

Driver UK Multi-Compartment S.A. – Compartment Driver UK eleven

Capital Structure

Class	Expected rating	Outlook	Amount (GBPm)	CE (%) ^a	Interest rate(%)	Legal final maturity
Class A	AAA(EXP)sf	Stable	TBA	24.8	SONIA + TBA	Sept 2033
Class B	AA-(EXP)sf	Stable	TBA	16.0	SONIA + TBA	Sept 2033
Subordinated loan	NRsf	n.a.	TBA	6.0	SONIA + TBA	Sept 2033
Total			TBA			

^a Credit enhancement (CE) is provided by overcollateralisation (OC). There is also a cash reserve fund, sized at 1.45% of the outstanding notes. TBA: to be announced.

Source: Fitch Ratings

Driver UK Multi-Compartment S.A. – Compartment Driver UK eleven is a six-month revolving securitisation of auto loan receivables originated by Volkswagen Financial Services (UK) Ltd (VWFS UK) in England, Scotland, Wales and Northern Ireland. The portfolio consists of personal contract purchase (PCP), hire purchase (HP) and lease purchase (LP) loans, financing predominantly VW Group brand vehicles.

Key Rating Drivers

Used-Car Price Exposure: Loans regulated by the Consumer Credit Act provide obligors with voluntary termination (VT) rights, allowing them to return the vehicle before maturity. PCP loans also provide the option of returning the vehicle at maturity instead of paying a balloon amount. The issuer is exposed to the risk of declines in used-car prices as proceeds from the sale of returned vehicles may be lower than the outstanding loan balance. Fitch Ratings assumed a total residual value (RV) and VT loss of 21.5% at 'AAAsf, and 16.1% at 'AA-sf'.

Prime Portfolio with Resilient Performance: Fitch has assumed a base case default rate of 1.2%. Delinquencies are slightly higher than the troughs of 2022, similar to the levels seen in the rest of the UK market. The base case default rate remains low, reflecting the high credit quality of the pool and the overall good performance of VWFS UK's book over time.

We applied a 'AAA' default multiple of 6.75x, accounting for the low absolute level of the base case. The recovery base case and 'AAA' recovery haircut were set at 65% and 45%, respectively. European used car prices are still broadly decreasing, but the pace of decline is slowing and prices are beginning to stabilise in some countries, although the UK has seen the largest peak-to-trough declines. This is reflected in the recovery assumption.

Sensitivity to Pro Rata Period: The transaction features a pro rata amortisation of notes if certain overcollateralisation (OC) conditions are fulfilled and if the performance triggers are not breached. The length of the pro rata period and the outflow of funds to junior positions on the waterfall is driven by the lifetime losses, combined with the default and recovery timing. Lower losses with back-loaded timing may lead to a switch back to sequential amortisation and could be more detrimental to the notes than higher losses with a front-loaded timing.

Seller-Related Risks Addressed: Commingling risk is mitigated by a cash advance mechanism that comes into effect on the seller losing eligibility in line with Fitch's counterparty criteria.

Structured Finance

Auto-Loan (non-US)

United Kingdom



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This presale report reflects information in Fitch's possession at the time that Fitch's expected ratings are issued; the transaction has yet to be finalised and changes could occur. As a result, the expected ratings disclosed in this report do not reflect final ratings, but are solely based on information provided by the issuer as of 30 November 2025. These expected ratings are contingent on final documents conforming to information already received. Ratings are not a recommendation to buy, sell or hold any security. The prospectus and other material should be reviewed prior to any purchase.

Fitch's related Rating Action Commentary issued at transaction closing will include final ratings, which will include an assessment of any material information that may have changed subsequent to the publication of the presale.

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Payment interruption risk is addressed by the liquidity from the cash reserve fund, while Fitch views servicer continuity risk as adequately reduced by the ample availability of replacement servicers in the UK market.

Highlights

Effect	Highlight
-	Small Changes from Previous Deal: The transaction is similar to Driver UK Multi-Compartment S.A. – Compartment Driver UK nine, rated by Fitch in October 2024. The OC of classes A and B at closing will be about 200bp-300bp lower than in the previous deal, but both the target OC (during and after the revolving period) and the minimum OC during the revolving period will be unchanged. The cash reserve will be equal to 1.45% of classes A and B, similar to the previous transaction.
+	Pool Sold at a Premium: The weighted average (WA) interest rate of the final portfolio is about 9.3%, whereas the discount rate used to calculate the net present value of the receivables is expected to be lower at 7.002%. This decreases the effective pool yield and, if a contract is purchased at a premium any sale proceeds following VT, prepayments or recoveries will be based on a lower net present value. However, the portion of the discount rate corresponding to the interest compensation rate may be used to compensate the issuer for these losses. Further receivables transferred during the revolving period will be sold with a haircut to their purchase price, which may allow for some build-up of OC in the revolving period up to target levels.
-	Loose Early Amortisation Triggers: Fitch believes it is extremely unlikely the early amortisation triggers linked to net losses and 180-plus days past due delinquencies will be breached during the six-month revolving period, even under a high degree of stress. There is also a trigger linked to the class A OC percentage, set at 0.25pp below the level of the class A OC at closing, preventing the OC from decreasing during the revolving period.

Source: Fitch Ratings

Key Transaction Parties

Role	Name	Fitch rating (IDR unless otherwise stated)
Issuer	Driver UK Multi-Compartment S.A. – Compartment Driver UK eleven	Not rated
Originator	Volkswagen Financial Services (UK) Limited	Not rated
Servicer	Volkswagen Financial Services (UK) Limited	Not rated
Transaction account bank	Deutsche Bank AG, London Branch	A-/Stable/F1/DCR: A(dcr)
Swap provider	TBC	TBC
Trustee	Intertrust Trustees GmbH	Not rated
Corporate services provider	Circumference FS (Luxembourg) S.A.	Not rated

IDR: Issuer Default Rating. DCR: Derivative Counterparty Rating.

Source: Fitch Ratings, Driver UK Multi-Compartment S.A. – Compartment Driver UK eleven

Key Rating Drivers (Negative/Positive/Neutral)

Rating Impact	Key rating driver
Negative	Used car price exposure
Positive	Prime portfolio resilient to stubborn inflationary pressures
Negative	Sensitivity to pro rata period
Positive	Seller-related risks addressed

Source: Fitch Ratings

Applicable Criteria

[Consumer ABS Rating Criteria \(October 2024\)](#)

[Consumer ABS Rating Criteria – Residual Value Addendum \(October 2024\)](#)

[Global Structured Finance Rating Criteria \(December 2025\)](#)

[Structured Finance and Covered Bonds Counterparty Rating Criteria \(November 2023\)](#)

[Structured Finance and Covered Bonds Interest Rate Stresses Rating Criteria \(October 2025\)](#)

[Structured Finance and Covered Bonds Country Risk Rating Criteria \(June 2025\)](#)

[Structured Finance and Covered Bonds Counterparty Rating Criteria: Derivative Addendum \(November 2023\)](#)

Related Research

[European Auto ABS Performance Monitor \(November 2025\)](#)

[Global Economic Outlook \(December 2025\)\)](#)

[European Structured Finance Outlook \(December 2025\)](#)

Transaction Comparisons

	Driver UK Multi-Compartment - Driver UK eleven (Red pool)	Driver UK Multi-Compartment - Driver UK nine	Driver UK Multi-Compartment - Driver UK eight	Koromo UK 2 PLC	Bavarian Sky UK 6 Plc
Closing	TBD	September 2024	March 2024	January 2026	June 2024
Country of assets	UK	UK	UK	UK	UK
Seller	VWFS UK	VWFS UK	VWFS UK	VWFS UK Toyota Financial Services (UK) PLC	BMW FS GB
Class	Class A	Class A	Class A	Class A	Class A
Rating	AAAsf	AAAsf	AAAsf	AAAsf	AAAsf
Amount (GBPm)	TBD	358.8	444.6	500.0	400.0
Credit enhancement (%)	24.8	28.2	28.9	23.7	28.5
Class	Class B	Class B	Class B	Class B	Class B
Rating	AA-sf	AA-sf	AA-sf	NRsf	Asf
Amount	TBD	51.5	68.1	146.0	78.0
Credit enhancement (%)	16.0	17.9	18.0	0.0	14.3
Class	Subordinated loan	Subordinated loan	Subordinated loan		Class C
Rating	NRsf	NRsf	NRsf		NRsf
Amount (GBPm)	TBD	60.0	74.8		71.4
Credit enhancement	6.0	6.0	6.0		n.a.
Portfolio summary					
Revolving period length	6 months	6 months	6 months	12 months	12 months
Principal balance (GBPm) ^a	500.0	500.0	625.0	646.0	549.4
Number of receivables	20,602	22,799	30,032	35,669	22,472
Average outstanding balance (GBP) ^a	24,270	21,931	20,811	18,111	24,449
WA remaining term in months	41	39	38	35	38
WA seasoning in months	6	9	10	9	9
Collateral by balance (%)					
New vehicles	53.0	49.4	50.1	63.2	53.9
Used vehicles	47.0	50.6	49.9	36.8	46.1
Fitch assumptions (%)					
Default base case	1.2	1.3	1.4	1.0	1.2
Recovery base case	65.0	65.0	65.0	65.0	65.0
AAAsf RDR	8.1	8.4	8.9	7.3	8.7
AAAsf RRR	35.8	35.8	35.8	35.8	35.8
AAAsf RLR (instalments)	5.2	5.4	5.7	4.7	5.6
AAAsf RV and VT loss	21.5	23.7	22.8	21.2	25.7

Note: These transactions were selected for comparison due to their similarity, in terms of financed assets, to Driver UK Multi-Compartment S.A. – Compartment Driver UK eleven. All the selected transactions are securitisations of UK auto loans.

RDR: rating default rate. RRR: rating recovery rate. RLR: rating loss rate.

^a Discounted.

Source: Fitch Ratings

Sector Risks: Additional Perspective

Key Sector Risks

Sector or asset outlook	The European auto loan and lease outlook remains 'neutral' with delinquencies and defaults low and expected to stay near 2025 levels in 2026, with only moderate UK deterioration amid rising labour market stress. Residual values will keep falling across major markets and all engine types in 2026 but remain above pre-Covid averages. Battery electric vehicle values will be more volatile than internal combustion models as decreasing range and obsolescence concerns meet tax incentives that skew new-car sales compared with used-car demand. In the UK, the FCA consultation on auto finance commissions ran to December 2025. A final redress framework is expected in early 2026, and refunds are expected to start by end-2026. Uncertainty remains over coverage and smaller loans with high relative commissions.
Macroeconomic or sector risks	The UK economy is set for below-potential growth and rising unemployment in 2026, even after a solid 2025 performance and upward revisions to back data that raised momentum going into the new year. Fitch increased the 2025 GDP growth forecast to 1.4% from 1.2%, but monthly data indicated a loss of momentum in 3Q25 and 4Q25, pointing to continued weakness, partly amid autumn budget uncertainty. Growth over the past year was driven largely by public-sector activity, while private domestic demand lagged behind. Business investment remains subdued, with higher employer National Insurance contributions and minimum-wage increases weighing on sentiment. Expected rate declines should help extend the credit upswing. Labour market weakening has become more pronounced, with hiring demand slumping and the unemployment rate projected to reach 5.5% by mid-2026, keeping the household savings rate high. Wage disinflation is accelerating, and surveys point to wage growth slowing towards about 2% in 2026, leading to declines in inflation and inflation expectations. Big price increases in 2025 will drop out of annual comparisons, and deflationary measures in the autumn budget will add to disinflation. Fitch expects the Bank of England to deliver three cuts in 2026 to 3% as rising unemployment prompts Monetary Policy Committee members to shift the emphasis from inflation expectations to providing more economic support.
Relevant research	See Related Research on page 2.

Source: Fitch Ratings

Portfolio Stratification

The portfolio consists of fixed rate auto loans originated by VWFS UK and granted to private and commercial customers in the UK. The vast majority of the pool comprises PCP loans, which lead to RV exposure. The loan agreements are also predominantly regulated under the UK Consumer Credit Act, meaning most of the borrowers have VT rights.

The Three Product Types in the Portfolio

PCP agreements: Obligors pay equal monthly instalments to amortise the loan balance to a predefined balloon amount. The borrower has the option of either paying the final balloon amount at contract maturity to take ownership of the vehicle, or returning the vehicle in lieu of paying the balloon amount.

HP agreements: Obligors pay equal monthly instalments to amortise the loan balance to zero by the contract maturity, at which point the title of the vehicle is transferred to the obligor.

LP agreements: This contract type combines elements of both PCP and HP loans. There is a final balloon payment, but the obligor does not have the option of returning the vehicle in lieu of paying it. They are contractually obliged to pay the balloon, at which point the title of the vehicle is transferred to them.

The table and charts below summarise the key characteristics of the securitised portfolio.

Transaction Portfolio as at 30 November 2025

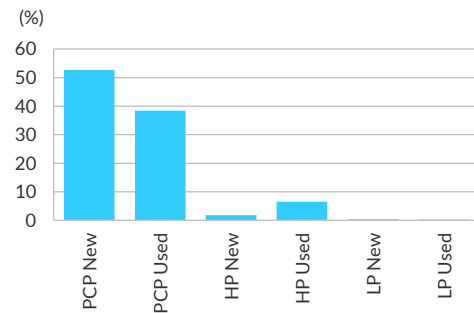
	Replenishment criteria	Preliminary portfolio
Number of loans		20,602
Principal balance (GBPm) ^a		500.0

Transaction Portfolio as at 30 November 2025

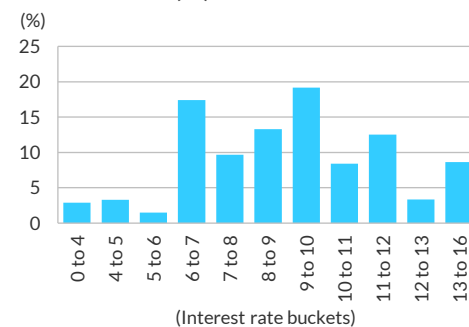
	Replenishment criteria	Preliminary portfolio
Average outstanding loan balance (GBP)		24,270
WA original term (months)		47.1
WA remaining term (months)		40.8
WA seasoning (months)		6.4
New (%)		53.0
Used (%)	≤60	47.0
PCP (%)		91.1
HP (%)		8.3
LP (%)		0.6
PCP used (%)	≤55	38.5
Non-VW Group vehicles (%)	≤10	8.6
WA effective interest rate (%)		9.3
Residual value (%) ^b		53.3
Petrol (%)		66.7
Diesel (%)		12.3
Battery electric (%)		14.5
Hybrid (%)		6.5
Top single borrower (%)	≤0.5	0.06
Top 10 borrowers (%)		0.5
Direct debit (%)		99.9

^a Discounted.^b Calculated as sum of contractual RVs over total discounted portfolio balance.

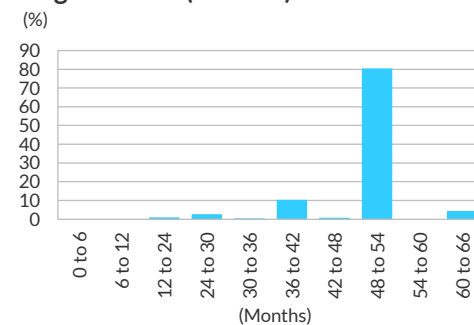
Source: Fitch Ratings, Driver UK Multi-Compartment S.A. – Compartment Driver UK eleven

Sub-Portfolios


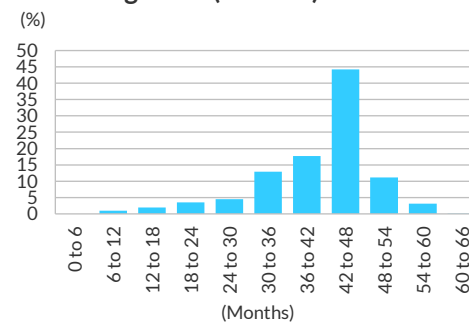
Source: Fitch Ratings, VWFS UK

Interest Rate (%)


Source: Fitch Ratings, VWFS UK

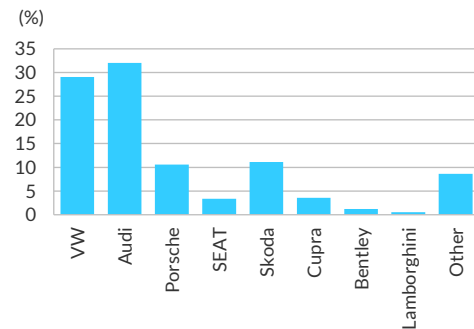
Original Term (Months)


Source: Fitch Ratings, VWFS UK

Remaining Term (Months)


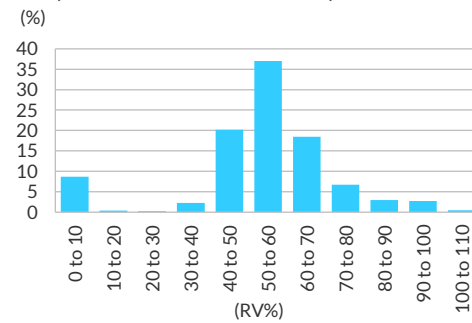
Source: Fitch Ratings, VWFS UK

Vehicle Brands



Source: Fitch Ratings, VWFS UK

RV (% of Financed Amount)



Source: Fitch Ratings, VWFS UK

Asset Analysis

Portfolio Credit Analysis

The issuer is exposed to the credit risk of the underlying obligors, and to the market value risk on vehicles returned by the borrowers either due to VT or in lieu of paying the RV amount at contract maturity. Fitch analysed the three types of exposure separately, applying its *Consumer ABS Rating Criteria* and *Consumer ABS Rating Criteria – Residual Value Addendum*.

Fitch derived its asset assumptions based on historical performance and portfolio data provided by the originator. We also took into account other considerations such as the origination and servicing practices of VWFS UK (see Appendix 1: Origination and Servicing) and our macroeconomic outlook for the UK.

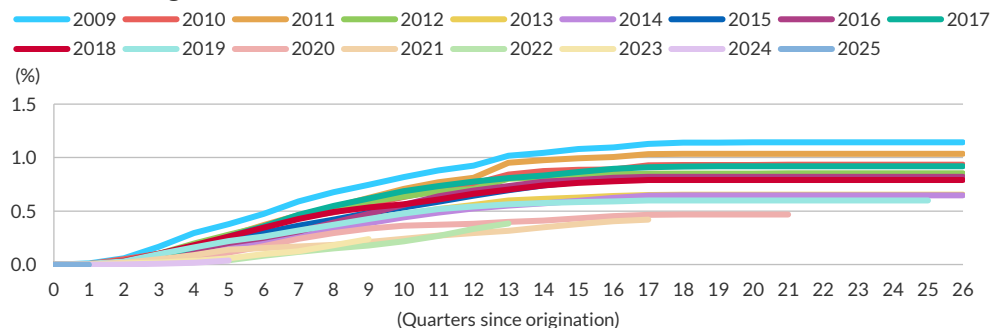
Default Risk

The 'Default Vintages' charts below show the cumulative default rates by annual origination vintage for VWFS UK's total book, split by new and used vehicles. Fitch set separate base cases for new and used vehicles given the differences in performance between the two sub-pools and the possibility of portfolio migration during the revolving period.

The dataset provided covers the period 1Q03 to 3Q25, meaning it comfortably captures the full economic cycle. Fitch focused primarily on vintages from 2007 onwards in its analysis. VWFS UK typically record defaults at 90 days of delinquency.

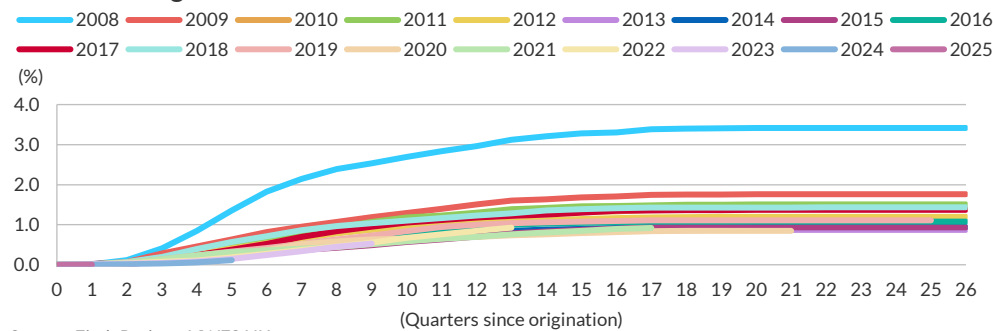
We also received the historical data split by product type. There are differences in the performances of different contract types, with LP loans showing materially higher default rates than PCP or HP loans. However, we opted not to set different assumptions for LP loans given the very low share of this sub-pool.

Default Vintages - New



Source: Fitch Ratings, VWFS UK

Default Vintages - Used



Source: Fitch Ratings, VWFS UK

Fitch has assumed base-case default rates of 1.2% for both new and used vehicles, respectively.

The absolute level of the base case reflects the prime nature of the underlying borrowers and low historically observed defaults. This also reflects the floor value of 1% (for the new car sub pool) in line with the Consumer ABS criteria. Arrears have been increasing since 2022. This is in line with expectations and they still remain low in absolute terms. We believe a large absolute-terms increase in defaults is unlikely. Unemployment is expected to remain relatively low, and prime borrowers have more headroom in their finances to absorb higher expenses.

Fitch applied a 'AAAsf' default multiple of 6.75x to the base case. The multiple primarily considers the low absolute level of the base case on the one hand, and the long available data history on the other.

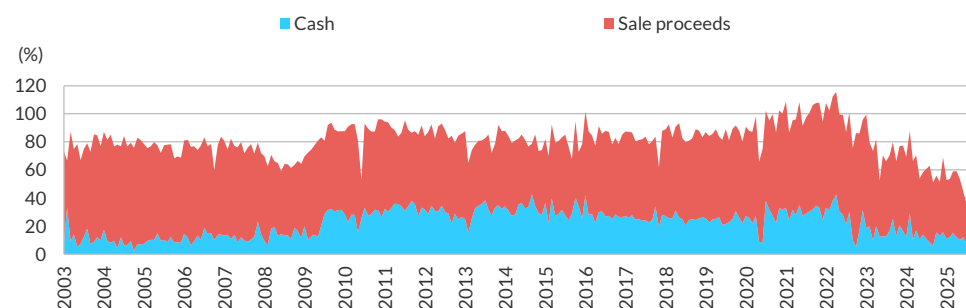
Recovery Rates

The chart below shows recoveries for the total book, split by those received from the sale of the vehicle and as cash amounts from the borrower. We considered both secured and unsecured recoveries in forming our base case assumption and recovery timing vector, although the vehicle sale proceeds make up the majority of total amounts recovered.

We set a base case of 65%, using both the total book data and performance information from prior Driver UK securitisations. Recoveries were particularly strong in 2021 and 2022, owing to the rapid increase in used car prices during the global semiconductor shortage. Some partial downward corrections in residual values started in 2023, similar to the levels seen in the rest of the European market (see Related Research on page 2), and Fitch expects pressures on recovery to continue in 2026 (however the chart below underestimates recoveries in 2023 because of a lag between defaults and the sales of vehicles).

The base case is therefore set closer to long-term averages rather than skewed towards spikes in the used car market.

Recoveries from Default: Total Pool



Source: Fitch Ratings, VWFS UK

The tables below summarise Fitch's default and recovery expectations and stress assumptions.

Base-Case Expectations

(%)	Stressed weight	Default rate	Recovery rate	Loss rate
New vehicles	54.0	1.2	65.0	0.42
Used vehicles	46.0	1.2	65.0	0.42
Total stressed pool	100.0	1.2	65.0	0.42

Source: Fitch Ratings

Stressed Assumptions

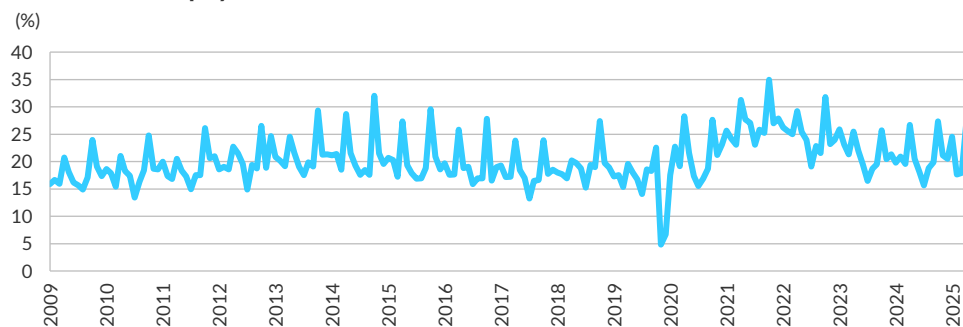
(%)	Rating default rate	Rating recovery rate	Rating loss rate
AAAsf	8.1	35.8	5.2
AA-sf	5.9	43.6	3.3
Base case	1.2	65.0	0.42

Source: Fitch Ratings

Prepayments

Fitch has received historical dynamic data on prepayments since June 2008. We applied a 20% annual prepayments base case. This is in line with the long-term trend in VWFS UK's book. Prepayments dropped sharply in April 2020 following the imposition of lockdown restrictions but they quickly returned to pre-pandemic levels. There has been an uptick in prepayments since 2021, likely driven by rising used car prices improving the equity position of borrowers. This trend has started to reverse with improvements in macroeconomic environment.

To derive rating-specific prepayment rates, Fitch applied a linear interpolation between 20% at 'Bs' and 0% at 'AA-sf', in line with the RV addendum criteria for loans exposed to VT risk. This is because in a high stress scenario, Fitch assumes borrowers are likely to use their VT rights instead of prepaying to terminate their agreement early, given that borrowers are likely to be in negative equity. Rating scenarios above 'AA-sf' are assumed to have 0% annual prepayments.

Annualised Prepayment Rate


Source: Fitch Ratings, VWFS UK

Key Asset Eligibility Criteria

Description
The purchase of the relevant receivables will not cause a breach of the concentration limits (see Portfolio Covenants below)
None of the obligors are affiliates of VWFS
Obligors reside/are registered in England, Scotland, Wales or Northern Ireland
Obligors have no pending bankruptcy or insolvency proceedings against them
Receivables are denominated in sterling
Receivables are non-delinquent
The financing contracts are governed by the laws of England and Wales, Northern Ireland or Scotland
The financing contracts are legal, valid, binding and enforceable
The status and enforceability of the receivable is not impaired due to warranty claims or any other rights of the obligor
The status and enforceability of the receivable is not impaired by set-off rights
The obligor does not maintain any deposits on accounts with VWFS
The financing agreement complies with the Consumer Credit Act
At least one payment has been made under the finance contract as of the cut-off date
The original term of the agreement does not exceed 72 months
No obligor accounts for more than 0.5% of the aggregate portfolio
The obligor is required to pay all insurance, repair/maintenance and taxes with respect to the related vehicle
Source: Fitch Ratings, Driver UK Multi-Compartment S.A. – Compartment Driver UK eleven

Portfolio Covenants

Description
Used vehicle share: must not exceed 60%
PCP-Used share: must not exceed 55%
Non-VW Group brands: must not exceed 10%
Source: Fitch Ratings, Driver UK Multi-Compartment S.A. – Compartment Driver UK eleven

Residual Value Risk

Borrowers with PCP agreements, which comprise about 91% of the portfolio, have the option to return their vehicle at contract maturity instead of paying the final RV amount. The issuer may incur RV losses if the sale proceeds from returned vehicles are less than the relevant contractual RV amounts. Fitch's analysis therefore considers the appropriateness of the originator's RV-setting, and incorporates rating-specific market value decline assumptions.

VWFS UK will repurchase any contracts where the obligor has opted to turn in the vehicle. This means the issuer is only exposed to the market value risk if the seller is insolvent. Fitch has not given credit to this repurchase obligation in its analysis as the seller is unrated and its ultimate parent is rated lower than the most junior instrument.

Base Case Sale Proceeds

Fitch set its base-case sale proceeds assumption at 100% of the contractual RV amount. There are four main considerations driving this.

- We believe VWFS's RV-setting policies are sufficiently conservative (see Residual Value Setting).
- Historical RV turn-in rates are low, with around 1% of monthly contract maturities typically resulting in a RV hand-back. In Fitch's view, this suggests that RVs have been set appropriately as borrowers would have a strong incentive to turn in their vehicles if they were in negative equity at maturity.
- VWFS UK has not incurred any material losses even on vehicles that are returned, despite the negative selection bias in the historical data (the data only cover contracts

where the borrower has opted to return the car, which suggests an increased likelihood of negative equity relative to contracts where the borrower has opted to pay the balloon amount).

- Declining used car prices across multiple European countries. With the picture most challenging in the UK, where there has been a 14pp peak-to-trough decline in residual values as a percentage of initial list price since 2022.

RV Market Value Stress

Fitch applied an RV market value stress of 35% at 'AAAsf'. This is at the median level specified in our criteria.

A key consideration is the captive nature of the originator, which means there is an almost 100% concentration in VW Group brands (e.g. VW, Audi, Porsche, SEAT, Skoda). This increases the exposure of the pool to a potential default by the manufacturer, or to any quality or reputational issues affecting specific brands.

Nevertheless, the assumption gives credit to the large and liquid used car market in the UK, the well-distributed RV maturities and our expectation that parts and servicing will still be available for VW Group cars even following a default by the manufacturer.

Selling Costs and Administrator Fees

Fitch assumed average selling costs of GBP250 per vehicle to account for the expenses incurred to realise the sale proceeds (transportation and storage of the vehicle).

We also applied an additional insolvency administrator incentive recovery fee of 2.5% of the stressed vehicle value, in line with Fitch's *Consumer ABS Rating Criteria – Residual Value Addendum*.

Residual Value Turn-in Rates

Fitch applied RV turn-in rates in line with its *Consumer ABS Rating Criteria – Residual Value Addendum*. The RV 'AAAsf' turn-in rate was set at 100%.

Time to Sale

We applied our standard time to sale assumptions as outlined in our criteria, i.e. three months at 'AAAsf'.

Residual Value Share

Fitch expects that the RV share as a percentage of the outstanding portfolio balance will increase during the revolving period owing to the mechanical consequence of increased loan seasoning. There is also a risk that VWFS UK will set RVs for future originations higher than the current weighted-average in the portfolio. Fitch assumes the RV share within the PCP pool will increase to 61.8% by the end of the six-month revolving period, from 61.1% in the final portfolio.

Voluntary Termination Risk

Under the UK Consumer Credit Act, obligors have a statutory right to return vehicles to the originator after paying 50% of the total amount payable (including the deposit) under the finance agreement, in lieu of making the remaining payments. Fitch assumes that customers will exercise their VT rights only if they are in negative equity. Fitch's approach to VT risk is discussed in Appendix 2 of its *Consumer ABS Rating Criteria – Residual Value Addendum*.

We received loan-by-loan data for the final portfolio, which were used in Fitch's UK VT model to analyse the VT exposure and loss. The portfolio had a cut-off date of November 2025. For each contract, the model projects the outstanding principal balance of loan once 50% of the total amount payable has been paid, and compares it with the depreciated stressed car value at the same date. The VT exposure is adjusted to only be relevant to non-defaulted and non-prepaid borrowers, depending on the rating scenario.

Voluntary Termination Turn-In Rates

VWFS UK provided Fitch with VT performance data from 2002 onwards. It demonstrated termination volumes comparable to other UK transactions. We applied VT turn-in rates according to criteria. The VT 'AAAsf' turn-in rates were set at 50%.

Depreciation Rate

Fitch applied a weighted-average monthly depreciation of 1.8% to projected car values. The assumption was determined through an analysis of third-party used car price data provided by Autovista, for both the entire UK market and for the VW Group brands specifically. We also considered the share of new and used vehicles in the pool, assuming faster depreciation for new cars.

Voluntary Termination Market Value Haircut

Fitch assumed an add-on of 2.5% to the market value haircut applied for RVs across all rating scenarios. This is primarily to reflect the possible clustering of VTs during periods of macroeconomic stress as the equity positions of all borrowers simultaneously weaken. The 'AAA' VT market value haircut is therefore 37.5%.

Administrator Fee

Fitch also applied the insolvency administrator incentive recovery fee criteria assumption of 2.5%, similar to the assumption for RV risk.

Time to Sale

The time to sell the vehicle is set in line with the assumption for RV, three months at 'AAAsf'.

Integration of VT and RV Risk

The pool consists of PCP, HP and LP obligors, all of which have voluntary termination rights. However, only the PCP loans are exposed to RV losses as they have the option to return the car at maturity instead of paying the contractual balloon amount. Fitch assumes that PCP obligors are aware of the option to return the vehicle at maturity and are therefore more likely to do so than to exercise their VT rights.

However, even when aware of the VT option, borrowers do not always choose to voluntarily terminate their contracts. In line with its criteria, Fitch assumes in its loan-by-loan calculations that, for PCP contracts where the loan maturity is within 12 months of the obligor's VT point, obligors would choose to hand the car back at maturity instead of exercising their VT right. This would expose the loan to an RV loss instead of a VT loss.

Fitch applied a VT turn-in rate of 50% in the 'AAAsf' scenario for contracts that have a period longer than 12 months between the time they repay 50% of the loan and loan maturity, exposing the loan to VT risk. For all other PCP contracts, Fitch assumed that borrowers would not VT, but rather consider handing back the vehicle at loan maturity. We assumed that, in the 'AAAsf' scenario, all of those borrowers would turn in their vehicles at maturity, exposing the contract to RV loss. In lower rating scenarios, Fitch assumes that not all PCP borrowers hand back their vehicles.

Given the above, after considering defaults and prepayments in the respective ratings scenarios, Fitch has calculated an overall RV and VT loss of 21.5% at 'AAAsf' and 16.1% at 'AA-sf'. These figures factor in the assumed increase in the share of PCP loans by the end of the revolving period.

Cash Flow Analysis

Credit Enhancement

The class A and B notes will benefit from initial OC of 24.8% and 16%, respectively. It is possible OC will increase up to target thresholds during the revolving period as further receivables used to replenish the pool are expected to be sold with a haircut to their purchase price. However, in determining the level of OC to consider in its modelling of the amortisation phase, Fitch considered that loss and delinquency-based early amortisation triggers are weak, and are unlikely to be breached before the trigger linked to class A OC (see the Revolving Period section). This trigger is set at 24.55%, 0.25pp below the initial class A OC, effectively preventing against any material decrease in OC during the revolving period.

There is also an amortising cash reserve fund sized at 1.45% of the outstanding notes. However, this provides limited credit enhancement as it is topped up in a senior position in the waterfall and the majority of release amounts are paid out of the structure to VW.

Portfolio Amortisation

The originator provided the scheduled amortisation profile of the portfolio, split by the PCP, HP and LP sub-portfolios and by the instalment and RV portions of the receivables. Fitch then accounted for the impact of defaults and prepayments on the speed at which the portfolio amortises in its cash flow model. Interest income was generated on non-delinquent receivables. Available cash was distributed in line with the transaction's waterfall.

Default Timing

Defaults were allocated using front-, evenly and back-loaded default timing assumptions, which consider the weighted average life (WAL) of the portfolio net of base case prepayments, in line with Fitch's *Consumer ABS Rating Criteria*. The months in the table below refer to the month in which the borrower first becomes overdue. The default is assumed to follow three months later, in line with the typical policies of the servicer.

Default Timing – PCP Loans (23 Months Net WAL)

Months (%)	1-5	6-11	12-16	17-22	23-28	29-34	35-40
Front	40	25	20	10	5	0	0
Even	17	17	17	17	17	15	0
Back	10	12.5	12.5	15	22	15	13

Source: Fitch Ratings, Driver UK Multi-Compartment S.A. – Compartment Driver UK eleven

Default Timing – HP and LP Loans (18 Months Net WAL)

Months (%)	1-4	5-8	9-13	14-17	18-22	23-26	27-30
Front	40	25	20	10	5	0	0
Even	17	17	17	17	17	15	0
Back	10	12.5	12.5	15	22	15	13

Source: Fitch Ratings, Driver UK Multi-Compartment S.A. – Compartment Driver UK eleven

The front-loaded and evenly-loaded default timing scenarios are the most stressful for class A and B, respectively, despite the fact that amortisation is non-sequential. As discussed in the Transaction Structure section, amortisation begins sequentially until the class A notes build OC up to a target threshold. The target OC is never reached under high rating stresses, meaning the timing of loss-based performance triggers does not affect the length of the pro rata period. This results in front-loaded defaults being the most stressful because in this scenario the performing receivables balance decreases more quickly, with a compressing impact on excess spread.

Prepayments

Fitch tested the structure under a 0% prepayment assumption in high rating scenarios and modelled a linear distribution between 0% at 'AA-sf' and base case (20%) at 'Bs' in line with its criteria for transactions exposed to VT risk. Fitch did not differentiate between high and low prepayment scenarios.

Lower prepayments are more stressful for the transaction. Although the compression of excess spread is reduced in the absence of prepayments, this effect is dominated by the fact that prepayments result in lower RV exposure. Borrowers who prepay their loan must pay the full outstanding balance of their loan, meaning no market value risk arises.

Recovery Timing

The recovery timing was derived qualitatively based on the servicer's collection process and the servicer reports of other transactions rated by Fitch. We assumed the majority of recoveries are received when vehicles are sold, which is assumed to occur within three months of a default.

Recovery Timing

Month after default	3	6	9	18	24
Recovery timing (%)	65	10	10	10	5

Source: Fitch Ratings

Portfolio Yield and Discount Rate

Fitch modelled a dynamic portfolio yield available to the issuer which evolves over time.

The weighted-average contractual yield of the final portfolio is 9.3%, but the receivables will be sold to the issuer applying a fixed discount rate of 7.002%. At the closing date, the discount rate will consist of the following components.

Discount Rate Calculation (%)

Weighted average swap rate	TBD
Servicing fee	1.0
Senior expenses	0.03
Interest compensation rate	1.4
Total	7.0

Source: Fitch Ratings, Driver UK Multi-Compartment S.A. – Compartment Driver UK eleven

In determining the yield available to the issuer, Fitch considered the following factors.

- Unless a performance trigger is breached, the buffer release component of the discount rate is paid back to the seller, and so does not provide excess spread to the transaction.
- However, because the weighted-average swap rate trends upwards as the class A notes amortise (given their lower expected swap rates), and the buffer release is calculated as the differences between the fixed discount rate percentage and the sum of the other discount rate components, the buffer release rate decreases over time.
- The interest compensation rate is initially only available to cover for losses related to the early termination of loans sold to the issuer at a premium.
- However, if the weighted-average swap rate increases to such an extent that the buffer release rate becomes negative, a portion of the interest compensation rate may be used to offset the negative buffer release amounts, subject to certain conditions being satisfied. Moreover, if a performance trigger is breached, the interest compensation rate from then onwards becomes fully available to the issuer in available funds.

In our modelling we therefore initially deduct the interest compensation and buffer release rates from the modelled yield. As the instruments amortise, the WA swap rate increasing causes the buffer release to decrease, resulting in a gradual increase in the yield modelled until the class A and B notes are amortising pro rata with one another. If a performance trigger is breached, the full buffer release and interest compensation rates are added to the modelled yield.

Senior Fees

Fitch modelled 1.03% of annual senior fees in each rating scenario. This is based on the documented 1.0% servicing fee and 0.03% administrative costs. We also assumed an annual fee floor of GBP220,000.

Interest Rate Stresses

We tested the ability of the structure to withstand rising, stable and decreasing interest rate scenarios. The applied interest rate stress assumptions were derived in accordance with Fitch's *Structured Finance and Covered Bonds Interest Rate Stresses Rating Criteria*.

Interest rate risk is mostly mitigated by the interest rate swap. Decreasing interest rates are marginally more stressful, because we assume the issuer earns a negative interest rate on its accounts in this scenario.

Rating Sensitivities

Rating Sensitivity to Increased Defaults and Reduced Recoveries

	Class A	Class B
Original rating	AAAsf	AA-sf
Increase defaults by 10%	AAA	A+
Increase defaults by 25%	AA+	A+
Increase defaults by 50%	AA+	A+
Reduce recoveries by 10%	AAA	A+
Reduce recoveries by 25%	AA+	A+
Reduce recoveries by 50%	AA+	A+
Increase defaults and reduce recoveries by 10% each	AA+	A+
Increase defaults and reduce recoveries by 25% each	AA+	A+
Increase defaults and reduce recoveries by 50% each	AA+	A

Source: Fitch Ratings

The Rating Sensitivity section provides insight into the model-implied sensitivities the transaction faces when one assumption is stressed, while holding others equal. The modelling process uses the estimation and stress of these variables to reflect asset performance in a stressed environment. The results below should only be considered as one potential outcome, as the transaction is exposed to multiple dynamic risk factors. It should not be used as an indicator of possible future performance.

	No change or positive change
	Negative change within same category
	-1 category change
	-2 category change
	-3 or larger category change
	See report for further details

Rating Sensitivity to Reduced Net Sale Proceeds

	Class A	Class B
Original rating	AAAsf	AA-sf
Reduce net sale proceeds by 10%	AA+	A+
Reduce net sale proceeds by 25%	A+	A+
Reduce net sale proceeds by 50%	BBB+	A+

Source: Fitch Ratings

Rating Sensitivity to Multiple Factors

	Class A	Class B
Original rating	AAAsf	AA-sf
Increase defaults by 10% and reduce recoveries and net sale proceeds by 10% each	AA	A
Increase defaults by 25% and reduce recoveries and net sale proceeds by 25% each	A	BBB
Increase defaults by 50% and reduce recoveries and net sale proceeds by 50% each	BBB	BB

Source: Fitch Ratings

Rating Sensitivity to Positive Factors

	Class A	Class B
Original rating	AAAsf	AA-sf
Reduce defaults and increase recoveries by 10% each	See below	AA-
Increase net sale proceeds by 10%	See below	AA+
Reduce defaults by 10% and increase recoveries and net sale proceeds by 10% each	See below	AA+

Source: Fitch Ratings

The class A notes are at their maximum achievable rating and cannot be upgraded.

Transaction Structure

The table below shows a simplified overview of the initial issuer balance sheet.

Expected Balance Sheet

Assets	Amount (GBPm)	Liabilities	Amount (GBPm)	Size (% of receivables)
Receivables	TBD	Class A	TBD	75.2
Cash reserve	TBD	Class B	TBD	8.8
		Subordinated loan	TBD	10
		PPD OC		6.0
		PPD cash reserve		1.2
Total	TBD		TBD	101.2

Notes: PPD - Purchase price discount. Liabilities' total is based on the unrounded liabilities' amounts

Source: Fitch Ratings, Driver UK Multi-Compartment S.A. – Compartment Driver UK eleven

The acquisition of the portfolio is to be financed through the issuance of the rated class A and B notes, the subordinated loan and a discount to the purchase price (which provides further OC).

In addition, there will be a cash reserve fund sized at 1.45% of the outstanding class A and B notes. This will also be financed through a purchase price discount. The reserve will amortise in line with the class A and B notes, subject to a floor of the lesser between 1% of the initial note balance and the outstanding balance of the class A and B notes.

The reserve primarily provides liquidity coverage for senior fees and interest on the notes. Its ability to provide credit enhancement is limited, because release amounts from the reserve as it amortises will be paid first to the subordinated lender and then to VWFS UK (unless a credit enhancement increase condition is in effect). However, the reserve can be released to amortise the notes at the earlier of the legal final maturity date and the date on which the portfolio balance decreases to zero, at which point it can provide CE.

The issuer will purchase the portfolio at a net present value price, calculated using a single discount rate fixed at TBD%. If the discount rate exceeds the weighted-average contractual interest rate of the pool, there will be some artificial excess spread provided by the discounting. However, a portion of the discount rate will usually be excluded from available funds. See the Portfolio Yield and Discount Rate section.

Revolving Period

The transaction features a six-month revolving period, during which time collections from the portfolio will be used to purchase further receivables rather than to amortise the notes.

The revolving period will irreversibly end on the occurrence of any of the following.

- A servicer replacement event.
- The accumulation balance on two consecutive payment dates exceeds 15% of the outstanding discounted portfolio balance.
- The class A actual OC percentage falls below 24.55% on any payment date.
- VWFS UK ceases to be an affiliate of VWFS AG or of any of its successors.
- The seller fails to perform repurchase related obligations.
- The issuer fails to replace the swap counterparty within 30 calendar days of termination or the swap counterparty does not post collateral according to provisions.
- The credit enhancement increase condition (CEIC) is in effect.
- A foreclosure event (issuer insolvency events).
- An insolvency event in respect to VWFS UK.
- The reserve is not replenished at its target.

Credit Enhancement Increase Conditions

Trigger variable	Condition	Trigger level (%)
Dynamic net loss ratio	WA seasoning (WAS) of portfolio is ≤ 12 months	0.3
	WAS of portfolio is >12 and ≤ 22 months	0.75
	WAS of portfolio is >22 and ≤ 34 months	2.0
	WAS of portfolio is >34 months	n.a.
Cumulative net loss ratio	Months 1-5	0.8
	Months 6-11	1.8
	Month 12 onwards	4.0
180 days + delinquency ratio	On any payment date until October 2025	1.3

Source: Fitch Ratings, Driver UK Multi-Compartment S.A. – Compartment Driver UK eleven

In Fitch's view, the triggers linked to net losses and 180 days-plus delinquencies are very unlikely to be breached during the revolving period. We believe the most effective performance trigger is the one linked to the class A OC, which is set 0.25pp below the level of OC at closing. We assume a migration of class A OC down to this trigger threshold during the revolving period.

Simplified Priority of Payments

Item	Description
1	Taxes
2	Amounts payable to the security trustee
3	Servicing fee
4	Other fees – e.g. to the account bank, corporate services provider, etc.
5	Payments to the swap counterparty
6	Class A interest
7	Class B interest
8	Replenishment of the reserve to its target amount
9	Class A principal up to the target amount (or purchase receivables during revolving period)
10	Class B principal up to the target amount (or purchase receivables during revolving period)
11	Payments to the swap counterparty other than those covered by (5)
12	Subordinated loan interest
13	Subordinated loan principal
14	Remaining amounts paid to VWFS UK

Source: Fitch Ratings, Driver UK Multi-Compartment S.A. – Compartment Driver UK eleven

The transaction has a combined waterfall with hybrid pro rata amortisation. The class A and B notes have target OC levels as summarised below.

Current and Target OC Levels (%)

	OC at announcement	Target OC during revolving period	Target OC during amortisation	Target OC after occurrence of CEIC
Class A	24.80	31.1	33.1	100.0
Class B	16.00	20.3	22.3	100.0

Source: Fitch Ratings, Driver UK Multi-Compartment S.A. – Compartment Driver UK eleven

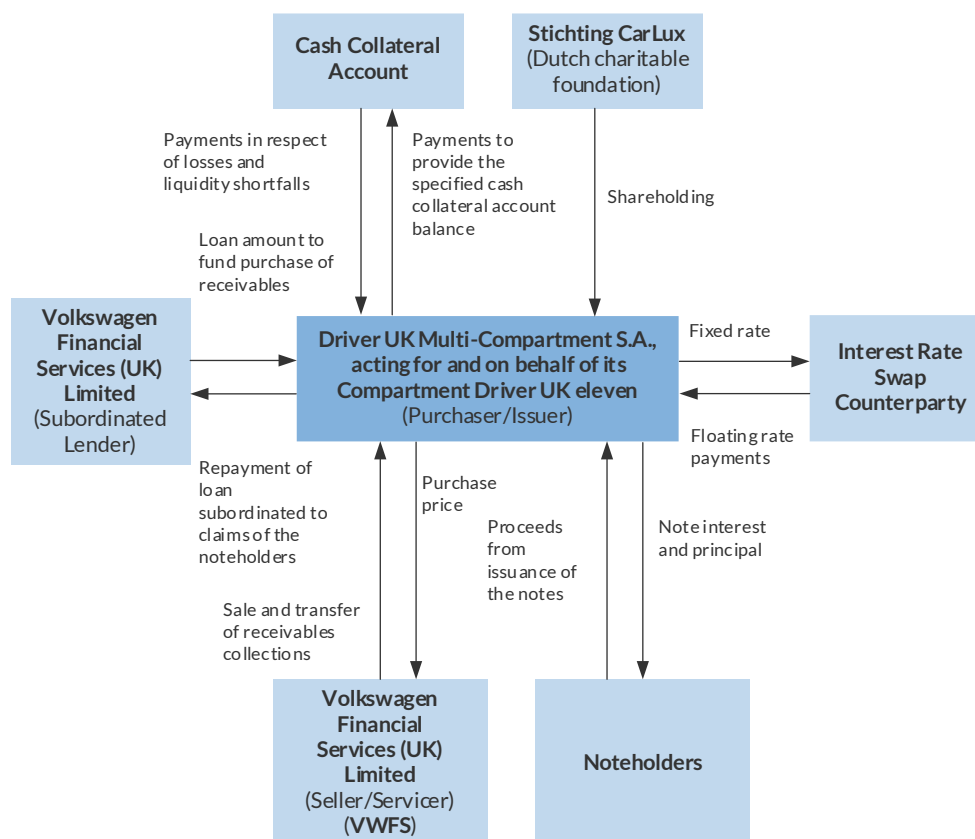
During the revolving period, further receivables transferred to the issuer to replenish the portfolio will be sold with a TBD% haircut to the purchase price, allowing for a build-up of OC towards to the target OC thresholds applicable during the revolving period. Once these targets are satisfied, any excess cash is allowed to flow down the waterfall to make payments to the subordinated loan.

Following the end of the revolving period, both classes of notes will begin amortising sequentially until the class A notes have reached their target OC applicable during the amortisation period. At this point, the class A OC will be held constant at the target, with excess cash allocated to the class B notes until their target OC is reached. When both the class A and B notes are at target OC, they amortise pro rata with one another to hold these levels stable, with excess cash being used to amortise the subordinated loan.

If a CEIC occurs, or if the remaining balance of the portfolio is less than 10% of its maximum balance, the target OC will increase to 100% for all classes, meaning amortisation becomes irreversibly strictly sequential.

Fitch incorporated the CEICs and amortisation mechanics in its cash flow modelling. We observed that under high rating stresses, there is limited reliance on the loss triggers to end the pro rata period. This is because it is difficult for target OC thresholds to be satisfied when portfolio losses are high, preventing the initial switch to pro rata. In lower rating scenarios, pro rata periods are naturally much longer.

Structure Diagram



Source: Fitch Ratings, Driver UK Multi-Compartment S.A. – Compartment Driver UK eleven

Interest Compensation Mechanism

Although the portfolio will be sold at a premium on aggregate, some loans in the pool are expected to have a contractual interest rate which exceeds the discount rate, meaning they will be purchased at a discount.

If a contract purchased at a premium is terminated before maturity due to default, VT or prepayment, the issuer will incur an additional loss, because the terminated balance, calculated using the contractual APR, will be lower than the outstanding balance calculated using the discount rate. Any sale proceeds following VT, prepayments or recoveries will therefore be received based on a lower net present value.

The portion of the discount rate corresponding to the interest compensation rate may be used to compensate the issuer for such losses.

On the occurrence of a credit enhancement increase condition, the full balance of the interest compensation ledger (which will be funded at GBP4 million at closing), as well as any future receipts related to the interest compensation rate component of the discount rate, will form part of available funds and provide further protection to the rated notes.

Interest Rate Swap

At closing, the issuer entered into swap agreements to hedge against the fixed-floating interest rate mismatch. The issuer pays a fixed rate, and receives SONIA plus the margin on the class A and B notes.

The swap notional is the outstanding balance of the class A and B notes, unless a servicer termination event has occurred, in which case the notional for the class A notes will switch to become the lesser of the outstanding class A note balance and a 0% CPR notional schedule.

Fitch believes that class A notional following a servicer termination event could lead to a small amount of under-hedging in the tail of the transaction. However, in our view the available CE is sufficient to cover this.

Clean-Up Call

VWFS UK has the option to repurchase all receivables to redeem the notes at the earlier of the payment date on which the aggregate outstanding portfolio balance is less than 10% of the maximum discounted portfolio balance. Fitch has not considered this clean-up call option in its cash flow modelling, instead modelling the transaction for timely payment of interest and ultimate payment of principal by the legal final maturity date.

Rating Confirmations

Fitch is not a transaction party and has no obligation to provide rating confirmations. We will continue to exercise our discretion in choosing to issue a rating confirmation or otherwise. Where relevant to our ratings, we prefer to issue public commentary on the rating impact of the change. Fitch's approach to and concerns regarding rating confirmation are highlighted in [Rating Confirmations in Structured Finance and Covered Bonds](#).

Disclaimer

Fitch relies in its credit analysis on legal and/or tax opinions provided by transaction counsel for the avoidance of doubt. Fitch has always made clear that it does not provide legal and/or tax advice or confirm that the legal and/or tax opinions, or any other transaction documents, or any transaction structures, are sufficient for any purpose. The disclaimer at the end of this report makes it clear that this report does not constitute legal, tax and/or structuring advice from Fitch, and should not be used or interpreted as legal, tax and/or structuring advice from Fitch. Should readers of this report need legal, tax and/or structuring advice, they are urged to contact relevant advisers in the relevant jurisdictions. dv01, a Fitch Solutions company, and an affiliate of Fitch Ratings, may from time to time serve as loan data agent on certain structured finance transactions rated by Fitch Ratings.

Impact of Banking Act 2009 and Related Secondary Legislation

The Banking Act 2009 and related secondary legislation (the Act) confers wide-ranging powers on the UK financial authorities to deal with the failure (or likely failure) of certain UK incorporated entities, including authorised deposit-taking institutions and investment firms. The greatest element of uncertainty arises from the provisions in the Act that empower the authorities to override the contractual obligations of a financial institution (or a related group company) in a structured finance transaction. This could have potential implications for the enforceability of contractual or servicing arrangements within structured finance transactions.

Fitch does not expect the Act to affect ratings for structured finance transactions. This is based on a number of factors, including the government's guidance as to how and in what circumstances the authorities will use their powers under the Act which provides for certain safeguards applicable to structured finance arrangements.

Nevertheless, Fitch will continue to monitor future developments with respect to the Act to determine whether there could be any rating impact on the transaction.

Counterparty Risk

Fitch assesses the counterparty risk under its *Structured Finance and Covered Bonds Counterparty Criteria* to be in line with the ratings assigned based on the provisions in the transaction documents and the analytical adjustments set out in the following table.

Counterparty Risk Exposures

Counterparty type	Counterparty name	Rating	Minimum ratings and remedial actions under documents	Relevant mitigants/ analytical adjustments
Transaction account bank	Deutsche Bank AG, London Branch	IDR: A-/Stable/ F1	Minimum IDR (or deposit ratings as applicable) of A or F1; replacement or guarantee of the bank's obligations under the transaction documents within 60 calendar days of downgrade below both minimum ratings.	No adjustment. Minimum ratings and remedial actions in line with criteria.
Interest rate swap provider	TBD	TBD	Minimum IDR (or Derivative Counterparty Rating, as applicable) of A or F1. On the loss of A and F1, post the mark-to-market portion of the collateral within 14 calendar days, and within 60 calendar days either post the volatility cushion and liquidity adjustment portions of the collateral, replace the counterparty with an eligible institution or obtain a guarantee. On the loss of BBB-and F3, post the mark-to-market, volatility cushion and liquidity adjustment portions of the collateral within 14 calendar days, and either replace the counterparty with an eligible institution or obtain a guarantee within 60 days.	No adjustment. Minimum ratings and remedial actions in line with criteria.
Servicer	Volkswagen Financial Services (UK) Ltd.	Not rated. Volkswagen AG as ultimate parent is rated 'A-/Negative'	On the loss of BBB or F2, post collateral within 14 calendar days to cover expected future collections.	No adjustment. Minimum rating and remedial actions are sufficient to mitigate commingling risk.

IDR: issuer Default Rating.

Source: Fitch Ratings, Driver UK Multi-Compartment S.A. – Compartment Driver UK eleven

Servicing

VWFS UK acts as the servicer for the transaction. The servicer is not rated by Fitch; however, it is a wholly owned subsidiary of VW Finance Europe BV, in turn wholly owned by VW Finance Europe AG. The latter is itself a wholly owned subsidiary of VW AG. A servicer replacement event is triggered by the following, among other events.

- A failure by the servicer to make any payment or deposit to the distribution account, with five business days grace period.
- A failure by the servicer to observe or perform in any material respect any term, covenant or agreement, with 60 days' grace period.
- Any material representation or warranty provided by the servicer proves to be incorrect in any material respect (provided that repurchase or replacement of the affected assets it is deemed to remedy such failure), with 60 days' grace period.
- The servicer becoming insolvent.
- A failure by the servicer to renew or revocation the necessary licences according to the relevant regulations.

The termination of the servicer on a replacement event will not become effective until a successor servicer is appointed.

Commingling Risk

VWFS UK receives collections and holds the funds in its own accounts, before being transferred to the issuer. In line with Fitch's counterparty criteria, Fitch considers commingling risk as a secondary risk driver for the transaction. There are mitigants in place, which Fitch believes adequately reduce any commingling risk that could arise from a default by the servicer.

Funds are transferred on a monthly basis. However, a collateral-posting mechanism comes into effect if the monthly remittance condition is deemed not to be satisfied. Following a breach of the monthly remittance condition, VWFS UK may continue to commingle collections with their own funds until provided they comply with the following mechanism within 14 calendar days of the breach.

The first advance will cover the expected collections for the month and, if the event occurs prior to the payment date occurring in that month, the advance will cover also expected collections in respect of the preceding month (collections which would have been distributed on the upcoming payment date).

Then, if the monthly remittance condition is still not satisfied, the following advances will be made.

- On the 15th day of the month, covering expected collections from the first 15 days of the following month.
- On the first of the following month, covering expected collections from the 16th day onward.

On any payment date, VWFS UK may net its obligation to pay the actual collections to the issuer's account with its claim for repayment of the collateral posted.

The mechanism considers scheduled repayments of principal and interest, as well as expected prepayments based on a 20% prepayment rate.

On any of the following events, the monthly remittance condition is deemed not to be satisfied.

- VW AG is no longer rated at least 'BBB' or 'F2' by Fitch.
- In the chain of holdings between VW AG and VWFS UK either (i) the profit and loss agreement or the letter of comfort between VW AG and the parent of the servicer ceases to be in effect, or (ii) any company in such chain is not a branded "Volkswagen".
- VW AG directly or indirectly holds less than 75% of the shares of the servicer.

Fitch considers the proposed mechanism to adequately address commingling risk.

Payment Interruption Risk

Fitch considers payment interruption risk (PIR) as a primary credit risk for the transaction. However, a reserve fund is in place to mitigate this risk.

The liquidity reserve is available to cover for senior fees and class A and B interest. The transaction has a combined waterfall and the reserve is replenished senior to all principal items, meaning it is very unlikely that the reserve would be depleted by poor asset performance.

We assessed the level of coverage for senior expenses and class A and B interest provided by the reserve, and deemed it adequate to cover for 3.2 months of payments. In Fitch's view, PIR is therefore adequately mitigated.

Set-Off Risk

Fitch considers set-off risk immaterial in the transaction. VWFS UK is not a deposit-taking entity so there is no deposit set-off risk. Further, even though customers are obliged to take out third-party insurance, these insurance premiums are not financed. VWFS UK finances maintenance contracts, but they are not securitised and constitute separate contracts to the vehicle financing agreement. Therefore, no legal set-off right arises against VWFS UK or the issuer under UK consumer law.

Account Bank

Deutsche Bank AG, London Branch, acts as account bank for the issuer.

The account bank is an eligible counterparty under Fitch's counterparty criteria. Should the account bank not be rated at least, either 'A' or 'F1', the downgraded bank is contractually obliged to replace itself with an eligible entity rated at least 'A' or 'F1'.

The replacement must be implemented within 60 calendar days from the downgrade. Fitch deems the issuer's exposure to the account bank to be a primary credit risk. The documented rating thresholds and remedial actions are in line with those outlined in our counterparty criteria.

Swap Counterparty

At closing, the issuer entered into interest rate swap agreements, with TBC, for the class A and B notes. The mechanics of the swaps are discussed in more detail in the Interest Rate Swap section. The swaps will be in place for the entire lifetime of the rated notes, as per the documentation.

We classify the exposure to the swap provider as a primary credit risk. The documented rating requirements for the swap providers and remedial actions are in line with those outlined in our counterparty criteria.

Under the transaction documents, the swap counterparties of the revolving series need to be rated at least 'A' or 'F1' to be eligible. Otherwise they are contractually obliged to post collateral while being rated at least 'BBB-' or 'F3' or procure an eligible guarantee.

Criteria Application, Model and Data Adequacy

Criteria Application

See page 2 for the list of Applicable Criteria.

Fitch applies the *Consumer ABS Rating Criteria* and the *Consumer ABS Rating Criteria – Residual Value Addendum* as its sector-specific criteria report under the overarching framework provided by the *Global Structured Finance Rating Criteria*, the master criteria report for the sector. The *Structured Finance and Covered Bonds Country Risk Rating Criteria* outline Fitch's approach to assigning and maintaining structured finance and covered bond ratings, where the relevant sovereign's Local-Currency Issuer Default Rating is below 'AAA'. The remaining criteria listed under Applicable Criteria are cross-sector, outlining aspects of Fitch's approach to counterparty risk and interest rate change vulnerability that are relevant for the ratings.

Models

The models below were used in the analysis. Click on the link for details of the model.

[Consumer ABS Asset Model](#)

[UK Voluntary Termination Model](#)

[Multi-Asset Cash Flow Model](#)

Data Adequacy

Fitch relied on the following key data sources provided by VWFS UK in its analysis.

1. Origination volumes since 2003 for the sub-portfolios of new/used vehicles and HP/PCP/LP contracts.
2. Dynamic, monthly delinquency data from June 2007 for the combinations of sub-portfolios of new/used vehicles and HP/PCP/LP contracts.
3. Static, quarterly gross and net loss vintages since 2002 for all combinations of the sub-portfolios of product type (PCP/HP/LP), vehicle type (new/used) and termination type (default, VT, RV early settlement).
4. Recovery data since 2003, split by all combinations of contract type (PCP/HP/LP), vehicle type (new/used) and termination type (default, VT, RV, early settlement). The data are split by cash and sale recoveries, and by amounts received before and after 18 months from default.

5. Dynamic, monthly profit and loss data on VT terminations since July 2002 and RV sale proceeds since September 2004.
6. Loan-by-loan data of the final pool with cut-off date November 2025.
7. Scheduled amortisation profiles for the final pool.
8. Dynamic, monthly prepayment data from June 2008 for the originator's overall loan book.

Use of Third-Party Due Diligence Pursuant to SEC Rule 17g-10

Form ABS Due Diligence-15E was not provided to, or reviewed by, Fitch in relation to this rating action.

Surveillance

Throughout the life of the transaction, Fitch will monitor the performance of the collateral and any changes at the servicer, or with the structure, that may influence the ratings of the instruments.

Fitch will receive monthly investor reports detailing the performance of the portfolio. The monthly reports will provide the basis for our surveillance of the performance of the transaction against base-case expectations and the performance of the industry as a whole. Where appropriate, Fitch may ask to monitor further data from VWFS UK.

The ratings on the transaction will be reviewed by a committee at least once every 12 months, or when considered appropriate (if there is a deterioration in performance, an industry-wide development, or a change at VWFS UK that may influence the transaction) with any affirmation or change in the ratings disseminated publicly.

Appendix 1: Origination and Servicing

Originator Overview

VWFS UK is wholly owned by VW Finance Europe B.V. which, in turn, is a wholly owned subsidiary of VWFS AG, which has its headquarters in Braunschweig, Germany. The ultimate parent is Volkswagen AG. VWFS UK offers finance products in the UK, supporting the automotive brands within the VW Group, including Volkswagen, Volkswagen commercial vehicles, Audi, Porsche, Lamborghini, Bentley, Cupra, SEAT and Skoda.

VWFS was established in 1994. It is the second-largest (in terms of retail financing) finance subsidiary within the VW Group after the German parent company operation. The subsidiary employs more than 1,000 staff at its administrative and operational base in Milton Keynes.

Origination volumes grew rapidly from 2010 to 2017, supported by increasing finance penetration in the UK and the popularity of PCP agreements. New business growth flattened in 2018 and 2019, mirroring broader trends in the UK car market, before falling rapidly in 2020 due to the Covid-19 pandemic. Volumes have since recovered, driven by increased used car financing and further supported by rising car prices leading to higher average financed amounts.

Underwriting

Contract applications are made through VW's dealer network. The applications are input by the dealer in VWFS UK's in-house-developed credit application system. The system then accesses data from Experian and TransUnion, two credit reference agencies, to verify customer data and obtain additional credit information on the applicant.

The scoring system used by the originator classifies applications into five risk bands (low to high). The lowest-risk bands are generally automatically accepted as part of the scoring process: the higher-risk bandings are judged by an underwriter and have lower acceptance rates. The highest bands will have zero acceptances.

Prior to the activation of contracts for accepted applications, additional fraud and anti-money laundering checks are performed. Both automated and manual approvals are monitored by VWFS UK's risk management against internal targets.

VWFS UK's current affordability rule is due to be tightened in light of cost of living pressures to account for potential increases in customer's expenditure. VWFS UK also plan to upgrade its affordability strategy in by incorporating current account turnover data to assess whether the applicant's discretionary income is sufficient to support the loan requested.

Residual Value Setting

For setting the RVs of the VW brands, VWFS UK relies mainly on its own monthly disposal data and on an anonymous comparison of RVs across the industry provided by an external provider. Remarketing performance data are used both from VWFS UK and VW Group to set the starting point value for each key model. The expected life cycle depreciation is incorporated based on historical experience. At the same time, depreciation is adjusted depending on the specifics of each model, including all the possible variations of the model and its accessories.

The contractual RV is set and reviewed in a committee consisting of senior staff from across the business on a monthly basis for VW Group brands. The contractual balloon amount at maturity is set with a buffer below the projected market RV to avoid remarketing losses. Only a small percentage of vehicles from monthly maturing PCP contracts has been returned historically.

VWFS UK regularly monitors the vehicles' remarketing performance. It also tracks the return rates of vehicles on PCP agreements and the forecast equity of vehicles based on external valuation forecasts. The average value of used cars is tracked against the retail price index to indicate how the market is behaving in comparison to the wider economy.

Servicing and Collections

Obligors pay by direct debit. VWFS UK's collection process is managed in-house for the early arrears stages. Based on the contracts' risk profiles and balance, arrears cases are assigned to different work queues. If a payment is not received by VWFS UK it is usual to automatically re-send the payment request. If payment fails for a second time, VWFS UK will contact the obligors by telephone or, if the obligors cannot be contacted by telephone, by letter.

A number of forbearance options are available to borrowers being impacted by cost of living pressures. If customers are able to confirm that their financial situation is going to improve within a suitable timeframe, they may be offered a flexible payment plan, which reduces payments, or 'breathing space' which is a 30- or 60-day hold to allow customers to seek financial advice from a debt free charity. These are in addition to their usual end of contract options.

Contracts are typically terminated by VWFS UK after 90 days of delinquency and written off 180 days after termination. The repossession process is outsourced to external agents who will either arrange for the delivery of the vehicle or alternatively collect payment of the outstanding balance. If a customer has paid more than a third of the total amount payable prior to termination, then VWFS UK will proceed with a return of goods action through its solicitors.

VWFS UK's remarketing strategy uses a "blended" sales approach that aims to maximise used vehicle sales values and volumes, control stock and protect residual values. Vehicles are mainly sold through VWFS UK's online portal, offered first to the dealer network and then to third party buyers. Unsold vehicles are then moved to centres run by BCA Marketplace. Additional sales channels place vehicles with the brand network or through joint brand auction initiatives. Auction performance, stock and conversion rates are regularly monitored by brand and contract and benchmarked.

Appendix 2: ESG Relevance Score

Credit-Relevant ESG Derivation

Driver UK Multi-Compartment S.A. - Compartment Driver UK nine has 6 ESG potential rating drivers

- Driver UK Multi-Compartment S.A. - Compartment Driver UK nine has exposure to regulatory risks, fines, or compliance costs related to emissions, energy consumption and/or related reporting standards but this has very low impact on the rating.
- Driver UK Multi-Compartment S.A. - Compartment Driver UK nine has exposure to macroeconomic factors and sustained structural shifts in secular preferences affecting consumer behavior but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

key driver	0	issues	5	
driver	0	issues	4	
potential driver	6	issues	3	
not a rating driver	4	issues	2	
	4	issues	1	

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance
GHG Emissions & Air Quality	3	Regulatory risks, fines, or compliance costs related to emissions, energy consumption and/or related reporting standards	Asset Quality; Surveillance	5
Energy Management	2	Assets' energy/fuel efficiency and impact on valuation	Asset Quality; Surveillance	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Asset, operations and/or cash flow exposure to extreme weather events and other catastrophe risk, including but not limited to flooding, hurricanes, tornadoes, and earthquakes	Surveillance	1

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
Human Rights, Community Relations, Access & Affordability	1	n.a.	n.a.	5
Customer Welfare - Fair Messaging, Privacy & Data Security	2	Compliance with consumer protection related regulatory requirements, such as fair/transparent lending, data security, and safety standards	Operational Risk; Surveillance	4
Labor Relations & Practices	2	Labor practices, pension obligations and related litigation	Surveillance	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	3	Macroeconomic factors and sustained structural shifts in secular preferences affecting consumer behavior	Asset Quality; Surveillance	1

Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference	G Relevance
Rule of Law, Institutional and Regulatory Quality	3	Jurisdictional legal risks; regulatory effectiveness; supervisory oversight; foreclosure laws; government support and intervention	Asset Isolation and Legal Structure; Asset Quality; Rating Caps; Surveillance	5
Transaction & Collateral Structure	3	Asset isolation; resolution/insolvency remoteness; legal structure; structural risk mitigants; complex structures	Asset Isolation and Legal Structure; Asset Quality; Financial Structure; Rating Caps; Surveillance	4
Transaction Parties & Operational Risk	3	Counterparty risk; origination, underwriting and/or aggregator standards; borrower/lessee/sponsor risk; originator/servicer/manager/operational risk	Asset Quality; Financial Structure; Operational Risk; Rating Caps; Surveillance	3
Data Transparency & Privacy	3	Transaction data and periodic reporting	Asset Isolation and Legal Structure; Asset Quality; Financial Structure; Surveillance	2
				1

How to Read This Page

ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.

The **Environmental (E), Social (S) and Governance (G)** tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.

The **Credit-Relevant ESG Derivation table's** far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

CREDIT-RELEVANT ESG SCALE - DEFINITIONS
How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant; a key transaction or program rating driver that has a significant impact on an individual basis.
4	Relevant to transaction or program ratings; not a key rating driver but has an impact on the ratings in combination with other factors.
3	Minimally relevant to ratings; either very low impact or actively mitigated in a way that results in no impact on the transaction or program ratings.
2	Irrelevant to the transaction or program ratings; relevant to the sector.
1	Irrelevant to the transaction or program ratings; irrelevant to the sector.

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