

April 27, 2020

Rated entity:

Class A 2020-1 Asset Backed Floating Rate Notes [with ISIN: XS2141588090] issued by Driver UK Multi-Compartment S.A., acting for and on behalf of its Compartment Private Driver UK 2020-1

Rating:

AAA_{sf}

Rating outlook / watch:

Outlook stable

Rating summary:

Creditreform Rating has assigned a rating to the Class A notes of Driver UK Multi-Compartment S.A., acting for and on behalf of its Compartment Private Driver UK 2020-1 (PDUK 2020-1), as follows:

GBP 253,400,000 Class A 2020-1 Asset Backed Floating Rate Notes: AAA_{sf} / stable

The transaction is a securitization of auto financing contracts in UK, originated by Volkswagen Financial Services (UK) Limited (VWFS). PDUK 2020-1 features a 11-month revolving period and is secured by new and used vehicle financing contracts. A combination of Class B notes, Subordinated Loan, overcollateralization and a cash reserve will provide credit enhancement to the rated Class A notes.

VWFS will credit to the Cash Collateral Account certain amounts, which will be available to cover senior costs and note interest payments. Furthermore, the CCA will also be available to redeem notes on the final maturity date or on the date on which the aggregated discounted receivables balance has been reduced to zero, as long as no enforcement event has occurred. To mitigate commingling risk, the structure obliges the Servicer to advance the aggregate value of all receivables payments due in the next monthly period if minimum ratings of Volkswagen AG are no longer satisfied. Downgrade collateral and replacement provisions mitigate counterparty risk exposures with respect to the Swap Counterparties and Account Bank. Risks related to the Issuer are limited, the compartment structure being ring-fenced and with limited recourse to other creditors of the Issuer.

To size the credit risk, the voluntary termination risk and the residual value risk of the portfolio and to derive base case assumptions about loss rates and expected recovery performance, Creditreform Rating used data provided by VWFS as well as internal databases. Following the analysis of historical data, CRA set the base case gross loss rate at 1.10% and the base case recovery rate at 75.53%.

CRA selects a default multiple at x5.68 in the AAA_{sf} rating scenario. Moreover, CRA set the recovery haircut at 67.03%, taking into account transaction-specific features such as observed volatility and established recovery procedures, as well as potential market value risks. This resulted in an expected net loss of 4.66% in the relevant AAA_{sf} rating scenario. The total VT risk was sized at 4.16% and the total RV risk was sized at 16.26% in the AAA_{sf} rating scenario. These scenario-specific assumptions were tested in CRA's proprietary cash flow model, which was tailored to reflect the structure of PDUK 2020-1 and to assess the Issuer's ability to service its debt in a full and timely manner.

Primary key rating driver:

- + Proven origination, servicing & recovery procedures
- + Downgrade collateral and replacement provisions mitigate counterparty risk exposure w.r.t. the Swap Counterparty and Account Bank
- Potentially indirect negative impact of VW AG NOx emission allegations on future portfolio performance
- Concentrated contractual (Personal Contract Purchase) portfolio composition
- Extended 11-month revolving period may adversely affect portfolio quality
- Increased macroeconomic uncertainty ("Brexit" and coronavirus crisis) and potential market decline may have adverse effect on VWFS's ABS strategy and future portfolio performance

Rating sensitivities:

Best-case scenario: In this scenario, we stressed (ceteris paribus) the base case default rate by an amount of -25% and the base case recovery rate by an amount of +25%, resulting in a rating of AAA_{sf}.

Worst-case scenario: In this scenario, a severe 100% stress is applied to the base case default rate in combination with a 50% stress on the base case recovery rate and the VT and RV losses, respectively, resulting in a rating of AA_{sf}. In our view, this rating would represent a scenario with higher default correlation and market decline in a stressed pandemic scenario.

ESG-criteria:

CRA generally takes ESG-relevant factors (environmental, social and governance) into account when assessing the rating object. Overall, ESG factors have a less significant impact on the current ratings of the Class A and B notes. Nevertheless, CRA identifies macroeconomic factors (particularly with regard to potential changes in consumer behaviour) to have a high significant impact. Increased macroeconomic uncertainty ("Brexit" and the coronavirus crisis) and potential market decline may have adverse effect on VWFS's ABS strategy and future portfolio performance. Governance is relevant to the ratings with respect to counterparty risk, but downgrade collateral and replacement provisions mitigate counterparty risk exposure with respect to the Swap Counterparties and Account Bank. Other individual factors with a potential key rating influence were not identified, and therefore did not affect the final rating.

On the subject of ESG (environment, social and governance), Creditreform Rating AG has published the basic document ("The Impact of ESG Factors on Credit Ratings"), which is available on the homepage under the following link:

<https://www.creditreform-rating.de/de/regulatory-requirements/>

Date of inception / disclosure to rated entity / maximum validity:

February 5, 2020 / April 21, 2020 / March 25, 2028

Between the disclosure of the credit rating to the rated entity and the public disclosure, no amendments were made to the credit rating.

Initial rating date:

April 21, 2020

Lead-analyst – position / Person approving (PAC):

Philip Michaelis (Lead) – Senior Analyst

Stephan Giebler (PAC) – Senior Analyst

Name & address of legal entity:

Creditreform Rating AG, Hellersbergstraße 11, 41460 Neuss, Germany

Status of solicitation:

The rating is a solicited rating. The degree of participation was as follows:

With Rated Entity or Related Third Party Participation: Yes

With Access to Internal Documents: Yes

With Access to Management: Yes

Rating methodology / Version / Date of application / Link:

Rating Methodology Auto ABS Securitizations, Version 1.4, July 2018 (https://www.creditreform-rating.de/pub/media/global/page_document/Rating_Methodology_Auto_ABS_Securitizations.pdf)

Technical Documentation Portfolio Loss Distributions, Version 1.4, July 2018 (https://www.creditreform-rating.de/pub/media/global/page_document/Technical_Documentation_Portfolio_Loss_Distributions.pdf)

Rating Criteria and Definitions, Version 1.3, January 2018 (https://www.creditreform-rating.de/pub/media/global/page_document/CRAG_Rating_Criteria_and_Definitions_v1_3_01-2018.pdf)

Information on the meaning of a rating category, definition of default and sensitivity analysis of relevant key rating assumptions can be found at "Creditreform Rating AG, Rating Criteria and Definitions".

<https://www.creditreform-rating.de/en/about-us/regulatory-requirements.html>

Regulatory requirements:

In 2011 Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on the registration Creditreform Rating AG (CRA) is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation.

Conflict of Interests

No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or approving credit ratings and rating outlooks. In case of providing ancillary services to the rated entity, CRA will disclose all ancillary services in the credit rating report.

Rules on the Presentation of Credit Ratings and Rating Outlooks

The approval of credit ratings and rating outlooks follows our internal policies and procedures. In line with our policy "Rating Committee," all credit ratings and rating outlooks are approved by a rating committee based on the principle of unanimity. To prepare this credit rating, CRA has used following substantially material sources:

1. Transaction structure and participants
2. Transaction documents
3. Issuing documents
4. Other rating relevant documentation

There are no other attributes and limitations of the credit rating or rating outlook other than displayed on the CRA website. Furthermore CRA considers satisfactory the quality and extent of information available on the rated entity. In regard to the rated entity Creditreform Rating AG regarded available historical data as sufficient.