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CREDIT OPINION
11 July 2023

New Issue

RATINGS

ALD SA

Domicile	Rueil-Malmaison-Fr, France
Long Term CRR	Not Assigned
Long Term Debt	A1
Type	Senior Unsecured - Dom Curr
Outlook	Stable
Long Term Deposit	Not Assigned

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.

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ALD SA

New rated issuer

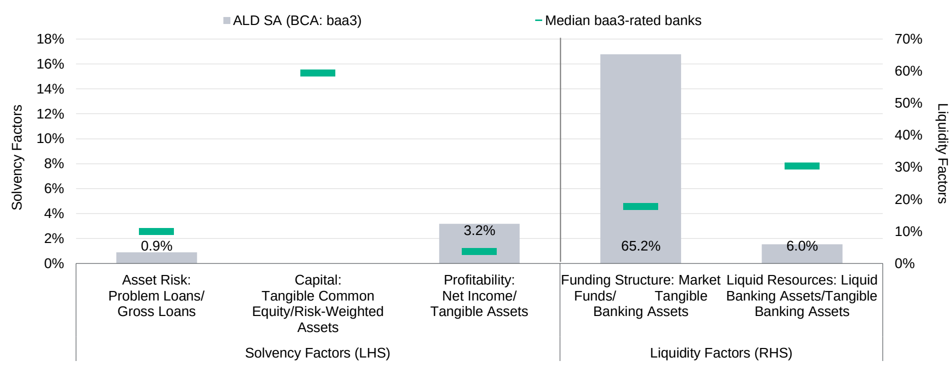
Summary

ALD's long-term issuer and senior unsecured debt ratings of A1 reflect (1) the group's BCA of baa3, (2) a very high probability of affiliate support from its majority shareholder Société Générale (A1 deposits and senior unsecured debt, stable outlook, baa2 BCA), resulting in an adjusted BCA of baa2, (3) three notches of uplift under our Advanced Loss Given Failure (LGF) analysis, based on the application of its parent Société Générale's resolution perimeter and reflecting the extremely low loss rate that senior debtholders are likely to incur in case of failure, and (4) a moderate probability of support from the Government of France (Aa2, stable outlook) for ALD's senior debtholders resulting in one notch of further uplift.

ALD's baa3 BCA reflects (1) the strong franchise and leading position of the combined group ALD/LeasePlan Corporation N.V. ("LeasePlan") in the European car leasing market, (2) its strong ability to generate revenue across the mobility services chain, (3) its large structural exposure to residual value risk on used vehicles, (4) its solid overall capitalisation following the acquisition of LeasePlan and (5) its diversified funding profile which will benefit from the ongoing support of Société Générale and its adequate liquidity. Given the complexity involved with the cross-border acquisition of LeasePlan that will double ALD's size, we believe that operational risks are elevated.

Exhibit 1

Rating Scorecard - Key financial ratios



Notes: (1) Data as of year-end 2022; (2) The capital ratio is not available as of year-end 2022 as risk-weighted assets are not calculated at this date.
Source: Moody's Financial Metrics

Credit strengths

» Leading franchise in multi-brand car leasing in Europe

» Diversified client base with a dominance of large corporate clients across many industries, resulting in strong asset quality

» Solid overall capitalisation post-acquisition of LeasePlan

» Good underlying profitability underpinned by high margins

» Well diversified and matched funding profile benefiting from Société Générale's ongoing support

Credit challenges

» Monoline business model inherent to automotive lessors

» Material exposure to residual-value risk

» Structural reliance on wholesale funding

» Profitability pressure as higher interest rates hit lease margins and extraordinary profits on used car sales decrease

» Increased operational risks linked to the integration of LeasePlan

Rating outlook

The outlook on ALD's senior unsecured debt rating is stable, reflecting our expectation that the group's creditworthiness will remain sound despite weakened macroeconomic conditions and declining profits on used vehicle sales.

Factors that could lead to an upgrade

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

» ALD's adjusted BCA and long-term ratings would be upgraded if Société Générale's BCA and long-term ratings were upgraded.

Factors that could lead to a downgrade

» ALD's BCA could be downgraded if its 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.

» ALD's adjusted BCA and long-term ratings would be downgraded in the case of a downgrade of Société Générale's BCA.

» They could also be downgraded if we assumed a lower probability of affiliate support resulting from lesser strategic importance of ALD for Société Générale, although unlikely at present.

» In addition, ALD's long-term ratings would be downgraded if the rating uplift benefiting Société Générale's senior unsecured debt rating under our LGF analysis were to be lowered.

Key Indicators

Exhibit 2

ALD SA (Consolidated Financials) [1]

	12-22[2]	12-21[2]	12-20[2]	12-19[2]	12-18[2]	CAGR/Avg.[3]
Total Assets (EUR Million)	31,351.0	26,991.4	25,068.7	25,587.9	23,254.3	7.8[4]
Total Assets (USD Million)	33,459.3	30,584.1	30,673.0	28,722.4	26,583.0	5.9[4]
Tangible Common Equity (EUR Million)	6,076.3	4,142.5	3,519.9	3,391.7	3,075.7	18.6[4]
Tangible Common Equity (USD Million)	6,484.9	4,693.9	4,306.8	3,807.2	3,516.0	16.5[4]
Problem Loans / Gross Loans (%)	0.8	0.9	1.0	0.7	0.7	0.8[5]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	3.3	5.0	5.7	4.7	4.7	4.7[5]
Net Interest Margin (%)	2.6	3.0	2.8	2.8	2.9	2.8[5]
Net Income / Tangible Assets (%)	4.1	3.4	2.1	2.3	2.5	2.9[5]
Cost / Income Ratio (%)	34.3	37.0	48.0	46.3	46.0	42.3[5]
Market Funds / Tangible Banking Assets (%)	65.2	70.4	72.4	73.8	74.3	71.2[5]
Liquid Banking Assets / Tangible Banking Assets (%)	6.0	2.9	2.4	2.1	2.6	3.2[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.
Sources: Moody's Investors Service and company filings

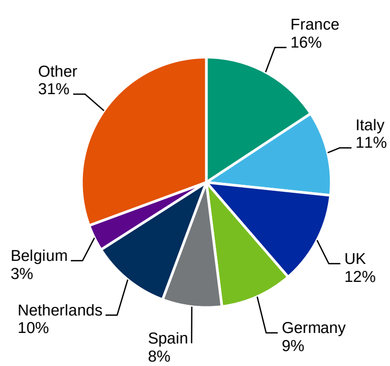
Profile

ALD SA (ALD) is a fleet and vehicle management company based in France with a leading European franchise in full service leasing. As of year-end 2022, the company reported consolidated assets of €31.4 billion and a leasing portfolio of €24.8 billion. The operated fleet was 1.8 million vehicles at year-end 2022, of which 1.46 million were funded by ALD and 0.34 million vehicles were under management contracts. ALD closed the disposal of ALD Russia on 20 April 2023.

Exhibit 3

ALD's lease portfolio is largely focused on European countries

Total fleet breakdown of the new combined ALD/LeasePlan (adjusted for the impact of antitrust remedies)



Based on the sum of ALD's and LeasePlan's total fleets as of December 2022
Source: Company reports.

Since its acquisition of LeasePlan on 22 May 2023, ALD has become a financial holding company, hence subject to European banking regulation and supervised by the European Central Bank. The combined ALD-LeasePlan operated in 44 countries through direct presence, employed 15,700 people worldwide and managed 3.3 million vehicles at end-March 2023.

As of year-end 2022, the standalone LeasePlan reported consolidated assets of €34.5 billion and a leasing portfolio of €21.7 billion representing 1.6 million vehicles, including a funding fleet of 1.3 million vehicles. LeasePlan has been chartered as a bank since 1993 and has collected online saving deposits in the Netherlands since 2010 and in Germany since 2015. ALD will continue to use LeasePlan's bank charter to raise retail deposits on behalf of the group. This funding will then be used to finance the combined group's leasing operations. LeasePlan will still have to comply with regulatory capital and liquidity requirements as a bank on a solo basis. However, we expect these requirements to be managed centrally at ALD and Société Générale's levels.

Société Générale is ALD's majority shareholder with 52.6% of the shares, the former LeasePlan shareholders still hold 30.75%, while the free float represents 16.6%.

Detailed credit considerations

Strong asset quality reflecting well diversified exposures across industries and geographies, but residual value risk is substantial

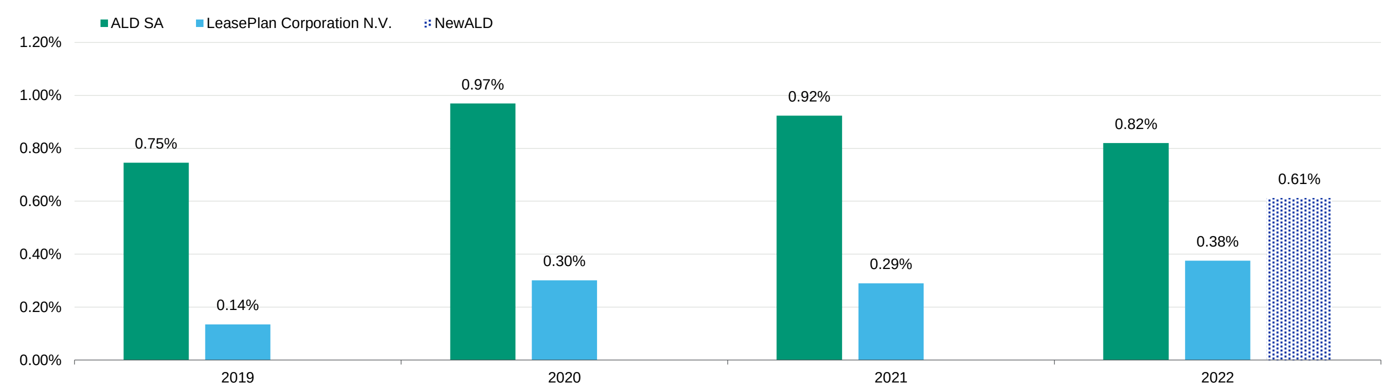
We view ALD's asset quality as strong overall, thanks to its focus on leasing to large corporate clients resulting in only modest cost of risk, but with substantial residual value risk typically stemming from operating leases. ALD's strong asset quality is supported by (i) its ownership of the leased vehicles, which can be repossessed in case of default; (ii) its focus on large international corporate clients, which account for more than two thirds of its lease portfolio, (iii) its diversified client base across various industries and (iv) its footprint in many countries throughout Western Europe.

Asset risk can arise from the customer (lessee) defaulting on the repayment of the leased vehicle (monthly instalment for instance), resulting into provisioning costs in the lessor's P&L. We expect the combined group's cost of risk, which is currently moderate (20 basis points (bps) of gross loans for ALD and 6 bps at LeasePlan in 2022), to modestly increase by 2025 as a consequence of recessionary trends. In addition, ALD's rising exposure to the retail sector, comprising small and mid-sized enterprises (SMEs) and private individuals, may also weigh on the cost of risk. The lower cost of risk recorded at LeasePlan in recent years was a consequence of its lower exposure to SMEs/private individuals and its strong market share in large corporates with higher-end cars. Doubtful leases represented 0.8% and 0.4% of gross leases at ALD and LeasePlan, respectively.

Exhibit 4

Asset quality is strong, which is visible in low historical doubtful lease ratios

Doubtful lease ratios in percentage of gross leases

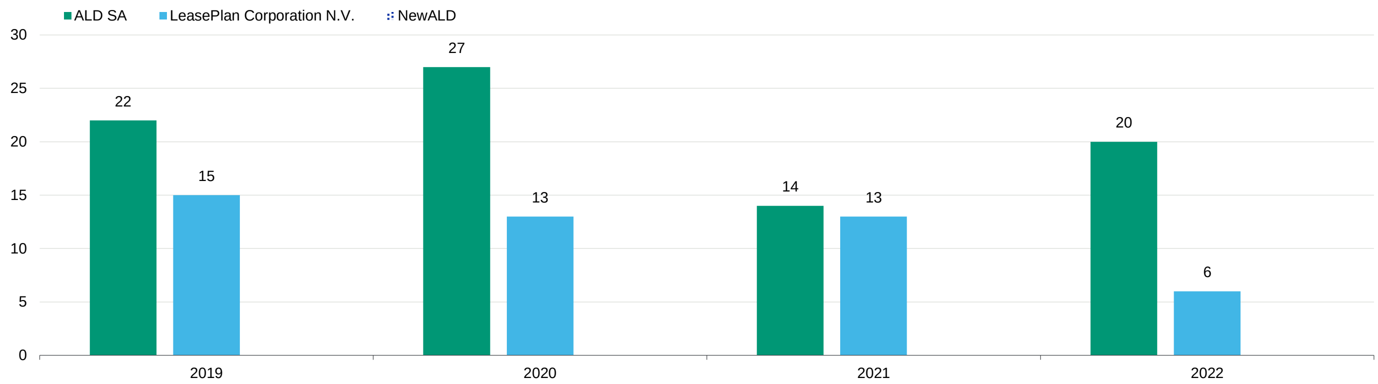


Sources: Company reports and Moody's Investors Service.

Exhibit 5

Cost of risk has been very contained over time at both ALD and LeasePlan

Cost of risk in basis points



Source: Company reports.

The group is also structurally exposed to substantial residual value risk, which arises from the uncertainty surrounding the future market value of vehicles upon the lease contract termination compared with their book value. The residual values of the total lease portfolios were €15.9 billion for ALD and €14.3 billion for LeasePlan at year-end 2022. Residual value risk did not crystallize in any losses in the recent two years because secondhand car market prices skyrocketed in a context of lower supply of cars during the sanitary lock-downs and the recent shortage of semiconductor. We believe that the rapid evolution of technologies in the automotive industry could challenge ALD's ability to adequately estimate residual values. Nonetheless, ALD's multi-brand fleet and its proven track record of residual value management mitigate the risk of losses.

Given the complexity involved with a cross-border acquisition that will double ALD's size, we also believe that operational risks are elevated even if those risks are moderated by the fact the two firms do the same business.

Our Asset Risk score of baa2 is adjusted by five notches from aa3 to reflect substantial exposure to residual value risk and elevated operational risks linked to the integration of LeasePlan.

Solid overall capitalisation post-acquisition of LeasePlan

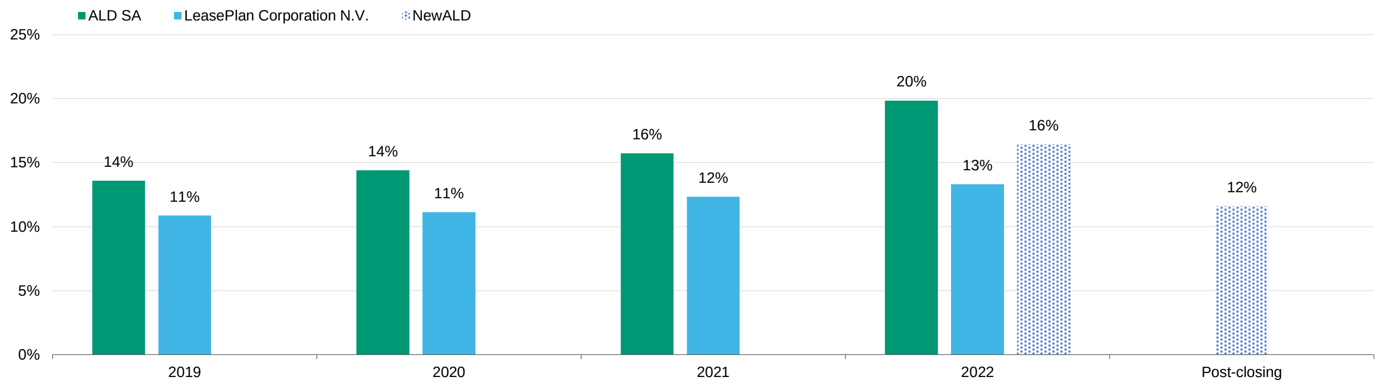
ALD will report a rather modest post-closing regulatory Common Equity Tier 1 (CET1) ratio of approximately 12%, calculated under the Basel Committee's Standardized Approach of credit risk measurement. Nevertheless, we expect that its Total Capital ratio, including Additional Tier 1 (AT1) securities and Tier 2 debt, will exceed 16%. Société Générale plans to maintain ALD's CET1 ratio at around 12% and Total Capital ratio at around 16% going forward, with a dividend pay-out ratio target of 50%. These capital ratios leave a satisfactory management buffer above regulatory requirements.

The leverage ratio, which we calculate as Tangible Common Equity divided by Tangible Assets, is close to 12% post-closing, which is very high and illustrates the high regulatory capital risk weights of operating leases under the Standardized Approach.

Exhibit 6

ALD's leverage ratio will be close to 12% post acquisition of LeasePlan

Tangible Common Equity / Tangible Banking Assets



Sources: Company reports and Moody's Investors Service.

Our Capital score of a2 reflects ALD's solid post-acquisition regulatory capital ratios and public targets.

Good profitability, but temporarily boosted by profits made on used car sales

ALD exhibits a good profitability overall, as the company enjoys high lease margins and a low cost structure (the cost-to-income ratio was 47% in 2022, excluding profits from used car sales), but profitability can be volatile due to residual value risk. ALD's profitability is supported by its strong capacity to generate revenue across the mobility chain. The group's revenue benefits from comfortable financial margins from the leasing business, profits generated by additional services and end-of-contract results.

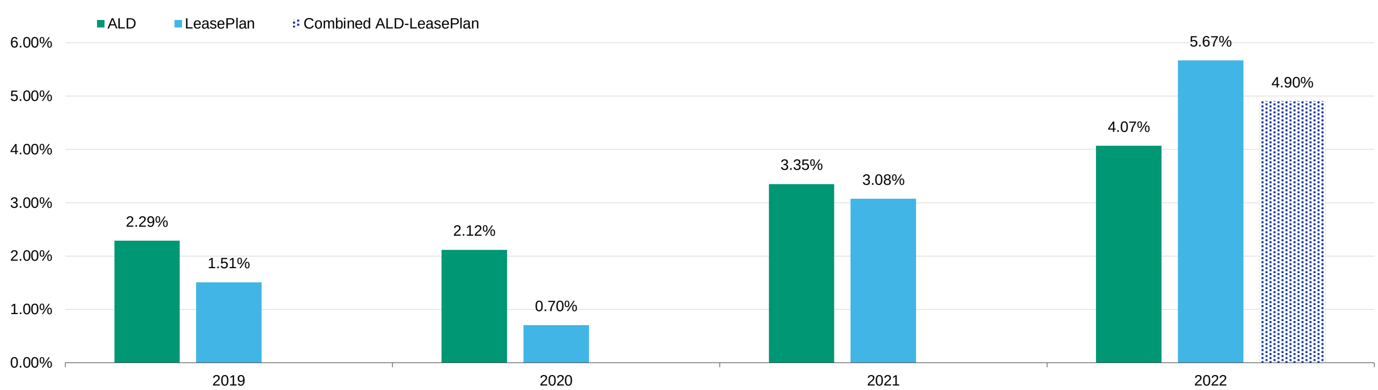
Nonetheless, we believe that higher interest rates will have a negative impact on financial margins over time, as they cannot be fully passed on to customers, especially viewing intense competition in the car leasing market. In addition, although the sale of used cars upon lease termination materially boosted profitability in 2021 and 2022, we expect this source of revenue to progressively normalize and net profitability to decrease going forward.

Consequently, pro forma net income should be closer to 2% of tangible assets in the coming years, in our opinion, from around 4% in 2022. ALD identified annual pre-tax cost synergies of €440 million to be delivered by 2025 for a total investment of €475 million, implying a cost-to-income ratio of 46-47%, excluding profits from used car sales.

Exhibit 7

ALD's and LeasePlan's profitability was boosted by profits made on residual values in 2021 and 2022

Net income /Tangible assets



Source: Company reports and Moody's Investors Service.

Our assigned Profitability score of a1 is adjusted down by two notches from aa2 to reflect an expected decline in profits made on used car sales.

Diversified funding profile, benefiting from ongoing support from Société Générale, and adequate liquidity

ALD has a diversified funding profile, benefiting from Société Générale's ongoing support, which will continue post-closing. ALD's funding will broadly consist of a third provided by Société Générale (€15 billion), a quarter of online retail deposits raised by LeasePlan, a quarter of Euro Medium-Term Notes (EMTNs) and the remainder equally spread between securitization and loans from financial institutions. Société Générale will downstream senior non-preferred debt, Tier 2 debt and AT1 securities, which will form part of ALD's capital and long-term funding profile.

Although on-balance sheet liquidity is modest, ALD's actual liquidity is adequate. ALD's assets and liabilities are matched-funded, enabling liquidity to remain always positive in a runoff scenario. On-balance sheet liquidity will increase with the integration of LeasePlan because of liquidity requirements at LeasePlan linked to deposit funding and Liquidity Coverage Ratio constraints.

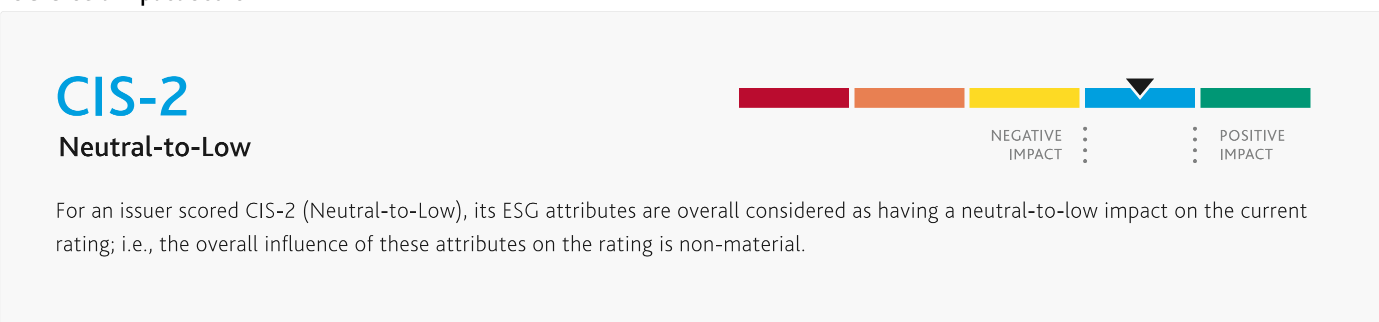
Our assigned Funding Structure score of ba2 and our Liquid Resources score of ba3 reflect the above characteristics.

Our assigned BCA is baa3, one notch below the Financial Profile of baa2. We apply a negative one-notch adjustment for business diversification, given ALD's narrow franchise, as is the case for similar monoline issuers in the car financing business.

ESG considerations

ALD SA's ESG Credit Impact Score is Neutral-to-Low CIS-2

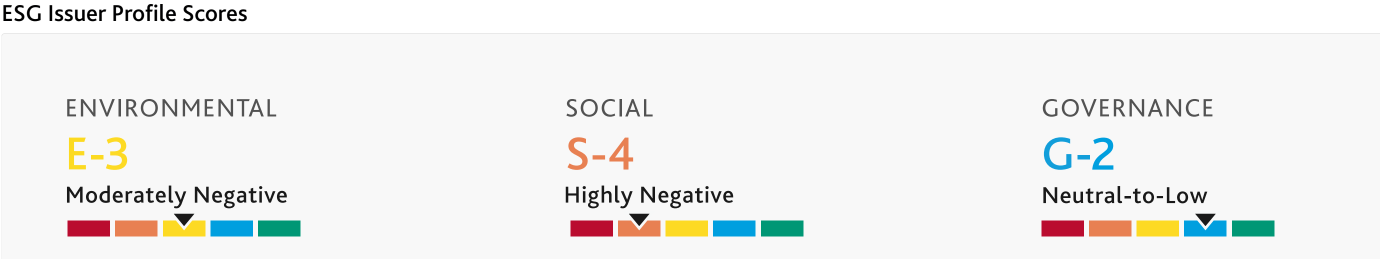
Exhibit 8
ESG Credit Impact Score



Source: Moody's Investors Service

ALD's ESG Credit Impact Score is neutral (**CIS-2**). Environmental risks are moderate and incorporate the need to transition the fleet to battery electric vehicles. Social risks are high, mainly reflecting the risk related to customer relations, typically linked to business dealings with retail individuals. Governance risk is low, reflecting ALD's solid track record of strong financial performance and good management of residual value risk, despite significant execution risks involved in the large-scale acquisition of LeasePlan.

Exhibit 9
ESG Issuer Profile Scores



Source: Moody's Investors Service

Environmental

The moderate credit exposure of ALD to environmental risks reflects the need to transition its very large fleet of rental cars to battery electric vehicles over time, because of stricter environmental regulation and the trend towards low and zero emission vehicles. These vehicles likely have a higher purchase price. At the same time, customers' willingness to pay a higher rate for battery electric vehicles remains uncertain. Residual values for battery electric vehicles could be more volatile, because of potential battery quality issues and battery technology evolution. ALD's carbon transition risks are mitigated by its multi-brand operations, permitting the company to swiftly adapt to evolving client preferences.

Social

ALD has a high exposure to social considerations. This reflects mainly the customer relations risk that brand image and franchise value can be tarnished by highly publicized customer incidents, particularly in its retail business. It is also exposed to fines and reputational damage due to product mis-selling or other types of misconduct. The need to protect large quantities of customer data also poses a customer relations risk. ALD's key product is auto leasing, the demand for which is subject to demographic changes like higher adoption of mass transportation and heightened environmental awareness.

Governance

ALD's governance risks are low despite relatively elevated reliance on its parent for funding and liquidity. The group has well-developed risk management and governance practices in place, in line with industry practices. The management has a solid track record of strong financial performance and has been able to manage residual value risks adequately. ALD's financial strategy and risk management are adequate, but the large-scale acquisition of LeasePlan involves significant execution risks. ALD is majority owned by Société Générale, but the regulation and supervision to which the group is submitted mitigate risks from limited board independence.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Support and structural considerations

Affiliate support

We believe that there is a very high probability of extraordinary support by Société Générale viewing its high stake in the new group (52.6%), all the more so since ALD's activities are due to become one of Société Générale's three strategic pillars. This translates into one notch of affiliate support and an Adjusted BCA of baa2, in line with that of Société Générale.

Loss Given Failure (LGF) analysis

ALD is subject to the European Union's Bank Recovery and Resolution Directive and is included in Société Générale's resolution scope. Therefore, we apply Société Générale's Advanced LGF analysis to ALD's senior creditors, which results in extremely low loss given failure for senior creditors, translating in a three-notch uplift from the Adjusted BCA of baa2.

In our LGF tables below, we present Société Générale's Advanced LGF analysis which drives the loss given failure of ALD's senior creditors. Therefore, the balance sheet figures are those of Société Générale and not ALD.

Government support considerations

We assume a moderate probability of government support in favour of ALD's senior creditors, resulting in a one-notch uplift and long-term issuer and senior unsecured debt ratings of A1. In our opinion, ALD's senior creditors would benefit from the government support that could be provided to its parent Société Générale in view of its systemic importance.

Rating methodology and scorecard factors

Exhibit 10
ALD SA

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	0.9%	aa3	↑	baa2	Non lending credit risk	Quality of assets	
Capital							
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)				a2	Nominal leverage		
Profitability							
Net Income / Tangible Assets	3.2%	aa2	↓↓	a1	Expected trend		
Combined Solvency Score				a3			
Liquidity							
Funding Structure							
Market Funds / Tangible Banking Assets	65.2%	caa1	↑↑	ba2	Term structure	Market funding quality	
Liquid Resources							
Liquid Banking Assets / Tangible Banking Assets	6.0%	b1	↑	ba3	Access to committed facilities	Additional liquidity resources	
Combined Liquidity Score		b3		ba2			
Financial Profile				baa2			
Qualitative Adjustments				Adjustment			
Business Diversification				-1			
Opacity and Complexity				0			
Corporate Behavior				0			
Total Qualitative Adjustments				-1			
Sovereign or Affiliate constraint				Aa2			
BCA Scorecard-indicated Outcome - Range				baa2 - ba1			
Assigned BCA				baa3			
Affiliate Support notching				1			
Adjusted BCA				baa2			

Balance Sheet is not applicable.

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**				
Senior unsecured bank debt	-	-	-	-	-	-	-	3	0	a2

Instrument Class	**Loss Given Failure notching**	**Additional notching**	**Preliminary Rating Assessment**	**Government Support notching**	**Local Currency Rating**	**Foreign Currency Rating**
Senior unsecured bank debt	3	0	a2	1	A1	(P)A1

[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 11

Category	Moody's Rating
ALD SA	
Outlook	Stable
Baseline Credit Assessment	baa3
Adjusted Baseline Credit Assessment	baa2
Issuer Rating	A1
Senior Unsecured -Dom Curr	A1
ST Issuer Rating	P-1
PARENT: SOCIETE GENERALE	
Outlook	Stable
Counterparty Risk Rating	A1/P-1
Bank Deposits	A1/P-1
Baseline Credit Assessment	baa2
Adjusted Baseline Credit Assessment	baa2
Counterparty Risk Assessment	A1(cr)/P-1(cr)
Issuer Rating	A1
Senior Unsecured	A1
Junior Senior Unsecured	Baa2
Junior Senior Unsecured MTN	(P)Baa2
Subordinate	Baa3
Jr Subordinate MTN -Dom Curr	(P)Ba1
Pref. Stock Non-cumulative	Ba2 (hyb)
Commercial Paper	P-1
Other Short Term	(P)P-1
LEASEPLAN FINANCE N.V. (DUBLIN BRANCH)	
Counterparty Risk Rating	A1/P-1
Counterparty Risk Assessment	A1(cr)/P-1(cr)
Bkd Commercial Paper	P-1
LEASEPLAN CORPORATION N.V.	
Outlook	Stable
Counterparty Risk Rating	A1/P-1
Bank Deposits -Dom Curr	A1/P-1
Baseline Credit Assessment	baa3
Adjusted Baseline Credit Assessment	baa2
Counterparty Risk Assessment	A1(cr)/P-1(cr)
Issuer Rating -Dom Curr	A1
Senior Unsecured	A1
Pref. Stock Non-cumulative -Dom Curr	Ba2 (hyb)
Other Short Term	(P)P-1

Source: Moody's Investors Service

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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

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