Bee First Finance S.A. – Compartment Edelweiss 2013-1

New Issue

Inside This Report

Capital Structure

Class	Final Rating[a]	Outlook	Amount (EURm)	CE[b] (%)	Interest Rate (%)	Final Maturity	TT (%)	TTLM[c] (x)
A	AAAsf	Stable	232.5	14.14	3m Euribor + 0.47	Jan 2022	87.1	96.7
B	Asf	Stable	18.4	7.24	3m Euribor + 0.92	Jan 2022	6.9	9.9
C	BBBsf	Stable	9.3	3.76	3m Euribor + 2.0	Jan 2022	3.5	3.9
D	BB+sf	Stable	6.7	1.25	3m Euribor + 3.0	Jan 2022	2.5	2.8
SubLoan	NR	n.a.	3.3	0.00		Jan 2022	n.a.	n.a.
Total			**270.2**					

[a] Closing and transfer of the portfolio to the issuer occurred on 13 December 2013. The ratings assigned above are based on the portfolio information as of 6 December 2013, provided by the originator
[b] The credit enhancement for class A, B, C and D notes consists of overcollateralisation (12.9%, 6.0%, 2.5% and 0.0% respectively) and the reserve fund (1.25%). Additionally, the transaction benefits from excess spread
[c] The tranche thickness loss multiple (TTLM) is the quotient between the tranche thickness (TT), based on the total collateral, and Fitch's base case loss expectation for this transaction of 0.9% (credit and RV losses). Please refer to Fitch's special report *Structured Finance Tranche Thickness Metrics*, date 29 July 2011, for additional information

Transaction Summary

The transaction is a securitisation of vehicle lease receivables originated in Austria by EBV Leasing GmbH & Co. KG (EBV), ultimately owned by Erste Group Bank AG (A/Stable/F1). The issuance refinances lease instalments (56%) and balloon amounts (44%). During a one-year revolving period, the issuer will acquire additional receivables from the seller.

Key Rating Drivers

Lessee Credit Risk: Fitch Ratings has assumed a base case default rate of 2.8% and applied default multiples of 6.8x in a 'AAAsf' scenario, 4.0x in 'Asf', 2.9x in 'BBBsf' and 1.8x in 'BB+sf', primarily reflecting the presence of balloon risk, the revolving nature of the pool and a concentration on employees of Erste Bank and Vienna Insurance Group (VIG, NR). Fitch set its recovery base case at 67.7%, applying haircuts up to 45% in 'AAAsf'.

Revolving Period Additional Risk: The transaction envisages a one-year revolving period. Fitch considers that the early amortisation triggers, along with the eligibility criteria and available credit enhancement, mitigate the risk added by the revolving period. The agency analysed potential changes in the pool composition during this period and assumed a shift towards a more risky – considering Fitch's loss assumptions – composition.

Limited Residual Value Risk: The lessee's right to return the vehicles at maturity, in lieu of settling balloon payments, exposes the issuer to residual value (RV) risk; however, these rights are very restricted under the lease contracts. In addition, if lessees exercise this right, they remain liable for 75% of any RV loss incurred. In Fitch's opinion, the RV risk therefore lies largely with the lessees, exposing the transaction to balloon risk when obligors are faced with stressed economic circumstances and limited re-financing options.

Stable Asset Outlook: Fitch expects the repayment abilities of Austrian consumers to remain stable, based on flat unemployment rates (4.7% expected throughout 2014), an improvement in GDP growth (1.4% forecasted for 2014, up from 0.4% in 2013) and stable interest rates.

Class D Notes' Ratings Capped: The rating of the Class D notes cannot exceed the Issuer Default Rating of Erste Group Bank due to some portfolio exposure to Erste Bank's employees. In addition, Fitch has used the contractual servicing/back-up servicing fee of 20bp in its modelling for the lower rating categories as in such scenarios the agency assumes that Erste Bank will carry out its obligations.

Related New Issue Appendix

Bee First Finance S.A. – Compartment Edelweiss 2013-1

Related Research

EMEA Auto ABS Primer (June 2012)
Auto ABS Index - Europe 3Q13 (Tyre Tracks) (November 2013)

Analysts
Anna Martinez
+44 20 3530 1560
anna.martinez@fitchratings.com

Pasquale Giordano
+39 02 879087 263
pasquale.giordano@fitchratings.com

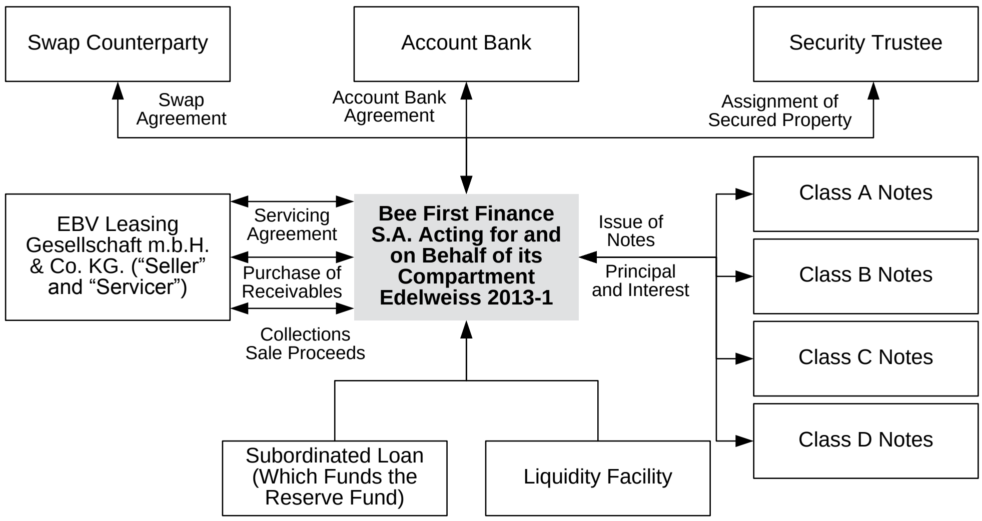
Transaction Parties

Role	Name	Rating
Issuer	Bee First Finance S.A. – Compartment Edelweiss 2013-1	NR
Originator, seller and servicer	EBV-Leasing Gesellschaft m.b.H & Co. KG	NR
Cash manager, paying agent	Deutsche Bank AG, London branch	A+/F1+
Collection account bank	Erste Bank der oesterreichischen Sparkassen	NR
Collection account bank guarantor	Erste Group Bank AG	A/F1
Issuer account bank	Deutsche Bank AG, London branch	A+/F1+
Swap counterparty	Erste Group Bank AG	A/F1
Liquidity facility provider	HSBC Bank plc	AA−/F1+
Back-up servicer	Erste Group Bank AG	A/F1
Servicer facilitator	PwC Transaction Services Wirtschaftspruefung GmbH	NR
Note and security trustee	Deutsche Trustee Company Limited	NR
Corporate Services Provider	Deutsche Bank Luxembourg S.A.	NR
Data protection trustee	Deutsche Bank Luxembourg S.A.	NR

Source: Fitch

Figure 1

Structure Diagram



Source: Transaction documents

Transaction and Legal Structure

Issuer and True Sale

Pursuant to the receivables purchase agreement, the originator assigned and transferred the claims in respect of the receivables which need to be in compliance with the eligibility criteria (see *Eligibility Criteria and Concentration Limits* below). The lease receivables include the monthly lease instalments, excess mileage payments, proceeds from vehicle sale after expiry of contracts (RVs), prepayments, recoveries, amounts due from lessees to compensate seller for shortfall in sales proceeds and outstanding balance, all costs arising in connection to the recoveries, insurance proceeds as well as other late fees and late payment amounts.

The title to the vehicles remains with the originator which is common under Austrian law, given that the lessees would need to be notified otherwise. EBV holds the vehicle title on trust (Treuhand) for the benefit of the issuer. Due to this beneficial ownership the vehicles would not fall into the insolvency estate of the seller.

This transaction relies on a trust arrangement between the issuer and the originator, allowing the issuer to separate the leased vehicle from the originator's insolvency estate in case of the originator's insolvency.

Related Criteria

Global Structured Finance Rating Criteria (May 2013)

EMEA Consumer ABS Rating Criteria (July 2013)

EMEA Consumer ABS Rating Criteria – Auto Residual Value Addendum (July 2013)

Counterparty Criteria for Structured Finance and Covered Bonds (May 2013)

Criteria for Interest Rate Stress in Structured Finance Transactions and Covered Bonds (January 2013)

Capital Structure and Credit Enhancement

The capital structure comprises four rated classes of notes and a cash reserve. The proceeds of the class A to D notes were used to purchase the portfolio of receivables. The cash reserve is funded through a subordinated loan from EBV. Overcollateralisation provided by the subordination of junior notes and the cash reserve provide credit enhancement to the senior notes. The transaction also benefits from excess spread.

At closing, the cash reserve is funded at EUR3.3m (1.25% of the receivables balance at closing, which is also its target balance). The reserve is available for the interest waterfall and is topped up only low down the waterfall. It is therefore – after excess spread – the first source of protection of the notes from defaults in the portfolio. If defaults are increasing, it will be depleted and will cease to serve as liquidity protection, which is why the structure also has a liquidity facility.

The rating of the Class D notes cannot exceed the Issuer Default Rating of Erste Group Bank. This is due to the exposure of up to 5% of the portfolio to Erste Bank's employees (see *Default Risk* below). In addition, Fitch has used the contractual servicing/back-up servicing fee of 20bp p.a. in its modelling for the lower rating categories (instead of its normal servicing fee assumption of 70bp) as in such scenarios the agency assumes that Erste Bank will perform its obligations. For those reasons, changes to Erste Bank's IDR may lead to changes to the ratings of the class D notes.

Liquidity Facility

A liquidity facility (LF) is provided to the structure by HSBC Bank plc. The facility is amortising and sized at 1.6% of the outstanding portfolio balance, subject to a floor of 0.5%. It can be drawn to cover shortfalls – if any – on senior expenses, payments into the swap, and interest on all notes. Interest and principal amounts will be used to repay the facility if it is drawn.

Interest Rate Swap

The issuer issued floating rate class A, B, C and D notes paying three-month Euribor plus a margin. Currently 16.9% of the assets pay a fixed interest rate while the rest pays three-month Euribor plus a fixed margin. To hedge the fixed-floating mismatch, the issuer entered into an interest rate swap with Erste Bank referencing the balance of fixed-paying assets, which is limited to a maximum of 25% during the revolving period, according to eligibility criteria.

Under this swap, the issuer pays a fixed rate on the fixed-paying asset balance and receives three-month Euribor in return.

Eligibility Criteria and Concentration Limits

For the initial asset purchase, as well as for additional purchases during the replenishment period, the following eligibility criteria, among others, have to be fulfilled:

- each lease agreement is legal, valid, binding and enforceable;
- the aggregate outstanding lease balance in respect of any lessee does not exceed 0.4%;
- the maximum remaining term of each initial lease agreement is less than 72 months and no more than 60 months for any subsequent lease agreements;
- each lessee is incorporated or has its place of business or residence in Austria;
- each leased vehicle is free from liens and encumbrances and each receivable is free from defences, counter-claims, set-off claims and other third-party rights;
- if the interest on the lease receivable is based on a floating rate, the floating rate references three-month Euribor;
- none of the receivables in in arrears by more than 30 days and at least one instalment has been paid since inception of the lease contract;

- the weighted average interest margin on the receivables is at least 2.45% after inclusion of additional leases;
- used vehicle leases comprise maximum 25% of the outstanding lease balance after inclusion of additional leases;
- the weighted average residual value of the pool, after deducting fixed deposits, is not greater than 46%;
- corporate lessees comprise maximum 70% of the outstanding lease balance;
- operating leases do not exceed 5% of the outstanding lease balance;
- the outstanding lease balance with tyre change contracts (as part of the 'Vorteilswelt' lease) does not exceed 5%; and
- the outstanding lease balance where the lessee is an employee of Erste Bank Group or VIG will not exceed 5% respectively.

Clean-up Call

Upon the collateral balance reaching 10% of its original outstanding amount, EBV will have the option to repurchase all sold receivables. The repurchase price shall not exceed the current principal outstanding of the assets and shall be sufficient to redeem the notes and meet the issuer's payment obligations under the payment priorities. The originator shall also reimburse the issuer for its costs and expenses in connection with this repurchase.

Priority of Payments

Before an enforcement event, payments of principal and interest are made quarterly in accordance with the pre-enforcement payment priorities. The amortisation of the class A, B, C and D notes will occur in a fully sequential manner. The transaction has a provisioning mechanism that implicitly covers for defaults.

Interest and principal available amounts are allocated in separate waterfalls as described below.

Interest available funds include:

- interest paid on leases;
- excess mileage receipts;
- recoveries;
- interest accrued on collections;
- swap receipts;
- interest earned on distribution account;
- principal funds available to cover interest deficiencies up to payment of class A principal;
- investment earnings from investments in the issuer accounts; and
- the reserve fund.

If interest available funds are insufficient to cover senior fees (item 1 below) and class A, B, C and D interest, the LF is available to cover these positions.

Figure 2

Pre-Enforcement Interest Priority of Payments

1	Fees to the trustee, servicer and other senior expenses
2	Liquidity facility up to the maximum amount (plus fees); Swap payments (excluding termination payments)
3	Class A interest
4	Class A PDA transfer to the available principal funds
5	Class B interest
6	Class B PDA transfer to the available principal funds
7	Class C interest
8	Class C PDA transfer to the available principal funds
9	Class D interest
10	Class D PDA transfer to the available principal funds
11	Reserve fund up to the required amount
12	Subordinated swap termination payments (where swap counterparty is defaulting party)
13	Subordinated loan payments, minimum issuer profit and excess to seller

Source: Transaction documents, Fitch

Principal available funds include:

- principal receipts on receivables, including principal components of scheduled instalments and prepayments;
- insurance proceeds received in respect of leased vehicles;
- vehicle sales proceeds, where EBV agrees to sell the vehicle on behalf of the lessee at maturity (lessee bearing RV risk); and
- any fees for penalties, late payments, etc.

Figure 3

Pre-Enforcement Principal Priority of Payments

1	During the revolving period: purchase of additional lease receivables
2	During the revolving period: remainder of principal funds not used for receivables purchase to the distribution account
3	Class A principal
4	Class B principal
5	Class C principal
6	Class D principal
7	Excess to interest waterfall

Source: Transaction documents, Fitch

Performance Triggers

The revolving period, i.e. the purchase of additional lease receivables, will stop if any of the following triggers is breached:

- the annualised loss ratio exceeds 0.7 %;
- The delinquency ratio with respect to payments overdue for more than 60 days calculated over the preceding two quarterly collection dates exceeds 1.0 %;
- the reserve account balance falls below its target amount (ie 1.25% of the initial receivables balance);
- the seller or Erste Bank becomes insolvent;
- the quarterly collected amounts not used to purchase additional assets during the revolving period exceeds 10% of the outstanding note balance;
- a servicer termination event occurs; or
- an event of default occurs.

Disclaimer

For the avoidance of doubt, Fitch relies, in its credit analysis, on legal and/or tax opinions provided by transaction counsel. As Fitch has always made clear, Fitch does not provide legal and/or tax advice or confirm that the legal and/or tax opinions or any other transaction documents or any transaction structures are sufficient for any purpose. The disclaimer at the foot of this report makes it clear that this report does not constitute legal, tax and/or structuring advice from Fitch, and should not be used or interpreted as legal, tax and/or structuring advice from Fitch. Should readers of this report need legal, tax and/or structuring advice, they are urged to contact relevant advisers in the relevant jurisdictions.

Asset Analysis

Originator Overview

EBV (the originator) is set up as a limited partnership with Erste Bank (NR, fully owned by Erste Group Bank AG) as sole limited partner and EBV Leasing GmbH (NR) as unlimited partner who manages and represents EBV. The unlimited partner in turn is a 50-50 joint venture between Erste Bank and Vienna Insurance Group (VIG, NR).

EBV was founded in 1979 and is the second largest auto leasing company in Austria by leasing volume with a market share of 10.42% as of end-2012. As of April 2013, EBV had 35,550 existing customers, 164 employees and an outreach to customers through 1,140 branches of Erste Bank and VIG. EBV uses three main origination channels: Erste Bank branches (26%), Vienna Insurance Group (23%) as well as savings banks (44%) (which are consolidated with Erste Group through a cross-guarantee system). A small portion of leases (about 7%) are originated directly through EBV.

This transaction only securitises leases originated through Erste Bank and VIG branches as well as through EBV directly as the savings banks' lease books are not consolidated with EBV's.

EBV does not engage in any direct marketing activities and has no active marketing appearance in the leasing market – all marketing activities are led by the Erste Group Bank AG department for the Erste Bank and savings banks and by VIG for the VIG branches.

Lease Products

EBV offers lease financing for any motorised vehicles running on wheels or tracks and are approved by the authorities to private and commercial customers in Austria.

The products are:

- "Leasing" (Financial Lease; 74.3% of preliminary pool): The standard leasing product is a financial lease offered to lessees where the lessee typically has the intention of purchasing the vehicle at contract maturity. The contractual residual value (RV) is calculated based on the RV policy (see below) and the expected mileage. There are almost no 'fully amortising' contracts that amortise the total car value over the contract life.
- "Vorteilswelt" (Financial Lease; 23.5% of preliminary pool): This product is identical to the leasing product except for two additional services offered with it. One service is a card that can be used for refuelling at petrol stations. This card is not prepaid and the lessees receive their refuelling bills monthly in arrears rather than paying immediately at petrol stations. These cards are free of charge for the lessee and therefore bear no set-off risk for transaction. The other service offered are tire instalments (twice-annual) for which the lessee pays EUR 15 per month. The amount of tire contracts is limited to 5% of the total pool in the eligibility criteria. Upon a servicer insolvency, potential set-off risk from this aspect is therefore very limited.

- "Comfort Lease Basic" (Operating Lease; 2.2% of preliminary pool): This product is an operating lease where the RV risk is not securitised. Only the instalment portions of this product are sold to the SPV.

Most contracts are originated with an original term of 60 months. Common terms are also 48, 36 and 72 months.

None of the contracts sold to the SPV include maintenance contracts.

For all financial leases, the lessee has three options at contract maturity: to refinance the balloon payment (contractual RV), to purchase the vehicle at the contractual RV or to return the vehicle (subject to conditions detailed below). Historically over 90% of lessees have purchased the vehicle.

Lessees can decide whether they prefer to pay a fixed or a floating interest rate referencing three-month Euribor plus a margin. About 84% of the lease agreements are variable-interest leases. Interest rates are adjusted by EBV on a quarterly basis. According to EBV, there is no performance tendency or implication resulting from a choice to pay fixed rather than variable or vice versa.

Underwriting

Contracts originated via VIG are underwritten by EBV, while contracts originated at Erste Bank branches are underwritten by Erste Bank staff. However, the underwriting follows the same process and criteria described herein. Fitch has not found any material performance differences between the two origination/underwriting channels.

Applications are submitted by branch personnel through a Java-based web application that was developed by EBV's in-house IT department. It has an embedded link to the KSV1870 (KSV) database, Austria's credit reference bureau for both private individuals and companies. KSV data is monitored and updated on a regular basis by the credit bureau and credit references required for approval must be less than six (for higher balances four) months old.

Along with general applicant information and relevant scorecard data, private individuals are required to provide recent payslips and companies with lease balances exceeding EUR90.000 need to provide balance sheet information.

EBV employs scorecards developed by Experian. These were introduced in 2005 and are based on a number of score characteristics (disposable income, employment status, leasing vehicle and downpayment being the most relevant ones) and updated and evaluated on a regular basis. The scores are assigned to a default probability (PD) scale in accordance with Erste Bank's master scale. Together with the lease characteristics, they are fed into a "traffic light" system which complies with Erste Bank's risk management requirements and is monitored for existing EBV clients based on their historical payment behaviour.

Moreover, applicant information, in particular payment behaviour, is often available as most lessees are existing customers of Erste Bank, VIG or EBV.

All lease contracts are underwritten manually. The traffic light outcomes therefore do not automatically lead to underwriting decisions. Leases falling into high risk categories are approved by the authorised employees in accordance with the increasing seniority for increasing lease balances.

About 90% of all applications are accepted while the remaining 10% are rejected or undergo modifications (eg request for additional securities) before approval. According to EBV's management, the risk appetite in terms of expected PD has not undergone any changes in recent years.

Residual Value Setting

EBV bases their RV on Eurotax data as well as on their own inputs from their remarketing and legal departments. These maintain 15 internal residual value tables and update these on a regular basis. Vehicles are categorised into these tables by models. The tables contain RVs for different ages and mileages and are close to the Eurotax forecasts. Fitch received a sample comparison against the EBV RV recommendation for 10 models. A larger scale comparison is not practicable as the comparison has to be made manually and vehicle diversity is too high.

Underwriters have the possibility to set the contractual RV up to 5% higher than the EBV recommendation. In few cases these 5% are exceeded - this is only approved if the lessee provides additional security, typically in form of a security deposit. A security deposit is not a downpayment, but an actual deposit (in addition to a downpayment) in the sense that it can be used at maturity to reduce the outstanding balance should the lessee fail to pay. A contractual RV above EBV's recommendation results in a lower credit score for the contract.

In cases where the lessee does not purchase the vehicle or refinance the balloon payment (>90% choose to purchase the vehicle), but opts to return the car to EBV, the RV risk share (sales proceeds vs contractual RV) is borne by the lessee to:

- 100%, if the contracted mileage is not exceeded or the vehicle condition is worse than Eurotax class I or II[1]; and
- 75%, if the contracted mileage is not exceeded and the vehicle condition meets at least Eurotax class I or II.

The originator informed Fitch that there has only been one case where the vehicle was returned to the originator meeting the required conditions set out above. The sales proceeds covered the contractual RV and EBV made no loss.

Given that the lessee's right to return the vehicle is very restricted and the risk share mostly borne by the lessee, it is not comparable to contracts that explicitly offer a vehicle return a settlement alternative. The risk from these RV payments is therefore closer to standard balloon contracts. This is reflected in Fitch's balloon and RV loss assumptions. See detailed analysis in *Residual Value Risk* section below.

Servicing and Collections

All payments are due on the first business day of each month and 99% of payments are made by direct debit. EBV's collections department currently employs ten staff members in charge of administering unpaid items, send reminders, register payments, collect arrears and liaise with collection agencies.

The dunning process is automated and carried out as follows: a first letter is sent out on the 14th of the month, followed by a second reminder sent one month thereafter. The last dunning letter is sent a further month later (around the 74th day of delinquency). Contract termination is possible after the 42nd day of delinquency and typically occurs around the 55th to 85th day. The recovery process is outsourced to external collection agencies who initiate the repossession of the vehicle after a five day grace period given to the lessee following termination. If the initial efforts to recover the vehicle are unsuccessful or the recovered sales proceeds are insufficient to cover the outstanding balance, the contracts become 'defaulted' contracts and are handled by the legal department. Such default typically occurs 3 to 4 months after the first missed instalment.

EBV's vehicle remarketing team currently has two qualified employees with legal backgrounds and vehicle valuation certifications who manage the repossessed vehicle sale via an in-house

[1] Eurotax classification in Austria categorises vehicles into four condition classes from 'excellent' to 'defective' based on the condition of different vehicle features

developed online auction platform. 150 dealers participate in weekly auctions where the cars are sold to the highest bidders.

Austrian law allows EBV to pursue outstanding accounts for 30 years after defaulting. The company does not sell any residual claims. The originator informed Fitch that their unsecured cash recovery rates are high and that therefore at present there is no economic incentive for EBV to sell claims.

Portfolio Credit Analysis

The securitised portfolio includes variable- and fixed-rate monthly-paying auto lease receivables originated by EBV to Austrian private (at closing 42% of the portfolio) and commercial (58%) obligors. The lease claims were purchased by the issuer at their net present value, which is the sum of all scheduled principal payments over the lease term discounted at the contractual yield on the lease minus the security deposit described in the *Residual Value Setting* section.

Figure 4

Key Characteristics of the Initial Portfolio

	Total pool
Original receivables balance[a] (EUR 000)	505,841
Current receivables balance[a] (EUR 000)	281,042
Number of lease contracts	21,906
Average current discounted receivables balance (EUR)	12,829
Weighted average (WA) original maturity (months)	55
WA seasoning (months)	25
WA remaining term (months)	34
WA lease contract interest margin (%)	2.79
WA lease contract interest rate (%)	3.06
WA original loan to value (%)	86.1
Balloon payments (% of current receivables balance, taking into account that the issuer only purchases receivables net of deposit amounts)	44.8

[a] Balances are net of non-securitised lease deposits and represent the total assets collateralising the issued notes as well as a 5% portion retained by the seller.
Source: EBV Leasing GmbH & Co KG

Leases granted for the purchase of new vehicles accounted for 80% as of 6 December 2013, while the remaining 20% were backed by used vehicles.

Default Risk

Fitch reviewed cumulative default data for EBV originations since 2007. Data was split by vehicle age (new: less than 30 days old; demo: 30 to 180 days old; used: more than 180 days old), obligor type (private/commercial), vehicle type (car / non-car), lessee employer (Erste Group employees, VIG employees, other), lease type (financial / operating) and origination channels (Erste Bank, VIG, EBV). In line with transaction documentation and the originator's practice the default analysis is based on a default occurring around 90 days after the missed instalment.

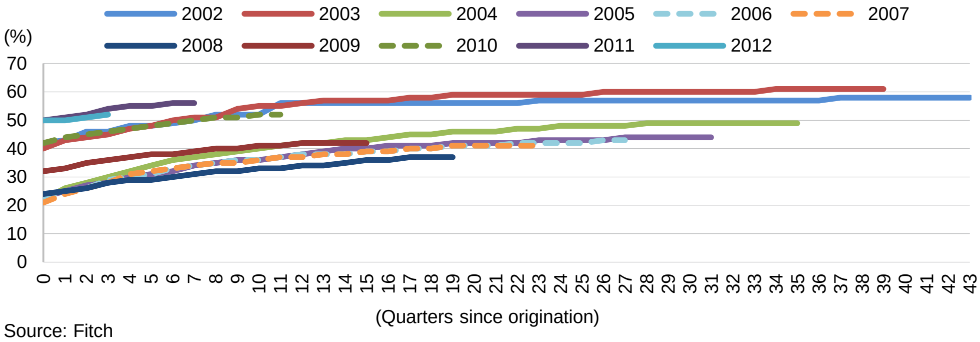
The agency analysed historic origination volumes as well as the development of lease characteristics such as weighted average downpayments, balloons and tenors. Origination volumes have remained fairly stable and none of this data suggested material changes of EBV's underwriting policies or risk appetite.

Fitch made its default assumptions based on four sub-pools considering the vehicle age and the obligor type. Due to the similarity of the collateral and performance of the demo and new vehicle pools, these were aggregated. For private obligor contracts backed by new and demo vehicles, the assumed default base case is 1.0%, for private used 2.25%, commercial new and demo 2.25% and for commercial used 6.0%. Fitch assumed migration of the pool to a "worst case" sub-pool composition (based on the replenishment limits) during the revolving period resulting in a portfolio base case default expectation of 2.81%.

In line with its criteria, the agency considered, amongst others, the revolving nature of the portfolio, the balloon risk and the absolute base case level and level relative to the economic cycle when applying default stresses.

Figure 5

EBV - Cumulative Recoveries



Source: Fitch

At closing, the pool included 3.9% of leases granted to employees of Erste Bank Group (which includes 0.1% of leases to EBV employees) and 4.9% to VIG employees. During the revolving period, these percentages are limited to a maximum of 5% each, according to the eligibility criteria. Fitch's ABS criteria do not typically foresee such concentrations in granular ABS securitisations. While the historical employee performance is significantly better than the average lessee performance, in a scenario where one or both entities default or suffer severe economic stress, Fitch would accordingly expect much higher default rates among these leases. To account for this concentrated exposure, Fitch has raised its default expectations for the employee sub-pools in higher rating scenarios.

The above considerations, at the 'AAAsf' level, resulted in a weighted average default multiple of 6.8x (4.0x at 'Asf', 2.9x at 'BBBsf' and 1.8x at 'BB+sf').

Recovery Rates

Fitch received recovery data for the total pool as well as grouped by vehicle age (new, demo, used) and obligor type (private commercial) since 2007. Typically Fitch receives recovery data cumulated over every month/quarter after default. However, EBV only records the recovered amounts based on their source, ie vehicle sale, motor insurance payments or cash recoveries. The recovery timing is therefore a proxy based on EBV's experience and is shown in the table "Cumulative Recovery Rates" below.

Figure 6

Cumulative Recovery Rates

Year of default (%)	Vehicle Sale (typically ≤ 2 months)	+ Insurance payments (typically ≤ 3 months)	+ Cash recovery (typically ≥ 3 months)
2007	68.4	70.1	**78.1**
2008	66.1	67.1	**75.4**
2009	60.0	63.9	**73.5**
2010	54.1	57.7	**68.8**
2011	63.4	66.6	**75.1**
2012	68.1	69.9	**74.0**
2013	73.3	74.3	**85.9**

Source: EBV Leasing GmbH & Co KG

Fitch derived recovery assumptions for the sub-portfolios and assumed recoveries of 68% for a worst-case portfolio. Compared to other transactions in other jurisdictions, these base cases are at the higher end. Possible reasons for this include high cash recoveries and legal framework[2] as well as an efficient remarketing process.

[2] Austrian law allows creditors to pursue obligors for outstanding debt for 30 years

Recovery stress haircuts have been applied below the median haircut envisaged by Fitch's criteria at 45% in 'AAAsf', 27% in 'Asf', 20% in 'BBBsf' and 15.3% in 'BB+sf'. These stresses take into consideration the historically stable recovery rates, the main source of the recovery being the vehicles, the recovery process and the length and quality of data provided.

Figure 7
Default and Recovery Stressed Assumptions

	Base case	AAAsf	Asf	BBBsf	BB+sf
Worst-case portfolio (%)					
RDR	2.81	19.1	11.3	8.1	5.1
RRR	67.7	37.2	49.4	54.2	57.3
RLR	0.91	12.0	5.7	3.7	2.2

Source: Fitch

Asset Outlook

Fitch expects the performance of Austrian households to remain stable over the short and medium term. With unemployment below 5%, the lowest in the EU, Austria's economy has proven resilience to the large swings in the economic cycle over the last years. Low private-sector indebtedness and a high savings ratio support this expectation.

The agency views the main downside risks for consumer ABS in an intensification of the Eurozone crisis and, more remotely, adverse banking sector implications from Austrian banks' material exposure to Eastern Europe.

Balloon and Residual Value Risk

The securitised financial leases, with few exceptions, include a balloon payment at contract maturity. This residual value component may represent up to 46% of the outstanding asset balance.[3] The residual value risk arises from the uncertainty of the future used car price which may differ from the contractually agreed balloon payment at maturity. However, as described in the *Residual Value Setting* section above, this risk is most commonly borne by the lessees who are liable for the payment of the final balloon.

The lessee is obliged to make a balloon payment at contract maturity. However, lessees may be relying on refinancing options at maturity, or selling the car back to the dealer. Should the borrower not be able to refinance the balloon amount (due to an EBV default), nor return the car to the dealer (due to dealer default), the lessee will be obliged to pay this final instalment. Even if the lessee returns the car to the dealer, the latter will only pay the then-current market value of the vehicle, rather than the contractual balloon payment. In the event that the residual value of the vehicle is below the contractually-agreed balloon payment, the difference will be due from the borrower. In line with Fitch's criteria this balloon risk has been taken into account in the level of the default multiples in higher rating scenarios.

In case the vehicle meets the criteria to be returned to the lessor at contract maturity (contracted mileage is not exceeded and vehicle condition at least Eurotax class I or II), the lessee may do so instead of making the balloon payment but remains liable for 75% of any RV loss. Typically, where contractual rights allow obligors to return the vehicle without restrictions, Fitch assumes turn-in rates of 100% in 'AAAsf' in line with its *EMEA Consumer ABS Rating Criteria – Auto Residual Value Addendum*. However, the return restrictions under EBV's lease contracts are very restrictive on the vehicle condition which is also evidenced by the fact that there has historically only been one case where a lessee exercised this return right. Fitch has therefore reduced its turn-in rate assumption to 25% in 'AAAsf' (20% in 'Asf', 18% in 'BBBsf' and 14% in 'BB+sf').

[3] The RV balance is calculated using the final balloon payment due at maturity, minus the amount of non-amortising deposits paid by lessees. This is because the deposit, which is not securitised, is deducted from the initial sold balance. Therefore at maturity, the lease balance due to the issuer will have been reduced to the RV minus this deposit

The RV exposure is further reduced by defaults and the 75% lessee RV loss sharing.

Given that underwriters have the liberty to exceed EBV's RV recommendations and considering sales costs in the area of EUR 300 to 350, in line with Fitch's criteria, the agency has assumed base case sales proceeds of 95% of the contractual balloon payment. These are reduced after applying a market value decline of 32.5% in 'AAAsf' (21.7% in 'Asf', 16.3% in 'BBBsf' and 14.4% in 'BB+sf'). This haircut takes into account the small size of the Austrian car market as compared to its European peers, but also the well diversified pool across vehicle brands and a fairly even distribution of scheduled balloon due dates.

Figure 8

Residual Value Risk

(%)	AAAsf	Asf	BBBsf	BB+sf
Base case sale proceeds as % of RV	95.0	95	95	95
Rating stress	32.5	21.7	16.3	14.4
Stressed sale proceeds as % of RV	**64.1**	**74.4**	**79.6**	**81.3**
Loss as % of RV	**35.9**	**25.6**	**20.4**	**18.7**
Maximum RV as % of initial pool	46.0	46.0	46.0	46.0
Turn-in rate	25.0	20.0	18.0	14.2
SPV RV loss share	25	25	25	25
Gross defaults	19.1	11.3	8.1	5.1
RV exposure as % of initial pool	**2.3**	**2.0**	**1.9**	**1.5**
RV loss as % of initial pool	**0.8**	**0.5**	**0.4**	**0.3**

Source: Fitch

Prepayment Risk

Fitch received monthly prepayment data since 2007. The data shows a stabilising trend over the last years which is however also a reflection of larger denominator and annualisation. Fitch set its base case prepayment rate at 9.0%. The base case rate was stressed upwards (and downwards) by a factor of 1.5 (0.5 respectively) at 'AAAsf', 1.3 at 'Asf' (0.7 respectively), 1.2 (0.8) at 'BBBsf' and 1.1 (0.9) at 'BB+sf' .

Financial Structure and Cash Flow Modelling

Fitch used its proprietary cash flow model to test the ability of the asset pool to make interest and principal payments due under the rated notes. It modelled the asset pool taking into account the scheduled amortisation profile, as well as the stressed default, recovery, RV and prepayment assumptions.

The most stressful scenario involves front-loaded or back-loaded defaults, depending on the notes under consideration, and rising interest rates because the more severely the asset balance is depleted in the first months, the sooner the yield on the shrinking asset balance becomes insufficient to cover increasing interest payments under the notes. While an interest rate swap to hedge the fixed-floating rate mismatch between the fixed paying asset share and the floating-rate notes is in place and somewhat mitigates the transaction's exposure to interest rate movements, the agency assumes that the share of fixed paying assets (and therefore also the swap costs) are reduced to zero during the revolving period.

The initial asset pool generates a weighted average margin of 2.79% over three-month Euribor and eligibility criteria stipulate a minimum weighted average margin of 2.45% during the revolving period. This margin was stressed with a 50% compression for defaulting loans and a 25% compression for prepaying contracts in line with Fitch's criteria. This reduces the benefit of excess spread. At closing, excess spread, estimated by deducting senior fees and servicing costs and the weighted average note margin, is about 1.0%. However, in its analysis Fitch assumes portfolio yield to decrease during the revolving period to the minimum margin, reducing excess spread to 0.8% a year at the start of the amortisation period.

Fitch applied a default definition of three-month delinquency in line with the typical termination timing practiced by the servicer.

For recoveries, Fitch assumed that the issuer starts receiving recovered amounts three months after the default or return of the vehicle under the contractual return option has occurred.

High prepayment scenarios have a slightly negative impact on the notes as the transaction's excess spread, and therefore excess spread compression, is limited. However, Fitch is of the opinion that high prepayment scenarios are incompatible with stressful balloon and RV loss assumptions when lessees fail to settle final balloon payments. For this reason, in the higher rating stress scenarios, Fitch has also tested zero prepayments.

According to Fitch's modelling results, sufficient cash flows will be generated to make timely payment of interest and payment of principal to the class A, B, C and D notes by the final maturity date in accordance with the transaction documents.

Rating Sensitivity[4]

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, and 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 model-implied change in rating (ie rating migration) if the base case default rate of the pool is increased by a relative amount is demonstrated in the table below. For example, increasing the base case default rate by 50% may result in a three-notch downgrade of the class A notes.

Rating Sensitivity to Increased Defaults

	Class A	Class B	Class C	Class D
Original rating	AAA	A	BBB	BB+
Increase base case by 10%	AA+	A	BBB−	BB
Increase base case by 25%	AA	A−	BBB−	BB
Increase base case by 50%	AA−	BBB+	BBB−	BB

Source: Fitch

Rating Sensitivity to Reduced Recovery Rates

The model-implied change in rating (ie rating migration) when the base case recovery rate of the pool is reduced by a relative amount is demonstrated in the table below. The structure is sensitive to recovery assumptions. A small stress may be sufficient to determine a one-notch downgrade of the class A, B and D note.

Rating Sensitivity to Reduced Recovery Rates

	Class A	Class B	Class C	Class D
Original rating	AAA	A	BBB	BB+
Reduce base case by 10%	AA+	A	BBB−	BB
Reduce base case by 25%	AA+	A−	BBB−	BB−
Reduce base case by 50%	AA	BBB+	BBB−	B

Source: Fitch

[4] These sensitivities only describe the model-implied impact of a change in one 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 shows the joint effects of the stresses described above. In the harshest assumption, a multiple-notch downgrade may result.

Rating Sensitivity to Increased Defaults and Reduced Recoveries

	Class A	Class B	Class C	Class D
Original rating	AAA	A	BBB	BB+
Increase default base case by 10%; reduce recovery base case by 10%	AA+	A−	BBB−	BB
Increase default base case by 25%; reduce recovery base case by 25%	AA−	BBB+	BBB−	B
Increase default base case by 50%; reduce recovery base case by 50%	A	BBB-	BB	CCC to D

Source: Fitch

Criteria Application, Model and Data Adequacy

Fitch derived base case default and recovery rate assumptions as well as RV assumptions, based on historical performance and portfolio data provided by the arranger and incorporating different stresses for the respective rating levels.

Fitch has analysed the risk of lessee default and RV risk in accordance with its *EMEA Consumer ABS Rating Criteria* and *EMEA Consumer ABS Rating Criteria-Residual Value Addendum*, both published in July 2013, available at www.fitchratings.com. The following information was provided by the arranger to support Fitch's collateral analysis.

- Default vintage data broken down into sub-categories since 2007.
- Recovery data by split by vehicle sale, cash, insurance and other proceeds; broken down into sub-categories since 2007.
- Origination volumes since 2007.
- Static prepayment data since 2007.
- Dynamic delinquency data since 2007.
- Preliminary pool tape, including detailed information on each loan.
- Stratification tables for the preliminary pool tape.
- Historical downpayment, balloon, tenor and original balance information since 2007.
- Residual value sales data since end 2007.

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

Fitch used its proprietary cash flow model to analyse the impact of its default rate, recovery rate and the respective timing assumptions as regards the issuer's ability to meet its debt service obligations under the notes.

Counterparty Risk

Servicing

At closing, EBV acts as servicer. Erste Group Bank, EBV's ultimate parent, acts as back-up servicer. Additionally PwC Transaction Services (NR) is appointed as servicer facilitator, in case Erste Group Bank is unable to take over the servicing activity upon servicer termination.

A servicer termination is triggered in the following circumstances:

- insolvency of servicer;
- servicer fails to pay amounts due under the servicing agreement within two business days;
- failure to perform;
- inaccurate servicer representation, potentially affecting issuer, receivables, vehicles and/or collections;
- servicer ceases to be a member of the Erste Bank group; or
- servicer materially changes officers in charge of managing receivables and change adversely affects its ability to fulfil servicing obligations.

Upon the occurrence of a servicer termination event, the retiring servicer will cease to perform its duties under the servicing agreement, which include the collection of funds into its own accounts. A dismissal of the servicer shall only become effective after a new servicer has assumed all of its rights and obligations.

In the event of a servicer default leading to collection disruptions, the LF is available to cover around three months of senior costs, which further enforces servicing continuity.

Account Bank

The issuer holds its accounts with Deutsche Bank AG London Branch ('A+'/Stable/'F1+'). The account bank agreement contains downgrade provisions in line with Fitch's counterparty criteria: should the account bank be downgraded below 'A' or 'F1', the account bank mandate will need to be transferred within 30 calendar days to another bank, rated at least 'A'/'F1'.

Liquidity Facility Provider

HSBC Bank plc provides the LF to the issuer, covering shortfalls on senior expenses, the swap and interest on the notes, if any. The LF agreement contains downgrade provisions in line with Fitch's counterparty criteria.

As standard for the market, the LF agreement contains an "increased costs" clause whereby the LF provider can charge to the issuer any additional costs incurred as a consequence of either changes in laws and regulations or subsequent compliance with existing laws and regulations, including increased capital requirements under the Basel framework after a rating downgrade. In analysing this latter risk, Fitch took comfort from the expected limited impact on the rating of the notes of stressed LF commitment fees (up to 15%-25% from the current 0.45%) as well as from the contractual option for the issuer to terminate the LF agreement following the application of this clause.

Commingling

All lessees settle their payments by direct debit into the collection account of the servicer held with Erste Bank on the first business day of each month.

If Erste Group Bank AG ceases to be rated at least 'A'/'F1', EBV will advance on a monthly basis all collections due five days ahead of each collection date (first business day of each month). Any amounts received on such collection date that exceed the advanced amount shall then be transferred within five days.

As long as Erste Group Bank AG is rated at least 'A'/'F1', no pre-funding will take place and the servicer will transfer collections on a quarterly basis, two business days before each note payment date. At the same time, Erste Group Bank AG acts as an unconditional guarantor for this quarterly transfer.

The described provisions, relying on either a pre-funding mechanism or an institution rated at least 'A'/'F1', in Fitch's view sufficiently mitigate commingling risk.

Fitch was informed that the pre-funding mechanism is expected to be implemented from closing, due to other conditions being breached.

Set-Off

EBV is not in the business of collecting deposits from obligors and does not intend to start such business in the near future. Therefore set-off risk arising from funds held with the servicer is not given. Set-off risk against deposit accounts lessees may hold with Erste Bank can only arise if lessees have assigned their deposit accounts to the originator's (or issuer's) lease claims. Fitch has received assurances that no such assignment has been made.

EBV does not collect nor finance any insurance premiums or similar products on behalf of third parties, which according to Austrian consumer law, eliminates any legal set-off rights from such third-party products.

The securitised lease contracts do not include maintenance contracts.

Under Austrian law, the lessor bears warranty liability for defective products purchased with the financing contracts. However, for new vehicles the manufacturer (or importer) is liable for warranty claims during the first two years of the vehicle life while for used vehicles, the dealer typically provides such warranty.

Further, the seller undertakes to the issuer that it will indemnify the issuer against any expenses incurred in connection with such claims made by lessees or third parties arising in connection with the lease agreements, including product liability, property damage, personal injury, etc.

Fitch views the likelihood of such set-off claims against the issuer as remote, because in order to materialise, there would need to be a a) a claimable damage to the vehicle, b) a non-payment /default from the manufacturer/dealer and c) a non-payment of the indemnity by the originator to the seller.

Swap Counterparty

The issuer is expected to enter into an interest rate swap with Erste Group Bank AG to hedge the mismatch arising as a result of floating paying class A, B, C and D notes and the fixed-paying portion of lease receivables.

In the swap documentation, remedial actions upon downgrade of the swap counterparty envisage collateral posting, replacement as well as the provision of a guarantor. The collateral posting provisions in the swap documentation and is in line with Fitch's criteria. For more information on Fitch's collateralisation criteria, please refer to *Counterparty Criteria for Structured Finance and Covered Bonds*, dated 13 May 2013.

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 quarterly servicer reports detailing the performance of the portfolio. These will provide the basis for the agency's surveillance of the performance of the transaction against both base case expectations and the performance of the industry as a whole. Where appropriate, the agency may request to monitor further data from EBV. The ratings on the transaction will be reviewed by a committee at least once every 12 months, or where considered appropriate (e.g. in the event of a deterioration in performance, an industry-wide development, or a change at EBV 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, losses and prepayments) against the base case assumptions. The agency deems EBV‘s servicer report to contain sufficient information, including gross loss and net loss data among other key performance indicators.

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.

Appendix A: Transaction Comparison

Figure 9
Auto ABS Transactions

Transaction	Edelweiss Auto Funding Limited	Red & Black Auto Germany 1 UG	Swiss Auto Lease 2013-1 GmbH	SC Germany Auto 2013-1	Free Mobility No. 6	Bee First Finance S.A. – Compartment Edelweiss 2013-1
Date of closing	Jun 2003	Mar 2012	Jun 2013	Mar 2013	Dec 2012	Dec 2013
Country of assets	Austria	Germany	Switzerland	Germany	Germany	Austria
Registered office of issuer	Jersey	Germany	Switzerland	Germany	Germany	Luxembourg
Seller	EBV Leasing	Bank Deutsche Kraftfahr-zeuggewerbe AG	GE Money Bank AG	Santander Consumer Bank AG	FFS Bank GmbH	EBV Leasing
Issuance volume (ISOm)	EUR220.0	EUR750.0	CHF263.2m	EUR600.0	EUR503.4	EUR266.9
Class	**Class A**	**Class A**	**Class A**	**Class A**	**Class A**	**Class A**
Rating	AAA	AAA	AAA	AAA	AAA	AAA
Amount (ISOm)	EUR211.2	EUR667.5	CHF200.0m	EUR549.0	EUR437.5	EUR232.5
Credit enhancement (%)	5.6	12.3	26.1	9.5	13.1	14.14
Class	**Class B**	**Class B**		**Class B**	**Class B**	**Class B**
Rating	A	NR		NR	A−	A
Amount (ISOm)	EUR8.8	EUR82.5		EUR51.0	EUR28.6	EUR18.4
Credit enhancement (%)	1.6	1.3		1.0	7.4	7.24
Class		**Sub-loan**	**Sub-loan**		**Sub-loan**	**Class C**
Rating		NR	NR		NR	BBB
Amount (ISOm)		EUR10.0	CHF69.7		EUR37.3	EUR9.3
Credit enhancement (%)		0	0		0.0	3.76
Class		**n.a.**	**n.a.**		**n.a.**	**Class D**
Rating		n.a.	n.a.		n.a.	BB+
Amount (ISOm)		n.a.	n.a.		n.a.	EUR6.7
Portfolio summary as of closing						
Type	Revolving	Static	Revolving	Static	Static	Revolving
Type of receivables	Auto Leases	Auto Loans	Auto Leases	Auto Loans	Auto Loans	Auto Leases
Total discounted principal amount (ISOm)	EUR220.0	EUR750.0	CHF263.2	EUR600.0	EUR501.4	EUR281.0 (EUR267.0 after seller retention)
Number of receivables	19,964	96,687	14,185	60,845	55,884	20,801
Av. outstanding balance	EUR11,020	EUR7,757	CHF18,552	EUR9,861	8,972	EUR12,829
WA remaining term in months	33	41	38	48	41	34
WA seasoning in months	19	17	13	12	18	25
WA original term in months	52	58	51	59	59	55
Max. original term in months		83	51	90	84	72
Collateral by balance (%)						
Age of vehicle						
New vehicles	86	91	58	40	81	80
Used vehicles	14	9	42	60	19	20
Type of repayment						
Fully amortising	0	15	0	61	50	0
Balloon contract	100	85	100	39	50	100
Payment method						
Direct debit	95	100	70	100	100	100
Base case cumulative default rate assumption	2.4	2.0	1.8	2.2	2.5	2.8
Base case recovery rate assumption	63	70	65	40	50	68
Prepayment-rate assumption	10	10	0	13	13	9

Figures at closing
Source: Transaction documents/Fitch

Appendix B: Transaction Overview

Bee First Finance S.A. – Compartment Edelweiss 2013-1 Austria/ABS

Figure 10
Capital Structure

Class	Final ratings	Rating outlook	Size (%)	Size (EURm)	CE (%)	PMT freq	Final maturity	TT (%)	TTLM (x)
A	AAAsf	Stable	87.1	232.5	14.14	Quarterly	Jan 2022	87.1	96.7
B	Asf	Stable	6.9	18.4	7.24	Quarterly	Jan 2022	6.9	9.9
C	BBBsf	Stable	3.5	9.3	3.76	Quarterly	Jan 2022	3.5	3.9
D	BB+sf	Stable	2.5	6.7	1.25	Quarterly	Jan 2022	2.5	2.8
Total				**266.9**					

Cash reserve	**Initial** 1.25%	**Credit enhancement**	Overcollateralisation + cash reserve + excess spread
Scheduled revolving period	12 months	**Swap**	Pays 3m Euribor on the fixed-paying asset balance

Source: Fitch

Key Information

Details		**Parties**	
Closing date	13 Dec 2013	**Seller/originator**	EBV Leasing GmbH & Co. KG
Country of assets and type	Austria	**Servicer**	EBV Leasing GmbH & Co. KG
Country of SPV	Luxembourg	**Backup servicer**	Erste Group Bank AG
Analyst	Anna Martinez +44 20 3530 1560	**Issuer**	Bee First Finance S.A. – Compartment 1
	Pasquale Giordano +39 02 879087 263	**Issuer account bank provider**	Deutsche Bank AG, London Branch
		Collection account bank provider	Erste Bank der oesterreichischen Sparkassen
Performance Analyst	Anna Martinez +44 20 3530 1560	**Security trustee**	Deutsche Trustee Company Limited
		Swap counterparty	Erste Group Bank AG
		Liquidity facility provider	HSBC Bank plc

Source: Fitch

Key Rating Drivers

Lessee Credit Risk: Fitch Ratings has assumed a base case default rate of 2.8% and applied default multiples of 6.8x in a 'AAAsf' scenario, 4.0x in 'Asf', 2.9x in 'BBBsf' and 1.8x in 'BB+sf', primarily reflecting the presence of balloon risk, the revolving nature of the pool and a concentration on employees of Erste Bank and Vienna Insurance Group (VIG, NR). Fitch set its recovery base case at 67.7%, applying haircuts up to 45% in 'AAAsf'.

Revolving Period Additional Risk: The transaction envisages a one-year revolving period. Fitch considers that the early amortisation triggers, along with the eligibility criteria and available credit enhancement, mitigate the risk added by the revolving period. The agency analysed potential changes in the pool composition during this period and assumed a shift towards a more risky – considering Fitch's loss assumptions – composition.

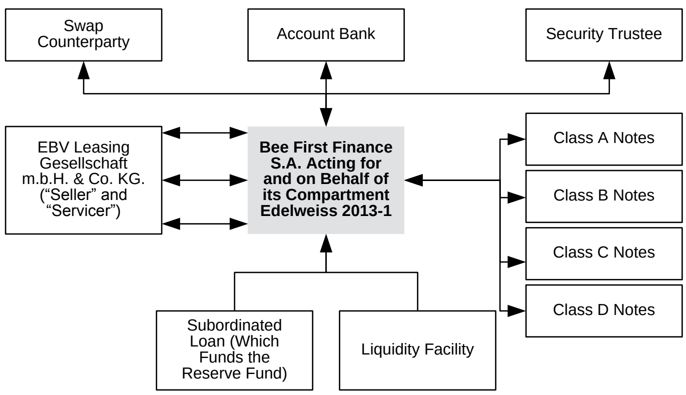
Limited Residual Value Risk: The lessee's right to return the vehicles at maturity, in lieu of settling balloon payments, exposes the issuer to residual value (RV) risk; however, these rights are very restricted under the lease contracts. In addition, if lessees exercise this right, they remain liable for 75% of any RV loss incurred. In Fitch's opinion, the RV risk therefore lies largely with the lessees, exposing the transaction to balloon risk when obligors are faced with stressed economic circumstances and limited re-financing options.

Stable Asset Outlook: Fitch expects the repayment abilities of Austrian consumers to remain stable, based on flat unemployment rates (4.7% expected throughout 2014), an improvement in GDP growth (1.4% forecasted for 2014, up from 0.4% in 2013) and stable interest rates.

Class D Notes' Ratings Capped: The rating of the Class D notes cannot exceed the Issuer Default Rating of Erste Group Bank due to some portfolio exposure to Erste Bank's employees. In addition, Fitch has used the contractual servicing/back-up servicing fee of 20bp in its modelling for the lower rating categories as in such scenarios the agency assumes that Erste Bank will perform carry out its obligations.

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.