

# PRESALE REPORT

## PB consumer 2008-1 GmbH

### **€1,160.1 Million Floating-Rate Asset-Backed Notes And €8.3 Million Liquidity Reserve Notes**

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#### **Ratings Detail**

<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	997.7	14.0	One-month EURIBOR plus 45 bps	Aug. 28, 2021
B	AA	18.6	12.4	One-month EURIBOR plus 95 bps	Aug. 28, 2021
C	A	30.2	9.8	One-month EURIBOR plus 160 bps	Aug. 28, 2021
D	BBB	42.9	6.1	One-month EURIBOR plus 260 bps	Aug. 28, 2021
E	BB	17.4	4.6	One-month EURIBOR plus 390 bps	Aug. 28, 2021
F	NR	53.3	N/A	One-month EURIBOR plus 100 bps	Aug. 28, 2021
Liquidity reserve note	NR	8.3	N/A	N/A	Aug. 28, 2021

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

NR—Not rated.

N/A—Not applicable.

**Publication Date**

Jan. 28, 2008

<b>Transaction Participants</b>	
Originator	Deutsche Postbank AG
Arranger	The Royal Bank of Scotland PLC and Deutsche Postbank AG
Seller	Deutsche Postbank AG
Servicer	Deutsche Postbank AG
Standby servicer	N/A
Security trustee	BNP Paribas Trustee Corp. U.K. Ltd.
Data trustee	BNP Paribas Securities Services
Interest rate swap counterparty	Société Générale
Transaction account provider	BNP Paribas Securities Services
Collection account provider	Deutsche Postbank AG

<b>Supporting Ratings</b>	
<b>Institution/role</b>	<b>Ratings</b>
Société Générale as interest rate swap counterparty	AA/Watch Negative/A-1+
BNP Paribas as the parent company of BNP Paribas Securities Services as transaction account provider	AA+/Stable/A-1+
Deutsche Postbank AG as collection account provider	A-/Stable/A-2

<b>Transaction Key Features</b>	
Closing date	Jan. 28, 2008
Collateral	Unsecured consumer loans
Description	Unsecured consumer loans originated by Deutsche Postbank AG
Country of origin	Germany
Total receivables (Mil. €)	1,160
Cash reserve	N/A
Liquidity note (Mil. €)	8.3
Substitution period (years)	N/A

### ***Transaction Summary***

Standard & Poor's Ratings Services has assigned credit ratings to the €1,106.8 million floating-rate asset-backed notes issued by PB Consumer 2008-1 GmbH (PB Consumer). PB Consumer also issued €61.6 million unrated notes.

PB Consumer used the issuance proceeds to purchase a €1.16 billion static portfolio of unsecured consumer loans from Deutsche Postbank AG (A-/Stable/A-2; Postbank), granted by Postbank to German residents. The pool comprises two main product types Postbank Privatkredit and DSL Privatkredit, both personal amortizing loans geared at different customer segments.

### ***Notable Features***

This is the first transaction to be rated by Standard & Poor's that is backed by unsecured consumer loans originated in Germany, and also the first consumer loan and true-sale transaction by Postbank. Postbank is one of the large German retail banks with a broad customer range and a focus on retail business with private clients and small businesses. Postbank is the servicer for the transaction, until certain trigger events occur, which are mainly related to the insolvency of the servicer. If any of those events occur, then a substitute servicer would need to undertake the servicing of the portfolio.

The substitute servicer would be appointed by PB Consumer.

The portfolio comprises loans that pay monthly installments and bear fixed interest rates, without resets. To hedge the interest rate mismatch between the fixed-rate assets and the floating-rate liabilities, PB Consumer has entered into a fixed/floating interest rate swap with Société Générale.

### ***Strengths, Concerns, And Mitigating Factors***

#### ***Strengths***

- The portfolio is granular comprising 136,916 borrowers, with a relatively high seasoning of 18.6 months.
- Postbank has established robust underwriting and tight collection standards and has a strong position in the German consumer loan market.
- Credit enhancement is mainly provided via subordination, with the class A notes benefiting from 14% subordination. In addition, a funded liquidity note of €3.3 million provides liquidity support to enable payments of senior costs and interest on the rated notes.

#### ***Concerns and mitigating factors***

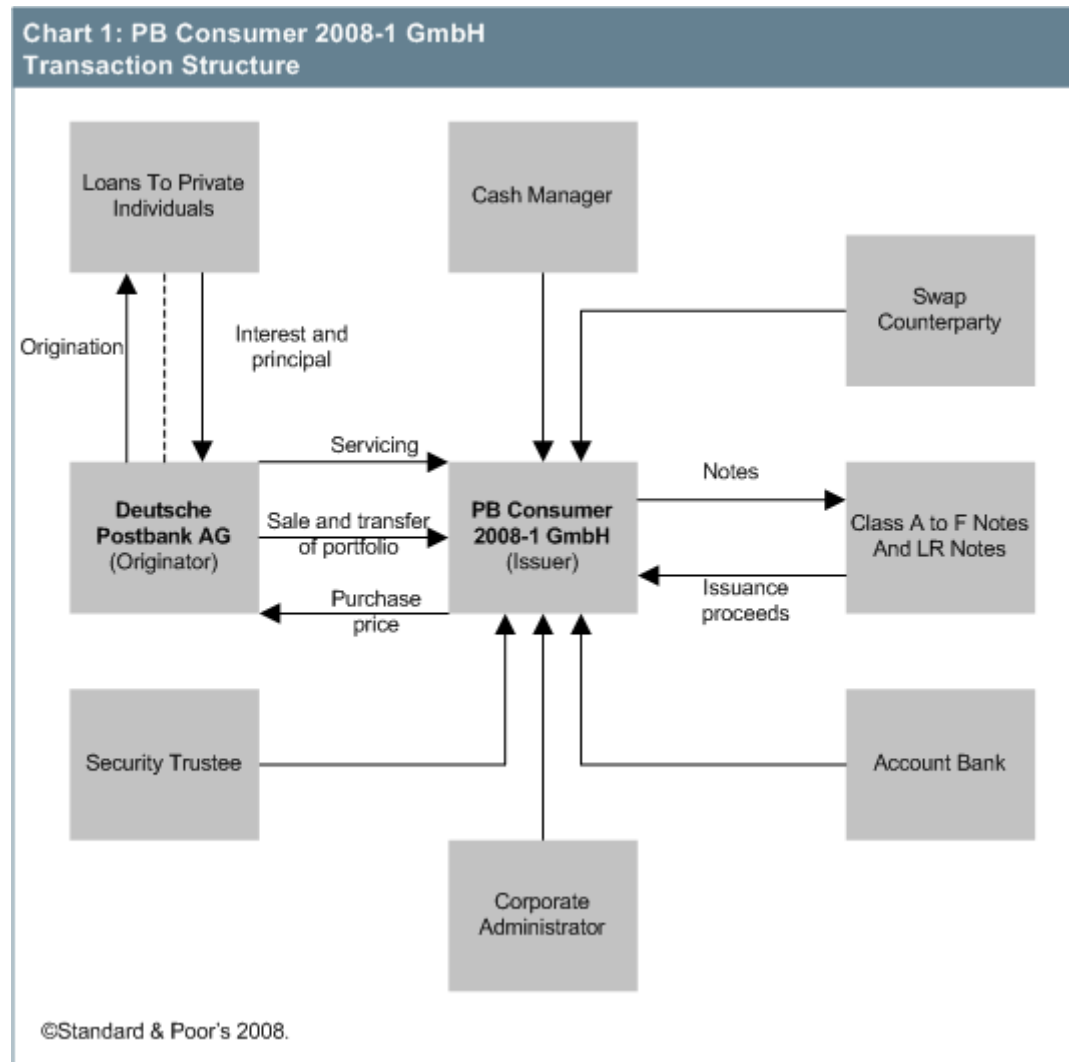
- The yield on the assets is comparatively low, resulting in a minimal amount of available excess spread to cure defaults. The interest on the loans and payments to the interest swap counterparty (and senior creditors), were modeled accordingly.
- The originator is a deposit-taking institution and the underlying borrowers could maintain their deposits accounts with Postbank. If Postbank defaults, the borrowers could set-off their loans against their deposits. Deposit set-off risk is covered by a claim against Postbank, which has to indemnify the issuer for any amount set off by a client. However, this does not yet fully delink the rating on Postbank from the ratings on the notes. If Postbank's short-term rating fell below 'A-2', it would need to deposit an amount sufficient to cover the potential deposit set-off risk. This amount would

be sized at the weighted-average set-off risk potential reported on the previous three monthly reports. The language complies with “category 3 (indirect support)” of Standard & Poor’s revised counterparty criteria (see “**Revised Framework For Applying Counterparty And Supporting Party Criteria**” in “**Related Articles**”).

- The collections related to the purchased loans are received into collection accounts held with Postbank and in Postbank’s name. Whether collections are deposited into these accounts for a period of up to one month depends on the rating on Postbank; if the rating on Postbank deteriorates, this period could be shortened. In these accounts, collections from non-securitized loans are also included. Consequently, the securitized collections are commingled with nonsecuritized collections. If Postbank is downgraded below ‘A-2’, it would—in addition to it sweeping the money daily to the transaction account—fund a commingling reserve equal to the previous months’ collections, with a cap of €25 million and a floor of €3 million, to mitigate the commingling risk. The reserve account is in the name of PB Consumer, and held with an appropriately rated account bank. This reserve was modeled in our stress tests.
- The terms and conditions of the loans may be amended in accordance with Postbank’s servicing standards. These amendments include reduction of monthly installments, payment holidays, and maturity extension. If the borrower asks for a maturity extension, then the loan (with the now-extended maturity) could have a new maturity up to a maximum of seven years. To address the risk related to the borrowers changing their monthly installments, or receiving a payment holiday, Standard & Poor’s increased the delinquency stress to the transaction. The adjustment to maturity is additionally accounted for by the legal final maturity date, ensuring that even extended loans mature before the legal maturity date of the transaction.
- For the fixed/floating interest rate swap agreement, the downgrade language is based on “category II (derivatives)” of Standard & Poor’s revised counterparty criteria (see “**Revised Framework For Applying Counterparty And Supporting Party Criteria**” in “**Related Articles**”). If the rating on the swap counterparty falls below ‘A-1’, then it must either replace itself, find an appropriately rated guarantor, or post collateral. For all of these last three options, the downgraded swap counterparty would be expected to use “commercially reasonable efforts”. If the swap counterparty fails to fulfill its obligations under the downgrade language, then, in the absence of other structural enhancements, we would reflect the risk of the downgraded counterparty by lowering the ratings in the transaction to levels that could be supported by the counterparty’s then-current rating, which would introduce into the structure an element of increased rating volatility.
- The structure allows the issuer to call the whole program if certain conditions are met. For example, it can exercise a clean-up call, if the notes outstanding are lower than 10% of the initial issue size. For the issuer and the originator to exercise the call option, the trustee must give its consent and the repurchase price for the receivables must be sufficient to redeem all of the notes at par, plus accrued interest and cover any senior costs.

### **Transaction Structure**

PB Consumer used the securitization proceeds to purchase a portfolio of unsecured consumer loans from Postbank, the seller (see chart 1).



The issuer entered into a fixed/floating interest rate swap agreement with Société Générale, to hedge the interest rate mismatch arising from the fixed rate of the underlying assets. The issuer also issued €3.3 million liquidity notes to fund a liquidity reserve in order for the issuer to meet shortfalls on interest payment dates relating to senior fees and interest payments on the rated notes, provided that the portfolio performance meets certain standards.

Postbank acts as the servicer of both performing and the nonperforming loans in the portfolio. Once a loan is terminated, it is passed on to an external collection agency.

#### Underwriting and collection policy

The securitized pool comprises loans originated between 2001 and 2007 and none of the loans were in arrears as of November 30<sup>th</sup> 2007. All loans are fixed rate. The loans are originated under Postbank's ordinary course of business, either under the Postbank Privatkredit or the DSL Privatkredit name, and granted to existing customers as well as new clients. The loans are not granted for a designated purpose and are unsecured.

The key underwriting criteria for the securitized loans are:

- The original maturity of the loans may not exceed 120 months and the remaining maturity may not exceed 84 months.

- The outstanding principal amount of a loan may not exceed €50,000 (excluding capitalized insurance and contract fees).
- The loans must pay in monthly installments and bear a fixed rate of interest not lower than 4.5%; most customers pay via direct debit.
- The borrowers must be private individuals resident in Germany and have no negative entry in the Schufa registry.
- Postbank asks for pay-slips to be submitted and performs a minimum income test upon origination.
- The DSL product is extended to customers with slightly lower credit quality shown by poorer internal scores down to 340, whereas the Postbank product will only be granted upon a minimum score of 380.

### ***Servicing***

Postbank AG maintains the servicing of the Portfolio. Postbank's internal systems provide that the relevant employees cannot track the securitization of a loan, ensuring that the sold loans are treated as all other financings. Tight automated reminder and dunning levels ensure a close monitoring of troubled customers, and early recognition of payment difficulties.

### ***Priority of payments***

Any collections of interest is applied in the following order of payments:

- Taxes;
- Senior fees and expenses to the Trustee up to the capped amount;
- Topping up liquidity account (to regain the previous months balance in the liquidity account);
- Senior fees and expenses up to the capped amounts, other than the fees to the Trustee;
- Swap counterparty excluding termination payments;
- Interest on Liquidity note (from interest earned on the liquidity reserve account);
- Class A note interest, and thereafter class A PDL to cure defaults; and following down the seniority level equally for class B through E notes;
- Topping up liquidity account (to achieve the liquidity reserve required amount);
- Swap termination payments;
- Class F note interest, and thereafter class F PDL to cure defaults; and
- Remaining unpaid fees and expenses.

In order to ensure timely payment of interest, the liquidity reserve account may be drawn to cover senior items as well as class A through E note interest.

Any collections of principal are applied in the following order of payments:

- Repayments of servicer revoked advances;
- Repayment of liquidity note (if the required amount is lower than the amount credited to the liquidity account); and
- Repayment of notes sequential or pro rata (A through E notes) if certain conditions are met.

The pro rata conditions include:

- The ratio of the class A notes to the class B through E notes has halved in comparison to the closing date.
- There is no entry into the A through E PDL ledgers.
- The outstanding balance of the notes exceeds 10% of the initial balance.
- The liquidity reserve has been fully filled.

### **Swap**

There is a swap in place according to which the issuer pays to the swap counterparty interest receipts from the underlying collateral of 3.98%. Any excess interest earned on the portfolio is retained to pay senior items and the margin on the notes. The swap counterparty pays one month EURIBOR. The notional of the swap is the performing balance of the fixed-rate assets.

The fixed/floating interest rate swap aims to protect the structure against the interest rate mismatch between floating-rate liabilities and fixed-rate assets.

The swap counterparty is Société Générale. The minimum required Standard & Poor's rating for the swap counterparty is 'A-1' (category II of "**Revised Framework For Applying Counterparty And Supporting Party Criteria**" in "**Related Articles**").

### **Credit enhancement**

The credit enhancement is provided in from of subordination, and, marginally, excess spread. Each class has respectively the lower rated classes and the class F notes as credit enhancement, and may benefit from excess interest receipts over the amounts payable to the interest swap, senior creditors as well as note interest.

## **Collateral Description**

Key features of the pool as of the cut-off date on Nov. 30, 2007 are shown in the table below.

Table 1

<b>Pool Characteristics</b>	
Total receivables (€)	1,200,572,143
Weighted-average principal balance	8,533
Weighted-average seasoning (months)	18.6
Weighted-average residual maturity (months)	52.5
Delinquencies	0
Weighted-average interest rate (%)	6.1
Concentration	Top 25: 0.11%; Top 500: 1.87%
Product type	10% DSL Privatkredit

The pool will be purchased with the outstanding amount of receivables as of Dec. 31, 2007, totaling €1,160 million.

**Credit Analysis**

**Annualized charge-off rate**

Standard & Poor’s received historical information for the charge-offs of the loans originated by Postbank from Q3 2004 to Q2 2007. The default data was static and provided on a product type and as well as aggregate basis. For no curve did we see a flattening out, as there are only three years’ of data for products that may have maturities of up to ten years. Since there was not enough data to take a long term view on losses for the portfolio, we also reviewed industry data, which is gathered using the market data available for similar portfolios. Standard & Poor’s evaluated the highest observed yearly losses, taking into account the remaining life of the subportfolios, and compared these results to extrapolations of the default curves using industry data to estimate expected losses.

Chart 2

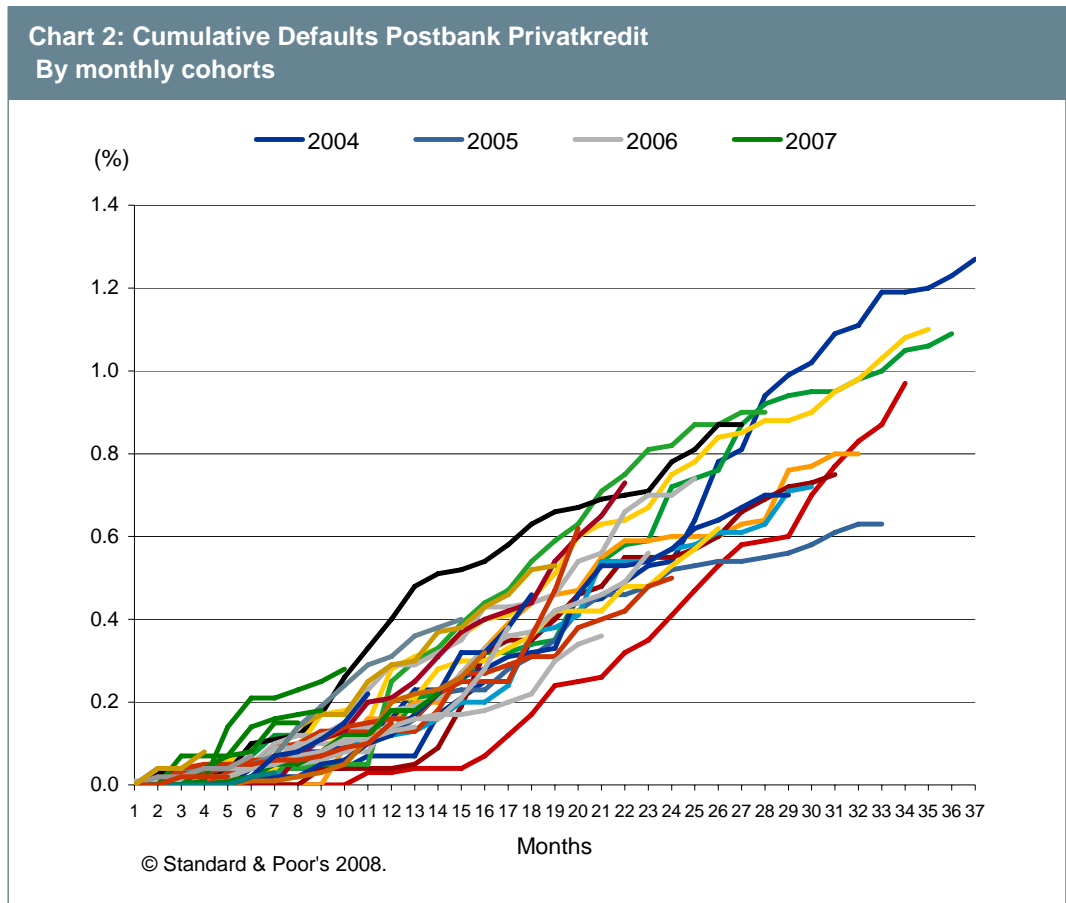
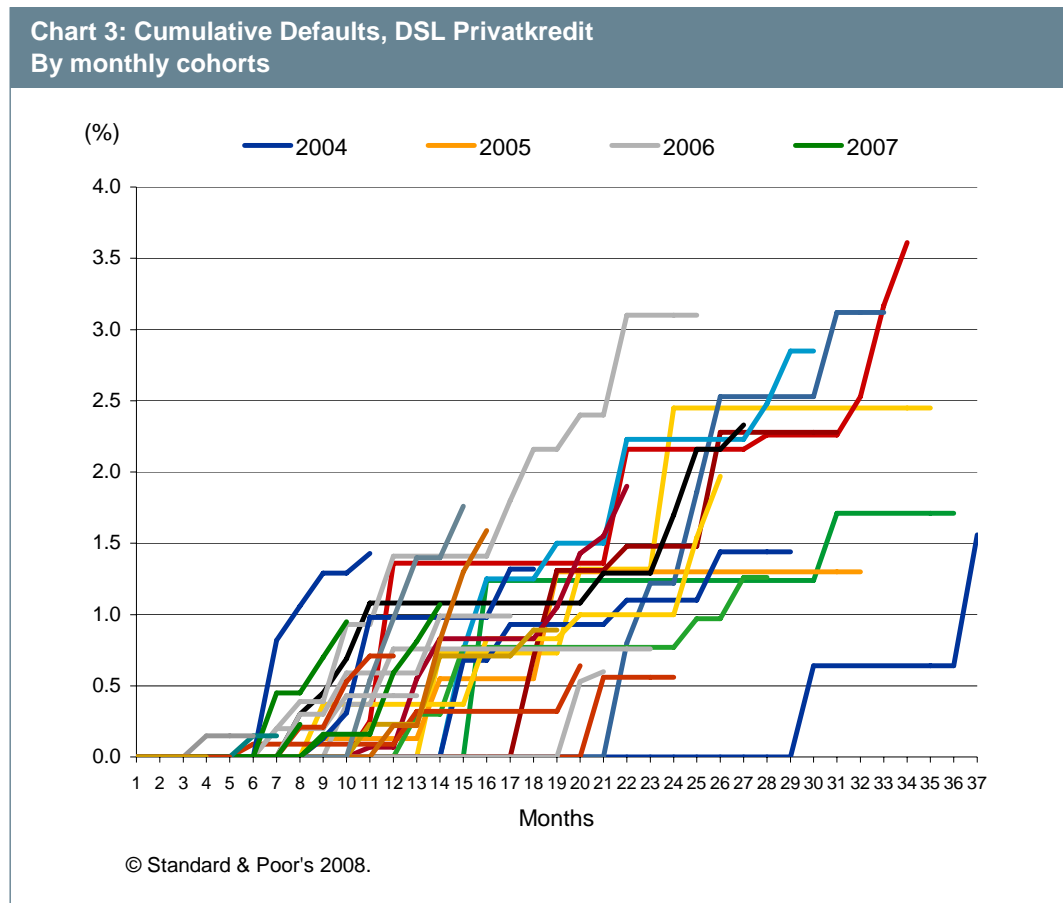


Chart 3



### ***Delinquency rate, monthly prepayment rate, yield and recoveries***

Historical data for prepayment rates indicates that the prepayment rates are relatively low and are thus modeled at standard stress levels. Similar observations hold true for the delinquencies, but to take into account payment rescheduling and holidays an increased stress was tested in the cash flow runs. The yield earned on the loans is comparatively low, ranging from 4.5.0% to 10.5%, with more than 80.0% of the customers paying a yield lower than 8.0%. For the purposes of the cash flow modeling, the average yield was stressed through weighted-average-coupon compression assumptions.

Due to the fact that the loans are unsecured, and the highest observed cumulative recovery was 7%, no benefit was given to recoveries in rating this transaction.

### ***Cash Flow Analysis***

Table 2 denotes the base case used by Standard & Poor's to determine the enhancement levels for the transaction. Table 3 defines stresses for the respective rating scenario, to which the default rate, yield and payment rate are subjected. The section "Cash Flow Results" explains the outcome of the stress case inputs.

Table 2

<b>Performance Indicators</b>			
<i>Base-case scenario</i>			
	<i>Default rate (subjected to stress) (%)</i>	<i>Yield (subjected to haircut) (%)</i>	<i>Recoveries</i>
Postbank Privatkredit	2	6.1	0
DSL Privatkredit	7	6.1	0

Table 3

<b>Stress Case</b>					
	<b>AAA</b>	<b>AA</b>	<b>A</b>	<b>BBB</b>	<b>BB</b>
Stress level for charge off	A multiple of 4 to 5 was used	A multiple of 3 to 4 was used	A multiple of 2 to 3 was used	A multiple of 1.5 to 2 was used	A multiple of 1 to 1.5 was used
Yield haircut	8 bps	8 bps	8 bps	8 bps	8 bps
Delinquencies	85% of the default rate per rating level	85% of the default rate per rating level	85% of the default rate per rating level	85% of the default rate per rating level	85% of the default rate per rating level
Prepayment rate (%)	24.0 and 0.5	24.0 and 0.5	24.0 and 0.5	24.0 and 0.5	24.0 and 0.5

### **Cash Flow Results**

The structure was tested under the cash flow scenarios shown in table 4; it passed all these scenarios.

Table 4

<b>Cash Flow Test Runs</b>		
<b>LIBOR</b>	<b>Prepayment level</b>	<b>Default patter</b>
Flat EURIBOR	Low and high prepayment level	Evenly distributed, fast and slow defaults
Rising EURIBOR	Low and high prepayment level	Evenly distributed, fast and slow defaults
Falling EURIBOR	Low and high prepayment level	Evenly distributed, fast and slow defaults

### **Monitoring And Surveillance**

The main performance drivers are the default levels for this transaction. Standard & Poor's closely monitors the performance of this transaction, including supporting party ratings.

### **Criteria Referenced**

- “Revised Framework For Applying Counterparty And Supporting Party Criteria” (published on May 8, 2007).
- “European Legal Criteria for Structured Finance Transactions” (published on March 23, 2005).
- “European Consumer Finance Criteria” (published in March 2000).

### **Related Articles**

- “Transition Study: European Structured Finance Ratings Stable In 2007, But Pockets Of Weakness Emerged” (published on Jan. 25, 2008).
- “European Structured Finance Performance Outlook 2007—Fundamental Risks Increasing, But Forecast For Ratings Remains Benign” (published on Jan. 10, 2007).

- “European ABS Outlook H2 2007—Inclusion Of SME Transactions Adds To Sharp Rise In ABS Issuance” (published on July 31, 2007).
- “Germany Securitization Outlook H2 2007—Strong Performance Should Continue” (published on Aug. 9, 2007).
- “Why Structured Finance Ratings Can Change Over Time” (published on July 27, 2006).

All criteria and related articles are available on RatingsDirect, the real-time Web-based source for Standard & Poor’s credit ratings, research, and risk analysis, at [www.ratingsdirect.com](http://www.ratingsdirect.com). The criteria can also be found on Standard & Poor’s Web site at [www.standardandpoors.com](http://www.standardandpoors.com).

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