Moody's Investors Service

Global Credit Research
Credit Opinion
4 JUN 2007

Credit Opinion: LeasePlan Corporation N.V.

LeasePlan Corporation N.V.

Almere, Netherlands

Ratings

Category	Moody's Rating
Outlook	Stable
Bank Deposits (ST) -Dom Curr	--/P-2
Bank Financial Strength -Dom Curr	C
Issuer Rating -Dom Curr	A3
Senior Unsecured	A3
Subordinate -Dom Curr	Baa1
Commercial Paper	P-2
Other Short Term -Dom Curr	P-2
Lease Plan New Zealand Limited	
Outlook	Stable
Commercial Paper	P-2
Lease Plan Finance N.V. (Dublin Branch)	
Outlook	Stable
Bkd Senior Unsecured	A3
Commercial Paper	P-2
Bkd Other Short Term -Dom Curr	P-2

Contacts

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Key Indicators

LeasePlan Corporation N.V.

	[1]**2006**	**2005**	**2004**	**2003**	**2002**	**2001**	[2]**Avg/CAGR**
Total assets (EUR bn)	**15.81**	**14.32**	**11.86**	**10.84**	**10.8**	**10.62**	**7.8**
Total Capital (EUR bn)	**1.87**	**1.45**	**1.27**	**1.32**	**1.19**	**1.02**	**9.1**
Return on average assets	**1.39**	**1.52**	**1.85**	**1.78**	**1.68**	**1.65**	**1.7**
Recurring earning power [3]	**1.9**	**1.79**	**2.05**	**2.39**	**2.34**	**2.42**	**2.2**
Net interest margin	**3.74**	**3.72**	**4.03**	**2.79**	**2.72**	**2.76**	**3.2**
Cost/income ratio	**75.44**	**78.3**	**78.21**	**68.22**	**68.47**	**68.16**	**72.27**
Problem loans % gross loans	**--**	**--**	**--**	**--**	**--**	**--**	
Tier 1 ratio (%)	**8.7**	**8.2**	**10.4**	**10.6**	**9.3**	**7.8**	**9.26**

[1] As of Dec. 31. [2] Compound Annual Growth Rate for total assets. [3] Preprovision income % average assets.

Opinion

SUMMARY RATING RATIONALE

Moody's assigns a bank financial strength rating (BFSR) of C to LeasePlan Corporation N.V. (LeasePlan) which translates into a baseline risk assessment of A3. The rating derives from the company's important global car leasing franchise, not only in the Netherlands but also in other European markets, Australasia and the United States, well-diversified client portfolio and solid financial fundamentals. The rating is, however, constrained by total reliance on wholesale funding sources and the monoline nature of the bank.

LeasePlan's long term global local currency (GLC) deposit rating is at the A3 / Prime 2 level. The deposit and debt ratings of LeasePlan of A3/P-2 are a result of a straightforward mapping of the bank's BFSR of C to a baseline risk assessment of A3 without the incorporation of any systemic or parental support (components of joint default analysis, referred to as JDA). We note that VW Bank owns 50% of the company, and two financial investors each hold 25%: the Saudi Investment house Olayan and the Abu Dhabi government's Mubadala Development Company (both unrated). LeasePlan is not a consolidated subsidiary of VW Bank -- a 100% owned subsidiary of VW Financial Services -- but instead is carried as an investment under the equity method by its parent. We further note that VW regards LeasePlan very much as a financial investment and as such the company is operationally and managerially independent from its owners. Given this we do not derive substantial support from the parent in the event of difficulties.

Prior to BFSR/JDA implementation LeasePlan's ratings were A3/C. The P-1 rating that applied at that time had been placed on review for downgrade in September 2006.

Credit Strengths

[1] LeasePlan has re-financed its balance sheet in international Debt Capital Markets; [2] Diversified geographical franchise built around strong position in home market of the Netherlands; [3] Solid financial fundamentals, notwithstanding dependence upon wholesale funding.

Credit Challenges

[1] Reliance upon wholesale funding sources and debt capital markets; [2] Profitability may come under pressure over time especially given challenge of a relatively high cost income ratio; [3] Revenue mix, while diversified in as much as it includes earning from leasing-related services, as well as margin income, is essentially mono-line in as much as it relates to/is linked to success of core central purpose of leasing.

Rating Outlook

The outlook on the A3/P-2 issuer rating and C financial strength rating is stable.

What Could Change the Rating - Up

At present LeasePlan BFSR looks well placed at C. The continued development / consolidation of the company's funding profile will be crucial. A clear ability to achieve a positive net funding requirement to cover a minimum of 12 months non access to the capital markets with no reduction in business is a sine qua non in this respect. Such a solid liquidity profile also needs however to be accompanied by further improvements in financial fundamentals along with a further improvements in the cost/income ratio to create upward pressure on the ratings.

What Could Change the Rating - Down

The establishment of a market-funded model is not a credit positive, it is a credit necessity, given the company no longer benefits from support from ABN Amro. The continued development of this standalone funding profile of LeasePlan is thus important in supporting the ratings at their present level. The more so given the company's relative rating position (at A3) which places the need on provision of more liquidity rather than less.

Were profitability to come under pressure or Tier 1 capital to decline then this might also put negative rating pressure on the rating.

Recent Results and Developments

LeasePlan achieved net profit of EUR211million in 2006, an increase of 6% on the result of 2006. Total operating income from continuing operations rose 9% to EUR897 million (+ 10% to EUR919 million before the deduction of impairment losses), total expenses from continuing operations rose 7% to EUR615 million. Following a 14% rise in shareholders' equity to EUR1372 million, the tier I ratio improved from 8.2% to 8.7%, and the total capital ratio strengthened from 10.0% to 12.2%.

The most significant recent geographic diversification has involved Turkey, where in May 2007 it announced that it would buy the 51% stake of Volkswagen Financial Services AG (VWFS) in its fleet operational leasing joint venture in Turkey, and that it had concluded further agreements with VWFS's joint venture partner Dogus Holding. This expands its worldwide network from 28 to 29 countries. Also in May 2007 LeasePlan announced that it had agreed to sell its vehicle body repair companies in the Netherlands and Belgium to a specialist buyer.

DETAILED RATING CONSIDERATIONS

The rating considerations for LeasePlan's currently assigned ratings are as follows:

Bank Financial Strength Rating

Moody's assigns a BFSR of C to LeasePlan, which is based on the company's important global car leasing franchise, not only in the Netherlands but also in other European markets, Australasia and the United States, well-diversified client portfolio and solid financial fundamentals. The rating is, however, constrained by total reliance on wholesale funding sources and the monoline nature of the bank.

As a point of reference, the assigned BFSR of C is a notch below the scorecard derived BFSR of C+. The decision to assign a lower BFSR reflects our belief that LeasePlan's total reliance on wholesale funding sources and the monoline nature of the firm are sufficiently important rating constraints on the BFSR for there to be an assigned BFSR which is divergent to that of the scorecard output. Moody's is cognisant of the shortcomings the bank financial strength scorecard may display for certain banks, especially with regard to their business model.

QUALITATIVE RATING FACTORS (50%)

FACTOR 1 : FRANCHISE VALUE

Trend: Improving

LeasePlan is dominant in the Netherlands with around 22% of the car fleet leasing market in the Netherlands, making it nearly twice as big as the second-placed firm, ING Carlease. It is the leading car leasing company in Australia, Spain, Italy and Belgium. It is within the top 3 in US, UK and Germany. Overall Leaseplan has operations in 29 countries globally. The Netherlands contributes less than 20% to total profits. LeasePlan had 1.246million cars either financed or under management at end 2006.

Scale of operations is important in the fleet leasing business, since it drives internal cost efficiencies and influences the ability to demand rebates and bonuses from suppliers. The information received from large-scale operations also enables more accurate prediction of maintenance and usage levels of leased vehicles.

The monoline nature of the firm, while a strength in that it provides focus on a core, defensible franchise, is a rating constraint. The company, which while holding a banking license, is essentially a car leasing company and subsidiary activities are related to and largely driven off this core purpose.

FACTOR 2 : RISK POSITIONING

Trend: Neutral

Most of LeasePlan's leases are operational leases rather financial leases. Operational leases are split into two types: "open calculation" and "closed calculation". Under an open calculation lease, all the different pricing components of the contract are broken down for the client, and part of the negative deviation is borne by LeasePlan, while any positive deviation on a portfolio basis is credited to the client. Under a closed calculation lease, a single price is quoted to the customer, who does not see a breakdown, and any deviation from budget is credited (or debited) to LeasePlan.

While historically the company specialised in open calculation contracts, since the 1990s, LeasePlan has been offering both forms. About 55% of the current contracts are open. LeasePlan has efficient statistical tools and a strong track record in assessing future vehicle prices which help mitigate risk of loss at the end of a contract. Indeed, while there have been losses on terminated contracts in the UK, the overall result has been positive in all recent years.

LeasePlan's central treasury activities are focused on funding LeasePlan's subsidiaries. All core assets are held to maturity. LeasePlan has no trading book or assets held for sale. For DNB purposes LeasePlan solely has a banking book. In these activities there is a very limited appetite for risk taking.

Interest risk : Interest rate risk is very limited and is centrally controlled. LeasePlan uses both gap and sensitivity analysis for monitoring interest rate risk. At 31 December 2006, a parallel interest movement of 100bp (1.00%) would impact the annual pre-tax profit by EUR 4.96 mln, which is approximately 2.4% of net income.

FX risk : LeasePlan subsidiaries are capitalised and funded in local currencies which eliminates FX risks. LeasePlan never speculates in FX trades. Any FX exposures arising from funding in a different currency are hedged with derivatives.

FACTOR 3 : REGULATORY ENVIRONMENT

As a holder of a Dutch banking license, LeasePlan is subject to regulation by the Dutch bank supervisors. All banks in the Netherlands are subject to the same score on the regulatory environment, which Moody's considers to be supportive of the creditworthiness of banks in the Netherlands. This factor does not address bank-specific issues; instead, it evaluates whether or not regulatory bodies are independent and credible, demonstrate enforcement powers and adhere to global standards of best practices for risk control. Refer to Moody's Banking System Outlook for The Netherlands, published July 2006, to obtain a detailed discussion on Regulatory Environment.

FACTOR 4 : OPERATING ENVIRONMENT

Trend: Neutral

Moody's assigns an A- for overall operating environment. This is a blended score for the largest OECD countries in which LeasePlan operates.

LeasePlan generates 19% of revenue in the Netherlands. Refer to Moody's Banking System Outlook The Netherlands, published July 2006, to obtain a detailed discussion on the Dutch operating environment

QUANTITATIVE RATING FACTORS (50%)

FACTOR 5 : PROFITABILITY

Trend: Neutral

LeasePlan's recurring profitability has been consistent. We note the long record of consistent profit increases, frequently cited by the firm, but are more focused on levels of relative profitability. As such the margin on interest-earning assets, nearly all of which stem from the lease portfolio, has remained at or around 2.7% and pre-provision return on assets has similarly remained constant at around 2.3% to 2.5%.

FACTOR 6 : LIQUIDITY

Trend : Neutral

While we acknowledge the improvements in LeasePlan's standalone funding profile, we continue to believe that LeasePlan's credit profile, as reflected in its A3 long-term rating, is not consistent with a Prime-1 short-term rating. While the transition to a market-funded model is being managed well, this is not a credit positive, it is a credit necessity. The more so given the company's relative rating position (at A3) which throws greater emphasis on the need for ample and reliable liquidity than might be the case for an institution in say the Aa range where rating transitition risk is lower.

Until recently funding and liquidity support from a highly rated parent, ABN AMRO, was the central pillar of LeasePlan's funding profile. LeasePlan was previously owned by ABN AMRO and as part of the sale agreement, the bank had committed to keep in place a EUR5bn facility for a period of time. The larger part of this facility used to be a drawn facility, which is now replaced with debt capital market issues. The undrawn part of the facility was recently replaced with a new committed multi-year EUR2 billion back stop facility with a group of 24 banks. LeasePlan recently finalised an own book securitisation of Dutch operational leasing assets of up to EUR1 billion which also serves as stand-by liquidity with the Dutch Central Bank. Moody's considers the new credit facility, especially if augmented by further development of a track record in successful securitisation, as demonstrating prudent liquidity management consistent with LeasePlan's current ratings.

FACTOR 7 : CAPITAL ADEQUACY

Trend: Neutral

LeasePlan has stated that its target Tier 1 ratio is 8%. Tier 1 was above this at end 2006 and comprised shareholders' equity and reserves -- it does not contain any "hybrid capital".

FACTOR 8 : EFFICIENCY

Trend: Improving

The cost-to-income ratio remains high, at around 70% in 2006. While this is similar to some Dutch retail banks, LeasePlan does not have the expense of a retail branch network (and by the same token does not benefit from cheap retail funding). The cost income ratio is not helped by the fact that by the nature of its business the company handles a large number of small leases (around EUR 20k) - something which is both IT and staff intensive.

As we anticipate that the company's cost of funds will increase over the medium term due to the change in its funding mix, we view reducing the cost base as an important step for LeasePlan to maintain its relative profitability.

FACTOR 9 : ASSET QUALITY

Trend: Neutral

LeasePlan's asset quality remains solid. Credit losses arising from lease contracts remain subdued. The company has a very low level of problem loans and a high recovery rate.

Global Local Currency Deposit Rating (Joint Default Analysis)

The deposit and debt ratings of LeasePlan incorporate two main elements. They are 1) LeasePlan's financial strength rating, and 2) seniority of its deposits and debt.

LeasePlan's deposit rating of A3/P-2 is based on the financial strength rating of C (which translates into baseline risk assessment of A3) and Moody's assessment of the probability that LeasePlan would not receive systemic support in the event of distress. We do not factor in support from the main shareholder, VW Bank who we believe view LeasePlan entirely as a financial investment, as demonstrated by the fact that Leaseplan is not a consolidated element of VW Bank's accounts and remains managerially and financially independent.

Notching Considerations

Ratings for LeasePlan's junior obligations should be notched off the fully supported deposit rating because Moody's believes that there is no legal authority in place in the Netherlands' bank regulators to impose losses on subordinated creditors outside of a liquidation scenario.

Foreign Currency Deposit Rating

The Foreign Currency Deposit ratings of LeasePlan are unconstrained given the Netherlands, in common with other EU members, has a country ceiling of Aaa.

Foreign Currency Debt Rating

The Foreign Currency Debt Rating's ratings of LeasePlan are unconstrained given the Netherlands, in common with other EU members, has a country ceiling of Aaa.

ABOUT MOODY'S BANK RATINGS

Bank Financial Strength Rating

Moody's Bank Financial Strength Ratings (BFSRs) represent Moody's opinion of a bank's intrinsic safety and soundness and, as such, exclude certain external credit risks and credit support elements that are addressed by Moody's Bank Deposit Ratings. Bank Financial Strength Ratings do not take into account the probability that the bank will receive such external support, nor do they address risks arising from sovereign actions that may interfere with a bank's ability to honour its domestic or foreign currency obligations. Factors considered in the assignment of Bank Financial Strength Ratings include bank-specific elements such as financial fundamentals, franchise value, and business and asset diversification. Although Bank Financial Strength Ratings exclude the external factors specified above, they do take into account other risk factors in the bank's operating environment, including the strength and prospective performance of the economy, as well as the structure and relative fragility of the financial system, and the quality of banking regulation and supervision.

Global Local Currency Deposit Rating

A deposit rating, as an opinion of relative credit risk, incorporates the Bank Financial Strength Rating as well as Moody's opinion of any external support. Specifically, Moody's Bank Deposit Ratings are opinions of a bank's ability to repay punctually its deposit obligations. As such, Moody's Bank Deposit Ratings are intended to incorporate those aspects of credit risk relevant to the prospective payment performance of rated banks with respect to deposit obligations, and includes: intrinsic financial strength, sovereign transfer risk (in the case of foreign currency deposit ratings), and both implicit and explicit external support elements. Moody's Bank Deposit Ratings do not take into account the benefit of deposit insurance schemes which make payments to depositors, but they do recognize the potential support from schemes that may provide assistance to banks directly.

According to Moody's joint default analysis (JDA) methodology, the global local currency deposit rating of a bank is determined by the incorporation of external elements of support into the bank's Baseline Risk Assessment. In calculating the GLC rating for a bank, the JDA methodology also factors in the rating of the support provider, in the form of the local currency deposit ceiling for a country, Moody's assessment of the probability of government support for the bank in case a stress situation occurs and the degree of dependence between the issuer rating and the LCDC.

National Scale Rating

National scale ratings are intended primarily for use by domestic investors and are not comparable to Moody's globally applicable ratings; rather they address relative credit risk within a given country. An Aaa rating on Moody's National Scale indicates an issuer or issue with the strongest creditworthiness and the lowest likelihood of credit loss relative to other domestic issuers. National Scale Ratings, therefore, rank domestic issuers relative to each other and not relative to absolute default risks. National ratings isolate systemic risks; they do not address loss expectation associated with systemic events that could affect all issuers, even those that receive the highest ratings on the National Scale.

Foreign Currency Deposit Rating

Moody's ratings on foreign currency bank obligations derive from the bank's local currency rating for the same class of obligation. The implementation of JDA for banks can lead to a high local currency ratings for certain banks, which could also produce high foreign currency ratings. Nevertheless, it should be reminded that foreign currency deposit ratings are in all cases constrained by the country ceiling for foreign currency bank deposits. This may result in the assignment of a different, and typically lower, rating for the foreign currency deposits relative to the bank's rating for local currency obligations.

Foreign Currency Debt Rating

Foreign currency debt ratings are derived from the bank's local currency debt rating. In a similar way to foreign currency deposit ratings, foreign currency debt obligations may also be constrained by the country ceiling for foreign currency bonds and notes, however, in some cases the ratings on foreign currency debt obligations may be allowed to pierce the foreign currency ceiling. A particular mix of rating factors are taken into consideration in order to assess whether a foreign currency bond rating pierces the country ceiling. They include the issuer's global local currency rating, the foreign currency government bond rating, the country ceiling for bonds and the debt's eligibility to pierce that ceiling.

Rating Factors

LeasePlan Corporation N.V.

Rating Factors [1]	**A**	**B**	**C**	**D**	**E**	**Total Score**	**Trend**
Qualitative Factors (50%)						**C+**	
Factor 1: Franchise Value (20%)						**D+**	**Improving**
Market Share and Sustainability			**x**				
Geographical Diversification	**x**						
Earnings Stability					**x**		
Earnings Diversification [2]					**x**		
Factor 2: Risk Positioning (20%)						**C+**	**Neutral**
Corporate Governance [2]							
- Ownership and Organizational Complexity							
- Key Man Risk							
- Insider and Related-Party Risks							
Controls and Risk Management		**x**					
- Risk Management			x				
- Controls	x						
Financial Reporting Transparency			x				
- Global Comparability	x						
- Frequency and Timeliness			x				
- Quality of Financial Information			x				
Credit Risk Concentration	**--**	**--**	**--**	**--**	**--**		
- Borrower Concentration	--	--	--	--	--		
- Industry Concentration	--	--	--	--	--		
Liquidity Management			**x**				
Market Risk Appetite		**x**					
Factor 4: Operating Environment (5%)						**A-**	**Neutral**
Economic Stability	**x**						

Integrity and Corruption		**x**					
Legal System	**x**						
Financial Factors (50%)						**C**	
Factor 5: Profitability (7.9%)						**C**	**Neutral**
PPP % Avg RWA			1.95%				
Net Income % Avg RWA			1.61%				
Factor 6: Liquidity (7.9%)						**D+**	**Neutral**
(Mkt funds-Liquid Assets) % Total Assets					74.94%		
Liquidity Management			x				
Factor 7: Capital Adequacy (7.9%)						**B+**	**Neutral**
Tier 1 ratio (%)		9.10%					
Tangible Common Equity % RWA	8.71%						
Factor 8: Efficiency (3.5%)						**D**	**Improving**
Cost/income ratio				77.32%			
Factor 9: Asset Quality (7.9%)						**A**	**Neutral**
Problem Loans % Gross Loans	0.23%						
Problem Loans % (Equity + LLR)	2.08%						
Lowest Combined Score (15%)						**D+**	
Economic Insolvency Override						**Neutral**	
Total Scorecard Implied BFSR						**C+**	
Assigned BFSR						**C**	

[1] - Where dashes are shown for a particular factor (or sub-factor), the score is based on non public information
[2] - A blank score under Earnings diversification or Corporate Governance indicates the risk is neutral