

**Rating Action: Moody's assigns a Ba3(hyb) rating to LeasePlan's Additional Tier 1 securities**

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17 May 2019

Paris, May 17, 2019 -- Moody's Investors Service today assigned rating of Ba3(hyb) to the Additional Tier 1 (AT1) capital notes to be issued by LeasePlan Corporation N.V. (LeasePlan, Baa1 deposit and senior unsecured, stable; baa3 baseline credit assessment or BCA).

**RATINGS RATIONALE**

LeasePlan's AT1 securities are perpetual non-cumulative securities ranking junior to all other liabilities of the bank. Coupons may be cancelled on a non-cumulative basis both at the issuer's discretion and mandatorily, subject to the availability of distributable items and to the maximum distributable amount (MDA) being observed. The principal of the security will be written down if the bank's Common Equity Tier 1 (CET1) ratio or that measured at the level of LP Group B.V., its direct 100% parent, falls below 5.125%. The principal can however be restored (i.e. the write-down can be temporary).

Given that the write-down point of a CET1 ratio of 5.125% is the lowest permissible under regulation, Moody's rates LeasePlan's AT1 securities as "non-viability" or "low-trigger" AT1 capital notes. Moody's advanced Loss Given Failure (LGF) analysis shows a high loss-given-failure for these securities, corresponding to one notch below the bank's adjusted BCA of baa3. The rating agency incorporates two additional downward notches in order to reflect coupon suspension risk ahead of failure, leading to an assigned rating of Ba3(hyb), three notches below the adjusted BCA.

The probability of government support is low, and hence the rating of the AT1 securities do not include any uplift from the government.

**WHAT COULD CHANGE THE RATING UP/DOWN**

The rating of the AT1 securities would be upgraded if LeasePlan's adjusted BCA were upgraded. An upgrade of LeasePlan's BCA is unlikely at present however, considering that the owners are private equity investors who may constrain capital accrual at the bank.

The rating would be downgraded if the bank's adjusted BCA were downgraded. LeasePlan's BCA and long-term ratings may be downgraded if the shareholders implement a more aggressive financial policy at the bank. In addition, the BCA could be downgraded as a result of (1) the failure of risk-mitigation techniques, recurring earnings or capital resources to adequately cover higher residual value risk; (2) evidence of deterioration in the bank's liquidity and funding profiles, resulting from increased reliance on wholesale funding or worse-than-expected liquidity gaps; or (3) a structural deterioration in profitability or the diversity of income streams.

**PRINCIPAL METHODOLOGY**

The principal methodology used in this rating was Banks published in August 2018. Please see the Rating Methodologies page on [www.moody.com](http://www.moody.com) for a copy of this methodology.

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Yasuko Nakamura  
VP - Senior Credit Officer  
Financial Institutions Group  
Moody's France SAS  
96 Boulevard Haussmann  
Paris 75008  
France  
JOURNALISTS: 44 20 7772 5456  
Client Service: 44 20 7772 5454

Nicholas Hill  
MD - Banking  
Financial Institutions Group  
JOURNALISTS: 44 20 7772 5456  
Client Service: 44 20 7772 5454

Releasing Office:  
Moody's France SAS  
96 Boulevard Haussmann  
Paris 75008  
France  
JOURNALISTS: 44 20 7772 5456  
Client Service: 44 20 7772 5454

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