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Research Update:

Dutch Bank LeasePlan 'BBB+/A-2' Ratings Affirmed On Geographically Diversified Profile; Outlook Stable

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Overview

- In our view, Dutch banks are exposed to the potential of a more protracted downturn in The Netherlands and wider eurozone.
- We are therefore revising our economic risk score for The Netherlands and our Banking Industry Country Risk Assessment to '3' from '2'.
- We consider that LeasePlan has only moderately exposure to The Netherlands.
- We are therefore affirming the ratings on LeasePlan at 'BBB+/A-2'.
- The stable outlook reflects our expectations that potential pressure on LeasePlan's stand-alone credit profile or weakening parental support may offset the benefits of an upgrade of its 50% owner, Volkswagen Bank.

Rating Action

On Nov. 16, 2012, Standard & Poor's Ratings Services affirmed its 'BBB+/A-2' long- and short-term counterparty credit ratings on Dutch Bank LeasePlan Corporation N.V (LeasePlan). The outlook is stable.

Rationale

We have reviewed the Banking Industry Country Risk Assessment (BICRA) on The Netherlands. Against the backdrop of a potentially more protracted downturn in The Netherlands and wider European Economic and Monetary Union (eurozone), we have lowered our economic risk and BICRA scores on The Netherlands to '3' from '2' (for more information, see "Various Rating Actions Taken On Dutch Banks Due To Increased Economic Risks," published Nov. 16, 2012 on RatingsDirect on the Global Credit Portal).

The affirmation reflects LeasePlan's 'bbb+' anchor--the starting point for our ratings--which remains unchanged, and the bank's limited exposure to The Netherlands, which only accounts for about 15% of its assets.

We base our anchor for LeasePlan on a blended economic risk score of '3' and an industry risk score of '3' for banks operating in The Netherlands. The anchor reflects the bank's geographically diversified profile. The blended economic risk score is based on the geographic breakdown of LeasePlan's lease portfolio, and reflects our view of the weighted-average economic risk in the countries in which LeasePlan operates, such as The Netherlands, U.K., U.S.,

Germany, France, and Southern and Central Eastern Europe.

We have maintained our assessment of LeasePlan's capital and earnings as "strong," as our criteria define the term, based on our opinion that LeasePlan's risk-adjusted capital (RAC) ratio, according to Standard & Poor's measures, will range between 10% and 10.5% by the end of 2013 (compared with our previous expectations of 10% and 11%) despite an increase in economic risks in The Netherlands. Our revised economic risk score for The Netherlands has led us to lower our pro forma RAC ratio for LeasePlan to 9.9%, from 10.1% at the end of 2011.

Our belief that credit risk in The Netherlands has increased does not constrain our projections for LeasePlan's RAC ratio going forward because its exposures there are limited. We expect LeasePlan's retained earnings to remain adequate and sufficient to increase its capital base gradually, even if it resumes dividend payouts to shareholders in 2012. Nevertheless, we see some downside risk for these projections. In our opinion, a worsening of macroeconomic conditions in several European countries may adversely affect our projection for LeasePlan's RAC ratio. We also acknowledge that new business volumes could decline in 2012 and 2013 and residual value charges could increase if the macroeconomic environment in Europe deteriorates further.

Our ratings on LeasePlan also reflect our assessment of the bank's "weak" business position, "adequate" risk position, "below average" funding, and "adequate" liquidity, as our criteria define these terms. It also reflects its strategic importance to its 50% owner, Volkswagen Bank GmbH (VW Bank; A-/Positive/A-2).

Outlook

The stable outlook reflects our expectations that potential pressure on LeasePlan's stand-alone credit profile or weakening parental support may offset the benefits of an upgrade of VW Bank and Volkswagen AG (A-/Positive/A-2).

Under our base-case scenario, an upgrade of VW Bank and Volkswagen AG wouldn't automatically result in an upgrade of the ratings on LeasePlan because:

- LeasePlan's RAC ratio may not remain above 10% owing to a deterioration in the economic environment of some European countries, including in Southern Europe and The Netherlands; or
- We may consider reducing the uplift for parental support in the medium term due to LeasePlan's limited integration and potential lack of direct alignment with VW group's long-term strategic priorities, and if we perceived that VW Bank and the larger Volkswagen group were starting to question the long-term presence of LeasePlan within the group.

We may lower the ratings on LeasePlan if, everything else being equal, we consider its importance to the VW group to be falling, leading us to consider

its strategic importance to be only "moderate", as our criteria defines these terms.

A positive rating action could only be possible if we perceived a material improvement in LeasePlan's capital and funding profile, which we currently see as unlikely.

Ratings Score Snapshot

Issuer Credit Rating	BBB+/Stable/A-2
SACP	bbb-
Anchor	bbb+
Business Position	Weak (-2)
Capital and Earnings	Strong (+1)
Risk Position	Adequate (0)
Funding and Liquidity	Below average and Adequate (-1)
Support	+2
GRE Support	0
Group Support	+2
Sovereign Support	0
Additional Factors	0

Related Criteria And Research

- Various Rating Actions Taken On Dutch Banks Due To Increased Economic Risks, Nov. 16, 2012
- Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Group Rating Methodology And Assumptions, Nov. 9, 2011
- Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- Bank Capital Methodology And Assumptions, Dec. 6, 2010

Ratings List

Ratings Affirmed

LeasePlan Corporation N.V.	
Counterparty Credit Rating	BBB+/Stable/A-2
LeasePlan Corporation N.V.	
Senior Unsecured	BBB+
Commercial Paper	A-2
LeasePlan Australia Ltd.	
Senior Unsecured	BBB+

Commercial Paper	A-2
LeasePlan Finance N.V. (Dublin Branch)	
Senior Unsecured	BBB+
Commercial Paper	A-2
LeasePlan New Zealand Ltd.	
Commercial Paper	A-2

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