

Driver Belgium Master SA – Compartment 1



Capital Structure

Class	Rating	Outlook	Amount (EURm) ^a	CE (%) ^b	Interest Rate (%)	Legal Final Maturity
A	AAAsf	Stable	481.00	10.5	1m Euribor + 0.65	Dec 2032
B	AA-sf	Stable	21.25	6.5	1m Euribor + 1.45	Dec 2032
Sub-loan	NRsf	n.a.	24.99	0.0	1m Euribor + 2.57	Dec 2032
Total (excl. OC)			527.24			

^aThis is the current issuance amount. Notes can be issued up to a maximum programme amount of EUR1bn. The respective current series' volumes are shown later in this report.

^bCredit enhancement (CE) includes overcollateralisation (OC, 9.25% for class A and 5.2% for class B) and the non-amortising cash reserve of 1.3% of the initial outstanding portfolio.

Driver Belgium Master SA - Compartment 1 (Driver Belgium) is a one-year revolving securitisation of auto loan receivables granted to Belgian individuals by Volkswagen D'leteren Finance SA (VDFin). VDFin is a joint venture (JV) between D'leteren Group and Volkswagen Financial Services AG (VWFS). The transaction is Fitch's first rated Belgian Auto ABS.

Key Rating Drivers

Default Expectations Reflect Macroeconomic Risks: Fitch Ratings has set separate default base cases of 1.5% and 4.5% for the transaction's new car and used car sub-pools. The base cases are set above more recent vintages which we consider positively skewed by state support measures during the pandemic. But they are below the worst performing vintage of the observed time horizon which featured higher unemployment rates than we are expecting over the next two years.

The agency's base case setting reflects the weaker macroeconomic outlook for Belgium, and our expectation of moderate performance deterioration, as rising inflation impairs the ability of lower income obligors to service debt. We applied a default multiple of 6x at 'AAAsf'.

Assumptions Capture Revolving Risks: The agency has captured a potential migration towards weaker performing borrowers during the one-year revolving period by maxing out the 20% used car loan share limit, yielding a weighted average (WA) base-case defaults of 2.1%. The performance triggers to end the revolving period early are loose compared with the provided historical data. Fitch has assumed cumulative defaults of 0.5% from the start of its modelling.

Sensitivity to Pro Rata Period: The transaction has a pro rata allocation mechanism if certain target OC conditions are fulfilled and performance triggers are not breached. Fitch finds that the length of the pro rata period and therefore the outflow of funds to junior positions in the waterfall is driven by the cumulative default ratio. Back-loaded defaults would cause most stress for the transaction given a prolonged outflow of such funds.

Liquidity and Seller-Related Risks Addressed: A cash reserve is available to cover at least three months of senior fees, swap and notes' interest payments as calculated by Fitch and shields the transaction from payment interruptions. Commingling risk is reduced by a cash advance mechanism upon the seller losing eligibility in line with Fitch's counterparty criteria. We consider the servicer replacement procedures to be adequate but slightly weaker than in peer transactions given the missing facilitator.

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Closing occurred on 25 November 2022. The transfer of the portfolio to the issuer occurred on 25 November 2022. The ratings assigned above are based on the portfolio information, as of 31 October 2022, provided by the originator.

Ratings are not a recommendation to buy, sell or hold any security. The prospectus and other material should be reviewed prior to any purchase.

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Highlights

Highlights

Effect	Highlight
	<p>First-Time Issuance of Belgian Auto Loans from Well-Known Programme: The transaction is the first securitisation of VDFin – a JV between D'Ieteren Group, a family-run business mainly engaged in automobile distribution and VWFS – and Fitch's first rating of a Belgian auto transaction. However, VWFS is one of the most active players in the European auto ABS market. The key structural features and the main asset characteristics are largely comparable with transactions from other jurisdictions under VW's Driver Programme.</p>
Neutral	<p>Since the Belgian car market features one of the lowest used-to-new car ratios in Europe, the used car share is smaller (at 9%) compared with other European captives' loan portfolios. However, VDFin considers the used car market as a key growth driver in the short-to-medium term due to the lack of new car supply. In line with European-wide trends, the majority of loans feature a balloon payment at the end of the term. The borrower has the option to return the vehicle, but remains liable to pay the balloon amount (see Asset Analysis and Appendix 1: Origination and Servicing for more details).</p>
+	<p>Discount Mechanism Creates Excess Spread: The rise in swap rates and higher funding costs in European ABS have led to materially lower or even negative excess spread in many European transaction. In Driver Belgium however, all loans are purchased at a single discount rate of 6.7% which is above the WA nominal interest rate of the portfolio.</p> <p>In a base case scenario, interest income in excess of the liabilities' costs will flow back to the seller. However, in the event of significant performance deterioration and so-called credit enhancement increase conditions (see Transaction Structure) being met, the full discount rate is made available to the transaction generating about 2.2pp p.a. of additional interest revenues.</p> <p>Fitch considers this mechanism credit positive in the light of a slower repricing of assets compared to liabilities.</p>
Neutral	<p>Minimum CE Levels Modelled to Account for Further Issuances & Loose Triggers: Under Driver Belgium, different series of class A and B notes are issued. During the revolving period, the issuer can issue further series of notes for new investors or increase an outstanding series' size, providing maximum commitment amounts are respected, and rating agency confirmation of unchanged ratings, has been received.</p> <p>Further series or increased outstanding series are used to finance the purchase of additional receivables from VDFin. The cash reserve will also be funded with 1.35% of the newly issued notes' balance. Minimum OC levels of 9% for class A and 5% for class B have to be preserved. This is expected to reduce overall CE level as the actual CE prior to such issuance is higher than the CE implied from such tap issuance. Fitch has therefore modelled the minimum CE structure in its cash flow analysis to account for such potential reductions in CE levels at the time of further issuances and for the loose early amortisation triggers.</p>
+	<p>Revolving Period Extension Triggers Full Rating Review: The revolving period may be extended by one year, subject to investor consent. In case the investors of individual series opt for a renewal after the one-year revolving period, the transaction documentation foresees that Fitch issues a rating confirmation. Fitch considers this process to be positive with regard to the adequacy of its ratings as it allows the agency to conduct a full rating process based on the same set of data as for a new deal process.</p>

Source: Fitch Ratings

Key Rating Driver
(Negative/Positive/Neutral)

Rating Impact	Key Rating Driver
Negative	Default Expectations Reflect Macroeconomic Risks
Negative	Assumptions Capture Revolving Risks
Negative	Sensitivity to Pro Rata Period
Positive	Liquidity and Seller-Related Risks Addressed

Source: Fitch Ratings

Applicable Criteria

- Global Structured Finance Rating Criteria (October 2021)
- Consumer ABS Rating Criteria (August 2022)
- Structured Finance and Covered Bonds Counterparty Rating Criteria (July 2022)
- Structured Finance and Covered Bonds Counterparty Rating Criteria: Derivative Addendum (August 2022)
- Structured Finance and Covered Bonds Interest Rate Stresses Rating Criteria (September 2021)

Related Research

- Global Economic Outlook (September 2022)
- Interest, Rate Rises and Stagflation Risks Drive Deterioration in Sector Outlooks (June 2022)
- Higher Fixed-Floating Swap Rates Reduce Excess Spread in New ABS Deals (May 2022)
- What Global Stagflation Would Mean for Structured Finance and Covered Bond Ratings (April 2022)
- War in Ukraine Adds to European SF, CVB Asset Performance Risks (March 2022)

Appendices

- Representations, Warranties and Enforcement Mechanisms Appendix

Key Transaction Parties

Key Transaction Parties

Role	Name	Fitch Rating
Issuer	Driver Belgium Master SA - Compartment 1	Not rated
Originator, seller, servicer, subordinated lender	Volkswagen D'leteren Finance SA	Not rated
Account bank	Citibank Europe Public Limited Company - Belgium Branch	A+/Stable/F1
Interest rate swap provider	DZ BANK AG Deutsche Zentral- Genossenschaftsbank	AA-/Stable/ F1+/AA(dcr)
Security agent	Stichting Security Agent Driver Belgium Master	Not rated
Corporate services provider	TMF Belgium NV	Not rated
Cash administrator, calculation agent, interest determination agent, principal paying agent	Citibank Europe Public Limited Company	A+/Stable/F1
Lead manager	ING Bank N.V.	AA-/Stable/F1+

Source: Fitch Ratings, Driver Belgium Master SA - Compartment 1

Transaction Comparisons

We chose as comparators peer portfolios from other VW entities in Europe as well as other captives from Germany and France, rated by Fitch. Given the lack of Belgian peer transactions, we consider these the best comparables to the portfolio of Driver Belgium.

There is some heterogeneity with regard to borrower characteristics, as shown below.

Transaction Comparison

	Driver Belgium Master SA – Compartment 1	Driver Master Compartment 1 S.A. (now withdrawn) ^a	Bavarian Sky S.A., Compartment German Auto Loans 11	Auto ABS French Loans Master ^a	VCL Master Netherlands B.V. (now withdrawn) ^a
Country of assets	Belgium	Germany	Germany	France	The Netherlands
Closing date	November 2022	July 2015	May 2022	December 2012	November 2016
Seller	Volkswagen D'leteren Finance SA	Volkswagen Bank GmbH	BMW Bank GmbH	Credipar, a subsidiary of PSA Banque France	Volkswagen Pon Financial Services B.V.
Issuance volume (EURm)	502.3	227.2	828.7	1625.5	694.6
Class	Class A	Class A	Class A	Class A	Class A
Rating	AAAsf	AAAsf	AAAsf	AAsf	AAAsf
Amount (EURm)	481.0	216.7	750.0	1,500.1	626.2
Credit enhancement (%)	10.5 ^b	15.3	10.1	9.1 ^c	32.0
Class	Class B	Class B	Class B	Class B	Class B
Rating	AA-sf	A+sf	NRsf	NRsf	AA-sf ^d
Amount (EURm)	21.3	10.5	78.7	125.4	68.4
Credit enhancement (%)	6.5 ^b	11.1	0.6	1.4 ^c	24.5
Portfolio summary					
Total principal amount (EURm)	530.0	248.1	828.7	1625.5	914.3
Number of receivables	44,284	18,425	41,301	292,213	53,871
Average outstanding balance (EUR)	11,968	13,616	20,065	5,563	16,972
WA nominal interest rate (%)	6.7% (single discount rate)	3.5% (single discount rate)	3.1	5.7	4.4% (single discount rate)
WA remaining term in months	28	28	34	38	29
WA seasoning in months	20	21	12	18	21

Transaction Comparison

	Driver Belgium Master SA – Compartment 1	Driver Master Compartment 1 S.A. (now withdrawn) ^a	Bavarian Sky S.A., Compartment German Auto Loans 11	Auto ABS French Loans Master ^a	VCL Master Netherlands B.V. (now withdrawn) ^a
Type of customer					
Private/ commercial (%)	100/0	99.5/0.5	72/28	100/0	33/67
Object Condition					
New/ used (%)	91/9	40/60 ^e	43/57	84/16	84/6 ^e
Loan type					
Amortising/ balloon (%)	34/66	10/90	1/99	67/33	n.a.
Fitch assumptions (%)					
Base-case cumulative default rate	2.1	1.7	1.9	3.1	2.3
Base-case recovery rate	70.0	65.0	65.0	54.8	60.0
Base-case loss rate	0.6	0.6	0.7	1.5	0.9
Highest rating – rating default rate	12.6	12.8	11.3	13.3	11.5
Highest rating – rating recovery rate	38.5	35.8	35.8	31.5	33.0
Highest rating – rating loss rate	7.7	8.2	7.2	9.5	7.7

^a All information is shown at the time of the latest transaction renewal/ restructuring with Fitch as rating agency, i.e. June 2019 for Driver Master Compartment 1 S.A., July 2019 for Auto ABS French Loans Master and November 2020 for VCL Master Netherlands B.V.

^b Credit enhancement is provided by overcollateralisation and the non-amortising cash reserve of 1.3% of the initial outstanding asset balance.

^c Credit enhancement is provided by overcollateralisation and the amortising cash reserve.

^d At the time of the rating action, Fitch decided to withdraw the rating of the series B 2016-1 for commercial reasons.

^e The used car portion includes demonstration vehicles.

Source: Fitch Ratings, transaction documents

Sector Risks: Additional Perspective

Key Sector Risks

Sector or asset outlook	The war in Ukraine has added risks to European structured finance asset performance. The inflationary shock is likely to have an effect on select areas of asset performance, particularly for lower-income borrowers.
Macro or sector risks	<p><i>Inflation-linked wages dampen impact from rising inflation</i></p> <p>Inflation rates are running above the EU level and reached a record-high of 12.3% in October 2022. Unlike in other European jurisdictions, wages are inflation-linked and need to be adjusted automatically once inflation exceeds a certain level. This is positive for consumers as their income is adjusted to the rising costs of living. However, if inflation remains at current levels over the long run, it may ultimately hurt employment levels as enterprises become less competitive if their labour costs increase more substantially than European peers. As of September 2022 Fitch forecasts the annual average percentage growth in consumer prices to moderate from an expected 9.8% in 2022 to 5.9% in 2023 and 2.5% in 2024. Fitch expects unemployment to peak at 6.3% in 2023 from an average of 6.1% over 2017-2021, and then to fall to 6.0% again.</p> <p><i>Low Income Borrowers Most Affected by Higher Energy Costs</i></p> <p>Rapidly increasing prices, in particular for essentials such as energy and food, will test primarily lower-income borrowers as for them even the first-round direct impact on household finances should be significant. A government package was announced in September to help households and businesses with higher energy promises support of up to EUR135 for gas and EUR61 for electricity per month for November and December. In October, the government announced that certain comestibles should be exempt from VAT from 2023 onwards. The reduction in VAT on gas and electricity to 6% from 21% was extended until 31 March 2023. These measures are expected to soften, but cannot offset, the negative impact on the asset performances of low-income borrowers.</p>

Source: Fitch Ratings

Asset Analysis

Portfolio Summary and Replenishment Limits

The pool consists of auto loans granted to Belgian private individuals to finance new (90.8%) and used vehicles (9.2%). Loans are either fully amortising (33.8%) or feature a balloon payment at the end of the contract (66.2%). Please see [Appendix 1: Origination and Servicing](#) for more details on the balloon loan product. The balloon payment share is 48.1% of the discounted balance. Contract tenors typically range from 24 to 60 months.

Single obligor concentration is limited. The 20 largest borrowers together account for only 0.4% of the discounted balance. The portfolio consists almost exclusively of VW brand vehicles (99.98%) and is well diversified in terms of vehicle models. The share of electric vehicles is negligible in the portfolio (1.6%) and is expected to remain low during the revolving period.

The revolving limits summarised in the table below must be satisfied on a portfolio level after considering newly purchased assets at each purchase date during the revolving period.

Asset Characteristics and Revolving Limits

	Pool as of 31 October 2022	Revolving limits
Discounted balance (EURm)	530.0	
Number of loans	44,284	
Average discounted balance (EUR)	11,968	
Largest single lessee group exposure (%)	0.04	≤ 0.5
Single discount rate (%)	6.7	
Weighted average remaining term (months)	28	
Weighted average original term (months)	48	
New car loans (%)	90.8	
Used car loans (%)	9.2	≤ 20
Balloon payment share (%)	48.1	
Share of VW Nutzfahrzeuge (%)	3.6	≤ 10
Share of non-VW Group Vehicles (%)	0.02	≤ 5
Top 3 brands (%)	VW (57.0) Skoda (19.5) Audi (13.7)	
Top 3 fuel types (%)	Petrol (70.1) Diesel (20.4) Others (8.0)	

Source: Fitch Ratings, Driver Belgium Master SA – Compartment 1

Please see [Default Risk](#) below how we accounted for portfolio migration risk during the revolving period.

Key Asset Eligibility Criteria

We show below the key asset eligibility criteria which purchased assets as of closing and at each additional purchase date need to adhere to:

Description
The vehicles under the loan contracts exist and the loan contract constitutes a legal, valid, binding and enforceable agreement with full recourse to the borrower(s).
Originated in the ordinary course of business.
The asset: At least one paid instalment and equal monthly payments are required to be made within 72 months and may provide for a final balloon payment.
Denominated in euros and paid on a at least monthly basis.
The status and enforceability of the purchased receivables under a loan contract is not impaired by set-off rights or due to warranty claims or any other rights.
Provides for fixed equal instalments except for the last instalment.

Description

 Governed by Belgian law.

 The loan contract has not been terminated.

 None of the additional loans purchased during the revolving period mature later than three years prior to the latest occurring legal maturity date of any note.

 Not overdue at the last day of the month preceding the closing date/ additional purchase date.

 The vehicle was not recorded with a total loss for insurance purposes or stolen.

 Freely assignable by way of sale and the assignment by way of sale is not subject to contractual restrictions on assignability.

 Not an affiliate of Volkswagen AG, Familie Porsche, Stuttgart and Familie Piëch, Salzburg Group.

 The borrower: Not credit-impaired, declared insolvent, has an adverse credit history or a borrower who VDFin considers as unlikely to pay its obligations or is past due more than 90 days on its obligations to VDFin.

 Must have its place of residence in Belgium.

 The exposure to a single obligor will not exceed 0.5% of the aggregate discounted receivables balance.

 Obligated to pay all insurance, repair/ maintenance and taxes with respect to the related vehicle.

 Source: Fitch Ratings, Driver Belgium Master SA – Compartment 1

Historical Data

Fitch received and reviewed performance data for VDFin's total book (and split by new and used cars as well as amortising and balloon loans) covering a period of 7.5 years from January 2015 to June 2022. The most typical contract term is four years. New origination and book growth have been moderate and key asset characteristics have remained broadly stable during this time. The observed shift towards more balloon loans is in line with peers from other European jurisdictions. The risk is addressed in our default multiple (see below).

Overall, we considered the provided data history as representative and adequate to set asset assumptions despite the lack of data from a stressed period.

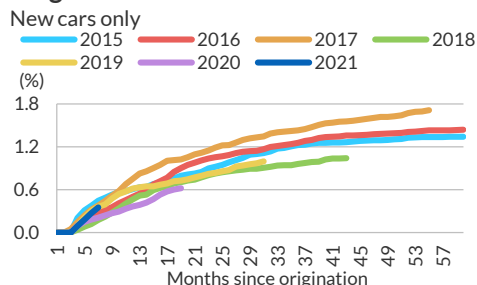
Default Risk

Fitch has determined the vehicle type (new compared to used) as a key asset performance driver and has therefore assigned separate base case default assumptions of 1.5% and 4.5% for the new car and used car sub-portfolios respectively.

We considered a migration towards the used car loan limit of 20% during the revolving period as possible due to the lack of new car supply and the greater growth potential for VDFin in the used car business. The resulting weighted average base case default rate for the total portfolio is 2.1%.

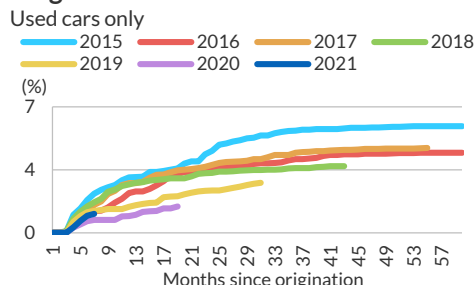
In the default vintages shown below, a contract is marked as defaulted once an obligor is overdue on its credit obligations for more than 90 days, or VDFin considers it unlikely that the obligor will pay its credit obligations in full.

Cumulative Defaults by Year of Origination



Source: Fitch Ratings, VDFin

Cumulative Defaults by Year of Origination



Source: Fitch Ratings, VDFin

Our default expectations reflect the weak macroeconomic outlook for Belgium and the eurozone that results from the European gas crisis, high inflation and monetary policy tightening. We expect moderate performance deterioration compared with more recent vintages as high costs of living impair the ability of borrowers in the lowest income brackets to service debt. Unemployment is, however, expected to increase only moderately.

We consider the indexation of wages in Belgium a positive factor against rising costs of living over the short term, however only if inflation moderates over the next year. On other hand, persistent high inflation may drive up labor costs for Belgian corporates and may ultimately hurt employment.

We stressed our base case assumption with a 'AAA' default multiple of 6x. Key considerations for assuming a multiple at the higher end of our Consumer ABS Criteria are the high balloon loan share which may increase further during the revolving and the remote residual legal risk arising from the uncertainty of D'leteren Lease's non-performance scenario in which it is unable to repurchase the car from borrowers. Additionally, the base case was set at a relatively low level in absolute terms and historical data lacks a period of stress.

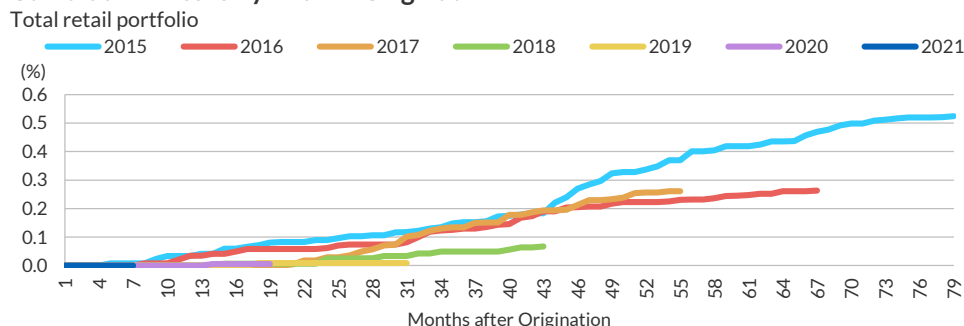
Recovery Rates

Fitch was provided with loss vintages by year of origination instead of recovery vintages for the same sub-pools as for defaults. We therefore derived our base case recovery assumptions implicitly from these loss vintages.

In the provided data, a loss is determined upon write-off according to the originators' accounting policy. A contract is on average written off 24 months after default. Costs incurred in the recovery process such as detective's costs or amounts paid to the third-party servicer Intrum are not included in the loss data. In the transaction these costs are however not deducted from the recovered amount, but accounted for in the contractual servicing fee of 1% of discounted assets.

The graph below shows cumulative loss vintages for VDFin's total loan book.

Cumulative Losses by Year of Origination



Source: Fitch Ratings, VDFin

Unlike defaults, the implicitly derived recovered amounts from new and used car loans are not considered materially different. Fitch has therefore arrived at a single recovery base case assumption after having determined a weighted average loss base case for the stressed portfolio of 0.6%. This results in a recovery base case assumption of 70%.

We consider the used car price increases seen over the last year across Europe as unsustainable. Prices are expected to have peaked over the summer as supply chain bottlenecks ease and demand for cars recedes due to rapidly rising costs of living. We therefore expect sales proceeds from car sales to be broadly in line with historical levels over the last five years.

We stressed our base case assumption with a lower-to-median recovery haircut of 45% in the 'AAA' scenario reflecting the secured nature of the portfolio.

The following table summarises our assumptions at different rating levels:

Expectations (%)

	Default rate expectations	Recovery rate expectations	Loss rate expectations
AAA	12.6	38.5	7.7
AA-	9.2	46.9	4.9
Base case	2.1	70	0.6

Source: Fitch Ratings

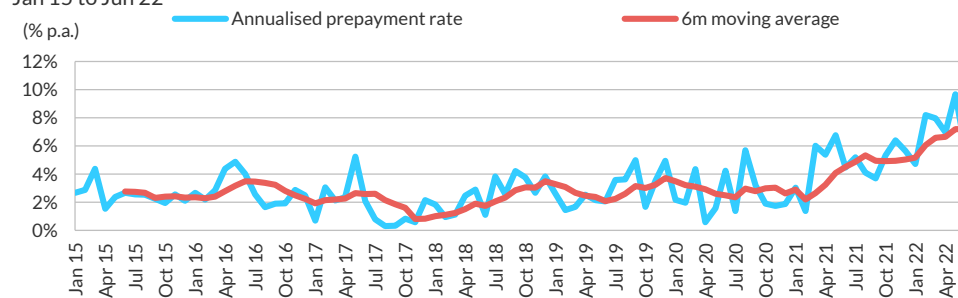
Prepayments

Historical prepayment rates are lower compared with other European auto loan transactions despite an increasing trend over the last two years.

Fitch understands that there is no particular reason for the lower than average prepayment rates. A borrower may ask for a prepayment at any time during the contract's lifetime. A prepayment penalty is due in case a borrower wants to prepay.

Retail Portfolio: CPRs p.a.

Jan 15 to Jun 22



Source: Fitch Ratings, VDFin

Despite the material increase in prepayments in the first half of 2022, we expect prepayments to have peaked in light of rising interest rates and less available excess savings due to rising costs of living.

Fitch applied a 6% base case prepayment rate based on the data above. This was stressed up and downward in line with its typical stresses from the *Consumer ABS Rating Criteria* (ie +/- 50% at AAAsf).

Cash Flow Analysis

Fitch used its proprietary cash flow model to test whether the available cash flows were sufficient to enable timely payment of interest and ultimate payment of principal on the notes by final maturity in various stress scenarios. We considered that class B interest is deferrable as long as the note is not the most senior one.

As available CE may decrease during the revolving period, Fitch modelled the minimum CE structure to prevail at the start of the amortisation period, but also tested the ratings' sensitivity towards the actual CE levels as of closing. The rating impact is limited. The modelled minimum CE levels for class A and B notes are 10.3% and 6.3% consisting of overcollateralisation of 9.0% and 5.0% respectively, as well as the non-amortising cash reserve of 1.3%.

The weighted average life of the portfolio, while accounting for base-case prepayments, is about 19 months. From this, we determined the default timing applied in Fitch's cash flow model in line with the *Consumer ABS Rating Criteria*.

The recovery timing was derived qualitatively based on the servicer's collection process. The agency assumed that a vehicle is typically sold within three months after default. However, we also accounted for a potentially longer recovery process in case of back-loaded defaults (in case many contracts defaulted after having already paid more than 40% of the car value (see [Appendix 1: Origination and Servicing](#)). Loans were assumed to be written off 24 months after default.

The portfolio amortisation was modelled based on the data provided to Fitch for the final pool. Defaults, recoveries and prepayments were applied as per the stressed assumptions. Interest income was generated on non-delinquent receivables at a rate equal to the discount rate less the buffer release rate (see [Capital Structure and Credit Enhancement](#)). As soon as the so-called credit enhancement increase conditions were breached, the model then applied the full discount rate. This is in line with the provisions in the transaction documentation. Available cash was distributed in line with the transaction's waterfall.

Fitch tested the transaction's sensitivity to different default distributions (front-loaded, evenly distributed and back-loaded), combined with high or low prepayments as well as rising, decreasing or stable interest rates. The most stressful scenario for both classes of notes is one with back-loaded defaults, high prepayments and decreasing interest rates. Though, the rating sensitivity towards different interest rates scenarios is limited since the floating rate exposure of the notes is perfectly hedged.

The transaction is sensitive to the length of the pro rata period, which ends when certain performance triggers are breached. In its modelling, Fitch finds the length of the pro-rata period to be primarily determined by the point in time the cumulative default ratio is breached. Back-loaded defaults cause the most stress for the transaction because the switch back to sequential occurs later, while high prepayments lead to larger cash outflows to more junior notes during the pro rata period.

Fitch assumed a starting value of cumulative defaults of 0.5% for its modelling of the amortisation phase (see [Early Amortisation Events](#) for more details). Assuming higher defaults during the revolving period would be beneficial as the switch to a sequential distribution of funds happens earlier. Lower defaults have the opposite effect. Class B notes' rating is more sensitive to this assumption than class A's since the cumulative default ratio is less likely to be breached in lower stress scenarios thus extending the pro rata period.

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

Rating Sensitivity

Rating Sensitivities – Downgrade

Downside risks have increased and we published in April 2022 an assessment of the potential rating and asset performance impact of a plausible, but worse-than-expected, adverse stagflation scenario on Fitch's major structured finance and covered bond sub-sectors (see What a Stagflation Scenario Would Mean for Global Structured Finance). Fitch expects the Belgian ABS unsecured and auto ABS sector in the assumed adverse scenario to experience a "mild to modest impact" on asset performance, and "virtually no impact" on ratings.

Fitch's most stressful scenario for all notes is the one in which defaults are clustered later in the transaction's life. This is mostly due to the pro-rata mechanism if certain target OC conditions are fulfilled and performance triggers are not breached.

In its modelling for instance Fitch has found that the class B notes show a higher sensitivity towards modelling parameters (such as default timing and the starting value of the cumulative default ratio whose built-up beyond 3.5% stops making funds available for the sub-loan) than

the class A notes. If we applied a starting value after the end of the revolving period of the cumulative default ratio of 0% instead of 0.5% in our driving scenario for class B, the pro-rata attribution would be prolonged by two periods and thus reduce funds available to this class.

Fitch conducts sensitivity analyses by stressing a transaction's default rate and recovery rate assumptions. For example, a 25% default rate increase and a 25% recovery rate decrease indicate downgrades of up to four notches.

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

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

Rating Sensitivity to More Stressful Assumptions

	A	B
Original Rating	AAA _{sf}	AA _{-sf}
+10% RDR	AAA _{sf}	AA _{-sf}
+25% RDR	AA ₊ _{sf}	AA _{-sf}
+50% RDR	AA ₊ _{sf}	A ₊ _{sf}
-10% RRR	AAA _{sf}	AA _{-sf}
-25% RRR	AA ₊ _{sf}	A _{-sf}
-50% RRR	A _{sf}	BB ₊ _{sf}
+10% RDR / -10% RRR	AAA _{sf}	A ₊ _{sf}
+25% RDR / -25% RRR	AA _{sf}	BBB ₊ _{sf}
+50% RDR / -50% RRR	A _{-sf}	BB _{-sf}

Source: Fitch Ratings

Rating Sensitivities – Upgrade

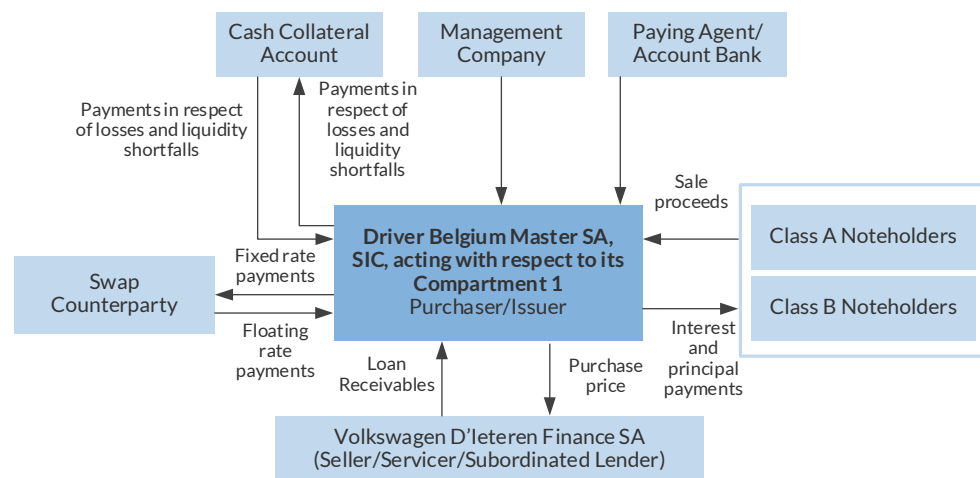
Class A notes are already at the highest achievable rating level and cannot be upgraded. Class B notes' rating may be positively impacted if defaults and losses are smaller and more front-loaded than assumed, leading to a shorter pro rata period.

Transaction Structure

Driver Belgium Master SA – Compartment 1 is a bankruptcy-remote public company incorporated with limited liability as a special purpose vehicle under the laws of Belgium. It is set up solely for the purpose of issuing the notes, raising the subordinated loan and concluding and executing various agreements in connection with the issue of the notes and the raising of the subordinated loan. Assets in this Master Compartment 1 are segregated from other compartments, to which corresponding liabilities are allocated. As of closing of this transaction, no other compartment has been set up.

At closing, VDFin will sell eligible receivables and ancillary rights to the Master Compartment 1. Ancillary rights will include the security title to the vehicles, any form of guarantee by an insurance company or credit insurance, any assignment of salaries and any claims of the seller against the debtors in relation to the receivables.

Structure Diagram



Source: Fitch Ratings, Driver Belgium Master SA - Compartment 1

Capital Structure and Credit Enhancement

The table to the right 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 take-outs, tap issuances and issuances of additional series of notes.

The issuance consists of the series of classes A and B notes as well as a subordinated loan. Credit enhancement is provided by overcollateralisation and the non-amortising cash reserve. The initial size of the reserve is 1.35% of class A and class B balance (1.3% of the portfolio balance). The issuer purchased the portfolio at a present value-price, calculated using a single discount rate fixed at 6.7%.

Discount Rate Calculation (%)

Weighted average swap rate (including hypothetical sub-loan swap)	3.4
Servicing fee	1.0
Senior expenses	0.03
Buffer release rate	2.2
Sum	6.7

Source: Fitch Ratings, Driver Belgium Master SA - Compartment 1

Only on satisfaction of a CE Increase Condition (see below), the buffer release rate will become available to the issuer. Before, it will be directly released to the seller and the issuer will only benefit from a minimum discount rate of 4.5%.

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 during the revolving period to purchase additional loan receivables. There is no difference between the two from a credit perspective as they all rank pari passu to each other.

Class A needs to maintain a minimum OC level of 9.0% and class B needs to maintain a minimum OC level of 5.0% after six 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 91.0% and 4.0%, respectively, of the increased asset balance. The cash reserve will also have to be funded with 1.35% of the newly issued notes' balance.

**Balance Sheet
(% of Receivables)**

Assets		Liabilities	
Receivables	100.00	Class A	90.75
Liquidity reserve	1.3	Class B	4.0
		Subordinated Loan	4.7
		PPD OC	0.5
		PPD cash reserve	1.3
Total assets (including reserve)	101.3	Total liabilities	101.3

PPD: Purchase Price Discount
Source: Fitch Ratings, Driver Belgium Master - Compartment 1

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

Overview of Note Series

Series	Max. issuance amount (EURm) ^a	Current issuance amount (EURm)
Class A Series 2022-1	105.0	102.5
Class A Series 2022-2	95.0	92.8
Class A Series 2022-3	100.0	97.5
Class A Series 2022-4	93.0	90.8
Class A Series 2022-5	100.0	97.5
Class B Series 2022-1	15.0	14.3
Class B Series 2022-2	7.0	7.0

^a Maximum issuance amounts can be increased at any time during the revolving period. The maximum programme amount is EUR1 billion.

Source: Fitch Ratings, Driver Belgium Master SA - Compartment 1

Term Take-Outs

The transaction documents allow for a further transfer of the acquired assets from Driver Belgium to another securitisation vehicle. The portfolio funded via this transaction may change materially when a term take-out occurs. Therefore, Fitch will review the post take-out pool composition and the documents foresee that the issuer has to obtain a rating confirmation by Fitch prior to the execution of the onward transfer.

As only performing receivables are subject to a term take-out, the relative share of delinquent receivables in the pool increases. However, this portfolio deterioration is captured by the redemption mechanism, which applies funds received from the sale of the receivables outside the waterfall first to amortise the class A notes up to a target balance (applying a 70% haircut on delinquent receivables), then class B notes up to a target balance (applying a 94% haircut on delinquent receivables); only the remaining portion is used to amortise the sub-loan, thereby increasing the rated notes' credit enhancement.

Amortisation of Series

At the end of the revolving period, an investor can decide not to prolong its series. In such a case, this series will become an amortising series. The series will then be redeemed each month pro-rata with a fixed amortisation factor equal to the series' relative size at the point when amortisation starts. If all investors decide not to prolong their series, then the revolving period is terminated and the transaction amortises as outlined in [Priority of Payments](#) below.

Cash Collateral Account

A cash reserve was funded through a purchase price discount at closing. It is non-amortising except at the tail-end of the transaction's life. The target reserve amount equals on each payment date during the revolving period 1.35% of the outstanding notes' balance and, during the amortisation period, the lower of 1.35% of the outstanding notes' balance as of the last payment date of the revolving period and 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 at the tail-end of the transaction's life will be released 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. If such a condition is in effect, such amounts are retained in the collateral account. The reserve can be used for note redemption upon the earlier of the legal final maturity or when the asset balance is zero.

Interest Rate Swap

At closing, for each series of notes, the issuer entered into swap agreements to hedge the mismatch between the fixed interest payments from the receivables and the floating payment obligations on the notes.

The swaps are structured such that the floating rate plus the margins are paid by the swap counterparty subject to a floor of zero, whereas the issuer pays a fixed swap rate, i.e. 3.3% for class A notes and 4.1% for class B notes. The notional amounts are the respective notes series' notionals.

Early Amortisation Events

The 12 months revolving period will irreversibly end on the occurrence of any of the following:

- An issuer event of default;
- The accumulation balance on two consecutive payment dates exceeds 10% of the outstanding balance;
- The issuer fails to replace the swap counterparty following an event of default or a termination event or the swap counterparty does not post collateral according to provisions;
- Class A actual OC percentage falls below 9% or class B actual OC percentage falls below 5% on any payment date after six periods from closing;
- A servicer replacement event;
- VDFin ceases to be an affiliate of VWFS or of any of its successors;
- The CE Increase Condition is in effect (see below)

CE Increase Conditions

Trigger variable	Condition	Trigger level (%)
Cumulative default ratio ^a	Exceeds, during the revolving period	2.75
	Exceeds, after the revolving period	3.5
Late delinquency ratio ^b	Exceeds on any payment date	3.0
A servicer replacement event occurs		
Insolvency of VDFin		
Cash reserve	Is not filled to its target (in % of classes A and B notes) on three consecutive payments dates or	1.35
	- during the revolving period (in % of classes A and B notes) and	0.9
	- after the revolving period the lesser of 0.9% of classes A and B notes as of the end of the revolving period and the aggregate outstanding principal amount of the class A and B notes	

^a Ratio of cumulative defaulted receivables and the sum of initially and all additionally purchased receivables. The nominator includes defaults from loans that default after they have been sold in a term takeout.

^b Ratio of receivables which are overdue for more than 180 days and the current receivables balance
 Source: Fitch Ratings, Driver Belgium Master SA - Compartment 1

Should a CE increase condition be in effect during the revolving period, the transaction will enter into early amortisation and the notes will irreversibly amortise sequentially. In Fitch's view, the performance trigger levels are loose compared with the provided historical data from the originator. Fitch views the cumulative default ratio as the most effective of the triggers. However, during the revolving period, this ratio is unlikely to be breached even in case of a mild stress. Fitch assumed a starting value of the ratio for the amortisation phase of the transaction. The 0.5% which Fitch applied in its modelling is based on our monthly 'CCC' evenly-distributed defaults in the numerator and, in the denominator, the sum of the portfolio balance at closing and a replenished amount over the revolving period equal to 40% of this initial asset balance (see [Cash Flow Analysis](#)).

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.

Amount Available for Distribution

+	Collections (including recoveries, but no late collection from written-off receivables) received by the servicer
+	Amounts from the cash reserve
+	Net swap receipts
+	Interest accrued on the collection and replenishment account
+	Amounts on the replenishment account
-	Less the buffer release amount (provided no Credit Enhancement Increase Condition has occurred)

Source: Fitch Ratings, Driver Belgium Master SA - Compartment 1

Simplified Priority of Payments

1-7	Taxes, senior expenses and net swap payments other than in case of a swap counterparty default
8	Interest class A
9	Interest class B
10	Cash reserve up to its required balance
11	On a pro rata basis ¹ : <ol style="list-style-type: none"> amortisation amounts to each amortising series of class A notes until it is at its target size; amounts to be transferred to the replenishment account for additional purchases of receivables until target OC is achieved.
12	On a pro rata basis: <ol style="list-style-type: none"> amortisation amounts to each amortising series of class B notes until it is at its target size; amounts to be transferred to the replenishment account for additional purchases of receivables until target OC is achieved.
13	Subordinated swap payments
14	Interest on the sub-loan
15	Redemption of the sub-loan until reduced to zero
16	Remainder to VDFin as deferred purchase price

Source: Fitch Ratings, Driver Belgium Master SA - Compartment 1

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 purchase price discount applied to replenish assets is higher than the one as of closing. The target OC levels during the revolving period are 9.75% for class A and 5.75% 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 (12.75%) and then to the redemption of class B notes until their target OC is reached (8.75%). 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. The liability payment behavior is thus similar to a pro rata amortisation of funds, i.e. a flow of funds to the class B notes once class A's target OC is reached as well as to the subordinated loan once class B's target is reached. The payment behavior will switch back to a sequential order of priority, as soon as:

- A credit enhancement increase condition is in effect (see above);

¹ See [Amortisation of Series](#) above how this may differ if not all series go into amortisation at the same time.

- The discounted asset balance has reached 10% of the highest historic discounted asset balance during the life of the transaction.

Clean-Up Call

After the end of the revolving period, VDFin has the option to repurchase all receivables to redeem the notes on any payment date when the aggregate outstanding portfolio balance is less than 10% of the highest historic aggregate portfolio balance at any time since the inception of the programme. 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.

Euribor Fall-Back Provisions

The asset portfolio pays a fixed rate while rated notes pay Euribor. The mismatch is covered by an interest rate swap. If Euribor is no longer quoted, the transaction documents set out a procedure for replacing Euribor with an alternative rate. We consider this procedure adequate.

Euribor Exposure

Assets	Rated Notes	Hedges
100% fixed rate.	Reference 1m Euribor.	The fixed-rate asset will be swapped into 1m Euribor plus the respective note series' margins.

Source: Fitch Ratings, Driver Belgium Master SA - Compartment 1

Euribor Fall-Back Provisions

Assets	Rated Notes	Derivatives
n.a.	The servicer on behalf of the issuer proposes an alternative base rate that is: <ul style="list-style-type: none"> - a rate provided by a third party and meeting any applicable legal requirements - that upholds to the greatest possible extent the economic character of the notes for either side. - either (i) an official substitution concept, or (ii), if (i) is not available, an industry solution, or (iii), if (i)-(ii) are not available, a generally acceptable market practice, or (iv), if (i)-(iii) are not available, an unsecured or secured overnight money market reference rate or (v), if (i)-(iv) are not available, determine €STR for the relevant period. 	

Source: Fitch Ratings, Driver Belgium Master SA - Compartment 1

Rating Confirmations

The transaction allows for an extension of the revolving period, the issuance of additional series of notes and a further transfer of the acquired assets from Driver Belgium to another securitisation vehicle, subject to a Fitch rating confirmation.

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

Disclaimer

Fitch relies in its credit analysis on legal and/or tax opinions provided by transaction counsel for the avoidance of doubt. Fitch has always made clear that it does not provide legal and/or tax advice or confirm that the legal and/or tax opinions, or any other transaction documents, or any transaction structures, are sufficient for any purpose. The disclaimer at the foot of this report makes it clear that this report does not constitute legal, tax and/or structuring advice from Fitch, and should not be used or interpreted as legal, tax and/or structuring advice from Fitch. Should readers of this report need legal, tax and/or structuring advice, they are urged to contact relevant advisers in the relevant jurisdictions.

Counterparty Risk

Fitch assesses the counterparty risk under its [Structured Finance and Covered Bonds Counterparty Rating Criteria](#) to be in line with the ratings assigned based on the documentation provisions and analytical adjustments described in the following table.

Counterparty Risk Exposures

Counterparty type	Counterparty name	Minimum Ratings under criteria	Minimum Ratings and remedial actions under documents	Analytical adjustments
Account bank (primary credit risk)	Citibank Europe Public Limited Company – Belgium Branch	Deposit Rating: 'A' / Short-Term Issuer Default Rating (IDR): 'F1'	Minimum deposit ratings (or the IDR in case of no deposit rating) of 'A' or 'F1'; Replacement within 60 calendar days of downgrade below both minimum ratings.	Minimum ratings and remedial actions in line with criteria.
Interest rate swap provider (primary credit risk)	DZ Bank AG	Derivative counterparty rating: 'A(dcr)' / Short-Term IDR: 'F1' (no collateral) Derivative counterparty rating: 'BBB-(dcr)' / Short-Term IDR: 'F3' (with collateral and valid flip clause)	Minimum derivative counterparty rating of 'A' or 'F1' without collateral. Between 'A' or 'F1' and 'BBB-' or Short-Term IDR of 'F3' MtM collateral posting required within 14 calendar days and either additional collateral (for liquidity adjustment or volatility cushion) or replacement or guarantee within 60 days. Below 'BBB-' or 'F3' full collateral posting required within 14 calendar days and replacement or guarantee within 60 days.	Minimum ratings and remedial actions in line with criteria.
Servicer (operational risk)	Volkswagen D'leteren Finance SA	No minimum rating for servicers	None, see below for events triggering a servicer replacement.	Servicer continuity risk has been assessed to be mitigated in accordance with Fitch's counterparty criteria as described below.

Source: Fitch Ratings, Driver Belgium Master SA - Compartment 1

Servicing Disruption Risk

Fitch considers servicer disruption risk for the transaction to be low, mainly due to:

- The standard assets securitised in the transaction,
- The early and late stage arrears process already largely being outsourced to a third-party servicer, Intrum NV
- Servicer replaceability being thought to be assured in the light of the sufficiently large and established servicing market in Belgium, and of the ample servicing fee already charged and thus also chargeable by a new servicer to be in line with market standards,
- Adequate documentation detailing servicing obligations.

The servicer will be replaced if it becomes insolvent, fails to transfer required payments to the issuer or fails to perform its duties. After any of these events, the issuer is entitled to dismiss the servicer and to appoint a new servicer. The dismissal is only effective if the new servicer has taken over all rights and obligations of the dismissed servicer. The dismissed servicer shall use best efforts that the appointment of the new servicer shall become effective no later than three months after the replacement event.

We consider it as a weakness that neither a replacement servicer nor a replacement servicer facilitator have been appointed from transaction closing onward. Yet, it is still our expectation that the issuer would work together with the security trustee in order to facilitate the process in finding a replacement servicer.

Servicing continuity is further mitigated by the availability of an adequately sized reserve fund to cover payment obligations during a disruption period until a replacement is found (see [Payment Interruption Risk](#)).

We consider such servicer replacement procedures to be slightly weaker than in peer transactions given the missing facilitator.

Commingling Risk

We classify commingling risk as a secondary risk in the transaction, in the sense of our Counterparty Criteria, because collections are transferred to the issuer account monthly, the assets' WA original term is longer than two years and payment interruption risk (see *Payment Interruption Risk*) is sufficiently mitigated.

To mitigate commingling risk, the transaction documents foresee that the servicer will have to advance twice expected collections, including 5% prepayments for half of the following monthly period to the issuer's account within each time 14 calendar days of certain events occurring. These events are linked to either Volkswagen AG ceasing to hold more than 50% of the shares in VDFin or Fitch's view on the creditworthiness of VDFin. The applicable rating thresholds of 'F2' or 'BBB' are in line with our counterparty criteria.

The advance mechanism is not activated upon closing as none of the triggers have been breached and Fitch views VDFin an eligible counterparty without implementing any remedial actions.

Commingling risk with respect to the collection account bank is also addressed. The servicer holds asset collections via third-party banks external to the transaction. The servicer remains obligated to turn over the funds to the transaction account bank. This allows Fitch not to consider the collection account banks as commingling risk entities as per its Counterparty Criteria.

Fitch considers the provisions to sufficiently address commingling risk and did not size for any commingling-related loss.

Payment Interruption Risk

Fitch considers payment interruption risk as a primary credit risk in the transaction. However, the agency considers payment interruption risk to be mitigated for ratings up to 'AAAsf' due to the availability of a dedicated cash reserve (see Cash Collateral Account) covering about three months of Fitch's estimated payment interruption exposure, i.e. senior expenses, net swap payments and interest on the classes A and B notes.

Set-Off Risk

Maintenance and Insurance Services

Additional services such as maintenance and insurance services, if chosen by a borrower, are offered by third party providers, whereas VDFin is only the intermediary. Maintenance costs or insurance premiums are not part of the financed amount and not securitised. Fitch sees no legal basis for a borrower to invoke non-performance of the obligation by the third-party service provider in order to suspend/ set-off its own payment obligation under the loan agreement.

Deposit Set-Off

The transaction is not exposed to deposit set-off risk because the originator does not take deposits.

Criteria Application, Model and Data Adequacy

Criteria Application

See page 2 for the list of [Applicable Criteria](#).

Fitch applies the [Consumer ABS Rating Criteria](#) as its sector-specific criteria under the overarching framework provided by the [Global Structured Finance Rating Criteria](#), which is the master criteria for the sector. The remaining criteria listed under Applicable Criteria are cross-sector criteria that outline Fitch's approach to counterparty risk and interest rate change vulnerability that are relevant for the ratings.

Models

The models below were used in the analysis. Click on the link for the model (if published) or for the criteria for a description of the model.

[Consumer ABS Asset Model](#)

[Multi-Asset Cash Flow Model](#)

Data Adequacy

The following historical performance data was provided by VDFin for their total retail auto loan book and split by sub-portfolios of new and used cars and of amortising and balloon loans.

Data Provided

Data	Time	Type
Monthly new origination volumes	Jan 15 – Jun 22	Dynamic
Quarterly outstanding book volumes	1Q15-2Q22	Dynamic
Quarterly volume-based delinquencies	1Q15-2Q22	Dynamic
Monthly volume-based gross loss vintages (defaults)	Jan 15 – Jun 22	Static
Monthly volume-based net loss vintages (write-offs)	Jan 15 – Jun 22	Static
Monthly prepayments	Jan 15 – Jun 22	Dynamic

Source: Fitch Ratings, Driver Belgium Master SA - Compartment 1

Fitch was provided with stratifications of the final pool as of 31 October 2022. Fitch reviewed the results of a third-party assessment conducted on the final asset portfolio information, and concluded that there were no findings that affected the rating analysis.

Overall, Fitch's assessment of the asset pool information, relied upon for the agency's rating analysis according to its applicable rating methodologies, indicates that it is adequately reliable.

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. These will provide the basis for the agency's surveillance of the transaction's performance against base-case expectations and the performance of the industry. The agency expects to assign an Issuer Report Grade of five stars to the investor reporting in line with other Driver transactions, as the standards of reporting are comparable with VW's other auto ABS transactions with the same grade.

Where appropriate, Fitch may ask to monitor further data from the originator or the servicer. The ratings of the transaction will be reviewed by a committee at least once every 12 months, or when considered appropriate (e.g. if there is a deterioration in performance, an industry-wide development, or a change at the originators or the servicer that may influence the transaction).

Fitch's quantitative analysis will focus on monitoring the key performance parameters (delinquencies, defaults, recoveries and prepayments) against the base-case assumptions. Fitch's structured finance performance analytics team ensures that the assigned ratings remain an appropriate reflection of the issued notes' credit risk. Details of the transaction's performance are available to subscribers at <https://app.fitchconnect.com/home>.

Appendix 1: Origination and Servicing

Originator

The originator, Volkswagen D'leteren Finance (VDFin) is a joint venture (JV) between D'leteren (50% - 1 share) and Volkswagen Financial Services AG (VWFS; 50% + 1 share). The JV is in place since January 2011. The partnership between the companies is however in place for 70 years. The VDFin Board of Directors is equally made up of representatives from D'leteren and VWFS.

D'leteren Group – D'leteren's parent company is a family-run business and mainly engaged in automobile distribution. It is the official distributor of Volkswagen brands in Belgium. D'leteren manages a strong network of independent dealers across Belgium.

Products

VDFin's subsidiary D'leteren Lease provides mainly (fleet) leasing solutions (operational, financial and private lease), whereas VDFin covers retail and wholesale financing. Only retail financing is within the scope of the transaction.

VDFin offers amortising ("Classic Credit") and balloon ("Auto Credit") loans. Both loan types typically have a maturity between 24 and 60 months. A downpayment is usually required. In an amortising loan, the borrower pays fixed instalments during the loan's term and takes full ownership of the car once the loan is fully redeemed. Balloon loans also consist of fixed instalments but include a larger payment at maturity. The borrower can either pay the loan in full and take ownership or has the option to return the vehicle to D'leteren Lease.

There is residual legal risk and uncertainty linked to D'leteren Lease's non-performance scenario when it is unable to repurchase the car from borrowers. This risk is considered remote as the underlying loan documentation minimise residual balloon risk for the SPV, and the borrower is contractually responsible for repaying the balloon amount. Fitch understands that historically only few cars were returned, as balloon amounts are set below the car value at maturity.

Additional services such as maintenance and insurance services are offered by third party providers, whereas VDFin is only the intermediary and these are underwritten by third party providers and insurance premiums are not part of the financed amount and not securitised.

Origination and Underwriting

Loans are originated through dealers. The dealer inputs the client's data into the bank's point-of-sales system. Identification, fraud, anti-money laundering and other compliance checks are carried out early in the process and may lead to a "knock-out".

The applicants' dataset is then evaluated against a scorecard and checked for compliance with policy rules and exclusion criteria. Two different score cards – one for private and one for commercial borrowers - are in place. The stability and performance of the score cards is monitored by the risk management department. Ultimately, an application may either be automatically accepted, needs further manual analysis or is automatically rejected.

In 2021 about 55% of the applications were processed automatically and 45% manually. VDFin is working to increase automation in the decision process. Examples for requiring manual intervention are for instance the need for additional documents or a guarantee of a third party is needed.

Servicing and Collections

VDFin's collection department is responsible for the servicing of the loan portfolio. Management of performing clients is done internally, whereas early and late stage arrears management is largely outsourced to Intrum since 2018. The collections department consists of five FTEs, two internal and three external personnel. Intrum may have additional resources assigned to VDFin's portfolio.

In the early stage arrears phase, Intrum is in contact with borrowers, ie by sending reminder letters and performing dunning calls in the name of VDFin according to a specific timeline. After 60 days past due (dpd) a threat of termination is sent to the borrower. A contract will be terminated and marked as defaulted once it exceeds 90dpd. Generally, 95% of the outstanding amount can be recovered before cancellation.

After termination the litigation process is dependent on the outstanding amount at cancellation. If it is larger than EUR500, the process is performed by recovery agents to repossess the car or the full outstanding amount. Only if less than 40% of the car value has been settled, the car can be immediately repossessed. Otherwise VDFin would first need to obtain a judicial decision (or prior agreement of the customer following a written notification of default) in order to repossess the car. VDFin works with three different recovery agents. The Belgian Automotive Association is VDFin's preferred agent. The car will be sold by VDFin's remarketing department (through their dealer network). The repossession process is typically completed within three months.

Any remaining debt will be transferred to Intrum. A contract is ultimately written off once Intrum decides that it is not possible to recover any further amounts. This happens on average 24 months after default.

Appendix 2: ESG Relevance Score

Driver Belgium Master SA - Compartment 1

Credit-Relevant ESG Derivation

Driver Belgium Master SA - Compartment 1 has 5 ESG potential rating drivers

- ➔ Driver Belgium Master SA - Compartment 1 has exposure to macroeconomic factors and sustained structural shifts in secular preferences affecting consumer behavior but this has very low impact on the rating.
- ➔ Governance is minimally relevant to the rating and is not currently a driver.

Overall ESG Scale

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

Environmental (E)

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

How to Read This Page

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

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular asset class. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the transaction's or program's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the transaction's or program's credit rating. The three columns to the left of the overall ESG score summarize the transaction's or program's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the transaction's or program's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the Sustainability Accounting Standards Board (SASB).

Social (S)

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

Governance (G)

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

CREDIT-RELEVANT ESG SCALE - DEFINITIONS

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

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