

FITCH AFFIRMS LEASEPLAN AT 'A-'; OUTLOOK NEGATIVE

Fitch Ratings-London-04 September 2009: Fitch Ratings has today affirmed LeasePlan Corporation NV's (LeasePlan) Long-term Issuer Default rating (IDR) at 'A-'. The Outlook is Negative. A full rating breakdown is provided at the end of this comment.

The affirmation of LeasePlan's IDRs reflect the strength of its vehicle leasing franchise, satisfactory capitalisation and good risk management, but also a reliance on wholesale (including government guaranteed) funding and earnings that are vulnerable to the weakened position of Europe's second-hand car markets.

LeasePlan has been able to access the Dutch government's guaranteed debt scheme, as a Netherlands-registered bank, since Q408 to meet its funding needs and bolster its liquidity position at a time of unprecedented stress in the wholesale credit markets. As of June 2009, LeasePlan had issued EUR4.2bn and USD3bn of guaranteed notes with maturities of between two-to-five years. As market conditions have eased somewhat of late, and LeasePlan has adjusted its business pricing, published its H109 results and the end of the Dutch government's guarantee scheme is approaching (subject to any decision that might be made to extend it), accessing the unguaranteed term debt markets again is important. Negative rating pressure on LeasePlan's ratings could still arise if this remains difficult.

Downside risk could also arise from an extended period of weak profitability, for example if residual value losses continue at elevated levels, impairment charges spike, or if the group is unable to mitigate pressure on funding costs. A major deterioration in liquidity would also present a downside risk.

At 30 June 2009, LeasePlan had more than sufficient liquidity to continue to meet its financial obligations for 12 months without access to the capital markets. As of the same date, LeasePlan's substantial undrawn committed lines and excess cash totalled over EUR6bn. This included own-book securitisations which can be repoed at the European Central Bank, a EUR2bn syndicated backstop facility (EUR1bn until December 2009 and EUR1bn due December 2011) from 25 banks, and a three-year EUR1.5bn committed facility, established in Q308, from Volkswagen Group ('BBB+/'Outlook Stable), the parent of LeasePlan's 50% shareholder (Volkswagen Bank).

Despite testing conditions in the second-hand car market and the rapid deterioration in the global economy, Fitch believes that LeasePlan's risks continue to be well-controlled. The group benefits from a well-diversified lease portfolio with generally sound counterparties. However, it is exposed to substantial residual value risks on returned vehicles at the end of a lease term or upon the default of a customer. LeasePlan's profitability has weakened due to higher residual value losses (H109: EUR66m), margin pressure from increased funding costs and rising impairment charges on receivables (H109: EUR25m). Impairment charges were nevertheless equivalent to a low 33bps of the lease portfolio in H109. Operating profits fell 92% to EUR12m in H109 y-o-y; this was negatively impacted by a EUR17m loss on hedging transactions (which will unwind over the next 12 - 18 months) and EUR36m additional provisions for expected residual value losses. Net income benefited from EUR63m non-recurring income from the repurchase of part of its subordinated debt. Given the impact of the global recession on its key markets, pressure on earnings is likely to continue. Fitch considers LeasePlan's capitalisation to be satisfactory; the Fitch eligible capital ratio was 11.2% at end-H109.

Netherlands-based LeasePlan is the world's leading fleet management group, with 1.4m vehicles under management in 30 countries, mainly as operating leases. In May 2009, LeasePlan announced that Fleet Investments B.V., an SPE owned by Mr. Friedrich von Metzler, a prominent German banker, will become a 50% shareholder of LeasePlan. The transaction was approved by the European Commission competition authorities in August 2009. Volkswagen Bank will maintain its stake 50% in LeasePlan.

The rating actions are as follows:

Long-term IDR affirmed at 'A-'; Outlook Negative

Short-term IDR affirmed at 'F2'

Senior unsecured debt affirmed at Long-term 'A-' and Short-term 'F2'

Dutch government guaranteed debt affirmed at Long-term 'AAA' and Short-term 'F1+'

Subordinated debt affirmed at 'BBB+'

Individual Rating affirmed at 'C'

Support Rating affirmed at '4'

Support Rating Floor affirmed at 'B+'

A credit analysis on this entity will be available shortly on the agency's website, www.fitchratings.com, under Financial Institutions/Banks/Full Rating Reports.

Contacts: Yousuf Khan, London, Tel: +44 (0) 20 7682 7540; James Longsdon, +44 (0) 20 7417 4309.

Media Relations: Julian Dennison, London, Tel: +44 020 7682 7480, Email: julian.dennison@fitchratings.com; Peter Fitzpatrick, London, Tel: + 44 (0)20 7417 4364, Email: peter.fitzpatrick@fitchratings.com; Hannah Warrington, London, Tel: +44 (0) 207 417 6298, Email: hannah.warrington@fitchratings.com.

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