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Research Update:

Dutch Bank LeasePlan 'BBB+/A-2' Ratings Placed On Watch Negative On Group Support Reassessment

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Overview

- We regard Dutch bank LeasePlan Corporation N.V. as less strategic to Germany-based automaker Volkswagen AG (VW), than we previously thought.
- However, we have noted positive developments in LeasePlan's stand-alone credit profile (SACP).
- We are placing our 'BBB+/A-2' ratings on LeasePlan on CreditWatch with negative implications.
- We might affirm the ratings or lower them by one notch within the next 90 days, depending on our review of the SACP.

Rating Action

On Sept. 29, 2014, Standard & Poor's Ratings Services placed its 'BBB+/A-2' long- and short-term counterparty credit ratings on Dutch bank LeasePlan Corporation N.V. on CreditWatch with negative implications.

Rationale

We have placed the ratings on CreditWatch with negative implications while we assess the impact of factoring into the ratings lower group support from VW than we previously did, in the context of positive developments in LeasePlan's SACP.

Following our regular review of LeasePlan's strategic importance to VW, which owns a 50% stake in LeasePlan, we have reassessed the relationship between VW and LeasePlan as more in line with our criteria definition of a "moderately strategic" subsidiary. Our previous assessment was that LeasePlan was a "strategically important" subsidiary. As a result, we have lowered the uplift for potential extraordinary group support for LeasePlan to one notch from two notches. Our assessment of group support for LeasePlan involves assessing its status relative to VW and in comparison with other subsidiaries of the group.

Our "moderately strategic" group status reflects our view that LeasePlan is not an integral part of VW's long-term strategy. It also highlights that LeasePlan is not tightly integrated with the group. In our view, LeasePlan is a successful investment for VW. Both entities also maintain strong commercial relationships, with VW brands representing about one-third of LeasePlan's fleet of 1.3 million multi-brand vehicles. However, there are few linkages

between the business activities of LeasePlan and those of VW that induce a long-term commitment of VW's management toward LeasePlan.

However, we do not foresee VW divesting its 50% stake in LeasePlan. Our "moderately strategic" group status assumes that any sale is unlikely in the near term. We see this as a more likely medium-term prospect, although there are no tangible signs that this is likely in the foreseeable future.

Our "moderately strategic" group status also factors in our belief that LeasePlan is likely to continue to receive support from VW should it fall into financial difficulty. 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.

Although LeasePlan has an exclusive focus on vehicle leasing and fleet management, the bank's business profile is adequately diversified by country, customer, sector and supplier, in our view. Furthermore, LeasePlan has developed a track record of steady profitability following a difficult period in the 2008 crisis. LeasePlan's capitalization has also gradually strengthened over the past five years, while its funding profile has gradually shifted toward more stable funding sources.

CreditWatch

We aim to resolve the CreditWatch within the next 90 days, during which we will review the components of LeasePlan's credit ratings. Following our review, we could either affirm the ratings, or lower them by one notch.

Related Criteria And Research

Related Criteria

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

Related Research

- Germany-Based Automaker Volkswagen Upgraded To 'A/A-1' On Expected Stronger Leverage; Outlook Stable, Sept. 22, 2014
- LeasePlan Corporation N.V., Oct. 24, 2013

Ratings List

CreditWatch/Outlook Action

To

From

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

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