MOODY'S
INVESTORS SERVICE

Rating Action: **Moody's affirms LeasePlan's A3 rating, outlook revised to stable**

Global Credit Research - 07 Jan 2011

BFSR affirmed at C, short-term debt rating affirmed at Prime-2; deposit ratings of A3/Prime-2 assigned; short-term rating of Lease Plan New Zealand Limited withdrawn

Paris, January 07, 2011 -- Moody's Investors Service has affirmed today LeasePlan Corporation (LeasePlan)'s A3 long-term debt ratings, its C bank financial strength rating (BFSR), its Baa1 subordinated debt rating and its Prime-2 short-term debt ratings. At the same time, the agency has also revised the outlook to stable from negative. In addition Moody's has assigned local currency long-term and short-term bank deposit ratings to LeasePlan, of A3/Prime-2 respectively.

RATINGS RATIONALE

The change in outlook reflects Moody's belief that the heightened level of risks resulting from the wholesale funding profile of the institution has stabilized, reflecting liquidity actions taken by management and improved capital market conditions. LeasePlan's ongoing reliance on confidence-sensitive wholesale funding nevertheless remains a constraint on its ratings.

Furthermore, the previously-assigned negative outlook also incorporated Moody's concerns of the potential impact a prolonged depreciation of second-hand car market prices would have on LeasePlan's residual value risks. In this respect, Moody's notes the ability of the bank to partly mitigate risks through a set of factors implemented since late 2008/early 2009 as well as more favorable market conditions than earlier anticipated by the rating agency. Lastly, the revision of the outlook to stable also reflects the resilience of LeasePlan's commercial operations in a depressed macro-economic environment in most of the countries where the institution operates. In Moody's view, LeasePlan's leading position in a number of developed markets is one of its key credit strengths.

IMPROVED LIQUIDITY MANAGEMENT AND REDUCED RELIANCE ON OUTSIDE LIQUIDITY SUPPORT

While remaining predominantly wholesale funded, LeasePlan is in our view less dependent on external liquidity support than in March 2009, through the combined effect of measures taken by the institution and the ability of the institution to return to senior unsecured and unguaranteed markets.

The abovementioned measures include the increase of committed liquidity lines which have enabled the institution to secure a larger part of its funding. These facilities consist of a €1.475 billion line committed from its 50% ultimate shareholder Volkswagen AG (A3/Prime-2 stable) maturing in December 2013 and a committed line from a syndicate of 16 banks which was renewed in December 2010 for 3 years and increased to €1.475 billion (from €1 billion).

Another positive development is the set up of a retail internet deposit facility from February 2010, which has attracted up to €1.7 billion as per November 2010. We believe that internet based deposits add to the diversification of funding sources but caution that they still represent a small proportion of the total funding and are more volatile and price-sensitive than traditional branch deposits. In H1 2010 LeasePlan placed Bumper 3 previously retained notes with external investors. The remaining retained securitisations also allows LeasePlan to draw funds from the European Central Bank.

Moody's further notes that the institution has successfully returned to senior unsecured markets and issued several unsecured notes since it last issued state-guaranteed notes in May 2009. We also consider that the matched funding and the short duration of its lease portfolio are overall positive to the bank's liquidity.

SATISFACTORY CAPITAL BUFFERS AND MITIGATING FACTORS HELP REDUCE RESIDUAL VALUE AND CREDIT RISKS

In the context of a depressed second hand car market, in late 2008 LeasePlan started taking measures to reduce its exposure to residual value risk. These actions, coupled with the structural short-duration of car leases (between three to four years) and a slight improvement of the market prices (yet still below the pre-crisis level), have enabled LeasePlan to partly mitigate the effect of a prolonged depression in the second-hand car market prices.

In Moody's view, older operational lease vintages (originated up to 2008) are most sensitive to a further decline in second-hand car market prices in that the residual values set at inception were based on pre-crisis market prices. Conversely, the contractual residual value set on most recent vintages (from H1 2009) was based on more recent and severely depressed market prices, thus containing lower residual value risks.

Based on our analysis, and given the above factors and capital position, we believe that LeasePlan is well positioned to absorb a material worsening in termination losses (stemming from residual value risk).

Factors that would exert negative pressure on the BFSR include a deterioration of the bank's liquidity and funding profile, a deterioration of the second-hand car market prices below Moody's own expectations and an overall weakening of the institution's financial fundamentals or of its franchise.

SUBSIDIARIES AFFECTED BY THE CHANGE IN OUTLOOK

LeasePlan subsidiaries which are also affected by this rating action are listed below:

- LeasePlan Finance NV (Dublin Branch): long-term and short-term backed ratings affirmed at A3 and Prime-2 respectively and outlook revised to stable from negative

-LeasePlan Australia Limited: backed senior unsecured rating affirmed at (P)A3, backed commercial paper affirmed at Prime-2 and backed other short-term program affirmed at (P)Prime-2 and outlook revised to stable from negative

WITHDRAWAL OF RATING FOR LEASE PLAN NEW ZEALAND LIMITED

Moody's Investors Service has also withdrawn the short-term rating of LeasePlan New Zealand Limited.

LeasePlan New Zealand was a co-issuer under LeasePlan Corporation N.V.'s USD3 billion Euro Commercial Paper (ECP) programme between 2003 and 2008 and under the USD1 billion ECP programme between 1997 and 2003. LeasePlan Corporation N.V. acted as guarantor on LeasePlan New Zealand's notes.

As LeasePlan New Zealand is no longer a co-issuer under these programmes, Moody's has withdrawn its rating.

Moody's should have withdrawn its rating when LeasePlan New Zealand ceased to be a co-issuer in 2008. However, the rating remained outstanding and, in January 2010, Moody's mistakenly upgraded it to Prime-1.

Given that the notes were primarily rated on the basis of LeasePlan Corporation's guarantee, the rating should have been Prime-2 prior to its withdrawal.

LeasePlan New Zealand has no outstanding debt rated by Moody's.

PREVIOUS RATING ACTIONS AND METHODOLOGIES

The last rating action on LeasePlan was on 18 March 2009, when Moody's confirmed LeasePlan's C BFSR, A3 long-term debt rating and Baa1 long-term subordinated debt rating and revised the outlook to negative.

The principal methodologies used in this rating were Bank Financial Strength Ratings: Global Methodology published in February 2007, and Incorporation of Joint-Default Analysis into Moody's Bank Ratings: A Refined Methodology published in March 2007.

Based in Almere, the Netherlands, LeasePlan's pre-provision profit (PPP) was EUR132 million in H1 2010, up by 31% from EUR100 million in H1 2009 (source: Moody's). LeasePlan had total assets of EUR17.8 billion at the end of June 2010, up by 4% from EUR17.2 billion at the end-December 2009. At end-June 2010, its lease portfolio (including receivables from customers and property and equipment under operational lease and rental fleet) stood at EUR13.7 billion (year-end 2009: EUR13.6 billion) and its Tier 1 ratio stood at 13.6% (year-end 2009: 12.8%) under the Basel II advanced approach.

REGULATORY DISCLOSURES

Information sources used to prepare the credit rating are the following: parties involved in the ratings, parties not involved in the ratings, public information, and confidential and proprietary Moody's Investors Service information.

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Please see the Credit Policy page on Moodys.com for the methodologies used in determining ratings, further information on the meaning of each rating category and the definition of default and recovery.

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