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Research Update:

Dutch Bank LeasePlan Downgraded To 'BBB' And Placed On Watch Negative On Proposed Acquisition By Investor Consortium

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Overview

- On July 23, 2015, Volkswagen AG and Dutch company Fleet Investments B.V., which jointly own Dutch bank LeasePlan Corporation N.V., announced their intention to dispose of their stakes to a consortium of investors.
- We now consider Volkswagen less likely to offer LeasePlan extraordinary support in case of financial need and classify LeasePlan as a nonstrategic part of the VW group.
- We are therefore lowering our rating on LeasePlan to 'BBB' from 'BBB+', indicating that we no longer modify the rating up by one notch for group support.
- We are also placing the 'BBB' long-term and 'A-2' short-term ratings on CreditWatch negative to reflect downside risks to the bank's financial profile, particularly its leverage, under the ownership of financial sponsors. At this stage, we consider these downside risks are limited to one notch.

Rating Action

On July 28, 2015, Standard & Poor's Ratings Services lowered its long-term counterparty credit ratings on Dutch bank LeasePlan Corporation N.V. to 'BBB' from 'BBB+'. In addition, we affirmed our 'A-2' short-term rating on the bank. At the same time, we placed the long- and short-term ratings on CreditWatch with negative implications.

Rationale

The rating actions reflect the announcement on July 23 that German carmaker Volkswagen AG and the Dutch company Fleet Investments B.V., which own LeasePlan via a Dutch incorporated holding company, are disposing of their 50% stakes to a consortium of investors. We understand that the deal requires the approval of the Dutch banking regulators, who are reviewing the proposed sale. This is LeasePlan's owners' second attempt in less than six months to dispose of the company to a consortium of private investors. In our view, this signals a clear intention and willingness to sell LeasePlan.

We previously factored in one notch of support to LeasePlan's long-term rating, reflecting our view that Volkswagen would likely provide financial support in terms of need. Given these developments, we now see LeasePlan as a nonstrategic part of the VW group. Indeed, even if the Dutch regulator rejects

the deal and ownership does not change, we consider further support from Volkswagen to be less predictable and less likely than before. Therefore, we are lowering our rating on LeasePlan by one notch to 'BBB' from 'BBB+'. The ratings on LeasePlan now reflect our view of its stand-alone creditworthiness.

The proposed ownership structure also entails risk for the bank's future financial profile, in our opinion. We see a risk that the consortium of investors could increase leverage at LeasePlan, change the group's lean organizational structure to a more-complex and less-transparent structure, or pursue more-aggressive financial policies than before. We are therefore placing the long- and short-term ratings on CreditWatch negative.

CreditWatch

We plan to resolve the CreditWatch when we hear whether the Dutch regulator will approve the planned disposal in its current form or not. This is expected to occur within three months.

We will focus our review on the capital and leverage plans, the new ownership structure, and LeasePlan's capacity to maintain ample liquidity buffers. At this stage, we consider that any downside risk is limited to one notch; the company's business profile provides recurrent earning streams and valuable geographic diversification, and we do not expect it to change. We also anticipate that the Dutch regulator will ensure that LeasePlan, which is a fully fledged and regulated bank, continues to demonstrate healthy regulatory liquidity and capital ratios.

Ratings Score Snapshot

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

Related Criteria And Research

Related Criteria

- Group Rating Methodology, Nov. 19, 2013
- Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Revised Market Risk Charges For Banks In Our Risk-Adjusted Capital Framework, June 22, 2012
- Banks: 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
- Use Of CreditWatch And Outlooks, Sept. 14, 2009

Ratings List

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

*Guaranteed by LeasePlan Corporation N.V.

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