

Rating Action: LeasePlan Corporation N.V.

Moody's places LeasePlan's ratings on review for possible downgrade

BFSR of C and long-term debt ratings of A3 on review for possible downgrade; short-term debt rating affirmed at Prime-2

Paris, October 31, 2008 -- Moody's Investors Service announced today that it had placed LeasePlan Corporation N.V. (LeasePlan)'s Bank Financial Strength Rating (BFSR) of C, long-term debt rating of A3 and long-term subordinated debt rating of Baa1 on review for possible downgrade. At the same time, Moody's affirmed the short term debt rating at Prime-2. Moody's commented that its rating review will assess the impact of current market conditions on LeasePlan's medium-term liquidity profile, but also address any longer term concerns over the solvency and profitability impact of a marked deterioration of the automotive market across LeasePlan's franchise.

LeasePlan's current BFSR of C is based on the company's sizeable global car leasing franchise, not only in the Netherlands but also in other European markets, Australasia and the United States, as well as its well-diversified client portfolio. Its long-term debt rating of A3 is solely based on its BFSR, and does not incorporate any expectation of either systemic or parental support by the Volkswagen group which owns 50% of the company. LeasePlan is not a consolidated subsidiary of VW Bank GmbH but instead is carried as an investment under the equity method by its parent, and it is Moody's understanding that VW regards LeasePlan very much as a financial investment.

Moody's ratings review will focus on LeasePlan's liquidity position in the current challenging financial environment for wholesale funded institutions. Moody's acknowledges the liquidity support provided by LeasePlan's 50%-ultimate owner, Volkswagen AG through a €1.5 billion three-year committed line. However, Moody's will discuss LeasePlan's reliance on its parents and on repo with the ECB to ensure that it maintains an adequate liquidity position. In addition, Moody's also noted that, according to its stress tests on liquidity, which assume no access to the capital markets and no reduction of the activity, LeasePlan is now short of a 12 months objective. Both the quality and the evolution of LeasePlan's liquidity position will be key elements in determining the outcome of the review for possible downgrade. Any further deterioration will have a negative impact on both BFSR and debt rating.

LeasePlan's solvency will be another focus point during the review process. LeasePlan had a tier 1 ratio of 7.7% under Basel 2 standardised approach at end-June 2008, a level below those currently targeted by banks across Western Europe. At the same time, it had over €8.3 billion of off-balance sheet residual value commitment at end-June 2008, representing almost six times its Tier 1 capital. Given the limited capital buffer, any impairment of the residual value of LeasePlan's fleet would put further pressure to its capital position.

Finally, Moody's review will also focus on the weakening situation of the automotive industry and on its potential impact on LeasePlan's operating performance. Although the company may be able to adapt to a limited decline in the prices of second-hand cars by adjusting residual values in its new contracts, Moody's is concerned that its profitability would come under significant pressure, were the prices to decline markedly and for a prolonged period. In its review, Moody's will assess possible mitigants to residual value risks. At the same time, Moody's will also review LeasePlan's flexibility in reducing its cost base, should the volume of its business decrease in line with the overall automotive market. LeasePlan's efficiency ratio has been above 65% over the last few years, putting the bank in a relatively weak position in the current downturn.

Based in Almere, the Netherlands, LeasePlan's pre-provision profit (PPP) stood at €157 million at end-June 2008, up 3% from €153 million at end-June 2007 (source: Moody's). LeasePlan had total assets of €17,184 million at end-June 2008, up 5.1% from €16,345 million at year-end 2007. At end-June 2008, its loan and lease portfolio (including receivables from customers and property and equipment under operational lease and rental fleet) stood at €15,185 million (YE2007: €14,534 million) and a Tier 1 ratio of 7.7% (YE2007: 8.3%) under Basel 2 standardised approach.

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