

Auto Loans/Germany
New Issue

Driver Five GmbH

Ratings

Class	Amount (EURm) ^a	Scheduled Re-payment Date	Final Maturity	Rating	Initial CE (%)
A	1,214.2	Feb 2013	Feb 2014	AAA	8.10
B	40.3	Feb 2013	Feb 2014	A+	5.00
Subordinated Loan CCA ^b	33.8	-	-	NR	n.a.
	19.5	-	-	NR	n.a.

^a Issuance amount is EUR1,254.5m

^b Cash collateral account

All rated classes have a Stable Outlook

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Closing Update

The transaction closed on 27 February 2008. After the publication of the presale report the issuance amount was increased and HSBC Bank plc was selected as the swap counterparty.

This report reflects the final issuance amount and the final portfolio characteristics. Structural features described in the presale report did not change and remain appropriate.

For details regarding the transaction's performance, please refer to the performance information available on the agency's website at www.fitchresearch.com

Summary

This transaction is the fifth securitisation of auto loan receivables originated by Volkswagen Bank GmbH (VWB, the seller) within Germany. VWB is a wholly owned subsidiary of Volkswagen Financial Servis AG (VWFS), a wholly owned subsidiary of Volkswagen AG (rated 'A-/F2'). Fitch Ratings has assigned ratings to the notes to be issued by Driver Five GmbH (the issuer) as indicated at left. The ratings reflect the quality of the underlying assets, the available credit enhancement, the origination, servicing and underwriting practices of VWB, and the integrity of the transaction's legal and financial structures.

The proceeds from the issuance of the class A and B notes and the subordinated loan were used to fund the cash collateral account (CCA) of EUR19.5m (1.50% of the initial discounted asset balance) and to purchase a portfolio of loan receivables against German borrowers. The purchase price of EUR1,288.3m equalled the discounted principal balance of the receivables (EUR1,300.0m, the initial discounted asset balance) minus a purchase price discount (0.90% of the initial discounted asset balance), the initial CCA amount (1.50% of the initial discounted asset balance) and certain costs to be borne by the issuer upfront.

The initial credit enhancement for the class A notes, equivalent to 8.10% of the asset balance, is provided by the subordination of the class B notes (3.10%); a subordinated loan (2.60%) provided by an affiliate of Volkswagen; overcollateralisation, initially of 0.9%; and the CCA of 1.50% of the initial asset balance. Initial credit enhancement of 5.00% for the class B notes is provided by the subordinated loan, overcollateralisation and the CCA.

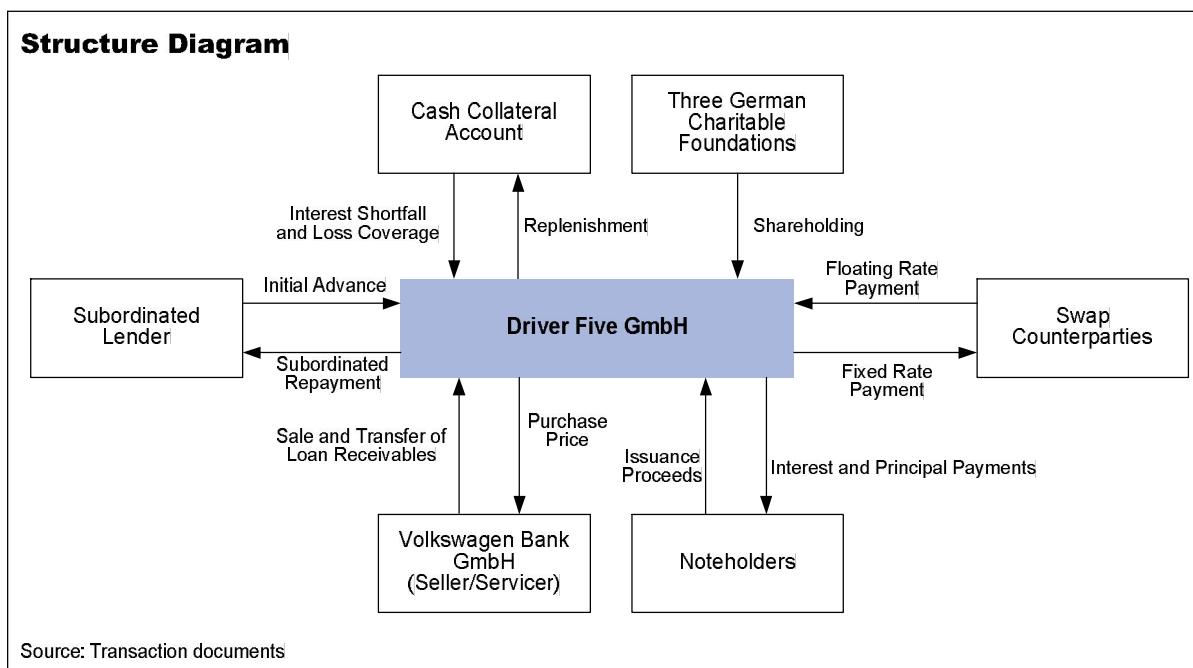
The transaction is static and will amortise from closing. The final portfolio consists of 105,358 loans, with an outstanding discounted principal balance of EUR1.3bn and an average balance of EUR12,338.93 per loan.

The notes will amortise sequentially until the overcollateralisation (OC), which corresponds to the credit enhancement less the CCA, has reached 9.10% on the class A notes (from 6.60% initially) and 5.20% on the class B notes (from 3.50% initially). As long as certain triggers are not breached, the notes will thereafter amortise pro rata.

The expected ratings address timely payment of interest and ultimate repayment of principal on the class A and B notes, in accordance with the terms and conditions of the notes.

Credit Committee Highlights

- The transaction is static as was the previous Driver Four transaction. The loan receivables are either fully amortising (classic credit), or include a balloon payment at maturity (auto credit). Both loan products are granted for the purchase of either new or used vehicles.



- To derive its base case assumptions, Fitch analysed static loss data, as no static default vintages are available. The transaction has no definition of loss per se, but losses are registered when VWB, as servicer, writes off the loan. Ongoing adjustments in the collection processes and the generally positive economic environment have led to decreasing losses observed in younger vintages.
- The transaction benefits from a set-off risk reserve, if the potential set-off risk exceeds 1% of the outstanding asset balance and if VWB is deemed to be no longer investment grade.
- If VWB's creditworthiness falls below 'F1', an advance mechanism will be implemented to reduce the commingling horizon in line with Fitch's criteria.
- Performance reports for the previous Driver transactions have achieved a Fitch Issuer Report Grade of 5 stars, the highest achievable grade. Driver Five will report according to the same standards.

■ **Structure**

Driver Five GmbH is a bankruptcy remote limited liability company founded under German law that is jointly and equally owned by three German charitable trusts.

At closing, the issuer purchased loan receivables as well as additional rights connected with the loan receivables from the seller. The seller also transferred the security title of the financed vehicles under the loan agreements to the issuer.

Discount Rate

The initial portfolio balance (EUR1,300,005,157.84) was calculated by discounting future instalments with a uniform discount rate. The discount rate used to determine this net present value (NPV) equals the sum of:

- the weighted average of:
 - the swap rate under the class A swap agreement weighted with the initial balance of EUR1,214.2m;
 - the swap rate under the class B swap agreement weighted with the initial balance of EUR40.3m;
 - the interest rate payable under the subordinated loan, weighted with the initial balance of EUR33.8m; resulting in a rate of 4.32%;
- the servicer fee of 1%; and
- administrative costs and fees of 0.03%.

Based on the above, plus a compounding adjustment, the final discount rate was 5.481%.

Key Information

Portfolio Characteristics

Type of Receivables: Auto loan receivables

Total Discounted Principal Amount:
EUR1,300,005,157.94

Average Outstanding Balance: EUR12,338.93

Discount Rate: 5.48%

Initial WA Remaining Maturity: 36.4 months

Initial WA Seasoning: 11.5 months

Key Parties

Issuer: Driver Five GmbH

Security Trustee: Wilmington Trust (London) Ltd

Originator and Servicer: Volkswagen Bank GmbH^a

Paying Agent, Calculation Agent and Issuer Account Bank: ABN AMRO Bank N.V. (rated 'AA-/F1+')

Swap Counterparties: HSBC Bank plc (rated 'AA/F1+')

^a Although VWB is not publicly rated by Fitch, the agency has formed an internal credit view to assess its capacity to perform different counterparty roles within the structure.

Servicing

The seller will act as servicer in this transaction. In addition to the servicing fee, it will be entitled to receive any amounts received from loan receivables after the date of their final write-off.

A servicer replacement event will occur, inter alia, if:

- insolvency proceedings are commenced at the servicer;
- VWB loses its banking licence; or
- the German Supervisory Authority for Banking Business (Bafin) takes action against VWB because of the risk of pending insolvency.

On the occurrence of a servicer replacement event, the defaulted servicer will no longer have the authority to collect amounts in its own accounts. Additionally, it shall immediately cancel the direct debit agreements with the borrowers concerned, notifying them of this change. On the occurrence of this event, borrowers will be instructed to make payments directly into the distribution account of the issuer.

A servicer dismissal will become effective only after a new servicer has assumed all of its rights and obligations.

Cash Collateral Account

The CCA available to the issuer is fully funded on the closing date. Up to the maturity date, the CCA will be available to cover interest shortfalls. As soon as the maturity date is reached, the CCA is released and outstanding amounts are also available to redeem the notes.

During the amortisation period, the CCA is maintained at its required amount, which is equal to the higher of:

- 1.50% of the outstanding asset balance; and
- the lesser of:
 - EUR16.25m (i.e. 1.25% of the initial asset balance); or
 - the outstanding notes balance.

To secure a potential tax liability, the CCA is to be credited with the cash collateral increase amount as soon as VWB is no longer deemed to be rated at least 'F3' by Fitch (see below).

Commingling

After assessing the credit quality of VWB, Fitch concluded that a commingling horizon of one month is in line with the agency's rating criteria. For details of the agency's servicer and account bank criteria, please refer to the criteria report "*Commingling Risk in Structured Finance Transactions*", dated 9 June 2004 and available at www.fitchratings.com.

In the event that Fitch's internal view of the creditworthiness of VWB falls below a level consistent with an 'F1' rating, the below described advance mechanism would be implemented, reducing the commingling horizon to a two-day or one-day period, respectively.

Should temporary shortfalls occur because the servicer has terminated the direct debits as well as its advances upon a servicer termination event, the CCA will be available to ensure timely payment of interest. Assuming that up to three months of collections would not be received in a timely manner, the CCA is sufficient to cover any payments due to the swap counterparty according to Fitch's calculation.

Monthly Advances

If Fitch's internal view of the creditworthiness of VWB falls to a level consistent with an 'F2' rating, the seller would need to deposit expected collections into an account pledged to the issuer (the advance account) to cover amounts that will become due in the respective monthly period. The advance

mechanism reduces the commingling period from one month to two days. The advance mechanism will be applicable for the first part of a month (day one to day 15) and for the second part (day 16 to the last day) and is described below.

Part 1 – Day 1 to Day 15: On the second business day of a month, the servicer would deposit the expected collections for the first to the 14th day of that monthly period (monthly collateral part I) into the advance account. On the 17th day of the monthly period, the servicer would transfer actual collections from the first to the 15th (monthly collections part I) to the distribution account, and would, in return, receive the advances it previously made to the advance account.

Part 2 – Day 16 to Last Day: On the 17th day of each month, the servicer would deposit expected collections for the 16th to the second-to-last business day of the monthly period concerned (monthly collateral part II) into the advance account. On the second business day of the following month, the servicer would transfer the actual collections from the 16th to the last business day of the month (monthly collections part II) into the distribution account and would, in return, receive the monthly collateral part II from the advance account.

If Fitch's internal view of the creditworthiness of VWB falls below a level consistent with an 'F2' rating, then upon notification by the agency and as of the next advance date, it is obliged to amend the advances such that the estimated payments for the 15th and the last day of the month will be transferred in advance and therefore no commingling risk should exist.

As an alternative to this advance mechanism, the seller has the discretion to effect a daily sweep of actual collections to the issuer's account.

Set-Off Risk

The issuer's claim to payment may be affected by the set-off rights of borrowers with deposits in accounts held with VWB.

The eligibility criteria exclude borrowers that hold a deposit with VW Bank at the cut-off date. However, borrowers may open an account and deposit funds during the life of the transaction. If the total amount of potential set-off risk is greater than 1% of the outstanding asset balance and VWB is no longer deemed to be investment grade by Fitch, it will be obliged to post collateral in an amount equal to the potential set-off risk. This amount (set-off risk reserve) will be adjusted on a monthly basis. Although the set-off risk reserve will be deposited in

the CCA, it will be exclusively available to cover set-off risk.

Swap

At closing, the issuer entered into two swap agreements with the swap counterparty to hedge against the mismatch between the fixed rate received from the loan contracts and the floating-rate amounts payable on the notes. The first swap agreement will be referenced to the interest payable on the class A notes and the second to the interest payable on the class B notes.

Downgrade language in line with Fitch's swap counterparty rating criteria applies to the swap counterparty. For details on Fitch's swap criteria, please refer to the criteria report "*Counterparty Risk in Structured Finance Transactions: Hedge Criteria*", dated 1 August 2007 and available at www.fitchratings.com.

Priority of Payments

The transaction will have a combined waterfall for collections on outstanding receivables. Payments will be made from the available distribution amount in the following order of priority:

- senior expenses;
- payments due to the swap counterparty, including termination fees, except where the termination is attributable to the swap counterparty;
- accrued and unpaid interest on the class A notes;
- accrued and unpaid interest on the class B notes;
- replenishment of the CCA to its required amount to cover previous interest shortfall advances;
- reduction of principal on the class A notes down to the targeted class A note balance (see table, *Targeted OC Levels*);
- reduction of principal on the class B notes down to the targeted class B note balance (see table, *Targeted OC Levels*);
- if VWB is no longer deemed to be rated at least 'F3' by Fitch, to credit the cash collateral increase amount to the CCA to secure a potential tax liability (see below);
- following a swap termination attributable to the swap counterparty, all amounts due and payable under the swap agreement;

- amounts payable in respect of accrued and unpaid interest on the subordinated loan;
- to the subordinated lender, until the aggregate principal amount of the subordinated loan has been reduced to zero; and
- balance to the seller.

Amortisation

At closing, the notes will start to amortise sequentially until the relevant targeted OC levels are reached. If the relevant OC levels equal the relevant targeted level, amortisation can switch to pro rata.

The target levels are dependent on two triggers, which are related to the performance of the portfolio.

Targeted OC Levels^a

Trigger	Target OC class A (%)	Target OC class B (%)
Initial available level	6.6	3.5
No trigger breach	9.1	5.2
Level 1 trigger breached	11.0	7.0
Level 2 trigger breached/asset balance amortises below 10%	100.0	100.0

^a OC is calculated by deducting the CCA from the credit enhancement levels
Source: Transaction documents

A level 1 trigger is hit if the cumulative losses exceed the following thresholds:

- until the payment date of May 2009: 0.50%
- from June 2009 until February 2010: 1.15%

Should the level 1 trigger be breached, the priority of payments will return to a sequential pay-down until either the new targeted OC is reached or the notes are repaid in full.

A level 2 trigger is hit if the cumulative losses exceed the level of 1.6% at any payment date.

If the level 2 trigger has been breached or as soon as the notes have reduced below 10% of their initial balance, the amortisation will change back to a sequential order until the final maturity date is reached.

Collateral

The collateral consists of loan receivables, additional rights and the security right over the financed vehicles. The purchased loan receivables represent the aggregate sum of outstanding instalments.

Some 20% of the portfolio consists of fully amortising “Classic Credit” loans, while 80%

consists of balloon “Auto Credit” loans. Auto credit loan borrowers have three options at loan maturity:

1. to pay off the final balloon payment;
2. to refinance the final balloon payment; or
3. to return the vehicle to the dealer: under a guarantee to the seller, the dealer has the obligation to make the final balloon payment. If the dealer defaults and fails to fulfil its duties, the borrower will be liable for the final balloon payment under the loan agreement.

According to a survey conducted by VWB in 2005, 57% of obligors select the first option, 14% select the second option and 29% select the third option. In most cases, obligors who elected to return vehicles subsequently purchase a new car.

The characteristics of the final portfolio, as of 31 January 2008, are shown in the following table.

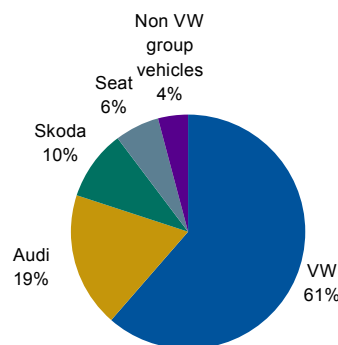
Portfolio Characteristics

Initial discounted balance (EUR)	1,300,005,157.84
Number of loan contracts	105,358.00
Average balance (EUR)	12,338.93
WA original term (months)	47.61
WA remaining term (months)	36.43
New vehicles (%)	65.39
Used vehicles (%)	34.61
Direct debit (%)	99.67
Fully amortising (%)	20.19
Balloon loans (%)	79.81
Corporate borrowers (%)	19.72
Retail borrowers (%)	80.28

Percentages shown are by asset balance
Source: Fitch and VW Bank GmbH

The majority of the portfolio consists of VW group vehicles (95.7% VW, Audi, Skoda and Seat). The concentration of vehicle manufacturers is shown in the chart below.

Vehicle Manufacturer



Source: VW Bank GmbH

The portfolio is well distributed across Germany and shows no significant single borrower concentrations, with the biggest five debtors having a total share of 0.08% via 43 loan contracts.

Key Eligibility Criteria

The eligibility criteria stipulate, inter alia, that:

- no loan receivable was overdue as of the cut-off date;
- on the cut-off date, at least two loan instalments were paid in respect of each of the loan contracts;
- each loan contract has a maximum original tenor of 72 months, a minimum remaining term of 18 months and a maximum remaining term of 60 months;
- the total amount of loan receivables will not exceed EUR500,000 in respect of any single obligor; and
- borrowers have either their registered offices or their place of residence in Germany.

In the event of any breach of the eligibility criteria, the seller will have 60 days in which to repurchase the receivables concerned at a price equal to the NPV, calculated using the discount rate mentioned above.

■ Origination and Servicing**Volkswagen Financial Services Business Strategy**

VWB's main activities are to promote the automotive sales of the VW Group (VW, Audi, SEAT and Skoda) and strengthen customer loyalty to the VW Group brands. Furthermore, profitability could be improved by the development from a pure financial service provider to a mobility service provider. VWB is the market leader in the German auto-loan market. It holds a banking licence, is regulated by the German banking supervisor, Bafin, and is a member of the German Federal Deposit Insurance Fund.

The Sales Care Centre/Underwriting

VWFS manages its underwriting and distribution channel through the Sales Care Centre (SCC). The SCC processes all the loans and co-operates/builds relationships with a dealer network of over 4,000 distributors/dealers. SCC employees must receive three months' training before carrying out any operational tasks in the teams, and will be offered a wide range of additional internal training to improve the consistency and quality of standards within the SCC. VWFS's policy is normally to employ people with at least three years' experience in banking or an appropriate business degree. The SCC has

approximately 80 area managers who are responsible for 40-80 dealers each.

The main in-house systems used by the SCC are KREDIS (Credit Information System), LEASIS (Leasing Information System), ZGP (Customer Data) and IXOS (Electronic Documentation). All dealers have front-end systems with the same input fields to handle customer enquires.

The application process is fully automated once the dealer has forwarded the loan application, customer profile and information on the vehicle to be financed to the SCC. The SCC checks the overall commitment and legal status of the applicant, obtains the credit score from an external credit agency (*Schufa, Creditreform, Buerger*), scores the applicant based on the internal scoring system and sends the decision to the dealer. Loans are settled once all the information required to make a decision has been checked for accuracy. Some 73% of all successful applications are processed within two days.

The authority to approve a loan depends on the seniority of staff. A junior loan administrator, for example, can approve a loan of up to EUR25,000, while applications greater than EUR50,000 are checked by another employee (according to the "four-eyes principle"). Loans with a balance greater than EUR125,000 are managed by the special clients' team.

The Revenue Management Team/Servicing

The revenue management team is responsible for dealing with delinquent contracts.

Borrowers receive a call from VWFS's call centre eight days after the due date to discuss the reasons why they missed the payment. The obligors receive a reminder letter 12 days after the due date, a second letter 24 days after and a phone call 28 days later. A third reminder is sent to the borrower 36 days after the due date. The loan will be terminated and transferred to the collection department 53 days after the due date.

The revenue management team is able to identify the more vulnerable loans through ongoing monitoring, and these will be serviced first. The revenue management team's call centre employs 66 people. They will call an obligor immediately after a promise to pay is broken and can approve payment holidays.

The Collection Centre/Collections

As soon as the contract is terminated, it is transferred to the collection centre. The collection centre is responsible for repossession, second-hand vehicle marketing, court collections and charge-offs. It employs two external collection agencies, which are

compensated on the basis of their performance and success rates.

Vehicles are generally repossessed and their value realised 82 days after the due date. VWFS requires three bids from the dealer network before the vehicle is sold. A court settlement to determine the borrower's outstanding obligation is initiated 127 days (four months) after the due date, while the foreclosure process normally commences 173 days after the due date, and is followed by the charge-off.

■ **Credit Analysis**

Fitch applied its consumer ABS methodology when rating this transaction, as detailed in "European Consumer ABS Rating Criteria", published on 11 October 2006 and available at www.fitchratings.com. Under this approach, base-case assumptions about default and recovery rates were used as input parameters to VECTOR ABS.

As only loss data was available, Fitch determined these values via the following steps:

- out of historical loss data dating back to 2000 four base case loss rates were derived for the different product types:
 - classic credit amortising loans granted for the finance of new vehicles (CC-N);
 - auto credit balloon loans granted for the finance of new vehicles (AC-N);
 - classic credit amortising loans granted for the finance of used vehicle (CC-U); and
 - auto credit balloon loans granted for the finance of used vehicles (AC-U);
- base-case default rates were determined based on a base case recovery rate of 62.00% for new vehicles and 54.00% for used vehicles.

Key Assumptions

Product	Loss base case (%)	Recovery rate base case (%)	Default rate base case (%)	Portfolio share (%)
CC-N	0.50	62.0	1.3	9.2
AC-N	0.85	62.0	2.2	56.2
CC-U	1.95	54.0	4.2	11.0
AC-U	1.70	54.0	3.7	23.6

Source: Fitch

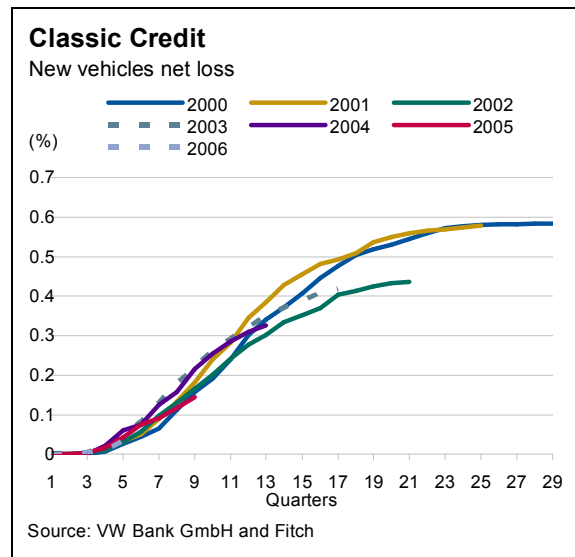
Loss Rate

Fitch has derived base-case loss assumptions based on historical performance, incorporating recent trends. In accordance with the eligibility criteria, Fitch has derived its base-case over the maximum tenor of 72 months.

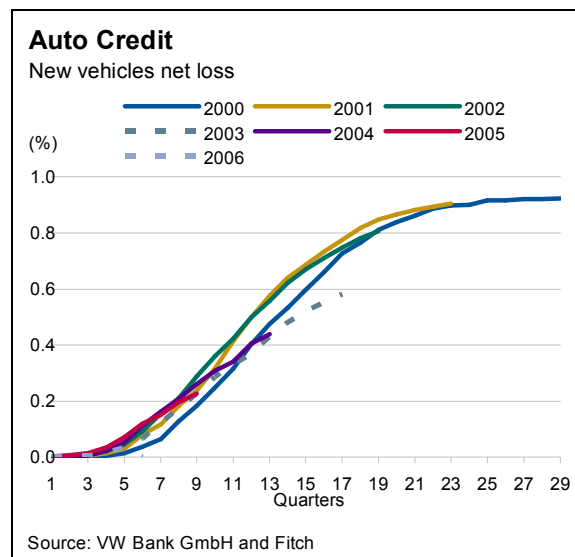
The charts show the annual performance based on quarterly vintages provided by the seller for the four product groups that determine the overall base case.

All four product types show an improving trend, whereas younger vintages perform better than older ones. This development is influenced by both the ongoing improvement of collection processes as well as by the recent positive economic environment in Germany.

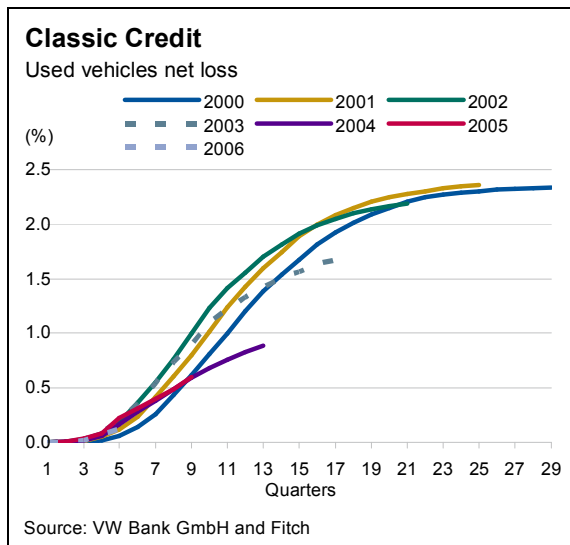
For the classic credit new vehicles, younger vintages perform slightly better than the older curves. Fitch has assumed a base case of 0.50%.



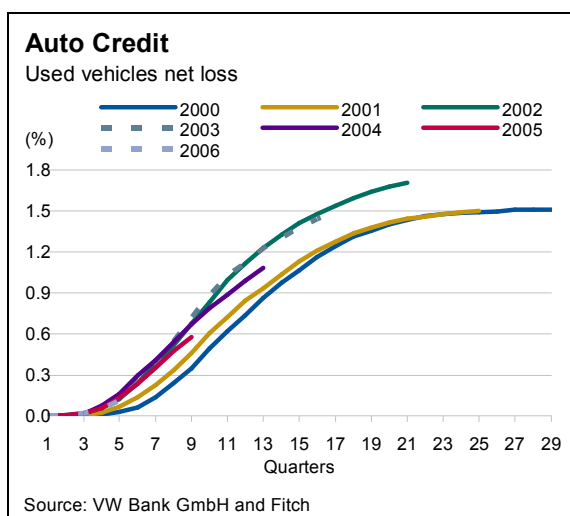
For the auto credit new vehicles portfolio, vintages show a similar behaviour as the classic credit new vehicles. Furthermore, vintages are close to the average. Fitch assumed a base case loss of 0.95%.



For the classic credit used vehicles portfolio, the younger vintages show a slightly better performance compared to loans originated in 2000. Thus, Fitch based its base-case assumption on an extrapolated loss vintage ending at 1.95%.



Auto credit loans financing used vehicles from the most recent annual originations show higher losses compared to older vintages. According to the seller, the earlier increases are due to a revised collection and write-off policy. Following this amendment, VW Bank writes off uncollectible receivables earlier (which may explain why vintages could flatten earlier). Fitch extrapolated an average, based on the vintages, resulting in a base-case loss of 1.70%.



Defaults and Recovery Rates

Base-case default rates were calculated for each sub-portfolio using the loss rates and the recovery rates.

Base-case recovery rates of 62% for new vehicles and 54% for used vehicles were assumed, based

upon peer comparison data. Base case recovery rates are also comparable to previous Driver transactions.

Typically, the foreclosure process takes between 30 days and six months; therefore, Fitch has taken the view that the time to recovery will be a maximum of six months.

VECTOR ABS

The performance assumptions outlined were used as inputs to VECTOR ABS. Based on one million simulation runs, the following rating default rates (RDR), rating recovery rates (RRR) and rating loss rates (RLR) were determined for the 'AAA' and 'A+' rating scenarios.

VECTOR ABS Results

(%)	RDR	RRR	RLR
AAA	10.5	36.4	6.6
A+	8.1	46.3	4.4

Source: Fitch

Cash Flow Model

In the second modelling step, the results of VECTOR ABS have been applied to Fitch's proprietary cash flow model to analyse structural elements such as sequential and pro rata pay-down.

The model was run using a front-loaded default distribution derived from the historical vintages. Recoveries were distributed up to six months after the simulated default, thus replicating the maximum foreclosure period. Furthermore, the risk arising from the balloon loans as well as prepayments was considered.

Each rating scenario was tested for rising and falling interest rate stresses and prepayment stresses.

Balloon Loans

Fitch has also considered the additional risks arising from the balloon loans. Should the borrower choose to return the vehicle to the dealer, the dealer is obliged to make the final balloon payment. The borrower will only be liable for this payment if the dealer defaults. Similarly, if VWB does not offer refinancing, the borrower is obliged to pay. If VWB and the dealers default, any borrowers that would have chosen the refinancing or return option are at a higher risk of default. This is because the final balloon payment could cause borrowers to experience a payment shock if the residual value of the vehicle is well below the balloon payment. Fitch has incorporated this risk by applying the joint probability of default of the dealers and VWB, combined with the residual value haircuts in the stressed rating scenarios. When determining the

residual value haircuts in the event of a default of the dealers and VWB, the agency also considered the existing cushion provided by the fact that balloon payments are considerably lower than the historically achieved sale prices of repossessed vehicles.

The agency took comfort from the fact that (i) the balloon payment is generally set at a rate 10% below the expected residual value; and (ii) VWB has been able to sell repossessed vehicles at a considerable margin above the residual value. The higher values of the vehicles compared with the final balloon payment also explain the low borrower turn-in rate (28%). As a result, the applied balloon stress did not have a material impact on the base-case recovery rates.

Prepayment

Fitch derived its base-case prepayment assumption based on the performance of the current Driver transactions. Prepayments show an increasing trend with the ongoing seasoning of the transaction.

Fitch applied an annual constant prepayment rate (CPR) base case of 11% for year one, 17% for year two, 25% for year three and 29% thereafter. The base-case rates were stressed upwards by a factor of 1.5 at 'AAA' and 1.3 at 'A+'.

The transaction is exposed to the risk of a shortfall between the interest rate of a prepaid loan and the discount rate for loans whose interest rate is above the discount rate (approximately 35% of the portfolio). Should borrowers of loans with interest rates higher than the discount rate prepay, the difference between the actual interest rate and the assumed discount rate will not be received.

This risk is mitigated by VWB's obligation to make a payment adjustment in such a case.

Interest Rate Stress

Starting with a one-month Euribor rate of 4.2%, Fitch tested increasing, stable and decreasing interest rates in accordance with its stresses, which are updated on a monthly basis (see "*Interest Rate Risk In Structured Finance Transactions – Euribor*", published on 1 November 2006 and available at www.fitchratings.com).

Generally, the transaction is hedged against the interest rate exposure that arises from the mismatch between the fixed interest bearing portfolio and floating interest payable under the notes. However, a

decreasing interest rate environment causes less interest to be earned on amounts held in the CCA.

Nevertheless, the initial credit enhancement structure would not only withstand an increasing interest rate environment, but would also pass a decreasing interest rate stress, both going forward from the expected closing date.

■ Tax Risk

In June 2004, the Federal Ministry of Finance issued a circular regarding the VAT impact of the purchase of, and collection on, receivables (Factoring Circular).

According to the Factoring Circular, an ABS transaction will not be VAT taxable as long as the assignor also performs the servicing. However, it remains unclear whether this relief would continue to apply after the substitution of the initial servicer in this transaction.

Based on legal advice, the agency has taken the view that the issuer could be held liable for VAT on the purchase price discount funded by the seller because this discount can be considered a taxable service rendered by the seller to the issuer. Hence, the current tax risk amounts to the VAT tax rate times the initial overcollateralisation of 0.90%, currently the equivalent to 0.14% of the original discounted principal balance.

This risk only becomes relevant if the seller ceases to perform the servicing. Therefore, if the credit quality of VWB deteriorates below investment grade, a VAT reserve for the abovementioned amount will be established using amounts available in the distribution account, after reducing principal to the targeted note balances.

■ Performance Analytics

Fitch will monitor the transaction regularly and as warranted by events. Its structured finance performance analytics team ensures that the assigned ratings remain, in the agency's view, an appropriate reflection of the issued notes' credit risk.

Details of the transaction's performance are available to subscribers at www.fitchresearch.com. Further information on this service is available at www.fitchratings.com.

Please call the Fitch analysts listed on the first page of this report for any queries regarding the initial analysis or the ongoing performance.

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