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LeasePlan Corporation N.V.

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LeasePlan Corporation N.V.

Major Rating Factors

Counterparty Credit Rating
BBB+/Negative/A-2

Strengths:

- Major global franchise in operational car leasing and fleet management.
- Satisfactory geographically diverse revenue generation capacity, excluding residual value impacts.
- Sound asset quality and relatively strong capitalization.
- Strategically important status to, and implicit expected support from, German carmaker Volkswagen AG.
- Regulated status as a bank.

Weaknesses:

- Wholesale funding profile.
- Business and earnings concentration.
- Rising credit costs and elevated residual value charges that are set to constrain bottom-line profitability, at least in the next two years.

Rationale

The ratings on Dutch bank LeasePlan Corporation N.V. primarily reflect its leading worldwide franchise in operational car leasing and fleet management, sound asset quality, relatively strong capitalization, and ongoing benefits derived from regulated status as a bank. Ratings are constrained by LeasePlan's limited business diversification; lower earnings prospects in a recessionary context, essentially due to elevated residual value costs; and its wholesale funding profile. The 'BBB+' long-term rating also factors in one notch of uplift for support from ultimate--and dominant in Standard & Poor's Ratings Services' view--shareholder, German carmaker Volkswagen AG (VW, A-/Negative/A-2).

LeasePlan is a wholesale-funded bank operating worldwide in the car leasing and fleet management business. The current economic downturn is weighing, in our view, on the bank's financial profile, especially on its profitability and funding. LeasePlan remains vulnerable both to volatile secondhand car prices--although the low point seems to have been achieved in 2009--and to turbulence in the bond markets, two external factors, which should continue to put pressure on the bank's financial profile in the next two years at least. This should result in a prolonged period of lower earnings compared with historical performance, with core earnings to adjusted assets close to 0.9% as opposed to 1.5% on average over the past five years.

Additionally, LeasePlan may find it challenging in the future to refinance on its own the almost €6 billion of 'AAA' long-term notes guaranteed by the State of the Netherlands (AAA/Stable/A-1+) that it has issued since the end of 2008 through the Dutch Credit Guarantee Scheme, and that represent overall some 45% of its funding base. LeasePlan's recent nonguaranteed bond issue in October 2009, the first one in more than twelve months, is positive news, though. Also positive is the bank's objective to collect about €1.5 billion in retail deposits by the end of 2010 by launching an online bank, which could gradually, but moderately, benefit the funding profile if successful and if deposits prove to be stable over time.

Capitalization is relatively strong with an 8.5% risk-adjusted capital (RAC) ratio at end-2008.

The ratings on LeasePlan also factor in the bank's very strong market position in its specific segment, sound asset quality, relatively healthy margins, and high proportion of non-interest-sensitive revenues in the earnings mix. LeasePlan is 50% owned by Volkswagen Bank GmbH (A-/Negative/A-2). We consider LeasePlan as a strategically important subsidiary of VW--through VW Bank--but view positively its noncaptive status, which we think increases its business and earnings resilience. We expect LeasePlan's strategy to remain autonomous from that of the VW group, notably with respect to fleet composition.

Outlook

The negative outlook reflects our belief that large downside risks remain, especially the possibility that core earnings could drop below our current expectation of a 0.9% core earnings-to-adjusted assets ratio, due to the higher risk costs (on the residual value and debtor side) that we currently anticipate. We also feel that LeasePlan, like many peers, could find it challenging in the medium term to rebuild a fully independent funding base, without state and parental assistance. If these concerns materialize, and everything else remaining equal, we could further downgrade LeasePlan.

A revision of the outlook back to stable would necessitate evidence of quicker earnings recovery than we currently anticipate, and improvement in the funding profile, notably a rapidly growing proportion of stable retail deposits in total funding.

Profile: A Worldwide Leading Franchise In Fleet Leasing

With a gross lease portfolio totaling €14.9 billion on June 30, 2009, LeasePlan has a strong global franchise in car leasing and corporate fleet management.

The bank has commanding positions in the vast majority of the 30 countries where it operates and this wide geographic diversification somewhat offsets the bank's monoline business composition. At midyear 2009, the bank generated 74% of its revenues from the Eurozone, 20% from other European countries (including the U.K.), and 6% from the rest of the world. Diversity of cars by brand and type is an additional strength.

LeasePlan has grown fast over the past decade. The lease portfolio more than doubled between 1999 and midyear 2009, through both acquisitions and organic growth.

Although 50% owned by VW Bank, LeasePlan is not a captive finance company. Its lease portfolio is well diversified by brand, and the prominent position of VW models (about 30%) essentially reflects the No. 1 market position of VW in Europe. However, LeasePlan's business focus leaves it structurally exposed to auto industry cycles, especially the price of secondhand vehicles, because LeasePlan buys the car, leases it--typically for four years--and sells it once the lease contract expires.

LeasePlan primarily targets large corporations and administrations as its clientele. Although growing, exposure to Small and midsize enterprises (SMEs) remains limited, representing a limited 10% of total leases outstanding. LeasePlan offers primarily operational leases (except in the U.S.), which are either closed- or open-calculation contracts. Under the open-calculation product, LeasePlan clients have full access to information for all separate costs on the leasing contract. If costs incurred exceed those budgeted, LeasePlan absorbs the excess cost, while part of the residual value gain and unused parts of the maintenance budget are credited to customers. Open-calculation contracts strengthen customer loyalty, but they expose LeasePlan to higher risks, even though the bank offers this product only to selected clients with incentives to maintain the cars appropriately. The proportion of closed-calculation contracts is rising, though.

Support And Ownership: Expected Support From Dominant Owner, In Case Of Need, Is Key

VW Bank owns 50% of LeasePlan. The two Gulf–based investors that used to own the remaining 50% stake exercised their put option against VW in late 2008. Fleet Management B.V. (not rated), an investment vehicle owned by a German investor, Mr. Friedrich von Metzler, acquired from VW this 50% stake earlier in 2009 and is set to be the co-owner once the acquisition deal is finalized, likely late in 2009. We do not expect this change in ownership structure to modify LeasePlan's business orientations, especially its multibrand fleet composition and its financial and strategic autonomy from the VW group.

We consider LeasePlan to be a strategically important subsidiary for VW, as LeasePlan is a material earnings contributor to direct parent and provides business and geographic diversification to VW Bank. The long-term rating on LeasePlan therefore incorporates one notch of uplift above its stand-alone credit profile, reflecting our belief that additional support could be forthcoming from VW in case of need.

LeasePlan has had the status of a bank since 1993 and is supervised by the Dutch central bank. All the benefits from the supportive institutional framework, including access to the Dutch Credit Guarantee Scheme implemented to support local banks' funding, are incorporated in our assessment of the stand-alone credit profile.

Strategy: Adapt The Business Model To The Weak Operating Environment

In a still uncertain auto and capital markets environment, LeasePlan is adapting its strategy to preserve its business model. We particularly consider the deleveraging initiatives LeasePlan has recently undertaken--namely reducing asset growth and focusing on retail deposit collection--to be feasible and appropriate given the economic context and our perception of LeasePlan's intrinsic vulnerabilities.

Contrary to previous years, when, thanks to international growth, the lease portfolio grew dynamically at a rate of about 9% on average since 2004, we expect that LeasePlan will put international expansion on hold in the medium term. We also expect LeasePlan to put priority on increasing returns rather than volumes. We understand that the bank intends to maintain high margins on new leases despite rising funding costs, even though this could result in a modest contraction of the lease portfolio as the bank could lose some of its comparative price advantage. This increased focus on maintaining margins and likely lower lease production could boost risk-adjusted profitability and ease funding constraints, which we consider significant at LeasePlan.

LeasePlan also announced recently its intention to launch an online savings bank, with the objective to collect up to €1.5 billion in retail deposits by the end of 2010. We consider the objective as feasible given the structurally high savings rate in the Netherlands. In our opinion, this initiative could over time benefit LeasePlan's funding profile, even if we do not anticipate at this stage that customer deposits would represent more than 15% of the total funding base.

We consider the recently announced measures as a change in LeasePlan's strategy, with the objective to deleverage and therefore strengthen LeasePlan's balance sheet. Although we view this positively, we consider that over the longer term, LeasePlan still has to demonstrate its capacity to continue to run its business model on a pure stand-alone basis, without funding support from a larger group or shareholders.

Risk Profile And Management: Structurally Unfavorable Funding Profile But Moderate Asset Risk Profile

LeasePlan's reliance on wholesale funds is a particular weakness in the current environment and this remains, in our view, the bank's main risk. Credit and residual value risks should become more important risk factors in 2009 and 2010 in a weak economic environment.

Enterprise risk management: adequate

Standard & Poor's expects LeasePlan's enterprise risk management (ERM) to remain adequate. Overall risk governance is satisfactory and the bank uses stress tests and scenario analysis, especially in liquidity management. We believe credit risk management has strengthened over recent years with harmonized procedures across various subsidiaries. The bank's in-house system for monitoring residual value risk, which combines macroeconomic with model- and country-specific data, is relatively robust, which enables LeasePlan to adequately assess future vehicle prices and compare them with market performance to adjust pricing rapidly if necessary.

Credit risk: still sound asset quality to persist despite likely rising pressure in 2009 and 2010

We expect LeasePlan's asset quality, although not immune from pressure, to remain relatively sound overall over the business cycle.

LeasePlan's corporate clients are essentially European and international blue chip companies, with generally good credit standing. Exposure to SMEs is intrinsically riskier, but limited. Almost two-thirds of the overall portfolio was made up of investment-grade rated clients at year-end 2008. The lease portfolio is well diversified by geography and industry but lacks the granularity of those of more retail-oriented banks, even if there is no major single-name concentration. The growth of emerging market leases outstanding over recent years does not materially increase credit risk, as LeasePlan usually deals with local subsidiaries of large groups and requires more guaranties in such cases. We also consider that LeasePlan's focus on fleet leasing, which we view as secured lending due to the systematic existence of collateral, is positive for overall asset quality, as underlying assets are relatively liquid.

Based on these features, we believe that LeasePlan's credit risk profile should remain relatively low over the cycle, even though not immune from pressure especially in the SME segment and in the large economies most affected by the financial crisis, such as Spain and the U.K. We anticipate that the rising credit risk observed since late 2008 is likely to continue in 2010 in conjunction with a protracted economic downturn. Under our base case scenario, credit costs should rise from record lows--12 basis points (bps) on average since 2004 and 33 bps in the first half of 2009--but we expect them to remain below 50 bps in 2009 and 2010, a good level compared with that of peers.

Underwriting processes and credit monitoring procedures are adequate, in our opinion. The bank has a case-by-case approach for evaluating specific provisions for doubtful debts. It makes a specific provision for an expected loss based on the probable recovery value, at market prices, of repossessed cars. LeasePlan grades all corporate clients according to an internal rating scale.

Residual value risk: a major risk but adequately managed

LeasePlan is exposed to residual value risk, which may arise from a drop in secondhand car prices. LeasePlan is able to contain this risk thanks to a relatively efficient in-house database, good reselling skills, ability to adjust lease prices if residual value projections materially deviate from original assumptions, and international diversification.

For the first half of 2009, LeasePlan posted a €66 million loss on terminated contracts (excluding provisions for future losses) after a roughly similar loss in the second half of 2008. Although we have seen signs that European secondhand car prices have gone up again since the second quarter of 2009, albeit from a very low point, we consider that price volatility remains a material risk given the still fragile economic outlook. Given that the average duration of leases is about four years, we therefore consider that terminated contracts may generate losses up to 2010 at least. Our base case scenario assumes losses on terminated contracts of €120 million in 2009 and about €80 million in 2010 (both pretax amounts).

LeasePlan is not exposed to any residual value risk in the U.S.

Interest rate and foreign exchange risk: minimal

LeasePlan manages its interest rate risk conservatively. It gives operating subsidiaries little leeway to maintain interest rate mismatches between their assets and liabilities (5% mismatch allowed per month or 2.5% average per year). In the case of mismatches, the bank hedges its position with off-balance-sheet derivatives. This resulted in a structurally minimal sensitivity to a 200-bp parallel shift in the yield curve of 2.6% of profit before tax in 2008. Currency risk is minimal, thanks to the policy of local funding for non-euro-denominated assets.

Funding and liquidity risk: wholesale funding character is a rating weakness

LeasePlan is a wholesale-funded bank. We consider that this is a structural weakness, which raises the cost of funding and limits funding access and diversity, especially as we believe term funds will be scarcer and more expensive going forward. We recognize, however, that LeasePlan has a prudent approach to liquidity, based on a policy of matched funding and a longer duration for liabilities compared with assets.

LeasePlan's lack of access to bond markets since August 2008 resulted in recourse to parental (VW) and state support to maintain its liquidity position at sound levels. LeasePlan benefited from a €1.5 billion, three-year, committed facility from VW in September 2008 and has issued more than €6 billion of guaranteed notes under the Dutch Credit Guarantee Scheme since late 2008, with maturities between two and five years. Even though we consider such support as positive in that it immediately shores up liquidity, we also have questions about LeasePlan's long-term capacity to revert to a totally independent funding structure if capital markets remain difficult in the coming quarters. LeasePlan will have, in our view, to demonstrate its capacity to fully refinance state funds, which represent some 45% of the current funding base, although spread over several years.

At the date of writing, LeasePlan's liquidity position was solid and much stronger than it was a year ago. Immediately available resources, if capital markets were to close, include:

- Committed and undrawn backup facilities of €2 billion, with a first €1 billion tranche maturing in December 2009 and the other tranche maturing in December 2011;
- The €1.5 billion VW facility, undrawn, and maturing in September 2011;
- A €125 million Dutch National Bank eligible committed facility maturing in October 2010;
- Assets eligible as collateral for central bank refinancing--more than €2.2 billion, with some other unencumbered assets potentially eligible in the medium term; and

- Cash of €1.3 billion at midyear 2009.

At the time of writing, and assuming no rollover of any liabilities, LeasePlan could survive more than 12 months, including the use of all backup lines. Although this financial autonomy is clearly more than that of wholesale peers, we consider that it above all reflects strong levels of state-backed issues in 2009. Expectations of lower lease production and additional nonguaranteed bond issues, such as the €500 million issue in October 2009, mitigates these concerns, though. We factor into our ratings a capacity and willingness to maintain financial autonomy of more than six months in a stressed scenario.

The retail deposit initiative is an element that could over time moderately improve LeasePlan's funding profile, although these deposits are likely to remain potentially volatile. It might decrease the bank's current reliance on more confidence-sensitive resources, such as interbank loans (which make up 11% of its funding), medium-term bond issues including guaranteed notes (65%), securitization (16%), and short-term issues (3%). However, and even if this effort is successful, we do not expect that customer deposits would represent more than 15% of the funding base over the next two years.

Profitability: Credit And Residual Value Costs Set To Pressure Earnings

We regard LeasePlan's profitability as satisfactory, down from strong previously. In our view, in the next two years at least, elevated residual value losses and higher funding costs will constrain profitability, while the weak economic climate will likely impede new business generation.

We expect a prolonged period of lower earnings than in the past, while the bank should remain profitable in the 2009-2011 period, in our view. We indeed anticipate that core earnings to adjusted assets should be about 0.9% in 2009 and potentially 2010, as opposed to 1.5% on average over the past five years.

Excluding the negative effect of residual value charges (accounted for in the top line), revenue generation remained relatively resilient in the first half of 2009, and we expect this trend to persist. The high proportion of non-interest-sensitive income, about 68% of revenues, strengthens the resilience, and therefore quality, of revenues, as the mix is skewed toward high-margin fleet management fees, rebates, and insurance income. Growth in noninterest income should decelerate, however, in line with weaker new business amid the downturn. LeasePlan enjoys healthy margins and we expect that the bank's capacity to pass on part of higher refinancing costs to end customers will continue to limit margin pressure. We therefore expect pressure on revenues to come predominantly from residual value charges. All in all, we anticipate a moderate double-digit decline in revenues for 2009 compared with 2008.

Due to the intensive staff and information technology needs of LeasePlan's business model, the bank has a structurally high cost efficiency ratio. As a percentage of adjusted assets, operating costs have declined constantly since 2005, however, on the back of various cost-savings plans. Maintaining sound bottom-line performance will therefore depend on LeasePlan's ability to continue to improve cost efficiency.

Credit risk charges should rise in 2009 and 2010 because of deteriorating corporate credit quality, while remaining manageable at less than 50 bps.

Capital: Stands To Remain Relatively Strong

Our new risk-adjusted capital (RAC) framework for banks indicates a relatively strong capital position. LeasePlan's RAC ratio, after diversification and concentration adjustments, was 8.5% at year-end 2008. This ratio stands in the upper quartile for the banks Standard & Poor's rates globally. The high quality of capital, with no hybrids, is another positive element.

LeasePlan's conservative dividend policy has always aimed, to date, to preserve the bank's satisfactory capitalization. We do not expect any variation on that front, despite ownership changes.

Table 1

LeasePlan Corporation N.V. Balance Sheet Statistics

	--Year ended Dec. 31--						Breakdown as a % of assets (adj.)					
(Mil. €)	2009*	2008	2007	2006	2005	2004	2009*	2008	2007	2006	2005	2004
Assets												
Cash and money market instruments	1,339	907	502	854	195	670	7.43	5.16	3.10	5.44	1.38	5.58
Securities	503	369	147	187	70	0	2.79	2.10	0.91	1.19	0.49	0.00
Trading securities (marked to market)	0	0	30	31	0	0	0.00	0.00	0.18	0.20	0.00	0.00
Nontrading securities	503	369	118	156	70	0	2.79	2.10	0.73	0.99	0.49	0.00
Customer loans (gross)	14,971	15,012	14,534	13,650	12,987	10,498	83.10	85.47	89.57	86.98	91.43	87.53
All other loans	14,971	15,012	14,534	13,650	12,987	10,498	83.10	85.47	89.57	86.98	91.43	87.53
Loan loss reserves	57	57	63	70	66	17	0.32	0.33	0.39	0.45	0.46	0.14
Customer loans (net)	14,913	14,955	14,472	13,580	12,921	10,481	82.78	85.14	89.18	86.53	90.97	87.38
Earning assets	16,781	16,263	15,171	14,678	13,252	11,168	93.15	92.59	93.49	93.52	93.30	93.11
Equity interests/participations (nonfinancial)	24	24	26	18	16	13	0.13	0.14	0.16	0.11	0.11	0.11
Intangibles (nonservicing)	149	134	118	111	113	0	0.83	0.77	0.73	0.71	0.79	0.00
Fixed assets	91	96	88	93	127	157	0.51	0.55	0.54	0.59	0.90	1.31
Derivatives credit amount	197	232	73	56	22	N.A.	1.10	1.32	0.45	0.36	0.16	N.A.
Accrued receivables	0	0	185	284	278	215	0.00	0.00	1.14	1.81	1.95	1.79
All other assets	948	982	733	622	574	459	5.26	5.59	4.52	3.97	4.04	3.82
Total reported assets	18,165	17,699	16,345	15,805	14,316	11,994	100.83	100.77	100.73	100.71	100.79	100.00
Less nonservicing intangibles+ I/O strips	(149)	(134)	(118)	(111)	(113)	0	(0.83)	(0.77)	(0.73)	(0.71)	(0.79)	0.00
Adjusted assets	18,016	17,564	16,227	15,694	14,204	11,994	100.00	100.00	100.00	100.00	100.00	100.00
							Breakdown as a % of liabilities + equity					
	2009*	2008	2007	2006	2005	2004	2009*	2008	2007	2006	2005	2004
Liabilities												
Total deposits	2,089	5,468	2,424	1,336	4,234	7,398	11.50	30.89	14.83	8.46	29.58	61.68
Noncore deposits	1,840	3,823	1,618	956	3,592	6,774	10.13	21.60	9.90	6.05	25.09	56.47
Core/customer deposits	249	1,645	806	381	642	624	1.37	9.30	4.93	2.41	4.49	5.20
Other borrowings	12,000	8,487	10,359	11,199	7,148	2,057	66.06	47.95	63.37	70.86	49.93	17.15
Other liabilities	2,601	2,360	2,159	1,899	1,725	1,419	14.32	13.33	13.21	12.02	12.05	11.83

Table 1

LeasePlan Corporation N.V. Balance Sheet Statistics (cont.)

Total liabilities	16,690	16,315	14,941	14,434	13,108	10,874	91.88	92.18	91.41	91.33	91.56	90.66
Total shareholders' equity	1,475	1,384	1,404	1,371	1,208	1,120	8.12	7.82	8.59	8.67	8.44	9.34
Minority interest-equity	0	0	0	(1)	2	0	0.00	0.00	0.00	(0.01)	0.01	0.00
Common shareholders' equity (reported)	1,475	1,384	1,404	1,372	1,206	1,120	8.12	7.82	8.59	8.68	8.43	9.34
Share capital and surplus	578	578	578	578	578	578	3.18	3.27	3.54	3.66	4.04	4.82
Revaluation reserve	(140)	(145)	30	38	12	N.A.	(0.77)	(0.82)	0.19	0.24	0.09	N.A.
General banking risk reserves	0	0	0	0	0	55	0	0.00	0.00	0.00	0.00	0.46
Reserves (incl. inflation revaluations)	976	749	540	545	447	308	5.37	4.23	3.30	3.45	3.12	2.57
Retained profits	61	202	255	211	169	179	0.33	1.14	1.56	1.33	1.18	1.49
Memo: Dividends (not yet distributed)	0	0	0	(65)	0	0						
Total liabilities and equity	18,165	17,699	16,345	15,805	14,316	11,994	100.00	100.00	100.00	100.00	100.00	100.00
Equity Reconciliation Table												
Common shareholders' equity (reported)	1,475	1,384	1,404	1,372	1,206	1,120						
+ Minority Interest (equity)	0	0	0	(1)	2	0						
- Dividends (not yet distributed)	0	0	0	(65)	0	0						
- Revaluation reserves	140	145	(30)	(38)	(12)	0						
- Nonservicing Intangibles	(149)	(134)	(118)	(111)	(113)	0						
- Postretirement benefit adjustments	0	(1)	0	0	0	0						
Adjusted common equity	1,466	1,394	1,255	1,156	1,083	1,120						
Adjusted total equity	1,466	1,394	1,255	1,156	1,083	1,120						

*Data as of June 30, 2009. Ratios annualized where appropriate. Data prepared according to IFRS since 2005, and according to Dutch GAAP in 2004. N.A.--Not available.

Table 2

LeasePlan Corporation N.V. Profit And Loss Statement Statistics

	--Year ended Dec. 31--						Adj. avg. assets (%)					
(Mil. €)	**2009***	**2008**	**2007**	**2006**	**2005**	**2004**	**2009***	**2008**	**2007**	**2006**	**2005**	**2004**
Profitability												
Interest income	489	950	894	750	658	594	5.50	5.62	5.60	5.01	5.02	5.20
Interest expense	361	681	607	447	365	308	4.06	4.03	3.80	2.99	2.78	2.70
Net interest income	128	268	287	303	293	286	1.43	1.59	1.80	2.02	2.24	2.51
Operating noninterest income	266	620	666	616	547	560	2.99	3.67	4.17	4.12	4.17	4.91
Fees and commissions	95	224	190	187	174	176	1.07	1.33	1.19	1.25	1.33	1.54
Equity in earnings of unconsolidated subsidiaries	(1)	(0)	1	0	2	4	(0.01)	0.00	0.00	0.00	0.02	0.03
Net insurance income	70	112	108	101	81	0	0.79	0.66	0.68	0.68	0.62	0.00
Other noninterest income	102	283	367	328	289	380	1.14	1.68	2.30	2.19	2.21	3.33
Operating revenues	393	888	953	919	840	847	4.42	5.25	5.97	6.15	6.41	7.42
Noninterest expenses	297	619	627	615	574	569	3.34	3.66	3.93	4.11	4.38	4.98

Table 2

LeasePlan Corporation N.V. Profit And Loss Statement Statistics (cont.)												
Personnel expenses	185	373	371	360	334	340	2.08	2.21	2.33	2.41	2.55	2.97
Other general and administrative expense	95	210	216	211	201	192	1.07	1.25	1.35	1.41	1.53	1.68
Depreciation	17	35	40	43	39	38	0.19	0.21	0.25	0.29	0.30	0.33
Net operating income before loss provisions	96	269	325	304	266	278	1.08	1.59	2.04	2.04	2.03	2.43
Credit loss provisions (net new)	25	10	12	22	15	14	0.28	0.06	0.07	0.15	0.11	0.12
Net operating income after loss provisions	71	259	313	283	251	264	0.80	1.54	1.96	1.89	1.92	2.31
Nonrecurring/special income	63	0	16	0	1	28	0.71	0.00	0.10	0.00	0.01	0.25
Nonrecurring/special expense	59	5	0	0	0	13	0.66	0.03	0.00	0.00	0.00	0.11
Pretax profit	75	254	330	283	252	279	0.85	1.51	2.07	1.89	1.93	2.44
Tax expense/credit	15	52	73	73	54	70	0.16	0.31	0.46	0.49	0.41	0.61
Net income before minority interest	61	202	257	210	199	209	0.68	1.20	1.61	1.40	1.52	1.83
Minority interest in consolidated subsidiaries	N.A.	0	1	(1)	(1)	0	N.A.	0.00	0.01	(0.01)	0.00	0.00
Net income before extraordinaries	61	202	255	211	199	209	0.68	1.20	1.60	1.41	1.52	1.83
Net income after extraordinaries	61	202	255	211	199	209	0.68	1.20	1.60	1.41	1.52	1.83
Core Earnings Reconciliation												
Net Income (before Minority Interest)	61	202	257	210	199	209						
- Nonrecurring/Special Income	(63)	0	(16)	(0)	(1)	(28)						
+ Nonrecurring/Special Expense	59	5	0	0	0	13						
+/- Tax Impact of Adjustments	1	(1)	4	0	0	4						
Core earnings	57	206	244	209	198	198	0.65	1.22	1.53	1.40	1.51	1.73
	2009*	**2008**	**2007**	**2006**	**2005**	**2004**						
Asset Quality												
Net charge-offs	N.A.	N.A.	N.A.	N.A.	16	N.A.	N.A.	N.A.	N.A.	N.A.		N.A.
Average balance sheet												
Average customer loans	14,934	14,713	14,026	13,251	11,701	10,119						
Average earning assets	16,522	15,717	14,924	13,965	12,210	10,604						
Average assets	17,932	17,022	16,075	15,061	13,155	11,417						
Average total deposits	3,778	3,946	1,880	2,785	5,816	6,777						
Average interest-bearing liabilities	14,022	13,369	12,659	11,959	10,419	8,912						
Average common equity	1,429	1,394	1,388	1,289	1,163	1,035						
Average adjusted assets	17,790	16,896	15,961	14,949	13,099	11,417						
Other data												
Number of employees (end of period, actual)	6,210	6,249	5,971	6,296	6,413	7,198						
Off-balance-sheet credit equivalents	0	0	0	343	282	248						

*Data as of June 30, 2009. Ratios annualized where appropriate. Data prepared according to IFRS since 2005, and according to Dutch GAAP in 2004. N.A.--Not available.

Table 3

LeasePlan Corporation N.V. Ratio Analysis

		--Year ended Dec. 31--				
	2009*	**2008**	**2007**	**2006**	**2005**	**2004**
ANNUAL GROWTH (%)						
Customer loans (gross)	(0.55)	3.29	6.48	5.11	23.70	7.45
Loss reserves	0.02	(8.90)	(10.01)	6.34	287.59	31.29
Adjusted assets	5.14	8.24	3.40	10.49	18.42	10.65
Customer deposits	(169.76)	104.24	111.48	(40.68)	2.88	99.64
Total equity	13.09	(1.41)	2.40	13.46	7.85	17.81
Operating revenues	(11.41)	(6.82)	3.66	9.40	(0.78)	4.55
Noninterest expense	(3.89)	(1.40)	2.09	7.08	0.91	2.60
Net operating income before provisions	(28.71)	(17.29)	6.85	14.41	(4.25)	8.79
Loan loss provisions	413.46	(19.71)	(45.50)	47.53	4.99	42.31
Net operating income after provisions	(45.07)	(17.20)	10.91	12.45	(4.74)	7.43
Pretax profit	(40.83)	(22.81)	16.63	12.04	(9.58)	12.34
Net income	(40.02)	(21.12)	22.48	5.51	(5.10)	8.51
	2009*	**2008**	**2007**	**2006**	**2005**	**2004**
PROFITABILITY (%)						
Interest Margin Analysis						
Net interest income (taxable equiv.)/avg. earning assets	1.55	1.71	1.92	2.17	2.40	2.70
Net interest spread	0.77	0.94	1.20	1.63	1.89	2.15
Interest income (taxable equiv.)/avg. earning assets	5.92	6.04	5.99	5.37	5.39	5.60
Interest expense/avg. interest-bearing liabilities	5.15	5.10	4.80	3.74	3.50	3.45
Revenue Analysis						
Net interest income/revenues	32.46	30.21	30.13	32.94	34.90	33.83
Fee income/revenues	24.11	25.28	19.94	20.38	20.74	20.78
Noninterest income/revenues	67.54	69.79	69.87	67.06	65.10	66.17
Personnel expense/revenues	47.11	42.00	38.96	39.19	39.80	40.10
Noninterest expense/revenues	75.61	69.69	65.85	66.87	68.32	67.17
Noninterest expense/revenues less investment gains	75.61	69.69	65.85	66.87	68.32	67.17
Net operating income before provision/revenues	24.39	30.31	34.15	33.13	31.68	32.83
Net operating income after provisions/revenues	18.13	29.23	32.89	30.74	29.91	31.15
New loan loss provisions/revenues	6.27	1.08	1.25	2.39	1.77	1.67
Net nonrecurring/abnormal income/revenues	1.02	(0.57)	1.71	0.01	0.12	1.80
Pretax profit/revenues	19.14	28.66	34.60	30.75	30.03	32.95
Tax/pretax profit	19.33	20.43	22.14	25.86	21.27	24.98
Core Earnings/Revenues	14.62	23.26	25.61	22.79	23.55	23.37
	2009*	**2008**	**2007**	**2006**	**2005**	**2004**
Other Returns						
Pretax profit/avg. risk assets (%)	0.00	0.00	2.21	2.04	2.06	2.63
Revenues/avg. risk assets (%)	N.A.	N.A.	6.38	6.62	6.85	7.98
Net operating income before LLP/LLP	389.24	2803.64	2721.64	1388.27	1790.15	1962.85

Table 3

LeasePlan Corporation N.V. Ratio Analysis (cont.)						
Net operating income before loss provisions/avg. risk assets (%)	N.A.	N.A.	2.18	2.19	2.17	2.62
Net operating income after loss provisions/avg. risk assets (%)	N.A.	N.A.	2.10	2.04	2.05	2.48
Net income before minority interest/avg. adjusted assets	0.68	1.20	1.61	1.40	1.52	1.83
Net income/employee (currency unit)	19,495	33,919	43,904	33,172	30,569	28,894
Non-interest expenses/average adjusted assets	3.34	3.66	3.93	4.11	4.38	4.98
Personnel expense/employee (currency unit)	59,474	62,468	63,488	57,012	51,468	46,876
Core earnings/average risk-weighted assets	N.A.	N.A.	1.63	1.51	1.61	1.86
Core earnings/average adjusted assets	0.65	1.22	1.53	1.40	1.51	1.73
Core earnings/ Average ACE (ROE)	8.04	15.59	20.24	18.71	17.96	19.11
	2009*	**2008**	**2007**	**2006**	**2005**	**2004**
FUNDING AND LIQUIDITY (%)						
Customer deposits/funding base	1.77	11.79	6.30	3.04	5.64	6.60
Total loans/customer deposits	6019.19	912.46	1804.37	3583.76	2022.57	1682.18
Total loans/customer deposits + long-term funds	152.26	185.28	165.38	161.13	218.10	422.42
Customer loans (net)/assets (adj.)	82.78	85.14	89.18	86.53	90.97	87.38
Parent Only Analysis						
	2009*	**2008**	**2007**	**2006**	**2005**	**2004**
CAPITALIZATION (%)						
Adjusted common equity/risk assets	N.A.	N.A.	8.05	8.09	8.04	10.14
Internal capital generation/prior year's equity	8.77	14.42	9.14	6.70	12.42	15.69
Tier 1 capital ratio	11.60	9.80	8.30	8.70	8.20	10.40
Regulatory total capital ratio	13.60	13.20	11.50	12.20	10.00	12.60
Adjusted total equity/adjusted assets	8.14	7.94	7.74	7.37	7.63	9.34
Adjusted total equity/adjusted assets + securitizations	8.14	7.94	7.74	7.37	7.63	9.34
Adjusted total equity/risk assets	N.A.	N.A.	8.05	8.09	8.04	10.14
Adjusted total equity plus LLR (specific)/customer loans (gross)	10.17	9.67	9.07	8.98	8.85	10.83
Common dividend payout ratio	0.00	0.00	50.89	61.67	30.13	28.68
	2009*	**2008**	**2007**	**2006**	**2005**	**2004**
ASSET QUALITY (%)						
New loan loss provisions/avg. customer loans (net)	0.33	0.07	0.09	0.17	0.13	0.14
Loan loss reserves/customer loans (gross)	0.38	0.38	0.43	0.51	0.51	0.16
Net NPA/customer loans (net) + ORE	(0.38)	(0.38)	(0.43)	(0.51)	(0.51)	(0.16)
NPA (net specifics)/customer loans (net specifics)	(0.38)	(0.38)	(0.43)	(0.51)	(0.51)	(0.16)

*Data as of June 30, 2009. Ratios annualized where appropriate. Data prepared according to IFRS since 2005, and according to Dutch GAAP in 2004. N.A.--Not available.

Ratings Detail (As Of November 5, 2009)*	
LeasePlan Corporation N.V.	
Counterparty Credit Rating	BBB+/Negative/A-2
Commercial Paper	
Foreign Currency	A-2
Senior Unsecured (20 Issues)	BBB+

Ratings Detail (As Of November 5, 2009)***(cont.)**	
Short-Term Debt (2 Issues)	A-2
Subordinated (2 Issues)	BBB
Counterparty Credit Ratings History	
14-Sep-2009	BBB+/Negative/A-2
08-May-2009	A-/Watch Neg/A-2
17-Oct-2008	A-/Negative/A-2
30-Nov-2005	A/Stable/A-1
Sovereign Rating	
Netherlands (State of The)	AAA/Stable/A-1+
Related Entities	
Volkswagen AG	
Issuer Credit Rating	A-/Negative/A-2
Commercial Paper	
Local Currency	A-2
Canadian National Scale Commercial Paper Rating	A-1(LOW)
Senior Unsecured (25 Issues)	A-
Short-Term Debt (4 Issues)	A-2
Volkswagen Bank GmbH	
Issuer Credit Rating	A-/Negative/A-2
Commercial Paper	
Local Currency	A-2
Senior Unsecured (6 Issues)	A-
Subordinated (5 Issues)	BBB+

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

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