

Rating Raised On BUMPER 7's Class B German Auto ABS Notes; Class A Rating Affirmed

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OVERVIEW

- Following our review of BUMPER 7's performance, we have raised to 'AAA (sf)' from 'AA (sf)' our rating on the class B notes.
- At the same time, we have affirmed our 'AAA (sf)' rating on the class A notes.
- We believe that the transaction's buildup of credit enhancement and its stable performance outweigh the potential negative effect caused by the deteriorating diesel car market.
- BUMPER 7's notes are backed by an amortizing portfolio of German auto operating lease receivables and residual values, which LeasePlan Deutschland GmbH originated to its German customer base of small and midsize enterprises (SMEs) and corporate and government borrowers.

FRANKFURT (S&P Global Ratings) July 20, 2018--S&P Global Ratings today raised to 'AAA (sf)' from 'AA (sf)' its credit rating on BUMPER 7 S.A.'s class B notes. At the same time, we have affirmed our 'AAA (sf)' rating on the class A notes (see list below).

Today's rating actions follow our review of the transaction's performance since closing in April 2016 and the application of our criteria (see "Related Criteria").

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We have considered credit risk by applying our "European Consumer Finance Criteria," published on March 10, 2000. We have reviewed historical performance measures such as delinquencies, gross losses, recovery rates, and vehicles sales proceeds, taking into account macroeconomic and industry trends. Due to the pool characteristics, we have considered the portfolio's obligor and industry concentration risks. Our stressed gross loss assumption results from our concentration tests.

At closing, in order to address the 12-month revolving period where portfolio characteristics could change, we assumed 21.00% as stressed gross loss assumption in a 'AAA' rating level, equal to the top 16 obligors as per the replenishment criteria during the revolving period (see "New Issue: BUMPER 7 S.A.," published on April 28, 2016).

Following the end of the revolving period in March 2017, we have assumed an obligor concentration in line with the current pool composition, leading to a stressed gross loss assumption of 20.18% in a 'AAA' rating scenario, equal to the current top 16 borrowers.

At the same time, we have observed that reported recoveries are below what we expected for this type of asset. However, this is driven by specific arrangements with defaulted customers who are still making payments, and are therefore generating cash flows, as indicated by the servicer.

Of the portfolio, currently 68% comprises residual values, which are subject to market value decline risk. We based our analysis on our view of potential market value declines at various rating levels. We made adjustments for transaction- and originator-specific parameters. The portion of diesel vehicles in the pool is significantly above the overall stock of diesel vehicles in the German market (33%). However, the majority of these comply with the current Euro 6 emission standard, compared to about 18% in the total German market. In our view, recent debates in Europe that diesel nitrogen dioxide emissions are a threat to public health will add further pressure on the resale value of used diesel vehicles (see "German Diesel Ban Brings Bad Air For Carmakers And Auto ABS," published Feb. 28, 2018). This results in an adjusted market value decline assumption of about 34.3% at a 'AAA' rating level.

The available credit enhancement for the class A and B notes has increased since the end of the revolving period, as the notes amortize sequentially. In our view, the buildup of credit enhancement is likely to outweigh any potential negative effect on collateral performance caused by a weaker diesel used car market that could erode resale proceeds.

As a result of our revised loss expectations and the transaction's increased credit enhancement, we have raised to 'AAA (sf)' from 'AA (sf)' our rating on the class B notes. At the same time, we have affirmed our 'AAA (sf)' rating on the class A notes because we believe the available credit enhancement is commensurate with the current rating.

Our counterparty, operational, and legal risk analysis remains unchanged since closing.

BUMPER 7's notes are backed by a portfolio of German auto lease receivables and related residual values.

RELATED CRITERIA

- Legal Criteria: Structured Finance: Asset Isolation And Special-Purpose Entity Methodology, March 29, 2017
- Criteria - Structured Finance - General: Ratings Above The Sovereign - Structured Finance: Methodology And Assumptions, Aug. 8, 2016
- Criteria - Structured Finance - General: Methodology: Criteria For Global Structured Finance Transactions Subject To A Change In Payment Priorities Or Sale Of Collateral Upon A Nonmonetary EOD, March 2, 2015
- Criteria - Structured Finance - ABS: Global Methodology And Assumptions For Assessing The Credit Quality Of Securitized Consumer Receivables, Oct. 9, 2014
- Criteria - Structured Finance - General: Global Framework For Cash Flow Analysis Of Structured Finance Securities, Oct. 9, 2014
- Criteria - Structured Finance - General: Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
- Criteria - Structured Finance - General: Counterparty Risk Framework Methodology And Assumptions, June 25, 2013
- Criteria - Structured Finance - General: Global Derivative Agreement Criteria, June 24, 2013
- Criteria - Structured Finance - General: Criteria Methodology Applied To Fees, Expenses, And Indemnifications, July 12, 2012
- General Criteria: Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
- General Criteria: Methodology: Credit Stability Criteria, May 3, 2010
- Criteria - Structured Finance - General: Standard & Poor's Revises Criteria Methodology For Servicer Risk Assessment, May 28, 2009
- Criteria - Structured Finance - ABS: European Consumer Finance Criteria, March 10, 2000

RELATED RESEARCH

- European Auto ABS Index Report Q1 2018, May 24, 2018
- German Diesel Ban Brings Bad Air For Carmakers And Auto ABS, Feb. 28, 2018
- 2017 EMEA ABS Scenario And Sensitivity Analysis, July 6, 2017
- Stalling Diesel Car Sales In Europe Could Weaken Auto ABS Collateral Performance, June 5, 2017
- Global Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016
- European Structured Finance Scenario And Sensitivity Analysis 2016: The

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Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016

- New Issue: BUMPER 7 S.A., April 28, 2016

RATINGS LIST

Class	To	Rating	From
BUMPER 7 S.A. €549.1 Million Asset-Backed Floating-Rate Notes			

Rating Raised

B	AAA (sf)	AA (sf)
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Rating Affirmed

A	AAA (sf)
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