



Rating Action: Moody's upgrades LeasePlan Corporation N.V.'s deposit and senior unsecured debt ratings to A1; outlook stable

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Rating action follows the acquisition of LeasePlan by ALD

Paris, June 07, 2023 – Moody's Investors Service (Moody's) today upgraded LeasePlan Corporation N.V.'s ("LeasePlan") long-term deposit, issuer and senior unsecured debt ratings to A1 from Baa1, changed the outlook on these ratings to stable from positive, and also upgraded the short-term deposit ratings to Prime-1 from Prime-2, following the acquisition of LeasePlan by ALD SA ("ALD", A1 senior unsecured, stable outlook, baa3 BCA). Moody's also affirmed LeasePlan's Baseline Credit Assessment (BCA) of baa3 and upgraded its Adjusted BCA to baa2 from baa3, in line with that of ALD.

Concurrently, Moody's upgraded LeasePlan's senior unsecured Medium-Term Note (MTN) programme and its Backed Commercial Paper programme to (P)A1 and Prime-1 from (P)Baa1 and Prime-2, respectively, as well as its other short-term programme to (P)Prime-1 from (P)Prime-2 and its short-term Deposit Note/CD programme to Prime-1 from Prime-2. Moody's also upgraded LeasePlan's Counterparty Risks Assessments (CR Assessments) to A1(cr)/Prime-1(cr) from A3(cr)/Prime-2(cr) and its Counterparty Risk Ratings (CRRs) to A1/Prime-1 from A3/Prime-2. In addition, LeasePlan's Additional Tier 1 (AT1) securities were upgraded to Ba2(hyb) from Ba3(hyb).

In addition, Moody's upgraded the long-term and short-term CR Assessments and CRRs of LeasePlan Finance N.V. (DUBLIN BRANCH) to A1(cr)/Prime-1(cr) from A3(cr)/Prime-2(cr) and to A1/Prime-1 from A3/Prime-2, respectively, and its Backed Commercial Paper programme to Prime-1 from Prime-2.

RATINGS RATIONALE

LeasePlan's long-term deposit and senior unsecured debt ratings of A1 reflect (1) the bank's BCA of baa3; (2) one notch of affiliate support uplift stemming from Société Générale (A1 deposits, stable outlook, baa2 BCA) through ALD, leading to an Adjusted BCA of baa2; (3) three notches of uplift under Moody's Advanced Loss Given Failure (LGF) analysis, based on the application of its ultimate parent Société Générale's resolution perimeter and reflecting the extremely low loss rate that senior debtholders and depositors are likely to incur in a resolution scenario; and (4) a moderate probability of support from the Government of France (Aa2, stable outlook) applicable to Société Générale's senior debtholders and depositors and extended to ALD and LeasePlan, resulting in one further notch of uplift.

Moody's considers LeasePlan as a highly integrated entity within ALD's operations, with most of the management having a role at both ALD and LeasePlan and with deposits collected by LeasePlan expected to account for 25% of the combined Group's total funding. Consequently, LeasePlan's creditworthiness will become indistinguishable from that of ALD. Moody's therefore aligned LeasePlan's BCA and Adjusted BCA with those of ALD.

The affirmation of LeasePlan's BCA at baa3 is based on the same drivers that underpin ALD's BCA, namely (1) the combined group's strong franchise and leading position in the European car leasing market, (2) its strong ability to generate revenue across the mobility chain, (3) its large structural exposure to residual value risk on used vehicles, (4) its solid overall capitalisation post-closing and (5) its diversified funding profile which will benefit from the ongoing support of Société Générale and its adequate liquidity.

ALD being included in Société Générale's resolution scope, Moody's applies the LGF analysis at the level of the Group, which results into three notches of uplift for LeasePlan's deposit and senior unsecured debt ratings.

Moody's believes that, in case of a group resolution, LeasePlan's senior creditors would benefit from the same moderate probability of support from the Government of France as those of Société Générale. This results into one notch of government support uplift for LeasePlan's deposit and senior unsecured debt ratings.

STABLE OUTLOOK

The outlook on LeasePlan's long-term deposit and senior unsecured debt ratings is stable, reflecting Moody's expectation that ALD's creditworthiness will remain sound despite weakened macroeconomic conditions and declining profits on used vehicle sales.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

LeasePlan's ratings would be upgraded or downgraded following an upgrade or downgrade of the ratings and assessments of ALD.

LeasePlan's BCA could be upgraded in line with that of ALD if the operational risks linked to the integration diminished and if high residual value risk in the context of rapidly evolving mobility technologies and regulations were to subside.

LeasePlan's BCA could be downgraded in line with that of ALD if the new group's financial profile were to weaken, possibly owing to (1) the failure to adequately manage residual value risks, resulting in lower capitalisation and profitability; (2) any evidence of deterioration in the bank's funding and liquidity profiles, for example because of wider-than-expected liquidity gaps; or (3) a structural deterioration in profitability.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks Methodology published in July 2021 and available at <https://ratings.moodys.com/rmc-documents/71997>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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