Pillar 3 Disclosure 2008

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is incorporated in Amsterdam, the Netherlands.

Pillar 3 Disclosure

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List of abbreviations

The following abbreviations and references are used throughout this document:

AIRB	Advanced Internal Ratings Based
AMA	Advanced Measurement Approach
ARC	Asset Risk Committee
BIS	Bank for International Settlements
CRD	EU Capital Requirements Directive
DNB	Dutch Central Bank
EAD	Exposure at Default
ECB	European Central Bank
GAD	Group Audit Department
IAS	International Accounting Standards
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
IRC	Insurance Risk Committee
LGD	Loss Given Default
LPC	LeasePlan's corporate centre
LPC ARM	LeasePlan's corporate Asset risk management
LPC ICM	LeasePlan's corporate International Credit Management
LPC IRM	LeasePlan's corporate Insurance risk management
LPC ORM	LeasePlan's corporate Operational risk management
LPC QRM	LeasePlan's corporate Quantitative risk management
LPC RM	LeasePlan's corporate risk management
ORC	Operational Risk Committee
PD	Probability of Default
RWA	Risk Weighted Assets
TPL	Third Party Liability
Wft	Wet op het Financieel Toezicht (Financial Supervision's Act)

'LeasePlan' is, where appropriate, used as a reference to LeasePlan Corporation N.V. as a group of companies forming part of LeasePlan Corporation N.V.

A list of principal consolidated companies within LeasePlan Corporation N.V. and a list of principal associates and jointly controlled subsidiaries that are accounted for under net equity accounting are included at the end of this document.

1 Introduction

This is LeasePlan's first Pillar 3 report in accordance with the disclosure requirements as included in the EU Capital Requirements Directive (CRD). In addition to LeasePlan's annual report 2008, this Pillar 3 report describes LeasePlan's risk management framework, the measurement of risk positions into Risk Weighted Assets (RWA) and how these risk positions translate into capital requirements and subsequently, how these requirements relate to the actual capital position of the company.

The CRD is based on the Basel II framework, prepared by the Basel Committee on Banking Supervision. The fundamental objective of the Basel Committee was to develop a framework that would further strengthen the soundness and stability of the international banking system. The framework aims at significantly more risk-sensitive capital requirements by the introduction of more diversification when translating risk positions into capital requirements. The framework promotes the adoption of stronger risk management practices by the banking industry by introducing greater use of assessments of risks provided by a bank's internal systems as input to capital calculations. The Basel II framework is built on three pillars:

Pillar 1 – defines the rules and regulations for calculating RWA and regulatory minimum capital requirements.

Pillar 2 – addresses a bank's internal process for assessing overall capital adequacy in relation to its risks, as well as the Supervisory review process.

Pillar 3 – focuses on market discipline, a set of minimum disclosure requirements.

With the introduction of the 3rd Pillar, the Basel Committee aimed at encouraging banking institutions to disclose information that will allow market participants to assess key pieces of information on the scope of application, capital, risk exposures, risk assessment processes, and hence the capital adequacy of banking institutions. A basic principle is that a bank's disclosures should be consistent with how it assesses and manages the risks, meaning that it should be based largely on internally available risk management information.

1.1 Purpose

This document comprises LeasePlan's response to the requirements of Pillar 3 as laid out in Annex XII of the CRD.

1.2 Scope

This report describes LeasePlan's risk management framework and capital management. In its annual report 2008, LeasePlan has in a summarised format also presented disclosure on its risk framework, its risk positions and its capital position.

In this Pillar 3 report LeasePlan aims at providing more detailed insight on the risks inherent to its business, how these are managed and how these relate to capital requirements. For the purpose of transparency the relation between the information provided in this report and the annual report is made visible where considered necessary.

1.3 Frequency

As from 2009, the disclosures will be made public annually, coinciding with the publication of LeasePlan's annual report. The disclosures will be made public on LeasePlan's website.

1.4 Structure of the report

This Pillar 3 disclosure contains the following sections:

- Risk management objectives and policies
- Capital adequacy
- Credit risk
- Operational risk
- Asset risk
- Market risk on interest and currency
- Liquidity risk
- Insurance risk

All amounts included in this report are in thousands of euros and refer to the situation as at 31 December 2008, unless stated otherwise.

2 Risk management objectives and policies

2.1 Introduction

LeasePlan is a specialised Dutch bank focused on operational vehicle leasing. As a market leader in the fleet management industry, we stand out by virtue of our international network with subsidiaries in 30 countries and the experience and expertise gained over more than 45 years in business. LeasePlan employs around 6,200 people worldwide and manages a consolidated lease portfolio of approximately EUR 14 billion. In order to finance assets for our clients we are an active player on international capital and money markets. Headquartered in the Netherlands LeasePlan holds a general banking licence since 1993 and is subject to supervision by the Dutch Central Bank (DNB).
In view of the specific nature of its business, the risk profile of LeasePlan to a large extent differs from most other banks.

The key risks inherent to LeasePlan's business activities are credit risk, operational risk, asset risk, market risk on interest and currency, liquidity risk and insurance risk. These risks and how they are managed are described in chapters 4 till 9.

The largest part of LeasePlan's portfolio consists of operational leasing in which LeasePlan bears the residual value risk, being the (possible) difference between the residual value estimated at lease inception and the actual market price at contract termination. More details in this respect are described in chapter 6 regarding asset risk.

It is important to note that LeasePlan focuses on operational leasing in which it has long experience and for which it is equipped to adequately manage the inherent risks. Other activities are limited in size and LeasePlan's risk appetite in such other activities is per definition very low.

2.2 Basel II implementation

The Basel II framework offers different approaches for the calculation of regulatory capital requirements. Banks have the option to choose from standardised to more advanced approaches where advanced approaches are largely supported by internal risk management models.

LeasePlan decided to prepare for the implementation of the most advanced approaches to calculate RWA for both credit risk and operational risk, based on the following considerations:

- LeasePlan considered Basel II as an opportunity to further professionalise its risk management framework group wide.

- As one of the leading operational car leasing companies worldwide, it is one of the strategic goals to act as a professional organisation with high standards of risk management; with high standards already available in the pre-Basel II period, adoption of advanced approaches was considered controllable.

- The limited range of products and a globally harmonised approach for processes and products, in combination with an existing worldwide infrastructure would strongly ease the implementation of advanced approaches.

At the end of 2008, LeasePlan received approval from the DNB for the use of advanced approaches for calculating regulatory capital requirements. As from 1 December 2008, LeasePlan reports its capital requirements using the Advanced Internal Ratings Based Approach (AIRB) for credit risk and the Advanced Measurement Approach (AMA) for operational risk.

The specific elements related to the implementation of the approaches are disclosed under the relevant specific risk area in chapters 4 and 5 of this document.

2.3 Risk management objectives

Risk, being the chance of occurrence of an event that will have an (negative) impact on the objectives of the organisation, is inherent to LeasePlan's business operations. Risk management aims at reducing the frequency and/or the consequences of risk events, and enables management to evaluate and balance the risks and rewards related to the business operations. As such, high quality risk management is also considered offering opportunities. By correctly assessing the relevant risks at the inception of each lease, LeasePlan maintains a healthy balance between risk and reward and properly differentiate its prices towards each client segment.

2.4 Structure and organisation

LeasePlan uses a risk control cycle to manage its risks, comprising:

- Risk identification and assessment
- Risk measurement
- Risk monitoring
- Risk mitigation and control

LeasePlan's Managing Board sets policies and conditions that reflect the risk appetite per risk area and that should be adhered to by business managements in its subsidiaries. As mentioned before, the key risks inherent to LeasePlan's business activities are:

- Credit risk
- Operational risk
- Asset risk
- Market risk on interest and currency
- Liquidity risk
- Insurance risk

Each of these risks is individually discussed in later sections of this report where the individual risk components, measurement techniques and management practices are described in detail. Responsibilities of risk management in the different risk control phases are delegated to LeasePlan's corporate risk management department (LPC RM), LeasePlan's corporate risk committees and local (risk) management. The Group Audit Department (GAD) of LeasePlan regularly audits corporate and local risk management processes.

2.4.1 LeasePlan's corporate risk management

LPC RM is headed by the Senior Corporate Vice-President Risk Management (SCVP RM) who reports to LeasePlan's Chief Financial Officer. In the role as Group Compliance Officer, the SCVP RM reports directly to the Chief Executive Officer of LeasePlan.

LPC RM is responsible for ensuring a continued high quality risk framework within LeasePlan, to measure and report on LeasePlan's risk positions and to create awareness and understanding of risks at all levels. Part of the responsibilities is monitoring the activities of LeasePlan's subsidiaries and specifically, adherence to LeasePlan's policies and the set limits. LPC RM provides support to businesses regarding risk issues based on the LeasePlan principles and best practices. LPC RM also participates in initiatives that require involvement of risk management due to the perceived (expected) risk profile. Furthermore, LPC RM coordinates and prepares the meetings of the LPC risk committees.

On a quarterly basis LPC RM publishes standardised reports on the main risks LeasePlan is exposed to. These reports are used to inform the Supervisory Board, the Managing Board and other senior stakeholders of LeasePlan.

2.4.2 Risk committee

In respect of the risk management structure, the following committees exist within LPC:

- Audit Committee (AC)
- Asset and Liabilities Committee (ALCO)
- Group Credit Committee (PMCC)
- Asset Risk Committee (ARC)
- Insurance Risk Committee (IRC)
- Operational Risk Committee (ORC)

The AC comprises of members of the Supervisory Board and Managing Board of LeasePlan and discusses quality of governance, control and risk management. The other committees comprise of at least two members of the Managing Board, the SCVP-RM and a senior risk manager and are completed by senior management involved in the respective risk domains. The AC and ALCO meet on a quarterly basis. All other committees meet on a six-weekly basis. The specific LPC risk committees act as an advisory function towards LeasePlan's Managing Board with respect to all matters related to the specific risk area. All meetings have fixed agenda items related to policies, portfolio, exposure developments and risk reporting. All meetings are minuted.

2.4.3 Local (risk) management

Local management is responsible for managing a subsidiary's risks within the policies and limits as set by LeasePlan's Managing Board. As part of this responsibility local management is expected to set up and maintain comprehensive risk management systems which cover all risks inherent to the business. Within this risk framework local risk committees have been established in which all relevant risks are discussed on at least a quarterly basis. The size of the local risk management department varies between the subsidiaries and depends on the size of the activities, the maturity of the subsidiary and the local leasing market.

2.4.4 Group Audit Department

GAD performs audits of both central and local organisations. Part of GAD's working program is an evaluation of the existence and effectiveness of the governance, risk management and control activities. GAD reports its findings to LeasePlan's Managing Board; its reports are discussed in the Internal Audit Meeting (IAM) and the AC.

3 Capital adequacy

3.1 Capital resources

The eligible capital (BIS capital) that is compared against the risk weighted exposures of LeasePlan consists of Tier 1 capital and Tier 2 capital. The Tier 1 capital is derived from LeasePlan's total equity position. In order to arrive at the Tier 1 capital, adjustments to the total equity are required for the prudential filters (IAS 39) and a part of the acquisition related intangible assets (IFRS 3). The Tier 2 capital is represented by the subordinated loans concluded by LeasePlan. The eligible capital as at 31 December is shown in the following table:

Share capital	71,586
Share premium	506,398
Translation reserve	-56,368
Hedging reserve	-145,003
Retained earnings	1,007,459
Shareholders' equity	**1,384,072**
Minority interests	-
Total equity	**1,384,072**
Prudential filter hedging reserve	145,003
Goodwill and related intangibles	-95,405
AIRB provision shortfall	-672
Tier 1 capital	**1,432,998**
Subordinated loans	498,381
BIS capital	**1,931,379**

3.2 Capital requirements under Pillar 1

To monitor the adequacy of its capital LeasePlan uses ratios established by the Basel Committee of the Bank for International Settlements (BIS). These ratios measure capital adequacy by comparing LeasePlan's eligible capital with its balance sheet assets, off-balance sheet commitments, both at weighted amounts to reflect their relative risk and operational risk profile.

In November 2008 LeasePlan received approval from the DNB to use AIRB for credit risk and AMA for operational risk, to determine the risk weighting. Credit risk, mainly in the form of leases to clients, is risk weighted based on the outcome of models developed by LeasePlan. These models are developed based on defined rules as set out by the Basel Committee (and as laid down in the Capital Adequacy Directive) and are continuously tested for their predictive quality. These models are annually validated by external parties.

In respect of operational risk, no balance sheet exposures exist. Therefore capital requirements for operational risk are obtained from the outcome of models that track historic losses and anticipate low frequency - high risk events and predict from this the capital that is needed to cover the maximum (operational) loss LeasePlan could incur under extreme circumstances. For the calculation of risk weights of other on-balance sheet and off-balance sheet exposures the standard approaches as described in the CRD are used.

The following table analyses actual capital and the minimum required capital under Pillar 1 as at 31 December:

	Minimum required	Actual
Risk weighted assets		**12 ,003,437**
BIS capital		
Credit risk leased assets (section 4.5.6.1)	628 ,117	
Credit risk other assets (section 4.5.6.2)	172,856	
Operational risk (section 5.6)	127 ,281	
Currency risk (section 7.2.5)	32 ,020	
	960 ,274	**1,931,379**
BIS ratio	8.0%	16.1%
Tier 1 capital	480	1,434
Tier 1 ratio	4.0%	11.9%

The above overview is prepared without taking into account the capital floor that is applicable in relation to the implementation of Basel II regulation. Under the capital floor regulation the RWA to be used as at 31 December 2008 may not be below 90% of the RWA as calculated under the former Basel I methodologies. Including application of the capital floor, the comparison between minimum required and actual capital shows the outcome as displayed in the following table.

	Minimum required	Actual
Risk weighted assets (Basel I)		**16 ,318,070**
Application of floor of 90%	14 ,686,263	
BIS capital		
Application of floor 90%	**4,174,901**	**1,931,379**
BIS ratio	8.0%	13.2%
Tier 1 capital	587	1,434
Tier 1 ratio	4.0%	9.8%

In 2009 a capital floor of 80% of Basel I RWA needs to be applied. In monitoring the adequacy of its capital, LeasePlan is constantly reviewing the development in (risk weighted) exposures on the one hand and the development in eligible capital on the other hand. Developments in (risk weighted) exposures typically represent movements in the portfolio's opportunities for growth of LeasePlan's core business. The eligible capital will normally grow with profits realised and retained. LeasePlan has a dividend policy that supports the maintenance of adequate capital ratios.

3.3 Capital requirements under Pillar 2

Under the second Pillar of the Basel II Framework, banking institutions are expected to enhance the link between its risk profile, its risk management and risk mitigation systems and its capital. The main principle is that institutions assess the adequacy of its capital held in view of the risks it is exposed to. This process is referred to as Internal Capital Adequacy Assessment Process (ICAAP). The assessment of risks goes beyond the minimum requirements as determined in the Pillar 1 process and involves broadly:

- Risks considered under Pillar 1 that are not fully covered under the Pillar 1 process
- Factors not taken into account by the Pillar 1 process
- Factors external to the bank (business cycle effects)

LeasePlan uses the outcome of the Pillar 1 calculations as a basis for its calculation of internal capital requirements for Pillar 2. Risk types that are *not* addressed under Pillar 1 and for which additional capital is maintained under Pillar 2 are:

Concentration risk

The risk related to the degree of diversification in the lease portfolio, i.e. the risk inherent in doing business with large customers or not being equally exposed across industries and regions.

Insurance risk

The possibility that damages incurred for the account of LeasePlan exceed the premiums charged for these risks.

Interest rate risk

The risk that the profitability of LeasePlan is affected by interest rate movements.

The internal assessment of risks have resulted in an outcome of internally required capital for credit risk and residual value risk that differs from the amounts that are being calculated under Pillar 1. Under Pillar 1, a clear split is required to be made between the contractual amounts due of a client during the contract period (credit risk) and the residual value as set in that contract (residual value risk). Since LeasePlan, under operational leasing, funds the total investment of the vehicle to its clients and contractually transfers market risk (in case of a termination of the contract by the client before original expiry date) partly or totally to the client, the total investment is considered a credit risk during the contract period.

Separately, LeasePlan calculates internally required capital for the residual value positions taken. At the end of 2008 the calculation of internally required capital for residual value risks was based on the total of risk bearing residual value positions. The amount was determined by applying a 2% charge on the total residual value risk bearing position. The outcome of this calculation is compared with the consolidated outcome of fleet risk assessments, which are an estimate of the expected termination results of the total running fleet and stock per subsidiary. LeasePlan's philosophy is that the internal capital requirement should at any time be higher than the consolidated residual value risk exposure.

In the ICAAP, LeasePlan translates all risks assessed to an 8% capital requirement. On top of that, an additional capital buffer is considered which represents LeasePlan's rating ambition and risk appetite. The aggregate of internal capital requirements before buffer add-up is approximately 12.5% higher than the Pillar 1 capital requirements.

4 Credit risk

4.1 Credit risk objective

As a result of its normal business activities LeasePlan is exposed to credit risk which is the risk that the counterparty will be unable to fulfil its financial obligations when due. This credit risk mainly relates to vehicles leased to clients, represented by the amortisation of leased vehicles that still need to be invoiced in future lease rentals and lease rentals that have become payable.

4.2 Credit risk structure and organisation

Within LeasePlan, the organisation of credit risk management has the following governance structure:

LeasePlan's Managing Board sets authority levels for all local LeasePlan subsidiaries, based on which each subsidiary is allowed to decide on client acceptance and renewal. Above the subsidiaries' authority, LeasePlan's International Credit Management (LPC ICM), the LPC Credit Committee (LPC CC) or the Credit Committee of the Supervisory Board is authorised to come to the ultimate decision. The authorities are being granted based on size of the subsidiary and perceived quality of credit management and are reviewed by the LPC CC in its six-weekly meetings.

LeasePlan has an internally developed worldwide workflow in place that enables it to efficiently and in accordance with granted authorities handle and monitor credit proposals. LeasePlan has issued policies to its local subsidiaries, which regulate the governance of the local credit management organisation and set limits to industry sectors with which LeasePlan can do business. LeasePlan subsidiaries are required to define their risk appetite and set their local limits in respect of counterparty and concentration risks, as well as the types of business and conditions thereof in local policies. Further policies and guidelines exist on the data and reports to be provided.

GAD pays, during their audits, specific attention to the way credit risk management has been organised and embedded in the organisation. For this purpose GAD has defined specific activities in its working program.

The primary task of the LPC CC is to decide in regular meetings on credit proposals from its local subsidiaries. It concerns more specifically those proposals that exceed the local authority levels and LPC ICM authority.

LPC Quantitative risk management (LPC QRM) is responsible for monitoring and analysing performance of the internal risk models and underlying risk components. In the model development phase LPC QRM performs an internal pre-validation of the model and advises on the expected performance of the models to be validated and implemented. The LPC QRM function reports to the SCVP RM, works in consultation with the several risk management disciplines and is supported by external parties.

In daily meetings LPC ICM decides within its own delegated authority on credit proposals from the LeasePlan subsidiaries that exceed their local authority levels. LPC ICM also advises the LPC CC on items concerning adjustments of delegated authorities, development of local portfolios and introduction and adjustment of credit risk management policies and guidelines. Furthermore LPC ICM initiates the introduction and review of rating models and score cards.

The tasks of local credit management organisations, including the local credit committee comprise among others, the following:
- Define a clear internal credit acceptance policy
- Decide on credit proposals
- Regularly review the overdue accounts receivables and the doubtful debtors
- Regularly review the local watch account list, containing all clients that need special attention with regard to credit management

In principle, the Managing Director and the Finance Director of a local subsidiary form part of the local credit committee. The local credit committees act independently from the commercial business area.

4.3 Credit risk measurement

LeasePlan assesses the probability of default (PD) of individual lessees using internal rating tools tailored to the various categories of lessees. They have been developed internally and combine statistical analysis with credit authority judgement and are benchmarked, where appropriate, by comparison with externally available data. The governance built around models ensures that the rating tools are kept under constant review and are adjusted, if necessary. For this purpose LeasePlan regularly monitors if the performance of the models meets internal and external requirements. All models are annually validated by an external party.

LeasePlan also measures concentration risks in the credit portfolio. In this respect the following credit risk items are assessed:
- Large exposures (single clients or groups of clients)
- Geographic segmentation
- Industry segmentation

Furthermore, LeasePlan periodically performs several stress test scenarios. Per policy each LeasePlan subsidiary is required to maintain a special attention and watch list based on the internal rating grade and other available information. These lists are reviewed in six-weekly meetings by the credit committees. Credit risk exposures are monitored on a daily basis.
A qualitative analysis of LeasePlan's total credit exposures, defaults and losses is reported on a quarterly basis.

4.4 Credit risk exposure

4.4.1 Information on credit risk exposure

Due to accounting principles the credit risk exposure presented in this Pillar 3 report differs in some areas from the credit risk exposure as presented in LeasePlan's annual report. The credit risk exposure presented in this report is distributed by exposure classes, while in the annual report credit risk exposure is reflected in two separate items in the consolidated balance sheet items: 'Amounts receivable under finance lease contracts' (under 'Receivables from customers') and 'Property and equipment under operational lease and rental fleet'. The total credit risk exposure to leasing clients as distributed in the annual report is shown in the following table:

Credit risk exposure	
Amounts receivable under finance lease contracts	2,252,919
Property and equipment under operational lease and rental fleet	11,950,972
Total credit risk exposure	**14,203,891**

This amount represents LeasePlan's total exposure to clients with respect to lease contracts. In the remainder of this section, this will be used to provide further information on credit risk exposures.

4.4.2 Credit risk exposure by approach

Effective 1 December 2008 the Group implemented advanced models (AIRB) for calculating the regulatory capital requirement for credit risk under the Basel II regime.

The models for credit risk relate especially to the determination of:

- The probability of default (PD)
  The likelihood of a client that is assigned a rating getting into default in the next twelve months (expressed in %)
- The loss given default (LGD)
  The loss the Group historically has experienced to incur when a client has defaulted (expressed in %)
- The exposure at default (EAD)
  The actual exposure to a client at the moment of measurement and expressed as expected amount if a client would go into default (in nominal currency represented by the remaining amortising book value of lease contracts)

The models for credit risk are applied to all client exposures, except those related to governments, banks and retail clients. For these exposures LeasePlan applies the standardised approach which prescribes fixed percentages for risk weighting depending on characteristics and conditions of the exposure. The number of counterparties and the total exposures related to the exposure classes banks and governments are relatively low; as a result development of internal models for these exposure classes that meet internal standards is not achievable against reasonable costs. In respect to retail clients LeasePlan is in preparation of implementing an advanced model approach before December 2011. The following table shows the credit risk exposure distribution by exposure class and approach:

Distribution by exposure class and approach

Exposure class	AIRB	Standardised	Total
Corporates	11,363,429	485,671	11,849,100
Governments		458,789	458,789
Banks		231,594	231,594
Retail		1,417,492	1,417,492
Other		246,916	246,916
	11,363,429	**2,840,462**	**14,203,891**

4.4.3 Credit risk exposure by geography

In presenting information on the basis of geographical segments, the distribution of credit risk exposure is based on the geographical location of the assets.

- The ‘Europe – euro’ segment contains LeasePlan’s subsidiaries in Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Romania and Spain.
- The ‘Europe – non-euro’ segment contains the subsidiaries in Czech Republic, Denmark, Hungary, Norway, Poland, Slovakia, Sweden, Switzerland and the United Kingdom.
- The ‘Rest of the world’ segment contains the subsidiaries in Australia, Brazil, India, Mexico, New Zealand and the United States of America.

The subsidiaries in Turkey and the United Arab Emirates are not included in this distribution since they are not consolidated in the Group’s financial statements.

The following table shows the credit risk exposure distribution by exposure class and by geography:

Distribution by exposure class and geography

Exposure class	Europe (euro)	Europe (non-euro)	Rest of the world	Total	
Corporates	7,659,278	2,495,028	1,694,794	11,849,100	83%
Governments	199,473	237,696	21,620	458,789	3%
Banks	197,116	20,704	13,774	231,594	2%
Retail	723,050	686,942	7,500	1,417,492	10%
Other	217,370	19,964	9,583	246,916	2%
	8,996,287	**3,460,334**	**1,747,271**	**14,203,891**	
	63%	**25%**	**12%**		

4.4.4 Credit risk exposure by industry

The following table shows the credit risk exposure distribution by exposure class and by industry type:

Distribution by exposure class and industry type

	Corporates	Governments	Banks	Retail	Other	Total	
Agriculture forestry and fishing	50,985			11,119		62,104	0%
Automotive	90,250			12,254		102,504	1%
Banks and financial intermediation	222,720		231,594	44,060		498,374	4%
Building materials	27,260			2,203		29,462	0%
Capital goods	1,612,366			130,734		1,743,100	12%
Chemicals	1,053,019			22,317		1,075,336	8%
Construction and infrastructure	1,024,597			146,748		1,171,345	8%
Consumer durables	1,601,109			188,322		1,789,431	13%
Diversified-others	462,895			77,266		540,162	4%
Food, beverages and tobaco	588,882			12,803		601,685	4%
Health care	135,531			21,776		157,307	1%
Insurance and pensionfunds	232,357			10,663		243,019	2%
Leisure and tourism	49,181			19,145		68,326	0%
Media	88,935			15,221		104,156	1%
Natural resources	238,174			12,912		251,087	2%
Oil and gas	121,187			2,065		123,252	1%
Private individuals	7,840			102,967		110,806	1%
Public administration	102	458,789		7,822		466,713	3%
Real estate	103,937			32,051		135,988	1%
Retail	248,233			41,946		290,180	2%
Services	2,045,986			403,555		2,449,541	17%
Technology	687,079			46,346		733,425	5%
Telecom	350,821			11,127		361,949	3%
Transport and logistics	490,613			34,696		525,309	4%
Utilities	312,461			5,088		317,549	2%
Other	2,580			2,285	246,916	251,782	2%
Total	**11,849,100**	**458,789**	**231,594**	**1,417,492**	**246,916**	**14,203,891**	**100%**

4.5 Risk weighted assets and capital requirements under Pillar 1

The AIRB approach measures credit risk using internal data for:

- PD
- LGD
- EAD
- Remaining expected maturity (M)

4.5.1 Probability of default

4.5.1.1 Rating system

LeasePlan has currently an internal rating system for its exposure class 'corporate clients'. Corporate clients are segmented into fourteen non-default rating classes. LeasePlan's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their PD changes. LeasePlan's internal rating scale and mapping of external ratings are:

LeasePlan's rating	Description of the grade	External rating: Standard & Poor's equivalent
1	Prime	AAA/AA-
2A	Very strong	A+
2B	Strong	A
2C	Relatively strong	A-
3A	Very acceptable	BBB+
3B	Acceptable	BBB
3C	Relatively acceptable	BBB-
4A	Very sufficient	BB+
4B	Sufficient	BB
4C	Relatively sufficient	BB-
5A	Somewhat weak – special attention	B+
5B	Weak – special attention	B
5C	Very weak – watch	B-
6A	Sub-standard – watch	CCC+/C

The ratings of Standard & Poor's shown in the table above are mapped to LeasePlan's rating classes based on the long-term average default rates for each external grade. LeasePlan uses the external ratings where available to benchmark its internal credit risk assessment. Observed defaults per rating category vary year-on-year, especially over an economic cycle.

The governance built around models ensures that the rating tools are kept under constant review and are adjusted if necessary. For this purpose LeasePlan monitors on a quarterly basis, if the performance of the models meet internal and external requirements. All models are reviewed annually and are subject to validation by an independent external party.

4.5.1.2 Probability of default ranges

To each rating grade a PD is assigned based on historical default data. The table below summarises the credit ratings of the credit risk exposure of LeasePlan into the applied PD ranges:

LeasePlan's rating	Credit risk exposure	PD range	
1	896,058	0.00%	0.03%
2A to 2C	4,052,114	0.03%	0.17%
3A to 3C	4,409,817	0.17%	0.39%
4A to 4C	2,107,593	0.39%	1.23%
5A to 5C	351,523	1.23%	15.41%
6A	4,733	15.41%	58.10%
Unrated	2,382,053		
Total	**14,203,891**		

The average total exposure weighted PD for LeasePlan amounts to 0.47%.

For the application of PDs in calculating capital requirements a distinction should be made between Pillar 1 and Pillar 2. According to Pillar 1 regulation, the residual values in LeasePlan's credit risk exposure (approximately 58% of the total credit risk exposure) are subject to a different risk weighting calculation than the future lease payments. As a result, under Pillar 1, PDs are only used for the calculation of risk weight of future lease payments. Under Pillar 2, PDs are applied to the full client exposure. Reference is also made to the explanation in section 3.3.

The overview below shows the split of client exposures between future lease payments and residual values in the contracts and their risk weights under Pillar 1. The calculation of risk weight for residual values is based on the remaining maturity of the underlying lease contract whereby a shorter remaining maturity results in a higher risk weight. Since the average remaining maturity of lease contracts is approximately 2 years (see section 4.5.4), residual values have a relatively high risk weight when compared with the risk weight of future lease payments.

	Credit risk exposure	Risk weight	Risk weighted assets
Future lease payments	6,013,938	37.82%	2,274,197
Residual value	8,189,953	68.10%	5,577,266
	14,203,891	**55.28%**	**7,851,463**

4.5.2 Loss given default

LeasePlan uses internal LGDs based on historical default data. These LGDs are calculated separately for each collateral type (cars & vans, trucks and equipment) and for each country in which LeasePlan is active. The table below summarises the credit ratings of the credit risk exposure of LeasePlan with the effective exposure weighted LGDs.

LeasePlan's rating	Credit risk exposure	Effective LGD
1	896,058	28.59%
2A to 2C	4,052,114	29.13%
3A to 3C	4,409,817	29.73%
4A to 4C	2,107,593	30.11%
5A to 5C	351,523	32.94%
6A	4,733	33.18%
Unrated	2,382,053	
Total	**14,203,891**	

The LGDs per exposure class do not materially differ from the table above. The average exposure weighted LGD for LeasePlan is 29.60%.

4.5.3 Exposure at default

The conversion factor for the EAD is 1.0 of the original credit risk exposure. The main driver for this conversion factor is that in general LeasePlan has no obligation towards clients to execute new orders at any time.

The original risk exposure is derived from the remaining amortising book value of lease contracts adjusted for provisions for clients in default. LeasePlan's main default criteria are overdue past 90 days and management's judgement of a client's inability to fulfill its financial obligations. The latter criterion is used to avoid disputes with clients being reported as defaults.

4.5.4 Remaining expected maturity

The exposure weighted remaining maturity as shown below is based upon residual contractual maturity which is calculated per single object and aggregated on client level:

LeasePlan's rating	Credit risk exposure	Maturity (in years)
1	896,058	2.00
2A to 2C	4,052,114	1.95
3A to 3C	4,409,817	1.96
4A to 4C	2,107,593	1.99
5A to 5C	351,523	1.90
6A	4,733	1.50
Unrated	2,382,053	
Total	**14,203,891**	

4.5.5 Risk weight

The risk weight for assets in the credit risk exposure under the AIRB approach is calculated using the parameters as set in the internal models for PD, LGD, EAD and Maturity. The risk weights for assets in the credit risk exposure under the standardised approach are provided by the DNB as laid down in the Supervisory regulation on solvency requirements for credit risk.

4.5.6 Capital requirement under Pillar 1

4.5.6.1 Leased assets

The regulatory capital requirement is calculated using the following formula 'Exposure x Risk weight x 8%'.
The following table shows the minimum capital requirement for LeasePlan's credit risk exposure:

Exposure class	Exposure	Average risk weight	Risk weighted assets	Regulatory capital requirement
AIRB approach				
Corporates	11,363,429	48.31%	5,489,950	439,196
Standardised approach				
Corporates	485,671	96.98%	471,013	37,681
Governments	458,789	40.31%	184,938	14,795
Banks	231,594	78.18%	181,063	14,485
Retail	1,417,492	90.14%	1,277,700	102,216
Other	246,916	99.95%	246,800	19,744
Sub total	**2,840,462**	**83.14%**	**2,361,513**	**188,921**
Total	**14,203,891**	**55.28%**	**7,851,463**	**628,117**

This risk weights as presented, reflect both the future lease rentals as well as the residual values included in the lease contracts. The calculation of risk weight for residual values differs between AIRB and the standardised approach. While under AIRB the risk weight is depending on the remaining maturity of the underlying lease contract (risk weight = 1/remaining maturity in years x 100%), residual values under the the standardised approach are risk weighted at 100%.

4.5.6.2 Other assets

All other assets are subject to the standardised approach and can be summarised as follows:

Standardised approach	Risk weighted assets	Regulatory capital requirement
Other assets	1,801,863	144,149
Off-balance	283,838	22,707
Derivatives	75,000	6,000
Total	**2,160,700**	**172,856**

4.6 Credit risk mitigation, provision and impairment

4.6.1 Credit risk mitigation

The regulatory capital requirement for credit risk is reduced by the recognition of credit risk mitigation techniques. LeasePlan uses only guarantees by third parties as credit risk mitigation. For guarantees, the substitution method is used which implies that the PD of a client is substituted by the PD of the guarantor in case this PD is lower. This means that the credit risk in respect of the client is substituted by the credit risk of the guarantor. Hence, an exposure fully guaranteed will be assigned the same capital requirement as if the loan was initially granted to the guarantor rather than the client.

The credit risk exposure amount subject to credit risk mitigation is EUR 882.9 million (6% of total credit risk exposure); the impact on regulatory capital requirement is EUR 9.6 million (1% of minimum capital requirements under Pillar 1).

4.6.2 Credit risk provision and impairment

Receivables from customers (mainly lease rentals that have become payable) are individually assessed on indications for impairment. The sources for such indications can be internal, such as (change of) internal rating, payment behaviour and receivable ageing or external, such as (change of) external credit ratings and solvency information. Impairment is recognised when collection of receivables is at risk and when the recoverable amount is lower than the carrying amount of the receivable, also taking into account any security collateral. The debtors included in receivables from customers can be detailed as follows:

Debtors	
Neither past due nor impaired	393,495
Past due but not impaired	139,156
Impaired	44,622
Gross carrying amount	**577,273**
Less: allowance for impairment	-45,987
Less: expected loss provision	-11,288
Net carrying amount	**519,998**

The total impairment provision for loans and receivables amounts to EUR 57 million of which EUR 46 million represents the individually impaired receivables and the remaining amount of EUR 11 million represents the expected incurred but not reported losses at the end of 2008. The allowance for impairment includes differences between expected market value and book value of underlying lease objects when sold. The provision for incurred but not reported losses is based on the expected loss calculation under Basel II adjusted for expectations in respect of PDs and LGDs. As a result, at year-end 2008 (i) the PD for corporate clients was set one notch below current level to reflect the impact of the current economic circumstances on LeasePlan's ratings in the coming year (as a result reflecting the expected increase in average default rates) - and (ii) the LGD was set 5% above current level to reflect the downturn in second-hand car markets worldwide.

Debtors less than 90 days past due are not considered to be impaired, unless other information is available to indicate the contrary. Gross amounts of receivables from customers that were past due but not impaired were as follows:

Debtors past due, but not impaired	
Past due up to 90 days	113,823
Past due between 90 - 180 days	11,749
Past due over 180 days	13,584
Total	**139,156**

4.7 Other credit risk exposures

4.7.1 Receivables from financial institutions

In addition to its natural exposure to credit risk in the leasing of vehicles, LeasePlan's central Treasury is also exposed to credit risk because of its use of derivative financial instruments and because of excess cash being deposited with other banks. Both credit risks arising from the central Treasury operations are controlled by setting specific nominal limits for the limited number of financial institutions that such transactions are being concluded with and the requirement of minimal external rating grades that such counterparties are assigned to.

In millions of euros **Counterparty rating**	**Derivative financial instruments**	**Receivables from financial institutions**
AAA to AA-	83	586
A+ to A-	89	296
BBB+ to BBB-	60	
Total	**232**	**882**

4.7.2 Loans to associates and jointly controlled subsidiaries

Credit risk for LeasePlan arises on lending to associates and jointly controlled subsidiaries. The underlying business of the respective associates and jointly controlled subsidiaries is very similar to LeasePlan's core activities conducted through subsidiaries. In shareholder agreements LeasePlan has agreed with its respective partners the ability to provide debt funding under specific credit documentation. Such provision of credit is committed and established limits are reviewed regularly. In the control on its investments in associates and jointly controlled subsidiaries, LeasePlan also monitors and manages its credit exposures to such ventures.

As at 31 December 2008 the following exposures existed on associates and jointly controlled activities:

Counterparty	**Outstanding notional**
Vdf Holding A.S., Turkey	96,744
Please S.C.S., France	62,000
LeasePlan Emirates Fleet Management – LeasePlan Emirates LL, United Arab Emirates	6,536
Overlease S.r.l., Italy	65,500
Total	**230,780**

The RWA of exposures related to associates and jointly controlled activities are arrived at by applying a 100% risk weight, both for the loan commitments and net equity positions. The committed facilities to the associates and jointly controlled activities amounted to EUR 291 million. The net equity value of investments in the above mentioned counterparties amounted to EUR 24 million.

5 Operational risk

Within LeasePlan an operational risk is defined as: The risk of loss resulting from inadequate or failed internal processes, human behaviour and systems or from external event. An operational loss is the financial impact that arises from the occurrence of an operational loss event.

5.1 Operational risk management objective

The objective of LeasePlan's operational risk management is to manage and control the existing operational risks in a cost-effective manner and consistent with LeasePlan's risk appetite.

The Managing Board of LeasePlan has identified many benefits for introducing and maintaining an advanced approach for operational risk management. The main benefits are:

- Stimulating a learning risk environment
- Better insight in the risk profile
- Transparency to stakeholders
- Cost savings to LeasePlan
- Possibility to set up a risk adjusted performance measurement framework
- Fair calculation of solvency requirements

In order to realise these benefits, LeasePlan has embraced the Basel II guidelines on the advanced approach for operational risk measurement. As a result of LeasePlan's efforts to measure and manage its operational risks, it received formal approval from the DNB to use the AMA to calculate its solvency requirements for operational risk.

5.2 Operational risk management structure

Managing Board

The Managing Board is the highest ruling authority on operational risk management, decides upon the content and alterations to LeasePlan's Operational risk management Policy and is informed about all significant developments with regard to LeasePlan's operational risk profile.

Operational risk committee

General trends in operational risks and losses, high impact losses and the operational risk capital model developments are monitored by LeasePlan's ORC.

LPC Operational risk management

The LPC ORM department is responsible for establishing and maintaining the operational risk framework, monitoring LeasePlan's operational risk profile and the collation and validation of operational risk reporting at corporation level.

Local management

Local management is responsible for managing the operational risks in their field of accountability. In all LeasePlan's subsidiaries a formal operational risk management role is in place. This function is the driving force behind the increase in risk awareness and the improvement of operational risk management within the subsidiary.

Group Audit Department

LeasePlan's GAD pays specific attention to the way operational risk management has been organised and embedded in local LeasePlan subsidiaries. For this purpose GAD has defined specific activities in its working program. Among others, GAD performs checks on the operational loss database, the risk self-assessments, the local operational risk management committee and management's awareness on operational risk management. GAD annually reviews the governance process around maintenance of capital models.

5.3 Operational risk management policy

To ensure a uniform understanding and sound performance of operational risk management LeasePlan has developed an operational risk management policy describing what minimal activities, controls and tools must be in place within all LeasePlan subsidiaries.

5.4 Operational risk magement activities

LeasePlan structurally identifies, measures, monitors and mitigates its operational risks. The main activities performed during these phases are described in the below sections.

Risk identification

Methods deployed within LeasePlan for risk identification are the operational risk scenario analyses, top-down risk assessments, operational risk self-assessments, operational loss data analysis and the performance of internal and external audits.

Risk measurement

Based upon the risks identified and losses reported LPC ORM assesses the operational risk profile of LeasePlan. Local management uses the outcome of the risk identification activities to assess the bearing of these risks on their organisation and take appropriate action if the local risk appetite requires so.

Risk monitoring

LPC ORM is engaged in monitoring the quality and follow up of the risk management processes embedded within the subsidiaries. The progress of actions planned to address insufficiently controlled processes is monitored and periodically reported to the ORC. Operational loss data is monitored on a weekly basis and escalation procedures are in place.

Risk mitigation

Evaluating the effectiveness of the deployed operational risk mitigation activities is the responsibility of local management. For LeasePlan, however, the overall impact of the mitigating activities is assessed by analysing the frequency and impact of operational losses prior to and after implementation of the additional controls. Once established that certain controls have a distinguishable effect on the impact or frequency of the identified operational risks, it is the task of LPC ORM to communicate and advise subsidiaries with similar risks about the additional controls.

Insurance is currently used in LeasePlan's AMA model for the purpose of operational risk capital reduction. With 8%, the contribution of insurance to the total recovery of operational losses is well below the maximum accepted limit of 20%.

5.5 Operational risk management capital models

LeasePlan uses a hybrid model to determine the required level of operational risk capital for regulatory purposes. This hybrid model consists of a purely quantitative analysis of LeasePlan's internal operational loss data and a more qualitative analysis of LeasePlan specific operational risk scenarios.

The quantitative analysis is performed by modelling the severity and the frequency of loss events, using the internal operational loss data recorded by LeasePlan. The two distributions for the severity and the frequency are combined into one overall loss distribution by way of a Monte Carlo simulation. The resulting loss distribution determines the expected annual loss amount and the required capital at the 99.9^{th} percentile confidence level.

The qualitative analysis, or operational risk scenario analysis, is a process by which LeasePlan considers the effect of extreme, but nonetheless plausible operational risk events on the organisation. During the analysis, the high impact, low frequency operational risk scenarios are supplemented with relevant internal and external loss data, a description of the business environment and internal control factors to support the expert based frequency and impact estimations for each scenario. For each single scenario the estimates are modelled to determine the regulatory capital required to be held by LeasePlan at the 99.9th percentile confidence level.

LeasePlan started modelling its AMA capital requirements in 2006. Since then a model governance structure has been developed and implemented that ensures a cycle of model monitoring, development, validation and implementation. Part of the model monitoring activities is the evaluation of the assumptions used in the capital modelling process. If the outcome of the model monitoring requires so, LeasePlan adjusts its assumptions and as a result will recalculate the corresponding capital requirements. This way LeasePlan ensures that the capital continuously reflects its operational risk profile even after significant organisational changes or unexpected external developments.

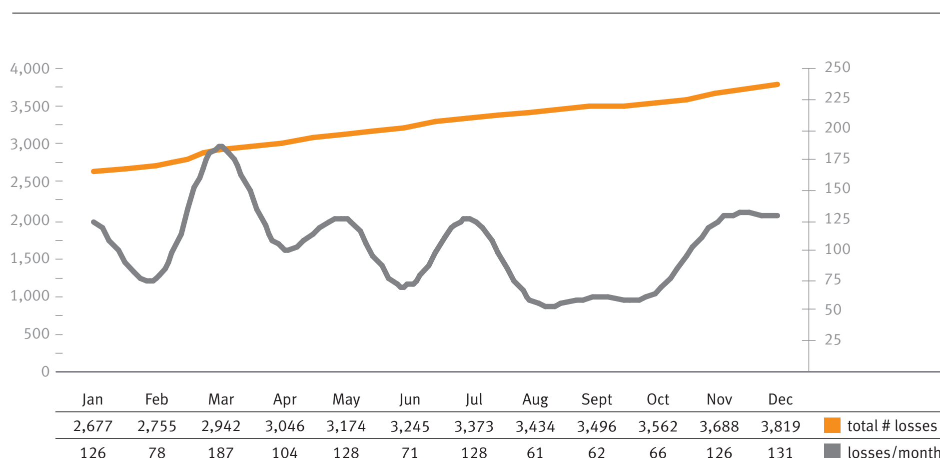
5.6 Operational risk management capital requirements

The operational risk regulatory requirement of LeasePlan as at the end of 2008 amounts to EUR 127.3 million. This amount is the sum of LeasePlan's operational loss data model and scenario model, EUR 52.1 million and EUR 75.2 million respectively.

5.7 LeasePlan's operational risk profile

The loss registration process is well embedded within LeasePlan. The stable trend of loss reporting is visualised by the graph below, stating the number of operational losses reported during 2008.

Approved losses (cumulative/per month)



From the start of the operational loss data recording in 2004 until December 2008 LeasePlan has recorded 3,819 operational losses. These losses correspond with a total estimated loss amount of EUR 35.6 million. LeasePlan subsidiaries are required to report gross operational losses, i.e. the maximum estimated loss amount known at the moment of identification of the potential loss, irrespective of any potential recovery. As a result, the net impact of the operational losses (gross loss minus recovery) is substantially lower.

The majority of the operational losses recorded by LeasePlan are classified in the event category 'Execution: Delivery and Process Management'. These categories represent 73% of the total operational loss amount and 80% of the total number of operational losses reported. The total distribution of LeasePlan's operational losses is as follows:

Basel II category	% total (EUR)	% total
Business disruption and system failures	9%	5%
Clients: products and business practices	11%	7%
Damage to physical assets	1%	2%
Employment practices and workplace safety	1%	1%
Execution: delivery and process management	73%	80%
External fraud	5%	4%
Internal fraud	0%	0%
Total	**100%**	**100%**

6 Asset risk

Within LeasePlan, asset risk is broken down into two underlying risk components being residual value (RV) risks and repair, maintenance and tires (RMT) risks. RV risk is defined by LeasePlan as the exposure to potential loss at contract end due to the resale values of assets declining below the estimates made at lease inception. The RMT risk is considered LeasePlan's exposure to potential loss due to the actual costs of the services repair, maintenance and tire replacement exceeding the estimates made at lease inception.

6.1 Asset risk management objective

The objective of LeasePlan's asset risk management is to manage and control the existing asset risks within LeasePlan in a consistent manner and in line with LeasePlan's risk appetite.

6.2 Asset risk management structure

Managing Board

The Managing Board is the highest ruling authority on asset risk management within LeasePlan. The Managing Board decides on the content of and alterations to the relevant policy and is informed about all relevant and significant developments with regard to LeasePlan's asset risk profile.

Asset risk committee

General trends in relevant asset risk related elements are monitored by and discussed in LeasePlan's Asset Risk Committee (ARC). Members of the ARC are LeasePlan's Chief Executive Officer, Chief Financial Officer, Senior Corporate Vice-President Risk Management (Chairman of the ARC), Senior Corporate Vice-President Control, Reporting & Taxation, Senior Vice-President Car Remarketing, Operations & Procurement and the Senior Corporate Asset Risk Manager.

Corporate asset risk management department

The corporate asset risk management department (LPC ARM) is responsible for establishing and maintaining the asset risk management policy and monitoring LeasePlan's asset risk profile.

Local management

LeasePlan management is responsible for the adequate management (assessment, measurement, reporting and mitigation) of asset risks in their respective portfolios. All LeasePlan subsidiaries have an asset risk management role in place.

Group Audit Department

GAD pays, during their audits, specific attention to the way asset risk management has been organised and embedded. For this purpose GAD has defined specific activities in its working program.

6.3 Asset risk management policy

LeasePlan has a robust policy in place with respect to asset risk management. This policy applies to all LeasePlan subsidiaries bearing asset risks. The policy seeks to ensure that an adequate asset risk management framework within LeasePlan exists. The policy amongst other describes the following main topics.

Risk committee

Due to the complexity involved all LeasePlan subsidiaries are required to establish a committee including the Managing Director and/or the Finance Director. These committees convene with a minimum frequency of once per quarter and have a primary task to oversee the adequate management of asset risks on behalf of the local management team. Equally, it is the task of this committee to ensure that the local management team is kept up to date on all relevant issues.

Assessment

The risk committee is to assess influences on relevant (both internal as well as external), future used car market developments (preferably quantified). The committee will, based on its assessment after reviewing relevant detail and its discussions, decide on the level of residual value pricing.

Measurement
Each quarter all LeasePlan subsidiaries are required to measure and review the asset risks in their portfolios. Measurements and estimates are, as a starting point, based on LeasePlan's own historical performance and in many cases are derived via means of statistical analysis (i.e. GLMs/regressions), whereby, as supply and demand are currently distorted, outcomes of measurements are thoroughly reviewed on plausibility. These measurements are discussed within local asset risk management committees, reviewed by LPC ARM and discussed within the ARC. These measurements allow LeasePlan to trace developments continuously and discover any adverse trends in a timely manner.

Reporting
LeasePlan subsidiaries are expected to have internal reporting in place regarding asset risk related elements. The internal reporting should include, among others, the trends in termination results, trends in risk mitigation and asset risk measurements. In addition, on a monthly basis, LeasePlan subsidiaries provide LPC ARM with relevant detail regarding asset risk related topics. On a quarterly basis LPC ARM prepares a report on the asset risk position for LeasePlan's Managing Board and the Supervisory Board. The report details recent developments related to asset risk and summarizes the latest risk measurements across relevant subsidiaries.

Mitigation
The policy also describes the minimum standard with respect to risk mitigating techniques. The purpose of these risk mitigating techniques is to ensure that a LeasePlan subsidiary is placed in a position where it can manage its asset risks. Examples of risk mitigation are recharging end-of-contract damages and the costs related to premature terminations. LeasePlan, in many cases, is allowed to recalculate a contract in case of deviations of actual mileages versus budgeted mileages.

6.4 Asset Risk exposure
Asset risk represents one of the most significant risk exposures that LeasePlan faces. The residual value element in this amounted to EUR 8.4 billion as at the end of 2008 representing approximately 50% of LeasePlan's balance sheet which can be broken down as follows:

Total residual value	**8,189,953**
Total value non-funded residual value guarantees	**253,291**

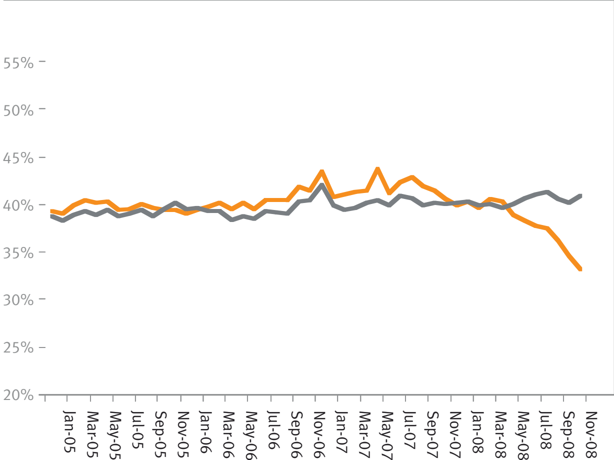
The non funded residual value guarantees relate to assets that have not been funded by LeasePlan but where LeasePlan has committed itself to buy the cars from clients against a price that has been pre-agreed. In such cases the maintenance history of these cars is known as these cars are normally managed by LeasePlan.

Developments 2008
LeasePlan has a strong track record in managing its asset risks. During 2008, LeasePlan saw an adverse development of its asset risk exposure and termination results subsequently, following a strong decline of resale values in many

markets LeasePlan is active in. The lower level of resale values during 2008 were caused by deteriorated demand following weakened consumer confidence and reduced credit availability in combination with relatively high supply.

The graph below shows the adverse development in 2008 of resale values (expressed as a percentage of the list price) in historic perspective.

Development sales proceeds **(expressed as % of list price)**



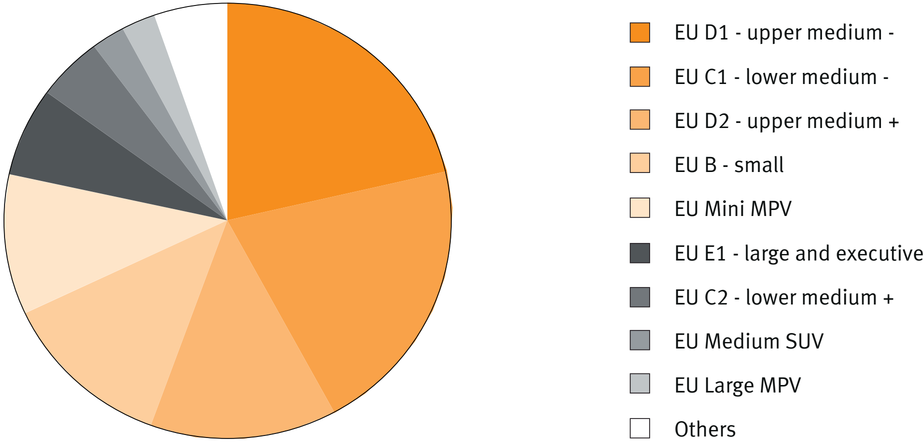
For the risk bearing portfolio at the end of quarter four 2008, considering the latest trends in the second-hand car market, the measured asset risk exposure revealed that LeasePlan is carrying significant asset risks in its portfolio. When applying resale values as at the end of 2008 to the fleet to be terminated in 2009 and ignoring existing provisions, the expected losses for 2009 amount to EUR 128.5 million.

In view of deteriorating second-hand car markets LeasePlan has intensified the efforts put in risk mitigating measures as mentioned under section 6.3. Furthermore, residual values set on new contracts have been lowered in line with new market conditions.

Fleet composition

By acting as an independent multi-brand company offering fleet and vehicle management in 30 countries, LeasePlan mitigates the risks related to residual values automatically by geographical spread and fleet diversification by make/ model and type of car.

The pie-graph below shows the diversification of all LeasePlan funded vehicles by type of car. The vast majority is concentrated around small and medium car segments.



Examples of models in segments	
EU D1 - upper medium -	Citroen C5, Mazda 6, Opel Vectra
EU C1 - lower medium -	Volkswagen Golf, Opel Astra, Peugeot 307, Ford Focus
EU D2 - upper medium +	Audi A4, Mercedes Benz C-class, BMW 3 series,
EU B - small	Volkswagen Polo, Renault Clio, Peugeot 207, Fiat Punto
EU Mini MPV	Renault Scenic, Volkswagen Touran, Citroen Picasso
EU E1 - large and executive	Audi A6, BMW 5 series, Mercedes Benz E-class
EU C2 - lower medium +	Audi A3, BMW 1 series, Volvo C30
EU Medium SUV	BMW X3, Honda CRV, Hyundai Santa Fe
EU Large MPV	Ford Galaxy, Mitsubishi Grandis, Renault (Grand) Espace

6.5. Asset risk capital requirements under Pillar 1

Under Pillar 1 residual values are considered to be fixed assets and are risk weighted at 100% under the standardised approach while under the AIRB a risk weight is applied that depends on the remaining maturity of the underlying contract. For the majority of the assets of LeasePlan, AIRB is applied; the regulatory capital related to residual values amounts to EUR 444 million as at the end of 2008. This amount is included in the capital requirements amounting to 628,117 calculated for credit risk as shown in section 4.5.6.1.

7 Market risk on interest and currency

7.1 Interest rate risk

7.1.1 Interest rate risk objective

Interest rate risk is the risk that the profitability of LeasePlan is affected by movements in interest rates.

7.1.2 Interest rate risk structure and organisation

The level of risk is illustrated by interest margins on existing contracts increasing or decreasing purely as a result of movements of interest rates. Exposure to interest rate risk is a key feature of LeasePlan's main product. Each lease contains, sometimes exclusively, a financing dimension and interest rates are set individually at the inception of every single lease.

The matching of the maturities, amounts, currency and re-pricing dates of interest bearing assets and liabilities for interest rate purposes is fundamental to the management of LeasePlan, is defined in LeasePlan policies and is applied consistently. The consistency of this policy is an important factor in the predictability of interest margins as a major income stream and in assessing LeasePlan's exposure to changes in interest rates.

7.1.3 Interest rate risk measurement and exposure

LeasePlan's interest rate risk policy defines that the interest rate risk profile of the contract portfolio of leases held by each LeasePlan subsidiary must match with a corresponding profile in the funding to minimise the interest rate risks at subsidiary level. This matching principle is monitored through gap reports (funding graphs), which are reported on a monthly basis to LPC RM. LeasePlan subsidiaries have interest bearing assets (mainly lease contracts) which are funded through interest bearing liabilities (loans) and non-interest bearing liabilities (networking, capital and equity). Subsidiaries are limited to have, for every future month a maximum mismatch of 5% between their interest bearing assets and liabilities and a maximum average mismatch of 2.5% (+/-) over the interest period.

Interest exposures are controlled by the central Treasury. The central Treasury provides loans to LeasePlan subsidiaries and attracts funds from the market in combination with (interest rate) derivatives. To enable the central Treasury to achieve its economies of scale, smaller intercompany assets are packaged into larger size external funding transactions. Since some timing differences are unavoidable in this process, interest rate risk exposures are inherent to the central Treasury process. To control this risk, limits are set for the level of mismatch of interest rate repricing that may be undertaken per currency and time bucket. Exposures to limits are monitored daily by Treasury risk management. Derivative financial instruments are concluded by the central Treasury as an end-user and are important and effective instruments in managing and controlling interest rate risk exposures.

The table below summarises LeasePlan's exposure to interest rate risk for currencies in which such risks exists. The risk measurement methodology is based on a 'Money at Risk' philosophy, whereby the outstanding interest exposures are clustered per currency in time buckets. In addition (interest rate) derivatives that are concluded to manage interest rate risk exposures are included for their nominal value.

	0-3 months	3-12 months	1-5 years	> 5 years	Non-interest bearing	Total
Property and equipment under operational lease and rental fleet	1,271,186	3,074,641	7,549,115	56,030		11,950,972
Amounts receivable under finance lease contracts	1,349,280	549,036	279,768	74,836		2,252,920
Other assets	899,558	222,420	384,786		1,988,156	3,494,920
Total as at 31 December 2008	**3,520,024**	**3,846,097**	**8,213,669**	**130,866**	**1,988,156**	**17,698,812**
Financial liabilities	9,067,939	2,060,570	2,719,306	124,010	495,271	14,467,096
Non-financial liabilities					1,847,644	1,847,644
Total as at 31 December 2008	**9,067,939**	**2,060,570**	**2,719,306**	**124,010**	**2,342,915**	**16,314,740***
Interest gap	**-5,547,915**	**1,785,527**	**5,494,363**	**6,856**		
Derivative financial instruments						
Assets	15,938,855	1,251,067	2,255,605	145,516		19,591,043
Liabilities	10,590,296	2,733,715	5,950,788			19,274,799
Interest gap	**5,348,559**	**-1,482,648**	**-3,695,183**	**145,516**		
Total interest gap	**-199,356**	**302,879**	**1,799,180**	**152,372**		

* The difference between total assets and total liabilities is explained by LeasePlan's equity

In relation to its overall balance sheet size LeasePlan's interest rate risk exposures can be qualified as minimal. Stress testing takes place regularly on similar exposures during the year by analysing the adverse or positive effect of a 200 basis points parallel yield curve shift in all currencies. As at 31 December 2008 the annualised effect of such a change in interest rates would be equal to approximately 2.6% of profit before tax.

7.2 Currency risk

7.2.1 Currency risk objective

Currency risk entails the risk that currency fluctuations have an adverse impact on LeasePlan's result.

7.2.2 Currency risk structure and organisation

LeasePlan has a limited exposure to effects of fluctuations in foreign exchange rates on its financial position and cash flows. The main cause for this limited exposure is that nearly all debt funding, directly or via derivatives, is concluded in the currency in which assets are originated. Also LeasePlan's capital is allocated to the currencies in which assets are denominated. Limits are set on the level of capital versus assets in each currency and groups of currencies that are linked, thereby protecting the capital adequacy ratios of the consolidated balance sheet against foreign exchange rate movements.

7.2.3 Currency risk measurement

LeasePlan is present in 30 countries in and outside the euro currency zone. With the euro as its functional currency LeasePlan is therefore exposed to translation risk. This risk is the volatility in the euro value of its non-euro subsidiaries, both for equity and result for the year. On the basis of a going-concern approach this risk is not hedged. The main reason for not hedging the absolute equity value in euros of non-euro subsidiaries is the protection of balance sheet ratios. The exposure in LeasePlan equity to the non-euro subsidiaries is managed in relation to assets in the same respective currency originated by the non-euro subsidiaries. Thereby the balance sheet ratios are managed on a neutral basis, not being impacted by foreign exchange rate movements.

7.2.4 Currency risk exposure

The table below summarises LeasePlan's on-balance exposure to currency risk as at 31 December 2008.

	EUR	GBP	USD	Other	Total
Property and equipment under operational lease and rental fleet	8,408,329	1,086,948	114,084	2,341,611	11,950,972
Amounts receivable under finance lease contracts	501,883	252,021	776,980	722,035	2,252,919
Other assets	2,798,162	116,977	191,565	388,217	3,494,921
Total	**11,708,374**	**1,455,946**	**1,082,629**	**3,451,863**	**17,698,812**
Financial liabilities	11,579,762	1,186,235	39,718	1,661,381	14,467,096
Non-financial liabilities	1,303,700	107,669	28,724	407,551	1,847,644
Total	**12,883,462**	**1,293,904**	**68,442**	**2,068,932**	**16,314,740**
Net on-balance sheet financial position	**-1,175,088**	**162,042**	**1,014,187**	**1,382,931**	**1,384,072**

7.2.5 Capital requirement under Pillar 1

The capital requirement under Pillar 1 reflects the investments in non-euro denominated subsidiaries. This is shown in the following table:

Currency	Position in EUR	Minimum required capital
GBP	102,767	8,221
USD	60,196	4,816
Other	237,293	18,983
Total	**400,256**	**32,020**

These absolute positions will not be hedged by LeasePlan as the positions have been taken to protect LeasePlan's capital adequacy ratios against foreign exchange rate movements.

8 Liquidity risk

8.1 Liquidity risk objective

Liquidity risk is the risk that LeasePlan is not able to meet its obligations for (re)payments, due to a mismatch between the (re)financing of its assets and liabilities.

8.2 Liquidity risk structure and organisation

LeasePlan is exposed to the risk that its liabilities require payment at a different moment in time than its assets turn into cash causing either a drain on LeasePlan's available cash resources or creating excess liquidity. LeasePlan cannot maintain cash resources to meet all liabilities of a going-concern. However, on the basis of a run-off of the existing, self liquidating leased assets, LeasePlan pursues to conclude liabilities for maturities that match or exceed this run-off profile.

8.3 Liquidity risk measurement

From a going-concern perspective the continuous (re)financing of new lease contracts is a major factor in managing liquidity risk for LeasePlan. By structurally pursuing 'matched' funding on a consolidated basis for all new business, LeasePlan's central Treasury reduces the liquidity risk on written lease contracts to a minimum. The wholesale funding character of its public, large scale transactions are complemented by a wide variety of private placements that together create a spread of maturing liabilities that match or exceed the assets' profile. Key to this process is the credit status of LeasePlan as a specialised Dutch bank with high quality ratings and a consistent stable financial track record. Continued access to financial markets for funding diversified over maturity, currency and source is a key priority of LeasePlan, that has been put to the challenge in 2008.

To control liquidity, risk limits are set for the central Treasury on the maximum amount of maturing borrowings per future month. In case of specific transactions, especially in debt capital markets, specific limits are to be obtained from the Managing Board. By spreading out maturities, peak drains on liquidity are avoided. The redemption limits are monitored on a daily basis. In addition to the redemption limits on central Treasury, LeasePlan introduced a Liquidity Mismatch Report for all LeasePlan subsidiaries in 2008 to properly control group liquidity risk. By means of the monthly liquidity mismatch reports, Treasury risk management monitors the duration profile of an subsidiary's assets and liabilities in order to identify any mismatches and ensure that these mismatches are covered. This ensures that the profile of existing assets is properly term funded.

In 2008 LeasePlan was forced to accept a shortening of maturities in concluded borrowings due to the global unrest in financial markets. However, with successful Dutch State guaranteed issues (the first in late 2008), LeasePlan is set to continue its policy to match maturities of assets and liabilities and to spread the sources of its borrowings.

In addition to LeasePlan's own internal policies and controls, liquidity risk is also supervised by and reported to the DNB on a monthly basis. The liquidity supervision by DNB is focused on identifying available sources of liquidity and required liquidity.

The table below analyses available and required liquidity for a one week bucket and a one month bucket as at 31 December 2008. DNB sets out minimum liquidity level requirements for each period, by demanding that available liquidity exceeds required liquidity, according to their definitions, at all times.

In millions of euros	**One week**	**One month**
Available liquidity	2,146	4,047
Required liquidity	1,109	3,414
Surplus (minimum requirement is above nil)	**1,037**	**633**

8.4 Liquidity risk exposure

The table below presents the cash flows payable and receivable in the relevant maturity groupings.

	0-3 months	3-12 months	1-5 years	> 5 years	Illiquid	Total
Amounts receivable under finance lease contracts	254,136	547,596	1,378,805	72,382		2,252,919
Property and equipment under operational lease and rental fleet	813,196	2,335,547	8,706,546	95,683		11,950,972
Other assets	1,591,274	286,306	657,422	2,454	725,564	3,263,020
Total as at 31 December 2008	**2,658,606**	**3,169,449**	**10,742,773**	**170,519**	**725,564**	**17,466,911**
Financial liabilities	2,853,240	5,242,276	5,846,152	165,994		14,107,662
Non-financial liabilities					1,847,644	1,847,644
Total as at 31 December 2008	**2,853,240**	**5,242,276**	**5,846,152**	**165,994**	**1,847,644**	**15,955,306**

8.5 Liquidity risk mitigation

In the stress scenario that money market and debt capital market funding is unavailable for a longer period of time, LeasePlan is able to repay maturing debt when it falls due on the basis of matched funding of existing assets. New business can be continued for a substantial period of time on the basis of the available backstop facilities in combination with available excess cash balances and overfunding of existing assets.

As a precaution this continued access is backed up by a number of standby liquidity facilities to reduce the liquidity risk for LeasePlan and to safeguard its ability to continue to write new business also when temporarily no new funding could be obtained.

Firstly a number of standby facilities have been concluded, both bilaterally with two individual banks (EUR 500 million maturing in June 2009 and EUR 125 million maturing in October 2009) and EUR 2 billion with a syndicate of 25 highly rated banks (EUR 1 billion maturing in December 2009 and EUR 1 billion maturing in December 2011). None of these facilities include material adverse change clauses. During 2008 no calls were made on the available standby liquidity facilities.

Secondly LeasePlan concluded two securitisation transactions under the name of Bumper I and Bumper 2. Bumper I involved the sale of a major part of the lease portfolio (EUR 1.25 billion) of LeasePlan Nederland N.V. to the special purpose company LeasePlan Securitisatie B.V. Debt securities were issued by the special purpose company, Bumper I B.V. to finance this transaction. Both LeasePlan Securitisatie B.V. and Bumper I B.V. were specifically incorporated for the purpose of securitisation transactions. The lease portfolio has been sold and effectively pledged as security for the redemption and interest obligations on the debt securities.
Bumper 2 involved the sale of future lease instalment receivables and related residual value receivables (EUR 875 million) originated by LeasePlan Deutschland GmbH to the special purpose company Bumper 2 S.A. Debt securities were issued by Bumper 2 S.A. to finance this transaction.
The notes issued under these transactions have all been bought by LeasePlan's central Treasury. As the securitisation transactions have been set up such that they are used as an additional funding source and the risk profile of the underlying assets for LeasePlan has not changed , no specific risk weights have been applied following these transactions.
For further details on the transaction reference is also made to note 6 of LeasePlan's financial statements in the annual report 2008.

The highest rated notes under the transaction (EUR 1,120.5 million of A-notes rated AAA for Bumper I and EUR 663.3 million of A-notes rated AAA for Bumper 2) are allowed to be used as collateral value when the company engages as counterparty in monetary transactions with the European Central Bank (ECB).

During 2008 this ability has proven useful, in particular with the unrest in financial markets that materialised since August 2007. At the end of 2008 EUR 1,570 million (2007: EUR 650 million) was borrowed from the ECB, which was secured with notes from the securitisation transactions.

9 Insurance risk

9.1 Insurance risk objective

LeasePlan is bearing the damage risk for a growing number of vehicles. In addition to vehicle damage risks, LeasePlan is exposed to risks through its insurance of third party liability (TPL), passenger indemnity, legal defence and other ancillary insurances via LeasePlan's insurance and reinsurance companies. As a result of this business activity LeasePlan is exposed to the risk that damages incurred for the account of LeasePlan exceed the premiums charged for these risks to clients.

9.2 Insurance risk structure and organisation

LeasePlan is exposed to insurance risk in some of its subsidiaries (own damage risk only), in LeasePlan's insurance company, Euro Insurances (based in Dublin, Ireland) and in LeasePlan's reinsurance company, Globalines (based on the Isle of Man). In order to clearly define, manage and limit the risks related to insurance, principles are laid down in a motor insurance policy that need to be adhered to by all LeasePlan subsidiaries.

Insurance risk is managed as an independent risk discipline within LPC RM. LeasePlan Corporate Insurance risk management (LPC IRM) is responsible for establishing and maintaining the insurance risk framework and monitoring LeasePlan's insurance risk profile. It is also responsible for the preparation and reporting of insurance risk data for consideration by LPC RM, the Insurance Risk Committee (IRC) and LeasePlan's Managing Board and Supervisory Board.

Management of insurance related risks is primarily the responsibility of LeasePlan employees and business management. Insurance specialists in each LeasePlan subsidiary underwrite the vehicle fleet risks under supervision of Euro Insurances in accordance with the strict guidelines of a pre-agreed underwriting policy. These policies set out the scope and nature of the risks to be underwritten (or not) as well as the underwriting authority rules. Special perils falling outside the scope of the policy are transferred to external insurance companies.

LPC IRM monitors the developments in the insurance portfolios reported with special attention for the development of loss ratios, provisioning, handling of claims files and receivables originating from reclaimable damages. These developments including statistical analyses of all individual programs are discussed in the six weekly IRC meetings and are being reported to the Managing Board on a quarterly basis. The IRC consists of the Chief Financial Officer, Chief Operating Officer, Senior Corporate Vice-President Risk Management and Senior Corporate Insurance Risk Manager of LPC and meets on a six-weekly basis. Next to discussing development and performance of insurance programmes, the IRC also reviews the motor insurance policy and advises on new programmes to be started.

On a quarterly basis LPC IRM prepares a report for the IRC and Managing Board. While all quarterly reports provide more general information on the developments in the insurance portfolios, the quarter one and quarter three reports mainly focus on the locally retained own damage risks in subsidiaries. In the quarter two and quarter four reports, the focus is more pointed at the insurance programs running at Euro Insurances (especially TPL and own damage) including specific elements such as reinsurance. General developments in the insurance portfolios are also reported in the quarterly report to the Supervisory Board.

9.3 Insurance risk measurement

The local vehicle damage insurance activities within LeasePlan are regulated by a motor insurance policy issued by the Managing Board. Local subsidiaries report developments in their insurance portfolio on a quarterly basis. This reporting includes developments in the number of insured objects, total premium volume, claims paid, provisioning, claims frequency and loss ratios.

Euro Insurances is regulated by the Irish Financial Services Regulatory Authority and as such, Euro Insurances needs to comply with the capital requirement regulations issued by this supervisory authority (which is in line with European Directive 2202/13/EC as regards solvency margin requirements for non-life insurance undertakings, also reflected in article 67 of the 'Besluit prudentiële regels Wft'). The provision for claims at Euro Insurances is regularly assessed internally and periodically checked by external actuaries.

The tail of a risk indicates the length of time elapsing between the occurrence and the ultimate settlement of any claim relating to such risk. Short-tail risks (own damage) are normally run-off in the course of a year whereas for long-tail risks (TPL) can take years to identify and settle.

Vehicle fleets are underwritten in accordance with strict procedures. Regular analysis of claim statistics, strict compliance with claim handling procedures and, when necessary, reviews of insurance premiums ensure a healthy balance between premiums and claims risk, both at an aggregate and individual fleet level. The insurance premiums can be adjusted on an annual basis during the term of the lease.
Reinsurance cover is purchased by Euro Insurances on an excess of loss basis for the two principal risks, motor third party liability and motor material damage, to minimise the financial impact of a single large accident and/or event. Reinsurers are selected on the basis of their financial strength, price, capacity and service and are monitored on a quarterly basis. A part of the insurance cover is channelled through LeasePlan's reinsurance captive Globalines. Euro Insurances ensures that the insurance policy's terms and conditions are mapped against the reinsurance cover in place, in order to prevent any uncovered risks.

9.4 Insurance risk capital framework

For the short-tail insurance programs running in the local LeasePlan subsidiaries, no (specific) regulation for calculating capital requirements is applicable. Since the insurance risk can typically be seen as being present in future liabilities rather than a loss of assets, the capital requirement calculations under Pillar 1 do not include coverage for this insurance risk. Basically, the underlying risk is considered to be relatively low and predictable. Moreover, LeasePlan subsidiaries that locally retain own damage risks, form provisions that are calculated on the basis of the claims history and technical insurance principles. The amount of the provision also includes an allowance for losses incurred but not yet reported events based on statistical historical information.

For all its insurance activities LeasePlan calculates capital requirements under Pillar 2. The methodology that is used for this is the regulation as laid down in the European Directive which requires a solvency margin expressed as a percentage of insurance premiums.

The premium volume of insurance activities in LeasePlan amounted to almost EUR 380 million in 2008. This amount reflects the annualized premiums that have been reported for internal purposes. As these premiums are gross premiums they are somewhat higher than the booked and earned premiums and therefore result in a higher capital requirement.

Using the annualized premiums, this results in a capital requirement amounting to EUR 62 million for all LeasePlan insurance activities. Next to the provisions in place, the control environment around the insurance programs and the historic results, all well covering the expected losses, LeasePlan considers EUR 62 million to be sufficient to cover any extreme event happening related to the insurance activities (unexpected losses).

Globalines Reinsurance Ltd is an authorised reinsurer on the Isle of Man and has a class 11 insurance license. In conformity of the requirements the minimum capital requirement in the Isle of Man is GBP 100,000. For its reinsurance activities LeasePlan calculates capital requirements under Pillar 2. The methodology that is used for this is the regulation as laid down in the European Directive 2005/68/EC on reinsurance which requires a solvency margin expressed as a percentage of reinsurance premiums. The gross premium of Globalines amounted over €10 million in 2008. This results in a capital requirement amounting to EUR 1.8 million for LeasePlan reinsurance activities.

LeasePlan follows the developments of Solvency II. Any development relevant for the determination of capital requirements will be analyzed to consider if a review of the LeasePlan approach is necessary.

List of principal consolidated participating interests

Pursuant to Article 379, Title 9, Book 2, of the Netherlands Civil Code a full list of Group companies and associates and jointly controlled subsidiaries complying with the relevant statutory requirements has been filed with the Chamber of Commerce of Gooi-, Eem- en Flevoland. Unless stated otherwise, the percentage interest is 100% or nearly 100%.

LeasePlan Australia Limited, Melbourne
LeasePlan Deutschland GmbH, Neuss
LeasePlan Brasil Ltda., San Paulo
LeasePlan Česká republika s.r.o., Prague
LeasePlan Danmark A/S, Copenhagen
LeasePlan Finland Oy, Helsinki
LeasePlan Fleet Management N.V., Brussels
LeasePlan Fleet Management (Polská) Sp. z o.o., Warsaw
LeasePlan Fleet Management Services Ireland Limited, Dublin
LeasePlan France S.A.S., Paris
LeasePlan Hellas S.A., Athens
LeasePlan Hungária Gépjármű Kezelö és Fiannszírozó Részvénytá, Budapest
LeasePlan India Limited, New Delhi
LeasePlan Italia S.p.A., Milan
LeasePlan Luxembourg S.A., Luxembourg
LeasePlan Mexico S.A. de C.V., Mexico City
LeasePlan Nederland N.V., Amsterdam
LeasePlan New Zealand Limited, Auckland
LeasePlan Norge A/S, Oslo
LeasePlan Österreich Fuhrparkmanagement GmbH, Vienna
LeasePlan Portugal Comércio e Aluguer de Automóveis e Equipamentos Unipessoal Lda., Lisbon
LeasePlan Romania SRL, Voluntari
LeasePlan (Schweiz) AG, Zurich
LeasePlan Servicios S.A., Madrid
LeasePlan Slovakia B.V., Bratislava
LeasePlan Sverige AB, Stockholm
LeasePlan UK Limited, London
LeasePlan USA, Inc., Atlanta
LeasePlan Finance N.V., Almere
LeasePlan International B.V., Amsterdam
LeasePlan Supply Services AG, Risch
Euro Insurances Limited, Dublin
Globalines Reinsurance Limited, Isle of Man
Travelcard Nederland B.V., Almere

Special purpose vehicles with no shareholding by LeasePlan are:
Bumper I B.V., Amsterdam
LeasePlan Securitisatie B.V., Amsterdam
Bumper 2 S.A., Luxembourg
Bumper Car Sales GmbH, Neuss

List of principal associates and jointly controlled subsidiaries

LeasePlan Emirates Fleet Management – LeasePlan Emirates LL, United Arab Emirates (49%)
E Lease S.A.S., France (5%)
Overlease S.r.L., Italy (51%)
Please S.C.S., France (99.3%)
Excelease N.V., Belgium (51%)
Flottenmanagement GmbH, Austria (49%)
Terberg Leasing B.V., the Netherlands (24%)
vdf Holding A.S., Turkey (51%)

Credits

Concept and realisation
Hunterskil Howard, Eindhoven, the Netherlands

It's easier to leaseplan

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