S&P Global Ratings

Research

Presale:

CFG Investments Ltd. (Series 2023-1)

July 5, 2023

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Preliminary ratings

Class	Preliminary rating	Type	Interest rate	Preliminary amount (mil $)	Expected legal maturity date
A	BBB (sf)	Senior	TBD	107.1	July 2034
B	BBB- (sf)	Subordinate	TBD	24.5	July 2034
C	BB-	Subordinate	TBD	17.2	July 2034
D	B	Subordinate	TBD	12.1	July 2034
RR	NR	Subordinate	TBD	7.3	July 2034

Note: This presale report is based on information as of July 5, 2023. The ratings shown are preliminary. Subsequent information may result in the assignment of final ratings that differ from the preliminary ratings. Accordingly, the preliminary ratings should not be construed as evidence of final ratings. This report does not constitute a recommendation to buy, hold, or sell securities. NR--Not rated. TBD--To be determined.

Profile

Expected closing date	July 20 2023
Collateral	Unsecured personal loan receivables originated in four different jurisdictions: Aruba (BBB/Stable/A-2), Curaçao (BBB-/Stable/A-3), Bonaire, and Panama (BBB/Negative/A-2)
Issuer	CFG Investments Ltd.
Sponsor and master servicer	CFG Holdings Ltd.
Sellers and servicers	Island Finance (Curaçao) N.V., Island Finance (Bonaire) N.V., Island Finance (Aruba) N.V., and Financiera El Sol S.A. (Panama)
Borrowers	CFG Investments Curaçao B.V., CFG Investments Aruba VBA, CFG Investments Bonaire B.V., and CFG Investments Panama S. de R.L.
Structuring advisor	Guggenheim Securities LLC
Indenture trustee, bank account provider (for the issuer and reserve accounts), note registrar, and paying agent	Wilmington Trust N.A.
Panama collateral agent	Global Bank Corporation y Subsidiarias
Transition manager	Grant Thornton LLP
Corporate administrator	Walkers Fiduciary Ltd.

Profile (cont.)

Bank account providers (for the servicer and borrower collection accounts)	RBC Royal Bank (Aruba) N.V., RBC Royal Bank (Bonaire) N.V., RBC Royal Bank (Curaçao) N.V., and Banco General S.A.

Credit enhancement summary

Subordination (% of the initial target loan principal balance)	
Class A	12.8
Class B	9.0
Class C	6.3
Class D	0.0
Class RR	0.0
Reserve account (% of the initial target loan principal balance)	
Initial	1.00
Target	1.00
Floor	1.00
Overcollateralization (% of the initial target principal balance)	
Initial (including the initial balance of class RR)	16
Target	16
Floor	16
Total initial hard credit enhancement including reserve (% of the initial target loan principal balance)	
Class A	45.1
Class B	32.3
Class C	23.4
Class D	17
Initial target loan principal balance ($)	191,630,085.63
Total securities issued (including class RR notes)	160,900,000.00

Rationale

The preliminary ratings assigned to CFG Investments Ltd.'s series 2023-1 notes reflect:

- The availability of approximately 45.1%, 32.3%, 23.4%, and 17.0% hard credit enhancement to the class A, B, C, and D notes, respectively, in the form of subordination, overcollateralization, and a reserve account. Additionally, the deal will benefit by approximately 18.0% excess spread. This credit support levels are, in our view, sufficient to withstand stresses commensurate with the preliminary ratings on the notes based on our stressed cash flow scenarios.
- The timely interest and principal payments made by the designated legal final maturity dates under stressed cash flow modeling scenarios appropriate to the assigned preliminary ratings.
- The collateral characteristics of the pool being securitized, which includes loans from four different jurisdictions: Aruba, Curaçao, Bonaire, and Panama. The transaction has a 24-month

revolving period during which the loan composition can change. As such, we considered the worst-case pool allowed by the transaction's concentration limits.

- The transaction's payment structure and mechanisms, which incorporate performance-based triggers linked to a monthly cumulative net loss percentage defined in the transaction documents that lead to revolving period termination events, and early amortization triggers that are linked to a servicer default, among others.
- The transaction's legal structure, which includes a Cayman Islands special-purpose vehicle (SPV) issuing the notes and special-purpose entities (SPEs) in each jurisdiction (called borrowers) to which the portfolio of loans, or beneficial interests therein, has been transferred by the respective sellers.
- CFG Holdings Ltd.'s (CFG's) established management, its experience in origination and servicing consumer loan products across all jurisdictions, and our assessment of the operational risks associated with CFG's decentralized business model across certain jurisdictions.
- The transaction's exposure to the counterparty risk of the bank account providers in each relevant jurisdiction, which have credit quality consistent with the preliminary ratings. Additionally, the transaction's commingling risk, which we believe is mitigated by the two-day transfer of funds, the existence of a reserve account, and the small amount of exposure to this risk.

Environmental, Social, and Governance (ESG) Factors

Our rating analysis considered the transaction's potential exposure to ESG credit factors. In particular, on revolving structures the originator has a more active role over the transaction's life, exposing investors to the risk of loosening underwriting standards or potential adverse selection. In addition, a substantial percentage of obligors make payments at their local branches which, in our view, could increase severity risk as detailed on the operational risk section.

Transaction Overview

The issuer, CFG Investments Ltd., will issue series 2023-1 notes backed by a pool of fixed-rate personal loans originated by certain CFG subsidiaries in Panama, Aruba, Curaçao, and Bonaire. Receivables in Panama and Bonaire are denominated in the U.S. dollar, and receivables in Aruba and Curaçao are denominated in currencies pegged to the U.S. dollar.

The transaction's proceeds plus other available funds will be used to pre-pay the prior 2021 issuance. The underlying loans, or beneficial interests therein, will be transferred at closing through a loan purchase agreement to be signed by each jurisdiction's originators/sellers and the borrowers (SPVs in each jurisdiction), representing a true sale. Each borrower will borrow funds from the issuer to finance the acquisition of the respective jurisdiction receivables, or beneficial interests therein, per a revolving loan agreement (except for the Aruba borrower, in which case the cash will be extended via the Curaçao borrower in its capacity as intermediary).

Simultaneously, each borrower will pledge the receivables, or its beneficial interests therein, to the issuer to secure its respective revolving loan. The revolving loan amount will be set according to the concentration limit each jurisdiction has in the pool. The notes will be secured by, among other things, the issuer's pledge to the indenture trustee of its right, title, and interest in the revolving loans and the collateral.

The revolving period will last for 24 months unless a revolving period termination event occurs. During this time, newly incorporated loans must meet the eligibility criteria as defined in the transaction's legal documents. Each borrower will pay interest on its revolving loan at a rate equal to its allocable portion of the issuer's cost of funds for the relevant interest period plus a spread (to be determined). The issuer will subsequently transfer these interest amounts to the noteholders.

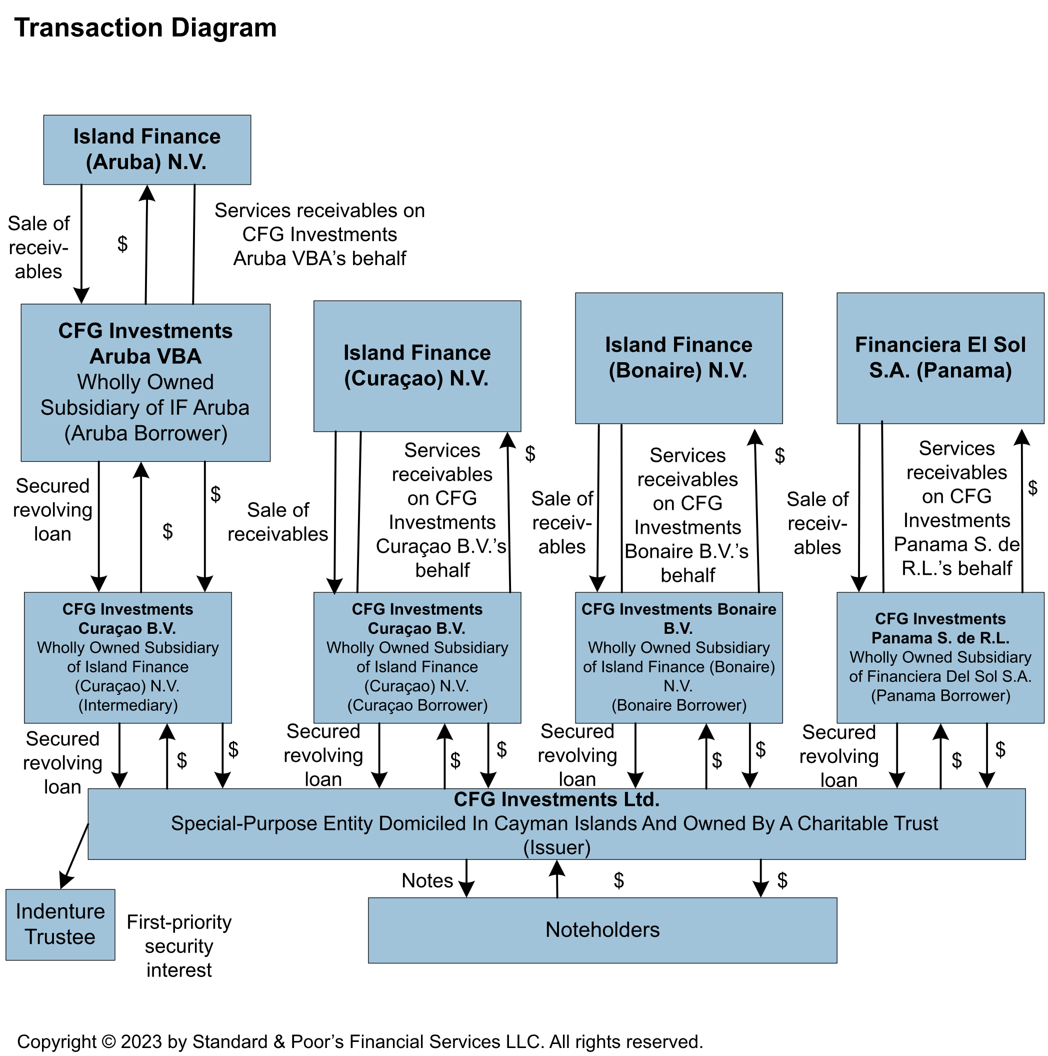
In the normal course of the transaction, the indenture payment waterfall will follow the sequence of class A note interest, then class B note interest, then class C note interest, then class D note interest, then class A note principal, class B note principal, class C note principal, and then class D note principal for the sufficient amounts to maintain the capital structure (pro rata).

If a rapid amortization event occurs, the waterfall follows the sequence of class A note interest, then class A note principal, and then when the class A balance is fully paid off, class B note interest, then class B note principal, and then when the class B balance is fully paid off, class C note interest, then class C note principal, and then when the class C balance is fully paid off, class D note interest, then class D note principal.

Our model reflects the interest, principal, interest, principal waterfall because we assume a rapid amortization event will occur.

Transaction Structure

Chart 1



Per the transaction diagram:

- Each seller will sell or has sold the initial receivables or its beneficial interests therein, as applicable, to the borrower domiciled in the seller's jurisdiction on or prior to the 2023-1 closing date and may sell additional receivables as warranted during the revolving period. In the case of Panama, the receivables will be held in a trust.
- Each borrower will pledge or has pledged the initial receivables, or its beneficial interests therein, as applicable; any additional receivables, or its beneficial interests therein, as applicable, acquired after the 2023-1 closing date; and certain other assets to the issuer to secure its respective revolving debt (for the Aruba borrower, it is extended via the intermediary).
- The notes are secured by the issuer's pledge to the indenture trustee of its right, title, and interest in the revolving debt and the collateral pledged thereunder.

- The issuer sells the offered notes and the class RR notes to the initial purchaser and class RR purchaser, respectively, in return for cash.
- The issuer previously advanced to each borrower the cash from the notes' sale on the closing date in the form of a revolving debt, except for the Aruba borrower, in which case the cash was extended via the Curaçao borrower as an intermediary.
- Each borrower uses the cash received under the revolving debt, together with other funds available (including any optional capital contributions or subordinated note advances from its parent company), to pay the related seller as consideration for the initial receivables. If a borrower purchases additional receivables from the related seller after the 2023-1 closing date, the borrower will use a combination of available funds, including cash proceeds from obligor payments on the receivables, intercompany loans from the other borrowers, or any optional capital contributions or subordinated note advances from its parent company, to pay consideration for the additional receivables.
- Each servicer services the receivables owned or beneficially owned (as applicable) by the related borrower, receives collections from obligors on the receivables, and remits them to the servicer collection account and then to the related borrower collection account.
- On each revolving debt's remittance date, the related borrower uses the collections from obligors on the receivables to make payments to the issuer pursuant to the revolving debt payment waterfall or, during the revolving period, to purchase additional receivables.
- On each payment date under the indenture, the indenture trustee uses the remittances from the borrowers to make payments on the notes pursuant to the indenture payment waterfall.

The transaction will also have intercompany agreements in which borrowers with insufficient funds can request a cash advance from those with excess flows to cover the amounts due under the revolving debt and purchase additional receivables, if applicable. Payments on these promissory notes will be subordinate to the payments due on the revolving debt, and purchase of additional receivables will be subject to compliance with the reinvestment test as detailed below.

Credit Quality Of The Securitized Assets

We considered certain factors in our credit quality analysis:

- There is significant geographic concentration within CFG's existing pool of loans and within the allowed worst-case pool composition. There is an increased risk of loss in these countries, which could experience weaker economic conditions or event risk, such as natural disasters. This risk is addressed to some extent by the company's ability to use resources from unaffected branches to service affected-branch obligors; however, we are taking this into account in our stresses.
- The Dutch Caribbean jurisdictions incorporated in the transaction are small and, to an important extent, heavily dependent on the region's economic conditions, including external activities, such as tourist business and international financial services.
- We believe the currency risk is mitigated at the current rating levels and up to the sovereign rating of all jurisdictions. For all the economies where the local currency is pegged to the U.S. dollar, we assumed 100% losses under a scenario that goes above the sovereign rating. In our opinion, there is no sufficient data to create a currency depreciation curve for these pegged economies that have been at the same level for at least 30 years, although the possibility of a currency devaluation exists, especially in the Dutch economies for the reasons outlined in the

previous point. At the same time, we believe that these economies rely on the peg for economic stability and that any migration to a floating currency regime would be considered highly detrimental for their internal economies as well as for tourism. These economies also import everything, so any change in currency would severely impact the economy as a whole. As a result, we assume that the pegged currency will only hold up to the current rating level. We may review this assumption if the credit qualities of such countries deteriorate.

Managed pool

As of the statistical cut-off date (March 2023), the aggregate outstanding principal balance of the statistical receivables pool was $191,630,085.63 (see table 1).

Table 1

Pool characteristics (as of the statistical cut-off date)

	Panama	Aruba	Curaçao	Bonaire	Total
No. of receivables	26,991	9,186	3,295	1,095	40,567
Aggregate outstanding balance ($)	101,814,653.18	60,623,030.81	23,062,762.13	6,129,639.51	191,630,085.63
Aggregate outstanding balance (%)	53.13	31.64	12.04	3.20	100.00
Average outstanding balance ($)	3,772.17	6,599.50	6,999.32	5,597.84	4,723.79
Aggregate original balance ($)	109,312,486.43	71,372,026.23	5,326,287.07	8,146,708.63	214,157,508.37
Average original balance ($)	4,050	7,770	7,686	7,440	5,279
Weighted average original term to maturity	65	56	60	52	61
Range of original term to maturity (months)	6-99	12-72	12-72	12-60	6-99
Weighted average remaining term to maturity (months)	49	46	55	42	49
Range of remaining term to maturity (months)	1-97	1-66	1-66	1-60	1-97
Weighted average seasoning (months)	16	10	4	10	12
Range of seasoning (months)	0-68	0-59	0-66	0-59	0-68
Weighted average coupon (%)	39.47	26.34	23.10	20.00	32.73
Range of coupon (%)	29.95 to 52.00	18.25 to 29.00	15.67 to 23.65	19.96 to 20.75	15.67 to 52.00
Weighted average APR (%)	42.40	27.44	23.61	20.00	34.69
Range of APR (%)	30.50 to 64.98	18.23 to 33.15	15.67 to 24.40	19.80 to 20.82	15.67 to 64.98
Weighted average monthly income ($)	1,376	2,263	2,172	2,403	1,785
Weighted average monthly debt payment ($)	273	334	299	273	295
Weighted average time in job (years)	12	12	12	11	12
Weighted average debt ratio (%)	49.76	26.44	27.48	33.64	39.19

When compared to portfolios included in previous series from CFG, the collateral composition has similar characteristics than those on previous portfolios. We note a slightly lower average coupon, a higher average outstanding balance, seasoning in line with previous portfolios, and a higher average monthly income.

Table 2

Collateral comparison

	2019-1	2021-1	2023-1
No. of receivables	71,607	53,396	40,567
Aggregate outstanding balance ($)	258,143,164.54	222,807,894.5	191,630,085.63
Average outstanding balance ($)	3,605	4,172	4,723.79
Weighted average original term to maturity	57	60	61
Weighted average remaining term to maturity (months)	46	47	49
Weighted average seasoning (months)	11	13	12
Weighted average coupon (%)	33.79	33.17	32.73
Weighted average APR (%)	35.9	35.2	34.69
Weighted average monthly income ($)	1,467	1708	1,785
Weighted average monthly debt payment ($)	232	263	295
Weighted average debt ratio (%)	35.50	37.83	39.19
Concentration per country (%)			
Aruba	35	35	40
Bonaire	2	5	5
Curaçao	30	27	13
Panama	55	57	56

APR--Annual percentage rate.

Delinquencies

CFG provided net loss information for the total pool by country. Charts 4-7 show updated credit performance (quarterly net losses) for 180-plus-day delinquencies since 2011. In all charts, we included an average curve for reference.

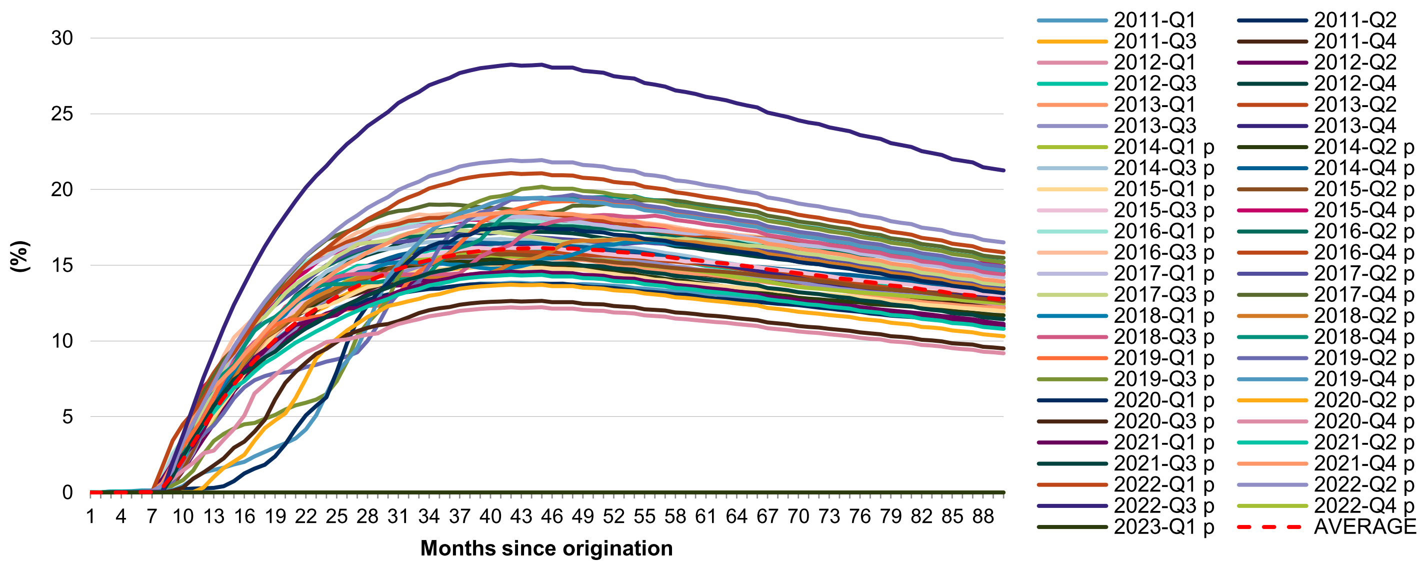
Panama

Loans reached a level of net losses between 12.7% and 16.1%, with a peak on the average loss curve of 16.1% in month 44. After the company granted relief programs in this jurisdiction in response to the COVID-19 pandemic, we noted higher loss levels specially since the 2019 vintages where losses peaked at close to 20.0% during that year; however, the following years returned to close to their historical average.

Focusing on this segment is risky, and the only mitigating factor is the pricing of the loans (higher risk, higher interest rate). From an analytical standpoint, we believe that if the obligor has weak features, the probability of repayment is not mitigated by the pricing strategy; as a result, we will consider the maximum concentration allowed in this jurisdiction.

Chart 2

Net losses: Panama



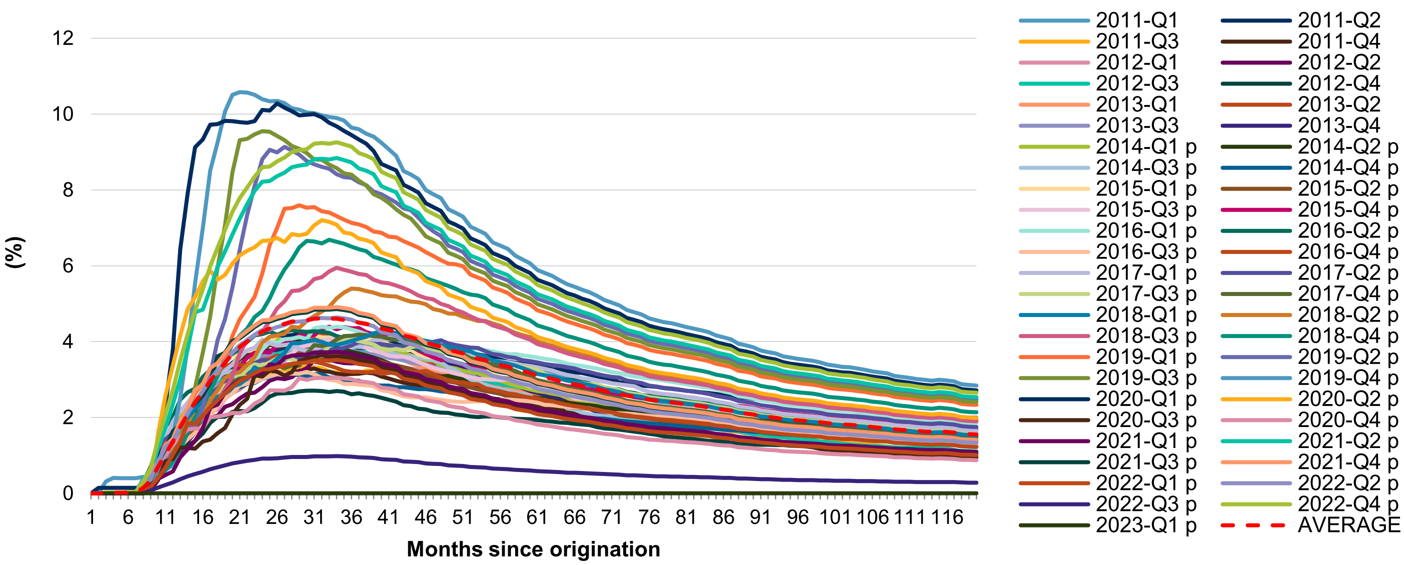
P--Projected series.

Aruba

Net losses peaked at 4.6% at month 31. We projected losses based on the historical average loss curve. As made evident on the chart below, the vintages from 2019 were the most affected as a result of the pandemic, but the vintages on the following years have been recovering toward the historic average.

Chart 3

Net losses: Aruba



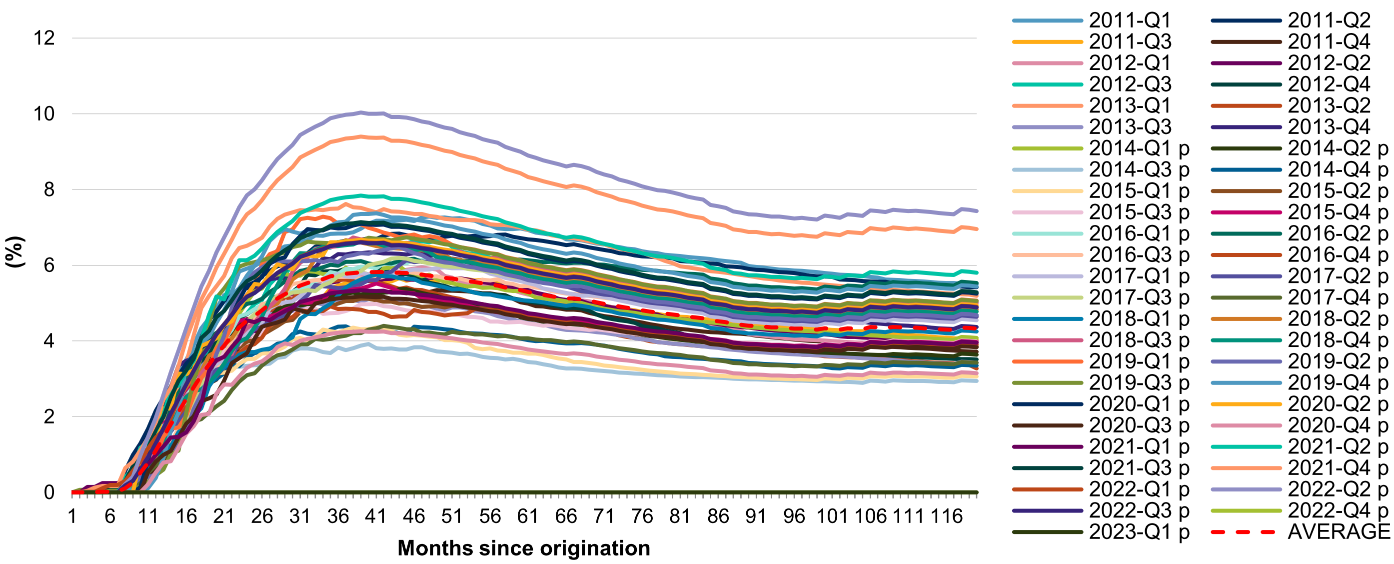
P--Projected series.

Curaçao

Origination volume is similar to Aruba. Nevertheless, the delinquency figures are higher than Aruba. 2021 Vintages have slightly underperformed the historical average but to a lesser extent than in other countries. The average loss curve peaked at 5.8% at month 42.

Chart 4

Net losses: Curaçao



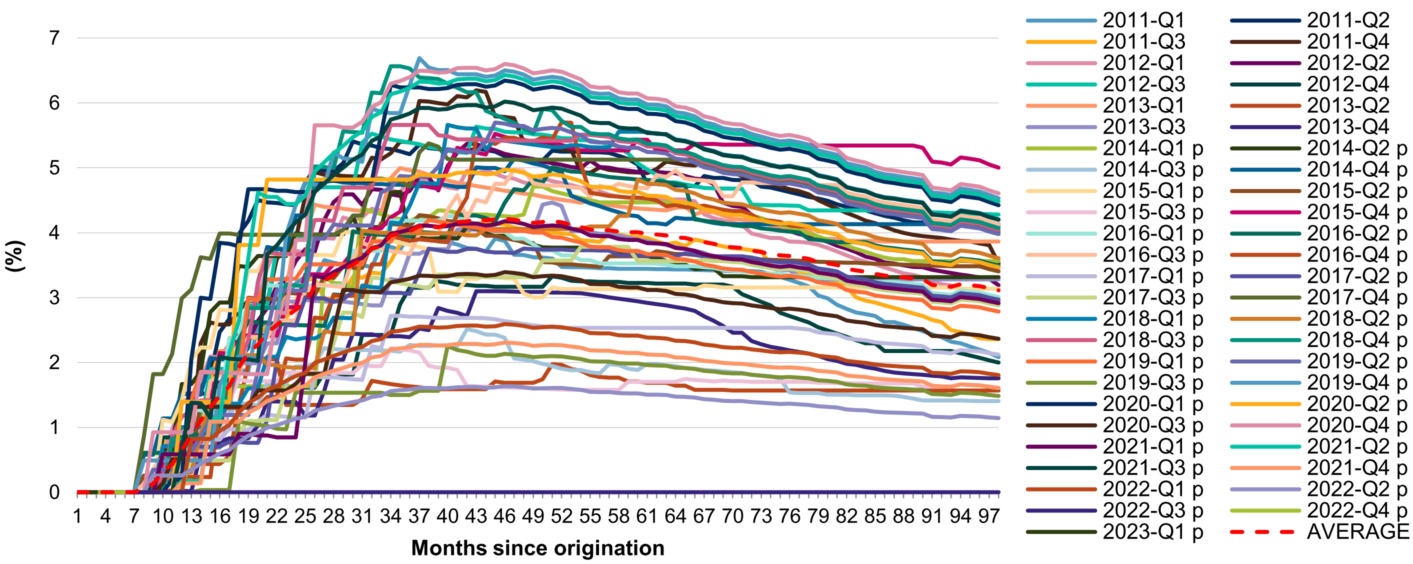
P--Projected series.

Bonaire

The country presents the lowest origination volume of the jurisdictions, and losses have shown the greatest stability across all jurisdictions historically. The employment protection program implemented helps explain the credit performance, where the government paid up to 80.0% of the workers' salaries. The peak of losses in the average net loss curve is approximately 4.2% in month 46.

Chart 5

Net losses: Bonaire



P--Projected series.

Concentration limits

Table 3 shows the concentration limits per jurisdiction, according to the reinvestment test presented above.

Table 3

Concentration limits

	Aggregate adjusted receivable principal balance (%)
Borrower-adjusted receivable principal balance for Panama borrower	56
Borrower-adjusted receivable principal balance for Aruba borrower	40
Borrower-adjusted receivable principal balance for Curaçao borrower	13
Borrower-adjusted receivable principal balance for Bonaire borrower	5

Base-case loss determination

We analyzed CFG's updated vintage pool for originations segmented by the four different jurisdictions included in the transaction. From this information, table 4 summarizes net losses from vintage information open by jurisdiction since 2011, the final loss proxy defined, and each jurisdiction's participation in the worst-case composition based on each jurisdiction's pool performance and respective sovereign ratings.

Table 4

Net losses (%)

	Worst average curve	Final loss proxy	Worst pool composition
Aruba	4.6	6.5	31.0
Curaçao	5.8	6.7	13.0
Panama	16.1	17.8	56.0
Bonaire	4.2	5.5	0.0

Based on table 4, we selected the maximum delinquency reached on the average curve as loss proxies for Panama, Aruba, Bonaire, and Curaçao and made some adjustments as described below. Because of the small to medium level of volatility, we believe the average curve provides a representative example of the credit pool's performance, and we used this to define our base-case loss. In the case of Bonaire, as it presents the best performance figures and the lowest pool participation, its credits are not contemplated in the construction of the worst pool composition defined by S&P Global Ratings.

In addition to the static pool performance, we also consider additional forward-looking factors, such as the economic outlook, when reviewing base-case net losses. The economic cycle influences pool performance, as unemployment, inflation, and household income all affect an obligor's ability to make loan payments.

In the case of Aruba, tourism's share of GDP is around 98.0%. S&P Global Ratings expects real GDP growth of 1.0% for 2023 and 0.5% for 2024, lower than the rates observed in the previous years. Nevertheless, we are seeing a rapid deterioration on most recent vintages curves that are above historical figures. We then projected the losses for most recent vintages and selected the highest value. We have determined a base case loss assumption for Aruba of 6.5%, which was derived from the maximum observed loss on the average loss curve (4.6%) and incorporates an adjustment to account for the volatility observed on the vintage curves.

Bonaire presents a stable economy, and delinquency figures observed in the vintages are one of the lowest among the other jurisdictions. We have applied an adjustment of 30.0% over the peak of losses observed in the average loss curve to align the estimated losses with Curaçao and Aruba. The resulting loss proxy is 5.5%.

For Curaçao, tourism represents 80.0% of the GDP, and, according to S&P Global Ratings, 2023 and 2024 forecasts for GDP growth rates are of 1.5%-2.0%, which are considerably higher than the figures observed before the pandemic where the island suffered constant decreases on its economic activity. We maintained our 15.0% adjustment to the peak, resulting into a base case loss assumption of 5.8%.

Finally, Panama presents a more diversified economy (transportation, tourism, financial services, and real estate). We are currently expecting GDP to expand at 4.2% in 2023 and 4.5% in 2024. We raised our base case loss assumption to 17.8% from 16.5% in the previous deal, as vintages have slightly worsened over the past years, and also to incorporate the challenging macroeconomic environment in the country.

Prepayments

The originator provided data for prepayments by jurisdiction. Credits have been originated using the fully amortizing mortgage style system. After month 55, borrowers tend to prepay the loan's full outstanding balance and, generally, the originator offers a new loan to refinance the former one. We have updated our prepayment assumptions in order to incorporate most recent information from the originator.

Table 5

Average prepayment ratio over the transaction's life

	Average (%)
Panama	3.1
Curaçao	4.2
Bonaire	3.9
Aruba	4.5

Stress factors

To define the stress factors for each jurisdiction, we considered the rating level compared against the typical stress scenario-specific default rates according to our global consumer criteria and adjusted it for country risk.

In our analysis, we took into consideration the GDP per capita and the average loan size in all jurisdictions. We applied additional adjustments to the stress multiples account for the fact that the economies are not well-diversified, are highly dependent on tourism, and could be exposed to natural disasters.

Table 6

Stress multiples applied (x)

Rating	Aruba	Bonaire	Curaçao	Panama
BBB	4	3.5	3.75	3.5
BBB-	3.78	3.32	3.53	3.25
BB+	3.57	3.13	3.32	3
BB	3.35	2.95	3.1	2.75
BB-	3.03	2.68	2.78	2.38
B	2.7	2.4	2.45	2

Operational Risks

CFG Holdings Ltd.

CFG, the servicer, is a consumer finance company that offers unsecured personal loans and related credit insurance products in the Caribbean (Puerto Rico, Aruba, Sint Maarten, Curaçao, Bonaire, and Trinidad and Tobago), Colombia, and Panama, with headquarters in San Juan, Puerto Rico. It began operations in 1979 and was previously a part of the Latin American Consumer Division of Wells Fargo Financial, which sold CFG in 2006 to Irving Place Capital, a private equity firm based in New York City. An investor group led by BayBoston Managers LLC, a Boston area-based investment firm, then acquired CFG from Irving Place Capital in 2018.

CFG operates through its branch network to individuals who have limited access to consumer credit from banks and other traditional lenders and who benefit from its customer service, flexible terms, and convenient locations across all jurisdictions. The term, maximum principal amounts, interest rates, fees, and other charges vary by country, depending on the local economy, cultural norms, and relevant laws and regulations. CFG's personal loans are unsecured and structured with a fixed interest rate, a fixed term, equal monthly instalment payments, and no early repayment penalties.

Origination and underwriting

Loan applications across all jurisdictions are generally received in CFG's branches (we have excluded information referring to Saint Marten, Trinidad and Tobago, and Puerto Rico because loans originated in these countries will not be included in the receivable pool). Applicant information is verified either at the store or centralized loan approval offices (CLAO). In Panama, loan approvals and exceptions are processed in the Panama CLAO. In Curaçao, Aruba, and Bonaire, designated branch staff members process loan approvals, and exceptions are processed at CLAO Caribe in Puerto Rico. Subsequently, after all information is verified and confirmed, the application is sent to individuals with underwriting authority for a credit decision. Finally, the loan is disbursed at the branch, and the client receives a check or direct deposit in exchange. All client information is stored electronically using software and cloud-based servers.

CFG has established specific loan application, customer documentation, and ancillary identification requirements by country. Some of the major factors taken into consideration include employment tenure, credit history (where available), disposable income, debt-to-income ratio, reference letters, and country regulations. Although credit bureaus are available only in Panama and Trinidad and Tobago, they are used only in Panama (Trinidad and Tobago is not relevant for our analysis). All contracts are standardized by jurisdiction, and, based on the above, individuals with underwriting authority either approve, reject, or counter-offer applications. A client who enters one of CFG's stores with the necessary documentation can typically obtain loan proceeds the same day.

Servicing and collections

Servicing efforts can include centralized or branch-based servicing. For instance, in Panama and Curaçao, the company operates country-specific centralized collection units (CCUs) that focus solely on the collection of active delinquent receivables after the termination of the store collection period (i.e., after one payment past-due). These CCUs have extended evening hours and are open weekends. In addition to traditional phone-based customer contact, the CCUs can utilize alternative contact channels, such as text messaging and field visits. In Aruba and Bonaire, the company uses branch-based teams that are trained in collections management and supervised by the store manager, with additional oversight provided by a specialized collection and recovery manager and/or collection captains.

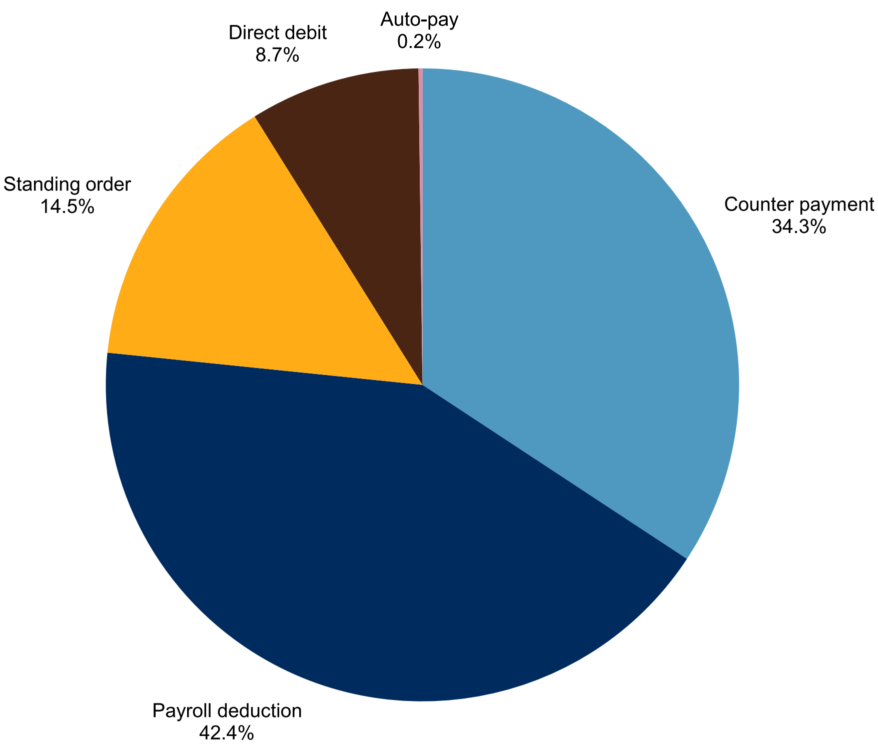
Customer payments can be made through various mechanisms:

- Payroll deduction--Monthly payments are automatically deducted from a customer's salary and remitted to CFG by the customer's employer;
- Standing order--Monthly payments are automatically deducted from the customer's checking or deposit account and remitted to CFG by the customer's bank, either by check or deposited directly into CFG's bank account;

- Counter payment--Payments made in person at CFG store locations;
- Direct debit--Payments made from the customer's bank account; and
- Auto-pay--A third-party service provider automatically withdraws funds from the customer's bank account and directly deposits the funds into the company's bank account.

Chart 6

Pool breakdown by payment type



The company attempts to strike a balance between payment by payroll deduction and standing orders, which provide for the highest likelihood of payment (approximately 57% of active accounts), and other collection methods, which help develop customer relationships and lead to repeat business (43% of accounts, on average, across the countries).

We reviewed all of CFG's servicers from the relevant jurisdictions incorporated in the transaction as performance key transaction parties (KTPs) under our criteria "Global Framework For Assessing Operational Risk In Structured Finance Transactions," published Oct. 9, 2014. According to our operational risk analysis, the maximum potential rating for the transaction is 'A'. Certain key factors were considered in the analysis.

Severity risk

We consider the severity risk to be high. This risk refers to the potential impact of a disruption by each servicer on the securitization's cash flows. Because a substantial percentage of obligors (34% as of March 31, 2023) make payments at their local branches (counter payments), we believe branch closures could delay payment collections and impede the transaction's ability to continue servicing its portfolio effectively.

Portability risk

We believe the portability risk is also high. This risk refers to the likelihood of the servicers being replaced following a service disruption. In our opinion, this risk is high because there is low availability of potential replacements given the asset class and the region, there is limited history of responsibility and portfolio transfers, and CFG's servicers have idiosyncratic business practices that could challenge a replacement, such as a "buy here, pay here" modality.

Disruption risk

We believe the disruption risk is low. This risk refers to the likelihood of a material disruption in the KTPs' services. This reflects a stable operating condition, as well as a satisfactory assessment of key performance attributes, such as that:

- CFG has been in business for more than 40 years, and, in our view, its consumer loan portfolio has exhibited consistent growth and relatively strong credit performance, including through the recent recession.
- The company's management team has extensive experience in the consumer finance industry and a long history at CFG. Overall, the senior management team averages 30 years of experience in the consumer finance industry, and the regional country management team averages 18 years with the company.

Finally, we analyzed the provisions included in the transaction documents for a back-up KTP. Grant Thornton, the transition manager, is experienced in designing transition plans across the region. If the transition plan fails to incorporate a successor servicer, it could use its own personnel as a last resort, which could mitigate some of the risk of a servicing disruption. However, the timing of this takeover is uncertain given potential regulatory issues in the Dutch jurisdictions. As a result, we do not believe the back-up KTP provisions improve our operational risk assessment, resulting in a maximum potential rating of 'A'.

Revolving loan payment priority

On each remittance date, the master administrator will distribute borrower-available collections on each borrower's behalf according to the monthly administrator report in the amounts and order of priority according to the transaction documents, which incorporate capped expenses fees and commissions at the top of the waterfall.

In the transaction, the borrowers will have the call on or after the earlier of the end of the revolving period and the date that is six months prior to the revolving period termination date to prepay balances under the revolving loans, subject to certain conditions under the transaction documents, among others.

Indenture payment priority

On each payment date, the indenture trustee will use funds available in the issuer collection account (including amounts the revolving loan borrowers paid to the issuer on the immediately preceding remittance date) and in the reserve account (if required to pay the liabilities described in first five items below) and apply them in the order of priority shown in table 7.

Table 7

Indenture payment priority

Priority	Payment
1	Taxes, commissions, filing and registration fees, and other governmental fees and charges owed by the issuer.
2	Pro rata, to the successor master administrator, the corporate administrator, the indenture trustee, the account bank, and the transition manager any accrued and unpaid fees, expenses, and indemnities due to each of them; however, before the notes are accelerated following an event of default, these expenses and indemnities are subject to an annual aggregate limit of $50,000 for the successor master administrator and the corporate administrator and $200,000 for the indenture trustee, the account bank, and the transition manager, collectively.
3	To the master administrator, the master administration fee for the related collection period and any other accrued and unpaid expenses and indemnities due to it; however, before the notes are accelerated following an event of default, the expenses and indemnities are subject to an annual aggregate limit of $50,000.
4	To the class A noteholders, an amount equal to the class A monthly interest for the payment date, plus the amount of any class A monthly interest previously due but not previously paid to the class A noteholders with interest at the class A interest rate.
5	If no rapid amortization event continues, to the class B noteholders an amount equal to the class B monthly interest for such payment date, plus the amount of any class B monthly interest previously due but not previously paid to the class B noteholders with interest at the class B interest rate.
6	If on such payment date no rapid amortization event has occurred or is continuing, to the class C noteholders an amount equal to the class C monthly interest amount for such payment date, plus the amount of any class C monthly interest amount previously due but not previously paid to the class C noteholders with interest thereon at the class C interest rate.
7	If on such payment date no rapid amortization event has occurred or is continuing, to the class D noteholders an amount equal to the class D monthly interest amount for such payment date, plus the amount of any class D monthly interest amount previously due but not previously paid to the class D noteholders with interest thereon at the class D interest rate.
8	If no rapid amortization event continues, to the reserve account an amount equal to the lesser of an amount equal to any excess of the required reserve account amount over the amount on deposit in the reserve account on such date and all remaining issuer available funds.
9	If no rapid amortization event continues, to the noteholders, for principal payments on the notes, an amount equal to the lesser of the principal payment amount for such payment date and all remaining issuer available funds, payable first to the class A noteholders to reduce the class A note balance until it has been reduced to zero, second to the class B noteholders to reduce the class B note balance until it has been reduced to zero, third to the class C noteholders to reduce the class C note balance until it has been reduced to zero, and fourth to the class D noteholders to reduce the class D note balance until it has been reduced to zero.
10	If a rapid amortization event continues, to the class A noteholders an amount equal to the lesser of the amount necessary to reduce the class A note balance to zero and all remaining issuer available funds.
11	If a rapid amortization event continues, to the class B noteholders an amount equal to the lesser of the class B monthly interest due for the payment date plus the amount of any class B monthly interest previously due but not previously paid to the class B noteholders with interest at the class B interest rate and all remaining issuer available funds.
12	If a rapid amortization event continues, to the class B noteholders an amount equal to the lesser of the amount necessary to reduce the class B note balance to zero and all remaining issuer available funds.
13	If on such payment date a rapid amortization event has occurred or is continuing, to the class C noteholders an amount equal to the lesser of an amount equal to the class C monthly interest amount for such payment date plus the amount of any class C monthly interest amount previously due but not previously paid to the class C noteholders with interest thereon at the class C interest rate and all remaining issuer available funds.
14	If on such payment date a rapid amortization event has occurred or is continuing, to the class C noteholders an amount equal to the lesser of the amount necessary to reduce the class C note balance to zero and all remaining issuer available funds.

Table 7

Indenture payment priority (cont.)

Priority	Payment
15	If on such payment date a rapid amortization event has occurred or is continuing, to the class D noteholders an amount equal to the lesser of an amount equal to the class D monthly interest amount for such payment date plus the amount of any class D monthly interest amount previously due but not previously paid to the class D noteholders with interest thereon at the class D interest rate and all remaining issuer available funds.
16	If on such payment date a rapid amortization event has occurred or is continuing, to the class D noteholders an amount equal to the lesser of the amount necessary to reduce the class D note balance to zero and all remaining issuer available funds.
17	Pro rata (based on amounts owed) to the master administrator, the corporate administrator, the indenture trustee, the account bank, and the transition manager an amount equal to the lesser of all accrued and unpaid expenses and indemnities due to each of them in excess of the related annual limitations described in item two or three above if not paid in full and all remaining issuer available funds.
18	To the class RR noteholder an amount equal to the class RR monthly interest due for that payment date, plus the amount of any class RR monthly interest previously due but not previously paid to the class RR noteholder with interest thereon at the class RR interest rate.
19	If the class A note balance, the class B note balance, the class C note balance, and the class D note balance have all been reduced to zero, to the class RR noteholder in reduction of the class RR note balance an amount equal to the lesser of the amount necessary to reduce the class RR note balance to zero and all remaining issuer available funds until the class RR note balance has been reduced to zero.
20	To the class RR noteholder all remaining issuer available funds as additional interest.

Reinvestments of borrower-available collections in additional receivables and certain other additions, removals, or exclusions from the revolving loan collateral, including the borrower collection account, are permitted only during the revolving period if the reinvestment test (which includes several factors) is satisfied or improved before the preceding collection period. The test requires that:

- The weighted average coupon is equal to or greater than 26.0% per year;
- The borrower-adjusted receivable principal balance for the Panama borrower is no greater than 56.0% of the aggregate adjusted receivable principal balance;
- The borrower-adjusted receivable principal balance for the Aruba borrower is no greater than 40.0% of the aggregate adjusted receivable principal balance;
- The borrower-adjusted receivable principal balance for the Bonaire borrower is no be greater than 5.0% of the aggregate adjusted receivable principal balance;
- The borrower-adjusted receivable principal balance for the Curaçao borrower is no greater than 13.0% of the aggregate adjusted receivable principal balance;
- The receivables' adjusted receivable principal balance for which the related loan's original term was greater than 72 months is no greater than 20.0% of the aggregate adjusted receivable principal balance;
- The receivables' adjusted receivable principal balance for which the related loan's original principal balance was greater than $20,000 at the time of origination is no greater than 10.0% of the aggregate adjusted receivable principal balance;
- The receivables' aggregate adjusted receivable principal balance for which the related loan was subject to a deferment during the collection period immediately preceding the date of determination pursuant to the servicer's deferment program is no greater than 5.0% of the aggregate adjusted receivable principal balance;

- The receivables' aggregate adjusted receivable principal balance for which the related loan was modified pursuant to the servicer's regional banking organization loss mitigation program or RN6+ (per the company's scoring system) loss mitigation program is no greater than 5.0% of the aggregate adjusted receivable principal balance;
- The receivables' aggregate adjusted receivable principal balance for which the related obligor, at the time of origination, had been employed by their current employer less than one year is no greater than 7.5% of the aggregate adjusted receivable principal balance;
- The receivables' aggregate adjusted receivable principal balance for which, in the case of government employee loans in Panama, the related obligor's payment to income ratio (as determined by the related seller) is greater than 35% at the time of origination or, in the case of all other receivables, the obligor's debt-to-income ratio (as determined by the related seller according to the credit and collection policy) was greater than 65.0% at the time of origination is no greater than 10.0% of the aggregate adjusted receivable principal balance;
- The receivables' aggregate adjusted receivable principal balance for which the related new customer loan is no greater than 30.0% of the aggregate adjusted receivable principal balance;
- The aggregate adjusted receivable principal balance of receivables for which the related loan is a restructured loan or a Panama government moratoria loan is not greater than 15.0% of the aggregate adjusted receivable principal balance.
- No overcollateralization event has occurred and is continuing; and
- Solely for added receivables, the borrower did not use selection procedures that it reasonably believes are adverse to the interests of the issuer or the noteholders when selecting the additional receivables, subject to the availability of eligible receivables available to be purchased by the borrower.

Rapid amortization events

The pool will revolve from the settlement date until the revolving period terminates 24 months later unless an event of default occurs (see the Events Of Default section) or one of certain rapid amortization events occurs:

- A servicer termination event occurs as a result of a servicer-related insolvency event or any cumulative net loss amortization event, an event of default, or revolving loan event of default; or
- A borrower or the indenture trustee, only at the prior written direction of the required noteholders, has delivered a termination notice to a servicer because of a servicer termination event (other than as a result of a servicer-related insolvency event) according to the related servicer agreement.

For any payment date, a cumulative net loss amortization event is when the cumulative net loss percentage for the remittance date immediately preceding that payment date exceeds the applicable percentage in the transaction documents.

Revolving loan event of default

If a revolving loan event of default as defined in the transaction documents occurs as a result of any of the borrowers' insolvencies, the issuer's commitment to make advances under the revolving loan to the applicable borrower will automatically terminate. If any other revolving loan event of default occurs and is continuing, the issuer or the indenture trustee (on the issuer's behalf, at the direction of the required noteholders) may, upon written notice to the borrower, declare the revolving loan event of default to have occurred, and the issuer's loan commitment will immediately terminate. Then, not before one business day after the delivery of such notice, the issuer or the indenture trustee may, by written notice to the borrower, declare the revolving loan and all other liabilities under the revolving loan agreement to be immediately due and payable.

Events of default under the indenture

Certain events occurring and continuing will constitute an event of default under the indenture, subject to force majeure events:

- The default of any due and punctual interest payment on any class A note that continues for five business days.
- Before a rapid amortization event or if no class A notes are outstanding, the default of any due and punctual interest payment on any class B note that continues for five business days.
- Before a rapid amortization event or if no class A or class B notes are outstanding, the default of any due and punctual interest payment on any class C note that continues for five business days.
- Before a rapid amortization event or if no class A, B, or C notes are outstanding, the default of any due and punctual interest payment on any class D note that continues for five business days.
- The default of any due and punctual principal and interest payments for any note on the legal final maturity date.
- The default in the performance of any of the issuer's, the master administrator's, a servicer's, or a borrower's obligations regarding the transmittal of money to be credited to relevant accounts that continues for 10 days after the earlier of a written notice specifying such default or when a responsible officer of the issuer or the master administrator has actual knowledge of its occurrence.
- The default in the performance or observance of any other of the covenants, agreements, or conditions by the issuer or a borrower contained in any transaction document to which it is a party that has a material adverse effect on the noteholders, or any representation or warranty made by the issuer or a borrower in the transaction documents to which it is a party that proves to have been false and that has a materially adverse effect on the noteholders.
- An issuer or borrower insolvency event occurs.
- The issuer's failure to have a first-priority perfected security interest, or equivalent, in a material portion of the revolving loan collateral, or the indenture trustee ceasing to have a first priority perfected security interest in a material portion of the indenture collateral.
- The issuer or a borrower becoming subject to regulation by the SEC as an investment company under the Investment Company Act.
- The issuer becoming subject to net income tax in a jurisdiction other than the Cayman Islands or a borrower becoming subject to net income tax in a jurisdiction other than the jurisdiction in which it is organized.
- A taxing authority with jurisdiction over the issuer or a borrower attaching a lien (other than a permitted lien) on the indenture loan collateral or the revolving loan collateral, respectively,

which has a material adverse effect on the borrower, the issuer, or the noteholders, and the lien not being released or discharged within 30 days.

If an event of default other than the one described in the bullets above occurs and continues, then the indenture trustee will, at the direction of the required noteholders (holders of more than 50% of aggregate note balance), declare all the notes including accrued and unpaid interest to be immediately due and payable. If the seventh bullet happens, then the notes' unpaid principal along with accrued and unpaid interest shall automatically become due and payable.

Cash Flow Modeling: Stress Scenarios

We modelled two scenarios for our cash flow model analysis. In the first, we assumed the portfolio's worst composition based on the concentration limits per jurisdictions defined in the transaction documents and described above (Panama, 56%; Aruba, 31%; Curaçao, 13%; and Bonaire, 0%) which maximized expected losses.

In addition, we tested the transaction's resiliency under a scenario where the portfolio weighted average coupon reaches the minimum allowed under the bylaws, 26%. This scenario was constructed by assuming the jurisdiction with the lower weighted average coupon (WAC) is allocated the maximum allowed under the bylaws (Aruba, 40%; Curaçao, 13%; and Bonaire, 5%) with the remaining portfolio allocation allocated to Panama at 42%. Then we lowered all the jurisdiction's portfolio WAC so that the weighted average portfolio WAC reaches the minimum allowed level of 26%. This scenario resulted in lower weighted average applied losses given the different assumed composition of the portfolio.

Finally, to derive the ratings, we used the scenario that yielded the lowest break-even losses for each class.

For both scenarios, we used certain assumptions, which are in line with the transaction documents (with some exceptions, including the pool concentration and revolving period) for our model:

- All prepayments on the receivables each month are made in full at the specified monthly constant prepayment rate and there are no defaults, losses, or repurchases;
- Not assuming a revolving period, all amounts in the borrower collection account are used to pay back the noteholders;
- Each scheduled monthly payment on the receivables is made on the last day of each collection period, whether or not that day is a local business day, and each collection period has 30 days;
- Interest accrues on the class A, B, C, D, and RR notes at 9.3%, 11.35%, 14.55%, 18.50%, and 21.0% per year, respectively;
- Note payments are made on the 25th day of each month commencing on Sept. 25, 2023, whether or not that day is a business day;
- The notes are issued on July 20, 2023;
- The scheduled monthly payment for each receivable was calculated based on the characteristics described in the transaction's documents, and the receivables will amortize in a manner that will be sufficient to repay the principal balance by its indicated remaining term to maturity;
- The revolving period is interrupted due to an assumed rapid amortization event;

- All fees are incorporated according to transaction documents;
- The rating scenarios assume extraordinary expenses equal to 0.7% of the pool balance distributed over the life of the deal in 60 leveled payments; and
- All foreign exchange, income withholding, servicing, and dividend taxes are applied per jurisdiction according to the transaction documents.

Table 8

Cash flow results

	Class A	Class B	Class C	Class D
Scenario 1: Worst pool	BBB	BBB-	BB	B
Weighted average loss (%)(i)	55.9	43.1	32.3	27.5
Break-even weighted average loss (%)	57.8	45.9	37.7	31.3
Available cushion	1.9	2.8	5.4	3.8
Scenario 2: Minimum coupon	BBB	BBB-	BB-	B
Weighted average loss (%)(ii)	50.5	38.1	28.8	24.8
Break-even weighted average loss (%)	53.6	40.5	31.7	24.9
Available cushion (%)	3.1	2.4	2.9	0.1

(i)Weighted average loss for the worst-case pool.

We will continue monitoring the development of sovereign ratings for all jurisdictions as well as the key performance indicators for the transactions. As the sovereign rating on Panama currently has a negative outlook, a new downgrade would likely have a negative impact on the transaction.

Counterparty Risk Analysis

Bank account

We considered the bank account providers for all the borrowers and issuer accounts as rating-dependent with minimal exposure under our counterparty criteria, since the maximum amount held in the account is less than 5% of the total pool.

The minimum eligible counterparty rating for all borrowers and issuer bank account providers to sustain a maximum potential rating of 'BBB (sf)' on the senior tranche corresponds to 'BB (sf)'. This is commensurate with the required rating per the transaction documents, which states that all providers must be rated at least 'BBB+' or 'A-2' by S&P Global Ratings or be replaced within a maximum of 30 days.

Commingling risk

As indicated previously, collections will be deposited into servicer collection or deposit accounts from which the servicer will transfer the collections to the borrower's account every two business days after the servicer processes them. The bank account providers for these accounts are not rated or rating-dependent; however, we analyzed the impact of any potential commingling risk with the servicer's transaction funds. Under all circumstances, funds from these accounts will be transferred to the borrower's account at the earlier of:

- The balance reaching $25,000 for the Dutch jurisdictions (Panama is processed daily regardless the amount); and
- Every two business days.

Given the potential exposure amount of $25,000 per jurisdiction per day and the existence of a reserve of around 1% of the initial pool balance, we believe that the potential impact on the supported security is very small. We also believe that this two-day exposure period is consistent with the rating on the supported security, without the benefit of additional risk mitigators.

Legal Analysis

The legal structure did not materially change from that of series 2021-1. We analyzed all applicable jurisdictions (Aruba, Bonaire, Curaçao, and Panama) to determine the extent to which the securitization structure has isolated the collateral from the insolvency risk of the entities that participate in the transaction. Based on our legal analysis, we believe that asset isolation from the seller's bankruptcy has been achieved for all of the countries.

As indicated earlier, the transaction structure has several SPVs as initial borrowers who enter into a secured revolving loan with the issuer, who is also an SPV. As a result, we performed an insolvency remoteness analysis on all relevant entities. Through certain provisions in the transaction documents, we are comfortable that all the SPEs in the transaction (borrowers and issuer) are each a bankruptcy-remote SPE under our criteria "Legal Criteria: Structured Finance: Asset Isolation And Special-Purpose Entity Methodology," published March 29, 2017, and "Structured Finance Criteria Introduced For Cayman Islands Special-Purpose Entities," published July 18, 2002.

Sensitivity Analysis

For the sensitivity analysis, we evaluated the severity of the changes outlined in our base-case effective loss (BCEL) assumption in the cash flow model for the notes over the transaction's life. Specifically, we analyzed two hypothetical scenarios: the worst-case scenario, where we assumed a 20% increase over the weighted average BCEL; and the best-case scenario, where we assumed a 20% decrease in the weighted average BCEL.

Table 9

Effective loss assumptions

Class	Base-case loss	Worst-case scenario (+20%)	Best-case scenario (-20%)
A	BBB (sf)	BBB- (sf)	BBB (sf)
B	BBB- (sf)	BB (sf)	BBB (sf)
C	BB-	B (sf)	BBB- (sf)
D	B	B- (sf)	BB- (sf)

As shown in table 9, we believe that under a scenario with 20% increase on the weighted average base-case expected loss, all else being equal our, preliminary ratings on the class A, B, C, and D notes would be within the specified range in section A.4 of the Appendix of "S&P Global Ratings Definitions," published June 9, 2023.

Related Criteria

- Criteria | Structured Finance | ABS: Global Consumer 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: Foreign Exchange Risk In Structured Finance--Methodology And Assumptions , April 21, 2017
- Legal Criteria: Structured Finance: Asset Isolation And Special-Purpose Entity Methodology , March 29, 2017
- General Criteria: Methodology Applied To Bank Branch-Supported Transactions , Oct. 14, 2013
- General Criteria: Global Investment Criteria For Temporary Investments In Transaction Accounts , May 31, 2012
- General Criteria: Principles Of Credit Ratings , Feb. 16, 2011
- Criteria | Structured Finance | General: Structured Finance Criteria Introduced For Cayman Islands Special-Purpose Entities , July 18, 2002

Related Research

- S&P Global Ratings Definitions, June 9, 2023
- Economic Outlook Emerging Markets Q2 2023: Global Crosscurrents Make For A Bumpy Deceleration, March 27, 2023
- Full Analyses: Aruba, March 21, 2023
- Research Update: Curaçao Sovereign Ratings Affirmed At 'BBB-/A-3'; Outlook Remains Stable, Feb. 22, 2023
- Research Update: Panama 'BBB/A-2' Ratings Affirmed; Outlook Remains Negative, Aug. 10, 2022
- Global Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016