Auto Loans
Germany
New Issue

Private Driver 2010-1 Fixed GmbH

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Related Research

Applicable Criteria

- *Global Structured Finance Rating Criteria (August 2010)*
- *EMEA Consumer ABS Rating Criteria (September 2009)*
- *EMEA Consumer ABS Rating Criteria Auto Residual Value Addendum (October 2010)*
- *Criteria for Structured Finance Loss Severity Ratings (February 2009)*

Other Research

- *Counterparty Criteria for Structured Finance Transactions (October 2009)*
- *Fitch Issuer Report Grades (November 2004)*
- *Servicing Continuity Risk Criteria for Structured Finance Transactions (March 2010)*
- *Global Economic Outlook (October 2010)*

Contents

Ratings

Class	Amount (EURm)	Fixed Coupon p.a. (%)	Final Maturity	Rating	LSR	CE (%)	Outlook
A	905,000,000	1.940	Nov 17	AAAsf	LS1	10.70	Stable
B	37,500,000	2.865	Nov 17	A+sf	LS3	6.95	Stable
Subordinated Loan	52,504,467			NRsf			
OC	5,000,000			NRsf			
Total	**1,000,004,467**						
Cash Collateral Account	12,000,054						

Closing occurred on 28 October 2010. The transfer of the initial portfolio to the issuer occurred on the closing date. The ratings assigned above are based on the portfolio information provided by the originator as of 30 September 2010. Ratings are not a recommendation to buy, sell or hold any security. The offering circular and other material should be reviewed prior to any purchase

Transaction Summary

This transaction is a securitisation of auto loan receivables originated by Volkswagen Bank GmbH (VWB, the seller) within Germany. VWB is a wholly-owned subsidiary of Volkswagen Financial Services AG (VWFS), which itself is a wholly-owned subsidiary of Volkswagen Group (rated 'BBB+'/Positive/'F2'). The proceeds from the issuance of the class A and B notes and the subordinated loan were used to purchase a portfolio of loan receivables against German borrowers and to fund the cash collateral account (CCA) of EUR12m (1.2% of the initial discounted asset balance). The initial portfolio consists of 78,075 loans, with an outstanding discounted principal balance of EUR1bn and an average balance of EUR12,808 per loan. The transaction is revolving with a revolving period up to one year. During, the revolving period, proceeds from amortised loan receivables will be used to purchase additional loan receivables. As opposed to previous transactions issued under the Driver platform, this securitisation pays fixed rates on the notes.

Key Rating Drivers

- **Available Data and Assumptions Made:** To derive its base case assumptions, Fitch Ratings analysed static loss data, as no static default vintages or recovery information are available. The transaction has no definition of loss per se, but losses are registered when VWB, as servicer, writes off the loan; hence, VWB has some discretion regarding the loss allocation. However, in Fitch's opinion, the definition of write-off limits the possibility of the servicer accelerating this date, thereby depriving the transaction of expected recoveries.

- **Performance of Underlying Receivables:** The performance of the notes will be affected in particular by default and recovery levels on the underlying receivables. Fitch has analysed the credit and asset value risks and formed a loss rate assumption based on historical data provided by VWB. Stress tests on default and recovery rate expectations were used to analyse the impact on the transaction's cash flows.

- **Asset Outlook:** Although Germany's economy has come under significant pressure during the recent recession, a strong recovery has been observed in recent months. Accordingly, Fitch has revised its growth and unemployment forecast and expects a stable, rather than increasing, unemployment rate in Germany. As a result, default rates for this portfolio are expected to be in line with the levels of the 2005 to 2007 vintages, which experienced a benign economic environment.

- **Revolving Transaction:** The transaction is revolving, as were the previous Driver Two and Driver Three transactions. The Driver Six, Driver Five, Driver Four and Driver One transactions were static. The replenishment possibility leads to higher default risk, as the purchase of additional receivables increases the exposure at default. In addition, the pool composition may change towards higher risk loan types. The risk is however limited through concentration criteria. The agency has taken the increased risk into account by assuming higher default rates as compared to a static portfolio. The higher assumed default rates are reflected in higher credit enhancement (CE) levels as compared to the recent static Driver Seven transaction.
- **Early Amortisation Triggers:** Triggers are in place to stop the revolving period. Fitch deems the triggers as rather loose compared to the historic data available from the originator. Additionally, the triggers would not prevent a sudden deterioration of pool quality as they relate to rather late performance indicators. As a result, the agency does not expect the triggers to provide significant protection against a performance deterioration during the revolving period.
- **Balloon Payments:** In the 'AAA' and 'A+' rating scenarios, Fitch considered additional risk arising from balloon loans through the assumed non-availability of dealers to purchase the car at the balloon amount and an assumed stress in the secondary car market. As this risk is not reflected in the historical loss data provided by the originator, an additional loss assumption has been incorporated in the agency's analysis.
- **Counterparty Exposure to VWB:** The transaction is dependent on VWB's credit and operational capabilities. This is because the originator will act as servicer and no back-up servicer is envisaged at closing. VWB will further collect the monthly loan instalments to its own accounts, which may cause commingling risk. Risks resulting from a potential default of VWB are reduced by a number of mitigating factors, for example an advance mechanism for commingling risk.

Rating Sensitivity[1]

This section of the report provides a greater insight into the model-implied sensitivities the transaction faces when one risk factor is stressed, while holding others equal. The modelling process first uses the estimation and stress of base case assumptions to reflect asset performance in a stressed environment, and secondly, the structural protection was analysed in a customised proprietary cash flow model (see *Financial Structure and Cash Flow Modelling*). The results below should only be considered as one potential outcome given that the transaction is exposed to multiple risk factors that are all dynamic variables.

Rating Sensitivity to Default Rates

The change in rating (ie ratings migration), if the base case probability of default for each loan is increased or decreased by a relative amount, is demonstrated in the Rating Sensitivity to Defaults table. For example, increasing the base case default rate by 50% may result in a three-notch downgrade of the class A from 'AAA' to 'AA–'.

Rating Sensitivity to Defaults

	Class A	Class B
Original default rate base case (= 2.9% for initial and = 3.2% for revolving pool)	AAAsf	A+sf
Increase in default rate base case by 10% (= 3.2% for initial and = 3.5% for revolving pool)	AA+sf	A+sf
Increase in default rate base case by 25% (= 3.6% for initial and 4.0% for revolving pool)	AAsf	A+sf
Increase in default rate base case by 50% (= 4.3% for initial and 4.8% for revolving pool)	AA-sf	A-sf

Source: Fitch

[1] These sensitivities only describe the model-implied impact of a change in one of the input variables. This is designed to provide information about the sensitivity of the rating to model assumptions. It should not be used as an indicator of possible future performance

Rating Sensitivity to Recovery Rates

The change in rating if the base case recovery rates are adjusted is demonstrated in the Rating Sensitivity to Recovery Rates table.

Rating Sensitivity to Recovery Rates

	Class A	Class B
Original rating recovery rate base case (= 59% for initial and = 58% for revolving pool)	AAAsf	A+sf
Decrease in rating recovery rate base case by 10% (= 53% for initial and = 52% for revolving pool)	AA+sf	A+sf
Decrease in rating recovery rate base case by 25% (= 44% for initial and = 43% for revolving pool)	AA+sf	A+sf
Decrease in rating recovery rate base case by 50% (= 29% for initial and 29% for revolving pool)	AAsf	Asf

Source: Fitch

Rating Sensitivity to Shifts in Multiple Factors

The Rating Sensitivity to Multiple Factors table summarises the rating sensitivity to stressing multiple factors concurrently. Three scenarios are evaluated to demonstrate the sensitivity of the rating to varying degrees of stress, ie mild, moderate and severe changes to the expected level of defaults and recoveries.

Rating Sensitivity to Multiple Factors

	Class A	Class B
Original base case assumptions (default rates for initial/revolving pool: 2.9%/3.2%, recovery rates for initial/revolving pool: 59%/58%)	AAAsf	A+sf
Mild stresses: Default base case increase of 10%, recovery rate decrease of 10%	AA+sf	A+sf
Moderate stresses: Default base case increase of 25%, recovery rate decrease of 25%	AA-sf	A-sf
Severe stresses: Default base case increase of 50%, recovery rate decrease of 50%	Asf	BBB-sf

Source: Fitch

Model, Criteria Application and Data Adequacy

Fitch has analysed the risk of debtor default in accordance with its " *EMEA Consumer ABS Rating Criteria* ", dated 1 September 2009, available at www.fitchratings.com. Overall, Fitch was provided with adequate data to follow the analytical approach as outlined in its criteria. In contrast to other originators within the German auto loan sector, VWB does not provide historical data for both default and recovery rates. Instead, VWB reports write-off data that combine both default and recovery information. The following information was provided by the originator to support Fitch's collateral analysis:

- Write-off rate vintages broken down into four sub-categories based on vehicle age (new versus used) and amortisation type (fully amortising versus balloon loans) going back to beginning of 2000.
- Origination volumes since 2000.
- Dynamic delinquency data since end-2008.
- Stratification tables for the final pool cut.
- The scheduled amortisation of the portfolio.

In addition, Fitch has used performance data collected for the predecessor transactions, Driver One to Driver Seven.

As VWB did not provide recovery data, Fitch had to derive an estimation which was based on a peer comparison amongst German auto finance companies and on the reported data for the outstanding Driver transactions. Additionally, information on the work-out procedures from VWB was used to calibrate the default and recovery timing assumptions to the historical write-off information.

Fitch used its proprietary cash flow model to analyse the impact of its default rate, recovery rate and the respective timing assumptions, as regards the issuer's ability to meet its debt service under the notes.

Transaction and Legal Structure

Issuer and True Sale

Private Driver 2010-1 Fixed 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 initial loan receivables, as well as additional rights connected with the initial loan receivables, from the seller. The seller also transferred the security title of the financed vehicles under the loan agreements to the issuer. During the revolving period, the issuer will purchase additional loan receivables together with additional rights from the seller. The seller will also transfer to the issuer the security title of the financed vehicles connected with the additional receivables.

The issuer has appointed the security trustee to act in the fiduciary interest of noteholders. A first-ranking security interest over the assets of the issuer is granted to the security trustee to secure the issuer's liabilities.

Capital Structure and Credit Enhancement

All securitised receivables within the portfolio were discounted with a single discount rate equal to 3.0779% p.a.. The discount rate is based on the following components provided by the different parties:

Discount Rate Calculation (%)

Weighted-average note and sub-loan coupons	2.0479
Servicing fee	1.0000
Senior expenses	0.0300
Sum	**3.0779**

Source: Volkswagen Bank GmbH

The servicing fee component equals the amount due to VWB under the servicing agreement. As such, the transaction does not contain excess spread.

At closing, the issuer's assets and liabilities were as follows:

Private Driver 2010-1 Fixed GmbH Structure

Asset	Amount EUR	Liabilities	Amount EUR	Size as % of receivables' balance
Receivables	1,000,004,467	Class A	905,000,000	90.50
		Class B	37,500,000	3.75
		Sub loan	52,504,467	5.25
		OC	5,000,000	0.50
Sum	**1,000,004,467**		**1,000,004,467**	
Cash collateral account	12,000,054	Purchase price discount (CCA)	12,000,054	1.20

Source: Fitch, transaction documents

Receivables purchased by the proceeds of the subordinated loan — which has an initial share of 5.25% of the total initial receivables' balance — together with over-collateralisation (0.5%) and the cash collateral account (1.20%) provide credit enhancement to the class B notes of 6.95%. The class A notes are further protected by subordination of the class B notes, leading to CE of 10.70% for the class A notes. The cash reserve, which only at the maturity date will be available to repay outstanding debt, is funded through a purchase price discount. A higher discount rate of 2% (instead of 1.7%) is applied to calculate the purchase price to be paid for additional receivables. The higher purchase price discount creates higher over-collateralisation for the transaction.

Compared to Driver Seven, the transaction starts with a credit enhancement that is 0.95% points higher for the class A and 0.70% points higher for the class B. In Fitch's view, the higher credit enhancement is due to the revolving feature of this securitisation, as apposed to Driver Seven which was static. During the revolving period, the issuer will purchase additional loan receivables which increase the overall default rate compared to a pure static pool. In Fitch's view, the increased credit protection is sufficient to cover the agency's loss expectations for the coming quarters and provides sufficient enhancement to support a Stable Outlook on both ratings.

Eligibility Criteria and Concentration Limits

The following eligibility criteria are valid for both initial and additional receivables and stipulate, inter alia, that:

- no loan receivable was overdue as of the respective cut-off date;
- on the respective 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 addition, the following concentration limits apply to additional receivables to be purchased during the revolving phase:

- the share of used vehicles shall not exceed 50%;
- the share of classic credit loans for used vehicles shall not exceed 25%; and
- the share of loan contracts for non-VW brands shall not exceed 10%.

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 net present value (NPV) (calculated using the discount rate mentioned above).

Priority of Payments

The transaction uses a combined waterfall for principal and interest payments. According to the discount mechanism, there is no excess spread available to cover defaults. Prior to an issuer event of default, distributions are made on each payment date from the available distribution amount in the following order of priority:

Interest Priority of Payments

Position	Description
1-5	Senior expenses
6	Accrued and unpaid interest on the class A notes
7	Accrued and unpaid interest on the class B notes
8	Replenishment of the CCA to its required amount
9	During the revolving period, to the replenishment account with all funds left after positions 1-8
10	During the amortisation period, reduction of principal on the class A notes down to the targeted class A note balance (see Targeted OC Levels table)
11	During the amortisation period, reduction of principal on the class B notes down to the targeted class B note balance (see Targeted OC Levels table)
12	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 *Tax Risk* below)
13	Amounts payable in respect of accrued and unpaid interest on the subordinated loan
14	To the subordinated lender, until the aggregate principal amount of the subordinated loan has been reduced to zero
15	Remaining balance to the seller

Source: Transaction documents, Fitch

Revolving Period and Early Amortisation Events

The transaction features a revolving period that commences on 21 November 2010 and has a maximum tenor up to 20 November 2011. During the revolving period, no principal will be paid on the notes; instead, principal repayments and prepayments on the loan receivables will be collected in the replenishment account, which will be used by the issuer to purchase additional loan receivables. Additional loan receivables are purchased subject to a higher discount rate of 2%, thus creating additional over-collateralisation to the transaction. The revolving period can be terminated early if one of the following early amortisation events occurs:

- default of the issuer on the payment of interest on any note, where such default is not remedied within five days; or default of the issuer on a principal payment on the legal final maturity date;
- the amount in the replenishment account exceeds 10% of the aggregate discounted principal balance on two consecutive payments dates;
- the cumulative net loss ratio exceeds 0.5% for any payment date during the revolving period;
- the late delinquency ratio (ie receivables overdue for more than 180 days) exceeds 1.75%; or
- a servicer replacement event occurs.

In Fitch's view, there is no trigger in place that would result in termination of the revolving period if the credit enhancement was reduced by losses. The net loss and late delinquency triggers in place are too high compared to the historic performance of VWB's auto loan book and hence unlikely to be breached. In addition, in Fitch's view, they could not prevent a sudden deterioration of pool quality as they are rather late performance indicators. Therefore, Fitch sees the risk that by purchasing additional assets, the cumulative losses could increase to an extent just below the respective performance trigger and not trigger an early amortisation event. To account for the additional credit risk resulting from the ongoing purchase of additional receivables, the agency considered the revolving period in its cash flow model. Please refer to section "Modelling of Revolving Period".

Amortisation Period and Performance Triggers

Once the revolving period is over, the notes start to amortise sequentially until the relevant targeted overcollateralisation (OC) levels are reached. If the relevant OC levels equal the relevant targeted level, the class B and the subordinated loan are amortised to maintain the OC at the target levels.

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	9.5	5.75
No trigger breached	11.0	7.0
Level 1 trigger breached	14.0	8.0
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 January 2012: 0.50%; and
- from February 2012 until October 2012: 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 level is reached or the notes are repaid in full.

A level 2 trigger is hit if the cumulative losses exceed 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.

Cash Collateral Account (CCA)

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 potential 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 lower of:

- EUR12m (ie 1.20% of the initial asset balance); or
- the outstanding notes' balance.

To secure a potential tax liability, a reserve will be posted by VWB to an issuer account as soon as Fitch deems VWB's Short-Term Rating to be below 'F3' (see *Tax Risk* below).

Legal Opinions

Fitch has reviewed opinions that cover German and English law to confirm that Fitch's analytical assumptions — which are being factored into the credit analysis with respect to the transaction — are supported by such legal opinions.

Disclaimer

For the avoidance of doubt, Fitch relies, in its credit analysis, on legal and/or tax opinions provided by transaction counsel. As Fitch has always made clear, Fitch does not provide legal and/or tax advice or confirm that the legal and/or tax opinions or any other transaction documents or any transaction structures are sufficient for any purpose. The disclaimer at the foot of this report makes it clear that this report does not constitute legal, tax and/or structuring advice from Fitch, and should not be used or interpreted as legal, tax and/or structuring advice from Fitch. Should readers of this report need legal, tax and/or structuring advice, they are urged to contact relevant advisers in the relevant jurisdictions.

Asset Analysis

Originator Overview

VWB is a wholly-owned subsidiary of Volkswagen Financial Services AG (VWFS), which itself is a wholly-owned subsidiary of Volkswagen Group (rated 'BBB+'/Positive/'F2'). VWB's main activities include promoting the automotive sales of the VW Group (mainly VW, Audi, SEAT and Skoda) and strengthening customer loyalty to the VW Group brands. It holds a banking licence, is regulated by the German banking supervisor, Bafin, and is a member of the German Federal Deposit Insurance Fund.

Loan Products

VWB offers different kinds of financing for new and used cars. Some 16.7% of the initial portfolio balance consists of fully amortising "classic credit" loans, while 83.3% consists of balloon "auto credit" loans.

Classic Credit Loans

This type of financing corresponds to a classic loan agreement. It is financed at a fixed interest rate and with the full amortisation of the loan amount through equal monthly instalments. The annuity is paid until the loan amount, plus interest, has been paid in full.

Auto Credit Loans

Auto credit loan borrowers have three options at loan maturity: (i) to pay off the final balloon payment; (ii) to refinance the final balloon payment; or (iii) 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 February 2009, 56% of obligors selected the first option, 15% selected the second option and 29% selected the third option. In most cases, obligors who selected to return vehicles subsequently purchased a new car.

In the past, dealer defaults rarely occurred and borrowers could always return their cars to the dealers who then settled the balloon payments. Hence, historic default data does not reflect scenarios where dealers default. Fitch has therefore considered the impact of a joint default of the dealer and the borrower. For more details on the balloon risk analysis, please see section “*Balloon Loans*” below.

Underwriting, Servicing and Collections

Fitch meets with VWB on an annual basis to discuss the servicing and origination processes and also to receive updates on changes to the established processes. The last review took place in August 2010. Fitch will continue to monitor the servicing and collection processes as part of its ongoing reviews. The agency considers VWB’s underwriting and servicing departments and its procedures to be adequate and capable of exercising all tasks necessary for securitisation transactions.

The Private Client Origination Centre/Underwriting (Einzelkunden Neugeschäft)

Volkswagen Financial Services manages its underwriting and distribution channel through the Private Client Origination Centre (PCOC). The PCOC processes all loans and co-operates/builds relationships with a network of over 2,800 distributors/dealers. PCOC employees must receive three months’ training before carrying out any operational duties. VWFS’s policy is normally to employ people with at least three years’ experience in banking or who hold an appropriate business degree. The PCOC has approximately 90 area managers who are responsible for 40-80 dealers each.

The main in-house systems used by the PCOC 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.

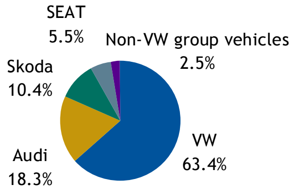
The application process is fully automated once the dealer has forwarded the loan application, customer profile and information on the vehicle to be financed to the PCOC. The PCOC checks the overall commitment and legal status of the applicant, obtains a credit score from an external credit agency (Schufa, Creditreform, Buergel), 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. All successful applications are processed within 24 hours.

The authority to approve a loan depends on the seniority of staff. For example, a junior loan administrator can approve a loan of up to EUR50,000, while applications greater than EUR50,000 are approved by a senior loan administrator. Loans with a balance greater than EUR175,000 are managed by the special clients’ team.

The Debt Management Team/Servicing

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

Vehicle Manufacturer



Source: VW Bank GmbH

Portfolio Characteristics

Initial discounted balance (EUR)	1,000,004,467
Number of loan contracts	78,075
Average balance (EUR)	12,808
WA original term (months)	46.5
WA remaining term (months)	34.8
New vehicles (%)	61.2
Used vehicles (%)	38.8
Direct debit (%)	99.8
Fully amortising (%)	16.7
Balloon loans (%)	83.3
Corporate borrowers (%)	25.5
Retail borrowers (%)	74.5

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

Borrowers receive a call from VWFS's call centre eight days after the due date to discuss the reasons why the missed payment has occurred. 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 can be terminated and transferred to the collection department after a loan contract is more than 53 days overdue.

The debt management team is able to identify the more vulnerable loans through ongoing monitoring and these are prioritised. The debt management team's call centre consists of 51 full-time employees who 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.

The earliest a vehicle can be repossessed is following the due date of the contract termination. 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 around four months after the due date, while the foreclosure process normally commences around six months after the due date and is followed by write-off.

Portfolio Summary

The securitised loan claims have all been originated by the seller and are against German private and commercial entities. The portfolio composition is quite similar to the previous Driver transactions.

The characteristics of the initial portfolio, as of 30 September 2010, are shown in the Portfolio Characteristics table.

The majority of the portfolio consists of VW group vehicles (97.5% VW, Audi, Skoda and SEAT). The concentration of vehicle manufacturers is shown in the Vehicle Manufacturer chart.

The portfolio is well distributed across Germany and shows no significant single borrower concentrations, with the biggest twenty debtors having a total share of 0.21% via 49 loan contracts.

Portfolio Credit Analysis

Loss Rate

Fitch was provided with write-off (net loss) data in vintage form going back to the beginning of 2000. The data were split into four sub-categories, distinguishing between new and used car financings, and balloon (AC-loans) and fully amortising loans (CC-loans). Fitch analysed the vintage curves for all four categories and assigned four separate base case loss rates. In accordance with the eligibility criteria, the agency has derived its base case over the maximum tenor of 72 months. Different loss behaviour across the four categories was observed. The differences were as expected by the agency and similar to auto loan portfolios of other originators. The initial portfolio's overall base case net loss rate was then calculated based on the portfolio's composition. For the additional assets that will be purchased during the revolving period, the base case net loss rate was calculated based on the worst-case portfolio compositions, depending on the concentration limits.

The Net Loss Rates charts show the annual performance based on monthly vintages provided by the seller for the four product groups.

In Fitch's opinion, unemployment levels and growth rates are key drivers of consumer ABS performance. As shown in the German Unemployment Rates chart, unemployment levels increased from 2001 to 2005, peaking at 12.1% in Q105 before improving significantly to a bottom level of 7.6% in Q308. In the course of 2009, the unemployment rate rose to around 8.1%; however, since the beginning of 2010, a decrease of the unemployment rate has been observed and the current level is 7.2%.

The performance of the provided cohorts reflects the development of the labour market: the 2000 to 2002 cohorts generally show the highest loss rates, whereas the 2005 and 2006 cohorts outperformed the previous levels, influenced by both the ongoing improvement of collection, scoring and underwriting processes as well as the favourable economic environment in Germany during this time. The 2007 to 2009 cohorts do not continue the improving trend, but to date show net loss ratios in the median range of the historic cohorts. Fitch considers this to be due to the negative economic environment since 2008, characterised by the recession, increased corporate insolvency and slightly increased unemployment rates in Germany. The 2010 cohorts are not included in the charts below as no loss data is available for these cohorts (due to the fact that it takes some time to write-off defaulted contracts).

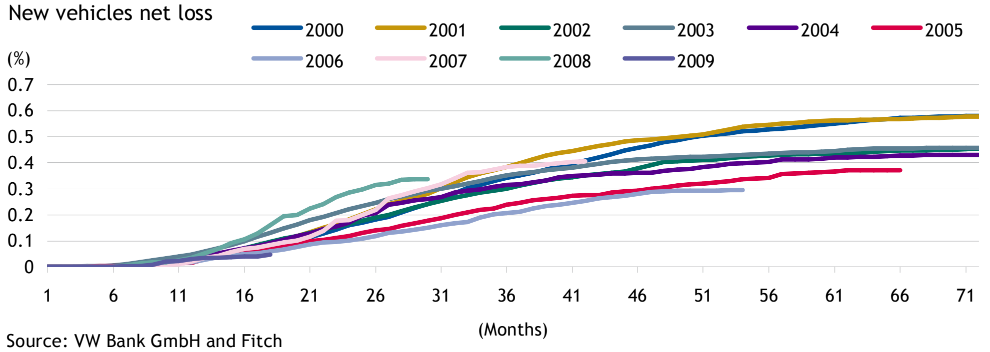
Fitch expects German unemployment rates to be fairly stable at around 7%-7.5% for 2011 and 2012. As a result, the agency expects loss rates for this transaction to be in line with the performance of the 2005 to 2007 cohorts.

Net Loss Rates

For the classic credit new vehicles portfolio, Fitch has assumed a base case of 0.55%.

Classic Credit

New vehicles net loss

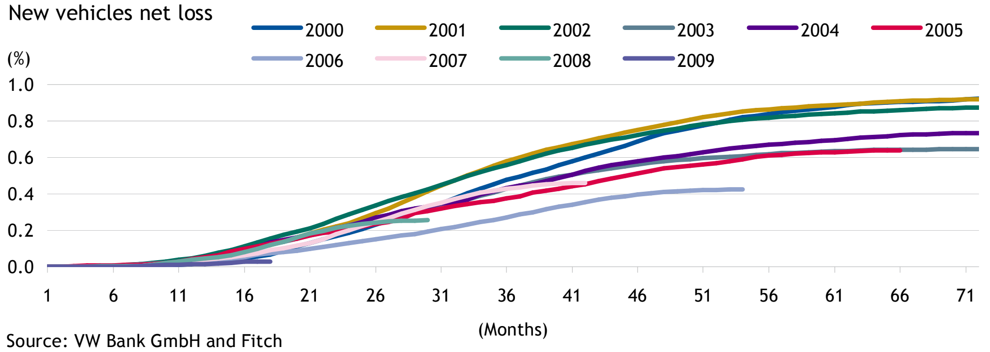


Source: VW Bank GmbH and Fitch

For the auto credit new vehicles portfolio, the 2007 and 2008 vintages are close to the average of all historic vintages. Fitch assumed a base case loss of 0.85%.

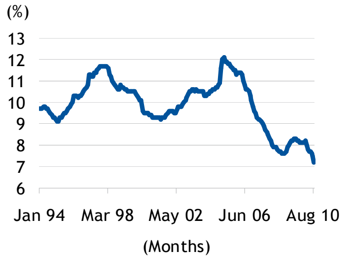
Auto Credit

New vehicles net loss



Source: VW Bank GmbH and Fitch

German Unemployment Rates

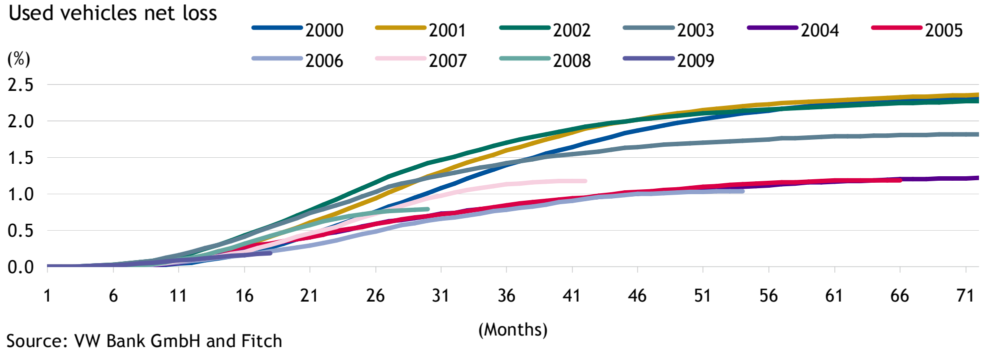


Source: Deutsche Bundesbank/Bloomberg

For the classic credit used vehicles portfolio, the 2004 to 2006 vintages outperformed the other vintages. The 2007 and 2008 vintages to date are performing in line with pre-2004 vintages. The 2009 cohorts to date are performing even better. Fitch assumed a base case assumption of 2.00%.

Classic Credit

Used vehicles net loss

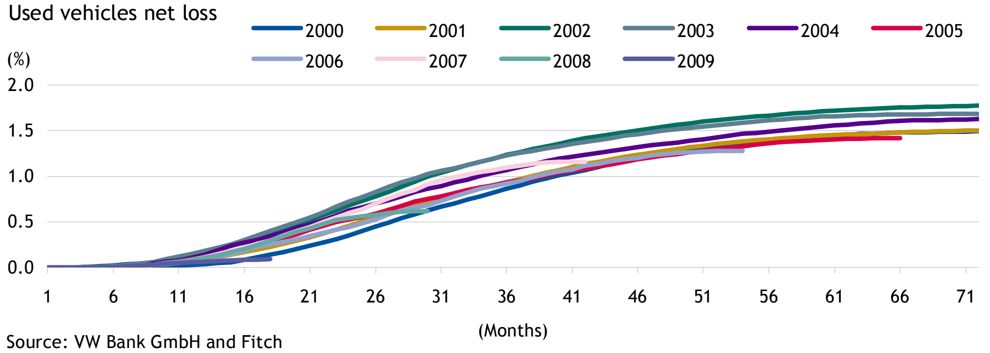


Source: VW Bank GmbH and Fitch

The historic vintages of auto credit loans financing used vehicles all performed relatively similar. Fitch applied a base case loss of 1.80%.

Auto Credit

Used vehicles net loss



Source: VW Bank GmbH and Fitch

Defaults and Recovery Rates

VWB did not provide historic default and recovery rates, only net loss data; thus Fitch determined these values via the following steps.

- Four base case loss rates were derived for the different product types (see charts above).
- Base case recovery rate assumptions were made based on recovery rate data derived from previous Driver transactions and peer comparison data (base case recovery rates of 62% for new vehicles and 54% for used vehicles were assumed, which are comparable to previous Driver transactions).
- Base case default rates were then determined for all four sub-categories, based on the base case recovery rates and the four net loss base cases. For the initial pool, weighted-average (WA) default and recovery rates were derived, based on the initial portfolio shares.

Key Assumptions

Product (%)	Loss base case	Recovery rate base case	Resulting default rate base case	Initial portfolio share
CC-N	0.55	62.0	1.5	8.0
AC-N	0.85	62.0	2.2	53.2
CC-U	2.00	54.0	4.4	8.7
AC-U	1.80	54.0	3.9	30.0
WA/total	**1.21**	**58.9**	**2.9**	**100.0**

Source: Fitch

- For the revolving pool, WA default and recovery rates were derived, based on a worst-case pool composition according to the concentration limits.

Key Assumptions

Product (%)	Loss base case	Recovery rate base case	Resulting default rate base case	Worst-case portfolio composition
CC-N	0.55	62.0	1.5	0.0
AC-N	0.85	62.0	2.2	50.0
CC-U	2.00	54.0	4.4	25.0
AC-U	1.80	54.0	3.9	25.0
WA/total	**1.38**	**58.0**	**3.2**	**100.0**

Source: Fitch

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.

Defaults and Recovery Stresses

In line with its criteria, Fitch has applied stresses below the median level to the default rate expectations of 2.9% and 3.2% (4.1x for 'AAA' and 2.7x for 'A+'), and recovery stress haircuts below the median (45.0% for 'AAA' and 30.0% for 'A+') to its recovery rate expectations of 58.9% and 58.0%. This is to reflect Fitch's view that the base cases already incorporate a certain level of economic stress despite the improving economic environment, as they were derived from both economically benign and more stressful periods. It also takes into account that origination procedures and volumes were relatively stable over the observed period and the pool benefits from a high level of obligor diversity.

Modelling of Revolving Period

For the purpose of Fitch's cash flow model, the agency applied the default and recovery rates for both the initial and revolving pool. For this purpose, Fitch differentiated between the initial pool as of the closing date and the worst-case revolving pool (the composition of which depends on the worst-case concentration limits). The initial pool amortises from the closing day onwards. Funds resulting from the amortisation of the initial pool are used to build up the revolving pool which starts with a zero balance and is replenished during the revolving period. The length of the revolving period, and thus the replenishing capacity of the transaction, depends on Fitch's assumptions regarding defaults, delinquencies, prepayments and the amortisation profile.

According to Fitch's modelling, in the 'AAA' rating scenario, the revolving period is terminated in month nine, as the cumulative net loss trigger of 0.50% is breached. In the 'A+' rating scenario, the cumulative net loss trigger is hit in month 11. In these rating scenarios, the additional OC, created through the purchase of additional loan receivables at a higher discount, cannot offset the additional losses that result from the additional loan receivables.

Stressed Assumptions

(%)	Rating default rate	Rating recovery rate	Rating loss rate
AAA	14.3	32.3	9.7
A+	10.0	41.1	5.9

Source: Fitch

The total default and recovery rate for the respective rating scenario was derived by the cash flow model, considering the replenishing capacity. The resulting default rates (14.3% for 'AAA' and 10.0% for 'A+') are higher then the weighted-average of both default rates for the initial and revolving pools, since the former considers the ongoing purchase of additional receivables that may default and thus increase the overall default risk. Therefore, the revolving nature of the transaction is the main factor explaining the difference in the assumed default rates for Private Driver 2010-1 and Driver Seven.

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 had chosen the refinancing or return option would be at a higher risk of default. This is because the final balloon payment could cause borrowers to experience a refinancing risk, especially 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 the debtors, combined with the haircuts applied for used car prices, in the stressed rating scenarios. When determining the haircuts on used car prices in the event of a default of the dealers and VWB, the agency revised its expectations on achievable car sales prices in the secondary market, based on historical secondary car market data available to the agency. Based on this information, the agency set the residual haircuts to 30.0% for ‘AAA’ and 21.7% for ‘A+’. These assumptions are the same as the haircuts applied to the Driver Seven transaction.

Fitch took the resulting balloon loss expectations (1.2% in ‘AAA’ and 0.3% in ‘A+’) into account by incorporating them into the cash flow model.

Under the underlying documents, neither the customer nor the dealer has the option to return the vehicle to the issuer, which is why the issuer is exposed to significantly lower residual value risk compared to an auto lease transaction.

Negative Carry

The transaction is exposed to the risk of negative carry. This can materialise if cash is held in the replenishment account without being used to purchase additional loan receivables. As cash bears a lower interest rate compared to the loan receivables, there is a risk that the asset yield is less than the cost of the issued liabilities. The resulting negative carry risk is mitigated through an early amortisation event that will trigger stoppage of the revolving period if the cash credited to the replenishment account amounts to more than 10% of the discounted principal balance on two consecutive monthly payment dates.

Fitch considered the carry effect in its cash flow model as the difference between asset yield and the cost of issued liabilities. Depending on the rating scenario, the total carry effect can be positive or negative. Fitch found that for both rating scenarios (‘AAA’ and ‘A+’), the negative carry effect is of limited importance.

Prepayment Risk

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 60% 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. To reflect this, the structure foresees interest compensation payments which will be made from the seller to the issuer if the interest rate on a prepaid loan exceeds the discount rate or from the issuer to the seller if the interest rate on the prepaid loan is lower than the discount rate.

Fitch quantified the effect of potential prepayment losses based on certain assumptions regarding the yield of the prepaid contracts, prepayment rates and the amortisation profile. The agency did not add the potential loss into the loss rate calculations based on the following considerations.

- The risk of prepayment losses is limited and decreases over time as the pool amortises.
- The risk would only materialise if VWB was unable to make the compensation payments. In such a stressed scenario, it is unlikely that too many borrowers would prepay.
- Fitch's view is that, even if VWB defaults and does not make the compensation payments to the issuer, the issuer could offset the potential prepayment loss by retaining the potential prepayment gains that occur when loans with yields less than the discount rate prepay. Around 40% of the pool yields less than the discount rate.

Financial Structure and Cash Flow Modelling

To analyse the credit enhancement levels available for each rating, the agency ran several scenarios using its proprietary cash flow model to analyse structural elements, such as sequential and pro rata pay-down.

Default and Recovery Timing

Defaults were allocated over the amortisation profile using a default distribution that was first derived from historical net losses; it was then front-loaded to take into account the fact that defaults occur a few months earlier than corresponding net losses. For the revolving pool, the default timing starts later as in the first months of the revolving period, additional assets just start to accumulate.

Recoveries were distributed up to three months after the simulated default, thus replicating the observed recovery period.

In addition to the timing assumptions derived from historical data, Fitch has tested front- and back-loaded default and recovery timing scenarios. The mechanism which allows the transaction to start amortising on a sequential basis and only switch to pro-rata amortisation if the targeted OC levels are reached (as described above) makes the structure relatively insensitive to changes in default and recovery timing. The available credit enhancement for the class A and B notes is sufficient to pass all tested scenarios.

Prepayment Rates

Fitch derived its base case prepayment assumptions based on the performance of the previous Driver transactions. Prepayments show an increasing trend with the ongoing seasoning of the transaction, but were generally at a lower level in the younger Driver transactions.

Based on the experienced prepayment rates, Fitch applied an annual constant prepayment rate (CPR) base case of 7.5% for year one and two, 10% for year three, and 15% thereafter. The base case rates were stressed upwards and downwards by a factor of 1.5 at 'AAA' and 1.3 at 'A+'.

Each rating scenario was tested for prepayment stresses. The high CPR scenario is the most severe one, since high prepayments increase the replenishing capacity which in turn leads to a higher default rate due to the riskier additional assets purchased during the revolving period. Fitch's view is that the high CPR scenario would overestimate the total default rate, as it does not consider the fact that the default rate on the initial assets should be reduced since assets that have prepaid cannot default. The two above-mentioned offsetting effects could also be observed in the low CPR scenario, but in reverse order.

Key Parties

Issuer: Private Driver 2010-1 Fixed GmbH

Security Trustee: Wilmington Trust (London) Limited

Originator and Servicer: Volkswagen Bank GmbH

Issuer Account Bank: BNP Paribas Securities Services, guaranteed by BNP Paribas (rated 'AA–'/Stable/'F1+')

[a] VWB is not publicly rated by Fitch. However, the agency has formed an internal credit opinion on the ability of VWB to perform its obligations in accordance with the relevant criteria

Counterparty Risk

Servicing

At closing, VWB will act as servicer. A back-up servicer will not be appointed. VWB is a wholly-owned subsidiary of VWFS, which itself is a wholly-owned subsidiary of Volkswagen Group (rated 'BBB+'/Positive/'F2').

A servicer replacement event will occur, inter alia, in the following circumstances:

- failure (unremedied for three days) by VWB to make any due payment to the issuer;
- failure (unremedied for three days) by VWB to duly perform any material aspect of its covenants or agreements under the transaction;
- withdrawal of the banking license of VWB; or
- insolvency proceedings are commenced against VWB.

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.

The discount rate is calculated using a 1% p.a. servicing fee. Hence, the receivables are purchased at a purchase price which factors in potential back-up servicing expenses. Fitch has modelled the transaction accordingly and deems a 1% p.a. servicing fee to be sufficient to fund a replacement servicer if necessary.

VWB will be entitled to receive any amounts received from loan receivables after the date of their write-off. In Fitch's opinion, the definition of write-off limits the possibility of the servicer accelerating this date, thereby depriving the transaction of expected recoveries.

Due to VWB being a frequent seller in securitisation transactions, Fitch regularly meets with VWB and receives an update of the servicing and origination processes. Fitch deems VWB's servicing procedures and current credit profile adequate for assigning the highest ratings.

In the event of a servicer default leading to collection disruptions, the cash collateral account is available to cover around five months of senior costs and interest on the notes, which further mitigates the servicer risk.

Commingling Risk

From closing onwards, VWB will collect the loan instalments and balloon payments on its own accounts and will forward the collections to the issuer on a monthly basis. This may — in case of VWB becoming subject to insolvency proceedings — lead to funds owed to the issuer being commingled with other VWB funds.

When Fitch's internal view of the creditworthiness of VWB is below a level consistent with an 'A'/'F1' rating, an advance mechanism is applied, reducing the commingling horizon to a two-day period. Furthermore, the structure foresees that, if Fitch's internal view of the creditworthiness of VWB falls below a level consistent with a 'BBB+'/'F2' rating, the advance mechanism will be amended to reduce commingling risk to a same-day horizon.

Fitch deems the proposed mechanisms to be in line with its counterparty criteria.

Set-Off Risk

While providing auto loan products, VWB also offers different deposit accounts to retail customers. This may — in case of VWB becoming subject to insolvency proceedings — lead to borrowers setting off loan payments with deposits held at VWB, and hence the issuer having no recourse against the borrower.

The eligibility criteria exclude borrowers that hold a deposit with VWB at the respective cut-off date. However, borrowers may open an account and deposit funds during the life of the transaction. Set-off risk exposure for the previous Driver transactions is rather limited (ie below 1%). The risk that a borrower offsets its deposits against the loan instalments is partially mitigated by VWB's obligation to post a set-off reserve in the following circumstances: 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. The reserve will be in an amount equal to the potential set-off risk and will be adjusted on a monthly basis.

Although this set-off trigger is at a lower rating level compared to other European securitisation transactions regularly analysed by Fitch, the agency is still comfortable with the trigger levels due to the structural mitigants in place and the relatively low set-off exposure seen for existing Driver transactions. Fitch will closely monitor the set-off risk exposure, which is regularly reported to the agency, and may take rating action should the exposure increase significantly.

Account Bank

BNP Paribas Securities Services acts as the issuer account bank. As this entity is not publicly rated, a guarantee by its parent company BNP Paribas (rated 'AA—'/Stable/'F1+') is provided. The documentation contains downgrade language in line with Fitch's counterparty criteria.

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 as to whether this relief would continue to apply after the substitution of the initial servicer in this transaction.

In accordance with its "*Criteria for Assessing Tax Risk in German Structured Finance Transactions*", dated July 2008, 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 rate, times the sum of the initial overcollateralisation of 0.50% and the cash collateral account of 1.2% (for the initial pool the equivalent of 0.3325% of the original discounted principal balance). The potential tax risk amount increases due to the revolving period, since additional receivables will be purchased at a higher discount of 2% rather than 1.7%.

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 of 0.4419% will be established using amounts available in the distribution account (after reducing principal to the targeted note balances).

Performance Analytics

Throughout the life of the transaction, Fitch will monitor the performance of the collateral and any changes at the servicer, or with the structure, that may influence the ratings of the notes.

Fitch will receive monthly servicer reports detailing the performance of the portfolio. These will provide the basis for the agency's surveillance of the performance of the transaction against both base case expectations and the performance of the industry as a whole. The ratings on the Private Driver 2010-1 transaction will be reviewed by a committee on average every 12 months, or where considered appropriate (eg in the event of a deterioration of performance, an industry-wide development, or a change at VWB that may influence the transaction) with any affirmation or change in the ratings disseminated publicly.

Fitch's quantitative analysis will focus on monitoring the key performance parameters (delinquencies, defaults, recoveries and prepayment) against the base case assumptions.

Fitch's structured finance 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.fitchratings.com.

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

Appendix A: Transaction Overview

Private Driver 2010-1 Fixed GmbH — Germany/Auto Loans

Capital Structure

Class	Ratings[a]	Size (%)	Size (m)	CE (%)	Interest rate (%)	PMT freq.	1st IPD	Final maturity	ISIN/CUSIP
A	AAAsf	90.50	905.00	10.70	1.940	Monthly	21 November 2010	November 2017	XS0545042334
B	A+sf	3.75	37.50	6.95	2.865	Monthly	21 November 2010	November 2017	XS0545042763
Sub-loan	n.r.sf	5.25	52.50	n.a.	n.a.	Monthly	21 November 2010	n.a.	n.a.
Overcollateralisation	n.r.sf	0.50	5.00	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total			**1,000.00**						
Cash collateral account (CCA)	n.r.sf	1.20	12.00	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Cash reserve (= CCA)	EUR12.00m	**Credit enhancement**	Subordination, subordinated loan, cash collateral account and overcollateralisation
Scheduled revolving period	One year	**Swaps**	No swaps are in place

[a] All rated classes have a Stable Outlook
Source: Fitch

Key Information

Details		Parties	
Closing date	28 October 2010	**Seller/originator**	Volkswagen Bank GmbH
Country of assets and type	Germany, auto loans	**Servicer**	Volkswagen Bank GmbH
Country of SPV	Germany	**Back-up servicer**	n.a.
Analyst	Traycho Nikolov	**Issuer**	Private Driver 2010-1 Fixed GmbH
	traycho.nikolov@fitchratings.com	**Issuer account bank provider**	BNP Paribas Securities Services, guaranteed by BNP Paribas
	+49 69 768076 150	**Guarantor**	n.a.
Surveillance analyst	Uli Maute	**Security trustee**	Wilmington Trust (London) Limited
	uli.maute@fitchratings.com	**Frequency**	Monthly
	+49 69 768076 238		

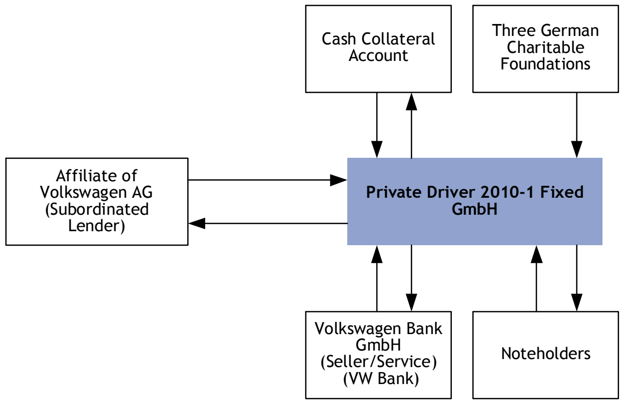
Source: Fitch

Key Rating Drivers

- **Asset Outlook:** Although Germany's economy has come under significant pressure during the recent recession, a strong recovery has been observed in recent months. Accordingly, Fitch has revised its growth and unemployment forecast and expects stable rather than increasing unemployment rates in Germany. As a result, default rates for this portfolio are expected to be in line with the levels of the 2005 to 2007 vintages which experienced a benign economic environment.
- **Revolving Transaction:** The replenishment possibility leads to higher default risk as the purchase of additional receivables increases the exposure at default. In addition, the pool composition may change towards higher risk loan types. The risk is however limited through concentration criteria. The agency has taken the increased risk into account by assuming higher default rates as compared to a static portfolio.
- **Early Amortisation Triggers:** Triggers are in place to stop the revolving period. Fitch deems the triggers rather loose compared to the historic data available from the originator. Additionally, the triggers would not prevent a sudden deterioration of pool quality as they relate to rather late performance indicators. As a result, the agency does not expect the triggers to provide significant protection against a performance deterioration during the revolving period.
- **Balloon Payments:** In the 'AAA' and 'A+' rating scenarios, Fitch considered additional risk arising from balloon loans through the assumed non-availability of dealers to purchase the car at the balloon amount and an assumed stress in the secondary car market. As this risk is not reflected in the historical loss data provided by the originator, an additional loss assumption has been incorporated in the agency's analysis.
- **Counterparty Exposure to VWB**: The transaction is dependent on VWB's credit and operational capabilities. This is because the originator will act as servicer and no back-up servicer is envisaged at closing. VWB will further collect the monthly loan instalments to its own accounts, which may cause commingling risk. Risks resulting from a potential default of VWB are reduced by a number of mitigating factors, for example an advance mechanism for commingling risk.

Source: Fitch

Simplified Structure Diagram



Source: Transaction documents