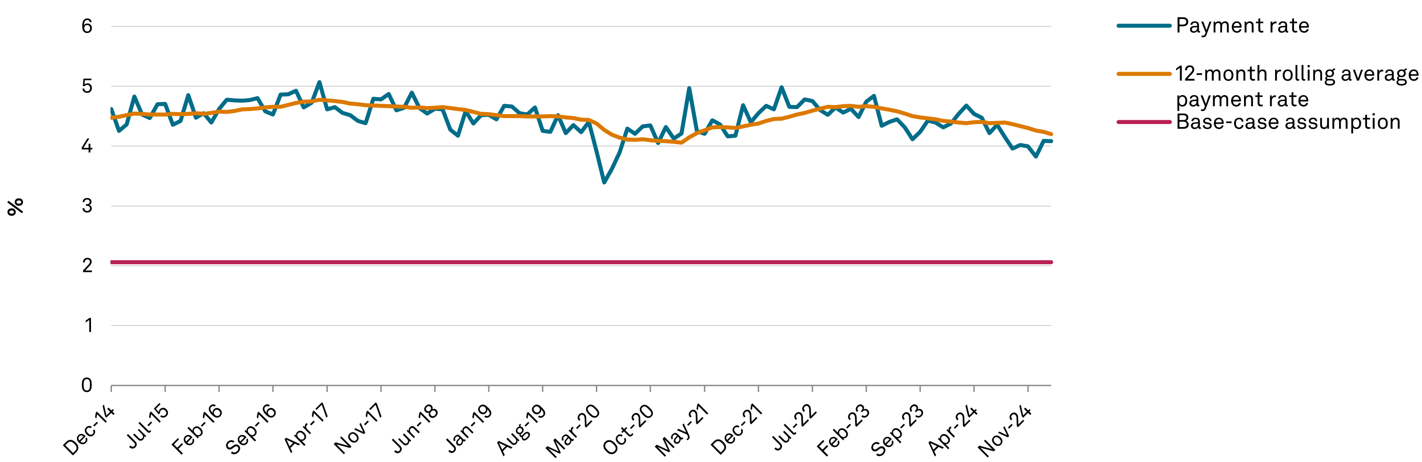
We define the payment rate as the total collections received in a particular month divided by the pool balance at the beginning of the month, expressed as a percentage.

In our view, a high payment rate is beneficial for a transaction because during its amortization period the note principal is paid down quicker, meaning noteholders are exposed to losses for a shorter period.

Under the French regulatory environment, the amortization profile of revolving credits is subject to stringent rules, which allow the full repayment of the loan over a maximum period of 36 months if the maximum credit limit is lower than €3,000 or 60 months if the maximum credit limit is equal or higher than €3,000 following the implementation of the Lagarde Law. We have considered the legal constraints on the minimum contractual payment rates and have assumed a weighted-average minimum contractual repayment rate of 2.06% based on the historical credit limit composition and potential future evolution. The weighted-average minimum contractual payment rate is 1.95% based on the actual distribution of the revolving borrowers. We are also giving some credit to the non-revolving borrowers portion, for which the payment rate observed since 2005 is 6%. If an account is not making the minimum required payment, this would be considered a delinquent receivable, which may ultimately be charged off. Since the contractual payment rate is based on the credit limit rather than the outstanding receivables balance, the monthly payment rate percentage (i.e. collections divided by the beginning of period receivables balance) will increase as the receivable amortizes. We have reflected this feature of the accounts in our cash flow assumptions.

Chart 4

Payment rate



Source: S&P Global Ratings.

Purchase rate

When setting assumptions regarding purchase rates, we tend to look at the originator's credit quality rather than the historical values. Our long-term issuer credit rating on Carrefour Banque is 'BBB'. The accounts in the portfolio are general-purpose bank cards; however, they are co-branded so the continued use and the utility of the credit cards may depend on the strength and survival of Carrefour Banque. Nevertheless, credit cards are non-exclusive, and receivables could be generated even after Carrefour Banque has disappeared. In light of this, we assumed a 1% purchase rate.

Dilutions

Most cardholders in the pool revolve their balances. As a result, the portfolio has experienced lower dilutions than those with high payment rates because purchases were made many months or even years ago, and therefore they may no longer be subject to return. Dilutions can also arise as a result of fraud. We observed some spikes in fraud over the last quarter of 2021 and 2022. We understand these historical peaks were explained partially by Carrefour Banque's clients falling victim to phishing attacks and by some clients' frauds. Carrefour Banque has put in place a set of actions to avoid these events reoccurring, including corrective measures on mobile payment solutions, several prevention campaigns to customers and employees, and continued closure of fraudulent websites which were reflected in the historical data. Therefore, we decreased accordingly our base-case dilution assumption to 0.15% from 0.30%, and we have applied a 5x multiple at 'AAA'. We have applied the dilution losses as a reduction to the pool balance in the first month of our stressed cash flow analysis.

Table 3

Credit analysis summary

	Base case (%)	Haircut/multiple	'AAA' stress (%)
Charge-offs	7.80	4.80x	37.4
Yield	14.0	32.50%	9.45
Payment rate	2.06	N/A	2.06
Purchase rate	1.00	N/A	1.00
Recovery rate			13.25
Over-indebtedness (30% of the pool)	30	50.0%	4.50
Accelerated loans (70% of the pool)	25	50.0%	8.75
Dilutions	0.15	5.00x	0.75

N/A--Not applicable.

Transaction Structure

The securitized pool consists of a portfolio of revolving loan receivables that the issuer purchases at par value from Carrefour Banque. Every month, the issuer will purchase further receivables through:

- The reinvestment of collections;
- The issuance of further seller notes, or new notes series; or
- A deferred purchase price mechanism.

During the program's revolving period, the seller can sell, assign, and transfer eligible receivables to the FCT. During this period, the pool characteristics could change. Certain portfolio criteria and amortization triggers within the transaction documents aim to ensure that the portfolio composition and performance remain within defined limits prior to amortization. In addition to the program's revolving period, the series 2025-1 will have a revolving period of 36 months, during which the class A2025-1 noteholders will receive interest payments in accordance with the interest priority of payments.

The FCT continues to maintain a minimum pool size (ensuring the outstanding performing balance of the receivables is at least 106% of the class A2025-1 and B2025-1 notes' outstanding amount) during the program's revolving period and the normal amortization period. If this fails to be the case, the transaction's amortization will accelerate.

During the program's revolving period, the FCT may, from time to time, issue further note series, subject to certain conditions (including new rating assignments). The notes of each series and the seller's notes are collateralized by the same portfolio of receivables, irrespective of their issue and maturity dates.

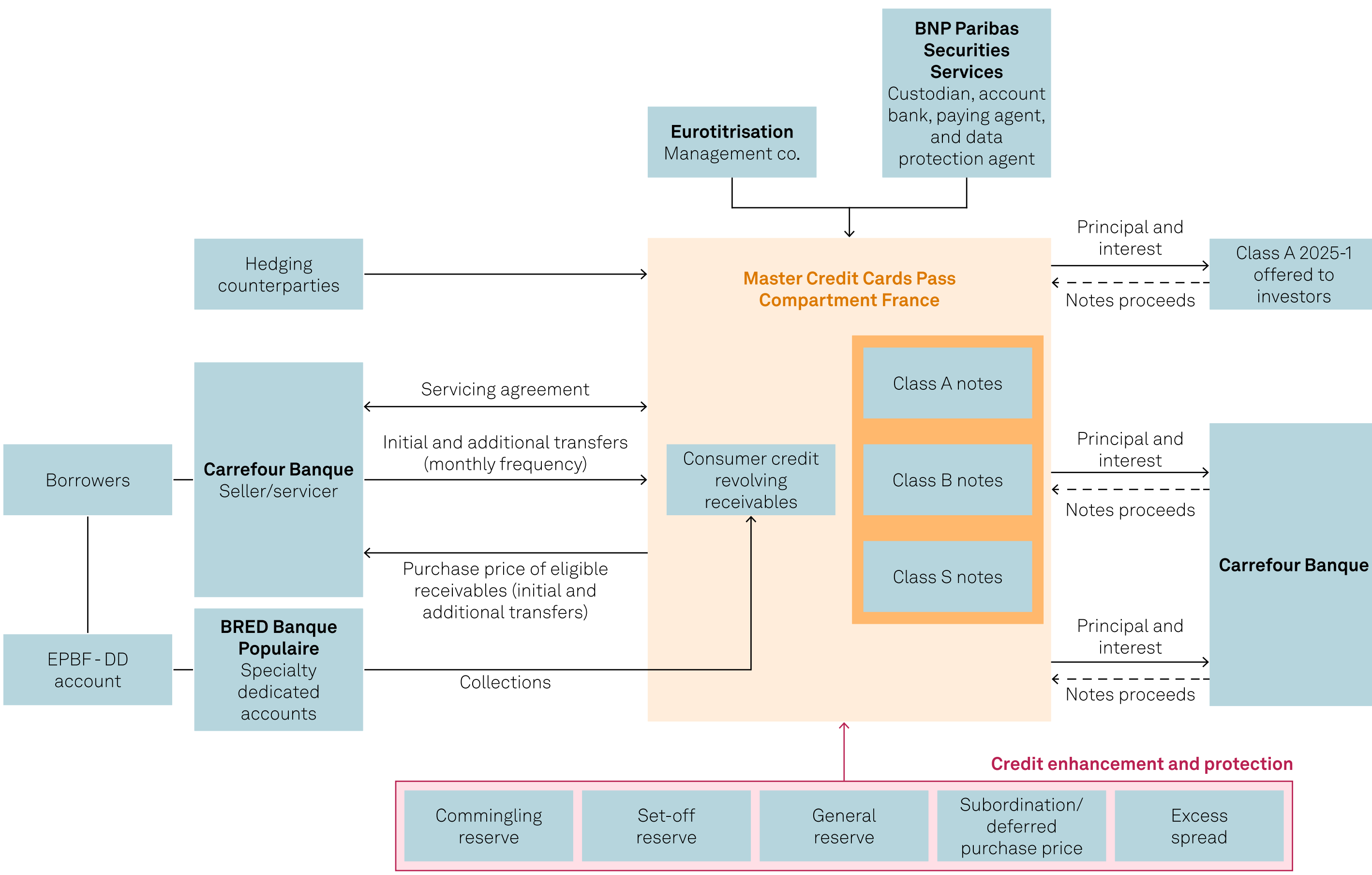
During the program's revolving period and the amortization period, principal cash flow allocations will be determined by a fixed ratio, based on the notes' relative weighting in the program. The fixed allocation of principal collections during amortization will accelerate the principal repayment to the noteholders. This will reduce the period during which the noteholders are exposed to defaults, compared to a pro rata allocation.

The transaction has separate interest and principal waterfalls, with a default-provisioning and a principal-borrowing mechanism. The FCT can use excess spread to cure incoming defaults on an ongoing basis. Once in the accelerated period, the issuer will repay all senior class A notes of each series pari passu and pro rata, using a combined priority of payment schedule. The legal opinion provides assurance that the sale of the receivables would survive the seller's insolvency and that the priority allocation rule for the accounts is enforceable. The rule stipulates that when the seller is still the owner of any outstanding receivables arising under accounts for which other receivables have been sold to the issuer, the seller's rights on any payments of principal, interest, and any other amounts paid under these nonpurchased receivables will be subordinated to the issuer's rights. This means that all collections for those accounts will first be applied to repay the receivables purchased by the issuer.

Chart 5

Master Credit Cards Pass Compartment France Series 2025-1

Transaction structure



Source: S&P Global Ratings.

Cash Flow Mechanics

On each installment due date, principal and interest due on the loans are collected from borrowers by direct debit into a direct debit account held at EPBF S.A. and transferred on the same business day to a French specially dedicated account. This account was opened with BRED Banque Populaire (A+/Stable/A-1) in the servicer's name, for the compartment's exclusive benefit. French law provides that amounts credited to this account will not be available to the servicer's creditors, even upon servicer insolvency.

Since collections transit to a non-dedicated account in the servicer's name and in case of prepayments and recoveries, the repayments will be paid by checks and credited to a non-dedicated account in the servicer's name with BNP Paribas, there is a risk that these prepayments and recoveries could get lost if the servicer becomes insolvent. To mitigate this risk, a commingling reserve has been set up and calibrated to pay a month's worth of collections and non-direct-debit payments (recoveries, prepayments, and check payments).

Transaction periods

The program has three phases:

- A revolving period, which will terminate if there is a normal amortization event or an accelerated amortization event. The issuer can issue further seller's notes or series of notes to purchase additional receivables monthly, or to reimburse existing note series following the FCT's exercise of a call option. During this phase, the minimum program size will be maintained.
- A normal amortization phase, during which all series of notes start amortizing and the minimum program size is maintained. In this phase, the class A, B, and S notes amortize sequentially. During this phase, the FCT cannot issue new series of notes, and the minimum program size will be maintained.
- An accelerated amortization phase, which is triggered if certain events occur (see table 4). In this phase, all the outstanding class A notes are accelerated, and the class B and S notes are fully subordinated to the repayment of the class A notes. During this phase, the FCT cannot issue new notes, and it will repay all senior class A notes of each series pari passu and pro rata, using a combined priority of payment schedule.

Table 4

Amortization events

	Normal amortization	Accelerated amortization
The PDL debit balance is not cleared for the third consecutive monthly payment date	X	
The delinquency ratio exceeds 6.0% in three consecutive months	X	
The gross loss ratio exceeds 1.1% in three consecutive months	X	
The reserve fund is less than the required amount	X	
A purchase shortfall occurs	X	
The outstanding principal balance of performing receivables is below the minimum portfolio amount	X	
Carrefour Banque fails to subscribe the class B notes or S notes	X	
A seller or a servicer termination event occurs, and no remedy is implemented within 30 calendar days	X	

Table 4

Amortization events (cont.)

	Normal amortization	Accelerated amortization
FCT liquidation event occurs		X
The issuer fails to pay timely interest on the class A notes (with a five-day grace period)		X
A breach of commitment under the hedging contracts for any outstanding class A notes occurs		X

PDL--Principal deficiency ledger. FCT--Fonds Commun de Titrisation.

Priority of payments

During the program's revolving and normal amortization periods, the transaction will continue to use separate revenue and principal waterfalls, in which excess spread can be used to cure any principal deficiencies arising from defaults on the receivables or reallocated principal collections to cover senior items in the interest waterfall (see tables 5 and 6).

During the program's accelerated amortization period, there will be a combined waterfall, and all collections will be used to redeem the notes (i.e., full turbo; see table 7). In our view, the primary difference between the split waterfalls during normal amortization and the combined waterfall during accelerated amortization is that excess amounts in the cash reserve are only available as credit enhancement during accelerated amortization.

Revolving period and normal amortization period priority of payments

Table 5

Interest priority of payments

	Revolving period	Normal amortization period
1	Senior fees and expenses	Senior fees and expenses
2	Net swap amount due to the swap counterparty (if applicable)	Net swap amount due to the swap counterparty (if applicable)
3	Class A and S notes' interest	Class A notes' interest
4	Top-up of the cash reserve to the required level	Top-up of the cash reserve to the required level
5	Cure amount of the class A notes' PDL	Cure amount of the class A notes' PDL
6	Swap subordinated termination payments	Swap subordinated termination payments
7	Class B notes' interest	Class B notes' interest
8	Release excess amount, if any	Class S notes' interest
9		Release excess amount, if any

PDL--Principal deficiency ledger.

Table 6

Principal priority of payments

	Revolving period	Normal amortization period
1	Reallocated principal to pay items 1 to 3 of the revolving period interest priority of payments, including only the class A notes' interest	Reallocated principal to pay items 1 to 3 of the normal amortization interest priority of payments
2	All note series in case of partial amortization event or only to the note series in the note series amortization period	Class A notes' principal until fully redeemed
3	Receivables' effective purchase price to the seller (through the deferred purchase mechanism, if applicable)	Receivables' effective purchase price to the seller (through the deferred purchase mechanism, if applicable)
4	Transfer of the unapplied revolving amount (i.e., the remaining cash) to the revolving account.	Only when the class A notes have been fully redeemed, the class B notes' principal until fully redeemed

Table 6

Principal priority of payments (cont.)

	Revolving period	Normal amortization period
5		Only when the class A and B notes have been fully redeemed, the class S notes' principal until fully redeemed
6		Release excess amount, if any

Accelerated amortization priority of payments

Table 7

Combined priority of payments

1	Senior fees and expenses
2	Net swap amount due to the swap counterparty (if applicable)
3	Class A notes' interest
4	Class A note principal until fully redeemed
5	Swap subordinated termination payments
6	Class B interest
7	Class B note principal until fully redeemed
8	Effective purchase price of additional receivables (in the context of additional transfers only) through the deferred purchase mechanism
9	Class S interest
10	Class S note principal
11	Payment of the reserve deposit to the seller
12	Release excess amount, if any

Our analysis indicates that the available credit enhancement for the class A2025-1 notes is sufficient to withstand the credit and cash flow stresses that we apply at the 'AAA' rating level.

Cash reserve

The structure benefits from a funded cash reserve providing liquidity support to senior expenses and interest on the rated class A notes. For series 2025-1, the reserve amortizes at 1.2% of the outstanding balance of the class A2025-1 notes during normal amortization, with a floor of 0.6% of the class A2025-1 notes' initial principal balance. During the program's normal amortization period, the reserve will not provide credit enhancement because the excess amounts will be used to cure any class A PDL, if any, and will be released to the reserve provider. During the program's accelerated amortization period, however, excess amounts in the cash reserve above the floor amount will be used to redeem the rated notes.

Interest rate swap agreement

To hedge the interest rate mismatch between the portfolio paying fixed interest rates and the senior class A2025-1 notes paying a floating interest rate, the FCT entered into an interest rate swap agreement with three different swap providers.

The issuer pays a maximum fixed rate of 2.91% and receives one-month Euro Interbank Offered Rate (EURIBOR) plus the relevant class A2025-1 margin.

Mitigation Of Seller Risks

Commingling risk

Borrowers pay first to a collection bank account in the name of Carrefour Banque held by EPBF, a Belgian subsidiary of BRED Banque Populaire. Moneys are swept daily to a specially dedicated account opened with BRED Banque Populaire.

Since these collections transit to a non-dedicated servicer collection account, before being transferred to a ring-fenced account the following business day, if the servicer becomes insolvent, the transaction is exposed to a commingling loss related to all payments of collections that transit through these non-dedicated accounts.

In addition, in case of prepayments and recoveries, the repayments will be paid by checks and credited to a non-dedicated account in the servicer's name with BNP Paribas. Therefore, there is a risk that these prepayments and recoveries could get lost if the servicer becomes insolvent.

To mitigate this risk, a commingling reserve has been set up and periodically calibrated to pay a month's worth of collections and non-direct-debit payments (recoveries, prepayments, and check payments). The commingling reserve's required documented amount is available from closing and throughout the transaction's life. It is held in the issuer commingling reserve account. Additionally, there is a daily switch of these amounts into the specially dedicated bank account.

Setoff risk

Carrefour Banque is not only a lender but also offers savings accounts to its customers. Most deposits offered by Carrefour Banque include a setoff waiver clause in their deposit contracts. In addition, a reserve, funded if the seller is downgraded below 'BBB' with a 'A-2' short-term rating, or 'BBB+' otherwise, further mitigates setoff risk. The required setoff reserve amount will be dynamically adjusted during the transaction's life. The seller will pay any seller dilutions if there is legal, contractual, or judicial set-off.

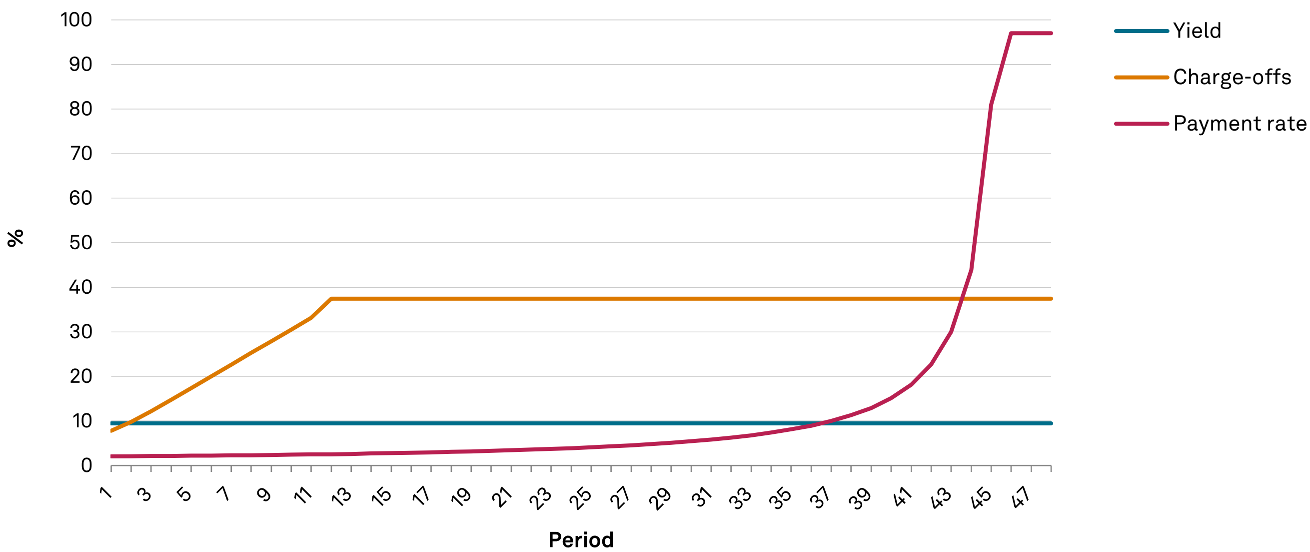
Cash Flow Analysis

In our cash flow modeling, we did not consider the revolving period and analyzed the transaction's cash flows only during the amortization stage. We focus particularly on the normal amortization phase given the accelerated amortization triggers which are unlikely to happen.

The stress vectors we have applied for yield, charge-offs, and payment rate (as a percentage of the outstanding balance over time) are shown in chart 6.

Chart 6

'AAA' stress vectors



Our analysis indicates that the available credit enhancement for the class A2025-1 notes is sufficient to withstand the credit and cash flow stresses that we apply at a 'AAA' rating level.

Our rating addresses the timely payment of interest on the class A2025-1 notes and the ultimate payment of principal.

Counterparty Risk

The issuer is exposed to BNP Paribas as the issuer account provider; BRED Banque Populaire as specially dedicated account bank provider; Carrefour Banque as setoff reserve provider; and Natixis S.A., Société Générale, and Credit Agricole Corporate And Investment Bank as swap providers. The documented replacement mechanisms for the swap providers adequately mitigate the transaction's exposure to counterparty risk in line with our criteria (see "Counterparty Risk Framework: Methodology And Assumptions," published on March 8, 2019).

Table 8

Supporting ratings

Institution/role	Current counterparty rating	Replacement trigger	Remedy period (calendar days)	Collateral posting trigger	Maximum supported rating
BNP Paribas as issuer bank account provider	A+/Stable/A-1	A	60	N/A	AAA
BRED Banque Populaire as specially dedicated account bank account provider	A+/Stable/A-1	A	60	N/A	AAA

Table 8

Supporting ratings (cont.)

Institution/role	Current counterparty rating	Replacement trigger	Remedy period (calendar days)	Collateral posting trigger	Maximum supported rating
Carrefour Banque as seller to cover for potential set-off risk and as servicer as commingling reserve provider	BBB/Negative/A-2	BBB	30	N/A	AAA
Natixis S.A. as swap provider	RCR: AA-; ICR: A+/Stable/A-1	A*	90	A*	AAA
Société Générale as swap provider	RCR: A+; ICR: A/Stable/A-1	A*	90	A*	AAA
Crédit Agricole Corporate and Investment Bank as swap provider	RCR: AA-; ICR: A+/Stable/A-1	A+*	90	A+*	AAA

*There is a dynamic downgrade language in place in the swap documentation, which depends on the then outstanding rating of the notes. According to our counterparty criteria, if both replacement and collateral are applicable remedies, the collateral posting trigger should be no lower than the replacement trigger. RCR--Resolution counterparty rating. ICR--Issuer credit rating. N/A--Not applicable.

Sovereign Risk

Our long-term unsolicited credit rating on France is 'AA-'. Therefore, our rating in this transaction is not constrained by our structured finance sovereign risk criteria (see "Incorporating Sovereign Risk In Rating Structured Finance Securities," published on Jan. 30, 2019).

Scenario Analysis

We have analyzed the effect of a moderate stress on the credit variables, and their ultimate effect on our rating on the class A2025-1 notes. We ran two scenarios by adjusting our base-case assumptions while maintaining the same stress multiples/haircuts. The results of the moderate stress scenarios are in line with our credit stability criteria (see "Related Criteria").

Table 9

Scenario stresses

	Scenario 1 (relative stress to base case)	Scenario 2 (relative stress to base case)
Charge-off (%)	30.0	50.0
Payment rate (%)	N/A - modeled as the minimum legal payment rate	N/A--modeled as the minimum contractual payment rate
Yield (%)	(10.0)	(20.0)
Recovery rate (%)	(30.0)	(50.0)

N/A--Not applicable.

Table 10

Rating variable

(%)	Base case	Scenario 1 stress case	Scenario 2 stress case
Charge-off	7.80	10.14	11.70
Payment rate	2.06	2.06	2.06
Yield	14.00	12.60	11.20

Table 11

Scenario stress analysis results

Class	Rating	Scenario 1 stress test rating	Scenario 2 stress test rating
A	AAA (sf)	AA (sf)	AA- (sf)

Environmental, Social, And Governance

Our rating analysis considers a transaction's potential exposure to environmental, social, and governance (ESG) credit factors. For the credit card ABS sector, we view the exposure to environmental credit factors as below average, social credit factors as above average, and governance credit factors as average (see "ESG Industry Report Card: Credit Card Asset-Backed Securities," published on March 31, 2021).

In our view, the exposure to ESG credit factors in this transaction is in line with our sector benchmark. The sector has above average exposure to social credit factors due to relatively high interest rates for borrowers who carry a balance month-to-month. The originator's pricing strategy is ultimately linked to the legal cap (taux d'usure, or usuary rate), which corresponds to the maximum legal rate that can be offered by French creditors, as defined by the Banque de France. We have reduced our yield base case as the taux d'usure has slightly decreased over the last two years, especially for clients with outstanding drawings ranging between €3,000 and €6,000.

Appendix

Transaction participants	
Issuer	Master Credit Cards Pass Compartment France
Management company	EuroTitrisation
Seller	Carrefour Banque S.A.
Servicer	Carrefour Banque S.A.
Collection account provider	BNP Paribas
Issuer bank account provider	BNP Paribas
Paying agent	BNP Paribas
Arrangers	Natixis S.A. and Credit Agricole Corporate And Investment Bank
Specially dedicated bank account provider	BRED Banque Populaire
Commingling reserve provider	Carrefour Banque S.A.
Swap counterparties	Natixis S.A., Société Générale, and Credit Agricole Corporate And Investment Bank

Related Criteria

- 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: Counterparty Risk Framework: Methodology And Assumptions, March 8, 2019

- Criteria | Structured Finance | General: Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions, Jan. 30, 2019
- Legal Criteria: Structured Finance: Asset Isolation And Special-Purpose Entity Methodology, March 29, 2017
- Criteria | Structured Finance | ABS: Global Credit Card ABS Methodology And Assumptions, Oct. 9, 2014
- Criteria | Structured Finance | General: Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
- Criteria | Structured Finance | General: Global Derivative Agreement Criteria, June 24, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- Criteria | Structured Finance | General: Methodology For Servicer Risk Assessment, May 28, 2009

Related Research

- "Liberation Day" Tariff Announcements: First Take On What It Means For U.S. And Global Outlook, April 3, 2025
- Global Economic Outlook Q2 2025: Spike In U.S. Policy Uncertainty Dampens Growth Prospects, March 27, 2025
- France 'AA-/A-1+' Ratings Affirmed; Outlook Revised To Negative On Weakening Public Finances, Feb. 28, 2025
- Credit Conditions Europe Q1 2025: Fusion Or Fission?, Dec. 3, 2024
- France 'AA-/A-1+' Ratings Affirmed; Outlook Stable, Nov. 29, 2024
- Economic Outlook Eurozone Q1 2025: Next Year Will Be A Game Changer, Nov. 26, 2024
- Carrefour Banque, Oct. 17, 2024
- ESG Industry Report Card: Credit Card Asset-Backed Securities, March 31, 2021
- 2017 EMEA ABS Scenario And Sensitivity Analysis, July 6, 2017
- Global Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016
- European Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016