

# [SPSF] Driver Japan fourteen's Beneficial Interests And ABL Assigned 'AAA (sf)' Ratings

February 27, 2025

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## Overview

- A pool of auto loan receivables originated by Volkswagen Financial Services Japan backs the beneficial interests 2 and ABL 2 issued under the Driver Japan fourteen transaction.
- We have assigned our 'AAA (sf)' ratings to the beneficial interests 2 and ABL 2, based on our view of factors such as the credit quality of the underlying assets, the transaction's structure, and our cash flow analysis.

TOKYO (S&P Global Ratings) Feb. 27, 2025--S&P Global SF Japan Inc. (SPSF) today said that it has assigned its 'AAA (sf)' ratings to Driver Japan fourteen's beneficial interests 2 and its corresponding asset-backed loan (ABL 2) under the transaction. Both are due June 2033 and worth a combined ¥50.0 billion. The collateral comprises Japanese auto loan receivables that Volkswagen Financial Services Japan Ltd. (VWFSJ) originated.

In the first trust, the originator entrusted a pool of auto loan receivables and cash with the trustee of the transaction, The Norinchukin Trust & Banking Co. Ltd. It then received both the senior and subordinate beneficial interests of the first trust. Norinchukin Trust fully redeemed the senior beneficial interest in a lump sum after it obtained the first trust's asset-backed loan (ABL 1). In the second trust, MUFG Bank Ltd. (the ABL 1 lender) then entrusted the loan with Norinchukin Trust. After that, MUFG Bank and BNP Paribas Securities (Japan) Ltd., which serves as the underwriter, transferred the beneficial interests of the second trust (beneficial interests 2) to investors. Some investors lent money through the second trust asset-backed loan (ABL 2) instead of purchasing the beneficial interests 2. We have assigned ratings to the beneficial interests 2 issued and ABL 2 extended under this transaction.

The ratings reflect our views primarily on the following.

- We assume a cumulative default rate on the initial receivables balance of 0.65% under our base case scenario during the transaction term, based on the characteristics of and historical data on the underlying auto loan assets, performance data on past series, and our overall outlook for the future performance of Japanese auto loan assets.

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- We also assume a cumulative default rate of 6.1% under our 'AAA' stress scenario, considering that the underlying assets include auto loans with balloon payments (such loans have equal payments during the loan's life except for the last balloon payment, which is significantly larger).
- Credit support, provided through overcollateralization, mitigates the credit risk of the underlying assets.
- Credit support available to the beneficial interests 2 and ABL 2 withstood our 'AAA' stress scenario after analyzing the cash flow stressed on all the parameters, including default rates.
- Advance payment collections by the transaction's servicer mitigate commingling risk.
- Cash reserves that provide liquidity support for interest payments on rated classes and transaction costs were funded on its closing date.
- Initial servicer VWFSJ and subservicers JACCS Co. Ltd. and Sumitomo Mitsui Card Co. Ltd. can fulfill their roles in the transaction.
- As soon as the overcollateralization ratio has reached a certain level after a revolving period, the principal will be redeemed on a pro rata basis. The transaction's payment structure will convert principal payments to a monthly pass-through turbo structure if these early amortization triggers hit.
- The transaction's legal structure establishes that the entrustment of the underlying assets are not considered as security interest and thus the underlying assets are not considered as part of the originator's property in the event of its bankruptcy.

## **Related Criteria**

- Global Auto ABS Methodology And Assumptions, July 26, 2024
- Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Global Framework For Payment Structure And Cash Flow Analysis Of Structured Finance Securities, Dec. 22, 2020
- Counterparty Risk Framework: Methodology And Assumptions, March 8, 2019
- Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions, Jan. 30, 2019
- Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
- Principles Of Credit Ratings, Feb. 16, 2011
- Methodology For Servicer Risk Assessment, May 28, 2009

## **Related Research**

- Japan Structured Finance Outlook: Shaking Off Rising Rates, Jan. 8, 2025
- ESG Industry Report Card: Auto Asset-Backed Securities, March 31, 2021
- Japanese Structured Finance Scenario And Sensitivity Analysis 2017: The Effects Of The Top Five Macroeconomic Factors, Dec. 26, 2017

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- Global Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016

### Rating Assigned

#### Driver Japan fourteen

#### ¥50.0 billion beneficial interests and ABL due June 2033

- Beneficial interests 2; ¥24.8 billion; Fixed-rate coupon; 6.5% overcollateralization: AAA (sf)
- ABL 2; ¥25.2 billion; Fixed-rate coupon; 6.5% overcollateralization: AAA (sf)

The transaction closed on Feb. 27, 2025. We define the overcollateralization ratio as:  $1 - (A+B)/(C-D-E)$ ; A: the rated obligations and equally ranked obligations; B: prior obligations to the rated obligations; C: underlying assets (including cash); D: liquidity reserves; E: obligations, except for senior, mezzanine, or subordinate obligations (seller's interest, etc.). The series base value applies in the case of a master trust structure.

The report, titled "Driver Japan fourteen," is available to subscribers of RatingsDirect at [www.capitaliq.com](http://www.capitaliq.com). Ratings information can also be found on S&P Global Ratings' public website at <https://www.spglobal.com/ratings/en/>. Members of the media may reserve a copy by e-mail at [tokyo.pressroom@spglobal.com](mailto:tokyo.pressroom@spglobal.com) or by phone at (81) 3-4550-8411.

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