

Final Verification Report

In respect of the Transaction „Silver Arrow S.A., Compartment 11“
(Mercedes-Benz Bank AG)



27 May 2020

Authorization of SVI as third party

STS Verification International GmbH (“SVI”) has been authorized by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht “BaFin”, as the competent authority pursuant to Art 29 of the Securitisation Regulation and § 44 German Banking Act) to act in all EU countries as third party pursuant to Art 28 of the Securitisation Regulation to verify compliance with the STS Criteria pursuant to Art 27 (2) of the Securitisation Regulation.

Mandating of SVI and verification steps

On 25 March 2020, SVI has been mandated by the Originator (Mercedes-Benz Bank AG) to verify compliance with the STS criteria pursuant to Article 28 of the Securitisation Regulation for the securitisation transaction “Silver Arrow 11” (the “Transaction”).

As part of our verification work for one of the previous securitisation transactions, we have met with representatives of Mercedes-Benz Bank AG and Daimler AG to conduct an onsite due diligence meeting in Stuttgart on 1 April 2019. In addition, we have discussed selected aspects of the Transaction with Mercedes-Benz Bank AG, Daimler AG and legal counsel and obtained additional information on the transaction structure, the underwriting and servicing procedures of Mercedes-Benz Bank AG and the underlying transaction documentation.

For the purposes of our analysis, we have reviewed the following (draft) documents and other information related to the Transaction:

- Final Offering Circular
- German Legal Opinion
- Loan Receivables Purchase Agreement
- Servicing Agreement
- Incorporated Terms Memorandum
- Agreed-upon Procedures

- Output files of the liability cash flow model calculated according to pre-defined default and prepayment scenarios
- Additional information received by e-mail, such as confirmations, comments, etc.

Verification Methodology

The fulfilment of each verification point in this Final Verification Report provided to the Originator is evaluated on the basis of three fulfilment values (traffic light status):

Criterion is fully met	
Criterion is mostly met, but with comments or requests for missing information	
Criterion not (yet) met on the basis of available information	

The verification process is based on the SVI verification manual ("Verification Manual"), defined terms of the Verification Manual shall also apply to this report. It describes the verification process and the individual inspections in detail. The Verification Manual is applicable to all parties involved in the verification process and its application ensures an objective and uniform verification of transactions to be verified. Based on the Verification Manual, SVI has derived the Transaction Verification Catalogue for this Transaction as described under Verification Method in this report. For a full description of the methodology used by SVI for the Verification can be found in the Verification Manual on our website: www.svi-gmbh.com.

Disclaimer of SVI

SVI grants a registered verification label “verified – STS VERIFICATION INTERNATIONAL” if a securitisation complies with the requirements for simple, transparent and standardised securitisation as set out in Articles 19 to 22 of the Securitisation Regulation ("STS Requirements"). The aim of the Securitisation Regulation is to restart high-quality securitisation markets, and the intention of implementing a framework for simple, transparent and standardised transactions with corresponding STS criteria shall contribute to this. However, it should be noted that the SVI verification does not affect the liability of an originator or special purpose vehicle in respect of their legal obligations under the Securitisation Regulation. Furthermore, the use of verification services from SVI shall not affect the obligations imposed on institutional investors as set out in Article 5 of the Securitisation Regulation. Notwithstanding confirmation by SVI which verifies compliance of a securitisation with the STS Requirements, such verification by SVI does not ensure the compliance of a securitisation with the general requirements of the Securitisation Regulation.

SVI has carried out no other investigations or surveys in respect of the issuer or the notes concerned other than as set out in this Final Verification Report and disclaims any responsibility for monitoring the issuer’s continuing compliance with these standards or any other aspect of the issuer’s activities or operations. Furthermore, SVI has not provided any form of advisory, audit or equivalent service to the Originator, Issuer or Sponsor.

Investors should therefore not evaluate their investment in notes on the basis of this Final Verification Report.

SVI assumes due performance of the contractual obligation thereunder by each of the parties and the representations made and warranties given in each case by any persons to SVI or in any of the documents are true, not misleading and complete.

LIST OF ABBREVIATIONS/DEFINITIONS

Note: For any other term used in this Final Verification Report in capital spelling, please refer to the defined terms in the section “Transaction Definitions” in the Final OC.

AuP	Agreed-upon Procedures
BaFin	Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority)
CF-Model	Cash Flow-Model
EBA	European Banking Authority
EBA Guidelines	Final Report on Guidelines on the STS criteria for non-ABCP securitisation, as published by EBA on 12 December 2018
ESMA	European Securities and Markets Authority
Final OC	Final Offering Circular dated 25 May 2020
Final Verification Report	Final Verification Report prepared by SVI in respect of the Transaction
Issuer	Silver Arrow S.A., acting in respect of its Compartment 11
ITM	Incorporated Term Agreement
LO	German Legal Opinion
LRPA	Loan Receivables Purchase Agreement
MAR	Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation)
Originator	Mercedes-Benz Bank AG
RTS on Homogeneity	Commission Delegated Regulation (EU) 2019/1851 dated 28 May 2019 supplementing the Securitisation Regulation with regard to regulatory technical standards on the homogeneity of the underlying exposures in securitisation
Securitisation Regulation	Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012
Seller	Mercedes-Benz Bank AG
Servicer	Mercedes-Benz Bank AG
Silver Arrow 11	Silver Arrow S.A., acting in respect of its Compartment 11

SPV	Special Purpose Vehicle or Issuer
STS Requirement	The requirements for simple, transparent and standardised securitisation in respect of an ABCP transaction as set out in Articles 23 (1) and 24 of the Securitisation Regulation
Transaction	The securitisation of retail auto loan receivables involving Silver Arrow 11 as Issuer

#	Criterion Article 20 (1)	Verification Report
1	Assignment or transfer of ownership of the risk positions takes place by means of a true sale and is legally enforceable.	<p><u>Verification Method:</u> Legal (Legal opinion) / Due Diligence (Prospectus)</p> <p>The Legal Opinion confirms the transfer of title to the underlying exposure to the SPV through a true sale both with respect to the security assignment and security transfer of the Assigned Assets and the transfer of the Loan Receivables and Loan Collateral (which includes by definition the security interest (<i>Sicherungseigentum</i>) in the Financed Vehicles).</p> <p>Furthermore, the LO confirms the legal enforceability of the true sale, assignment or transfer against the seller and third parties with respect to the valid, legally binding and enforceable rights and obligations of the parties to the German Law Documents, with respect to the effective and binding nature of the transfer of Loan Receivables and Loan Collateral and with respect to the legal, valid and binding nature of the security assignment and transfer of the Assigned Assets as well as of the pledges under the Trust Agreement (all subject to customary qualifications).</p> <p>The Legal Opinion confirms that there are no increased risks with regard to claw-back and re-characterisation.</p> <p>The LRPA contains in Section 8.1 in connection with Schedule 3 Part of the Incorporated Terms Memorandum representations and warranties by the Seller as of the Purchase Date concerning the legally valid, binding and enforceable nature of the obligors' obligations under the Loan Receivables, their assignability and the compliance of the Purchased Loan Receivables (referencing „Loan Agreement“ which includes by definition the general terms and conditions) with applicable consumer financing laws.</p>
#	Criterion Article 20 (1)	Verification Report
2	Requirements for the external legal opinion	<p><u>Verification Method:</u> Legal (Legal opinion) / Due Diligence</p> <p>The Legal Opinion is provided by Hogan Lovells International LLP, a well-known law firm with expertise in the area of securitisation.</p> <p>The LO is made available to SVI as third-party verification agent and to competent supervisory authorities.</p>
#	Criterion Article 20 (2)	Verification Report
3	Specification of increased claw-back risks : Are there any provisions in the respective national insolvency law, which could render the transfer voidable?	<p><u>Verification Method:</u> Legal (Legal opinion)</p> <p>Other than as provided under German insolvency laws in case of fraudulent, unfair prejudicial or improperly favourable transfers there are no such increased risks. Such laws are considered non-increased claw-back risks under Art. 20 (3) of the Securitisation Regulation.</p>

		<p>Under applicable German insolvency law in respect of a transfer within certain time periods prior to and after the filing of insolvency proceedings the SPV must demonstrate that it had no knowledge of the seller's insolvency.</p> <p>To mitigate against this, Section 8.1 of the LRPA in connection with Schedule 3 Part 1 No. 3 provides for the representation and warranty of the Seller as of the Purchase Date that it is not Insolvent. This may be used by the SPV to demonstrate its non-knowledge of the Seller's insolvency.</p>
#	Criterion Article 20 (3)	Verification Report
4	Specification of non-increased claw-back risks: National insolvency laws are harmless, as they provide for the possibility of reassignment in other unfair ways in the event of fraud, damage to creditors or favouring other creditors.	<p><u>Verification Method:</u> Legal (Legal opinion)</p> <p>Applicable German insolvency laws are considered not to represent any severe claw-back risks (see above under #3).</p>
#	Criterion Article 20 (4)	Verification Report
5	If the sale and transfer is not taking place directly between the seller and the SPV but intermediate sales take place, is the true sale still fulfilled?	<p><u>Verification Method:</u> Legal (Legal opinion, Receivable purchase agreement)</p> <p>Under the transaction structure used by Silver Arrow 11, the sale and transfer take place directly between the Seller (who is the original lender) and the SPV acting as Issuer, i.e. without any intermediate sale taking place.</p>
#	Criterion Article 20 (5)	Verification Report
6	If the transfer of receivables takes place at a later stage , are the trigger events in relation to the seller's credit quality standing sufficiently defined?	<p><u>Verification Method:</u> Legal (Legal opinion, Receivable purchase agreement)</p> <p>The transfer of the underlying exposures will occur on the closing date of the transaction (scheduled for 27 May 2020), i.e. there will be no transfer of receivables at a later stage.</p>

#	Criterion Article 20 (6)	Verification Report
7	Representations and warranties of the seller with regard to the legal condition of the goods	<p><u>Verification Method:</u> Legal (Receivable purchase agreement)</p> <p>The Seller (who is the original lender) warrants that the underlying Purchased Loan Receivables are legally valid, binding and enforceable Loan Agreements and that, to the best of its knowledge, the Purchased Loan Receivables are not encumbered or otherwise in a condition that can be foreseen to adversely affect the enforceability of the true sale or assignment or transfer with the same legal effect, see section "DESCRIPTION OF THE PORTFOLIO AND OF THE LOAN COLLATERAL", subsection "ELIGIBILITY CRITERIA" items (g) and (l) as well as subsection "SELLER LOAN WARRANTIES", item (a) of the Final OC and above under #3. SVI has obtained confirmation from the Seller's inhouse legal counsel that the standard Loan Agreements in use by the seller do not contain any prohibition of assignment.</p>
#	Criterion Article 20 (7)	Verification Report
8	Clear selection criteria (' eligibility criteria ') and no active portfolio management (I / III)	<p><u>Verification Method:</u> Legal (Receivable purchase agreement)</p> <p>The transfer of the underlying exposures from the Seller to the SPV are selected according to predetermined, clear and documented eligibility criteria, see subsection "ELIGIBILITY CRITERIA" in the Final OC.</p> <p>The transaction is amortising and does not feature a revolving period and / or a term take-out.</p> <p>There are no exposures that will be transferred to the SPV after closing of the transaction.</p> <p>As a result of the above, the criterion "no active portfolio management" is fulfilled.</p>
#	Criterion Article 20 (7)	Verification Report
9	Clear selection criteria (' eligibility criteria ') and no active portfolio management (II / III)	<p><u>Verification Method:</u> Due Diligence</p> <p>The underlying exposures in the provisional and the final pool are selected based on a well-established, random selection process.</p> <p>In case a Loan Receivable did not fulfil the Eligibility Criteria on the Cut-Off Date, the Seller will be obliged to repurchase such Loan Receivable at the relevant Repurchase Price on the next Payment Date. In this respect, the relevant Repurchase Price payable by the Seller to the Issuer has to be equal to the sum of the Outstanding Loan Principal Amount(s) of the affected Purchased Loan Receivable(s), see section "DESCRIPTION OF THE PORTFOLIO AND OF THE LOAN COLLATERAL", subsection "ELIGIBILITY CRITERIA" as well as section "MASTER DEFINITIONS SCHEDULE", subsection "Repurchase Price" of the Final OC and clause 12 of the LRPA. There will, however, be no substitution of the ineligible receivable with a new receivable.</p>

#	Criterion Article 20 (7)	Verification Report
10	Clear selection criteria ('eligibility criteria') and no active portfolio management (III / III)	<p><u>Verification Method:</u> Data (AuP Report)</p> <p>The asset audit, whereby the audit company performs certain Agreed-upon Procedures with respect to the compliance of the underlying exposures in a randomly selected sample, covers the key eligibility criteria specified for the Transaction. Please also refer to #39 for a summary of the scope of the asset audit.</p>
#	Criterion Article 20 (8)	Verification Report
11	Securitisation of a homogeneous portfolio in terms of asset classes (I / III)	<p><u>Verification Method:</u> Legal (Transaction documents)</p> <p>The underlying exposures fall into the asset type according to Art. 1 (a) (v) of the Commission Delegated Regulation (EU) 2019/1851 on the homogeneity (i.e. auto loans and leases).</p> <p>The Seller has chosen the homogeneity factor according to Art. 2 (4.) (b) of the Commission Delegated Regulation (EU) 2019/1851 on the homogeneity of the underlying exposures, i.e. jurisdiction, whereby the pool shall consist of underlying exposures relating to Obligors with residence in one jurisdiction (Germany) only, see section "DESCRIPTION OF THE PORTFOLIO AND OF THE LOAN COLLATERAL", subsection "ELIGIBILITY CRITERIA", item (f) of the Final OC.</p>
#	Criterion Article 20 (8)	Verification Report
12	Securitisation of a homogeneous portfolio in terms of asset classes (II / III)	<p><u>Verification Method:</u> Due Diligence (Underwriting and Servicing Policy)</p> <p>The underlying exposures have been originated in accordance with consistent underwriting standards, as presented in the Due Diligence and further described in #17. No distinction is made between securitised and non-securitised receivables.</p> <p>The processes assure that only Obligors resident in Germany are originated according to the underwriting policy.</p> <p>The same applies to the servicing policy, with the underlying exposures being serviced using consistent standards and no distinction being made between securitised and non-securitised receivables.</p>

#	Criterion Article 20 (8)	Verification Report
13	Securitisation of a homogeneous portfolio in terms of asset classes (III / III)	<p><u>Verification Method:</u> Data (AuP Report)</p> <p>The homogeneity factor "residence in Germany" is, through the check of the data field "Geographical Location of the Obligor" with the first digit of the postcode, part of the Eligibility Criteria Verification as further described in #39. The loan contracts have been entered into exclusively with Obligor residents in Germany, see section "DESCRIPTION OF THE PORTFOLIO AND OF THE LOAN COLLATERAL", subsection "ELIGIBILITY CRITERIA", item (f) of the Final OC.</p>
14	The underlying exposures contain obligations that are contractually binding and enforceable	<p><u>Verification Method:</u> Legal (Legal opinion) / Due Diligence</p> <p>Section "DESCRIPTION OF THE PORTFOLIO AND OF THE LOAN COLLATERAL", subsection "ELIGIBILITY CRITERIA" items (g) and (l) as well as subsection "SELLER LOAN WARRANTIES", item (a) of the Final OC contains warranties by the Seller as to the legally valid, binding and enforceable nature of the underlying exposures, i.e. the Loan Agreements under which the relevant Loan Receivables arise. Please also refer to #1.</p>
15	The underlying exposures have defined periodic payment streams and do not include transferable securities other than unlisted corporate bonds	<p><u>Verification Method:</u> Legal (Legal opinion, Transaction documents) / Due Diligence / Data (AuP Report)</p> <p>The underlying exposures for the transaction represent standard auto loan agreements originated by Mercedes-Benz Bank AG in respect of private and commercial borrowers. For the purposes of the transaction, three contract types form part of the securitised portfolio:</p> <ol style="list-style-type: none"> 1. Loan type "Standard Financing" with linear (i.e. fully amortising with equal instalments) form of financing, and 2. loan type "Balloon Financing (Final Instalment)" with equal instalments and a balloon payment at the end of term, as well as 3. loan type "Option Financing (Plus 3)" with equal instalments, a balloon payment at the end of term and an additional put option with respect to the vehicle. <p>Apart from these variations, the three loan types do not differ structurally in terms of payment streams (with the exception of the final instalment), as discussed and verified in the Due Diligence.</p> <p>As presented during the Due Diligence, the underlying exposures have defined periodic payment streams relating to principal, interest and insurance-related payments, or to any other right to receive income from assets supporting such payments. The Loan Receivables derive from Loan Agreements which provide for regular monthly instalments resulting in full amortisation and/or regular monthly instalments plus one higher Balloon Instalment at the end of the contract term. The amortisation occurs on a monthly basis and results in monthly instalment payments consisting of principal and interest. Please also refer to section</p>

		<p>"DESCRIPTION OF THE PORTFOLIO AND OF THE LOAN COLLATERAL" in the Final OC as well as clause 2 "OFFER FOR LOAN RECEIVABLES" of the LRPA.</p> <p>The eligibility criteria restrict the underlying exposures to Loan Receivables originated under a loan contract. The compliance of the provisional pool with the eligibility criteria has been verified through the Eligibility Criteria Verification (see #39).</p>
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#	Criterion Article 20 (9)	Verification Report
16	Are there any securitisation positions in the portfolio?	<p><u>Verification Method:</u> Legal (transaction documents) / Due Diligence / Data (AuP Report)</p> <p>The eligibility criteria restrict the underlying exposures to Loan Receivables originated under a loan contract, thereby assuring that no securitisation position may become part of the portfolio. The compliance of the provisional pool with the eligibility criteria has been verified through the Eligibility Criteria Verification (see # 39).</p> <p>As demonstrated during the Due Diligence, the origination and/or resale of securitisation positions is not part of the business model of the Originator and not permitted under the Originators' underwriting policy.</p>

#	Criterion Article 20 (10)	Verification Report
17	Origination of underlying exposures in the ordinary course of business and in accordance with underwriting standards that are no less stringent than those applied to non-securitised risk positions	<p><u>Verification Method:</u> Legal (Underwriting and Servicing Policy) / Due Diligence</p> <p>Mercedes-Benz Bank AG is one of the leading automotive banks in Germany, active in Germany since 1967. Organisation and business processes have been developed over decades. Mercedes-Benz Bank AG is subject to the supervision of the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht) and the European Central Bank in accordance with the German Banking Act (Kreditwesengesetz) (please also refer to the website of Mercedes-Benz Bank AG: https://www.mercedes-benz-bank.de/content/mbbank/de/services/kontakt/direktkontakt.html).</p> <p>As presented and discussed in the Due Diligence, the well-developed, highly professional and reasonably automated organisation of Mercedes-Benz Bank AG's business procedures is in line with the volume and quantity of business transactions. Sales partners for automotive financial services are the Daimler AG automobile dealerships.</p> <p>Accordingly, the business procedures assure that securitised exposures have been originated in the ordinary course of business and in accordance with uniform standards, see in this regard section "DESCRIPTION OF THE PORTFOLIO AND OF THE LOAN COLLATERAL", subsection "ELIGIBILITY CRITERIA", item (a). Deviations from the underwriting policy are only permissible in well-defined and documented instances. The underlying exposures are selected for securitisation using a random selection process.</p> <p>The underlying exposures are similar to the non-securitised loan contracts in the asset type "auto loans and leases" (see definition of "similar exposures" in the EBA Guidelines) due to the strictly random selection process.</p>

		Since no exposures will be transferred to the Issuer after closing (static portfolio), no obligation to disclose material changes to the underwriting policy after the closing of the Transaction applies.
#	Criterion Article 20 (10)	Verification Report
18	Underwriting standards for securitised exposures are no less stringent than those applied to non-securitised exposures	<p><u>Verification Method:</u> Due Diligence</p> <p>As presented and discussed in the Due Diligence, no distinction is made between securitised and non-securitised exposures in any respect, be it applicable regulatory standards, competence grid and involvement of decision-makers, distribution channels, product types and product characteristics, annual agreements on (sales) objectives, sales management measures and bonus systems, lending standards, approval processes and incentive measures, credit processing, dunning procedures, debt collection, realisation of collateral, customer service, outsourcing of sales, underwriting and servicing activities or areas of risk controlling, accounting and reporting (except for the required reporting of ABS transactions).</p> <p>Employees of the Originator or sales staff of Daimler AG automobile dealerships involved in the underwriting do not know whether a risk position currently being processed for application will be securitised at a later stage or not.</p>
#	Criterion Article 20 (10)	Verification Report
19	Assessment of the borrower's creditworthiness performed in accordance with Article 8 of Directive 2008/48/EC, or paragraphs 1 to 4, point (a) of paragraph 5 and paragraph 6 of Article 18 of Directive 2014/17/EU or, if applicable, the analogous provisions of a third country	<p><u>Verification Method:</u> regulatory / legal / due diligence / data</p> <p>Mercedes-Benz Bank AG is a financial institution ("Kreditinstitut") according to §1 German Banking Act. As such, the Originator is supervised by BaFin as competent national supervisory authority and by the European Central Bank. Mercedes-Benz Bank AG performs the „Assessment of the borrower's creditworthiness" with respect to lease contracts with consumers in accordance with Article 8 of Directive 2008/48/EC.</p>
#	Criterion Article 20 (10)	Verification Report
20	Originator's experience (management and senior staff) in origination of risk positions	<p><u>Verification Method:</u> Regulatory (suitable proof incl. Imprint Website) / Due Diligence</p> <p>As an institution, the Originator does have at least 5 years of experience in origination and underwriting of exposures similar to those securitised, see section "THE SELLER AND THE SERVICER", subsection "Description of the Seller" of the Final OC.</p>

#	Criterion Article 20 (11)	Verification Report
21	The underlying exposures are transferred without undue delay after selection	<p><u>Verification Method:</u> Legal (Transaction documents)</p> <p>The dates of the preliminary and final pool cuts are 31 March 2020 and 30 April 2020, respectively. Transfer of the final pool will occur at closing (scheduled for 27 May 2020), i.e. without undue delay.</p>
#	Criterion Article 20 (11)	Verification Report
22	The underlying exposures do not include any defaulted exposures or to debtors/guarantors with impaired creditworthiness	<p><u>Verification Method:</u> Regulatory (suitable proof incl. Imprint Website) / Legal (Transaction documents) / Due Diligence</p> <p>The Originator is an institution subject to Regulation (EU) 575/2013. As presented in the Due Diligence and confirmed in the Final OC the Loan Receivables are transferred to the Issuer after selection without undue delay and do not include, at the time of selection and to the best of the Originator’s knowledge, exposures in default within the meaning of Article 178 (1) of Regulation (EU) No 575/2013 or exposures to a credit-impaired debtor or guarantor (see section DESCRIPTION OF THE PORTFOLIO AND OF THE LOAN COLLATERAL”, subsection “ELIGIBILITY CRITERIA”, items (b), (i) and (s) of the Final OC).</p> <p>Furthermore, the underlying exposures will not include Loan Receivables relating to credit-impaired Obligor or guarantors who have (1) been declared insolvent or had a court grant his creditors a final non-appealable right of enforcement or material damages as a result of a missed payment within 3 years prior to the date of origination or has undergone a debt-restructuring process with regard to his non-performing exposures within 3 years prior to the transfer date of the underlying exposures to the Issuer; (2) was, at the time of origination, on a public credit registry of persons with adverse credit history; or (3) has a credit assessment or a credit score indicating that the risk of contractually agreed payments not being made is significantly higher than for comparable receivables held by the Originator which are not securitised (see section DESCRIPTION OF THE PORTFOLIO AND OF THE LOAN COLLATERAL”, subsection “ELIGIBILITY CRITERIA”, item (s) of the Final OC).</p> <p>Due to macroeconomic impact of the COVID-19 pandemic, the Governments around the world implement measures to prevent the spread of the virus. The effects of the Corona Pandemic on the Issuer's ability to fulfil its obligations under the Compartment 11 Notes can be diverse, including, but not limited to, the following aspects, see section “RISK FACTORS”, subsection “III. Risks relating to the Purchased Loan Receivables”, item “Risks arising from the COVID-19 pandemic” of the Final OC.</p> <p>The Originator represents, with regards to the question which sources of information it has used to identify defaulted exposures and to determine if an Obligor or guarantor is credit-impaired, that it has obtained information (1) from the Obligor on origination of the exposures, (2) in the course of Mercedes-Benz Bank AG’s servicing of the exposures or Mercedes-Benz Bank AG’s risk management procedures, or (3) from a third party, see section “DESCRIPTION OF THE PORTFOLIO AND OF THE LOAN COLLATERAL”, subsection “ELIGIBILITY CRITERIA”, item (s) as well as section “CREDIT AND COLLECTION POLICY” of the Final OC. This is in line with the ‘best knowledge’ standard stipulated in the EBA Guidelines.</p>

The Originator has IT systems in place to ensure that defaulted exposures or exposures to debtors/guarantors with impaired creditworthiness are excluded from the provisional or final pool cut.

#	Criterion Article 20 (11)	Verification Report
23	The risk positions do not have a credit assessment or a credit score that allows a significantly higher default risk to be expected than for non-securitised risk positions	<p><u>Verification Method:</u> Due Diligence</p> <p>The most relevant factors determining the expected performance of the underlying exposures in the securitised portfolio are the profiles of the retail customers (a distinction is made between private and commercial retail customers), credit agencies' information and financial information as well as past payment behaviour. All of these factors have an impact on the credit score.</p> <p>These factors are the same for securitised and non-securitised exposures due to the strictly random selection process.</p> <p>On this basis, it can be reasonably assumed that no worse performance should occur for securitised exposures for the term of the Transaction.</p> <p>The requirement that the underlying exposures do not have a "credit assessment or a credit score indicating that the risk of contractually agreed payments not being made is significantly higher than for comparable receivables held by the Originator which are not securitised" is considered to be met as the underlying exposures do not include (i) exposures that are classified as doubtful, impaired, non-performing or similar, or (ii) exposures whose credit quality (based on credit ratings or other credit quality thresholds) significantly differs from the quality of other exposures ordinarily originated by the Originator.</p>

#	Criterion Article 20 (12)	Verification Report
24	At the time of the transfer, the debtor has paid at least 1 instalment	<p><u>Verification Method:</u> Legal (Transaction documents) / Data (AuP Report)</p> <p>The Originator warrants that on the initial cut-off date at least 1 instalment has been paid in respect of each Loan Receivable, see section "DESCRIPTION OF THE PORTFOLIO AND OF THE LOAN COLLATERAL", subsection "ELIGIBILITY CRITERIA", item (e) of the Final OC.</p>

#	Criterion Article 20 (13)	Verification Report
25	The repayment of the securitisation position should not be predominantly dependent on the sale of assets collateralising the underlying exposures	<p><u>Verification Method:</u> Legal (Transaction document) / Due Diligence / Data</p> <p>As presented and discussed in the Due Diligence, the Transaction has been structured to not be predominantly dependent on the sale of the cars or other assets securing the Purchased Loan Receivables. The repayment is entirely linked to the repayment of the Performing Loan Receivables; the repayment of the Performing Loan Receivables in turn is not contingent and does not depend on the sale of the vehicles which serve as collateral for the Purchased Loan Receivables. As demonstrated during the Due Diligence, the Originator's underwriting focuses on the creditworthiness of its debtors rather than on the recoveries derived from the sale of the cars or other assets securing the Purchased Receivables in the case of default.</p>
#	Criterion Article 21 (1)	Verification Report
26	Risk retention (Art. 6.1 of the Securitisation Regulation), usually by the Originator	<p><u>Verification Method:</u> Legal (Transaction documents) / Due Diligence</p> <p>Holder of risk retention: Mercedes-Benz Bank AG as the Seller, see section "COMPLIANCE WITH THE SECURITISATION REGULATION", subsection "Compliance with the Retention Requirement" of the Final OC.</p> <p>Type of risk retention: in accordance with Article 6(3)(d) of Securitisation Regulation, see section "COMPLIANCE WITH THE SECURITISATION REGULATION", subsection "Compliance with the Retention Requirement" of the Final OC. The Seller will for the life of the Transaction retain a material net economic interest of not less than 5% in relation to the Transaction. As of the Issue Date, such interest will be retained through the holding of the Class B Compartment 11 Notes and the Subordinated Loan.</p> <p>The Monthly Reports will also set out monthly confirmation regarding the continued holding of the risk retention by the Seller, as confirmed by the Seller (see section "RISK FACTORS", subsection "Risk Retention and Due Diligence Requirements" of the Final OC).</p> <p>The legal obligation of the seller to hold the risk retention during the lifetime of the transaction is entered into according to section "COMPLIANCE WITH THE SECURITISATION REGULATION", subsection "Compliance with the Retention Requirement" of the Final OC.</p>

#	Criterion Article 21 (2)	Verification Report
27	Appropriate hedging of interest rate and currency risks, no derivatives as underlying risk positions (I / II)	<p><u>Verification Method:</u> Due Diligence</p> <p>Since the loan receivables are fixed rate and the Compartment 11 Notes are floating rate, interest rate risks arise from such mismatch. Both assets and liabilities of the Issuer are EUR denominated hence no currency risk occurs.</p> <p>The Loan Receivables bear interest at fixed rates while the Compartment 11 Notes will bear interest at floating rates based on 1-M-EURIBOR. Interest rate risks for the Compartment 11 Notes are hedged appropriately with a fixed-floating interest rate swap where the total notional amount of the swap is always equal to the Aggregated Outstanding Note Principal Amount of all Classes of Compartment 11 Notes. The floating leg of the swap agreement contains no floor for the 1-M-EURIBOR while the Interest Rates of the Compartment 11 Notes is floored at zero. Any potential remaining mismatches arising from this are taken into account by the rating agencies and are mitigated in particular by the General Reserve Class B as part of the credit enhancement.</p> <p>No further risks in addition to interest rate risks are hedged under the interest rate hedge agreement.</p>

#	Criterion Article 21 (2)	Verification Report
28	Appropriate hedging of interest rate and currency risks, no derivatives as underlying risk positions (II / II)	<p><u>Verification Method:</u> Legal (Transaction documents)</p> <p>The legal instrument used by the Issuer to hedge interest rate risks is the Swap Agreement for the Compartment 11 Notes, see in this regard section "SUMMARY OF THE OTHER PRINCIPAL TRANSACTION 11 DOCUMENTS", subsection "SWAP AGREEMENT" of the Final OC.</p> <p>The agreement considers any potential asset liability mismatch by referencing to the outstanding notes balance, and the agreement is based on the 2002 ISDA Master Agreement as established market standard, see section "SUMMARY OF THE OTHER PRINCIPAL TRANSACTION 11 DOCUMENTS", subsection "SWAP AGREEMENT" as well as the definition of "ISDA Master Agreement" in section "MASTER DEFINITION SCHEDULE", subsection "DEFINITIONS" of the Final OC.</p> <p>The requirements for eligible swap counterparties are market standard in international finance, see section "SUMMARY OF THE OTHER PRINCIPAL TRANSACTION 11 DOCUMENTS", subsection "SWAP AGREEMENT" as well as the definition of "Eligible Swap Counterparty" in section "MASTER DEFINITION SCHEDULE", subsection "DEFINITIONS" of the Final OC.</p>

#	Criterion Article 21 (3)	Verification Report
29	Generally used reference rates for interest payments	<p><u>Verification Method:</u> Legal (Transaction documents)</p> <p>No reference rates apply to the Loan Receivables which bear fixed interest rates.</p> <p>The Notes will bear interest at floating rates based on 1-M-EURIBOR, see section "TRANSACTION OVERVIEW ", subsection " THE COMPARTMENT 11 NOTES" and there the definition of „Interest Rate" as well as the definition of "EURIBOR" in section "MASTER DEFINITION SCHEDULE", subsection "DEFINITIONS" of the Final OC, constituting a market standard reference rate.</p> <p>The interest for the Cash Accounts will be based on EONIA, also constituting a market standard reference rate.</p> <p>Currency hedges are not provided for in the transaction structure.</p>
#	Criterion Article 21 (4)	Verification Report
30	Requirements in the event of an enforcement or delivery of an acceleration notice	<p><u>Verification Method:</u> Legal (Transaction documents)</p> <p>After the occurrence of an Enforcement Event:</p> <ul style="list-style-type: none"> no cash will be retained with the Issuer, see section "TERMS AND CONDITIONS OF THE COMPARTMENT 11 NOTES", subsection "Post-Enforcement Priority of Payments" of the Final OC. the principal receipts from the underlying exposures will be used for the fully sequential amortisation of the securitisation positions as determined by the seniority of the securitisation position, see section "TERMS AND CONDITIONS OF THE COMPARTMENT 11 NOTES", subsection "Post-Enforcement Priority of Payments" of the Final OC. all creditors of a class of notes will be served equally. interest and principal payments are first made for the Class A Compartment 11 Notes and then interest and principal payments are made for the subsequent Notes, hence repayments are not reversed with regard to their seniority. no automatic liquidation or sale of risk positions or assets is provided for.
#	Criterion Article 21 (5)	Verification Report
31	Sequential repayment as fall-back in the event of a deterioration in portfolio quality for	<p><u>Verification Method:</u> Legal (Transaction documents)</p> <p>The Transaction has a strictly sequential priority of payment.</p>

	Transactions that feature a non-sequential priority of payments	
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#	Criterion Article 21 (6)	Verification Report
32	Early amortisation provisions or triggers for termination of the revolving phase to include at least the following:	<u>Verification Method:</u> Legal (Transaction documents) n.a. (no revolving period)
	a) deterioration in the credit quality of the underlying exposures below a predefined threshold	n.a. (no revolving period)
	b) insolvency-related events in relation to the Originator or the Servicer	n.a. (no revolving period)
	c) decline in value of the underlying exposures below a predefined threshold	n.a. (no revolving period)
	d) failure to generate sufficient new underlying exposures for replenishments under revolving Transactions	n.a. (no revolving period)

#	Criterion Article 21 (7)	Verification Report
33	Clear rules in the Transaction documentation regarding obligations, tasks and responsibilities of the Servicer, trustees and other ancillary service providers	<u>Verification Method:</u> Legal (Transaction documents)
		The Servicing Agreement provides for a clear specification of the contractual obligations, duties and responsibilities of the servicer, especially with regard to the servicing, monitoring, reporting and monthly advances to mitigate for commingling risk, as well as the provisions for a potential replacement in case of a Servicer Termination Event, see section "SUMMARY OF THE OTHER PRINCIPAL TRANSACTION 11 DOCUMENTS", subsection "SERVICING AGREEMENT" of the Final OC or the Servicing Agreement.
		Similar provisions for the obligations, duties and responsibilities of the Corporate Services Provider which is administering the Issuer (Intertrust (Luxembourg) S.à.r.l.), the Trustees (Wilmington Trust SP Services (Frankfurt) GmbH as Trustee and Data

	<p>Custody Agent Services B.V. as Data Trustee), the Account Bank (Elavon Financial Services DAC) and further agents (U.S. Bank Global Corporate Trust Limited as Calculation Agent, Elavon Financial Services DAC as Paying Agent, Interest Determination Agent and Custodian) are provided for in the Final OC, see section "TRANSACTION OVERVIEW", subsection "THE PARTIES TO THE TRANSACTION 11" of the Final OC.</p> <p>The transaction documentation specifies clearly provisions that ensure the replacement of derivative counterparties, liquidity providers and the Account Bank in the case of their default, insolvency, and other specified events, where applicable. In respect of the Account Bank provisions exist for its replacement if the Account Bank does not meet the requirements for the "Required Rating" as set out in in section "TRANSACTION OVERVIEW ", subsection "THE ASSETS & RESERVES" and there the definition of "Issuer Account-C11" as well as the definition of "Required Rating" in section "MASTER DEFINITION SCHEDULE", subsection "DEFINITIONS" of the Final OC.</p> <p>Also, detailed provisions exist for the obligations, duties and responsibilities of the Swap counterparty (see section "SUMMARY OF THE OTHER PRINCIPAL TRANSACTION 11 DOCUMENTS", subsection "SWAP AGREEMENT" in the Final OC).</p>
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#	Criterion Article 21 (8)	Verification Report
34	Experience of the Servicer (management and senior staff) in the servicing of exposures of a similar nature to those securitised	<p><u>Verification Method</u>: Regulatory (suitable proof) / Legal (Transaction documents) / Due Diligence</p> <p>Mercedes-Benz Bank AG is a financial institution (Kreditinstitut) according to §1 German Banking Act. As such, the Originator is supervised by BaFin as competent national supervisory authority and by the European Central Bank.</p> <p>The Final OC contains information on the experience of Mercedes-Benz Bank AG as a seller and servicer, see section "THE SELLER AND THE SERVICER", subsection "Description of the Seller".</p> <p>The experience and expertise of the management and the senior staff has been confirmed during the Due Diligence.</p> <p>As a result, Mercedes-Benz Bank AG as servicer is deemed to have the relevant expertise as an entity being active as servicer of loan receivables for over 50 years and as servicer of loan receivables securitisations for more than five years, and no contrary findings were observed in the due diligence.</p>

#	Criterion Article 21 (8)	Verification Report
35	Appropriate and well documented risk management and service policies, procedures and controls	<p><u>Verification Method:</u> Regulatory (suitable proof) / Due Diligence</p> <p>As a result of the regulatory status (see # 34 above), Mercedes-Benz Bank AG has well established procedures with regard to risk management, servicing and internal control systems in place, and no contrary findings were observed in the due diligence.</p>

#	Criterion Article 21 (9)	Verification Report
36	Clear and coherent definitions, regulations and possible measures with regard to the servicing of non-performing exposures	<p><u>Verification Method:</u> Legal (Transaction documents) / Due Diligence</p> <p>The credit and collection policy of Mercedes-Benz Bank AG (see section "CREDIT AND COLLECTION POLICY" of the Final OC) which must be complied in respect of the servicing of the Loan Receivables and the Loan Collateral by the Servicer in accordance with the Servicing Agreement (as summarised in section "SUMMARY OF THE OTHER PRINCIPAL TRANSACTION 11 DOCUMENTS", subsection "SERVICING AGREEMENT" in the Final OC) contains a description of procedures related to:</p> <ul style="list-style-type: none"> • Credit Underwriting Process • Release or Replacement of Loan Collateral • Servicing and Collection Procedures • Prepayment Management • Finance and Control • External Audits <p>The loss definition used in the transaction refers to the term „Defaulted Loan Receivable" which means any Purchased Loan Receivable in respect of which:</p> <p>(a) the Obligor is with more than six (6) (not necessarily consecutive) instalments in arrears, or, if earlier;</p> <p>(b) the Purchased Loan Receivable has been declared defaulted in accordance with the Credit and Collection Policy of the Servicer.</p> <p>This definition is consistently used in the Final OC.</p> <p>The procedures presented and discussed in the Due Diligence correspond to the description in the Final OC and no contrary findings could be observed.</p>

#	Criterion Article 21 (10)	Verification Report
37	Clear rules in the event of conflicts between the different classes of noteholders	<p><u>Verification Method</u>: Regulatory / Legal (Transaction documents)</p> <p>The notes will be issued on the basis of the German Debenture Act (Schuldverschreibungsgesetz – SchVG), see for instance section “RISK FACTORS”, subsection “V. Risks relating to the structure” as well as section “TERMS AND CONDITIONS OF THE COMPARTMENT 11 NOTES”, subsection “Amendments to the Conditions, Noteholders' Representative” of the Final OC. The law lays down clear rules in the event of conflicts between the different classes of noteholders.</p>
#	Criterion Article 22 (1)	Verification Report
38	Provision of historical performance data before pricing	<p><u>Verification Method</u>: Legal (Transaction document) / Due Diligence</p> <p>The historical performance data relate to the portfolio of auto Loan receivables granted by the Seller to retail (includes private and commercial but not corporate) borrowers, with and without a final balloon instalment, relating to used or new vehicles. Loans to employees (i.e. "Firmenangehörigengeschäft") have been excluded from the historical performance data. The historical performance data provided by the Originator (see section “PORTFOLIO CHARACTERISTICS AND HISTORICAL DATA” subsection “Historical performance data” in the Final OC) include the following areas:</p> <ul style="list-style-type: none"> a) Gross Defaults (i.e. losses before recoveries) in static format (covering the period from Q1 2014 until Q1 2020), separate for the total portfolio, new and used vehicles, amortising and balloon loans, commercial retail customer and private retail customer. b) Recoveries in static format (covering the period from Q1 2014 until Q1 2020), separate for the total portfolio, new and used vehicles, amortising and balloon loans, commercial retail customer and private retail customer. c) Prepayments measured as monthly prepayment rate (covering the period from February 2014 until February 2020) d) Delinquencies measured as monthly delinquency rate (covering the period from February 2014 until January 2020). <p>The data history, which is provided prior to pricing, covers a period of at least 5 years required under Article 22 (1) of the Securitisation Regulation, see section “PORTFOLIO CHARACTERISTICS AND HISTORICAL DATA” subsection “Historical performance data” in the Final OC.</p> <p>Given that the most relevant factors determining the expected performance of the underlying exposures in the securitised portfolio, namely the factors described in #23, are the same to the overall portfolio for which the above mentioned historical performance data have been procured, comparability between the securitised portfolio and the Originator’s overall portfolio (“substantially similar exposures”) is ensured.</p>

#	Criterion Article 22 (2)	Verification Report
39	Performance of an asset audit on the basis of a sample and defined audit steps (Agreed upon Procedures, AuP) by an external independent party	<p><u>Verification Method:</u> Legal (AuP Report)</p> <p>The Originator has mandated a qualified and experienced audit firm to perform the asset audit followed by the audit firm. The asset audit and the AuP include both of the following:</p> <ul style="list-style-type: none"> a) a verification of the compliance of the underlying exposures in the portfolio with the key eligibility criteria (the “Eligibility Criteria Verification”); and b) verification that the data disclosed to investors in the Final OC in respect of the underlying exposures is accurate (the “Final OC Data Verification”). <p>The sample drawn for the Eligibility Criteria Verification is representative of the securitised portfolio, based on the provisional pool cut dated 31 March 2020. This is ensured by a sufficiently large sample and random selection, applying a 95% confidence level. The final report prepared by the audit firm with regards to the Eligibility Criteria Verification has been made available to SVI on the 12 May 2020. The final report confirms that the Eligibility Criteria Verification has occurred and that no significant adverse findings have been found.</p> <p>Please note that, for the purpose of compliance with the requirements of Art. 22 (2) of the Securitisation Regulation, the AuP can be based on either the provisional or the final pool cut.</p> <p>The Final OC Data Verification has been performed by the audit firm based on the final pool cut dated 30 April 2020. This verification has been based on all underlying exposures (loan level data) and the scope comprises (i) information in the stratification tables (see section “PORTFOLIO CHARACTERISTICS AND HISTORICAL DATA” subsection “Portfolio Characteristics”) correspond to the final pool cut and (ii) verification of the compliance of the underlying exposures in the portfolio with certain selected eligibility criteria. The final report prepared by the audit firm with regards to the Final OC Data Verification has been made available to SVI on 26 May 2020. The final report confirms that no significant adverse findings have been found.</p>

#	Criterion Article 22 (3)	Verification Report
40	<p>Provision of a precise liability cash flow model to the investors prior to pricing by the Originator; "precise" refers to the possibility for the investor to calculate the amortisation rate and, based on this, the pricing of the securitisation position</p>	<p><u>Verification Method:</u> Legal (Transaction documents) / Due Diligence (Cash flow model)</p> <p>CF-Models have been prepared by Bloomberg and by Intex on behalf of the Originator, and in both cases they are provided as web-based tools and can be accessed via http://www.bloomberg.net (subscription model) under the ticker "SILVA 11" and http://www.intex.com (subscription model).</p> <p>On the basis of pre-defined default and prepayment scenarios, an output files calculated in the Intex model has been made available to SVI on 12 May 2020 in order to perform the steps necessary to verify the compliance under Article 22 (3) of the Securitisation Regulation. It should be noted that the statements below do reflect the result of SVI's review of the functionality of the cash flow model and can be considered as a check of plausibility, however no assurance can be given that the CF-Model does calculate correctly in each and every scenario.</p> <p>SVI performed a plausibility check of the output file calculated in the Intex model, which reflects the contractual relationships and cash flows from and to the securitised portfolio, Classes A and B Notes, the Originator/Service as well as other parties involved (summarised as senior expenses). A range of different scenarios can be modelled, including but not limited to prepayments, delinquencies, defaults (gross losses), recoveries and senior expenses.</p> <p>The CF-Models have been made available prior to the pricing. The Originator undertakes to provide potential investors with the CF-Model upon request.</p>
#	Criterion Article 22 (4)	Verification Report
41	<p>For residential mortgage loan, auto loan or leasing portfolios: publication of information on the environmental performance of the assets financed by such underlying exposures (energy performance certificates)</p>	<p><u>Verification Method:</u> Legal (Transaction documents, Due Diligence)</p> <p>The Originator has confirmed that information on the environmental performance of the assets financed by such underlying exposures (in this case: auto loans) is not captured in its internal database or IT systems and hence not available for reporting in this Transaction.</p>

#	Criterion Article 22 (5)	Verification Report
42	Compliance with the provisions of Art. 7 of the Securitisation Regulation (regarding Transparency) is the responsibility of the Originator or Sponsor	<p><u>Verification Method:</u> Legal (Transaction documents) / Due Diligence</p> <p>As stated in section "COMPLIANCE WITH THE SECURITISATION REGULATION", subsection "Compliance with Article 7 of the Securitisation Regulation" and confirmed by the Originator that it will fulfil the provisions of Art. 7 of the Securitisation Regulation as follows:</p> <ul style="list-style-type: none"> • Art. 7 (1) (a): Loan Level data (Red Pool) has been made available with Announcement. Loan Level data (Black Pool) will be available for the first time on the payment date one month after closing (scheduled for 27 May 2020) and then on a monthly basis. • Art. 7 (1) (b): The relevant transaction documentation has been made available prior to pricing. • Art. 7 (1) (c): Not applicable. • Art. 7 (1) (d): In accordance with the draft RTS for notification, the notification has been made available with Announcement through European DataWarehouse to investors in draft form prior to pricing and has been made available in final form at closing through European DataWarehouse and ESMA. • Art. 7 (1) (e): The investor report will be made available for the first time on the payment date one month after closing (scheduled for 27 May 2020) and then on each Reporting Date thus on a monthly basis. • Art. 7 (1) (f): Ad hoc announcements will be published as soon as they need to be published under the MAR. • Art. 7 (1) (g): If a "Significant Event" occurs, investors will be informed immediately.

As a result of the verifications documented above, we confirm to Mercedes-Benz Bank AG that the STS criteria pursuant to Article 19 to 22 of the European Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012 for the transaction "Silver Arrow S.A., Compartment 11" have been fulfilled.

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