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DBRS Finalises Provisional Ratings on Driver Multi-Compartment S.A., acting for and on behalf of its Compartment Driver 14

Industry: Sec.--Auto

DBRS Ratings Limited (DBRS) finalised the provisional ratings of AAA (sf) to the Class A Notes and A (high) (sf) to the Class B Notes (together, the Notes) issued by Driver Multi-Compartment S.A. acting for and on behalf of its Compartment Driver fourteen (the Issuer).

The Issuer is a segregated compartment of a public company with limited liability (société anonyme) incorporated under the laws of Luxembourg, and established for the purpose of issuing asset-backed securities as permitted under Luxembourg law.

The transaction represents the issuance of Notes backed by a pool of approximately EUR 900 million of receivables related to auto loan contracts granted by Volkswagen Bank GmbH (VW Bank, the Seller or the Originator) to private and commercial borrowers in the Federal Republic of Germany (over 99% of the portfolio are loan contracts to private borrowers). The transaction represents the ongoing issuance of auto loans originated by VW Bank in Germany. The Notes, together with the subordinated loan provided by Volkswagen Financial Services AG, funded the purchase of the pool of receivables. The receivables are serviced by VW Bank.

The ratings are based on a review by DBRS of the following analytical considerations:

- Transaction capital structure, including form and sufficiency of available credit enhancement.
- Credit enhancement levels are sufficient to support DBRS-projected expected cumulative net losses under various stress scenarios.
- The transaction's ability to withstand stressed cash flow assumptions and repay investors according to the terms under which they have invested. For this transaction, the ratings address the payment of timely interest on a monthly basis and principal by the legal final maturity date.
- VW Bank's financial strength as well as its capabilities with regard to originations, underwriting and servicing.
- DBRS conducted an operational risk review of VW Bank's premises in Braunschweig and deems it to be an acceptable servicer.
- The transaction parties' financial strength with regard to their respective roles.
- The credit quality and concentration of the collateral and historical and projected performance of the Seller's portfolio.

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- The sovereign rating of the Federal Republic of Germany, currently rated AAA by DBRS.
- The consistency of the transaction's legal structure with DBRS's "Legal Criteria for European Structured Finance Transactions" methodology and the presence of legal opinions that address the true sale of the assets to the Issuer and non-consolidation of the special-purpose vehicle (SPV) with the Seller.

The transaction structure was analysed in Intex DealMaker.

Notes:

All figures are in euros unless otherwise noted.

The principal methodology applicable to the ratings is: "Rating European Consumer and Commercial Asset-Backed Securitisations".

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

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

These may be found on www.dbrs.com at: <http://www.dbrs.com/about/methodologies>.

For a more detailed discussion of the sovereign risk impact on Structured Finance ratings, please refer to "Appendix C: The Impact of Sovereign Ratings on Other DBRS Credit Ratings" of the "Rating Sovereign Governments" methodology on:

<http://dbrs.com/research/319564/rating-sovereign-governments.pdf>.

The sources of data and information used for this rating include data sourced from VW Bank and provided through the transaction Arranger, Credit Agricole Corporate and Investment Bank:

- Dynamic portfolio composition and delinquency performance data from September 2008 to September 2017;
- Static cumulative net loss data from January 2004 to September 2017, divided by product type and vehicle type;
- Origination balances from January 2004 to September 2017, divided by product type and vehicle type; and
- Quarterly dynamic loss data from March 2011 to September 2017.



DBRS was also provided with detailed stratification tables and the portfolio at loan-level as at 30 November 2017.

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

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

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

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

These ratings concern a newly issued financial instrument. These are the first DBRS ratings on this financial instrument.

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

To assess the impact of changing the transaction parameters on the rating, DBRS considered the following stress scenarios, as compared to the parameters used to determine the rating (the Base Case):

- Expected Default Rate used: Expected default of 2.1%, a 25% and 50% increase on the expected default.
- Loss Given Default (LGD) Used: LGD of 36% at the AAA (sf) stress level, a 25% and 50% increase.

DBRS concludes that for the Class A Notes:

- An increase in the expected default or LGD by 25%, ceteris paribus, would lead to a downgrade of the Class A Notes to AA (high) (sf);
- An increase in the expected default or LGD by 50%, ceteris paribus, would lead to a downgrade of the Class A Notes to AA (sf);
- An increase in the expected default and LGD by 25%, ceteris paribus, would lead to a downgrade of the Class A Notes to AA (sf);
- An increase in the expected default by 50%, and an increase in the LGD by 25%, ceteris paribus,

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would lead to a downgrade of the Class A Notes to AA (low) (sf);

-- An increase in the expected default by 25%, and an increase in the LGD by 50%, ceteris paribus, would lead to a downgrade of the Class A Notes to AA (low) (sf);

-- An increase in the expected default and LGD by 50%, ceteris paribus, would lead to a downgrade of the Class A Notes to A (high) (sf).

DBRS concludes that for the Class B Notes:

-- An increase in the expected default or LGD by 25%, ceteris paribus, would lead to a downgrade of the Class B Notes to A (sf);

-- An increase in the expected default or LGD by 50%, ceteris paribus, would lead to a downgrade of the Class B Notes to BBB (high) (sf);

-- An increase in the expected default and LGD by 25%, ceteris paribus, would lead to a downgrade of the Class B Notes to BBB (high) (sf);

-- An increase in the expected default by 50%, and an increase in the LGD by 25%, ceteris paribus, would lead to a downgrade of the Class B Notes to BBB (sf);

-- An increase in the expected default by 25%, and an increase in the LGD by 50%, ceteris paribus, would lead to a downgrade of the Class B Notes to BBB (sf);

-- An increase in the expected default and LGD by 50%, ceteris paribus, would lead to a downgrade of the Class B Notes to BBB (sf).

For further information on DBRS historical default rates published by the European Securities and Markets Authority ("ESMA") in a central repository, see:

<http://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml>.

Ratings assigned by DBRS Ratings Limited are subject to EU and US regulations only.

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Initial Rating Date: 6 February 2018

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The rating methodologies used in the analysis of this transaction can be found at:

<http://www.dbrs.com/about/methodologies>



- Rating European Consumer and Commercial Asset-Backed Securitizations
- Legal Criteria for European Structured Finance Transactions
- Operational Risk Assessment for European Structured Finance Servicers
- Operational Risk Assessment for European Structured Finance Originators
- Derivative Criteria for European Structured Finance Transactions
- Interest Rate Stresses for European Structured Finance Transactions

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

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

Issuer	Debt Rated	Rating Action	Rating	Trend	Latest Event
Driver Multi-Compartment S.A., acting for and on behalf of its Compartment fourteen	Class A Notes (XS1756364987)	Provisional Rating - Finalized	AAA (sf)	--	Mar 26, 2018
Driver Multi-Compartment S.A., acting for and on behalf of its Compartment fourteen	Class B Notes (XS1756365109)	Provisional Rating - Finalized	A (high) (sf)	--	Mar 26, 2018

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