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March 20, 2012

Presale: Bumper 5 (UK) Finance PLC

Primary Credit Analyst:
Krzysztof Bryla, London (44) 20-7176-7044; Krzysztof_Bryla@standardandpoors.com

Surveillance Credit Analyst:
Thomas Cho, London (44) 207-176-3896; Thomas_Cho@standardandpoors.com

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Presale:

Bumper 5 (UK) Finance PLC

This presale report is based on information as of March 20, 2012. The ratings shown are preliminary. This report does not constitute a recommendation to buy, hold, or sell securities. Subsequent information may result in the assignment of final ratings that differ from the preliminary ratings.

Class	Prelim. rating*	Prelim. amount (mil.)§	Available credit support (%)†	Interest	Legal final maturity
A1	AAA (sf)	€TBD	31.68	One-month EURIBOR plus a margin	June 2022
A2	AAA (sf)	£TBD	31.68	One-month LIBOR plus a margin	June 2022
B	AA (sf)	£46.1	26.18	One-month LIBOR plus a margin	June 2022
C	NR	£209.5	1.18	Fixed	June 2022

*The rating on each class of securities is preliminary as of March 20, 2012, and subject to change at any time. We expect to assign initial credit ratings on the closing date subject to a satisfactory review of the transaction documents, swap agreement, and legal opinion. Standard & Poor's ratings address timely payment of interest and ultimate repayment of principal by the legal final maturity. §The portfolio's composition may change over time due to replenishment of maturing assets. †Credit support figures do not include the default reserve as it could be depleted before the amortization period begins. At closing, enhancement will comprise subordination and two cash reserves liquidity and default, equal to 1.18% and 1.50% of the asset balance, respectively, that cover interest for the class A and B notes. Both reserves can be used to repay the notes, but the liquidity reserve can be used only at maturity. NR--Not rated. EURIBOR--Euro interbank offered rate. LIBOR--London interbank offered rate. TBD--To be determined.

Transaction Participants

Originators	LeasePlan UK Ltd., Network Vehicles Ltd., Dial Vehicle Management Services Ltd., Dial Contracts Ltd., Automotive Leasing Ltd.
Arranger	The Royal Bank of Scotland PLC
Seller	LeasePlan UK Ltd.
Servicer	LeasePlan UK Ltd.
Realization agent	LeasePlan UK Ltd.
Submaintenance coordinator	LeasePlan UK Ltd.
Subordinated loan provider	LeasePlan UK Ltd.
Guarantee provider for certain seller obligations	LeasePlan Corporation N.V.
Issuer security trustee	BNP Paribas Trust Corporation UK Ltd.
Note trustee	BNP Paribas Trust Corporation UK Ltd.
Transaction account provider	HSBC Bank PLC
Interest rate swap counterparty	DZ BANK AG
Currency swap counterparty	HSBC Bank PLC

Supporting Ratings

Institution/role	Ratings
HSBC Bank PLC as transaction account bank	AA-/Stable/A-1+
DZ BANK AG as interest rate swap provider	AA-/Stable/A-1+
HSBC Bank PLC as currency swap provider	AA-/Stable/A-1+
LeasePlan Corporation N.V. as guarantee provider for certain seller obligations	BBB+/Stable/A-2

Transaction Key Features

Expected closing date	April 12, 2012

Transaction Key Features (cont.)	
Collateral	Auto lease installment receivables resulting from operating and finance lease agreements with corporate and public-sector as well as small and midsize enterprise (SME) and retail clients; and the residual values of the related vehicles
Country of origin	U.K.
Total receivables (mil. £)*	837.6
Leasing installments (mil. £)*	517.4
Receivables representing residual values (mil. £)*	320.2
Revolving period (months)	9
Lessee concentration*	Single-lessee: 2%; top 10: 12.84%; top 30: 22.30%
Geographic concentration*	Southeast (28.81%), northwest (12.86%), and southwest (11.86%)
Number of leasing contracts*	20,949 corporate and government and 46,652 retail and SME
Number of lessees*	315 corporate and government and 30,600 retail and SME
Average discounted balance per leasing contract (£)*	12,390
Weighted-average seasoning (months)*	11.25
Discount rate (%)*	8
Arrears*	No lessee is in arrears for more than 31 days
Cash reserves	1.18% and 1.50% of the rated note balance liquidity and default respectively

*As of the preliminary pool dated Feb. 29, 2012. SME--Small and midsize enterprise.

Transaction Summary

Standard & Poor's Ratings Services has assigned preliminarily credit ratings to the class A1, class A2, and £46.1 million class B floating-rate notes to be issued by Bumper 5 (UK) Finance PLC. At the same time, Bumper is to issue £209.5 million unrated class C notes.

This will be the LeasePlan group's second term securitization in the U.K.; it follows Bumper 3, which closed in April 2009.

The transaction will securitize a pool of auto lease receivables and related residual values. LeasePlan UK Ltd.'s brands (LPUK) originated the lease contracts to its U.K. corporate and public-sector (C&G) as well as retail and small and midsize enterprise (SME) customers (S&R) in the ordinary course of its business. The lease contracts contain contract hires, finance leases, and hire purchase agreements. The contract hires and hire purchases may contain a servicing component in addition to a financing component. Only the finance component is securitized here.

LPUK is a part of the international LeasePlan Corporation N.V. (LPC; BBB+/Stable/A-2), which was established in 1963.

In our opinion, the most relevant risks for the transaction are the credit risk of the underlying lessees and the market value decline risk of the vehicles backing the residual-value receivables. The transaction will be revolving, and so our assessment of credit risk also considered portfolio deterioration through adverse migration, a risk which will be partially offset by certain portfolio limits. Our analysis also took into account liquidity risk, commingling risk, set-off risk, tax risks, and lease-termination risk.

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A combination of subordination, excess spread, and cash reserves (which will provide both liquidity and credit support) will act to provide credit enhancement. In addition, the transaction will include a commingling reserve, a maintenance reserve, and a set-off reserve to protect noteholders from seller risks. The transaction documents will require LPUK to fund the liquidity and default reserves upon closing and the remaining reserves upon the downgrade of LPC below 'BBB' with an 'A-2' short-term rating, or 'BBB+' in the absence of at least an 'A-2' short-term rating. The other reserves will be funded from Day 1, but could be released if the rating on LPC from this and another rating agency are both at or above the minimum required rating levels. Our minimum required rating level is 'BBB' with at least an 'A-2' short-term rating, or 'BBB+' in the absence of at least an 'A-2' short-term rating. LPC will guarantee all LPUK's obligations to fund the reserves.

As regards lease-termination risk, our analysis took into account the appointment of a back-up servicer upon LPC's downgrade to below investment-grade, that the maintenance reserve can be used to pay maintenance costs, and the availability of sufficient cash to make payments to the insolvency administrator to encourage cooperation with the issuer.

In our view, the transaction will be exposed to counterparty risk through the account bank, HSBC Bank PLC (AA-/Stable/A-1+). Additional counterparty risk will arise through DZ BANK AG, as the interest rate swap counterparty and HSBC Bank PLC, as the currency swap provider, and through LPC as guarantor for the originator. We consider that exposure to these counterparties is mitigated through appropriate downgrade/replacement language, in line with our counterparty criteria.

Rating Rationale

The preliminary ratings reflect our assessment of the following factors:

Sector outlook

The U.K. economy, after a period of intense economic pressure in 2009-2010, is slowly heading toward recovery, in our view. While GDP growth is on an upward trajectory, the improvements are rather slow, and we have revised our expectations for 2012 to 0.5% (see "Economic Research: Assessing The Severity Of The Eurozone Recession Is A Close Call," published on Jan. 31, 2012). Our base case expectation is that of a slow recovery, although our latest economic research estimates the probability of a double-dip recession in the U.K. in 2012 to be 40%.

Operational

LPUK is a long-established and stable brand in the U.K. Our ratings on the class A1, A2, and B notes reflect our assessment of the company's origination policies, as well as our evaluation of LPUK's ability to fulfill its role as servicer under the transaction documents.

Credit

In our analysis, we have considered credit risk in line with our criteria by looking at historical performance measures such as delinquencies, gross losses, and recovery rates, taking into account macroeconomic and industry trends (see "European Consumer Finance Criteria," published on March 10, 2000). Additionally, due to the nature of the assets, we have considered obligor and industry concentration risks present in the portfolio. The presence of securitized RVs gives rise to market value decline risk.

Cash flow

We have constructed a worst-case pool, subject to the replenishment and eligibility criteria, and modeled the amortization period only. Our cash flow runs include high/low constant prepayment rates, high/low LIBOR stress scenarios, and reflect the mechanics laid out in the transaction documents. The class A1 and A2 notes pass at the 'AAA' rating level and lower levels, while the class B notes pass at the 'AA' rating level, but not higher.

Counterparty

There is an exposure to several counterparties present in the transaction, which provide direct limited, derivative, and other support. The downgrade/replacement language is in line with our 2010 counterparty criteria (see "Counterparty And Supporting Obligations Methodology And Assumptions," published on Dec. 6, 2010). Secondary risks associated with the insolvency of the originator or the originator's guarantor, such as set-off, commingling, and lease termination, have been addressed by sizing and comparing against available reserves with any differences subtracted from the cash flows.

Legal

We consider the issuer to be a bankruptcy-remote entity, in line with our European legal criteria and have received legal comfort that the sale of the assets would survive the insolvency of LPUK as the seller (see "European Legal Criteria for Structured Finance Transactions," published on Aug. 28, 2008).

Due to the unique nature of the jurisdiction's legal framework, a risk is present whereby certain clients can voluntarily terminate their contracts subject to certain conditions, thus causing a loss to the issuer. We have determined the maximum proportion of lease contracts that could be subject to this risk and incorporated an adequate stress in our analysis.

Lease termination

The lessees could terminate whole-lease agreements once contractually agreed maintenance services cease to be provided. To mitigate the risk, a maintenance reserve will be established to put the issuer in the same position as the originator with respect to the provision of such services. Back-up providers will be in place at closing.

Credit stability

We have analyzed the effect of a moderate stress on the credit variables and their ultimate effect on the ratings on the notes (see "Scenario Analysis: Gross Default Rates And Excess Spread Hold The Answer To Future European Auto ABS Performance," published on May 12, 2009). We have run two scenarios reflecting varying levels of stress. The results are in line with our credit stability criteria (see "Methodology: Credit Stability Criteria," published on May 3, 2010).

Potential Effect Of Proposed Criteria Changes

We have assigned these preliminary ratings based on our criteria for counterparty and supporting party risk (see "Related Criteria And Research"). However, these criteria are under review due to a proposed expansion (see "Request For Comment: Counterparty And Supporting Obligations Methodology And Assumptions--Expanded Framework," published on Nov. 21, 2011).

As a result of this review, our future counterparty criteria may differ from our current criteria. The criteria change may affect the ratings on all outstanding notes in these transactions. Until such time that we adopt new criteria, we will continue to rate and surveil these transactions using our existing criteria (see "Related Criteria And Research").

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Strengths, Concerns, And Mitigating Factors

Strengths

- LeasePlan is an established player in the fleet management market and has a strong worldwide presence. In the U.K., LPUK has more than 30 years' experience in origination and servicing leasing contracts.
- The transaction will benefit from two cash reserves: a liquidity reserve sized as 1.58% of the rated note balance and a default reserve sized as 2.00% of the rated note balance. These will serve primarily as liquidity support to mitigate any liquidity stresses, but will also be available to cover potential principal shortfalls.
- The transaction documents require that LPUK nominates a back-up servicer and a back-up realization agent if the rating on LPC falls below 'BBB-'. On the closing date, KPMG LLP will be nominated as the back-up submaintenance coordinator and BNP Paribas Securities Services as the back-up servicer facilitator.

Concerns and mitigating factors

- As a large portion of the pool consists of leases to corporate clients, the single-obligor and industry concentration in the underlying pool 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 "Credit Analysis").
- A large portion of the portfolio consists of operating leases that have servicing components attached to them. We understand that lessees may have termination rights if the contractually agreed maintenance services are not rendered. In our view, continuation of the provision of the services after servicer default is ensured through: (i) a back-up servicer, which would be appointed upon a downgrade of LPC to below investment-grade; (ii) KPMG's role as a "hot" back-up submaintenance coordinator; and (iii) a maintenance reserve that can be used to pay maintenance costs if these exceed the maintenance collections. In our analysis, we rely on the availability of sufficient cash to make payments to the insolvency administrator to motivate it to cooperate with the issuer and the back-up submaintenance 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, which should prevent a material shift in portfolio quality. Further, the documentation provides for performance triggers, which would end the replenishment period if the transaction accumulates more losses than available excess spread and the amounts in the default reserve.
- We understand that several legal risks could arise if the originator were to go into insolvency: funds belonging to the issuer could be commingled with the originator's funds; lessees may be entitled to set off their payment obligations against certain amounts the originator owes them and the issuer may be liable for some of the originator's obligations towards the lessees. The transaction features several reserves, which--while funded from Day 1--could be released if the rating on LPC from this and another rating agency are both at or above the minimum required rating levels. Our minimum required rating level is 'BBB' with at least an 'A-2' short-term rating, or 'BBB+' in the absence of at least an 'A-2' short-term rating. Bumper 5 can use these 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 5, the issuer, is a newly established U.K. special-purpose entity (SPE). On the closing date in April 2012, the issuer will purchase a portfolio of auto lease installment receivables and payment receivables that will economically represent the residual value of the leased vehicles for an aggregate discounted amount of £837.6 million. Subsequently, the issuer will use all principal and interest cash flows from the assets to purchase further assets from the originator so that the portfolio volume remains at its initial level. Replenishment will continue until the payment date in January 2013, but will end earlier if performance levels breach certain triggers.

On the closing date, the originator will grant to the issuer a floating charge over the lease receivables and the residual value (RV) claims in return for the purchase price. Only after a lessee notification event, such as the seller's insolvency, will full legal title to the lease receivables and RV claims be transferred to the issuer.

DZ BANK AG, as the interest rate swap counterparty, will assume the interest rate risk between the fixed-rate assets and the floating rate payable on the rated notes. HSBC Bank PLC, as the currency swap counterparty, will hedge the currency risk between the sterling-denominated receivables and euro-denominated class A1 notes. On the closing date, we consider that the issuer will fulfill our criteria for bankruptcy-remote entities (see "European Legal Criteria for Structured Finance Transactions," published Aug. 28, 2008).

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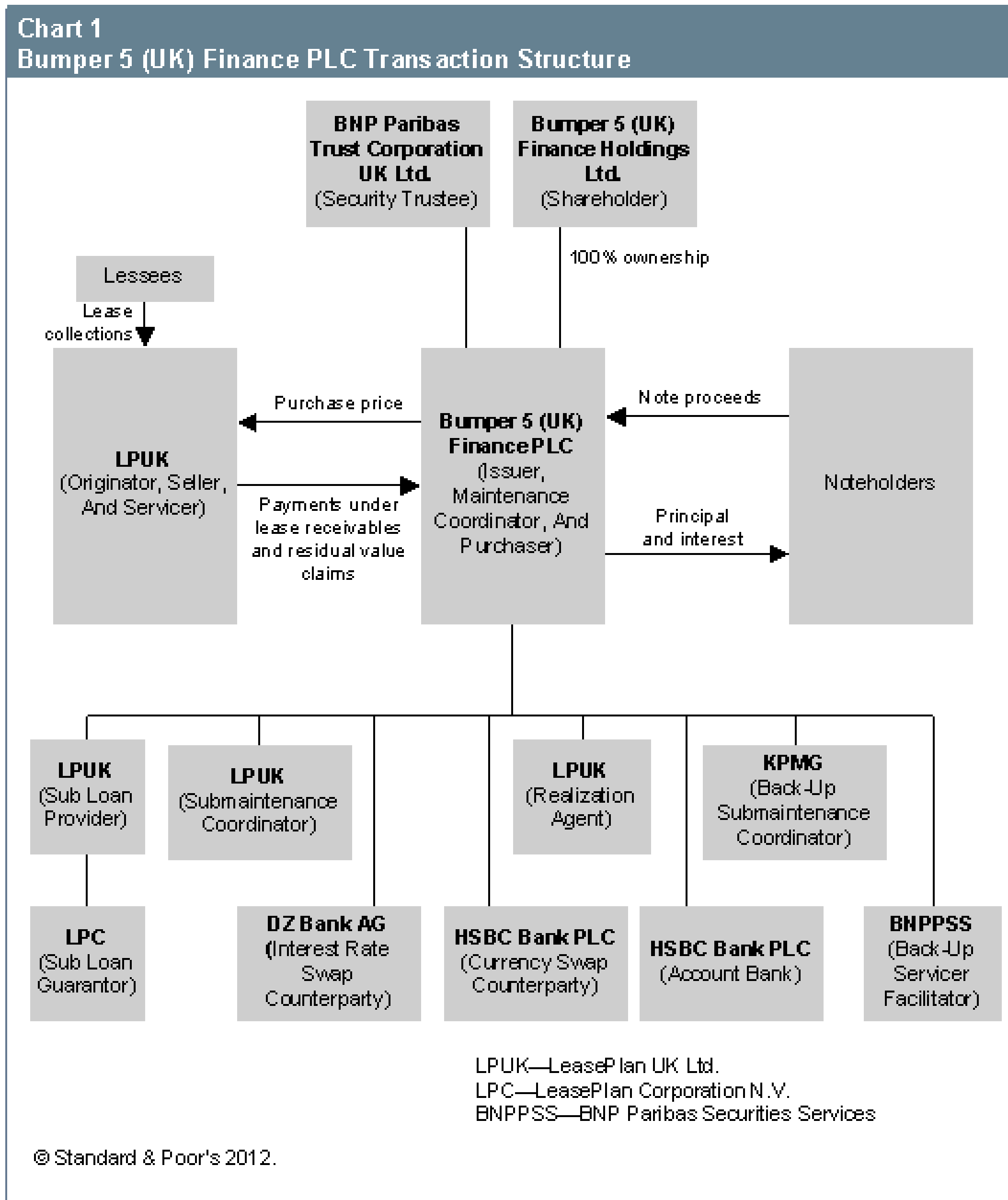

Originator

Since 1979, LPUK has provided auto leasing services to corporate, government, and retail and SME customers. It is part of the international LPC group, which is owned by Global Mobility Holding B.V., whose shareholders are Fleet Investments B.V. (50%) and Volkswagen Bank (50%).

As of Dec. 31, 2011, LPUK manages about 130,996 cars and, in our view, has a stable position in the market place. Recent data implies to us that its market share is growing.

We consider that LPUK has a good level of experience in its core business. The company headquarters in Slough originates all contracts and has information on the payment behavior of its customer base. LPUK monitors existing C&G clients at an entity and group level, taking into account balance-sheet data and interim performance reports.

S&R portfolio risk is managed through the use of rule-based scorecards. LPUK also monitors exposure to vulnerable industries in the portfolio.

Priority of payments

The class A1 notes will pay interest at a rate of one-month EURIBOR plus a margin while the class A2 and B notes pay one-month LIBOR plus a margin. All notes pay interest in arrears on the 20th of each month. The subordinated class C notes will pay a fixed rate. The first interest payment date is expected to be May 21, 2012, and the legal final maturity date will be in June 2022.

On each monthly interest payment date, Bumper 5 will meet its obligations under the defined priority of payments. For this, it will use all cash flows received from the assets, all vehicle remarketing proceeds, all swap receipts, and any amounts in the reserve account--including interest earned on this account. Unless an enforcement event occurs, Bumper 5 will, in this order:

- Pay taxes;
- Repay servicing collections to the originator (for as long as LPUK is the submaintenance coordinator);
- Pay senior fees;
- If necessary, pay the LPUK insolvency administrator an administrator incentive recovery fee;
- Pay a fixed amount to the retained profit ledger;
- Pay the interest rate swap counterparty (excluding termination amounts where the counterparty is the defaulting party or the swap is terminated due to a downgrade);
- Pay pari passu class A1 interest (using amounts exchanged with the currency swap counterparty) and class A2 interest;
- Pay class B interest;
- Top up the liquidity reserve to the required amount (1.58% of the rated note balance);
- During the replenishment period, pay the purchase price for further assets;
- During the amortization period, repay principal on the class A1 and A2 notes pari passu until the outstanding class A1, A2, B, and C notes balance equals the outstanding discounted asset balance;
- Repay principal on the class B notes until the outstanding note balance equals the outstanding discounted asset balance (only during the amortization period, and only once it has repaid the class A1 and class A2 noteholders);
- Top up the default reserve to the required default amount (2.00% of the rated note balance);
- Pay class C interest;
- Repay principal on the class C notes until the outstanding note balance equals the outstanding discounted asset balance (only during the amortization period, and only once it has repaid the class A1, A2, and B noteholders);
- Pay subordinated loan interest;
- Pay subordinated loan principal;
- Make subordinated swap termination payments;
- Pay the increase in the asset balance following any recalculations of lease agreements to the seller; and
- Pay the residual to the originator.

If an enforcement event occurs, Bumper 5 will no longer top up the liquidity and default reserves and the waterfall will switch so that Bumper 5 pays interest and principal on the class A1 and class A2 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 choose to redeem the outstanding notes at their principal amounts outstanding plus accrued interest as soon as the aggregate discounted asset balance has fallen to less than 10% of its balance at the closing date.

Replenishment

The transaction will have a 9-month replenishment period, during which Bumper 5 will use principal and interest collections from the assets and vehicle sales proceeds to purchase further assets from the originator. According to the transaction documents, Bumper 5 can only purchase assets that comply with the eligibility criteria (see "Collateral Description").

The revolving period could continue until the payment date in January 2013, but may end earlier if an early amortization event occurs. These include if:

- Amounts remaining on the replenishment account after the purchase of further assets remain above 10% of the initial aggregate discounted balance for two consecutive months;
- The cumulative default ratio exceeds 3%;
- The delinquency ratio exceeds 0.4%;
- The replenishment ledger cannot be replenished up to the required level using the amount available for replenishment ;
- The liquidity reserve is not funded to its required amount;
- LPC fails to meet its obligations to top up any of the reserves; and
- LPUK fails to meet any of its obligations as originator, servicer, realization agent, or submaintenance coordinator.

The waterfall mechanisms and the availability of the default reserve will effectively allow Bumper 5 to cure up to £12.56 million of losses before the 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 £12.56 million.

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

Table 1

Concentration Limits*	
Single-obligor concentrations	**(Maximum percentage of the outstanding discounted asset balance)**
Top one to five lessee groups (each)	2.0
Top six to 10 lessee groups (each)	1.5
Top 11 to 15 lessee groups (each)	1.0
All other lessee groups	0.5
Industry concentrations	
Any single industry	23.0
Receivable type concentrations	
Receivables from SME and retail customers	69.0
Receivables governed under the Consumer Credit Act 1974§	6.0
Receivables representing residual values	45.0
Maturity concentrations	
Contracts with remaining term of more than 48 months	10.0

*Non-exhaustive list. SME--Small and midsize enterprise. §With an option to voluntarily terminate.

Interest rate and currency hedging

Bumper 5 will enter into an interest rate swap agreement and a currency swap agreement. We expect these agreements to comply with our counterparty criteria. To hedge the interest rate risk resulting from the fixed discount rate under the purchased receivables and the floating-rate obligations under the rated classes of notes, we expect Bumper 5 to pay the interest rate swap counterparty a fixed rate on the outstanding principal balance of the class A1, A2 and B notes. In exchange, the counterparty will pay Bumper 5 a floating interest rate based on one-month LIBOR on the notional of the rated notes.

To hedge the currency exposure arising from the sterling-denominated receivables and euro-denominated class A1 notes, the issuer will pay the currency swap counterparty a floating interest rate based on one-month LIBOR plus a margin in exchange for one-month EURIBOR plus class A1 spread on the notional equal to the sterling-equivalent of the class A1 outstanding euro amount.

Credit enhancement

A combination of subordination, excess spread, and cash reserves (which will provide both liquidity and credit support) will act to provide credit enhancement. LPUK (guaranteed by LPC) will fully fund the default and liquidity reserves at closing.

In addition, a commingling reserve, a maintenance reserve, and a set-off reserve will aim to protect noteholders from seller risks. While funded from Day 1--these reserves could be released if the rating on LPC from this and another rating agency are both at or above the minimum required rating levels. Our minimum required rating level is 'BBB' with at least an 'A-2' short-term rating, or 'BBB+' in the absence of at least an 'A-2' short-term rating.

Excess spread

Excess spread results from the difference between (i) the interest income received from the assets, and (ii) the fixed and floating payments paid under the swaps, plus the weighted-average note spreads, as well as any senior fees and expenses. Interest from the assets will be generated through discounting the future payments under the purchased receivables by 8%. We understand that unstressed excess spread for the rated notes will be above 3.5% at closing.

Cash reserves

LPUK (guaranteed by LPC) will fully fund two cash reserves for the transaction at closing. These will be released into the waterfall each month:

- The liquidity reserve (amortizing as 1.58% of the rated note balance) will top up to the required liquidity reserve amount in the waterfall after interest payments and before principal payments/asset replenishment. This means that the reserve will remain available (unless there is a severe liquidity stress) at the end of the revolving period.
- The default reserve (amortizing as 2% of the rated note balance) will top up to the required default reserve amount 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 reserve effectively serves as credit enhancement during replenishment and may not be available thereafter.

Because the required reserve amounts are defined as percentages, they will amortize in line with the outstanding amount, to a floor of £3 million for the liquidity reserve and £4 million for the default reserve. Once the pool volume goes down to zero, Bumper 5 will not top up the reserves in the waterfall at all, so that all amounts remaining on the reserves at that time will be available to cure losses.

Commingling risk

The transaction documents allow the servicer to decide to sweep collections to the issuer either monthly or twice a week. In our analysis, we distinguish two streams of cash flow to determine any further amounts that the servicer will receive on the servicer account after insolvency, but before Bumper 5 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 beginning, middle, and end of each month; and
- Cash flows from the sale of the returned leased vehicles, which are equally spread across the days of the month.

While funded from Day 1, the commingling reserve can be released if the rating on LPC from this and another rating agency are both at or above the minimum required rating levels. Our minimum required rating level is 'BBB' with at least an 'A-2' short-term rating, or 'BBB+' in the absence of at least an 'A-2' short-term rating. The reserve will adjust 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 LPUK sweeps collections to the issuer. If LPC fails to bring the reserve in line with the current commingling exposure, the issuer could 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 'AAA' rating level. We have incorporated any amounts not covered by the commingling reserve into our cash flow analysis.

Set-off risk

Set-off under the lease agreement may arise due to mileage variation adjustment, open calculation settlement, or recalculation amounts that may be payable by the originator to the lessees under the lease agreements. While funded from Day 1, the set-off reserve can be released if the rating on LPC from this and another rating agency are both at or above the minimum required rating levels. Our minimum required rating level is 'BBB' with at least an 'A-2' short-term rating, or 'BBB+' in the absence of at least an 'A-2' short-term rating. If LPUK or LPC fail to fund the required set-off reserve amount or either becomes insolvent, the issuer could immediately notify the lessees to redirect their payments.

We have used the above inputs to calculate the set-off risk we would expect at the relevant rating level. We have incorporated any amounts not covered by the respective reserves into our cash flow analysis.

Collateral Description

The transaction will securitize a pool of auto lease receivables and the residual values of the related vehicles. The lessees are mostly retail and SME customers in the U.K. but also include commercial entities and public entities. All of the leased objects are passenger or light commercial vehicles. In our view, the pool shows good diversification over contract maturities and over vehicle make, but shows considerable single-lessee concentration.

The lease receivables are based on leasing contracts originated under the LPUK brands to its leasing customers in the ordinary course of business. The lease contracts contain contract hires, finance leases, and hire purchase agreements. Contract hires and hire purchase agreements consist of a financing part and a servicing part. Although 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 submaintenance coordinator (or its substitute) fails to provide the contractually agreed

maintenance services.

The transaction is a structured as a true sale.

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 5 would incur a loss. For nondefaulted lease agreements, the risk is mitigated via a residual value guarantee from LPUK. However, we have given no benefit to this guarantee in our analysis given seller insolvency is one of the scenarios we consider.

The transaction documents state that the receivables must meet certain eligibility criteria, which include:

- The underlying lease agreement must be: (i) legally valid and binding, (ii) based on LPUK's general terms and conditions, and (iii) governed by U.K. law.
- 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 31 calendar days and for an amount exceeding £1,000 in case of corporate and public-sector lessees or £50 in case of retail and SME lessees.
- The original term of the related lease agreement cannot be longer than 90 months.
- The lease receivables must be denominated in British pounds sterling.

Table 2 shows stratifications of the preliminary pool. We understand that the selection rules that LPUK will use to select the final pool will be identical to those it used for the preliminary pool, so the two pools will be very similar. However, the portfolio's composition may change over time due to replenishment of maturing assets (see "Replenishment" above).

Table 2

Preliminary Pool Breakdown*	
Weighted-average original term (months)	40.75
Weighted-average seasoning (months)	11.25
Receivable type (%)	
Lease receivable	59.47
Receivables representing residual values	38.22
Receivables representing balloon payments	2.31
Lease contract type (%)	
Operating lease	82.10
of which are closed calculation	70.28
of which are open calculation	29.72
Finance lease	10.28
Hire purchase	7.63
Vehicle make (%)	
Volkswagen	13.67
BMW	12.84
Audi	11.73
Vauxhall	6.87

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Table 2

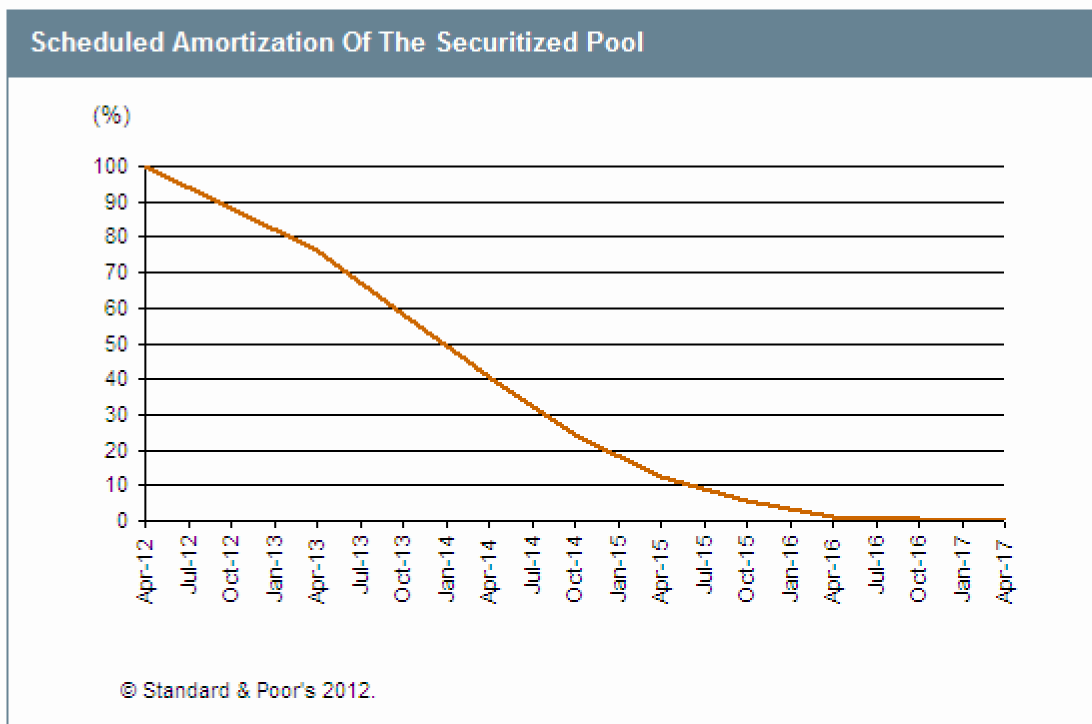
Preliminary Pool Breakdown* (cont.)	
Nissan	6.68
Mercedes Benz	5.92
Other	42.29

*As of preliminary pool cut-off on Feb. 29, 2012. Portfolio stratifications may change through replenishment.

The pool does have considerable industry and single-lessee concentrations, in our view. In the preliminary pool, the largest industry accounts for 18.64%, but is capped through concentration limits at 23.00%. Similarly, the largest lessee group accounts for 2.00% and is capped through concentration limits at 2.00%.

LPUK originated the contracts in the preliminary pool between 2007 and 2011 (most were originated in 2010 and 2011). The highest amount of residual value receivables maturing in any period of three consecutive months is approximately 4.9% of the total residual value balance. In our view, the residual values are not clustered in any particular period and are well spread over the term of the transaction.

Chart 2



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 March 2006 to December 2011. The gross loss data show that C&G customers have historically exhibited visibly different performance compared with S&R customers. We have thus analyzed the two subpools separately. On the recovery side, we have received data on all defaulted lessees over the same period. We have also received extensive data on vehicle remarketing process.

Given the few defaults observed historically, and based on the high concentrations inherent in the C&G portfolio, we based our stressed gross loss assumption on the following three considerations: historical gross losses, single-lessee concentrations, and industry concentrations. Ultimately, for the C&G subpool, we sized stresses at the 'AAA' level on the maximum result of the three approaches and at the 'AA' level as the higher of the actuarial analysis and single-lessee concentration.

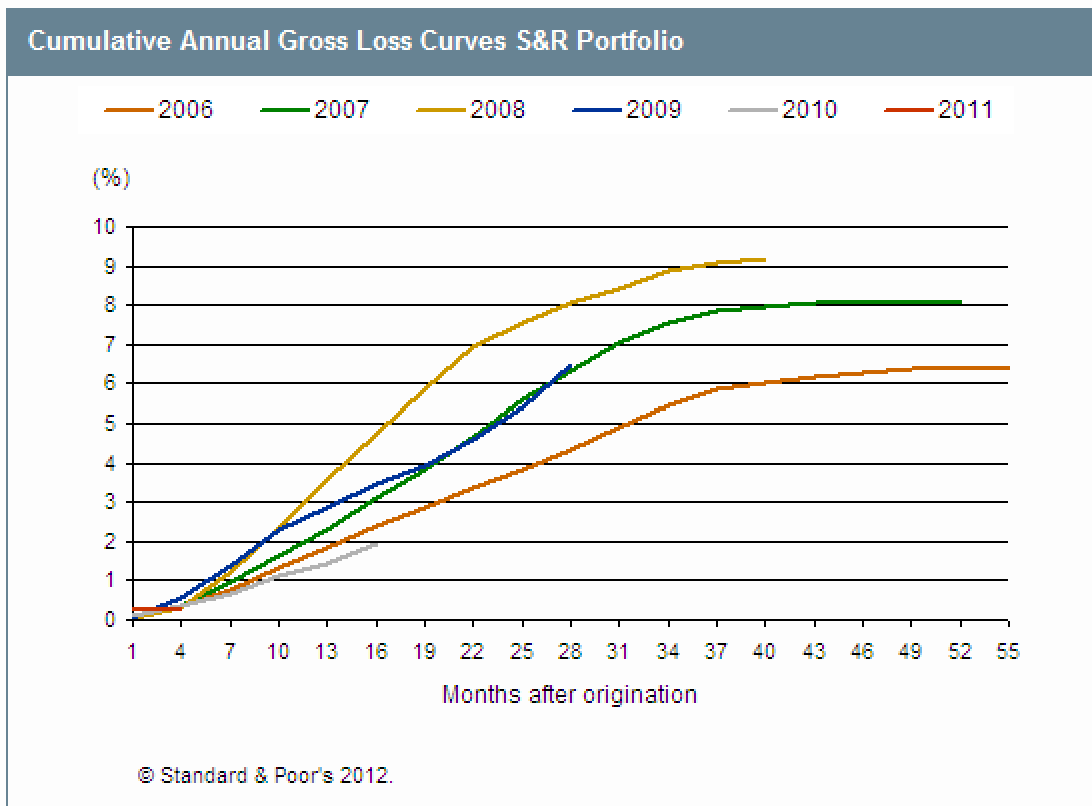
For the S&R subpool, we based the stressed gross losses on actuarial analysis only, as performance has historically been worse and since no obvious concentrations are present in this subpool.

The total stressed gross losses were sized by taking the weighted average of the C&G and S&R stressed gross losses at the relevant rating levels, based on the worst portfolio concentrations under the replenishment criteria.

Default risk

Chart 4 shows annual averages of the cumulative gross loss cohorts for the S&R portfolio. The base case for S&R was sized at 9.00%, based on observed gross losses from the 2007 and 2008 vintages (which performed poorly).

Chart 3



For the C&G subpool, we sized a conservative base case of 0.18% and mid-range multiples to capture the low

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granularity and resulting higher uncertainty surrounding future performance. Table 3 gives the resulting stressed gross loss numbers.

Table 3

Gross Loss Assumptions

	C&G	S&R	Total pool
Base case for the closing pool (%)	0.18	9.00	
'AAA' stress assumption (%)	23.00	40.50	35.08
'AA' stress assumption (%)	19.50	31.50	28.98

As described above, we also considered single-lessee concentrations and industry concentrations to capture the idiosyncratic risk in the C&G subpool. As the transaction is revolving, we did this by looking at the concentration limits, rather than the actual concentration levels in the closing pool. Tables 4 and 5 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 "Replenishment"). Thus, ultimately, the single-lessee concentration risk determined our gross loss assumption.

Table 4

Single Lessee Concentrations

Rating level	Number of largest lessee groups expected to be covered	Resulting gross loss assumption (%)
AAA	16	23.00
AA	12	19.50

Table 5

Industry Concentrations

Rating level	Number of largest industries expected to be covered	Resulting gross loss assumption (%)
AAA	1	23.00

Recovery analysis

We received full recovery data for the historical defaults LPUK has observed. Given the nature of the contracts, there were more defaults from the S&R subpool. We looked at recoveries on an aggregate basis across the whole portfolio (C&G and S&R together). Table 6 gives the base-case and haircut assumptions we applied.

Table 6

Recovery Rate Assumptions

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

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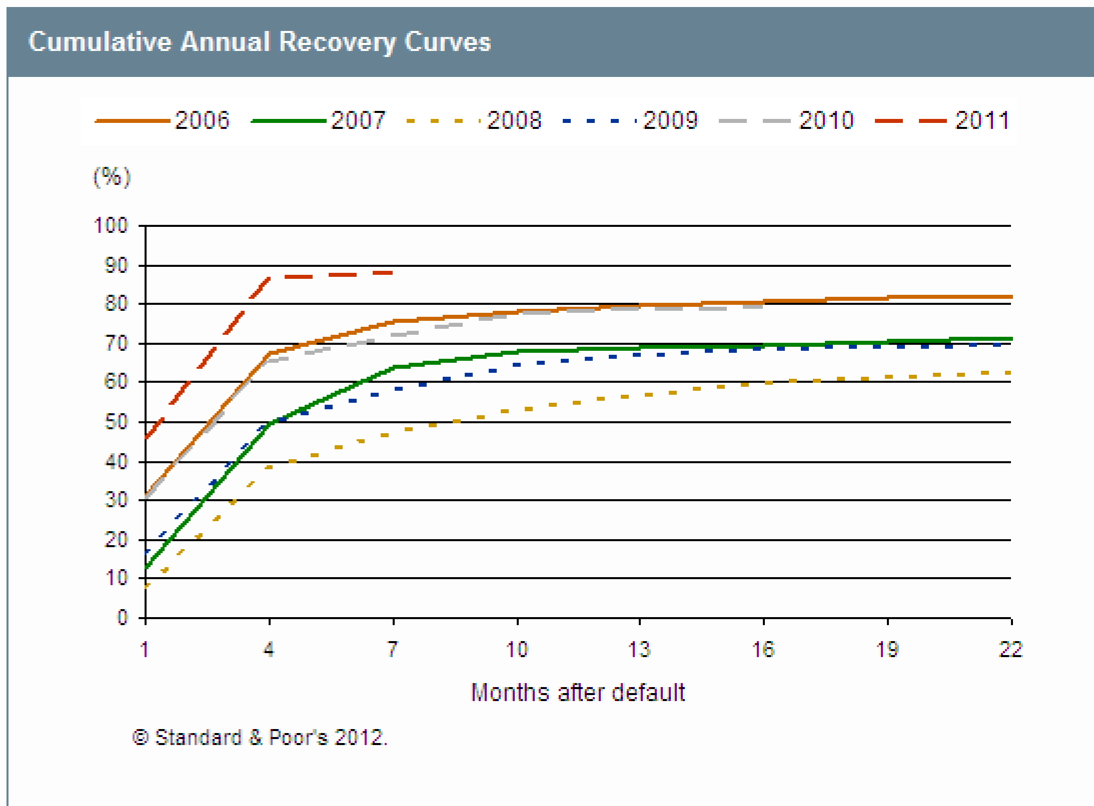
Chart 4



Voluntary terminations

In the U.K., it is possible for customers holding contracts governed under the Consumer Credit Act 1974 to voluntarily terminate their contracts at no extra penalty, if they have repaid at least half of the initial principal amount outstanding. Such terminations could cause the issuer a loss, if the remaining amount outstanding at the point of voluntary termination were greater than the vehicle sales proceeds. Under the replenishment criteria, up to 6% of the portfolio could be affected by voluntary terminations. We have sized the gross loss base case at 10% and applied a stress multiple of 2. Given that, in our view, this gross loss risk is mainly used car market-driven, the multiple reflects the potential market value decline in a 'AAA' scenario, relative to the market environment associated with the base case.

Table 6

Voluntary Termination Rate Assumptions

	Total pool
Base case gross loss for the closing pool (%)	10.0
Stress assumption across all rating levels (%)	20.0
Base case recovery rate for the closing pool (%)	80.0
Stress assumption across all rating levels (%)	48.0
Stress net loss assumption across all rating levels (%)	10.4

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 34.4% of the undiscounted residual value of the vehicles at 'AAA', and 27.1% at 'AA'. This assumption is based on the high volatility seen for U.K. used car prices over the past 36 months and the portfolio's fairly high single-obligor concentration. On the positive side, we factor in the comparatively high diversification by vehicle make and our view that LPC's residual value forecasting is comparatively sophisticated and accurate.

We applied a risk frequency of 100%, given that throughout the revolving period the pool could shift toward a 100% concentration in operating leases. As such, the RV risk on the whole pool would remain with the lessor.

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 applied 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 (%)	34.4	100.0
'AA' stress assumption (%)	27.1	100.0

Cash Flow Analysis

In our cash flow analysis, we tested three stressed interest rate scenarios: rising (up to 14.00%), flat (at 0.25%), and falling (down to 0%). Furthermore, we applied prepayment scenarios of up to 20.0% and down to 0.5%, and assumed equally weighted default patterns over 21 months for both defaults and voluntary terminations--modeled with a delay on the voluntary terminations. 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%, the amounts of seller risk we see at the respective rating scenarios that are not covered in the relevant seller-risk reserves, and prepayment losses resulting from the present value structure.

Cash flow results

Our analysis indicates that the rated classes of notes achieve timely payment of interest and ultimate payment of principal under the respective stressed rating scenarios 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 factors affecting 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 will 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 implied base-case assumptions for the whole portfolio 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 rerated 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 tables 9 and 10.

Table 9

Scenario Stresses

Stress horizon—12 months

Rating variable	Base case	Scenario 1	Scenario 2
Implied gross loss rate (%)	7.8	10.1	11.7
Recovery rate (%)	65.0	45.5	32.5
Constant prepayment rate (%)	3.0	2.4	2.0

Table 10

Scenario Stress Analysis—Rating Transition Results

Scenario stress	Class	Initial rating	Scenario stress rating
Scenario 1	A1	AAA (sf)	AA+ (sf)
	A2	AAA (sf)	AA+ (sf)
	B	AA (sf)	AA (sf)
Scenario 2	A1	AAA (sf)	AA- (sf)
	A2	AAA (sf)	AA- (sf)
	B	AA (sf)	A (sf)

Given the structure of the transaction, the most stressful scenario for our cash flow analysis is a low collateral prepayment rate combined with low interest rates. Given the stresses we applied under scenario 1, the class A1 and A2 notes would most likely transition to a 'AA+ (sf)' rating and to 'AA- (sf)' under scenario 2. The class B notes would most likely retain their 'AA (sf)' rating in scenario 1, but under scenario 2 they would most likely be downgraded to 'A (sf)'. The ratings stability is based on the amount of subordination in the structure, 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 will 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.

Standard & Poor's 17g-7 Disclosure Report

SEC Rule 17g-7 requires an NRSRO, for any report accompanying a credit rating relating to an asset-backed security as defined in the Rule, to include a description of the representations, warranties and enforcement mechanisms available to investors and a description of how they differ from the representations, warranties and enforcement mechanisms in issuances of similar securities.

The Standard & Poor's 17g-7 Disclosure Report included in this credit rating report is available at http://standardandpoorsdisclosure-17g7.com/1111494.pdf.

Related Criteria and Research

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- European Consumer Finance Criteria, March 10, 2000
- European Auto ABS Index Report, published quarterly

Additional Contact:
Structured Finance Europe; StructuredFinanceEurope@standardandpoors.com

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