









25 NOV 2022















Fitch Affirms Driver UK Master S.A. - Compartment 2 on Revolving Period Extension















Fitch Ratings - London - 25 Nov 2022: Fitch Ratings has affirmed Driver UK Master S.A. - Compartment 2's class A and B notes, as detailed below.







There are five additional series not rated by Fitch - the class A series 2013-5 and 2020-2, and the class B series 2019-1, 2020-2 and 2021-2.

Rating Actions

ENTITY/DEBT	RATING		RECOVERY	PRIOR
Driver UK Master S.A. - Compartment 2				
<ul style="list-style-type: none"> Class A Series 2013-2 XS0994380532 	LT	AAAsf 	Affirmed	AAAsf 
<ul style="list-style-type: none"> Class A Series 2013-4 XS0994381183 	LT	AAAsf 	Affirmed	AAAsf 
<ul style="list-style-type: none"> Class A Series 2013-8 XS0994382405 	LT	AAAsf 	Affirmed	AAAsf 
<ul style="list-style-type: none"> Class A Series 2014-1 XS1135184999 	LT	AAAsf 	Affirmed	AAAsf 

ENTITY/DEBT	RATING		RECOVERY	PRIOR
<ul style="list-style-type: none"> Class A Series 2014-2 XS1135185020 	LT	AAAsf 	Affirmed	AAAsf 
<ul style="list-style-type: none"> Class A Series 2014-3 XS1135185376 	LT	AAAsf 	Affirmed	AAAsf 
<ul style="list-style-type: none"> Class A Series 2015-1 XS1322871044 	LT	AAAsf 	Affirmed	AAAsf 
<ul style="list-style-type: none"> Class A Series 2016-2 XS1434683998 	LT	AAAsf 	Affirmed	AAAsf 
<ul style="list-style-type: none"> Class A Series 2018-1 XS1770938584 	LT	AAAsf 	Affirmed	AAAsf 
<ul style="list-style-type: none"> Class A Series 2018-2 XS1821972624 	LT	AAAsf 	Affirmed	AAAsf 
<ul style="list-style-type: none"> Class A Series 2018-3 XS1821973432 	LT	AAAsf 	Affirmed	AAAsf 

ENTITY/DEBT	RATING		RECOVERY	PRIOR
<ul style="list-style-type: none"> Class A Series 2019-1 XS1997128456 	LT	AAAsf 	Affirmed	AAAsf 
<ul style="list-style-type: none"> Class A Series 2019-2 XS1997128886 	LT	AAAsf 	Affirmed	AAAsf 
<ul style="list-style-type: none"> Class A Series 2020-1 XS2247620979 	LT	AAAsf 	Affirmed	AAAsf 
<ul style="list-style-type: none"> Class A Series 2020-3 XS2338348316 	LT	AAAsf 	Affirmed	AAAsf 
<ul style="list-style-type: none"> Class B Series 2013-3 XS0994383981 	LT	A+sf 	Affirmed	A+sf 
<ul style="list-style-type: none"> Class B Series 2018-1 XS1770938667 	LT	A+sf 	Affirmed	A+sf 
<ul style="list-style-type: none"> Class B Series 2018-2 XS1821972970 	LT	A+sf 	Affirmed	A+sf 

ENTITY/DEBT	RATING		RECOVERY	PRIOR
<ul style="list-style-type: none"> Class B Series 2018-3 XS1821973515 	LT	A+sf 	Affirmed	A+sf 
<ul style="list-style-type: none"> Class B Series 2020-1 XS2247620623 	LT	A+sf 	Affirmed	A+sf 
<ul style="list-style-type: none"> Class B Series 2021-1 XS2401761908 	LT	A+sf 	Affirmed	A+sf 

RATINGS KEY OUTLOOK WATCH

POSITIVE



NEGATIVE



EVOLVING



STABLE



Transaction Summary

The transaction is a securitisation of UK auto loan receivables originated by Volkswagen Financial Services (UK) (VWFS UK). The portfolio consists predominantly of personal contract purchase (PCP) loans, and is subject to both residual value (RV) and voluntary termination (VT) risk.

The programme was established in 2013 and has a revolving master structure. The revolving period has been extended by 12 months, expiring in November 2023, and can be further extended subject to consent from investors.

In addition to the extension of the revolving period, there have been a number of other amendments to the transaction documents as part of this annual renewal.

The eligibility criteria have been expanded to include lease purchase, PCP Porsche and Northern Irish receivables, and the maximum share of used vehicles during the revolving period has been increased to 55%. The discount rate applicable for the pool has been revised to 8.25% from 5.87% to support excess spread in the transaction, with additional assets transferred to the issuer to compensate for the reduced discounted balance of loans previously securitised.

The margins over SONIA for the classes A and B notes have also been increased to 0.85% and 1.80%, respectively.

KEY RATING DRIVERS

Portfolio Resilience Expected: The portfolio has continued to perform well. 30+ delinquencies were about 0.5% as of October 2022, a level comparable with end-2019. Fitch set default base cases of 1.10% and 1.75% for new and used vehicles, respectively, corresponding to a weighted-average default expectation of 1.4%.

Data for VWFS UK's total book show the majority of recent origination vintages tending towards default rates of below 1%. The base case reflects our view that performance will deteriorate slightly, given the challenges to households from high inflation and rising interest rates. However, the absolute level of the base case remains low, reflecting our opinion that the prime nature of the underlying borrowers means the majority will be able to absorb higher costs, making a large increase in defaults unlikely.

Fitch applied a 'AAA' default multiple of 6.5x, accounting for the low absolute level of the base cases and the risks posed by the 12-month revolving period. The recovery base case and 'AAA' recovery haircut have been maintained at 65% and 45%, respectively. The strength of the UK used car market over the last month has been highly supportive of recoveries. We expect values to remain elevated in the near term, which will provide additional protection against any potential rise in defaults.

Used Car Price Exposure: PCP and HP loans regulated by the Consumer Credit Act provide obligors with VT rights, allowing them to return the vehicle before maturity. PCP loans provide the option of returning the vehicle at maturity instead of paying the 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 assumed total RV and VT losses of 24.1% at 'AAAsf' and 16.0% at 'A+sf'.

Increased Discount Rate: The discount rate on the pool has been increased to 8.25% from 5.87%. This means that the portfolio is now sold to the issuer at a significant discount, considering the weighted-average contractual interest rate of 6.2%. The seller transferred additional assets to the issuer to compensate for the reduced discounted principal balance of the existing loans in the pool. The result is that the effective yield on the portfolio is now substantially higher. This had a material impact on the analysis, considering the increased costs incurred by the issuer due to high swap pricing.

Sensitivity to Pro Rata Period: The transaction features pro rata amortisation of the notes if certain overcollateralisation conditions are fulfilled and performance triggers are not breached. The length of the pro rata period and therefore 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 later switch back to sequential amortisation and could be more detrimental for 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 upon the seller losing eligibility in line with Fitch's counterparty criteria. Payment interruption risk is addressed by the liquidity from the cash reserve fund, the standard nature of the securitised products, the documented borrower notification requirements following a servicer replacement event and the cash advance mechanism. Fitch views servicer continuity risk as adequately reduced by the high availability of replacement servicers in the UK market.

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to negative rating action/downgrade:

Rating sensitivity to increased defaults

Increase base case by 10% / 25% / 50%:

Class A: 'AAAsf' / 'AA+sf' / 'AA+sf'

Class B: 'A+sf' / 'A+sf' / 'A+sf'

Rating sensitivity to reduced recoveries

Reduce base case by 10% / 25% / 50%:

Class A: 'AAAsf' / 'AA+sf' / 'AA+sf'

Class B: 'A+sf' / 'A+sf' / 'A+sf'

Rating sensitivity to increased defaults and reduced recoveries

Increase defaults and reduce recoveries by 10% / 25% / 50% each:

Class A: 'AA+sf' / 'AA+sf' / 'AA+sf'

Class B: 'A+sf' / 'A+sf' / 'Asf'

Rating sensitivity to reduced net sale proceeds

Reduce net sale proceeds by 10% / 25% / 50% each:

Class A: 'AA+sf' / 'AA+sf' / 'AA+sf'

Class B: 'A+sf' / 'A+sf' / 'Asf'

Rating sensitivity to multiple factors

Increase defaults by 10% / 25% / 50% and reduce recoveries and net sale proceeds by 10% / 25% / 50% each:

Class A: 'AA+sf' / 'A+sf' / 'BBBsfc'

Class B: 'Asf' / 'BBB+sf' / 'BB+sf'

Factors that could, individually or collectively, lead to positive rating action/upgrade:

Rating sensitivity to reduced defaults and increased recoveries and net sale proceeds

Reduce defaults by 10% and increase recoveries and net sale proceeds by 10% each:

Class A: 'AAAsf'

Class B: 'AA+sf'

Best/Worst Case Rating Scenario

International scale credit ratings of Structured Finance transactions have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of seven notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of seven notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAAsf' to 'Dsf'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit <https://www.fitchratings.com/site/re/10111579>.

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.

DATA ADEQUACY

Fitch has checked the consistency and plausibility of the information it has received about the performance of the asset pool and the transaction. Fitch has not reviewed the results of any third-party assessment of the asset portfolio information or conducted a review of origination files as part of its ongoing monitoring.

Prior to the transaction closing, Fitch reviewed the results of a third-party assessment conducted on the asset portfolio information and concluded that there were no findings that affected the rating analysis.

Prior to the transaction closing, Fitch conducted a review of a small targeted sample of the originator's origination files and found the information contained in the reviewed files to be adequately consistent with the originator's policies and practices and the other information provided to the agency about the asset portfolio.

Overall, and together with any assumptions referred to above, Fitch's assessment of the information relied upon for the agency's rating analysis according to its applicable rating methodologies indicates that it is adequately reliable.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

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Applicable Criteria

[Consumer ABS Rating Criteria \(pub.08 Aug 2022\) \(including rating assumption sensitivity\)](#)

[Consumer ABS Rating Criteria – Residual Value Addendum \(pub.09 Nov 2021\) \(including rating assumption sensitivity\)](#)

[Global Structured Finance Rating Criteria \(pub.26 Oct 2021\) \(including rating assumption sensitivity\)](#)

[Structured Finance and Covered Bonds Country Risk Rating Criteria \(pub.15 Jul 2022\)](#)

[Structured Finance and Covered Bonds Counterparty Rating Criteria \(pub.29 Jul 2022\)](#)

[Structured Finance and Covered Bonds Counterparty Rating Criteria: Derivative Addendum \(pub.01 Aug 2022\)](#)

[Structured Finance and Covered Bonds Interest Rate Stresses Rating Criteria \(pub.20 Sep 2021\)](#)

Applicable Models

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Consumer ABS Asset Model, v1.0.0 (1)

Multi-Asset Cash Flow Model, v2.12.2 (1)

UK Voluntary Termination (VT) Risk Model, v1.6.0 (1) (2)

Additional Disclosures

Solicitation Status

Endorsement Status

Driver UK Master S.A. - Compartment 2 UK Issued, EU Endorsed

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