Bumper 8 (UK) Finance plc

New Issue

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Related Presale Appendix

Bumper 8 (UK) Finance plc

Related Criteria

Global Structured Finance Rating Criteria (June 2016)
Global Consumer ABS Rating Criteria (December 2016)
Global Consumer ABS Rating Criteria — EMEA Residual Value Addendum (December 2016)
Counterparty Criteria for Structured Finance and Covered Bonds (September 2016)
Counterparty Criteria for Structured Finance and Covered Bonds: Derivative Addendum (July 2016)
Criteria for Interest Rate Stresses in Structured Finance Transactions and Covered Bonds (October 2016)
Criteria for Rating Granular Corporate Balance-Sheet Securitisations (SME CLOs) (October 2016)
Fitch's Interest Rate Stress Assumptions for Structured Finance and Covered Bonds – Excel File (May 2016)

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Capital Structure

Class	Rating	Outlook	Amount (GBPm)	CE[a] (%)	Interest Rate (%)	Final Maturity	TT[b] (%)
A	AAAsf	Stable	400.0	27.0	1m Libor + 0.53	November 2027	73.4
B	AA+sf	Stable	25.0	22.5	1m Libor +0.95	November 2027	4.6
C	NR	n.a.	120.0		2.40	November 2027	n.a.
Total Issuance			**545.0**				

Closing occurred on 07 February 2017. The ratings are based on the final pool cut as of 31 December 2016. 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
[a] Credit Enhancement (CE): The CE consists of overcollateralisation through subordination of junior notes (26.6% for Class A) and the liquidity reserve
[b] Tranche Thickness (TT): Ratio of class size to collateral balance

Transaction Summary

The notes are backed by a pool of lease receivables and residual value (RV) claims arising from auto leases originated in England and Wales by LeasePlan UK Limited (LPUK), a wholly-owned subsidiary of LeasePlan Corporation N.V. (LPC) (BBB+/Stable/F2). The leases are extended to corporate, SME, retail and public sector obligors.

Key Rating Drivers

Portfolio Credit Quality: The lessees are a mix of corporate (44% of the portfolio), SME and retail (56% of the portfolio). Fitch Ratings analysed the portfolio default risk using its proprietary portfolio credit model (PCM). Based on the historical observation, Fitch assigned an annual average probability of default (PD) of 1.5%, which implied a mean rating default rate (RDR) of 3% of the portfolio.

Strong Recovery Prospects: Fitch assumed a recovery base case of 75% on defaulted lease receivables. Based on the historical observations, recoveries consist of car sales proceeds and the cash recovery from the lessees. Fitch considers only car sales proceeds in the recovery base case.

Residual Value (RV) Risk Present: The RV claims at the end of operating lease contract are securitised. Fitch reviewed LPUK's RV setting policy and the historical RV realisation proceeds and determined a realisation proceeds' base case at 100%. Fitch assumed RV losses of 12.4% at 'AAA'. During the revolving period, the discounted RV claim is limited to 45% of the overall pool. LPUK is obliged to pay the RV to the issuer. A default of LPUK would expose the issuer to the risk of RV losses.

Revolving Portfolio: The portfolio is expected to replenish until February 2018, according to certain criteria pertaining to the lessee size, industry concentration, lease maturity and the amount of RV claims. Fitch's asset analysis is based on an assumed stressed-case portfolio, considering lessee concentrations and the tenor of the lease agreement, in line with our SME criteria.

Counterparty Risk on LPUK: LPUK acts as initial servicer and also coordinates the provision of maintenance services to the lessees. The transaction comprises a number of reserves, including a maintenance reserve which would, together with the collected service components of the lease payments, enable the issuer to fund maintenance services to the lessees after LPUK's default.

The transaction's counterparty risk to LPUK is mitigated by various structural features, such as liquidity, set-off, commingling and maintenance reserves. All except the liquidity reserve are funded for as long as LPC is rated below 'BBB+ and F1'. The transaction is further protected by the commitment of LPC to fund the commingling reserve upon the insolvency of the collection account bank and/or the failure of LPUK to transfer collections to the issuer account.

Transaction Comparison

Comparison of Bumper Transactions Rated by Fitch

Transaction	Bumper 8	Bumper 2[a]	Bumper 3	Bumper 5
Country	UK	Germany	UK	UK
Closing date	Feb 17	Mar 08	Apr 09	Apr 12
Date of rating assignment, if not closing	-	Mar 11	-	-
Portfolio discounted balance GBPm eq.)[b]	545.0	761.4	887.1	837.6
Number of leases	40,588	46,887	82,708	67,601
Number of unique lessees	13,519	1,897	30,877	30,915
Average number of leases per lessee	3.0	24.7	2.7	2.2
Average discounted balance per lessee (GBP eq.)[b]	40,314	401,370	28,731	27,093
WA lease yield (%)	5.1	6.0	8.8	7.1
Transaction discount rate (%)	5	5.81	8	8
WA original term (months)	42.5	42.5	35	40.6
Average seasoning per lease (months)	14.2	21.9	16	11.3
Total expected RV at maturity of leases (GBPm)	236.9	456.8	381.4	320.2
RV claims excl. balloon amounts (% of closing portfolio discounted balance)	43.5	58	43	38
Duration of the replenishment period	One year	Two years	One year	9 months
Max allowance of RV claims in replenishment (% of portfolio discounted balance)	45	60	46	45
AAAsf default rate (%)	25.2	30	21.5	33.7
AAAsf recovery rate (%)	41.3	41.3	53.0	39.3
AAAsf credit loss (%)	14.8	17.6	10.1	20.5
AAAsf RV loss (%)	12.4	16.1	11.6	11.5
AAAsf voluntary termination loss (%)	0.0	0,0	0.0	0.6
Overall AAAsf loss (%)	27.2	32.7	21.7	32.6
CE of AAAsf rated class	27.0	33.5	25.8	32.0

[a] Around rating assignment date for Bumper 2 (Germany), as of closing for other transactions
[b] Assuming for Bumper 2 (Germany) the exchange rate as of March 2011 of EUR1.15 per GBP
Source: Transaction documents and Fitch

Transaction Parties

Role	Name	Rating
Issuer	Bumper 8 (UK) Finance plc	NR
Seller and servicer	LeasePlan UK Limited	NR
Account bank	BNP Paribas Securities Services, London Branch	A+/Stable/F1
Trustee and security trustee	BNP Paribas Trust Corporation UK Limited	
Swap provider	BNP Paribas	A+/Stable/F1
Issuer Corporate Service Provider	Intertrust Management Limited	NR

Source: Fitch

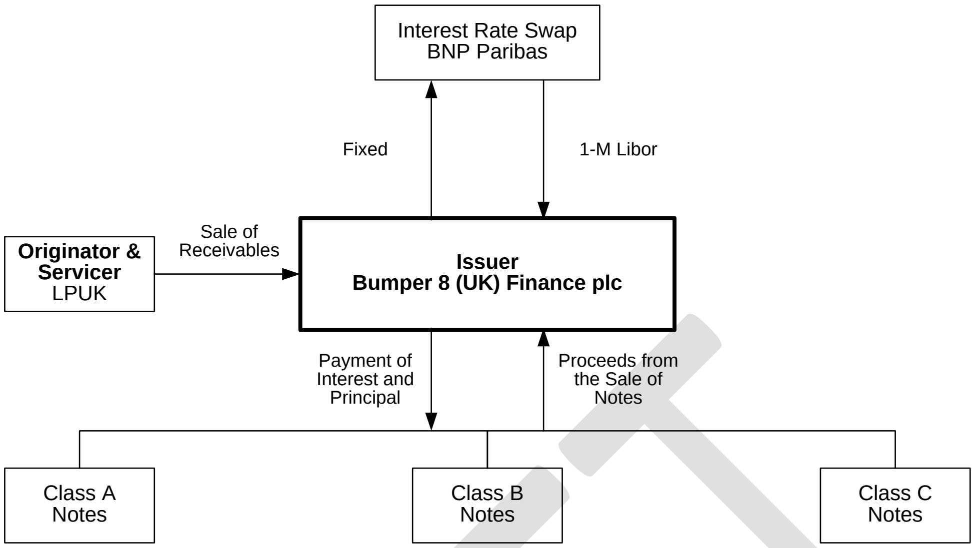
Related Research

EMEA Auto ABS Primer (April 2015)

Auto ABS Index – Europe (4Q16) (November 2016)

Transaction and Legal Structure

Simplified Group Structure Diagram



Source: Transaction documents

Issuer & True Sale

The issuer purchased lease receivables and associated RV claims on lease contracts originated by LPUK. The issuer is a bankruptcy-remote, limited liability special-purpose company incorporated under the laws of England and Wales for the sole purpose of issuing the notes and using the proceeds to purchase the lease receivables and RV claims, and other incidental activities.

The title to the underlying vehicles shall be retained by LPUK. The retention of title by LPUK presents the following risks: (i) the cooperation of LPUK or its insolvency administrator shall be required to sell the vehicle at lease maturity or following repossession; and (ii) a third-party creditor of LPUK may seek to enforce debts due to it against the title to the vehicles held by LPUK. The first issue is mitigated by the insolvency administrator incentive fee structure.

The second issue is mitigated by the provision to the issuer of a charge over the vehicles' title held by LPUK. This security over the vehicles is held by BNP Paribas Trust Corporation UK Limited, as the LPUK Security Trustee, for the benefit of the issuer. This floating charge will crystallise upon events such as: (i) any person levying or attempting to levy against the charged vehicles in an amount equal to at least GBP20m at any point in time; (ii) LPUK ceases to pay its creditors; (iii) application for the making of an administration order in relation to LPUK; or (iv) petition for the winding-up of LPUK.

Once the charge is crystallised, third-party creditors cannot exercise any claims over the vehicles. Although third parties can in principle exercise levies for an amount of up to GBP20m over the cars related to the lease portfolio prior to any crystallisation of the floating charge, Fitch does not believe that these competing claims would materially impair the security package of the transaction.

Creditors obtaining a judgement against LPUK can satisfy their claims over the vehicles covered by the charge while still floating. Such judgement would have to be as a result of LPUK's continuous failure to pay one or several creditors, without triggering insolvency proceedings; although theoretically possible as a matter of law, this seems unlikely in practice.

The purchase price is equal to the present value of the future lease instalments (interest and principal) and the RV claims at the discount rate of 5%. The service component of the lease instalments does not form part of the purchase price, but shall be transferred to the issuer along with the corresponding vehicle maintenance obligations. The service component will then be retransferred to LPUK, unless LPUK fails to provide the sub-maintenance services.

Capital Structure and Credit Enhancement

Credit enhancement is provided by the subordination of the junior notes and a cash liquidity reserve.

Liquidity Support

The transaction benefits from a specific liquidity reserve funded via a loan by LPC at closing at around GBP2.4m; this is the equivalent of around 0.56% of the class A and B notes. The reserve can be drawn to cover shortfalls for the payment of senior items, interest swap payments, and interest on the A and B notes; in the event of an interruption of the lease payments, Fitch believes that the reserve could cover these items for a period of four months. The liquidity reserve amortises in line with the class A and B notes, down to a floor of GBP2m.

Under the priority of payments, the liquidity reserve is replenished senior to the class C note interest and the payment of the notes principal. Upon amortisation of the liquidity reserve, the amounts released would be part of available funds and allocated as described in the *Priority of Payments* section below, therefore potentially covering portfolio losses. At maturity, the remaining balance may be used to repay the notes.

Eligibility Criteria & Concentration Limits

The transaction documentation provides, among others, the following eligibility criteria and representations regarding the transaction assets.

- The lease agreement has been executed by the seller, is legal, valid, binding and enforceable and is governed by the laws of England and Wales.
- The lease agreement has been entered in LPUK's ordinary course of business and at arm's length.
- The lease agreement is not a regulated credit agreement of the hire purchase or conditional sale type or otherwise.
- Each lease agreement that is a regulated consumer hire agreement is either: (i) entered into by the hirer in the course of a business; or (ii) provides for the hirer to make payments which in total (and without breach of the agreement) exceed GBP1,500 in any year.
- The lease receivable and RV claims are freely assignable.
- The leased vehicle exists and is in good condition, complying with provisions of the Road Traffic Act 1988.
- At least one lease instalment has been paid.
- There is no material breach, default or violation of any obligation under the associated lease agreement (for this purpose a lease shall be deemed to be in material default where any amount (other than in respect of any maintenance charges, services or fees) due under the lease agreement is in arrear for more than 31 calendar days and for an amount exceeding GBP1,000 if the lease agreement is classified as a corporate lease agreement or public sector lease agreement and GBP100 if the lessee is classified as an SME/Retail lessee).

- Lessees are neither members nor employees of the LeasePlan group.
- The lessee is obliged under the terms of the lease agreement to take out a third-party liability insurance.
- The lessee is not permitted to terminate the lease agreement in the event of the insolvency of LPUK.
- The title to the vehicles is held by LPUK.
- The lease agreement relates to a vehicle (passenger vehicle, commercial vehicle, light commercial vehicle, heavy goods vehicle).

More details on the representations, warranties and enforcement mechanisms (RW&E) in respect of the originator and the sold assets are available in the appendix report, entitled *Bumper 8 (UK) Finance plc – Appendix,* available at www.fitchratings.com.

Revolving Period

During the period until and including the payment date falling in February 2018, and unless an amortisation event occurs, the issuer will apply any principal collections, after payment of interest on the A and B notes, to the purchase of further leases and RV claims, or trap these collections on a dedicated replenishment ledger that can be drawn for future lease purchases. Such purchase of further leases is subject to the fulfilment of the following conditions.

- Each of the top one to three lessees does not account for more than 2.0% of the aggregate portfolio discounted balance.
- Each of the top four to five lessees does not account for more than 1.50% of the aggregate portfolio discounted balance.
- Each of the top six to 10 lessees does not account for more than 1.30% of the aggregate portfolio discounted balance.
- Each of the top 11 to 15 lessees does not account for more than 0.85% of the aggregate portfolio discounted balance.
- Each lessee, other than the top 15 lessees, does not account for more than 0.5% of the aggregate portfolio discounted balance.
- RV (excluding balloon amounts) claims do not account for more than 45% of the aggregate portfolio discounted balance.
- Lease agreements of each specific industry group do not account for more than 20% of the aggregate portfolio discounted balance.
- Lease agreements with a remaining term of more than 48 months do not account for more than 10% of the aggregate portfolio discounted balance.
- Lease agreements and RV claims to SME/retail customers do not account for more than 69% of the aggregate portfolio discounted balance.

For its credit analysis of the transaction, Fitch has assumed a stressed case portfolio, taking into account the factors above and LPUK's origination practices.

Amortisation Events

The revolving period referred to above would irreversibly end upon the occurrence of any of the following.

- The amount deposited in the replenishment ledger exceeds 10% of the portfolio aggregate discounted balance (as of the initial cut-off date) on two consecutive interest payment dates (IPD).

- The cumulative default ratio exceeds 3.0%; defined as the aggregate defaulted balance, divided by the sum of the initial portfolio balance and the aggregate balance of all additional purchases.
- The delinquency ratio exceeds 0.4%; defined as the ratio of non-defaulted leases of 61 or more days in arrears to the aggregate discounted balance of the portfolio on the last day of the previous monthly collection period.
- The sum of the aggregate discounted portfolio balance and replenishment ledger is less than the aggregate outstanding balance of class A, class B and class C on any IPD,
- The liquidity reserve is not funded to its required amount.
- An event of default or early termination event has occurred, under the swap agreements.
- A seller event of default.
- A servicer or realisation agent or sub-maintenance coordinator termination event.
- Regulatory and/or tax issues preventing the issuer from purchasing the lease receivables and RV claims.
- LPC fails to fund the reserves to their respective required amounts.

Fitch considers the delinquency ratio trigger to be the tightest of the above and the first that could be breached during the one-year revolving period if performance deteriorates.

Priority of Payments

The following is a summary of the priority of payments.

Priority of Payments

1. Taxes due by the issuer, other than amounts retained on the retained profit ledger.
2. Senior deferred purchase price to the seller, being the servicing components included in the lease instalments until termination of LPUK as sub-maintenance coordinator.
3. Senior fees to the trustees, servicer and its back-up, sub-maintenance coordinator and its back-up, realisation agent and its back-up (as applicable), and the reporting agent.
4. Amount of GBP350 to be retained by the issuer in the retained profit ledger.
5. Amounts payable to the interest rate swap counterparty (other than subordinated termination payments).
6. Interest due on the class A notes.
7. Interest due on the class B notes.
8. Replenishment of the liquidity reserve up to its target amount.
9. (During the revolving period); payment of the purchase price of new leases to the seller, and credit of excess over the required replenishment to the replenishment ledger.
10. (During the amortisation period); payment of principal to the class A notes.
11. (During the amortisation period); following full redemption of the class A notes, payment of principal to the class B notes.
12. Interest due on the class C notes.
13. (During the amortisation period); following full redemption of the class A and class B notes, payment of principal to the class C notes.
14. Interest due on the reserves loan.
15. Principal due on the reserves loan.
16. Subordinated termination payments to the interest rate swap counterparty, to the extent not paid from the swap collateral accounts.

17. Deferred consideration to the seller (including the aggregate discounted balance increase amount), if performing all its obligations under the transaction documents.

Amounts referred to in item 2 above are the service components of the leases. The issuer receives these collections as it is committed to provide in relation to the leased vehicles certain maintenance obligations stipulated in the lease contracts. These collections are retransferred to LPUK, which is committed to coordinate the provision of these maintenance services; the service components of the leases would be retained by the issuer nevertheless if LPUK fails under its obligations. Please see the section *Counterparty Risk, Maintenance* for more details.

The target amortisation of the notes includes the defaulted leases, which implies a provisioning for defaults. Leases are classified as defaulted upon the earlier of: (i) insolvency of the lessee; and (ii) instances of arrears by more than 90 days for leases to retail/SME customers, or whenever the servicer deems that no reasonable chance exists to collect any further payments for leases to corporate customers.

Upon enforcement, portfolio collections would be used to pay in priority the interest and principal, until full redemption of the most senior notes outstanding.

Rating Agency Confirmation

The transaction documents rely on a rating agency confirmation (which, as defined in the transaction documents, is deemed unnecessary after a period of non-response from a rating agency) for the implementation of certain changes to the transaction structure. Fitch is not a party to the transaction and therefore there is no certainty that a confirmation would be provided, and Fitch's non-response to a request for a confirmation is not intended by Fitch to be a confirmation. Fitch's general policy is not to issue confirmations. For more information, please refer to the report on *Unintended Consequences of Rating Confirmation References*, published on 9 October 2013 and available at www.fitchratings.com

Disclaimer

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Asset Analysis

Originator Overview

Fitch performed a review of the origination, underwriting and servicing capabilities of LPUK in November 2016. In the agency's view, both the policies and procedures of the company, and its implementation and control, are in line with industry norms.

Lease Products

The following LPUK products are included in the lease portfolio.

- Contract Hire - Operating Lease: under operating lease agreements the originator accepts responsibility, in exchange for a fixed fee, for the depreciation of the vehicle, funding costs, administrative costs and, in most cases, the provision of maintenance services. Title in the leased vehicle will remain with the originator. Operating lease agreements are offered as both open calculation contract hire lease agreements and closed calculation contract hire lease agreements. Open calculation agreements benefit from a settlement account where the positive difference between the lease instalments paid and the actual costs of running the fleet are refunded to the lessee. At maturity, the actual RV and maintenance costs are compared to the respective budget, providing a net surplus or loss. Profits are shared with the lessee and losses absorbed by LPUK. In some cases only a percentage of the profit is shared with the lessee.

- Contract Hire - Finance Lease: finance lease agreements are substantially similar to the operating lease agreements, with the main difference being that the lessee bears the RV risk on the relevant vehicle. The finance lease agreement contains a final payment due at the end of the term of the relevant agreement which is substantially higher than the normal monthly rental due. LPUK retains the title to the vehicle but the lessee is granted the right to sell the vehicle to a third party as the originator's agent. If all payments under the lease have been made, the originator will credit 98% of the sales proceeds to the lessee.
- Hire Purchase – Contract Purchase: open calculation contract purchase lease agreements are a type of hire purchase arrangement. They are substantially similar to the open calculation contract hire lease agreements with respect to their operation during the contractual term. However, for contract purchase lease agreements, the lessee may bear the RV risk on the relevant vehicle, save where the lessee exercises the right to return the vehicle, in which case LPUK bears the RV risk. At the end of the term of the relevant contract purchase lease agreement, the lessee may choose to pay a final balloon payment to purchase the relevant vehicle. The final balloon amount is agreed with the lessee at the time the lease agreement is signed. Upon payment in full of the balloon amount, title to the relevant leased vehicle is transferred to the lessee. Instead of making the final balloon payment, the lessee may return the relevant vehicle to LPUK which will then retain title to the vehicle. In this instance, the lessee would still be liable for any outstanding amounts should the realisation proceeds not meet the final balloon amount.
- Hire Purchase – Lease Purchase: unlike a contract purchase lease agreement, the lessee cannot return the vehicle in satisfaction of the final balloon payment at maturity and must purchase the vehicle. Upon payment of the final balloon amount, the lessee obtains title to the vehicle. The RV risk is on the lessee.

Lease instalments, which are usually payable in advance of each monthly lease period, include:

1. an interest component;
2. a principal component; and
3. a service component. This can include, inter alia, the following: (a) management fee; (b) replacement car; (c) road tax; (d) roadside assistance; (e) fuel; (f) and servicing, maintenance and repair. The lease service component of the leases is however not funded by the securitisation.

All lessees must take out third-party insurance and LPUK is required to ensure all vehicles are appropriately insured. A back-up servicer is expected to have the same obligation. Furthermore, the eligibility criteria also states that only vehicles covered by third-party liability insurance can form part of the eligible vehicle balance.

Residual Value Setting

LPUK sets RVs with the objective of matching the expected future market value of the vehicle with the contractual mileage of the lease agreement. This estimate is based on LPUK's model and compared to market data. Fitch sees LPUK's RV setting and review process as well controlled. Over the last 10 years, LPUK has historically achieved sale proceeds in line with RVs, although RV performance in 2007/8 began to come under strain as the recession impacted second-hand car values. More details on historical RV losses can be found in *Residual Value Risk* below.

LPUK is able to actively manage this process and is entitled to recalculate and adjust the payment schedule when:

- for contract hire open calculation-type contracts and the majority of contract hire closed calculation-type contracts, the mileage or other terms deviate from the contractual mileage or agreed terms (for instance, if the mileage exceeds 15% of the agreed amount); or
- an early termination of the lease occurs. When a contract is terminated more than 30 days prior to the end date it will be classified as an early termination. The calculation of the fee due upon early termination, as defined in the lease agreement, generally depends on the type of customer. Corporate customers are typically charged the difference between the market value of the vehicle and the book value of the lease, hence bearing directly the RV risk resulting from early termination. In lease contracts with SME and retail lessees, early termination fees are generally defined as a percentage of the remaining lease instalments. Historical data shows that average early termination fees charged to customers in these cases almost always cover the difference between the average book value of the terminated leases and the average resale price of the related vehicles; or
- at formal lease extension.

For the majority of contracts, the RV is recalculated at least once during the contract life, which helps LPUK mitigate RV risk; in these cases, the lease term and instalments can be changed when the RV is recalculated.

Underwriting

The credit proposals are initiated either by the credit risk management department or the sales department, but any decision as to whether to proceed with an application or renewal remains with the credit team. Sales for large corporate customers are originated by LPUK's own sales force; however, for retail customers and smaller companies, LPUK uses brokers to originate most of the business.

The credit risk assessment of clients depends on the market segment.

1. Global Credit Risk Management System (GCRMS) is used for corporate and public sector clients
2. Separate scorecards are used for SME and retail clients.

Once the credit team has received a new application or renewal it will conduct a risk evaluation and subsequently issue a recommendation. As part of the internal approval process, the following factors, among others, are taken into account:

1. the exposure (number of cars, amount);
2. profitability of the lease contract for LeasePlan;
3. the key ratios of the corporate customer, or key personal or company data for retail and SME customers (using external providers such as Experian); and
4. for corporate customers, the credit score and LeasePlan rating, assigned according to models and methodologies defined and maintained by LPC, the parent company. For retail and SME customers, an internal score defined according to the most relevant of the six available scorecards, which themselves partially rely on the Delphi score (from Experian) and information on outstanding financial commitments and past arrears available on Credit Account Information Sharing (CAIS).

While the underwriting of corporate customers is largely manual, and often consists of reviewing the situation of existing clients, the process for SME retail customers is more automated and based on scorecard results.

Servicing and Collections

Corporate and public sector accounts are serviced by an LPUK team of nine people; collections from SME and retail clients are managed by a team of around 50 employees, largely outsourced to two service providers working in close collaboration with LPUK: Bluestone Credit Management and Cabot Credit Management.

The collection procedure for corporate and public sector and retail and SME is somewhat different. Corporate and public sector collections are mostly managed in-house, due to the bespoke nature of these contracts, while retail and SME collections are mostly outsourced, due to the standardised nature of these agreements. Nevertheless, if not already classified by the servicer, the default process will begin at 90 days and will be carried out in similar ways for both types of customers.

The collections department will take direct action to collect the outstanding claim, including interest due and collection costs. If the lessee still fails to settle the outstanding balance, LPUK may decide to repossess the leased vehicle. Being the owner of the vehicle, LPUK is allowed to repossess the vehicle without any court decision or authorisation from any public body. Historically, the vast majority of defaults and repossessions have been related to SME retail customers; according to LPUK, corporate clients tend to run down their fleet when in financial difficulty and as a result, outright defaults in this segment are very rare.

Portfolio Summary

The lease receivables have all been originated by LPUK and are to UK lessees. The portfolio composition used by Fitch is based on the final pool, as of 31 December 2016. The key pool characteristics are included in the table below.

Characteristics of the Final Lease Portfolio

	As of 31 December 2016
Aggregate discounted balance (GBPm)	545.0
of which lease receivables in % of aggregate discounted balance (ADB)	49.9
of which residual value (% ADB)	43.5
of which balloon payments (% ADB)	6.6
Top 10 lessees (% ADB)	15.1
Number of lease agreements	40,588
Number of lessees	13,519
Weighted average seasoning (months)	14.2
Weighted average remaining term (months)	28.3
Weighted average original term (months)	42.5
Corporate lessees (% ADB)	40.0
SME lessees (% ADB)	56.0
Government lessees (% ADB)	4.0
Operating lease (% ADB)	82.4
Finance lease (% ADB)	13.2
Contract purchase lease (% ADB)	3.2
Lease purchase (% ADB)	1.2
Passenger vehicles (% ADB)	65.3
Commercial vehicles (% ADB)	34.7

Source: Bumper 8 prospectus

Asset Outlook

Fitch has a stable asset performance outlook on UK structured finance for 2017. Fitch's forecast for the main UK macroeconomic indicators suggests only a limited fallout from the EU referendum result in 2016. The more severe potential ramifications of leaving the EU will only begin to play out in subsequent years. In 2017, we expect a reduction in real household income, as the cost of imported goods rises due to sterling depreciation.

On the corporate side, the initial impact of the Brexit referendum has been focused mainly on sterling depreciation and high levels of market uncertainty regarding what Brexit will eventually mean for the UK. The fall in sterling since the referendum has already had a tangible impact on profitability, but longer-term uncertainty, compounded by protracted and acrimonious negotiations, would increase risks and widen the impact to other corporate sectors, including food and pharmaceuticals, while specific utilities could be affected if Brexit triggered Scotland's departure from the UK. The UK transport, property and leisure and retail industries are most at risk from the general impact of Brexit over the medium term.

Beyond 2017, and particularly beyond 2019, the range of potential scenarios for the UK economy is wide. Slower growth, weak investment and higher unemployment will all have detrimental effects on asset performance, but the extent of the deterioration is presently difficult to predict; however, current debts with shorter tenors, such as auto loans/leases, will be resistant to medium-term economic problems.

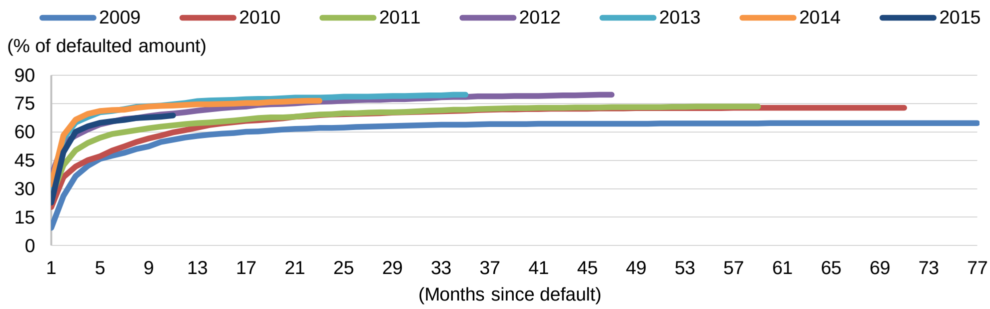
Default Rate

Given the very limited amount of default observations for LPUK's corporate book, Fitch's default assumptions were based upon the historical data provided across the entire portfolio, using *Criteria for Rating Granular Corporate Balance-Sheet Securitisations.*

Based on the good historical performance observed, the agency assigned an annual average probability of default (PD) of 1.5% to the whole pool. The annual average PD was converted to the one-year PD of 2.1% used as an input to PCM. The conversion mapping table is available in the *Criteria for Rating Granular Corporate Balance-Sheet Securitisations.*

Cumulative Sales Proceeds

Total portfolio



2009 includes 2 months of data
Source: LPUK

Obligor concentration is considered a primary risk driver in the portfolio. According to the replenishment criteria, the top 15 lessees can represent up to 20% of the portfolio notional. Fitch accounted for the idiosyncratic risk of default of the largest obligors by applying an obligor correlation uplift (OCU) to obligors representing more than 50bp of portfolio notional in the Portfolio Credit Model (PCM).

When defining its default probability assumptions, Fitch assumed that replenishment during the revolving period would make use of the limits allowed by the replenishment criteria. The stressed-case portfolio underlying Fitch's default stresses assumes that, subject to constraints embedded in the transaction documentation, principal collections during the revolving period are reinvested in longer leases, in a way that maximises concentration in terms of individual lessees and industries. Fitch assumed that new leases during the revolving period could have original maturities over 48 months, to the extent permitted by the replenishment criteria and in line with contract durations seen in historical data. The agency further reduced those maturities to adjust for seasoning during the revolving period.

Fitch used its proprietary PCM, tailored specifically for SMEs and corporate obligors, in its analysis of the portfolio. The PCM results show the rating default rates (RDR) at the expected ratings of the notes. The RDR indicates the percentage of the portfolio that is expected to default under a given rating stress over the life of the transaction.

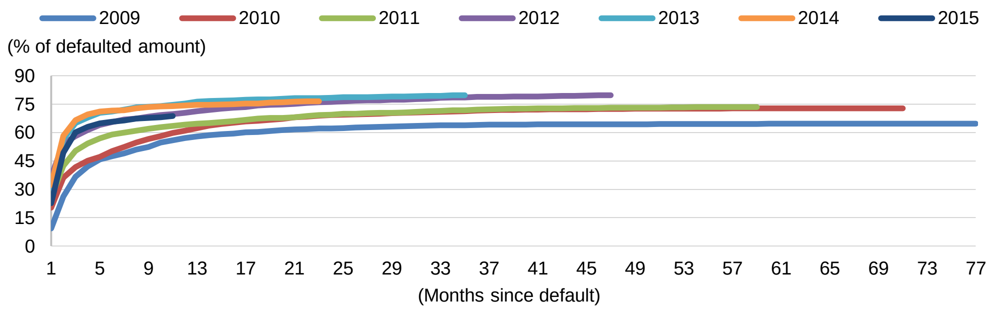
Recovery Rates

Fitch was provided with LPUK's historic recovery data from November 2009 to October 2016, based upon vehicle sale and cash proceeds. The data showed historic cumulative recovery rates were ranging from 80% to 100% depending on the default vintage. Fitch considered only car sales proceeds and assumed a base case recovery rate of 75% for the portfolio.

Fitch assumed a recovery haircut of 45% at 'AAAsf', which is slightly lower than the median envisaged by the criteria. The haircut reflects the secured title over the leased vehicles, the stability of performance through the years as well as LPUK's defined strategy for vehicle repossession and re-marketing.

Cumulative Sales Proceeds

Total portfolio



2009 includes 2 months of data

Source: LPUK

Default and Recovery Assumptions

(%)	Default rate expectation	Recovery rate expectation	Loss rate expectations
AAA	25.2	41.3	14.8
AA+	25.2	45.8	13.7
Base case	3.0	75.0	0.75

Source: Fitch

Residual Value Risk

The transaction is exposed to the RV risk of the vehicles. RV loss arises when there is a difference between the contractual RV and the actual sales proceeds of the vehicle.

Fitch applied its *Global Consumer ABS Rating Criteria – EMEA Auto Residual Value Addendum* criteria to calculate expected RV losses and incorporated this, along with default expectations, into its cash flow modelling to assess the adequacy of the credit enhancement. RV losses were calculated as detailed below.

Residual Value Risk

(%)	AAAsf	AA+sf
Base case sale proceeds as % of RV	100	100
RV rating stress haircut	32.5	29.2
Stressed sale proceeds as % of RV	67.5	70.8
Less: selling costs	1.8	1.8
Equals: Stressed proceeds	**65.7**	**69.0**
Less: Administrator incentive fee	2.5	2.5
Equals: Net stressed proceeds	**63.2**	**66.5**
RV loss severity	**36.8**	**33.5**
Cumulative gross defaults	25.2	25.2
Non defaulted portfolio	74.8	74.8
Max RV claims per replenishment criteria	45	45
RV loss exposure	33.7	33.7
RV loss as % of closing portfolio	**12.4**	**11.3**

Source: Fitch

The sales proceeds assumption was derived based on an analysis of LPUK's sales proceeds over the past 10 years. Apart from a period end-2007/8, the sale proceeds achieved by LPUK were generally higher than the RV exposure at maturity, which seems to confirm the accuracy of LPUK's RV setting policy. The agency has assumed base case sales proceeds in the transaction at 100% of the contractual RV of maturing leases, due to the detailed RV setting policy and active ongoing management of the lease.

Fitch applied a haircut of 32.5% at 'AAAsf' to the base case sale proceeds to capture the risk that future sale proceeds may be impacted by unexpected macroeconomic deterioration and/or changes in consumer preferences. The haircut applied is on the lower end of haircuts envisaged by the *Global Consumer ABS Rating Criteria – EMEA Auto Residual Value Addendum.* The haircut reflects the fact that lease maturities are not clustered and there is high model and manufacturer diversification in the pool. In addition, the liquidity of the UK car market is considered an alleviating factor on the market value stress. The agency decided to apply the same RV haircut for passenger and commercial vehicles as it believes that the two markets do not have a significant difference in liquidity. Passenger vehicles are marketed to a potentially larger customer base, whereas commercial vehicles are in many cases required in large numbers for a company's standard operations.

The underlying lease portfolio is highly diversified by manufacturer: Ford has the largest share, with 19% of all vehicles in the transaction, followed by VW/Audi (18% of vehicles in the pool); all other brands represent less than 8% of the closing portfolio each. In Fitch's opinion, brand diversity is a strength, as the transaction is less exposed to a market share decline for a particular brand or manufacturer.

RV risk is only applied against expected maturities. Expected maturities are calculated as 100% of the pool, less cumulative defaults. Early terminations in the context of this transaction constitute repayment of the outstanding lease instalments, ie not including the RV at maturity. As a result, Fitch did not assume any prepayments, as this would erroneously reduce the RV exposure applicable for the portfolio. The total RV losses on the closing portfolio are the product of the assumed loss severity of RV claims at lease maturity, multiplied by the share of the non-defaulted portfolio, multiplied by the maximum share of RV claims in the overall portfolio, as allowed by the replenishment criteria (45%).

It should be noted that the transaction becomes exposed to RV risk only if LPUK becomes insolvent; prior to this, the transaction documents oblige LPUK to repurchase the RV claims upon maturity of the lease contracts, to the extent that these lease contracts are not defaulted.

Loss Assumptions Overview

(%) of closing balance	AAAsf	AA+sf
Defaults	25.2	25.2
Recoveries upon default	41.3	45.8
Credit losses	**14.8**	**13.7**
RV losses	**12.4**	**11.3**
Total losses assumed	**27.2**	**25.0**

Source: Fitch

Financial Structure and Cash Flow Modelling

The agency analysed the ability of the transaction structure to withstand various stresses in several asset loss scenarios, using its proprietary multi-asset cash flow model. The scenarios combine different default distributions (front, evenly and back loaded) in combination with rising, stable and decreasing interest rates, in line with the agency's *Criteria for Interest Rate Stresses in Structured Finance Transactions and Covered Bonds*. Fitch did not assume any prepayments, as this would reduce the portfolio's RV exposure, which would be credit positive for the transaction.

Overall, the structure was found to be robust to the different scenario combinations, so that payment obligations under the transaction documents (timely interest and ultimate principal payments) were met in all scenarios considered.

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; secondly, the structural protection was analysed in a customised proprietary cash flow model (see *Financial Structure & 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 default rate is increased by a relative amount, is demonstrated below. For example, increasing the base case default rate by 10% may result in a one-notch downgrade of the class B, from 'AA+sf' to 'AAsf', but it would not impact the class A.

Rating Sensitivity to Increased Default Rate Assumptions

	Class A	Class B
Original ratings	AAAsf	AA+sf
Increased default rate by 10 (%)	AAAsf	AAsf
Increased default rate by 25 (%)	AA+sf	AA-sf
Increased default rate by 50 (%)	AAsf	A+sf

Source: Fitch

Rating Sensitivity to Recovery Rates

The change in rating if the base case recovery rate is adjusted is demonstrated below.

Rating Sensitivity to Reduced Recovery Assumptions

	Class A	Class B
Original ratings	AAAsf	AA+sf
Reduced recovery rate by 10 (%)	AAAsf	AAsf
Reduced recovery rate by 25 (%)	AA+sf	AA-sf
Reduced recovery rate by 50 (%)	AA-sf	Asf

Source: Fitch

Rating Sensitivity to Net Sales Proceeds Assumptions

The change in rating if the base case net sale proceeds are adjusted is demonstrated below.

Rating Sensitivity to Net Sale Proceeds Assumptions

	Class A	Class B
Original net sale proceeds	AAAsf	AA+sf
Net sale proceeds upon maturity decreased by 10 (%)	AA+sf	AA-sf
Net sale proceeds upon maturity decreased by 20 (%)	AAsf	A+sf
Net sale proceeds upon maturity decreased by 30 (%)	AA-sf	A-sf

Source: Fitch

[1] These sensitivities describe the model-implied impact of a change in one or more 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 Shifts in Multiple Factors

The table below summarises the rating sensitivity to stressing three 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, recoveries and sale proceeds.

Rating Sensitivity to Increased Default and Reduced Recovery Assumptions

	Class A	Class B
Original base cases	AAAsf	AA+sf
Increase defaults by 10%,reduce recoveries by 10% and reduce net sale proceeds by 10 (%)	AAsf	A+sf
Increase defaults by 25%,reduce recoveries by 25% and reduce net sale proceeds by 20 (%)	Asf	BBBsf
Increase defaults by 50%,reduce recoveries by 50% and reduce net sale proceeds by 30 (%)	BB+sf	BB-sf

Source: Fitch

Criteria Application, Model and Data Adequacy

Criteria Application

Fitch analysed the portfolio loss risk in accordance with its *Global Consumer ABS Rating Criteria* and *EMEA Auto Residual Value Addendum*, available at www.fitchratings.com, with reference to the *Criteria for Rating Granular Corporate Balance-Sheet Securitisations (SME CLOs)*, assessing the defaulted loan exposure.

Model

Fitch used a proprietary Portfolio Credit Model (PCM), tailored specifically for SMEs and corporate obligors/lessees, in its analysis of the stressed portfolio at the end of the revolving period. Fitch also used its proprietary cash flow model to analyse the transaction's cash flows during the amortisation phase.

Data Adequacy

The following information was provided by the originator to support Fitch's collateral analysis.

- Defaults by vintage for the total portfolio, broken down into sub-categories, based on customer type (corporate, government versus SME) going back to November 2009.
- Recoveries by vintage for the total portfolio since November 2009.
- Origination volumes, early terminations and informal extensions since November 2009.
- Outstanding portfolio balance and number of vehicles since November 2009.
- Dynamic delinquency and default data since November 2009.
- Historical RV amounts and losses from November 2009.
- Stratification tables for the final pool.
- Loan-by-loan data for the final pool.

In Fitch's view, the overall level of data available was adequate to support the rating analysis.

Counterparty Risk

The primary counterparty exposure of the issuer is to LPUK. Exposure results from: (i) servicing; (ii) maintenance; (iii) subordinated loan; and (iv) representations and warranties provided as the seller. Counterparty exposure also exists with respect to the account bank provider and the swap counterparty.

The transaction includes a rating trigger which determines the requirement for the reserves funding if LPC is rated at least ‘BBB+’ and ‘F1’. This of ratings is not a featured linkage in Fitch’s Long-Term/Short-Term correspondence tables, as a ‘BBB+’ rated entity would have a Short-Term Rating of ‘F2’. As a result, the aforementioned trigger is driven by the Short-Term Rating requirement of ‘F1’, which, according to Fitch’s rating correspondence tables, is on a higher level than ‘BBB+’.

The counterparty exposure was analysed using Fitch’s *Counterparty Criteria for Structured Finance and Covered Bonds*.

Servicing

In the event: (i) the rating of LPC falls below ‘BBB-‘; or (ii) any person levies or attempts to levy against the charged vehicles in an amount equal to at least GBP20m (an appointment trigger), LPUK is required to appoint a back-up servicer with 120 days, under terms substantially similar to those of the servicing agreement. If at the end of the 120-day period, or upon the termination of the servicing agreement, no back-up servicer has been appointed, the issuer will approach a suitable institution to fulfil the role. The replacement of LPUK in its duties as the realisation agent (organising the resale of the vehicles) and the sub-maintenance coordinator follows similar rules. Fitch considers the liquidity reserve as a stronger mitigant against servicing disruption than the appointment of a back-up servicer, due to the trigger being breached only when LPC is rated as non-investment grade. The agency also believes that the liquidity reserve alone enables the servicing of senior items and class A and B note interest for a period of up to four months of interruption in the lease collections.

Account Bank

BNP Paribas will act as the issuer account bank. The documentation stipulates that the account bank will be replaced within 30 calendar days upon downgrade below ‘A’ or ‘F1’, in line with Fitch’s criteria.

Commingling

The transfer of collections from the seller collections account to the issuer transaction account is as follows.

A) Collections from lessees (including final balloon payments, principal, interest) and vehicle sale proceeds from the realisation agents are transferred to the issuer transaction account either twice weekly or on the IPD.

B) Lease servicing components and VAT components will be transferred from the seller collection accounts to the issuer transaction account on each IPD.

If LPC is rated below ‘BBB+’ and ‘F1’ or LPUK is not majority-owned by LPC then a commingling reserve will be funded. Given that LPC is rated ‘BBB+’/Stable/’F2’, it funded the reserve via a loan at closing. Should LPC be upgraded to ‘BBB+‘ and ‘F1’ there will be no requirement to post a commingling reserve. In this instance, should LPUK become insolvent and/or fail to transfer collections to the issuer account (including upon the default of the collection account bank) funds held in the seller collection accounts without rating triggers in place, may be subject to commingling loss. In this scenario, LPC will be required to fund the reserve account. During the continuation of the trigger event, a further advance will be provided on each IPD, to the extent that the required amount is higher than the amounts standing on the commingling reserve ledger.

The sizing of the reserve will depend on whether LPUK transfers collections twice weekly or on the IPD (see A above). Based on the sweep frequency, the reserve will be:

A) twice-weekly sweep of collections

62% * (interest and principal scheduled to be received in the following month) plus

25% * (maximum contractual RV scheduled to be received over one month)

B) Monthly transfer of collections

162% * (interest and principal scheduled to be received in the following month) plus

125% * (maximum contractual RV scheduled to be received over one month)

It is expected that LPUK will transfer collections monthly. The lessees will not be notified of the transfer of the leases to the purchaser until the insolvency of the seller-servicer, or upon a failure by LPC to replenish the commingling or maintenance reserves.

In the event of any insolvency of LPUK, Fitch believes that up to one month of lease collections could be lost in LPUK's insolvency estate. LPUK is not entitled to receive car sales' proceeds following the termination of a servicing or realisation agreement and as a result, only those proceeds sitting on the collection account at the time of LPUK's insolvency are at risk of being lost in the insolvency estate. Fitch believes that commingling risk is sufficiently mitigated and did not include a commingling loss in the transaction analysis.

Set-Off Risk

LPUK represents that no deposit has been made by any lessee in relation to vehicles in the portfolio. Under some "open calculation"-type lease contracts however, LPUK may owe customers a refund at the end of each year, typically resulting from the leased vehicle being under-used compared to the terms of the agreement. These amounts could give rise to set-off risk. To mitigate this risk, LPC funded a set-off reserve via a loan at closing, sized at approximately GBP2.2m, which is based upon the maximum amount refunded every month to customers since March 2015; this can be as a result of lower maintenance costs, vehicle under-mileage, open calculation settlements (essentially, a share of the car sales proceeds in excess of the residual lease balances) and lease recalculation settlements (essentially, historical excess payments returned to the customer following lease extensions). Fitch believes that open calculation settlements in particular are likely to be significantly reduced in the context of severe RV losses, as contemplated in its stress scenarios. The agency sees this reserve as adequate to mitigate against set-off risk in the transaction, and did not assume any further set-off loss in its analysis.

Maintenance

Under certain leases the lessee elects to enter into an agreement whereby the vehicle will receive specific maintenance, repairs and servicing in return for the payment of an additional instalment amount. The obligation to provide such repairs, maintenance and servicing is transferred to the issuer, which receives the corresponding component of the lease instalments. LPUK is committed to coordinating the provision of maintenance services as a sub-contractor of the issuer; correspondingly, it receives the service components back from the issuer to fulfil these obligations.

If not provided with the committed maintenance services, a lessee could be entitled to terminate the lease agreement without compensation. The structure is designed to ensure that the services are funded and provided on a continuous basis. The issuer will retain the lease servicing components and use these, along with the balance of the maintenance reserve, to pay for the provision of maintenance services.

The maintenance reserve was funded by LPC via a loan at closing at approximately GBP7.6m, and will be maintained dynamically by LPUK during the revolving period, at an amount equal to the difference between: (i) the expected aggregate amount of service payments, minus; (ii) the actual aggregate amount of maintenance costs incurred in relation to the lessees in the portfolio to date, minus; (iii) the historical average profit margin per vehicle at termination, multiplied by the remaining number of vehicles. Fitch believes that the mitigants in place adequately protect the transaction against the risk of an interruption of maintenance services provided to lessees.

Reserve Trigger Events

Rating triggers are in place to fund the commingling, set-off and maintenance reserves. These are breached at closing; however, should LPC be upgraded to 'BBB+' and 'F1' there will be no requirement to post the reserves.

The reserves will also be funded should LPUK fail to transfer payments from the collection account, as outlined in the servicing agreement.

Whilst LPC already maintains a 'BBB+/F2' rating, the trigger is driven by the Short-Term Rating requirement. Based upon Fitch's Long-Term/Short-Term correspondence tables, typically a one-notch upgrade to 'A-' could result in an 'F1' or 'F2' rating remaining, whilst a Short-Term Rating of 'F1' would be more likely at 'A'.

Reserve Loan Cap

The transaction includes a cap on the advances made to the issuer by LPC in order to fund the liquidity, maintenance, set-off and commingling reserves. The total outstanding advances, including the initial and any further loan amounts cannot exceed 15% of the aggregate initial note balance or 30% of the aggregate outstanding note balance, at any time. Fitch believes that these limits will have no impact given their level, relative to the expected required amounts of the reserves during the transaction life.

Swap Counterparty

At closing, the issuer entered into a swap agreement with BNP Paribas to mitigate the interest rate mismatch between: (i) the assets that yield a fixed rate of interest equal to the discount rate; and (ii) the floating rate notes.

Under the interest rate swap, the issuer shall pay a fixed interest rate equal to 0.484% of the balance of the class A and class B notes. In return, the issuer shall receive the one-month Libor rate of the notes, on the same notional.

At closing, the interest rate swap counterparty is BNP Paribas. The transaction features triggers in the event of a downgrade of the interest rate swap counterparty. Upon downgrade below 'A' or 'F1' the swap provider will have to post collateral within 14 calendar days. Following a downgrade below 'BBB-' or 'F3', a suitable replacement counterparty will be procured within 30 calendar days.

Fitch has also reviewed the swap documents, which are in line with its counterparty criteria.

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 investor reports detailing the performance of the portfolio. As Fitch expects the investor reports to contain all basic information comparable to the investor reports provided in the European market, the expected Issuer Report Grade for Bumper 8 (UK) Finance plc is four stars, in accordance with Fitch Special Report *EMEA ABS Issuer Report Grades*, dated November 2011. The reports will provide the basis for the agency's surveillance of the transaction's performance against both base case expectations and the performance of the industry as a whole. Where appropriate, the agency may request further data from the originator or the servicer

The ratings of Bumper 8 (UK) Finance plc will be reviewed by a committee at least once every 12 months, or when considered appropriate (eg, in the event of a deterioration in performance, an industry-wide development, or a change at the originator or the servicer 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 prepayments) 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 on-going performance.

Appendix A: Transaction Overview

Bumper 8 (UK) Finance plc — Auto - Leases/United Kingdom

Capital Structure

Class	Ratings[a]	Rating Outlook	Size (%)	Size (GBPm)	CE[b] (%)	PMT freq.	Final maturity	TT[c] (%)	TTLM[d] (x)	PLM[f] (x)
A	AAAsf	Stable	73.4	400.0	27.0	Monthly	November 2027	73.4	97.8	36.0
B	AA+sf	Stable	4.6	25.0	22.5	Monthly	November 2027	4.6	6.1	30.0
C	NR		22.0	120.0		Monthly	November 2027	22.0	n.a.	n.a.
				545.0					PLE[e]	**0.75**
Liquidity reserve		**Initial 0.56% of class A and B notes Floor GBP2m**					**Credit enhancement**	**Overcollateralization (%)**		**26.6**
								Liquidity reserve (%)		**0.4**
End of revolving period		**February 2018**								

[a] Closing occurred on 07 February 2017. The ratings are based on the final pool cut as of 31 December 2016. 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
[b] Credit Enhancement (CE): The CE consists of overcollateralisation through subordination of junior notes (26.6% for class A) and the liquidity reserve
[c] Tranche Thickness percentage – ratio of class size to collateral balance
[d] The tranche thickness loss multiple (TTLM) is calculated by dividing the tranche thickness (TT) by Fitch's base case loss expectation, which is 0.75% for this transaction. See Fitch's special report *Structured Finance Tranche Thickness Metrics*, dated 29 July 2011, for additional information
[e] Portfolio Loss Expectation (PLE): Outstanding principal balance of the portfolio that Fitch expects will be lost over the life of the transaction
[f] Portfolio Loss Multiple (PLM): CE divided by PLE
Source: Fitch

Key Information

Details		Parties	
Closing date	7 February 2017	**Seller/originator**	LeasePlan UK Limited
Country of assets and type	UK auto leases	**Servicer**	LeasePlan UK Limited
Country of SPV	United Kingdom	**Backup servicer**	None
Analysts	Katerina Pavlopoulou katerina.pavlopoulou@fitchratings.com +44 20 3530 1228	**Issuer**	Bumper 8 (UK) Finance plc
	Andy Brewer andy.brewer@fitchratings.com +44 20 3530 1005	**Issuer account bank provider**	BNP Paribas Securities Services (A+/Stable/F1)
Performance analyst	Katerina Pavlopoulou	**Security trustee**	BNP Paribas Trust Corporation UK Limited
		Swap counterparty	BNP Paribas (A+/Stable/F1)
		Frequency	Monthly

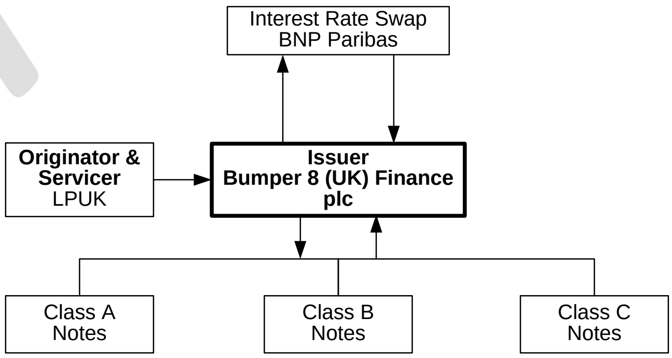
Source: Fitch

Key Rating Drivers

- **Portfolio Credit Quality**: The lessees are mix of corporate (44% of the portfolio), SME and retail (56% of the portfolio). Fitch Ratings analysed the portfolio default risk using its proprietary portfolio credit model (PCM). Based on the historical observation, Fitch assigned an annual average probability of default (PD) of 1.5%, which implied a mean rating default rate (RDR) of 3% on the portfolio.
- **Strong Recovery Prospects**: Fitch assumed a recovery base case of 75% on defaulted lease receivables. Based on the historical observations, recoveries consist of car sales proceeds and the cash recovery from the lessees. Fitch considers only car sales proceeds in the recovery base case.
- **Residual Value (RV) Risk Present**: The RV claims at the end of operating lease contract are securitised. Fitch reviewed LPUK's RV setting policy and the historical RV realisation proceeds and determined a realisation proceeds' base case at 100%. Fitch assumed RV losses of 12.4% at 'AAA'. During the revolving period, the discounted RV claim is limited to 45% of the overall pool. LPUK is obliged to pay the RV to the issuer. A default of LPUK would expose the issuer to the risk of RV losses.
- **Revolving Portfolio:** The portfolio is expected to replenish until February 2018, according to certain criteria pertaining to the lessee size, industry concentration, lease maturity and the amount of RV claims. Fitch's asset analysis is based on an assumed stressed-case portfolio, considering lessee concentrations and the tenor of the lease agreement, in line with our SME criteria
- **Counterparty Risk on LPUK:** LPUK acts as initial servicer and also coordinates the provision of maintenance services to the lessees. The transaction comprises a number of reserves, including a maintenance reserve which would, together with the collected service components of the lease payments, enable the issuer to fund maintenance services to the lessees after LPUK's default. The transaction's counterparty risk to LPUK is mitigated by various structural features, such as a liquidity, set-off, commingling and maintenance reserve, All except the liquidity reserve are funded for as long as LPC is rated below 'BBB+ and F1'. The transaction is further protected by the commitment of LPC to fund the commingling reserve upon the insolvency of the collection account bank and/or the failure of LPUK to transfer collections to the issuer account.

Source: Fitch

Simplified Structure Diagram



Source: Transaction documents

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.