S&P Global Ratings

RatingsDirect®

New Issue: Driver Australia Ten Trust

Primary Credit Analyst:
Justin Rockman, Melbourne + 61 3 9631 2183; justin.rockman@spglobal.com

Secondary Contact:
Elizabeth A Steenson, Melbourne + 61 3 9631 2162; elizabeth.steenson@spglobal.com

Table Of Contents

Table Of Contents (cont.)

New Issue: Driver Australia Ten Trust

Ratings Detail

Rating				
Class	**Rating**	**Amount (mil. A$)**	**Minimum credit support* (%)**	**Credit support provided by subordination and overcollateralization (%)**
A	AAA (sf)	657.8	10.4	12.3
B	NR	43.5	N/A	N/A
Subordinated loan	NR	41.2	N/A	N/A

Note: *Minimum credit support for credit losses. NR--Not rated. N/A--Not applicable.

Profile	
Closing date	Oct. 25, 2024
Final maturity date	Feb. 21, 2033
Collateral	Receivables generated by a pool of chattel mortgage and consumer loan contracts backed by passenger and light commercial motor vehicles
Issuer	Perpetual Corporate Trust Ltd. as trustee of Driver Australia ten Trust
Originator, servicer, subtrust manager, and subordinated lender	Volkswagen Financial Services Australia Pty Ltd.
Trust manager	Perpetual Nominees Ltd.
Security trustee	P.T. Ltd.
Interest-rate swap provider	Mizuho Bank Ltd.
Bank account provider	Australia and New Zealand Banking Group Ltd.

Supporting Rating	
Bank account provider	Australia and New Zealand Banking Group Ltd.
Interest-rate swap provider	Mizuho Bank, Ltd. (Mizuho)

Rationale

This is the ninth closed-pool term transaction backed by collateral originated by Volkswagen Financial Services Australia Pty Ltd. (VWFS Australia) and rated by S&P Global Ratings. The rating assigned to the notes issued by Perpetual Corporate Trust Ltd. as trustee of Driver Australia ten Trust (the issuer) reflects the following factors.

The credit risk of the underlying collateral portfolio (discussed in more detail under "Collateral") and the credit support available are commensurate with the rating assigned. Credit support for the class A notes comprises the subordination of the class B notes and subordinated loan, and overcollateralization. In addition, any balance remaining in the cash reserve on the maturity date of the notes or when the receivables pool balance reaches zero may be applied toward redemption of the class A notes, providing additional support.

All contract payments, including the residual or balloon payments, are an obligation of the borrower. As a result, the trust is not exposed to any market-value risk associated with the sale of the motor vehicles (on performing receivables), which is a risk that may be associated with other products, such as operating leases.

The issuer has the capacity to pay interest to the class A note holders in full on each interest payment date, and to repay principal in full no later than the final maturity date, under rating stresses commensurate with the rating assigned. All rating stresses are made on the basis that the issuer does not call the notes on or beyond the call-option date, and that the notes must be fully redeemed via the mechanisms under the transaction documents. Timely payment of senior expenses and note interest is supported by the use of principal collections and a nonamortizing cash reserve funded on the transaction closing date. The reserve is sized at A$9 million, which equates to 1.2% of the discounted receivables balance at transaction close.

The legal structure of the issuer, which is established as a special-purpose entity, and meets our criteria for insolvency remoteness.

Our rating also takes into account the counterparty support provided by Australia and New Zealand Banking Group Ltd. (ANZ) as bank account provider and by Mizuho Bank Ltd. as interest-rate swap provider. A fixed- to floating-rate interest-rate swap is provided to hedge the mismatch between the fixed-rate payments on the receivables and the floating-rate interest payable on the class A and class B notes. The transaction documents for the swap and bank accounts include downgrade language consistent with our "Counterparty Risk Framework: Methodology And Assumptions" criteria, published on March 8, 2019, that requires the replacement of the counterparty or other remedy, should its rating fall below the applicable rating.

Notable Features

The receivables portfolios in Driver Australia transactions are purchased by the issuer at a single fixed discount rate, which means the issuer could be acquiring the assets at a price that is, on average, above the par value of the collateral pool. This could result in prepayment losses. However, for this transaction, the collateral pool is not being purchased above par, and S&P Global Ratings is satisfied that prepayment losses do not present an additional risk. The discount rate is set by VWFS Australia at an amount that is intended to match the yield on the transaction to the issuer's expenses. Consequently, there is no excess spread in the transaction.

The transaction has a single--rather than "income" and "principal"--cash-flow priority of payments, and there is no concept of a principal deficiency ledger or invested/stated amounts of the notes.

Under the transaction's payment structure, collections--after payment of senior expenses and class A and class B note interest--initially will be allocated to the class A and class B notes on a sequential-payment basis, until the class A notes reach a target balance. Thereafter, provided certain performance triggers have not been breached, collections are to be allocated to the class A and class B notes until they reach, or in order to maintain, the target balance. The target balances are determined using predefined minimum credit support (overcollateralization) levels (refer to "Priority Of Payments").

Strengths And Weaknesses

Strengths

In S&P Global Ratings' opinion, the strengths of the transaction observed in the rating analysis are:

- The pool is a closed pool, with no substitution of receivables.
- The entire portfolio comprises receivables that are backed by passenger and light commercial motor vehicles. S&P Global Ratings has taken this into account in its assessment of the minimum credit support at each rating level by giving credit to recoveries.
- About 49.4% of the discounted pool balance comprises contracts that are fully amortizing.
- The collateral pool is relatively well-seasoned, with a weighted-average contract seasoning as of the cut-off date of 19.1 months.
- Some 76.5% of the discounted pool balance represents contracts for the purpose of financing a new motor vehicle. The historical losses when the motor vehicle financed was new are lower than those when the motor vehicle was used. We have factored this performance into our credit-support determination.

Weaknesses

In S&P Global Ratings' opinion, the weaknesses of the transaction observed in the rating analysis are:

- About 50.6% of the discounted pool balance comprises contracts that are partly amortizing, with balloon payments due at the end of the contracts, and aggregate balloons represent 26.2% of the discounted pool balance. However, the scheduled payment dates for the balloons are diversified, and the maximum aggregate balloon payments due in any single month represent 1.1% of the initial discounted pool balance.
- Under the terms of the servicing agreement, the servicer may extend, defer, amend, modify, or adjust the receivable contracts in the collateral pool in accordance with its current practices.
- The transaction's principal repayment structure is not fully sequential. Principal initially will be paid to the class A and class B notes on a sequential basis, until their target balance is reached. Thereafter, provided certain performance triggers have not been breached, principal is to be allocated to the class A and class B notes until they reach, then maintain, target balances based on predefined minimum credit support (overcollateralization) levels. In addition, there is no documented lock-out period from transaction close before collections are allocated to the subordinated loan. Nevertheless, S&P Global Ratings' cash-flow analysis of the transaction suggests that principal would not be paid to the class B notes during the first 12 months of the transaction under rating stresses commensurate with the rating assigned to the class A notes. Also, the repayment structure will switch back to fully sequential repayments after the collateral pool has reached 10% of its initial discounted balance, further mitigating tail-end risk (refer to "Priority Of Payments").
- There is no excess spread in the transaction. Rather, the discount rate is set by VWFS Australia at a rate intended to match the yield on the assets to the expenses of the transaction. S&P Global Ratings' cash-flow analysis indicates that yield shortfalls would occur in the latter part of the transaction under certain rating-stress assumptions. In this scenario, principal collections that otherwise would be applied toward repayment of principal on the rated notes would be instead directed toward meeting senior expenses. This is equivalent to the use of principal draws to meet senior expenses in transactions that have separate "income" and "principal" cash-flow waterfall priority of payments. Our cash-flow analysis indicates that the risk that a portion of the principal collections required to repay the rated

notes would be diverted to meet senior expenses under rating-stress assumptions is fully mitigated by the credit support provided to the class A notes.

Comparative Transactions

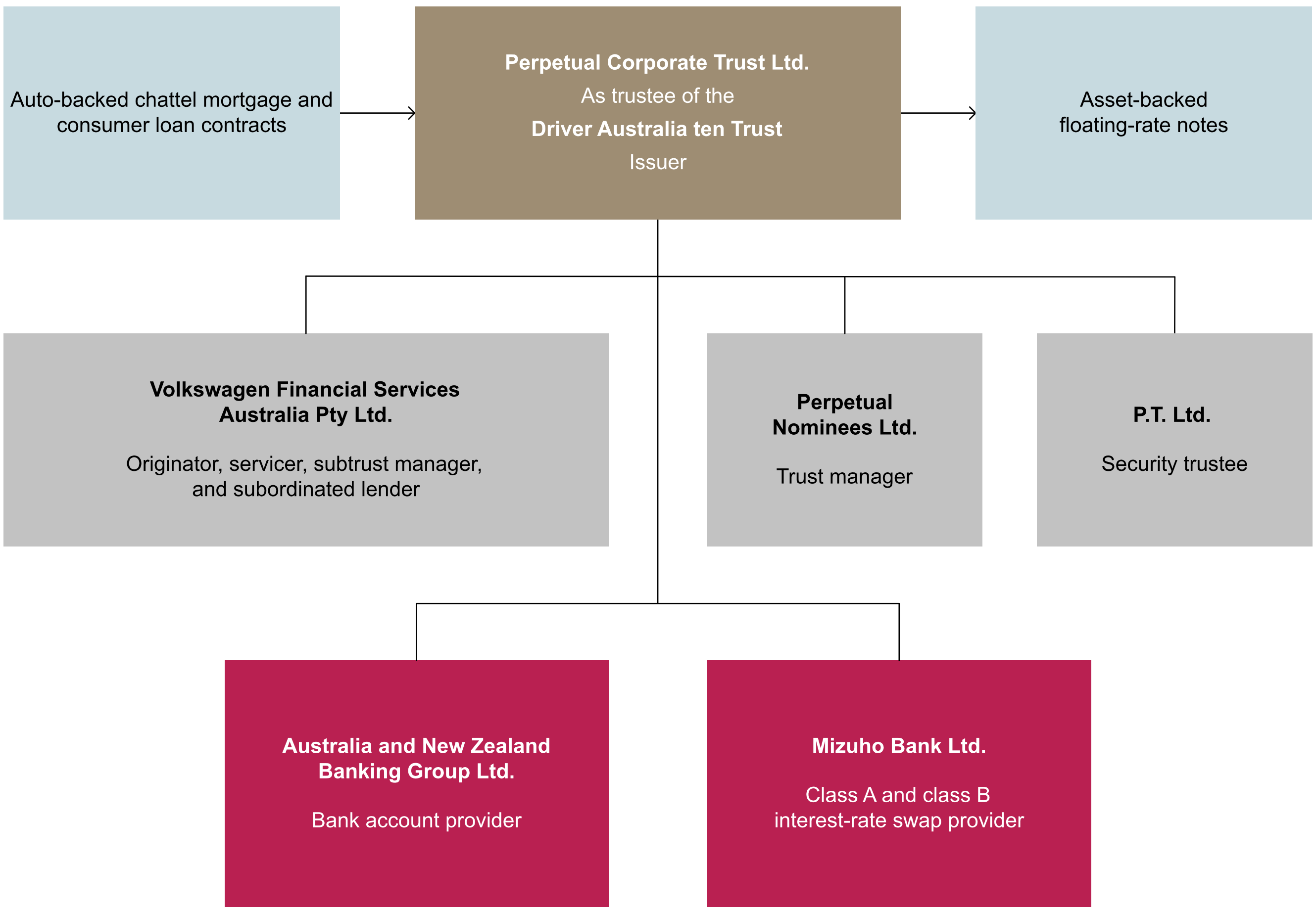
The most recent transaction rated by S&P Global Ratings is Driver Australia eight Trust. A key difference is that Driver Australia eight Trust had both class A and class B notes rated by S&P Global Ratings.

Transaction Structure

The structure of the transaction is shown in chart 1.

Chart 1

Driver Australia ten Trust
Transaction structure



We understand that transaction counsel lodged the relevant financing statements on the Personal Property Securities Register in connection with the security interest.

Note Terms And Conditions

Interest payments and overcollateralization percentages

The notes are floating-rate, pass-through notes, paying a margin over the one-month bank-bill swap rate (BBSW) on the principal amount of the notes. Interest payments on the class A notes rank in priority to interest payments on the class B notes. The transaction does not have a principal deficiency ledger mechanism. Consequently, the concepts of charge offs, note invested amounts, and note stated amounts are not applicable in this transaction. Rather, credit support for the class A notes at any point in time is measured by its overcollateralization percentage.

The overcollateralization percentage for the class A notes is determined by subtracting the current balance of the class A notes from the current discounted balance of the collateral pool and dividing the resultant figure by the current discounted balance of the collateral pool.

Principal payment structure

The transaction's principal repayment structure is not fully sequential. Principal will be initially paid to the class A and class B notes on a sequential basis, until they reach a target balance, determined by the applicable class A target overcollateralization percentage and class B target overcollateralization percentage. Thereafter, provided certain performance triggers have not been breached, principal is to be allocated to the class A and class B notes until they reach--or maintain, as the case may be--their target balance, determined by the applicable class A target overcollateralization percentage and class B target overcollateralization percentage. Provided that the class A and class B target balances are maintained, collections may be allocated to payments that rank below principal payments on the class A and class B notes (refer to "Priority Of Payments").

There is no documented lock-out period from transaction close before collections may be allocated to paying principal on the subordinated loan. Nevertheless, S&P Global Ratings' cash-flow analysis of the transaction suggests that, under rating stresses commensurate with the rating assigned to the notes, collections would not be applied to pay subordinated loan principal during the first 12 months of the transaction.

In addition, the repayment structure will switch back to fully sequential principal repayments after the collateral pool has reached 10% of its initial discounted balance, further mitigating tail-end risk.

Clean-up call

On any date on or after the discounted collateral pool balance reaches 10% of its initial amount, VWFS Australia may notify the issuer and the trust manager that it is exercising a clean-up call. The clean-up call may only be exercised if the principal outstanding and accrued interest on the class A and class B notes will be repaid in full. Any balance remaining in the cash reserve at that time may be applied--via payment of the reserve balance to VWFS Australia and, in turn, its payment of the purchase price to the issuer--toward redemption of the notes.

Priority Of Payments

The transaction has a combined interest and principal cash-flow waterfall priority of payments. The pre-enforcement priority of payments is summarized in table 1.

Table 1

Priority Of Payments (Summarized)	
1	A$1 to the beneficiary of the trust
2	Taxes (if any)
3	Trustee and security trustee fees and expenses; servicer, trust manager and sub-trust manager fees
4	Payments to the swap counterparty (except termination payments if the swap counterparty is the defaulting party or, following a swap termination, due to an unremedied downgrade of the swap counterparty)
5	Interest on the class A notes
6	Interest on the class B notes
7	Top up of the cash reserve up to its required level
8	Class A notes principal (to reach or maintain its target balance)
9	Class B notes principal (to reach or maintain its target balance)
10	Other indemnities, costs, and expenses
11	Payments to the swap counterparty not paid above
12	Interest on the subordinated loan
13	Subordinated loan principal
14	Any remaining amounts to the beneficiary of the trust

After the closing date, the notes will be amortized sequentially until the class A notes reach their target balance, which is determined by the applicable class A note target overcollateralization level. Following that, provided the class A target balance is maintained, the class B notes will be amortized until they reach their target balance, which is determined by the applicable class B note target overcollateralization level.

The target overcollateralization levels applied to determine the target balance of the notes depend upon whether a credit enhancement trigger has been breached and, if so, whether it is a breach of a level 1 or level 2 trigger. If a trigger has not been breached, the class A and class B notes would continue to be amortized once they reach their initial target balance; however, there would be no further build up in credit support because the target overcollateralization percentage would remain unchanged. If a level 1 trigger is breached, the target overcollateralization level for the class A and class B notes would increase, and principal payments on the class B notes would not be made unless the class A notes have already reached, then will maintain, their target balance.

The target overcollateralization level will be 100% for each class of notes, which equates to a fully sequential principal amortization structure, if a level 2 trigger has been breached, a servicer replacement event occurs at any time, or the discounted collateral pool balance is less than 10% of its initial balance.

The target overcollateralization levels would increase if one of the following performance triggers were breached:

- Trigger level 1: The cumulative net loss ratio exceeds 0.4% for any payment date before or during October 2025; 0.8% for any payment date from November 2025, but before or during October 2026; or 1.2% for any payment date after October 2026.

- Trigger level 2: The cumulative net loss ratio exceeds 1.8% at any time.

There is no defined point in the transaction documents, such as a maximum number of days in arrears, at which contracts must be recognized as a gross loss. In such circumstances, there is the potential for contracts to sit in long-dated arrears buckets before being recognized as a loss. The performance triggers in this transaction do not include an arrears test. In addition, VWFS Australia's practice is to recognize a net loss at the time recovery proceeds are received, unless the contract is fully written off earlier. As a result, there could be a timing lag in this transaction between any significant deterioration in collateral performance and its recognition in cumulative net losses, and, therefore, its measurement against the performance triggers. In addition, the cumulative net loss triggers are set at levels higher than those sized by S&P Global Ratings at the relevant points in time. However, the credit support provided at transaction close and the target overcollateralization percentages are set at levels that largely mitigate this concern.

In addition, there is no documented lock-out period from transaction close before collections may be allocated to subordinated loan principal. Nevertheless, S&P Global Ratings' cash-flow analysis of the transaction indicates that, under rating stresses commensurate with the rating assigned to the notes, principal would not be paid to the subordinated loan during the first 12 months of the transaction in any case.

The target overcollateralization levels are set out in table 2.

Table 2

Overcollateralization Levels As A Percentage Of Discounted Collateral Pool Balance

	Actual overcollateralization	Target overcollateralization levels		
	At closing	No trigger breach	Level 1 trigger breached	Level 2 trigger breached
Class A notes	12.3	26.0	30.0	100.0
Class B notes	6.5	18.0	21.0	100.0

Before the clean-up call, after the class A notes reach their initial targeted balance, the transaction would only revert to a pure sequential principal repayment structure if the cumulative net loss ratio exceeds 1.8% or a servicer-replacement event occurs. Accordingly, we analyzed the effect of a moderate stress on the transaction to determine whether the maximum expected rating transition of the notes under such a scenario would be in line with the credit stability parameters set out in our "S&P Global Ratings Definitions," published June 9, 2023. The results of our analysis suggest that under a moderate rating stress, the maximum expected rating transition on the class A notes within time horizons of one year and three years would fall within the bounds of our parameters.

Originator/Servicer Overview

VWFS Australia is a 100% subsidiary of Volkswagen Financial Services Overseas AG (VWFSOAG). VWFSOAG has undertaken numerous securitizations worldwide under its Driver ABS program. Driver Australia ten Trust is the ninth Australian closed-pool term transaction rated by S&P Global Ratings.

VWFS Australia was incorporated in June 2001. It has around 164 employees, most of whom are based at its head office in Chullora, New South Wales. Its management team has extensive experience in either the automotive or finance industry, or both. Although VWFS Australia's organizational structure includes its own risk and compliance function, VWFS Australia is subject to VWFSOAG's global risk-management framework, and therefore benefits from its parent's support in risk management and the implementation of global policies.

VWFS Australia offers a range of financial products, including fleet leasing, and dealer floor plan and business loans to dealerships that represent automotive brands within the Volkswagen Group, including Audi, Bentley, Skoda, VW, and VW commercial. Its strategy also encompasses the provision of finance and insurance products to the Australian business and consumer market via such dealerships. Products offered include finance leases, novated leases, commercial hire purchase, chattel mortgage, and consumer loans. These products are originated primarily through about 239 dealerships across Australia. VWFS Australia's strategy includes increasing its penetration rate (i.e., the percentage of VW Group-manufactured vehicles financed by VWFS Australia). Its penetration rate is currently about 44.2%.

As a captive auto financier, VWFS Australia's primary target market is potential acquirers of a new vehicle manufactured by the VW Group; however, VWFS Australia's origination channels include dealerships that are "multimanufacturer." In addition, it has partnered with Jaguar and Land Rover, which do not have finance arms in Australia. Accordingly, the collateral pool for this transaction is diversified by the inclusion of about 58.5% (by discounted pool balance) of contracts that are secured by motor vehicles manufactured by a company outside the VW Group.

Although the dealerships are incentivized with commissions and, in some cases, volume bonuses, all credit decisions remain centralized at VWFS Australia's head office. In addition, such incentives are clawed back in cases when, before the expiration of the preagreed time frames, contracts are terminated early, or the financed vehicle is repossessed. Dealership performance is also tracked via hindsight reviews, month-end arrears performance, and quarterly reviews of relative dealer performance.

The products being securitized in this transaction include VWFS Australia's "ABS Book," which includes chattel mortgage, and consumer loan contracts secured by new or used passenger or light commercial motor vehicles. Although such vehicles may include passenger vehicles used in businesses such as couriers and limousines, such vehicles are subject to additional credit-assessment criteria. The types of motor vehicles that VWFS Australia will not finance include trucks, buses, taxis, and commercial vehicles over 4.49T.

VWFS Australia may provide finance to borrowers for additional products such as comprehensive insurance, gap insurance, extended warranty insurance, and vehicle servicing; however, each of these is the subject of a separate contract to the vehicle finance contract.

VWFS Australia's credit function has a reporting line to senior management that is separate to its sales function. While dealers may enter finance applications via the system's Access Catalyst dealer interface, all credit decision-making is centralized with VWFS Australia's credit team. Certain credit decisions are built into Access Catalyst and cannot be changed by the dealers, such as the maximum contract terms of 60 months for commercial hire purchase and chattel mortgage, and 84 months for consumer loans (provided that there is no balloon, otherwise a maximum contract term of 60 months would apply).

Submitted applications are assessed via VWFS Australia's scorecard, where they are also subject to checks against credit policy. Applications may be auto-approved or declined, or referred to retail credit, where they are assessed by a credit officer who holds the requisite delegated lending authority. Applications that are outside policy, such as vehicle age or balloon policy, are referred. If an application is declined, then resubmitted with changes, the new application would not be automatically referred. It could be auto-approved or referred to a different credit analyst and potentially be approved. However, an application will be locked down in the system if is resubmitted more than six times. Between January and June 2024, around 52.89% of applications were auto-decisioned, with 47.11% of applications referred for manual assessment. VWFS Australia has an approval rate of 94.33%, which includes auto and manual assessment of applications. The scorecard is validated on a quarterly basis, with a full validation process undertaken annually.

VWFS Australia's credit process includes an assessment against any adverse credit history listed on the credit bureau, fraud checks, and other externally available databases such as Australian post and electoral role listings. If it receives a new finance application for a previous or existing borrower, it checks its own records of previous borrowers who have defaulted and might also undertake checks against its system to determine payment history.

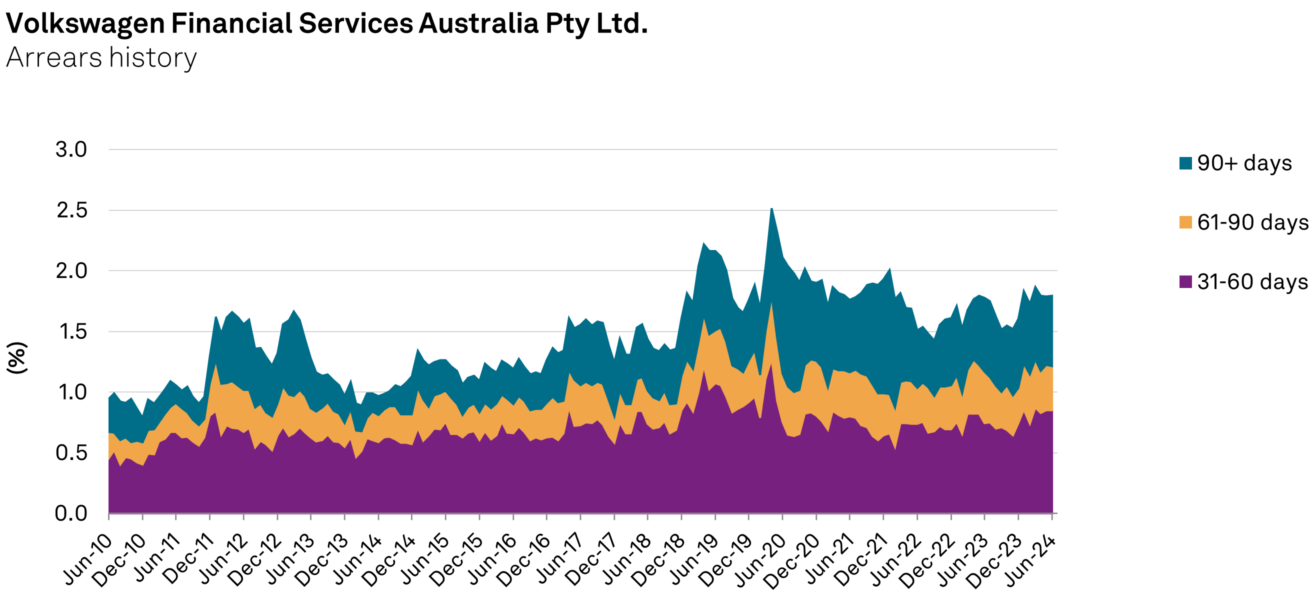
The production of contract documentation is controlled by VWFS Australia systems. Documents are printed by the dealer, signed by the borrower, and sent to VWFS Australia's settlements team. System-generated, customized settlement checklists, which are produced for each contract and include any approval conditions, assist the settlement team in its verification process. The process must be completed before contracts may be uploaded to the system. All documentation is scanned into VWFS Australia's document-management system.

VWFS Australia is responsible for servicing the receivables in the collateral pool. Its customer service team and its collection department report to the front office. Both functions are centralized at the head office in Chullora. The customer service team comprises a team leader, a senior customer service officer, and five customer service officers. The collections team comprises the team leader, a senior collections officer, two collections officers, one agent coordinator, one loss mitigation officer, one recovery officer, and a hardship officer. VWFS Australia offers a variety of payment methods, including direct debit and BPAY, but direct debit is the initially elected payment method for more than 98% of the collateral pool, both by balance of the discounted collateral pool and by number of contracts.

Contracts that fall into arrears are classified as either early or late-stage collections. Early-stage collections include contracts that are one to 21 days in arrears. During this phase, borrowers are contacted by telephone and mail to attempt to make a payment arrangement. Automated SMS contact is made at 10 days in arrears, and a behavioral scorecard helps to guide collections strategy. A default notice will be issued if the borrower does not remedy the outstanding payment. From August 2017, the management of arrears from one to 30 days was outsourced to Queensland-based Collection House, though any hardship cases are referred to VWFS Australia. Late-stage collections are managed by VWFS Australia's internal collections team. Contracts in arrears that have an outstanding balance greater than A$150,000 or an overdue balloon payment, are sent to a separate work queue that is managed internally and in partnership with Collection House. Recovery action can commence when the 30-day default notice period expires. This is usually between 51 and 90 days in arrears. About 60% of the accounts issued to a recovery agent are resolved by the borrower paying the arrears. VWFS Australia generally recognizes contracts as a gross loss upon the earlier of 180 days in arrears and repossession of the vehicle. Recognition of a net loss might not occur until the contract is 270 days in arrears, following a lengthening of this period by VWFS Australia during 2016 to provide for potential financial ombudsman involvement and longer time to try to recover on the contract. Auctioneers are used for the storage and sale of repossessed motor vehicles, with prestige auctions selected for prestige vehicles to optimize sale proceeds. The average time from repossession to sale fluctuates, though is generally 30-90 days.

VWFS Australia's historical arrears performance for its total retail book, of which the ABS products are a subset, is reflected in chart 2.

Chart 2



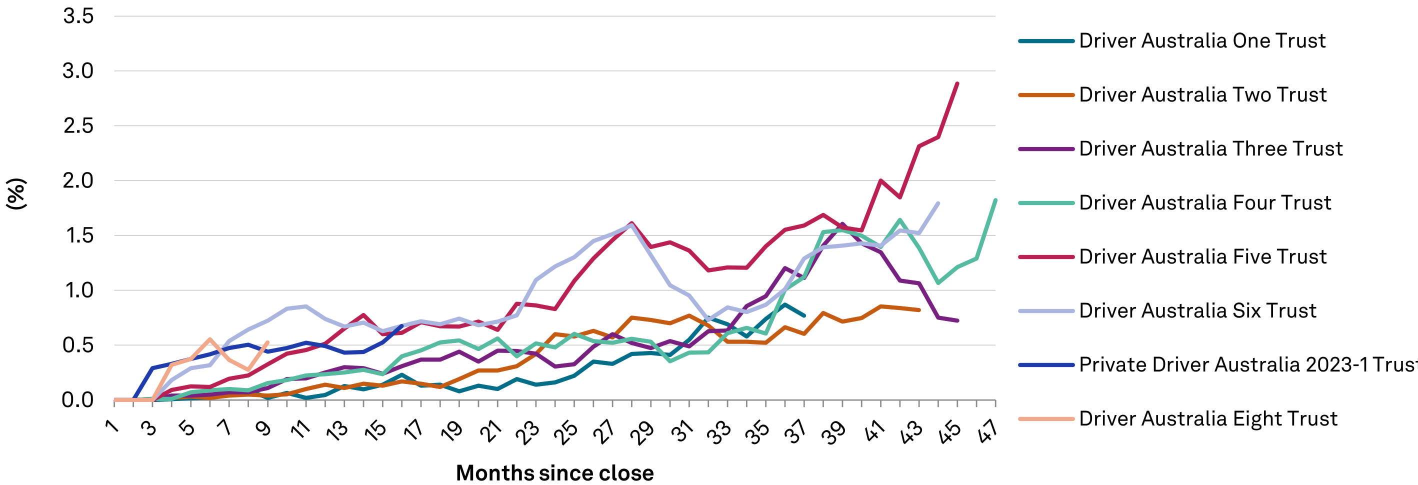
Source: S&P Global Ratings.

Performance Of Previous Transactions

The arrears performance of closed-pool term transactions backed by collateral originated by VWFS Australia and rated by S&P Global Ratings is illustrated in chart 3 and the net loss performance of these transactions is shown in chart 4. The notes of Private Driver Australia 2023-1 Trust and Driver Australia eight Trust remain outstanding; however, each of the other rated transactions were redeemed in full on their respective call dates.

Chart 3

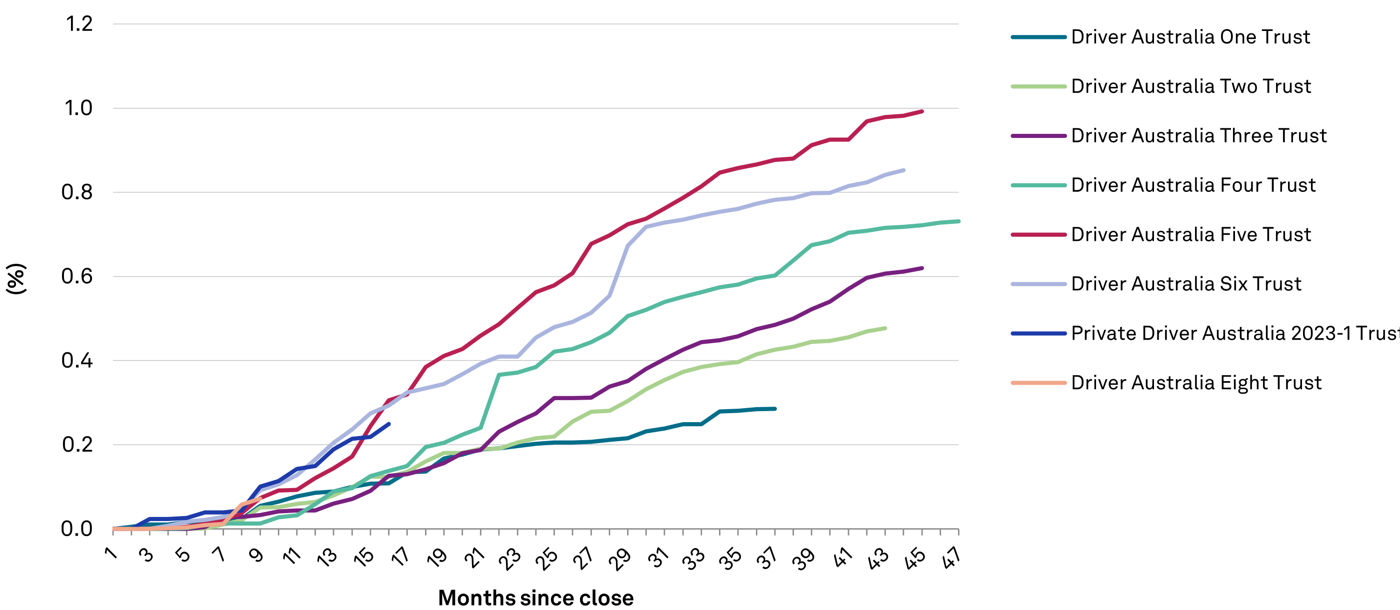
Volkswagen Financial Services Australia Pty Ltd.
Contract balance in arrears greater than 90 days



Source: S&P Global Ratings.

Chart 4

Volkswagen Financial Services Australia Pty Ltd.
Cumulative net losses



Source: S&P Global Ratings.

Collateral

The collateral pool contains 20,086 contracts, comprising chattel mortgage, and consumer-loan contracts, secured by passenger and light commercial vehicles. The aggregate discounted principal balance is about A$750 million. The receivables and associated rights will be equitably assigned to the issuer by Perpetual Corporate Trust Ltd. as trustee of the Driver Australia Master Trust. Title may be perfected if certain events occur, such as the insolvency of VWFS Australia or the occurrence of a servicer replacement event (if VWFS Australia is the servicer), including a failure of the servicer to remit collections to the issuer when due or an unremedied breach of a material covenant that has a material adverse effect.

The receivables pool for Driver Australia ten Trust as of Sept. 30, 2024, is summarized and compared with Driver Australia eight Trust in table 3 and table 4.

Among Driver Australia ten Trust's noticeable differences when compared with Driver Australia eight Trust are a higher percentage of chattel mortgages and a lower percentage of consumer loans. Consistent with the higher proportion of chattel mortgages, the percentage of contracts with balloons and the total balloon payments have increased.

Table 3

Summary Characteristics

	Driver Australia ten	Driver Australia eight
Total number of contracts	20,086	18,127
Total discounted principal balance of contracts (A$)	750,015,812	566,951,548
Maximum discounted principal balance of contracts (A$)	550,231	605,377
Average current discounted contract principal balance (A$)	37,340	31,277
Weighted-average contract rate (%)	8.2	7.1
Discount rate (%)*	8.9	8.9
Total balloon payments as a percentage of total pool balance (%)	26.2	21.9
Weighted-aveage contract seasoning (months)	19.1	18.0
Weighted-average remaining term to maturity (months)	38.1	40.2

Note: *The discount rate includes a buffer (see "Buffer Release").

Table 4

Pool Characteristics (% Of Pool By Discounted Balance)

	Driver Australia ten	Driver Australia eight
Finance type		
Chattel mortgage	78.3	66.7
Consumer loan	21.7	33.3
Customer type		
Retail	100.0	100.0
Corporate	0.0	0.0

Table 4

Pool Characteristics (% Of Pool By Discounted Balance) (cont.)

	Driver Australia ten	Driver Australia eight
New and used		
New	76.5	74.5
Used	23.5	25.5
Geographic distribution		
New South Wales	36.1	37.2
Victoria	25.2	21.1
Queensland	18.5	19.7
Western Australia	10.2	11.3
Australian Capital Territory	2.4	3.1
South Australia	4.2	3.8
Tasmania	3.0	3.3
Northern Territory	0.4	0.5
Seasoning		
Less than one year	28.4	36.6
1-2 years	42.4	35.2
2-3 years	20.4	16.5
3-4 years	6.2	9.8
4-5 years	2.5	1.8
Greater than five years	0.1	0.1
Remaining term to maturity		
Less than one year	3.9	3.1
1-2 years	11.0	11.7
2-3 years	23.2	20.2
3-4 years	34.7	29.4
4-5 years	25.4	31.8
Greater than five years	1.8	3.8
Balloon payment		
No balloon	49.4	56.2
Balloon	50.6	43.8
Outstanding discounted principal balance (A$)		
Less than or equal to 20,000	10.3	14.6
20,000 to 40,000	26.7	32.5
40,000 to 60,000	22.3	22.4
60,000 to 80,000	13.2	11.2
80,000 to 100,000	6.9	6.6
100,000 to 150,000	9.9	7.0
Greater than 150,000	10.7	5.7

Table 4

Pool Characteristics (% Of Pool By Discounted Balance) (cont.)

	Driver Australia ten	Driver Australia eight
Manufacturer		
Volkswagen Group	43.4	40.1
Non-Volkswagen Group	56.6	59.9
Brand		
Porsche	12.0	8.0
Audi	11.5	12.3
Volkswagen	9.0	16.4
Land Rover	8.2	6.4
Volkswagen Commercial	7.8	0.0
Ford	7.1	7.5
Toyota	3.7	4.8
Mitsubishi	3.6	4.7
Hyundai	3.0	3.8
Kia	2.5	2.5
Volvo	2.5	2.2
Isuzu	2.3	2.6
Dodge	2.2	0.0
Mercedes-Benz	2.1	4.5
LDV	2.0	1.7
Mazda	1.9	2.7
BMW	1.7	2.0
Nissan	1.6	2.2
Subaru	1.3	1.8
MG Rover	1.3	1.0
Haval	1.2	0.5
Skoda	1.0	1.6
Jeep	1.0	1.0
Other (33 brands)	8.6	8.9

The top 10 obligor concentrations for the collateral pool are set out in table 5.

VWFS Australia permits multiple borrowers for one contract. Examples include a couple jointly purchasing a motor vehicle and a credit application by an initial borrower that requires secondary support, such as when a young person's parents are supporting the application. VWFS Australia counts each borrower as a separate obligor, even if the borrowers are parties to a single contract. Its rationale is that a default by one obligor would only result in a default on the contract if the joint or secondary borrower went into bankruptcy at the same time. VWFS Australia's measurement methodology means that although each of the obligors listed in table 5 is a separate borrower, there may be an overlap or duplication of contracts. This is different to the manner in which obligor concentrations are measured and disclosed for other ABS originators. However, the magnitude of the percentages below demonstrates that obligor concentration does not present an additional risk for this transaction.

Table 5

Top 10 Obligor Concentrations (% Discounted Pool Balance)

	Driver Australia ten	Driver Australia eight
Obligor 1	0.10	0.08
Obligor 2	0.07	0.06
Obligor 3	0.07	0.06
Obligor 4	0.07	0.06
Obligor 5	0.07	0.05
Obligor 6	0.07	0.05
Obligor 7	0.07	0.05
Obligor 8	0.07	0.05
Obligor 9	0.07	0.05
Obligor 10	0.07	0.05

Eligibility Criteria

The receivables in the collateral pool are being equitably assigned to the issuer from the Driver Australia Master Trust. Accordingly, the representations and warranties made on the cut-off date in respect of the receivables are made by VWFS Australia rather than by the seller. They include, but are not limited to:

- The obligations of the obligor being legal, valid, binding, and enforceable.
- The receivable being approved and originated by VWFS Australia in the ordinary course of its business.
- The terms of the contract requiring the obligor to maintain insurance in respect of the financed object.
- The terms of the contract requiring the obligor to make payments free of set-off.
- The receivable being governed by the laws of a state or territory of Australia.
- The obligor being either a corporation or registrable Australian body; an entity otherwise established under Australian law; a permanent resident or citizen of Australia or a citizen of New Zealand; or a person residing in Australia on a work visa whose work entitlements have been verified and in respect of which the provision of credit has been assessed under internal guidelines, including special consideration of the loan term relative to the visa term, the deposit or trade and the inclusion of a residual or balloon payment.
- The scheduled maturity date of the receivable being no earlier than three months after the cut-off date and no later than 84 months after its date of origination.
- The maximum obligor balance not exceeding A$750,000.
- The receivable being denominated and payable in Australian dollars in Australia.
- The receivable not being in arrears by more than one month.
- At least two payments having been received and the contract requiring substantially equal monthly payments to be made within 84 months of origination and perhaps providing for a final balloon payment.
- The receivable being subject to VWFS Australia's standard terms and conditions and having been serviced in all

material respects in accordance with its servicing standards since origination.

Commingling Risk

Bank accounts for this transaction will be opened in the name of the issuer and held with Australia and New Zealand Banking Group Ltd. (ANZ) pursuant to the account agreement. The bank accounts include the cash collateral account, in which the cash reserve is maintained; the monthly collateral account; and the distribution account. The transaction documents require all accounts to be held with or guaranteed by a bank that has a minimum long-term rating of 'A'.

If the servicer is VWFS Australia and VWFSOAG is rated at least 'BBB', then it can remit collections to the issuer monthly. Otherwise, commingling risk is mitigated by the servicer's obligation to remit expected collections to the monthly collateral account in advance (twice during each monthly collection period) and transfer the actual amount of monthly collections to the distribution account two business days after the end of each half-monthly collection prepayment period.

Set-Off Risk

There is no set-off risk for cash deposits in this transaction because VWFS Australia is not an authorized deposit-taking institution. In addition, the representations and warranties provided by VWFS Australia in respect of the collateral pool include that the terms of the contract require the obligor to make payments free of set-off.

Liquidity And Yield

Liquidity is provided in the form of a cash reserve, with a required balance equal to A$9 million, which equates to 1.2% of the initial discounted collateral balance funded on the transaction closing date. The cash reserve is nonamortizing and is to be topped up to its required balance to the extent that funds are available for that purpose. Any remaining balance of the cash reserve also may be drawn and used toward repayment of principal on the class A and class B notes on their final maturity date, or when the collateral pool balance is reduced to zero, which provides additional support.

Interest-Rate Risk

The entire collateral pool comprises fixed-rate receivables. To hedge the mismatch between the fixed-rate asset cash flows and the floating-rate interest payable on the notes, the issuer has entered into class A and class B fixed- to floating-rate interest-rate swaps with Mizuho. The swap agreements include downgrade language consistent with our "Counterparty Risk Framework: Methodology And Assumptions" criteria, published on March 8, 2019, that requires the posting of collateral or the replacement of the swap counterparty or other remedy if the swap counterparty rating falls below the applicable rating.

Buffer Release

There is no excess spread in this transaction. Rather, the receivables pool is discounted at a rate intended to match the issuer's expenses during the life of the transaction. Each contract in the collateral pool has already been discounted (in the Driver Australia Master Trust) at a rate of 8.8897%. This rate represents a considerable buffer over the discount rate required to meet the issuer's expenses. On each payment date, however, provided VFWS Australia is not insolvent, the buffer amount will be deducted from collections and paid to VWFS Australia before the remainder of the collections is applied through the cash-flow waterfall.

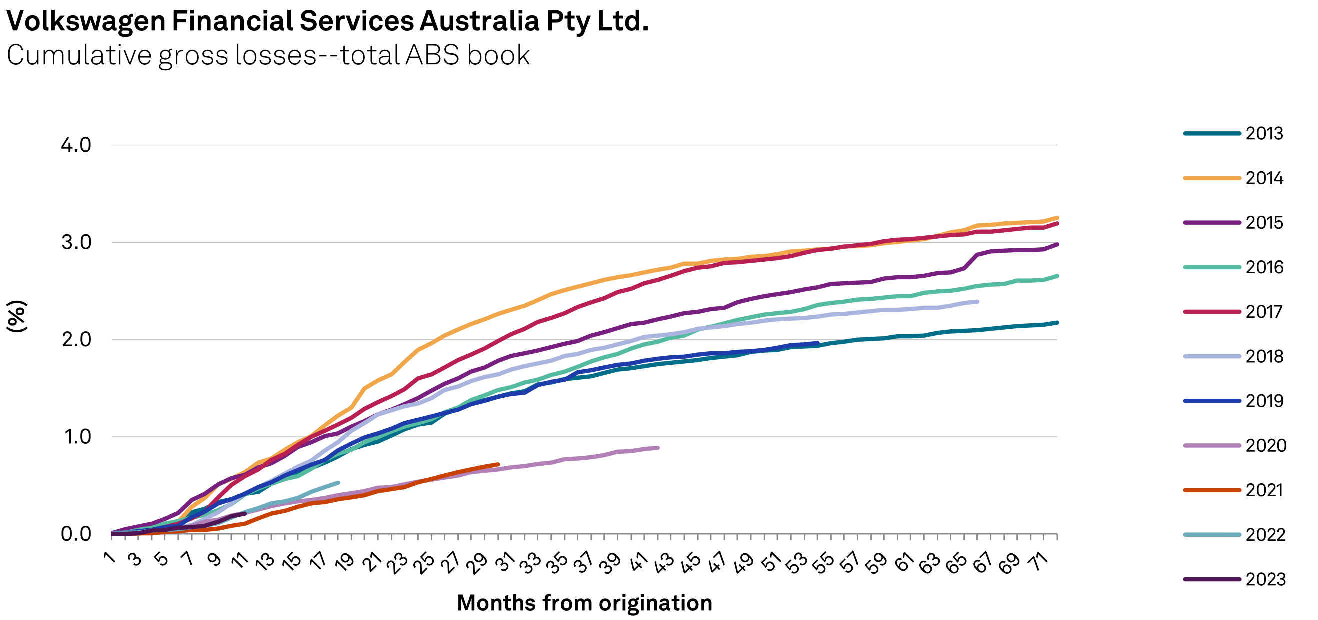
Credit And Cash-Flow Analysis

S&P Global Ratings considers the principal rating transition risk for this transaction to be a significant deterioration in the performance of the underlying receivables.

We have received monthly static gross and net loss data that show cumulative gross losses and cumulative net losses between January 2006 and June 2024. VWFS Australia does not record a net loss until the month when recovery proceeds from the sale of the vehicle have been received (unless written off earlier if there was no expectation of a recovery; for example, if the vehicle is deemed missing and the contract reaches 270 days in arrears). Accordingly, a loss will only be recognized in VWFS Australia's cumulative net loss curve as a net loss, and after recovery proceeds have been received. This is why there is an observable timing lag between the cumulative gross loss curves and the cumulative net loss curves for VWFS Australia that is generally not seen in the cumulative loss curves for other ABS originators in this region.

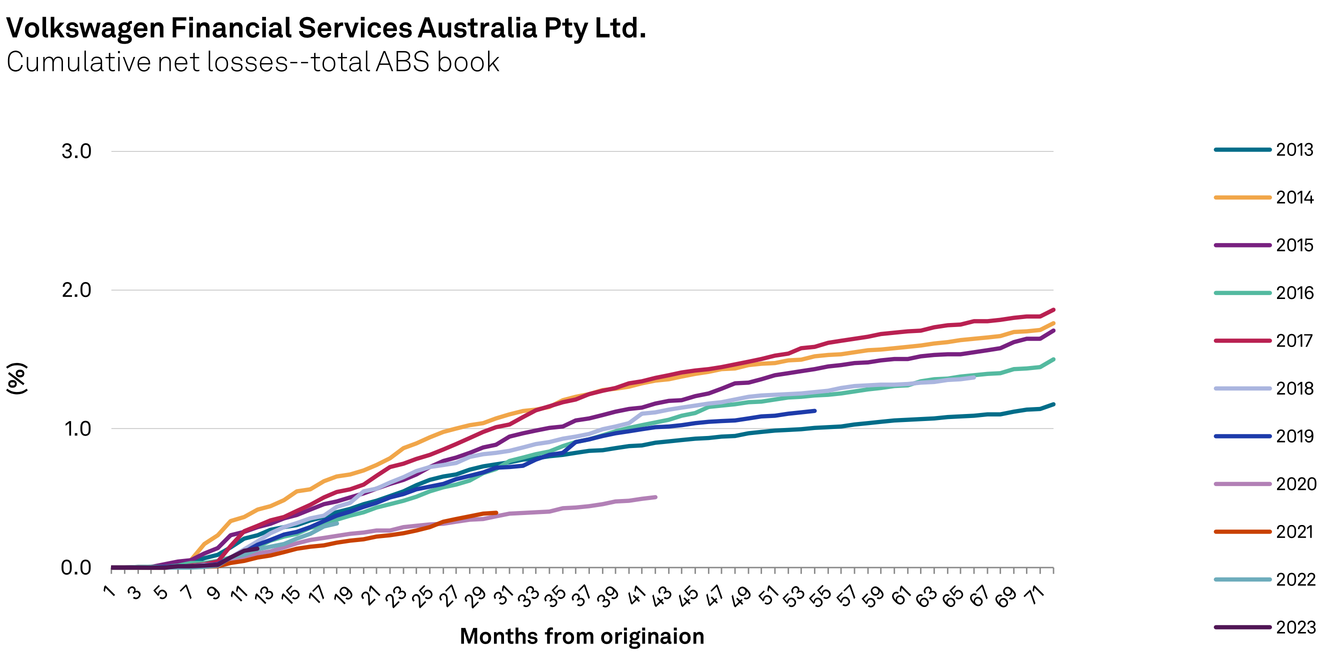
Charts 5 and 6 illustrate the cumulative gross default and cumulative net loss experience of VWFS Australia's total ABS portfolio from January 2013 until June 2024.

Chart 5



Source: S&P Global Ratings.

Chart 6

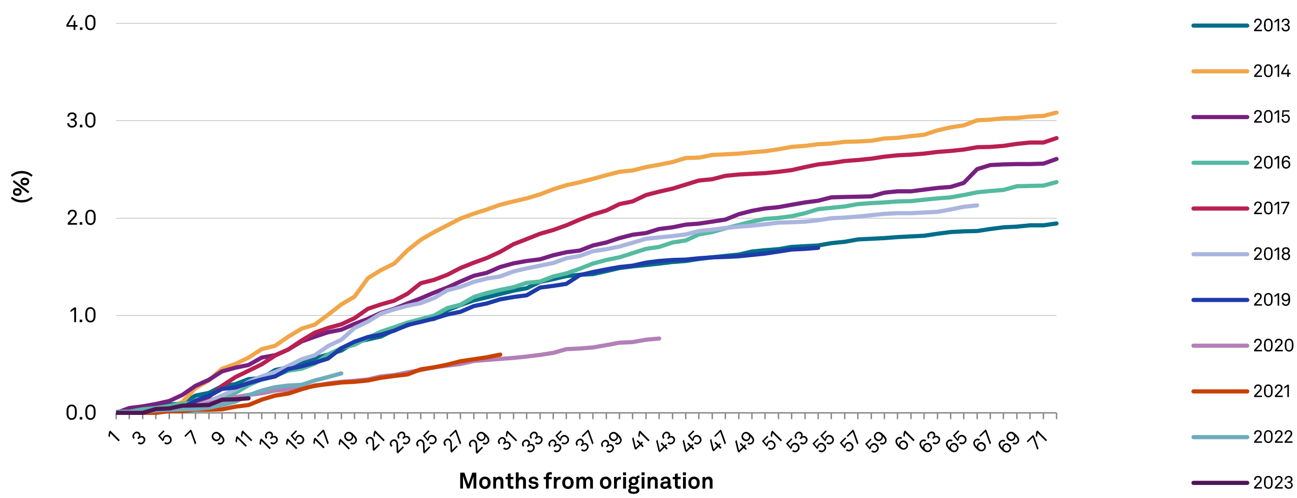


Source: S&P Global Ratings.

Charts 7 and 8 illustrate the cumulative gross default and cumulative net loss experience of VWFS Australia's ABS portfolio from January 2013 until June 2024 for instances in which the vehicle financed was new.

Chart 7

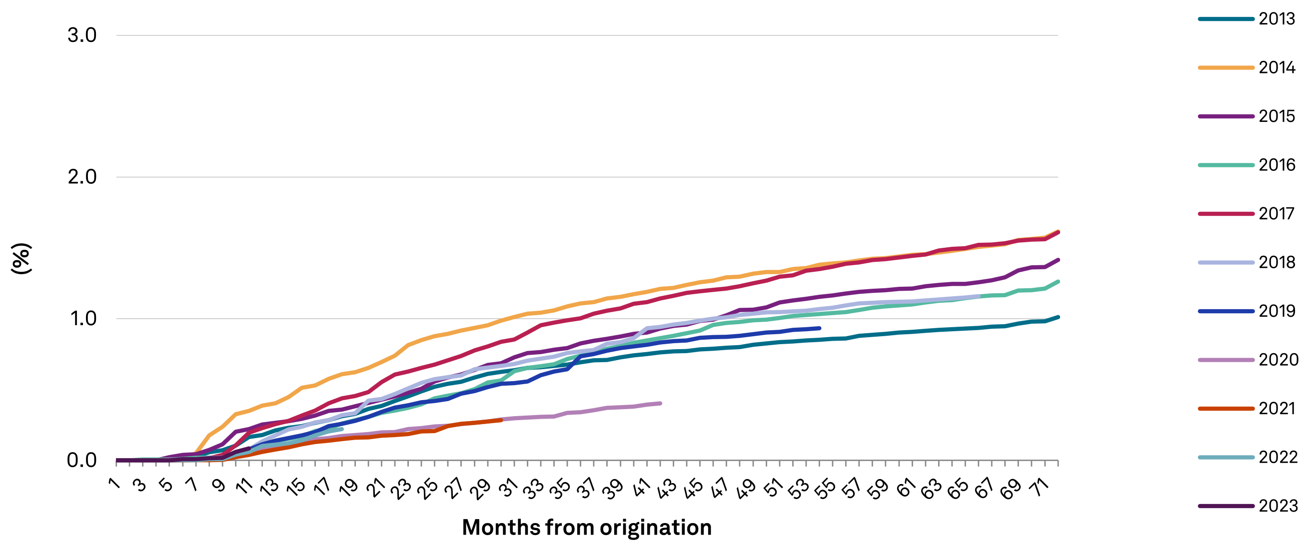
Volkswagen Financial Services Australia Pty Ltd.
Cumulative gross losses--new vehicles



Source: S&P Global Ratings.

Chart 8

Volkswagen Financial Services Australia Pty Ltd.
Cumulative net losses--new vehicles

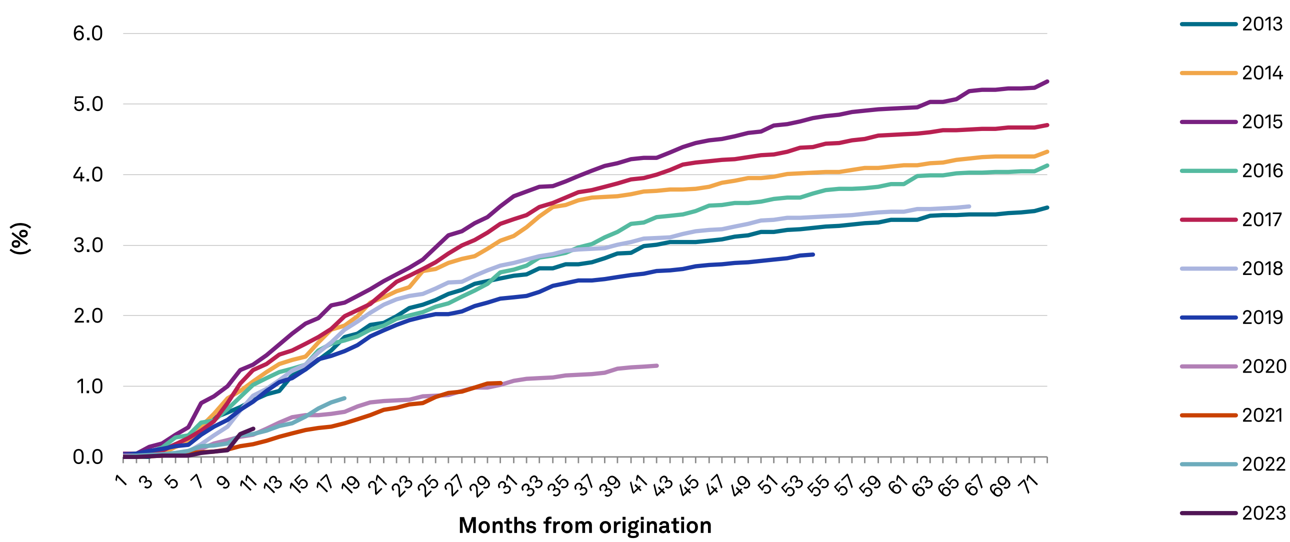


Source: S&P Global Ratings.

Charts 9 and 10 illustrate the cumulative gross default and cumulative net loss experience of VWFS Australia's ABS portfolio from January 2013 until June 2024 for instances in which the vehicle financed was used.

Chart 9

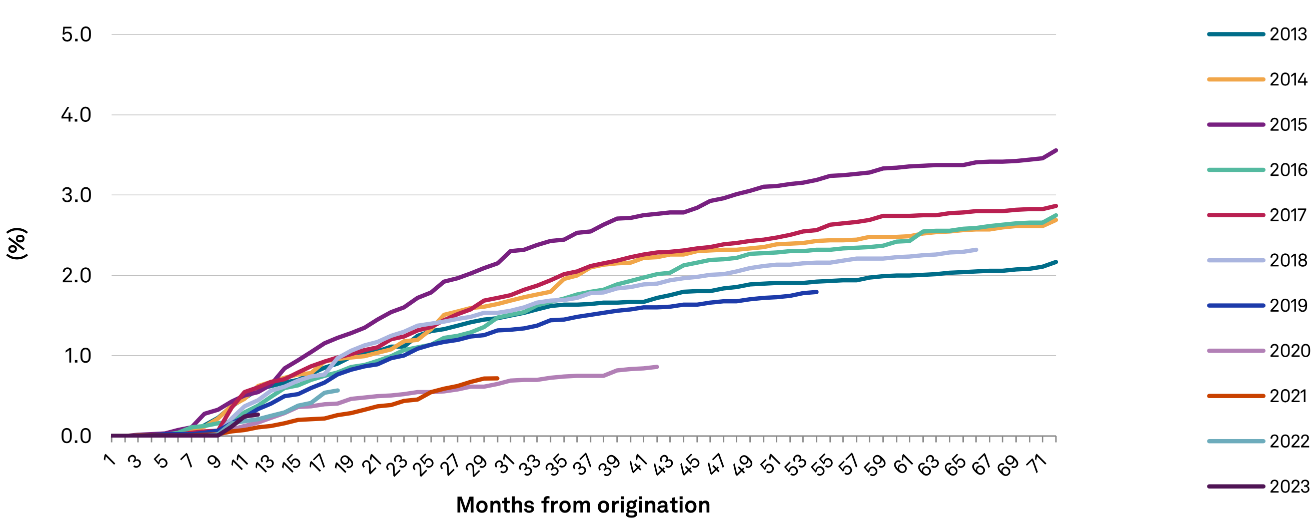
Volkswagen Financial Services Australia Pty Ltd.
Cumulative gross losses--used vehicles



Source: S&P Global Ratings.

Chart 10

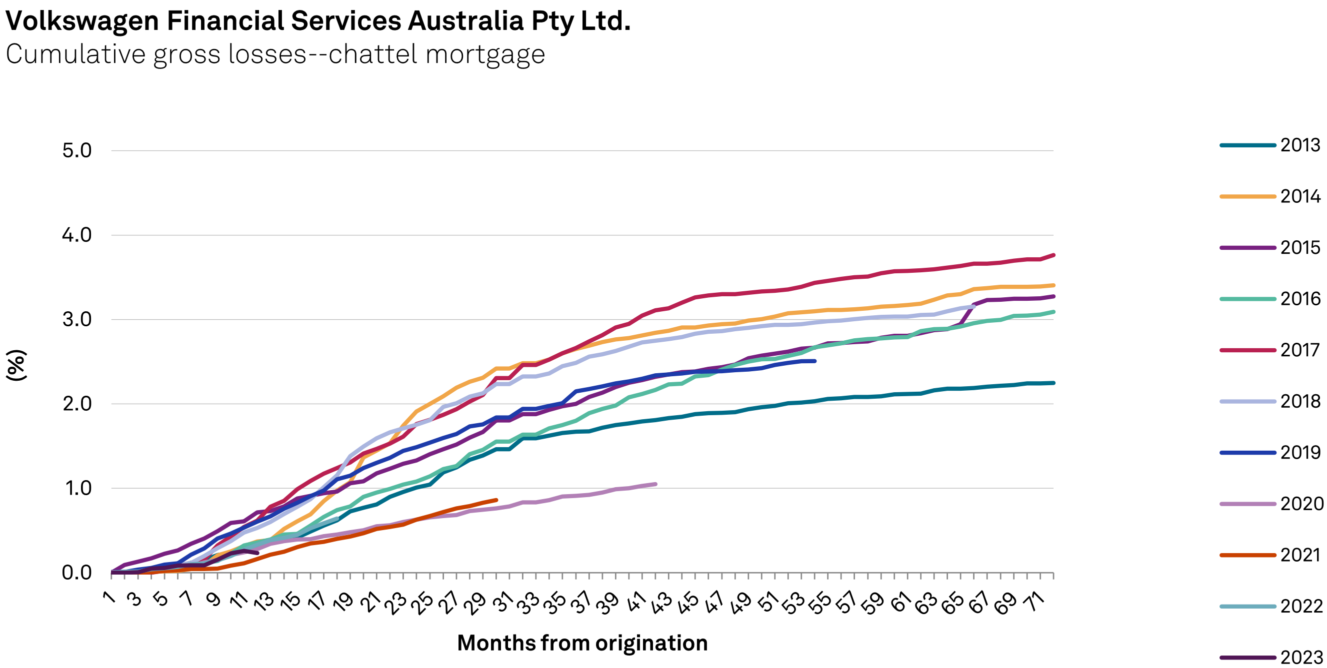
Volkswagen Financial Services Australia Pty Ltd.
Cumulative net losses--used vehicles



Source: S&P Global Ratings.

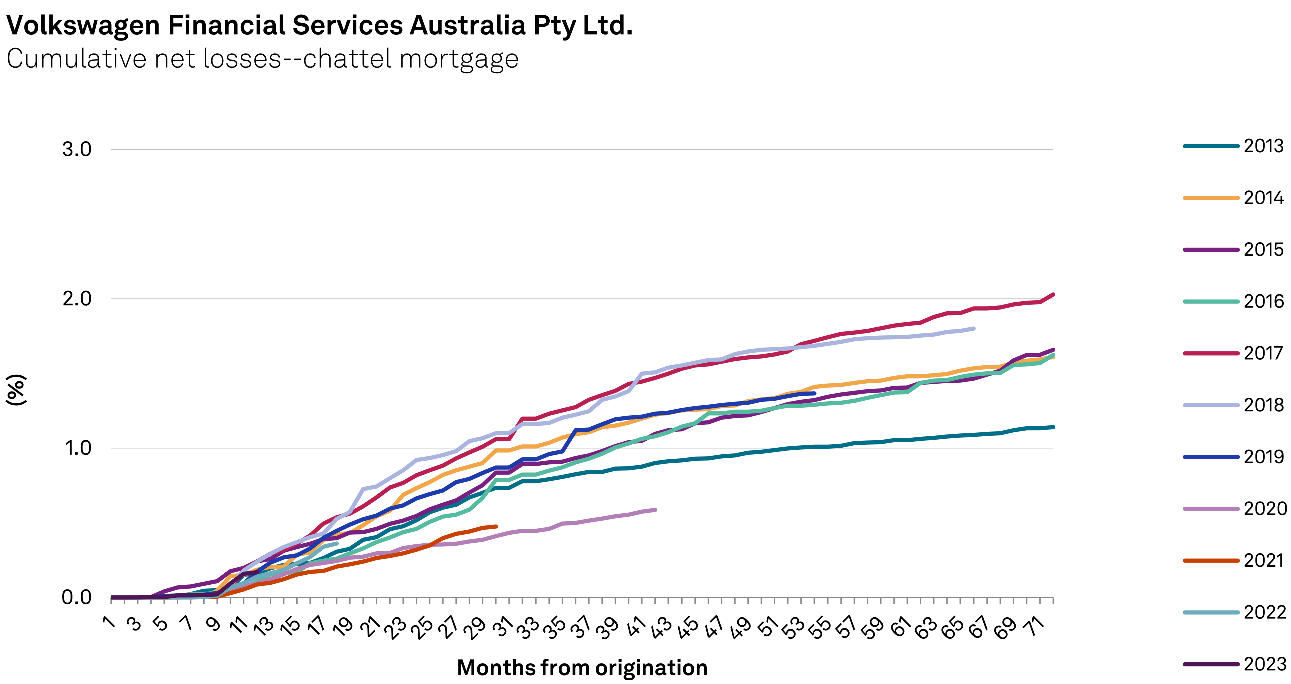
Charts 11 and 12 illustrate the cumulative gross default and cumulative net loss experience of VWFS Australia's ABS portfolio from January 2013 until June 2024 for instances in which the contract type was chattel mortgage.

Chart 11



Source: S&P Global Ratings.

Chart 12

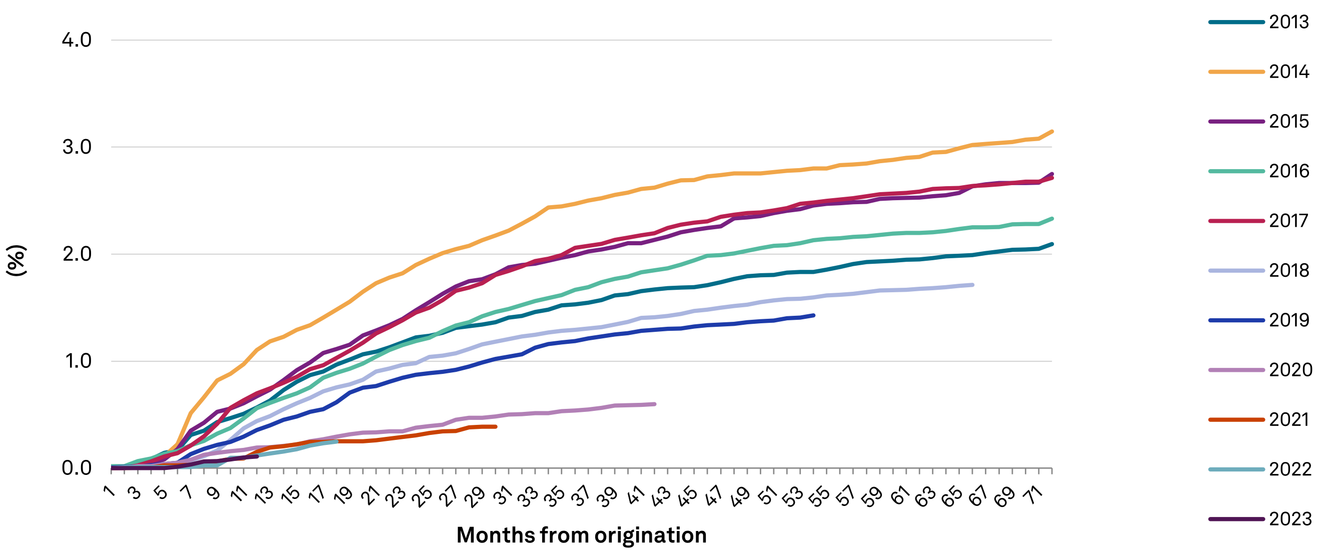


Source: S&P Global Ratings.

Charts 13 and 14 illustrate the cumulative gross default and cumulative net loss experience of VWFS Australia's ABS portfolio from January 2013 until June 2024 for instances in which the contract type was consumer loan.

Chart 13

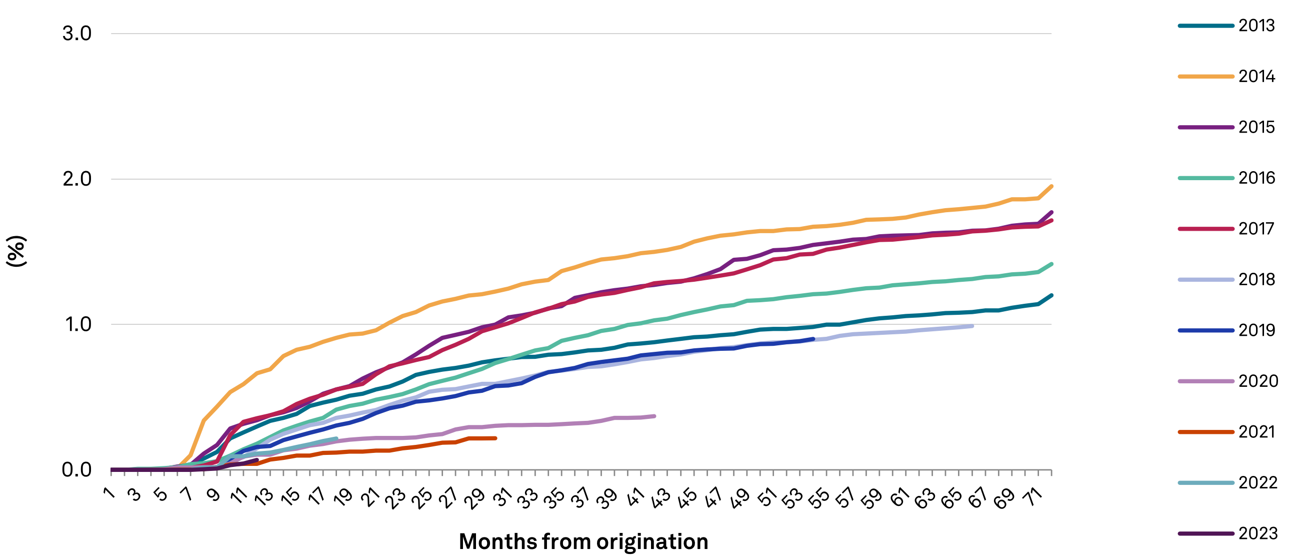
Volkswagen Financial Services Australia Pty Ltd.
Cumulative gross losses--consumer loan



Source: S&P Global Ratings.

Chart 14

Volkswagen Financial Services Australia Pty Ltd.
Cumulative net losses--consumer loan



Source: S&P Global Ratings.

In relation to the partially amortized pools, S&P Global Ratings has extrapolated the loss curves based on the historical loss performance of VWFS Australia's fully amortized loss curves.

Historical gross loss and recovery data

For the purposes of our loss analysis, in addition to analyzing the total ABS book static loss data, we separately analyzed each data subset provided by VWFS Australia: new vehicles, used vehicles, chattel mortgage, and consumer loans.

We adopted a similar approach to the analysis of VWFS Australia's net loss data.

In addition, we analyzed the proportion of total ABS originations during the loss-data period to determine whether there had been material changes over time in the origination proportions of new or used vehicles, or contract type. We considered all of these factors, in addition to the actual composition of the collateral pool, in our determination of base-case gross loss and recovery assumptions for this transaction.

Our base-case gross loss assumption for the collateral pool is 2.7%. We applied a stress multiple to the base-case gross default percentage at a 'AAA' rating category. The magnitude of the stress multiple we apply depends on the rating level, whereby higher rated notes are subject to a higher stress multiple in our analysis.

Credit was given to recoveries. Our base-case recovery assumption for the collateral pool is 46.0%. The credit given to recovery is a percentage of base-case expected recoveries.

Based on the above, our net loss expectation--also commonly referred to as "base-case loss level"--for the underlying pool is 1.46%. The net loss expectation reflects our opinion of the combination of the expected gross loss on the underlying pool of 2.7%, and the expected recoveries of 46.0% from sales of the underlying motor vehicles upon a default.

Table 6 shows a summary of the credit assessment.

Table 6

Summary Credit Assessment

	AAA
Stress multiple used (x)	5.0
Default frequency (%)	13.5
Loss severity (%)	77.0
Minimum credit support after credit to recovery (%)	10.4

Cash-flow analysis

We analyzed the capacity of the transaction's cash flow to support the rated notes by running several different scenarios. Our cash-flow analysis encompassed the following factors:

- Level of gross defaults and recoveries commensurate with a 'AAA (sf)' rating level.
- Recovery period (assumed to be nine months).

Prepayment rates: We modeled two different prepayment curves. The prepayment stresses assumed are shown in table 7 and include only voluntary prepayments.

Timing of defaults: We modeled three different loss curves: a front-loaded, back-loaded, and normal default curve. The curves employed were reflective of the loss timing observed in VWFS Australia's static loss curves.

Table 7

Assumed Conditional Prepayment Rates		
Months from transaction close	**Low CPR (% per year)**	**High CPR (% per year)**
0 to 3	0.0	12.0
4 to 6	0.0	13.0
7 to 9	0.0	16.0
10 to 12	0.0	18.0
13 to 18	0.0	19.0
19 to 24	0.0	21.0
25 to 30	0.0	22.0
31 onward	1.0	22.0

Note: Total CPR shown represents voluntary prepayments.

Our rating addresses not only the availability of funds for full payment of interest and principal, but also the timeliness of these payments in accordance with the terms of the rated securities.

Sensitivity Analysis

We cash-flow modeled two additional scenarios to determine how vulnerable the class A notes would be to a downgrade under each scenario:

- Scenario 1: Base-case gross losses are 1.25x higher than our expected level of 2.7%.
- Scenario 2: Base recoveries are only 75% of our expected base recovery rate of 46.0%.

The minimum credit support for credit losses under each scenario is set out in table 8.

Table 8

Minimum Credit Support After Credit To Recovery	
Scenario	**AAA (%)**
Expected	10.4
Scenario 1	13.0
Scenario 2	11.2

Table 9 sets out what the rating level of the class A notes would be at transaction close--after incorporating cash flow modelling outcomes--under each scenario.

Table 9

Rating Transition	
Scenario	**Class A notes**
Expected	AAA (sf)
Scenario 1	AA+ (sf)

Table 9

Rating Transition (cont.)	
Scenario	**Class A notes**
Scenario 2	AAA (sf)

Related Criteria

- Criteria | Structured Finance | ABS: Global Auto ABS Methodology And Assumptions, July 26, 2024
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Structured Finance | General: Global Framework For Payment Structure And Cash Flow Analysis Of Structured Finance Securities, Dec. 22, 2020
- Criteria | Structured Finance | General: Methodology To Derive Stressed Interest Rates In Structured Finance, Oct. 18, 2019
- Criteria | Structured Finance | General: Counterparty Risk Framework: Methodology And Assumptions, March 8, 2019
- Legal Criteria: Structured Finance: Asset Isolation And Special-Purpose Entity Methodology, March 29, 2017
- Criteria | Structured Finance | General: Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
- Criteria | Structured Finance | General: Global Derivative Agreement Criteria, June 24, 2013
- General Criteria: Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- Criteria | Structured Finance | General: Methodology For Servicer Risk Assessment, May 28, 2009

Related Research

- ESG Industry Report Card: Auto Asset-Backed Securities, March 31, 2021
- Australia And New Zealand Structured Finance Scenario And Sensitivity Analysis: Understanding The Effects Of Macroeconomic Factors On Credit Quality, April 17, 2017
- Global Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016
- Yield Considerations In Standard & Poor's Cash-Flow Analysis Of Australian And New Zealand ABS, Nov. 21, 2013
- Repayment Structures Of Australian RMBS and ABS Play An Important Role in Supporting Ratings Stability, Aug. 16, 2010
- ABS Performance Watch: Australia and New Zealand, published quarterly

These articles are available on RatingsDirect, S&P Global Ratings' web-based credit analysis system, at https://www.capitaliq.com.

The issuer has informed S&P Global Ratings that the issuer will be publicly disclosing all relevant information about the structured finance instruments that are subject to this rating report.