Netherlands
Credit Analysis

LeasePlan Corporation NV

Ratings

LeasePlan Corporation NV
Foreign Currency

Long-Term IDR*	A
Short-Term IDR*	F1
Outlook	Stable
Individual	B
Support	4
Support Floor	B+

Sovereign Risk

Foreign Long-Term IDR*	AAA
Local Long-Term IDR*	AAA
Outlook	Stable

* IDR – Issuer Default Rating

Financial Data

LeasePlan Corporation NV

	31 Dec 06	31 Dec 05
Total Assets (USDm)	20,815.8	16,889.0
Total Assets (EURm)	15,805.4	14,316.3
Equity (EURm)	1,371.0	1,208.3
Operating Profit (EURm)*	282.5	256.4
Published Net Income (EURm)	209.5	198.6
Comprehensive Income (EURm)	229.4	235.1
Operating ROAA (%)	1.88	1.96
Operating ROAE (%)	21.91	22.88
Internal Capital Generation (%)	12.75	15.63
Tier 1 Ratio (%)	8.70	8.20

* Continuing operations

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Rating Rationale

- The ratings of LeasePlan Corporation NV (LeasePlan) reflect the strength of its vehicle leasing franchise, its good earnings, risk management track records and solid capitalisation. These factors are balanced by its reliance on wholesale sources for its funds. LeasePlan has a relatively short track record with its debt holders. Since it was sold by ABN AMRO Bank in late 2004, LeasePlan has re-financed its ABN AMRO funds, raising EUR12.1bn in the capital markets. It also has about EUR1.4bn of ECP and CD funding. In August/September it has been replacing maturing ECP with deposits from Dutch municipalities and provinces, and drawing on European Central Bank (ECB) repo facilities, given the weaker credit market conditions.
- A EUR1bn securitisation of its Dutch portfolio held on its own books and eligible for repo with the ECB has enhanced liquidity. LeasePlan had drawn EUR237m of this facility at 1 September 2007 to replace some maturing ECP funding. LeasePlan is planning further own-book securitisations in order to keep to its 12 months' liquidity backstop target, in case market conditions do not improve. The bank achieved its target of having a positive cumulative maturity profile in each time band during 2007 and, with EUR4.8bn of liquidity available at 1 September 2007 (credit lines, repo-able securities and cash) can continue for at least 12 months without reducing business volume or accessing capital markets.
- LeasePlan has a track record of steady underlying net income growth, which is expected to continue. Net interest income makes up about 33% of operating income, and hence it should be satisfactorily positioned to cope with possible margin pressure and funding cost increases.
- Credit and residual-value risks have been well controlled. Impairment charges, typically averaging less than 20bp of the lease portfolio and residual values, have been a consistent, if fluctuating, source of profit.
- LeasePlan is a bank and manages its leverage by keeping to a target Tier 1 ratio of 8%. At 8.1% at end-H107 (and including no preference shares), LeasePlan is satisfactorily capitalised.

Support

- In the event of need, there is a limited probability that support might be provided to LeasePlan by its shareholders or the Dutch authorities.

Rating Outlook and Key Rating Drivers

- Upside potential for Leaseplan's Long-term IDR could arise from the successful negotiation of the tougher capital market conditions, which would prove the robustness of Leaseplan's business in the eyes of investors; further progress being made in diversifying its funding, liquidity and investor base, including through additional securitisations and the continuation of its favourable profitability, risk management and capital management track records. Although operationally and financially independent from its 50% shareholder, Volkswagen Bank, a subsidiary of Volkswagen AG (rated 'A-'), it is unlikely that Leaseplan's Long-Term IDR could ever be more than two notches higher than Volkswagen's, while the current ownership structure exists. Downside risk for Leaseplan's ratings could arise from material changes to profitability and risk indicators as well as a sustained deterioration in its liquidity position.

Profile

- Together with its subsidiaries, LeasePlan is the leading fleet management group in the world, mainly providing operating leases. It has 1.28 million vehicles under management.

4 October 2007

Profile

- **Leading fleet leasing and management group, managing 1.28 million vehicles worldwide**
- **Regulated by Dutch Central Bank**

LeasePlan was founded in the Netherlands in 1963. LeasePlan and its subsidiaries have grown to become a leading fleet and vehicle management group, mainly providing operating leases of between two and five years. LeasePlan and its subsidiaries operate in 29 countries, occupying number one positions in 15 countries, notably the Netherlands, Spain, Belgium, Australia and Italy; top-three positions in the US, Germany and the UK, and a top-five position in France. LeasePlan's acquisition of Volkswagen's brand-independent Europcar Fleet Services (EFS) in Q305 strengthened its franchise in Italy, Spain and Portugal. Of LeasePlan's 1.28 million vehicles under management, about 70% is in Europe, 20% in the US and 10% in the rest of the world, mainly Australia. In Europe, 75% of the fleet is in the Netherlands, UK, Italy, France, Spain, Germany and Belgium. Locally, LeasePlan faces competition from subsidiaries of banks, independent importers and dealerships.

Its strong international franchise is important, in that it enables LeasePlan to offer large multi-nationals a global solution for their fleet management needs. LeasePlan's ability to retain its largest, multi-national clients is a key strength.

LeasePlan is authorised by the Dutch Central Bank (DNB) to pursue the business of a credit institution in The Netherlands in accordance with the Dutch Financial Supervision Act 2007. Two small subsidiaries also hold banking licences, but the group is prudentially regulated on a consolidated basis by the DNB. Debt and bank finance is mainly raised by LeasePlan itself and by LeasePlan Finance N.V. (Dublin branch). LeasePlan Finance's debt securities and bank funding are guaranteed by LeasePlan under a "403 Declaration". A 403 Declaration is revocable at the option of the provider (ie LeasePlan), whereupon previously issued notes/bank finance is grandfathered. Only if LeasePlan Finance were no longer a subsidiary of LeasePlan could a revocation of a 403 Declaration release the latter from its obligations under the declaration. Local subsidiaries in some jurisdictions may, for various reasons, raise bank funding in their own names, again under guarantee from LeasePlan.

Services and Products: LeasePlan mainly provides operating leases, except for in the US, where it mainly provides finance leases. LeasePlan and its subsidiaries purchase vehicles, finance them, sometimes insure them via a captive insurance subsidiary (Euro Insurances; 253,000 insured vehicles) and dispose of them. They partly out-source other services including maintenance management, fuel management, accident management and rentals. LeasePlan benefits from a central procurement department in Switzerland, which negotiates global and European rebate and bonus agreements. In the US, fewer "value added" services are offered. Operating leases come in two forms: "open calculation" and "closed calculation". The former product (about 60% of contracts), gives a customer full access to all the information on costs incurred and the customer's account is credited if actual costs are below budget. LeasePlan bears the risk if they exceed budget. Under the closed calculation product, LeasePlan still bears the downside risk, but also benefits from positive variances from budget. LeasePlan also offers a "management-only" product for customers who finance their fleet independently (about 25% of vehicles under management).

Ownership: LeasePlan was sold by ABN AMRO Bank in November 2004 to a consortium of Volkswagen Bank, a subsidiary of Volkswagen AG (50%), Olayan (25%), an Athens-based company that invests the wealth of the Saudi Arabia-based Olayan family, and the Mubadala Development Company (25%), an investment company owned by the government of Abu Dhabi. LeasePlan has a joint venture with the latter in the United Arab Emirates. The shareholders own LeasePlan via an intermediary holding company. No party has overall control and the supervisory board of eight members consists of four representatives from Volkswagen and two each from Olayan and Mubadala. No one has a casting vote. LeasePlan is not consolidated in Volkswagen's financial statements. Olayan and Mubadala have put options on their stakes to Volkswagen. Fitch Ratings understands that Volkswagen views its stake in LeasePlan as an attractively yielding investment, providing some revenue diversification. Volkswagen itself is keen to emphasise LeasePlan's financial and operational independence and has publicly stated this.

LeasePlan differs substantially from the captive finance subsidiaries of the world's leading auto manufacturers in many ways, including:

1. It is car brand-independent. This is critically important, as it enables LeasePlan to offer a wide range of vehicles to customers.

2. It is not controlled by Volkswagen and its purpose is not to help finance the sale of Volkswagen's vehicles. If it were controlled by Volkswagen, it is unlikely that it would be able to achieve the discounts/rebates from other

Table 1: Performance (IFRS from 2004)

(EURm)	H107	2006	2005	2004	2003*	2002*
Net Income	126.3	209.5	198.6	209.6	192.9	180.2
Operating Profit	146.0	283.2	252.8	256.8	248.3	232.4
Result on Terminated Contracts	18.5	19.0	36.0	41.0	43.0	39.0
Total Equity (Consolidated)	1,373.6	1,371.0	1,208.3	1,032.7	1,025.9	891.0
Total Assets (Consolidated)	16,156.8	15,805.5	14,316.3	11,864.7	10,840.3	10,798.6
Fleet Under Management (No. of Vehicles)	1,281,000	1,258,000	1,225,000	1,090,000	1,074,000	1,089,000
ROAE	16.5	16.2	17.7	19.8	20.1	22.3
ROAA	1.6	1.4	1.5	1.9	1.8	1.7
“Efficiency Ratio”**	66.3	68.3	70.5	69.5	69.1	70.0
Net Impairment Charge/Lease Portfolio	0.12	0.16	0.11	0.14	0.10	0.19

* Dutch GAAP; ** Operating expenses including amortisation and depreciation of non-lease assets/operating income net of impairment costs
Source: LeasePlan and LeasePlan’s financial statements

manufacturers that it often demonstrates at present.

3. It does not raise funds for, nor does it receive funds from, Volkswagen. Fitch understands that Volkswagen is a very supportive shareholder, however, and would be likely to subscribe to increases in share capital in order to support business growth.

Performance

- **Track record of steady underlying net income growth**
- **Modestly declining ROE, which should stabilise at about 16% from 2007 once EFS acquisition has been digested**
- **Labour-intensive business and small ticket sizes drives high cost/asset ratio**

LeasePlan has a long track record of steady underlying net income growth and this is a key strength that underpins its ratings. Its franchise enables it to benefit from bulk purchasing discounts and rebates from some manufacturers and suppliers (it purchases about 300,000 vehicles per year) and the global fleet management solution it can provide to some of its largest multi-national clients means that customer loyalty is very strong. On smaller accounts, LeasePlan faces competition within its countries of operation, and this is best reflected in relatively flat fee income over the past five years, despite a growing fleet. Lease contracts grew by 6% to EUR13,190m in 2006. Net finance lease receivables totalled EUR2,091m.

Adjusting for the sale of small subsidiaries (which generated a net gain on sale), underlying net income grew by steady 6% in 2006. Operating profit on continuing operations improved strongly to EUR282m, benefiting from a rise in bonus and rebate income, better cost control, and EFS starting to contribute to earnings. A slightly higher overall tax rate reduced some of this benefit in the underlying net income. Management consider the current effective group tax rate as sustainable. Operating expenses grew more slowly than operating income in 2006 (7.1% compared with 9.0%), improving the efficiency ratio. ROAA, although respectable, continues to be depressed by the acquisition of EFS, which added EUR1.3bn of assets and one-off integration costs. Good customer retention and on-budget integration costs mean that benefit to earnings from EFS is expected in 2007. Operating profits were split 66% eurozone, 15% UK and 19% rest of the world in 2006. LeasePlan’s US operations make a minimal contribution to group earnings for several reasons: its presence in the US largely results from its largest European clients having their head offices there; competition from companies including GE Capital, which has cheaper funding costs, is intense; it offers fewer “value-added” services than in Europe and the rest of the world; and finance leasing is less remunerative because it is lower risk (no residual value risk is taken).

Revenue: LeasePlan’s gross profit (before the result on termination of contracts and net of cost of sales – mainly depreciation costs) is split broadly one-third net interest income and two-thirds non-interest income. Cost of sales of EUR3.3bn in 2006 included EUR2.5bn of depreciation costs. Line 6 in the income statement of the accompanying spreadsheets (EUR367m in 2006) is net of EUR2.9bn of “lease expenses”, mainly vehicle depreciation. LeasePlan’s interest margin was EUR303m. The margin fell slightly to 2.2% from 2.4%, and further pressure is likely in the medium term, in the wake of recent capital markets conditions (see “*Funding and Capital*” below). Non-interest income of EUR616m arises from “value-added” services and includes management fee income, net rentals income, net insurance income, income from rebates and bonuses (the latter rising by 20% in 2006).

LeasePlan’s result on terminated contracts (ie from selling assets at the end of their leases) dropped to EUR19m in 2006, equivalent to 2% of the group’s gross profit before impairment losses and operating costs. Results were affected by a one-off IFRS adjustment bringing forward the expected future losses from end-of-contract results. Although this result can fluctuate by region, until 2006 it had consistently been EUR30m-40m for 10 years. This is a testament to the group's pricing and risk management abilities (see Table 1 and further commentary in "*Risk Management*" below). End–of-contract results in H107 were EUR19m.

Costs: Staff expenses accounted for 60% of operating costs in 2006. At 67% in 2006, LeasePlan has a fairly high cost/income ratio. The bank's cost/assets ratio of 4.1% reflects its labour-intensive business due to the broad range of services it provides, and the relatively low value of the assets it is leasing. LeasePlan monitors its "efficiency ratio" (see Table 1). Despite the integration costs for EFS during the year, this ratio improved in 2006 due to a focus on process management. In the short term (ie 2007), the cost/income ratio could improve, as the integration of EFS has been completed. This is already evident in the H107 efficiency ratio, which improved to 66.3%. In the medium term, moving onto one IT platform should help management lower the cost/income ratio toward the low 60s. Impairment losses on receivables have been consistently low as a percentage of the portfolio (see Table 1 and "*Risk Management*") and were equivalent to just 7% of profits before impairment losses and taxes in 2006.

H107 Results were strong, with net income growth of 28% yoy. Operating income growth was weaker, at 3%, reflecting similar growth in lease volumes. Bottom-line results benefited from lower general and administrative costs and a profit on the disposal of certain non-core operations. Competitive pressures and a now-completed matching of LeasePlan's liability duration with that of assets, lowered interest margins to 2%, but this was more than offset by growth in non-interest income. Impairment losses were lower at just 4% of pre-impairment PBT.

Outlook: LeasePlan's franchise and the diversification benefits and customer loyalty that this brings means its long-term profitability and earnings profile ought to remain solid and predictable. Its business has an element of counter-cyclicality to it, in that tougher economic conditions tend to make customers extend their contracts (by which time assets are very largely fully depreciated) and become more receptive to outsourcing their fleet management. Management expects its track record of continuous, steady growth in net income to continue in 2007, and there is no reason to doubt this. ROAE is expected to increase modestly in 2007 as the benefits of the EFS acquisition flow through. However, ROAE is unlikely to surpass historical profitability levels of greater than 20%.

In the long term, there are signs that LeasePlan's large Europe-headquartered multi-national clients might be looking to move the basis of their US contracts onto an operating lease model more akin to the highly remunerative one operated by LeasePlan in Europe. Depending on competitor reaction, this could benefit group earnings. An increase in funding costs should be expected given current market conditions, but LeasePlan can comfortably absorb this given its net interest margin of 2% and its high level of non-interest income (67% of operating income).

■ Risk Management

- **Credit and residual value risks tightly controlled**
- **Interest rate risk is hedged**

LeasePlan primarily faces credit, liquidity and residual value risks, all of which have historically been very tightly controlled. Liquidity risk is a vital risk for any bank, and LeasePlan is no exception, particularly given its reliance on wholesale funds – (this risk is covered in more detail in "*Funding and Capital*" below).

Credit risk has historically been very tightly controlled. The group's largest exposures are generally to large corporate customers of a solid credit standing. Exceptionally, when one of its largest customers underwent an LBO, pushing it into the 'B' credit rating range, LeasePlan asked for higher prepayments and reduced residual value estimates in its pricing. The portfolio is spread across a range of sectors and geographies, with the 20 largest customers accounting for 16.1% of the lease portfolio at end-2006 (equivalent to about 155% of end-2006 equity).

LeasePlan uses an internal rating system with 100 grades to score a lessee's credit risk. Limits are set for individual borrowers/lessees, for groups of borrowers/lessees and for industry segments. Small countries have small discretionary limits of their own, after which they have to refer to head office. Lower-rated counterparties have to make higher prepayments, have lower residual values priced in and may be asked for additional collateral (such as a parental or bank guarantee). All credits are reviewed at least annually. LeasePlan's credit risk systems have yet to be approved for Basel II compliance, but the bank is aiming for the advanced internal ratings-based approach for credit risk. Given its low historical credit loss rates (see below), it expects a lower pillar I capital requirement for credit risk under Basel II.

As Table 1 shows, net impairment provisions have historically been extremely low as a percentage of the portfolio. They have also been very low in relation to earnings. Gross new impairment charges were 29bp in 2006 and 22bp in 2005. Charge-offs in 2006 totalled EUR16.5m (equivalent to 12bp of the lease portfolio), similar to 2004 levels. Account managers have quarterly meetings with their clients and call them within five working days of a missed payment. A balance-sheet allowance of EUR70m was held for impairment losses at end-2006.

LeasePlan has about EUR22m of invoices more than 90 days past due, and about EUR40m of other issues such as disputed invoices. Some of these should be recoverable from Volkswagen under a warranty provided when it sold EFS to LeasePlan. A portfolio "collective allowance" of 5bp-10bp is taken against all lease assets. Cover of impaired assets looks reasonable.

Residual-value risk is handled and mitigated in a number of ways and has been well managed by LeasePlan. Residual-value risk is not assumed in the US. Residual values have been a consistent source of income for the group (see Table 1). There have been occasional residual-value losses have been incurred in some jurisdictions (eg the UK in the late 1990s/early 2000s), but the group's geographical and model diversification has enabled these to be absorbed by residual-value profits elsewhere. A team of economists around the world is responsible for tracking and estimating residual values and determining which makes/models are particularly at risk. Owing to its geographical reach, LeasePlan is able to make use of national and cross-border re-marketing for assets (particularly if they are left-hand drive in Europe). A number of its services (eg fuel and maintenance management) enable the group to keep a close eye on vehicle maintenance and servicing. Unfair wear and tear is charged for, as are early terminations (through, for example, the difference between MV and BV and a penalty for the funding cost) and mileage variation.

Other Market Risks: Until 2006, LeasePlan took no interest rate risk. Since then, modest gaps have been opened. Countries have small interest rate mismatch limits of 2.5% of interest-bearing assets, after which interest rate risk has to be passed from central management to the treasury centre in Dublin, which has a 5% mismatch limit per bucket. Fitch understands that typically only 2%-3% of lease contracts are not matched by loans with a similar duration. LeasePlan does not take speculative FX risk. Derivative counterparties are of high quality.

Insurance Risk: LeasePlan's captive insurance subsidiary, Euro Insurances, is regulated in Ireland and writes insurance contracts to cover vehicle damage, third-party liability, passenger indemnity and legal assistance risks. Some of these risks are then ceded. Fitch understands that the combined ratio of Euro Insurances was just 79% in 2006 and that it has never exceeded 100%. Most risks are short tailed. A balance-sheet provision of EUR202m was held against longer-tailed risks (mainly third-party liability) at end-2006.

Operational risk is controlled by risk self assessments, and loss data has been collected since January 2004, when the group's operational risk policy was also rolled out. Each country has an operational risk co-ordinator and 370 people have access to the loss database. Most reported losses are about EUR5,000 and mainly relate to disputed invoices, ordering, IT problems and insurance and accounting errors. The database has more than 1,500 data points. Operational losses since January 2004 total EUR19m, substantially less than the BIA capital requirement of EUR127m, based on 15% of gross revenues. LeasePlan is aiming to use AMA under Basel II and has used external data to supplement its low frequency, high-impact events data. It is in the process of filing its application to use this approach with the DNB.

■ Funding and Capital

- **Reliant on wholesale sources of funds**
- **Maturing ECP funding replaced by deposits from Dutch municipalities and provinces and ECB repo funding in Aug/Sept 07 market turbulence**
- **Liquidity buffer provided by syndicated line and own-book securitisations**
- **Satisfactory capital level and generation**

When owned by ABN AMRO Bank, LeasePlan was funded by a combination of intra-group and money-market funding. Since the change in ownership, LeasePlan has moved quickly to re-finance its ABN AMRO funding in the public and private capital markets. The diversity and maturity profile of LeasePlan's funding has improved materially over the past 24 months. The EUR5bn committed bridge facility from ABN AMRO has been replaced by a capital markets funding programme, an own-book securitisation eligible for repo with the DNB and a new EUR2bn committed syndicated liquidity backstop facility (three- and five-year maturities). However, the group is reliant on wholesale sources for its funds, and further diversification and a longer track record are desirable.

Since December 2004 LeasePlan has issued EUR12.1bn in 14 currencies (70% in euros). More than 550 investors have invested in LeasePlan in the primary market. LeasePlan has a EUR15bn EMTN programme and an AUD2bn debt issuance programme. Structured notes (EUR450m at end-2006), fully hedged with high-quality counterparties, are an insignificant source of funds, as were deposits until the recent liquidity crunch. Deposits are mainly sourced from Dutch local authorities and provinces via money brokers, and since H107 more than EUR400m has been raised. This will be an important source of short-term financing in the short term, while the CD and ECP markets have been more expensive and illiquid than normal during Q307. LeasePlan has USD3bn ECP and EUR2bn Belgian CD programmes, but this funding has been reducing in the current market conditions.

LeasePlan estimates that, in the long term, its non-equity funding will be 80%-85% sourced from the capital markets and 15%-20% from the money markets (including CP, CDs and deposits). LeasePlan imposes a cap on the level of maximum aggregate monthly money- and capital-market redemptions at EUR900m. At end-Q107 LeasePlan's capital market funds were well spread by maturity (16% one to two years; 22% two to three years; 36% three to four years; 23% more than four years).

In order to diversify funding, LeasePlan has securitised some of its assets. In December 2006, it securitised EUR1bn of its Dutch portfolio through an own-book securitisation. These securities can be repoed with the ECB and at 1 September 2007, LeasePlan had drawn EUR237m under this facility. This facility is a cheaper source of funding than other money-market sources. LeasePlan has been planning a separate EUR2bn securitisation programme covering seven countries, with the first public securitisation expected in Germany in Q108. Current market conditions mean there is unlikely to be any market appetite for such a securitisation in the short term. If adverse market circumstances persist, LeasePlan will securitise its remaining Dutch and its German assets to hold on its own book as eligible collateral under the repo facility with the ECB. One important benefit of the banking licence is the liquidity line offered by the ECB, which provides an important liquidity buffer as long as LeasePlan can create eligible assets from its own balance sheet.

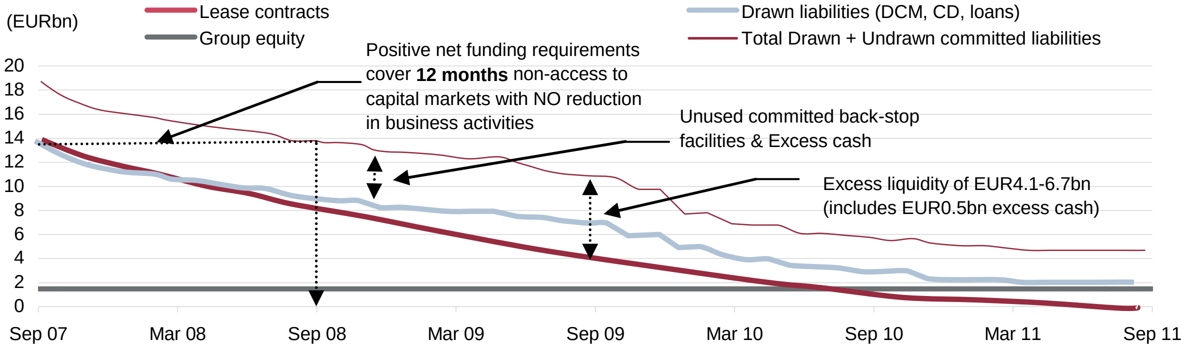
Undrawn committed lines and excess cash of about EUR4.8bn are available. LeasePlan typically maintains cash balances of about EUR500m and has committed credit lines of EUR500m from ABN AMRO until June 2009, and a one-year EUR125m from ING. In addition, LeasePlan has a EUR2bn syndicated backstop facility (EUR1bn until Dec 2009 and EUR1bn due 2011) from 24 highly rated banks. LeasePlan has long-standing relationships with a wide range of banks and estimates that it has uncommitted lines available to it from them, even in the current market conditions. Bilateral lines of EUR1bn (about 50% drawn) mainly relate to the group's Brazilian, Indian, Czech Republic, Hungarian, Italian, Polish Slovakian, Australian and New Zealand operations.

Covenants: LeasePlan does not have to maintain any financial covenants under the terms of its funding and none of its funding agreements contains MAC clauses. There are "credit event upon merger" clauses in some of the ISDA agreements.

Liquidity Risk: LeasePlan holds a low level of liquid assets on its balance sheet. However, given the syndicated committed facility available to the group, it has a high level of liquid resources available. As a

Chart 1: Asset/Liability Run Off – Liquidity Profile 1 Sep 07

12 months of liquidity with no reduction in business activity



Source: LeasePlan Corporation NV

bank, LeasePlan is required to meet regulatory liquidity limits. The group's liquidity profile has strengthened significantly over the past year and reached the targeted position of achieving positive maturity mismatches across all time bands in Q107.

LeasePlan has a contingency liquidity plan. This has been communicated to the DNB and includes phased actions to be undertaken by the treasury, the CFO, the management board and, ultimately, the DNB itself. If LeasePlan is unable to attract uncommitted funding (eg if debt capital markets are closed), it will put its contingency plans into effect. It effectively did this in August/September 2007 during the turbulent market conditions. It repoed some own-book securitisations with the ECB (EUR237m at 1 September 2007) and partly replaced CPs with municipal deposits. As of September 2007, LeasePlan calculated that under its current liquidity arrangements, it would have sufficient liquidity to continue in a business-as-usual mode for 12 months and on a run-off mode for about three to four years. If the weak market conditions persist into Q407, money-market funding will increasingly be replaced by drawings on committed bank lines. Further own-book securitisations planned will extend the liquidity. A EUR500m EMTN bond was redeemed in September 2007; the next significant bond or private placement redemption will be in November 2008.

Capital: LeasePlan controls its balance-sheet leverage by monitoring, and planning to, its regulatory capital position. It has a target Tier 1 ratio of 8%. Most leases are 100% risk weighted. The Tier 1 ratio had been 9.5% at end-2004, but came down to 8.2% at end-2005 following the EFS acquisition. It remained at this level at end-H107. LeasePlan's Tier 1 capital contains no preference shares or other innovative Tier 1 instruments, and Fitch believes the group to be satisfactorily capitalised. The Fitch core capital/total asset ratio was 7.2% at end-2006.

LeasePlan's dividend policy is to pay out EUR130m per year, provided the group keeps to its 8% Tier 1 target. LeasePlan does not have a target risk asset ratio, but is likely to implement one under Basel II. Tier 2 capital consists of EUR500m subordinated bond issued in 2006, replacing the EUR240m of cheap, legacy subordinated funds from Volkswagen Bank. LeasePlan uses these Lower Tier 2 bonds to maintain satisfactory headroom over the 10% minimum overall Bank of International Settlements ratio. At end-H107, this ratio was 11.3%.

LeasePlan should have a lower regulatory capital requirement under Basel II Pillar I, as lower requirements against credit risk more than offset expected requirements for operational risk. Fitch has been informed that Pillar II requirements are expected to be low and LeasePlan would expect to have stronger reported capital ratios.

Balance Sheet Analysis
LEASEPLAN CORPORATION NV

	31 Dec 2006				31 Dec 2005		31 Dec 2004	
	Year End USDm Preliminary	Year End EURm Preliminary	As % of Assets Preliminary	Average EURm Preliminary	Year End EURm Original	As % of Assets Original	Year End EURm Original	As % of Assets Original
A. LOANS								
1. Private	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-
2. Corporate	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-
3. Government	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-
4. Other	17,977.2	13,650.1	86.36	13,318.4	12,986.7	90.71	10,532.0	88.77
5. Loan Impairment	92.1	69.9	0.44	67.8	65.7	0.46	50.7	0.43
6. Loan Impairment (memo)	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-
7. Less: Loans from the Insurance Business	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-
TOTAL A	**17,885.2**	**13,580.2**	**85.92**	**13,250.6**	**12,921.0**	**90.25**	**10,481.3**	**88.34**
B. OTHER EARNING ASSETS								
1. Loans and Advances to Banks	1,107.5	840.9	5.32	518.1	195.3	1.36	584.8	4.93
2. Government Securities	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-
3. Trading Assets	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-
4. Derivatives	73.9	56.1	0.35	39.3	22.4	0.16	0.0	0.00
5. Other Securities and Investments	246.1	186.9	1.18	128.5	70.1	0.49	37.0	0.31
6. Equity Investments	23.0	17.5	0.11	16.5	15.5	0.11	13.0	0.11
7. Insurance	19.8	15.0	0.09	14.6	14.1	0.10	11.4	0.10
TOTAL B	**1,470.3**	**1,116.4**	**7.06**	**716.9**	**317.4**	**2.22**	**646.2**	**5.45**
C. TOTAL EARNING ASSETS (A+B)	**19,355.5**	**14,696.6**	**92.98**	**13,967.5**	**13,238.4**	**92.47**	**11,127.5**	**93.79**
D. TANGIBLE FIXED ASSETS	**122.9**	**93.3**	**0.59**	**110.3**	**127.2**	**0.89**	**128.8**	**1.09**
E. NON-EARNING ASSETS								
1. Cash and Due from Banks	16.7	12.7	0.08	6.4	0.1	0.00	0.1	0.00
2. Other	1,320.7	1,002.8	6.34	976.7	950.6	6.64	608.3	5.13
F. TOTAL ASSETS	**20,815.8**	**15,805.4**	**100.00**	**15,060.8**	**14,316.3**	**100.00**	**11,864.7**	**100.00**
G. DEPOSITS & MONEY MARKET FUNDING								
1. Due to Customers - Current	501.6	380.9	2.41	511.5	642.1	4.49	624.1	5.26
2. Due to Customers - Savings	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-
3. Due to Customers - Term	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-
4. Deposits with Banks	0.0	0.0	0.00	0.0	0.0	0.00	0.0	0.00
5. Other Deposits and Short-term Borrowings	n.a.	n.a.	-	n.a.	502.2	3.51	663.3	5.59
TOTAL G	**501.6**	**380.9**	**2.41**	**762.6**	**1,144.3**	**7.99**	**1,287.4**	**10.85**
H. OTHER LIABILITIES								
1. Derivatives	20.4	15.5	0.10	14.1	12.7	0.09	0.0	0.00
2. Trading Liabilities	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-
3. Fair Value Portion of Debt	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-
4. Insurance	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-
TOTAL H	**20.4**	**15.5**	**0.10**	**14.1**	**12.7**	**0.09**	**0.0**	**0.00**
I. OTHER FUNDING								
1. Long-term Borrowing	15,349.0	11,654.5	73.74	10,826.0	9,997.5	69.83	7,927.0	66.81
2. Subordinated Debt	658.5	500.0	3.16	370.5	240.9	1.68	240.9	2.03
3. Other Funding	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-
TOTAL I	**16,007.5**	**12,154.5**	**76.90**	**11,196.5**	**10,238.4**	**71.52**	**8,167.9**	**68.84**
J. NON-INTEREST BEARING	**2,480.6**	**1,883.5**	**11.92**	**1,798.1**	**1,712.6**	**11.96**	**1,376.7**	**11.60**
K. HYBRID CAPITAL								
1. Hybrid capital accounted for as equity	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-
2. Hybrid Capital accounted for as debt	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-
L. TOTAL LIABILITIES	**19,010.1**	**14,434.4**	**91.33**	**13,771.2**	**13,108.0**	**91.56**	**10,832.0**	**91.30**
M. EQUITY								
1. Common Equity	1,740.6	1,321.6	8.36	1,248.7	1,175.7	8.21	1,038.3	8.75
2. Minority Interest	-1.3	-1.0	-0.01	0.6	2.1	0.01	0.4	0.00
3. Revaluation Reserves	66.4	50.4	0.32	40.5	30.5	0.21	-6.0	-0.05
TOTAL M	**1,805.6**	**1,371.0**	**8.67**	**1,289.7**	**1,208.3**	**8.44**	**1,032.7**	**8.70**
MEMO:CORE CAPITAL	**1,480.4**	**1,124.1**	**7.11**	**1,045.6**	**967.1**	**6.76**	**931.7**	**7.85**
MEMO: ELIGIBLE CAPITAL	**n.a.**	**n.a.**	**-**	**n.a.**	**n.a.**	**-**	**n.a.**	**-**
N. TOTAL LIABILITIES & EQUITY	**20,815.8**	**15,805.4**	**100.00**	**15,060.8**	**14,316.3**	**100.00**	**11,864.7**	**100.00**
Exchange Rate		USD1 = EUR 0.7593			USD1 = EUR 0.8477		USD1 = EUR 0.7342	

Income Statement Analysis

LEASEPLAN CORPORATION NV

	31 Dec 2006		31 Dec 2005		31 Dec 2004	
	Income Expenses EURm Preliminary	As % of Total AV Earning Assts Preliminary	Income Expenses EURm Original	As % of Total AV Earning Assts Original	Income Expenses EURm Original	As % of Total AV Earning Assts Original
1. Interest Income	749.6	5.37	664.5	5.45	595.2	-
2. Interest Expense	446.9	3.20	368.1	3.02	307.9	-
3. NET INTEREST REVENUE	**302.7**	**2.17**	**296.4**	**2.43**	**287.3**	**-**
4. Net Fees & Commissions	187.3	1.34	174.9	1.44	171.5	-
5. Net Insurance Revenue	62.2	0.45	53.5	0.44	48.1	-
6. Other Operating Income	366.7	2.63	365.0	3.00	332.7	-
7. Personnel Expenses	360.1	2.58	364.1	2.99	336.8	-
8. Other Operating Expenses	254.4	1.82	254.6	2.09	223.8	-
9. PRE-IMPAIRMENT OPERATING PROFIT	**304.4**	**2.18**	**271.1**	**2.23**	**279.0**	**-**
10. Loan Impairment Charge	21.9	0.16	14.7	0.12	14.1	-
11. Other Credit Impairment and Provisions	n.a.	-	0.0	0.00	5.6	-
12. OPERATING PROFIT	**282.5**	**2.02**	**256.4**	**2.10**	**259.3**	**-**
13. Other Income and Expenses	n.a.	-	n.a.	-	30.7	-
14. PUBLISHED PRE-TAX PROFIT	**282.5**	**2.02**	**256.4**	**2.10**	**290.0**	**-**
15. Taxes	73.8	0.53	56.7	0.47	68.8	-
16. Profit/(Loss) from Discontinued Operations	0.8	0.01	-1.1	-0.01	-11.6	-
17. Change in Value of AFS investments	n.a.	-	n.a.	-	n.a.	-
18. CurrencyTranslation Differences	-6.1	-0.04	24.1	0.20	-6.0	-
19. Other Gains/(Losses) not in Published Net Income	26.0	0.19	12.4	0.10	0.0	-
20. FITCH COMPREHENSIVE INCOME	**229.4**	**1.64**	**235.1**	**1.93**	**203.6**	**-**
21. Total Gains/(Losses) not in Published Net Income	19.9	0.14	36.5	0.30	-6.0	-
22. IFRS Dividends included in Fitch Interest Expense	n.a.	-	n.a.	-	n.a.	-
23. PUBLISHED NET INCOME	**209.5**	**1.50**	**198.6**	**1.63**	**209.6**	**-**

Ratio Analysis
LEASEPLAN CORPORATION NV

		31 Dec 2006	31 Dec 2005	31 Dec 2004
		Year End	Year End	Year End
		EURm	EURm	EURm
		Preliminary	Original	Original
I. PERFORMANCE				
1. Net Interest Margin	%	2.17	2.43	n.a.
2. Loan Yield	%	5.49	5.55	n.a.
3. Cost of Funds	%	3.74	3.53	n.a.
4. Costs/Average Assets	%	4.08	4.73	n.a.
5. Costs/Income	%	66.88	69.73	66.95
6. Pre-Impairment Operating ROAA	%	2.02	2.07	n.a.
7. Operating ROAA	%	1.88	1.96	n.a.
8. Pre-impairment Operating ROAE	%	23.60	24.19	n.a.
9. Operating ROAE	%	21.91	22.88	n.a.
II. CAPITAL ADEQUACY				
1. Internal Capital Generation	%	12.75	15.63	n.a.
2. Core Capital/Total Assets	%	7.20	6.86	7.92
3. Eligible Capital/Regulatory Weighted Risks	%	n.a.	n.a.	n.a.
4. Eligible Capital+Eligible Revaluation Reserves/Regulatory Weighted Risks	%	n.a.	n.a.	n.a.
5. Tier 1 Regulatory Capital Ratio	%	8.70	8.20	9.50
6. Total Regulatory Capital Ratio	%	12.20	10.00	11.70
7. Free Capital/Equity	%	69.68	68.19	74.67
III. LIQUIDITY (year end)				
1. Liquid Assets/Deposits & Money Mkt Funding	%	3.33	0.01	0.01
2. Loans/Deposits	%	3,565.29	2,012.30	1,679.43
IV. ASSET QUALITY				
1. Loan Impairment Charge/Gross Loans (av.)	%	0.16	0.13	n.a.
2. Total Credit Impairment/Pre-impairment Operating Profit	%	7.19	5.42	7.06
3. Loan Impairment/Gross Impaired Loans	%	n.a.	n.a.	n.a.
4. Individual Loan Impairment/Gross Impaired Loans	%	n.a.	n.a.	n.a.
5. Impaired Loans Gross / Loans Gross	%	n.a.	n.a.	n.a.
6. Impaired Loans Net/Eligible Capital	%	n.a.	n.a.	n.a.
7. Net Charge-offs/Gross Loans (av.)	%	n.a.	n.a.	n.a.