S&P Global Ratings

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New Issue: DRIVER ESPANA SIX, FONDO DE TITULIZACION

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New Issue: DRIVER ESPANA SIX, FONDO DE TITULIZACION

Ratings Detail

Ratings Assigned

Class	Rating*	Amount (mil. €)	Available credit enhancement (%)§	Interest†	Legal final maturity
A	AAA (sf)	1,000.0	11.70	One-month EURIBOR plus 0.70%	Sept. 23, 2030
B	A+ (sf)	35.7	8.50	One-month EURIBOR plus 0.80%	Sept. 23, 2030
Subordinated loan	NR	41.3	4.80	1.21%	Sept. 23, 2030

*Our ratings address timely payment of interest and ultimate payment of principal on the class A and B notes. §Available credit enhancement includes the class B notes' subordination (for the class A notes only), a subordinated loan, overcollateralization, and a cash reserve. †Interest on the class A and B notes is subject to a floor of zero. NR--Not rated.

Transaction Summary

- S&P Global Ratings has assigned its credit ratings to DRIVER ESPANA SIX, FONDO DE TITULIZACION's asset-backed floating-rate class A and B notes. At closing, DRIVER ESPANA SIX also issued an unrated subordinated loan.
- Our ratings address timely payment of interest and ultimate payment of principal on the class A and B notes.
- This transaction's payment and capital structure mirror that of DRIVER ESPANA FIVE, FONDO DE TITULIZACION, which is the most recent transaction originated by Volkswagen Finance S.A., E.F.C. that we have rated (see "New Issue: DRIVER ESPANA FIVE, FONDO DE TITULIZACION," published on Feb. 28, 2018). Compared to the predecessor, in this transaction the role of the seller and servicer is performed by Volkswagen Bank GmbH, Spain Branch (VW Bank Spain). It is operationally the same entity as before, but it has been recently consolidated under Volkswagen Bank GmbH as part of a larger Volkswagen Group restructuring initiative.
- Volkswagen Group is one of the most active issuers in European auto securitization, using its DRIVER platform for auto loans and VCL platform for auto leases. Our ratings on the class A and B notes reflect our assessment of VW Bank Spain's good origination policies and servicing capabilities. There is no back-up servicer in place.
- The underlying collateral comprises auto loan receivables that VW Bank Spain granted to its retail and small-commercial customer base across Spain. While some of the loans in the pool have a balloon component, balloon installments are not be securitized. Only amortization payments are eligible. Hence the transaction is not exposed to residual value risk, in our opinion.
- The transaction is static and amortizes from day one. Collections are distributed monthly according to a combined payment waterfall. The transaction features a unique payment structure that switches between sequential and pro rata dependent on the actual overcollateralization levels as compared to their targets (and the latter are driven by the cumulative gross loss ratios).
- The assets pay a monthly fixed interest rate, and the rated notes pay one-month EURIBOR plus a margin, subject to

a floor of zero. To mitigate fixed-float interest rate risk, the rated notes benefit from a balance guaranteed interest rate swap.

- A notable feature of this transaction is that the loan receivables were purchased above par since the applicable discount rate is significantly lower than the weighted-average portfolio's contractual interest rate. The fixed discount rate is set to absorb the senior fees, fixed rate payable under the swap, and fixed interest on the subordinated loan. The transaction therefore has no excess spread.
- VW Bank Spain transferred credit rights to DRIVER ESPANA SIX. The customer bought the car from a dealer of the Volkswagen network and owns the car. VW Bank Spain granted them a loan to finance the car and pays the purchase price directly to the dealer. This contract replicates a rent contract mechanism, although VW Bank Spain does not own the financed vehicle. The contract is regulated by the Spanish rent-purchase law, so that the financial entity can obtain a retention of the car's title (known as "Reserva de Dominio"). This charge on the asset has to be recorded in a national and public register to be binding with respect to third parties and future transfers of the asset. The registration involves a cost that will be borne by the issuer.
- A fully funded cash reserve for the rated notes is in place, sized at 1.3% of the discounted balance of the receivables and amortizing subject to a floor. The cash reserve is primarily available to cover interest shortfalls for the notes but also to absorb losses at the end of the transaction's life.
- A combination of subordination, overcollateralization, and a cash reserve provides credit enhancement to the rated notes.
- Our ratings in this transaction are not constrained by our operational risk or structured finance ratings above the sovereign criteria.
- The counterparty risk of the issuer bank account provider and swap provider is mitigated in line with our criteria to support a 'AAA' rating. There is a cash advance mechanism affecting the transfer of cash collections from the servicer to the issuer account; however it does not fully mitigate commingling risk. We have assumed two weeks of commingling loss in the event of the servicer insolvency.
- The issuer is a Spanish special-purpose entity, which we consider to be bankruptcy remote. The legal opinion at closing provides assurance that the sale of the assets would survive the seller's insolvency.

The Credit Story

The Credit Story

Strengths	Concerns and mitigating factors
The payment structure aims to support or build up the overcollateralization available for each class of notes throughout the life of the deal by switching the payment mode from pro rata to sequential and vice versa, dependent on the asset performance. The actual evolution of cumulative gross losses compared to the given thresholds impacts the required level of overcollateralization. In our baseline scenario, the notes started amortizing sequentially from closing and may switch to pro rata if cumulative gross losses stay within the target. If the servicer becomes insolvent, the transaction will switch to fully sequential.	The payment structure is not fully sequential. Pro rata redemption of the class B notes would cause the available credit enhancement for the class A noteholders to reduce in absolute terms. Additionally, the cash reserve is amortizing, resulting in diminishing protection against principal losses for noteholders as the transaction nears maturity. There is no excess spread to absorb principal losses. We have stress-tested back-loaded curves in the cash flows to address these structural features, including the risk derived from pro rata amortization.

The Credit Story (cont.)

Strengths	Concerns and mitigating factors
The pool is static, meaning there is no replenishment period. In our baseline scenario, this causes credit enhancement to build up quickly. Additionally, the portfolio's quality cannot deteriorate through adverse replenishment.	The issuer purchased assets with a contractual interest rate above the discount rate above par (i.e., a purchase price of such loan is more than 100% of the loan's outstanding principal balance), which may result in losses from prepayments, as borrowers repay only the loan's par value. Additionally, the purchase above par mechanism leads to slightly higher loss severities when a loan defaults. While VW Bank Spain covenants that it would hold the issuer harmless against any prepayment losses, we do not believe that this mechanism mitigates the risk in 'AAA' and 'A+' rating scenarios. We have therefore factored in prepayment losses and increased loss severity accordingly in our cash flow model to account for their effect on the available credit enhancement.
As of the cut-off date, the portfolio did not contain any delinquent or defaulted contracts, and it is highly granular and well diversified across Spain.	The retention of title clause offers collateral protection to the lender in accordance with the Spanish law since the borrower cannot sell the financed vehicle without the lender's approval, and the lender would receive the car before other creditors if the borrower defaulted. To be enforceable against third-party creditors of a defaulted borrower, the clause has to be registered in the Chattels Register. Nearly 43% of the loan contracts in the pool have already been registered or are in process of registration at the expense of VW Bank Spain. In case of servicer termination, the management company will instruct the successor servicer to conduct the registration on behalf of DRIVER ESPANA SIX. As the cost related to registration will be borne by DRIVER ESPANA SIX, we sized them in our cash flow model. In our 'AAA' stress scenarios, we assumed that the entire pool will be registered, including those contracts that were not previously registered. In our 'A+' scenario, we assumed that the share of registered loans would increase from closing level in line with modeled delinquencies and defaults. This reflects the servicer's current registration practice as per the servicing standards.
In our view, VW Bank Spain is an experienced and established originator and servicer in the Spanish market. It is a leading participant in the European auto financing industry.	No back-up servicer was appointed at closing. In our view, this risk is mitigated by the cash reserve available to cover timely interest on the rated notes.
The pool contains no balloon installments; hence there is no indirect exposure to residual value risk.	In contrast to its predecessor, this transaction is exposed to a deposit setoff risk as the servicer is a deposit-taking institution. Borrowers holding deposits with the seller were filtered out by the eligibility criteria at closing. Additionally, the seller will fund a dedicated deposit setoff reserve upon its downgrade, which will thereby fully cover this risk after closing. The other sources of setoff risk are either not present or negligible, in our view.

Asset Description

As of the cut-off date, the collateral pool comprised 103,919 loans, with a total current principal balance of €1,116.103 million.

The entire portfolio comprises loan receivables granted to Spanish individuals and small-commercial clients for the purchase of new and used vehicles.

Collateral Key Features

Table 1

Collateral Key Features*

Pool Characteristics	DRIVER ESPANA SIX, FONDO DE TITULIZACION	DRIVER ESPANA FIVE, FONDO DE TITULIZACION	DRIVER ESPANA THREE, FONDO DE TITULIZACION
Originator	Volkswagen Bank GmbH, Spain Branch	Volkswagen Finance S.A., E.F.C.	Volkswagen Finance S.A., E.F.C.
Country	Spain	Spain	Spain

Table 1

Collateral Key Features* (cont.)

Pool Characteristics	DRIVER ESPANA SIX, FONDO DE TITULIZACION	DRIVER ESPANA FIVE, FONDO DE TITULIZACION	DRIVER ESPANA THREE, FONDO DE TITULIZACION
Pool cut-off date	January 2020	February 2018	January 2016
Discounted outstanding principal balance of the pool (mil. €)	1,116.1	1,000.0	1,000.0
Discount rate (%)	1.3493	1.425	1.970
Average remaining discounted loan principal balance (€)	10,740	11,585	9,270
Weighted-average life (months)	24	22	20
Weighted-average original term (months)	61	58	56
Weighted-average seasoning (months)	15.2	10.0	13.4
Weighted-average remaining term (months)	46.0	48.0	42.8
Weighted-average yield (%)	10.25	10.18	9.98
Top 3 geographic concentration			
First (%)	Catalonia (20.6)	Catalonia (20.3)	Catalonia (20.1)
Second (%)	Andalucia (17.4)	Andalucia (17.2)	Andalucia (17.2)
Third (%)	Madrid (14.2)	Madrid (16.1)	Madrid (16.8)
Top 3 vehicle make			
First (%)	Seat (41.9)	Seat (36.6)	Volkswagen (37.0)
Second (%)	Volkswagen (31.9)	Volkswagen (33.4)	Seat (32.8)
Third (%)	Audi (16.4)	Audi (20.6)	Audi (21.5)
Loan type (%)			
Amortizing	87.8	91.1	92.2
Balloon	12.2	8.9	7.8
Vehicle type (%)			
New	78.7	82.4	82.8
Used	21.3	17.6	17.2
Customer type (%)			
Private	84.7	83.9	83.5
Commercial and freelance	15.3	16.1	16.5
Affected contracts (volume percentage) with EA 189 EU5 engines	0.004	0.77	N.A.
Largest borrower (%)	0.006	0.010	0.010
Top 20 borrowers (%)	0.10	0.06	0.13

*Calculations are according to S&P Global Ratings' methodology and based on the outstanding discounted principal balance. N.A.--Not available.

Eligibility Criteria

The transaction documents set out certain eligibility criteria for the loan receivables, some of which are highlighted below:

- The loans constitute legally valid, binding, and enforceable agreements.
- The borrowers are corporate entities with a registered office in Spain or, if they are individuals, have their place of residence in Spain.
- The loans were granted according to the regular market practice for the acquisition of motor vehicles, and have been serviced by the seller since origination.
- The loans are denominated in euros, governed by Spanish law, payable in monthly installments of interest and principal, and the applicable interest rate is fixed.
- The loans are up-to-date in payments (i.e., there are no overdue amounts), and none of the loans has been terminated or written off.
- At least four installments have been paid on the loans.
- The loans have the maximum original term of 96 months and at least three monthly installments remaining until maturity.
- The loans are not impaired by setoff rights or due to warranty claim or any other rights of the borrowers.
- None of the borrowers is an employee of the seller, or an affiliate of Volkswagen AG.

Origination

VW Bank Spain is an established originator of auto loans in the Spanish market. It offers financing through the car dealership network. Credit decision-making is centralized and includes multiple stages such as credit scoring, data verification, and if required, manual approval.

Overall, VW Bank Spain's risk management falls in line with VW Bank Group's general risk policy, with specific corrections needed to meet the legal and regulatory requirements of Spain.

Servicing

All monthly payments are made by direct debit. Overdue accounts are categorized by the length of delinquency, which then determines the contact frequency and cure approach taken.

We believe that VW Bank Spain's origination, underwriting, servicing, and risk management policies and procedures are in line with market standards and are adequate to support the ratings assigned. Our operational risk criteria focus on key transaction parties (KTPs) and the potential effect of a disruption in the KTP's services on the issuer's cash flows, as well as the ease with which the KTP could be replaced if needed. Based on our view of the servicer's capabilities and the characteristics of the underlying receivables, we believe that the severity risk and portability risk following a disruption to the servicer are both low. Consequently, our operational risk criteria do not constrain the maximum potential rating assignable to the transaction.

The transaction does not have a named back-up servicer at closing, but the servicer may be replaced following certain termination events, which include the insolvency of the servicer. We rely on the general availability of servicing in the Spanish market to mitigate the risk of servicing disruption and have applied a stressed servicing fee in our cash flow analysis, in line with market standards. Furthermore, the cash reserve provides coverage to ensure timely payment of note interest to mitigate servicer disruption risk.

Credit Analysis And Assumptions

In line with the transaction's eligibility criteria, we analyzed historical performance data at the subpool level based on the breakdown by credit product (auto credit and classic credit) and car type (new and used). We received monthly and quarterly static gross loss data from first-quarter 2005 to third-quarter 2019. We derived recovery data per defaulted cohorts from gross versus net loss data available to us.

We examined gross credit loss data and recoveries by applying our European auto ABS criteria.

Macroeconomic And Sector Outlook

We expect economic growth rates in Spain to slow, but remain above the eurozone average over the next three years, including in real GDP per capita growth terms (see "Related Research"). The Spanish economy is, in our view, better positioned to withstand external risks, such as a no-deal Brexit or a slowdown in eurozone growth. Our credit assumptions reflect this outlook.

Table 2

Macroeconomic Outlook

	2018	2019e	2020f	2021f	2022f
Real GDP (y/y growth, %)	2.4	2.0	1.7	1.6	1.6
Unemployment rate (annual average, %)	15.3	14.0	13.2	12.8	12.3
CPI (%)	1.7	0.9	1.2	1.5	1.6

Sources: National statistics offices, OECD, Eurostat, Bank of England, European Central Bank, S&P Global Ratings. CPI--Consumer price index. f--Forecast. e--Estimate.

Defaults

A loan is considered defaulted in the transaction if it has more than eight overdue monthly installments, unless the servicer declares it defaulted earlier. The amount of time to constitute a default under this transaction's default definition is consistent with the market practice in Spain.

Gross Defaults

Charts 1 shows yearly averages of quarterly static cumulative gross defaults for the entire pool based on the current weight of four sub products (classic credit new vehicles, classic credit used vehicles, auto credit new vehicles, and auto credit used vehicles).

Chart 1

Annualized Cumulative Gross Losses

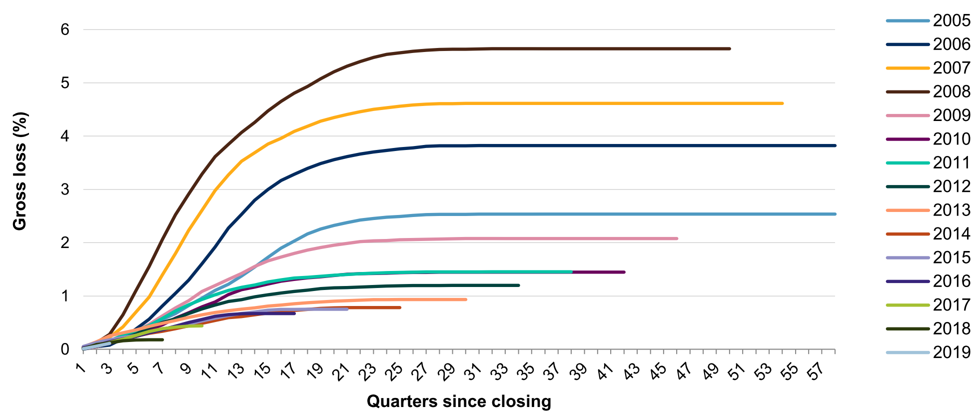
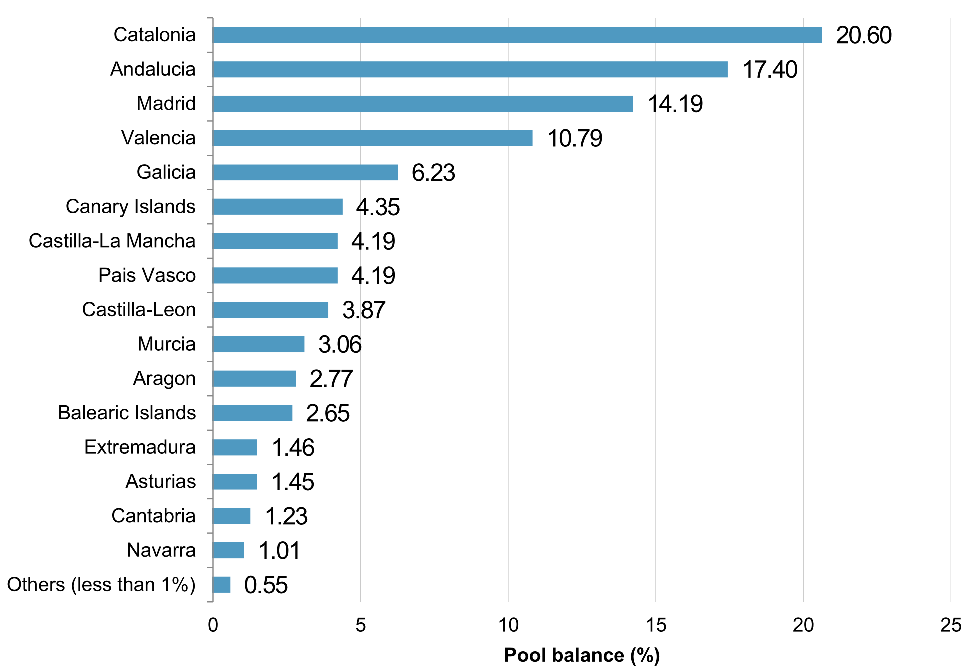


Chart 2 demonstrates the geographic distribution of the collateral across Spain.

Chart 2

Geographic Distribution



The historical data cover the worst part of the economic cycle, showing how the loans are performing in that situation. Starting from 2010, vintage curves demonstrate a lower level of cumulative gross losses compared to older cohorts.

Based on the pool composition, we expect to see 1.83% of gross losses as our base case. This reflects performance trends in the historical data provided, our expectation that macroeconomic growth in Spain will stay strong and unemployment will keep declining, our view of portfolio quality, and our analysis of the originator's underwriting and servicing standards. Compared to DRIVER ESPANA FIVE, we have lowered our gross loss base-case assumption on auto credit new car product and classic credit used car product, resulting in a lower pool-wide base-case gross loss despite a comparable pool composition. Compared to the predecessor transaction, we have increased the credit multiple to 4.8x at 'AAA' to reflect a wider gap between today's economic environment of Spain and macroeconomic conditions commensurate with a 'AAA' stress. On a positive side, we accounted for the originator's experience and good data quality.

Recoveries and recovery timing

We have not received recovery data on the originator's loan book. We have derived our recovery rate assumption on the comparison between the gross loss data and the net loss data and the recovery information received. Additionally, we analyzed the recovery information for the previous securitizations by the same originator. The uniform recovery rate base assumption is 35.0%, in line with DRIVER ESPANA FIVE.

Since the pool was purchased above par, this reduces the applicable recovery rate to 29.7% if measured against the principal balance of the loan contracts, and this is the assumption we apply in our cash flow model for all rating levels.

We have also tested the cash flow results sensitivity to lower recovery assumptions that address the risk of not loan contracts having the reservation of title being registered at closing. DRIVER ESPANA deals are not exposed to balloon loans; therefore the residual risk is not present.

We have set our base-case assumptions with a recovery period of 24 months. Under our assumptions, no recoveries will be realized under the first 24 months.

Cumulative Gross Loss And Recovery Assumptions

Table 3

Cumulative Base Case Gross Loss And Recovery Assumptions (%)

Segment	Percentage of portfolio	Base case gross loss	Stressed recovery assumption
Auto credit new car contracts	11.88	1.6	29.7
Auto credit used car contracts	0.29	2.5	29.7
Classic credit new car contracts	66.79	1.5	29.7
Classic credit used car contracts	21.04	3.0	29.7
Total	100.00	1.83	29.7

Credit Assumptions Summary

Table 4

Credit Assumptions Summary					
Rating Level	**Base case gross loss (%)**	**Stress multiple**	**Stressed gross loss (%)**	**Stressed recovery rate (%)**	**Stressed cumulative net losses (%)**
AAA	1.83	4.8	8.78	29.4	6.2
A+	1.83	3.3	6.04	29.4	4.3

Peer Comparison At 'AAA'

Table 5

'AAA' Comparison			
Rating Level	**DRIVER ESPANA SIX, FONDO DE TITULIZACION**	**DRIVER ESPANA FIVE, FONDO DE TITULIZACION**	**DRIVER ESPANA THREE, FONDO DE TITULIZACION**
Stressed gross loss (%)	8.78	9.10	13.01
Stressed recovery rate (%)	29.41	29.58	26.24
Stressed combined cumulative net loss (%)	6.2	6.4	9.59

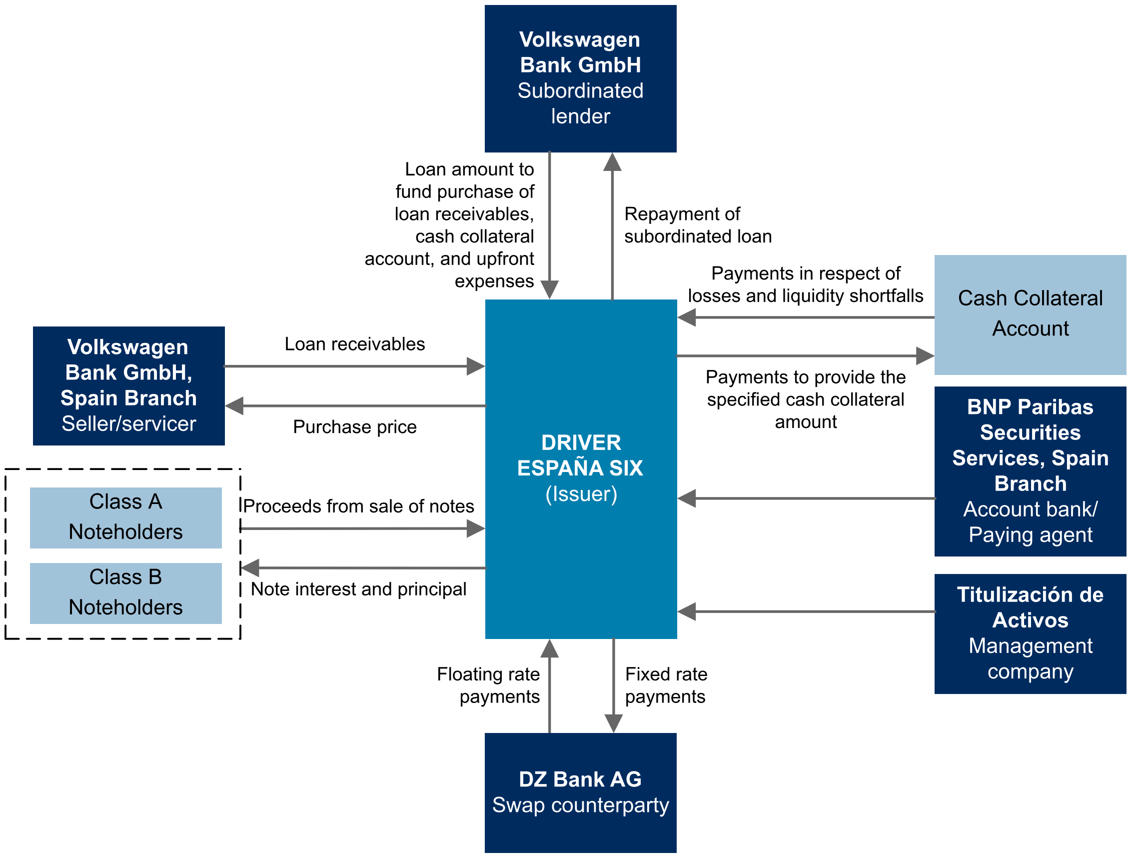
Transaction Structure

At closing, DRIVER ESPANA SIX purchased the auto loan portfolio (see chart 1). The loan receivables were discounted at a fixed discount rate of interest equal to 1.349%, so that the effective interest available to the issuer are reduced, leaving no excess spread in the transaction. Therefore, interest receipts are equal to the sum of:

- The weighted-average interest due to the swap counterparty under the terms of the swap on the class A and B notes;
- The fixed interest due under the subordinated loan; and
- The administrative expenses and a servicing fee.

Chart 3

DRIVER ESPAÑA SIX Transaction Structure



Cash Flow Mechanics

The transaction has a combined interest and principal waterfall. On each interest payment date (IPD), class A interest will be paid before class B interest. However, class A noteholders only receive principal after interest is paid to the class B noteholders. Amounts in the priority of interest and principal payments for the class A and B notes include taxes payable by the issuer, servicing and administrative expenses, and payments to the swap counterparty. The first IPD is on March 23, 2020. The legal final maturity of the notes is on Sept. 23, 2030.

Priority of payments

On any monthly interest payment date, the issuer allocates all available cash collections--as well as withdrawals from the cash reserve, net swap receipts, and any other available amounts--according to the simplified priorities of payment shown in table 6.

Table 6

Priority Of Payments
Senior fees, including payments for administration cost and expenses, trustee fees, and servicer fees.
Payments to the swap counterparty (except termination payments if the swap counterparty is the defaulting party or downgraded below threshold).
Class A interest.
Class B interest.
Cash reserve top-up (only if drawn upon previously).
Class A notes' principal (sequential or pro rata).
Class B notes' principal (sequential or pro rata).
Payments to the swap counterparty not paid above.
Interest on the subordinated loan.
Principal on the subordinated loan.
All remaining amounts back to VW Bank Spain through a financial intermediation margin.

The transaction starts paying sequential. As soon as overcollateralization has reached 21.0% (plus 10.06% compared with the closing level) for the class A notes, and 14.5% (plus 7.3% compared with the closing level) for the class B notes, the issuer pays principal payments received pro rata to the class A and B noteholders. The percentage of overcollateralization for the class A and B notes remains constant for as long as the portfolio's performance stays within the predetermined boundaries: if the cumulative gross loss ratio exceeds 1.0% on any payment date up to the one corresponding to month May 2021 (included) or 2.50% for any payment date after the one corresponding to month May 2021 but prior to the one corresponding to February 2022 (inclusive), the issuer repays the notes sequentially until overcollateralization reaches 25.0% for the class A notes, and 18.0% for the class B notes.

If at any time the cumulative gross loss ratio exceeds 5.0%, or in the case of a servicer insolvency event (each a credit enhancement increase condition), amortization permanently switches to sequential repayment.

Table 7 describes the initial overcollateralization levels and target overcollateralization levels.

Table 7

Overcollateralization Levels

	Actual overcollateralization (%)	**Target overcollateralization levels (%)**		
Class	At closing	After closing	If gross loss triggers are breach	Credit enhancement increase condition in effect
A	11,2	21	25	100
B	8,6	14,5	18	100

The transaction has no excess spread.

Cash reserve

The issuer deposited 1.3% of the initial discounted asset balance as a general cash reserve at closing. Amounts deposited in the general cash reserve account would be available to mitigate any liquidity shortfalls in the payment of senior costs and expenses, and interest on the class A and B notes. As soon as the aggregate discounted receivables balance has been reduced to zero or on the scheduled final maturity date, the issuer can also use the cash reserve to redeem the class A and B notes. The cash reserve amortizes at 1.3% of the outstanding discounted asset balance, subject to a floor, which is the lesser of (i) €12,275,000 and (ii) the class A and B notes' outstanding amount. The amounts that are released from the reserve are paid directly to the subordinated loan, provided that no credit enhancement increase condition is in effect and that the servicer is solvent. If these conditions are not satisfied (a credit enhancement increase condition has occurred or the servicer is insolvent), the released amount is deposited back into the cash reserve account and can be used in the next payment dates.

Swap/hedging

The receivables are fixed rate, while the class A and B notes are floating rate. To hedge interest rate risk, the issuer entered into two balance guaranteed swaps with DZ BANK AG at closing, where the notional amount is equal to the outstanding balance of the class A and B notes, respectively. The swap documentation is in line with our counterparty criteria to support 'AAA' ratings.

Under the swap agreement, the issuer pays the counterparty a fixed rate of interest. In exchange, the swap counterparty pays to the issuer a floating interest rate equal to the contractual interest on the class A and B notes. As the notes' coupon is floored to zero, the floating leg of the swaps is also floored at zero. Therefore, the issuer would not be exposed to additional costs if the absolute negative value of one-month EURIBOR is greater than the note margins. The swap makes the effective cost of funds on the rated notes' fixed-rate obligations of the issuer.

Clean-up call

DRIVER ESPANA SIX can exercise a clean-up call option as soon as the discounted principal balance of the receivables is below 10% of the discounted principal balance at closing. If exercised, the repurchase price must be sufficient to cover the principal outstanding on the rated notes, plus all accrued interest.

Mitigation Of Seller Risks

Commingling risk

Borrower collections are paid by direct debit into the servicer collection bank account. These collections are not heavily concentrated on any specific monthly day, and all are received via direct debit. Transfers from the servicer collection bank account provider into the issuer distribution account occur bi-monthly. If the credit rating on the servicer is lowered below 'BBB' then within 14 calendar days the servicer will start making cash advances to the issuer distribution amount covering the forthcoming two-and-a-half week period. If the servicer is terminated (including for the reason of servicer insolvency), the management company will notify the borrowers to redirect collections and to pay collections directly to the fund.

Taking into account the notification period and the cash advance mechanism in place, which is triggered upon a downgrade of the servicer, we sized commingling risk as a loss of two weeks' collections assuming a default and prepayment rate of zero, and we stressed it our cash flow analysis.

The transaction does not have a back-up servicer appointed at closing, but the servicer may be replaced following certain termination events, including insolvency of the servicer.

We believe that the size of the cash reserve would be sufficient to ensure that the timely payment of interest would continue on the rated classes until obligors are notified to redirect their payments to the issuer.

Setoff risk

In general, if the servicer becomes insolvent, setoff risk may arise. This is because obligors can set off their loan installments against:

- Their salary (employee setoff);
- Insurance obligations (if the insurance provider becomes insolvent);
- Maintenance and servicing obligations (if the maintenance or service provider becomes insolvent); or
- Their deposits (deposit setoff).

According to the eligibility criteria, none of the borrowers is an employee of the seller or an affiliate of Volkswagen AG. Additionally, the loan contracts are free of claims for compensation against the seller and free of rights of third parties. We therefore do not expect any employee, maintenance, or servicing setoff risk to arise.

Except for motor car insurance, other insurance contracts are provided by companies not related to the seller. Since the seller itself is not an insurance company and there are no reciprocal obligations between the seller and the borrowers under the insurance contracts, the insurance-related setoff claims by the borrowers are not recognized by Spanish law. Therefore the insurance setoff risk in this transaction is negligible, in our view.

The seller has recently become a deposit-taking institution. Despite a very limited current exposure, the transaction is thereby exposed to a deposit setoff risk. It is structurally mitigated by the obligation by the seller, upon the loss of a 'BBB' credit rating, to fund a deposit setoff reserve covering the lesser of the borrowers' deposits and their discounted loan receivables balances. The exposure will be monitored on a monthly basis and disclosed in the investor reports. At closing, borrowers already holding deposits with the seller were filtered out by the eligibility criteria. We therefore deem the setoff risk arising from the borrowers' deposits fully structurally mitigated.

Retention of title over the vehicles

The issuer does not have any rights over the vehicles themselves; it only has rights in connection with their sale proceeds. The retention of title clause offers collateral protection to the lender in accordance with the Spanish law since the borrower cannot sell the financed vehicle without the lender's approval, and the lender would receive the car before other creditors if the borrower defaulted. To be enforceable against third-party creditors of a defaulted borrower, the clause has to be registered in the Chattels Register. Nearly 43% of the loan contracts in the pool have already been registered or are in process of registration at the expense of VW Bank Spain. The remaining 57% of the loan contracts in the pool did not benefit from the registered reservation of title at closing.

In case of servicer termination, the management company will instruct the successor servicer to conduct the registration on behalf of DRIVER ESPANA SIX of those loan contracts that have been previously registered. The costs related to registration will be borne by DRIVER ESPANA SIX.

In our stress scenarios, we assumed that the servicer or a successor servicer would tend to register those contracts that are currently unregistered, should the macroeconomic conditions deteriorate. This would serve to enhance the lender's rights belonging to DRIVER ESPANA SIX. We have stressed the registration costs related to the entire underlying pool in our cash flow model in our 'AAA' rating scenario. In our 'A+' scenario, we assumed that the share of registered loans would increase from that at closing in line with modeled delinquencies and defaults. This reflects the servicer's current registration practice as per the servicing standards.

We have also tested the cash flow results' sensitivity to lower recovery assumptions that address the risk of loan contracts not having the reservation of title registered at closing.

Cash Flow Assumptions

Table 8

Cash Flow Assumptions

Scenario	AAA	A+
Cumulative gross loss (%)	8.78	6.04
Recession start	Closing	Closing
Length of recession	WAL (24 months)	WAL (24 months)
Cumulative gross loss curve (HT and VT)	Evenly or increasingly distributed over WAL	Evenly or increasingly distributed over WAL
Delinquency	Two-thirds of credit losses recovered six months later	Two-thirds of credit losses recovered six months later
Recoveries (%)	29.7	29.7
Recovery lag (months)	24	24
Stressed servicing fees (%)	1.0	1.0
Fixed fees (€)	285,000	285,000
Replacement bank cost (€)	90,000	90,000
Registration fees	7,274,330	4,000,000
CPR high (%)	20	20
CPR low (%)	0.5	0.5
Interest up*	From current to 12% with 2% monthly increase	From current to 12% with 2% monthly increase
Interest down	From current to 0% with 2% monthly decrease	From current to 0% with 2% monthly decrease
Interest flat	At current level	At current level
Collateral interest (%)	1.349	1.349
Prepayment loss	15.15% of prepaid amounts are assumed to be lost over 24 months	15.15% of prepaid amounts are assumed to be lost over 24 months
Commingling stress	Loss, 0.5 months	Loss, 0.5 months

WAL--Weighted average life. WAC--Weighted average coupon. CPR--Constant prepayment rate.

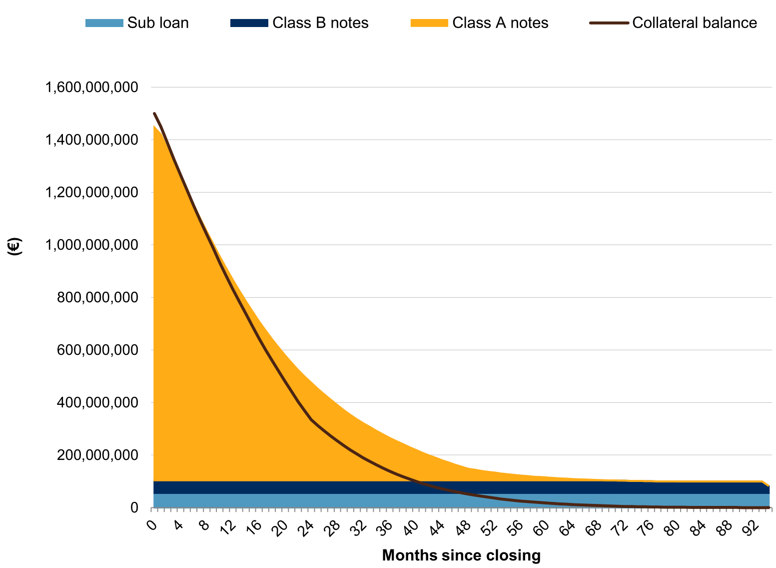
We have tested the classes' ability to pay timely interest and ultimate principal on the class A and B notes under the above stress assumption through our proprietary cash flow model. Our analysis indicates that the available credit enhancement for the class A and B notes is sufficient to withstand the credit and cash flow stresses that we apply at the 'AAA' and 'A+' rating levels, respectively.

Our ratings address both the availability of funds for the full payment of interest and principal, and the timeliness of these payments in accordance with the terms of the rated securities. Based on the assumptions discussed above, the scenarios with high prepayment, slow default curve, and interest down proved to be more stressful, mostly because it results in a higher prepayment loss stress.

Chart 4 shows the collateral and the note amortization profile under our most stressful 'AAA' scenario.

Chart 4

Collateral And Note Balances
In The 'AAA' Most Stressful Scenario



Counterparty Risk

The remedies for the issuer's account bank provider, servicer, and swap counterparty adequately mitigate the transaction's exposure to counterparty risk in line with our criteria.

Table 9

Supporting Ratings

Institution/role	Current rating	Replacement trigger	Collateral posting trigger	Maximum supported rating
BNP Paribas Securities Services, Spain Branch as bank account provider	ICR: A+	A	N/A	AAA
Volkswagen Bank GmbH, Spain Branch as servicer	ICR: A-*	BBB	N/A	AAA
DZ BANK AG Deutsche Zentral-Genossenschaftbank	ICR: AA-	A-	A-	AAA

*The rating on the Spain Branch of Volkswagen Bank GmbH is derived from its parent entity in accordance with our bank branch criteria. N/A--Not applicable. ICR--Issuer Credit Rating. RCR--Resolution Counterparty Rating.

Eligible Investments

The issuer does not invest funds sitting in the bank accounts in eligible investments.

Sovereign Risk

Our long-term unsolicited credit rating on Spain is 'A'. We treat the transaction sensitivity to a sovereign default stress as low due to the nature of the underlying assets and robustness of the transaction structure. Therefore, our sovereign risk criteria enable the notes to achieve a 'AAA' maximum potential rating subject to passing the relevant cash flow stresses. Both the class A and B notes pass the applicable stresses and therefore can achieve 'AAA' and 'A+' ratings, which are higher than that on the sovereign.

Scenario Analysis

We analyzed the effect of a moderate stress on the credit variables and its ultimate effect on our ratings on the notes. We ran two stress scenarios to demonstrate the rating transition of a note (see table 10).

Table 10

Scenario Stress Analysis Results

Class	Initial rating	Scenario 1 stress test rating	Scenario 2 stress test rating
A	AAA (sf)	AAA (sf)	AA+ (sf)
B	A+ (sf)	AA- (sf)	A- (sf)

The results of the above scenarios are in in line with our credit stability criteria. The scenario 1 stress test output for the class B notes is higher than the initial rating due to lower credit multiples we typically apply in stress testing.

Monitoring And Surveillance

We assess at least quarterly the underlying portfolio's performance, including defaults and delinquencies.

Additionally, we also assess at least annually:

- The supporting ratings;
- The servicer's operations and its ability to maintain minimum servicing standards; and
- Whether the then-available credit enhancement for each class of notes is sufficient to withstand losses that are commensurate with the current ratings assigned.

APPENDIX

Transaction participants

Transaction Participants

Issuer	DRIVER ESPANA SIX, FONDO DE TITULIZACION
Originator	Volkswagen Bank GmbH, Spain Branch
Seller	Volkswagen Bank GmbH, Spain Branch
Servicer	Volkswagen Bank GmbH, Spain Branch

Transaction Participants (cont.)	
Subordinated loan provider	Volkswagen Bank GmbH
Swap counterparty	DZ BANK AG Deutsche Zentral-Genossenschaftbank
Bank account provider	BNP Paribas Securities Services, Spain Branch
Arranger	ING Bank N.V.
Management company	Titulizacion De Activos, S.G.F.T., S.A.
Paying agent	BNP Paribas Securities Services, Spain Branch

Related Criteria

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- Criteria | Structured Finance | General: Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions, Jan. 30, 2019
- Legal Criteria: Structured Finance: Asset Isolation And Special-Purpose Entity Methodology, March 29, 2017
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- Criteria | Structured Finance | ABS: Global Methodology And Assumptions For Assessing The Credit Quality Of Securitized Consumer Receivables, Oct. 9, 2014
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- General Criteria: Methodology: Credit Stability Criteria, May 3, 2010
- Criteria | Structured Finance | General: Methodology For Servicer Risk Assessment, May 28, 2009

Related Research

- European Developed Sovereign Rating Trends 2020, Jan. 29, 2020
- European Auto ABS Index Report Q3 2019, Nov. 28, 2019
- Spain Ratings Raised To 'A/A-1' From 'A-/A-2' On Economic Resilience; Outlook Stable, Sept. 20, 2019
- New Issue: DRIVER ESPANA FIVE, FONDO DE TITULIZACION, Feb. 28, 2018

- 2017 EMEA ABS Scenario And Sensitivity Analysis, July 6, 2017
- European Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016
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