

Driver Seven GmbH

€519. 1 Million Asset-Backed Floating-Rate Notes

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| <i>Class</i> | <i>Rating*</i> | <i>Amount (mil. €)</i> | <i>Available credit support (%)†</i> | <i>Interest</i> | <i>Legal final maturity</i> |
|--------------|----------------|----------------------------|--|--|---------------------------------|
| A | AAA | 500.00 | 9.75 | One-month EURIBOR plus a margin of 70 bps per year | 2016 |
| B | A+ | 19.10 | 6.25 | One-month EURIBOR plus a margin of 165 bps per year | 2016 |

*Standard & Poor's ratings address timely interest and ultimate principal.

†Available credit support includes a subordinated loan of €€4.66 million (granted by an affiliate of Volkswagen AG [the subordinated lender]). It provides credit enhancement in the form of subordination for the class A and B notes. The subordinated loan is not part of the rated capital structure, and so was not included in the issuance description. In addition, available credit support includes overcollateralization and a cash reserve of 1.25%
EURIBOR—European interbank offered rate.

Transaction Participants

| | |
|-----------------------------|---|
| Originator | Volkswagen Bank GmbH |
| Arrangers | Volkswagen Financial Services AG and WestLB AG |
| Seller | Volkswagen Bank GmbH |
| Servicer | Volkswagen Bank GmbH |
| Security trustee | Wilmington Trust (London) Ltd. |
| Data protection trustee | Wilmington Trust SP Services (Frankfurt) GmbH |
| Interest swap counterparty | HSBC Bank PLC |
| Issuer account provider | BNP Paribas Securities Services (Luxembourg) |
| Collection account provider | Volkswagen Bank GmbH |
| Subordinated lender | An affiliate of Volkswagen AG |
| Corporate services provider | Wilmington Trust SP Services (Frankfurt) GmbH |
| Paying agent | BNP Paribas Securities Services (Luxembourg) |

Supporting Ratings

| <i>Institution/role</i> | <i>Ratings</i> |
|--|------------------|
| Volkswagen Bank GmbH as collection account provider | A-/Negative/A-2 |
| BNP Paribas S.A. as guarantor of the issuer account provider | AA/Negative/A-1+ |
| HSBC Bank PLC as interest swap counterparty | AA/Negative/A-1+ |

Transaction Key Features*

| | |
|--|--|
| Closing date | April 22, 2010 |
| Collateral | Auto loan receivables arising under loan contracts with borrowers resident in Germany |
| Structure | True-sale amortizing structure |
| Country of origin | Germany |
| Concentration | Highest concentration: North-Rhine Westphalia (19.3%), Bavaria (14.0%), and Baden-Wuerttemberg (11.9%) |
| Total receivables, discounted receivable balance (mil. €) | 546 |

Transaction Key Features* (cont. 'd)

| | |
|---|--|
| Average outstanding loan size, discounted receivable balance (€€) | 13,028 |
| Outstanding loan size range, discounted receivables balance (€€) | Min. 558, max. 90,848 |
| Weighted-average seasoning (months) | 10.6 |
| Weighted-average asset life remaining (months) | 25.1 |
| Weighted-average remaining term (months) | 35.4 |
| Discount rate (%) | 3.25 |
| Weighted-average interest rate (%) | 4.4 |
| Arrears | None |
| Assets redemption profile | Amortizing loans (17.3%) and balloon loans (82.7%) |
| Note redemption profile | Sequential or pro rata, subject to compliance with performance tests |
| Initial cash reserve (%) | 1.25 |
| Credit enhancement | Subordination, initial overcollateralization, and cash reserve |

*Based on final pool cut as of March 31, 2010.

Transaction Summary

Standard & Poor's Ratings Services has assigned credit ratings to the asset-backed floating-rate notes issued by Driver Seven GmbH, a special-purpose entity (SPE) established as a limited liability company in Germany.

The collateral comprises German auto loan receivables that Volkswagen Bank GmbH (VW Bank) has originated and sold to the issuer.

Since we assigned preliminary ratings to this transaction on March 8, 2010, the arranger has not made any material structural changes to this transaction.

Our ratings reflect our analysis of the ability of the servicer, VW Bank, to fulfill its role in the transaction and the cash flow mechanics of the transaction assuming various stress scenarios.

A combination of overcollateralization, a subordinated loan, a cash reserve, and (for the class A notes only) subordination of the class B notes provide protection for the class A and class B noteholders. BNP Paribas S.A. acts in a supporting role as guarantor for the issuer account provider (the Luxembourg branch of BNP Paribas Securities Services). The interest swap counterparty, HSBC Bank PLC, complies with our criteria for derivative counterparties as published in "Revised Framework For Applying Counterparty And Supporting Party Criteria" and updated in "Updated Counterparty Criteria For Derivatives: Eligibility Of 'A-2' Counterparties Removed In 'AAA' Transactions" (see "Related Criteria And Research").

On the closing date, an affiliate of Volkswagen AG (the "subordinated lender") granted to Driver Seven a subordinated loan of €4.66 million (4.5% of the discounted portfolio volume). The subordinated loan serves as credit enhancement to the class A and B notes because it ranks below the notes for payment of interest and principal. This loan does not form part of the rated capital structure.

The receivables will be purchased at a fixed discount rate of 3.25%. This discount rate is set so that the cash flow from the assets covers the fixed rates under the swap agreements, plus fees and expenses. No excess spread builds up in the transaction.

The credit and cash-flow analyses of this transaction follow our criteria as published in “European Consumer Finance Criteria” and “Auto Loan Criteria”. The legal analysis is based on “European Legal Criteria for Structured Finance Transactions” (see “Related Criteria And Research”).

Notable Features

Driver Seven is VW Bank’s 10th auto loan transaction after six “Driver” and three “Private Driver” transactions. It largely follows the structure of the Driver Six GmbH transaction. Similar to the previous Driver transactions, Driver Seven features pro rata amortization of the notes, provided certain performance triggers are fulfilled. On breach of these triggers, the repayment of the notes switches temporarily or permanently to sequential amortization.

Driver Seven, like its predecessor, is a non-replenishing structure (static pool) that amortizes from day one.

Strengths, Concerns, And Mitigating Factors

Strengths

- VW Bank has a strong market position as one of the largest car-financing companies in Europe, and has more than 50 years of business experience.
- The structure of Driver Seven has been used for the six previous Driver transactions. These transactions have performed well, so we also expect this transaction, which is very similar in structure and have a similar asset pool, to perform well.
- The portfolio is highly granular and diversified between the federal states in Germany. The pool cut as March 31, 2010 comprised 41,946 loan contracts. The largest single-borrower concentration is less than 0.03% and the top 20 loans comprise 0.33% of the portfolio.
- All contracts are current as of the last day of the month preceding the closing date.
- The portfolio does not revolve, so a shift in pool quality due to substitution cannot occur.
- The structure benefits from a cash reserve, which was initially sized and fully funded at 1.25% of the discounted principal balance. The cash reserve serves primarily as liquidity support to mitigate any liquidity stresses. Its purpose is to ensure the timely payment of interest on the notes, while ultimately serving as credit support.

Concerns

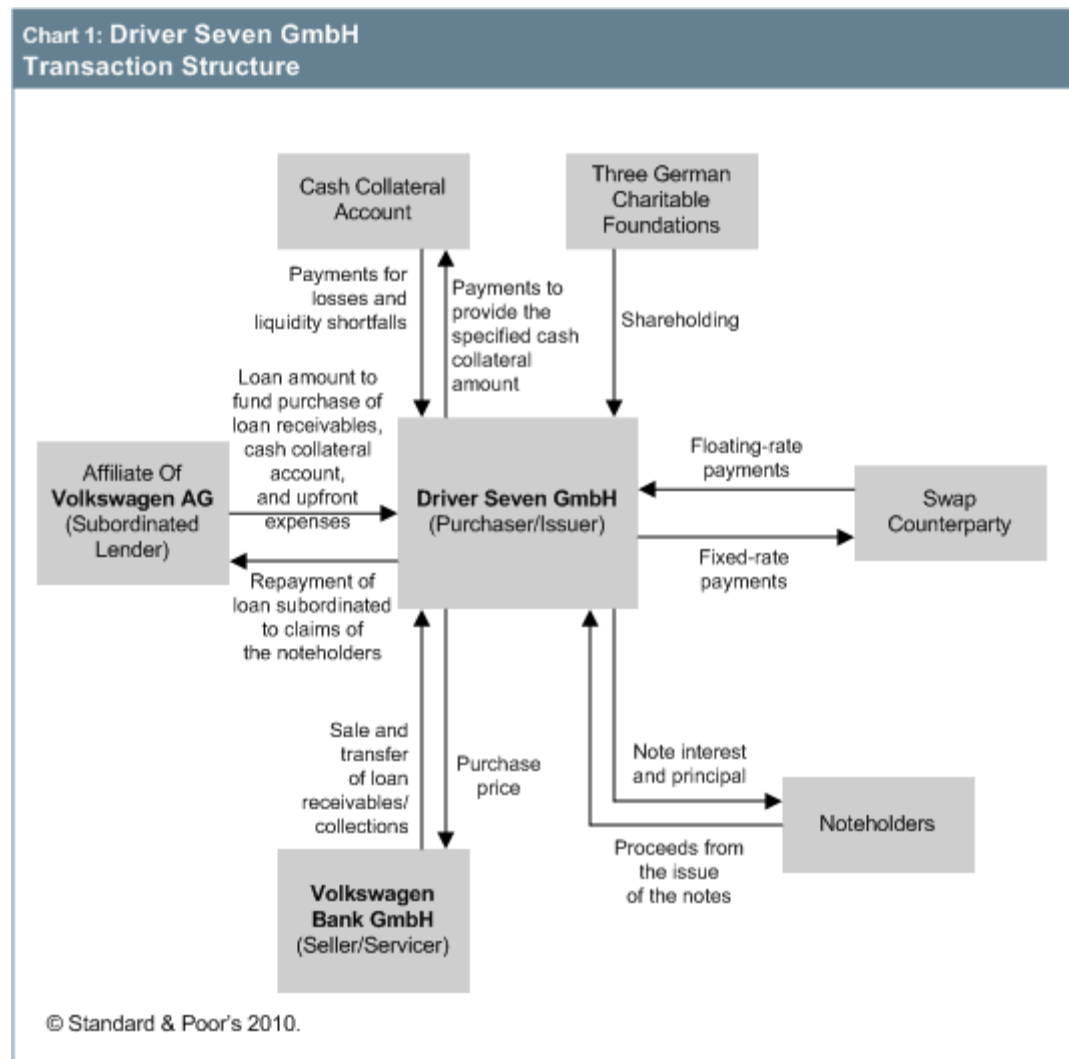
- No recovery data was provided.
- There is no excess spread in the structure, as the discount rate is set to match Driver Seven’s expenses.
- The payment structure is not fully sequential. Subject to certain performance triggers, the principal for the class A and B notes can be paid pro rata. Pro rata redemption of the class B notes causes the credit enhancement available for the class A noteholders to reduce in absolute terms.
- There is commingling risk due to a collection account that is currently in the originator’s name rather than the issuer’s.
- There is set-off risk for the cash deposits maintained by borrowers whose loans form part of this securitization.

Mitigating factors

- We have used the available data conservatively.
- In addition to the subordinated loan and a cash reserve, credit enhancement is provided through overcollateralization of 0.5%.
- Cash flows have been appropriately stress-tested for each rating level, and various performance triggers have been set for cumulative net loss rates, mitigating the risk derived from pro rata amortization. A breach of these triggers leads to a temporary switch to sequential repayment to build up additional enhancement. Further deterioration in the performance with cumulative net losses growing to more than 1.6% results in a permanent switch to sequential note repayment.
- Set-off and commingling risks are mitigated because VW Bank is a supporting party to the transaction. VW Bank is committed to take appropriate action if it is downgraded below 'A-2' in line with our criteria for support counterparties. In addition, the eligibility criteria state that borrowers whose loans are included in the portfolio may not have money deposited with VW Bank at the time of inclusion.

Transaction Structure

On the closing date, the issuer purchased the auto loan portfolio (see chart 1). The loan receivables are discounted at a fixed rate of interest, which equals administrative expenses, a servicing fee, the fixed interest rate due to the swap counterparty under the terms of the swaps on the class A notes and class B notes, and the interest due under the subordinated loan.



Priority of payments

The class A notes and class B notes pay interest in arrears on a designated date each month at a rate of one-month EURIBOR for euro deposits, plus a margin of 0.7% for the class A notes and 1.65% for the class B notes (as shown in the opening ratings table). The transaction has a combined interest and principal priority of payments. On each interest payment date (IPD), the interest on the class A notes is paid before interest is paid on the class B notes. However, class A noteholders only receive principal after interest is paid to the class B noteholders. Amounts standing in the priority of interest and principal payments for the class A and B notes include taxes payable by the issuer, servicing and administrative expenses, and net payments due under the swap agreement.

The notes initially redeem sequentially, creating additional overcollateralization for the class A notes. This will change when the credit enhancement reaches 11% for the class A notes and 7% for the class B notes. If that occurs, amounts relating to scheduled principal due in the previous month and amounts relating to any prepayments received will be paid pro rata to the respective noteholders if the portfolio meets certain performance triggers. The first IPD will be in May 2010, and the legal final maturity date will be in May 2016.

VW Bank can exercise a clean-up call as soon as the portion of the discounted receivables falls below 9% of the discounted receivable balance at closing.

Credit enhancement

A combination of overcollateralization, a subordinated loan, a cash reserve, and (for the class A notes only) subordination of the class B notes provide protection for the class A and B noteholders. Performance triggers based on cumulative net losses protect noteholders. Once those performance triggers have been hit, notes will redeem sequentially until the required additional overcollateralization has been generated. Overcollateralization percentages for the class A and B notes will increase to 14.0% and 8.0%, respectively, as soon as cumulative net losses exceed 0.5% on any payment date before or during July 2011, or 1.15% after July 2011, but before or during April 2012.

If at any time the cumulative net loss ratio exceeds 1.6%, amortization will permanently switch to sequential repayment.

Swap

Driver Seven and the swap counterparty have entered into separate swap agreements for the class A and B notes. Under the swap agreements, the issuer pays interest on the nominal amount outstanding on each distribution date, calculated on the basis of a fixed rate of interest (class A 2.125%, class B 3.110%). In exchange, the swap counterparty pays a floating rate of interest (one-month EURIBOR) plus a margin of 0.7% for the class A notes and 1.65% for the class B notes on the outstanding nominal amount. This amount, together with amounts allocated to principal, is then distributed to the class A and B noteholders.

Servicing

The originator and seller, VW Bank, services the loans. VW Bank is a wholly owned subsidiary of Volkswagen Financial Services AG, which in turn is owned by Volkswagen AG. It is the largest auto bank in Germany, with more than 50 years' experience in originating auto loans with German consumers. VW Bank is also active in other retail banking activities (including deposit taking).

Losses due to prepayments

As it is a present-value structure, the issuer might be subject to losses due to prepayments. This results from the fact that the issuer purchases the loans at a fixed discount rate, while the contractual interest rates of the loans could be higher than the discount rate, resulting in such loans being purchased above par. If any of these loans prepays, the issuer suffers a loss, as the prepayment is done at par. The seller, VW Bank, covers this loss. To stress-test the scenario where VW Bank is not available to take those losses, we have modeled potential losses arising from prepayments and have adjusted the loss assumptions in our models accordingly.

Commingling and set-off

Collections on the loan receivables occur monthly. VW Bank has direct debit arrangements for more than 99% of the pool. As long as VW Bank, as the servicer, is rated at least 'A-2', it is entitled to commingle collections on loan receivables with its own funds. If VW Bank's rating is lowered below 'A-2', the bank must make biweekly advance payments to the issuer equal to approximately half a

month's interest and principal collections two weeks in advance. The cash advances must be paid into an account in the issuer's name or a VW bank account, but with a sufficiently rated account bank. The cash in this account must be pledged to the issuer. The issuer grants security over this account to the trustee for the noteholders' benefit.

Downgrade language in line with our criteria regarding the bank account provider addresses bank account commingling risk.

As the debtors of the securitized loan contracts could potentially have cash deposits with VW Bank, there is the risk that borrowers could set off all or part of their payment obligation under the auto loans against claims they might have against the bank. While VW Bank is rated at least 'A-2', it pays to the issuer any amounts set off by borrowers. If the rating on VW Bank drops below 'A-2', VW Bank must fund the set-off risk reserve. This reserve collateralizes the set-off risk and is adjusted monthly. However, the eligibility criteria state that borrowers must not have deposits with VW Bank when their loans are included in the transaction portfolio.

Collateral Description

The provisional collateral pool backing the notes comprises 41,946 loans, with a total discounted principal balance of about €546 million. The pool stratification for the final pool does not differ substantially from the provisional pool. The discount rate applied to Driver Seven's final pool is 3.25%. The largest single-borrower concentration is less than 0.03% and the top 20 loans comprise 0.33% of the provisional portfolio. The average outstanding loan balance is €13,028 and the average outstanding loan balance per borrower is €3,079.

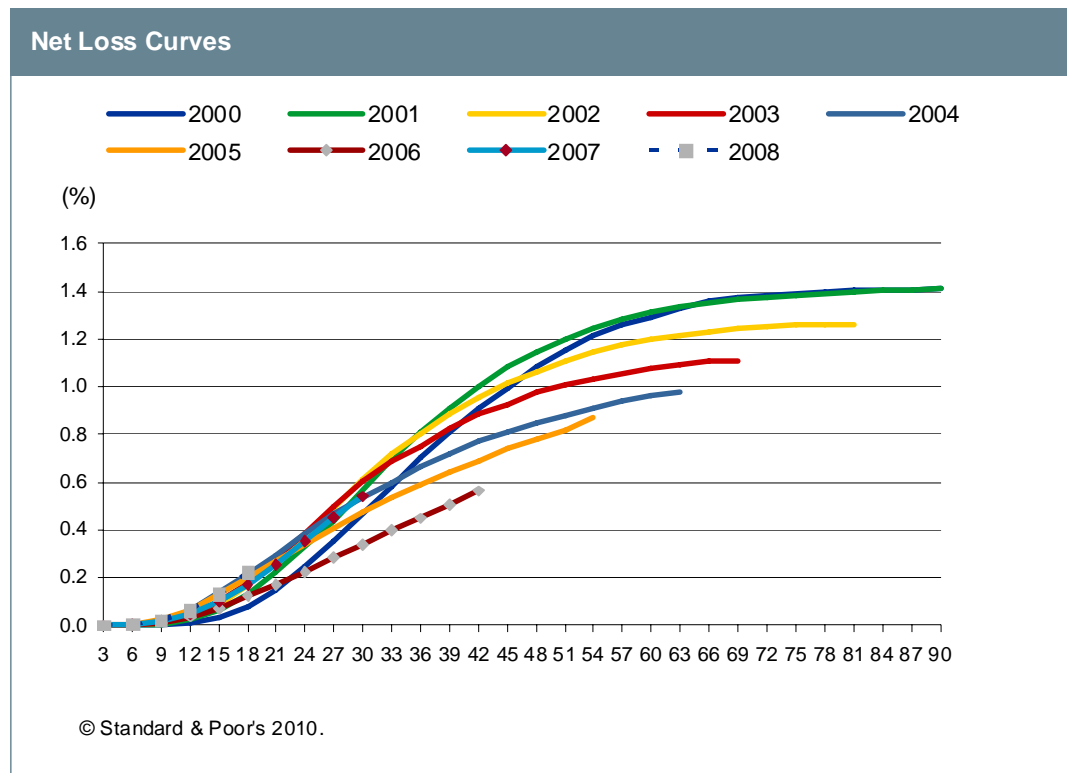
No maintenance components are contained in the contracts sold, and no borrower is an affiliate of Volkswagen AG. Each borrower has paid at least two installments. This transaction contains consumer loan contracts (74.6%) and business loan contracts (25.4%). Approximately 17.3% of loan contracts are amortizing and 82.7% incorporate a balloon feature.

Loans have an original maturity of between 24 and 72 months, and the remaining terms are between 18 and 60 months. The portfolio being securitized comprises predominantly Volkswagen/VW Nutzfahrzeuge, and Audi vehicles, along with Škoda, some SEAT and other brands vehicles. The geographical distribution shows a diversified portfolio, with the highest concentration at 19.3% for residents in North Rhine Westphalia (see map).



Chart 2 shows the cumulative net losses that occurred for the entire pool during the period after the year of vintage. For example, for the 2000 vintage, at 36 months the data shows accumulated net losses for all loans originated in 2000 after three years.

Chart 2



Nature of the loan receivables

The purchased loan receivables are from vehicle loan contracts originated by VW Bank using Volkswagen, Audi, SEAT, Škoda, and Volkswagen Nutzfahrzeuge dealers as agents, as well as by third parties.

The loan receivables require monthly interest and principal payments in exchange for financing a new or used vehicle. The transaction securitizes two types of loans: (i) the “ClassicCredit” loan, which is paid down over its life in equal monthly installments (amortizing loan), and (ii) the “AutoCredit” loan, where in addition to equal monthly installments, the loan has a final payment that is significantly higher than the monthly installments (balloon loans) and typically set in line with the expected residual value of the vehicle at maturity of the loan.

If the loan contracts provide for a final larger balloon payment, the borrower can settle it either by:

- Keeping the vehicle and pay in cash;
- Selling the vehicle to the car dealer for a purchase price equaling the balloon payment. The dealer will settle the balloon payment on the borrower’s behalf. If the purchase price for the financed object is lower than the contractual balloon payment, the car dealer must pay the difference to settle the balloon payment; or
- Refinancing the balloon payment by concluding a new loan with VW Bank. VW Bank will settle the balloon payment from the funds of the new loan contract.

Credit and Cash Flow Analysis

The rating analysis includes an assessment of the credit risk inherent in the transaction. We have sized the credit enhancement after analyzing the effect that various stress scenarios would have on the collateral.

We established the credit support for each class of notes issued by Driver Seven based on our standard rating methodology for analyzing consumer finance transactions.

We were provided with monthly static net loss data starting from January 2004 to January 2010 for the following four subportfolios:

- Balloon loans for new cars (equivalent to 53% of total portfolio);
- Balloon loans for used cars (equivalent to 30% of total portfolio);
- Amortizing loans for new cars (equivalent to 8% of total portfolio); and
- Amortizing loans for used cars (equivalent to 9% of total portfolio).

The data received indicates that amortizing and balloon contracts for new vehicles are performing substantially better than those contracts for used vehicles. Base cases were derived for all four subportfolios, resulting in a weighted-average net loss base case for the whole portfolio of 1.27%.

The static net loss data indicates the actual write-offs after recoveries, including vehicle sale proceeds and other recovery sources. We were not provided with separate recovery or prepayment data. To get to gross loss numbers, we assumed a recovery rate of 50%.

We made assumptions on the timing of defaults, delinquencies, and prepayment levels. We based these on the standard criteria for European consumer finance transactions and our experience with similar types of assets in other securitizations (see tables 1 and 2 for the base cases and stresses used). In addition to the net losses, we additionally stressed the balloon portion of the portfolio by calculating losses on the final balloon payments due to market value declines of the vehicles. These losses were only applied on final balloon payments that are made at contractual maturity, i.e. excluding defaulted and prepaid loans.

Table 1

| <i>Base Cases Used</i> | |
|------------------------------|-------------------------------------|
| | <i>Gross default base cases (%)</i> |
| Balloon loans (new cars) | 1.9 |
| Balloon loans (used cars) | 3.4 |
| Amortizing loans (new cars) | 1.2 |
| Amortizing loans (used cars) | 4.7 |

Table 2

| <i>Stresses Used</i> | | | |
|----------------------|--------------------------------------|-----------------------------|---------------------------------------|
| <i>Rating</i> | <i>Gross default multipliers (x)</i> | <i>Recovery haircut (%)</i> | <i>Losses on balloon payments (%)</i> |
| AAA | 4 to 5 | 30 to 40 | 4 to 4.5 |
| A+ | 2 to 3 | 20 to 30 | 1.5 to 2 |

To determine the effect of pro rata amortization, the cash flow modeling took the performance triggers into account. We calculated losses that might arise due to prepayments for the different rating levels and added these to the loss assumptions used in the cash flow modeling. In addition, we adjusted the loss severity used for the cash flow modeling for the fact that on average the portfolio will be

purchased above par: with an average contractual interest rate of around 4.4% in the portfolio, the discounted value of the portfolio is roughly 102.5% of the par value.

The ratings address not only the availability of funds for full payment of interest and principal, but also the timeliness of these payments in accordance with the terms of the rated securities. We tested different runs of the cash flows to control the timeliness of payments to noteholders. We applied this throughout the life of the transaction under different stress scenarios and corresponding to different rating levels.

In our cash flow scenarios, we have run different interest rate scenarios: Increasing, flat and decreasing EURIBOR. In addition, we have tested for stressed low and high prepayment rates (0.5% and 20.0%, respectively).

Scenario and Sensitivity Analysis

As part of a broad series of measures that we announced in 2008 to enhance our analytics and dissemination of information, we have committed to provide a “what-if” scenario analysis in rating reports to explain key rating assumptions and the potential impact of positive or negative events on the ratings (see “A Listing Of S&P’s New Actions Aimed At Strengthening The Ratings Process”, Feb. 7, 2008).

This scenario analysis section incorporates:

- A description of our methodology and scenario stresses;
- Results of the effects of the stresses on ratings; and
- Results of the effects of the stresses on our cash flow analysis.

Methodology

When rating European auto and consumer ABS transactions, we have developed a scenario analysis and sensitivity testing model framework. This demonstrates the likely effect of scenario stresses on the ratings in a transaction over a one-year outlook horizon. For this asset class, we consider scenario stresses over a one-year horizon to be appropriate given the relatively short weighted-average life of the assets backing the notes. For these types of securities there are many factors that could cause the downgrade and default of a rated note, including asset performance and structural features. However, for the purposes of this analysis we focused on the three fundamental drivers of collateral performance, namely:

- Gross loss rate;
- Recovery rate; and
- Prepayment rate.

Given current economic conditions, the stress scenarios proposed reflect negative events for each of these variables. Increases in gross default rates could arise from a number of factors, including rises in unemployment and company insolvencies, together with falls in house prices and a reduction in the availability of credit. In addition, these effects would most likely cause collateral recovery rates to fall as the structural imbalance between supply and demand leads to reductions in asset prices. In this environment, we also expect prepayment rates to fall as fewer refinancing options leave obligors unable to prepay finance agreements and demand for replacement vehicles falls.

For this analysis we have included two stress scenarios to demonstrate the rating transition of a bond (see table 3).

Table 3

| <i>Scenario Stresses</i> | | | |
|------------------------------|--|--|--|
| <i>Rating variable</i> | <i>Scenario 1 (relative stress to base case)</i> | | <i>Scenario 2 (relative stress to base case)</i> |
| Gross loss rate (%) | 30.0 | | 50.0 |
| Recovery rate (%) | (30.0) | | (50.0) |
| Constant prepayment rate (%) | (20.0) | | (33.3) |

Our base case assumptions for each transaction are intended to be best estimates of future performance for the asset portfolio. Our approach in determining these base cases would take account of historically observed performance and an expectation of potential changes in these variables over the life of the transaction. The sensitivity of rated bonds in each transaction will differ depending on these factors, in addition to structural features of the transaction, including its reliance on excess spread, payment waterfalls, and levels of credit enhancement at closing.

For each proposed scenario stress, we separate the applied methodology into three distinct stages. In the first stage we stress our expected base case assumptions over a one-year period to replicate deviations away from our expected performance over the stress horizon. We assume the stresses that we apply occur at closing, with gross losses applied based on our expectation of a cumulative default curve for the portfolio.

The second stage applies our usual rating methodology, including revising our base case assumptions at the one-year horizon to reflect the assumed deviations as a result of the stressed environment. In the final stage of the analysis we re-rate the transaction at the one-year horizon, after revising our base case assumptions and applying our standard credit and cash flow stresses at each rating level. The output of the analysis shows the likely rating transition of the rated notes given the applied stresses and the value and timing of any forecasted principal and interest shortfalls under the most stressful scenario.

Transaction Analysis

When applying scenario stresses in the manner described above, the results of this modeling are intended to be a simulation of what could happen to the ratings on the notes for the given transaction. For the purposes of our analysis for this transaction, we applied the two scenarios described above in our cash flow modeling. Tables 4 to 6 show the implied base case stresses and scenario stress results.

Table 4

| <i>Scenario Stresses</i> | | | |
|---------------------------------|------------------|-------------------|-------------------|
| <i>Stress horizon—12 months</i> | | | |
| <i>Rating variable</i> | <i>Base case</i> | <i>Scenario 1</i> | <i>Scenario 2</i> |
| Gross loss rate (%) | 2.54 | 3.3 | 3.8 |
| Recovery rate (%) | 50 | 35 | 25 |
| Constant prepayment rate (%) | 10.0 | 8.0 | 6.7 |

Table 5

| <i>Scenario Stress Analysis—Rating Transition Results</i> | | | |
|---|--------------|-----------------------|-------------------------------|
| <i>Scenario stress</i> | <i>Class</i> | <i>Initial rating</i> | <i>Scenario stress rating</i> |
| Scenario 1 | A | AAA | AA+ |
| | B | A+ | A+ |
| Scenario 2 | A | AAA | AA- |
| | B | A+ | BBB+ |

Table 6

| <i>Cash Flow Effect</i> | | | | | | | |
|-------------------------|-----------------------|------------------------|---|--------------|-------------------|--------------------------------------|---|
| <i>Scenario stress</i> | <i>Worst case run</i> | <i>Amount (mil. €)</i> | <i>Principal shortfall</i> | | | <i>Cumulative interest shortfall</i> | |
| | | | <i>Expected loss as a % of the transaction size</i> | <i>Month</i> | <i>Amount (€)</i> | <i>Month</i> | |
| <i>Class A</i> | | | | | | | |
| Scenario 1 | Low CPR | 4.2 | 0.77 | Final | None | — | — |
| Scenario 2 | Low CPR | 17.0 | 3.12 | Final | None | — | — |
| <i>Class B</i> | | | | | | | |
| Scenario 1 | Low CPR | — | — | Final | — | — | — |
| Scenario 2 | Low CPR | 6.9 | 1.26 | Final | None | — | — |

Given the transaction's structure, the more stressful scenario for our cash flow analysis is a low collateral prepayment rate. Given the stresses we applied under scenario 1, the class A and class B notes would most likely be lowered to 'AA+' and 'A+', respectively. Under scenario 2 we would most likely lower the rating on classes A and B to 'AA-' and 'BBB+', respectively.

Under these scenario stress runs, the class A notes would incur a principal shortfall of €4.2 million at legal final for scenario 1 and €17.0 million for scenario 2, representing 0.8% and 3.1% of the total transaction size, respectively. Under the same scenario stress runs the class B notes would most likely remain unaffected in scenario 1, but incur a principal shortfall of €6.9 million in scenario 2 (1.3% of the total transaction size). A number of features of this transaction, including triggers that lead to temporary and finally permanent sequential repayment mechanism, the initial overcollateralization, and the cash reserve enhance the stability of the ratings under each scenario.

Where interest or principal shortfalls occur under the most senior notes, the holders of these notes and/or the trustee can call an event of default. This could lead to multiple events, such as the swap terminating (with the issuer needing to make termination payments), and the post-enforcement priority of payments being applied. All of these events will have an effect on the transaction cash flows. For the purposes of the analysis above, we make a simplified assumption that the trustee will not call an event of default.

Key Performance Indicators

We monitor the performance of the transaction, checking:

- Any change in the portfolio composition due to amortization, prepayments, and defaults in the pool;
- The recovery proceeds; and

- The build-up of overcollateralization during the life of the transaction.

Related Criteria And Research

- A Listing Of S&P's New Actions Aimed At Strengthening The Ratings Process, Feb. 7, 2008
- Scenario Analysis: Gross Default Rates And Excess Spread Hold The Answer To Future European Auto ABS Performance, May 12, 2009
- Revised Framework For Applying Counterparty And Supporting Party Criteria, May 8, 2007
- Updated Counterparty Criteria For Derivatives: Eligibility Of 'A-2' Counterparties Removed In 'AAA' Transactions, Oct. 22, 2008
- General Criteria: Standard & Poor's To Explicitly Recognize Credit Stability As An Important Rating Factor, Oct. 15, 2008
- Principles-Based Rating Methodology For Global Structured Finance Securities, May 29, 2007
- European Legal Criteria for Structured Finance Transactions, Aug. 28, 2008
- European Consumer Finance Criteria (published in March 2000).
- European Auto ABS Performance Report (published quarterly)

Related articles are available on RatingsDirect. Criteria, presales, servicer evaluations, and ratings information can also be found on Standard & Poor's Web site at www.standardandpoors.com.

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