



Fitch Takes Various Rating Actions on Bee First Finance S.A. Compartment Edelweiss 2013-1

Fitch Ratings-London-28 September 2016: Fitch Ratings has taken various rating actions on Bee First Finance S.A. Compartment Edelweiss 2013-1 (Bee First) notes, as follows:

EUR84.3m class A notes affirmed at 'AAAsf'; Outlook Stable
 EUR18.4m class B notes upgraded to 'AAAsf'; Outlook Stable
 EUR9.3m class C notes upgraded to 'A+sf'; Outlook Positive
 EUR6.7m class D notes affirmed at 'BBB-sf'; Outlook revised to Positive from Stable

The transaction is a securitisation of vehicle lease receivables originated in Austria by Erste Bank and Sparkassen Leasing GmbH, ultimately owned by Erste Group Bank AG (BBB+/Stable/F2). The transaction had a one-year revolving period which ended in December 2014. The pool composition has remained largely unchanged, both during the revolving period and the amortisation period to date.

As of the last report date in July 2016, the pool collateral consisted of 11,648 auto lease receivables granted to private (46.32%) and commercial (53.68%) borrowers. The average current balance and average outstanding balloon payment is EUR10,193 and EUR6,353, respectively.

KEY RATING DRIVERS

The rating action reflects the transaction's robust performance since closing in 2013, exceeding Fitch's original expectations in its key asset metrics. The transaction's delinquencies are low with accounts in arrears for more than 30 days at around 0.6% of the portfolio balance. Cumulative defaults and losses to date are 1.4% and 0.4% of the closing balance plus any new loans purchased during the revolving period.

The class A, B, C and D notes are redeemed sequentially. This mechanism ensures that potential losses will be first allocated to the junior notes, providing credit enhancement (CE) to the more senior ones. CE for the all notes has risen substantially since the notes started amortising. The static cash reserve, fully funded at closing by the originator through a subordinated loan, equal to 1.25% of the portfolio balance (EUR3.3m), provides CE by covering for any unpaid principal deficiency ledger (PDL).

The lessee has the right to return the vehicles at maturity, in lieu of settling balloon payments, exposing the issuer to residual value (RV) risk. However, these rights are restricted under the lease contracts. Additionally, if a lessee exercises this right, they remain liable for at least 75% of any RV loss incurred. In Fitch's opinion, the RV risk therefore lies largely with lessees, exposing the transaction to balloon risk when obligors are faced with stressed economic circumstances and limited re-financing options.

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 during the initial analysis. As at end-July 2016, the portfolio contained approximately 62% balloon payments and 38% lease instalments, compared with 44% and 56% at closing, respectively. The increase in balloon payments is expected as the transaction amortises.

Fitch expects the repayment abilities of Austrian consumers to remain stable, based on low unemployment rates (around 6%), steady and the upward trend in real GDP growth (1.6% in 2016-2017) supported by strong domestic demand and stable interest rates.

RATING SENSITIVITIES

Rating sensitivity to increased default rate (class A/B/C/D)

Current ratings: 'AAAsf'/'AAAsf'/'AA-sf'/'BBBs'

Increase base case default rate by 25%: 'AAAsf'/'AA+sf'/'Asf'/'BB+sf'

Rating sensitivity to reduced recovery (class A/B/C/D)

Current ratings: 'AAAsf'/'AAAsf'/'AA-sf'/'BBBs'

Reduce base case recovery by 25%: 'AAAsf'/'AA+sf'/'Asf'/'BB+sf'

Rating sensitivity to increased default rate and reduced recovery rate (class A/B/C/D)

Current ratings: 'AAAsf'/'AAAsf'/'AA-sf'/'BBBs'

Increase base case default rate by 25%: reduce base case recovery by 25%: 'AAAsf'/'AAAsf'/'A-sf'/'BBs'

The rating of the class D notes cannot exceed Erste Group Bank's Issuer Default Rating (IDR; BBB+). This is due to the exposure to Erste Bank employees (4% to employees of Erste Bank and 0.08% to employees of EBV Leasing as of end-July 2016). In addition, Fitch has used the contractual servicing/back-up servicing fee of 20bp in its initial 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, significant changes to Erste Bank's IDR may lead to changes to the rating of the class D notes.

USE OF THIRD-PARTY DUE DILIGENCE PURSUANT TO RULE 17G-10

No third party due diligence was provided or reviewed in relation to this rating action.

DATA ADEQUACY

Fitch has checked the consistency and plausibility of the information it has received about the performance of the asset pool and the transaction. There were no findings that affected the rating analysis. Fitch has not reviewed the results of any third party assessment of the asset portfolio information or conducted a review of origination files as part of its ongoing monitoring.

Prior to the transaction closing, Fitch reviewed the results of a third party assessment conducted on the asset portfolio information and concluded that there were no findings that affected the rating analysis.

Prior to the transaction closing, Fitch conducted a review of a small targeted sample of the originator's origination files and found the information contained in the reviewed files to be adequately consistent with the originator's policies and practices and the other information provided to the agency about the asset portfolio.

Overall, Fitch's assessment of the information relied upon for the agency's rating analysis according to its applicable rating methodologies indicates that it is adequately reliable.

SOURCES OF INFORMATION

The information below was used in the analysis.

-Issuer and servicer reports dated 8 July 2016 and provided by Erste Group Bank AG.

-Rating of Erste Group Bank AG from Fitch's FI group as of 16 March 2016. Rating was 'BBB+'/'Stable'/'F2'.

MODELS

The Fitch Granular Asset Loss Analyser (GALA Model) was used in the analysis. Click on the link for a description of the model.

GALA Model (<https://www.fitchratings.com/site/structuredfinance/abs/gala>)

REPRESENTATIONS AND WARRANTIES

A description of the transaction's representations, warranties and enforcement mechanisms (RW&Es) that are disclosed in the offering document and which relate to the underlying asset pool is available by accessing the appendix that accompanies the initial new issue report (see Bee First Finance S.A. - Compartment Edelweiss 2013-1 - Appendix, dated 18 December 2013 at www.fitchratings.com). The appendix also contains a comparison of these RW&Es to those Fitch considers typical for the asset class as detailed in the Special Report titled "Representations, Warranties and Enforcement Mechanisms in Global Structured Finance Transactions," dated 31 May 2016.

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Applicable Criteria

Counterparty Criteria for Structured Finance and Covered Bonds (pub. 01 Sep 2016)

(<https://www.fitchratings.com/site/re/886006>)

Counterparty Criteria for Structured Finance and Covered Bonds: Derivative Addendum (pub. 18 Jul 2016)

(<https://www.fitchratings.com/site/re/884964>)

Criteria for Interest Rate Stresses in Structured Finance Transactions and Covered Bonds (pub. 17 May 2016) (<https://www.fitchratings.com/site/re/879815>)

Criteria for Rating Caps and Limitations in Global Structured Finance Transactions (pub. 16 Jun 2016)

(<https://www.fitchratings.com/site/re/882401>)

Global Consumer ABS Rating Criteria (pub. 19 Aug 2016) (<https://www.fitchratings.com/site/re/886466>)

Global Consumer ABS Rating Criteria - EMEA Residual Value Addendum (pub. 03 Dec 2015)

(<https://www.fitchratings.com/site/re/874128>)

Global Structured Finance Rating Criteria (pub. 27 Jun 2016) (<https://www.fitchratings.com/site/re/883130>)

Related Research

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

(<https://www.fitchratings.com/site/re/727443>)

Additional Disclosures

Dodd-Frank Rating Information Disclosure Form

(https://www.fitchratings.com/creditdesk/press_releases/content/ridf_frame.cfm?pr_id=1012292)

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