Pillar 3 Disclosure
2009

LeasePlan

It's easier to leaseplan

‘LeasePlan’ and ‘Group’ is, where appropriate, used as a reference to LeasePlan Corporation N.V. as a group of companies forming part of LeasePlan Corporation N.V. ‘Group company’ as used in this document refers to a (partly) owned subsidiary 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.

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Contents

1 Introduction

This Pillar 3 report is prepared in accordance with the disclosure requirements as included in the European Union's Capital Requirements Directive. In addition to LeasePlan's annual report 2009, this Pillar 3 report describes LeasePlan's risk management framework, the measurement of risk positions into risk weighted assets and how these risk positions translate into capital requirements and subsequently, how these requirements relate to the actual capital position of the company.

The Capital Requirements Directive 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 risk weighted assets 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 third 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 Capital Requirements Directive.

1.2 Scope
This report describes LeasePlan's risk management framework and capital management. In its annual report 2009, 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
The Pillar 3 report will be made public annually, coinciding with the publication of LeasePlan's annual report. The disclosures are 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
- Damage risk
- Compliance risk

All amounts included in this report are in thousands of euros and refer to the situation as at 31 December 2009, 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 6,000 people worldwide and manages a consolidated lease portfolio of EUR 13.6 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. 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, damage risk and compliance risk. These risks and how they are managed are described in chapters 4 till 10.

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. In the first quarter of 2010 LeasePlan launched an internet savings product in the Dutch market.

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 chose for the implementation of the most advanced approaches to calculate risk weighted assets for both credit risk and operational risk, based on the following considerations:

- LeasePlan considers 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.
- The limited range of products and a globally harmonised approach for processes and products, in combination with an existing worldwide infrastructure strongly encourages the use of advanced approaches.

At the end of 2008, LeasePlan received approval from the Dutch Central Bank 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 for credit risk and the Advanced Measurement Approach 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 differentiates its prices towards each client segment.

2.4 Risk management structure and organisation

LeasePlan's Managing Board sets policies and conditions that reflect the risk appetite per risk area with a holistic view and these policies should be adhered to by management teams in LeasePlan Group companies. 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
- Compliance Risk

Each of these risks are 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, LeasePlan's corporate risk committees and local (risk) management. LeasePlan's group audit department regularly audits corporate and local risk management processes.

2.4.1 Corporate risk management

LeasePlan's corporate risk management department is headed by the Senior Corporate Vice-President Risk Management who reports to LeasePlan's Chief Financial Officer. In the role as Group Compliance Officer, the Senior Corporate Vice-President Risk Management reported directly to the Chief Executive Officer of LeasePlan. Effective 1 April 2010 the Director Legal & Compliance, assumes the role of Group Compliance Officer.

The corporate risk management department 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 to the set limits. The department provides support to businesses regarding risk issues based on the LeasePlan principles and best practices. It also participates in initiatives that require involvement of risk management due to the perceived (expected) risk profile. Furthermore, corporate risk management coordinates and prepares the meetings of the risk committees at corporate centre.

2.4.2 Risk committee structure

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

Supervisory Board

- Audit Committee
- Remuneration Committee
- Credit Committee

The Audit Committee discusses the main internal and external audit findings, as well as any follow-up actions and integrity incidents. The Credit Committee reviews credit proposals above the agreed limit as submitted by LeasePlan, and provides recommendations for a resolution of the Supervisory Board regarding such credit proposals. The Remuneration Committee reviews and prepares, for resolution by the Supervisory Board, all matters relating to the nomination, remuneration and performance of the Managing Board.

Managing Board

- Asset and Liabilities Committee
- Credit Committee
- Asset Risk Committee
- Insurance Risk Committee
- Operational Risk Committee

The committees at LeasePlan Corporation comprise of at least two members of LeasePlan's Managing Board, the Senior Corporate Vice-President Risk Management, a senior risk manager and are completed by senior management involved in the respective risk domains. The Asset and Liabilities Committee meets on a quarterly basis whereas the other committees meet on a six-weekly basis. The specific risk committees act as an advisory function towards LeasePlan's Managing Board with respect to all matters related to the specific risk area and have defined delegated authorities. All meetings have fixed agenda items related to policies, portfolio, exposure developments and risk reporting and all meetings are minuted.

The corporate risk management department prepares standardised quarterly reports for discussion by the risk committees. After discussion in the risk committees, the reports are used for informing the Supervisory Board, the Managing Board and the Executive Management Team of LeasePlan.

2.4.3 Local (risk) management

Local management is responsible for managing a Group company'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 Group companies and depends on the size of the activities, the maturity of the Group company and the local leasing market.

2.4.4 Group audit department

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

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:

Eligible capital	
Share capital	71,586
Share premium	506,398
Translation reserve	-22,057
Hedging reserve	-110,284
Retained earnings	1,172,692
Shareholder's equity	**1,618,335**
Minority interests	-
Total equity	**1,618,335**
Prudential filter hedging reserve	110,284
Goodwill and related intangibles	-94,011
AIRB provision shortfall	-
Tier 1 capital	**1,634,608**
Subordinated loans	268,750
BIS capital	**1,903,359**

3.2 Capital requirements under Pillar 1

To monitor the adequacy of its available capital, LeasePlan uses ratios established by the Basel Committee of the Bank for International Settlements. 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.

LeasePlan uses internal models approaches, the advanced internal ratings based approach (or AIRB) for credit risk and the advanced measurement approach (or 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, they are continuously tested for their predictive quality and are annually validated by external parties.

In respect of operational risk, no balance sheet exposures exist. Therefore the required capital for operational risk is obtained from the outcome of models that track historic losses and anticipate low frequency - high risk events. The models predict the capital that is required 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 standardised approaches as described in the Capital Requirements Directive are used.

The following table analyses actual capital and the minimum required capital under Pillar 1 as at 31 December 2009:

	Minimum required	Actual
Risk weighted assets		**12,074,842**
BIS capital		
Credit risk leased assets	627,211	
Credit risk other assets	185,797	
Operational risk	114,586	
Currency risk	38,394	
	965,988	**1,903,359**
BIS ratio	8.0%	15.8%
Tier 1 capital		1,634,608
Tier 1 ratio		13.5%

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 risk weighted assets to be used as at 31 December 2009 may not be below 80% of the risk weighted assets 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)		**15,940,628**
Application of floor of 80%	12,752,502	
BIS capital		
Application of floor of 80%	**1,020,200**	**1,903,359**
BIS ratio	8.0%	14.9%
Tier 1 capital		1,634,608
Tier 1 ratio		12.8%

In 2010 banks are required to continue applying the capital floor of 80% of Basel I risk weighted assets. In monitoring the adequacy of its capital, LeasePlan constantly reviews 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 available capital in view of the risks it is exposed to. The periodical process in achieving the aforementioned objective is referred to as the Internal Capital Adequacy Assessment Process or ICAAP, whereby 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 under 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.
- Damage risk: the possibility that damages incurred for the account of LeasePlan exceed the compensations received in lease rentals for these risks.
- Interest rate risk: the risk that the profitability of LeasePlan is affected by movements in interest rates.

The internal assessment of risks has resulted in an outcome of internally required capital for credit risk and residual value risk that deviates 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 2009 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 3% 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.

Under Pillar 2, LeasePlan translates all risks assessed to an 8% capital requirement. This is complemented with an additional capital buffer which represents LeasePlan's rating ambition and risk appetite. The total internally targeted minimum capital requirement is set at a level that it is also sufficient in a scenario where risks are stressed all together simultaneously. The outcome of LeasePlan's Internal Capital Adequacy Assessment Process (or ICAAP) is annually followed by the Dutch Central Bank's Supervisory Review and Evaluation Process (or SREP).

4 Credit risk

4.1 Credit risk management definition

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 management structure and organisation

LeasePlan's Managing Board sets authority levels for all LeasePlan Group companies, based on which each Group company is allowed to decide on client acceptance and renewal. The authority levels are granted based on size of the Group company and the perceived quality of credit risk management, and are reviewed by the Group's Credit Committee in its six-weekly meetings. Above a Group company's authority, the Group's credit management department (International Credit Management), the Group's Credit Committee or the Credit Committee of the Supervisory Board is authorised to decide on credit acceptance and renewal. LeasePlan has an internally developed worldwide workflow in place that enables it to efficiently and in accordance with granted authorities handle and monitor credit requests.

In daily meetings International Credit Management decides within its own delegated authority on credit requests from the local subsidiaries that exceed their authority levels. This department also advises the Group's Credit Committee on items concerning adjustments of delegated authorities, development of local portfolios, capital model performance (including stress testing), development of debtors, watch accounts and provisions and introduction and adjustment of credit risk management policies and guidelines. Furthermore International Credit Management initiates the introduction and review of rating models and score cards.

The primary task of the Group's Credit Committee is to decide in regular meetings on credit requests from its local subsidiaries. It concerns more specifically those requests that exceed the authority levels of the individual Group companies and International Credit Management.

Quantitative risk management within LeasePlan Corporation is responsible for monitoring and analysing performance of the internal risk models and underlying risk components. In the model development phase this function performs an internal pre-validation of the model and advises on the expected performance of the models to be validated and implemented. The quantitative risk management function reports to the Senior Corporate Vice President Risk Management, works in consultation with the several risk management disciplines and is supported by external parties.

The tasks of credit management organisations within the Group companies, including the local credit committee comprise among others, the following:
- Define a clear internal credit acceptance policy
- Decide on credit requests
- 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 risk management

In principle, the Managing Director and the Finance Director of a Group company form part of the local credit committee. The local credit committees act independently from the commercial business area. LeasePlan's group audit department pays, during their audits, specific attention to the way credit risk management has been organised and embedded in the organisation. For this purpose group audit has defined specific activities in its working program.

4.3 Credit risk management policy

LeasePlan has issued policies to its Group companies, which regulate the governance of the local credit management organisation and set limits to industry sectors with which Group companies can do business. LeasePlan Group companies are required to define their risk appetite and set their 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.

4.4 Credit risk measurement

LeasePlan assesses the probability of default (or 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 risk authority judgment 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 (reverse) stress test scenarios. As per policy each Group company 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.

4.5 Credit risk exposure

4.5.1 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 based on the accounting qualification of the lease (financial or operational lease). The two balance sheet items reflecting the credit risk exposures related to leasing exposures in the annual report are: '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	2,071,739
Property and equipment under operational lease and rental fleet	11,548,795
Total credit risk exposure	**13,620,534**

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.

4.5.2 Credit risk exposure by approach

Effective 1 December 2008 the Group implemented advanced internal ratings based (or AIRB) models for calculating the regulatory capital requirement for credit risk under Basel II. The models for credit risk relate especially to the determination of:

- The probability of default (or 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 (or LGD): the loss the Group historically has experienced to incur when a client has defaulted (expressed in %)
- The exposure at default (or 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	10,816,584	292,738	11,109,322
Governments		650,664	650,664
Banks		231,910	231,910
Retail		1,385,538	1,385,538
Other		243,100	243,100
	10,816,584	**2,803,950**	**13,620,534**

4.5.3 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 following geographical segments are used:

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

The Group companies 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	7,113,217	2,367,323	1,628,782	11,109,322	82%
Governments	221,333	261,834	167,497	650,664	5%
Banks	197,499	14,937	19,474	231,910	2%
Retail	681,444	689,994	14,100	1,385,538	10%
Other	149,259	60,588	33,253	243,100	2%
	8,362,752	**3,394,677**	**1,863,105**	**13,620,534**	
	61%	**25%**	**14%**		

4.5.4 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	70,575	-	-	10,520		81,095	1%
Automotive	80,652	-	-	10,137		90,789	1%
Banks and financial intermediation	159,580	-	231,910	40,975		432,464	3%
Building Materials	21,393	-	-	1,865		23,258	0%
Capital Goods	1,580,784	-	-	134,072		1,714,855	13%
Chemicals	1,006,079	-	-	23,055		1,029,135	8%
Construction and Infrastructure	971,611	-	-	138,003		1,109,615	8%
Consumer Durables	1,534,036	-	-	189,033		1,723,069	13%
Diversified-Others	161,308	-	-	37,445		198,753	1%
Food Beverages and Tobaco	592,539	-	-	13,404		605,943	4%
Health Care	154,714	-	-	23,889		178,603	1%
Insurance and Pensionfunds	196,817	-	-	9,060		205,877	2%
Leisure and tourism	47,618	-	-	17,218		64,837	0%
Media	75,956	-	-	14,904		90,861	1%
Natural Resources	261,517	-	-	12,669		274,186	2%
Oil & Gas	121,659	-	-	2,870		124,529	1%
Private Individuals	10,306	-	-	154,375		164,681	1%
Public Administration	92	650,664	-	5,881		656,637	5%
Real Estate	93,976	-	-	29,611		123,587	1%
Retail	190,079	-	-	41,010		231,089	2%
Services	1,941,708	-	-	375,451		2,317,159	17%
Technology	760,775	-	-	48,401		809,176	6%
Telecom	263,820	-	-	9,657		273,477	2%
Transport & Logistics	471,266	-	-	34,712		505,979	4%
Utilities	339,099	-	-	5,216		344,314	3%
Other	1,362	-	-	2,103	243,100	246,565	2%
Total	**11,109,322**	**650,664**	**231,910**	**1,385,538**	**243,100**	**13,620,534**	**100%**

4.6 Risk weighted assets and capital requirements under Pillar 1

The advanced internal ratings based approach measures credit risk using internal data for:

- Probability of default (or PD)
- Loss given default (or LGD)
- Exposure at default (or EAD)
- Remaining maturity

4.6.1 Probability of default

4.6.1.1 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 may migrate between classes as the assessment of their probability of defaulting might change. LeasePlan's internal rating scale and mapping of external ratings are:

LeasePlan's rating	Description of grade	Standard & Poor'sequivalent
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 listed 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 meets internal and external requirements. All models are reviewed annually and are subject to validation by an independent external party.

4.6.1.2 Probability of default ranges

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

LeasePlan's rating	Credit risk exposure	PD range	
1	467,696	0.00%	0.03%
2A to 2C	3,735,907	0.03%	0.10%
3A to 3C	4,251,589	0.10%	0.36%
4A to 4C	2,045,227	0.36%	1.55%
5A to 5C	307,218	1.55%	16.02%
6A	8,947	16.02%	56.77%
Unrated	2,803,950		
Total	**13,620,534**		

The average total exposure weighted probability of default for LeasePlan amounts to 0.60%.

For the application of probability of defaults 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 59% 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, probability of defaults are only used for the calculation of risk weight of future lease payments. Under Pillar 2, these 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 nearly 2 years (see section 4.6.4), 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	5,625,242	35.03%	1,970,437
Residual value	7,995,292	73.41%	5,869,701
	13,620,534	**57.56%**	**7,840,138**

4.6.2 Loss given default

LeasePlan uses internal loss given defaults based on historical default data. These loss given defaults 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 loss given defaults. The average exposure weighted loss given default for LeasePlan is 30.90%.

LeasePlan's rating	Credit risk exposure	Effective LGD
1	467,696	30.58%
2A to 2C	3,735,907	29.96%
3A to 3C	4,251,589	31.25%
4A to 4C	2,045,227	31.53%
5A to 5C	307,218	33.05%
6A	8,947	36.35%
Unrated	2,803,950	
Total	**13,620,534**	

4.6.3 Exposure at default

The conversion factor for the exposure at default 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 judgment of a client's inability to fulfil its financial obligations. The latter criterion is used to avoid disputes with clients being reported as defaults.

4.6.4 Remaining 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	467,696	1.83
2A to 2C	3,735,907	1.82
3A to 3C	4,251,589	1.85
4A to 4C	2,045,227	1.88
5A to 5C	307,218	1.67
6A	8,947	1.53
Unrated	2,803,950	
Total	**13,620,534**	

4.6.5 Risk weight

The risk weight for assets in the credit risk exposure under the advanced internal ratings based approach is calculated using the parameters as set in the internal models for probability of default, loss given default, exposure at default and remaining maturity. The risk weights for assets in the credit risk exposure under the standardised approach are provided by the Dutch Central Bank as laid down in the Supervisory regulation on solvency requirements for credit risk.

4.6.6 Capital requirement under Pillar 1

4.6.6.1 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	10,816,584	50.74%	5,487,875	439,030
Standardised Approach				
Corporates	292,738	92.93%	272,038	21,763
Governments	650,664	60.62%	394,400	31,552
Banks	231,910	79.33%	183,975	14,718
Retail	1,385,538	90.85%	1,258,788	100,703
Other	243,100	99.98%	243,063	19,445
Subtotal	**2,803,950**	**83.89%**	**2,352,263**	**188,181**
Total	**13,620,534**	**57.56%**	**7,840,138**	**627,211**

The 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 the advanced internal ratings based approach and the standardised approach. While under first mentioned 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 standardised approach are risk weighted at 100%.

4.6.6.2 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	1,848,163	147,853
Off-balance	342,613	27,409
Derivatives	131,688	10,535
Total	**2,322,463**	**185,797**

4.6.6.3 Stress testing

On a quarterly basis International Credit Management performs stress testing on the leasing portfolio by assuming a deterioration in clients' ratings in combination with a deterioration of loss given defaults. The worst case scenario calculated under these stress tests assumes an average decrease in clients' ratings by 2 notches and a deterioration of the average loss given default by 10%. Such scenario would for LeasePlan result in an increase of required capital amounting to approximately EUR 120 million. The internal capital target calculated under Pillar 2 covers for such scenario happening meaning that LeasePlan aims for a minimum capital level that, in the event of such a scenario occurring, in combination with stressed scenarios in other risk areas, will keep the capital ratio above the minimum required capital ratio of 8%. The currently available capital is even well above the targeted capital.

4.7 Credit risk mitigation, provision and impairment

4.7.1 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 a client's probability of defaulting is substituted by the probability of defaulting of the guarantor in case this probability is lower. This implies 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 subject to credit risk mitigation amounts to EUR 1,262 million (9% of total credit risk exposure); the impact on regulatory capital requirement is EUR 11.2 million (1% of minimum capital requirements under Pillar 1).

4.7.2 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 pas due nor impaired	352,777
Past due but not impaired	123,520
Impaired	85,835
Gross carrying amount	**562,132**
Less: allowance for impairment	-78,406
Less: expected loss provision	-12,289
Net carrying amount	**471,437**

The total impairment provision for loans and receivables amounts to EUR 90.7 million of which EUR 78.4 million represents the individually impaired receivables and the remaining amount of EUR 12.3 million represents the expected incurred but not reported losses at the end of 2009. 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 probability of defaults and loss given defaults. Similar to last year, at year-end 2009 (i) the probability of defaulting 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 loss given default was set 5% above current level to reflect the downturn in used vehicle 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	99,909
Past due between 90 - 180 days	9,724
Past due over 180 days	13,886
Total	**123,520**

4.8 Other credit risk exposures

4.8.1 Receivables from financial institutions

In addition to its natural exposure to credit risk in the leasing of vehicles, LeasePlan is also exposed to credit risk due to the use of derivative financial instruments and excess cash being deposited with other banks. Both credit risks arising from LeasePlan's central treasury organisation 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-	96	200
A+ to A-	178	1,079
BBB+ to BBB-	1	35
Total	**275**	**1,314**

4.8.2 Loans to associates and jointly controlled subsidiaries

Credit risk for LeasePlan also arises on lending to associates and jointly controlled Group companies. The underlying business of the respective associates and jointly controlled Group companies is very similar to LeasePlan's core activities conducted through wholly owned Group companies. 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 Group companies, LeasePlan also monitors and manages its credit exposures to such ventures. As at 31 December 2009 the following exposures existed on associates and jointly controlled activities:

Counterparty	**Outstanding notional**
LPD Holding A.Ş., Turkey	103,168
Please S.C.S., France	73,700
LeasePlan Emirates Fleet Management - LeasePlan Emirates LL, United Arab Emirates	8,518
Overlease S.r.L., Italy	47,466
Total	**232,849**

The risk weighted assets 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 313 million. The net equity value of investments in the above mentioned counterparties amounted to EUR 22 million.

5 Operational risk

5.1 Operational risk management definition

Within LeasePlan 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.

5.2 Operational risk management structure and organisation

LeasePlan's Managing Board decides upon the content and alterations to LeasePlan's operational risk management policy. This policy prescribes the requirements for the organisation of the operational risk management activities in each Group company.

General trends in operational risks and losses, high impact losses, local entities' operational risk management performance and the operational risk capital model developments are the main topics monitored and discussed by LeasePlan's Operational Risk Committee.

The Group's operational risk management 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 Group level. This department prepares analyses of the operational losses reported by Group companies for the Group's Operational Risk Committee and initiates the overall assessment of risks in the Group as a basis for the annual Internal Capital Adequacy Assessment Process (or ICAAP).

Local management is responsible for managing the operational risks in their field of accountability. In all Group companies 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.

LeasePlan's group audit department pays specific attention to the way operational risk management has been organised and embedded in Group companies. For this purpose group audit has defined specific activities in its working program. Among others, this department performs checks on the operational loss database, the risk self-assessments, the local operational risk management committee, management's awareness on operational risk management and it 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 the minimal activities, controls and tools that must be in place within all Group companies. The policy includes requirements on creating awareness, sufficient staffing and governance (including existence of local risk committee), loss identification and reporting, risk assessment and definition of operational risk appetite.

5.4 Operational risk measurement

LeasePlan applies the advanced measurement approach (or AMA) in its operational risk framework. Methods deployed within LeasePlan for risk identification are the operational risk scenario analyses, top-down assessments, operational risk self-assessments, operational loss data analysis and the performance of internal and external audits.

Based upon the risks identified and losses reported the operational risk profile of LeasePlan is assessed. Local management uses the outcome of the risk identification activities to assess the probability and impact of identified risks on their organisation and take appropriate action if the local risk appetite requires so.

The Group's operational risk management department 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 Operational Risk Committee. Operational loss data reported is analysed on a daily basis and reported on a weekly basis.

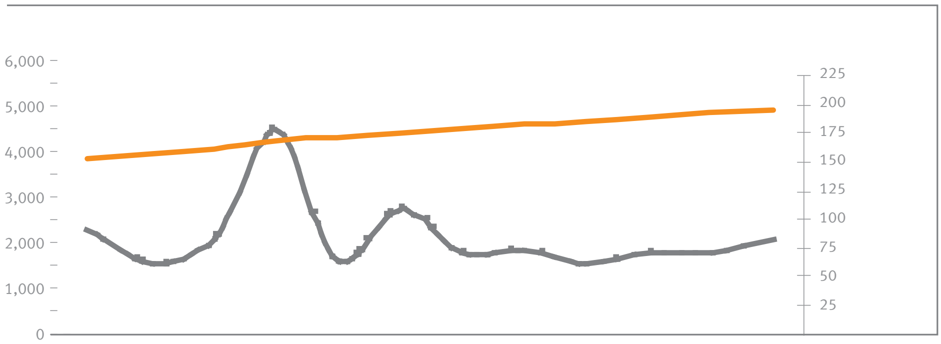
Evaluating the effectiveness of the deployed operational risk mitigation activities is the responsibility of local management. The overall impact of the mitigating activities is assessed by analysing the frequency and impact of operational losses prior to and after implementation of the additional controls.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

Insurance is currently used in LeasePlan's advances measurement approach model for the purpose of operational risk capital reduction. With 1%, the contribution of insurance to the total recovery of operational losses is well below the maximum accepted limit of 20%.

5.5 Operational risk exposure

LeasePlan's exposure to operational risks is demonstrated by means of the operational losses reported from the start of this reporting process until the end of 2009. From the start of the operational loss data recording in 2004 until December 2009 LeasePlan has recorded 4,863 operational losses. These losses correspond with a total estimated loss amount of EUR 44.9 million. The LeasePlan Group companies 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 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 2009.

Approved losses (cumulative/per month)



Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	
3,912	3,976	4,061	4,240	4,307	4,418	4,492	4,567	4,631	4,704	4,778	4,863	total # losses
93	64	85	179	67	111	74	75	64	73	74	85	losses/month

The majority of the operational losses recorded by LeasePlan are classified in the event category 'Execution: Delivery and Process Management'. These categories represent 67% 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	13%	5%
Clients: products and business practices	10%	7%
Damage to physical assets	1%	2%
Employment practices and workplace safety	1%	1%
Execution: delivery and process management	67%	80%
External fraud	8%	5%
Internal fraud	0%	0%
Total	**100%**	**100%**

5.6 Capital requirements under Pillar 1

5.6.1 Operational risk 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 99.9th 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 capital requirements under the advanced measurement approach in 2006. Since then a model governance structure has been developed and implemented that ensures an annual 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.

The operational risk regulatory requirement of LeasePlan as at the end of 2009 amounts to EUR 114.6 million, including EUR 0.5 million measured for activities under the standardised approach. The remaining amount is the sum of LeasePlan's operational loss data model and scenario model, EUR 38.9 million and EUR 75.2 million respectively.

5.6.2 Stress testing

The advanced measurement approach model in itself already incorporates stress scenarios. These scenarios are explicitly identified and quantified (the operational risk scenarios). From a quantitative point of view the model uses a confidence interval which reflects stressed circumstances. This stress testing is performed by the Group's operational risk management department on a quarterly basis as part of the model governance cycle. The outcome is discussed in the Group's Operational Risk Committee.

To further assess the sensitivity of the models we perform additional tests including the following items:

- Sensitivity analysis of the operational loss model by measuring the effect on the capital of a 25% increase of the average severity ánd frequency of all reported losses;
- Sensitivity analysis of the scenario based model by measuring the effect on the capital of increasing the original estimated severities (p‹0.5 and p‹0.999) and original estimated frequency median scores +1.

If it is assumed that all (operational) risk scenarios occur at the same time, the extreme impact of all scenarios have been underestimated and LeasePlan has been confronted with an overall increase of 25% of the operational losses (both impact and frequency), the additional capital required amounts to EUR 78.8 million. The internal capital target calculated under Pillar 2 covers for such scenario happening meaning that LeasePlan aims for a minimum capital that, in the event of such scenario occurring, in combination with stressed scenarios in other risk areas, will keep LeasePlan's capital ratio above the minimum required capital ratio of 8%. The current available capital is even well above the targeted capital.

6 Asset risk

6.1 Asset risk management definition

Within LeasePlan, asset risk is broken down into two underlying risk components being residual value risks and risks related to services repair, maintenance and tires. The residual value 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 risks related to service repair, maintenance and tires 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.

6.2 Asset risk management structure and organisation

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 policies and is informed about all relevant and significant developments with regard to LeasePlan's asset risk profile. Trends in relevant asset risk related elements are monitored by and discussed in the Group's Asset Risk Committee. This committee also discusses changes to Group policies regarding asset risks and the Group's asset risk position.

The Group's asset risk management department is responsible for establishing and maintaining the asset risk management framework and monitoring the Group's asset risk profile. This department also collates reporting on asset risk at Group level. On a quarterly basis the department prepares reporting on the asset risk position of the Group which is discussed in the Group's Asset Risk Committee and is shared with LeasePlan's Managing Board and Supervisory Board. The report details recent developments related to asset risk and summarizes the latest risk measurements across relevant subsidiaries.

A Group company's 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.

LeasePlan's group audit department pays, during their audits, specific attention to the way asset risk management has been organised and embedded. This department also verifies compliance with the Group policies. For these purposes group audit 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 Group companies bearing such risks. The policy seeks to ensure that an adequate risk management framework within LeasePlan exists. The policy, amongst others, describes that due to the complexity involved all Group companies should establish an asset risk committee including the Managing Director and/or the Finance Director. These committees convene with a minimum frequency of once per quarter and have as 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 management team of a Group company is kept up to date on all relevant issues. The risk committees assess influences on the asset risk exposure (both internal as well as external) and should, based on its assessment, decide on the level of pricing and risk mitigating measures. The Group companies are expected to have internal reporting in place regarding asset risk management. The internal reporting should include the trends in termination results, trends in risk mitigation and asset risk measurements.

The policy also describes the minimum standard with respect to risk mitigating techniques. The purpose of these risk mitigating techniques is to ensure that Group companies are placed in a position where asset risks can be managed. Examples of risk mitigation are recharging end-of-contract damages and recharging 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.

Finally, the policy outlines the required provision of reporting to the corporate centre.

6.4 Asset risk measurement

On a monthly basis the Group's asset risk management department analyses the developments in residual value risks and risks related to service repair, maintenance and tires as reported by Group companies. Among others, this reporting concerns risks taken on newly contracted fleet, realized results on terminated fleet and the level of risk mitigation applied.

On a quarterly basis LeasePlan Group companies measure the asset risks in their non sold portfolio and report the exposures to the Group's asset risk management department. These measurements are within LeasePlan referred to as Fleet Risk Assessments. 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). The outcomes of measurements are thoroughly reviewed on plausibility and are discussed within local asset risk management committees. These measurements are reviewed by the Group's asset risk management department and discussed in the Group's Asset Risk Comittee. These measurements allow LeasePlan to trace developments continuously and discover any adverse trends in a timely manner. The outcomes also serve as a basis for the determination of prospective depreciation of the portfolio.

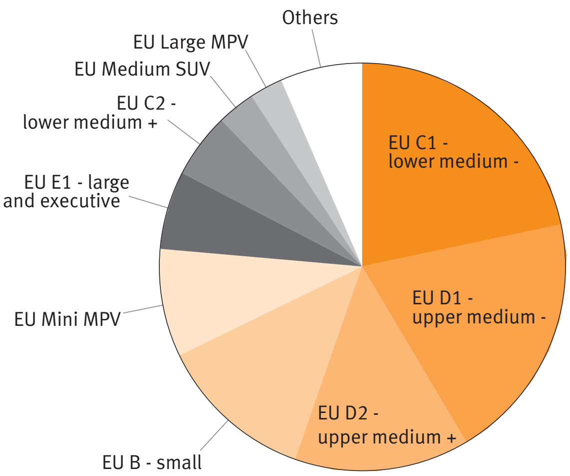
6.5 Asset risk exposure

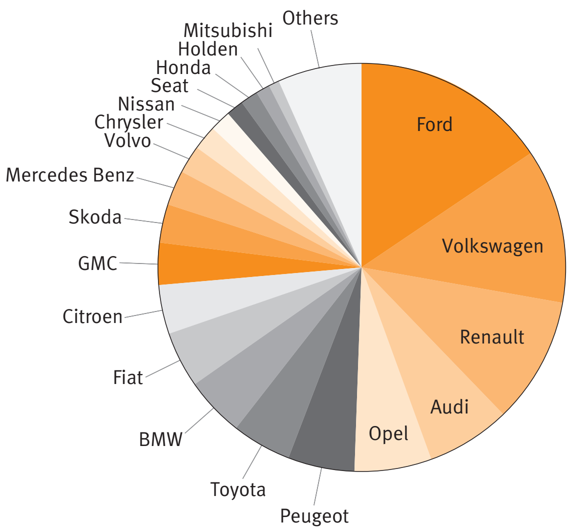
Asset risk represents one of the most significant risk exposures that LeasePlan faces. The residual value element in asset risk amounted to EUR 8.3 billion as at the end of 2009 representing approximately 50% of LeasePlan's balance sheet which can be broken down as follows:

Total residual value on balance	**7,995,292**
Total value non funded residual value guarantees	**301,828**

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.

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 brand and type of car. The pie-graphs below show the diversification of all LeasePlan funded vehicles by brand and segment. In Europe, the majority of the passenger vehicles is concentrated around small and medium vehicle segments.

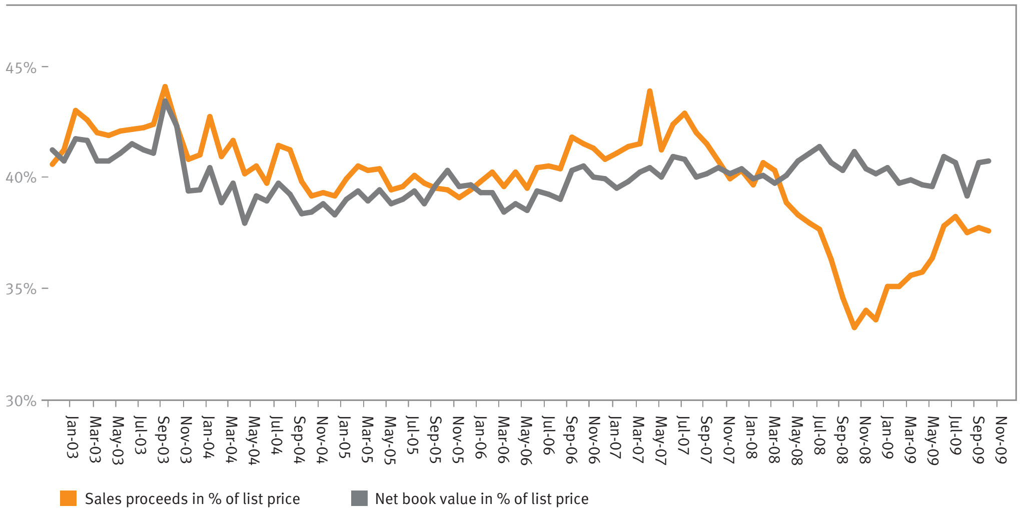




Examples of models in segments	
EU C1 - lower medium -	Volkswagen Golf, Opel Astra, Peugeot 308, Ford Focus
EU D1 - upper medium -	Citroen C5, Mazda 6, Opel Vectra
EU D2 - upper medium +	Audi A4, Mercedes Benz C-class, BMW 3 series,
EU B - small	Volkswagen Polo, Renault Clio, Peugeot 207, Fiat Punto
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

The adverse developments in the second-hand car markets worldwide that started from the middle of 2008 continued to have an impact in many countries LeasePlan operates in, also during the year 2009. Though many major markets started recovering month after month following the end of 2008 low, the sales proceeds remained substantially below the estimates made at lease inception. As these risks are guaranteed in our product offering this resulted in LeasePlan absorbing substantial losses. The graph below shows the historical overview of the development of sales proceeds and the development of net book value of terminated vehicles.

Development sales proceeds and net book value (expressed in % of list price)



For the risk bearing portfolio at the end of the fourth quarter of 2009, 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, though the position improved considerably when compared with last year's position. This improvement is due to observed market improvements and adjusted pricing for newly contracted vehicles. The expected losses for the year 2010, ignoring existing provisions, equates to EUR 56 million.

6.6 Capital requirements

6.6.1 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 advanced internal ratings based approach a risk weight is applied that depends on the remaining maturity of the underlying contract. For the majority of the assets of LeasePlan, the advanced internal ratings based approach is applied; the regulatory capital related to residual values amounts to EUR 470 million as at the end of 2009. This amount is included in the capital requirements amounting to EUR 627 million calculated for credit risk as shown in section 4.6.6.1.

6.6.2 Capital requirements under Pillar 2

Under Pillar 2, LeasePlan calculates internally required capital different from the methodology applied under regulatory requirements for Pillar 1. As explained in section 3.3, the methodology used under Pillar 2 assumes asset risk to be a credit risk for the contract duration. Next to that capital is calculated to cover for possible losses when the vehicles are returned at contract maturity. With respect to the latter, a 3% charge of the total on-balance residual value position is used while for off-balance residual value guarantees a charge is made under the credit risk approach. This 3% charge is compared with the consolidated outcome of the measurement exercises conducted by the Group companies (including positions resulting from off balance guaranteed residual values). As per the end of 2009, the internal capital calculated and held for asset risk was sufficient to cover a stressed scenario at the level observed in December 2008.

6.6.3 Stress testing

LeasePlan performs stress testing as part of its quarterly fleet measurement exercises on a Group level. The outcome of the stress tests is compared with the capital held for asset risk. A 1 percentage point movement could lead to a EUR 49 million (before tax) movement in estimated termination results for the year 2010.

7 Market risk on interest and currency

7.1 Interest rate risk

7.1.1 Interest rate risk management definition

Within LeasePlan market risk on interest is defined as the risk that LeasePlan's profitability is affected by movements in interest rates.

7.1.2 Interest rate risk management 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 maturities, amounts, currency and re-pricing dates of interest bearing assets and liabilities for interest rate purposes is fundamental to the management of LeasePlan, and is defined in LeasePlan policies. 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 policy

LeasePlan has a policy in place in respect of interest rate risk management in Group companies. This policy defines that the interest rate risk profile of the contract portfolio of leases held by each Group company must match with a corresponding profile in the funding to minimise the interest rate risks at subsidiary level. In the policy specific maximum interest rate mismatches are defined that all Group companies need to adhere to. Additionally, the policy prescribes the methodology of interest rate setting in contracts and sets requirements for the monthly reporting of interest rate exposures to the Group's treasury risk management department. For the central treasury operations specific interest rate risk limits have been defined.

7.1.4 Interest rate risk measurement

The matching principle is monitored through interest rate gap reports, which are reported on a monthly basis to the Group's treasury risk management department. LeasePlan Group companies have interest bearing assets (mainly lease contracts) which are funded through interest bearing liabilities (loans) and non-interest bearing liabilities (working capital and equity). They 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 organisation. The central treasury organisation provides loans to Group companies and attracts funds from the market in combination with (interest rate) derivatives for hedging purposes. To enable the central treasury organisation 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 re-pricing that may be undertaken per currency and time bucket. Exposures to limits are monitored daily by the Group's treasury risk management department. Derivative financial instruments are concluded by the central treasury organisation as an end-user and are important and effective instruments in managing and controlling interest rate risk exposures.

Interest rate risk positions and deviations from the group policy are reported to and discussed by the Assets and Liabilities Committee on a quarterly basis. The reporting of these positions is also part of the quarterly reporting to the LeasePlan Managing Board and Supervisory Board.

7.1.5 Interest rate risk exposure

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.

	0-3 months	3-12 months	1-5 years	> 5 years	Non-interest bearing	Total
Property and equipment under operational lease and rental fleet	1,345,729	3,110,716	7,038,660	53,692		11,548,797
Amounts receivable under finance lease contracts	1,211,039	555,242	231,037	74,428		2,071,746
Other assets	1,310,834	409,028	257,095		1,528,714	3,505,671
Total as at 31 December 2009	**3,867,602**	**4,074,986**	**7,526,792**	**128,120**	**1,528,714**	**17,126,214**
Financial liabilities	3,978,785	3,223,362	5,746,766	7,780	1,025,153	13,981,846
Non-financial liabilities					1,526,033	1,526,033
Total as at 31 December 2009	**3,978,785**	**3,223,362**	**5,746,766**	**7,780**	**2,551,186**	**15,507,879***
Interest gap	**-111,183**	**851,624**	**1,780,026**	**120,340**		
Derivative financial instruments						
Assets	19,852,742	1,408,989	7,536,598	857,770		29,656,099
Liabilities	17,619,636	4,057,536	7,251,890	762,500		29,691,562
Interest gap	**2,233,106**	**-2,648,547**	**284,708**	**95,270**		
Total interest gap	**2,121,923**	**-1,796,923**	**2,064,734**	**215,610**		

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

7.1.6 Stress testing

Stress testing takes place regularly on similar exposures during the year by analysing the profit and loss effect of a 200 basis points parallel yield curve shift on all open positions. As at 31 December 2009 the annualised effect of such a change in interest rates (converted to its EURO equivalent) would be almost EUR 5.7 million, which is equal to approximately 2.7 % of profit before tax.

7.2 Currency risk

7.2.1 Currency risk management definition

Within LeasePlan currency risk is defined as the risk that fluctuations in currencies have an adverse impact on LeasePlan's profitability.

7.2.2 Currency risk management 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.

Also the central treasury organisation is to a limited extent exposed to currency risks. For those risks, mainly arising from margins realized on intercompany funding, limits are in place.

7.2.3 Currency risk policy

LeasePlan has a currency risk management policy in place that applies to all Group companies, including the central treasury organisation. In the policy the currency risks and methodologies to avoid or reduce the currency risks have been defined as well as the authorities and reporting requirements set.

7.2.4 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 Group companies, 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 euro equity value in euro of non-euro Group companies is to protect balance sheet ratios. The exposure of equity to non-euro Group companies is managed in relation to assets in the same respective currency originated by the non-euro Group companies. Thereby the balance sheet ratios are managed on a neutral basis, not being impacted by foreign exchange rate movements.

The adherence to limits is analysed by the Group's treasury risk management department and reported to the Assets and Liabilities Committee on a quarterly basis. In its meetings this committee also discusses the distribution of currencies over Group funds in relation to the assets in the same currencies.

7.2.5 Currency risk exposure

The table below summarises LeasePlan's on-balance exposure to currency risk as at 31 December 2009.

	EUR	GBP	USD	Other	Total
Property and equipment under operational lease and rental fleet	7,912,267	1,072,803	129,991	2,433,736	11,548,797
Amounts receivable under finance lease contracts	457,318	236,224	676,170	701,986	2,071,698
Other assets	2,832,714	214,834	117,294	340,877	3,505,718
Total	**11,202,299**	**1,523,861**	**923,455**	**3,476,598**	**17,126,214**
Financial liabilities	10,120,472	604,977	2,126,019	1,130,378	13,981,846
Non-financial liabilities	1,010,865	93,205	48,806	373,158	1,526,033
Total	**11,131,337**	**698,182**	**2,174,825**	**1,503,536**	**15,507,879**
Net on-balance sheet financial position	**70,962**	**825,679**	**-1,251,370**	**1,973,063**	**1,618,334**
Off balance sheet (derivatives) position		-749,675	1,275,357	-1,675,943	
Currency position		76,004	23,987	297,120	

7.2.6 Capital requirements under Pillar 1

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

Currency	Position in EUR	Minimum required capital
GBP	116,589	9,327
USD	64,929	5,194
Other	298,401	23,872
Total	**479,919**	**38,393**

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 management definition

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 management 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 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.

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 organisation reduces the liquidity risk on written lease contracts to a minimum. The wholesale funding character of its public, large scale transactions are complemented by 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.

8.3 Liquidity risk management policy

LeasePlan has a matched funding policy in place. This policy requires entities to adhere to the principle of matched funding meaning that the duration of funding should be matched with the duration of the underlying leasing portfolio. Entities are not allowed to have funding mismatches exceeding 5%. For the central treasury organisation, separate limits on the maximum amounts of borrowings maturing per future month are established.

8.4 Liquidity risk measurement

To control liquidity risk limits are set for the central treasury organisation 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 LeasePlan's 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 the central treasury organisation, each month all Group companies submit a Liquidity Mismatch Report to the Group's treasury risk management department which monitors the duration profile of 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 order to control the Group's liquidity position, the central treasury organisation prepares liquidity projections. These reports show the expected repayment liabilities which are compared with the available funding sources and expected movements in fleet financing in our entities. These projections are constantly updated and reported on a monthly basis. The same overview is also used to test how long LeasePlan will be able to repay maturing debt in the stressed scenario that money market and debt capital market funding is unavailable.

In addition to LeasePlan's own internal policies and controls, liquidity risk is also supervised by and reported to the Dutch Central Bank on a monthly basis. The liquidity supervision by the Dutch Central Bank 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 2009. The Dutch Central Bank 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	2,075	3,650
Required liquidity	1,064	2,401
Surplus (minimum requirement is above nil)	1,011	1,249

8.5 Liquidity risk exposure

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

	0-3 months	3-12 months	1-5 years	› 5 years	Illiquid	Total
Property and equipment under operational lease and rental fleet	912,031	2,432,240	8,114,095	90,431		11,548,797
Amounts receivable under finance lease contracts	247,019	551,489	1,201,369	71,822		2,071,698
Other assets	1,254,154	317,197	802,292	2,603	854,318	3,230,565
Total as at 31 December 2009	**2,413,204**	**3,300,926**	**10,117,756**	**164,856**	**854,318**	**16,851,060**
Financial liabilities	3,482,788	3,700,562	6,945,351	310,966		14,439,667
Non-financial liabilities					587,827	587,827
Total as at 31 December 2009	**3,482,788**	**3,700,562**	**6,945,351**	**310,966**	**587,827**	**15,027,494**

The difference between assets and liabilities in the time bucket 0-3 months relates to the borrowings taken from the European Central Bank (EUR 1,115 million) as described in the next section.

8.6 Liquidity risk mitigation

As a precaution the continued access to financial markets for funding 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 an individual bank (EUR 125 million maturing in October 2010) and EUR 1 billion with a syndicate of 25 highly rated banks (maturing in December 2011). None of these facilities include material adverse change clauses. During 2009 no calls were made on the available standby liquidity facilities. Furthermore in October 2008 LeasePlan concluded a EUR 1.5 billion 3 year credit facility with Volkswagen A.G.

Secondly LeasePlan concluded three securitisation transactions under the name of Bumper 1 (2006), Bumper 2 (2008) and Bumper 3 (2009). Bumper 1 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 1 B.V. to finance this transaction. 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. Bumper 3 involved the sale of future lease instalment receivables and associated residual value receivables (GBP 887 million) originated by LeasePlan UK Ltd. to the special purpose company Bumper 3 Finance Plc. Debt securities in EUR and GBP were issued by this special purpose company to finance the transaction.

The highest rated notes (rated AAA) under the transactions (EUR 1,120.5 million for Bumper 1, EUR 663.3 million for Bumper 2 and EUR 733.8 million for Bumper 3) are eligible to be used as collateral value when LeasePlan engages as counterparty in monetary transactions with the European Central Bank. With regards to these notes the European Central Bank requires a rating at the AAA/Aaa level from an external credit assessment institution at issuance. Over the lifetime of the notes, the single A minimum rating threshold would have to be retained. The underlying pool should not consist, in whole or in part, of tranches of other asset backed securities.

During 2008 and 2009 this ability has proven useful, in particular with the unrest in financial markets. At the end of 2009 EUR 1,115 million (2008: EUR 1,570 million) was borrowed from the European Central Bank, which was secured with notes from the securitisation transactions.

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 above backstop facilities in combination with available excess cash balances and overfunding of existing assets.

9 Damage risk

9.1 Damage risk management definition

Damage risk is the exposure to potential loss due to costs related to damages incurred for the account of LeasePlan exceeding the compensations included in lease rentals. This damage risk refers to long-tail risks (motor third-party liability, TPL) and short-tail risks (motor material damage, passenger indemnity, and legal defence). The tail of a risk indicates the length of time elapsing between the occurrence and the ultimate settlement of any damage relating to such risk. Short-tail risks are normally run off in the course of a year whereas for long-tail risks it can take years to identify and settle. These risks are either retained in own damage programmes by Group companies, or by LeasePlan's own insurance company, Euro Insurances based in Dublin (Ireland). Euro Insurances is regulated by the Irish Financial Services Regulatory Authority and its 'European passport' enables it to support Group companies in all European Union member states.

9.2 Damage risk management structure and organisation

The overall approach is to selectively accept damage risk taking into account the best risk/return ratio. In principle the Group only accepts damage risk retention positions arising from its own operational and (to a lesser extent) finance lease portfolio. Damage specialists in each Group company and Euro Insurances accept damage risk in accordance with the strict guidelines of a pre-agreed policy. These policies set out the scope and nature of the risks to be accepted (or not) as well as the authority rules. Special perils falling outside the scope of the policy are transferred to external insurance companies.

Settlement of damages is outsourced to specialised independent damage handling companies in accordance with the strict terms of a service level agreement and following a pro-active approach to damage handling, from expert investigation to early settlement at the lowest possible cost. The Group monitors the damage risk acceptance process and the financial performance in each geography using actuarial and statistical methods for estimating liabilities and determining adequate pricing levels. Regular analysis of damage statistics, strict compliance with damage handling procedures and policies and when necessary, reviews of damage risk pricing, ensure a healthy balance between revenues and damages at both an aggregate level and an individual fleet level. The provision for damages is regularly assessed and periodically verified by (external) actuaries.

The price for acceptance of damage risk is set in each market based on prevailing local market conditions after determining appropriate levels of (re)insurance cover and the expected costs of managing and settling damages. Regular external actuarial assessments support internal actuary assessments of the individual programme damage ratios, which are influenced by statistical evidence of accident frequency in the local market and the cost per large damage. These support the incurred but not reported (or IBNR) factors used to determine appropriate reserve levels necessary to meet projected short and long-tail damages.

(Re)insurance cover is purchased by the Group 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 the Group's reinsurance captive Globalines. The Group ensures that the damage risk policy's terms and conditions are mapped against the reinsurance cover in place in order to prevent any uncovered risks.

9.3 Damage risk policy

In order to clearly define, manage and limit the risks, principles are laid down in a motor insurance policy that needs to be adhered to by all LeasePlan entities.

9.4 Damage risk measurement

The Group's insurance risk management department is responsible for establishing and maintaining the damage risk framework and monitoring LeasePlan's damage risk profile. It is also responsible for the preparation and reporting of data for consideration by the Group's Insurance Risk Committee and LeasePlan's Managing Board and Supervisory Board.

Based on the Group motor insurance policy, Group companies report developments in their portfolio exposed to damage risk on a quarterly basis. This reporting includes developments in the number of objects exposed to damage risk, total compensation included in lease rentals damages paid, provisioning, damage frequency and loss ratios. The Group's insurance risk management department monitors the developments in the relevant portfolios as reported with special attention for the development of loss ratios, provisioning, handling of damage files and receivables originating from reclaimable damages. These developments, including statistical analyses of all individual programs, are discussed in the Group's six weekly Insurance Risk Committee meetings and are reported to LeasePlan's Managing Board and Supervisory Board on a quarterly basis.

9.5 Damage risk exposure

At the end of 2009 the Group was exposed to damage risk on approximately 420,000 vehicles for short tail risks while regarding long tail risks this exposure existed on about 258,000 vehicles. The total annualized compensating revenues in lease rentals related to this exposure amounted to approximately EUR 363 million; as these are gross premiums they are somewhat higher than the booked and earned premiums.

9.6 Capital requirements under Pillar 2

No specific capital requirements are applicable to LeasePlan's damage risk activities under the Pillar 1 framework of Basel II. However, as Euro Insurances is regulated by the Irish Financial Services Regulatory Authority, capital for those activities is held in line with the capital requirement regulations applicable to insurance companies, as laid down in the European Directive.

Under Pillar 2, LeasePlan calculates internally required capital for all its damage risk activities. The methodology used is the regulation as laid down in the European Directive which basically requires a solvency margin expressed as a percentage of insurance premiums. As a result, LeasePlan calculated approximately EUR 60 million as internal capital requirements for damage risk activities.

Since the risks in the damage risk portfolio are quite well predictable, excessive risks are reinsured and LeasePlan considers the amounts of provisioning as sufficient, the outcome of realistic stress tests do not have significant impact on LeasePlan's capital position.

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

10 Compliance risk

10.1 Compliance risk management definition

Compliance risk is defined as the risk of legal or regulatory sanctions, financial loss, or loss to reputation LeasePlan may suffer as a result of its failure to comply with international and local country laws, regulations, codes of conduct, good management practices and internal policies.

10.2 Compliance risk management structure and organisation

On Group level a separate Compliance Risk Management function is responsible for maintaining the group compliance framework. The Group Compliance Officer reports directly to the Chief Executive Officer of LeasePlan. In each Group company a compliance risk management function is present. The central compliance function instructs the local compliance functions. This includes the preparation of a minimum monitoring program which primarily aims at the monitoring of activities that are considered to be important in light of LeasePlan's banking environment. Additionally, local compliance officers are expected to perform monitoring activities based on the outcome of the local compliance risk assessments.

For its savings bank activities in The Netherlands that were started in Q1 2010, a specific monitoring program has been developed. To optimize the coordination of compliance activities at a central level a Compliance Meeting was established early 2010.

10.3 Compliance risk policy

LeasePlan has a compliance risk policy in place that sets out the requirements of and expectations from Group companies in respect of the set up of the local compliance organisation, the assessment of compliance risks and the periodical reporting and reporting of incidents.

10.4 Compliance risk measurement

Compliance risks are assessed by means of compliance self assessments in Group companies. Furthermore, the central compliance function ensures that developments in regulations are captured in new or existing Group policies if necessary. After formal approval by LeasePlan's Managing Board, these policies are announced to the Group companies and their compliance officers.

General developments in the area of compliance are reported in the quarterly Operational Risk Management reports. Incidents are reported directly to the Chief Executive Officer.

10.5 Capital requirements under Pillar 2

Under Pillar 1 no specific capital requirements for compliance risk need to be calculated for regulatory purposes. The effects from compliance incidents are considered to be operational losses within LeasePlan's definition of an operational loss and as such these events and their impact on LeasePlan's result are reported in the operational loss database. Consequently, the reporting of these losses results in capital requirements under the internal loss data model as described in section 5.6.1. Furthermore, in the determination of low frequency-high impact operational loss scenarios, compliance incidents are also considered.

List of principal consolidated participating interests

Pursuant to Article 379, Part 9, Book 2, of the Netherlands Civil Code a full list of Group companies and associates and jointly controlled entities 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%.

Principal subsidiaries, which are fully included in the consolidated financial statements, are:
LeasePlan Australia Limited, Melbourne
LeasePlan Brasil Ltda., San Paulo
LeasePlan Česká republika s.r.o., Prague
LeasePlan Danmark A/S, Copenhagen
LeasePlan Deutschland GmbH, Neuss
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 s.r.o., Bratislava
LeasePlan Sverige AB, Stockholm
LeasePlan UK Limited, London
LeasePlan USA, Inc., Atlanta

Euro Insurances Limited, Dublin
Globalines Reinsurance Limited, Isle of Man
LeasePlan Finance N.V., Almere
LeasePlan International B.V., Amsterdam
LeasePlan Supply Services AG, Risch
Mobility Mixx B.V., Almere
Travelcard Nederland B.V., Almere

All holdings are in the ordinary share capital of the undertaking concerned and are unchanged from 2008.

Special purpose vehicles with no shareholding by the Group are:
Bumper I B.V., Amsterdam
LeasePlan Securitisatie B.V., Amsterdam
Bumper 2 S.A., Luxembourg
Bumper Car Sales GmbH, Neuss
Bumper 3 Finance Plc, London

List of principal associates and jointly controlled Group companies

Principal associates and jointly controlled entities that are accounted for under net equity accounting in the consolidated financial statements are:
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%)
LPD Holding A.Ş., Turkey (51%)

The net equity accounting treatment is based on whether the company has significant influence or joint control.

Pursuant to the provisions of Article 403 f, Part 9, Book 2, of the Netherlands Civil Code, LeasePlan Corporation N.V. has filed a declaration of joint and several liability with respect to the financial obligations of the majority of the participating interests in the Netherlands. For the following participating interests an Article 403 declaration is filed:

AALH Participaties B.V.
Accident Management Services B.V.
Energie LeasePlan B.V.
Firenta B.V.
Lease Beheer N.V.
Lease Beheer Holding B.V.
Lease Beheer Vastgoed B.V.
LeasePlan Finance N.V.
LeasePlan International B.V.
LeasePlan Nederland N.V.
LeasePlan Securitisatie B.V.
LPC Auto Lease B.V.
Mobility Mixx B.V.
Transport Plan B.V.
Travelcard Nederland B.V.

It's easier to leaseplan

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