Netherlands
Credit Analysis

LeasePlan Corporation NV

Ratings

	Current Ratings
Foreign Currency	
Long-Term IDR	A
Short-Term IDR	F1
Individual	B/C
Support Rating	4
Support Rating Floor	B+
Sovereign Risk	
Foreign Currency	AAA
Local Currency	AAA

Outlook

Foreign Long-Term	Stable
Sovereign Foreign Long-Term	Stable
Sovereign Local Long-Term	Stable

Financial Data

LeasePlan Corporation NV

(EUR)	31 Dec 07	31 Dec 06
Total assets (USDm)	24,062.0	20,815.8
Total assets (EURm)	16,345.3	15,805.4
Total equity (EURm)	1,403.9	1,371.0
Operating profit (EURm)	313.4	282.5
Published net income (EURm)	256.7	209.5
Comprehensive income (EURm)	227.2	229.4
Operating ROAA (%)	1.95	1.88
Operating ROAE (%)	22.59	21.91
Internal capital generation (%)	7.01	12.75
Eligible capital/ weighted risks (%)	7.66	7.87
Tier 1 ratio (%)	8.30	8.70

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Rating Rationale

- The ratings of LeasePlan Corporation NV (LeasePlan) reflect the strength of its vehicle leasing franchise, and its good earnings, risk management track record and solid capitalisation. These factors are balanced by its reliance on wholesale sources for its funds and its relatively short track record with its debt holders.
- LeasePlan has a track record of steady underlying net income growth, which is expected to continue. Credit and residual-value risks have been well controlled. Impairment charges, typically averaging less than 20bp of leases and residual values, have been a consistent, if fluctuating, source of profit.
- Since it was sold by ABN AMRO Bank in late 2004, LeasePlan has re-financed its ABN AMRO funds, raising EUR12.5bn in the capital markets. Short-term funding mainly consists of Euro CP and collateralised deposits. Since the start of the credit crunch, municipality deposits and drawing on European Central Bank (ECB) repo facilities have become more important funding sources. LeasePlan holds EUR1.7bn of its lease portfolios as securitisations eligible for repo with the ECB. LeasePlan had drawn EUR1.5bn of this facility at end-Q308 to replace some maturing funding. Further securitisations are planned. Due to the time required to create additional ECB eligible securities, LeasePlan agreed a one-year syndicated bank bridge facility for EUR750m in May 2008. At end-Q308 LeasePlan had sufficient liquidity to continue business as usual and meet its financial obligations for nearly 10 months (down from 12 months at end-Q108) without access to capital markets and money markets. Fitch Ratings understands that this had dipped to five months before the provision of a three-year EUR1.5bn committed facility from Volkswagen Group ('A-'/Rating Watch Negative), the parent of its 50% shareholder (Volkswagen Bank), in September 2008 improved LeasePlan's liquidity buffer.
- LeasePlan manages its leverage by keeping to a target Tier 1 ratio of 8%. The bank is satisfactorily capitalised, but its Tier 1 ratio has dipped slightly below target under Basel II (H108: 7.7%) while it finalises the implementation of the advanced internal ratings-based approach (AIRB) for credit risk.

Support

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

Key Rating Drivers

- Although operationally and financially independent of Volkswagen, it is unlikely LeasePlan's Long-Term IDR could be more than two notches above Volkswagen's. Downside risk for Leaseplan's ratings could arise from material changes to profitability or credit risk or a sustained deterioration in its liquidity position. Upside potential for Leaseplan's Long-term IDR is limited given its reliance on wholesale funding and the tough capital market conditions.

Profile

Together with its subsidiaries, LeasePlan is the leading fleet management group in the world, with 1.36 million vehicles under management, mainly as operating leases.

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

Profile

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 30 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 2005 strengthened its franchise in Italy, Spain and Portugal. In May 2008 LeasePlan boosted its French operations through the acquisition of Daimler Chrysler Fleet Management France S.A.S. (DCS Fleet). Of LeasePlan's 1.36 million vehicles under management, about 70% are 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 are 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 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; 355,000 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 that 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 it exceeds budget. Under the closed calculation product, LeasePlan still bears the downside risk, but also benefits from positive variations 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%; 'AA'/Stable), 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 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 operational independence and has publicly stated this. However, due to the continued funding market turmoil, Volkswagen AG, the parent of its largest shareholder, has provided a EUR1.5bn three-year liquidity line to LeasePlan from 30 September 2008 in order to support the business growth.

Strategy

The group has grown organically, supplemented by numerous small acquisitions, such as of EFS and DCS Fleet, and joint ventures, such as with Dogus Automotive in Turkey. LeasePlan recently started its own operations in Romania. Management expects to continue to pursue a strategy of smaller acquisitions and joint ventures to complement organic growth. In addition to focusing on value-added services as part of its vertical integration model, LeasePlan also develops new products to help meet client needs, such as the GreenPlan product aimed at addressing sustainability issues. New services and products help strengthen LeasePlan's competitive position.

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

- It is car-brand independent. This is critically important, as it enables LeasePlan to offer a wide range of vehicles to customers.
- 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 gain its present discounts/rebates from other manufacturers.

Performance

- Track record of steady underlying net income growth including H108
- ROE improvement in 2007 from full integration of EFS
- Labour-intensive business and small ticket sizes driving 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 six years, despite a growing fleet. Lease contracts grew by 5% in 2007 and another 4% in H108 to EUR14.4bn (including EUR217m from the DCS fleet). Net finance lease receivables totalled EUR2,186m at end-2007.

Adjusting for discontinued businesses (non-core bodywork shops), underlying net income grew by a strong 13% in 2007. Operating profit on continuing operations improved strongly to EUR282m, benefiting from a rise in bonus and rebate income, better cost control, and full absorption of EFS integration costs. A slightly lower overall tax rate benefited the underlying net income. Operating expenses grew more slowly than operating income in 2007 (2% compared with 5%), improving the efficiency ratio. ROAA and ROAE have benefited from the good customer retention and on-budget integration of EFS. Operating profits were split 65% eurozone, 29% Europe (non-euro zone) and 6% rest of the world. 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

Table 1: Performance (IFRS From 2004)

(EURm)	H108	2007	2006	2005	2004	2003[a]	2002[a]
Net income	112.3	256.7	209.5	198.6	209.6	192.9	180.2
Operating profit	148.8	312.7	283.2	252.8	256.8	248.3	232.4
Result on terminated contracts	8.6	46.6	19.0	36.0	41.0	43.0	39.0
Total equity (consolidated)	1,560.8	1,403.9	1,371.0	1,208.3	1,032.7	1,025.9	891.0
Total assets (consolidated)	17,183.6	16,345.3	15,805.5	14,316.3	11,864.7	10,840.3	10,798.6
Fleet under management ('000s of vehicles)	1,362,000	1,315,000	1,258,000	1,225,000	1,090,000	1,074,000	1,089,000
ROAE	15.5	18.7	16.2	17.7	19.8	20.1	22.3
ROAA	1.3	1.6	1.4	1.5	1.9	1.8	1.7
"Efficiency ratio"[b]	67.2	65.9	68.3	70.5	69.5	69.1	70.0
Net impairment charge/lease portfolio	0.14	0.09	0.16	0.11	0.14	0.10	0.19

[a] Dutch GAAP
[b] Operating expenses including amortisation and depreciation of non-lease assets/operating income net of impairment costs
Source: LeasePlan and LeasePlan's financial statements

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 is largely made up of depreciation costs. Other operating income (line 6 in the income statement of the accompanying spreadsheets) is net of EUR3.1bn of "lease expenses", mainly vehicle depreciation. LeasePlan's net interest margin has suffered from competitive pressures and higher funding costs in the difficult capital markets, falling to 1.9% from 2.2%. Further pressure is likely in the medium term, as the funding markets remain under stress (see "Funding and Capital" below). Non-interest income arises from "value-added" services and includes management fee income, net rentals income, net insurance income, income from rebates and bonuses. The recent management focus on exploiting the group's scale has enabled the latter to grow strongly.

LeasePlan's result on terminated contracts (ie from selling assets at the end of their leases) increased strongly to EUR46m in 2007, equivalent to 5% of the group's gross profit before impairment losses and operating costs. Results in 2006 (EUR19m) 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, except in 2006 it had consistently been EUR20m-EUR40m 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 H108 were EUR8.6m.

Costs

Staff expenses accounted for 60% of operating costs in 2007. At 66%, LeasePlan has a fairly high cost/income ratio. The bank's cost/assets ratio of 3.9% 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). This ratio improved in 2007 due to a continued focus on process management and after the completion of the integration of EFS. In the medium term, moving onto one IT platform and further procurement benefits 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 2% of profits before impairment losses and taxes in 2007.

H108 Results

H108 results were resilient, with net income from continuing operations growing 5% yoy. Reported net profit was 11% down yoy due to a small loss from discontinued operations, while H107 results benefited from a profit on the disposal of non-core operations. Operating income growth was steady, at 6%, reflecting similar growth in lease volumes and also benefiting from lower lease expenses from improvements in bonuses and rebates. Impairment losses were slightly higher, but only at 5% of pre-impairment profit before tax.

Prospects

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 largely depreciated to their residual value) and become more receptive to outsourcing their fleet management. It will be more difficult in 2008, with margins under pressure from rising funding costs (although these are being passed onto new clients). LeasePlan can comfortably absorb this given its net interest margin of 1.9% and its high level of non-interest income. The depreciation of the UK pound against the euro will also dampen UK results. A further improvement in bonuses and rebates from procurement discounts will also be more limited. Management expects to achieve a result in 2008 at least equal to the 2007 normalised result and for ROAE and efficiency ratios to be maintained. Despite additional pressure on earnings, management's strong, steady track record should enable it to achieve these results. Current plans do not envisage a slowdown in the steady growth of the lease portfolio, although if current turmoil in the funding markets persist it is possible for management to reduce funding needs by constraining the lease portfolio.

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.

Risk Management

- Credit and residual value risks tightly controlled
- Interest rate risk 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

Credit risk has historically been very tightly controlled. The group's largest exposures are generally to large corporate customers of 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% of the lease portfolio at end-2007 (equivalent to about 158% of end-2007 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 expects to receive DNB approval to implement the AIRB approach for credit risk before the end of 2008. 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 31bp in 2007 and 29bp in 2006. Charge-offs in 2007 totalled EUR18.0m (equivalent to 13bp of the lease portfolio), similar to 2006 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 EUR63m was held for impairment losses at end-2007.

LeasePlan had about EUR19m of invoices more than 90 days past due, and about EUR40m of total doubtful debtors of which 20% related to disputed invoices at end-2007. Disputed invoices reduced during 2007 after the introduction of an option for customers to use an independent third party to value “unfair” wear and tear. Typically, disputed invoices make up half of the impairment charge. A portfolio “collective allowance” of 5bp-10bp is taken against all lease assets. Coverage of impaired assets looks reasonable.

Residual-Value Risk

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 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 and 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 the cars 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 market value and book value 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 2007 and that it has never exceeded 100%. Most risks are short tailed. A balance-sheet provision of EUR234m was held against longer-tailed risks (mainly third-party liability) at end-2007.

Operational Risk

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 3,000 data points. Operational losses since

January 2004 total EUR36m, substantially less than the basic indicator approach (BIA) capital requirement of EUR135m, based on 15% of gross revenue. LeasePlan is aiming to use the advanced measurement approach (AMA) under Basel II and has used external data to supplement its low frequency, high-impact event data. It has submitted its application to use this approach with the DNB and expects approval for implementation to start from 1 December 2008.

Funding and Capital

- Reliant on wholesale sources of funds
- Limited track record with investors
- ECB facilities increasingly important funding sources since the start of the credit crunch, using lease securitisations as eligible collateral
- Business growth supported by a committed EUR1.5bn three-year facility from Volkswagen starting 30 September 2008 given continued wholesale funding markets disruption
- Liquidity buffer provided by syndicated line and back-stop facilities
- Satisfactory capital level and generation
- Reported Tier 1 below target 8% due to Basel II implementation; adoption of AIRB by end-2008 to restore this ratio to above target

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 since 2005. 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, a EUR2bn committed syndicated liquidity backstop facility (December 2009 and 2011 maturities) and also EUR625m of DNB-approved back-stop facilities. However, the group is reliant on wholesale sources for its funds, and current market conditions present challenges for refinancing maturing funding. Further diversification, such as through external securitisations, and a longer track record are desirable.

Since December 2004 LeasePlan has issued EUR12.5bn in 14 currencies (about 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 (EUR420m at end-2007), fully hedged with high-quality counterparties, are an insignificant source of funds. Since mid-October 2007, despite more difficult funding markets, LeasePlan's private placement franchise has enabled it to raise EUR712m in seven currencies across 21 transactions. LeasePlan has EUR3bn Euro CP and EUR2bn Belgian CD programmes. 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 aims to keep the level of maximum aggregate monthly money- and capital-market redemptions at EUR900m, but this has increased recently due to a shift towards shorter-term funding in the wholesale markets. At end-Q308 LeasePlan's capital market funds were well spread by maturity (6% less than one year; 17% one to two years; 23% two to three years; 32% three to four years; 22% more than four years).

However, LeasePlan's access to funding from the public bond and private placement markets has effectively been suspended by the current disruption to wholesale funding markets. As these sources of funding have reduced, the strategy has been to replace the capital markets funding with other money-market funding sources: ECB repo facilities, other uncommitted bank facilities, municipality deposits, committed bank lines totalling EUR985m, and most recently a committed EUR1.5bn three-year facility (from 30 September 2008).

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. LeasePlan has access to ECB repo facilities and in the current market conditions is drawing under this facility using its EUR1.7bn own-book securitisation of its Dutch and German portfolio as collateral. The portfolio has an average weighted life of about 5.7 years. At end-Q308, LeasePlan had drawn EUR1.5bn under this facility, which is a cheaper source of funding than other money-market sources. LeasePlan has a EUR2bn securitisation programme covering seven countries, including the Dutch and German securitisations. A securitisation of the UK portfolio is planned for Q109 (EUR800m expected eligible collateral) and a securitisation of the French portfolio is planned for Q409 (EUR700m). Spain, Italy, Australia and the US portfolios are also being examined for further own-book securitisations. Due to the time required to set up new securitisations to create additional ECB-eligible collateral, LeasePlan agreed a one-year syndicated bank facility for EUR750m in May 2008. Under this bridge facility, securitisations cannot exceed 30% of assets.

Deposits are mainly sourced from Dutch local authorities and provinces via money brokers, and since the start of 2008 the deposits have been EUR400m-500m each month. This, together with ECB repos, will be an important source of short-term financing while the CD and Euro CP markets remain more expensive and illiquid than normal. Nevertheless, LeasePlan has still been able to access Euro CP and CD markets. 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. At end-Q308, uncommitted inter-bank drawings were EUR550m. 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. LeasePlan had also drawn EUR985m on committed bank facilities.

Undrawn committed lines and excess cash of about EUR4.5bn were available at end-Q308. 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 line from ING until October 2009. In addition, LeasePlan has a EUR2bn syndicated backstop facility (EUR1bn until Dec 2009 and EUR1bn due Dec 2011) from 25 banks. It also has a EUR1.5bn three-year committed line from Volkswagen (due 30 September 2011).

Covenants

LeasePlan does not have to maintain any financial covenants under the terms of its funding and none of its funding agreements contains material adverse change clauses. There are "credit event upon merger" clauses in some of the ISDA agreements. There are no rating triggers in the documentation of its capital market funding instruments not in its syndicated or bilateral bank facilities.

Liquidity

LeasePlan holds a low level of liquid assets on its balance sheet. However, given the syndicated and Volkswagen committed facilities available to the group, it has a high level of liquid resources available. As a bank, LeasePlan is required to meet regulatory liquidity limits. The group's liquidity profile has weakened slightly over the past year due to the disruption of the funding markets, with a reduction in the number of time bands with positive maturity mismatches. Also, at end-Q308 LeasePlan had sufficient liquidity to continue business as usual and meet its financial obligations for slightly less than 10 months, down from 12 months at end-Q108. This very severe scenario assumes that LeasePlan is not able to refinance any of its maturing obligations, except ECB repo. This means all other funding, including maturing committed lines, is assumed to be repaid. Fitch understands that this liquidity buffer dipped to five months in summer 2008, before being boosted by the Volkswagen line.

In run-off, LeasePlan would have sufficient liquidity for about three to four years (the lease portfolio runs down fairly quickly and steadily over this period at about EUR4bn-5bn per year). If the weak wholesale market conditions persist, management could reduce lending and estimates that it would be fairly manageable to realise EUR2bn of liquidity from the lease portfolio without affecting the franchise. In such a case, the liquidity buffer would be sufficient into 2010. Further own-book securitisations are planned to extend the liquidity.

LeasePlan has a contingency liquidity plan. This has been communicated to the DNB and includes phased actions to be undertaken by the treasury, the chief financial officer, 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 has effectively done this since summer 2007. Own-book securitisations with the ECB (EUR1.5bn at end-Q308), municipal deposits and draw-down of the new syndicated bridge facility have partly replaced CP and maturing MTNs. Volkswagen, as the largest shareholder, has already provided a liquidity facility.

Capital

LeasePlan controls its balance-sheet leverage by monitoring, and planning to monitor, its regulatory capital position. It has a target Tier 1 ratio of 8%. Most leases are 100% risk weighted. The Tier 1 ratio reduced slightly in 2005 after the EFS acquisition, but has remained relatively stable since. LeasePlan's Tier 1 capital contains no preference shares or other innovative Tier 1 instruments, and Fitch believes the group to be satisfactorily capitalised.

LeasePlan's dividend policy is to pay out EUR130m per year, provided the group keeps to its 8% Tier 1 target. However, for 2008 no dividend will be agreed and paid until Basel II implementation has been finalised. LeasePlan does not have a target risk asset ratio, but is likely to implement one under Basel II. Tier 2 capital consists of a 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-H108, this ratio was 10.5% (under Basel II).

LeasePlan adopted the standardised approach to credit risk and BIA to operational risk under Basel II, while awaiting approval for the AIRB and AMA from the DNB. Under the standardised and basic indicator approaches, reported capital ratios dip slightly below the 8% Tier 1 target due to the inclusion of operational risk (H108: 7.7%). No dividend will be paid in 2008 until the implementation of the AIRB and AMA are finalised. Management expects to receive approval to implement these approaches from 1 December 2008. After the adoption of the AIRB and AMA, management expects LeasePlan to have a lower regulatory capital requirement, as lower requirements against credit risk more than offset requirements for operational risk, and therefore result in stronger capital ratios. At end-August, management calculated a Tier 1 of 11.9% under AIRB. Operationally, LeasePlan uses economic capital based on Basel II principles in its profitability models for product pricing and at local management level.

Balance Sheet Analysis

LEASEPLAN CORPORATION NV

	31 Dec 2007				31 Dec 2006		31 Dec 2005		31 Dec 2004	
	Year End USDm Original	Year End EURm Original	As % of Assets Original	Average EURm Original	Year End EURm Original	As % of Assets Original	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.	-	n.a.	-
2. Corporate	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
3. Government	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
4. Other	21,396.3	14,534.5	88.92	14,092.3	13,650.1	86.36	12,986.7	90.71	10,532.0	88.77
5. Loan Impairment	92.6	62.9	0.38	66.4	69.9	0.44	65.7	0.46	50.7	0.43
6. Loan Impairment (memo)	n.a.	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.	-	n.a.	-
TOTAL A	**21,303.7**	**14,471.6**	**88.54**	**14,025.9**	**13,580.2**	**85.92**	**12,921.0**	**90.25**	**10,481.3**	**88.34**
B. OTHER EARNING ASSETS										
1. Loans and Advances to Banks	720.0	489.1	2.99	665.0	840.9	5.32	195.3	1.36	584.8	4.93
2. Government Securities	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
3. Trading Assets	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
4. Derivatives	107.3	72.9	0.45	64.5	56.1	0.35	22.4	0.16	0.0	0.00
5. Other Securities and Investments	217.0	147.4	0.90	167.2	186.9	1.18	70.1	0.49	37.0	0.31
6. Equity Investments	38.1	25.9	0.16	21.7	17.5	0.11	15.5	0.11	13.0	0.11
7. Insurance	30.9	21.0	0.13	18.0	15.0	0.09	14.1	0.10	11.4	0.10
TOTAL B	**1,113.4**	**756.3**	**4.63**	**936.4**	**1,116.4**	**7.06**	**317.4**	**2.22**	**646.2**	**5.45**
C. TOTAL EARNING ASSETS (A+B)	**22,417.0**	**15,227.9**	**93.16**	**14,962.3**	**14,696.6**	**92.98**	**13,238.4**	**92.47**	**11,127.5**	**93.79**
D. TANGIBLE FIXED ASSETS	**129.8**	**88.2**	**0.54**	**90.8**	**93.3**	**0.59**	**127.2**	**0.89**	**128.8**	**1.09**
E. NON-EARNING ASSETS										
1. Cash and Due from Banks	19.7	13.4	0.08	13.1	12.7	0.08	0.1	0.00	0.1	0.00
2. Other	1,495.4	1,015.8	6.21	1,009.3	1,002.8	6.34	950.6	6.64	608.3	5.13
F. TOTAL ASSETS	**24,062.0**	**16,345.3**	**100.00**	**16,075.3**	**15,805.4**	**100.00**	**14,316.3**	**100.00**	**11,864.7**	**100.00**
G. DEPOSITS & MONEY MARKET FUNDING										
1. Due to Customers - Current	1,185.8	805.5	4.93	593.2	380.9	2.41	642.1	4.49	624.1	5.26
2. Due to Customers - Savings	n.a.	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.	-	n.a.	-
4. Deposits with Banks	0.0	0.0	0.00	0.0	0.0	0.00	0.0	0.00	0.0	0.00
5. Other Deposits and Short-term Borrowings	896.5	609.0	3.73	628.0	646.9	4.09	502.2	3.51	663.3	5.59
TOTAL G	**2,082.3**	**1,414.5**	**8.65**	**1,221.2**	**1,027.8**	**6.50**	**1,144.3**	**7.99**	**1,287.4**	**10.85**
H. OTHER LIABILITIES										
1. Derivatives	57.6	39.1	0.24	27.3	15.5	0.10	12.7	0.09	0.0	0.00
2. Trading Liabilities	n.a.	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.	-	n.a.	-
4. Insurance	345.1	234.4	1.43	218.3	202.2	1.28	191.3	1.34	n.a.	-
TOTAL H	**402.6**	**273.5**	**1.67**	**245.6**	**217.7**	**1.38**	**204.0**	**1.42**	**0.0**	**0.00**
I. OTHER FUNDING										
1. Long-term Borrowing	15,998.8	10,868.0	66.49	10,937.8	11,007.6	69.64	9,997.5	69.83	7,927.0	66.81
2. Subordinated Debt	736.1	500.0	3.06	500.0	500.0	3.16	240.9	1.68	240.9	2.03
3. Other Funding	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
TOTAL I	**16,734.9**	**11,368.0**	**69.55**	**11,437.8**	**11,507.6**	**72.81**	**10,238.4**	**71.52**	**8,167.9**	**68.84**
J. NON-INTEREST BEARING	**2,775.5**	**1,885.4**	**11.53**	**1,783.4**	**1,681.3**	**10.64**	**1,521.3**	**10.63**	**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.	-	n.a.	-
2. Hybrid Capital accounted for as debt	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
L. TOTAL LIABILITIES	**21,995.3**	**14,941.4**	**91.41**	**14,687.9**	**14,434.4**	**91.33**	**13,108.0**	**91.56**	**10,832.0**	**91.30**
M. EQUITY										
1. Common Equity	2,035.9	1,383.0	8.46	1,352.3	1,321.6	8.36	1,175.7	8.21	1,038.3	8.75
2. Minority Interest	0.0	0.0	0.00	-0.5	-1.0	-0.01	2.1	0.01	0.4	0.00
3. Revaluation Reserves	30.8	20.9	0.13	35.7	50.4	0.32	30.5	0.21	-6.0	-0.05
TOTAL M	**2,066.7**	**1,403.9**	**8.59**	**1,387.5**	**1,371.0**	**8.67**	**1,208.3**	**8.44**	**1,032.7**	**8.70**
MEMO:CORE CAPITAL	**1,757.4**	**1,193.8**	**7.30**	**1,158.9**	**1,124.1**	**7.11**	**967.1**	**6.76**	**931.7**	**7.85**
MEMO: ELIGIBLE CAPITAL	**1,757.4**	**1,193.8**	**7.30**	**1,158.9**	**1,124.1**	**7.11**	**967.1**	**6.76**	**n.a.**	**-**
N. TOTAL LIABILITIES & EQUITY	**24,062.0**	**16,345.3**	**100.00**	**16,075.3**	**15,805.4**	**100.00**	**14,316.3**	**100.00**	**11,864.7**	**100.00**
Exchange Rate		USD1 = EUR 0.6793			USD1 = EUR 0.7593		USD1 = EUR 0.8477		USD1 = EUR 0.7342	

Income Statement Analysis
LEASEPLAN CORPORATION NV

	31 Dec 2007		31 Dec 2006		31 Dec 2005		31 Dec 2004	
	Income Expenses EURm Original	**As % of Total AV Earning Assts Original**	**Income Expenses EURm Original**	**As % of Total AV Earning Assts Original**	**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	894.3	5.98	749.6	5.37	664.5	5.45	595.2	-
2. Interest Expense	607.3	4.06	446.9	3.20	368.1	3.02	307.9	-
3. NET INTEREST REVENUE	**287.0**	**1.92**	**302.7**	**2.17**	**296.4**	**2.43**	**287.3**	**-**
4. Net Fees & Commissions	n.a.	-	187.3	1.34	174.9	1.44	171.5	-
5. Net Insurance Revenue	n.a.	-	62.2	0.45	53.5	0.44	48.1	-
6. Other Operating Income	665.7	4.45	366.7	2.63	365.0	3.00	332.7	-
7. Personnel Expenses	371.1	2.48	360.1	2.58	364.1	2.99	336.8	-
8. Other Operating Expenses	256.2	1.71	254.4	1.82	254.6	2.09	223.8	-
9. PRE-IMPAIRMENT OPERATING PROFIT	**325.4**	**2.17**	**304.4**	**2.18**	**271.1**	**2.23**	**279.0**	**-**
10. Loan Impairment Charge	12.0	0.08	21.9	0.16	14.7	0.12	14.1	-
11. Other Credit Impairment and Provisions	n.a.	-	n.a.	-	0.0	0.00	5.6	-
12. OPERATING PROFIT	**313.4**	**2.09**	**282.5**	**2.02**	**256.4**	**2.10**	**259.3**	**-**
13. Other Income and Expenses	n.a.	-	n.a.	-	n.a.	-	30.7	-
14. PUBLISHED PRE-TAX PROFIT	**313.4**	**2.09**	**282.5**	**2.02**	**256.4**	**2.10**	**290.0**	**-**
15. Taxes	73.0	0.49	73.8	0.53	56.7	0.47	68.8	-
16. Profit/(Loss) from Discontinued Operations	16.3	0.11	0.8	0.01	-1.1	-0.01	-11.6	-
17. Change in Value of AFS investments	n.a.	-	n.a.	-	n.a.	-	n.a.	-
18. CurrencyTranslation Differences	-21.4	-0.14	-6.1	-0.04	24.1	0.20	-6.0	-
19. Other Gains/(Losses) not in Published Net Income	-8.1	-0.05	26.0	0.19	12.4	0.10	0.0	-
20. FITCH COMPREHENSIVE INCOME	**227.2**	**1.52**	**229.4**	**1.64**	**235.1**	**1.93**	**203.6**	**-**
21. Total Gains/(Losses) not in Published Net Income	-29.5	-0.20	19.9	0.14	36.5	0.30	-6.0	-
22. IFRS Dividends included in Fitch Interest Expense	n.a.	-	n.a.	-	n.a.	-	n.a.	-
23. PUBLISHED NET INCOME	**256.7**	**1.72**	**209.5**	**1.50**	**198.6**	**1.63**	**209.6**	**-**

Ratio Analysis
LEASEPLAN CORPORATION NV

		31 Dec 2007	31 Dec 2006	31 Dec 2005	31 Dec 2004
		Year End	Year End	Year End	Year End
		EURm	EURm	EURm	EURm
		Original	Original	Original	Original
I. PERFORMANCE					
1. Net Interest Margin	%	1.92	2.17	2.43	n.a.
2. Loan Yield	%	6.29	5.49	5.55	n.a.
3. Cost of Funds	%	4.80	3.74	3.53	n.a.
4. Costs/Average Assets	%	3.90	4.08	4.73	n.a.
5. Costs/Income	%	65.89	66.88	69.73	66.95
6. Pre-Impairment Operating ROAA	%	2.02	2.02	2.07	n.a.
7. Operating ROAA	%	1.95	1.88	1.96	n.a.
8. Pre-impairment Operating ROAE	%	23.45	23.60	24.19	n.a.
9. Operating ROAE	%	22.59	21.91	22.88	n.a.
II. CAPITAL ADEQUACY					
1. Internal Capital Generation	%	7.01	12.75	15.63	n.a.
2. Core Capital/Total Assets	%	7.39	7.20	6.86	7.92
3. Eligible Capital/Regulatory Weighted Risks	%	7.66	7.87	7.17	n.a.
4. Eligible Capital+Eligible Revaluation Reserves/Regulatory Weighted Risks	%	7.60	7.95	7.31	n.a.
5. Tier 1 Regulatory Capital Ratio	%	8.30	8.70	8.20	9.50
6. Total Regulatory Capital Ratio	%	11.50	12.20	10.00	11.70
7. Free Capital/Equity	%	85.38	83.33	82.85	74.67
III. LIQUIDITY (year end)					
1. Liquid Assets/Deposits & Money Mkt Funding	%	35.52	83.05	17.08	0.01
2. Loans/Deposits	%	1,796.60	3,565.29	2,012.30	1,679.43
IV. ASSET QUALITY					
1. Loan Impairment Charge/Gross Loans (av.)	%	0.09	0.16	0.13	n.a.
2. Total Credit Impairment/Pre-impairment Operating Profit	%	3.69	7.19	5.42	7.06
3. Loan Impairment/Gross Impaired Loans	%	n.a.	n.a.	n.a.	n.a.
4. Individual Loan Impairment/Gross Impaired Loans	%	n.a.	n.a.	n.a.	n.a.
5. Impaired Loans Gross / Loans Gross	%	n.a.	n.a.	n.a.	n.a.
6. Impaired Loans Net/Eligible Capital	%	n.a.	n.a.	n.a.	n.a.
7. Net Charge-offs/Gross Loans (av.)	%	0.13	0.12	0.13	n.a.