

Driver Australia Ten Trust ABS Assigned Preliminary Rating

September 1, 2024

MELBOURNE (S&P Global Ratings) Sept. 2, 2024--S&P Global Ratings today assigned its preliminary rating to the class A asset-backed securities (ABS) to be issued by Perpetual Corporate Trust Ltd. as trustee of Driver Australia ten Trust (see list). The notes are backed by chattel mortgage as well as consumer loan contracts secured by passenger and light commercial motor vehicles that were originated by Volkswagen Financial Services Australia Pty Ltd. (VWFS Australia).

This is the ninth closed-pool term transaction backed by collateral originated by VWFS Australia and rated by S&P Global Ratings. The preliminary rating reflects the following factors.

The credit risk of the underlying collateral portfolio and the credit support available are commensurate with the preliminary rating assigned. Credit support for the class A notes comprises the subordination of the class B notes and the 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 preliminary 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. The use of principal collections and a nonamortizing cash reserve funded on the transaction closing date support timely payment of senior expenses and note interest. The reserve is sized at A\$6 million, which equates to 1.2% of the discounted receivables balance at transaction close.

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

Our preliminary rating also takes into account the counterparty support provided by Australia and New Zealand Banking Group Ltd. (ANZ) as bank account provider, and by the interest-rate swap provider. A fixed- to floating-rate interest-rate swap will be provided to hedge the mismatch between the fixed-rate payments on the receivables and the floating-rate interest payable on the class A notes. The transaction documents for the swap and bank accounts include downgrade language consistent with our "Criteria: Counterparty Risk Framework Methodology And

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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.

A copy of S&P Global Ratings' complete report for Driver Australia ten Trust can be found on RatingsDirect, S&P Global Ratings' web-based credit analysis system, at <https://www.capitaliq.com>.

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

Preliminary Rating Assigned

Driver Australia ten Trust

- Class A, A\$438.5 million: AAA (sf)

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

REGULATORY DISCLOSURES

Please refer to the initial rating report for any additional regulatory disclosures that may apply to a transaction.

AUSTRALIA

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