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## Research Update:

# Dutch Bank LeasePlan Corporation 'BBB+/A-2' Ratings Affirmed After Ownership Change Within VW Group; Outlook Stable

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## Research Update:

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## Overview

- Germany-based Volkswagen Bank (VW Bank) on Jan. 22, 2013, transferred its 50% stake in LeasePlan Corporation N.V. (Leaseplan) to Volkswagen AG (VW).
- In our view, the ownership change doesn't affect the support that LeasePlan receives from VW group.
- We are therefore affirming our ratings on LeasePlan at 'BBB+/A-2'.
- The stable outlook reflects our expectations that LeasePlan will remain strategic for VW and that the bank will be able to maintain its strong capitalization and prevent any deterioration in asset quality.

## Rating Action

On Jan. 24, 2013, 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

The affirmation follows Volkswagen Bank GmbH's (VW Bank) announcement that it transferred its 50% stake in LeasePlan to Volkswagen AG (VW) on Jan. 22, 2013.

We understand this change in the VW group structure is aimed at freeing up capital for the future growth of Volkswagen Financial Services AG (VW FS) and its subsidiary VW Bank. Therefore, we do not see this change in the VW group's organizational structure as a sign of diminished support for LeasePlan in the short to medium term. We believe LeasePlan remains important to VW group, even within the wider spectrum of the whole VW group. LeasePlan provides some business and geographic diversity to the VW group. Furthermore, VW's liquidity support for LeasePlan remains unchanged. VW recently renewed a committed three-year backup line which it provides directly to LeasePlan.

We therefore continue to incorporate a two-notch uplift above LeasePlan's stand-alone credit profile (SACP) to reflect potential extraordinary support from VW.

The remaining 50% stake in LeasePlan is owned by Fleet Investment B.V (not rated), the investment vehicle of Mr. Friedrich Von Metzler, a prominent German banker. We view this as financial participation and therefore consider

that support is derived exclusively from VW.

Our ratings on LeasePlan also reflect the bank's 'bbb+' anchor, based on a blended economic risk score of '3' and an industry risk score of '3' for banks operating in The Netherlands. We consider that LeasePlan has a "weak" business position due to the concentrated nature of its business. The company's capital and earnings are "strong," in our opinion, because we believe that our risk-adjusted capital (RAC) ratio will range between 10% and 10.5% to the end of 2013, thanks to continuous earnings retention. We view LeasePlan's risk position as "adequate," reflecting our opinion that a low asset risk profile is balanced with inherent single-name and concentration risk in the lease portfolio. We consider LeasePlan's funding to be "below average" given its reliance on wholesale funding, and its liquidity "adequate," owing to its relatively ample liquidity buffers compared with peers'.

## Outlook

The stable outlook reflects our expectations that LeasePlan will remain strategic for VW and that the bank will be able to maintain its strong capitalization and prevent any deterioration in asset quality.

Under our base-case scenario we expect LeasePlan to remain within the VW group, and we believe that VW would provide extraordinary support to LeasePlan in case of stress, although we don't believe such support will be needed in the foreseeable future. Moreover, we expect our RAC ratio for LeasePlan to remain slightly above 10% as a result of adequate earnings. We also expect Leaseplan to continue to conservatively manage its exposure to residual value risk, reducing sensitivity to residual value fluctuations.

We could lower the ratings on LeasePlan if we considered LeasePlan's importance to the VW group to be reduced, and if VW started to question LeasePlan's presence within the group. We might also lower the ratings if LeasePlan's SACP were to deteriorate. This could result from our RAC ratio for LeasePlan falling below 10% due to deterioration in the economic environment of some European countries or more aggressive capital management, notably if the bank entered into acquisitions.

A positive rating action would only be possible if we saw a serious 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

- Banking Industry Country Risk Assessment: The Netherlands, Nov. 16, 2012

## 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

\*Guarantor, LeasePlan Corporation N.V.

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