Creditreform Structured Finance
Driver UK Master S.A., Compartment 3

Creditreform Rating
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Rating Object	Rating Information	
Driver UK Master S.A., Compartment 3	Assigned Ratings: Class A: **AAA_{sf} / stable** Class B: **$A+_{sf}$ / stable**	Type: Follow-Up Rating, Surveillance / Renewal Report
Closing Date: 25 May 2018 Exchange: Luxembourg Stock Exchange Issuer: Driver UK Master S.A., Compartment 3 Issuer Type: Luxembourg Special Purpose Vehicle Arranger: Crédit Agricole CIB Asset Class : Auto Loan Receivables	Rating Date: 23 May 2018 Monitoring Period: 26 May 2026 Rating Methodologies: CRA “Auto ABS Securitizations”	

Class	Rating / Outlook	Amount (GBP)	CE[1]	Index	Margin[2]	Final Maturity	ISIN
A	AAA_{sf} /stable	401,000,000.00	33.19%	1m Libor	0.50%	26 May 2026	XS1419840043
B	$A+_{sf}$ / stable	55,000,000.00	24.02%	1m Libor	0.95%	26 May 2026	XS1419839896
Sub. Loan	NR	105,402,222.36	6.46%	1m Libor	2.26%	26 May 2026	N/A
OC	-	38,787,613.61	-	-	-	-	-

[1] Credit Enhancement for Class A series consisting of (1) Class B subordination, (2) the Subordinated Loan and (2) purchase price discount overcollateralization (“PPD OC”) and for Class B series consisting of (1) the Subordinated loan and (2) PPD OC, see “Capital Structure” below. [2]The coupon is floored at zero.

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Transaction Summary

The Driver UK Master S.A., Compartment 3 transaction (“DUKM”) is a securitisation of a pool of auto financing contracts originated in U.K. by Volkswagen Financial Services UK Ltd. (“VWFS”), acting as Seller and Servicer of these receivables, and itself a wholly owned subsidiary of Volkswagen Bank GmbH (“VW Bank”). VW Bank is a captive and 100% subsidiary of Volkswagen AG (“VWAG”).

The securitised asset pool is a portfolio consisting of 27,364 contracts originated by VWFS to retail and corporate customers. The transaction features a 12 months revolving period and is secured by new and used vehicle financing contracts. The portfolio has a weighted average remaining term of approximately 26.26 months and a total volume of GBP 600,189,835.96.

Following a GBP 16m tap-up in May 2018, Creditreform Rating AG (“Creditreform Rating” or “CRA”) has assigned ratings to DUKM Class A and Class B notes. In addition to the issuance of the rated Class A and Class B notes, a Subordinated Loan is granted to fund the purchase of financing contracts. The combination of the Subordinated Loan and purchase price discount overcollateralization will provide credit enhancement to the rated Class A and Class B notes. Additionally, the Cash Collateral Account (“CCA”) includes a cash reserve, which is available to cover senior costs and note interest payments.

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Key Rating Findings

\+ Proven origination, servicing & recovery procedures

\+ Downgrade collateral and replacement provisions mitigate counterparty risk exposure w.r.t. the Swap Counterparty and Account Bank

\- Potentially indirect negative impact of VWAG NOx emission allegations on future portfolio performance

\- Concentrated geographical (Northern Ireland), contractual (Personal Contract Purchase) and vehicle type (Porsche) portfolio composition

\- Extended 12 months revolving period may adversely affect portfolio quality

\- Increased macroeconomic uncertainty (“Brexit”) and potential market decline may have adverse effect on VWFS’s ABS strategy and future portfolio performance

Transaction Structure

Transaction Parties

Table 1: Transaction Parties

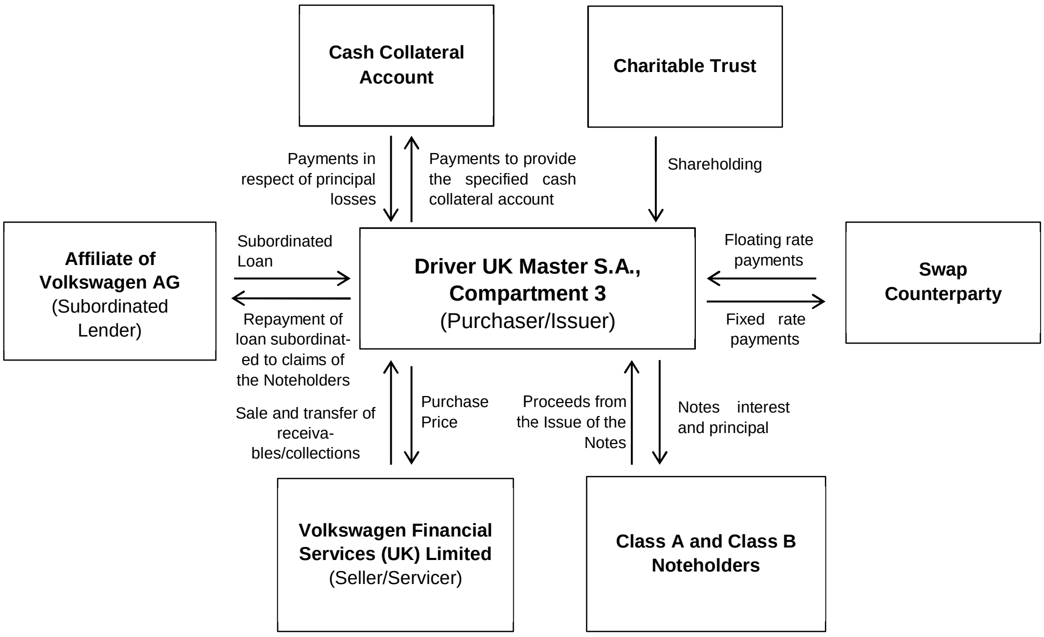
Role	Name
Issuer	Driver UK Master S.A, Compartment 3, Luxembourg
Seller / Servicer	Volkswagen Financial Services (UK) Limited, Milton Keynes
Arrangers	Crédit Agricole CIB, Paris
Lead Manager	Crédit Agricole CIB, Paris
Manager	Volkswagen Bank GmbH, UK Branch, Milton Keynes
Subordinated Lender	Volkswagen International Luxemburg S.A., Luxembourg
Security Trustee, Data Protection Trustee	Wilmington Trust SP Services (Frankfurt) GmbH, Frankfurt
Paying Agent, Interest Determination Agent, Cash Administrator, Account Bank	The Bank of New York Mellon, London Branch, London
Swap Counterparty	DZ Bank AG Deutsche Zentral-Genossenschaftsbank, Frankfurt
Corporate Service Provider	Circumference FS, Luxembourg
Registrar	The Bank of New York Mellon SA/NV, Luxembourg Branch, Brussels

Issuer

The structure of the transaction is shown below (Figure 1). The Issuer, Driver UK Master S.A., acting for and on behalf of its Compartment 3, is a special purpose vehicle ("SPV") incorporated under the laws of Luxembourg. The company is registered with the Luxembourg Trade and Companies Register and has explicitly stated in its Articles of Incorporation to be governed by the Luxembourg Securitisation Law. The Issuer is a securitisation company with the sole purpose of entering into securitisation transactions through separate compartments.

Risks related to the Issuer are limited, the compartment structure being ring-fenced and with limited recourse to other creditors of the Issuer, including non-petition provisions. We regard to the structure of the Issuer as being bankruptcy-remote. CRA conducted its rating assuming no adverse future change in Luxembourg securitisation law. A legal opinion addressing the issuer structure was provided.

Figure 1: Transaction Structure I Source: VWFS



The Issuer has entered into a receivables purchase agreement, agreeing on the initial and revolving purchase of receivables pursuant to the ordinary course of the seller's business, where the related financing contracts are governed under the laws of England, Northern Ireland, Scotland or Wales. Apart from legal specifics (pending perfection of assignment, trustees for different jurisdictions) DUKM will acquire all right, title and interest arising from such receivables. Legal opinions addressing the legality, validity and enforceability of such receivables were provided.

Term-Takeout

Term-Take Outs and Tap-Issuance can only carried out if ratings will be unaffected

Within the transaction, the Issuer acts as an intermediate warehousing vehicle. The Issuer may on any payment date sell any or all purchased receivables to any member of Volkswagen Group or to an affiliated securitisation vehicle (transferee).

The additional receivables purchase price will include applicable levels of overcollateralization ("OC") in accordance with the purchaser's capital structure, which may affect the level of overcollateralization within the DMUK structure following a term-takeout.

Regardless of the mandatory random selection character of such take outs, they may affect the quality of the portfolio (lower granularity, adverse diversification through eligibility criteria of transferee, increase of delinquent receivables). Therefore, prior to term-take outs, rating agencies have to confirm that the assigned ratings of Class A and Class B notes will remain unaffected by such action.

The proceeds from a term-takeout bypass the order of priority and will be directed to the distribution account, where the outstanding Class A and Class B notes will be amortised.

Tap-Issuance

During the revolving period, and notwithstanding the purchase of replenishment receivables, the issuer may from time to time offer to noteholders an increase of the issue amount of existing note series and/or conduct an issuance of further note series in order to purchase additional receivables. Here, noteholders of existing series have the right, but not the obligation, to increase their respective issue amounts. However, a tap-issuance shall only be realised if the ratings of Class A and Class B notes will remain unaffected by such action.

Upon occurrence of a tap-issuance, new and existing noteholders share a new portfolio with potentially different characteristics. The larger pool may have higher granularity and the relative share of delinquent and defaulted receivables may decrease because eligibility criteria exclude those receivables from purchase. However, the effects on portfolio diversification depend on the characteristics of the portfolio that will be purchased. As a general rule, tap-issuance receivables will be selected randomly and not with the intention to prejudice the noteholders, which reduces potential adverse effects on diversification. Moreover, while the receivables will be purchased at a 2.97%[1] discount, this will dilute (decrease) the built-up overcollateralization for Class A and Class B notes, which have been accumulated by the revolving period replenishment and/or note amortisation.

In May 2018, VWFS completed a GBP 16m tap-up of the Class A notes series.

Revolving Period

The transaction features an initial revolving period of 12 months. During this period, and according to the Order of Priority, the remaining distributions less taxes, fees, costs and interest for Class A and Class B notes will be used for the purchase of new receivables instead of amortisation. Since the additional receivables are bought with a purchase price discount, the overcollateralization of notes will increase until the target OC percentages are reached. In contrast to a tap-issuance, the purchase of additional receivables during the revolving period does not depend on rating agency confirmation. Potentially negative effects of a changing portfolio structure have to be taken into account. At the same time, the occurrence of an early amortisation event (also see “Order of Priority and Triggers”) may end the revolving period prematurely.

The revolving period can be extended for existing notes series and includes the extension of the final maturity date, and if relevant, may cause an amendment of the interest rate. If current noteholders refuse to extend the revolving period, this may result in the existence of both amortising and non-amortising series of notes. The amortising notes will benefit from an amortisation factor, setting the current pro-rata share of the series and enabling a quick redemption.

Seller and Servicer

VWFS challenged by saturated markets and VWAG NOx issue.

VWFS is a wholly owned subsidiary of VW Bank and acts as Seller and Servicer of the financing contracts. VWAG is the parent company of VW Bank, holding 100% of its shares and thus a controlling interest. VWAG´s financial division, as represented by VW Bank, is a core business of the group with a significant contribution to group total earnings. CRA undertook a bank rating of VW Bank.

VWAG is currently facing legal and financial uncertainties resulting from the use of particular software in type EA 189 EU5 diesel engines. In September 2015, the US Environmental Protection Agency published a Notice of Violation alleging Volkswagen of having used certain software in diesel engines to circumvent emission standards under the Clean Air Act. According to a public announcement by VWAG, around 11m vehicles worldwide might be affected. In December 2015, Volkswagen announced that the presented remedial technical measures have been approved by the German Federal Motor Transport Authority (KBA) with the consequence that the measures also apply to the EU-28 markets.

In its FY2017 annual report, VWAG recorded provisions for legal risks due to diesel issues of EUR 2bn (2016: EUR 5.1 bn) and identified five potential material consequences for its result of operations, financial position and net assets:

- Coordination with the authorities on technical measures
- Criminal and administrative proceedings all over the world (excluding USA/Canada)
- Product-related lawsuits worldwide (excluding USA/Canada)
- Lawsuits filed by investors worldwide (excluding USA/Canada)
- Proceedings in the USA/Canada

[1] “Additional Receivables Overcollateralisation Percentage”

For the financial year 2017, VWAG reported sales revenues of EUR 230.7bn (+6.2% YoY) and an operating profit of EUR 17bn before special items, up from EUR 14.6bn in the prior year. However, negative special items due to diesel issues reduced overall operating profit by EUR 3.2bn. After reducing capital expenditure in the automotive division, VWAG´s net liquidity was at EUR 22.4bn.

VWAG is in exchange of information with authorities to coordinate remedial actions. VWAG is currently exposed to various investigations as well as lawsuits in which authorities, investors and individuals have asserted claims against VWAG. The long-term implications of the NOx issue might include reputational damage, sale contractions, and negative financial impacts due to fines, costs of recall campaigns and higher financing costs. Creditreform Rating will closely monitor all future developments and implications for the transaction (also see "Volkswagen NOx Emissions Allegations" below).

True Sale

The securitised financing contracts were ruled by the jurisdictions of England, Wales, Scotland and Northern Ireland. Since the assignment of receivables from VWFS to the Issuer will take place in equity only, no notice of the assignment and sale need be given to obligors at closing. In order to mitigate the risk that Scottish receivables transfer could be considered not valid, VWFS will declare a Scottish Trust in favour to the issuer.

We obtained legal opinion that the relevant financing contracts constitute legal valid, binding and enforceable agreements.

Eligibility Criteria

The criteria are presented in reduced form (see Table 2). VWFS as seller warrants that, as of the purchase date:

Table 2: Eligibility Criteria

Eligibility Criteria	
1	Receivables have been selected randomly and not with the intention to prejudice the noteholders
2	Concentration limits: used cars max. 60%, non-VW group brand passenger cars + light commercial vehicles max. 15%
3	No obligor is an affiliate of VWFS
4	Porsche-PCP and all Lease Purchase contracts for corporate or retail only from England, Northern Ireland, Scotland or Wales
5	Non-PCP-Porsche and Hire Purchase for corporate or retail only from Northern Ireland
6	No defaulted receivables
7	Currency is GBP
8	No overdue receivables
9	Receivables from England, Wales, Northern Ireland or Scotland
10	Contracts are legal valid, binding and enforceable
11	Enforceability of the purchased receivables is not impaired
12	No set-off rights with VWFS bank deposits
13	CCA compliant contracts
14	Contracts from ordinary course of business
15	Obligor has at least paid one instalment
16	Instalments are substantially equal through time
17	Max. contract term of 72 months
18	Balloon payments allowed
19	Compliance with data protection
20	Obligor obligation to pay insurance, repair, maintenance, taxes

21	No total damaged or stolen cars
22	Single obligor concentration limit: 0.5% of the aggregate discounted receivables balance
23	Car and contract are registered by VWFS

Capital Structure

The discounted receivables balance is calculated using a discount rate equal to 6.3718% per annum. The discount rate is used to cover senior expenses and the servicing fee. At the onset of the transaction, it is calculated as follows (Table 3):

Table 3: Discount Rate Composition

Parameters	
Servicing fee (%)	1.0000
Senior expenses (%)	0.0300
Weighted average fixed rate (%)	1.7811
Interest Compensation Rate (%)	1.5000
Subtotal (%)	*4.3111*
Buffer release rate (%)	2.0607
Discount Rate (%)	**6.3718**

A buffer release amount, calculated as the product of the buffer release rate and the future discounted receivables balance, is paid to the Seller as long as no insolvency event on the part of VWFS has occurred. In the event of insolvency, the structure will additionally benefit from the buffer release rate. The total balance sheet of the Issuer is shown in Table 4 and is composed as follows:

Table 4: DUKM Balance Sheet

Assets	Amount (GBP)	Liabilities	Amount (GBP)	Size (%)
Receivables	600,189,836	Class A	401,000,000	66.81
Cash reserve (CCA)	5,472,000	Class B	55,000,000	9.16
		Sub Loan	105,402,222	17.56
		PPD OC	38,787,614	6.46
		Cash Reserve (CCA)	5,472,000	0.91
Total	**605,661,836**		**605,661,836**	**100.91**

All note series are currently revolving. As of May 2018, the Class A notes series benefit from a current CE of 33.19%, calculated as the sum of Class B subordination, the Subordinated Loan and PPD OC. The Class B notes series benefit from a total CE of 24.02%, respectively. Additionally, a cash reserve of 0.91% is available to cover senior costs and note interest payments.

Interest Shortfalls

Interest shortfalls are losses resulting from a difference of the obligor's balance and the securitised balance when an obligor prepays his contract under the UK Consumer Credit Act legislation. The difference is a result of different discount rates applied when a contract is securitised (obligor's contract- and transaction-rate).

To cover these losses a dedicated interest compensation ledger will be funded by the Seller with initially GBP 1.5m. Although it will be held on the cash collateral account, it will not form part of the general cash collateral amount.

The interest compensation amount[2] will be used to compensate the actual interest shortfalls due to early settlements. Any remainder is then credited to the interest compensation ledger. If the ledger exceeds the initial amount of GBP 1.5m, any surplus shall be paid to the Seller. Once an amount equal to the initial amount of the interest compensation ledger has been paid to the Seller, the interest compensation ledger will be replenished up to GBP 3m before crediting any further remainder to the Seller.

An average contract with an average contract rate of 6.86%, purchased at a discount rate of 6.3718% and which has an average remaining term of 26.26 months, will have a maximum spread, calculated as securitised balance divided by obligors balance, of 0.51% over its life. Comparing this to the contractual interest compensation rate of 1.50% available to cover interest shortfalls, the interest compensation mechanism is, in our view, sufficient to cover losses arising from interest shortfalls.

FX and Interest Rate Risk

To hedge the interest rate risk arising from a mismatch between fixed lease payments and floating-rate interest payments on Class A and Class B notes, the Issuer will enter into two swap agreements to receive floating (1m Libor + 0.50% for Class A notes and 1m Libor + 0.95% for Class B notes floored at zero) while paying the fixed leg of each swap. The fixed rates have been calculated to include the Class A or Class B margins; payments under the swaps are linked to the outstanding balance of the respective notes.

The account agreement allows for charges to any of the Issuer's accounts or balances, if the corresponding reference value is negative or zero. Any charges will be subject to the applicable order of priority.

Indirect interest rate risks arises if VWFS changes its average contract rate within the revolving period. A widening spread between transaction- and contract rate would result in potentially higher interest shortfalls. The transaction is not exposed to FX-risk because assets and liabilities were calculated on the same currency (GBP).

Order of Priority and Triggers

Monthly payments to transaction parties are calculated on the available distribution amount and will be distributed according to the priority of payments. The monthly amount available for distribution and the order of priority are shown below (Table 5, Table 6):

Table 5: Driver UK Master Distributions

Available Distribution Amount	
1	+ Interest accrued on the accumulation account and the distribution account
2	+ Collections received or collected by the Servicer
3	+ Payments from CCA
4	+ Net swap receipts
5	+ Accumulation account (upon end of revolving period)
6	- Buffer release amount to VWFS (provided that no Insolvency Event occurred in respect of VWFS)
7	+ Buffer release amount (upon insolvency of VWFS)
8	+ Interest compensation to issuer
9	- Interest compensation ledger release to VWFS
10	+ Interest compensation ledger release (upon insolvency of VWFS)

[2] (interest compensation rate / 12) * (future discounted receivables balance)

Table 6: Priority of Payments

Order of Priority	
1	Taxes, senior expenses and fees
2	Net swap payments, first, for the class A note, second, for the class B note (except termination payments for defaulting swap counterparty)
3	Interest payments on the class A note (accrued and unpaid)
4	Interest payments on the class B note (accrued and unpaid)
5	Payment to the cash collateral account
6	Payment to the Class A amortisation amount for amortising series or to the Class A accumulation amount for revolving series
7	Payment to the Class B amortisation amount for amortising series or to the Class B accumulation amount for revolving series
8	Payments to the swap counterparties under the swap agreement (to the extent not paid under item 2 above)
9	Accrued and unpaid interest on the subordinated loan
10	Principal payment of the outstanding balance of the subordinated loan
11	Payment of a final success fee

Interest payments of Class A notes rank senior to interest payments of Class B notes. The targeted note balances are calculated with respect to a target level of overcollateralization. The overcollateralization level can be defined as the relative excess of the aggregate discounted receivables balance over the nominal amount of the Class A or Class B notes.

Principal payments of Class A note are granted sequential priority over those of Class B until the Class A target OC level has been reached ("sequential amortisation"). After this event, Class A and B notes will be redeemed on a pro-rata basis, maintaining the Class A target OC level while redeeming Class B notes until the Class B target OC level has been reached. Table 7 shows the transaction's target OC levels.

Table 7: Target Overcollateralization Levels

Overcollateralization Levels	Class A	Class B
OC level (%) as of May 2018	33.19	24.02
Target OC, during revolving period (%)	37.50	25.50
Target OC, after revolving period (%)	40.50	28.50
Target OC, upon CEIC is in effect (%)	100.0	100.0

The structure will switch to sequential amortisation when the asset balance has amortised to 10% of the initial balance or pursuant to an early amortisation event (Table 8).

Table 8: Early Amortisation Event

Early Amortisation Event	
1	Servicer replacement
2	No more receivables to purchase (accumulation balance > 15% of discounted receivables balance, on two consecutive payment dates)
3	Class A OC level drops below 33% (with grace period of first 6 months)
4	VWFS ceases to be an affiliate of VW Bank or any successor
5	VWFS does not fulfil repurchase obligations
6	The Issuer fails to enter into a replacement swap agreement after the termination of a swap agreement
7	CEIC is in effect
8	Occurrence of foreclosure event

Portfolio deterioration through losses can trigger an early amortisation event (a “credit enhancement increase condition,” CEIC). Table 9 and Table 10 show the conditions for a CEIC, which depend on two loss ratios. The ratios depend on specific seasonings of the portfolio and are more restrictive in earlier seasonings.

Table 9: CEIC upon Dynamic Net Loss Ratio

Weighted Average Seasoning in months	Dynamic Net Loss Ratio exceeds (%)
0 <= x <= 11	0.25
11 < x <= 21	0.45
21 < x <= 30	2.00
> 30	n.a.

Table 10: CEIC upon Cumulative Net Loss Ratio

Weighted Average Seasoning in months	Cumulative Net Loss Ratio exceeds (%)
0 <= x <= 11	1.00
11 < x <= 21	1.60
21 < x <= 30	3.50
> 30	5.50

Cash Collateral Account

The Cash Collateral Account includes several positions. A cash reserve, funded and amounting to 0.91% of the discounted receivables balance (the “General Cash Collateral Amount”) is available to cover senior costs and note interest payments. Prior to the occurrence of a foreclosure event, the cash collateral account will be refunded on each payment date from the available distribution amount remaining after items 1-4 of the priority of payments.

The CCA reduces to a floor amount of 0.6% of the maximum aggregated discounted receivables balance as of the end of the monthly period and is providing liquidity for fees, expenses and interest of approximately half a year.

Provided that either the final maturity date has been reached or the aggregate discounted receivables balance has been reduced to zero, any remaining General Cash Collateral Amount can be used to redeem the notes. Otherwise and before final maturity, any excess cash standing to the credit of the CCA will be distributed to make principal and interest payments of the Subordinated Loan or released as a final success fee to VWFS.

Operational Risk

Economic Outlook and UK Car Market

Our UK economic outlook is stable; we expect moderate GDP growth further in 2018-19. A reduced output growth of 1.7% in 2017 was driven by weaker private consumption. Household spending decelerated notably from 2.9 (2016) to 1.7% last year as households experienced a decrease of real disposable income, mainly driven by rising inflation. The UK unemployment rate further decreased to 4.4% (2016: 4.9%) while employment growth lost further momentum in 2017. NFC lending expanded moderately, with consumer credit expanding at very high rates. Following the UK´s vote to leave the EU in June 2016, the sterling depreciated significantly. While higher net exports due to a weakened British pound should support GDP growth, we expect private consumption to decelerate going forward as a consequence of rising inflation and low UK savings rates.

After a record business in 2016, the UK car market experienced a downturn in 2017 (-5.7%). Nevertheless, new car registrations remained high at 2.5m vehicles, the third biggest year in a decade. In comparison, the slowdown in the used car market was moderate with a decline by 1.1% to 8.1m registrations. Demand for diesel cars declined significantly by 17.1% in 2017 due to political uncertainty over air quality plans.

Brexit uncertainty has risen with a particular focus on importers and the consequences for their business model going forward. Taking into account a potentially lower inclination to buy new cars in 2018/2019 and a macroeconomic environment of risen uncertainty and potential market cool-down, we consider weaker macroeconomic support for VWFS UK business and their ABS strategy. Our outlook for the UK car financing market is neutral based on our macroeconomic expectations.

Our current long-term sovereign rating for the United Kingdom is AA with a stable outlook.

Origination and Underwriting

Established and proven origination and underwriting procedures, IT systems and operation units

VWFS is the originator of the purchased receivables. UK operations are represented by VWFS. VWFS will enter into a receivables purchase agreement with DUKM to sell receivables, using the Driver UK Master structure for the transfer of assets. VWFS provides financing solutions for new and used Volkswagen, Porsche, Audi, Seat, Skoda and VW Commercial Vehicles ("VW LCV") to commercial and non-commercial customers. VWFS co-operates closely with the group dealership network as well as manufacturing departments to scale VWAG's business. Co-operations are established by dealer agreements.

Managing its portfolio, VWFS has to ensure high consistency and quality of underwriting procedures in its financing operations and business entities. Being one of the largest servicers in the European auto loan and auto financing business, VWFSAG as parent company relies on established processes and IT systems to support its operations. VWFS has implemented internal scorecards including credit scores sourced from external credit bureaus to assess customer credit profiles. For low risk customers, applications are processed and approved automatically without involvement of VWFS staff. For customers with a higher credit risk profile, qualified credit officers evaluate a credit decision. Certain limits for credit engagements are established, as well as special guidelines for applications with a large aggregate amount.

VWFS has integrated a separate fraud detection team in its operations unit. Employees are required to complete annual computer based training. Therefore, VWFS is ensuring ongoing internal training to improve professional qualifications.

Creditreform Rating analysts conducted an on-site review and due diligence in VWFS's facilities in Milton Keynes (UK) in March 2018. CRA got a fair picture of servicing and underwriting capacities, as well as of debt management, collection procedures and risk management.

In our view, a long track record of financing originations as well as proven and established procedures in servicing and debt management enable VWFS to fulfil its obligations as Servicer as defined in the DUKM transaction documents. However, currently no backup servicer agreement is in place which might have negative effects on the issuer's capacity of a timely payment of its obligations in case insolvency of VWFS.

Contract Types

The transaction securitises 3 types of financing agreements within the jurisdiction of England, Wales, Scotland and Northern Ireland.

Personal Contract Purchase ("PCP") contracts are typically entered into with retail clients. In general, after a small initial lump sum payment the balance is partly amortised with equal monthly instalments. At the end of the contract term, the obligor may choose to purchase the vehicle by paying a final balloon. PCPs are exposed to residual value ("RV") risk when the obligor returns the vehicle instead, and the final the balloon (subject to vehicle condition and agreed mileage) must be funded by the vehicle sale proceeds.

Hire Purchase ("HP") contracts are also typical retail products. In contrast to PCPs, the obligor pays a larger initial deposit. With equal monthly instalments the balance is typically amortised completely or with a smaller final balloon.

Lease Purchase ("LP") contracts are typically products held out to corporate or retail customers, requiring the payment of an initial amount before amortising the remaining balance. However, some of the equal instalments can be delayed until the end of the term. The resulting balloon is therefore mandatory for the obligor and not exposed to RV risk.

Under the UK Consumer Credit Act, a regulated financing contract may be terminated voluntarily. If (among other conditions) one half of the total amount which would have been payable is paid, the obligor returns the vehicle. Regulated contracts are therefore exposed voluntary termination ("VT") risk, when the vehicle sale proceeds must cover the remaining payments.

Servicing and Collections

VWFS services the financing contracts over time and is responsible for collections and repossession of financed vehicles. The first instalment is due when the vehicle is handed over to the obligor. In UK, costumers are generally required to pay by direct debit. VWFS employs a debt management team to handle delinquent contracts with the aim to minimise losses and assert all claims against defaulted customers. The debt management team uses reminder letters and phone contact to collect overdue outstanding payments. Standardised collection and debt management procedures were implemented to reduce court orders and legal enforcement measures. VWFS's debt management employees are authorised to grant reasonable payment extensions, if a commercial obligor has failed to pay two instalments. However, VWFS will have the right to repossess the vehicle without prior termination of the financing contract. If the debt management process has ended without receiving any notice from the obligor, an application for a court order is made by VWFS.

The debt management works closely with the collection centre to ensure the timely repossession of vehicles from terminated financing contracts. The main tasks of the collection centre are negotiating on agreements on payment extensions, the processing of corporate and consumer insolvencies, the use of payment guarantees and processing of irrecoverable debt and write-offs. If obligors do not return the vehicles voluntarily, VWFS mandates external repossession servicers. For enforcement purposes, VWFS will refer to the resources of the entire VW group to enforce interests and claims.

Residual Value Management

The uncertainty of a vehicle's residual value represents a major risk for creditors of a financing contract, primarily when obligors opt to terminate their contracts voluntarily in the mid or end of the term. Therefore, it is a strategic goal of VWFS to keep the vehicles in equity to the obligor and balance that goal with attractive financing conditions as a support for marketing.

VWFS has set-up a Residual Value Committee consisting of stakeholders from across the business which is meeting regularly, in order to monitor and adjust strategies. CRA is conducting independent analyses relying on third party data to monitor the development of current and future residual values as well as potential strategic changes.

Counterparty Risk

Volkswagen NOx Emissions Allegations

VW NOx issue may threaten future financial position; pose indirect risk to future portfolio performance

In September 2015, the US Environmental Protection Agency issued a Notice of Violation to Volkswagen Group of America Inc. alleging that VW had been using software to circumvent emission standards under the Clean Air Act. Subsequently, Volkswagen AG announced that irregularities concerning particular software used in type EA 189 EU5 diesel engines affected approximately 11m vehicles worldwide and approximately 8.5m vehicles in Europe (VWAG press release, 15 October 2015).

In January 2016, Volkswagen AG started the implementation of technical measures for EA 189 engines affected by the NOx issue, starting with Amarok vehicles. In its HY2016 report, Volkswagen stated that KBA had approved more than 3.7m Group vehicles for modification in Germany. At the same time, recall processes have started and are progressing in several other countries. In October 2016, VW announced the approval of a 2.0L TDI settlement programme in the

United States of America with private plaintiffs represented by the Plaintiffs' Steering Committee. Under the proposed settlement, certain civil claims were resolved in relation to 2.0L TDI engines. Settlements were also reached with the attorneys general of 44 US states, the District of Columbia and Puerto Rico in relation to consumer protection and unfair trade practices. However, several other claims, criminal investigations and penalties were not resolved with the above mentioned agreement. In November 2016, KBA approved the technical solutions for 2.6m vehicles with EA 189 1.6-litre TDI engines. Thus, solutions for all three engine sizes have been approved in Germany.

On 10 January 2017, Volkswagen confirmed that the company is in advanced negotiations with the U.S. Department of Justice and with the U.S. Customs and Border Protection aiming to settle an agreement relating civil and criminal investigations.

As of today, it is not possible to quantify all current and future commercial and financial implications of NOx related issues. According to transaction legal counsel, HP and PCP customers in the UK may endeavour to pursue claims for damages from VWFS for any loss they claim they suffered as a consequence of a defect i.e. if the product was not of satisfactory quality at the point of delivery. A customer may claim such cases should be treated as a repudiatory breach entitling him to terminate the contract in addition to claiming damages. A customer who is a consumer may also claim to have non-contractual rights to damages or a discount against VWFS if the information provided about the vehicle's emissions could be regarded as misleading or false.

The Seller represents and warrants that, as of the cut-off date, the purchased financing contracts are "legally valid, binding and enforceable" and that their "status and enforceability is not impaired due to warranty claims or any other rights" of the lessee (see "Eligibility Criteria"). According to transaction documentation, if claims were ultimately determined in a claimants' favour at trial, absent remediation, VWFS would be required to repurchase any relevant affected receivables from the Issuer on the basis that the status and enforceability of such affected purchased receivables was impaired due to warranty claims or any other rights of the obligor or that the status and enforceability of the affected receivables was impaired by set-off rights.

According to information provided by VWFS, about 0.34% of the outstanding discounted principal balance in the DUKM portfolio is affected by EA189 software irregularities. VWFS did not provide information on concentrations of affected EA 189 engines with respect to the distribution by brand and model in the portfolio. In our view, a buyback of this relatively minor share as a remedy measure following a breach of eligibility criteria would not significantly affect the portfolio composition or observed credit quality.

Overall, CRA decided to maintain a conservative margin in its base case assumptions. Furthermore, we take into account potential market impact on residual values from the NOx issue by stressing the recovery rate haircuts. We closely monitor VWAG's financial position and any impact of future developments on the structure and the duties of VWAG and its subsidiaries within the transaction. We will update our ratings subject to new information that will be available in the future.

Account Bank and Swap Counterparty

VWFS has entered into a service agreement with the Issuer to perform tasks according to its usual business practices, such as the service and administration of the receivables. To fulfil its duties, VWFS will transfer the collected funds to the Account Bank on behalf of the Issuer. The Issuer has established accounts as defined in the Account Agreement and in accordance with the transaction structure. The Issuer is exposed to the default risk of Bank of New York Mellon ("BNY"), appointed to be the Account Bank. However, default risks are mitigated by certain downgrade provisions linked to the rating of the Account Bank. Should BNY be downgraded, the Account Bank is required to transfer the balance of the account to another bank with sufficient ratings on its own cost. To assess the risk relating to the Account Bank, Creditreform Rating has undertaken unsolicited bank rating of BNY.

The Issuer will enter into two separate swap agreements with DZ Bank AG to mitigate exposure to interest rate changes over time and hedge the interest rate risk arising from receiving fixed rate payments under the lease receivables and paying a floating rate on the Class A and Class B notes.

Under the terms of the swap agreements, the Issuer expects to receive floating rate payments based on 1-month Libor plus spread in return of a fixed rate paid to the Swap Counterparty.

The Issuer is exposed to the risk of DZ Bank AG failing on any monthly payment, in which case the available distribution amount (including the cash reserve) may be insufficient to make required payments on the notes. Depending on the future development of interest rates, the Issuer may also be obliged to transfer net payments to the Swap Counterparty. As the monthly net swap payments rank senior to any liabilities on the notes, the available distribution amount may be insufficient to cover all required payments on the notes. The transaction is also exposed to the risk of Swap Counterparty insolvency. In this case, substantial swap termination payments may arise depending on the future development of interest rates and the future market value of the swap.

To mitigate Swap Counterparty exposure, the structure foresees certain downgrade provisions linked to the rating of the Swap Counterparty which require certain actions should its ratings fall below a minimum rating threshold. These actions may include the collateralization of the referenced amounts by the Swap Counterparty, a transfer of obligations to a replacement Swap Counterparty, or the procurement of a guarantee. To assess the risk relating to the Swap Counterparty, Creditreform Rating has undertaken an unsolicited bank rating of DZ Bank Group.

Commingling Risk

The transaction is structured to include a mechanism to protect against counterparty exposure resulting from VWFS acting as a Seller and Servicer. As long as VWFS is the Servicer for DUKM, the Servicing Agreement grants a right to VWFS to commingle funds such as monthly collections or proceeds from the realisation of vehicles with its own funds during each monthly period and to use these funds at its own risk and for its own benefit until the next relevant payment date. In the case of a default of VWFS, such funds may be lost in the Servicer´s insolvency estate, resulting in a (potentially non-recoverable) loss of monthly collections, including prepayments, for Investors. To mitigate this risk, VWFS will fund a CCA of 0.91% initially of the discounted receivables balance, which may be used to cover senior cost and interest. In addition, the structure obliges the Servicer to advance expected collections if target minimum ratings of VWFS were no longer satisfied (Monthly Remittance Condition).

Set-Off

According to the eligibility criteria, the purchased receivables must exclude those contracts where the obligor maintains a deposit with VWFS. Also, VWFS currently acts only as an intermediary for insurance products and not as counterparty. Therefore, we consider set-off risks to be limited. However, VWFS offers maintenance and service plans where set off-risks may arise in case of an VWFS insolvency.

Tax Risk

CRA received legal opinion from transaction counsel clarifying that the Issuer has no exposure to Value added Tax (VAT) risk, no exposure to withholding tax risk and only limited exposure to income tax risk. The financing contracts are governed by the laws of England and Wales, Scotland and Northern Ireland. Regarding VAT, the purchase of the receivables is payable exclusive of any VAT portion. If any future VAT liability with respect to the purchase of the receivables becomes due, the Seller is deemed to bear for any of such sums. While assessing the ratings of the Class A and the Class B notes, we assumed no change in Luxembourg Securitization law over the lifetime of the transaction.

Credit and Portfolio Risk

Creditreform Rating´s credit and portfolio analyses were based on data provided by VWFS, which included gross and net loss vintage performance curves, recovery data for different product types, PCP performance and voluntary termination data going back to 2002, as well as delinquency data going back to 2007 and data on prepayments from 2008 onwards. VWFS provided stratification tables based on the final pool after tap-up which allow a credit risk assessment of the portfolio. The quality and quantity of data available for our analysis was considered to be sufficient.

Receivables Pool Characteristics

Portfolio Composition

The portfolio consists of loans originated by VWFS and entered into between obligors and VWFS. It includes different vehicle brands. The financing agreements are extended to retail and corporate customers. A particular feature of the portfolio securitised in the current transaction is a specific concentration of Porsche brand vehicles, which constitute about 64% of the receivables balance. Approximately 93% of the Porsche financing agreements have been signed as PCPs, and about 7% as LP contracts. In addition, the pool includes a significant concentration with respect to the geographical distribution of HP contracts (which constitute a minor 4% of the pool), 100% of which have been sourced from customers in Northern Ireland.

Table 11: Portfolio Characteristics

Portfolio Characteristics	
Outstanding Discounted Receivables Balance (GBP)	600,189,835.96
Number of financing contracts	27,364
Type of financing agreement:	
Hire Purchase, HP (%)	4.03
Personal Contract Purchase, PCP (%)	82.69
Lease Purchase, LP (%)	13.28
Average nominal balance / contract (GBP)	21,823.78
WA seasoning (months)	18.25
WA remaining term (months)	26.26
Type of Customer	
Retail (%)	89.49
Corporate (%)	10.51
Type of Car	
New (%)	61.58
Used (%)	38.42
Type EA 189 engine vehicles (%)	0.34

The following graphs show the maturity profile of the portfolio at the cut-off date as well as the distribution of vehicles by brand (see below):

Figure 2: Contract Maturity Profile I Source: VWFS, CRA

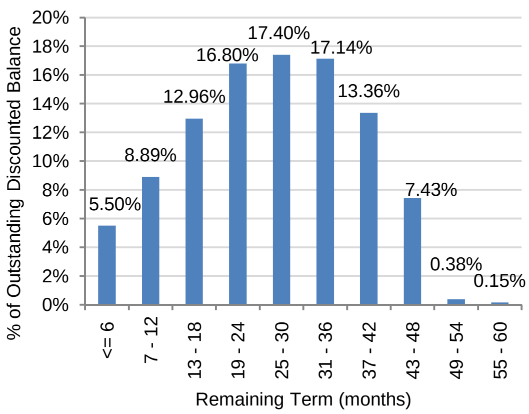
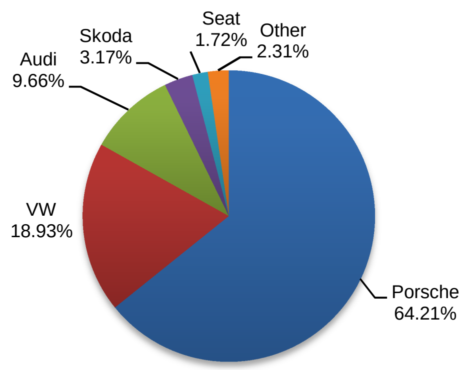


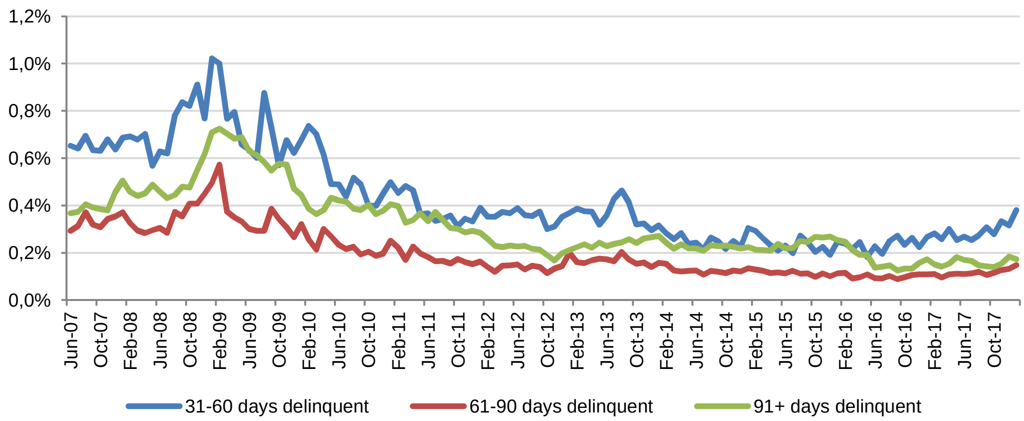
Figure 3: Brand Distribution I Source: VWFS, CRA



Historical Performance

VWFS provided delinquency performance data on retail and corporate customers going back to 2007 which covered the performance of HP, PCP and LP financing agreements. Historically, delinquencies for the entire portfolio have shown an overall decreasing trend, but especially delinquencies between 31 and 60 days are increasing since mid-2016 (see Figure 4).

Figure 4: Delinquencies by Delinquency Bucket | Source: VWFS, CRA



The financing agreements extended to customers typically grant a right to VWFS to terminate a contract when the obligor is due more than two monthly instalments. As described in “Origination and Underwriting” above, VWFS normally reaches payment arrangements to remedy any outstanding liabilities with a client before terminating a lease contract.

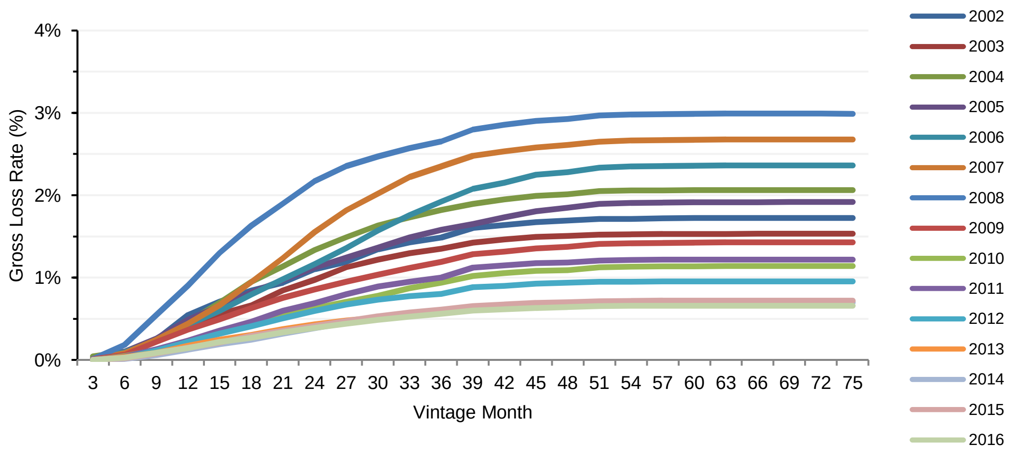
Credit Risk

Defaults

Creditreform Rating fixed its gross-loss base case at 1.40%

VWFS provided detailed total book vintage data on gross and net losses for different contract types and used conditions. Creditreform Rating used this information to analyse the historical gross loss performance of different vintages (see Figure 5):

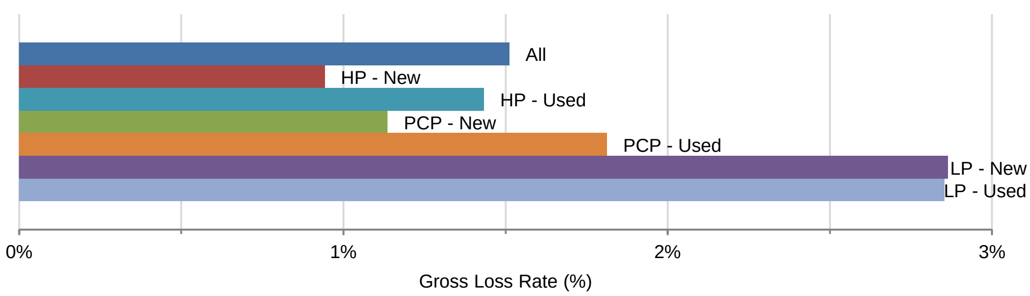
Figure 5: Gross Loss Rates of VWFS Total Lease Book by Year, extrapolated I Source: VWFS, CRA



Historical and projected losses show a trend towards lower loss rates in younger vintages. This effect may, in part, be explained by improved servicing and collection performance of the Servicer. Moreover, we consider the development of the overall economy in UK, characterized by modest economic growth, strong labor market and subdued consumer inclination to buy cars, the main driver of portfolio performance in the current loan securitisation. Overall, our economic outlook for UK is stable and we expect a moderate economic development (see “Economic outlook” above).

Depending on the contract type and the used condition, average unweighted gross loss rates differ after 75 months, as shown in Figure 6:

Figure 6: Average Gross Loss Rates after 75 Months | Source: VWFS, CRA



In general, used vehicle financing agreements have a higher probability of default than financings of new vehicles. Furthermore, LP agreements show significantly higher gross loss rates compared to HP and PCP contracts. With respect to comparable UK transactions including only HP and PCP, this leads to a higher base case assumption in the present case.

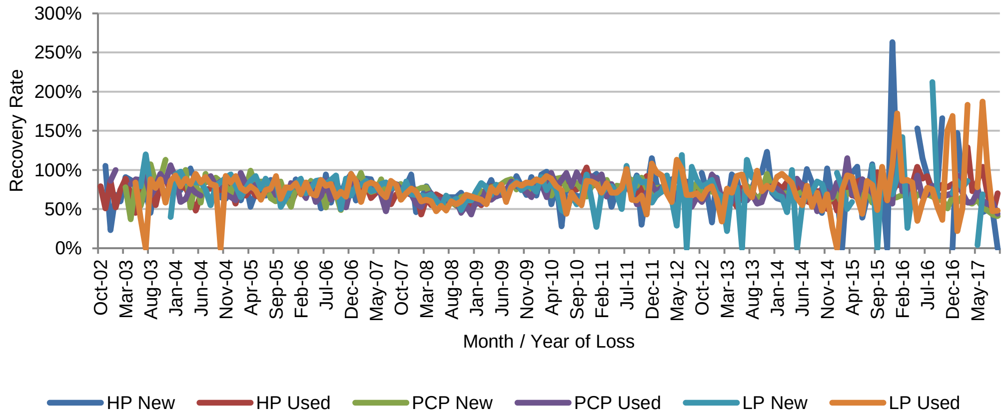
In deriving our base case loss rate assumption, younger vintages were considered a better indicator of future performance. Based on improved historical performance and a stable economic outlook, Creditreform Rating has set a base case gross loss expectation of 1.40% for its rating analyses, taking into account the typical maturity profile of loan products and adjusting for the specific composition of contract types and maturity profile of Driver UK Master S.A., Compartment 3.

Recoveries

Creditreform Rating set the recovery base case at 74.41%

VWFS provided historical data on the recovery performance of PCP, HP and LP contracts, each separately listed for used and new vehicles. This information was deemed sufficient to gauge the recovery performance of the Servicer (see Figure 7):

Figure 7: Historical recovery performance of contract types I Source: VWFS, CRA

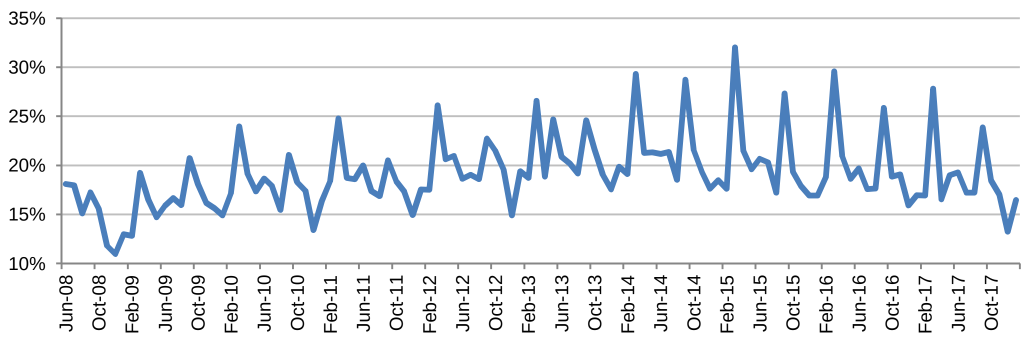


Despite a relatively stable performance (between 60%-70%), the data reveal a fair amount of variation over time. As a cross-check, Creditreform Rating also used vintage loss curve data to compare gross defaults to recorded net losses and assuming a granular and homogeneous distribution of contract values in order to calculate implied recovery rates at different points in time. Creditreform Rating has set the recovery base case at 74.41%.

Prepayments

Creditreform Rating used historical prepayment performance data on VWFS´s total HP, LP and PCP portfolio, dating back to 2002. Under the UK Consumer Credit Act, obligors in a regulated financing agreement have the right to make partial prepayments at any time before the final payment. Prepayments have historically ranged between 10% and close to 30% annualised CPR, averaging about 19.10% CPR annualised (see Figure 8):

Figure 8: Historical prepayments, total lease book, HP, PCP, LP (annualised CPR) I Source: VWFS, CRA



It is Creditreform Rating´s view that higher prepayments contribute positively to the structural stability of the transaction. From a rating perspective, lower prepayment assumptions represent a more conservative approach because the structure has to sustain the higher WAL of the notes resulting from an overall lower cash inflow.

Following the analysis of empirical data available, stressed prepayment assumptions were set at 8.85% (AAA_{sf}) and 10.28% ($A+_{sf}$) for each rating scenario, respectively.

Residual Value Risk

PCP loans offer to borrowers the option to settle the contract with a balloon payment at maturity if they choose to keep the vehicle, or return the vehicle in lieu of making the final balloon payment. The Issuer is exposed to the risk of not recovering the full amount to settle a contract if the market value of the vehicle has declined below the contractual residual value, i.e. the final balloon payment. With a total PCP share of currently 82.69%, residual value risk is a major risk factor in the current transaction (see also “Residual Value Setting” above).

To size RV risk, Creditreform received historical data on the performance of PCP contracts from VWFS´s lease book dating back to 2002. The data was deemed sufficient for the assessment of RV risks and analysed with respect to (1) PCP turn-in rates and (2) PCP recovery performance.

Historically, monthly turn-ins of PCP contracts have been limited; Creditreform therefore set the assumed turn-in rates at approximately 100% (AAA_{sf}) and 83.33% ($A+_{sf}$) in the relevant rating scenarios, respectively. Base-case PCP recoveries were analysed on a monthly aggregate basis and sized at 66.94% (AAA_{sf}) and 73.70% ($A+_{sf}$) of the contractual RV. Considering lower recovery rates of returned Porsches, we reduced the base-case recoveries for the share of Porsche PCP contracts (64.21%) by 20%, reflecting their overall weaker PCP recovery performance. To address a further potential decline in market values due to the EA189 issues currently faced by VWAG, an additional 5% haircut was applied, resulting in stressed PCP recoveries of 50.87% (AAA_{sf}) and 56.01% ($A+_{sf}$) for Porsche and 63.59% (AAA_{sf}) and 70.01% ($A+_{sf}$) for the remainder of the portfolio.

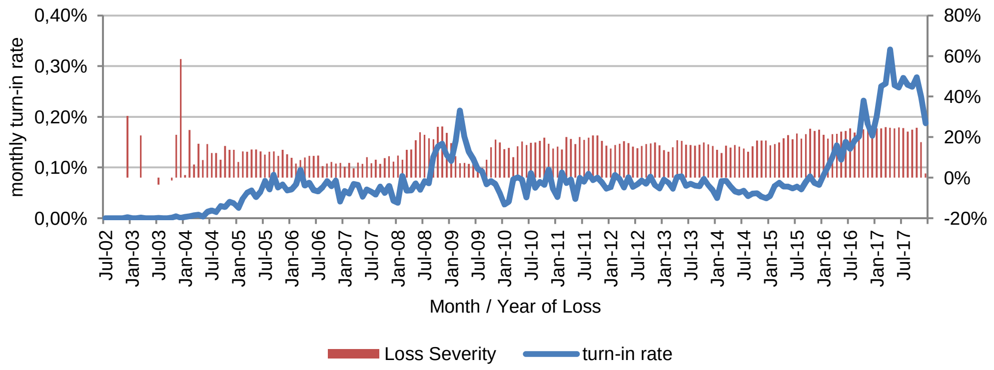
The exposure to RV risk was further stressed by assuming an increase in the total share of PCP contracts during the revolving period due to replacements of the revolving portfolio, increasing the share up to 87.56%. The resulting PCP exposure of 60.74% translated into a total RV risk assumption of 23.37% (AAA_{sf}) and 17.59% ($A+_{sf}$), respectively.

Voluntary Termination Risk

At any time before the last payment falls due, an obligor may, with a financing agreement being regulated under the UK Consumer Credit Act, opt to return the vehicle after paying 50% of the total amount payable to VWFS. The transaction is therefore exposed to the risk of voluntary terminations by obligors, in which case, and similar to RV risk, the Issuer will have to repossess the vehicle and use the proceeds from the vehicle sale to cover the remaining balance of the contract. VT losses may result when the sale proceeds are not sufficient to cover the remaining amounts.

To assess VT risk, Creditreform used monthly VT performance data by contract type and status of the vehicle (new or used) dating back to 2002, provided by VWFS. Creditreform used this data to assess historical VT turn-in rates and expected recoveries for voluntary terminations, adjusting for the overall portfolio composition with respect to the different contract types. Since 2015, monthly VT turn-ins have been increasing to reach an all-time high in 2017. In particular, based on aggregate VT data provided by VWFS, turn-ins of PCP contracts have increased significantly, being accompanied by higher net loss rates (see Figure 9).

Figure 9: Voluntary termination turn-ins and loss severity | Source: VWFS, CRA



Similar to RV risk and general recovery performance, stressed VT loss severities were derived by applying a 5% haircut to account for further potential declines in vehicle market values. The scenario-specific VT risk was calculated from a simulation of VT losses and resulting VT loss distributions which took into account the increased volatility observed in the data. The total VT risk was sized at 4.46% (AAA_{sf}) and 3.34% ($A+_{sf}$), respectively.

Cashflow Analysis

Creditreform Rating analysed the transaction cash flows in its proprietary cash flow model, which was tailored to reflect the structure of Driver UK Master, C3. The purpose of the cash flow analysis is to test the transactions´ ability of paying interest and ultimate payment of principal by final maturity using stressed base case assumptions in each specific rating scenario. Creditreform Rating also tested the sensitivity of the transaction´s performance with respect to increases in the default rate base case, decreases in the recovery rates, and prepayment scenarios.

A run-out schedule of the portfolio was implemented into the cash flow model taking into consideration the timing of defaults, residual value and voluntary termination losses terminations, the amount of prepayments.

Rating Scenarios

CRA base case stresses:

AAA_{sf}: x5.39 default multiple
61.81% recovery haircut
$A+_{sf}$: x3.99 default multiple
49.51% recovery haircut

Taking our loss assumptions as a starting point, Creditreform Rating then stressed its base case assumptions in higher rating scenarios in order to account for unexpected economic deterioration and worsening portfolio performance. Separate stress factors were applied to default and recovery rates to arrive at scenario-specific stressed loss expectations, which were then fed into the cash flow model.

Default Rates

Following our “Rating of Auto ABS Securitisations” methodology and depending on the specific rating scenarios (AAA_{sf} and $A+_{sf}$), the stress multiples for default rates were set at x5.39 and x3.99, respectively. This leads to the rating-specific stressed gross losses of 7.55% for AAA_{sf} and 5.58% for $A+_{sf}$.

Recovery Rates

The base case recovery expectation of 74.41% was subjected to a rating haircut in each rating scenario. The recovery rate haircuts were set to 61.81% in the AAA_{sf} scenario and 49.5% in the $A+_{sf}$ scenario, respectively. The haircuts take into account transaction-specific features such as observed volatility, potential market value risks caused the EA189 NOx issue, and established recovery procedures. As a result, the stressed recovery rates were set to 28.42% in an AAA_{sf} scenario and 37.57% in an $A+_{sf}$ scenario. The scenario-specific expected losses were calculated by applying our rating multiplies and haircuts to the base case (Table 12).

Table 12: Stressed Assumptions

Rating Scenario	**AAA**	**A+**
Base Case Gross Loss (%)	1.40	1.40
Default Multiple	5.39	3.99
Rating Loss Rate (%)	7.55	5.58
Base Case Recovery Rate (%)	74.41	74.41
Recovery Haircut (%)	61.81	49.51
Rating Recovery Rate (%)	28.42	37.57
Expected Net Loss (%)	**5.41**	**3.48**

Sensitivity Analysis

In order to gauge the effect of variations in default and recovery rates on rating indications, Creditreform Rating conducted a sensitivity analysis including independent and combined stresses of the default and recovery base case assumptions. The resulting rating indications for Class A and Class B notes are shown below. Table 13 and Table 14 present the results for the Class A and Class B note, respectively. For instance, the best case rating of an AAAsf represents a scenario with unchanged base case assumptions. If the default rate base case was set to increase by 25%, our analysis would suggest a Class A note downgrade from AAAsf to AA+sf. The worst case rating of AA+sf for the Class A notes represents a scenario, where a severe 50% stress on both defaults and recoveries is applied collectively.

Table 13: Class A Sensitivities

Default \ Recovery	Base Case	-10%	-25%	-50%
Base Case	AAA	AAA	AAA	AA+
+10%	AAA	AA+	AA+	AA+
+25%	AA+	AA+	AA+	AA+
+50%	AA+	AA+	AA+	AA+

Table 14: Class B Sensitivities

Default \ Recovery	Base Case	-10%	-25%	-50%
Base Case	A+	A+	A	A
+10%	A+	A	A	A
+25%	A	A	A	A-
+50%	A	A	A-	A-

Creditreform Rating also tested scenarios with back-, even-, and front-loaded default timings. As highlighted in Table 15, CRA assessed the effect of changing the prepayment rate to 0%.

Table 15: Class A and Class B Prepayment Sensitivities

Prepayment Rate	Class A Notes	Class B Notes
Base Case	AAA	A+
Zero	AA+	A-

Appendix

Rating History

Event	Rating Date	Publication Date	Result
Initial rating	19.05.2016	25.05.2016	Class A AAA_{sf} / stable Class B $AA-_{sf}$ / stable
Rating Renewal	23.05.2017	26.05.2017	Class A AAA_{sf} / stable Class B $A+_{sf}$ / stable
Rating Renewal	23.05.2018	25.05.2018	Class A AAA_{sf} / stable Class B $A+_{sf}$ / stable

Regulatory Requirements

Creditreform Rating AG was contracted on 26 February 2016 by VWFS to conduct ratings for Class A and Class B notes each issued by Driver UK Master S.A., acting for and on behalf of its Compartment 3.

The rating was conducted on the basis of Creditreform Rating´s “Rating Auto ABS Securitizations” methodology.

Important sources of information in the context of the ratings were, in addition to the submitted documents, a due diligence meeting in Milton Keynes (UK) on 14 March 2018. The submitted documents and information from VWFS were sufficient to meet the requirements of Creditreform Rating AG's rating methodology.

A complete description of Creditreform Rating´s rating methodologies is published on the following internet page: www.creditreform-rating.de.

This rating was carried out by analysts Dr. Stephan Rompf (S.Rompf@creditreform-rating.de), Philip Michaelis (P.Michaelis@creditreform-rating.de) and Sijia Zhang (S.Zhang@creditreform-rating.de) located in Neuss/Germany.

Closing of the transaction occurs on 25 May 2018. The ratings are based on the portfolio information as of 10 May 2018, provided by the originator.

The issuer or all relevant parties have examined the rating report prior to publication and were provided with at least one full working day to appeal the rating committee decision and provide additional information. The rating decision was not amended following this examination.

In 2011 Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on the registration Creditreform Rating AG is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation.

Conflict of Interests

No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or approving credit ratings and rating outlooks.

In case of providing ancillary services to the rated entity, CRA will disclose all ancillary services in the credit rating report.

Rules on the Presentation of Credit Ratings and Rating Outlooks

The approval of credit ratings and rating outlooks follows our internal policies and procedures. In line with our policy “Rating Committee,” all credit ratings and rating outlooks are approved by a rating committee based on the principle of unanimity.

To prepare this credit rating, CRA has used following substantially material sources:

1. Transaction documentation

2. Collateral performance data

3. Audited financial statements

4. Website of the participants

There are no other attributes and limitations of the credit rating or rating outlook other than displayed on the CRA website. Furthermore CRA considers satisfactory the quality and extent of information available on the rated entity. In regard to the rated entity Creditreform Rating AG regarded available historical data as sufficient.

Between the disclosure of the credit rating to the rated entity and the public disclosure no amendments were made to the credit rating.

The “Basic data” information card indicates the principal methodology or version of methodology that was used in determining the rating, with a reference to its comprehensive description.

In case where the credit rating is based on more than one methodology or where reference only to the principal methodology might cause investors to overlook other important aspects of the credit rating, including any significant adjustments and deviations, Creditreform Rating AG explains this fact in the credit rating and indicates how the different methodologies or these other aspects are taken into account in the credit rating. This information is integrated in the credit rating report.

The meaning of each rating category, the definition of default or recovery and any appropriate risk warning, including a sensitivity analysis of the relevant key rating assumptions, such as mathematical or correlation assumptions, accompanied by worst-case scenario credit ratings as well as best-case scenario credit ratings are explained.

The date at which the credit rating was released for distribution for the first time and when it was last updated including any rating outlooks is indicated clearly and prominently in the “Basic data” card as a “Rating action”; first release is indicated as “initial rating”, other updates are indicated as an “update”, “upgrade or downgrade”, “not rated”, “confirmed”, “selective default” or “default”.

In the case of a rating outlook, the time horizon is provided during which a change in the credit rating is expected. This information is available within „Basic data“ information card.

In accordance to Article 11 (2) EU-Regulation (EC) No 1060/2009 registered or certified credit rating agency shall make available in a central repository established by ESMA information on its historical performance data, including the ratings transition frequency, and information about credit ratings issued in the past and on their changes. Requested data are available at the ESMA website: https://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml.

An explanatory statement of the meaning of Creditreform`s default rates are available in the credit rating methodologies disclosed on the website.

Disclaimer

Any rating performed by Creditreform Rating AG is subject to the Creditreform Rating AG Code of Conduct which has been published on the web pages of Creditreform Rating AG. In this Code of Conduct, Creditreform Rating AG commits itself – systematically and with due diligence – to establish its independent and objective opinion as to the sustainability, risks and opportunities concerning the enterprise or the issue under review.

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