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Research Update:

Dutch Bank LeasePlan 'BBB+/A-2' Ratings Affirmed On Revised Corporate Group Criteria; Off Watch; Outlook Positive

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Overview

- On Nov. 26, 2013, we placed our ratings on LeasePlan Corporation N.V. on CreditWatch positive following the publication of our revised criteria for rating members of corporate groups on Nov. 19, 2013.
- Under the criteria, we consider LeasePlan a "strategically important" subsidiary of Volkswagen AG (VW), which potentially allows for a three-notch uplift above LeasePlan's stand-alone credit profile. But this is subject to a cap of one notch below the group credit profile.
- We are affirming our 'BBB+/A-2' ratings on LeasePlan.
- The positive outlook reflects that on VW, indicating that we are likely to raise the ratings on LeasePlan should we raise the ratings on VW.

Rating Action

On Dec. 17, 2013, Standard & Poor's Ratings Services affirmed its 'BBB+' long-term and 'A-2' short-term counterparty credit ratings on Dutch bank LeasePlan Corporation N.V. The outlook is positive.

At the same time, we removed the ratings from CreditWatch, where they were placed with positive implications on Nov. 26, 2013.

Rationale

We have affirmed the ratings because we consider LeasePlan to be a "strategically important" subsidiary of VW and that it has a stable stand-alone credit profile (SACP) of 'bbb-'. The affirmation resolves the placement of the ratings on CreditWatch positive on Nov. 26, 2013, following the publication of our revised corporate group rating methodology on Nov. 19, 2013. LeasePlan is 50%-owned by German automaker VW.

Under our revised methodology, one of the main considerations for rating a member of a corporate group is the potential for extraordinary support from the parent company or group. We consider LeasePlan to be "strategically important" to VW. This is because we believe LeasePlan is important to VW's long-term strategy and that we expect VW to provide extraordinary support to the bank if needed. In our view, LeasePlan is a successful investment for VW, since it contributes to VW's profitability and provides some business diversity to the group.

LeasePlan has a leading position in the global fleet-leasing market with mostly dominant positions in 31 countries. It is also more profitable than the average of top European banks. VW brands represent about one-third of LeasePlan's fleet of 1.3 million multi-brand vehicles. In our view, VW's commitment to LeasePlan is also highlighted by the fact that the group directly provides an irrevocable €1.25 billion credit line to the bank.

Because we regard LeasePlan as a "strategically important" subsidiary, the long-term rating could benefit from three notches of uplift for potential group support, subject to a cap of one notch below the group credit profile (GCP). We believe that VW's GCP is akin to the long-term rating on VW, which is at 'A-'. Given LeasePlan's SACP of 'bbb-' and VW's GCP of 'a-', the long-term rating on LeasePlan remains unchanged at 'BBB+'. In our previous methodology, the rating uplift was a maximum two notches above LeasePlan's SACP.

Our rating on LeasePlan starts with the bank's 'bbb+' anchor, which takes into account the geographic diversification of its credit exposures. In addition, we consider that LeasePlan has a "weak" business position, due to the concentrated nature of its business, and "strong" capital and earnings, since we forecast our risk-adjusted capital (RAC) ratio to remain moderately above 10% by year-end 2014. We view LeasePlan's risk position as "adequate," reflecting a low credit risk profile balanced by inherent exposure to residual value risk. We consider LeasePlan's funding to be "below average" given its reliance on wholesale funding and its liquidity to be "adequate," owing to its relatively ample liquidity buffers compared with peers'.

Outlook

The positive outlook reflects that on VW, indicating that we are likely to raise the long-term rating on LeasePlan should we raise the long-term rating on VW. In addition, we expect that LeasePlan's SACP will remain stable over the next 18 to 24 months. We anticipate that the bank will maintain its strong capitalization, adequate risk position, and adequate liquidity.

We might revise the outlook to stable if we considered that LeasePlan's capitalization could deteriorate, with the projected RAC ratio at risk of falling below 10%. This could be the case if the economic environment in some European countries deteriorated, or if LeasePlan showed more aggressive management of capital, notably through large acquisitions.

Ratings Score Snapshot

Issuer Credit Rating

BBB+/Positive/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

Related Criteria

- Group Rating Methodology, Nov. 19, 2013
- Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Bank Hybrid Capital Methodology And Assumptions, Nov. 1, 2011
- Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- Bank Capital Methodology And Assumptions, Dec. 6, 2010

Related Research

- Dutch Bank LeasePlan 'BBB+/A-2' Ratings Placed On Watch Positive On Revised Criteria, Nov. 26, 2013
- LeasePlan Corporation N.V., Oct. 24, 2013

Ratings List

Ratings Affirmed; CreditWatch/Outlook Action

	To	From
LeasePlan Corporation N.V. Counterparty Credit Rating	BBB+/Positive/A-2	BBB+/Watch Pos/A-2
LeasePlan Corporation N.V. Senior Unsecured Commercial Paper	BBB+ A-2	BBB+/Watch Pos A-2/Watch Pos
LeasePlan Australia Ltd. Senior Unsecured*	BBB+	BBB+/Watch Pos
LeasePlan Australia Ltd. LeasePlan Finance N.V. (Dublin Branch) LeasePlan New Zealand Ltd. Commercial Paper*	A-2	A-2/Watch Pos

*Guaranteed by LeasePlan Corporation N.V.

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