Fitch Upgrades Bumper 3's Class B Notes

Fitch Ratings-London-30 June 2011: Fitch Ratings has affirmed Bumper 3 Finance Plc's (Bumper 3) class A notes and upgraded the class B notes, as follows:

EUR227.78m class A notes: affirmed at ‘AAAsf’; Outlook Stable; Loss Severity (LS) Rating ‘LS-1’
GBP79.85m class B notes: upgraded to ‘AAsf’ from ‘Asf’; Outlook Stable; LS Rating ‘LS-2’

Bumper 3 is a securitisation of auto operating lease receivables and associated residual value (RV) claims originated in England and Wales by LeasePlan UK (LPUK), a wholly owned subsidiary of LeasePlan Corporation NV (rated ‘A-’/Stable/‘F2’). LeasePlan Corporation is one of the world’s largest vehicle fleet leasing companies specialising in corporate and SME customers and also leasing to retail and public sector obligors.

Bumper 3 entered into its scheduled amortisation period in May 2010. Since then, the notes have amortised sequentially such that the outstanding value of the two rated classes was 38.4% of the original balance as at end-June 2011.

The rating actions reflect the transaction's good performance and deleveraging. Due to the sequential amortisation, the level of credit enhancement (CE) for both classes has increased considerably, reaching 52.5% for the class A notes and 33.8% for the class B notes. To date, performance has been comfortably within all triggers. The pool composition has remained similar to that at closing. Cumulative defaults remain low at approximately 2.5% and to date all losses have been covered by excess spread available in the transaction. In addition, recoveries remain high.

As with other European ABS transactions exposed to RV risk, one of Fitch's main concerns has been RV performance. The transaction is exposed to RV risk because the leased vehicles are sold in the second-hand car market upon the scheduled lease maturity date and the proceeds are used to redeem the RV claims sold to the issuer. The UK second-hand car market has largely recovered from a trough in 2008-2009. Bumper 3 is shielded from RV risk by LPUK, but Fitch’s analysis looks through this support to assess the risk to the transaction if LPUK no longer existed (hence Fitch does not give any credit to the guarantee in rating scenarios above that of the guarantor). Data received from LPUK shows that, after some RV losses in late 2008, market prices have largely moved back into line with residual values. Additionally, the subordination in the deal is sized to cover the risk of significant falls in second-hand car values. Consequently Fitch is comfortable that the RV risk is commensurate with the current ratings of the notes.

Fitch has also reviewed the counterparty risk in the transaction and is comfortable the account bank, interest rate swap and currency swap providers all meet the recommended ratings suggested by the criteria. With respect to the class A notes, Fitch notes the participation of a US-based currency swap counterparty, namely JP Morgan Chase Bank NA, London branch (‘AA-’/Stable/‘F1+’). Therefore this class remains subject to concerns regarding the enforceability of the so-called flip clause, which subordinates any termination payment payable in the event of a default of the swap counterparty (for further information, please see Fitch's Counterparty Criteria for Structured Finance Transactions, , which are available at www.fitchratings.com.). However, given the rapid amortisation of the class A note, Fitch remains comfortable with the limited potential exposure to the currency swap provider.

Contacts:
Primary Analyst:
Peter Winning
Director
+44 20 3530 1377
Fitch Ratings Limited
30 North Colonnade
London E14 5GN

Committee Chairperson:
Andy Brewer
Senior Director
+44 20 3530 1005

Additional information is available at www.fitchratings.com.

Source of information: servicer reports and payments reports provided by the issuer.

Applicable criteria, 'EMEA Consumer ABS Rating Criteria', dated 1 September 2009, 'EMEA Consumer ABS Rating Criteria – Auto Residual Value Addendum', dated 4 October 2010, 'Criteria for European Granular Corporate Balance-Sheet Securitisations (SME CLOs)', dated 6 June 2011 and 'Counterparty Criteria for Structured Finance Transactions', dated 14 March 2011, are available on www.fitchratings.com.