

DBRS Morningstar Takes Rating Actions on Driver Master S.A., acting for and on behalf of its Compartment 2

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DBRS Ratings GmbH (DBRS Morningstar) took the following rating actions on the notes issued by Driver Master S.A., acting for and on behalf of its Compartment 2 (the Issuer) as follows:

- Assigned a rating of AAA (sf) to the Series 2023-1, Class A Notes;
- Assigned a rating of A (high) (sf) to the Series 2023-1, Class B Notes;
- Assigned a rating of AAA (sf) to the Series 2023-2, Class A Notes;
- Assigned a rating of AAA (sf) to the Series 2023-3, Class A Notes;
- Assigned a rating of AAA (sf) to the Series 2023-4, Class A Notes;
- Confirmed the rating on the Series 2015-1, Class A Notes at AAA (sf); and
- Discontinued the A (high) (sf) rating on the Series 2015-1, Class B Notes following repayment in full.

The ratings address the timely payment of interest and the ultimate payment of principal on or before the legal final maturity date of the notes.

The transaction is a securitisation of receivables related to auto loan contracts granted by Volkswagen Bank GmbH (VWB) to predominantly private customers in Germany. Each series of notes is subject to a maximum issuance amount to which it can be increased, subject to the maximum programme size of EUR 15.0 billion. As of 31 May 2023, the aggregate outstanding discounted balance of the portfolio (including the amounts available in the accumulation account) amounted to EUR 11.9 billion. The transaction benefits from liquidity support provided in the form of a cash collateral account, funded to its target amount of EUR 110.2 million, equal to 1.0% of the outstanding balance of the rated notes.

The rating actions follow the execution of a transaction renewal, which encompasses the following key amendments, among other changes:

- The repriced coupon on the fixed-rate Series 2015-1, Class A Notes at 4.03%;
- The issuance of additional Class A Notes (Series 2023-1, 2023-2, 2023-3, and 2023-4), which are floating-rate notes paying a coupon equal to one-month Euribor plus a margin of 0.55%;
- The full redemption of the fixed-rate Series 2015-1, Class B Notes and their replacement with the floating-rate Series 2023-1, Class B Notes, paying a coupon equal to one-month Euribor plus a margin of 1.50%;
- The interest rate swap agreement that the Issuer entered into with Credit Agricole Corporate & Investment Bank to hedge the interest rate risk arising from the issuance of floating-rate notes, under the terms of which on each payment date the Issuer will (1) pay the swap counterparty a fixed rate of 4.03% with respect to the floating-rate Class A Notes and a fixed rate of 4.92% with respect to the floating-rate Class B Notes and (2) will receive floating one-month Euribor plus the relevant margin payable on the respective hedged notes;
- The introduction of a negative buffer release amount that VWB (as seller) will pay to the Issuer on each payment date to make up the difference between the discount rate at which the receivables are transferred to the Issuer (3.537%) and the higher transaction

costs for the Issuer (consisting of the senior expenses, servicing fees, net swap payments, and interest payments on the rated notes). This results in a certain degree of linkage and increased counterparty exposure to VWB, mitigated by the obligation to fund a buffer release reserve in the event that DBRS Morningstar downgrades its rating on VWB below BBB (low);

- An extension of the revolving period on all notes for an additional 12 months through to June 2024;
- An extension of the scheduled repayment date on all notes through to May 2031; and
- An extension of the legal final maturity date on all notes through to May 2032.

The ratings are based on DBRS Morningstar's review of the following analytical considerations:

- Portfolio performance, in terms of delinquencies and losses;
- The programme's capital structure and form and sufficiency of available credit enhancement to the notes;
- Credit enhancement in the form of subordination, overcollateralisation, and a fully funded liquidity reserve;
- Credit enhancement levels that are sufficient to support the expected net loss assumptions projected under various stress scenarios at the AAA (sf) and A (high) (sf) rating levels for the Class A and Class B Notes, respectively;
- The ability of the transaction to withstand stressed cash flow assumptions and repay investors according to the terms under which they have invested;
- The programme counterparties' capabilities with regard to originations, underwriting, servicing, and their financial strength;
- The credit quality and industry diversification of the collateral and historical and projected performance of the seller's portfolio;
- The sovereign rating on the Federal Republic of Germany, currently rated AAA with a Stable trend by DBRS Morningstar;
- The consistency of the transaction's legal structure with DBRS Morningstar's "Legal Criteria for European Structured Finance Transactions" methodology and the presence of legal opinions addressing the assignment of the assets to the Issuer; and
- The consistency of the transaction's hedging agreements with DBRS Morningstar's "Derivative Criteria for European Structured Finance Transactions" methodology.

ENVIRONMENTAL, SOCIAL, GOVERNANCE CONSIDERATIONS

There were no Environmental/Social/Governance factors that had a significant or relevant effect on the credit analysis.

A description of how DBRS Morningstar considers ESG factors within the DBRS Morningstar analytical framework can be found in the DBRS Morningstar Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings at: <https://www.dbrsmorningstar.com/research/396929/dbrs-morningstar-criteria-approach-to-environmental-social-and-governance-risk-factors-in-credit-ratings>.

DBRS Morningstar analysed the transaction structure in Intex DealMaker.

Notes:

All figures are in euros unless otherwise noted.

The principal methodology applicable to the ratings is "Rating European Consumer and Commercial Asset-Backed Securitisations" (19 October 2022), <https://www.dbrsmorningstar.com/research/404212/rating-european-consumer-and-commercial-asset-backed-securitisations>.

Other methodologies referenced in this transaction are listed at the end of this press release.

DBRS Morningstar has applied the principal methodology consistently and conducted a review of the transaction in accordance with the principal methodology.

An asset and a cash flow analysis were both conducted. Due to the inclusion of a revolving period in the transaction, the analysis continues to consider potential portfolio migration based on replenishment criteria set forth in the transaction legal documents.

For a more detailed discussion of the sovereign risk impact on Structured Finance ratings, please refer to “Appendix C: The Impact of Sovereign Ratings on Other DBRS Morningstar Credit Ratings” of the “Global Methodology for Rating Sovereign Governments” at: <https://www.dbrsmorningstar.com/research/401817/global-methodology-for-rating-sovereign-governments>.

The DBRS Morningstar Sovereign group releases baseline macroeconomic scenarios for rated sovereigns. DBRS Morningstar analysis considered impacts consistent with the baseline scenarios as set forth in the following report: <https://www.dbrsmorningstar.com/research/384482/baseline-macroeconomic-scenarios-application-to-credit-ratings>.

The sources of data and information used for these ratings include historical performance data relating to receivables provided by VWB directly or through the arranger, BNP Paribas SA; monthly investor reports provided by VWB; and legal documentation provided by the Issuer’s legal counsel.

DBRS Morningstar did not rely upon third-party due diligence in order to conduct its analysis.

DBRS Morningstar was supplied with third-party assessments. However, this did not impact the rating analysis.

DBRS Morningstar considers the data and information available to it for the purposes of providing these ratings to be of satisfactory quality.

DBRS Morningstar does not audit or independently verify the data or information it receives in connection with the rating process.

The ratings on the Series 2023-1, Class A and Class B Notes as well as the Series 2023-2, 2023-3, and 2023-4, Class A Notes concern newly issued financial instruments. These are the first DBRS Morningstar ratings on these financial instruments.

The last rating action on this transaction took place on 27 June 2022, when DBRS Morningstar confirmed its ratings on the Series 2015-1, Class A and Class B Notes at AAA (sf) and A (high) (sf), respectively.

Information regarding DBRS Morningstar ratings, including definitions, policies, and methodologies, is available on www.dbrsmorningstar.com.

Sensitivity Analysis: To assess the impact of changing the transaction parameters on the ratings, DBRS Morningstar considered the following stress scenarios as compared with the parameters used to determine the ratings (the base case):

-- Expected Default: 1.5%, a 25% and 50% increase on expected probability of default.

-- Loss Given Default (LGD): expected LGD of 40.0%, with LGDs of 64.0% and 56.0% applied at the AAA (sf) and A (high) (sf) rating levels, respectively, both with a 25% and 50% increase on the expected LGD.

Scenario 1: A 25% increase in the expected default rate.

Scenario 2: A 50% increase in the expected default rate.

Scenario 3: A 25% increase in the LGD.

Scenario 4: A 25% increase in the expected default rate and a 25% increase in the LGD.

Scenario 5: A 50% increase in the expected default rate and a 25% increase in the LGD.

Scenario 6: A 50% increase in the LGD.

Scenario 7: A 25% increase in the expected default rate and a 50% increase in the LGD.

Scenario 8: A 50% increase in the expected default rate and a 50% increase in the LGD.

DBRS Morningstar concludes that the expected ratings under the eight stress scenarios will be:

-- Class A Notes: AA (high) (sf), AA (sf), AA (high) (sf), AA (sf), AA (low) (sf), AA (sf), AA (low) (sf), A (sf)

-- Class B Notes: A (sf), A (sf), A (sf), A (sf), BBB (high) (sf), A (sf), BBB (high) (sf), BBB (sf)

For further information on DBRS Morningstar historical default rates published by the European Securities and Markets Authority (ESMA) in a central repository, see: <https://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml>. For further information on DBRS Morningstar historical default rates published by the Financial Conduct Authority (FCA) in a central repository, see <https://data.fca.org.uk/#/ceres/craStats>.

These ratings are endorsed by DBRS Ratings Limited for use in the United Kingdom.

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Initial Rating Date: 27 July 2015

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The rating methodologies used in the analysis of this transaction can be found at: <https://www.dbrsmorningstar.com/about/methodologies>.

-- Rating European Consumer and Commercial Asset-Backed Securitisations (19 October 2022),

<https://www.dbrsmorningstar.com/research/404212/rating-european-consumer-and-commercial-asset-backed-securitisations>.

-- Master European Structured Finance Surveillance Methodology (7 February 2023),

<https://www.dbrsmorningstar.com/research/409485/master-european-structured-finance-surveillance-methodology>.

-- Rating European Structured Finance Transactions Methodology (15 July 2022),

<https://www.dbrsmorningstar.com/research/399899/rating-european-structured-finance-transactions-methodology>.

-- Legal Criteria for European Structured Finance Transactions (22 July 2022),

<https://www.dbrsmorningstar.com/research/400166/legal-criteria-for-european-structured-finance-transactions>.

-- Operational Risk Assessment for European Structured Finance Servicers (15 September 2022), [https://](https://www.dbrsmorningstar.com/research/402774/operational-risk-assessment-for-european-structured-finance-servicers)

www.dbrsmorningstar.com/research/402774/operational-risk-assessment-for-european-structured-finance-servicers.

-- Operational Risk Assessment for European Structured Finance Originators (15 September 2022), [https://](https://www.dbrsmorningstar.com/research/402773/operational-risk-assessment-for-european-structured-finance-originators)

www.dbrsmorningstar.com/research/402773/operational-risk-assessment-for-european-structured-finance-originators.

-- DBRS Morningstar Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings (17 May 2022),

<https://www.dbrsmorningstar.com/research/396929/dbrs-morningstar-criteria-approach-to-environmental-social-and-governance-risk-factors-in-credit-ratings>.

-- Interest Rate Stresses for European Structured Finance Transactions (22 September 2022), <https://www.dbrsmorningstar.com/research/402943/interest-rate-stresses-for-european-structured-finance-transactions>.

-- Derivative Criteria for European Structured Finance Transactions (16 June 2023), <https://www.dbrsmorningstar.com/research/415976/derivative-criteria-for-european-structured-finance-transactions>.

A description of how DBRS Morningstar analyses structured finance transactions and how the methodologies are collectively applied can be found at: <https://www.dbrsmorningstar.com/research/278375>.

For more information on this credit or on this industry, visit www.dbrsmorningstar.com or contact us at info@dbrsmorningstar.com.

Ratings

Driver Master S.A., acting for and on behalf of its Compartment 2

Date Issued	Debt Rated	Action	Rating	Trend	Attributes
26-Jun-23	Series 2015-1, Class A Notes	Confirmed	AAA (sf)	--	EU U
26-Jun-23	Series 2023-1, Class A Notes	New Rating	AAA (sf)	--	EU U
26-Jun-23	Series 2023-2, Class A Notes	New Rating	AAA (sf)	--	EU U
26-Jun-23	Series 2023-3, Class A Notes	New Rating	AAA (sf)	--	EU U
26-Jun-23	Series 2023-4, Class A Notes	New Rating	AAA (sf)	--	EU U
26-Jun-23	Series 2023-1, Class B Notes	New Rating	A (high) (sf)	--	EU U
26-Jun-23	Series 2015-1, Class B Notes	Disc.- Repaid	Discontinued	--	EU

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