

LeasePlan Corporation N.V.

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Credit Rating: **A/Stable/A-1**

Rationale

The ratings on Dutch bank LeasePlan Corporation N.V. are supported by its leading franchise in operational car leasing and fleet management, wide geographic diversification, and satisfactory financial profile—notably sound asset quality and earnings generation.

LeasePlan is 50% owned by Germany-based Volkswagen automotive group (VW; A-/Stable/A-2), through Volkswagen Bank GmbH (VW Bank; A/Stable/A-1), and two long-term Gulf-based investors, each owning 25%. Due to operational and financial independence from VW, the presence of large minority shareholdings, and LeasePlan's regulated status as a bank under Dutch law, LeasePlan's ratings reflect its pure stand-alone creditworthiness. The ratings on LeasePlan could moderately diverge from those on VW Bank, but not more than one notch, if LeasePlan's stand-alone strengths merit it. LeasePlan's limited business diversification, cost-intensive business model, and wholesale funding structure are constraining factors for higher stand-alone ratings, though. Another factor limiting the potential rating differentiation is the put option granted by VW to the Gulf investors.

LeasePlan operates in almost 30 countries and has commanding positions in most of them. The €14.5 billion net lease portfolio has surged in recent years, reflecting both organic growth and opportunistic acquisitions outside its home market of The Netherlands. Prudently managed international expansion compensates for LeasePlan's business concentration in car fleet leasing.

Although the bank's liquidity profile is structurally constrained by the wholesale nature of its funding, LeasePlan continues to manage its balance sheet very conservatively, especially amid the current market turbulence. The bank maintains sound liquidity and, while continuing to write business, has prefunded its liabilities maturing in the next 12 months to cover potential nonaccess to capital markets. Funding also remains well balanced in terms of sources and maturities and independent of VW, which is important in our view. However, we expect the impact of rising refinancing costs to become more marked as 2008 progresses, and do not rule out a moderate decline in net interest income for the year.

Profitability is high and sustainable, underpinned by strong margins, a large proportion of non-interest-sensitive revenues, and structurally low reserving needs. New business generation should remain sustained amid weaker economic conditions in 2008 but the nature of the business model should continue to weigh on the cost base, though. Asset quality stands to remain sound, with a focus on European and international blue chips and adequate collateralization. We do not rule out a marginal increase in credit risk charges in a tougher environment, though from historic lows. Residual value risk is well-managed, but we anticipate that the likely deterioration in macroeconomic prospects, notably in the U.K., may moderately alter residual value performance.

The capital position is adequate for the rating, with an 8.04% adjusted total equity ratio at year-end 2007.

Outlook

The stable outlook reflects our expectation that LeasePlan will maintain its dominant market position and satisfactory financial profile—notably its sound asset quality, conservative liquidity management, and improving cost efficiency. Standard & Poor's believes that LeasePlan will continue to maintain its independence from the VW group, especially regarding operations and funding. We also expect the bank to maintain, under Basel II, a prudent capital policy that takes into consideration its business concentration.

We could consider a negative rating action if LeasePlan fails to maintain sound liquidity, demonstrates a significantly weaker performance in residual value management, or materially increases leverage under Basel II. On the other hand, given LeasePlan's lack of business diversification and structurally constrained liquidity exacerbated by the difficult funding environment, the bank would need to markedly and sustainably improve its financial profile, especially cost efficiency and capitalization, for us to consider a positive rating action.

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