Driver UK Master S.A. – Compartment 5

New Issue

Inside This Report

Capital Structure

Class	Rating	Outlook	Amount (GBPm)	CE[a] (%)	Interest Rate (%)	Final Maturity
A Series 2019-1	AAAsf	Stable	450	28.1	1m Libor + 0.82	Feb 2029
B Series 2019-1	AA-sf	Stable	52.8	19.6	1m Libor + 1.75	Feb 2029
Subordinated Loan	NRsf	n.a	68.2	n.a	1m Libor + 3.70	Feb 2029
Total Issuance (excl. sub-loan)			**502.8**			

Closing occurred on 25 March 2019. The ratings assigned above are based on the portfolio information as of 28 February 2019, provided by the originator. The offering circular and other material should be reviewed prior to any purchase.
[a] Credit enhancement (CE) consists of overcollateralisation (27.5% for class A and 19.0% for class B) based on the asset pool and the reserve fund floor of 0.6% of the portfolio balance. The actual size of the reserve is 1.2% of the class A and class B balance.

Related Appendix

Driver UK Master S.A. - Compartment 5 - Appendix

Transaction Summary

This is a securitisation of auto loan receivables originated in England, Wales and Scotland. The seller, Volkswagen Financial Services (UK) Ltd. (VWFS UK), is a wholly owned subsidiary of Volkswagen Bank GmbH (VW Bank), which itself is wholly owned by Volkswagen AG (VW). The transaction will be revolving for a two-year period subject to early amortisation triggers and includes personal contract purchase (PCP) and hire purchase (HP) loans.

Key Rating Drivers

Used-Car Price Exposure: PCP and HP loans regulated by the Consumer Credit Act provide obligors with the right of voluntary terminations (VT) by returning the vehicle before maturity. PCP loans also give the option to return the vehicle at maturity instead of paying the contractual balloon amount.

The issuer is exposed to the risk of declines in used-car prices, as sale proceeds upon the return of vehicles may be lower than the outstanding loan balance. Fitch Ratings has assumed a combined Residual Value (RV) and VT loss of 22.5% in a ‘AAAsf’ scenario and 16.8% in a ‘AA-sf’ scenario.

Low Credit Losses: Fitch applied a 1.4% base-case default and 65% recovery rate to the stressed portfolio assumed by the end of the revolving period leading to a 0.5% loss. Base cases reflect VWFS UK’s historical data and our expectation for the UK economy. The stressed pool’s assumed ‘AAAsf’ default multiple is 6.75x and the recovery haircut is 45%.

Sensitivity to Pro-Rata Period: The transaction features a pro-rata amortisation of notes if certain overcollateralisation (OC) 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: A cash reserve protects the transaction from payment interruption risk. Commingling risk is mitigated by a cash advance mechanism upon the seller losing eligibility in line with Fitch’s counterparty criteria.

Related Criteria

Global Structured Finance Rating Criteria (May 2018)
Consumer ABS Rating Criteria (January 2019)
Consumer ABS Rating Criteria – Residual Value Addendum (January 2019)
Structured Finance and Covered Bonds Counterparty Rating Criteria (August 2018)
Structured Finance and Covered Bonds Counterparty Rating Criteria: Derivative Addendum (August 2018)
Structured Finance and Covered Bonds Interest Rate Stresses Rating Criteria (March 2019)
Fitch Ratings Interest Rate Stress Assumptions for Structured Finance and Covered Bonds (March 2019)
Structured Finance and Covered Bonds Country Risk Rating Criteria (October 2018)

Analysts

Michael Ecke
+49 69 768 076 139
michael.ecke@fitchratings.com

Tom Deacon
+44 20 3530 1939
tom.deacon@fitchratings.com

Transaction Comparison

Transaction Comparison Table

Issuer	Driver UK Master S.A. – Compartment 5	Bavarian Sky UK 2 plc	Globaldrive Auto Receivables UK 2018-A	Driver UK three
Closing	March 2019	July 2018	May 2018	September 2015
Country of assets	UK	UK	UK	UK
Seller	VWFS UK	BMW FS GB	FCE Bank Plc	Volkswagen Financial Services (UK) Ltd.
Issuance volume (GBPm)	502.8	395.8	405.4	389.9
Class	**Class A**	**Class A**	**Class A**	**Class A**
Rating	AAAsf	AAAsf	AAAsf	AAAsf
Amount	450	300	300.0	350.0
Credit enhancement	28.1	25.0	26.6	23.8
Class	**Class B**	**Class B**	**Class B**	**Class B**
Rating	AA-sf	NR	AA+sf	A+sf
Amount	52.8	95.8	31.2	39.9
Credit enhancement	19.6	n.a.	18.9	15.0
Class	**Sub-loan**		**Class C**	**Sub-loan**
Rating	NR		NR	NR
Amount	68.2		74.2	59.9
Credit enhancement	n.a.		n.a.	n.a.
Portfolio summary				
Type	Revolving (24 months)	Revolving (12 months)	Revolving (12 months)	Revolving (6 months)
Type of receivables	Auto loans	Auto loans	Auto loans	Auto loans
Total discounted principal amount (GBPm)	620.7	395.8	405.4	453.4
Number of receivables	32,903	21,626	30,682	27,561
Avg. outstanding loan balance (GBP)	18,865	18,302	13,682	16,450
WA remaining term in months	42.6	31.8	34.8	39.0
WA seasoning in months	4.3	14.7	3.8	6.0
Max. remaining term in months	59	58	59	58
Collateral by balance (%)				
New vehicles	60.4	70.0	90.9	72.5
Used vehicles	39.6	30.0	9.1	27.5
Private borrower	97.0	100.0	92.2	96.5
Commercial borrower	3.0	0.0	7.8	3.5
Direct debit	99.9	100.0	99.0	99.8
Fitch assumptions (%)				
Default rate	1.4	1.3	1.5	1.4
Recovery rate	65.0	73.3	55.0	68.6
AAAsf RDR	9.2	8.9	9.4	8.8
AAAsf RRR	35.8	36.7	27.5	37.8
AAAsf RLR (instalments)	5.9	5.7	6.8	5.5
AAAsf VT loss	3.4	1.2	0.8	2.2
AAAsf RV loss	19.1	22.3	19.6	15.0

Source: Fitch Ratings

Transaction Parties

Transaction Parties

Role	Counterparty	Rating
Issuer	Driver UK Master S.A.	Not Rated
Originator, seller and servicer	Volkswagen Financial Services (UK) Ltd	Not Rated
Account bank	Elavon Financial Services DAC, UK Branch	AA-/Stable/F1+
Trustee	Intertrust Trustees GmbH	Not Rated
Swap provider	Skandinaviska Enskilda Banken AB	AA-/Stable/F1+
Corporate services provider	Circumference FS (Luxembourg) S.A.	Not Rated
Paying agent, calculation agent, registrar and interest determination agent	Elavon Financial Services DAC, UK Branch	AA-/Stable/F1+

Source: Fitch Ratings, Driver UK Master S.A. – Compartment 5

Related Research

Auto ABS Index – Europe 1Q19 (February 2019)

ABS Compare (March 2019)

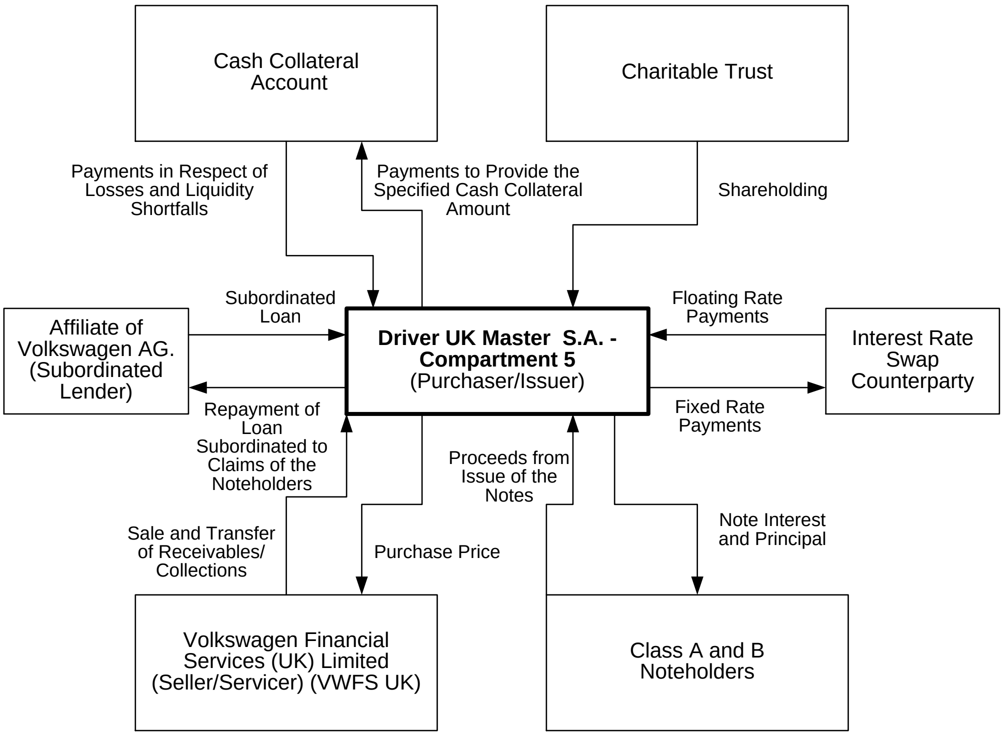
United Kingdom (November 2018)

Weakening UK Household Finances Pose Risks (May 2018)

European Car Financing Vulnerable to Residual Value Outlook (October 2018)

Transaction and Legal Structure

Structure Diagram



Source: Fitch Ratings, Driver UK Master S.A.

Issuer and True Sale

The issuer, Driver UK Master S.A. (acting on behalf of its Compartment 5), is a special-purpose vehicle (SPV) incorporated under the laws of Luxembourg for the sole purpose of issuing the notes and entering into certain agreements relating to the securitisation of the vehicles and the associated loans.

On the closing date and on each monthly payment date thereafter, the issuer acquired a portfolio of UK auto loan receivables from the seller, VWFS UK. The receivables arise from vehicle financing contracts entered into by consumers and commercial obligors under the laws of England, Scotland and Wales.

The transaction will have a 24-month revolving period during which, subject to eligibility criteria, the asset pool can be replenished.

The assignment of receivables to the issuer takes place in equity only. Obligors will not be notified of the assignment and sale at closing. Notification will only take place upon the breach of a notification event, including the insolvency of the seller.

The issuer acquired the right to receive collections from the underlying finance agreements, which include, for the secured loans, instalment and enforcement proceeds from the sale of vehicles. Based on the transaction structure, including the contractual obligations of the seller and the provision for an administrator's recovery incentive fee, Fitch has assumed that the issuer will have access to net enforcement proceeds in its asset analysis.

Capital Structure and Credit Enhancement

The table below shows the initial balance sheet of the issuer. As outlined below, the balance sheet of the securitisation may change during the revolving period due to tap issuances and replenishment.

Balance Sheet at Closing

Assets	Amount (GBPm)	Liabilities	Amount (GBPm)	Size in % of receivables' balance
Receivables	620.7	Class A	450	72.5
Cash reserve	6.0	Class B	52.8	8.5
		Sub-loan	68.2	11.0
		PPD OC	49.7	8.0
		PPD cash reserve	6.0	1.0
Sum	**626.7**		**626.7**	**101.0**

PPD: Purchase price discount
Source: Fitch Ratings, Driver UK Master S.A. – Compartment 5

The issuance consists of the series of class A and B notes as well as a subordinated loan. Credit enhancement is provided by OC and the amortising cash reserve. The initial size of the reserve is 1.2% of class A and class B balance (1.0% of the portfolio balance). However, amounts in excess of the monthly required amount of the reserve, may flow back firstly to the subordinated lender and secondly to the seller outside the waterfall depending on portfolio performance.

The issuer purchased the portfolio at a present value-price, calculated using a single discount rate fixed at 5.1545%.

Discount Rate Calculation (%)

Weighted average swap rate (including hypothetical sub-loan swap)	2.32
Servicing fee	1.00
Senior expenses	0.03
Subtotal	3.35
Interest compensation rate	1.80
Sum	**5.15**

Source: Fitch Ratings, Driver UK Master S.A. – Compartment 5

The weighted average (WA) swap rate comprises the fixed swap rates for the class A and B notes, and the rate on the subordinated loan that it set at a hypothetical value by the seller. Floating-rate payments on the subordinated loan are not hedged.

If a contract that was 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 (WA APR is 6.3%), will be lower than the outstanding balance calculated using the discount rate. Therefore any sale proceeds following VT, prepayments or recoveries will be received based on a lower net present value.

To compensate for prepayment and VT losses, an interest compensation mechanism has been incorporated. A dedicated interest compensation ledger was funded at initially GBP2 million and is replenished by crediting to it the interest compensation rate which is part of the receivables purchase discount rate. The ledger, which is held in the issuer's account, will be capped at GBP4 million and any release amounts are paid to the seller. It is debited prior to each note payment date by the amount of losses incurred from prepaid or voluntarily terminated receivables due to the discount mechanism. Prepaid contracts are those where the obligor pays all future instalments and balloon (if applicable) and retains the vehicle.

Voluntary terminations involve returning the vehicle after having paid 50% of the total amount payable including the deposit under the finance agreement, in lieu of making the remaining payments. Additional losses resulting from lower recoveries on defaulted receivables due to discounting are not covered by the interest compensation mechanism.

As the interest compensation rate is allocated towards the compensation ledger or released out of the structure, the issuer effectively only benefits from a pool interest rate of 3.35%, applicable to all receivables (equal to the 'Subtotal' shown above).

Fitch finds the interest compensation ledger sufficient to cover for the additional VT losses caused by the difference between the discount rate and the WA APR of the pool. Prepayments are 0% in 'AAAsf' and 'AA-sf' scenarios, and therefore there are no associated discount losses. Reduction in the actual recoveries from defaults due to the interest rate difference is likely to be low and covered by the available credit enhancement.

The discount rate does not incorporate a buffer release rate, which was common in previous Driver UK Master S.A. transactions. Fitch understands this is because the transaction does not offer the option to extend the revolving period. The absence of the buffer release rate has no impact to the notes as it would not be considered as available excess spread.

Tap Issuance and Additional Series of Notes

The issuer may increase the amounts of the existing series of notes up to their maximum issuance amounts, as well as issue new series of notes to purchase additional loan receivables. There is no difference between the two from a credit perspective.

Class A needs to maintain a minimum OC level of 27.5% on any payment date after three months from closing during the revolving period otherwise early amortisation starts. Additionally, for each further issuance (tap-up or new series), the class A and class B increase amounts need to be at least 27.5% and 19.0%, respectively, of the increased asset balance. The cash reserve will also have to be funded with 1.2% of the newly issued notes' balance.

The table below shows the current and maximum issuance amounts for each series of notes.

Overview of Note Series

Series	Max. issuance amount (GBPm)[a]	Current issuance amount (GBPm)
Series A	1,000.0	450.0
Series B	117.3	52.8

[a] Maximum issuance amounts can be increased at any time during the revolving period. The maximum programme amount is GBP1.2 billion.
Source: Fitch Ratings, Driver UK Master S.A. – Compartment 5

Cash Collateral Account

An amortising cash reserve was funded through a purchase price discount at closing. The reserve balance is subject to change over time due to tap-ups. The target reserve amount equals on each payment date the higher of 1.2% of the outstanding notes' balance and the lower of 0.6% of the maximum discounted receivables' balance during the lifetime of the transaction or the outstanding notes' balance.

The reserve is available to cover senior expenses, net swap payments, class A and class B notes' interest. Amounts in excess of the target balance will be released on any payment date firstly towards the subordinated lender and secondly to the seller outside the waterfall as long as no credit enhancement increase condition (defined in *Performance Triggers* below) is in effect. The reserve can be used for note redemption upon the earlier of the legal final maturity or when the assets balance is zero.

Interest Rate Swap

At closing, the issuer entered into swap agreements to hedge against the fixed-floating interest rate mismatch. While it will receive fixed interest payments from the receivables, its obligations under the notes will be linked to one-month Libor.

The class A swap notional amount depends on whether a servicer replacement event has occurred prior to a payment date. So long as there is no servicer replacement event, the class A swap notional amount will be equal to the outstanding balance of the class A notes. Following a servicer event, a class A swap notional schedule will be determined assuming zero prepayments and defaults. This will be then reduced by any excess of class A and class B over the discounted portfolio balance, on each monthly period.

Fitch believes that the size of the class A swap notional amount following a servicer replacement event could create an under-hedging for class A in the tail end of the transaction depending on the rating scenario. The agency assessed the impact and found that it is not material to the notes' ratings.

The class B swap notional amount is equal to the outstanding balance of the class B notes.

The swap rates paid by the swap counterparty are equal to one-month Libor plus the margin on the class A and class B notes series over the respective swap notional amount. The floating amounts are not floored at zero. The fixed rates the SPV needs to pay on the swaps are 1.90% for class A notes and 2.84% for class B notes.

Eligibility Criteria and Concentration Limits

For the initial asset purchase, and for additional purchases during the replenishment period, the following eligibility criteria, among others, have to be fulfilled.

- The purchase of the initial or additional receivables will not cause a breach of the following concentration limits:
  a. maximum 50% of the discounted portfolio corresponds to used vehicles;
  b. maximum 10% of the discounted portfolio is non-VW Group brand vehicles;
- None of the obligors is an affiliate of VWFS UK;
- Obligors reside/are registered in the UK;
- Obligors have no pending bankruptcy or insolvency proceeding against them;
- Receivables are denominated in sterling;
- Receivables are non-delinquent;
- The financing contracts are governed by the laws of England and Wales or Scotland;
- The financing contracts are legal, valid, binding and enforceable;
- The status and enforceability of the receivables is not impaired due to warranty claims or any other rights of the obligor (even if the issuer knew or could have known on the cut-off date of the existence of such defences or rights);
- The status and enforceability of the receivables is not impaired by set-off rights and that no obligor maintains deposits on accounts with VWFS UK;
- At least two payments have been made under the finance contract as of the cut-off date
- Maximum original term of 72 months;
- Maximum single-obligor exposure of GBP500,000;
- Minimum and maximum remaining maturity of six and 70 months, respectively;
- The vehicle relating to a PCP vehicle must not be a Porsche.

Early Amortisation Events

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

a. A servicer replacement event;

b. The accumulation balance on two consecutive payment dates exceeds 15% of the outstanding balance;

c. Class A actual OC percentage falls below 27.5% on any payment date after three periods from closing;

d. VWFS UK ceases to be an affiliate of VW Bank or of any of its successors;

e. Seller fails to perform repurchase related obligations;

f. Issuer fails to replace the swap counterparty within 30 calendar days of termination or the swap counterparty does not post collateral according to provisions;

g. Foreclosure event (issuer insolvency events);

h. Zero balance of the interest compensation ledger;

i. Credit enhancement increase condition is in effect.

Credit Enhancement Increase Conditions

Trigger variable	Condition	Trigger level (%)
Cumulative net loss ratio[a]	Weighted average seasoning (WAS) of portfolio is ≤9 months	0.8
	WAS of portfolio is >9 and ≤18 months	1.75
	WAS of portfolio is >18 and ≤27 months	2.65
	WAS of portfolio is >27 months	4.0
Late delinquency ratio[b]	On any payment date until 25 March 2021	0.7
A servicer replacement event (including servicer insolvency) occurs		
The cash reserve is not at its target amount		

[a] Ratio of cumulative losses (from default, VT and RV) and the sum of initial and all additional receivables.
[b] Ratio of receivables which are overdue for more than 180 days and the outstanding balance at the beginning of the month.
Source: Fitch Ratings, Driver UK Master S.A. – Compartment 5

Should a credit enhancement increase condition be in effect during the revolving period, the transaction will enter into early amortisation and the notes will irreversibly amortise sequentially.

The portfolio seasoning may also change as a result of tap issuances. If a trigger has been breached once, it cannot be cured by switching to a different applicable trigger level, ie due to increased seasoning.

In Fitch's view, the performance trigger levels are loose compared with the provided historical data from the originators. As a result, in the base-case and mildly stressed scenarios, we assume rather long pro rata periods.

Priority of Payments

Prior to an enforcement event, payments of principal and interest are made monthly in accordance with the pre-enforcement priority of payments, which is a combined waterfall. The available distribution amount and waterfall are shown below.

Available Distribution Amount

+	Accrued interest in the issuer and accumulation (replenishment) account.
+	Collections received by the servicer (including sale proceeds, recoveries and repurchases).
+	Amounts drawn from the cash reserve.
+	Net swap receipts.
+	Upon amortisation: accumulation account balance.
+	Interest compensation due to issuer.
-	Interest compensation ledger release to VWFS UK.

Source: Fitch Ratings, Driver UK Master S.A. – Compartment 5

Transaction Waterfall

1	Senior expenses.
2	Net swap payments other than in case of a default of the swap counterparty.
3	Class A interest.
4	Class B interest.
5	To the cash collateral account up to its required balance.
6	On a pro-rata basis: a. amortisation amounts to each amortising series of class A notes until it is at its target size; b. amounts to be transferred to the replenishment account for additional purchases of receivables until target OC is achieved.
7	On a pro rata basis: a. amortisation amounts to each amortising series of class B notes until it is at its target size; b. amounts to be transferred to the replenishment account for additional purchases of receivables until target OC is achieved.
8	Swap payments other than those under item 2 (i.e. subordinated swap payments).
9	Interest on the sub-loan.
10	Redemption of the sub-loan until reduced to zero.
11	Remainder to the sellers as a final success fee.

Source: Fitch Ratings, Driver UK Master S.A. – Compartment 5

During the revolving period, incoming cash will be allocated to the accumulation account for the purchase of further receivables at a discount until the target OC for class A and class B is reached. The target OC levels during the revolving period are 29.5% for class A and 21.0% for class B.

During the amortisation phase, incoming funds will be applied sequentially, first to the redemption of the class A notes until the target OC is reached (33.5%) and then to the redemption of class B notes until their target OC is reached (25.0%).

In each case, all funds that are in excess of what is needed to maintain the target OC will flow through the waterfall and will either be used to redeem the subordinated loan or be released to the originator. Such pro rata amortisation of funds will switch back to a sequential order of priority, as soon as:

- a credit enhancement increase condition is in effect (see above);
- the discounted asset balance has reached 10% of the maximum discounted asset balance during the life of the transaction.

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 discounted asset balance at the initial cut-off date prior to closing or at the cut-off date immediately preceding a tap issuance. 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 notes' legal final maturity date.

Disclaimer

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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 potentially override the ongoing 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 several factors, including the government commitment to reviving the mortgage-backed security markets, which are considered important in reviving the capacity of lenders to provide funding in the economy.

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

Asset Analysis

Originator Overview

VWFS UK is a wholly owned subsidiary of VW Bank in Braunschweig, Germany.

VWFS UK offers finance products in the UK supporting the automotive brands within VW, including Volkswagen, Volkswagen commercial vehicles, Audi, Bentley, SEAT and Skoda.

VWFS UK 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 UK administrative and operational headquarters are in Milton Keynes, where more than 900 people are employed.

Loan Products

VWFS UK offers predominantly two standard retail financing products to its UK customers, both of which take the legal form of a HP agreement:

- **PCP agreements:** Under a PCP contract, obligors pay equal monthly instalments. At the end of the term, they have the option to purchase the vehicle by making the balloon payment or returning the vehicle to VWFS UK. PCP contracts are typically originated with terms between 18 to 48 months.
- **HP agreements:** Under an HP contract, obligors pay equal monthly instalments throughout the term of the loan, after which the title is transferred to the obligor after settlement of the title transfer fee. Typical HP contract tenors range from 12 to 60 months.

VWFS UK's lending portfolio has grown significantly over the past five years, with recent growth driven by an increased focus on PCP products, which offer customers lower monthly payments than HP. VWFS UK markets its PCP product by making it affordable to customers and encouraging them to purchase a new vehicle when the contract matures. Most originations are through PCP vehicles. The origination share of new PCP vehicles appears to have plateaued and has floated at about 70% of originations over the past few years. The share of PCP used vehicles is still growing, whereas the overall share of HP contracts declined to less than 10%.

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 Callcredit, two UK 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 contract activation of 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.

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 a 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. Finally, 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 via 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 represent the direct application 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.

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 via 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 British Car Auction centres. 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.

Portfolio Summary

The loan receivables have all been originated by VWFS UK to private and commercial borrowers. The portfolio composition used by Fitch in its analysis is based on a pool with cut-off date February 2019. The portfolio is well distributed across the UK and shows no significant single borrower concentration, with the largest borrower and top 10 obligors corresponding to 0.05% and 0.38% of the pool, respectively. The key pool characteristics are included in the table below.

Key Characteristics of the Final Portfolio

	Replenishment criteria	Pool
Number of loans		32,903
Total discounted loan balance (GBP)		620,698,770
Average outstanding discounted loan balance		18,865
WA original term (months)		46.9
WA remaining term (months)		42.6
WA seasoning		4.3
New (%)		60.4
Used (%)	≤50	39.6
WA effective interest rate (%)		6.26
Residual value (%)		46.7
Top 10 borrowers (%)		0.38
Direct debit (%)		99.9

Source: Fitch Ratings, VWFS UK

Portfolio Credit Analysis

The issuer is exposed to the credit risk of the underlying loan portfolio, to the market value risk of the underlying vehicles and to VT of the agreements. Fitch has analysed the three types of exposure separately, applying the agency's *Consumer ABS Rating Criteria* and *Consumer ABS Rating Criteria – Residual Value Addendum*, available at www.fitchratings.com.

Fitch derived base-case default, recovery, prepayment, RV and VT assumptions based on historical performance and portfolio data provided by the originator, and incorporating different stresses for the relevant rating levels.

Asset Outlook

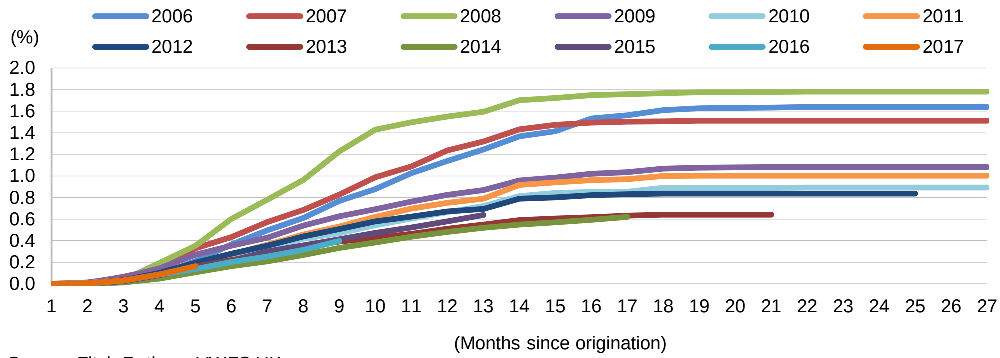
Fitch has a stable/negative asset performance outlook on UK auto and unsecured consumer ABS. Moreover, the potential for rate rises could have an adverse impact on asset performance in the context of increasing household indebtedness in the UK. Real GDP growth was 1.4% in 2018 and forecast at 1.6% in 2019 and 1.8% in 2020. The forecasts assume that a "no-deal" Brexit will be avoided. The macroeconomic outlook is highly sensitive to Brexit developments. The impact of a "no-deal" Brexit on growth is highly uncertain, but a recession on the scale of that seen in the UK in the early 1990s would be a reasonable comparison for gauging the potential macroeconomic stress.

Default Risk

Fitch reviewed separate default data per origination vintage split by various sub-pools provided by VWFS UK. Fitch analysed the data and observed that new vehicles were performing better than used vehicles. In addition, the low share of HP in the final pool and the projected pool at the end of the revolving period meant that a differentiation by contract type would not be meaningful. Based on the above, Fitch decided to assign a separate default base case to new and used vehicles.

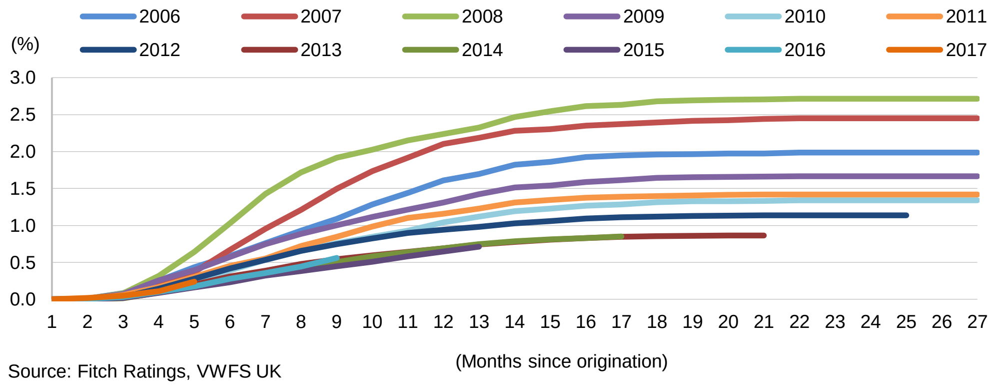
Historical default rates by sub-pool in VWFS UK's loan portfolio are shown in the following charts. We received vintages since 2002. The charts include those since 2006.

Cumulative Defaults - New Vehicles



Source: Fitch Ratings, VWFS UK

Cumulative Defaults - Used Vehicles



Source: Fitch Ratings, VWFS UK

The cumulative default charts above are based on hostile terminations according to the credit and collection policies of the originator. In most cases, this occurs when the loan is 90 days' past due, although there may be some loans in later delinquency buckets which are not yet terminated. This is mostly due to certain write-off policies relating to vulnerable customers. In any event, the percentage of these contracts is low.

Fitch has assumed a base-case default rate of 1.1% and 1.7% for new and used vehicles, respectively. This assumption is based on the observed historical performance, taking into account the asset performance outlook in the UK, as described in Asset Outlook above. The 2006-2008 default vintages perform worse than the rest, as they were fully exposed to the economic crisis in 2009, but Fitch does not believe that these represent the base-case scenario for the lifetime of the transaction.

Fitch has assumed a migration of the pool considering the observed origination trends between PCP and HP split in new and used. Specifically, we assumed a shift towards used vehicles, which total 45% of stressed portfolio. This resulted in a WA overall portfolio base case default expectation of 1.4%.

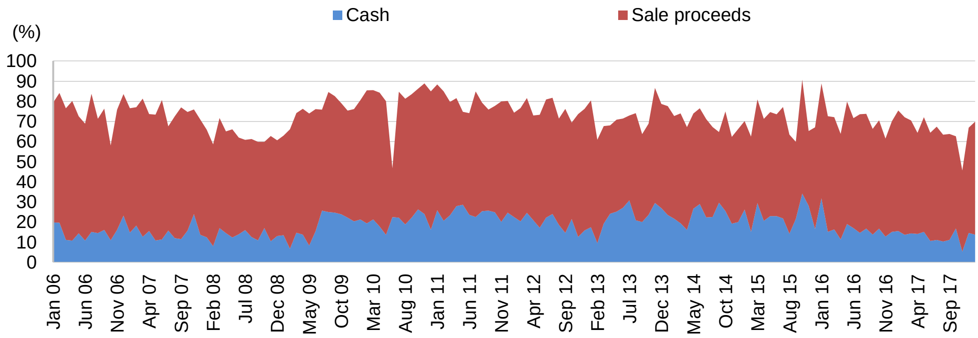
Fitch stressed the expected base case with a 'AAAsf' default multiple of 6.75x, which is higher than the typical range outlined in *Consumer ABS Rating Criteria*. The 'AA-sf' multiple was set at 4.95x. The multiple takes into account, among other factors, the length of the revolving period, the low absolute level of expected defaults, the sustained growth in origination figures and the adequate extent and quality of available data. The low level of defaults was the driving consideration.

We supplemented our analysis of VWFS UK's historical performance data with peer comparisons against UK originators.

Recovery Rates

Recovery data from hostile terminations was provided on a cumulative basis since 2002. The chart below shows recoveries since 2006. Fitch has derived a base case of 65% for both new and used vehicles. The majority of recoveries are proceeds from vehicle sales; in addition, a part of the recoveries consists of cash payments by the borrowers. Fitch considered both secured and unsecured recoveries when setting its recovery assumptions and recovery timings.

Recoveries - Total Pool



Source: Fitch Ratings, VWFS UK

We applied recovery haircuts at the median to lower end of our base-case expectations, ie a 45% haircut in 'AAAsf' and 33% at 'AA-sf'. The haircut reflects the secured nature for the majority of recoveries, our perception of a clearly defined recovery process applied by the originator and the adequate quantity and quality of data.

Fitch's base-case assumptions for the sub-portfolios, the applied stressed pool composition, and rating-specific stress assumptions are summarised in the tables below. Results below are rounded to the first decimal point.

Base-Case Expectations

(%)	Stressed pool weight	Default rate	Recovery rate	Loss rate
New vehicles	55.0	1.1	65.0	0.4
Used vehicles	45.0	1.7	65.0	0.6
Stressed pool	**100.0**	**1.4**	**65.0**	**0.5**

Source: Fitch Ratings

Stressed Assumptions

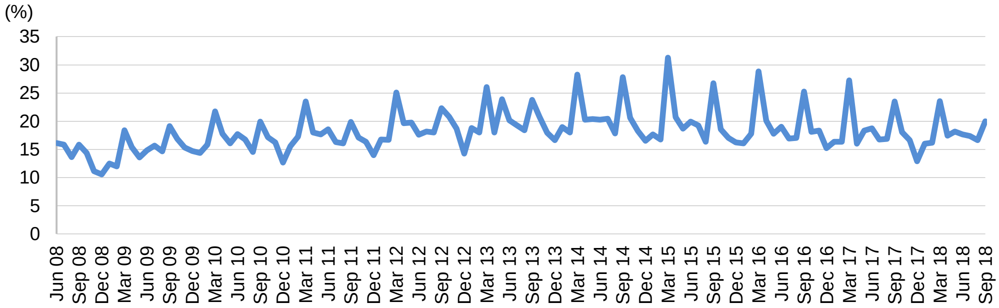
(%)	Rating default rate	Rating recovery rate	Rating loss rate
AAAsf	9.2	35.8	5.9
AA-sf	6.8	43.6	3.8
Base-case stressed pool	1.4	65.0	0.5

Source: Fitch Ratings

Prepayment Risk

Fitch received historical dynamic data on prepayments since June 2008. The agency applied a 20% annual prepayments base case. For the rating-specific assumption, Fitch applied linear interpolation between 20% at 'Bsf' and 0% at 'AA-sf' in line with the RV Addendum criteria for loans exposed to VT risk (see Financial Structure and Cash Flow Modelling). This is because in a stress scenario, Fitch assumes borrowers are likely to use a VT instead of a prepayment in order to exit the contractual obligations. Rating scenarios above 'AA-sf' are assumed to have 0% annual prepayments.

Dynamic Prepayment Rate
Annual prepayments



Source: Fitch Ratings, VWFS UK

Residual Value Risk

RV losses may arise if used-car prices decline and there is a difference between the contractual RV and the actual sales proceeds of the vehicle received by the issuer. The risk is only applicable to the PCP share of the pool.

Base-Case Sale Proceeds

The quantification of RV risk was based on 98% base-case sales proceeds, as supported by historical remarketing data since 2004 provided by the originator. Data showed that sale proceeds are not consistently above the contractual balloon amount at maturity, in recent years. However, the share of returned cars at their respective maturities is small. Additionally, Fitch was presented with the RV-setting policies of VWFS UK, which were considered robust and based on extensive experience of the market. All these observations were taken into account when assigning the base case.

Selling Costs and Administrator Fees

Fitch assumed average selling costs of GBP250 per vehicle to account for a reduction in the sales price achieved.

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.*

Base-Case Sale Proceeds Haircut

Fitch applied a RV market value stress of 35.0% in a 'AAAsf' rating scenario and 28.3% at 'AA-sf'. This is driven by our view that the captive nature of the portfolio and the relative concentration of maturities are offset by the size and liquidity of the UK market, the market share of VWFS UK and the strong model and car-segment diversification in the pool.

RV Turn-In Rates

Fitch applied RV turn-in rates in line with *Consumer ABS Rating Criteria – Residual Value Addendum*. The RV 'AAAsf' and 'AA-sf' turn-in rates were set at 100% and 86.7%, respectively.

Time to Sale

The time to sell the vehicle is set according to Fitch criteria, ie three months at 'AAAsf' and 'AA-sf'. This assumption is intended to test the ability of the transaction to withstand a liquidity stress in a situation when a timely disposal of vehicles may be impeded.

RV Share

Fitch assumed that during the two-year revolving period, the RV share will increase to about 58.9% of the total pool from about 46.7%. The transaction includes no limit on how the RV component develops during the revolving period. Our assumption is based on the initial RV share, the revolving period length and replenished assets with characteristics similar to those in the initial pool. The approach also takes into consideration that, by the end of the revolving period, the pool will consist of 95% PCP loans by balance.

Voluntary Termination Risk

Under the UK Consumer Credit Act, obligors with certain auto loan agreements 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 right if they are in negative equity. Fitch's approach to VT risk is described 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 voluntary termination model to analyse the VT exposure and loss. The portfolio had a cut-off date of February 2019. For each contract, the model projected the outstanding loan value at the half-point, after accounting for any downpayments, and compared it with the depreciated 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.

VT Turn-In Rates

VWFS UK provided Fitch with VT data since 2002 and demonstrated termination volumes comparable to other UK transactions. Fitch observes increasing VT trends across originators in recent years. We applied VT turn-in rates according to criteria. The VT 'AAAsf' and 'AA-sf' turn-in rates were set at 50% and 40%, respectively.

Depreciation Rate

Fitch applied a monthly depreciation of 1.9% to forecast car values. This depreciation rate is based on the typical vehicle depreciation curves in the UK market and accounts for the relative share of new and used vehicles in the stressed pool.

VT Market Value Haircut

Fitch assumed an add-on of 5% on top of the market value haircut applied for RV across all rating scenarios to account for the potential clustering of VT in an economic downturn. Using a higher market value haircut applied for VT relative to RV is in line with Fitch's criteria. This resulted in a VT market value haircut of 40% at 'AAAsf and 33.3% at 'AA-sf'.

Administrator Fees

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

Time to Sale

The time to sell the vehicle is set according to Fitch criteria, ie three months at 'AAAsf' and 'AA-sf'.

Integration of RV and VT Risk

The pool consists of PCP and HP obligors, both of which have the rights to voluntarily terminate. 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. The agency 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 'AAAsf' 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; the agency 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. The RV and VT turn-in rates in the lower rating scenarios were according to criteria, ie 86.7% and 40% at 'AA-sf', respectively.

Given the above, after considering defaults and prepayments in the respective ratings scenarios, Fitch has calculated a total VT loss of 3.4% and an RV loss of 19.1% at 'AAAsf' for the total pool. The 'AA-sf', VT and RV losses are 2.2% and 14.6%, respectively. These figures factor the assumed increase in the share of RV by the end of the revolving period.

The aforementioned loss levels are indicative as they do not consider the amortisation profile of the balloons at maturity, nor the modelled timing for defaults. They are therefore a static representation of the expected losses after accounting for defaults and prepayments. Fitch's cash flow model incorporates the outputs of the VT model, and then applies defaults and prepayments dynamically to determine the final loss levels in each rating scenario and default timing.

Financial Structure and Cash Flow Analysis

Fitch analysed the ability of the transaction to withstand various stresses, using its proprietary cash flow model. The scenarios combine different default distributions (front-, evenly- and back-loaded) and stressed prepayments in combination with rising, stable and decreasing interest rates, in line with the agency's *Structured Finance and Covered Bonds Interest Rate Stresses Rating Criteria*.

Fitch modelled the initial OC as of closing to prevail at the start of the amortisation period.

Fitch tested the structure using the default timing for an 18-month weighted average life portfolio outlined in the *Consumer ABS Rating Criteria*. The recovery timing was derived qualitatively based on the servicer's collection process and the servicer reports of previous transactions rated by Fitch. The agency assumed that the majority of recoveries will be received within three months of a default.

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 at 'Bsf' in line with criteria for transactions exposed to VT risk. The agency did not differentiate between high and low prepayment scenarios.

The portfolio amortisation was modelled based on the amortisation profile of the final pool provided to Fitch. Defaults, recoveries and prepayments were applied as per the rating-specific stressed assumptions. Interest income was generated on non-delinquent receivables at a rate equal to the discount rate less the interest compensation rate. Available cash was distributed in line with the transaction's waterfall.

Fitch modelled 1.03% 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 GBP227,000.

Fitch tested the transaction's sensitivity to different default distributions (front-loaded, evenly distributed and back-loaded) combined with rising, decreasing or stable interest rates.

The cash flow model was also populated with all assumptions relevant to RV and VT risk, as described above.

The transaction is sensitive to the length of the pro rata period, which is primarily determined by the amortisation profile and the level as well as the timing of net losses. The latter is driven by a) the default and recovery timing, b) the RV amortisation and time to sale and c) the VT timing and time to sale.

Back-loaded defaults lead to a later switch (back) to sequential note amortisation even in a stressed scenario as the cumulative net loss trigger is breached at a later date.

Fitch considers the available credit enhancement for the rated notes adequate under all considered stressed scenarios.

Rating Sensitivity[1]

This section of the report provides a greater insight into the model-implied sensitivities the transaction faces when one risk factor is stressed, while holding others equal. The modelling process first uses the estimation and stress of base-case assumptions to reflect asset performance in a stressed environment. The results below should only be considered as one potential outcome, given that the transaction is exposed to multiple risk factors that are all dynamic variables.

Rating Sensitivity to Default and Recovery Rates

The tables below reflect rating changes if the base-case default or recovery rate for the portfolio is increased or decreased by a relative amount.

Rating Sensitivity to Increased Default Rate Assumptions

	Class A	Class B
Original rating	AAAsf	AA-sf
Increase in default rate base case by 10%	AAAsf	AA-sf
Increase in default rate base case by 25%	AA+sf	A+sf
Increase in default rate base case by 50%	AA+sf	A+sf

Source: Fitch Ratings

The change in rating if the base-case recovery rates are stressed is shown below.

Rating Sensitivity to Reduced Recovery Rate Assumptions

	Class A	Class B
Original rating	AAAsf	AA-sf
Decrease in recovery rate base case by 10%	AAAsf	A+sf
Decrease in recovery rate base case by 25%	AA+sf	A+sf
Decrease in recovery rate base case by 50%	AA+sf	A+sf

Source: Fitch Ratings

Rating Sensitivity to Used-Car Market Value Stress

The change in ratings if the used-car market assumptions are adjusted is shown in the *Rating Sensitivity to Increased Used Car Market Value Stress* table below. The stress affects the level of instalment losses due to lower recovery proceeds on defaulted accounts and the level of RV and VT losses, as the sale proceeds after a vehicle is sold reduce.

[1] These sensitivities only describe the model-implied impact of a change in one of the input variables. This is designed to provide information about the sensitivity of the rating to model assumptions. It should not be used as an indicator of possible performance.

Fitch considers the sensitivities in the table below to also provide an indication on rating changes upon a potential deterioration of used car prices for vehicles equipped with diesel engines. The originator provided Fitch with a quantification of the total diesel share in the final portfolio (about 38%). Assuming a decrease of 25% in the recovery proceeds for diesel vehicles and an increase of 25% in the market value decline (MVD) assumption for the RV and for VT of diesel vehicles, while leaving assumptions for non-diesel vehicles unchanged, the resulting rating sensitivity lies within the 10% and 25% standard sensitivities (applied to the entire pool) below.

Rating Sensitivity to Increased Used Car Market Value Stress

	Class A	Class B
Original rating	AAAsf	AA-sf
Decrease recovery rate and increase MVD by 10%	AA+sf	A+sf
Decrease recovery rate and increase MVD by 25%	AAsf	Asf
Decrease recovery rate and increase MVD by 50%	A+sf	A-sf

Source: Fitch Ratings

Rating Sensitivity to Shifts in Multiple Factors

The table below summarises the rating sensitivity to stressing three factors simultaneously: increased default rate; reduced recovery rate; and reduced net sale proceeds. Three scenarios are evaluated to show the sensitivity of the rating to varying degrees of stress, ie mild, moderate and severe changes to the expected level of defaults, recoveries and net sale proceeds. The latter corresponds to the net proceeds upon the vehicle's sale following VT or its return at maturity. It reflects, among other factors, the level of market value stress.

Rating Sensitivity to Multiple Factors

	Class A	Class B
Original rating	AAAsf	AA-sf
Default rate increased by 10%, recovery rate and net sale proceeds decrease by 10%	AA+sf	Asf
Default rate increased by 25%, recovery rate and net sale proceeds decrease by 25%	A+sf	BBBsf
Default rate increased by 50%, recovery rate and net sale proceeds decrease by 50%	BBB+sf	BBsf

Source: Fitch Ratings

Counterparty Risk

The issuer's primary counterparty exposure is to VWFS UK, the servicer, originator and seller in the transaction. Fitch considers the main exposure to result from: servicing and underwriting quality; payment interruption; commingling; and representations and warranties provided by the seller. There is also counterparty exposure to the swap provider and the account bank.

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 Bank, which itself is a wholly owned subsidiary of VW. A servicer replacement event is triggered by, among other things:

- the servicer becoming insolvent;
- the servicer failing to make a payment or deposit to the issuer account within five business days of the due date; and
- the servicer failing to perform any of its material obligations or breaching any of the representations and warranties, and such failure not being remedied within 60 business days.

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

Commingling and Payment Interruption Risk

VWFS UK will receive collections on its own accounts and will forward the collections to the issuer monthly. In case of a servicer insolvency, collections held at the servicer's accounts could fall within its insolvency estate. Consequently, the transaction would suffer a loss of the commingled funds.

Upon any of the following events, an advance mechanism will be applied to address commingling risk.

- Fitch's rating of VW is below 'BBB' or 'F2'; or
- the profit- and loss-sharing agreement between VW and VW Bank (or any of its successors within VW Group as parent of the servicer) is no longer in place; or
- VW Bank (or any of its successors within VW Group as parent of the servicer) does not own 100% of VWFS UK.

The advance mechanism will be in effect within 14 calendar days since the breach. The servicer will collateralise, bi-weekly, expected collections from the receivables for a two-week period starting about a week after the actual posting date.

The first advance will be made on the 11th business day before the start of the month, covering expected collections to be received from the first to and including the 15th calendar day of that month. The second advance will be made on the 11th business day prior to the 16th calendar day of the month, covering expected collections to be received from the 16th of the current month until the end of the current month.

Actual collections will also then be transferred to the issuer account bi-weekly. Following the payment date, advanced amounts will be adjusted to reflect expected collections for the following period.

The mechanism considers scheduled repayments of principal and interest, as well as expected prepayments. The latter are based on a 12-month average of actual prepayment as calculated by the servicer; the value will be determined and updated on an annual basis in November, and then be applicable until the next update.

Fitch deems the proposed mechanisms to adequately address commingling risk.

Upon a servicing replacement event, the servicer following instruction by the issuer, shall cease collecting into its collection account and a replacement servicer shall take over upon appointment. Upon a servicer insolvency, which would constitute a notification event, obligors will be instructed to pay directly into the issuer's account or such other account as specified by the issuer.

The servicer is committed to transfer collections to the issuer's account within five business days of the due date. If not, it would constitute a servicer replacement event unless it is due to reasons outside the servicer's control and remedied within 90 days. This would include the event of default of the bank holding collections, thus making payment of received collections an implicit guarantee by VWFS UK.

The reserve in the cash collateral account is in place to cover potential payment disruptions in such an event for about five months. The combination of these structural elements adequately reduces payment interruption risk, in our view.

Set-Off

Fitch considers set-off risk immaterial in the transaction. VWFS UK is not a deposit-taking entity so there can be 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 those 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

Elavon Financial Servicer DAC, UK Branch, acts as account bank for the issuer.

The account bank is an eligible counterparty, according to Fitch's counterparty criteria. Should the account bank not be rated at least, either 'A' or 'F1', the downgraded bank is contractually obliged to take certain actions: (i) replace itself with an eligible entity rated at least 'A' or 'F1'; or (ii) obtain a guarantee from an eligible entity.

The remedial actions shall be implemented within 30 calendar days. Replacement costs will be borne by the account bank, which will continue to provide services under the bank account agreement until an eligible replacement is appointed.

Swap Counterparty

At closing, the issuer entered into interest rate swap agreements, the mechanics of which are described in more detail in *Interest Rate Swap*. The swaps will be in place for the entire lifetime of the rated notes, as per the documentation.

The swap counterparty is Skandinaviska Enskilda Banken AB. According to the transaction documentation, the swap counterparty needs to be rated at least 'A' or 'F1' to be eligible. Otherwise, it is contractually obliged to post collateral while being rated at least 'BBB-' or 'F3' or procure an eligible guarantee. The swap counterparty is eligible, according to Fitch's counterparty criteria.

The swap agreements contain provisions for the calculation of collateral amount and for the timing to post it in line with Fitch's *Structured Finance and Covered Bonds Counterparty Criteria: Derivative Addendum*.

Criteria Application, Model and Data Adequacy

Criteria Application

The nature of the underlying receivables is highly granular and homogeneous, so Fitch has analysed the portfolio credit risk in accordance with its *Consumer ABS Rating Criteria*. The VT and RV risk were analysed using *Consumer ABS Rating Criteria – Residual Value Addendum.*

Model

Fitch used its proprietary cash flow model to analyse the issuer's ability to meet its payment obligations under different stress assumptions. The VT losses were calculated using the UK Voluntary Termination Model. A description of both models is available on www.fitchratings.com.

Data Adequacy

Fitch was provided with an extensive set of data for the asset analysis. The list below is not exhaustive but includes a comprehensive representation of what was provided.

- detailed stratifications of the total loan book as of September 2018;
- origination volumes since 2002 for the sub-portfolios of new/used and HP/PCP vehicles;
- dynamic, monthly delinquency data from June 2007 for the combinations of sub-portfolios of new/used and HP/PCP vehicles;
- monthly outstanding loan book balance since June 2007 for the combinations of sub-portfolios of new/used and HP/PCP vehicles;

- static, quarterly gross and net loss vintages since 2002 for all combinations of the sub-portfolios of product type (PCP/HP), vehicle type (new/used) and termination type (default, VT, RV early settlement);
- static recoveries since 2002, split by all combinations of contract type (PCP/HP), vehicle type (new/used) and termination type (default, VT, RV, early settlement) split in cash and sale recoveries. The data are split in two groups; recoveries received within and after 18 months after termination;
- dynamic, monthly profit and loss data on VT terminations since July 2002 and RV sale proceeds since September 2004;
- loan-by-loan data of the final pool with cut-off date February 2019, including among others original and remaining balance, deposit, contractual RV, seasoning and remaining term;
- detailed pool stratifications and amortisation profiles for the monthly loan instalments and residual values for the final pool with cut-off date February 2019; and
- dynamic, monthly prepayment data from June 2008 for the originator's overall loan book.

In Fitch's view, the overall level of data available was adequate to support the rating analysis.

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 notes.

Fitch will receive monthly investor reports detailing the performance of the portfolio. The agency assigned an Issuer Report Grade of five stars, in accordance with its special report *EMEA ABS Issuer Report Grades*, dated 14 November 2011. The monthly reports will provide the basis for the agency's surveillance of the performance of the transaction against base-case expectations and the performance of the industry as a whole. Where appropriate, the agency 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 (eg 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.

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.