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CREDIT OPINION
26 February 2021

Update

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RATINGS

LeasePlan Corporation N.V.

Domicile	Amsterdam, Netherlands
Long Term CRR	A3
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	Baa1
Type	Senior Unsecured - Fgn Curr
Outlook	Stable
Long Term Deposit	Baa1
Type	LT Bank Deposits - Dom Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

Contacts

Yasuko Nakamura +33.1.5330.1030
VP-Sr Credit Officer
yasuko.nakamura@moodys.com

Claudia Silva +44.20.7772.1714
Associate Analyst
claudia.silva@moodys.com

Alain Laurin +33.1.5330.1059
Associate Managing Director
alain.laurin@moodys.com

LeasePlan Corporation N.V.

Update to credit analysis

Summary

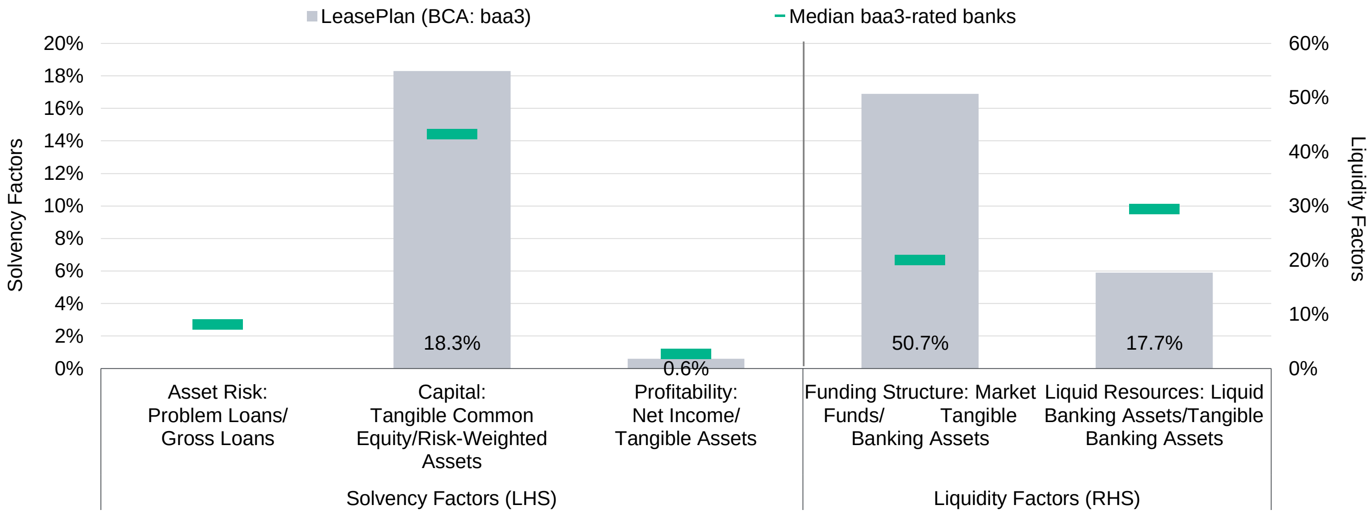
LeasePlan Corporation N.V.'s (LeasePlan) long-term deposit and senior unsecured debt ratings of Baa1 reflect (1) the bank's Baseline Credit Assessment (BCA) of baa3; and (2) two notches of uplift under our Advanced Loss Given Failure (LGF) analysis, reflecting the very low loss rate that senior debtholders and depositors are likely to incur in a resolution scenario, given the large volume of senior unsecured debt issued by the bank. We expect only a low probability of government support for LeasePlan's senior debtholders and depositors, resulting in no uplift for the senior debt and deposit ratings.

The baa3 BCA reflects the company's strong franchise and leading position in the European car leasing market, high revenue generating capacity, a capitalisation commensurate with its risk profile and sound funding structure despite its material reliance on confidence-sensitive wholesale funding. These strengths are partly offset by its significant exposure to cars' residual-value risk. We expect higher operating expenses because of investments in CarNext.com and its IT system to weigh on the bank's net profit over the coming one to two years.

Pressures from the Covid-19 crisis have come in addition to the aforementioned strain on the bank's profits. Loan loss provisions more than doubled in 2020 compared to 2019. LeasePlan also booked material impairments on lease assets and inventories in Q1 2020 following disruptions in the second-hand car markets at the beginning of the pandemic crisis.

We consider the governance of LeasePlan, in place since the leveraged buyout of the company by a consortium of pension funds, sovereign wealth funds and private-equity funds in 2016, creates some tension between the respective interests of LeasePlan's creditors and its shareholders[1]. We apply a one-notch negative adjustment for corporate behaviour to reflect this risk. We also apply a negative one-notch adjustment, given Leaseplan's narrow franchise, as is the case for similar monoline issuers.

Exhibit 1
Rating Scorecard - Key financial ratios



Source: Moody's Financial Metrics

Credit strengths

» Leading franchise in full-service leasing

» Strong asset-quality metrics, reflecting diversified credit-risk exposures

» Capitalisation commensurate with risk profile

» Good underlying profitability, which is underpinned by high margins

» Matched funding profile

Credit challenges

» Material exposure to residual-value risk

» Structural reliance on wholesale funding

» Monoline business model

» Ownership by a consortium of pension funds, sovereign wealth funds and private equity funds since 2016, which creates some tension between the respective interests of LeasePlan's creditors and its shareholders

Outlook

LeasePlan's long-term debt and deposit ratings carry stable outlooks, reflecting our expectation that there will be no significant changes in the bank's fundamentals in the foreseeable future despite the negative impact of the Covid-19-related crisis.

Factors that could lead to an upgrade

» An upgrade of LeasePlan's BCA is unlikely in the foreseeable future taking into consideration the fact that (i) the owners are private-equity investors, which is expected to constrain any further material improvement in the bank's solvency, and (ii) profitability is under pressure. An upgrade could nonetheless be triggered by a substantial improvement in capital or in its funding profile.

Factors that could lead to a downgrade

» LeasePlan's BCA and long-term ratings may be downgraded if the shareholders were to 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 and/or capital resources to adequately cover higher residual-value risk; (2) any 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. A downgrade of LeasePlan's BCA would result in a downgrade of the bank's long-term ratings.

» The ratings could also be downgraded if there were a significant and sustainable decrease in the debt loss-absorption capacity, resulting in higher loss-given-failure for one or more instrument classes.

Key indicators

Exhibit 2

LeasePlan Corporation N.V. (Consolidated Financials) [1]

	06-20[2]	12-19[2]	12-18[2]	12-17[2]	12-16[2]	CAGR/Avg.[3]
Total Assets (EUR Million)	31,711.7	31,185.6	27,181.2	25,061.6	23,637.9	8.8[4]
Total Assets (USD Million)	35,617.1	35,005.8	31,072.1	30,093.9	24,932.1	10.7[4]
Tangible Common Equity (EUR Million)	3,461.3	3,363.2	3,083.8	3,085.9	2,925.2	4.9[4]
Tangible Common Equity (USD Million)	3,887.5	3,775.2	3,525.3	3,705.5	3,085.3	6.8[4]
Problem Loans / Gross Loans (%)	--	0.1	0.1	0.2	0.2	0.2[5]
Tangible Common Equity / Risk Weighted Assets (%)	18.2	18.3	18.6	19.6	18.9	18.7[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	--	0.9	1.0	1.0	1.3	1.0[5]
Net Interest Margin (%)	1.6	1.8	2.0	2.0	2.1	1.9[5]
PPI / Average RWA (%)	1.9	3.9	3.4	3.9	3.6	3.3[6]
Net Income / Tangible Assets (%)	0.6	1.5	1.6	1.9	1.8	1.5[5]
Cost / Income Ratio (%)	73.0	57.0	63.0	61.9	65.6	64.1[5]
Market Funds / Tangible Banking Assets (%)	48.3	50.7	53.0	50.8	51.1	50.8[5]
Liquid Banking Assets / Tangible Banking Assets (%)	23.1	17.7	13.7	11.6	10.0	15.2[5]
Gross Loans / Due to Customers (%)	245.6	295.5	328.1	335.6	356.0	312.1[5]

[1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; IFRS. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.

Sources: Moody's Investors Service and company filings

Profile

LeasePlan Corporation N.V. (LeasePlan) is a fleet and vehicle management company based in the Netherlands, which is chartered since 1993 as a bank hence subject to European banking regulation and supervision of the European Central Bank since January 2021. It collects savings in the Netherlands since 2010 and in Germany since 2015. At end-December 2020, it reported consolidated assets of €31 billion and a leasing portfolio of €22 billion, 87% of which were operating leases. With operations in over 30 countries, the company managed a total of around 1.9 million vehicles at end-December 2020. On 21 March 2016, LeasePlan was acquired by a consortium of private-equity investors.

The company provides an end-to-end service through its Car-as-a-Service (CaaS) business, typically for a duration of three to four years. The CaaS business includes, among others, purchasing services, fleet-management services, financing services, maintenance management services and insurance and damage-handling services. LeasePlan is a global market leader in the CaaS market. The company also sells or re-leases the vehicles that are coming off contract through its used car business with car brokers mostly. However LeasePlan launched in 2017 an online marketplace branded CarNext.com that allows it to directly reach out to households customers and professionals for both sales or re-leasing contracts.

Please read LeasePlan's Issuer Profile for more information.

Detailed credit considerations

Leading franchise in full service leasing is a key credit strength

In its CaaS business, LeasePlan typically offers all-in leasing (87% of its leases are operating leases) and fleet-management services packaged with additional services, such as repair, maintenance, and car insurance, mainly to corporate customers. LeasePlan has a leading position in the industry with around 1.9 million cars under management as of end-December 2020, slightly ahead of its main peers, including ALD Automotive, a subsidiary of Societe Generale and Arval (BNP Paribas). LeasePlan operates in over 30 countries although it is strongly focused on Europe and has a dominant position in several key markets.[2] Its fleet is also well diversified by car brand, limiting the company's sensitivity to changes in a manufacturer's pricing policy and sales strategy. As a leading global fleet manager, LeasePlan has the capacity to generate large rebates and bonuses from its suppliers or service providers.

While the car leasing market is growing at a fast pace in Europe[3] as a result of a global shift from car ownership to car usership, the corporate leasing business remains highly competitive despite the relatively limited number of large companies. We believe that the company's stated priority to develop a fully digitalised business is part of its strategy to preserve its competitiveness and share of the growing market.

LeasePlan is also targeting new types of customers. While LeasePlan's historical client base under its CaaS activity has been focused on, and is still dominated by corporate clients (76% at end-June 2020), the share of small and medium-sized enterprises (SMEs) has been progressing (18% at end-June 2020). The SME market, which had historically been relatively underserved, has become highly sought after by both the large leasing companies like LeasePlan and the car manufacturers' captives because of its higher profitability. On the other hand, the private individual market remains largely dominated by car manufacturers' captives and banks and the mobility providers' market (such as Uber Technologies, Inc. rated B2 stable) is still marginal at LeasePlan.

Through the sale of the cars that come off contract under the CaaS business, LeasePlan is also the largest reseller of three-to-four-year-old used cars in Europe. In 2017, LeasePlan launched a digital marketplace, CarNext.com, which enables both individuals and professionals to directly buy or lease used cars from LeasePlan online and get it delivered through physical delivery stores. Specifically, CarNext.com has introduced the Business-to-Consumer (B2C) sales channel to LeasePlan's car disposal activity. The ability to direct the cars to the most appropriate channels (B2C or Business-to-Business - B2B -) also allows the company to optimise car disposal prices. In 2020, B2C business represented 16.4%[4] of total vehicles sold by CarNext.com (15.6% in full-year 2019).

LeasePlan's ambition is to further develop CarNext.com and currently is extending its business to the sale of third-party suppliers' vehicles (i.e. not only the vehicles coming off contract at LeasePlan). At the same time, LeasePlan continues to review various strategic alternatives for CarNext.com, including a potential full or partial separation of the business from the group (in the case of a separation, LeasePlan would continue to sell its used cars through the CarNext.com B2B and B2C platforms).

Strong asset-quality metrics reflect its diversified credit-risk exposures, but its residual-value policy has been less conservative over the past few years

The a3 Asset Risk score is driven by the lease portfolio's robust credit risk, reflecting LeasePlan's focus on large international corporate clients that are well diversified across sectors and countries, as well as the low loss given default on its operating lease contracts. LeasePlan nonetheless bears significant residual-value risk. This risk is reflected in the four-notch negative adjustment of the Asset Risk score from the aa2 Macro-Adjusted score.

LeasePlan has historically experienced subdued credit losses arising from lease contracts, reflecting its focus on large international corporate clients with traditionally low default rates. Impairment charges on loans and receivables have ranged from 11 bps to 14 bps of outstanding leases between 2015 and 2019. However, the number of defaults have risen since the beginning of the Covid-19 and the bank consequently revised its IFRS 9 scenarios, resulting in an increase in the cost of credit risk to €76.3 million (36 bps of outstanding contracts) in 2020 from €31.1 million (14 bps) in 2019. We expect credit costs in 2021 to remain in the same range in 2021 provided that macro-economic conditions do not deteriorate further.

Residual value risk arises from the uncertainty surrounding the future market value of vehicles on expiry of the lease contract relative to its value on LeasePlan's book. While inherent to all leasing businesses, we believe that LeasePlan has been less conservative than in the past in its residual-value policy between year-end 2015 and 2018, the negative effect of which could weigh on results from car disposals over the coming one to two years, depending on developments of second-hand car prices (for more details, please refer to our research Rising residual value risks will weigh on LeasePlan's profitability published in March 2020).

The substantial disruption in the second-hand car markets in Europe between March and June 2020 due to the Covid-19 pandemic had a negative impact on the value of LeasePlan's operating lease assets and inventories.[5] This resulted in additional impairments of €120 million in 2020 on these assets,[6] the largest portion of which was taken in Q1 2020. Given the recovery in the second-hand car markets since June 2020, value adjustments have been materially lower in H2 2020 than in H1 2020. LeasePlan nonetheless booked a €25 million impairment for potential book value losses on cars in Q4 2020 (included in the aforementioned €120 million total impairments in full-year 2020) in relation to defaulted customers.

In terms of concentration, LeasePlan's top 20 group exposures are sizeable, relative to its Common Tier 1 capital. This is, however, mitigated by the company's diversified franchise by geography and industry. In addition, the largest part of LeasePlan's credit exposure is to large corporates, which we generally regard as more resilient compared to SMEs.

Capitalization, in line with high regulatory requirements, is commensurate with risk profile

LeasePlan's Common Equity Tier 1 (CET1) capital ratio and total capital ratio were 16.7% and 19.3% respectively at end-December 2020,[7] slightly down from 16.9% and 19.5% respectively at end-June 2020, but which we believe remains commensurate with its risk profile.

As per ECB's recommendation, LeasePlan will not be distributing dividends until 30 September 2021. The bank will propose to the general meeting the allocation of Q1, Q2 and Q3 net results to the general reserves[8] while postponing the decision on the allocation of Q4 2020 net result, which can be either distributed as dividends or included in reserves.[9]. The capital ratios as of December 2020 hence do not include the Q4 2020 net result. In any case, the bank's CET 1 ratio will decrease in 2021, all other things being equal, because of the impact of the new definition of default, which became effective as of 1 January 2021. RWA's could increase during the course of 2021 with an amount up to €2.7 billion (based on current estimations).

Despite the fact that the bank has not paid any dividend since the end of 2019, we believe that earnings retention and capital accretion will remain constrained because LeasePlan's owners have little incentive to leave significant buffers above the minimum regulatory capital ratios, hence reducing financial flexibility in case of unexpected shocks. The need to upstream dividends from the operating company is also enhanced by the debt burden incurred at the level of Lincoln Financing S.a.r.l (Lincoln, B1 stable[10]),[11] the issuer of high-yield bonds that financed the acquisition of LeasePlan by the current shareholders. The dividend payout ratio has been around 60% between 2014 and 2019.

That being said, the supervision of LeasePlan as a regulated credit institution mitigates the risk of an overly aggressive financial policy and creates a strong ring-fence for LeasePlan's credit profile, in our view. LeasePlan's minimum regulatory capital requirements for 2021 under the Supervisory Review and Evaluation Process (SREP) by the Dutch central bank (DNB) was set at 9.25%[12] for the CET 1 ratio, and 14.45% for the total capital ratio. These capital requirements take into account the impact of the implementation of the new Definition of Default, effective January 2021.

LeasePlan is currently not subject to any minimum requirement for own funds and eligible liabilities (MREL) requirement.

Higher cost of risk in the context of the current crisis as well as pressure on end-of-contract results and high IT expenses will likely weigh on net profit over the coming quarters

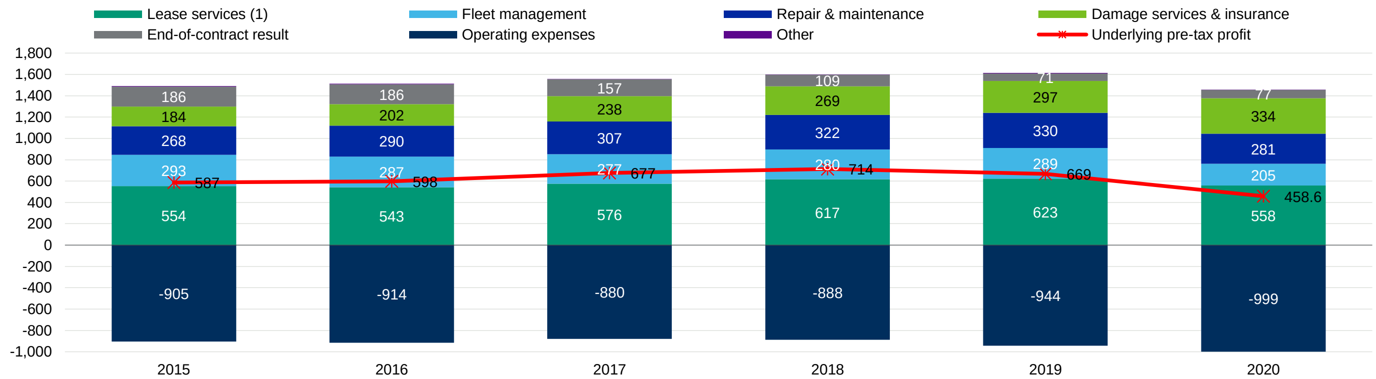
LeasePlan's revenues consist of comfortable financial margins from the car leasing business, profit generated by additional services[13] and end-of-contract results[14]. Direct income from lease services account for around 40% of the bank's total revenues while the remainder stems from additional services and end-of-contract results. From 2015 to 2019, the company's total revenue grew at an average rate of 2% per annum [15] as a result of the growth in the portfolio (compound annual growth rate of 2.8% since year-end 2015), partly offset by a slight erosion in margins because of intense competition and a material decrease in end-of-contract results. Despite these pressures, total underlying revenue still represented some 7.5% of the outstanding lease portfolio in 2019, which we consider as high.

LeasePlan has a high cost base. Even excluding the impact of additional charges related to the "Power of One LeasePlan" programme[16], which was launched in 2016 and has been reported as non-recurring costs by the company between 2016 and 2018, the cost-to-income ratio has ranged from 56% to 61% over the past five years.

Exhibit 3

Underlying gross profit grew by 2% per annum from 2015 to 2019 but was down 10% in 2020 due to the Covid-crisis

Breakdown of underlying profit in € million



(1) Amount is net of loan-loss impairments

Source: Company data

Overall, in 2020 serviced fleet was relatively stable (-0.7%) despite the crisis, supported by a rebound in activity from June. Nonetheless, the underlying gross profit was down 10% in 2020 versus 2019. Despite strong results from damage services and insurance (+12%), gross profit at the other services decreased (-10% for Lease services; -29% at Fleet management and -15% at Repair & Maintenance), affected by the Covid-19-related crisis and lockdown measures through lower rebates and bonuses due to reduced business activity and higher cost of risk[17]. End-of contract results reported as underlying gross profit slightly increased in 2020, but this should be read in conjunction with the substantial lease contract and inventory impairments (€120 million) reported under non-recurring items (Exhibit 4).

In addition to the negative trend related to the current crisis, we believe high IT expenses will continue to weigh on LeasePlan's profit through 2021. Operating expenses will likely increase because of further investments in CarNext.com and the need to upgrade the IT system. The latter had to be started anew since LeasePlan decided to discontinue its Core Leasing System (CLS) in June 2019 after a development phase of more than two years and write down this investment in its books accordingly (€92 million in Q2 2019, reported as non-recurring item in Exhibit 4). In 2020, €44 million of non-recurring items were booked as operating expenses relating to consultancy costs, out of which €22 million related to CarNext.com.

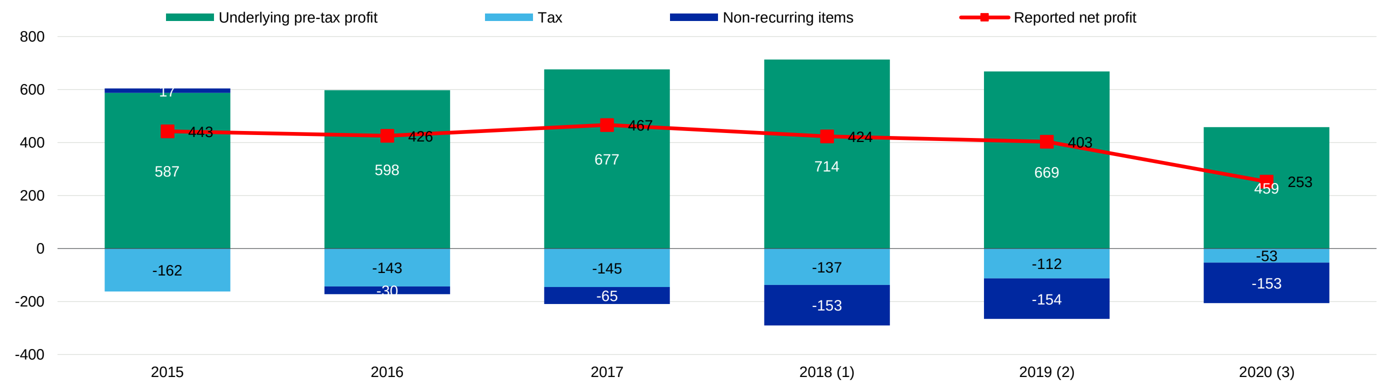
Tensions related to residual value risks will likely be lower in 2021 unless the recovery in the used-car market seen since June 2020, which led to prices above pre-covid levels towards the end of the year, were to reverse. The large impairments on lease contracts and inventories booked in 2020 and which have not been entirely used also provides some buffer against a deterioration in the second-hand car market.

The baa2 assigned score for Profitability takes account of these pressures.

Exhibit 4

LeasePan has reported material "non-recurring" items over the past three years

Breakdown of net profit in € million



(1) Non-recurring items in 2018 mainly consist of a €103 million (pretax) impairment on residual values in Turkey because of the depreciation of the local currency, and €29 million (pretax) contract impairment in Germany relating to a number of loss-making contracts.
(2) Non-recurring items in 2019 mainly consist of a €92 million impairment of CLS and a €34 million contract impairment in Austria and Poland relating to a number of loss-making contracts.
(3) Non-recurring items in 2020 notably include €120 million impairment (pretax) on loss-making contracts and vehicle inventories and €44 million of consultancy costs (pretax).
Source: Company data

Structural reliance on wholesale funding mitigated by matched funded profile, standby liquidity facilities and funding diversity

LeasePlan's reliance on wholesale funding is a rating constraint because of the inherent confidence-sensitive nature of the funding, and the potential for unexpected changes in the availability and cost of market-based funding. Reliance on wholesale funding, however, is partly mitigated by a good diversification of funding sources, including retail deposits, the company's matched funding policy and a comfortable liquidity buffer. These factors are reflected in a Combined Liquidity score of ba3.

As of the end of December 2020, LeasePlan's funding base of €23 billion was 33% composed of senior unsecured debt, 40% of retail deposits, 11% of securitization and 16% of bank lines and other resources. This liability structure has roughly remained the same over the past five years and we expect it to be maintained over the outlook horizon.

LeasePlan has been raising online flexible savings and term deposits in the Netherlands and Germany under the LeasePlan Bank brand since 2010 and 2015, respectively. As of the end of December 2020, retail deposits amounted to €9.1 billion, up 18% since year-end 2019. Most of these products are covered by the Dutch Deposit Guarantee Scheme, which we believe, limits their sensitivity to reputational risks.

The maturity profile of assets and liabilities are matched in such a way that in a run-off scenario, LeasePlan's outstanding liabilities would slightly exceed outstanding assets at all times (including modeled deposit run-off). In addition, a liquidity buffer of €7.1 billion at end-December 2020 (year-end 2019: €6.7 billion), consisting of €5.6 billion of cash balances and committed revolving credit facility by banks for a total amount of €1.5 billion, ensures the company's ability to maintain a positive liquidity position over at least nine months while being able to write new business under adverse market conditions. LeasePlan's outstanding business franchise relies on long-standing relationships with large international corporates and would likely be materially impaired if the company were forced to restrict business volume.

Qualitative adjustment and affiliate constraint

Overall, our assigned BCA is baa3, two notches below the unadjusted financial profile of baa1. We apply a negative one-notch adjustment for business diversification, similar to auto captive monoline issuers. We also assign another one-notch negative adjustment for corporate behaviour to reflect our view that the company's shareholding structure (refer to section below) could result in changes in the company's direction and risk profile.

Environmental, social and governance considerations

In line with our general view on the banking sector, LeasePlan has a low exposure to social risks. See our social risk heat map for further information. We also regard the coronavirus outbreak as a social risk under its ESG framework, given the substantial implications for public health and safety.

Although banks generally have a low exposure to environmental risks, as explained in our environmental risk heat map, certain banks could, however, face a higher risk from concentrated lending to individual sectors or operations concentrated in disaster-prone areas, or more generally from environmental risks. This is the case for LeasePlan because of its car leasing activity, which has an elevated exposure to environmental risk. As of year-end 2019, the total share of diesel cars in its portfolio was still 67% (year-end 2018: 73%), although almost all of them are the latest Euro VI diesel engines and, therefore, are not subject to any legislative restrictions. In Q4 2020, new orders or electric vehicles and plug-in hybrids increased to 16.5%.[18]

The company has started to take measures to support the implementation of the Paris agreement and climate-related sustainable development growth. Its stated goal is to achieve zero carbon dioxide emissions from its total fleet by 2030 through an increase in electric vehicles. As of year-end 2019, the share of electric vehicles was still a low 4% of LeasePlan’s total fleet (2% at year-end 2018) and 7.4% of its new orders in 2019. Other measures are being undertaken such as (1) transitioning LeasePlan’s employee fleet to an electric vehicle fleet by 2021; and (2) introducing a “full-package” electric vehicle product, currently available in 12 countries; and (3) introducing carbon neutral contracts through a partnership with Land Life Company, where customers offset their fleet emissions through Land Life Company’s reforestation programme.

We consider that the governance of LeasePlan in place since the leveraged buyout of the company by a consortium of pension funds, sovereign wealth funds and private-equity funds in 2016 creates potential tension between the respective interests of LeasePlan's creditors and its shareholders. The main risk is that of a corporate strategy that favours short-term profit at the expense of the operating company's long-term creditworthiness and sustainability. The lack of stability in the bank's management team since mid-2018 is also negative.

Support and structural considerations

Loss Given Failure (LGF) analysis

LeasePlan is subject to the European Union Bank Recovery and Resolution Directive, which we consider to be an operational resolution regime. We assume residual tangible common equity of 3%, post-failure losses of 8% of tangible banking assets, a 25% run-off in junior wholesale deposits, a 5% run-off in preferred deposits and a proportion of 10% of deposits considered junior, and assign a 25% probability to deposits being preferred to senior unsecured debt.

We believe that LeasePlan's deposits and senior unsecured debt are likely to benefit from very low loss-given-failure because of the loss absorption provided by (1) the large amount of senior unsecured debt, should deposits be treated preferentially in resolution, and (2) a small volume of deposits, leading us to assign a two-notch uplift above the Adjusted BCA.

The analysis shows a high loss-given-failure for LeasePlan's AT1 securities, one notch below the bank's Adjusted BCA of baa3. We incorporate two additional downward notches to reflect coupon suspension risk ahead of failure, leading to an assigned rating of Ba3(hyb), three notches below the Adjusted BCA.

Government support

We expect a low probability of government support for debt and deposits, given LeasePlan's relatively modest size, resulting in no uplift for both the long-term deposits and senior unsecured debt issued by the bank.

Counterparty Risk (CR) Assessment

CR Assessments are opinions of how counterparty obligations are likely to be treated if a bank fails and are distinct from debt and deposit ratings in that they (1) consider only the risk of default rather than both the likelihood of default and the expected financial loss, and (2) apply to counterparty obligations and contractual commitments rather than debt or deposit instruments. The CR Assessment is an opinion of the counterparty risk related to a bank's covered bonds, contractual performance obligations (servicing), derivatives (for example, swaps) letters of credit, guarantees and liquidity facilities.

LeasePlan's CR Assessment is positioned at A3(cr)/Prime-2(cr)

The CR Assessment is positioned three notches above the Adjusted BCA of baa3, based on the buffer against default provided to the senior obligations represented by the CR Assessment by subordinated instruments. The main difference with our Advanced LGF approach used to determine instrument ratings is that the CR Assessment captures the probability of default on certain senior obligations, rather than expected loss. Therefore, we focus purely on subordination and take no account of the volume of the instrument class.

Counterparty Risk Ratings (CRRs)

CRRs are opinions of the ability of entities to honour the uncollateralised portion of non-debt counterparty financial liabilities (CRR liabilities) and also reflect the expected financial losses in the event such liabilities are not honoured. CRR liabilities typically relate to transactions with unrelated parties. CRRs are distinct from ratings assigned to senior unsecured debt instruments and from issuer ratings because they reflect that, in the event of a resolution, CRR liabilities might benefit from preferential treatment compared with senior unsecured debt. Examples of CRR liabilities include the uncollateralised portion of payables arising from derivative transactions and the uncollateralised portion of liabilities under sale and repurchase agreements.

LeasePlan's CRRs are positioned at A3/P-2

The CRRs are positioned three notches higher than the Adjusted BCA of baa3, based on the level of subordination to CRR liabilities in the bank's balance sheet, and assuming a nominal volume of such liabilities.

Focus on Lincoln

Lincoln is an issuing vehicle domiciled in Luxembourg which issued senior secured notes on behalf of Lincoln Financing Holdings Pte. Limited (FinCo), an intermediary holding company, which indirectly owns 100% of LeasePlan. The secured notes issued by Lincoln were used to refinance high-yield bonds originally issued in 2016 to finance part of the acquisition of LeasePlan by the consortium.

The B1 rating of Lincoln's senior secured notes is driven by (1) the baa3 BCA of LeasePlan; (2) the deeply subordinated position of the instrument and the high expected loss-given-failure; and (3) the fact that LeasePlan, as a regulated bank, could be constrained in its ability to pay dividends, which could impair Lincoln's ability service its debt. Therefore, the B1 rating is four notches below LeasePlan's baa3 BCA, reflecting the structural subordination of the senior secured notes and the significant double leverage incurred at Lincoln, which results in additional default risk.

Rating methodology and scorecard factors

Exhibit 5

LeasePlan Corporation N.V.

Macro Factors							
Weighted Macro Profile	**Strong**	**100%**					
Factor		**Historic Ratio**	**Initial Score**	**Expected Trend**	**Assigned Score**	**Key driver #1**	**Key driver #2**
Solvency							
Asset Risk							
Problem Loans / Gross Loans		-	-	-	a3	Non lending credit risk	Quality of assets
Capital							
Tangible Common Equity / Risk Weighted Assets (Basel III - fully loaded)		18.3%	aa2	↔	aa3	Risk-weighted capitalisation	Capital retention
Profitability							
Net Income / Tangible Assets		0.6%	baa3	↑	baa2	Expected trend	
Combined Solvency Score			a1		a2		
Liquidity							
Funding Structure							
Market Funds / Tangible Banking Assets		50.7%	b3	↔	b2	Extent of market funding reliance	Term structure
Liquid Resources							
Liquid Banking Assets / Tangible Banking Assets		17.7%	baa3	↔	baa3	Access to committed facilities	Quality of liquid assets
Combined Liquidity Score			ba3		ba3		
Financial Profile					baa1		
Qualitative Adjustments					Adjustment		
Business Diversification					-1		
Opacity and Complexity					0		
Corporate Behavior					-1		
Total Qualitative Adjustments					-2		
Sovereign or Affiliate constraint					Aaa		
BCA Scorecard-indicated Outcome - Range					baa2 - ba1		
Assigned BCA					baa3		
Affiliate Support notching					0		
Adjusted BCA					baa3		

Balance Sheet	**in-scope (EUR Million)**	**% in-scope**	**at-failure (EUR Million)**	**% at-failure**
Other liabilities	12,410	39.4%	13,035	41.4%
Deposits	8,938	28.4%	8,312	26.4%
Preferred deposits	8,044	25.6%	7,642	24.3%
Junior deposits	894	2.8%	670	2.1%
Senior unsecured bank debt	8,687	27.6%	8,687	27.6%
Preference shares (bank)	500	1.6%	500	1.6%
Equity	944	3.0%	944	3.0%
Total Tangible Banking Assets	31,479	100.0%	31,479	100.0%

Debt Class	De Jure waterfall		De Facto waterfall		Notching		LGF Notching Guidance vs. Adjusted BCA	Assigned LGF notching	Additional Notching	Preliminary Rating Assessment
	Instrument volume + subordination	Sub-ordination	Instrument volume + subordination	Sub-ordination	De Jure	De Facto				
Counterparty Risk Rating	34.3%	34.3%	34.3%	34.3%	3	3	3	3	0	a3
Counterparty Risk Assessment	34.3%	34.3%	34.3%	34.3%	3	3	3	3	0	a3 (cr)
Deposits	34.3%	4.6%	34.3%	32.2%	2	3	2	2	0	baa1
Senior unsecured bank debt	34.3%	4.6%	32.2%	4.6%	2	2	2	2	0	baa1
Non-cumulative bank preference shares	4.6%	3.0%	4.6%	3.0%	-1	-1	-1	-1	-2	ba3

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating
Counterparty Risk Rating	3	0	a3	0	A3	A3
Counterparty Risk Assessment	3	0	a3 (cr)	0	A3(cr)	
Deposits	2	0	baa1	0	Baa1	
Senior unsecured bank debt	2	0	baa1	0	Baa1	Baa1
Non-cumulative bank preference shares	-1	-2	ba3	0	Ba3 (hyb)	

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.
Source: Moody's Investors Service

Ratings

Exhibit 6

Category	Moody's Rating
LEASEPLAN CORPORATION N.V.	
Outlook	Stable
Counterparty Risk Rating	A3/P-2
Bank Deposits -Dom Curr	Baa1/P-2
Baseline Credit Assessment	baa3
Adjusted Baseline Credit Assessment	baa3
Counterparty Risk Assessment	A3(cr)/P-2(cr)
Issuer Rating -Dom Curr	Baa1
Senior Unsecured	Baa1
Pref. Stock Non-cumulative -Dom Curr	Ba3 (hyb)
Bkd Commercial Paper	P-2
Other Short Term	(P)P-2
LEASEPLAN FINANCE N.V. (DUBLIN BRANCH)	
Counterparty Risk Rating	A3/P-2
Counterparty Risk Assessment	A3(cr)/P-2(cr)
Bkd Commercial Paper	P-2
LEASEPLAN AUSTRALIA LIMITED	
Bkd Sr Unsec MTN -Dom Curr	(P)Baa1
Bkd Commercial Paper	P-2
Bkd Other Short Term -Dom Curr	(P)P-2

Source: Moody's Investors Service

Endnotes

1 The main risks are that of a corporate strategy which would favour short-term profit at the expense of the company's long-term creditworthiness as well as the need to upstream substantial profit, which could lead to changes in the company's direction and risk profile.

2 The company (1) has a leading position in the Netherlands, Czech Republic, Greece, Ireland, Norway, Poland, Portugal, Romania, Slovakia and Sweden; (2) is one of the top three car leasing companies in Austria, Belgium, Denmark, Finland, Germany, Hungary, Italy, Luxembourg, Russia, the UK, Spain and Switzerland; and (3) is one of the top five companies in France and Turkey.

3 More than 5% per annum since 2010, except in 2020.

4 Excluding used-car leasing and third party sales

5 Inventories consist of cars and trucks from terminated contracts.

6 This amount includes €85.6 million impairment on lease contracts and €34.7 million valuation allowance on inventories.

7 The ratios are calculated at the regulatory sub-consolidated level, that is to say, LeasePlan Corporation N.V. consolidated.

8 Results of the first 9 months of 2020 will therefore likely not be distributed

9 The bank had already forgone the payment of the final dividend relating to 2019 results

10 The rating shown for Lincoln Financing S.a.r.l. is that of the senior secured notes

11 This is partly mitigated by the large cash position of Lincoln at year-end 2020 (€374 million cash and €171 million interest reserve account).

12 Composed of 4.5% of Pillar 1 requirement, 2.2% Pillar 2 requirement, 2.5% capital conservation buffer, 0.05% of countercyclical buffer (as of end-December 2020). The P2R was revised back in 2020 to 2.8% from 5% previously following the capital relief measure introduced by the ECB/DNB according to which a portion of the P2R can be met with AT1 and Tier 2 capital.

13 Additional services include fleet management, repair and maintenance, damage services and insurance.

14 End-of-contract results include (1) the profit or loss stemming from the disposal of cars coming off leasing contracts in the secondary markets and (2) end-of-contract fees charged to clients for excess wear-and-tear, mileage deviation from contracts etc...

15 Growth rate is calculated on gross income, excluding the negative effect of loan loss impairments.

16 The "Power of One LeasePlan" initiative was launched in 2016 to enhance the company's operating efficiency by centralising key functions, leveraging scale and best practices, and renegotiating contracts with suppliers.

17 LeasePlan reports loan loss charges on lease receivables within revenues.

18 Excluding USA

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CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454