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March 23, 2011

New Issue: Bumper 2 S.A.

€875. 6 Million Asset-Backed Floating-Rate Notes

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Ratings Detail

Class	Rating*	Amount (Mil. €)	Available credit support (%)¶	Interest	Legal final maturity
A	AAA	602.4	33.49	One-month EURIBOR plus 1.25%	Feb. 23, 2023
B	AA	47.3	28.08	One-month EURIBOR plus 1.60%	Feb. 23, 2023
C	NR	225.9	2.28	One-month EURIBOR plus 3.00%	Feb. 23, 2023

*Standard & Poor's ratings address timely interest and principal. ¶Credit support figures indicate the enhancement available at closing, which comprises subordination and a €20 million (2.28% of issued note principal balance) cash reserve that covers interest for the class A and B notes and, at maturity, also principal. NR—Not rated EURIBOR—European interbank offered rate.

Transaction Participants	
Originator	LeasePlan Deutschland GmbH
Arranger	Société Générale Corporate and Investment Banking
Seller	LeasePlan Deutschland GmbH
Servicer	LeasePlan Deutschland GmbH
Guarantee provider for certain seller obligations	LeasePlan Corporation N.V.
Security trustee	BNP Paribas Trust Corporation UK Ltd.
Data protection trustee	BNP Paribas Securities Services
Senior swap provider	Fortis Bank SA/NV
Junior swap provider	LeasePlan Corporation N.V.
Transaction account provider	BNP Paribas Securities Services
Transaction account bank guarantor	BNP Paribas S.A.
Expectancy rights purchaser	Bumper Car Sales GmbH
Principal paying agent	BNP Paribas Securities Services

Supporting Ratings

Institution/role	Ratings
BNP Paribas as transaction account bank guarantor	AA/Negative/A-1+
Fortis Bank SA/NV as senior interest rate swap provider	AA/Negative/A-1+
LeasePlan Corporation N.V. as guarantee provider for certain seller obligations	BBB+/Stable/A-2

Transaction Key Features	
Closing date	March 23, 2011
Collateral	Auto lease installment receivables resulting mainly from operating lease agreement with commercial clients; and the residual values of the related vehicles
Country of origin	Germany
Total receivables (Mil. €)*	875.6
Leasing installments (Mil. €)*	366.3
Receivables representing residual values (Mil. €)*	509.3
Revolving period (years)	2

Transaction Key Features (cont.)	
Lessee concentration*	Top 1: 1.94%; Top 10: 16.76%; Top 30: 37.32%
Geographic concentration*	North Rhine-Westphalia (33.49%); Hesse (18.21%); and Baden-Wuerttemberg (17.44%)
Number of leasing contracts*	46,887
Number of lessees*	1,897
Average discounted balance per leasing contract (€)*	18,674
Weighted-average seasoning (months)*	21.94
Discount rate (%)	5.81
Arrears*	No lessee is in arrears for more than 30 calendar days
Cash reserve	€20 million initially (3.08% of the rated note balance)

*As of the pool cutoff date on Feb. 28, 2011.

Transaction Summary

Standard & Poor's Ratings Services has assigned credit ratings to Bumper 2 S.A.'s €649.7 million class A and B asset-backed floating-rate notes. At the same time, Bumper 2 issued €225.9 million unrated class C asset-backed floating-rate notes.

Since we assigned preliminary ratings to this transaction on March 8, 2011, the arranger has not made any material structural changes to this transaction.

This is Bumper 2's second series of notes and it used these new proceeds to redeem the outstanding class A, B, and C notes in its first series, which it issued on March 13, 2008. We understand that Bumper 2 has done this second issuance partly to meet the European Central Bank's increasing eligibility requirements for repo collateral. In using the series 2 proceeds to redeem the series 1 notes, in effect, the originator, LeasePlan Deutschland GmbH (LPD), is restructuring Bumper 2's first series.

The note tranching has changed compared with the first series, with the result being that the class C notes provide more credit enhancement for the senior classes in the new series than in the first series. Additionally, the protection provided through the seller risk reserves is higher and the replenishment criteria have been amended. The restructuring has affected Bumper 2's pool only to the extent needed to bring the pool composition in line with the amended replenishment criteria. In our view, this has led to an improvement of the pool quality. As a consequence, we have assigned a 'AA (sf)' rating to the class B notes in the second series, while in the first series we rate the class B notes 'A (sf)'.

The notes are backed by a portfolio of German auto lease installment receivables and the residual values of the related vehicles. LPD originates the lease contracts LPD to its German commercial and public customers. Most of the contracts are operating leases that contain a servicing component and a financing component. Only the finance component is securitized here.

LPD is a part of the international LeasePlan Corporation N.V. (LPC; BBB+/Stable/A-2). In Germany, LPD provides fleet management and leasing services. Bumper 2's first issuance was LPD's inaugural public transaction securitizing German assets. Since the transaction closed in March 2008, we consider the performance of the securitized pool to be in line with our initial rating assumptions. The LeasePlan group also has further securitization transactions outstanding in other European jurisdictions.

We believe the most relevant risks for the transaction are the credit risk of the underlying lessees and the market-value decline risk of the vehicles. The transaction is revolving, and so our assessment of credit risk also considered portfolio deterioration through adverse migration, partially offset by certain replenishment criteria. The analysis also took into account liquidity risk, commingling risk, set-off risk, tax risk, and lease-termination risk.

A combination of subordination, excess spread, and a cash reserve (which provides both liquidity and credit support) act to provide credit enhancement. In addition, a commingling reserve, a maintenance reserve, a set-off reserve, and a tax reserve aim to protect noteholders from seller and tax risks. The originator fully funded the seller risk reserves at closing, and the tax reserve would be funded if LPC's long-term rating falls below 'BBB'.

In our view, counterparty risk is present with regard to the account bank guarantor, BNP Paribas (AA/Negative/A-1+), the guarantor of the originator, LPC (BBB+/Stable/A-2), and the interest rate swap provider, Fortis Bank SA/NV (AA/Negative/A-1+). Exposure to these counterparties is mitigated through appropriate downgrade/replacement language in line with our counterparty criteria.

Bumper 2 is a bankruptcy-remote entity incorporated under the laws of Luxembourg before the 2008 closing date of the first issuance.

Strengths, Concerns, And Mitigating Factors

Strengths

- The German economy appears to be displaying signs of a more broadly based and more dynamic pick-up than those of most other eurozone members. In 2011, we expect GDP growth and unemployment rates for Germany to improve further.
- LeasePlan is an established player in the fleet management market with a strong worldwide presence. In Germany, LPD has more than 30 years' experience in servicing leasing contracts.
- Portfolio performance data show that since the closing date of the first issuance in 2008 the securitized pool has performed well, with loss and delinquency numbers at very low levels.
- The transaction benefits from a cash reserve of €20 million (3.08% of the initial rated note balance), which serves primarily as liquidity support to mitigate any liquidity stresses, but is also available to cover potential principal shortfalls.
- The transaction documents require that LPD nominates a back-up servicer, back-up maintenance coordinator, and a back-up realization agent if the rating on LPC falls below 'BBB-'.

Concerns and mitigating factors

- As LPD primarily provides fleet leasing to commercial clients, the single obligor- and industry concentration in the underlying portfolio is higher than we typically see in auto-related portfolios. To some extent, this risk is mitigated by concentration limits in the transaction documentation that govern the maximum percentage of lessee groups and industries in the pool. Moreover, we have incorporated the risk of simultaneous default of several large lessee groups into our credit analysis by including a concentration floor in our stressed gross loss assumptions (see the "Credit Analysis" section).
- The portfolio consists of operating leases that contain servicing components. We understand that lessees may have termination rights if the contractually agreed services are not rendered. In our view, continuation of the provision of the services after servicer default is ensured through a) a back-up servicer and back-up maintenance coordinator, which would be appointed upon downgrade of LPC to below investment grade; and b) a

maintenance cost reserve that can be used pay maintenance cost if these exceed the maintenance collections. Lastly, we rely on the availability of sufficient cash to make payments to the insolvency administrator to motivate it to cooperate with the issuer and back-up maintenance coordinator.

- During the replenishment period, the credit quality of the pool may shift and the performance may deteriorate due to substitution of amortizing assets. The transaction documentation provides for caps on some of the riskier products that limit a material shift in portfolio quality. Further, the documentation provides for performance triggers, which would stop the replenishment period if the transaction accumulates more than €8 million of losses during the replenishment period—we have incorporated this possibility of loss accumulation in our cash flow modeling by deducting the €8 million from the enhancement we expect to be available during the amortization period.
- We understand that several legal and tax risks could arise if the originator were to go into insolvency: Funds belonging to the issuer could be commingled with funds of the originator; lessees may be entitled to set off their payment obligations against certain amounts the originator owes them; and the issuer may become liable to pay German trade tax and/or VAT. The transaction features several reserves, all (but the tax reserve) funded by LPC at closing, that Bumper 2 can use if any of these risks materialize. We have sized the different risks, compared them with amounts available in the reserves, and included any uncovered amounts in our cash flow analysis.

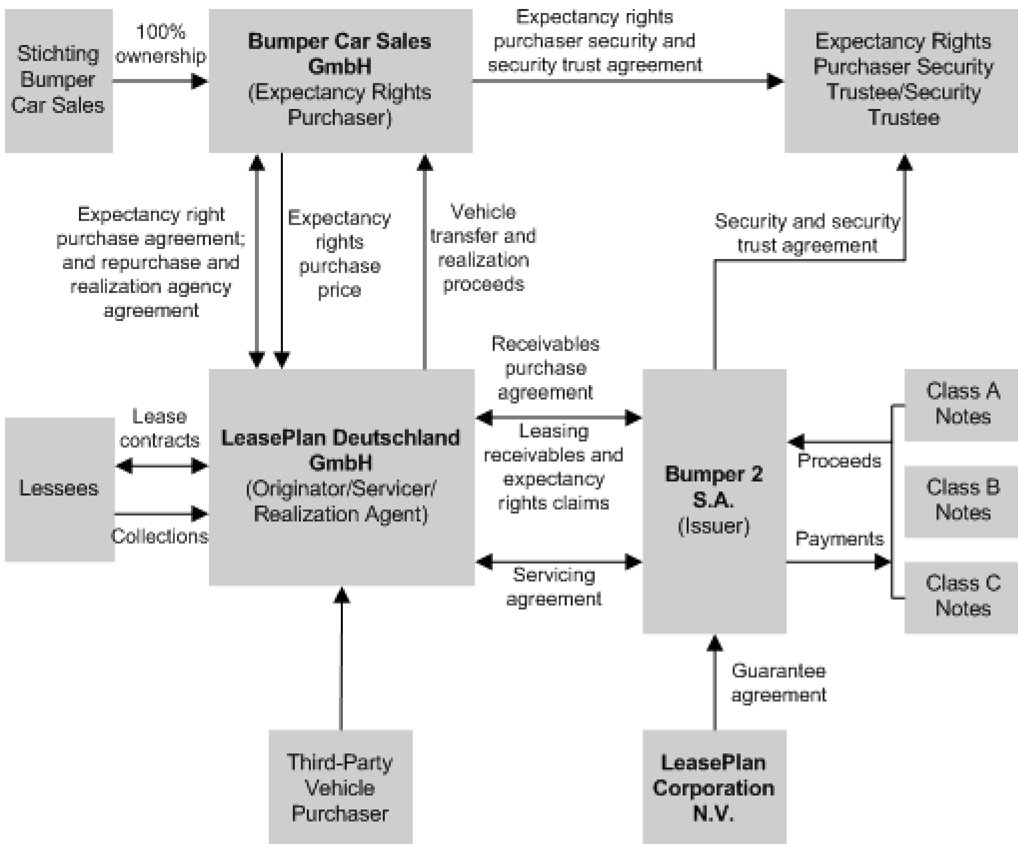
Transaction Structure

Bumper 2, the issuer, is a special purpose entity (SPE) established in 2008 under the laws of Luxembourg. On the original closing date in March 2008, the issuer purchased a portfolio of auto lease installment receivables and payment receivables which economically represent the residual value of the leased vehicles in an aggregate discounted amount of €875.6 million. Since then, the issuer has used all principal cash flows from the assets to purchase further assets from the originator so that the portfolio does not amortize if performance levels breach certain triggers.

The originator sells the auto lease receivables directly to the issuer and assigns title to the vehicles for security purposes. The residual values of the vehicles are securitized in the form of future payment claims against an intermediary SPE (Bumper Car Sales GmbH), which economically represents the residual value.

An interest rate swap counterparty assumes the interest rate risk between the fixed-rate assets and the floating rate of interest payable on the class A and B notes. We consider that both the issuer and the expectancy rights purchaser fulfill our criteria for bankruptcy-remote entities. LPD hasn't amended the legal set-up of the transaction as a result of the 2011 restructuring.

Chart 1: Bumper 2 S.A. Transaction Structure



Originator

Since 1980, LPD has provided auto leasing services to commercial customers. It is part of the international LPC group, which is owned by the Global Mobility Holding B.V. ,whose shareholders are Fleet Investments B.V. (50%) and Volkswagen AG (50%). Since 2008, LPD has been under the supervision of the German regulatory authorities.

LPD has about 1,800 customers and presently manages about 80,000 cars. LPD considers that it holds an important market share in the operating lease and fleet management market. The business of the company has grown very steadily and organically in the past five years, although the economic downturn in Germany between 2009 and 2010 somewhat slowed this development.

LPD considers its most important product to be the "Open Calculation" lease, in which LPD reimburses to the customer (i) any positive difference between the calculated residual value and the realized vehicle sales proceeds, as well as (ii) any maintenance charges the customer paid in excess of the actual incurred cost of maintenance.

We consider that LPD has a good level of experience in its core business. The company headquarters in Neuss originates all contracts, where information on the payment behavior of a large part of the customer base is available. LPD monitors existing clients on both an entity and group level, taking into account balance-sheet data and interim performance reports. LPD also monitors exposures to vulnerable industries in the portfolio.

Priority of payments

The class A, B, and C notes pay interest in arrears on the 23rd of each month, at a rate of one-month EURIBOR plus a margin. The first interest payment date on which the restructuring is applied is in April, and the legal final maturity date is in February 2023.

On each monthly interest payment date, Bumper 2 meets its obligations in a particular priority of payments. For this, it uses all cash flows received from the assets, all vehicle remarketing proceeds, all swap receipts, and any amounts on the reserve account—including interest earned on this account. Unless an enforcement event occurs, Bumper 2, in this order:

- Pays taxes;
- Repays servicing collections to the originator (unless the originator fails to top up the maintenance reserve);
- Pays senior fees and expenses;
- Pays the senior swap counterparty (excluding termination amounts where the counterparty is the defaulting party or the swap is terminated due to a downgrade);
- Pays class A interest;
- Pays class B interest;
- Tops up the cash reserve to the required liquidity amount (€12 million at closing);
- Pays the purchase price for further assets (only during the replenishment period);
- Repays principal on the class A notes until the outstanding note balance equals the outstanding discounted asset balance (only during the amortization period);
- Repays principal on the class B notes until outstanding note balance equals the outstanding discounted asset balance (only during the amortization period and only once it has repaid the class A noteholders in full);
- Tops up the cash reserve to the required default and liquidity amount (€20 million at closing);
- Pays class C interest;
- Repays principal on the class C notes until outstanding note balance equals the outstanding discounted asset balance (only during the amortization period only and only once it has repaid the class A and B noteholders in full);
- Pays any termination fees to the senior swap counterparty not paid above;
- Pays the junior swap counterparty; and
- Pays other junior expenses.

If an enforcement occurs, Bumper 2 would no longer top up the reserve and the waterfall would switch so that Bumper 2 pays interest and principal on the class A notes before it pays interest and principal on the class B notes. We have reviewed the enforcement events and deem them to be sufficiently remote for our assigned ratings.

The originator can exercise a clean-up call as soon as the aggregate discounted asset balance is less than 10% of the aggregate discounted asset balance at the closing date.

Replenishment

The transaction has a revolving period during which Bumper 2 uses principal collections from the assets and vehicle sales proceeds to purchase further assets from the originator. According to the transaction documents, Bumper 2 can only purchase assets that comply with the eligibility criteria (see "Collateral Description" below).

The revolving period ends in March 2013, or earlier if an early amortization events occurs, including if:

- Amounts remaining on the replenishment account after the purchase of further assets remain above 10% for two consecutive months;
- The cumulative default ratio exceeds 2.5% before February 2012, or 3% thereafter;
- The dynamic delinquency ratio exceeds 0.4%;
- Amounts available for replenishment are insufficient to fully replenish the asset pool up to the initial level;
- LPC fails to meet its obligations to top up any of the reserves;
- LPD fails to meet any of its obligations as either originator, servicer, or realization agent; and
- No substitute servicer and/or back-up maintenance coordinator has been appointed within 90 days after LeasePlan is downgraded to below investment grade.

The waterfall mechanisms and the availability of the reserve effectively allows Bumper 2 to use up to €8 million of the cash reserve to cure losses during the replenishment period so that the transaction can accumulate up to €8 million of losses before replenishment is stopped. We have incorporated this feature in our cash flow analysis by reducing the amount of enhancement we expect to be available for the amortization period by €8 million.

The portfolio's composition after being replenished is limited by the concentration limits shown in table 1.

Table 1

Concentration Limits*

	% of the outstanding discounted asset balance
Single obligor concentrations	
Top 1 to 5 lessee groups (each)	Max 2.00
Top 6 to 10 lessee groups (each)	Max 1.50
Top 11 to 20 lessee groups (each)	Max 1.25
Top 21 to 30 lessee groups (each)	Max 1.00
Top 31 to 50 lessee groups (each)	Max 0.70
All other lessee groups	Max 0.50
Industry concentrations	
Any single industry	Max 20.00
Leased object type concentrations	
Vans	Max 1.00
Trucks	Max 6.00
Forklifts and trailers	Max 1.00
Receivable type concentrations	
Receivables from sale and lease back-contracts	Max 2.00
Receivables representing residual values	Max 60.00
Maturity concentrations	
Contracts with remaining term > 12 months	Min 95.00
Contracts with remaining term > 24 months	Min 60.00
Contracts with remaining term > 36 months	Min 25.00
Contracts with remaining term > 48 months	Min 10.00
Contracts with remaining term > 60 months	Min 5.00
Weighted-average seasoning of total pool	Min 10 months

Table 1

Weighted-average remaining term in total pool	Min 30 months

*Non-exhaustive list.

Interest rate hedging

Bumper 2 and the senior swap counterparty entered into an interest rate swap agreement that conforms with our updated criteria for derivative support counterparties. The swap hedges the issuer's exposure to interest rate risk resulting from the fixed discount rate under the purchased receivables and the floating-rate obligations under the class A and B notes. Under this swap agreement, Bumper 2 pays a fixed rate of 2.1% on the outstanding principal balance of the class A and B notes. In exchange, the swap counterparty pays to the issuer a floating interest rate based on one-month-EURIBOR (i.e., the same index that the notes pay).

The issuer also enters into a junior swap relating to the hedging of the class C notes. Any net swap payments rank below any principal payments on class B notes in the priority of payments, and we have not considered this arrangement in our analysis because it does not affect cash flows to the rated notes.

Credit enhancement

A combination of subordination, excess spread, and a cash reserve (which provides both liquidity and credit support) act to provide credit enhancement. In addition, a commingling reserve, a maintenance reserve, a set-off reserve, and a tax reserve aim to protect noteholders from seller risks. The originator fully funds the seller risk reserves at closing, and the tax reserve would be funded if LPC's long-term rating falls below 'BBB'.

Excess spread

Excess spread results from the difference between (i) the interest income received from the assets and (ii) the fixed payment paid under the swap plus the weighted-average note spreads as well as any senior fees and expenses. Interest from the assets is generated through discounting the future payments under the purchased receivables by 5.81%. Unstressed excess spread for the rated notes was above 1.5% at closing.

Cash reserve

The transaction has a cash reserve that LPD funded with €20 million at closing. The entire reserve is released into the waterfall each month, but replenished in the waterfall twice, so that the reserve falls into two components:

- The required liquidity amount (€12 million at closing, but amortizing as 1.847% of the rated note balance) tops up in the waterfall after interest payments and before principal payments/asset replenishment. This means that the reserve is available in full (unless there's a severe liquidity stress) at the end of the replenishment reserve.
- The required default amount (€8 million at closing, but amortizing) tops up in the waterfall only after principal payments/asset replenishment. As early amortization would be triggered only once available funds are insufficient to bring the note balance in line with the asset balance, this means that this part of the reserve effectively serves as credit enhancement during replenishment and may not be available thereafter.

The definition of the amounts to which the reserve is replenished lead to an amortization of the reserve, subject to a floor of €10 million. Once the pool volume goes down to zero, Bumper 2 does not top up the reserve in the waterfall at all so that all amounts remaining on the reserve at that time are available to cure losses.

Commingling risk

The transaction documents allow the servicer to freely decide to sweep collections to the issuer either on a monthly or on a twice per week basis. We distinguish two streams of cash flow to determine any further amounts that the servicer receives on the servicer account after insolvency, but before Bumper 2 instructs the lessees to redirect their payments:

- Cash flows from lease installments, which the servicer receives from the lessees and which are clustered around the first and 15th of each month; and
- Cash flows from the sale of the returned leased vehicles, which LPD receives in its role as realization agent and which LPD "transfers" to itself in its role as servicer, and which are equally spread around the days of the month.

The transaction has a commingling reserve that LPC funded on Day 1 and which it adjusts monthly to reflect the changing commingling exposure, based on (i) the amounts of collections expected in the next period(s) and (ii) the frequency with which LPD sweeps collections to the issuer. If LPC fails to bring the reserve in line with the current commingling exposure, the issuer would have the right to immediately notify the lessees to redirect their payments.

We have used the above inputs and stressed assumptions on notification timing and prepayment speed to calculate the commingling risk we would expect at the relevant rating levels. We have incorporated any such amounts not covered by the commingling reserve in our cash flow analysis.

Set-off and tax risks

Set-off under the lease agreement may arise due to security deposits the originator holds, as well as potential adjustments to the year-end calculation of the lease contracts or mileage amounts that may be payable by the originator to the lessees under the lease agreements. The transaction has a set-off reserve that LPC funded on Day 1 and which it adjusts monthly to reflect the changing set-off exposure in the pool. If LPC fails to bring the reserve in line with the current set-off exposure, the issuer would have the right to immediately notify the lessees to redirect their payments.

We understand that the transaction is exposed to two tax-related risks: German VAT risk under paragraph 13c of the German VAT Act and/or German trade tax. To mitigate any such risk, the transaction has a tax reserve that LPC would fund if LPC's long-term rating falls below 'BBB' with an amount equal to €12 million.

We have used the above inputs and stressed assumptions on interest rate movements to calculate the set-off and tax risk we would expect at the relevant rating levels. We have incorporated any such amounts not covered by the respective reserves in our cash flow analysis.

Collateral Description

The transaction securitizes a pool of auto lease receivables and the residual values of the related vehicles. Most lessees are commercial entities that have their registered office in Germany, but there are also some public entities in the pool. Most of the leased objects are passenger vehicles, but the pool also contains some commercial objects, such as trucks of forklifts. At least 98% of the lease objects in the pool are "new." The pool shows a good diversification over contract maturities and some diversification over vehicle make, but shows considerable single-lessee concentration.

The lease receivables are based on leasing contracts that LPD originated to its commercial leasing customers in the ordinary course of business. Almost all contracts are operating lease contracts that consist of a financing part and a servicing part. While only the financing part is included in this transaction, the existence of the servicing part could lead to certain termination rights for the lessees if the servicer (or its substitute) fails to provide the contractually agreed services. Less than 2% of the contracts are sale-and-leaseback contracts—the only contract type where LPD also finances "used" vehicles.

The securitized residual values represent the remarketing proceeds that LPD expects to receive from the sale of the leased object after the lease contract's maturity. For legal reasons, LPD doesn't sell these future remarketing receivables to Bumper 2 directly, but the sale occurs in a two-step process:

- First, LPD sells the expectancy rights it has against Bumper 2 from the assignment of the vehicles for security purposes to another German SPE (Bumper Car Sales GmbH, the expectancy rights purchaser);
- Second, LPD sells the purchase price claim it now has against the expectancy rights purchaser to Bumper 2. The expectancy rights purchaser, in turn, contracts LPD to realize such sales proceeds on its behalf.

The transaction is a present value structure, so that the purchase price payable by the issuer for the receivables is calculated by applying a uniform discount rate of 5.81% to the current outstanding balance of the securitized pool. The purchase price payable for the receivables that represent the residual values is equal to the expected sale proceeds of the leased object calculated at inception of the lease contract (or recalculated under certain conditions). If the actual vehicle sale proceeds achieved at contract termination are insufficient to repay this purchase price, Bumper 2 would incur a loss. LPD actually guarantees performance of these receivables, but we have not given any benefit to this guarantee in our analysis.

According to the transaction documents, the receivables must be in line with certain eligibility criteria. The following is a non-exhaustive list of these criteria:

- The underlying lease agreement must be (i) legally valid and binding, (ii) based on LPD's general terms and conditions and (iii) governed by the laws of the Federal Republic of Germany.
- The lessee must have paid at least one installment under the lease agreement.
- The lessee cannot be part of the LeasePlan group.
- The lessee cannot be in default or in arrears for more than 30 calendar days and for an amount exceeding €1,000.
- The original term of the related lease agreement cannot be longer than 90 months.
- The lease agreement must have been entered into with lessees that are commercial entities (or "Kaufmann") that have their registered office in Germany or German public entities.
- The lease receivables must be denominated in euros.

Stratifications of the pool can be seen in table 2. We understand that the selection rules that LPD used to select the final pool are identical to the ones it used for the preliminary pool, so that the two pools are very similar. Further, the portfolio's composition may change over time due to replenishment of maturing assets (see "Replenishment" above).

Table 2

Pool Breakdown*	
Weighted-average original term (months)	42.52
Weighted-average seasoning (months)	21.94
Receivable type (%)	
Lease receivable	41.84
Receivables representing residual values	58.16

Table 2

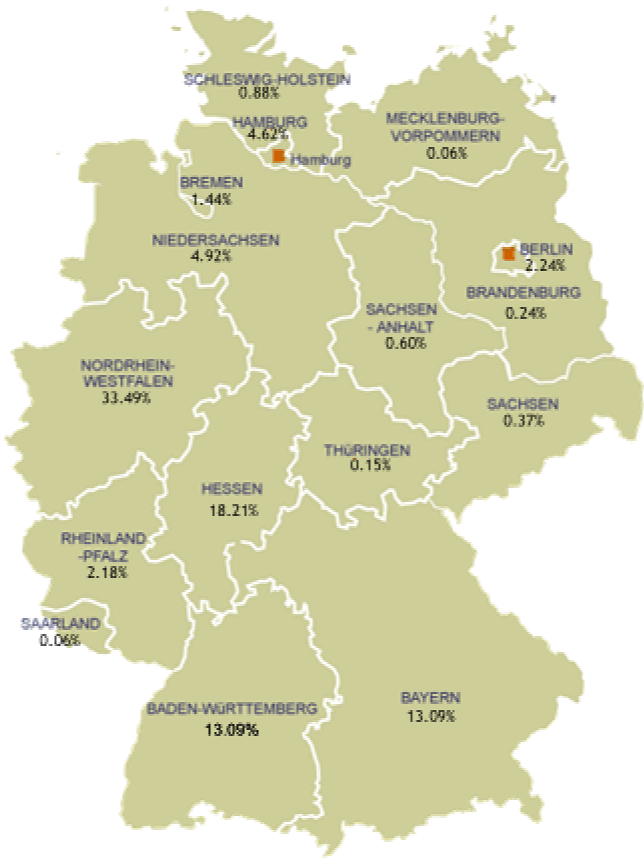
Pool Breakdown* (cont.)

Lease contract type (%)	
Operating lease	96.01
Finance lease	3.99
Object type (%)	
New	99
Used	1
Customer type (%)	
Private	0
Commercial	>98
Public entities	<2
Vehicle make (%)	
Audi	27.31
Volkswagen	21.91
BMW	15.36
Ford	11.86
Mercedes	9.67
Opel	5.46
Other	8.44

*Portfolio stratifications may change through replenishment.

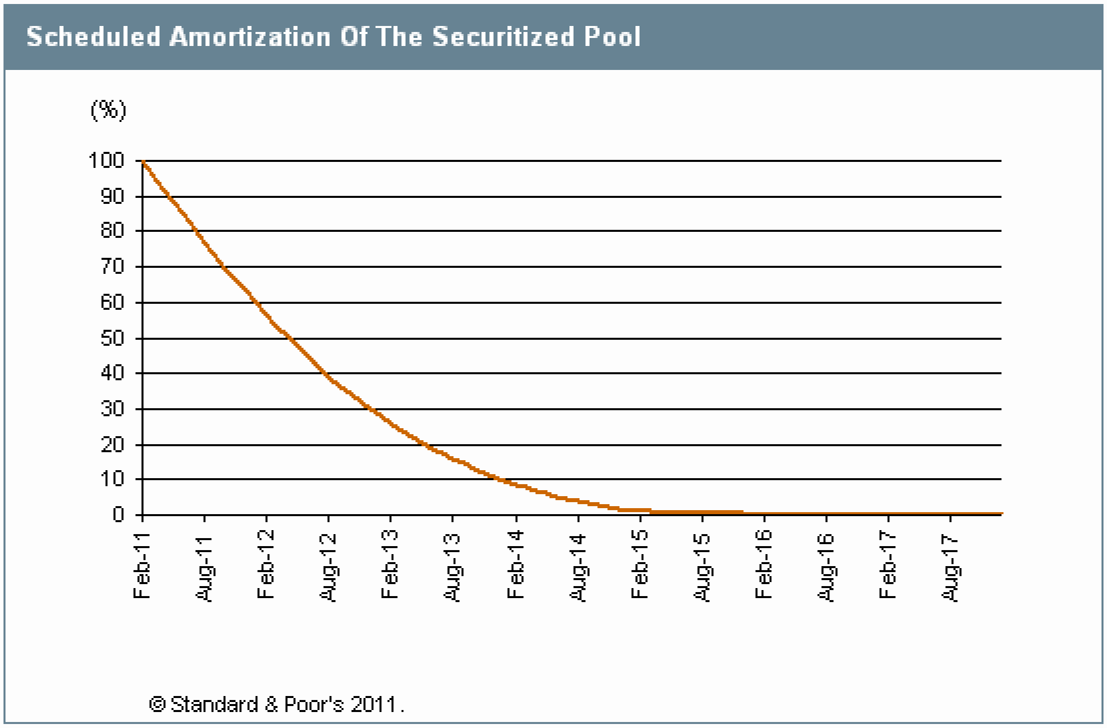
The pool does have considerable industry and single-lessee concentrations, in our view: In the pool, the largest industry accounts for 15.96% but is capped through concentration limits at 20.00%; and the largest lessee group accounts for 2% and is capped through concentration limits at exactly this level. (These concentrations are in the same form as LPD reports concentrations in its own books.) As can be seen in chart 2, lessees are fairly well spread over Germany, and higher concentrations are in the federal states that show stronger economic activity.

Geographic Distribution Of The Portfolio



LPD originated the contracts in the pool between 2004 and 2011 (with the bulk of originations coming from 2008 to 2010), and the replenishment criteria limit the contract volumes that mature at the same time. In our view, this leads to a comparatively smooth paydown profile for the residual values, which are payable only at contract end. The highest amount of residual value receivables maturing in any period of three consecutive months is 10.03% of the total residual value balance and occurs between August 2011 and October 2011. The transaction has comparatively tight concentration limits, ensuring that contract maturities do not cluster substantially.

Chart 3



Credit Analysis

Our rating analysis includes an assessment of the credit risk and market value risk inherent in the transaction under various stress scenarios. We based our credit analysis for each class of the issuer's notes on our rating methodology for analyzing consumer finance transactions.

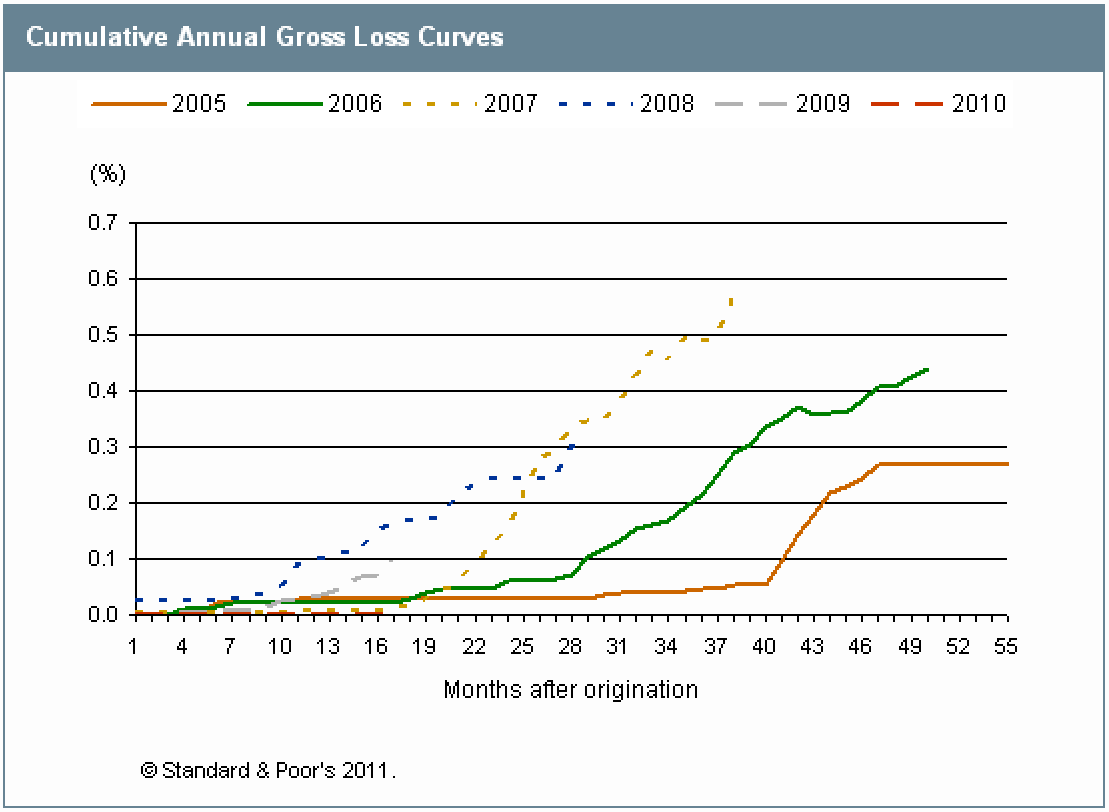
We have received dynamic default data, cumulative quarterly and monthly default data, and monthly delinquency data covering the period from June 2005 to June 2010. The gross loss data shows that historically LPD has seen only very low levels of default compared with other German auto lease transactions. On the recovery side, we have received data on all defaulted lessees since 2005. We have also received extensive data on vehicle remarketing success.

Given the few defaults observed historically and based on the high concentrations inherent in the portfolio, we based our stressed gross loss assumption on the following three considerations: Historical gross losses, single-lessee concentrations, and industry concentrations. Ultimately, we sized stresses at the 'AAA' level on the maximum result of the three, but concentrated on historical gross losses and single-lessee concentration for lower rating levels.

Default risk

Chart 4 shows annual averages of the cumulative gross loss cohorts for the total lease book. As can be observed, the above-average quality, low granularity pool showed few defaults in the mild stress environment during the recent downturn.

Chart 4



We sized a conservative base case of 1.5% and high-end multiples for the pool to capture the low granularity and resulting higher uncertainty surrounding future performance. Table 3 gives the resulting stressed gross loss numbers.

Table 3

Gross Loss Assumptions	
Base case for the closing pool (%)	1.50
'AAA' stress assumption (%)	7.13
'AA' stress assumption (%)	5.63

As described above, we also considered single-lessee concentrations and industry concentrations to capture the idiosyncratic risk in this pool. As the transaction is revolving, we did this by looking at the concentration limits rather than the actual concentration levels in the closing pool. The following tables give the concentration coverage we would deem to be commensurate with the respective rating levels and the resulting gross loss numbers, taking into account the concentration limits as set out in the transaction documents (see the "Replenishment" section above). It can be observed that ultimately the single-lessee concentration risk determined our gross loss assumption.

Table 4

Single Lessee Concentrations

Rating level	Number of largest lessee groups covered	Resulting gross loss assumption (%)
AAA	14	22.5
AA	11	18.8

Table 5

Industry Concentrations		
Rating level	**Number of largest industries covered**	**Resulting gross loss assumption (%)**
AAA	1	20
AA	N/A	N/A

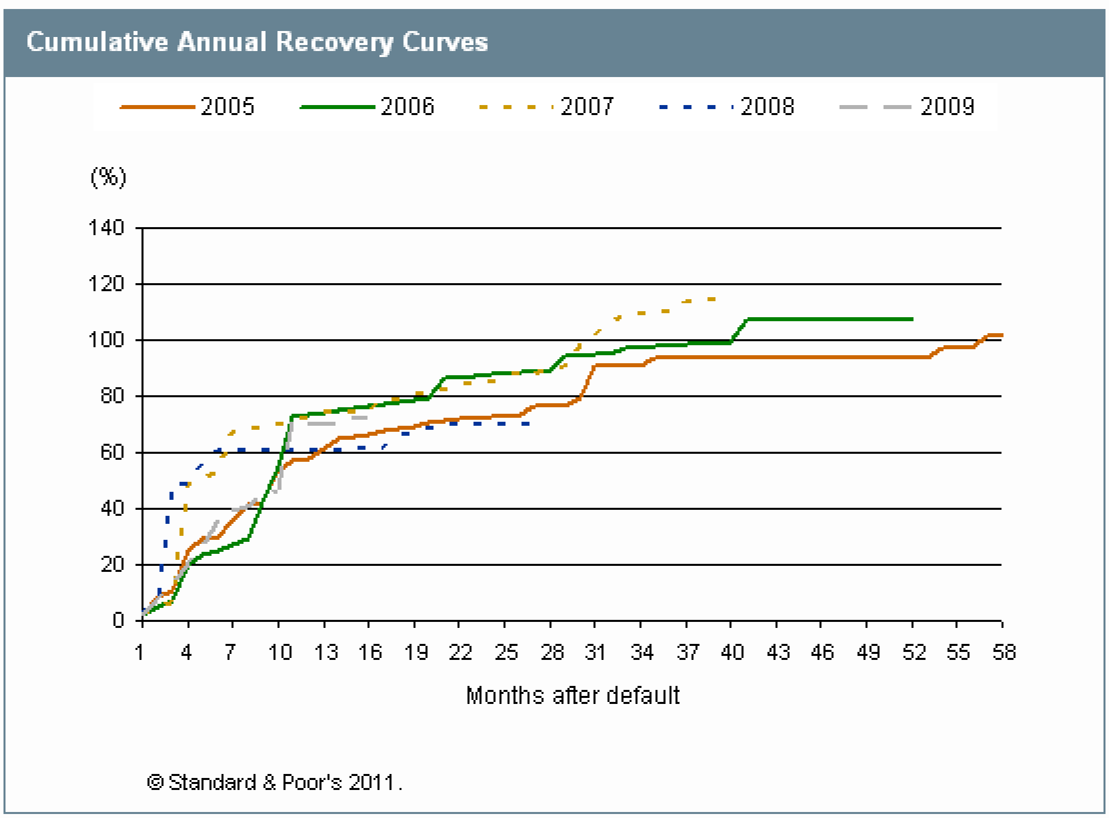
Recovery analysis

We received full recovery data for the limited number of historical defaults LPD has observed. While recoveries are generally a combination of vehicle sale proceeds and ancillary payments received from the lessee, the data we received didn't distinguish between secured/vehicle recoveries and unsecured/ancillary recoveries. Given the low number of actual historical defaults and the variability and recovery rates realized, we focused our analysis on two cases of defaults of large lessees in 2009. Table 6 below gives the base case and haircut assumptions we applied.

Table 6

Recovery Rate Assumptions	
Base case for the closing pool (%)	65.0
'AAA' stress assumption (%)	39.0
'AA' stress assumption (%)	42.3

Chart 5



Market value risk

The issuer faces the risk of loss on the receivables that represent the residual values if and when:

- The market value of a vehicle is below the purchase price the issuer paid for the receivable (loss severity); and
- A third party, which covers the loss, defaults (risk frequency).

We combine these parameters into the residual value loss rate, i.e., the loss on residual value claims that reach their contractual maturity (after defaults and prepayments).

We assumed a market value decline (i.e., loss severity) of 33.7% of the undiscounted residual value of the vehicles at 'AAA' and 26.5% at 'AA'. This assumption builds mainly on the high volatility seen across Europe in used car prices over the past 24 months, the fact that the portfolio has a fairly high percentage of residual values, and—as a positive—the comparatively high vehicle make and maturity diversification in the portfolio.

We applied a risk frequency of 100% because the market value risk is ultimately transferred to the issuer for all contract types in the pool. We didn't give any benefit to the fact that LPD (in its role as realization agent) undertakes to repurchase the vehicles for a purchase price equal to the price that the issuer paid for the receivable, because in our view the default risk of LPD is not mitigated. We did, however, incorporate the fact that LPD builds a certain safety margin into the residual value it sets at the contract's inception.

Combining loss severity and risk frequency results in the residual value loss rates shown in table 7. We sized aggregate numbers based on the worst-case portfolio composition to take into account potential portfolio deterioration through replenishment. In our cash flow model, we applies these residual value loss rates only to those residual values that see their contractual maturity, i.e., we applied this loss rate to the assets after prepayments and defaults.

Table 7

Market Value Stress Assumptions

	Loss severity (%)	Risk frequency (%)
'AAA' stress assumption (%)	33.7	100
'AA' stress assumption (%)	26.5	100

Cash Flow Analysis

In our cash flow analysis we tested three stressed interest rate scenarios: Rising (up to 12%), flat (at 2%), and falling (down to 0%). Furthermore, we applied prepayment scenarios of up to 24% and down to 0.5%, and assumed equally weighted default patterns over two years. We applied losses from the residual values according to the maturity profile of these assets and further reduced cash flows to incorporate payments to the insolvency administrator to encourage a continuation of the leases.

Other key elements of our cash flow analysis include stressed senior fees of 1% and the amounts of seller risk we see at the respective rating scenarios that are not covered in the relevant seller-risk reserves. We have not further stressed prepayment losses resulting from the present value structure, because the lessees do not have a unilateral right to prepay the leases.

Cash flow results

Our analysis indicates that the rated class of notes achieves timely payment of interest and ultimate payment of principal under the respective stressed rating scenario and assumptions discussed above. The low prepayment scenarios have proven to be more stressful, mostly because we applied additional market value decline stresses only to contracts that reach their scheduled maturity.

Scenario Analysis

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 asset-backed securities (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 what we consider to be 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 vehicle 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 8).

Table 8

Scenario Stresses

Rating variable	Scenario 1 (relative stress to base case)	Scenario 2 (relative stress to base case)
Gross loss rate (%)	30.0	50.0
Recovery rate (%)	(30.0)	(50.0)
Constant prepayment rate (%)	(20.0)	(33.3)

It is worth noting that 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 takes account of historically observed performance and an expectation of potential changes in these variables over the life of the transaction. The sensitivity of rated notes in each transaction 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 separated the applied methodology into three distinct stages. In the first stage, we stressed our expected base case assumptions over a one-year period to replicate deviations away from our expected performance over the stress horizon. We assumed 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-rated this 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.

Scenario stress and sensitivity 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. The implied base case stresses and scenario stress results are shown in the tables 9 to 11.

Table 9

Scenario Stresses

Stress horizon—12 months			
Rating variable	**Base case***	**Scenario 1**	**Scenario 2**
Weighted-average gross loss rate (%)	5.0	6.5	7.5
Recovery rate (%)	65.0	45.5	32.5
Constant prepayment rate (%)	10.0	8.0	6.7

*Implied base case from single obligor concentration analysis.

Table 10

Scenario Stress Analysis—Rating Transition Results

Scenario stress	Class	Initial rating	Scenario stress rating
Scenario 1	A	AAA (sf)	AAA (sf)
	B	AA (sf)	AA (sf)
Scenario 2	A	AAA (sf)	AA (sf)
	B	AA (sf)	A (sf)

Table 11

Cash Flow Impact

		Principal shortfall			Interest shortfall	
Scenario stress	**Worst case run**	**Amount (€)**	**Expected loss as a % of the transaction size**	**Month**	**Amount (€)**	**Month**
Class A						
Scenario 1	Low CPR/low interest	0	N/A	N/A	0	0
Scenario 2	Low CPR/low interest	34.6	4	85	61,000	85

Table 11

Cash Flow Impact (cont.)						
Class B						
Scenario 1	Low CPR/low interest	0	N/A	N/A	0	0
Scenario 2	Low CPR/low interest	33.9	3.9	85	67,000	85

N/A—Not applicable.

Given the structure of the transaction, the more stressful scenario for our cash flow analysis is a low collateral prepayment rate with a low interest rate environment. Given the stresses we applied under scenario 1, the class A notes would most likely retain their 'AAA (sf)' rating but would be downgraded to 'AA (sf)' in scenario 2. Similarly, the class B notes would most likely retain their 'AA (sf)' rating in scenario 1, but would be downgraded to 'A (sf)' in scenario 2. The stability of the rating on the rated notes is influenced by the size of the unrated subordinate tranches as well as the fact that the liquidity reserve will be available at legal final maturity to cure losses.

Monitoring And Surveillance

As part of the ongoing surveillance of this transaction, we regularly assess:

- The performance of the underlying portfolio, including defaults, delinquencies, and prepayments;
- The supporting ratings; and
- The servicer's operations and its ability to maintain minimum servicing standards.

Related Criteria And Research

- European Auto ABS Index Report Q3/Q4 2010—Performance Mirrors Three-Speed Economic Recovery, Feb. 24, 2011
- Principles Of Credit Ratings, Feb. 16, 2011
- The Eurozone's Three-Speed Recovery Continues To Unfold, Widening The Competitive Gap Between Members, Jan. 26, 2011
- Counterparty And Supporting Obligations Methodology And Assumptions, Dec. 6, 2010
- European Legal Criteria For Structured Finance Transactions, Aug. 28, 2008
- New Issue: Bumper 2 S.A., March 20, 2008
- European Consumer Finance Criteria, March 10, 2000

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. Alternatively, call one of the following Standard & Poor's numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow (7) 495-783-4011.

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