



It's easier to leaseplan

LEASEPLAN IS A GLOBAL VEHICLE LEASING AND FLEET AND VEHICLE
MANAGEMENT COMPANY OF DUTCH ORIGIN. WE OPERATE IN 30 COUNTRIES
ACROSS EUROPE, NORTH AND SOUTH AMERICA AND THE ASIA-PACIFIC.
ESTABLISHED ALMOST 50 YEARS AGO WE MANAGE A FLEET SIZE OF OVER
1.3 MILLION MULTI-BRAND VEHICLES, MAKING US THE WORLD'S LARGEST
FLEET AND VEHICLE MANAGEMENT PROVIDER IN TERMS OF FLEET SIZE.
WE OFFER A COMPREHENSIVE PORTFOLIO OF FLEET MANAGEMENT
SOLUTIONS COVERING VEHICLE ACQUISTION, LEASING, FULL SERVICE FLEET
MANAGEMENT, STRATEGIC FLEET SELECTION AND MANAGEMENT ADVICE,
FLEET FUNDING, ANCILLARY FLEET AND DRIVER SERVICES AND
CAR REMARKETING.

WE HAVE A PROVEN TRACK RECORD IN ENHANCING OUR PRESENCE IN TRADITIONAL MATURE FLEET MARKETS, AS WELL AS EXPANDING INTO NEW MARKETS AND GROWING OUR BUSINESS TO MARKET LEADING POSITIONS. WE ARE ABLE TO CAPITALISE ON OUR GLOBAL GROWTH PRESENCE AND INTERNATIONAL NETWORK BY PROVIDING EXPERTISE, SAVINGS AND OPPORTUNITIES TO MEET THE NEEDS OF LARGE AND MULTINATIONAL COMPANICES, SMALL AND MEDIUM SIZED ENTERPRISES AND PUBLIC SECTOR ENTITIES. WE AIM TO DO THIS BY USING OUR EXPERTISE TO MAKE RUNNING A FLEET EASIER FOR OUR CLIENTS. THIS IS REFLECTED IN OUR UNIVERSAL PROMISE TO ALL OUR CLIENTS:

'IT'S EASIER TO LEASEPLAN'.

## LEASEPLAN ANNUAL REPORT 2011

## **5 REVIEW OF THE YEAR**

- **6** Group overview
- 8 Chairman's review
- **12** Leadership team
- **14** Strategy
- **16** Performance review
- **20** Key risks
- 22 Outlook 2012

## **25 SUSTAINABILITY**

- 29 Stakeholder engagement
- **31** Client experience
- **33** Engaging people
- 35 Operations and environment
- **37** Working with communities
- **39** Sustainability index
- **40** GRI content index

## **43 CORPORATE GOVERNANCE**

- 45 Corporate governance report
- **52** Supervisory Board members
- **54** Supervisory Board report
- **58** Group remuneration report
- **64** Organisation structure
- **66** Dutch banking code compliance index

## **71 FINANCIAL STATEMENTS**

- **72** Consolidated financial statements
- **77** General notes
- **110** Specific notes
- 138 Company financial statements

## 153 OTHER INFORMATION

- **154** Distribution of profit
- **155** Auditor's report
- **156** Main operating companies

## FOR MORE INFORMATION

Visit us at leaseplan.com

## **READ ONLINE**

## leaseplan.com/annualreport2011

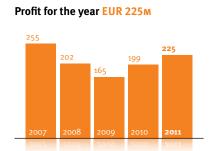
Visit our new easy-to-use, online Annual Report. This Annual Report is published in English only.

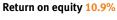
## REVIEW OF THE YEAR

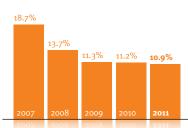
## **GROUP OVERVIEW**

**GROUP OVERVIEW** 

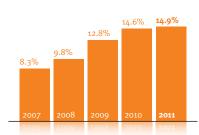
## **KEY NUMBERS 2011**





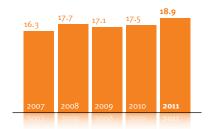


## Core Tier 1 ratio\* 14.9%

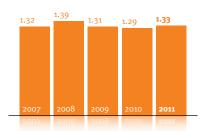


\*As of 2008 the solvency ratios are based on Basel II

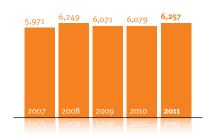
## Total assets EUR 18.9BN



## Number of vehicles 1,327,943



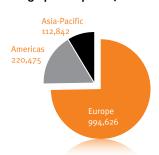
## Number of employees 6,257



## Market spread (number of vehicles)



## Geographical spread (number of vehicles)



## **OUR MISSION**

We aim to be recognised as the 'easier' leasing company and global leader in fleet and vehicles management by partnering with our clients to provide the best and most efficient fleet and vehicle management solutions.

## **OUR PROMISE**

We believe leasing should make the lives of our clients easier. Based on almost 50 years of experience, and guided by our values of commitment, expertise, passion and respect, we help our clients achieve their objectives.

## **MANAGING BOARD**

Vahid Daemi, Chairman and CEO Guus Stoelinga, CFO Sven-Torsten Huster, COO

SEE PAGE 12

## **SUPERVISORY BOARD**

Frank Witter, Chairman Michael Klaus, Deputy Chairman Albrecht Möhle<sup>1</sup> Christian Schlögell Ada van der Veer-Vergeer

SEE PAGE 52

## **OUR SHAREHOLDING**

LeasePlan is indirectly owned by Volkswagen Bank GmbH (50%) and Fleet Investments B.V. (50%). Fleet Investments is an investment company of German banker Friedrich von Metzler.

SEE PAGE 45

Albrecht Möhle was appointed member of the Supervisory Board on 31 January 2012, succeeding Lars-Henner Santelmann.

## **OUR STRENGTHS**

## **EXECUTING OUR STRATEGY**

- We compete by ensuring our people consistently live up to our promise, and by innovating our product offering and leveraging our scale and scope.
- We grow our fleet by tailoring our offerings to specific client segments and fleets, by expanding our geographic presence and by optimising our market position in mature markets.
- We are independent in the way we fund our business, how we select our suppliers and in the vehicles we put on the road. This offers flexibility to our clients.

## LEADING GLOBAL PROVIDER OF OPERATIONAL LEASING AND FLEET MANAGEMENT

LeasePlan has operations in 30 countries and has been active in international fleet management since the 1970s. This experience spans from operations in mature markets such as Western Europe and North America to newer fleet markets such as Mexico and Turkey, and it will allow us to expand confidently and effectively into additional international markets. With our international reach and in-depth knowledge of local markets, we can develop as much global integration and coordination as needed with as much national adaptation and flexibility as necessary. We have a strong, diverse client base which limits our financial exposure and concentration risk, in addition to being brand independent when it comes to providing our clients with the best vehicles for their respective needs.

### **ABILITY TO LEVERAGE OUR SIZE AND SCOPE**

With over 1.3 million vehicles worldwide requiring regular maintenance and replenishment, LeasePlan is able to negotiate favourable pricing structures with preferred suppliers, which translates into savings for our clients. Our central procurement company, LeasePlan Supply Services, is able to manage international agreements with local and global suppliers and capitalise on our economies of scale. Euro Insurances, our insurance company, is able to integrate insurance products into fleet services in 22 countries in which we operate. LeasePlan International ensures that our multinational clients benefit from this size and scope by centrally coordinating the management of their fleets.

## **CLIENT-FOCUSED SERVICE EXCELLENCE**

'It's easier to leaseplan' is our promise and is reflected in our approach to fleet management. We achieve this by understanding the needs of our clients thoroughly, providing expert advice, and adding value with an array of tailored products and services covering the entire fleet management value chain. Our experience and our history of offering innovative products such as the Open Calculation leasing model assures our clients that they are partnering with a trusted global leader in fleet management. With the development of LeasePlan International and its internationally integrated approach and the more recent creation of FleetPlan – allowing clients to fully outsource the fleet management function of their organisation – we continue to prove our commitment to service excellence.

## **EXPERTISE IN REMARKETING FLEET VEHICLES**

A significant element of leasing involves capturing the full residual value of a vehicle at the end of its service contract, and LeasePlan has developed considerable expertise in this area. In addition to engaging in traditional local remarketing activities, the continued success with CarNext International ensures that we are able to fully optimise the reselling of vehicles by determining which markets will provide the greatest resale price.

## **FUNDING PROFILE**

LeasePlan has developed a strong and diverse funding base to support our global activities. With a variety of debt capital market instruments, asset-backed financing, access to bank credit facilities, and the success of LeasePlan Bank's retail deposit holdings, we are well-positioned in these uncertain economic times.

## **EXPERIENCE IN RISK MANAGEMENT**

LeasePlan has a strong track record in managing the risks inherent in our business. We utilise proprietary risk management models as well as risk mitigation techniques in assessing both asset risk and credit risk.

LEADERSHIPTEAM

## CHAIRMAN'S REVIEW

**GROUP OVERVIEW** 

## "WE STAYED CLOSE TO OUR CLIENTS AND MAINTAINED OUR STRENGTHS"

ON THE GLOBAL ECONOMIC STAGE. 2011 BEGAN WITH GUARDED OPTIMISM ABOUT RECOVERY AND ENDED WITH CONSIDERABLE UNCERTAINTY. WHAT STARTED AS A SLOW CLIMB BASED ON SOME POSITIVE GROWTH IN 2010 WAS QUICKLY ERODED BY DEEPENING CONCERNS REGARDING THE EURO IN THE SECOND HALF OF THE YEAR. THE LEVEL OF UNCERTAINTY IN THE ECONOMIC AND REGULATORY ENVIRONMENT REMAINED HIGH. YET WE CONTINUED TO BE FIRMLY FOCUSED ON THE PRINCIPLES THAT HAVE GUIDED US THROUGH THE FINANCIAL AND ECONOMIC CRISIS TO THIS POINT: STAYING CLOSE TO OUR CLIENTS AND MAINTAINING OUR STRENGTHS AND STRATEGIC MOMENTUM.

## **STAYING CLOSE TO CLIENTS**

The profitable growth we have experienced in recent years to return us to pre-crisis levels continued with a 13% increase in net profit to EUR 225 million. The positive result was fuelled by improvements in traditional interest margins and stable performance in other diversified income streams. This result was delivered against a backdrop of continued and often severe economic challenges in many of our principal markets. In light of these circumstances, much credit goes to the local management teams in our 30 countries and our 6,257 staff worldwide for their continued focus and commitment towards serving our clients.

Primarily we serve large and multinational companies, small and medium-sized businesses and public sector entities. Due to the nature of our clients, demand for our services is directly correlated with general economic conditions. Many of our clients continued to face pressures in 2011, and with economic growth slipping and government austerity measures starting to take hold the business environment remained very tough. In these conditions many of our clients experienced less demand for the products and services they provide which in turn made them rethink the size and structure of their fleet. Conversely, road transportation is essential, not a luxury, for many of our clients. Accordingly, the demand for cost-effective, hassle-free motoring continued to be high. Outsourcing operational fleet management to a dedicated leasing company was an attractive option for many and we were well placed to assume this role.

During the year, our client commitment and focus remained unchanged – to proactively work closely with our clients and continue to offer them value added leasing solutions. In recent years, we have also developed a range of tried and tested measures, such as contract extensions, to best serve our clients. Although we are still able to call upon these measures as and when required, it is our ability to develop innovative, tailored products and services covering the entire fleet management value chain that adds most value to our clients. Furthermore, we continued to capitalise on the size and scope of our business model, which enables us to bring many benefits to our clients, both domestically and internationally. Our healthy profit growth and stable income performance in recent years provide a good indication of the strength of our broad range of fleet services, our approach to risk management and the health of our client relationships.

Owing to the weak economic recovery and low consumer confidence, we did experience a negative trend throughout the year for terminated contracts. This resulted in an overall outcome for terminated contracts in 2011 that was worse than 2010. The results globally show that the picture is not a uniform one across all markets and there are quite distinct market dynamics at play. On average, vehicles terminated were sold with a loss, with a marked deterioration in the second half of the year. On a more positive note, we are able to



compensate for the negative trend in terminated contracts with stronger performance in other areas due to our diverse income streams. We also benefit from our multi-brand fleet portfolio and our expertise in car remarketing.

At the forefront of our proactive thinking towards clients is our promise 'It's easier to leaseplan'. With this client-focused mindset we set the bar high for ourselves in order to constantly find ways of doing business that take the complexity out of fleet management. Making it easier is in fact hard work, but it drove the decisions we made globally in our business in 2011 when dealing with our clients and in developing new products and services. This is evidenced in an increase globally in our client loyalty and satisfaction results. Looking for opportunities to consistently deliver our promise is an area where we will continue to develop our organisational capability. In 2012 one of our priorities will be focused on the rollout of the LeasePlan Identity Programme, our second successive global service-culture programme for employees.

### **MAINTAINING STRATEGIC MOMENTUM**

**GROUP OVERVIEW** 

Our strategic priorities are focused on leveraging our competitive strengths in order to target diversification of our business by geography, business line, client type and funding sources. Although broadly speaking our growth strategy has not changed in recent years it has been somewhat refined to focus on selective, profitable growth that can be funded in a sustainable way.

On that note, a strategic priority with solid performance in 2011 is in the area of funding diversification, which is essential for the future growth of our business. Our retail bank in the Netherlands, LeasePlan Bank, ended the year with very promising figures of almost EUR 2.8 billion in retail deposits. Added to the success of the retail bank, we built on the momentum of securitising lease assets with a combination of private and public placements yielding in excess of EUR 1.3 billion. We were not deterred by the volatile financial markets and regularly concluded issuances in the debt capital markets totalling EUR 1.3 billion. We ended 2011 with a healthy liquidity buffer amounting to EUR 4.7 billion, consisting of almost EUR 3.1 billion in facilities and EUR 1.6 billion in cash.

During the year we further strengthened our competitive position in terms of selective growth. The number of vehicles increased by 2.7%, chiefly owing to an acquisition in Portugal and supported by autonomous growth namely in our largest markets. In terms of geographical expansion, central to our selective growth strategy has always been ensuring that we have presence in countries that enable us to best serve and meet the demands of our clients. Geographical expansion of a LeasePlan company in Russia remains firmly on the agenda, but it is important that we enter when the conditions are right economically, financially and commercially.

## **RESTORING TRUST – BEYOND REGULATION**

LeasePlan is regulated as a Dutch bank and leasing is essentially a financial product. The regulatory reform agenda remains one of the prime considerations for financial institutions in terms of restoring trust after the financial crisis. In many areas we support meaningful regulation intended to build safe, secure and trustworthy financial systems. Accordingly, we continue to adapt and adhere to these new rules and have made significant preparations for the phasing in of the new Basel III and Solvency II requirements.

In terms of new capital and liquidity requirements, the strong profitability we have delivered in the last few years has contributed to us ending the year in a strong capital position. The Core tier 1 ratio of 14.9% is well above current and future (Basel III) requirements and risk-weighted assets stood at EUR 13.9 billion. A combination of our funding diversification strategy and strong liquidity buffers makes us well placed in 2012 to deal with the maturity of the bonds issued under the Dutch government credit guarantee scheme.

Additionally, as a Dutch bank, we have implemented the Dutch Banking Code into our organisation and continue to contribute to the work of the Monitoring Committee established by the Dutch Minister of Finance. A matter of significant importance in restoring trust is the call for banks and other institutions to adopt more moderate and sustainable remuneration policies. LeasePlan, and its Supervisory Board, are fully aware that remuneration continues to be subject to ongoing political and public debate. The general principles of moderation and

"WE STRENGTHENED **OUR COMPETITIVE POSITION IN TERMS OF SELECTIVE GROWTH**"

OUTLOOK 2012

long-term interest have long been applied to our remuneration. In terms of new regulations and guidelines, we have continued to take the necessary measures to balance our responsibility to be sensitive to the external environment with the commercial necessity of rewarding performance and attracting talent.

Our decisions have ensured that our new remuneration policy has been formulated to be compliant with the various forms of regulation in line with the deadlines that are imposed. While this work ensures that our remuneration policy is moderate and sustainable, we also acknowledge that the remuneration debate continues both internationally and domestically. In February 2012, the Second Chamber of the Dutch parliament passed a bill to prohibit state-supported banks from awarding bonuses to executive board members for the time that the institution is under the various forms of state support. Consequently, we have adjusted our remuneration policy in line with the rules of this bill.

It is important to note that while a new regulatory framework is one aspect of restoring trust it will not be sufficient in itself. Moreover, the significant volume of work involved in preparing for such regulatory change should not be underestimated, much of which requires the attention of our most senior people. While we take our regulatory responsibilities seriously, it is important that the desired outcomes of new regulations are achieved. Furthermore, regulation should not come at the expense of companies taking action themselves to understand public concerns and build responsible, sustainable and profitable businesses that benefit society and the economy. Socially responsible behaviour and sustainability are matters that we have always taken seriously and exist within the values and culture of our business. As an international company, we will continue to expand our thinking and initiatives in this area to ensure we make a positive contribution to our employees, clients, service partners and society at large.

"SOCIALLY RESPONSIBLE **BEHAVIOUR AND SUSTAINABILITY** ARE MATTERS THAT WE HAVE **ALWAYS TAKEN** SERIOUSLY"

## **COMMUNITY SUPPORT**

Investing in the communities in which we operate is something that has always been important to LeasePlan and our employees around the world. Our global community support programme, LeasePlan ChildPlan, helps disadvantaged children in less developed countries in terms of health and education. We are currently supporting projects for children's aid in areas such as Pakistan, India, Cameroon and Nepal. Additionally, local community support programmes exist in the majority of our 30 countries, from assisting earthquake-affected families in New Zealand to supporting autistic children in Switzerland. In our home area of the Netherlands, we recently introduced LeasePlan InsideOut, which will see employees spend a Company-sponsored day off at a local volunteer project of their choosing.

## **BOARD CHANGES**

Sven-Torsten Huster joined LeasePlan on 1 January 2011, and formally assumed the position of member of the Managing Board and Chief Operating Officer on 1 April 2011.

In conclusion, our resolve in 2012 will be focused on selective, profitable growth for the business and in continuing to proactively partner with our clients as we look to extend our promise of 'It's easier to leaseplan'. Finally, I would like on behalf of the Managing Board to offer my appreciation to our employees, clients, service partners, investors and shareholders and look forward to their continued support in 2012.

Vahid Daemi **Chairman of the Managing Board and CEO** 

## **LEADERSHIP TEAM**

## **MANAGING BOARD**







## **REGIONAL SENIOR VICE-PRESIDENTS**







"WE HAVE STRONG MANAGEMENT TEAMS WORLDWIDE"

**CORPORATE SECRETARY** 



Executive Management Team

■ Corporate Management Team

## **MANAGING BOARD**

Vahid Daemi ◆ ■
Chairman of the Managing Board,
Chief Executive Officer

Nationality: British

Guus Stoelinga ◆ ■

Member of the Managing Board, Chief Financial Officer

Nationality: Dutch

## Sven-Torsten Huster ◆ ■ Member of the Managing Board,

Chief Operating Officer
Nationality: German

## **REGIONAL SENIOR VICE-PRESIDENTS**

Javier Contreras Garcia 🔷 🔳

Central Europe & Asia Nationality: Spanish Kevin McNally ◆ ■

Northern Europe & Americas Nationality: British Nick Salkeld ◆ ■
Southern Europe & Pacific
Nationality: British

## **CORPORATE SECRETARY**

Flora Hennekes – van Rosmalen ♦ ■

Corporate Secretary Nationality: Dutch

## **SENIOR CORPORATE VICE-PRESIDENTS**















**SENIOR VICE-PRESIDENTS GROUP SERVICES** 





## SENIOR CORPORATE VICE-PRESIDENTS

John Boon 🔷 🔳

Corporate Strategy & Development Nationality: British

Yolanda Paulissen ■
Strategic Finance
Nationality: Dutch

Tricia Desnos ■

Human Resources Nationality: British

Patrick Steenvoorden ■
Risk Management

Nationality: Dutch

Marja Gorter ■
Legal & Compliance
Nationality: Dutch

**Leo Walraven ■** Audit

Nationality: Dutch

Theo Kuipers ◆ ■
Control, Reporting & Tax
Nationality: Dutch

## SENIOR VICE-PRESIDENTS GROUP SERVICES

Wolfgang Reinhold ◆ ■

Jaime Requeijo Gutierrez ■

Car Remarketing and Operations Nationality: German Business Development Nationality: Spanish

## **LOCAL MANAGEMENT TEAMS**

All of LeasePlan's main operating companies in the 30 countries are led by a Managing Director, supported by a local management team. See pages 156 - 158.

## **STRATEGY**

## MAINTAINING OUR SELECTIVE **GROWTH STRATEGY**

### STRENGTHENING OUR COMPETITIVE POSITION

Although LeasePlan occupies a top 3 market position in almost all of our operating countries, we continue to see ways to strengthen our competitive position. This was accomplished in two key areas in 2011. The first involved further embedding our promise 'It's easier to leaseplan' into our organisation throughout the year to improve service to our clients. This resulted in an increase globally in client loyalty and satisfaction. The second strategic area involved further progress made in product and service development, including expanding the service offerings across geographic markets with LeasePlan International.

## **ACCELERATED GROWTH INTO THE SME SEGMENT**

The small and medium enterprise (SME) segment represents an opportunity for us to further expand our client base. Penetration of this segment is at an early stage in most markets, although we are well-established in others. Increased market share in the SME segment will be attained by demonstrating our existing product expertise and adapting to the characteristics of the smaller operators.

## FURTHER DEVELOPMENT OF THE INTERNATIONAL FLEET SEGMENT

Our ongoing focus on this area requires continual enhancements to our service offerings, an approach spearheaded by LeasePlan International and our business development team. This includes the implementation of state-of-the-art international fleet reporting tools which provide enhanced client service capabilities.

## **GEOGRAPHIC EXPANSION**

LeasePlan has chosen to expand geographically at a moderate pace in the uncertain economic environment of the past several years. This pace allows us to rely on our independent funding profile, thereby limiting unnecessary exposure. In order to consider a country for entry, the fleet management market must have high stand-alone attractiveness and at the same time provide a high regional cluster potential. Geographical expansion of a LeasePlan company in Russia remains firmly on the agenda, but it is important that we enter when the conditions are right economically, financially and commercially.

## **SELECTIVE PURSUIT OF STRATEGIC GROWTH OPPORTUNITIES**

We believe that a number of fleet markets, most notably in Europe, are mature. This could provide LeasePlan with an opportunity for consolidation and selective strategic transactions in certain areas. The successful acquisition of Multirent in Portugal in 2011 is a prime example.

## **ENHANCING PROFITABILITY**

We aim to continuously modernise our business and enhance the efficiency of our operations in core areas such as procurement, risk management, car remarketing, contract management and insurance. This allows us to maintain a balance between continued growth aspirations and a focus on risk-return considerations in times of tight credit markets. This strategy has been beneficial to us historically and in particular has allowed us to remain very profitable while weathering the global financial turmoil of recent years.

## **IMPROVING COST OF FUNDING**

LeasePlan aims to maintain and further expand the portfolio of funding options for our business which we believe will allow us to lower our funding costs and strengthen our interest margins. Our retail banking division LeasePlan Bank is one example of this, with savings deposits of almost EUR 2.8 billion at the end of 2011. Another element of funding diversification involves the continued selective use of securitisation programmes. Additionally, in 2011 and early 2012 we concluded several successful debt capital market transactions.



## PERFORMANCE REVIEW

GROUP OVERVIEW

## FINANCIAL PERFORMANCE

2011

IN 2011 OUR NET PROFIT INCREASED TO EUR 224.7 MILLION, REPRESENTING 13% PROFIT GROWTH COMPARED TO THE PRIOR YEAR. RESULTS DID SHOW A STRONGER THAN USUAL SEASONALITY WITH A BETTER FIRST HALF THAN SECOND HALF OF THE YEAR, AND THE YEAR ENDED IN AN ATMOSPHERE OF SIGNIFICANT GLOBAL UNCERTAINTY SURROUNDING ECONOMIC PERFORMANCE. HOWEVER, IT IS FAIR TO CONCLUDE THAT OVERALL IN 2011 WE RE-ESTABLISHED OUR STABLE PERFORMANCE AS EVIDENCED PRIOR TO THE FINANCIAL CRISIS OF 2008. APART FROM THE NET RESULT, THE STABLE PERFORMANCE WAS ALSO DEMONSTRATED BY GROWTH IN FLEET NUMBERS: FROM 1,293,516 VEHICLES AT THE END OF 2010 TO A FLEET OF 1,327,943 AT THE END OF 2011 (+ 34,427 OR 2.7%), WHICH INCLUDES THE ACQUISITION OF MULTIRENT IN PORTUGAL.

The stability in net results has been and will remain a crucial factor in the strong and creditable reputation that we have built with our major stakeholders. Few organisations, and in particular financial institutions, have been able over the last four years of major global economic turmoil to demonstrate such a consistent positive result with relatively little volatility. Our achievements in this respect are a sign of strength of the organisation, but obviously also of the nature of the applied business model. The long term duration of lease contracts combined with the constant replenishment of new lease contacts, provides a stable and regular income stream.

SUMMARY INCOME STATEMENT	2011	2010	Del
In millions of euros			
Depreciation	86.6	97.6	-11
Lease services	150.9	145.8	+
Damage risk retention	173.4	175.9	-
Rental	20.9	10.4	+1
Management fees	190.8	190.8	
Results of vehicles sold (Results terminated contracts)	-24.4	-25.5	+
Other	82.7	91.6	-
Gross profit (revenues -/- cost of revenues)	680.9	686.6	
Net interest income (excluding unrealised gains/(losses))	363.5	299.2	+6
Impairment charges on loans and receivables	-19.7	-19.8	+
Unrealised gains/(losses) on financial instruments	-19.2	-4.8	-1
Net finance income	324.6	274.6	+5
TOTAL OPERATING AND NET FINANCE INCOME	1,005.5	961.2	+4
Total operating expenses	728.9	696.8	+3
Share of profit of associates and jointly controlled entities	3.6	7.4	-
PROFIT BEFORE TAX	280.2	271.8	+
Income tax expenses	57.4	75.1	-1
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	222.8	196.7	+2
Result for the year from discontinued operations	1.9	1.9	
PROFIT FOR THE YEAR	224.7	198.6	+2

## SUMMARY

Specific points of attention from the 2011 financial results in comparison to 2010:

- 1 Total operating and net finance income rose to a figure in excess of EUR 1bn (+4.6%).
  - 8 The strongest increase arose in **Net interest income** from EUR 299m to EUR 364m (+21.5%). This substantial increase has taken place against the backdrop of raising credit spreads in financial markets that increase the interest expense for all organisations. However, due to the scarcity of credit in general and supported by decreasing base interest rates, we have been able to pass the increased spreads on to customers in newly generated leases. The matched funding policy ensures that changes in base interest rates have no disturbing influence on the realised Net interest income.
  - A negative, but fairly stable factor in the Net finance income is the Impairment charges on loans and receivables, -/- EUR 20m in both years. This reflects the relatively low credit risk costs that we traditionally experience in our business model and the low impact on these credit risk costs of growing economic uncertainty.
  - An unstable, and so far negative factor in Net finance income is the Unrealised gains/(losses) on financial instruments, -/- EUR 19m compared to -/- EUR 5m. This represents the changes in the fair values of certain derivatives that do not qualify for hedge accounting. Accordingly, the changes in fair values need be reported into the Income statement. Even though the derivatives as such serve a useful hedge purpose, it is the difference in valuation between derivatives on the one hand and the hedged assets/liabilities on the other hand that cause the undesired volatility. To date a cumulative (including prior years) negative amount of EUR 37.5m has been accounted for as a loss. This amount will, all things being equal, reverse as a gain in future years.
  - **7** Gross profit (revenues -/- cost of revenues) decreased slightly to EUR 681m from EUR 687m (-/- o.8%). This gross profit represents the service nature of the fleet leasing business and our ability to leverage scale advantages in procuring the various components that constitute a full-service vehicle lease. The various components of Gross profit can be commented on as follows:
    - 1 The gross profit on **Depreciation** represents differences mainly in depreciation revenues and expenses on the leased vehicles: EUR 63m in both years. Prospective adjustments to depreciation expenses are also included in this line item as a reflection of anticipated future sales results on terminated lease contracts. In both 2011 and 2010 positive amounts of EUR 17.5m and EUR 21m respectively were included. Lastly, this line item includes certain lease origination costs that are amortised over the lifetime of a lease contract.
  - **2 Lease services** represent the gross profit on the service components of a full service lease, such as maintenance, repairs and tyres. Lease services increased by EUR 5m to EUR 151m in 2011 and underlines the stability of this feature within the business model.
  - 3 Damage risk retention represents the underwriting income on retained risks and margins on damage repairs. Based on its scale LeasePlan can afford to not insure its vehicle fleets in the various countries, but instead only reinsure excess of certain larger loss levels. On the retained

- layers of risk a margin is realised in relation to the charges included in the lease rental. This income contributor has proven its stability at EUR 173m in 2011, slightly down from the prior year at EUR 176m.
- **4 Rental** is a relatively modest feature of the LeasePlan business model. In very few countries a rental fleet is used. In most cases these services are obtained from specialised rental companies, and the gross profit presented is the margin LeasePlan is able to secure.
- **5** Management fees reflect the service nature of the product, and are meant to cover a part of the operating expenses. Total income from this remained stable at EUR 191m, also in relation to the size of the business.
- **6** In the **Other** component of Gross profit a number of related activities are included as well as non-specified income sources related to fleet leasing. In 2011 we benefited from a one-off settlement of prior years' VAT claim for EUR 30m, whereas in 2010 the one-off profit on the sale of an office building was included for EUR 10m. Two other significant changes from 2010 to 2011 were the straight-line depreciation interest income adjustment (from EUR 13m to EUR 4m) and a charge on the valuation of Book Value Terminated Contracts, i.e. vehicles in stock to be sold, of -/-EUR 12.5m in 2011 (+EUR 2m in 2010).
- **12 Total operating expenses** increased from EUR 697m to EUR 729m (+4.6%). The largest increase occurred in staffrelated expenses, from EUR 412m to EUR 445m (+7.9%), due to increased staff numbers, general increases in salaries and certain one-off expenses for pension settlements. General and administrative expenses also increased, from EUR 227m to EUR 241m (+6.1%) as a reflection mainly of increased costs for compliance and regulations. Only depreciation and amortisation expenses decreased, from EUR 57m to EUR 43m as a result of a one-off impairment included in 2010. Overall cost levels remain an important area of focus for LeasePlan, balancing the necessary efficiencies with requirements to continuously invest in the quality of customer service.
- (3) Share of profit of associates and jointly controlled entities decreased in 2011 to EUR 4m from EUR 7m the year before. This change is mainly a reflection of the reversal of an impairment that was positively impacting 2010 (+EUR 2m). Apart from this, the level of activity and the results from non-consolidated entities has proven stable over the years.
- Income tax expenses decreased substantially in 2011 compared to 2010, particularly in relation to the increased Profit before tax. This change from EUR 75m to EUR 57m is mainly attributable to a one-off provision included in 2010 to reflect anticipated prior year adjustments (-/- EUR 13m). In general the Income tax expense reflects the spread of results over the group and the various tax rates applicable in the 30 jurisdictions where LeasePlan is present.
- **15** Result for the year from discontinued operations reflects a combination of a positive (+EUR 2.2m) and negative (-/- EUR o.3m) run-off. The amounts and further effects are deemed not material for the group.

## SUMMARY

Vehicle leasing activities are capital intensive. As a result, we require ongoing access to funding in order to originate new leases and on which to base the future growth of our business. Our funding approach is directed at sourcing debt funding on a stand alone basis. Our overall funding strategy is to develop a diversified funding base and maintain access to a variety of alternative funding sources, thus providing protection against unexpected fluctuations. In 2011, financial market volatility persisted particularly in the second half of the year with fears over the mounting sovereign debt crisis in Europe. Nevertheless, throughout the year we regularly accessed a variety of funding sources demonstrated by the following achievements:

- Our retail bank in the Netherlands, LeasePlan Bank, ended the year with very promising figures of almost EUR 2.8 billion in deposits, of which 56% is deposited for a fixed term. LeasePlan Bank now serves more than 61,000 business and private clients.
- Securitisation is an area where we have gained valuable experience since 2006 with securitising lease assets in the Netherlands, Germany and the United Kingdom. In 2011 we further built on this source of funding with a public placement of Bumper 4 that yielded EUR 727.5m and a private placement of Bumper 2 that yielded EUR 602.4m.
- We regularly enter the debt capital markets and concluded unsecured debt capital market transactions of more than EUR 1.3bn in 2011.
- We ended 2011 with a healthy liquidity buffer amounting to EUR 4.7bn, consisting of almost EUR 3.1bn of facilities and
- Since the turn of the year, we have successfully concluded two benchmark senior unsecured debt capital market transactions totalling EUR 1.2bn.

### RATINGS

It is our intention to leverage our key credit strengths – namely a proven track record of delivering solid performance at all stages of the economic cycle, the strength of our global business franchise, our sound asset quality, expertise in risk management, and our solid solvency ratios. A combination of the work we did in 2011 to drive our funding diversification strategy and build investor confidence, coupled with our financial performance and strong risk management, led all three ratings agencies to reaffirm our credit rating as stable.

In the wake of the economic uncertainty, however, Moody's announced that it has placed LeasePlan and 113 other European financial institutions on review for potential credit rating downgrade up to three notches on 15 February 2012. Moody's has indicated that, as a whole, the ratings review for the group of European financial institutions is driven by the combined pressures from (i) the adverse and prolonged impact of the euro area crisis, which makes the operating environment very difficult for European banks; (ii) the deteriorating creditworthiness of euro area sovereigns; and (iii) longer-term, the substantial challenges faced by banks and securities firms with significant capital market activities.

COMPOSITION OF BIS CAPITAL	2011	2010	Delta
	2011	2010	Dette
In millions of euros			
Share capital and share premium	578.0	578.0	
Translation reserve	22.0	16.1	+5.9
Hedging reserve	-33.0	-24.7	-8.3
Retained earnings	1,586.9	1,367.0	+219.9
Total equity	2,153.9	1,936.4	+217.5
Deduction goodwill	-98.6	-86.2	-12.4
Prudential filter m-t-m derivatives	33.0	24.7	+8.3
Deduction intangible assets	-12.1	-6.4	-5.7
AIRB provision shortfall/excess	-1.8	0.0	-1.8
TIER 1 CAPITAL	2,074.4	1,868.5	+205.9
Tier 2 capital	0.0	269.1	-269.1
AIRB provision shortfall/excess	-1.8	3.3	-5.1
BIS CAPITAL	2,072.6	2,140.9	-68.3
Core Tier 1 ratio	14.9%	14.6%	
BIS ratio	14.9%	16.7%	

## SUMMARY

- Fleet numbers have increased comparing 2010 to 2011, as has the average book value per car. This resulted in an increase of risk-weighted assets from EUR 12.8bn at the end of 2010 to EUR 13.9bn at the end of 2011 under the advanced model approaches that we use for our central bank solvency reporting.
- Due to the rise in **Core Tier 1 capital** at a somewhat faster pace than the increase in risk-weighted assets the Core Tier 1 ratio increased from 14.6% to 14.9% in 2011. The increase in Tier 1  $\,$ capital is predominantly caused by profit retention and to a small extent offset by an increase of goodwill and intangibles.

At the end of 2011 the balance of the Tier 2 subordinated loans was redeemed early, emphasising the new focus on Core Tier 1 capital and ratios. During the past years we have on the basis of a stable business franchise and consistently retained profits been able to substantially raise our Core Tier 1 ratio. The current level is perceived in excess of both internal targets and minimum requirements of the central bank supervisor. Also anticipating the effects of the new Basel III regulatory rules, our current solvency ratios are relatively high. While on the one hand this emphasises our strength, on the other hand it also allows for future growth.

## **WE ARE EXPERTS IN MANAGING OUR RISKS**

Damage risk

Treasury risk

Legal and Compliance risk

Reputational risk

GROUP OVERVIEW

RISK TYPE	DEFINITION
Asset risk	Primarily refers to a combination of residual value risk and risk on repair, maintenance and tyre replacement, both reflecting an exposure to potential loss due to the actual costs deviating from the estimates made at lease inception.
Credit risk	The risk that the counterparty will be unable to fulfil its financial obligations when due. Credit risk mainly relates to vehicles leased to clients.
Operational risk	Risk of loss resulting from inadequate or failed internal processes, human behaviour and systems or from external events.

"WE COMPLETED **OUR PREPARATIONS** FOR BASEL III"

systems or from external events.
Exposure to loss due to costs related to damages.
Captures interest rate risk, currency risk and liquidity risk.
Compliance risk concerns risk of legal or regulatory sanctions, financial loss, or loss to reputation we may suffer as a result of nonconformance with the integrity, expertise and professionalism requirements of relevant laws, regulations, codes of conduct, good management practices and internal policies.
The current or prospective risk to earnings and/or capital arising from adverse perception of the image of LeasePlan on the part of clients and other stakeholders.

## **KEY RISKS**

**KEY DEVELOPMENTS IN 2011** 

Economic conditions remained challenging throughout 2011, especially towards the end of the year. As a consequence, the level of sales proceeds achieved in many used vehicle markets remained volatile, impacting LeasePlan's used vehicle sales results which remained negative for the full year 2011. This was compensated by other diverse income streams. We continued to invest in market specific expertise, software and systems

Although economic conditions were challenging in most markets during 2011, we experienced a favourable development of our default statistics compared to last year, in both corporate and retail segments. Exposures in countries with sovereign debt challenges have become subject to intensified monitoring. Due to the turmoil on the financial markets and regulatory developments, specific local credit authorities and limits with respect to financial counterparty exposures were reviewed and in some cases revised. During 2011, we completed the implementation of a new custom built web-based Global Credit Risk Management System (GCRMS) for the corporate clients segment of our portfolio. We are currently preparing for the use of the Advanced Internal Rating Based (AIRB) method for the two largest retail portfolios of our United Kingdom and Netherlands group companies.

During 2011, we completed the implementation of a web-based platform to further support our operational risk management framework under the Advanced Measurement Approach. It will be investigated whether this web-based platform will be expanded during 2012 to other areas such as Business Continuity Management.

We invested substantially in preparing for Solvency II, the updated regulatory requirements for insurance activities. The regulations are likely to be postponed from 1 January 2013 to 1 January 2014.

supporting estimation, monitoring and mitigation of asset risk exposures in a harmonised fashion across the group.

We maintained our matched funding policy, in which duration, currency and interest setting of assets and liabilities are matched. Despite continuing liquidity challenges in the market, we concluded a variety of funding transactions. The strategic initiative to diversify our funding sources continued to pay off, with LeasePlan Bank now substantially contributing to our funding needs and successful Bumper transactions in the Netherlands and Germany. In 2011, LeasePlan assessed the potential impact from Basel III on solvency, leverage and liquidity and completed its preparations for a timely implementation.

In 2011 a start was made with the roll-out of our renewed Code of Conduct that was launched at the end of 2010. Additionally, the first global Integrity Benchmark was rolled out in order to enable LeasePlan to measure the results of the renewed Code of Conduct now and in the future; all staff globally will participate in business dilemma training in the period 2011-2012 as part of the LeasePlan Identity Programme. A revised Compliance Charter and related Compliance Risk Management Framework were rolled out, as well as policies and guidelines covering key compliance risks, such as the LeasePlan Anti-Bribery Guidelines. Additionally, a new tool was introduced globally ensuring compliance with the applicable Customer Due Diligence requirements. Furthermore, data protection was another key compliance risk that was the focus of attention, which resulted in a set of group wide agreements ensuring compliance with the applicable laws.

We continued to work with employees on the values and identity which help govern our reputation.

## **OUTLOOK 2012**

## **OUTLOOK FOR**

2012

"WE LOOK AHEAD WITH CAUTIOUS OPTIMISM"

## **OUTLOOK FOR 2012**

GROUP OVERVIEW

With the encouraging performance of last year, we have entered 2012 with confidence in the strength and stability of our business model and global franchise. We do recognise that future performance and growth opportunities will play out in the context of ongoing uncertainties of global economic conditions and volatility of financial markets, but we have confidence in our previous track record of generating growth and profits in difficult times. We therefore look ahead with cautious optimism about the level of performance we can achieve during 2012.

Almere, 13 March 2012

## **Managing Board**

Vahid Daemi, Chairman and CEO Guus Stoelinga, CFO Sven-Torsten Huster, COO



# SUSTAINABILITY IN OUR BUSINESS

## **SUSTAINABILITY**

## IN OUR BUSINESS

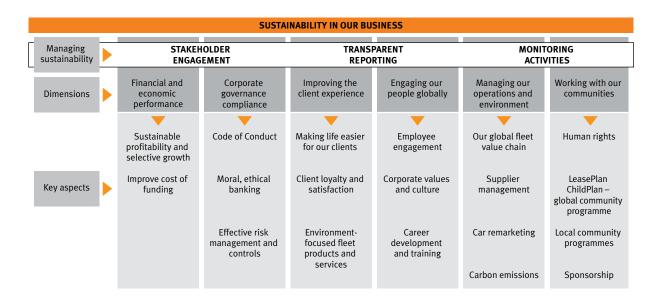
WITH THE CRITICAL ROLE THAT BUSINESSES PLAY IN TODAY'S SOCIETY, COMPANIES ARE MAKING CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY KEY COMPONENTS OF THEIR BUSINESS STRATEGY. THE BEHAVIOUR AND PRACTICES OF ALL ORGANISATIONS ARE COMING UNDER GREATER SCRUTINY FROM ALL STAKEHOLDERS. LEASEPLAN WELCOMES THIS DEEPER LEVEL OF INVOLVEMENT AND IS PROUD TO CONTINUE ITS ROLE AS A STRONG AND ETHICAL COMPANY IN THE AREAS OF ECONOMIC, ENVIRONMENTAL, AND SOCIAL RESPONSIBILITY.

Our mission is to be recognised as the global leader in fleet and vehicle management for companies and the public sector. We do this by partnering with our clients to provide them with the best and most efficient fleet and vehicle management solutions. We recognise that the long-term interests of our stakeholders are best served by acting in a socially responsible and sustainable manner.

Our vision for social responsibility and sustainability begins with sound principles and practices. It extends to providing value-added fleet and vehicle management solutions in order to help our clients focus on their core business. It also includes supporting both the communities in which we operate and wider society by providing our time, expertise, and resources.

## **SUSTAINABILITY IN OUR BUSINESS - MATERIAL ASPECTS**

Significant and material aspects in our report are listed in the table below. In order to facilitate tracking of these aspects, they have been demonstrated in the table in a way that corresponds to the main dimensions of sustainability in our business.



## **MODELLING OUR APPROACH**

WORKING WITH COMMUNITIES

We are at the beginning of the process of modelling our approach to reporting on sustainability in line with the Global Reporting Initiative (GRI), an internationally recognised standard that promotes sustainability.

This is our first Sustainability Report which we prepare voluntarily in accordance with the sustainability reporting principles of the GRI, and in line with stakeholder expectations regarding social, environmental and economic responsibilities. While reporting in this manner for the first time is a work in progress, many of the practices outlined in the GRI framework are already part of our everyday operations and standards, and have been for many years. The GRI guidelines provide a common language for peer national and multinational companies to communicate sustainability performance, many of whom are our clients. Transparency and reporting are aspects key to good sustainability practice and this report aims to provide a useful reference guide for our stakeholders. Furthermore, the sustainability framework of the GRI helps guide continuous improvement and effective communication of our sustainability initiatives.

"SUSTAINABILITY **BEGINS** WITH SOUND PRINCIPLES"

Looking ahead, we will continue to provide an annual GRI aligned report and build upon the foundation we set in 2011.

## **REPORT SCOPE AND BOUNDARY**

Covering our social, environmental and economic performance and practices up to 31 December 2011, this Sustainability Report has been written with the aim of informing our stakeholders and is based on the GRI G3 Guidelines for Sustainability Reporting. The content of this report has been developed to meet the requirements of GRI Application Level C and a GRI Index has been placed at the end of the report in order to ensure easy reading of the information provided. As this is LeasePlan's first Sustainability Report there are no restatements that are necessary from previous reporting periods.

Unless mentioned otherwise, all the information in the report covers the global fleet and vehicle management activities of LeasePlan. Environmental data contained within this report covers LeasePlan's head office in Almere, the Netherlands. Impacts of our activities, our joint ventures and our suppliers in other countries are not within the scope of this report.

## **PRIMARY BRANDS**

The LeasePlan brand is designated as the primary brand of the organisation, along with a variety of related and subsidiary brands in various regions of the world.

## **AWARDS**

LeasePlan achieves many industry-based awards in each country entity. Awards received among its entities in 2011 were in areas such as green fleet provider, top employer and quality customer service awards.

## **OUR MARKETS AND GLOBAL FLEET SERVICES**

LeasePlan has operations in 30 countries on five continents. We believe that our substantial geographic coverage is attractive to international clients looking for a partner that can serve them at a global level.

We also believe that leveraging our scale and scope at group level and maintaining the entrepreneurial and innovative culture at local level enable us to meet the needs of customers across client segments and geographic markets. We are active in the business-to-business market and have a corporate client base that is diversified in terms of client size, geography and industry. Our main client segments include:

- LeasePlan International clients: large multinational clients with a fleet potential of over 1,500 vehicles that are present in more than three countries and who require an integrated approach to fleet management on a European or global level.
- International Coordination clients: large international clients with a fleet potential of over 500 vehicles that are present in more than one country. These clients are served by our local operating companies under the International Coordination framework.

- Corporate clients: corporate and/or public entities who receive dedicated sales and account management by our local operating companies. These clients are present in one country or require a full local solution.
- SME (Small and Medium Enterprise) clients: smaller clients acquired by our local operating companies through bank, dealer, broker, telesales or online sales channels. These clients are not managed by a dedicated LeasePlan account manager, but by local SME account teams (often via Tele Account Management) or by the indirect channel partners (banks, dealers, or brokers).

## **GEOGRAPHIC DISTRIBUTION OF OUR FLEET**

Approximately 75% of our total managed fleet is located in European markets, primarily in Western Europe. We expect that growth in developing countries in Latin America, Eastern Europe and Asia will lead to increased demand for full service operational leasing in the future.

### **COORDINATED GLOBAL OFFERINGS**

STAKEHOLDER ENGAGEMENT

As a worldwide Company, we realise that the fleet and vehicle management needs of clients differ from market to market and we therefore offer clients the possibility to choose a fleet management solution that meets their needs locally. At the same time, to maintain quality and ensure efficiency, we have standardised a set of core products and services globally.

The following table provides an indicative overview of some of the standardised products and services we offer across our markets of operation:

	PRODUCT NAME	PRICING METHOD	DESCRIPTION
TO OF THE PERSON NAMED IN COLUMN TO PERSON N	EASY PLAN	Closed Calculation	A product for small fleet clients that offers a basic service package at a fixed cost.
<b>5</b>	COMFORT PLAN	Closed Calculation	A product that offers mid-size clients access to a full service range while they pay a fixed cost.
<b>S</b>	SHARE PLAN	Open Calculation	A full service and flexible product with profit sharing meant for mid-size and larger companies.
- C.S. M. L. C. S.	PARTNER PLAN	Open Calculation	A product that offers our larger clients a higher level of customisation and a refund at the end of the contract in case we have been able to save costs.
EN L	OWNER PLAN	Management-only	If customers wish to keep purchasing their fleet, LeasePlan can manage their operational services.
The Co	TRANSITION PLAN	Varies	If a client moves the fleet to LeasePlan, we can offer to manage the transition phase.
	GLOBAL SOLUTIONS	Varies	If a client operates a fleet across several countries, LeasePlan International will provide support to deliver a harmonised range of products and services everywhere needed.

OPERATIONS AND ENVIRONMENT

## STAKEHOLDER ENGAGEMENT

# OUR STAKEHOLDER ENGAGEMENT

IN FULL AWARENESS OF THE FACT THAT STAKEHOLDER ENGAGEMENT IS THE BASIC PRINCIPLE IN CORPORATE RESPONSIBILITY AND SUSTAINABILITY, WE CONSIDER EXPECTATIONS AND OPINIONS OF OUR KEY STAKEHOLDERS IN ALL ASPECTS OF RUNNING OUR GLOBAL BUSINESS. WE PAY ULTIMATE ATTENTION TO CREATING A REGULAR, CONTINUOUS, AND TRUST-BASED COMMUNICATION WITH THEM. ONE OF THE MAIN REASONS FOR US IN DEVELOPING AND PUBLISHING THIS SUSTAINABILITY REPORT IS TO CREATE A DIALOGUE PLATFORM TO ENSURE OUR PRACTICES ARE IN LINE WITH OUR STAKEHOLDERS' EXPECTATIONS AND OPINIONS. OUR MAIN STAKEHOLDER ENGAGEMENT IN 2011 INCLUDED:

### **ENGAGING OUR CLIENTS**

This means keeping a close eye on our clients' needs and desires, through frequent surveys and evaluations:

## • Client Loyalty Surveys (CLS)

Supported by our research partner TNS NIPO, each country carries out at least one full CLS per year. Overall, we have improved weighted global client loyalty measurements by more than 5 points (in TRI\*M measurement), in challenging market circumstances. Results can be seen on page 39.

## Driver Satisfaction Surveys (DSS)

Each country carries out at least one DSS per year, with many countries performing more than one. Understanding driver satisfaction is key to ensuring that we provide the best service in fleet management. Results can be seen on page 39.

## • Brand Awareness Survey

We carry out one such survey every three years, with the most current version carried out in 2011. It helps to understand the perceptions of our clients and prospects and is key in ensuring our efforts live up to our promise. We take great care in adding value to our clients and must continue being perceived in this manner.

"WE HAVE
IMPROVED
GLOBAL
CUSTOMER
LOYALTY AND
SATISFACTION"

We also use various qualitative surveys in order to understand how our clients work with their fleet and what we can do in order to help them with our products and services. The information from these is used as input in product development processes every year. Additionally, our proactive partnering approach means that we work in close consultation with our clients on a regular basis.

## **ENGAGING OUR PEOPLE**

Towards the end of 2011, LeasePlan introduced a new Global Employee Engagement Survey to measure global employee engagement consistently and simultaneously for all LeasePlan entities. The global survey provided a comprehensive picture of the level to which LeasePlan employees are engaged in their work and feel supported by the Company. The survey focuses on four elements of high performance organisations — engagement, leadership, goals/strategy and organisational capabilities. Results can be seen on page 39.

Engaged and motivated employees are considered the primary strength of our organisation as well as a distinct competitive advantage. Ultimately, the Global Employee Engagement Survey will also instruct us as to how we can maintain our strengths, as well as highlighting where we can further improve our organisation and our services to clients.

## **ENGAGING OUR SUPPLIERS**

We employ a partnership approach in our dealings with suppliers. Throughout 2011 we continued to work in close partnership with our suppliers using our well-established supplier relationship approach. In 2012, many of our suppliers will further understand our client experience standards as a supplier workshop will form a key part of the LeasePlan Identity Programme. This global programme is aimed at ensuring we continue to deliver our promise to clients.

## **ENGAGING WITH REGULATORS & SUPERVISORS**

Regulators are responsible for developing and maintaining a thorough understanding of the operations of individual banks and banking groups by collecting, reviewing and analysing prudential reports and statistical returns, and conducting on-site and off-site supervision. Regular contact is maintained with our management. The Basel Committee's Core Principles for Effective Banking Supervision (and specifically the Financial Markets Supervision Act for the Netherlands) outline the areas of attention and powers of the regulatory authorities. As part of the supervisory review and evaluation process these bodies oversee and supervise our operations. As a part of this process we communicate all relevant developments and initiatives with regard to our capital, liquidity, solvency and governance to the Dutch Central Bank.

"WE CONTINUED TO WORK IN CLOSE PARTNERSHIP WITH OUR SUPPLIERS"

## **ENGAGING WITH OTHER KEY STAKEHOLDERS**

Additional key stakeholders we continued to engage and build working relationships with in

- Industry associations
- Vehicle manufacturers
- Media
- Business partners
- NGOs and sponsorship partners
- Communities

## **CLIENT EXPERIENCE**

## IMPROVING THE **CLIENT EXPERIENCE**

OUR COMMITMENT TO MAINTAINING OUR CLIENT FOCUS REMAINS AT THE FOREFRONT OF EVERYTHING WE DO. IT IS THE KEY DRIVER BEHIND OUR PROMISE: 'IT'S EASIER TO LEASEPLAN'. THE FOLLOWING KEY AREAS COMPRISE OUR FOCUS ON THE CLIENT.

## **MAKING IT EASIER FOR OUR CLIENTS**

## Aligning employees with clients

Without a committed, engaged workforce, it would be impossible to properly focus on clients. We continuously assist our employees to help them live out our values. By ensuring their understanding of our 'It's easier to leaseplan' promise and giving them proper training and empowerment, we make LeasePlan a preferred place to work. In 2011, all employees had gone through the successful LeasePlan Engagement Programme (LEP). In a testament to its success, we will start the next phase of this global service-culture programme in 2012 with the LeasePlan Identity Programme (LIP).

## Innovative products and services

As experts in fleet management we are increasingly developing services that help give our clients proper advice on the most varied elements of their respective fleets, from environmental issues to cost saving measures to setting up or reviewing their fleet policy. Our full service approach and core market propositions of Fleet Balance, Open Calculation, Savings Accelerator and Service Tracking help us deliver value-added services. This year, we have launched two new propositions:

Light Commercial Vehicle (LCV) Leasing A specialised approach for these vehicles that ensures they meet the stringent demands of clients, based on a seven-step methodology that includes key areas such as vehicle off-road time management, cost management, and driver behaviour.

A set of features that help deliver a unique and personalised service experience for the drivers. My LeasePlan looks at all the critical elements in driving a lease car and ensures a first-class service experience in each one of them.

## Use of technology to make life easier

We have traditionally put the best set of tools into the hands of our clients and drivers to help them interact more efficiently with LeasePlan and to ensure easy access to all relevant information regarding their fleet. In 2011, we further refined:

Our tool for fleet managers to keep track of all details of their fleet, fleet reporting is now being updated to the latest technology iterations, with new features such as new flexible graphs and a mobile version that can be used from a tablet or mobile phone.

## **Internet Quotations**

These allow drivers and fleet managers to easily configure their desired car, in accordance with their specific car policy. It is also being renewed with easier navigation and pictures of the different models in order to facilitate the selection process.

"OUR COMMITMENT TO CLIENT FOCUS **REMAINS AT** THE FOREFRONT OF EVERYTHING WE DO"

## **CLIENT LOYALTY AND SATISFACTION**

STAKEHOLDER ENGAGEMENT

A key goal of our Company is to ensure that our clients are fully satisfied. This goal applies to all our products and services. We actively monitor satisfaction levels in all entities, which is explained further in the stakeholder engagement section.

## **ENVIRONMENTAL-FOCUSED FLEET PRODUCTS & SERVICES**

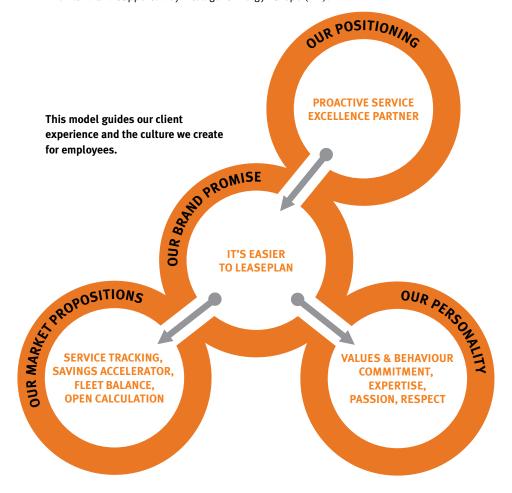
We strive to meet the growing demand from clients for more sustainable mobility products and services that are environmentally friendly, socially responsible, and help generate cost savings. To meet these demands, we advise our clients on several services in helping them achieve their greener fleet objectives.

Under the banner of our flagship global environmental fleet service, GreenPlan, we use our consultative expertise to advise our clients on how to make a green move in their car policy. This can be achieved from a financing perspective, such as vehicle choice and fuel selection, and from the ability to influence driver behaviour.

We see GreenPlan as a global initiative for a global issue. GreenPlan is the first truly international eco-friendly programme developed by a fleet management company. Much more than simply facilitating carbon offsetting participation, GreenPlan's core objectives serve as the underpinning for the entire consultative approach to becoming a greener fleet operator.

GreenPlan provides periodic reports on CO<sub>2</sub> emissions and energy labels per car or by total fleet numbers. Of course, carbon offsets are still important - GreenPlan also provides access to carbon offsetting programmes. Our worldwide entities either have a choice of using our international partner, CO<sub>2</sub>OL, or a dedicated local partner for helping clients move toward a carbon neutral fleet.

Finally, through our international partnership we have supported a number of energy conservation and reforestation programmes across the world. GreenPlan is certified by TüV Rheinland and supported by Intelligent Energy Europe (IEE).



OPERATIONS AND ENVIRONMENT

## **ENGAGING PEOPLE**

# ENGAGING OUR PEOPLE GLOBALLY

OUR GLOBAL APPROACH TO BUSINESS MEANS MAKING 'IT'S EASIER TO LEASEPLAN' PART OF THE EVERYDAY WORK APPROACH FOR ALL OUR PEOPLE, AND WE CONTINUED TO ENCOURAGE ALL EMPLOYEES TO FOLLOW THIS MINDSET IN 2011. MAINTAINING OUR IMPRESSIVE FINANCIAL RESULTS IS ONLY POSSIBLE BY ENSURING THAT WE HAVE AN ENGAGED WORKFORCE READY TO CREATE, INNOVATE, AND ABOVE ALL PROVIDE OUR CLIENTS WITH THE BEST SOLUTIONS WHEN IT COMES TO THE SERVICES WE OFFER AROUND THE WORLD.

### EMDI OVEES

We employ 6,257 employees globally. In a number of countries, employee councils and unions exist and we have constructive and effective relationships in our entities. Terms and conditions of employment, including working hours, safety, disputes, termination of employment, vacation, and benefits are governed in accordance with a variety of collective bargaining agreements, individual agreements and common law contracts.

## **EMPLOYEE ENGAGEMENT**

We actively seek to foster a culture whereby our employees have the freedom to make decisions, perform in their jobs and serve our clients. There is much freedom given to local management teams in cultivating the right work environment that best serves the country entity, its employees, its client base and fleet market. This freedom is set within the global framework of our values and behaviour and is guided by global programmes such as the upcoming LeasePlan Identity Programme. For the first time in 2011, we also introduced a global framework for measuring employee engagement, which is discussed further in the stakeholder engagement section of this report.

## **CORPORATE VALUES AND CULTURE**

## Consistency is key

Particularly in these uncertain economic times, being a consistent and steady corporate entity is a highly valued attribute. In all respects – and particularly from a corporate culture perspective – LeasePlan strives to maintain this steadfast approach.

In terms of our people strategy, 2011 did not require change from 2010 but rather a continued approach to building on the successful strategies that were already in place from previous years.

We continued to cultivate a culture whereby all employees are focused on the 'It's easier to leaseplan' company mantra. Now in widespread use, the expression is on the minds of all senior management and employees on a daily basis. It also forms the cornerstone of the LeasePlan Identity Programme, in which we will see the 'easier to leaseplan' approach further embedded into the organisation and into our suppliers' businesses through a variety of workshops and training programmes in 2012.

"WE CONTINUE TO ENSURE THAT WE HAVE AN ENGAGED WORKFORCE"

## Linking people

The worldwide rollout of the LinkedPeople corporate social media initiative took place in 2011. LinkedPeople is a collaboration and internal networking platform intended to help connect employees and to share best practices. In each area of the Company there are people whose experience and expertise can be of great value to their peers locally and abroad, and LinkedPeople facilitates the sharing of this knowledge.

At present, there are over 800 'communities' – forums for posing questions and discussing solutions - within the LeasePlan LinkedPeople platform, and over 5,000 community members who participate in discussions involving every aspect of the business worldwide.

## **CAREER DEVELOPMENT & TRAINING**

### LeasePlan Academy

Another element of consistency and of continuous improvement is LeasePlan Academy. With our academy, our focus and investment towards developing managers and talented individuals has strengthened rather than wavered throughout the difficult economic period of the past few years.

Development of these programmes is a high priority for our Managing Board. In the last six years, 152 senior managers from across the world have completed our Executive Leadership Programme (ELP), a three-week MBA-level programme led externally by leading business thinkers and academics. The programme itself takes a much broader approach than regular education and development. In the past six years, it has helped facilitate a strong leadership network across our global franchise of companies. Additionally, with 89% of leaders who have attended the programme still employed by the Company, it clearly helps us retain top talent and provides continuity at the most senior level. Furthermore, due to our policy on advocating internal succession planning, 20 of the ELP alumni have been promoted to more senior roles within our ranks.

"WE ARE FOCUSED ON DEVELOPING MANAGERS AND TALENTED INDIVIDUALS"

In the past three years we have created two new management development programmes, giving us a broader talent and succession coverage at all management levels. 210 high-potential managers and specialists have attended our Talent Development Programme thus far and currently 71 of our future people managers have completed our People Management Programme. Furthermore, we actively look to move leaders and talent around the business through a range of international secondments and assignments.

## **Commercial focus**

A new area of focus for LeasePlan Academy in 2011 was the introduction of a new pilot Commercial Training Programme (CTP). The CTP pilot was developed as a leading-edge programme of learning and development for LeasePlan's commercial teams. Its initial focus is on the LeasePlan Sales Model and LeasePlan Open Calculation, two areas which serve as strategic differentiators in our evermore competitive market. It encourages a more consultative approach to the sales experience, particularly as it pertains to the Open Calculation product.

The pilot programme, which began in 2011, will continue in 2012. It is expected to enable LeasePlan to improve client retention and satisfaction, allowing our people to work more in partnership with clients and prospects. As a well-targeted training programme offering practical guidance, it is also expected to assist in employee engagement and motivation.

**OPERATIONS AND ENVIRONMENT** 

## OPERATIONS AND ENVIRONMENT

## MANAGING OUR OPERATIONS AND ENVIRONMENT

AS A SERVICE PROVIDER, LEASEPLAN'S IMPACT ON THE ENVIRONMENT IS SIGNIFICANTLY LIMITED COMPARED TO THAT OF THE PRODUCTION SECTOR. YET WE UNDERSTAND THERE ARE CERTAIN ENVIRONMENTAL IMPACTS IN OUR OPERATIONS RESULTING FROM OUR BUSINESS ACTIVITIES ACROSS THE FLEET VALUE CHAIN AND IN OUR OFFICES.

## **OUR GLOBAL FLEET VALUE CHAIN**

We perform independently or through outsourced partners all activities needed for our clients to run a fleet, from purchasing the vehicles to the remarketing of those vehicles at the end of their respective contracts. We are independent of vehicle brands and provide services for vehicles of any make and model in line with the specific needs of our clients. These services are coordinated across our markets of operation and include:

- purchasing and procurement of vehicles
- financing of vehicles
- comprehensive car insurance services
- vehicle maintenance management and pick-up and delivery service
- cost control systems and fuel purchase cards
- accident management and claim-handling services
- fixed-fee fleet outsourcing services by handling all fleet-related matters for clients
- vehicle remarketing by selling used cars to drivers, traders and private persons

The size of our fleet requires maintenance and replenishment with significant procurement of fleet services and commodities. By leveraging our size and scope, we are able to negotiate favourable pricing structures with our preferred network of suppliers which translate into savings for our clients.

"WE SIGNIFICANTLY STRENGTHENED **OUR SUPPLIER RELATIONSHIPS**"

## **SUPPLIER MANAGEMENT**

Globally, the sustainable management of our supply chain is further enhanced with our central procurement company, LeasePlan Supply Services. This subsidiary aims to turn our size and international presence into an advantage for our local subsidiaries and our clients by managing international agreements with a network of preferred suppliers. In recent years we have significantly strengthened our supplier relationships and control frameworks through procurement excellence. Our procurement functions use a global blueprint to manage strategic and sustainable relationships with suppliers in ensuring the quality of products and ultimately the service delivered to clients. LeasePlan applies a strict code of ethics for its procurement activities.

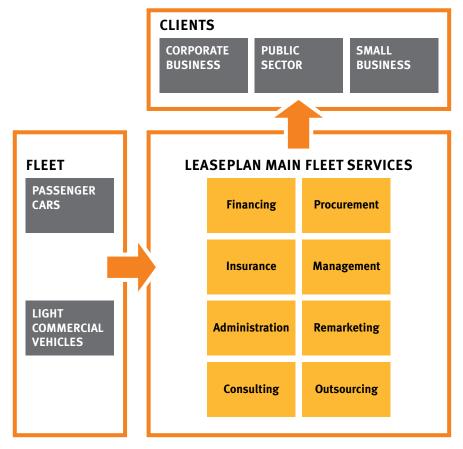
## **CAR REMARKETING**

We have built significant expertise in vehicle remarketing which enables us to capture the residual value of a vehicle under management at the end of the service contract. In addition to engaging in traditional local remarketing activities, we have established CarNext International, a subsidiary specialised in coordinating vehicle remarketing activities across borders. Using our knowledge of the resale value of different vehicle makes and models from our multi-brand portfolio we are able to ship specific vehicle brands to those national markets where they are most popular, thereby potentially achieving higher resale values.

ENGAGING PEOPLE

"OUR FAIR WEAR **AND TEAR** STANDARD IS CERTIFIED"

LeasePlan is the only leasing company offering a single clear international guideline for the assessment of damage on returned lease vehicles. Our fair wear and tear standard is certified by TÜV Nord Fair Wear &Tear Standard. We remain the only leasing company in Europe to maintain an independent quality standard.



Our clients, fleet types and main service areas

## **CARBON EMISSIONS**

In addition to our comprehensive GreenPlan programme, we look for ways to minimise carbon emissions from our operations. Eco-driving is now a well-established concept in the pursuit of reducing fuel consumption and CO<sub>2</sub> emissions. Many LeasePlan countries offer driver training and monitoring programmes to develop more environmentally sound driving habits. From LeasePlan UK's SafePlan to Germany's Ctrack system and many more, LeasePlan's forward-thinking environmental stance continues to expand every year. LeasePlan's commitment to reducing global emissions is also demonstrated by its partnership with Toyota and Opel in 2011.

Operationally, LeasePlan's head office implemented a project in 2009 to reduce energy consumption, which resulted in 15% reduction in use of electricity and 13% reduction in consumption of heating. These levels were maintained in 2011, and we continue to look for ways to improve our carbon footprint.

### WORKING WITH OUR COMMUNITIES

**WORKING WITH COMMUNITIES** 

## **WORKING WITH OUR COMMUNITIES**

LEASEPLAN TAKES PRIDE IN ITS INVOLVEMENT IN THE AREAS WHERE WE WORK AND LIVE. ALL OVER THE WORLD, WE HELP LOCAL COMMUNITY ORGANISATIONS AND CHARITIES DO THE GREAT WORK THEY DO. WHETHER ITS SPONSORSHIP OF A LOCAL PERFORMING ARTS CENTRE, FUNDING A LOCAL CHILDREN'S SHELTER, OR GETTING RIGHT INTO THE COMMUNITY AND DOING THE VOLUNTEER WORK OURSELVES, WE ALWAYS STRIVE TO MAKE A REAL CONTRIBUTION TO SOCIETY.

#### **HUMAN RIGHTS**

We recognise that human rights should be considered fundamental and universal which is why we respect the United Nations' Universal Declaration of Human Rights and the principles of the International Labour Organisation, and shall avoid being complicit in human rights abuses of any kind. We neither use forced or compulsory labour nor do we employ child labour.

#### LEASEPLAN CHILDPLAN

Our flagship global community investment programme, LeasePlan ChildPlan, is our commitment to help improve the lives of disadvantaged children and youth around the world. We work in partnership with NGO Net4kids, providing access to education, healthcare and life skills in order to provide children a better future.

LeasePlan ChildPlan continued to grow in 2011, as we added several new projects to its list of initiatives. Created in 2006 in order to support underprivileged children in developing countries, LeasePlan ChildPlan has donated a total of close to EUR 1.1 million to the projects listed below, with almost EUR 385,000 donated in 2011 alone. LeasePlan offices around the world also organise additional fund-raising activities locally, under the LeasePlan ChildPlan umbrella.

#### Nepal

Our first global project was the Child Watabaran Centre Nepal (CWCN) in Kathmandu, Nepal, where we provided the financial means to build a new boys' home, girls home' and academic building for 60 former street children. Additionally, we provide the ongoing running costs for the girls' home as well as a mobile health service and transit clinic. These children now receive care, shelter, food, medical care and education, and have safer places to live.

#### Rwanda

In 2011 LeasePlan decided to support children with a physical or mental disability in Rwanda. In developing countries such as war-torn Rwanda, very few children with these disabilities are able to go to school. We work with Komera a non-governmental organisation that offers adapted educational programmes to teach children to make optimal use of any means of communication, such as using various visualisation techniques and sign language.

"LEASEPLAN TAKES PRIDE IN ITS INVOLVEMENT IN THE AREAS WHERE WE WORK AND LIVE"

STAKEHOLDER ENGAGEMENT

Until the end of 2015, LeasePlan will support 270 children that are infected / affected by HIV/AIDS within the 'Foster a Child Programme (FCP)' of the Society for Serving Humanity.

The objective of this project is to create an enabling environment for the social, educational and health development of these children living in the Namakkal and Dindigul district in the state of Tamil Nadu in India. 90% of these children have lost a parent and many are orphans that live with grandparents or other relatives.

Currently there is a lack of proper education in the same area. The Society for Serving Humanity will build a school offering education from 1st until 12th grade. Through LeasePlan's financial support, 600 children will be able to receive an education with a focus on quality education including English lessons and computer training. We are proud to announce the school will be known as the ChildPlan Academy.

The aim is to admit 300 FCP children and 300 children outside the programme. As well as providing proper education the new school will enhance SSH's sustainability in the years to come.

Similar projects are underway in Pakistan and Cameroon, which we will proudly continue to support, always with a view towards creating better opportunities for children around the

#### LOCAL INVOLVEMENT AND SPONSORSHIP

LeasePlan's social responsibility approach is not only aimed at helping those in less developed areas of the world. We are actively involved in the communities we work and live in as well.

In the city of Almere, Netherlands where our corporate headquarters are based, we provide generous sponsorships of a number of local institutions. De Kunst Linie, a thriving performing arts and cultural centre and the New Library of Almere, a cornerstone of the City community, are two of the primary beneficiaries of LeasePlan sponsorship.

Also within the Netherlands, we launched LeasePlan Inside Out - a charitable programme whereby employees are given a day off in order to get into the community and assist a  $char itable\ organisation.\ Over\ 300\ employees\ have\ already\ registered\ to\ help\ preserve\ local$ forests, work in animal shelters, distribute food to the needy, and spend time with disadvantaged children.

Similar local initiatives take place in most LeasePlan entities around the world. Just a few examples include our efforts in Australia, New Zealand, and the United States. LeasePlan Australia's 'Carn the Kids' programme teams up with local children's organisations to bring thousands of youngsters to different sporting events. LeasePlan New Zealand raised funds to support children affected by the series of earthquakes which occurred in 2011. Additionally, in the United States, various LeasePlan locations help out regularly, with donations to local children's shelters in the form of funds and vehicles.

"WE ARE ACTIVELY **INVOLVED** IN THE COMMUNITIES **WE WORK AND** LIVE IN"

## **SUSTAINABILITY INDEX**

# **SUSTAINABILITY INDEX**

SUSTAINABILITY METRICS		201
in thousands of euros		
ECONOMIC VALUE GENERATED		8,330,74
Revenues		7,398,05
Interest and similar income		932,69
ECONOMIC VALUE DISTRIBUTED		8,060,93
Operating costs		6,958,14
Cost of revenues		6,717,17
General and administrative expenses		240,97
Employee costs		444,77
Payments to providers of capital		569,14
Payments to government		88,43
Income tax paid		41,83
Fees under the credit guarantee scheme		46,60
Community investment		43
IMPROVING THE CLIENT EXPERIENCE		
Client loyalty index (TRI*M)		$\epsilon$
Driver satisfaction		88
Delivering our client promise		87
ENGAGING OUR EMPLOYEES		
TR*IM High Performance Organisation Index		$\epsilon$
Total number of employees		6,25
Diversity (% of male / female)	54%	46%
Position type by gender		
Employees	49%	51%
Middle Management	68 %	32%
Senior Management	82%	18%
ENVIRONMENT <sup>1</sup>		
Direct energy consumption - electricity		810,533 KW
Direct/Indirect C02 emissions		242,652 tonne
Total water withdrawal by source		1600 cubic metre

<sup>&</sup>lt;sup>1</sup> Environmental data is taken from LeasePlan Corporation head office in Almere, the Netherlands only.

## **GRI CONTENT INDEX**

## **APPLICATION LEVEL C**

		Full, partial or not material	Page number
1.1	Statement from the CEO	Full	8-11
Organi	sational profile		
2.1	Name of the organisation	Full	77
2.2	Primary brands, products and services	Full	27, 32
2.3	Operational structure	Full	12 - 13, 47, 64
2.4	Location and headquarters	Full	77
2.5	Countries located	Full	64
2.6	Nature of ownership and legal form	Full	77
2.7	Markets served	Full	27 - 28
2.8	Scale of organisation	Full	6,74
2.9	Significant changes during the period	Full	27
2.10	Awards received during the period	Partial	27
Report	parameters		
3.1	Reporting period	Full	27
3.2	Date of most recent previous report	Full	27
3.3	Reporting cycle	Full	26
3.4	Contact details	Full	Back inside cover
3.6	Boundary of the report	Full	27
3.7	Limitations on the scope or boundary of the report	Full	27
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities	Full	27
3.10	Re-statements of information provided in earlier reports	Full	27
3.11	Significant changes from previous reporting periods	Full	27
3.12	Standard Disclosures table	Full	39
Govern	ance, Commitments and Engagement		
4.1	Governance structure	Full	45, 47
4.2	Chair of the highest governing body	Full	52 - 53
4.3	Members of the highest governing body	Full	52 - 53

4.4 Mechanisms for shareholders and employees to provide recommendations to the highest governing body  4.14 Stakeholder groups engaged by the organisation  4.15 Basis for identification and selection of stakeholders  Economic Indicators  EC1 Direct economic value generated and distributed  EC3 Coverage of the organisation's defined benefit plan  Environmental Indicators  EN3 Direct energy consumption by primary energy source  EN8 Total water withdrawal by source Full 39  EN16 Total direct and indirect GHG emission by weight  EN18 Initiatives to reduce GHG emissions and reductions achieved  EN26 Initiatives to mitigate environment impacts of products and services  Labour Indicators  LA1 Total workforce Partial 39  EN26 Initiatives to mitigate environment and lifelong learning for employees  Society Indicators  SO1 Impact of operations on communities  Product Responsibility					
employees to provide recommendations to the highest governing body  4.14 Stakeholder groups engaged by the organisation  4.15 Basis for identification and selection of stakeholders  Economic Indicators  EC1 Direct economic value generated and distributed  EC3 Coverage of the organisation's defined benefit plan  Environmental Indicators  EN3 Direct energy consumption by primary energy source  EN8 Total water withdrawal by source Full 39  EN16 Total direct and indirect GHG emission by weight  EN18 Initiatives to reduce GHG emissions and reductions achieved  EN26 Initiatives to mitigate environment impacts of products and services  Labour Indicators  LA1 Total workforce Partial 39  LA11 Programmes for skills management and lifelong learning for employees  Society Indicators  SO1 Impact of operations on communities  Product Responsibility			or not	Page number	
organisation  4.15 Basis for identification and selection of stakeholders  Economic Indicators  EC1 Direct economic value generated and distributed  EC3 Coverage of the organisation's defined benefit plan  Environmental Indicators  EN3 Direct energy consumption by primary energy source  EN8 Total water withdrawal by source Full 39  EN16 Total direct and indirect GHG emission by weight  EN18 Initiatives to reduce GHG emissions and reductions achieved  EN26 Initiatives to mitigate environment impacts of products and services  Labour Indicators  LA1 Total workforce Partial 39  LA11 Programmes for skills management and lifelong learning for employees  Society Indicators  SO1 Impact of operations on communities  Product Responsibility	4.4	employees to provide recommendations to the highest	Full	54 - 55	
Economic Indicators  EC1 Direct economic value generated and distributed  EC3 Coverage of the organisation's defined benefit plan  Environmental Indicators  EN3 Direct energy consumption by primary energy source  EN8 Total water withdrawal by source Full 39  EN16 Total direct and indirect GHG emission by weight  EN18 Initiatives to reduce GHG emissions and reductions achieved  EN26 Initiatives to mitigate environment impacts of products and services  Labour Indicators  LA1 Total workforce Partial 39  LA11 Programmes for skills management and lifelong learning for employees  Society Indicators  SO1 Impact of operations on communities  Product Responsibility	4.14		Full	29 - 30	
EC1 Direct economic value generated and distributed  EC3 Coverage of the organisation's defined benefit plan  Environmental Indicators  EN3 Direct energy consumption by primary energy source  EN8 Total water withdrawal by source Full 39  EN16 Total direct and indirect GHG emission by weight  EN18 Initiatives to reduce GHG emissions and reductions achieved  EN26 Initiatives to mitigate environment impacts of products and services  LA1 Total workforce Partial 39  LA11 Programmes for skills management and lifelong learning for employees  Society Indicators  SO1 Impact of operations on communities  Product Responsibility	4.15		Full	29 - 30	
and distributed  EC3 Coverage of the organisation's defined benefit plan  Environmental Indicators  EN3 Direct energy consumption by primary energy source  EN8 Total water withdrawal by source Full 39  EN16 Total direct and indirect GHG emission by weight  EN18 Initiatives to reduce GHG emissions and reductions achieved  EN26 Initiatives to mitigate environment impacts of products and services  Labour Indicators  LA1 Total workforce Partial 39  LA11 Programmes for skills management and lifelong learning for employees  Society Indicators  SO1 Impact of operations on communities  Product Responsibility	Econom	nic Indicators			
Environmental Indicators  EN3 Direct energy consumption by primary energy source  EN8 Total water withdrawal by source Full 39  EN16 Total direct and indirect GHG emission by weight  EN18 Initiatives to reduce GHG emissions and reductions achieved  EN26 Initiatives to mitigate environment impacts of products and services  Labour Indicators  LA1 Total workforce Partial 39  LA11 Programmes for skills management and lifelong learning for employees  Society Indicators  SO1 Impact of operations on communities  Product Responsibility	EC1	_	Full	39	
EN3 Direct energy consumption by primary energy source  EN8 Total water withdrawal by source Full 39  EN16 Total direct and indirect GHG emission by weight  EN18 Initiatives to reduce GHG emissions and reductions achieved  EN26 Initiatives to mitigate environment impacts of products and services  Labour Indicators  LA1 Total workforce Partial 39  LA11 Programmes for skills management and lifelong learning for employees  Society Indicators  SO1 Impact of operations on communities  Product Responsibility	EC3	0	Full	132	
primary energy source  EN8 Total water withdrawal by source Full 39  EN16 Total direct and indirect GHG emission by weight  EN18 Initiatives to reduce GHG emissions and reductions achieved  EN26 Initiatives to mitigate environment impacts of products and services  Labour Indicators  LA1 Total workforce Partial 39  LA11 Programmes for skills management and lifelong learning for employees  Society Indicators  SO1 Impact of operations on communities  Product Responsibility	Environ	mental Indicators			
EN16 Total direct and indirect GHG emission by weight  EN18 Initiatives to reduce GHG emissions and reductions achieved  EN26 Initiatives to mitigate environment impacts of products and services  Labour Indicators  LA1 Total workforce Partial 39  LA11 Programmes for skills management and lifelong learning for employees  Society Indicators  SO1 Impact of operations on communities  Product Responsibility	EN3	• , , ,	Full	39	
emission by weight  EN18 Initiatives to reduce GHG emissions and reductions achieved  EN26 Initiatives to mitigate environment impacts of products and services  Labour Indicators  LA1 Total workforce Partial 39  LA11 Programmes for skills management and lifelong learning for employees  Society Indicators  SO1 Impact of operations on communities  Product Responsibility	EN8	Total water withdrawal by source	Full	39	
and reductions achieved  EN26 Initiatives to mitigate environment impacts of products and services  Labour Indicators  LA1 Total workforce Partial 39  LA11 Programmes for skills management and lifelong learning for employees  Society Indicators  SO1 Impact of operations on communities  Product Responsibility  31 - 32  Full 34, 47  37 - 39	EN16		Full	39	
Labour Indicators  LA1 Total workforce Partial 39  LA11 Programmes for skills management and lifelong learning for employees  Society Indicators  SO1 Impact of operations on communities  Product Responsibility	EN18		Partial	39	
LA1 Total workforce Partial 39  LA11 Programmes for skills management and lifelong learning for employees  Society Indicators  S01 Impact of operations on communities  Product Responsibility  34, 47  Full 37-39	EN26	_	Partial	31 - 32	
LA11 Programmes for skills management and lifelong learning for employees  Society Indicators  SO1 Impact of operations on communities  Product Responsibility  34, 47  34, 47  37 - 39	Labour	Indicators			
and lifelong learning for employees  Society Indicators  S01 Impact of operations on communities  Product Responsibility  37 - 39	LA1	Total workforce	Partial	39	
SO1 Impact of operations on communities  Product Responsibility  Full 37 - 39	LA11	S S	Full	34, 47	
communities Product Responsibility	Society Indicators				
	S01		Full	37 - 39	
PR5 Practices related to client Full 31, 32,	Product Responsibility				
satisfaction	PR5		Full	31, 32, 39	



## CORPORATE GOVERNANCE

### **CORPORATE GOVERNANCE**

## CORPORATE GOVERNANCE

GOOD CORPORATE GOVERNANCE IS AT THE CORE OF OUR BUSINESS MODEL AND OUR SYSTEMS OF GOVERNANCE HAVE BEEN DESIGNED TO PROVIDE THE NECESSARY CHECKS AND BALANCES BETWEEN MANAGEMENT AND EMPLOYEES, AS WELL AS BETWEEN MANAGEMENT, THE SUPERVISORY BOARD AND OUR SHAREHOLDERS.

#### **RECENT DEVELOPMENTS**

In December 2011, the Monitoring Committee Banking Code presented its first integral report to the Dutch Minister of Finance regarding the implementation of the Banking Code. The report concludes that the Banking Code, overall, is having a positive effect on the banking sector in the Netherlands. Furthermore, during the course of 2011 representatives of the LeasePlan Supervisory Board and Managing Board, as well as senior staff participated in each of the meetings organised by the Monitoring Committee. LeasePlan completed the survey initiated by the Monitoring Committee on compliance with the remuneration principles of the Code and contributed to the survey on Customer First and Risk Management organised by the Monitoring Committee launched in August 2011. In this Corporate Governance section, LeasePlan indicates its compliance with the Banking Code.

"WE HAVE TAKEN
THE NECESSARY
STEPS TO
ADJUST OUR
REMUNERATION
POLICY"

A matter of significant importance during the year was remuneration and, in particularly, executive remuneration in banks. LeasePlan, and its Supervisory Board, are well aware that remuneration continues to be subject to ongoing political and public debate. During the course of the year we have taken the necessary measures to adjust our policy and approach to the changing views on remuneration as well as the various regulations and guidelines proposed by EU and Dutch regulators and authorities. The remuneration report in this section explains in detail the work we have done throughout the year to ensure that LeasePlan's remuneration policy is moderate, sustainable, consistent with effective risk management, and takes into account the long-term interests of the Company, its stakeholders and society at large.

Other focus areas during the year were activities aimed at supporting our corporate culture. Building on the renewed Code of Conduct we introduced in 2010, we took steps to measure the level of ethical behaviour and integrity that exists within LeasePlan in the eyes of employees. A new Integrity Benchmark was introduced globally and results of this study showed that the majority of employees viewed our global culture and the way we do business as positive. We will use the outcome of the benchmark to provide direction on our values and integrity risks and we will be able to measure developments in those areas now and in the future. Additionally, in early 2012 we issued a global Whistleblower policy to ensure employees have further protection for raising concerns, if any.

### CORPORATE GOVERNANCE REPORT

#### **GOVERNMENT SUPERVISION AND REGULATION**

LeasePlan is a bank incorporated under the laws of the Netherlands. The principal Dutch law on supervision applicable to us is the Dutch Financial Supervision Act (Wet op het financieel toezicht, the "Wft") which entered into force on 1 January 2007 and under which LeasePlan is supervised by the Dutch Central Bank (De Nederlandsche Bank N.V., 'DNB') and the Netherlands Authority for the Financial Markets (Stichting Autoriteit Financiële Markten, "AFM"). We are also subject to certain EU legislation, which has an impact on the regulation of our businesses in the EU, and the regulation and supervision of local supervisory authorities of the various countries in which we do business.

#### **SHAREHOLDERS**

#### Volkswagen Bank GmbH (50%)

Volkswagen Bank is a 100% subsidiary of Volkswagen Financial Services AG, which heads and consolidates entities that provide financing, leasing and insurance products to consumers and corporate customers in the European, Asian-Pacific, North American and South American region.

Volkswagen Bank, operating solely in Europe, also has one of the largest direct banking activities in Germany, which offers classic banking products (such as savings and payment accounts) and insurance. The bank has its own subsidiaries in Belgium, France, Germany, Greece, the Republic of Ireland, Italy, the Netherlands, Spain and the United Kingdom.

#### Fleet Investments B.V. (50%)

Fleet Investments B.V. is an investment company of the German banker Friedrich von Metzler. The heart of the Metzler group is the Frankfurt based bank B. Metzler seel. Sohn & Co. KGaA. Founded in 1674, it is the oldest private bank in Germany with an unbroken tradition of family ownership. Main group activities focus on asset management, corporate finance, equities, financial markets and private banking. In addition to the head office in Frankfurt, Metzler has offices in Munich, Stuttgart, Cologne/Düsseldorf, Hamburg, Atlanta, Los Angeles, Seattle, Tokyo, Dublin and Beijing.

The aforementioned activities of Volkswagen Bank and von Metzler operate independently from the business and banking activities of LeasePlan.

Global Mobility Holding B.V., a joint venture between Volkswagen Bank GmbH and Fleet Investments B.V., holds 100% of the Company's shares. Global Mobility Holding B.V. is a limited liability company established in the Netherlands in which a 50% interest is held by Volkswagen Bank GmbH, and a 50% interest is held by Fleet Investments B.V., an investment company of German banker Friedrich von Metzler.

In connection with a Stock Option Incentive Plan approximately 2% of the total issued share capital in the Company was held by Stichting Werknemersparticipatie LPC that had issued depository receipts representing the economic interest in these shares. The economic value of these depository receipts were owned by Global Mobility Holding B.V. On 8 December 2011 the Stock Option Incentive Plan was discontinued and the shares were transferred to Global Mobility Holding B.V. making it the sole shareholder of the Company.

#### STRUCTURE REGIME

Upon the launch of our internet retail banking activities under the brand LeasePlan Bank in February 2010 and in accordance with Dutch law, we filed a statement with the Chamber of Commerce of Gooi-, Eem- and Flevoland notifying that we meet legal requirements of, and qualify for, the Dutch large company structure regime (art. 2:153 Dutch Civil Code). The large company structure regime grants specific powers to the Supervisory Board and more influence to employees in the appointment of Supervisory Board members. If the legal criteria to qualify for the large company structure regime continue to be met by us for an uninterrupted term of three years, we will amend our articles of association and introduce the large company structure regime in our governance. We have met the criteria on an uninterrupted basis since February 2010.

#### **DUTCH BANKING CODE**

**CORPORATE GOVERNANCE REPORT** 

LeasePlan is a Dutch financial services company focused on the holding of companies active in vehicle and fleet management. We have held a Dutch banking licence since 1993. In September 2009, the Netherlands Bankers' Association (NVB) published the Dutch Banking Code in response to a report entitled 'Restoring Trust' published by the Advisory Committee on the Future of Banks in the Netherlands. The Banking Code lays out the principles of conduct for Dutch banks in terms of the role of the banks' Executive Board (Managing Board in LeasePlan) and Supervisory Board, corporate governance, client focus risk management, audit and remuneration. The Banking Code is a form of self-regulation that took effect on 1 January 2010 on a 'comply or explain' basis. On the basis of the principles of the Banking Code against the governance structure, service and products offered by LeasePlan, we confirm that:

- we apply the Banking Code at the consolidated level of LeasePlan. As such the Supervisory Board and Managing Board endorse the principles of the Banking Code; and
- overall, we follow the comply approach.

#### Moral ethical statement

The members of the Managing Board of LeasePlan support the Banking Code with regard to the banking activities of the Company and as such have signed the moral ethical statement. The statement was signed for the first time by each member of the Managing Board on 3 May 2010. During its meeting of 19 January 2011 the Managing Board signed the moral ethical statement again. In view of changes in the Managing Board as of 1 April 2011, the moral ethical statement was also signed by Sven-Torsten Huster, member of the Managing Board and Chief Operating Officer. At the beginning of every year the Managing Board will discuss in a board meeting the moral ethical statement in relation to LeasePlan's stakeholders and business, followed by a signing session. Most recently this took place on 30 January 2012. Furthermore, the Identified Staff of LeasePlan (staff whose professional activities have a material impact on our risk profile, including the control functions) have signed the Moral Ethical Statement in 2011. The moral ethical statement reads as follows:

> "I declare that I will perform my duties as a banker with integrity and care. I will carefully consider all the interests involved in the bank, i.e. those of the clients, the shareholders, the employees and the society in which the bank operates. I will give paramount importance to the client's interests and inform the client to the best of my ability. I will comply with the laws, regulations and codes of conduct applicable to me as a banker. I will observe secrecy in respect of matters entrusted to me. I will not abuse my banking knowledge. I will act in an open and assessable manner and I know my responsibility towards society. I will endeavour to maintain and promote confidence in the banking sector. In this way, I will uphold the reputation of the banking profession."

#### Putting clients first - duty of care

In the Banking Code, it is noted that putting the client first is a prerequisite for the bank's continuity. We believe that the moral ethical behaviour and duty of care towards clients prescribed in the Banking Code are complementary to our approach in business. In fact, these underlying principles have long been part of our culture and practices. For LeasePlan this means continually investing in the quality, expertise and professionalism of our people so that we deliver high standards of service, quality and care, which goes beyond any statutory framework.

"FURTHER REINFORCING **ETHICAL BUSINESS** PRACTICES"

Since 2010 our underlying cultural principles are being further reinforced with a global culture change programme. In 2010 this started with LeasePlan Engagement Programme (LEP), which will be followed by the LeasePlan Identity Programme (LIP) in 2012. These programmes centre on our core values: Commitment, Expertise, Passion and Respect and on how to act on them in order to ensure that we fulfill our promise to customers of 'It's easier to leaseplan'. Our value 'Respect' focuses on treating our various stakeholders as we would want to be treated ourselves, adhering to ethical principles and acting honestly in everything we do. As part of LEP and LIP, all employees worldwide participate in workshops to help them better understand our values and apply them to their behaviours and daily activities. New ethical dilemma training was rolled out for LeasePlan to support the LIP programme and encourage discussion among all LeasePlan staff globally about the various potential dilemmas in our business.

With a view to further reinforcing ethical business practices in the interests of our clients, we use our Code of Conduct to better reflect the values and behaviour that exist in our organisation. Our Code of Conduct more than covers the principles of the Dutch Banking Code with respect to moral ethical conduct.

#### **PRODUCT APPROVAL PROCESS (PAP)**

#### LeasePlan Bank products

In view of the introduction of LeasePlan Bank in 2010, the Managing Board approved a separate PAP for products offered specifically by the bank. The PAP for LeasePlan Bank products consists of an eight-phase development process which includes an assessment of the risks and duty of care towards clients. A dedicated Product Approval Committee, acting as an advisory body to the Managing Board, owns the primary task of overseeing this process for new products and changes to existing products. Group Audit annually reviews whether the PAP for LeasePlan Bank products has been designed properly, is present and works effectively. In 2011, the internal audit concluded that only some minor product changes have been implemented. The PAP for LeasePlan Bank complies with section 4.5 of the Banking Code.

#### Vehicle leasing and fleet management products

A standard procedure exists for developing products related to our core business of vehicle leasing and fleet management. Several departments are involved in the development of newly proposed products, and for making their own assessment of the new product. In addition, new products are developed based on market demands and, as part of the standard development process, are often tested with existing and/or prospective clients. Furthermore, in the area of duty of care, we have established mechanisms for monitoring and acting on client and driver feedback as part of the service lifecycle. LeasePlan is in the process of finalising the review of its current PAP of leasing products, which may result in enhancements to further align such processes with the Banking Code.

#### **THE BOARDS**

We are governed by a two-tiered board structure comprising a Supervisory Board and a Managing Board. The Supervisory Board is responsible for supervising the policy of the Managing Board and the general course of affairs of LeasePlan and its group companies. The Supervisory Board advises the Managing Board in determining our strategic direction and certain resolutions of the Managing Board are subject to approval by the Supervisory Board. Both boards perform their duties and powers as laid down in the relevant laws, rules and regulations, the articles of association, and the regulations applicable to the Managing Board and the Supervisory Board respectively. The requirements of the Banking Code are incorporated in the aforementioned corporate documents.

#### **MANAGING BOARD**

The Managing Board is made up of three members which currently are: the Chairman and Chief Executive Officer, the Chief Financial Officer and the Chief Operating Officer of LeasePlan. The Managing Board is responsible for the overall management of the Group and meets every other week. In accordance with principle 3.1.7 of the Banking Code, the Chief Financial Officer is the member of the Managing Board specifically charged with the responsibility for preparing the decision making with regard to risk management.

The Managing Board has sufficient diversity in the background, knowledge and expertise of the individual members to warrant proper execution of the overall management of the group, including its relevant banking activities. The division of tasks within the Managing Board is determined by the Board itself and is approved by the Supervisory Board. The members of the Managing Board are fully supported in performing their duties with the advice and services provided by a mixed and diverse Corporate Management Team.

The Banking Code provisions applicable to the Managing Board have been fully adopted. An individual profile outline was prepared for each vacancy on the Managing Board in order to comply with the requirements of the Banking Code. We have a continuing lifelong learning programme in place for the members of the Managing Board which meets the requirements of the Banking Code. The various training sessions are taken care of by internal and external experts.

"THE MANAGING
BOARD IS
RESPONSIBLE
FOR THE SYSTEMS
OF INTERNAL
CONTROL"

#### **INTERNAL CONTROLS**

The Managing Board is responsible for the systems of internal control that are designed in such a way to safeguard controlled and sound business operations and to ensure the quality of internal and external reporting and compliance with applicable laws, regulations and codes of conduct. In devising internal controls, we have given regard to the nature and extent of the risks that may affect the soundness of the entire enterprise, the likelihood of risks occurring and the cost of control.

#### Risk management

In line with banking industry best practice and European Banking Authority guidance on internal governance, our control framework includes three lines of defence which are supported by investment in information technology and our people. We operate a decentralised governance model with support coming from a central corporate centre. The following overview outlines the composition and responsibilities of all the parties involved in executing the three lines of defense for risk management within LeasePlan:

- (i) local, regional and corporate management heads of our businesses that have ownership, responsibility and accountability for assessing, controlling and mitigating risks;
- (ii) corporate risk and compliance risk management (acting independently from risk originators) who coordinate, oversee and objectively challenge the execution, management, control and reporting of risks; and
- (iii) internal audit, which through a risk-based approach, provides independent and objective assurance to the management body, on how effectively we assesses and manage our risks, including the manner in which the first and second lines operate.

GROUP REMUNERATION REPORT

#### ORGANISATION STRUCTURE

#### Risk appetite

The Managing Board has set the overall risk appetite for the Company in terms of (standalone) long-term debt rating. An institution's rating target is an indication of the overall risk appetite a company may have and the level of capital it will hold. In addition, the Managing Board sets the risk appetite for each underlying risk category for the Company. The Supervisory Board approves the risk appetite for the group annually, and approves any changes required throughout the year. The principal risks inherent to our business activities are individually discussed in the financial statements on page 92. A comprehensive overview of our risk management policies and objectives is described in detail in our Pillar III Disclosure. The Pillar III Disclosure is available on www.leaseplan.com.

#### Governance and compliance

The Senior Corporate Vice-President Legal & Compliance assumes the role of Group Compliance Officer, reporting directly to the Chief Executive Officer and with direct access to the Chairman of the Supervisory Board in specific circumstances. Compliance risk covers the risk of legal or regulatory sanctions, financial loss, or loss to reputation we may suffer as a result of non-conformance with the integrity, expertise and professionalism requirements of applicable laws, regulations, codes of conduct, good management practices and internal policies. Quarterly compliance reports are presented to the Managing Board and an annual compliance overview is presented to the Audit Committee of the Supervisory Board.

Compliance risk management is considered to be most effective when a high level of awareness exists within the entire organisation. Therefore, it aims to constantly contribute to the advancement of compliance with external and internal regulation. Our compliance risk management practices are important to the way we conduct business. The basis for mitigating compliance risk is provided by our compliance risk management framework. The Chief Executive Officer has assigned the task for identifying, assessing, advising, monitoring and reporting compliance risks to the independent Group Compliance Officer. A local compliance function exists within each LeasePlan entity. The roles and responsibilities of the compliance function within the LeasePlan group are described in the Compliance Charter that was revised in 2011.

#### **Group Audit Department**

Our Group Audit Department provides internal audit services and is recognised as the third line of defence for our control framework. The internal audit activity is guided by the international standards for the professional practice of internal auditing. The scope of the activities includes all majority owned entities group service companies and head office functions. The Group Audit Department conducts independent audits of our activities and is responsible for providing professional and independent assurance by evaluating the organisation's network of risk management, control, and governance processes, as designed and represented by management. This includes but is not limited to assessing the effectiveness of governance, risk management and internal control processes. The Group Audit Department reports its findings to the Managing Board and provides quarterly updates to the Supervisory Board Audit Committee.

The Group Audit Department is headed by the Senior Corporate Vice-President Audit who reports directly to the Chief Executive Officer. Regular internal audit meetings are scheduled between the Managing Board and the Senior Corporate Vice-President Audit in order to ensure sufficient attention and follow-up is given to the outcome of the audits. Measures are in place to maintain the independence of the audit function, including the right to directly approach the chairman of the Supervisory Board Audit Committee if circumstances so require. The Chairman of the Audit Committee and the Senior Vice-President Audit have informal meetings twice a year, the first of which took place prior to the Audit Committee meeting in September 2011. Additionally, in 2011 the Senior Corporate Vice-President Audit held a meeting with De Nederlandsche Bank, the external auditor and members of the Control, Reporting & Tax department to discuss risk analysis and findings and the respective audit plans.

#### **CORPORATE GOVERNANCE STATEMENT**

Pursuant to the Dutch Decree of 20 March 2009, updated on 1 January 2010, implementing further accounting standards for annual reports (Besluit Corporate Governance) and based on the listing of LeasePlan debt securities issued on regulated markets in the EU, the following information is provided. The most important features of the control systems set-up for securing reliable consolidated financial statements are:

- As a holding entity for the group LeasePlan has a uniform set of accounting and reporting principles for its business units based on its application of International Financial Reporting Standards;
- A monthly cycle of reporting is maintained and throughout the year financial results and movements therein are analysed, explained and linked to the risk management information;
- Compliance with these uniform accounting and reporting principles is reviewed by Control,
   Reporting & Tax and both internal and external auditors;
- Managers of the individual business units submit a letter of representation emphasising the compliance with the uniform set of accounting and reporting principles.

The group of entities that is included in the consolidated financial statements is comprised of subsidiaries in 30 countries acting as separate business units selling LeasePlan's core products. View our main operating companies on pages 156 - 158 for a full list of principal consolidated participating interests.

#### MANAGING BOARD RESPONSIBILITY ON FINANCIAL REPORTING

The Managing Board is responsible for maintaining proper accounting records, for safeguarding assets and for taking reasonable steps to prevent and detect fraud and other irregularities. It is responsible for selecting suitable accounting policies and applying them on a consistent basis, making judgements and estimates that are prudent and responsible. It is also responsible for establishing and maintaining internal procedures which ensure that all major financial information is known to the Managing Board, so that timeliness, completeness and correctness of external financial reporting are assured.

## CONFORMITY STATEMENT PURSUANT TO SECTION 5:25C PARAGRAPH 2(C) OF THE DUTCH ACT ON FINANCIAL SUPERVISION (WET OP HET FINANCIEEL TOEZICHT)

As required by section 5:25c paragraph 2(c) of the Dutch Act on Financial Supervision, each member of the Managing Board hereby confirms that to the best of their knowledge:

- the LeasePlan 2011 Annual Report gives a true and fair view of the assets, liabilities, financial position and profit and loss of LeasePlan and the subsidiaries included in the consolidated financial statements;
- the LeasePlan 2011 Annual Report gives a true and fair view of the position at the balance sheet date, the development and performance of the business during the financial year 2011 of LeasePlan and the subsidiaries included in the financial statements, together with a description of the principal risks that LeasePlan is being confronted with.

#### COMMITMENT

WE TAKE PERSONAL OWNERSHIP OF OUR ACTIONS AND **OUR CLIENTS CAN COUNT ON US TO DELIVER WHAT WE** PROMISE.

#### **EXPERTISE**

WE LISTEN TO OUR CLIENTS AND SHARE OUR KNOWLEDGE IN AN UNDERSTANDABLE WAY.

#### **PASSION**

WE ARE PROUD OF OUR COMPANY AND OF THE CLIENTS WE WORK FOR AND WE SHOW THAT IN ALL OF OUR **COMMUNICATION AND ACTIONS.** 

#### RESPECT

WE ARE OPEN-MINDED TOWARDS OTHER PEOPLE'S FEELINGS, VALUES, CULTURE AND OPINIONS AND ARE RESPONSIBLE TOWARDS PLANET AND PROFIT.

## SUPERVISORY BOARD MEMBERS

CORPORATE GOVERNANCE REPORT



**Frank Witter** 

Chairman



Appointed as member and Chairman of the Supervisory Board on 5 January 2009. Chairman of the Audit Committee, the Remuneration Committee and the Credit Committee.



Michael Klaus

**Deputy Chairman** 

Partner, B. Metzler seel. Sohn & Co. Holding AG, Germany.

Appointed member of the Supervisory Board on 1 February 2010. Appointed Deputy Chairman on 19 March 2010. Member of the Audit Committee, the Remuneration Committee and the Credit Committee.

"THE COMPOSITION OF THE BOARD **REFLECTS AND SUPPORTS OUR BUSINESS AMBITIONS**"



Albrecht Möhle

Global Head of Global Markets and Group Funding, Volkswagen AG, Germany.

Appointed member of the Supervisory Board on 31 January 2012. Member of the Credit Committee.



Christian Schlögell

General Counsel, B. Metzler seel. Sohn & Co. Holding AG, Germany.

Appointed member of the Supervisory Board on 1 February 2010. Member of the Credit Committee.



Ada van der Veer - Vergeer

#### Independent.

Appointed member of the Supervisory Board on 10 December 2010. Member of the Audit Committee and the Remuneration Committee.

DUTCH BANKING CODE COMPLIANCE INDEX

Has 25 years' experience in financial services. Joined the Volkswagen Group in 1992 as Head of Capital Markets at Group Treasury and held senior treasury positions in both Europe and North America until 2001. Prior to rejoining the Volkswagen Group in 2002, he held the position of Corporate Treasurer for SAirGroup in Zurich, Switzerland. From 2002 to 2006 he acted as Chief Executive Officer and Chief Financial Officer in North America and Canada. In 2006 he was appointed member of the VW Group Board with responsibility for North America. Between 2007 and 2008 he acted as President and Chief Financial Officer of VW Credit Inc. and as Regional Manager for the Americas for all financial services companies. Since 2008, as a member of the VW Group Board, he has held the position of Chief Executive Officer of Volkswagen Financial Services AG based in Germany with full responsibility for the worldwide financial services operations of Volkswagen AG.

Has 25 years' experience in finance. Joined his current employer B. Metzler seel. Sohn & Co. in 1991. Has held senior roles as Head of Financial Markets, Head of the Bank's Treasury Committee, Head of Personnel, Co-head of Metzler Real Estate and Market Risk Controller for the entire Metzler Group. Appointed Partner in 2005. Other board positions include: member of the Board of Directors of Metzler/Payden, LLC, Los Angeles; Metzler Realty Advisors, Inc. Seattle; member of the Supervisory Board of BVV Versicherungsverein des Bankgewerbes A.G., Berlin; Executive Officer of Metzler Securities GmbH and General Securities Principal of Metzler Securities Corp., New York. Also member of the Advisory Committee of Hauptverwaltung der Deutschen Bundesbank, Frankfurt. Currently Managing Director of Antje Verwaltungs GmbH, Frankfurt; Fleet Investments B.V., Amsterdam; Global Mobility Holding B.V., Amsterdam. Formerly Managing Director of Metzler Nederland B.V.

Mr Möhle has more than 30 years' experience in corporate finance and banking. After joining his current employer, Volkswagen AG, in 1986 in the area of treasuries trade finance, Mr Möhle spent time in risk management followed by a treasury engagement in Volkswagen's Czech subsidiary SKODA Auto a.s. In 1992 he was appointed General Manager of Volkswagen Investments Limited in Dublin, which led to the roles of Head of Treasuries Back Office Operations and Head of Capital Markets of the Volkswagen Group. In 2004, he was appointed to his current position, Global Head of Global Markets and Group Funding of Volkswagen AG. On 1 February 2012 he was appointed to the Supervisory Board of Volkswagen International Finance N.V. Amsterdam and Volkswagen International Payment Services N.V. Amsterdam. Prior to this date he served as Managing Director of the respective entities. Mr Möhle is also a member of the Supervisory Board of Volkswagen Finance Luxembourg S.A. and sits on the Board of Volkswagen Pension Trust e.V.

Has more than 20 years' experience as a banking and corporate lawyer. Joined his current employer, the German Metzler banking group, in 1994 as Head of Legal. Has extensively worked in Europe, North America and Asia on corporate finance, M&A transactions, general banking and compliance matters and structuring issues. Holds various managerial roles at Metzler and is Chairman of the Supervisory Board of Freunde der Eintracht AG, Frankfurt. Prior to 1994, was a Legal Counsel for Robert Bosch GmbH, Stuttgart, and a member of the Supervisory Board of Robert Bosch Elektronik GmbH.

Has 25 years' broad experience in the financial services industry including a strong background in the banking sector. Her previous positions include Chief Executive Officer of Currence Holding, Chairperson of the Board of Staal Bankiers and member of the Executive Board of Achmea Bank Holding. Since 2007, she has worked as an independent Board advisor for strategy and corporate governance. Her current other Supervisory Board memberships include the Netherlands Public Broadcasting and Alliander N.V. Furthermore she is an Executive Board member of Stichting Preferente Aandelen Nedap N.V. and also she is an advisor to the National Register of Directors and Supervisors.

#### SUPERVISORY BOARD REPORT

In 2011, LeasePlan managed to achieve a 13% increase in net profit to EUR 225 million compared to 2010 in an economic environment which still provides for enormous challenges. With a strong capital position, diversified funding and robust business model, LeasePlan has proven that it continues to be well positioned to take advantage of selective growth opportunities. The Supervisory Board recognises that future profitability and growth will be delivered in the context of continued difficult economic conditions and volatile financial markets. Much credit goes to the members of the Managing Board, who guided the organisation with great commitment and leadership throughout 2011. The Supervisory Board greatly appreciates the work done by the Managing Board and all LeasePlan staff worldwide and thanks them for their continued efforts.

#### **FULL REVIEW OF THE YEAR AND OUTLOOK**

A review of LeasePlan's 2011 performance and 2012 outlook is set out on pages 14 - 40. This is intended to inform stakeholders and help them assess how the Supervisory Board has acted upon its responsibility to support the success of the Company, its group companies, and their business enterprises.

#### ANNUAL REPORT AND FINANCIAL STATEMENTS

In accordance with the relevant provisions of the articles of association of LeasePlan, the Supervisory Board has reviewed the Annual Report and the financial statements for 2011. The Supervisory Board discussed these documents with the Managing Board and PricewaterhouseCoopers Accountants N.V., the independent external auditors, and took note of the independent auditor's report that PricewaterhouseCoopers issued on the financial statements 2011. The Supervisory Board proposes that the shareholders adopt the financial statements and the proposed profit appropriation contained therein. We also recommend that the shareholders endorse the Managing Board's conduct of the Company's affairs and the supervision thereof by the members of the Supervisory Board.

THE ROLE OF THE SUPERVISORY BOARD

In accordance with its formal duties and responsibilities, the Supervisory Board supervised the policies pursued by the Managing Board and the general conduct of affairs of LeasePlan and its group companies. In its role, the Supervisory Board acts as an advisory partner to the Managing Board in determining the Company's strategic direction. Regular topics for discussion and, where necessary, approval are the annual and interim figures, operating and financial performance, strategy, funding, objectives, business plans, budgets and risks associated with the business.

The Chairman of the Supervisory Board is in close contact with the Chairman of the Managing Board on a regular basis. The Chairman of the Managing Board, together with the Corporate Secretary, ensures that the members of the Supervisory Board receive timely and clear information on all relevant matters. The Supervisory Board annually reviews and discusses the yearly Board report and group management letter prepared by the external auditors. This discussion is also attended by the external auditors. Twice a year the Supervisory Board reviews the progress made on detailed action plans supporting the five-year strategy plan which has been designed in close consultation with the Supervisory Board.

In line with Dutch company law, the Dutch Banking Code and the articles of association, the Supervisory Board regulations require all members of the Supervisory Board to act in accordance with the interests of LeasePlan and its group companies, and their business enterprise.

Certain resolutions of the Managing Board, specified in the articles of association of LeasePlan and the Supervisory Board regulations, are subject to approval of the Supervisory Board.

#### **COMMITTEES OF THE SUPERVISORY BOARD**

On 31 December 2011, the Supervisory Board had three standing committees: the Audit Committee, the Credit Committee and the Remuneration Committee. In view of the importance of risk management, and also taking into account the size of the Supervisory Board, the Board has determined that instead of a separate Risk Committee, all members will retain full responsibility for overseeing decisions concerning the risk management framework of the group. Each Supervisory Board member is entitled to attend the committee meetings, and for that purpose receives the agenda for each committee meeting, as well as all documents tabled to be discussed or dealt with at such meeting.

"THE SUPERVISORY **BOARD GREATLY** APPRECIATES THE **WORK DONE BY** THE MANAGING **BOARD AND ALL** LEASEPLAN STAFF WORLDWIDE"

GROUP REMUNERATION REPORT

#### **MEETING FREQUENCY SUPERVISORY BOARD 2011**

During the year under review the Supervisory Board met with the Managing Board on four occasions, with nine further conference calls taking place. Additionally, the Supervisory Board held various meetings and conference calls separately to the Managing Board. The Supervisory Board members attended all of the quarterly meetings. The Audit Committee met four times in 2011, the Credit Committee decided on three credit applications above the Company's own credit authority and the Remuneration Committee met ten times, four of which by means of conference calls.

#### **SUPERVISORY BOARD MEETINGS 2011**

The recurring items on the quarterly agenda include the financial and commercial results, market developments, business cases related to various acquisition opportunities, developments relating to funding and liquidity, and risk management with a specific focus on the performance against the group's approved risk appetite, asset risk management and credit risk management.

During the course of 2011, the Supervisory Board paid particular attention to business and market developments, the impact of global economic conditions and volatility of financial markets, the Company's strategy, performance and business model, the funding position of LeasePlan, the Banking Code and related subjects and other regulatory developments.

In March 2011, the Supervisory Board reviewed and discussed the Annual Report 2010 of LeasePlan, including the management report, the accompanying independent auditor's report, the financial statements and the proposed profit appropriation. The management letter and group board report were also talked about in detail in the presence of the independent external auditors. The Supervisory Board was informed on the implementation of a fully integrated fleet management software application in LeasePlan Australia and the potential benefits that exist for LeasePlan. Given the increasing importance of tax and tax compliance, the Senior Corporate Vice-President Control, Reporting and Tax presented in detail the process of tax management in LeasePlan. Furthermore, group HR presented an update on the stability of the global workforce in LeasePlan. The Supervisory Board resolved to approve the lifelong learning programme organised by the Chairman.

In July 2011, the Supervisory Board discussed at length the interim results of LeasePlan. The Regional Senior Vice-Presidents informed the Supervisory Board in detail on the relevant developments in the business, market and economic situation in the various LeasePlan countries. Furthermore, as part of the lifelong learning programme, a training session took place on governance with specific attention to the relationship between shareholders, the Supervisory Board and the Managing Board.

In September 2011, the Supervisory Board visited LeasePlan US in Atlanta, United States. During this meeting the Supervisory Board was informed extensively on the activities of LeasePlan in the US and an external expert gave a presentation on the US economy and market. The local management team joined part of the meeting to share ideas with the Supervisory Board on the US fleet market, the challenges and the future ambitions for the group company. In addition, the Supervisory Board was updated on the successful acquisition of Multirent in Portugal. Furthermore, the Supervisory Board approved the anticipated change of the new staff pension plan for LeasePlan employees in the Netherlands.

In December 2011, the Senior Corporate Vice-President Risk Management provided a presentation on the control risk framework within the group with specific attention for enhancing asset risk measures. In addition, the group's risk appetite for 2012 was discussed and approved. As part of its lifelong learning programme the Supervisory Board attended a presentation by KPMG regarding Basel III and CRDIV regulations and related requirements. Moreover the Supervisory Board approved the start-up of a LeasePlan company in Russia.

#### PROFILE AND COMPOSITION OF THE SUPERVISORY BOARD

The Supervisory Board of LeasePlan has been composed in such a way to warrant proper execution of the function of the board and its committees. The Supervisory Board size and composition are attuned to the nature and characteristics of the business, and the required expertise and background of each member. The Supervisory Board of LeasePlan has a complementary and mixed composition and complies with the Banking Code's provisions in the duties it performs under its purview. The Supervisory Board has drawn up a profile to be used as the basis for its current and future composition.

#### TERMS OF APPOINTMENT OF MEMBERS OF THE SUPERVISORY BOARD

Members of the Supervisory Board are appointed for a term of four years and may be reappointed following the expiry of each four year term. A gradual reappointment schedule is in place in order to ensure that the terms of appointment do not expire at the same time.

#### **CHANGES IN COMPOSITION**

Albrecht Möhle succeeded Lars-Henner Santelmann as member of the Supervisory Board effective 31 January 2012. The appointment was approved by the shareholders of LeasePlan and the Dutch Central Bank. On 13 March 2012, Christian Schlögell was reappointed for a new four year term.

#### PERFORMANCE AND DEVELOPMENT

The Chairman of the Supervisory Board organises a programme of lifelong learning, with the aim of maintaining the expertise of the Supervisory Board members at the standards that are generally imposed on supervisory board members in the Dutch financial sector and improving their expertise where necessary. The learning programme covers relevant developments in the Company, in the financial sector, corporate governance in general and, in particular, the financial sector, the duty of care towards the client, integrity, risk management, financial reporting and audits. Every Supervisory Board member takes part in the programme and meets the requirements for lifelong learning.

The Supervisory Board carries out an annual assessment of its own performance, its composition and effectiveness as well as the effectiveness of the lifelong learning programme. For the year 2011 this was done during a separate Supervisory Board session on 13 February 2012. The process used for 2011 involved each Supervisory Board member completing an assessment questionnaire from an external agency. The external agency produced a report from the questionnaires, which was discussed during the session. During the same session the Supervisory Board performed the yearly assessment of the Managing Board, including its lifelong learning programme, in line with the Policy Rule on Expertise 2011 of the Dutch Central Bank. In addition the Supervisory Board assessed the performance of the Supervisory Board Committees. Once every three years the self-assessment will be performed with the assistance of independent supervision by a professional party invited by the Supervisory Board for that purpose. In this triennial assessment, focus will lie on the evaluation of the performance of individual Supervisory Board members, the culture within the Supervisory Board and the relationship between the Supervisory Board and the Managing Board shall be evaluated.

#### **COMMITTEES OF THE SUPERVISORY BOARD**

#### **Audit Committee**

As reflected in the Supervisory Board regulations, the purpose of the Audit Committee is to assist the Supervisory Board in discharging its responsibilities for:

- the operation of the system of controls implemented by the Managing Board, e.g. risk management, financial control, data security, information and communication technology, compliance and the internal audit function:
- the operation of all internal management reporting systems e.g., on the basis of monthly financial reports, quarterly risk management reports, reports on residual values, funding, internal audit reports and other reports if deemed necessary;
- the compliance with the recommendations and remarks of the external auditor;
- the findings on quality and effectiveness of the system of governance, as reported by the external auditor and the relationship with the external auditor, including in particular focus on independence, remuneration and non-audit activities;
- financial reporting, annual accounts and annual audit reports, including the choice of accounting policies, applicability of new rules and regulations and their effects;
- review of annual reports on compliance by the Company with applicable supervisory legislation, including the assessment of material findings of investigations of regulatory and/ or supervisory authorities; and
- matters resulting from the Company's group audit findings which have not been solved within a term of six months from the date that the finding was reported.

#### **Membership of the Audit Committee**

The members of the Audit Committee are Frank Witter (Chairman), Michael Klaus and Ada van der Veer. The members of the Managing Board and the Senior Corporate Vice-President Audit attend the Audit Committee meetings as guests.

DOTCH BANKING CODE COMPLIANCE INDEX

The Audit Committee met on four occasions in 2011 with a focus on internal control, and the main input provided by the Company's Group Audit Department. Every quarter the Audit Committee reviews the main conclusions of the audits concluded during each preceding period, those high priority issues identified by the Group Audit Department that have not been addressed conclusively within six months, as well as a report on any fraud and integrity matters. The Senior Vice-President Audit attends all meetings of the Audit Committee as a guest. In March 2011, the Audit Committee resolved to reappoint and instruct PricewaterhouseCoopers Accounts N.V. as external auditor for the annual accounts 2011. The external auditors attended the Audit Committee meeting twice in 2011. In addition to the regular items discussed by the Audit Committee, in March 2011 the committee approved the internal audit charter and audit plan for 2011. In line with the Banking Code the role of the Group Audit Department was extended in 2011 to provide a yearly overall report to the Audit Committee on the effectiveness of the organisational structure and the procedures and measures aimed at managing the institution's risk exposure. In December 2011, the yearly company wide assessment focused on compliance and reputation management; governance, roles and responsibilities; procurement; and tax management. In 2012 the yearly assessment will be extended further and a five-year cycle will be developed to address all relevant areas. The Institute of Internal Audits (IIA) quadrennial assessment found LeasePlan's audit approach to be compliant with IIA standards and good practices. On the recommendation of the institute, the Chairman of the Audit Committee and the Senior Vice-President Audit have informal meetings twice a year, the first of which took place prior to the Audit Committee meeting in September 2011.

#### **Credit Committee**

As reflected in the Supervisory Board regulations, the purpose of the Credit Committee is to assist the Supervisory Board in discharging its responsibilities for:

- matters relating to credit exposure and guarantees;
- matters involving the investment in property;
- matters relating to borrowings.

#### **Membership of the Credit Committee**

The members of the Credit Committee are Frank Witter, Michael Klaus, Albrecht Möhle and Christian Schlögell.

#### **Remuneration Committee**

As reflected in the Supervisory Board regulations, the purpose of the Remuneration Committee is to assist the Supervisory Board in discharging its responsibilities for:

- all matters relating to the nomination, remuneration and performance of the members of the Managing Board and all policies relating to the remuneration and performance of the members of the Executive Management Team and top management of LeasePlan group companies; and
- the principles underlying the remuneration policy in the Company and its group companies, as applicable, including the policy on retention, exit and welcome packages, and the annual discussion within the Supervisory Board on the highest variable incomes.

#### **Membership of the Remuneration Committee**

The members of the Remuneration Committee are Frank Witter (Chairman), Michael Klaus and Ada van der Veer. The Chief Executive Officer and the Senior Corporate Vice-President HR usually attend the Remuneration Committee meetings as guests.

More information on the involvement of the (Remuneration Committee of the) Supervisory Board with regard to remuneration matters can be found in the separate Remuneration report on page 58.

Almere, 13 March 2012

#### The Supervisory Board

Frank Witter Michael Klaus Albrecht Möhle Christian Schlögell Ada van der Veer - Vergeer

### **GROUP REMUNERATION REPORT**

#### **GROUP REMUNERATION POLICY**

The objective of the Group's Remuneration Policy is to provide, in the context of the Company's business strategy, remuneration in form and amount that will attract, retain, motivate and reward high calibre employees to deliver first rate long-term business performance within the approved risk appetite. This policy applies to all entities within LeasePlan. Apart from general remuneration principles, the policy contains specific detail about the remuneration structure of so-called Identified Staff, namely the members of the Managing Board and other selected staff who have a material impact on the risk profile of LeasePlan. The full policy has been recommended by the Remuneration Committee to the Supervisory Board and has, after approval, been adopted by the General Meeting of Shareholders.

The members of the Remuneration Committee act independently from LeasePlan and are able to bring in their own advisors. The Remuneration Committee meets at least four times per year, and more often if business so requires.

#### **ADJUSTMENTS TO THE REMUNERATION POLICY**

There have been a number of new restrictions for remuneration that have affected important elements of the remuneration policy of LeasePlan. These result from the following recent changes in legislation.

## CRD III, CEBS guidelines, Dutch Decree on sound remuneration policies, and Regulation on sound remuneration policies

In 2010, the amended European Capital Requirements Directive (designated as CRD III) was adopted by the European Parliament. At the end of 2010, the related guidelines on remuneration policies in the financial sector of the Committee of European Banking Supervisors (CEBS), succeeded by the European Banking Authority (EBA), were issued. In the Netherlands, CRD III has been implemented effectively as from 1 January 2011 by way of the Dutch Decree on sound remuneration policies Financial Supervision Act ("Besluit Beheerst Beloningsbeleid Wft"), hereafter "the Decree" and the Regulation on sound remuneration policies Wft 2011 (together "DNB Regulation"). LeasePlan has subsequently implemented a new remuneration policy and structure. This implementation involved a number of amendments, including but not limited to the following:

#### **Determination of "Identified Staff"**

As a result of the new legislation LeasePlan had to determine which staff would fall in scope of the newly implemented remuneration restrictions, i.e. the Identified Staff. LeasePlan has, based on an analysis of the various types of risk, such as asset risk and credit risk, made an analysis of which positions have a material impact on the risk profile of the Company. The Group Remuneration Policy, which is compliant with the new legislation, applies to all employees. In addition, there are a number of remuneration elements that are directed at Identified Staff only. These are mentioned below.

#### **Control functions**

A number of Identified Staff positions have been identified as "control functions". These positions have special involvement in, among other things, the design and review of the Group Remuneration Policy and the relating Variable Pay Plan for Identified Staff. The variable pay of control functions is not related to the financial results of LeasePlan.

#### The introduction of deferrals and phantom share units (PSUs)

The long-term focus and risk management engagement of Identified Staff have been strengthened by the introduction of deferrals and PSUs: 40% of the variable remuneration is deferred for three years and 50%, including the deferred element of the variable remuneration, is offered in the form of a non-cash part, i.e. in PSUs. The fair market value of the PSUs, which need to be retained for one year after vesting, is determined by an independent valuation expert. Before it is awarded, the total variable amount is subject to an ex ante risk assessment and the deferred amount is subject to an additional ex post risk assessment.

#### The introduction of the ex ante risk assessment (EARA) and ex post risk assessment (EPRA)

The EARA takes place after the performance year and is conducted by Risk Management and the Compliance function. The purpose of the EARA is to check whether the individual achievements are sufficiently corrected for risks directly related to those achievements. The EARA precedes the award of total variable remuneration (cash as well as deferred cash, PSUs and deferred PSUs) and is included in the Target Achievement Evidence Report. The EPRA takes place annually until the end of the deferral period. The purpose of the EPRA is to check whether any unforeseen risks related to the achievement of the designated targets have materialised throughout the deferral period. If this is the case there will be a downward adjustment of the deferred amount individually.

#### A new process around achievement of targets and award of variable remuneration award

In order to determine whether the performance criteria have been met, a new process has been implemented. This new process has been audited by the Group Audit Department. Further, a risk assessment of the achieved targets has been carried out by Risk Management and Compliance. The 2011 target achievement and the risk assessment have been approved by the Remuneration Committee.

#### Changes to the discretionary adjustments and claw back provisions

If any variable component conditionally awarded in a calendar year would, in the opinion of the Supervisory Board, produce an unfair result due to extraordinary circumstances during the period in which the predetermined performance criteria have been or should have been achieved, the Supervisory Board has at all times the power to adjust the value downwards. Furthermore, the Supervisory Board may recover any variable remuneration awarded on the basis of incorrect financial or other data (claw back).

#### Other relevant regulations and potential imminent changes in legislation

Apart from CRD III, the Decree and the DNB Regulation there are also a number of other codes and regulations that LeasePlan takes into account in determining the Group Remuneration Policy.

There are some other relevant laws and regulations that already existed before 2011, such as the Dutch Corporate Governance Code (also known as "Code Frijns") and the Dutch Banking Code ("Code Banken"). In general, there are some overlapping elements. However, some of the elements are unique, like the requirement of the Banking Code that the variable remuneration of the Managing Board should not be more than 100% of the fixed remuneration. The Group Remuneration Policy of LeasePlan complies with all relevant regulations to the extent required.

Additionally, LeasePlan has taken due note of the fact that a legislative proposal - originally introduced on 26 October 2011 - passed the Second Chamber of Dutch Parliament on 14 February 2012, and is currently awaiting ratification. The bill, referred to as the "Bonus Prohibition Bill", purports to ensure that financial enterprises no longer award or pay variable remunerations to board members as long as these enterprises are under state support. Currently, it must be assumed that the term variable remuneration covers all types of performance-related remuneration. The bill applies to LeasePlan due to the bonds it raised under the Credit Guarantee Scheme qualifying as a form of state support. Consequently, LeasePlan has adjusted its remuneration policy in line with the rules of this bill.

#### Independent assessment of the Group Remuneration Policy in 2011

#### DNB assessment on the Decree

LeasePlan has carried out a self-assessment on the Decree, as requested by the DNB. At the time of publication of this annual report we are in the process of implementing a number of modifications as suggested by DNB.

#### Internal audit on CRD III compliance

At the end of 2011, Group Audit conducted an independent audit on CRD III compliance of the Group Remuneration Policy and the Variable Pay Plan for Identified Staff, based on the EBA guidelines.

#### **REMUNERATION FOR IDENTIFIED STAFF**

Pursuant to section 3:74a of the Financial Supervision Act, LeasePlan is required to disclose the information in relation to remuneration as reflected in the amended CRD III. This information relates to Identified Staff only and is provided below.

#### a. Decision making process

The Group Remuneration Policy, which contains details about the remuneration structure of Identified Staff will be reviewed and approved by the Remuneration Committee and recommended to the Supervisory Board on an annual basis. The Remuneration Committee is also involved in the decision making processes that relate to the execution of the Group Remuneration Policy, including the Identified Staff target setting and target achievement determination, the application of the EARA and the award of variable pay in its various components. The Remuneration Committee receives input from the control functions on these matters.

#### **Managing Board**

The structure and the level of all remuneration elements for the Managing Board are reviewed, discussed and prepared by the Remuneration Committee for the final decision of the Supervisory Board. In this decision, the Supervisory Board takes into account the performance and the creation of long-term value of the Company, as well as non-financial indicators that are relevant to the long-term objectives of the Company. Generally, the Supervisory Board also analyses the possible outcomes of the variable remuneration components and how they may affect the remuneration of the Managing Board members. The main elements of the contracts of the Managing Board members are provided to the Supervisory Board. These elements, which include the amount of fixed salary, the remuneration structure and any other main remuneration elements, are in line with the Group Remuneration Policy that has been adopted by the General Meeting of Shareholders.

#### **Other Identified Staff**

The Managing Board proposes fixed and variable remuneration for the other Identified Staff to the Remuneration Committee. This is in line with the Group Remuneration Policy that has been adopted by the General Meeting of Shareholders. Other benefits, such as pension, are offered in line with local policy. This provides a consistent approach for Identified Staff in terms of fixed and variable remuneration, with benefits being provided in line with prevailing local market conditions.

#### **External advisors**

In preparing for the new remuneration structure, LeasePlan has carefully considered the implementation in the context of the nature of its business and organisation. To this end, it has been supported by an external remuneration advisor and an external legal advisor. The Remuneration Committee was also supported by a separate and different remuneration advisor and a separate and different legal advisor for an independent assessment on a number of elements.

#### b. Reward and performance

The variable remuneration of Identified Staff is fully performance-related, and based on financial criteria, such as the profit for the year, and non-financial criteria, such as customer loyalty and employee engagement. The variable remuneration of control functions excludes profit for the year, as a target. All variable remuneration is subject to a risk assessment, based on a number of defined risk indicators.

#### c. Main elements of the reward structure

#### **Remuneration principles**

The main elements are determined by a set of general remuneration principles:

- The remuneration structure is aligned with the Company's strategy and risk appetite.
- The remuneration positioning is below the median of the market.
- The remuneration positioning is based on total compensation, including fixed and variable remuneration.
- The remuneration positioning is based on a relevant peer group.
- Variable remuneration is performance-related, consists of a well thought-out mix of financial and non-financial elements and reflects both short and long-term strategic goals.
- Variable remuneration targets are specific, measureable, attainable, relevant and time-bound.
- Variable remuneration can never exceed 100% of fixed remuneration.
- Variable remuneration is partly deferred and consists of cash and non-cash elements.
- There is logic, consistency and alignment between the remuneration packages of Identified Staff.
- The Company makes defined contributions to the pension plans on behalf of the
  members of the Managing Board. These plans are recognised in accordance with the
  applicable accounting standards. The pension plans of other Identified Staff are in line
  with the pension conditions of the relevant entity in their country of residence.

#### CRD III, EBA and Decree related elements

The specific remuneration elements in the context of the Decree are mentioned in the paragraph "Adjustments to the remuneration policy" on page 58.

#### Peer group and market positioning

Remuneration is determined by reference to the relevant external peer group of companies and is targeted to be below the median level of the peer group. The peer group is based on advice of one of the largest independent reward consulting firms. In determining the peer group, LeasePlan's relative size, complexity, geographical spread and other relevant indicators as well as the markets from which LeasePlan attracts or to which it stands to lose its senior managers are taken into account. The peer group benchmark is completed annually. In 2011, the Remuneration Committee initialised a review of the peer group composition to see if it is still fit for purpose. The positioning of the members of the Managing Board of LeasePlan is below the median of the market, which is in line with provision 6.3 of the Dutch Banking Code.

#### d. Performance criteria

All variable remuneration, including the phantom shares, is based on the performance of financial (profit for the year) and non-financial targets such as employee engagement and customer loyalty. In case of a profit for the year of 90% of budget or lower, there is no payment related to the financial target. In case of a profit for the year of 69% of budget or lower, there is no variable remuneration for anyone of the Identified Staff. The Identified Staff of Audit, Risk and Compliance excludes profit for the year targets. All variable remuneration is subject to a risk assessment, based on a number of defined risk indicators.

#### e. Main parameters and motivation for new structure

The described new remuneration structure for Identified Staff has been set up to:

- Keep driving the objective of the Group Remuneration Policy provide, in the context of the Company's business strategy, remuneration in form and amount that will attract, retain, motivate and reward high calibre employees to deliver first rate long-term business performance within the approved risk appetite.
- Follow the remuneration principles see point c Main elements of the reward structure
- Comply with the relevant legislation and regulations

There are no additional related non-cash benefits.

#### f. Aggregated remuneration information of Identified Staff

CORPORATE GOVERNANCE REPORT

Identified Staff within LeasePlan consists of 15 positions, including the members of the Managing Board.

Below is an overview of the fixed and variable remuneration 2011 and its components (fixed and variable remuneration; variable remuneration in cash and PSUs and deferred variable remuneration).

In thousands of euros			Varia	able			
				Deferred	Deferred	Total	
	Fixed	Cash	PSUs	cash	PSUs	variable	Total
Managing Board	1,545	0	0	0	0	0	1,545
Other Identified Staff	2,895	571	571	381	381	1,905	4,800

Over 2011, there was no downward risk-adjustment of the variable remuneration. However, the awarded variable remuneration is still conditional until the final payment of the deferred amounts has taken place. After that, the claw back conditions are applicable.

There were no severance payments, nor were there any "sign-on" payments made.

#### **REMUNERATION FOR THE MANAGING BOARD**

The members of the Managing Board are Identified Staff. Most elements of the remuneration structure of the Managing Board have been described above. This section provides additional remuneration information and a comparison between the years 2011 and 2010.

#### **Incurred cost for Managing Board remuneration**

The incurred costs for the remuneration of the Managing Board members in 2010 and 2011 are represented on page 63. The variable pay amounts (Short-term Incentive) are made up of two elements as described below:

- 1. Short-term Incentive (STI) current year accrual: Based on an assessment of the Managing Board's performance, variable remuneration for the performance year 2011 would have been warranted. However, no amounts were accrued in 2011 as a consequence of the likely Bonus Prohibition Bill.
- 2. Short-term Incentive (STI) prior year settlement: The so called "settlement" is the difference between the amount accrued during the previous performance year compared to the actual amount paid.

## In thousands of euros MANAGING BOARD

Remuneration element	2011	2010
Fixed remuneration	1,545	1,520
Other employee benefits (e.g. car, housing)	208	126
Short-term Incentive (STI) current year accrual	0	984
Short-term Incentive (STI) prior year settlement	-187	247
Salaries and other short-term employee benefits	1,566	2,877
Long-term Incentive current year accrual	0	300
PSUs 2011	n.a.	n.a.
Post-employment benefits (pension)	259	321
Total	1,825	3,498

#### **PSUs**

Although the variable remuneration structure contains the element of PSUs, there are no shares, options or related remuneration elements for the members of the Managing Board. This is a direct consequence of the likely Bonus Prohibition Bill. Also there are no such remuneration elements, vested or unvested, for previous years.

#### **Severance / special remuneration**

After Sven-Torsten Huster took over the position of member of the Managing Board in April 2011, his predecessor Hans-Peter Lützenkirchen stepped down as a member of the Managing Board but remained in employment until September 2011 to complete the handover. The remuneration paid during the handover period has not been included in the table above.

#### REMUNERATION FOR THE SUPERVISORY BOARD

One of the members of the Supervisory Board is compensated by LeasePlan for the tasks and responsibilities as a member of the Supervisory Board. The other four members are associated, by way of employment, to the LeasePlan shareholders. As such, those four members are compensated by the shareholders and receive no remuneration chargeable to LeasePlan. LeasePlan has not granted any loans, guarantees or advances to the members of the Supervisory Board.

#### CONCLUSION

The Supervisory Board believes that, in view of the careful consideration and decision making process on the amendments made to the Group Remuneration Policy, LeasePlan will be compliant with the applicable legislation whilst still providing, in the context of the Company's business strategy, remuneration in form and amount that will attract, retain, motivate and reward high-calibre employees to deliver first rate long-term business performance within acceptable risk parameters. The remuneration structure is balanced and sustainable. The Supervisory Board will closely monitor any further developments to ensure that LeasePlan remains compliant with all regulations in the area of remuneration.

## **ORGANISATION STRUCTURE**



#### **MAIN OPERATING COMPANIES**

Our main operating companies provide front-line fleet management services to diverse client segments in 30 countries. The countries offer comprehensive fleet solutions covering strategic fleet advice, funding options, full service leasing, ancillary fleet and driver services to large corporate clients, public sector and small- to medium-sized businesses.

**ORGANISATION STRUCTURE** 

#### **CORPORATE CENTRE**

The Corporate centre comprises central functions providing global policies, support services and Group-wide strategic projects to the operating countries of LeasePlan. The central functions include Audit, Business Development; Business Information Management; Car Remarketing, Operations & Procurement; Control, Reporting & Tax; Corporate Communications; Corporate Strategy & Development; Human Resources; Legal & Compliance; Regional Management; Risk Management and Strategic Finance.

#### **GROUP ACTIVITIES**

Group activities comprises the following LeasePlan companies:

**Euro Insurances** is our wholly owned specialist motor insurance company. Euro Insurances is active in 22 countries, with LeasePlan being its main customer in the European Economic Area, Australia and New Zealand. Euro Insurances Ltd. is based in Dublin, Ireland and is regulated by the Central Bank of Ireland.

LeasePlan Bank is a Dutch internet savings bank and division of LeasePlan Corporation N.V. LeasePlan Bank offers attractive and transparent savings products to both corporate and private clients in the Netherlands. LeasePlan Bank was established in 2010 to provide an additional source of financing for our core business.

**LeasePlan Infrastructure Services** is our shared data centre established in 2003. LeasePlan Infrastructure Services helps to harmonise our various ICT applications and platforms in a robust ICT network for our entire business operations, clients and drivers. The company is based in Dublin, Ireland.

LeasePlan International is a dedicated entity within LeasePlan focusing on the sale and marketing of international fleet management services and managing the accounts of large international clients worldwide. LeasePlan International was formed in 1996 in order to offer coordinated fleet management solutions at a global level.

LeasePlan Supply Services looks to leverage our scale and purchasing power in the area of global procurement of fleet management services and international car remarketing.

LeasePlan Treasury arranges and manages our funding programmes and concludes our funding and financing transactions with all entities and external counterparts in the financial

**Travelcard** is our fuel card innovation company offering ease of use, fuel monitoring and additional innovative mobility services to fleet managers and business drivers in the Netherlands

## **DUTCH BANKING CODE INDEX**

The Banking Code uses the "comply or explain" principle, which means that banks shall apply the principles of the Banking Code. The application of the principles depends in part on the activities and other specific characteristics of the bank (and on the group if the bank is part of a group). There are differences in many areas between the banks that are covered by the Code. For example, they have different corporate governance structures, operate in different markets or submarkets and may have a national or international focus. Departures from the Code, if substantiated, can therefore be justified. Accordingly, LeasePlan has paid significant attention to applying each principle of the Banking Code appropriately and carefully to its policies and corporate governance structure. LeasePlan takes the Banking Code seriously and is committed to continuing to apply the principles going forward in accordance with the characteristics of its business operations.

In its first integral report to the Dutch Minister of Finance of December 2011, the Monitoring Committee Banking Code indicates that it wants to enhance transparency for the public in terms of the progress made by Dutch banks in compliance with each principle of the Banking Code. In the following table, LeasePlan indicates whether it complies with each principle of the Banking Code and refers to the relevant report in the Annual Report 2011 for information on how the principles are applied.

PRINCIPLE	COMPLY OR EXPLAIN	READ IN
2 SUPERVISORY BOARD		
2.1 COMPOSITION AND EXPERTISE		
2.1.1 The supervisory board shall be composed in such a way that it is able to perform its tasks properly. Complementarity, a collegial board, independence and diversity are preconditions for the supervisory board to perform its tasks properly.	Complies	Supervisory Board Report Page 54 - 57
2.1.2 The supervisory board shall have a sufficient number of members to properly perform its function, including in its committees. The appropriate number of members depends on the nature, size and complexity of the bank.	Complies	Supervisory Board Report Page 54-57
2.1.3 The members of the supervisory board shall have thorough knowledge of the bank's functions in society and of the interests of all parties involved in the bank. The supervisory board shall carefully consider the interests of all parties involved in the bank, such as the bank's clients, its shareholders and its employees.	Complies	Supervisory Board members Page 54-57
2.1.4 Each member of the supervisory board shall be capable of assessing the main aspects of the bank's overall policy in order to form a balanced and independent opinion about the basic risks involved. Each member of the supervisory board shall also possess the specific expertise needed to perform his or her role in the supervisory board. To this end, whenever a vacancy arises on the supervisory board, an individual profile shall be drawn up for the new member of the board.	Complies	Supervisory Board Report Page 54-57
2.1.5 As part of the process to fill the vacancy of chairman of the supervisory board, an individual profile shall be drawn up that also focuses on the bank's requirements in terms of expertise and experience in relation to the financial sector and familiarity with socio-economic and political culture and the environment of the bank's main markets.	Complies	Supervisory Board Report Page 54-57
2.1.6 Each member of the supervisory board – the chairman in particular – shall be sufficiently available and contactable to properly perform his or her tasks in the supervisory board and the supervisory board's committees.	Complies	Supervisory Board Report Page 54-57
2.1.7 Each member of the supervisory board shall receive suitable compensation for the amount of time that he or she spends on the supervisory board activities. This compensation shall not depend on the bank's results.	Complies	Remuneration Report Page 58 - 63
2.1.8 The chairman of the supervisory board shall organise a programme of lifelong learning, with the aim of maintaining the expertise of the supervisory board directors at the required standard and improving their expertise where necessary. The learning programme shall cover relevant developments at the bank and in the financial sector, corporate governance in general and in the financial sector in particular, the duty of care towards the client, integrity, risk management, financial reporting and audits. Every member of the supervisory board shall take part in the programme and meet the requirements of lifelong learning.	Complies	Supervisory Board report Page 54-57
2.1.9 The assessment of the effectiveness of the lifelong learning programme referred to in principle shall be part of annual evaluation by the supervisory board.	Complies	Supervisory Board report Page 54-57
2.1.10 In addition to the supervisory board's annual self-evaluation, the functioning of the supervisory board shall be evaluated under independent supervision once every three years. The involvement of each member of the supervisory board, the culture within the supervisory board and the relationship between the supervisory board and the executive board shall be part of this evaluation.	Complies	Supervisory Board report Page 54-57
2.2 TASKS AND METHODS		
2.2.1 As part of its supervisory tasks, the supervisory board shall pay special attention to the bank's risk management. All discussions about risk management shall be prepared by a risk committee or a similar committee, which committee shall be appointed by the supervisory board from its ranks for this purpose.	Explains	Supervisory Board report Page 54-57
2.2.2 Both the risk committee and the audit committee shall be subject to specific requirements as regards competency and experience. For example, a number of members of the risk committee must have sound knowledge of the financial aspects of risk management or the experience needed to make a thorough assessment of risks. A number of members of the audit committee must have sound knowledge of financial reporting and internal control systems and audits or the experience needed to thoroughly supervise these areas.	Complies	Supervisory Board report Page 54-57

Principle	COMPLY OR EXPLAIN	READ IN
3 Executive Board		
3.1 COMPOSITION AND EXPERTISE		
3.1.1 The executive board shall be composed in such a way that it is able to perform its tasks properly. Complementarity, a collegial board and diversity are preconditions for the executive board to perform its task properly.	Complies	Corporate Governance report Page 45 -50
3.1.2 Each member of the executive board shall possess a thorough knowledge of the financial sector in general and the banking sector in particular, thorough knowledge of the bank's functions in society and of the interests of all parties involved in the bank, thorough knowledge so that he or she is able to assess and determine the main aspects of the bank's overall policy and then form a balanced and independent opinion about the risks involved.	Complies	Corporate Governance report Page 45 -50
3.1.3 The chairman of the executive board shall organise a programme of lifelong learning, with the aim of maintaining the expertise of the executive board directors at the required standard and improving their expertise where necessary. The learning programme shall cover relevant developments at the bank and in the financial sector, corporate governance in general and in the financial sector in particular, the duty of care towards the client, integrity, risk management, financial reporting and audits.	Complies	Corporate Governance report Page 45 - 50
3.1.4 Every member of the executive board shall take part in the programme referred to in 3.1.3 and meet the requirements of lifelong learning. They have to satisfy this condition in order to sit on the executive board. The supervisory board shall ascertain whether the members of the executive board continue to fulfill the expertise requirements developed by De Nederlandsche Bank (the Dutch Central Bank).	Complies	Corporate Governance report Page 45 -50 & Supervisory Board Report Page 54 - 57
3.1.5 Each year, the bank shall indicate in its annual report in what manner it implemented principles 3.1.3 and 3.1.4.	Complies	Corporate Governance report Page 45 -50 & Supervisory Board Report Page 54 - 57
3.1.6 Taking into account the risk appetite approved by the supervisory board, the executive board shall ensure a balanced assessment between the commercial interests of the bank and the risks to be taken.	Complies	Pillar III report
3.1.7 Within the executive board one member shall be responsible for preparing the decision-making with regard to risk management. This member of the executive board shall be involved in a timely manner, in the preparation of decisions that are of material significance for the bank as regards the risk profile, especially where these decisions may result in a departure from the risk appetite approved by the supervisory board. Risk management shall also include a focus on the interests of financial stability and on the impact systemic risk could have on the risk profile of the bank.	Complies	Corporate Governance report Page 45 -50
3.1.8 The member of the executive board who is responsible for preparing the decision-making with regard to risk management may combine his or her function with other focus areas, on the condition that he or she does not bear any individual commercial responsibility for the commercial task areas and operates independently from those areas.	Complies	Corporate Governance report Page 45 -50
3.2 Tasks and working methods		
3.2.1 In all of its actions, the bank's executive board shall ensure that it carefully considers the interests of all of the parties involved in the bank, such as the bank's clients, its shareholders and its employees. These considerations shall take into account the continuity of the bank, the environment in society in which the bank operates and legislation, regulations and codes that apply to the bank.	Complies	Corporate Governance report Page 45 -50 & Sustainability Report page 26 - 39
3.2.2 Maintaining a continued focus on its client's interests is a necessary precondition for the continuity of the bank. Without prejudice to the principle formulated in 3.2.1, the executive board shall see to it that the duty of care to the client is embedded in the bank's culture.	Complies	Corporate Governance report Page 45 -50
3.2.3 The members of the executive board shall perform their tasks in a meticulous, expert and fair manner, taking into account the applicable laws, codes of conduct and regulations. Each member of the executive board shall sign a moral and ethical conduct declaration. A declaration has been included in the explanatory notes to this code. This declaration is a model declaration, which means that each bank can supplement it as it deems appropriate.	Complies	Corporate Governance report Page 45 -50
3.2.4 The executive board shall ensure that the declaration referred to in principle 3.2.3 is translated into principles that form guidelines for the behaviour of all of the bank's employees. The content of these principles shall be expressly pointed out to every new employee of the bank when he or she joins the bank by inserting a reference to these principles in the new employee's contract of employment. Every new employee shall be required to comply with these principles.	Complies	Corporate Governance report Page 45 -50
4 RISK MANAGEMENT		
4.1 The executive board – and primarily – the chairman of the executive board shall be responsible for adopting, implementing, monitoring and, where necessary, adjusting the bank's overall risk policy. The executive board shall propose the risk appetite to the supervisory board for approval at least once a year. Any material changes to the risk appetite in the interim shall also require the supervisory board's approval.	Complies	Corporate Governance report Page 45 -50

Principle	COMPLY OR EXPLAIN	READ IN
4.2 The supervisory board shall assess periodically at the strategic level whether the commercial activities in the general sense are appropriate in the context of the bank's risk appetite. The executive board shall provide the supervisory board with the relevant information for this assessment in such a way that the supervisory board is able to form a sound opinion.	Complies	Supervisory Board report Page 54-57
4.3 The supervisory board shall assess periodically at the strategic level whether the commercial activities in the general sense are appropriate in the context of the bank's risk appetite. The executive board shall provide the supervisory board with the relevant information for this assessment in such a way that the supervisory board is able to form a sound opinion.	Complies	Supervisory Board report Page 54 - 57
4.4 The executive board shall ensure that risk management is arranged adequately so that the executive board is aware in good time of any material risks run by the bank so that these risks can be managed properly. The executive board shall take any decisions that are of material significance for the risk profile, the capital allocation or the liquidity impact.	Complies	Corporate Governance report Page 45 -50
4.5 Every bank shall have a Product Approval Process. The executive board shall organise the product approval process and shall be responsible for the process working properly. Products that go through the product approval process at the bank shall not be launched on the market or distributed without careful consideration of the risks by the bank's risk manager and a careful assessment of any other relevant factors, including the duty of care towards the client. Based on an annual risk analysis, the in-house auditor shall check whether the product approval process has been designed properly, is present and is working effectively and shall then inform the executive board and the relevant supervisory board committee (risk committee or similar committee) about the results.	Complies: Banking products offered by LeasePlan Bank  Explains: Vehicle and fleet management products offered by LeasePlan subsidiaries	Corporate Governance report Page 45 -50
5 AUDITS		
5.1 The executive board shall ensure that a systematic audit is conducted of the management of the risks related to the bank's business activities.	Complies	Corporate Governance report Page 45 -50
5.2 Each bank shall have its own, internal auditor who shall occupy an independent position within the bank. The head of the internal audit team shall present a report to the chairman of the executive board and shall report to the chairman of the audit committee.	Complies	Corporate Governance report Page 45 -50
5.3 The internal auditor shall have the task of assessing whether the internal control measures have been designed properly, are present and are working effectively. This assessment shall include the quality and effectiveness of the system of governance, risk management and the bank's control procedures. The internal auditor shall report the findings to the executive board and the audit committee.	Complies	Corporate Governance report Page 45 -50
5.4 The internal auditor, the external auditor and the supervisory board's risk committee and/or audit committee shall consult periodically, including as regards the risk analysis and the audit plan of both the internal auditor and the external auditor.	Complies	Supervisory Board report – Audit Committee Page 56 - 57
5.5 As part of the general audit assignment for the financial statements, the external auditor shall produce a report for the executive board and the supervisory board which shall contain the external auditor's findings concerning the quality and effectiveness of the system of governance, risk management and the bank's control procedures.	Complies	Supervisory Board report Page 54-57
5.6 The internal auditor shall take the initiative in arranging talks with De Nederlandsche Bank and the external auditor at least once a year to discuss each other's risk analysis and findings and each other's audit plan at an early stage.	Complies	Corporate Governance report Page 45-50
6 REMUNERATION POLICY		
6.1 Basis		
6.1.2 The bank shall implement a meticulous, restrained and long-term remuneration policy that is in line with its strategy and risk appetite, objectives and values, taking into account the long-term interests of the bank, the relevant international context and wider societal acceptance. The supervisory board and the executive board shall take this basis into account when performing their tasks in relation to the remuneration policy.	Complies	Remuneration Report Page 58 - 63

Principle	COMPLY OR EXPLAIN	READ IN
6.2. GOVERNANCE		
6.2.1 The supervisory board shall be responsible for the implementation and evaluation of the remuneration policy adopted with regard to the members of the executive board. The supervisory board also approves the remuneration policy for the senior management and oversees its implementation by the executive board. Additionally, the supervisory board approves the principles of the remuneration policy for other bank employees. The bank's remuneration policy shall also comprise the policy on awarding retention, exit and welcome packages.	Complies	Remuneration Report Page 58 - 63
6.2.2 The supervisory board shall annually discuss the highest variable incomes at the bank. The supervisory board shall ensure that the executive board assesses whether variable incomes are consistent with the remuneration policy adopted by the bank, and in particular whether they comply with the principles set out in this section. Furthermore, the supervisory board shall discuss material retention, exit and welcome packages, assess whether they are consistent with the remuneration policy adopted by the bank and ensure that these packages are not excessive.	Complies	Remuneration Report Page 58 - 63
6.3 REMUNERATION OF MEMBERS OF THE EXECUTIVE BOARD		
6.3.1 The total income of a member of the executive board shall be in reasonable proportion to the remuneration policy adopted by the bank. At the time when his or her total income is decided, it shall be slightly below the median level for comparable positions in the relevant markets both inside and outside the financial sector. The relevant international context shall be a major factor.	Complies	Remuneration Report Page 58 - 63
6.3.2 In the event of dismissal, remuneration may not exceed one year's salary (the 'fixed' remuneration component). If the maximum of one year's salary would be manifestly unreasonable for an executive member who is dismissed during his or her first term of office, such board member shall be eligible for severance pay not exceeding twice the annual salary.	Complies	Remuneration Report Page 58 - 63
6.3.3 When variable remuneration is awarded to the executive board, the long-term component shall be taken into account as well as profitability and/or continuity of the bank and a material part of the variable remuneration shall be conditional and shall not be paid until at least three years have passed.	Complies	Remuneration Report Page 58 - 63
6.3.4 Shares granted to executive board members without financial consideration shall be retained for a period of at least five years or until at least the end of the employment, if this period is shorter. If options are granted, they shall, in any event, not be exercised in the first three years after the date of which they were awarded.	Complies	Remuneration Report Page 58 - 63
6.4 Variable remuneration		
6.4.1 The allocation of variable remuneration shall be related to the bank's long-term objectives.	Complies	Remuneration Report Page 58 - 63
6.4.2 Every bank shall set a maximum ratio of variable remuneration to fixed salary that is appropriate for the bank in question. The variable remuneration per annum of members of the executive board shall not exceed 100% of the member's fixed income.	Complies	Remuneration Report Page 58 - 63
6.4.3 Variable remuneration shall be based on the performances of the individual, his part of the business and the performance of the bank as a whole according to pre-determined and assessable performance criteria. In addition to financial performance criteria, non-financial performance criteria shall also make up a significant portion of the assessment of the individual. Performance criteria shall be defined in terms that are as objective as possible in the bank's remuneration policy.	Complies	Remuneration Report Page 58 - 63
6.4.4 When performances are assessed based on the pre-determined performance criteria, financial performances shall be adjusted to allow for estimated risks and capital costs.	Complies	Remuneration Report Page 58 - 63
6.4.5 In exceptional circumstances – for example, if application of the pre-determined performance criteria would result in undesired variable remuneration for a member of the executive board – the supervisory board shall have the discretionary power to adjust the variable remuneration if, in its opinion, this remuneration would have unfair or unintended effects.	Complies	Remuneration Report Page 58 - 63
6.4.6 The supervisory board shall be authorised to reclaim variable remuneration allocated to a member of the executive board based on inaccurate data (whether or not the inaccurate data is financial in nature).	Complies	Remuneration Report Page 58 - 63

## FINANCIAL STATEMENTS

#### SPECIFIC NOTES

## CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

#### CONSOLIDATED INCOME STATEMENT

for the year ended 31 December

In thousands of euros	Note	2011	2010
CONTINUING OPERATIONS			
Revenues	2	7,398,054	6,977,968
Cost of revenues	2	6,717,172	6,291,368
Gross profit		680,882	686,600
dioss profit		080,882	080,000
Interest and similar income	3	932,693	896,121
Interest expenses and similar charges	4	569,142	596,991
Net interest income		363,551	299,130
Impairment charges on loans and receivables	5	19,739	19,763
Net interest income after impairment charges on loans and receivables		343,812	279,367
Unrealised gains/(losses) on financial instruments	11	- 19,235	- 4,749
Net finance income		324,577	274,618
Total operating and net finance income		1,005,459	961,218
Staff expenses	6	444,778	412,392
General and administrative expenses	7	240,972	227,045
Depreciation and amortisation	8	43,117	57,369
Total operating expenses		728,867	696,806
Share of profit of associates and jointly controlled entities	16	3,629	7,397
Profit before tax		280,221	271,809
In come to a sure and a	0	F7 20 <i>(</i>	75.052
Income tax expenses	9	57,396	75,053
Profit for the year from continuing operations		222,825	196,756
DISCONTINUED OPERATIONS			
DISCONTINUED OPERATIONS	21	1.016	1.070
Result for the year from discontinued operations	21	1,916	1,878
Profit for the year		224,741	198,634
PROFIT ATTRIBUTABLE TO			
Owners of the parent		224,741	198,634
Non-controlling interest		-	-

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December

In thousands of euros	Note	2011	2010
COMPREHENSIVE INCOME			
Profit for the year		224,741	198,634
Other comprehensive income		•	
Changes in cash flow hedges, before tax		53,654	- 34,913
Cash flow hedges recycled from equity to profit and loss, before tax		- 64,660	127,548
Income tax on cash flow hedges	9	2,730	- 7,042
Subtotal changes in cash flow hedges, net of income tax	9	- 8,276	85,593
Exchange rate differences		5,915	38,130
Other comprehensive income, net of income tax		- 2,361	123,723
Total comprehensive income for the year		222,380	322,357
ATTRIBUTABLE TO			
Owners of the parent		222,380	322,357
Non-controlling interest		-	-
Total comprehensive income for the year		222,380	322,357
T			
Total comprehensive income attributable to owners of the parent arises from			
Continuing operations		220,464	320,479
Discontinued operations	21	1,916	1,878
		222,380	322,357

## CONSOLIDATED BALANCE SHEET

In thousands of euros	Note	2011	2010
ASSETS			
Cash and balances at central banks	10	61,946	70,203
Derivative financial instruments	11	243,758	329,014
Receivables from financial institutions	12	1,870,069	1,506,448
Receivables from clients	13	2,964,060	2,726,133
Corporate income tax receivable		38,112	32,957
Inventories	14	225,460	158,542
Other receivables and prepayments	15	645,696	600,893
Loans to associates and jointly controlled entities	16	192,588	186,571
Investments in associates and jointly controlled entities	16	37,760	35,754
Property and equipment under operational lease and rental fleet	17	12,194,828	11,432,680
Other property and equipment	18	80,875	81,856
Deferred tax assets	19	145,432	155,135
Intangible assets	20	169,080	150,736
		18,869,664	17,466,922
Assets classified as held-for-sale and discontinued operations	21	5,132	2,378
Total assets		18,874,796	17,469,300
LIABILITIES Corporate income tax payable		55,285	59,427
Borrowings from financial institutions	23	1,535,899	2,201,314
Funds entrusted	24	2,985,400	1,919,172
Debt securities issued	25	9,535,928	8,415,591
Derivative financial instruments	11	258,216	423,851
Trade and other payables and deferred income	26	1,927,849	1,835,334
Deferred tax liabilities	19	154,764	138,875
Provisions	27	267,327	269,899
Subordinated loans	28	-	269,057
		16,720,668	15,532,520
Liabilities classified as held-for-sale and discontinued operations	21	244	376
Total liabilities		16,720,912	15,532,896
EQUITY			
Share capital	29	71,586	71,586
Share premium	29	506,398	506,398
Other reserves	30	1,575,900	1,358,420
Equity attributable to the owners of the parent		2,153,884	1,936,404
Non-controlling interest		-	-
Total equity		2,153,884	1,936,404
Total equity and liabilities		18,874,796	17,469,300
		,-, 1,,,,	, .07,500

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In thousands of euros	Attributable to the owners of the parent								
	Share capital	Share premium	-	Other reserv	res .	Total	Non- controlling	Total equity	
			Translation reserve	Hedging reserve	Retained earnings		interest	i .	
Balance as at									
1 January 2010	71,586	506,398	- 22,057	- 110,284	1,172,692	1,618,335	-	1,618,335	
Changes in cash flow hedges				85,593		85,593			
Exchange rate differences			38,130			38,130			
Other comprehensive income	-	-	38,130	85,593	-	123,723	-	123,723	
Profit for the year					198,634	198,634			
Total comprehensive income for									
the year	-	-	38,130	85,593	198,634	322,357	-	322,357	
Transactions with owners of the									
parent – Dividend relating to 2010					- 4,288	- 4,288			
Balance as at									
31 December 2010	71,586	506,398	16,073	- 24,691	1,367,038	1,936,404	-	1,936,404	
Changes in cash flow hedges				- 8,276		- 8,276			
Exchange rate differences			5,915			5,915			
Other comprehensive income	-	-	5,915	- 8,276	-	- 2,361	-	- 2,361	
Profit for the year					224,741	224,741			
Total comprehensive income for									
the year	-	-	5,915	- 8,276	224,741	222,380	-	222,380	
Transactions with owners of the									
parent – Dividend relating to 2011					- 4,900	- 4,900			
Balance as at									
31 December 2011	71,586	506,398	21,988	- 32,967	1,586,879	2,153,884	-	2,153,884	

for the year ended 31 December

In thousands of euros	Note	2011	2010
OPERATING ACTIVITIES			
Profit before tax		280,221	271,809
Result for the year from discontinued operations	21	1,916	1,878
Adjustments	21	1,710	1,070
Interest income	3	- 932,693	- 896,121
Interest expense	4	569,142	596,991
Impairment on receivables	13	19,739	19,763
Valuation allowance on inventory	14	12,500	- 2,000
Depreciation operational lease portfolio and rental fleet	17	2,639,806	2,588,640
Depreciation other property and equipment	18	23,929	25,203
Amortisation and impairment intangible assets	20	19,188	32,166
Investment income, share of profit and impairments of associates and joint ventures	16	- 3,629	- 7,397
Financial instruments at fair value through profit and loss	11	19,235	4,749
Changes in			
Increase/(decrease) provisions	27	- 2,572	- 13,045
Derivative financial instruments		- 107,890	- 29,551
Increase/(decrease) trade and other payables and other receivables		- 39,004	95,365
(Increase)/decrease inventories	14	127,017	126,690
Amounts received for disposal of objects under operational lease	17	2,096,467	1,909,902
Amounts paid for acquisition of objects under operational lease	17	- 5,667,308	- 4,214,448
Acquired new finance leases and other increases of receivables from clients		- 994,812	- 1,797,241
Repayment finance leases		795,287	1,677,935
Cash generated from operations		- 1,143,461	391,288
Interest paid		- 557,370	- 576,074
Interest received		931,216	896,473
Income taxes paid		- 41,834	- 87,484
Income taxes received		19,009	11,214
Net cash inflow/(outflow) from operating activities		- 792,440	635,417
INVESTING ACTIVITIES			
Proceeds from sale of other property and equipment	18	18,314	25,248
Acquisition of other property and equipment	18	- 41,108	- 43,408
Acquisition of intangible assets	20	- 38,222	- 17,917
Divestments of intangible assets	20	2,317	4,259
Capital increase in associates and jointly controlled entities	16	-	- 1,311
Redemption on loans/(Loans provided) to associates and jointly controlled entities	16 16	- 6,017	46,278
Dividend received from associates and jointly controlled entities	10	1,623	911
Increase/(decrease) in held-for-sale investments		- 2,884	3,216 <b>17,276</b>
Net cash inflow/(outflow) from investing activities		- 65,977	17,276
FINANCING ACTIVITIES			
Receipt of receivables from financial institutions		7,429,058	6,516,927
Balances deposited to financial institutions		- 7,506,975	- 6,574,661
Receipt of borrowings from financial institutions		7,927,772	9,726,705
Repayment of borrowings from financial institutions		- 8,570,779	- 10,263,156
Receipt of funds entrusted		1,292,717	2,419,740
Repayment of funds entrusted		- 226,489	- 718,190
Receipt of debt securities		5,190,469	5,129,297
Repayment of debt securities		- 4,070,132	- 6,782,256
Repayment of subordinated loans		- 269,057	307
Dividends paid to Company's shareholders		- 4,900	- 4,288
Net cash inflow/(outflow) from financing activities		1,191,684	- 549,575
CASH AND BALANCES WITH BANKS AT 1 JANUARY		527,213	424,095
Net movement in cash and balances with banks		333,267	103,118
Cash and balances with banks at 31 December	10	860,480	527,213
Cash and patalices with panks at 11 Detenibel	10	000,400	321,213

## **GENERAL NOTES**

#### 1. GENERAL INFORMATION

LeasePlan Corporation N.V. (the "Company") is a Company domiciled in and operating from Almere, the Netherlands. The consolidated financial statements of the Company as at and for the year ended 31 December 2011 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities. The Group consists of a growing international network of companies engaged in fleet and vehicle management services, mainly through operational leasing. At the end of 2011, the Group employed over 6,200 people worldwide and had offices in 30 countries. A list of the principal consolidated subsidiaries is included on page 150.

Global Mobility Holding B.V., a joint venture between Volkswagen Bank GmbH and Fleet Investments B.V., holds 100% of the Company's shares. Global Mobility Holding B.V. is a limited liability company established in the Netherlands in which a 50% interest is held by Volkswagen Bank GmbH, and a 50% interest is held by Fleet Investments B.V., an investment company of German banker Friedrich von Metzler.

In connection with a Stock Option Incentive Plan approximately 2% of the total issued share capital in the Company was held by Stichting Werknemersparticipatie LPC that had issued depository receipts representing the economic interest in these shares. The economic value of these depository receipts were owned by Global Mobility Holding B.V. On 8 December 2011 the Stock Option Incentive Plan was discontinued and the shares were transferred to Global Mobility Holding B.V. making it the sole shareholder of the Company.

The Company has held a universal banking licence in the Netherlands since 1993 and is regulated by the Dutch Central Bank. Therefore, specific additional (IFRS) disclosures are included that focus on the Company's liquidity and solvency and on the risks associated with the assets and liabilities recognised on its balance sheet and with its off-balance sheet items.

The income statement in the Company's financial statements has been presented in abridged form pursuant to the provisions of Article 402, Part 9, Book 2, of the Netherlands Civil Code.

#### 2. BASIS OF PREPARATION

## (i) Statement of compliance

The consolidated financial statements for the year ended 31 December 2011 were authorised for issue by the Managing Board on 13 March 2012. The Managing Board may decide to amend the financial statements as long as these are not adopted by the General Meeting of Shareholders. The General Meeting of Shareholders may decide not to adopt the financial statements, but may not amend these. In accordance with article 362 paragraph 6, Book 2 of the Netherlands Civil Code after adoption the Managing Board always can disclose facts which seriously affect the adopted financial statements. Such disclosure has to be filed at the Chamber of Commerce.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and its interpretations as adopted by the European Union (EU).

## New and amended standards adopted by the Group

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2011 that would be expected to have a material impact on the Group.

The following new standards, amendments and interpretations to published standards are mandatory for the first time for the financial year beginning 1 January 2011 and are relevant for the Group:

- IAS 24 (revised) 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. Earlier application, in whole or in part, is permitted. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related companies to disclose details of all transactions with the government and other government-related companies.
- 'Prepayments of a minimum funding requirement'
   (amendments to IFRIC 14). The amendments correct an
   unintended consequence of IFRIC 14, 'IAS 19 The limit
   on a defined benefit asset, minimum funding
   requirements and their interaction'. Without the
   amendments, companies are not permitted to recognise
   as an asset some voluntary prepayments for minimum
   funding contributions. This was not intended when IFRIC
   14 was issued, and the amendments correct this.

Furthermore, the annual improvements 2010 to IFRSs were endorsed by the EU in February 2011.

Improvements relevant to the Group are:

- IFRS 3 'Business combinations' for the subjects
   'Transition requirements for contingent consideration
   from a business combination that occurred before the
   effective date of the revised IFRS', 'Measurements of
   non-controlling interests' and 'Un-replaced and voluntary
   replaced share-based payment awards'. There has been
   no impact of these changes on the current period.
- IFRS 7 'Financial instruments: disclosures' for the subject 'Clarification of disclosures' which emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The additional disclosures have been included in the financial risk paragraph.
- IAS 1 'Presentation of financial statements' for the subject 'Clarification of statement of changes in equity'.
   The additional disclosures have been included in the consolidated statement of changes in equity and in the consolidated statement of comprehensive income.
- IAS 27 'Consolidation and separate financial statements' for the subject 'Transition requirements for amendments arising as a result of IAS 27'. There has been no impact of these changes on the current period.

SPECIFIC NOTES

IAS 34 'Interim financial reporting' for the subject 'Significant events and transactions'. All significant events and transactions have been disclosed in the 2011 condensed consolidated semi-annual financial statements.

Improvements not relevant to the Group are:

- IFRS 1 'First-time adoption of International Financial Reporting Standards'.
- IFRIC 13 'Customer loyalty programmes'.

## New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2011 but currently not relevant to the Group

The following new standards, amendments and interpretations to published standards are mandatory for the first time for the financial year beginning 1 January 2011 and are not relevant for the Group:

- IAS 32 (amendment) 'Classification of rights issues'.
- IFRIC 19 'Extinguishing financial liabilities with equity instruments'.
- IFRS 1 (amendment) 'Limited exemption from comparative IFRS 7 'Disclosure for first-time adopters'.

## New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2011 and not early adopted

The following new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2011 and have not been early adopted in preparing these consolidated financial statements.

- IAS 19 'Employee benefits' was amended in June 2011 (effective date 1 January 2013). The impact on the Group will be as follows: to eliminate the corridor approach and recognise all actuarial gains and losses in other comprehensive income as they occur; to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The Group is yet to assess the full impact of the amendments and intends to adopt IAS 19 amended no later than the accounting period beginning on or after 1 January 2013.
- IFRS 9 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities (effective date 1 January 2015). IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the company's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39

- requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to a company's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015, subject to EU endorsement.
- IFRS 10 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether a company should be included within the consolidated financial statements of the parent company (effective date 1 January 2013). The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2013.
- IFRS 11 'Joint arrangements' is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form (effective date 1 January 2013). The Group is yet to assess IFRS11's full impact and intends to adopt IFRS 11 no later than the accounting period beginning on or after 1 January 2013.
- IFRS 12 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other companies, including joint arrangements, associates, special purpose companies and other off-balance sheet vehicles (effective date 1 January 2013). The Group is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013.
- IFRS 13 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs (effective date 1 January 2013). The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Group is yet to assess IFRS13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on or after 1 January 2013.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

#### (ii) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instruments which are measured at fair value.

#### (iii) Functional and presentation currency

Items included in the financial statements of each of the Group companies are measured using the currency of the primary economic environment in which the company operates (the functional currency). The consolidated financial statements are presented in 'euro', which is the Company's functional and presentation currency. Financial information presented in euro has been rounded to the nearest thousand, unless otherwise indicated.

#### (iv) Use of estimates, assumptions and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The main estimates and underlying assumptions relate to the residual values at the end of the contract date, the assessment of the impairment of the lease portfolio, the defined benefit pensions obligations, the fair value of the derivatives, the assessment of the income tax position and damage risk provision and the impairment of intangibles and goodwill.

Information about the above-mentioned areas of estimation and judgement are described in note Y, Critical accounting estimates, assumptions and judgements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period of the revision or, in any future periods affected, if the revision affects both current and future periods.

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently by the Group to all periods presented in these consolidated financial statements, unless otherwise stated.

## Note A - Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries all of which prepare financial statements up to 31 December.

#### (i) Subsidiaries

Subsidiaries are all companies (including special purpose companies) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another company.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intercompany transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

## (ii) Transactions and non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the company is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that company are accounted for as if the Group had directly disposed of the related assets or liabilities. This may result in amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

#### (iii) Associates

Associates are those companies where the Group has significant influence but no control over the financial and operating policies, generally accompanying a shareholding between 20% and 50% of the voting rights.

The Group's share of the income and expenses of the investments in associates is recognised under the equity method in the income statement, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity accounted associate, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment losses. Reference is made to note S for the impairment of non-financial assets. The Group's share of post-acquisition movements in reserves is recognised in the reserves of the shareholders' equity. The cumulative post-acquisition movements in reserves are adjusted in the carrying amount of the investment.

#### (iv) Jointly controlled entities

Jointly controlled entities are those companies over which' activities the Group has joint control, established by contractual agreement. The consolidated financial statements include the Group's share of the total income and expenses of jointly controlled entities under the equity method, which is recognised from the date that joint control commences until the date that joint control ceases.

#### (v) Special purpose companies

Special purpose companies are companies created to accomplish a narrow and well-defined objective, such as the securitisation of leased assets. The financial statements of special purpose companies are included in the Group's consolidated financial statements where the substance of the relationship is that the Group continues to be exposed to risks and rewards from the securitised leased assets. The Group uses various legal entities, which have been incorporated specifically for the Group's securitisation transactions, and these companies are therefore regarded as subsidiaries and included in the consolidated financial statements of the Group.

#### Note B - Foreign currency

#### (i) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the foreign exchange rate prevailing at the date of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement under the caption 'Cost of revenues', except when deferred in

other comprehensive income as qualifying cash flow hedges.

#### (ii) Foreign subsidiaries

The results and financial position of all Group subsidiaries (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into euro (the presentational currency of the Group) as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, foreign exchange differences arising from the translation of the net investment in foreign subsidiaries are taken to other comprehensive income. Since 1 January 2004, the Group's date of transition to IFRSs, such translation differences have been recognised in the foreign currency translation reserves of equity. When a foreign subsidiary is disposed of or sold, in part or in full, the relevant amount in this reserve is recognised in the income statement as part of the gain or loss on disposal or sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign company are treated as assets and liabilities of the foreign company and translated at the closing rate.

#### Note C - Financial assets and liabilities

#### (i) Classification

Financial assets are initially recognised at fair value. Subsequent measurement depends on the classification described below. The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. The classification depends on the purpose for which the investments were initially acquired or originated. Financial liabilities are initially recognised at fair value net of transaction costs incurred and are subsequently carried at amortised cost; any differences between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the financial liability using the effective interest method.

#### Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held-for-trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are categorised as held-for-

trading unless these are designated as hedging instrument in a hedge.

Gains and losses arising from changes in the fair value of the 'Financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise and are included in the caption 'Unrealised gains/(losses) on financial instruments' in the income statement.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable.

After initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any impairment losses.

#### **Held-to-maturity**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Were the Group to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale.

After initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment losses.

#### Available-for-sale

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Available-for-sale financial assets are subsequently carried at fair value.

Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in other comprehensive income should be recognised in the income statement. However, interest calculated using the effective interest method is recognised in the income statement.

## (ii) Recognition

A financial asset is recognised if the Group becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets at fair value through profit or loss, held-to-maturity and available-for-sale are recognised on settlement date, i.e. the date that a financial asset is delivered to the company that purchased it. Loans are recognised when cash is advanced to the borrowers.

#### (iii) Derecognition

A financial asset is derecognised when and only when the contractual right to receive cash flows expires or when the financial asset, together with all the risks and rewards of ownership, have been transferred.

Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

#### (iv) Offsetting

Financial assets and liabilities are offset and the net amount is presented in the balance sheet when the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and liability simultaneously.

Income and expenses are presented on a net basis only when permitted by IFRSs.

## Note D - Derivative financial instruments and hedge accounting

Derivative financial instruments (derivatives) are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of interest rate, currency and currency interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date. The fair values of not actively traded instruments are calculated using a broadly accepted discounted cash flow method, while taking into account relevant market observable data such as quoted forward prices and interest rates.

The Group uses derivatives to hedge its exposure to interest rate and foreign exchange rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold derivatives for trading purposes. The Group applies cash flow hedge accounting and fair value hedge accounting.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedging instrument either in: (i) hedges of changes in future cash flows attributable to a recognised asset or liability or a forecasted transaction (cash flow hedge); or (ii) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge).

Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

The Group documents at inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The

SPECIFIC NOTES

Group also documents its assessments, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in a hedge are highly effective in offsetting changes in fair values or cash flows of hedged items.

#### (i) Cash flow hedging

When derivatives are designated as a hedging instrument in a cash flow hedge, the effective portion of changes in the fair value of derivatives is recognised directly in other comprehensive income as a separate component of equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement in the caption 'Unrealised gains/(losses) on financial instruments'.

Amounts accumulated in equity are recycled to the income statement in the periods in which the forecasted transaction in a hedge will affect the income statement (i.e., when the forecasted sale that is hedged takes place). When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in the income statement when the forecasted transaction is ultimately recognised in the income statement. When a forecasted transaction is no longer expected to occur, hedge accounting should cease retrospectively and the cumulative unrealised gain or loss that was reported in equity is immediately transferred to the income statement.

In case ineffectiveness arises because insufficient cash flows are available but forecasted cash flows are still likely to occur or hedge ineffectiveness lies beyond a certain range, then hedge accounting ceases prospectively. This implies that the entire change in the net present value of the swaps in the period is recognised in the income statement, whereas the gain or loss previously recorded in equity is amortised to the income statement over the average remaining term of the swaps.

#### (ii) Fair value hedging

The Group applies fair value hedge accounting to eliminate the income statement volatility arising from different measurement principles applied by IAS 39 to some issued fixed rate notes and to all issued structured notes (hedged items both measured at amortised cost) and related derivatives (hedging instruments measured at fair value through profit and loss).

The future cash flows on the fixed leg of the swaps (hedging instrument), which the Group will apply to change the interest profile of the notes, will match the cash flows of the notes but in an opposite way thus creating a highly effective hedge. The change in the fair value of the debt attributable to the change of the underlying swap rate is in principle equal and opposite to the change in the fair value of the swap. As the hedging period always matches the  $\,$ period of lifetime of the note, the basis adjustments are fully reversed at maturity and no further amortisation of basis adjustments is necessary.

Changes in the fair value of a hedging instrument designated as a fair value hedge are recognised in the income statement. The carrying amount of the hedged item measured at amortised cost has been adjusted by gains or losses attributable to the hedged risk. These gains or losses are recognised in the income statement in the caption 'Unrealised gains/(losses) on financial instruments'.

#### (iii) Derivatives

Changes in the fair value of derivatives that are not designated as a hedging instrument in a cash flow hedge are recognised immediately in the income statement in the caption 'Unrealised gains/(losses) on financial instruments'.

## **Note E - Lease contracts**

#### (i) Lease classification

The lease classification is determined on a contract-bycontract basis, taking into consideration the substance of the transaction and the specific details of each leasing contract. The key factor is whether or not substantially all of the risks and rewards incidental to ownership are transferred.

Various criteria are used to determine the lease classification of which the two most important are:

- whether the lease term is for the major part the economic life of the asset; and
- whether the present value of minimum lease payments amounts to at least substantially all of the fair value of the asset.

#### (ii) Finance lease portfolio

Leases where substantially all the risks and rewards incidental to ownership of an asset are transferred to the lessee are classified as finance leases. The Group as a lessor records a finance lease receivable at the amount of its net investment which equals the present value of the future minimum lease payments receivable (including any guaranteed residual value by the lessee) and the unguaranteed residual value accruing to the Group, after any accumulated impairment losses. The finance lease receivables are presented within the caption 'Receivables from clients'.

The finance lease instalments can comprise various components each having its own revenue recognition. The instalments are classified and presented in the following categories in the income statement: (i) interest income (the difference between the gross receivable and the present value of the receivable is unearned finance income and is recognised over the term of the lease using the effective interest method); and (ii) revenues (to the extent that services are included in the lease).

## (iii) Operational lease portfolio

An operational lease is different from a finance lease and is classified as such if it does not transfer substantially all the risks and rewards incidental to ownership. The Group as a lessor presents the assets subject to operational leases in the balance sheet according to the nature of the asset.

The operational lease instalments are recognised in their entirety on a straight-line basis over the lease term, with the exception of that portion considered to be service income. The instalments are classified and presented in the following categories in the income statement: (i) revenues; and (ii) interest income (effective interest method).

#### (iv) Lease products

The Group leases assets to its clients for durations that normally range between 3 to 4 years. In almost all cases, the leased assets are returned to the Group at the end of the contract term. There are two main types of leasing products offered:

#### (a) Closed calculation contracts

Closed calculation contracts are typically leasing contracts whereby the client is charged a fixed fee for the use of the asset over a period of time. At the end of the lease, the asset is normally returned to the Group and then sold in the used vehicle market. In all cases, the overall risk on the result of the contract, both positive and negative, is borne by the Group.

#### (b) Open calculation contracts

Open calculation contracts are leasing contracts whereby the client, under particular circumstances, may share a portion of any positive upside potential resulting from the exploitation of the lease contract. The specifics of each contract can differ by country and/or by client. However, in most of these contracts, the result on service income and the sale of the leased asset at the end of the lease are combined and a net positive result is returned to the client. Most contracts contain certain requirements that the client must fulfil in order to receive the net positive result, such as maintaining a certain number of leased objects during the year or that a certain number of leased objects must be included in the calculation of the net result.

Both open and closed calculation contracts are classified as operational leases. Open calculation contracts are classified as operational leases on the basis of the (negative) risks being borne by the Group.

#### Note F - General and presentation format

The Group considers the presentation model for banks as the most appropriate format. Within the banking model interest income and expenses are separately shown on the face of the income statement whereas the operating expenses are presented under the categorical method as commonly used within the banking industry. For its main activity – leasing – the related revenues and costs are shown separately based on the functional method taking into account IFRSs presentation requirements.

As IFRSs do not define an income statement for leasing business within the banking industry, the Group makes this distinction to give the reader a better understanding of the performance of the business.

Revenues only include the gross inflow of economic benefits received and receivable by the Group on its own

account; amounts collected on behalf of third parties are therefore excluded.

#### Note G - Net interest income

Interest and similar income and interest expenses and similar charges for all interest-bearing assets and liabilities are recognised in the income statement on an accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability to the carrying amount of the financial asset or liability.

The calculation of the effective interest rate includes all fees and points, paid or received, transaction costs and discounts or premiums that are an integral part of the effective interest rate. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The interest income component in operational lease instalments, which is charged on a straight-line basis to the client, is presented based on the effective interest method in interest income using the interest rate included in the lease contract and based on the net investment value of the leased asset. The correction required to arrive at a total straight-line recognition for operational lease contracts is part of revenues.

Interest income on finance lease contracts is recognised in the income statement on the basis of accruing interest income on the net investment (using the effective interest method). The receipts under the lease are allocated by the lessor between reducing the net investment and recognising interest income, so as to produce a constant rate of return on the net investment.

#### Note H - Revenues and cost of revenues

#### (i) Revenues

Revenues comprise the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities.

Revenues include the various components of the lease instalment, such as repair, maintenance and tyres (RMT), damage risk retention, depreciation and management fees. The lease instalments may include passed on costs such as fuel, road taxes and other taxes which do not represent the inflow of economic benefits and/or are collected on behalf of third parties and are therefore not presented as revenues.

Revenues from operational lease instalments are presented straight-line over the lease term. For closed calculation income related to lease services is recognised over the term of the contract based on historical statistics and expected service costs. For open calculation contracts the income related to lease services that will be earned by the Group is not certain until final settlement takes place and accordingly is not recognised until that time and is recognised in the sales result settlements. Expected losses are recognised as an expense immediately when it is

probable that total contract costs will exceed total contract revenues.

The interest portion of the lease instalment is classified under the caption 'Net interest income' (see note G), using the effective interest method. As the total revenues from the lease instalments are presented straight-line the adjustment required to present the interest portion income on the effective interest method is included in the category 'Other'.

Revenues also include the proceeds of the sale of vehicles from terminated lease contracts and rental revenues from renting out the rental fleet portfolio. The proceeds from the sale of vehicles are recognised when the objects are sold. The rental revenues are recognised on a straight-line basis over the term of the rental agreement.

Other revenues that cannot be categorised as any of the revenues specified above, but are income categories of regular business operations such as (volume related) bonuses earned in connection with pass-on costs, are included in the category 'Other'. Other revenues are generally recognised when services are rendered.

#### (ii) Cost of revenues

Cost of revenues comprises the cost associated with providing the above-mentioned service components of the lease instalment. Any (volume related) bonuses related to these expenses, except those earned on the purchase of leased objects, are credited directly to expenses. Bonuses received on purchases of objects for operational lease contracts are deducted from the purchase consideration and as such result in lower depreciation. Bonuses received on purchases of objects for finance lease contracts are recognised immediately in the income statement.

Cost of revenues also includes the carrying amount of the sold vehicles and the costs associated with the rental activities.

## Note I - Employee benefits

#### (i) Post-employment benefits

Group companies operate various employee benefits schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has defined benefit and defined contribution pension plans as well as other post-employment benefits.

#### **Defined contribution plans**

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate company. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Obligations for contributions to defined contribution pension plans are recognised as expenses in the income statement as incurred. One less significant multi-employer defined benefit plans exists, which is accounted for as defined contribution plan as the Company does not have access to information about the plan to satisfy the requirements for presenting it as a defined benefit plan.

In case of a defined contribution plan the Group has no further payment obligations once the pension contributions have been paid. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

## **Defined benefit plans**

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

The Group's net obligation in respect of defined benefit post-employment plans, including pension plans, is calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their services in the current and prior periods. That benefit is discounted to determine its present value and the fair value of any plan assets is deducted. The discount rate is the yield at the balance sheet date on high quality credit rated bonds that have maturity dates approximating the terms of the Group's obligations.

A qualified independent actuary performs the calculation of the present value of the defined benefit obligation annually using the projected unit credit method. When the benefits of a plan are improved and the changes to the pension plan are conditional on the employees remaining in service for a specific period of time (the vesting period), the portion of the increased benefit relating to past services by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expenses are recognised immediately in the income statement.

The pension liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets, together with unrecognised actuarial gains and losses and past service costs.

The Group recognises actuarial gains and losses using the corridor method. Under the corridor method, actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of 10 percent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, are charged or credited to the income statement over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

Settlements and curtailments invoke immediate recognition of the consequent change in the present value of the

defined benefit obligations and in the market value of the plan assets, together with previously unrecognised actuarial gains and losses or past service costs that relate to these defined benefit obligations impacted by the settlement or curtailment.

A settlement is an early termination of all or part of the defined benefit obligation. A curtailment occurs when the company is demonstrably committed to materially reducing the number of employees in the defined benefit plan or the pension benefits for future services.

#### Other post-employment benefits

Some Group companies provide other post-employment benefits to their employees based on local legal requirements. These benefits mainly comprise termination indemnities which are either payable at retirement age or if the employee leaves. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. The obligations are valued annually by qualified independent actuaries.

#### (ii) Other post-employment obligations

Other than pension plans, the Group's net obligation in respect of other service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. These service benefits comprise short-term service benefits such as vacation and sick days and long-term service benefits such as long-service leave.

The obligation is calculated using the projected unit credit method and is discounted to its present value. The fair value of any plan assets, if any, is deducted. The discount rate is the yield at the balance sheet date on high quality credit rated bonds that have maturity dates approximating to the terms of the Group's obligations.

#### (iii) Share-based payment transactions

The share option programme allowed eligible Group employees to acquire depository receipts of shares of the Company up to 31 December 2003. No options were issued after 31 December 2003. The stock option plan of the Company is a cash-settled share-based payment scheme under IFRS 2, given the requirement of the participants to offer depository receipts to the Company against the receipt of cash.

#### (iv) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits due more than 12 months after the end of the reporting period are discounted to their present value.

The fair value of the options outstanding at each balance sheet date is measured using a binomial lattice model, taking into account the terms and conditions at which the options were granted.

#### Note J - Income tax

Income tax in the income statement for the periods presented comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the income tax is also recognised in other comprehensive income or directly in equity, respectively.

#### (i) Current income tax

Current income tax is the expected income tax payable or receivable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date and any adjustment to income tax payable or receivable in respect of previous years.

Current income tax assets and current income tax liabilities are only offset if there is a legally enforceable right to offset the recognised amounts and if a subsidiary intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### (ii) Deferred income tax

Deferred income tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes and providing for available income tax losses and tax credits.

The amount of deferred income tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred income tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences and available income tax losses and tax credits can be utilised. Deferred income tax assets are reviewed annually and reduced to the extent that it is no longer probable that the related income tax benefit will be realised.

Deferred income tax assets and deferred income tax liabilities are only offset if there is a legally enforceable right to offset the current income tax assets against current income tax liabilities and the deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable company or different taxable companies which intend either to settle current income tax assets and liabilities on a net basis, or to realise the asset and to settle the liabilities simultaneously (often within one fiscal unity).

## Note K - Receivables from financial institutions

This caption includes amounts receivable from Dutch and foreign credit institutions under government supervision with fixed or determinable payments that are not quoted in an active market. These receivable balances are shown after any accumulated impairment losses and are initially measured at fair value and subsequently at amortised cost using the effective interest method.

#### Note L - Receivables from clients

This caption includes lease instalments receivable from the finance and operational lease portfolio, from the rental portfolio and receivables arising from other business activities. These receivable balances are shown after any accumulated impairment losses and are initially measured at fair value and subsequently at amortised cost using the effective interest method.

# Note M - (Non-current) assets held-for-sale and discontinued operations

A non-current asset or disposal group is classified as held-for-sale when its carrying amount will be recovered principally through a sale transaction, whereby the expectation is that the sale will be completed within one year of the classification of assets or disposal groups as held-for-sale, subject to extension in certain circumstances.

On initial and subsequent classification as held-for-sale, (non-current) assets and disposal groups are recognised at the lower of the carrying amount and the fair value less costs to sell. Impairment losses on initial classification as held-for-sale are included in the income statement.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held-forsale, if earlier and is presented in the balance sheet separately. When an operation is classified as a discontinued operation the comparative income statement is restated as if the operation had been discontinued from the start of the comparative period.

Depreciation and amortisation of assets ceases at the moment of initial classification as held-for-sale.

### Note N - Intangible assets

#### (i) Goodwill

All business combinations are accounted for by applying the acquisition method. Goodwill is recognised on acquisitions of subsidiaries. Goodwill represents the excess of the consideration transferred over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. Goodwill is measured at cost less any accumulated impairment losses. When the excess is negative (negative goodwill), it is recognised immediately in the income statement.

Goodwill is allocated to cash generating units and is tested for impairment annually and whenever there is an

indication that the unit may be impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Impairment losses are charged to the income statement and are not subsequently reversed. Gains and losses on the disposal of a company include the carrying amount of goodwill relating to the company sold.

#### (ii) Software

Capitalised software relates to purchased software from third parties and to internally developed software for Group use.

Expenditure on research activities undertaken to gain new technical knowledge and understanding is recognised in the income statement when incurred.

Expenditure on development of software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use of the software in a manner that will generate future economic benefits and can measure the costs to complete the development. The capitalised cost of internally developed software includes all costs directly attributable to developing software and are amortised over its useful life. Capitalised internally developed and externally purchased software are measured at cost less accumulated amortisation and any accumulated impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. When subsequent expenditure is capitalised, the carrying value of the replaced part is derecognised. All other expenditure is expensed when incurred.

#### (iii) Other intangible assets

Other intangible assets include customer relationship intangible assets and customer contract intangible assets acquired as part of business combinations and recognised separately from goodwill. Customer relationship intangible assets are amortised over 10 years and customer contract intangible assets are amortised over the remaining contract period (on average 3 to 4 years).

Other intangible assets that are acquired by the Group have finite useful lives and are measured at cost less accumulated amortisation and impairment.

## (iv) Amortisation

Intangible assets are amortised and recognised in the income statement on a straight-line basis over the estimated useful lives of the intangible assets from the date they are available for use. The estimated useful life for software is generally 3 to 7 years. The capitalised intangible assets have no estimated residual value.

#### Note O - Other property and equipment

#### (i) Measurement

Items of property and equipment owned and for Group use are measured at cost less accumulated depreciation and impairment losses. Costs include expenditures that are directly attributable to the acquisition of the asset.

Subsequent expenditure on property and equipment is recognised in the carrying amount of the item only when it increases the future economic benefits embodied in the specific asset to which it relates and its costs can be measured reliably. All other expenditure is expensed when incurred. The costs of the day-to-day servicing of property and equipment are recognised in the income statement as incurred.

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in operating income in the income statement during the year of disposal.

#### (ii) Depreciation

The cost of other property and equipment is depreciated to its estimated residual value and recognised in the income statement on a straight-line basis over the estimated useful life of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. The residual value and the useful life of the leased assets are reviewed at least at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for as a change in accounting estimate. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Property 30 - 50 years
Furniture and fixtures 3 - 12 years
Hardware 3 - 5 years
Company cars 3 - 4 years

#### (iii) Investment property

Investment property is property that is not held for Group use, but is to be leased out to third parties and is classified as part of the caption 'Other property and equipment'. The Group holds investment property to earn rentals. Any such property interest is carried at cost less accumulated depreciation and impairment losses.

The cost of the investment property, less the expected residual value, is depreciated and recognised in the income statement on a straight-line basis over the estimated useful life of the property, within a range of 10 to 25 years.

## Note P - Property and equipment under operational lease and rental fleet

Property and equipment under operational lease and rental fleet are measured at cost less accumulated depreciation and impairment losses. The assets subject to operational leases are presented in the balance sheet according to the nature of the asset. The depreciation policy for depreciable leased assets is consistent with the Company's normal depreciation policy for similar assets. The leased assets are depreciated on a straight-line basis over its contract period to its residual value. The contract period ranges on average between 3 to 4 years. Upon termination of the lease or rental contract the relevant assets are reclassified to the caption 'Inventories' at their carrying amount. The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

#### Note Q - Inventories

Inventories are stated at the lower of cost and net realisable value. Upon termination of the lease or rental contract the relevant assets are reclassified from the caption 'Property and equipment under operational lease and rental fleet' to the caption 'Inventories' at their carrying amount. Net realisable value is the estimated selling price in the ordinary course of business, less the applicable variable selling expenses.

#### Note R - Other receivables and prepayments

Other receivables and prepayments include prepayments in respect of expenses attributable to a subsequent period plus amounts still to be received.

#### Note S - Impairment

#### (i) (Leased) assets and assets for own use

Assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

In the annual assessment of whether there is any indication that an asset may be impaired, the Group considers both external as well as internal sources of information. If such indication for impairment exists an analysis is performed to assess whether the carrying value of the asset or cash generating unit under an operational lease exceeds the recoverable amount, being the higher of the fair value less costs to sell and the value in use. The value in use is determined as the present value of the future cash flows expected to be derived from the object or cash generating unit.

#### (ii) (Lease) receivables

Impairment on a receivable is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms of the receivable. The amount of the impairment is the

difference between the carrying amount and the recoverable amount, being the value of expected cash flows, including amounts recoverable from guarantees and collateral.

For a finance lease, the lessor recognises lease receivables rather than the leased asset itself. In an annual assessment it is determined whether there is any objective evidence that a financial asset is impaired or uncollectable. The occurred impairment is the difference between the carrying value of the asset and the present value of the expected future cash flows, discounted at the original effective interest rate.

Impairment loss on receivables is recognised in the income statement and is separately disclosed as part of net finance income.

#### (iii) Non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units).

#### (iv) Assets carried at amortised cost

At each balance sheet date the Group assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has (have) an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses these for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

#### (v) Assets classified as available-for-sale

At each balance sheet date the Group assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has (have) an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition costs and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss – is removed from equity and recognised in the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

#### (vi) Reversal of impairment

An impairment loss in respect of goodwill is not reversed. In respect of all other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent of the asset's carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## Note T - Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are the Group's sources of debt funding and relate to borrowings from financial institutions, funds entrusted and debt securities issued. Interest-bearing loans and borrowings are recognised initially at fair value plus any transaction costs attributable to these loans. Subsequent to initial recognition, interest-bearing loans and borrowings are measured at their amortised cost using the effective interest method. Any difference between cost and redemption value is recognised in the income statement over the term of the loans and borrowings.

## Note U - Dividends

Dividends are recognised as a liability in the balance sheet in the period of approval by the shareholders.

#### **Note V - Provisions**

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability.

#### (i) Damage risk provision

The damage risk provision for third-party liability and damages outstanding relating to the self-insured vehicle

fleet is calculated on the basis of the damages history and technical damage risk principles. The amount of the provision also includes an allowance for losses incurred but not yet reported (IBNR).

Reinsurance assets are balances due from reinsurance companies for ceded insurance liabilities and are shown separately and are not offset against the related insurance liabilities. Annually the Group as assignor assesses whether its amounts recoverable under a reinsurance contract are impaired. The focus of the test is credit risk, which arises from the risk of default by the reinsurer and also from disputes regarding coverage.

Damages outstanding comprise provisions for the Group's estimate of the ultimate cost of settling all damages incurred but unpaid at the balance sheet date whether reported or not and related internal and external damages handling expenses and an appropriate prudential margin. Damages outstanding are assessed by reviewing individual damages and making allowances for IBNR, the effect of both internal and external foreseeable events, such as changes in damage handling procedures, inflation, judicial trends, legislative changes and past experience and trends. Anticipated reinsurance recoveries are presented separately as assets. Reinsurance and other recoveries are assessed in a manner similar to the assessment of damages outstanding. Provisions for damages outstanding are discounted at a risk free rate of interest where there is a particularly long period from incident to damage settlement and where there exists a suitable damage pattern from which to calculate the discount.

#### (ii) Miscellaneous provisions

Miscellaneous provisions include amounts for litigation and claims as well as onerous contracts. For litigation and claims the best estimate of the future outflow of resources has been recognised. Regarding onerous contracts, the present obligation under a contract that is onerous is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

#### Note W - Statement of cash flows

The consolidated statement of cash flows has been drawn up in accordance with the indirect method, classifying cash flows as cash flows from operating, investing and financing activities. Changes in balance sheet items that have not resulted in cash flows have been eliminated for the purpose of preparing this statement.

## (i) Operating cash flows

Operating cash flows comprise all cash flows during the

period that do not qualify as either investing cash flows or financing cash flows. In the net cash flow from operating activities, the result before profit is adjusted for those items in the income statement and changes in balance sheet items, which do not result in actual cash flows during the year. As the main operating activity of the Group is to provide operational and financial leases, cash payments to acquire underlying assets under operational lease and finance lease are classified as an operating activity. A similar approach is followed for interest received and interest paid, even though these arise on financing balances.

#### (ii) Investing cash flows

Investing activities include cash flows with respect to acquisition and sale of assets under other property and equipment, intangible assets and other long-term assets. Investing activities also include cash flows relating to acquisition, disposal and dividend of equity interests in associates, jointly controlled entities and held-for-sale investments.

#### (iii) Finance cash flows

Finance cash flows include cash flows relating to obtaining, servicing and redeeming sources of finance, but exclude interest received and interest paid as these are included in the operating cash flows. The sources of finance include amounts borrowed from financial institutions and dividends paid. The cash flows related to LeasePlan Bank are included in the cash flow of funds entrusted on a net basis. Next to the cash flows relating to the sources of finance, the cash flows relating to balances deposited to financial institutions are included in the finance cash flows, even though these arise from investing activities.

#### (iv) Cash and balances with banks

Cash and balances with central banks are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The short-term characteristic of a cash equivalent is generally taken as a term of three months or less from the date of acquisition. The balance includes cash, central bank deposits, call money and cash at banks. Bank overdrafts and call money that are repayable on demand are included in the cash flows with respect to borrowings from financial institutions.

#### **Note X - Segment reporting**

Segment reporting is based on the internal reporting to the Group's key management (in its function as the chief operating decision-maker), which makes decisions on the allocation of resources and assesses the performance of the reportable segments. Consequently, segment information is presented in the consolidated financial statements in respect of the Group's leasing activities and Group activities.

Leasing activities comprise the main activity of the Group which is providing fleet management services including the purchase, financing, maintenance and remarketing of

SPECIFIC NOTES

vehicles. The Group offers a mono-line product through all of its 30 LeasePlan subsidiaries allowing for some differentiation based on the maturity of local markets. As a result the subsidiaries are grouped in categories based on maturity of the market and to a lesser extent maturity of the subsidiary.

Group activities provide services in the area of treasury, damage risk retention, procurement and infrastructure to support the leasing activities.

#### Note Y - Critical accounting estimates, assumptions and judgements

Preparation of the consolidated financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities. These include, but are not limited to the following areas:

#### (i) Impairment of goodwill and intangible assets

Determining whether goodwill or intangible assets are impaired requires an estimation of the value in use of the groups of cash generating units to which the goodwill and intangible assets have been allocated. The key assumptions calculating the value in use are those regarding discount rates, growth rates and other expected changes in cash flows.

#### (ii) Impairment of (leased) assets

In the annual assessment of whether there is any indication that an asset may be impaired, the Group considers both external as well as internal sources of information. If such indication for impairment exists, an analysis is performed to assess whether the carrying value of the asset or cash generating unit under an operational lease exceeds the recoverable amount, being the higher of the fair value less costs to sell and the value in use. The value in use is determined as the present value of the future cash flows expected to be derived from the object or cash generating unit.

The vehicle's future value forms a significant part of the future cash flows and statistical models and calculations (regression analysis) are used to calculate this future value as accurately as possible. The Group has an advanced management information system that closely monitors changes in the contractual residual values used in lease contracts. The existing residual value risks are also periodically assessed at a portfolio level.

## (iii) Review of depreciable amount and depreciation period of (leased) assets

The basis for the depreciation of a lease contract is the investment value at cost less the estimated residual value as included in the contract in combination with the contract duration. A change in these accounting estimates leads to a change in depreciation that has an effect in the current period and/or is expected to have an effect in subsequent periods. The risk is influenced by many internal and external factors.

Statistical models and calculations (regression analysis) are used to calculate a vehicle's future value as accurately as possible. The Group has an advanced management information system that closely monitors changes in the contractual residual values used in lease contracts. The existing residual value risks are also periodically assessed at a portfolio level.

#### (iv) Impairment losses on (lease) receivables

The Group reviews its outstanding receivables in its lease portfolio to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows of a lease portfolio before the decrease can be identified with an individual lease contract in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or in national or local economic conditions that correlate with defaults on assets in the Group.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. This method is fully aligned with Basel II and makes use of the probability of default (PD), the loss given default (LGD) and the exposure at default (EAD). The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

## (v) Post-employment benefits

The actuarial valuation of post-employment benefits is based on assumptions regarding inflation, discount rates, expected return on plan assets, salary rises and mortality rates. The assumptions may differ from the actual data as a result of changes in economic and market conditions.

As the Group applies the corridor approach on the recognition of actuarial gains and losses, changes in estimates have a limited impact on the income statement as any excess above the corridor (10% of the higher of the plan assets and projected benefit obligations) will be amortised over the remaining service years.

## (vi) Damage risk retention

The damage risk retention provision is based on assumptions such as technical damage risk principles, policyholder behaviour, inflation and court decisions. The assumptions may differ from the actual data as a result of changes in economic and market conditions.

#### (vii) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant estimates are required in determining the worldwide provision for income taxes and the deferred tax positions. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

#### (viii) Held-to-maturity assets

The Group follows the IAS 39 guidance on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than in specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire category as available-for-sale. The investments would therefore be measured at fair value and not at amortised cost.

#### **Note Z - Comparatives**

Where this is necessary, comparative figures have been adjusted to conform to changes in presentation in the current year after discussions with various stakeholders, and from improvements of disclosures. The adjustments made have neither an impact on profit for the year nor on total equity. The adjustments can be summarised as follows:

#### Consolidated statement of cash flows

The statement of cash flows has been adjusted in accordance with IAS 7 'Statement of cash flows'. The adjustments made are mainly reclassifications and a revised definition of cash and cash equivalents which are included in cash and balances with banks. The adjustments are made to improve the statement of cash flows contributing to the insight in the individual cash flows from operating, investing and financing activities. The improvements per activity are summarised as follows:

• The definition of the cash and cash equivalents has been revised. In accordance with IAS 7 paragraph 7 the balance of call money is classified as cash and cash equivalents and is included in the balance 'Cash and balances with banks' (2010: EUR 570.8 million). As a result of this reclassification the movement in cash and balances with banks changed from a decrease of EUR 48.3 million (Annual Report 2010) to an increase of EUR 103.1 million. The revised definition of cash and cash equivalents contributed to the movement in cash and balances with banks by EUR 151.4 million and affected the cash flows of financing activities accordingly (receivables from financial institutions).

- Adjustments to cash generated from operations have been separated into adjustments to profit before tax (adjustments) and changes in operating assets and operating liabilities (changes in). New lines are included and some lines are deleted due to reclassifications made. The total net cash flow from operating activities increased from EUR 620.9 million (Annual Report 2010) to EUR 635.4 million. The impact of the improvements is EUR 14.5 million, which is a result of the reclassification of a net cash outflow from investing activities to operating activities (EUR 58.2 million) and the reclassifications of net cash outflows from operating activities to investing activities (EUR 12.3 million) and to financing activities (EUR 60.5 million).
- The total cash flow from investing activities increased from a net cash outflow of EUR 28.7 million (Annual Report 2010) to a net cash inflow of EUR 17.3 million. The impact of the improvements is EUR 45.9 million due to a reclassification of a cash outflow (EUR 58.2 million) from cash generated from investing activities to operating activities and a reclassification of a cash outflow (EUR 12.3 million) from operating activities to investing activities.
- The total net cash outflow from financing activities decreased from EUR 640.4 million (Annual Report 2010) to a net cash outflow of EUR 549.6 million. The impact of the improvements on the net cash flows from finance activities is EUR 91.0 million, which consists of the revised definition of cash and cash equivalents (EUR 151.4 million) and reclassification of cash outflows from operating activities to financing activities (EUR 60.5 million).
- Furthermore the cash flows regarding financial institutions in the cash flows from financing activities are separated in four lines representing the cash inflows and outflows with respect to receivables and borrowings from financial institutions.

## FINANCIAL RISK MANAGEMENT

All amounts are in thousands of euros, unless stated otherwise

#### **INTRODUCTION**

This section presents information about the Group's exposure to a number of financial risks, the Group's objectives, policies and processes for measuring and managing these risks and the Group's management of capital. In line with IFRS 7 various disclosures on the Group's financial assets and liabilities are included in this section. The fact that the Group is mainly transacting operational leases, which under IFRS do not qualify as financial assets, results in a significant difference between financial assets and financial liabilities.

	2011	2010
FINANCIAL ASSETS		
Derivative financial instruments	243,758	329,014
Receivables from financial institutions	1,870,069	1,506,448
Receivables from clients	2,964,060	2,726,133
Rebates and bonuses and commissions receivable	191,882	160,738
Reclaimable damages	29,641	29,634
Interest to be received	4,087	2,610
Loans to associates and jointly controlled entities	192,588	186,571
Total financial assets	5,496,085	4,941,148
Total non-financial assets	13,378,711	12,528,152
Total assets	18,874,796	17,469,300
FINANCIAL LIABILITIES		
Borrowings from financial institutions	1,535,899	2,201,314
Funds entrusted	2,985,400	1,919,172
Debt securities issued	9,535,928	8,415,591
Derivative financial instruments	258,216	423,851
Subordinated loans	-	269,057
Trade payables	666,110	567,643
Interest payable	155,525	143,753
Total financial liabilities	15,137,078	13,940,381
Total non-financial liabilities	1,583,834	1,592,515
Total liabilities	16,720,912	15,532,896

## A. STRATEGY IN USING FINANCIAL INSTRUMENTS

The Group's activities are principally related to vehicle leasing and fleet management. The Group accepts and offers lease contracts to clients at both fixed and floating interest rates, for various periods and in various currencies. The Group seeks to balance the spread between interest rates charged in lease contracts and the interest rates paid on various borrowings and at the same time needs to control its exposure towards future movements in interest rates and currencies. The risk control is important to continuously meet the solvency and liquidity requirements and targets as set by the Dutch Central Bank and as expected by external stakeholders. The Group uses various non-derivative and derivative financial instruments to achieve that goal.

Derivatives are financial instruments, of which the value changes in response to the change in an underlying variable. Derivatives require little to no initial investment and are settled at a future date. Under IFRSs derivatives are initially and subsequently recognised on the balance sheet at their fair value. Examples of derivatives used by the Group are forward rate agreements, interest rate swaps and currency swaps. Derivative transactions are contracted to hedge the interest rate and currency exposures associated with the funding of lease contracts. In particular the interest rate swaps cover the interest rate positions between lease contracts and borrowed funds and currency swaps cover the mismatch between the currency structure of leased contracts and borrowed funds.

The operational lease portfolio has not been designated to fair value hedge following IAS 32 AG9. The Group has applied cash flow and fair value hedges of the interest rate risk and other types of market risks on the issued debt securities and other borrowings to mitigate both current and future income statement volatility arising due to the variability of cash flows attributable to currency and interest rate movements, and due to the exposure to changes in fair values of recognised liabilities.

#### (i) Cash flow hedges

The company hedges the exposure to variability in future interest payments on recognised floating rate bonds and notes issued and on highly probable forecast transactions (short-term rolling over liabilities) attributable to changes in underlying swap and money market rates. In cash flow hedging, the hedged risks are future changes in cash flows stemming from anticipated repricings and/or roll-overs of borrowings due to interest rate movements. To apply highly effective cash flow hedges the forecasted cash flows, which are subject to a hedge, must be 'highly probable'. Based on the business activity of the Group and the financial/operational ability of the Group to carry out the transactions, the likelihood that forecasted cash flows will take place is very high. These forecasted cash flows are expected to occur and to affect the income statement in the period 2012-2015.

The Group applies a cash flow hedge as an aggregate hedging of a similar group of assets/liabilities. A group of derivatives sharing the same characteristics is designated to the hedge with a group of borrowings with the same characteristics.

#### (ii) Fair value hedges

Fair value hedge accounting is applied in such a way that the changes in fair value of the recognised liability (issued note) attributable to the hedged risk fully offsets the changes in fair value of the receive leg of the derivative transaction (interest rate swap or currency interest rate swap). In other words, the cash flows on the note and the receive leg of the swap are equal and opposite.

Fair value hedge accounting entails that the hedged item (i.e. the note) that is measured at amortised cost is constantly being adjusted for gains/losses that are attributable to the risk being hedged. This adjustment is booked in the income statement, where it offsets the measurement of the fair value of the hedging instrument that is also recorded in the income statement.

The contracted notional amounts of derivatives are listed below:

			2011			2010
	Interest rate contracts	Currency contracts	Total	Interest rate contracts	Currency contracts	Total
< 1 year	8,450,532	3,161,370	11,611,902	5,144,385	2,766,441	7,910,826
1 - 5 years	11,101,726	255,468	11,357,194	15,877,483	843,312	16,720,795
> 5 years	125,236	-	125,236	150,989	-	150,989
Total	19,677,494	3,416,838	23,094,332	21,172,857	3,609,753	24,782,610

The amounts above provide an indication of the size of the contracts but do not indicate the extent of the cash flows and risks attached to derivatives. In determining the capital adequacy requirement, both existing and potential future credit risk is taken into account. The current potential loss on derivatives, which is the fair value based on market conditions at the balance sheet date (positive replacement cost) is netted applying the relevant Basel II netting criteria and increased by a percentage of the relevant notional amounts, depending on the nature and remaining term of the contract (potential future credit risk). This non-weighted credit risk is risk weighted based on the credit rating of the counterparty and the remaining term.

The Group maintains strict control limits from a credit risk point of view and Credit Support Annexes (CSAs) to International Swaps and Derivatives Association (ISDA) master agreements are used to mitigate the risk through periodic margin calls. This credit risk exposure is managed as part of the overall lending limits with financial institutions.

The table below lists the outstanding credit risks:

	2011	2010
Positive replacement cost	243,758	329,014
Effect of Basel II netting	- 187,540	- 175,774
Positive replacement cost after Basel II netting	56,218	153,240
Potential future credit risk	58,164	95,678
Total non-weighted	114,382	248,918
Risk weighted	46,684	101,817

#### **B. CAPITAL ADEQUACY**

To monitor the adequacy of its capital the Group uses ratios established by the Basel Committee of the Bank for International Settlements (BIS). These ratios measure capital adequacy by comparing the Group's eligible regulatory capital with its risk weighted assets for credit risk and operational risk. In November 2008 the Company received approval from the Dutch Central Bank to use the Advanced Internal Ratings Based (AIRB) approach for credit risk and the Advanced Measurement Approach (AMA) for operational risk, for determining the risk weighting.

Credit risk, mainly due to leases with counterparties, is risk weighted based on the outcome of models as developed by the Group. These models are developed based on defined rules as set out by the Basel Committee (and as laid down in the Capital Requirements Directive) and are continuously monitored for their predictive quality. Regularly these models are being validated by external parties. The models for credit risk relate especially to the determination of:

- the probability of default (PD), being the likelihood of a client that is assigned a rating getting into default in the next twelve months (expressed in %);
- the loss given default (LGD), being the loss the Group expects to incur at the moment of a default (expressed in %); and
- the exposure at default (EAD), being 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 the Group applies the Standardised Approach of the Capital Requirements Directive which prescribes fixed percentages for risk weighting depending on characteristics and conditions of the exposure. In 2011 a project was started to develop and implement internal scorecards, PD, EAD and LGD models for the retail portfolio which is intended to increase the part of the assets that qualify for the AIRB approach. The focus is on the various retail portfolios in the United Kingdom and the Netherlands. This project is expected to be completed in 2012. Current balance sheet exposure to retail clients is EUR 1.9 billion or 12.7% of total client exposures (2010: EUR 1.6 billion or 11.5% of total client exposures).

In respect of operational risk no on-balance sheet exposures exist. Therefore capital requirements for this risk are obtained from the outcome of the models that track historic losses and anticipate low frequency – high risk scenarios and predict from this the capital that is needed to cover the maximum (operational) loss the Group could incur under extreme circumstances. The confidence level which is used for this calculation amounts to 99.9%.

For the calculation of risk weights of other on-balance sheet and off-balance sheet exposures the standard approaches as described in the Capital Adequacy Directive are used.

The eligible regulatory capital (BIS capital) that is compared against the risk weighted exposures of the Group consists of Tier 1 capital and Tier 2 capital. The Tier 1 capital is derived from the Group's total equity position. In order to arrive at the Tier 1 capital, adjustments to the total equity are required for the IFRS prudential filters as implemented in the Decree on Prudential Rules pursuant to the Act on Financial Supervision (Wft). The Tier 2 capital consists of eligible subordinated loans concluded by the Company.

The following table analyses actual capital and the minimum required capital, which are based on Basel II (Pillar 1), as at 31 December.

		2011		2010
	Minimum required	Actual	Minimum required	Actual
Risk weighted assets Basel II				
(excluding transitional capital floor)		13,072,316		12,370,984
Transitional capital floor		873,334		466,831
Risk weighted assets Basel II		13,945,650		12,837,815
BIS capital	1,115,652	2,072,553	1,027,343	2,140,912
BIS ratio	8.0%	14.9%	8.0%	16.7%
Tier 1 capital		2,074,344		1,868,514
Tier 1 ratio		14.9%		14.6%

In monitoring the adequacy of its capital the Group is constantly reviewing the development in (risk weighted) exposures on the one hand and in eligible capital on the other hand. Stress testing forms a part of the aforementioned monitoring. Developments in (risk weighted) exposures typically represent movements in the portfolio's opportunities for growth of the Group's core business. The eligible capital will normally grow with profits made and retained. The Company has a dividend policy that supports the maintenance of adequate capital ratios.

#### C. CREDIT RISK

#### **Credit risk definition**

Credit risk is the risk that a counterparty will be unable to fulfil its financial obligations when due. The Group is exposed to credit risk for vehicles leased to counterparties through both receivables due under the lease and the book value of vehicles. The credit risk of the book value of vehicles is partly mitigated by the sales proceeds of these vehicles. In addition, the Group is exposed to credit risk originating from banking and treasury activities which includes deposits placed with banks or other financial institutions and hedging instruments, such as derivatives and reinsurance activities.

#### Credit risk management structure and organisation

LeasePlan's Managing Board sets authority levels for all Group companies, based on which each Group company is allowed to decide on counterparty acceptance and renewal. The authority levels are granted based on the relative size of the Group company and the perceived quality of credit risk management, and are reviewed by the Group's Credit Committee in its quarterly meetings. Above a Group company's authority, the Group's credit risk management department, the Group's Credit Committee or the Credit Committee of the Supervisory Board is authorised to decide on credit acceptance and renewal. The Group has a custom built web-based global credit risk management system in place that enables it to efficiently and in accordance with granted authorities handle and monitor credit requests and defaults.

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

The primary task of the Group's Credit Committee is to decide on credit requests from its Group companies. It concerns more specifically those requests that exceed the authority levels of the individual Group companies and the Group's credit risk management department.

Quantitative specialists within LeasePlan Corporation are 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 specialists work in consultation with the several risk management disciplines and are supported by external parties.

The tasks of credit risk 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 account receivables and the doubtful debtors.
- Regularly review the local watch account list, containing all counterparties 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 risk committee. The local credit risk committees act independently from the commercial business area. The Group'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.

#### Credit risk management policy

The Group has issued policies to its Group companies, which regulate the governance of the local credit risk management organisation and set limits to industry sectors with which Group companies can do business. 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. The Group distinguishes in policies and portfolio between corporate clients, retail clients, governments, banks and others. In this respect, retail clients are defined as clients with a vehicle fleet with a investment value not exceeding EUR 1 million with which there is no active commercial relationship.

Except for retail customers, which are assessed whenever a credit application is received, the credit risk of all our counterparties is assessed at least once a year. If the credit risk of an approved counterparty exceeds the local credit risk authorisation level, then credit approvals for such counterparty are sent to the corporate head office for final decision. All Group companies use the same global credit risk management systems.

Each Group company is required to maintain a special attention list and a watch list which are based on the internal rating

grades and other available information. These lists are reviewed in regular meetings by the credit committees. Credit risk exposures on companies included in these lists are monitored on a daily basis by the respective risk management teams on both local level and Group level. A qualitative analysis of our total credit exposures, defaults and losses is reported on a quarterly basis to the Group's Credit Committee.

#### Credit risk measurement

Effective December 1, 2008 the Group implemented Advanced Internal Rating Based (AIRB) models for calculating the regulatory capital requirement for credit risk for our corporate fleet under Basel II. The Group is currently preparing for the use of AIRB for the retail portfolio of the United Kingdom and Dutch business. The models for credit risk relate especially to the

- the probability of default (PD), being the likelihood of a client that is assigned a rating getting into default in the next twelve months (expressed in %);
- the loss given default (LGD), being the loss as the Group expects to incur at the moment of a default (expressed in %); and
- the exposure at default (EAD), being 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 Group uses an internally developed risk measurement system to measure the probability of default and our exposure to potential defaults for our corporate portfolio. The Group uses this measurement system to be able to report on such credit risk to internal and external regulators.

A summary of the approximation of the concentration of the financial assets in geographical sectors as at 31 December can be shown as follows:

	Europe	Europe	Rest of	Total
	(euro)	(non-euro)	the world	
FINANCIAL ASSETS				
Derivative financial instruments	243,758			243,758
Receivables from financial institutions	1,788,006	64,835	17,228	1,870,069
Receivables from clients	856,912	720,089	1,387,059	2,964,060
Rebates and bonuses and commissions receivable	162,777	19,793	9,312	191,882
Reclaimable damages	27,420	2,077	144	29,641
Interest to be received	4,087			4,087
Loans to associates and jointly controlled entities	192,588			192,588
Total as at 31 December 2011	3,275,548	806,794	1,413,743	5,496,085
Total as at 31 December 2010	2,843,607	819,648	1,277,893	4,941,148

A summary of the approximation of the concentration of the financial assets per industry as at 31 December can be shown as follows:

	Financial Institutions	Manufacturing	Wholesale trade	Transport and public utilities	Public sector	Other industries	Total
FINANCIAL ASSETS							
Derivative financial instruments	243,758						243,758
Receivables from financial							
institutions	1,870,069						1,870,069
Receivables from clients	209,868	748,790	562,923	252,469	137,758	1,052,252	2,964,060
Rebates and bonuses and							
commissions receivable						191,882	191,882
Reclaimable damages						29,641	29,641
Interest to be received	4,087						4,087
Loans to associates and jointly							
controlled entities						192,588	192,588
Total as at 31 December 2011	2,327,782	748,790	562,923	252,469	137,758	1,466,363	5,496,085
Total as at 31 December 2010	1,996,763	758,409	472,692	213,006	146,523	1,353,755	4,941,148

The Group assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of such counterparties. These tools have been developed internally and combine statistical analysis with credit authority judgement and are benchmarked, where appropriate, by comparison with externally available data. Counterparties of the Group are segmented into fourteen non-default rating classes. The Group's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The governance framework built around models ensures that the rating tools are kept under constant review and are renewed when necessary. For this purpose the Group monitors on a quarterly basis if the performance of the models meets internal and external requirements. Annually, all models are validated by an external party. The Group's internal ratings scale and mapping of external ratings are:

Group's rating	Description of the grade	External rating: Standard & Poor's equivalent
1	Prime	AAA/AA-
2A	Very Strong	A+
2B	Strong	А
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	В
5C	Very Weak - Watch	B-
6A	Sub-Standard - Watch	CCC+/C

The ratings of Standard & Poor's shown in the table above are mapped to the Group's rating classes based on the long-term average default rates for each external grade. The Group 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 table below summarises the credit rating of the relevant financial assets of the Group, except for the lease contract portfolio which includes both financial assets (financial leases) and non-financial assets (operational leases) as credit rating is performed on the total lease contract portfolio. The credit rating of the financial lease portfolio is, however, not substantially different from the credit rating of the total lease contract portfolio.

		2011			20			
External rating	Lease contract portfolio	Derivative financial instruments	Receivables from financial institutions	Lease contract portfolio	Derivative financial instruments	Receivables from financial institutions		
AAA to AA-	392,289	91,641	365,377	388,296	124,601	365,811		
A+ to A-	3,718,261	152,117	1,494,186	3,532,896	204,413	1,112,590		
BBB+ to BBB-	4,546,985		1,658	4,236,056		28,047		
BB+ to BB-	2,244,416		8,848	2,140,179				
B+ to B-	286,121			330,935				
CCC+ to C	14,622			7,925				
Unrated	3,382,667			2,987,398				
Total	14,585,361	243,758	1,870,069	13,623,685	329,014	1,506,448		

Loss given default or loss severity represents the Group's expectation of the extent of a loss should default occur. It is expressed as percentage loss of the exposure at the time a counterparty is declared in default and typically varies by country and transactional features like the leased object. The average credit risk exposure weighted loss given default percentage applicable to the Group in 2011 amounted to 30% (2010: 30%).

Information on past due and/or impaired financial assets as at 31 December can be shown as follows:

	Carrying amount	Neither past due nor impaired	Past due but not impaired	Impaired	Allowance for impairment
FINANCIAL ASSETS		·			
Derivative financial instruments	243,758	243,758			
Receivables from financial institutions	•	•			
	1,870,069	1,870,069	277 722	75 770	75 (07
Receivables from clients	2,964,060	2,686,255	277,722	75,770	- 75,687
Rebates and bonuses and commissions receivable	191,882	191,882		902	- 902
Reclaimable damages	29,641	29,641		4,490	- 4,490
Interest to be received	4,087	4,087			
Loans to associates and jointly controlled entities	192,588	192,588		7,052	- 7,052
Total as at 31 December 2011	5,496,085	5,218,280	277,722	88,214	- 88,131
FINANCIAL ASSETS					
Derivative financial instruments	329,014	329,014			
Receivables from financial institutions	1,506,448	1,506,448			
Receivables from clients	2,726,133	2,472,668	251,599	80,963	- 79,097
Rebates and bonuses and commissions receivable	160,738	160,738		638	- 638
Reclaimable damages	29,634	29,634		3,869	- 3,869
Interest to be received	2,610	2,610			
Loans to associates and jointly controlled entities	186,571	186,571		6,752	- 6,752
Total as at 31 December 2010	4,941,148	4,687,683	251,599	92,222	- 90,356

#### **Derivative financial instruments**

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

## Receivables from clients

Receivables from clients are individually assessed on indications for impairment. The sources for such indications can be internal, such as internal credit rating, payment behaviour and receivable ageing or external, such as 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.

Receivables from clients less than on days past due are not considered to be impaired, unless other information is available to

Receivables from clients 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 clients that were past due but not impaired were as follows:

	2011	2010
Receivables from clients past due, but not impaired		
Past due up to 90 days	225,481	199,115
Past due between 90 - 180 days	22,821	27,739
Past due between 180 days - 1 year	17,359	23,124
Past due 1 - 2 years	7,307	464
Past due over 2 years	4,754	1,157
Total	277,722	251,599

Receivables from clients impaired and the allowance for impairment were as follows:

	2011	2010
Impaired loans and receivables from clients	75,770	80,963
Provision on clients provided for	69,033	73,343
Expected loss provision	6,653	5,754
Total allowance for impairment	75,686	79,097

The total impairment allowance for loans and receivables is EUR 75.7 million (2010: EUR 79.1 million) of which EUR 69.0 million (2010: EUR 73.3 million) represents the impaired receivables and the remaining amount of EUR 6.7 million (2010: EUR 5.8 million) represents the expected loss provision determined in line with Basel II. When calculating the expected loss at year-end 2011 and 2010 (i) the PD for corporate clients was maintained at the current level under the premise that the current economic circumstances are properly reflected in the Group's ratings; and (ii) the LGD was set at the current level under the premise that this properly reflects the level in used vehicle sales proceeds and non-collectable amounts in case of defaults. Reference is made to note 13 to the consolidated balance sheet.

#### Loans to associates and jointly controlled entities

Credit risk for the Group arises on lending to associates and jointly controlled entities. The underlying business of the respective associates and jointly controlled entities is very similar to the Group's core activities conducted through subsidiaries. In shareholder agreements the Group 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 entities, the Group also monitors and manages its credit exposures to such ventures.

The impairment relates to loans to Overlease, a jointly controlled entity in Italy. In June 2009 the shareholders of Overlease have decided to enter into a liquidation scenario for this company. As a result it is expected that Overlease will not be able to fully repay loans received from the Group.

#### D. ASSET RISK

#### **Asset risk definition**

Within the Group, asset risk is split into two main underlying risk components being residual value risk and risk related to services repair, maintenance and tyres. The residual value risk is defined by the Group 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 risk related to service repair, maintenance and tyres is considered the Group's exposure to potential loss due to the actual costs of the services repair, maintenance and tyre replacement exceeding the estimates made at lease inception.

#### Asset risk management structure and organisation

LeasePlan's Managing Board is the highest ruling authority on asset risk management within the Group. The Managing Board decides on the content and potential changes of policies and is informed about all relevant and significant developments with regard to the Group'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 risk 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 summarises 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. The Group'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 programme.

#### Asset risk management policy

The Group has a robust policy in place with respect to asset risk management. This policy applies to all Group companies bearing such risk. The policy seeks to ensure that an adequate risk management framework within the Group exists. The policy, among 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 every quarter and have as a primary task to oversee the adequate management of asset risks on behalf of the local management team. Equally, it is the task of this committee to ensure that the management team of a Group company is informed on all relevant issues. The risk committees assess the asset risk exposure (both internal as well as external) and, based on its assessment, decides 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 charging end-of-contract damages and charging the costs related to premature terminations. Additionally, the Group, 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 Group's asset risk management department.

#### Asset risk measurement

Asset risk is analysed throughout the term of the lease contracts: starting at lease inception, following it through its term up to lease termination. Measuring asset risk at all three stages of the lease contracts assists in tracing developments with respect to asset risk elements and identifying adverse trends.

- Contract Inception; on a monthly and quarterly basis the residual value estimates and the pricing applied for vehicle repair, maintenance and tyre replacement risk of the Group companies are reviewed. Any developments arising from the pricing reviews are then discussed with local and regional management.
- During Contract Life; the Group companies measure the residual value risk and repair, maintenance and tyre replacement risk on vehicles under lease contract and report the estimated results of these risks at lease termination to the corporate center on a quarterly basis. These measurements are referred to as fleet risk assessments. In many cases these measurements are calculated through statistical analysis (such as generalised linear models or regressions) based on our own historical vehicle sales results. Estimates in respect of residual values and results from vehicle repair, maintenance and tyre replacement are made at an individual vehicle level and aggregated to the portfolio level. The outcomes of these measurements are reviewed and discussed within local asset risk management committees. The outcomes can also serve as a basis for the determination of any prospective depreciation of the portfolio.
- Contract Termination; for vehicle leases terminated within the relevant monthly or quarterly report period, the actual sales proceeds from the vehicle and the result from vehicle repair, maintenance and tyre replacement are monitored and reviewed in comparison to the estimates made at lease inception and adjusted during the life of the lease.

On a quarterly basis, reports summarising the residual value pricing at lease inception, developments in the estimated residual value results and vehicle repair, maintenance and tyre replacement results of the unsold vehicles in our portfolio (consisting of both vehicles still under lease contract and vehicles after lease termination but prior to disposal), and the actual sales proceeds and vehicle repair, maintenance and tyre replacement results are provided for discussion at the meetings of the Group's Asset Risk Committee, which is then disclosed to the Supervisory Board, the Dutch Central Bank and the external auditor.

On a quarterly basis all Group companies assess the exposures in their existing portfolios for future years and amongst others compare contracted residual values to the latest expectations of future market prices. With a view to the consolidated Group outcome of the assessment of expected residual value results in future years, no additional depreciation charge was taken in 2011 (2010: EUR 9 million). Reference is made to note 2 and note 17 to the consolidated financial statements. The Group performs stress testing as part of the above-mentioned quarterly assessment. A one percentage point movement in the latest expectation of future market prices would lead to a EUR 53 million movement in estimated termination results for the year 2012.

In determining additional depreciation charges not only the outcome of the comparison between residual value and expected future market price is relevant. Also risk mitigating measures the Group is actively pursuing to manage residual value risk prior to, during and at the end of a lease contract is of importance. Examples of such measures are forward looking in respect of estimated numbers of early terminations, mileage variation adjustments to lease rentals and amounts of excessive wear and tear invoiced at contract termination. Additional management actions and compensating elements as well as other risk bearing elements of the product (i.e. maintenance, tyres and repairs) are included in the Group's exposure and in the determination of additional depreciation charges.

The Group monitors this exposure on a continuous basis and adjusts its residual values for new leases accordingly. New leases are originated for original terms of 3 to 4 years, but are in practice also regularly adjusted during the term of the lease or are early terminated.

The Group's residual position in relation to the total lease portfolio can be illustrated as follows.

	2011	2010
Future lease payments	6,494,755	5,727,423
Residual value	8,090,606	7,896,262
Total	14,585,361	13,623,685

In addition to the above-mentioned on-balance residual value the Group has also provided off-balance residual value commitments for non-funded vehicles up to an amount of EUR 0.3 billion (2010: EUR 0.3 billion).

The above table includes both operational and finance leases. The Group is therefore not effectively exposed to the entire residual value, since part of this represents its finance lease portfolio. On the remaining amount that the Group is exposed to risk mitigating measures as described above have an important (reducing) impact. Taking also into account the geographical and make/model diversification of the Group's portfolio of vehicles, it is appropriate to conclude that the Group is well capable of managing volatility in used vehicle prices.

#### **E. TREASURY RISK**

#### Treasury risk definitions

Treasury risk in this respect entails a combination of three individual risks, being liquidity risk, interest rate risk and currency risk. Liquidity risk is the risk that the Group is not able to meet its obligations for (re)payments, due to a mismatch between the (re)financing of its assets and liabilities. Interest rate risk is the risk that the profitability of the Group is affected by movements in interest rates. Currency risk entails the risk that currency fluctuations have an adverse impact on the Group's result.

#### Treasury risk management structure and organisation

On Group level these risks are managed via the Group's central treasury organisation (Group's central Treasury) whereby the Group's Asset & Liability committee (ALCO), consisting of Managing Board members and relevant senior corporate managers, is the highest ruling authority. The ALCO decides on the content of and alterations to policies and is informed about all relevant and significant developments with regard to the Group's treasury risk profile.

#### Treasury risk management policy

As the matching of maturities, amounts, currency and re-pricing dates of interest-bearing assets and liabilities for liquidity, interest rate and currency purposes is fundamental to the management of LeasePlan, the Group has defined specific policies.

## Liquidity risk measurement

The Group is exposed to the risk that its liabilities require payment at a different moment in time than its assets turn into cash causing either a drain on the Group's available cash resources or creating excess liquidity. The Group 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, the Group 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 the Group. By structurally pursuing 'matched' funding on a consolidated basis for all new business, the Group's central Treasury reduces the liquidity risk on written lease contracts to a minimum.

It is also Group policy to match the duration profile of the contract portfolio of leases held by each subsidiary with a corresponding profile in the funding to minimise the liquidity risk at subsidiary level. This matching principle is monitored through liquidity gap reports, which are reported on a monthly basis to the Group's corporate risk management department. The limits structure is identical to the interest rate risk limits set out below in 'Interest rate risk measurement'.

As a precaution the continued access to financial markets for funding is backed up by committed (standby) credit facilities to reduce the liquidity risk for the Group and to safeguard its ability to continue to write new business also when temporarily no new funding could be obtained.

Firstly a committed standby facility has been renewed bilaterally with an individual bank (EUR 125 million maturing in October 2012). In addition the three year committed revolving credit facility which was concluded with a consortium of 16 banks (EUR 1.475 billion maturing in December 2013) is still in place. Furthermore the three year credit facility with Volkswagen A.G., through its subsidiary Volkswagen International Payment Services N.V., (EUR 1.475 billion) maturing January 2014 is also still in place. None of these facilities include material adverse change clauses. During 2011 and 2010 no calls were made on the above-mentioned facilities.

Secondly the Group concluded four asset backed securitisation transactions under the name of Bumper 1 (2006/2008), Bumper 2 (2008/2011), Bumper 3 (2009) and Bumper 4 (2011). These transactions involve the sale of future lease instalment receivables and related residual value receivables originated by various LeasePlan subsidiaries to special purpose companies. Debt securities were issued by these special purpose companies to finance these transactions. The highest rated notes were sold to external investors and the other notes were bought by the Group's central Treasury. In case the highest rated notes are held by the Company, such notes are intended to be used as collateral value when the Company engages as counterparty in monetary transactions with the European Central Bank (ECB). For further details on the transactions reference is made to consolidated financial statements of the Company (note 13 and 17) and the Company financial statements (note 4).

Thirdly the Company launched in February 2010 LeasePlan Bank, an internet savings bank in the Netherlands targeting at private individuals as well as business clients. Through the savings bank, the Company aims to fund between 20% and 25% of its balance sheet total over the medium term. By the end of 2011, LeasePlan Bank raised EUR 2.794 billion (2010: EUR 1.675 billion).

In the last quarter of 2008 and in the first half of 2009 the Group has availed of the possibility to issue debt under the Dutch guarantee scheme (reference is made to note 25 to the consolidated balance sheet). The Dutch guarantee scheme is a public scheme, available for Dutch banks, subject to approval of the Dutch Central Bank. The scheme contains important terms and conditions that the Group is comfortable to adhere to.

The table below presents the contractual undiscounted cash flows payable of the financial liabilities of the Group in the relevant contractual maturity groupings. The cash flows do not reconcile to the balance sheet because the balance sheet amounts are presented on an amortised cost basis.

	0-3	3-12	1-5	> 5	Total
	months	months	years	years	
FINANCIAL LIABILITIES					
Borrowings from financial institutions	291,210	318,927	925,762		1,535,899
	•				
Funds entrusted	1,479,464	1,154,591	338,818	12,527	2,985,400
Debt securities issued	1,896,897	2,439,467	5,031,308	168,256	9,535,928
Trade payables	666,110				666,110
Future payments (interest and commitment fees)	163,271	321,750	664,431	84,809	1,234,261
Total as at 31 December 2011	4,496,952	4,234,735	6,960,319	265,592	15,957,598
FINANCIAL LIABILITIES					
Borrowings from financial institutions	1,480,299	228,850	492,165		2,201,314
Funds entrusted	1,336,565	300,397	268,217	13,993	1,919,172
Debt securities issued	646,968	1,093,146	6,525,285	150,192	8,415,591
Subordinated loans		269,057			269,057
Trade payables	567,643				567,643
Future payments (interest and commitment fees)	340,898	284,956	649,599	119,041	1,394,494
Total as at 31 December 2010	4,372,373	2,176,406	7,935,266	283,226	14,767,271

For interest rate swaps and forward rate agreements the undiscounted cash flows are presented on a net basis into the relevant maturity groupings, whereas the undiscounted cash flows on currency swaps are presented on a gross basis.

	0-3	3-12	1-5	> 5	Total
	months	months	years	years	
Interest rate swaps/forward rate agreements,					
netted cash flow	- 7,878	9,712	- 13,879	83,906	71,861
Currency swaps cash inflow	3,128,313	200,109	198,035	-	3,526,457
Currency swaps cash outflow	- 3,144,114	- 229,224	- 200,911	-	- 3,574,249
Total as at 31 December 2011	- 23,679	- 19,403	- 16,755	83,906	24,069
Interest rate swaps/forward rate agreements,					
netted cash flow	- 15,579	- 24,752	109,283	96,868	165,820
Currency swaps cash inflow	2,667,102	447,044	431,813	-	3,545,959
Currency swaps cash outflow	- 2,694,493	- 508,250	- 494,734	-	- 3,697,477
Total as at 31 December 2010	- 42,970	- 85,958	46,362	96,868	14,302

In the stress scenario that money market and debt capital market funding is unavailable, for a longer period of time, the Group 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 aforementioned committed credit facilities in combination with available excess cash balances and overfunding of existing assets.

To control liquidity, risk limits are set for the Group's central Treasury on the maximum amount of maturing borrowings per future month. By spreading out maturities peak drains on liquidity are avoided.

In addition to the Group'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. The Dutch Central Bank set outs minimum liquidity level requirements for each period, by demanding that available liquidity exceeds required liquidity, according to their definitions, at all times.

		2011		2010
	One week	One month	One week	One month
Available liquidity	1,455,387	3,680,302	2,402,195	4,240,586
Required liquidity	832,820	2,790,765	1,510,175	3,208,530
Surplus (minimum requirement is above nil)	622,567	889,537	892,020	1,032,056

As of 2011 the 'Required liquidity' for the one month period includes an additional amount of EUR 245 million required by the Dutch Central Bank in relation to the on demand savings deposits raised by LeasePlan Bank.

#### Interest rate risk measurement

The level of risk is illustrated by interest margins on existing contracts increasing or decreasing purely as a result of movements in interest rates. Exposure to interest rate risk is a key feature of the Group'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 table below summarises the Group's exposure to interest rate risks 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 in time buckets. In addition any (interest rate) derivatives concluded to manage interest rate risk exposures are included.

	0-3		> 5	Non-interest	Total	
	months	months	years	years	bearing	
As at 31 December 2011						
FINANCIAL ASSETS						
Derivative financial instrument	:S				243,758	243,758
Receivables from					,	,
financial institutions	1,870,069					1,870,069
Receivables from clients	2,053,456	441,390	361,706	107,508		2,964,060
Rebates and bonuses and						
commissions receivable					191,882	191,882
Reclaimable damages					29,641	29,641
Interest to be received					4,087	4,087
Loans to associates and jointly	1					
controlled entities	21,974	65,880	104,734			192,588
Total	3,945,499	507,270	466,440	107,508	469,368	5,496,085
FINANCIAL LIABILITIES						
Borrowings from financial						
institutions	330,909	318,927	886,063			1,535,899
Funds entrusted	1,479,464	1,154,591	338,818	12,527		2,985,400
Debt securities issued	2,605,086	2,311,676	4,495,928	123,238		9,535,928
Derivative financial instrument		, ,		,	258,216	258,216
Trade payables					666,110	666,110
Interest payable					155,525	155,525
Total	4,415,459	3,785,194	5,720,809	135,765	1,079,851	15,137,078
Non-financial assets						
and liabilities	1,296,053	3,170,459	7,653,899	74,412	- 399,946	11,794,877
and habitities	1,270,033	3,17 0,433	7,033,033	7 7,712	3,7,740	11,774,077
Net on-balance position	826,093	- 107,465	2,399,530	46,155	- 1,010,429	2,153,884
Derivative financial instrument	:S					
Assets	15,639,366	2,708,724	4,807,002	118,238		
Liabilities	13,694,698	2,750,595	6,649,039			
INTEREST GAP	2,770,761	- 149,336	557,493	164,393		
As at 24 December 2010						
As at 31 December 2010	2 725 574	(27.152	025.040	220 405	E21 00/	4.041.140
Total financial assets Total financial liabilities	2,735,574	637,153	825,940 7,401,421	220,485 162,161	521,996	4,941,148 13,940,381
Non-financial assets	3,495,800	1,745,752	7,401,421	162,161	1,135,247	13,940,361
and liabilities	1 522 760	2 150 012	6 601 022	66,006	- 506,072	10 025 627
and napimies	1,533,768	3,150,913	6,691,022	66,006	- 500,072	10,935,637
Net on-balance position	773,542	2,042,314	115,541	124,330	- 1,119,323	1,936,404
Derivative financial instrument	:S					
Assets	15,232,243	1,039,191	8,145,992	121,589		
Liabilities	13,515,928	3,027,448	7,962,919	24,400		
	- , ,			,		

The interest gap is presented excluding total equity and non-interest-bearing liabilities. When taking into account total equity of EUR 2.2 billion (2010: EUR 1.9 billion) and non-interest-bearing liabilities of EUR 1.0 billion (2010: EUR 1.1 billion) the Group's interest rate risk exposures can be qualified as minimal in relation to the overall balance sheet size.

It is Group policy to match the interest rate risk profile of the contract portfolio of leases held by each subsidiary with a corresponding profile in the funding to minimise the interest rate risks at subsidiary level. This matching principle is monitored through interest rate gap reports, which are reported on a monthly basis to the Group's corporate risk management department. LeasePlan subsidiaries have interest-bearing assets (mainly lease contracts) which are funded through interest-bearing liabilities (loans) and non-interest-bearing liabilities (net working capital and equity) and are limited to have for every future month-end a maximum mismatch of 5% between their interest-bearing assets and liabilities and on average a maximum of 2.5% mismatch for the mismatched period. Special mismatch limits may be granted on a case by case basis for example start-up subsidiaries while overtime these subsidiaries should revert to normal mismatch limits.

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

Stress testing takes place regularly on central treasury exposures during the year by analysing the profit and loss effect of an unexpected increase of 200 basis points parallel yield curve shift in all currencies. At 31 December 2011 the annualised effect of such a change in interest rates would be almost EUR 4.7 million (2010: EUR 6.6 million), which is equal to approximately 1.7% (2010: 2.4%) of profit before tax. The results on the interest positions are due to the fact that the Group's central Treasury leaves interest exposures open by not fully hedging the intercompany funding. These interest rate positions are held in different currencies yet mainly in EUR, USD, GBP and CHF. The Managing Board has approved absolute limits for all these currencies. The open interest positions are sensitive for any change in interest rates.

The analysis is performed by calculating the impact of an increase in rates on the future cash flows of all transactions (including the off-balance transactions) categorised as open interest rate position. It can be concluded that with an increase in interest rates of 200 basis points the results on the open interest positions will decrease by approximately EUR 11.7 million spread out over the duration of the position; annualised this would affect the pre-tax profit by approximately EUR 4.7 million.

In relation to the Group's financial assets and financial liabilities the exposures to interest rate risk fit within the overall profile as described above.

## **Currency risk measurement**

The Group has a limited exposure to effects of fluctuations in currencies 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 the Group's capital is allocated to the currencies in which assets are denominated.

The Group is present in 30 countries in and outside the euro currency zone. With the euro as its functional currency the Group is therefore exposed to translation risk. This risk is the volatility in the euro value of its non-euro subsidiaries, both for equity and result for the year. On the basis of a going-concern approach this risk is not hedged. The main reason for not hedging the absolute euro equity value of non-euro subsidiaries is to protect balance sheet ratios. The exposure in Group equity to the non-euro subsidiaries is managed in relation to assets in the same respective currency originated by the non-euro subsidiaries. Thereby the balance sheet ratios are managed on a neutral basis, not being impacted by currency movements. In view of such limited exposure to effects of fluctuations in currencies on its financial position the Group has not performed a sensitivity analysis on the impact of such fluctuations.

Being active largely in the euro currency zone, the Group is exposed to the possible exit of one or more individual member states.

The table below summarises the Group's exposure to currency risk as at 31 December.

	EUR	GBP	USD	AUD	Other	Total
As at 31 December 2011						
FINANCIAL ASSETS						
Receivables from						
financial institutions	1,762,885	55,870	29,369	10,604	11,341	1,870,069
Receivables from clients	853,566	261,556	1,026,730	345,574	476,634	2,964,060
Rebates and bonuses and						
commissions receivable	161,241	3,236	7,023	1,674	18,708	191,882
Reclaimable damages	27,404				2,237	29,641
Interest to be received	3,733		19		335	4,087
Loans to associates and jointly						
controlled entities	168,748		6,559		17,281	192,588
Total	2,977,577	320,662	1,069,700	357,852	526,536	5,252,327
FINANCIAL LIABILITIES						
Borrowings from financial						
institutions	648,974	2,106	9,282	417,045	458,492	1,535,899
Funds entrusted	2,984,283	_,	2,	, _ , , , , ,	1,117	2,985,400
Debt securities issued	6,712,544		2,313,750	164,741	344,893	9,535,928
Trade payables	437,165	12,242	19,479	51,292	145,932	666,110
Interest payable	127,316	143	9,165	7,285	11,616	155,525
Total	10,910,282	14,491	2,351,676	640,363	962,050	14,878,862
Non-financial assets						
and liabilities	7,796,573	1,381,610	130,592	625,807	1,860,295	11,794,877
Net on-balance position	- 136,132	1,687,781	- 1,151,384	343,296	1,424,781	2,168,342
Derivatives position	1,655,467	- 1,523,467	1,204,414	- 224,607	- 1,126,265	- 14,458
CURRENCY POSITION		164,314	53,030	118,689	298,516	
Net investment subsidiaries	i	164,170	53,637	118,235	290,509	
Other		144	- 607	454	8,007	
As at 31 December 2010						
Total financial assets	2,499,171	343,853	861,655	392,453	515,002	4,612,134
Total financial liabilities	10,221,102	17,747	2,289,517	216,113	772,051	13,516,530
Non-financial assets	,,	=,,, ,,	_,,_,		,	
and liabilities	7,281,741	1,124,469	123,986	616,609	1,788,832	10,935,637
Net on-balance position	- 440,190	1,450,575	- 1,303,876	792,949	1,531,783	2,031,241
Derivatives position	1,842,804	- 1,321,669	1,346,604	- 693,248	- 1,269,328	- 94,837
·	-,,	-,,,-			-,,	2 .,037
CURRENCY POSITION		128,906	42,728	99,701	262,455	
Net investment subsidiaries	i	130,939	42,956	99,750	262,499	
Other		- 2,033	- 228	- 49	- 44	

#### F. MOTOR INSURANCE RISK

#### Motor insurance risk definition

As a result of its normal business activities the Group is exposed to motor insurance risk which is the risk of damage to or invoked by cars managed by the Group. Motor insurance risk refers to long-tail risks (motor third-party liability (TPL) and legal defence) and short-tail risks (motor material damage and passenger indemnity). 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 (these risks are referred to as "damage risk") by local Group companies, or by the Group's internal insurance company, Euro Insurances based in Dublin, Ireland, (these risks are referred to as "insurance risk"). Euro Insurances is regulated by the Central Bank of Ireland (CBI) and its 'European passport' enables it to support Group companies in all EU countries. Euro Insurances must comply as of January 2014 with the requirements of the EU Solvency II Directive 2009/138/EC

of the European Parliament. Above certain risk limits risks are initially re-insured via Group's re-insurance captive Globalines Reinsurance and for potentially largest risks re-insured via an external syndicate.

#### Motor insurance risk management structure and organisation

LeasePlan's Managing Board is the highest ruling authority with respect to motor insurance risk management within the Group. The Managing Board decides on the content of policies as well as amendments to these policies. Parts of the responsibilities of the Managing Board are delegated to the Group's Motor Insurance Risk Committee. The Group's motor insurance risk management department is responsible for establishing and maintaining the motor insurance risk framework and monitoring Group's motor insurance risk profile.

The overall approach is to selectively accept damage and insurance risk in LeasePlan subsidiaries and Euro Insurances. The Group's objective is to indentify and develop the motor insurance risk profile and to continuously monitor and manage these risks in line with Group's risk appetite for motor insurance risk. In principal the Group only accepts damage and insurance risk positions arising from its own operational and (to a lesser extent) finance lease portfolio. Damage and insurance specialists in each local Group company and Euro Insurances accept damage or insurance risk in accordance with the strict guidelines of a pre-agreed risk selection and pricing procedures. These procedures 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 procedures 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.

#### Motor insurance risk management policy

In order to clearly identify, monitor, manage and limit the risks, principles are laid down in a motor insurance risk policy that needs to be adhered to by all Group companies.

#### Motor insurance risk measurement

The Group monitors the damage and insurance risk acceptance process and the financial performance using actuarial and statistical methods for estimating liabilities and determining adequate pricing levels. Regular analysis of damage and loss ratio statistics, strict compliance with damage handling procedures and policies and when necessary, reviews of damage and insurance 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 and insurance 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 loss 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 (IBNR) and Incurred But Not Enough Reported (IBNER) factors used to determine appropriate reserve levels necessary to meet projected short-tail 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 Globalines Reinsurance.

The Group ensures that the damage and insurance risk policy's terms and conditions are mapped against the reinsurance cover in place in order to prevent any uncovered risks.

#### **G. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The financial assets and liabilities held by the Group are not held for trading purposes, but are intended to be held-to-maturity. The Group does not manage its risk exposures related to operational and finance leases, financial assets, loan commitments and borrowings on a fair value basis, except for derivative financial instruments.

The table below summarises the Group's financial assets and financial liabilities of which the derivatives are measured at fair value and the other financial assets and other financial liabilities are measured at amortised costs on the balance sheet as at 31 December.

		Car	rying value	Fa	Fair value	
		2011	2010	2011	2010	
FINANCIAL ASSETS						
Derivative financial instruments in hedge	(i)	149,524	159,184	149,524	159,184	
Financial assets at fair value through the income statem	ent					
Derivative financial instruments not in hedge	(i)	94,234	169,830	94,234	169,830	
Loans and receivables						
To financial institutions	(ii)	1,870,069	1,506,448	1,867,595	1,500,822	
To clients	(ii)	2,964,060	2,726,133	3,059,430	2,846,468	
To associates and jointly controlled entities	(ii)	192,588	186,571	198,176	191,677	
Rebates and bonuses and commissions receivable	(iii)	191,882	160,738	191,882	160,738	
Reclaimable damages	(iii)	29,641	29,634	29,641	29,634	
Interest to be received	(iii)	4,087	2,610	4,087	2,610	
Total		5,496,085	4,941,148	5,594,569	5,060,963	
FINANCIAL LIABILITIES						
Derivative financial instruments in hedge	(i)	65,422	107,065	65,422	107,065	
Financial liabilities at fair value through the income stat	ement					
Derivative financial instruments not in hedge	(i)	192,794	316,786	192,794	316,786	
Other liabilities measured at amortised cost						
Borrowings from financial institutions	(ii)	1,535,899	2,201,314	1,539,710	2,218,742	
Funds entrusted	(ii)	2,985,400	1,919,172	3,016,943	1,919,078	
Debt securities issued	(ii)	9,535,928	8,415,591	9,715,950	8,601,901	
Subordinated loans	(ii)	-	269,057	-	269,558	
Trade payables	(iii)	666,110	567,643	666,110	567,643	
Interest payable	(iii)	155,525	143,753	155,525	143,753	
Total		15,137,078	13,940,381	15,352,454	14,144,526	

#### (i) Derivative financial instruments

The fair value of derivative financial instruments is based upon the method as stated under the table below.

# (ii) Loans to financial institutions, clients and associates and jointly controlled entities, borrowings from financial institutions, funds entrusted, debt securities issued and subordinated loans

The fair value of these captions is in principle estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

#### (iii) Other

For other receivables and other payables with a remaining life of less than one year the notional amount is deemed to reflect the fair value.

#### - Level 1

The fair value of financial instruments which are traded in active markets is based on quoted market prices at the balance sheet date (level 1). A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry, group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The Group has no financial instruments that qualify for level 1.

#### - Level 2

The fair value of financial instruments which are not traded in an active market is determined by using valuation techniques. These instruments qualify for level 2. The Group calculates the fair value of the interest rate swaps using a discounted cash flow method, by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at measurement date, while taking into account the current creditworthiness of the swap counterparties.

The fair value of forward exchange contracts is based on their quoted market price at the balance sheet date, being the present value of the quoted forward price. If a listed market price is not available, then the fair value is estimated by discounting the

difference between the contractual forward bid price and the current forward price for the remaining maturity of the contract using a risk-free interest rate (based on government bonds).

# - Level 3

If the fair value is not based on observable market data, the financial instrument is included in level 3. The Group has no financial instruments that qualify for level 3.

The table below summarises the Group's financial assets and financial liabilities which are measured at fair value on the balance sheet as per the balance sheet date.

	Level 2		
	2011	2010	
FINANCIAL ACCETC			
FINANCIAL ASSETS			
Derivative financial instruments in hedge	149,524	159,184	
Derivative financial instruments not in hedge	94,234	169,830	
Total	243,758	329,014	
FINANCIAL LIABILITIES			
Derivative financial instruments in hedge	65,422	107,065	
Derivative financial instruments not in hedge	192,794	316,786	
Total	258,216	423,851	

# SPECIFIC NOTES

- 1 Segment information
- 2 Revenues and cost of revenues
- 3 Interest and similar income
- 4 Interest expenses and similar charges
- 5 Impairment charges on loans and receivables
- 6 Staff expenses
- 7 General and administrative expenses
- 8 Depreciation and amortisation
- 9 Income tax expenses
- 10 Cash and balances with banks
- 11 Derivative financial instruments
- 12 Receivables from financial institutions
- 13 Receivables from clients
- 14 Inventories
- 15 Other receivables and prepayments
- 16 Investments in and loans to associates and jointly controlled entities
- 17 Property and equipment under operational lease and rental fleet
- 18 Other property and equipment
- 19 Deferred tax assets and deferred tax liabilities
- 20 Intangible assets
- 21 Assets and liabilities classified as held-for-sale and discontinued operations
- 22 Effect of acquisitions
- 23 Borrowings from financial institutions
- 24 Funds entrusted
- 25 Debt securities issued
- 26 Trade and other payables and deferred income
- 27 Provisions
- 28 Subordinated loans
- 29 Share capital and premium
- 30 Other reserves
- 31 Commitments
- 32 Related parties
- 33 Contingent assets and liabilities

# EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All amounts are in thousands of euros, unless stated otherwise

# **NOTE 1 - SEGMENT INFORMATION**

Operating segments are reported in accordance with the internal reporting provided to the Group's key management (the chief operating decision-maker), which is responsible for allocating resources to the reportable segments and assesses its performance. Segment information is presented in the consolidated financial statements in respect of the Group's leasing activities (LeasePlan) and Group activities, which are the basis of segment reporting.

# **Leasing activities**

Leasing activities comprise the main activity of the Group which is providing fleet management services including the purchase, financing, maintenance and remarketing of vehicles. The Group offers a mono-line product through all of its 30 LeasePlan subsidiaries allowing for some differentiation based on the maturity of local markets. As a result the subsidiaries are grouped in categories based on maturity of the market and to a lesser extent maturity of the subsidiary. Segmentation is presented as follows:

#### - Mature

The focus in this segment is on innovation of services and products as well as cost excellence by means of harmonisation and standardisation. Geographies in these segments are: United Kingdom, Spain, Portugal, the Netherlands, United States, Belgium, Germany, Australia, France and Italy.

# - Developing

The focus in this segment is on a seamless and efficient organisational structure facilitating a further development of the business. Geographies in this segment are: Norway, Denmark, Finland, Sweden, Switzerland, Ireland, New Zealand, Luxembourg, Austria, Czech Republic and Poland.

#### - Start-up

The focus in this segment is on client segmentation and differentiation of services from competitors as well as on a high quality management and service excellence while investing in sales force. Geographies in this segment are: Brazil, Slovakia, Hungary, India, Greece, Turkey, Romania, United Arab Emirates and Mexico.

# **Group activities**

These activities provide services in the area of treasury, damage risk retention, procurement and infrastructure to support the leasing activities. Companies included are: LeasePlan Supply Services, LeasePlan Infrastructure Services, LeasePlan International, Euro Insurances as well as the Group's central Treasury (including LeasePlan Bank) and other support activities.

The segment reporting format reflects the Group's management and internal reporting structure and is based on the internal system of management accounting. The main purpose of the management accounting is to enable a comparison between leasing subsidiaries. This results in an allocation of income and expense from Group activities to the leasing activities as well as a zero equity assumption for the leasing activities in order to facilitate comparison. There are no asymmetrical allocations as both the leasing activities and the Group activities are measured on the basis of the same internal system of management accounting. The Group activities allocate all relevant revenues and related costs to the leasing activities.

Segment revenues, operating income, operating expenses and operating result include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment assets include property and equipment under operational lease and rental fleet and amounts receivable under finance lease contracts.

Inter-segment pricing is determined on an arm's length basis. Internal segment revenues are not presented separately given their insignificance.

The segment information is presented in the table below as at 31 December.

Segment				LeasePlan						
-	Ma	ture	Devel	oping	Start	t-up	Group ac	tivities	To	tal
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
VOLUME										
Lease contracts	11,171,300	10,383,206	2,951,189	2,786,672	462,872	453,807	-	-	14,585,361	13,623,685
PROFITABILITY										
Revenues	5,710,379	5,407,080	1,362,000	1,255,375	273,114	227,900	52,560	87,613	7,398,053	6,977,968
Cost of revenues	5,199,699	4,912,664	1,227,448	1,140,106	256,464	217,033	33,560	21,565	6,717,171	6,291,368
Gross profit	510,680	494,416	134,552	115,269	16,650	10,867	19,000	66,048	680,882	686,600
Net finance income	215,733	173,030	42,454	32,861	9,842	9,775	56,548	58,952	324,577	274,618
Total operating and net										
finance income	726,413	667,446	177,006	148,130	26,492	20,642	75,548	125,000	1,005,459	961,218
Total operating expenses	522,504	489,918	111,621	105,665	33,570	38,329	61,172	62,894	728,867	696,806
Share of profit of associates	803	- 673	-	-	1,948	3,850	878	4,220	3,629	
Profit before tax	204,712	176,855	65,385	42,465	- 5,130	- 13,837	15,254	66,326	280,221	271,809
Income tax expenses	56,859	44,040	15,417	10,337	- 1,900	- 6,092	- 12,980	26,768	57,396	75,053
Profit for the year from										
continuing operations	147,853	132,815	49,968	32,128	- 3,230	- 7,745	28,234	39,558	222,825	196,756
Profit for the year from										
discontinued operations	- 300	- 1,118	-	-		-	2,216	2,996	1,916	1,878
Profit for the year	147,553	131,697	49,968	32,128	- 3,230	- 7,745	30,450	42,554	224,741	198,634
NET FINANCE INCOME DETAILS										
Interest income	698,736	684,531	156,441	138,785	49,511	52,969	28,005	19,836	932,693	896,121
Interest expenses	466,623	489,088	112,639	102,603	38,655	42,657	- 48,775	- 37,357	569,142	596,991
Net interest income	232,113	195,443	43,802	36,182	10,856	10,312	76,780	57,193	363,551	299,130
Impairment charges	35,635	45,605	2,233	3,817	1,379	1,375	964	83	40,211	50,880
Reversal of impairment	- 19,215	- 23,235	- 884	- 496	- 365	- 838	- 8	- 6,548	- 20,472	- 31,117
Net interest income after										
impairment charges	215,693	173,073	42,453	32,861	9,842	9,775	75,824	63,658	343,812	279,367
Unrealised gains/(losses)										
on financial instruments	41	- 43	-	-	-	-	- 19,276	- 4,706	- 19,235	- 4,749
Net finance income	215,734	173,030	42,453	32,861	9,842	9,775	56,548	58,952	324,577	274,618

Revenues and other key figures of the subsidiaries are distributed relatively evenly over the segments and in principal there are no individual subsidiaries that contribute more than 10% to the overall revenues except for LeasePlan in the Netherlands. The Netherlands is also the domicile country of the Group. Key figures for the Netherlands are: Revenues EUR 966 million (2010: EUR 920 million) and Lease contracts EUR 1.8 billion (2010: EUR 1.7 billion).

The Group is predominantly funded from the Group's central Treasury and therefore the majority of the Group's financial liabilities are included in the segment 'Group activities'.

The geographical information is presented in the following table:

	Reve	Revenues		ontracts
	2011	2010	2011	2010
Europe (euro)	4,728,795	4,406,388	8,389,455	7,922,889
Europe (non-euro)	1,716,835	1,634,556	3,810,386	3,499,081
Rest of the world	952,424	937,024	2,385,520	2,201,715
Total	7,398,054	6,977,968	14,585,361	13,623,685

# **NOTE 2 - REVENUES AND COST OF REVENUES**

# (i) Revenues

Revenues comprise the various service components as included in the lease instalment, such as repair, maintenance and tyres, damage risk retention and depreciation, as well as the proceeds of the sale of vehicles from terminated contracts.

	2011	2010
Depreciation	2,711,803	2,676,441
Lease services	920,877	843,374
Damage risk retention	468,359	470,534
Rental	246,566	224,544
Management fees	190,760	190,832
Proceeds of cars and trucks sold	2,566,458	2,346,445
Other	293,231	225,798
Total	7,398,054	6,977,968

Damage risk retention includes EUR 80.4 million (2010: EUR 77.6 million) for Third Party Liability risk retained by Euro Insurances, the Group's own internal insurance company.

The caption 'Other' mainly includes bonuses earned in connection with costs recharged to clients and income related to various non-leasing activities. In 2011 the caption 'Other' furthermore includes a gain of EUR 30 million (2010: nil) as a result of a positive settlement on a historic case regarding indirect taxes (VAT) with tax authorities in the United Kingdom, while in 2010 the gain on the sale of property in the Netherlands amounting to EUR 10.1 million is included (reference is made to note 18).

# (ii) Cost of revenues

Cost of revenues comprise the various service components as included in the lease instalment, such as repair, maintenance and tyres, damage risk retention and depreciation, as well as the cost of the vehicles sold.

	2011	2010
Depreciation	2,625,173	2,578,894
Lease services	770,014	697,559
Damage risk retention	294,913	294,602
Rental	225,674	214,108
Cost of cars and trucks sold	2,590,841	2,371,972
Other	210,557	134,233
Total	6,717,172	6,291,368

At each reporting date the Group reviews whether as a result of changes in the estimated residual value and/or the useful life of the property and equipment under operational lease prospective adjustments to the depreciation charges are required. For 2011 this did not result in additional depreciation charges (2010: EUR 9.0 million). Reference is made to note 17 and the financial risk section (Asset risk).

The caption 'Other' includes an increase of the valuation allowance on vehicles from terminated lease contracts of EUR 12.5 million (2010: EUR 2.0 million decrease), reference is made to note 14.

# (iii) Gross profit

The gross profit (revenues -/- cost of revenues) can be shown as follows:

	2011	2010
Depreciation	86,630	97,547
Lease services	150,863	145,815
Damage risk retention	173,446	175,932
Rental	20,892	10,436
Management fees	190,760	190,832
Results of vehicles sold (Results terminated contracts)	- 24,383	- 25,527
Other	82,674	91,565
Total	680,882	686,600

# **NOTE 3 - INTEREST AND SIMILAR INCOME**

This caption mainly includes interest income from operational and finance leases, and to a lesser extent also interest income on deposits placed by the Group's central Treasury with financial institutions amounting to EUR 25.6 million (2010: EUR 14.9 million).

**NOTE 4 - INTEREST EXPENSES AND SIMILAR CHARGES** 

	2011	2010
Interest expense on debt securities issued	302,969	304,044
Interest expense on funds entrusted	51,541	72,180
Interest expense on subordinated loans	10,599	12,427
Other	204,033	208,340
Total	569,142	596,991

The caption 'Other' mainly includes interest expense on 'Borrowings from financial institutions'.

# **NOTE 5 - IMPAIRMENT CHARGES ON LOANS AND RECEIVABLES**

The not impairment charges can be detailed as follows:

the net impairment charges can be detailed as follows:			
	Note	2011	2010
Trade receivables			
Impairment		40,211	50,881
Reversal of impairment		- 20,729	- 31,118
	13	19,482	19,763
Other			
Reclaimable damages		33	-
Rebates and bonuses		224	-
Total		19,739	19,763

# **NOTE 6 - STAFF EXPENSES**

	2011	2010
Wages and salaries	317,957	304,388
Social security charges	47,603	46,786
Defined contribution pension costs	30,837	17,988
Defined benefit post-employment costs	12,707	7,993
Charge to/(release of) provision for share-based payments	-	18
Other staff costs	35,674	35,219
Total	444,778	412,392

The average number of staff employed (including temporary staff) by the Group during the year was 5,969 (2010: 5,772), of whom 860 (2010: 850) were employed in the Netherlands. At year-end the nominal number of staff employed by the Group was 6,257 (2010: 6,079).

The breakdown of post-employment costs is as follows:

' '			
	Note	2011	2010
Current service costs	27 (ii)	2,171	2,248
Interest costs	27 (ii)	3,065	3,367
Expected return on plan assets	27 (ii)	- 2,535	- 2,729
Curtailments and settlements	27 (ii)	8,065	1
Amortisation of actuarial (gains)/losses	27 (ii)	812	145
Past service costs	27 (ii)	7	- 54
Exchange rate differences		47	47
Other	27 (ii)	1,075	4,968
Defined benefit post-employment costs		12,707	7,993
Defined contribution pension costs		30,837	17,988
Total post-employment costs		43,544	25,981

In 2010 the caption 'Other' includes the effect of the IAS 19 paragraph 58(b) limit, which relates to one defined benefit plan with a minimum funding requirement. Since the Group has no unconditional right to the surplus on wind-up and there is no economic benefit to the Group from any reductions in future contributions this minimum funding requirement was recognised as a charge in the 2010 income statement. For information on the actuarial assumptions reference is made to note 27 (ii).

# **NOTE 7 - GENERAL AND ADMINISTRATIVE EXPENSES**

This item includes office overheads, automation costs, advertising costs, professional fees and other general expenses.

# **NOTE 8 - DEPRECIATION AND AMORTISATION**

	Note	2011	2010
Depreciation other property and equipment	18	23,929	25,203
Impairment software	20	-	13,000
Amortisation intangible fixed assets	20	19,188	19,166
Total		43,117	57,369

The impairment on software in 2010 is further disclosed in note 20.

# **NOTE 9 - INCOME TAX EXPENSES**

The income tax expenses in the income statement can be shown as follows:

	Note	2011	2010
Current tax			
Current tax on profits for the year		36,088	85,052
Adjustments in respect of prior years		-8,645	3,447
Total current tax		27,443	88,499
Deferred tax			
Origination and reversal of temporary differences		33,064	- 29,805
Changes in tax rates		- 1,176	- 397
Adjustments in respect of prior years		- 1,935	16,756
Total deferred tax	19	29,953	- 13,446
Total		57,396	75,053

In 2011 the current tax adjustments in respect of prior years include the settlement of withholding tax credits. The deferred tax adjustments in respect of prior years mainly include (i) valuation allowances on deferred tax assets in relation to tax losses and tax credits amounting to EUR 3.7 million (2010: EUR 5.2 million) as the Group considers it not probable that future taxable profits will be available, also taken into account the limitations for loss compensation, against which these tax losses and tax credits can be utilised; and (ii) a release of EUR 2.6 million for anticipated adjustments of prior years' tax returns (2010: charge EUR 13.0 million).

Further information on deferred income tax assets and liabilities is presented in note 19.

# Effective tax rate reconciliation

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the basic nominal tax rate of the domicile country (25%) of the parent and is as follows:

		2011		2010
Profit before tax		280,221		271,809
Tax calculated at domicile country nominal tax rate	25.0%	70,055	25.5%	69,311
Effect of different tax rates in foreign countries		- 2,638		- 8,903
Weighted average taxation	24.1%	67,417	22.2%	60,408
Income not subject to tax		- 1,082		- 8,063
Expenses not deductible for tax purposes		2,817		2,902
Changes in tax rates		- 1,176		- 397
Adjustments in respect to prior years				
Current tax		- 8,645		3,447
Deferred tax		- 1,935		16,756
Total effective taxation	20.5%	57,396	27.6%	75,053

The weighted average of the local tax rates applicable to the Group for 2011 is 24.1% (2010: 22.2%) which is lower than the domicile country nominal tax rate of 25.0% predominantly as a result of the fact that the Group realises on average, profits in jurisdictions with a tax rate lower than 25.0% and losses in (some) jurisdictions with a rate higher than 25.0%. The increase of the weighted average of the local tax rates in 2011 is a result of both lower profits in jurisdictions with a tax rate below the average and lower losses in jurisdictions with a tax rate above the average.

The effective tax rate in 2011 of 20.5% is significantly lower than 2010 (27.6%), in both years mainly as a result of the adjustments in respect to prior years as described above.

The tax (charge)/credit relating to components of other comprehensive income is as follows:

		2011				2010
	Before tax	Tax (charge)/ credit	After tax	Before tax	Tax (charge)/ credit	After tax
Cash flow hedges	- 11,006	2,730	- 8,276	92,635	- 7,042	85,593
Exchange rate differences	5,915	-	5,915	38,130	-	38,130
Total	- 5,091	2,730	- 2,361	130,765	- 7,042	123,723

# **NOTE 10 - CASH AND BALANCES WITH BANKS**

	2011	2010
Cash and balances with banks		
Cash and balances at central banks	61,946	70,203
Call money, cash with banks included in Receivables from financial institutions	943,052	657,345
Call money and bank overdrafts included in Borrowings from financial institutions	- 144,518	- 200,335
Balance as at 31 December for the purposes of the statement of cash flows	860,480	527,213

This item includes all legal tender available at call.

Mandatory reserve deposits amounting to EUR 59.1 million (2010: EUR 61.1 million) are not available for use in the Group's day-to-day operations. The mandatory reserve deposits form part of the 'Cash and balances at central banks'.

# **NOTE 11 - DERIVATIVE FINANCIAL INSTRUMENTS**

Derivative financial instruments are carried at fair value and are made up as follows:

			2011			2010
	Notional	Fair	value	Notional	Fair	value
	amounts	Assets	Liabilities	amounts	Assets	Liabilities
Fair value hedge						
Interest rate swaps/						
forward rate agreements	5,367,907	141,627	1,065	5,222,738	142,196	14,196
Currency swaps	65,957	7,343	34	27,491	919	-
Cash flow hedge						
Interest rate swaps/						
forward rate agreements	2,576,465	553	64,323	3,345,000	16,069	92,869
Total derivatives in hedge	8,010,329	149,523	65,422	8,595,229	159,184	107,065
Interest rate swaps/						
forward rate agreements	11,733,122	55,755	117,168	12,605,119	151,059	187,176
Currency swaps/						
currency forwards	3,350,881	38,480	75,626	3,582,262	18,771	129,610
Total derivatives not in hedge	15,084,003	94,235	192,794	16,187,381	169,830	316,786
Total	23,094,332	243,758	258,216	24,782,610	329,014	423,851

The fair value is based on the price including accrued interest (dirty price). Reconciliation between the fair value of the derivative financial instruments and the hedging reserve included in group equity is as follows:

	2011	2010
Fair value cash flow hedges – assets	553	16,069
Fair value cash flow hedges – liabilities	- 64,323	- 92,869
Less: accrued interest on cash flow hedges	19,825	44,093
Total net position cash flow hedges	- 43,945	- 32,707
Less: cumulative fair value gains/(losses) through income statement (hedge imperfectness)	- 12	- 244
Tax on cash flow hedges	10,990	8,260
Hedging reserve	- 32,967	- 24,691

The unrealised gains/(losses) on financial instruments recognised in the income statement breaks down as follows:

	Note	2011	2010
Derivatives not designated as hedges		- 20,216	- 4,040
Derivatives at fair value hedges		12,025	40,432
Derivatives at cash flow hedges (imperfectness)		- 175	244
		- 8,366	36,636
Bond and notes used in fair value hedges	25	- 10,869	- 41,385
Unrealised gains/(losses) on financial instruments		- 19,235	- 4,749

# **NOTE 12 - RECEIVABLES FROM FINANCIAL INSTITUTIONS**

This caption includes amounts receivable from Dutch and foreign credit institutions. Amounts receivable from financial institutions includes call money and current account bank balances that form part of the cash and balances with banks in the cash flow statement.

	2011	2010
Amounts receivable from credit institutions	1,603,515	992,615
Cash collateral deposited for securitisation transactions	203,524	403,933
Cash collateral deposited for derivative financial instruments	63,030	109,900
Balance as at 31 December	1,870,069	1,506,448

The cash collateral deposited for securitisation transactions relates to the Bumper 1, Bumper 2, Bumper 3 and Bumper 4 securitisation transactions, reference is made to the financial risk section (Liquidity risk) and to note 4 of the Company financial statements.

The cash collateral deposited for derivative financial instruments originates from Credit Support Annexes (CSAs) to International Swaps and Derivatives Association (ISDA) master agreements and reference is made to the financial risk section (Strategy in using financial instruments).

The maturity analysis is as follows:

	2011	2010
Three months or less	1,569,019	937,714
Longer than three months, less than a year	4,492	20,404
Longer than a year, less than five years	296,554	548,325
Longer than five years	4	5
Balance as at 31 December	1,870,069	1,506,448

# **NOTE 13 - RECEIVABLES FROM CLIENTS**

This item includes amounts receivable under lease contracts and trade receivables, after deduction of allowances for debtor risks, where necessary.

	2011	2010
Amounts receivable under finance lease contracts	2,390,532	2,191,005
Trade receivables	573,528	535,128
Balance as at 31 December	2,964,060	2,726,133

The maturity analysis is as follows:

	2011	2010
Three months or less	760,887	679,260
Longer than three months, less than a year	447,416	437,184
Longer than a year, less than five years	1,648,249	1,514,199
Longer than five years	107,508	95,490
Balance as at 31 December	2,964,060	2,726,133

The fair value of the receivables does not significantly differ from the carrying amount, as a significant part of these receivables is contracted at a floating interest rate and due to the short-tail of the average remaining term. Reference is made to the financial risk section (Fair value of financial instruments).

# (i) Impairment

The movement in impairment on receivables is as follows:

	Note	2011	2010
Balance as at 1 January		79,097	90,695
Net impairment charges	5	19,482	19,763
Receivables written off during the year as uncollectable		- 23,008	- 32,007
Exchange rate differences		116	646
Balance as at 31 December		75,687	79,097

For a description of the criteria used to determine whether receivables to clients are impaired reference is made to the financial risk section (Credit risk). The impairment policy is aligned with Basel II and the Group recognises, next to specific impairment allowances of EUR 69.0 million (2010: EUR 73.3 million), an expected loss provision of EUR 6.7 million (2010: EUR 5.8 million) based on the probability of default (PD) and the loss given default (LGD) as determined under the Basel II regime.

# (ii) Finance lease contracts

The amounts receivable from clients include finance lease receivables, which may be analysed as follows:

Gross investment in finance leases, with remaining maturities.

	2011	2010
Not longer than a year	711,050	714,117
Longer than a year, less than five years	1,760,578	1,632,200
Longer than five years	123,482	113,500
	2,595,110	2,459,817
Unearned finance income on finance leases	204,576	268,812
Net investment in finance leases	2,390,534	2,191,005

Net investment in finance leases, with remaining maturities.

	2011	2010
Not longer than a year	637,568	578,144
Longer than a year, less than five years	1,645,458	1,517,371
Longer than five years	107,508	95,490
Balance as at 31 December	2,390,534	2,191,005

The unguaranteed residual values of finance lease assets accruing to the benefit of the lessor amount to EUR 345 million (2010: EUR 348 million).

The accumulated allowance for uncollectable minimum lease payments receivable amount to EUR 10.1 million (2010: EUR 11.5 million).

A part of the financial leased assets is encumbered (securitised) as a result of the asset backed securitisation transactions concluded by the Group. The total value of the securitised financial leased assets amounts to EUR 110.1 million (2010: EUR 175.8 million). For further details on the transactions reference is made to the financial risk section (Treasury risk), note 17 of the consolidated financial statements and note 4 of the Company financial statements.

# **NOTE 14 - INVENTORIES**

	Note	2011	2010
Cars and trucks from terminated lease contracts		227,935	158,023
Valuation allowance	2	- 21,500	- 9,000
Carrying amount cars and trucks from terminated lease contracts	17	206,435	149,023
New cars and trucks in stock		19,025	9,519
Balance as at 31 December		225,460	158,542

Inventories are stated at the lower of cost or net realisable value.

# **NOTE 15 - OTHER RECEIVABLES AND PREPAYMENTS**

This item includes prepayments in respect of expenses attributable to a subsequent period and amounts still to be received, as well as to amounts that are not classified under any other asset.

	2011	2010
Rebates and bonuses and commissions receivable	191,882	160,738
Prepaid motor vehicle tax and insurance premiums	131,266	129,006
VAT and other taxes	64,114	39,898
Reclaimable damages	29,641	29,634
Other prepayments and accrued income	50,727	66,180
Interest to be received	4,087	2,610
Re-insurance assets	20,779	28,969
Other	153,200	143,858
Balance as at 31 December	645,696	600,893

The majority, of the other receivables and prepayments, has a remaining maturity of less than one year.

The caption 'Other' mainly includes pass on costs to be invoiced to clients for leasing related services such as fuel, maintenance and insurances.

# NOTE 16 - INVESTMENTS IN AND LOANS TO ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

Principal jointly controlled entities and associates that are accounted for under net equity accounting in the consolidated financial statements are:

# Jointly controlled entities

LeasePlan Emirates Fleet Management – LeasePlan Emirates LLC, United Arab Emirates (49%) LPD Holding A.Ş, Turkey (51%) Excelease N.V., Belgium (51%) Overlease S.r.L., Italy (51%)

Please S.C.S., France (99.3%) E Lease S.A.S., France (5%)

Flottenmanagement GmbH, Austria (49%)

# **Associates**

Terberg Leasing B.V., the Netherlands (24%)

The net equity accounting treatment is based on whether the Group has significant influence or joint control. In the situations where the Group has a majority shareholding in the companies listed above these companies still qualify as jointly controlled entities as the Group has contractually agreed to sharing of control whereby the strategic and operating decisions relating to the company require the unanimous consent of the parties sharing control. The accounting period of the principal associates and jointly controlled entities aligns with the accounting period of the Group.

The Group's share of the result, in its principal jointly controlled entities and associates, is as follows:

	2011	2010
Balance as at 1 January	35,754	22,447
Transfers	-	5,510
Share of results	3,629	7,397
Capital increase	-	1,311
Dividend received	- 1,623	- 911
Balance as at 31 December	37,760	35,754

In 2010 the impairment of Excelease was reversed in 'Share of results' upon the decision not to continue the sales process which was started in 2009.

The maturity analysis of the loans is as follows:

	2011	2010
Three months or less	21,974	24,119
Longer than three months, less than a year	65,880	74,368
Longer than a year, less than five years	104,734	88,084
Balance as at 31 December	192,588	186,571

The loan commitments only relate to the jointly controlled entities and there are no material contingent liabilities of the associates and jointly controlled entities other than loan commitments (reference is made to note 31).

The summarised financial information for the material interests in associates and jointly controlled entities can be shown as follows:

	2011	2010
Assets	403,160	384,042
Liabilities	365,400	348,288
Total income	62,558	59,800
Net income	3,629	7,397
Dividend paid	1,623	911

# NOTE 17 - PROPERTY AND EQUIPMENT UNDER OPERATIONAL LEASE AND RENTAL FLEET

	Note	Operational lease	Rental fleet	Total
Carrying amount as at 1 January 2010		11,510,026	38,769	11,548,795
Purchases		4,179,690	34,758	4,214,448
Transfer to inventories	14	- 149,023	-	- 149,023
Disposals		- 1,894,821	- 15,081	- 1,909,902
Depreciation		- 2,578,894	- 9,746	- 2,588,640
Exchange rate differences		316,534	468	317,002
Carrying amount as at 31 December 2010		11,383,512	49,168	11,432,680
Cost		16,762,367	59,573	16,821,940
Accumulated depreciation and impairment		- 5,378,855	- 10,405	- 5,389,260
Carrying amount as at 31 December 2010		11,383,512	49,168	11,432,680
Purchases		5,495,306	45,803	5,541,109
Acquisition of subsidiary	22	126,199	-	126,199
Transfer to inventories	14	- 206,435	-	- 206,435
Disposals		- 2,081,884	- 14,583	- 2,096,467
Depreciation		- 2,625,173	- 14,633	- 2,639,806
Exchange rate differences		37,750	- 202	37,548
Carrying amount as at 31 December 2011		12,129,275	65,553	12,194,828
Cost		17 240 979	80,997	17 /20 075
		17,349,878	•	17,430,875
Accumulated depreciation and impairment		- 5,220,603	- 15,444	- 5,236,047
Carrying amount as at 31 December 2011		12,129,275	65,553	12,194,828

The Group concluded four securitisation transactions under the names of Bumper 1 (2006/2008), Bumper 2 (2008/2011), Bumper 3 (2009) and Bumper 4 (2011). These transactions involve the sale of future lease instalment receivables and related residual value receivables originated by various LeasePlan subsidiaries to special purpose companies (which are included in the consolidated financial statements of the Company). As a result of this sale this caption includes encumbered (securitised) operational lease assets for an amount of EUR 2.1 billion (2010: EUR 2.8 billion), which can be detailed as follows:

	2011	2010
Bumper 1		1,388,406
Bumper 2	832,673	842,603
Bumper 3	275,399	557,659
Bumper 4	1,019,681	-
Total	2,127,753	2,788,668

For further details on the transactions reference is made to the financial risk section (Treasury risk) and note 4 of the Company financial statements.

At each reporting date the Group reviews whether as a result of changes in the estimated residual value and/or the useful life of the property and equipment under operational lease prospective adjustments to the depreciation charges are required. For 2011 this did not result in additional depreciation charges (2010: EUR 9.0 million). Reference is made to note 2 and the financial risk section (Asset risk).

In 2011 and 2010 there were no impairments on leased assets.

An approximation of the future minimum lease payments under non-cancellable operational leases in aggregate and for each of the following periods can be summarised as follows:

	Nomina	l value
	2011	2010
Not longer than a year	3,989,883	4,163,660
Longer than a year, less than five years	9,509,810	8,382,421
Longer than five years	124,608	98,525
Total	13.624.301	12,644,606

**NOTE 18 - OTHER PROPERTY AND EQUIPMENT** 

	Note	Property	Equipment	Total
Carrying amount as at 1 January 2010		23,497	62,756	86,253
Purchases		910	42,498	43,408
Disposals		- 11,502	- 13,746	- 25,248
Depreciation	8	- 1,872	- 23,331	- 25,203
Exchange rate differences		238	2,408	2,646
Carrying amount as at 31 December 2010		11,271	70,585	81,856
Cost		33,849	216,077	249,926
Accumulated depreciation and impairment		- 22,578	- 145,492	- 168,070
Carrying amount as at 31 December 2010		11,271	70,585	81,856
Purchases		4,966	36,092	41,058
Acquisition of subsidiary	22	30	20	50
Disposals		- 196	- 18,118	- 18,314
Depreciation	8	- 1,244	- 22,685	- 23,929
Exchange rate differences		81	73	154
Carrying amount as at 31 December 2011		14,908	65,967	80,875
Cost		37,319	215,802	253,121
Accumulated depreciation and impairment		- 22,411	- 149,835	- 172,246
Carrying amount as at 31 December 2011		14,908	65,967	80,875

In the fourth quarter of 2010 the Group sold property in the Netherlands with a carrying amount of EUR 11.3 million. This resulted in a gain of EUR 10.1 million which is included in the caption 'Revenues' in 2010, reference is made to note 2. There are no bank borrowings secured against land and buildings.

# NOTE 19 - DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Deferred tax assets and liabilities as at 31 December are attributable to the following:

	Deferi	Deferred tax asset		Deferred tax liability	
	2011	2010	2011	2010	
Goodwill	14,049	14,163	-	-	
Property and equipment under operational leases	42,664	49,273	269,729	244,623	
Other property and equipment	4,035	3,594	1,139	1,717	
Provisions	13,677	13,605	-	80	
Deferred leasing income	49,651	48,355	18,726	22,525	
Tax value of losses carried forward recognised	134,401	148,413	-	-	
Tax credits and prepayments	20,256	17,176	-	1,555	
Other receivables	42,363	32,153	31,870	31,742	
Other payables	30,485	34,535	39,449	42,765	
Tax (assets)/liabilities	351,581	361,267	360,913	345,007	
Offset of deferred tax assets and liabilities	- 206,149	- 206,132	- 206,149	- 206,132	
Balance as at 31 December	145,432	155,135	154,764	138,875	
Net tax position		16,260	9,332		
Movement net tax position 2011	- 25,592				

A breakdown of the movement in the net deferred tax position can be summarised as follows:

	Note	2011	2010
Balance as at 1 January		16,260	10,942
Acquisition of subsidiary	22	2,930	-
Income statement (charge)/credit	9	- 29,953	13,446
Tax (charge)/credit relating to components of other comprehensive income	9	2,730	- 7,042
Exchange rate differences		- 1,299	- 1,086
Balance as at 31 December		- 9,332	16,260

The income statement (charge)/credit can be broken down as follows:

	Defe	Deferred tax asset		Deferred tax liability	
	2011	2010	2011	2010	
Goodwill	- 267	- 3,741	-	-	
Property and equipment under operational leases	- 10,998	37,744	24,656	- 24,558	
Other property and equipment	370	239	- 611	902	
Provisions	46	597	- 80	- 158	
Deferred leasing income	1,135	3,631	- 3,753	- 3,065	
Tax value of losses carried forward recognised	- 12,674	- 3,443	-	-	
Tax credits and prepayments	2,959	- 15,434	- 1,606	814	
Other receivables	7,539	2,579	- 523	17,912	
Other payables	- 4,738	2,293	- 4,758	19,172	
Movement in deferred tax	- 16,628	24,465	13,325	11,019	
Offsetting movement in deferred tax liability	- 13,325	- 11,019			
Income statement (charge)/credit	- 29,953	13,446			

The Group has not recognised identifiable tax losses for an amount of EUR 92.1 million (2010: EUR 70.1 million) and has not recognised tax credits for an amount of EUR 7.6 million (2010: EUR 10.4 million) as the Group considers it not probable that future taxable profits will be available (also taking into account expiry dates when applicable) against which these tax losses and tax credits can be utilised.

The expiration profile of the losses carried forward can be illustrated as follows:

	2011	2010
E 1 101		
Expire within a year	-	-
Expire after a year, less than five years	35,863	22,769
Expire after five years	92,375	90,583
No expiry date	315,883	356,549
Total	444,121	469,901
Tax value	134,401	148,413

The total tax value of losses carried forward is presented before offsetting the corresponding deferred tax liabilities (which are reflected in the offset of deferred tax assets and liabilities as shown in the disclosure of tax assets and liabilities). The deferred tax liability relating to property and equipment under operational leases reverses over the remaining maturity of the operational lease contracts which ranges from 3 to 4 years.

**NOTE 20 - INTANGIBLE ASSETS** 

	Note	Capitalised software	Purchased software	Customer relationship	Customer contract	Goodwill	Total
Carrying amount as at							
1 January 2010		54,000	10,870	7,837	-	86,171	158,878
Purchases		12,319	5,598				17,917
Divestments		- 65	- 4,194				- 4,259
Impairment	8	- 13,000					- 13,000
Amortisation	8	- 12,511	- 5,225	- 1,430			- 19,166
Exchange rate differences		9,909	457				10,366
Carrying amount as at							
31 December 2010		50,652	7,506	6,407	-	86,171	150,736
Cost		102,252	46,583	13,025		86,171	248,031
Accumulated amortisation and impa	irment	- 51,600	- 39,077	- 6,618		00,171	- 97,295
Carrying amount as at	annicht	31,000	32,077	0,010			71,275
31 December 2010		50,652	7,506	6,407	-	86,171	150,736
Purchases		9,341	8,606				17,947
Acquisition of subsidiary	22	7,771	0,000	3,034	4,808	12,433	20,275
Divestments		- 96	- 2,221	5,054	4,000	12,455	- 2,317
Amortisation	8	- 11,853	- 5,196	- 1,510	- 629		- 19,188
Exchange rate differences		1,588	39	_,			1,627
Carrying amount as at							_,-,-,
31 December 2011		49,632	8,734	7,931	4,179	98,604	169,080
Cost		113,695	49,197	25,200	4,808	98,604	291,504
Accumulated amortisation and impa	airment	- 64,063	- 40,463	- 17,269	- 629	-	- 122,424
Carrying amount as at			•	•			•
31 December 2011		49,632	8,734	7,931	4,179	98,604	169,080

The remaining amortisation period for the intangible assets with a finite life is approximately five years.

The capitalised software mainly relates to an internally developed leasing application in the Group's Australian subsidiary. The development started in 2007 and the application was implemented early 2010. In the course of 2010 indications for impairment were identified in the sense that (i) the originally anticipated efficiencies of being able to manage the core business with a relative smaller number of required staff is not deemed sufficient in the foreseeable future to the extent it is required to justify the carrying amount of the application; and (ii) it is currently deemed less likely that the application is easily transferable to other Group companies in view of the expected modifications to allow usage of the system in the unique local business environment of each Group company. Therefore the impairment test was performed based on value in use. The value in use was determined by discounting future cash flows generated from cost savings and to a minor extent revenue enhancements associated with the application taking into account a remaining economic life of eight years. A discount rate of 7% was applied which was based on an average weighted cost of capital applicable in the Australian market. As the carrying amount exceeded the value in use by an amount of EUR 13 million, an impairment charge was recognised for this difference. In 2011 no indications for impairment or reversal of impairment on capitalised software were identified and consequently no impairment charge was recognised or reversed.

The goodwill relates to the acquisition in 2005 of three companies of Europear Fleet Services in Italy, Spain and Portugal, to the acquisition in 2008 of Daimler Chrysler Fleet Management France S.A.S., which operates under the brand name DCS fleet and in 2011 to the acquisition of Multirent - Aluguer e Comércio de Automóveis, S.A., which operates under the name of Santander Consumer Multirent (Multirent). All acquired companies were engaged in providing leasing services. Goodwill is allocated to the Group's cash generating units which have incorporated the above mentioned acquisitions and can be presented as follows:

Cash generating unit	Acquisition	Year	Discount rate*	2011	2010
LeasePlan Italy	Europcar	2005	11.50%	46,646	46,646
LeasePlan Spain	Europcar	2005	11.35%	14,413	14,413
LeasePlan Portugal	Europcar	2005	13.25%	14,799	14,799
LeasePlan France	DCS	2008	10.50%	10,313	10,313
LeasePlan Portugal	Multirent	2011	13.25%	12,433	-
Total				98,604	86,171

<sup>\*</sup> The discount rate applies to 2011, in 2010 the discount rate used for all cash generating units was 9%.

Annually, or more frequently if events or changes in circumstances indicate a potential impairment, goodwill is reviewed for impairment. There was no impairment recognised in 2011 (2010: nil). The impairment test is identical for all cash generating units and based on value in use. The value in use was determined by discounting future cash flows generated from the continuing use of the cash generating units in which the acquired operating companies were incorporated. Cash flows were projected on actual financial results and the 5-year business plans. The growth rates included in the business plans exceed the long term average growth rate for this business as a reflection of the relative growth potential of the markets and to allow for an improvement in market position. In order to align the planned growth rate to the long-term growth rate, the cash flows were extrapolated for a further 11 years based on a gradually declining growth rate. A discount rate was applied which is built up of (i) a risk free rate (4%), (ii) a market premium (5%) multiplied by a market specific ß (1.3) and (iii) a country specific risk premium (ranging between 0% and 2.75%).

There is one cash generating unit with relatively little headroom between the carrying amount and the value in use which is LeasePlan Italy. This is mainly a reflection of a relatively high goodwill in relation to the business volume. The headroom for LeasePlan Italy further reduced in 2011 mainly due to an increase in the discount rate as a reflection of increased risk premium for economic uncertainty. A further increase of the discount rate by more than 50 basis points or a significant adverse change in the projected net result would remove the remaining headroom (approximately EUR 6 million).

# NOTE 21 - ASSETS AND LIABILITIES CLASSIFIED AS HELD-FOR-SALE AND DISCONTINUED OPERATIONS

This caption includes the MOX group and Overlease.

In 2011 the Group continued its sales and phasing out efforts in respect of the MOX group that leases small, mostly electric vehicles. Parts of the assets were sold in 2011 and previous years and the remaining business activities will be phased out and/or sold. Therefore the MOX group remains classified as held-for-sale at 31 December 2011 and the net result remains classified as arising from discontinued operations.

The MOX group is measured at the lower of its carrying amount and the fair value less costs to sell, which resulted in a value adjustment amounting to EUR 17.0 million at year-end 2007. In the course of the years 2008 through 2011 operational losses of the MOX group were written off against this value adjustment resulting in a nil balance of this value adjustment at year-end 2011 (2010: EUR 3.6 million).

In June 2009 the Group together with the other shareholder of Overlease decided to enter into a liquidation scenario for this company. As a result loans provided by the Group to Overlease were impaired for an amount of EUR 7.1 million at year-end 2011.

# Effect of classification as assets held-for-sale

For the years ended 31 December 2011 and 31 December 2010, the MOX group had no significant cash inflows from operating activities, cash outflows from investing activities and cash flows from financing activities.

Assets and liabilities classified as held-for-sale and discontinued operations are detailed in the table below.

	2011	2010
Cash	1,276	22
Receivables from customers	1,349	1,923
Impairment receivables from customers	- 909	- 948
Inventories	370	1,316
Other receivables and prepayments	- 10	- 3
Property and equipment under operational lease and rental fleet	122	1,149
Other property and equipment	-	115
Deferred corporate income tax receivable	2,934	2,427
Value adjustment	-	- 3,623
Total assets held-for-sale and discontinued operations	5,132	2,378
Cash equivalent included in Borrowings from financial institutions	70	263
Trade and other payables and deferred income	174	113
Total liabilities classified as held-for-sale and discontinued operations	244	376

# Result for the year from discontinued operations

A breakdown of the result of discontinued operations after tax is as follows:

	2011	2010
Operating income	- 591	- 1,567
Operating expenses	1,011	5,523
Result before tax	- 1,602	- 7,090
Income tax expenses	- 481	- 2,386
Result from associates and joint ventures	- 300	- 1,118
Movement in value adjustment	3,337	7,700
Result for the year from discontinued operations	1,916	1,878

# Discontinued operations in 2011 and 2010

The result from discontinued operations includes the result from the MOX group and Overlease.

# **NOTE 22 - EFFECT OF ACQUISITIONS**

In July 2011 the Group acquired from Santander Consumer Iber-Rent, SL, 100% of the shares in Multirent - Aluguer e Comércio de Automóveis, S.A., a company which operates under the name of Santander Consumer Multirent (Multirent) in Portugal. The acquisition complements the Group's multi-brand approach and provides further support of the Group's long-term strategy to deliver sustainable growth with a focus on profitability.

The goodwill of EUR 12.4 million arising from the acquisition is attributable to the acquired customer base, which is an inseparable part of the entity, and economies of scale expected from combining the operations of the Group and Multirent. None of the goodwill recognised is expected to be tax deductible for income tax purposes. The following table summarises the consideration paid for Multirent and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

Consideration at 5 July 2011	Note	
Cash		22,000
Total consideration		22,000
Acquisition related expenses (included in the general and administrative expenses		
in the consolidated income statement for the year ended 31 December 2011)		215
Recognised amounts of identifiable assets acquired and liabilities assumed		
Cash and cash equivalents		
Receivables from clients		3,089
Corporate income tax receivable		753
Inventories		8,850
Other receivables and prepayments		2,799
Property and equipment under operational lease and rental fleet	17	126,199
Other property and equipment	18	50
Deferred tax asset	19	4,890
Customer relationship (included in intangible assets)	20	3,034
Customer contract (included in intangible assets)	20	4,808
Corporate income tax payable		- 56
Borrowings from financial institutions		- 129,579
Trade and other payables and deferred income		- 13,310
Deferred tax liabilities	19	- 1,960
Total identifiable net assets		9,567
Goodwill	20	12,433
Total		22,000

The fair value of receivables from clients amounts to EUR 3.1 million. The gross contractual amount for receivables from clients due is EUR 10.0 million, of which EUR 6.9 million is expected to be uncollectible.

The revenues included in the consolidated income statement since 5 July 2011 contributed by Multirent amounted to EUR 36.6 million. Multirent also contributed net profit of EUR 1.9 million over the same period.

# **NOTE 23 - BORROWINGS FROM FINANCIAL INSTITUTIONS**

This item includes amounts owed to credit institutions under government supervision.

The maturity analysis of these loans is as follows:

	2011	2010
On demand	144,517	200,335
Three months or less	146,693	1,279,964
Longer than three months, less than a year	318,927	228,850
Longer than a year, less than five years	925,762	492,165
Balance as at 31 December	1,535,899	2,201,314

Amounts owed to financial institutions on demand relating to call money and bank overdraft balances form part of the cash and balances with central banks in the cash flow statement.

Borrowings from financial institutions include an outstanding balance of EUR 890 million (2010: EUR 647 million) which is non-euro currency denominated as at 31 December 2011. The remainder of the borrowings from financial institutions is denominated in euro. Reference is made to the financial risk section (Currency risk). At the end of 2011 there were no borrowings from the ECB (2010: EUR 950 million), which were secured with notes from the securitisation transactions.

In December 2010 the Group concluded a EUR 1.475 billion 3 year committed credit facility with a consortium of 16 banks. During 2011 and 2010 no amounts were drawn under this facility.

# **NOTE 24 - FUNDS ENTRUSTED**

This item includes all non-subordinated loans not included in the caption 'Borrowings from financial institutions' or 'Debt securities issued'.

The maturity analysis of these loans is as follows:

	2011	2010
Three months or less	1,479,464	1,336,565
Longer than three months, less than a year	1,154,591	300,397
Longer than a year, less than five years	338,818	268,217
Longer than five years	12,527	13,993
Balance as at 31 December	2,985,400	1,919,172

This caption includes savings deposits raised by LeasePlan Bank amounting to EUR 2.794 billion (2010: EUR 1.675 billion) of which 56.1% (2010: 28.1%) is deposited for a fixed term. LeasePlan Bank is the brand name under which savings deposits are raised by LeasePlan Corporation N.V. which holds a universal banking licence in the Netherlands.

The average interest rates on the outstanding balances of the savings deposits in original maturity terms are as follows:

	2011	2010
On demand	3.26%	2.91%
A year or less	3.56%	2.78%
Longer than a year, less than or equal to two years	3.28%	3.04%
Longer than two years	3.94%	3.85%

The interest rate of the on demand accounts is set on a monthly basis.

The funds entrusted include an outstanding balance of EUR 1.1 million (2010: nil) which is non-euro currency denominated as at 31 December 2011. The remainder of the funds entrusted is denominated in euro. Reference is made to the financial risk section (Currency risk).

# **NOTE 25 - DEBT SECURITIES ISSUED**

This item includes negotiable, interest bearing securities, other than those of a subordinated nature.

No.	ote	2011	2010
Bonds and notes – originated from securitisation transactions		1,397,357	420,998
Bonds and notes – other		7,922,011	7,626,088
Bonds and notes – fair value adjustment on hedged risk	11	86,870	76,001
Commercial Paper		54,913	102,206
Certificates of Deposit		74,777	190,298
Balance as at 31 December		9,535,928	8,415,591

There is no pledge of security for these debt securities except for the bonds and notes which are originated from asset backed securitisation transactions.

The debt securities issued include an outstanding balance of EUR 2.8 billion (2010: EUR 2.9 billion) which is non-euro currency denominated as at 31 December 2011. The remainder of the debt securities is denominated in euro. The fair value adjustment is attributable to the hedged risk on bonds and notes in fair value hedges. The policy is commented on in the financial risk section (Strategy in using financial instruments).

The average interest rates applicable to the outstanding balances can be summarised as follows:

	2011	2010
Bonds and notes	3.1%	3.0%
Commercial Paper	2.4%	2.7%
Certificates of Deposit	1.8%	1.4%
Average interest rate	3.1%	3.0%

The maturity analysis of these debt securities issued is as follows:

	2011	2010
Three months or less	1,896,897	646,969
Longer than three months, less than a year	2,439,467	1,093,146
Longer than a year, less than five years	5,031,308	6,525,284
Longer than five years	168,256	150,192
Balance as at 31 December	9,535,928	8,415,591

At year-end 2011 the caption 'Bonds and notes – originated from securitisation transactions' can be detailed as follows:

	2011	2010
	(0.00	
Bumper 2	601,370	-
Bumper 3	70,685	420,998
Bumper 4	725,302	-
Total	1,397,357	420,998

Further reference is made to the financial risk section (Treasury risk) and note 4 of the Company financial statements.

At year-end 2011 the caption 'Bonds and notes – other' includes the following bonds raised under the Credit Guarantee Scheme of the State of the Netherlands. The 2011 annual fee payable to the State of the Netherlands amounted to EUR 46.6 million (2010: EUR 59.3 million).

Term	Rate option	Interest rate	Maturity date	Currency	Notional amount
Three year	Fixed	3.125%	February 2012	EUR	1,250,000
Three year	Fixed	3.000%	May 2012	USD	2,500,000
Five year	Fixed	3.250%	May 2014	EUR	1,500,000
Five year	Floating 3m libor	+ 1.125%	June 2014	USD	500,000

The fixed rate bonds listed above are included in fair value hedges whereby the bonds (hedged item) are measured at amortised cost and are constantly being adjusted for gains/losses that are attributable to the risk being hedged. This adjustment is booked in the income statement, where it offsets the remeasurement of the fair value of the hedging instrument that is also recorded in the income statement.

At year-end 2011 the caption 'Bonds and notes – other' includes an outstanding balance of EUR 352 million (2010: EUR 230 million) of floating rate notes with step-up spread and embedded put option whereby the note-holder has the right to put the notes back to the issuer at the end of each interest period. In the maturity analysis these notes are assumed to mature at the next interest date.

# NOTE 26 - TRADE AND OTHER PAYABLES AND DEFERRED INCOME

	2011	2010
Trade payables	666,110	567,643
Deferred leasing income	498,085	551,606
Other accruals and other deferred income	216,825	203,374
Other amounts owed	212,110	183,283
Interest payable	155,525	143,753
Advance lease instalments received	86,281	74,817
Accruals for contract settlements	80,449	77,762
VAT and other taxes	12,464	33,096
Balance as at 31 December	1,927,849	1,835,334

The majority, of the trade and other payables and deferred income has, except for deferred leasing income, a remaining maturity less than one year. Deferred leasing income relates to amounts received in advance, as part of the monthly lease instalments, to cover lease expenses in a subsequent period.

# **NOTE 27 - PROVISIONS**

	2011	2010
Damage risk retention provision (i)	221,112	221,500
Post-employment benefits (ii)	16,086	18,786
Other provisions (iii)	30,129	29,613
Balance as at 31 December	267,327	269,899

The majority of provisions is expected to be recovered or settled after more than 12 months.

# (i) Damage risk retention provision

	2011	2010
Provision for Third Party Liability (TPL)	104,481	99,476
Provision for damage claims	15,965	23,042
Incurred but not reported (IBNR)	100,666	98,982
Balance as at 31 December	221,112	221,500

The damage risk retention provision breaks down as follows:

			2011			2010
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Damages reported	120,446	- 14,301	106,145	122,518	- 28,969	93,549
Damages IBNR	100,666	- 6,478	94,188	98,982	-	98,982
Total damage risk provisions	221,112	- 20,779	200,333	221,500	- 28,969	192,531
Current	41,936	-	41,936	44,807	-	44,807
Non-current	179,176	- 20,779	158,397	176,693	- 28,969	147,724
Total damage risk provisions	221,112	- 20,779	200,333	221,500	- 28,969	192,531

The development of the Third Party Liability (TPL) exposures provides a measure of the Group's ability to estimate the ultimate value of damages. The top half of the table below illustrates how the Group's estimate of total damages outstanding for each accident year has changed at successive year-ends. The bottom half of the table below reconciles the cumulative damages to the amounts appearing in the balance sheet for TPL. The accident year basis is considered the most appropriate for the business written by the Group.

Accident year	< 2006	2006	2007	2008	2009	2010	2011	Total
At end of accident year	239,745	58,510	53,116	57,619	49,325	46,874	66,066	
One year later	220,415	49,216	49,873	48,282	45,177	44,852		
Two years later	206,534	42,437	46,649	51,016	43,162			
Three years later	204,596	36,227	42,687	46,087				
Four years later	204,363	38,178	45,773					
Five years later	201,635	37,683						
More than five years later	197,533							
Estimate of cumulative claims	197,533	37,683	45,773	46,087	43,162	44,852	66,066	
Cumulative payments to date	- 163,508	- 29,913	- 35,529	- 31,380	- 25,088	- 23,356		
Gross outstanding								
damage liabilities	34,025	7,770	10,244	14,707	18,074	21,496	66,066	172,382
Less: IBNR	2,132	1,873	2,185	5,006	7,113	10,323	39,269	67,901
T. ( ) TDI								
Total provision for TPL,								
excluding IBNR	31,893	5,897	8,059	9,701	10,961	11,173	26,797	104,481

The total provision for TPL, excluding IBNR for the years prior to 2006 can be detailed as follows:

	Gross outstanding damage liabilities	Less: IBNR	Total provision for TPL, excluding IBNR
2005	14,002	1,049	12,953
2004	7,470	336	7,134
2003	2,519	182	2,337
2002	6,580	142	6,438
2001	1,915	290	1,625
2000	965	5	960
< 2000	574	128	446
Total	34,025	2,132	31,893

# (ii) Provision for post-employment benefits

The provision for post-employment benefits comprises both defined benefit pension plans and other post-employment benefits. The Group operates a number of pension plans around the world. Most of these pension plans are defined contribution plans. In five countries, the Group has defined benefit pension plans, which for the majority are not open to new participants. The total number of participants of these pension plans is 413 (2010: 662). In addition, the Group operates other post-employment benefit plans in five countries which relate to legally required termination indemnities, which are payable at either the retirement date or the date the employees leave the Group. The total number of participants of other post-employment benefit plans is 1,152 (2010: 1,147).

The valuations of provisions for post-employment benefits are performed by independent qualified actuaries on an annual basis. The following tables summarise the impact on the balance sheet, payment obligations, assets and economic assumptions in respect of the main post-employment benefits in the various countries.

	2011	2010
Balance as at 1 January	70,543	61 752
Movements in projected benefit obligations	70,543	61,752
Current service costs	2,171	2,248
Interest costs	3,065	3,367
Employer's contributions/(refunds)	215	204
···	3,522	2.146
Actuarial (gains)/losses  Benefits paid		,
Curtailments	- 1,590 31	- 1,895 1
	7	_
Past service costs		- 54
Settlements	- 25,802	
Exchange rate differences	390	2,774
Balance as at 31 December: benefit obligations	52,552	70,543
Balance as at 1 January	49,952	43,917
Movements in plan assets		
Expected return on plan assets	2,535	2,729
Actuarial gains/(losses) on plan assets	- 1,947	- 1,270
Employer's contribution	14,017	3,918
Employee contribution	215	217
Benefits paid	- 1,221	- 1,610
Settlements	- 32,505	-
Exchange rate differences	194	2,051
Balance as at 31 December: plan assets	31,240	49,952
Funded status: surplus /(deficit) as at 1 January	- 20,591	- 17,835
Funded status: surplus/(deficit) as at 31 December	- 21,312	- 20,591
Unrecognised actuarial (gains)/losses	5,280	6,748
Effect of paragraph 58(b) limit	5,200	- 4,943
Prepaid pension cost (included in other assets)	- 54	4,243
Prepaid/(accrued) benefit cost as at 31 December	- 16,086	- 18,786
Unrecognised actuarial (gains)/losses as at 1 January	6,748	3,433
Actuarial (gains)/losses on pension obligation	3,522	2,146
Actuarial (gains)/losses on plan assets	1,947	1,270
Amortisation of actuarial gains/(losses)	- 812	- 145
Settlements	- 6,274	-
Exchange rate differences	149	44
Unrecognised actuarial (gains)/losses as at 31 December	5,280	6,748

In the course of 2011 the defined benefit pension plan in the United Kingdom was settled by means of a transfer of all obligations and plan assets to an insurance company. The balance sheet impact of this settlement is included in the table above and the impact on the income statement is reconciled in the table below:

	Note	2011
Settlements		
Defined benefit obligations		- 25,802
Plan assets		32,505
Actuarial (gains)/losses		6,274
Curtailments		31
		13,008
Effect of paragraph 58(b) limit (recognised in 2010)		- 4,943
Curtailments and settlements	6	8,065

The effect of the IAS 19 paragraph 58(b) limit relates to the defined benefit pension plan in the United Kingdom which has a minimum funding requirement. Since the Group has no unconditional right to the surplus on wind-up and there is no economic benefit to the Group from any reduction in future contributions this minimum funding requirement was recognised as a charge in the 2010 income statement.

Reference is made to note 6 for the details on the amounts recognised in the income statement in respect of the Group's post-employment defined benefit plans. Expected contributions to post-employment defined benefit plans are EUR 2.7 million for the year ending 31 December 2012.

There are no defined benefit pension plans that are wholly unfunded and none of the collective and individual pension plans in the various countries are fully funded.

The weighted averages of the main actuarial assumptions used to determine the value of the provision for post-employment defined benefits as at 31 December were as follows:

	2011	2010
Discount rate	3.9%	4.5%
Inflation rate	1.7%	2.7%
Expected increment in salaries	2.4%	2.5%
Future pension increases	0.6%	2.8%
Expected return on plan assets	4.7%	5.0%

The expected return on plan assets is determined by considering the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk free premium associated with the respective asset classes and the expectations for future returns on each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets. The expected returns of the individual plans have been weighted on the basis of the fair value of the assets of the plans in order to determine the average expected return on plan assets. All other assumptions are weighted on the basis of the post employment benefit obligations.

The actual return on plan assets amounted to EUR o.6 million (2010: EUR 1.5 million).

Assumptions regarding future mortality experience are set based on published statistics and actuarial advice. The average life expectancy is in years of a pensioner retiring at age 65 on the balance sheet date as follows:

	2011	2010
Male	20.1	19.7
Female	23.0	23.2

The plan assets comprise the following:

	2011	2010
Equity instruments	22%	10%
Debt instruments	57%	56%
Other assets	21%	34%
Total	100%	100%

The experience adjustments on plan assets and plan liabilities are as follows:

	2011	2010	2009	2008	2007
Present value of defined benefit obligation	52,552	70,543	61,752	50,913	58,054
Fair value of plan assets	31,240	49,952	43,917	35,840	43,804
Deficit/(surplus) in the plans	21,312	20,591	17,835	15,073	14,250
Experience adjustments on plan liabilities	- 609	- 413	455	2,199	1,739
Experience adjustments on plan assets	- 1,588	- 1,039	2,346	- 6,761	- 363

# (iii) Other provisions

	Other long-term employee benefits	Termination benefits	Litigation	Miscellaneous	Total
Balance as at 1 January	7,790	5,420	9,574	6,829	29,613
Charge/(credit) to the income statement					
Additional provisions	1,886	1,236	2,440	19,360	24,922
Unused amounts reversal	- 922	- 31	- 3,135	- 739	- 4,827
Usage during the year	- 1,426	- 3,562	- 2,170	- 12,299	- 19,457
Exchange rate differences	42	5	- 276	107	- 122
Balance as at 31 December	7,370	3,068	6,433	13,258	30,129

# (a) Other long-term employee benefits

Other long-term employee benefits include provisions for medium-term bonus schemes, jubilee payments and extra holiday entitlements.

# (b) Termination benefits

The provision for termination benefits relates to expected payments in order to terminate the employment of an employee or group of employees before the normal termination date. The balance relates to a small number of employee related litigations and obligations of relatively small size and are expected to be settled in the short-term.

# (c) Litigation

Litigation provisions have been set up to cover legal and administrative proceedings that arise in the ordinary course of business. These provisions are not employee related and have a long-term nature.

# (d) Miscellaneous

Miscellaneous provisions include items which cannot be classified under one of the other captions. The nature of the items is diverse and long-term and includes provisions for guarantee payments and onerous contracts.

# **NOTE 28 - SUBORDINATED LOANS**

In November 2006 under the Group's debt issuing programme (EMTN) a EUR 500 million lower Tier 2 10 year non-call 5 bond was issued. In view of the terms of this issue, the Dutch Central Bank has agreed to qualify this issue as subordinated. The issue was bought by a variety of (foreign) institutional investors.

In November 2011 the Company redeemed the outstanding balance of the subordinated loan at par by making use of the non call 5 option after receiving approval from the Dutch Central Bank.

# **NOTE 29 - SHARE CAPITAL AND PREMIUM**

At 31 December 2011, the authorised capital amounted to EUR 250 million (2010: EUR 250 million), divided into 250,000,000 ordinary shares with a nominal value of EUR 1.00 each, of which EUR 71.6 million is issued and paid up.

The holders of the ordinary shares are entitled to receive dividend as declared from time to time and are entitled to vote per share at meetings of the Company.

The share premium reserve is a reserve in which the amount paid in excess of the nominal value is included.

# **NOTE 30 - OTHER RESERVES**

# Translation reserve

The translation reserve comprises all foreign exchange rate differences arising from the translation of the financial statements of foreign operations that are not integral to the operations of the Company. In 2011 no translation differences related to discontinued operations were recycled to the income statement (2010: nil).

# **Hedging reserve**

The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments where the hedged transaction has not yet occurred.

# Dividend

In 2011 a dividend of EUR 4.9 million (2010: EUR 4.3 million) was paid.

# **Profit appropriation**

Reference is made to the Company financial statements on the appropriation of profit for the year and the movements in the reserves.

# **NOTE 31 - COMMITMENTS**

The Group has entered into commitments in connection with the forward purchase of property and equipment under operational lease and rental fleet amounting to EUR 1.4 billion (2010: EUR 1.2 billion) as at the balance sheet date. These commitments are entered into in the ordinary course of business and are back-to-back matched with lease contracts entered into with customers.

Furthermore, the Group has entered into commitments in connection with long-term rental and lease contracts. The future aggregate minimum lease payments under these contracts are as follows:

	2011	2010
Not longer than a year	32,673	31,131
Longer than a year, less than five years	87,869	87,287
Longer than five years	59,698	58,385
Total	180,240	176,803

For a number of clients, residual value guarantees have been given to a total of EUR 304 million (2010: EUR 305 million).

Credit facilities have been concluded with associates and jointly controlled entities amounting to EUR 332 million (2010: EUR 325 million) of which EUR 200 million (2010: EUR 187 million) is drawn. Reference is made to note 16.

# **NOTE 32 - RELATED PARTIES**

# **Identity of related parties**

Related parties and enterprises, as defined by IAS 24, are parties and enterprises which can be influenced by the Company or which can influence the Company.

Global Mobility Holding B.V. is shareholder of the Company. The business relations between the two companies and its indirect shareholders are handled on normal market terms. No transactions occurred in 2011 and 2010.

In December 2010 the Company secured a EUR 1.475 billion credit facility from Volkswagen A.G. through its subsidiary Volkswagen International Payment Services N.V. for a period of 3 years ending January 2014 amounting to EUR 1.475 billion. No amounts were drawn under this facility in 2011 and 2010.

All business relations with associates and jointly controlled entities are in the ordinary course of business and handled on normal market terms.

An amount of EUR 193 million (2010: EUR 187 million) is provided as loans to associates and jointly controlled entities (reference is made to note 16).

# Transactions with key management personnel

Key management personnel are considered to be the Managing Board and the Senior Vice-Presidents.

In addition to their salaries, the Group also provides non-cash benefits to the key management and contributes to postemployment defined benefit and defined contribution plans on their behalf. The key management personnel compensations are as follows:

	2011	2010
Calarina and ather shout town annularies handfits	F 1F7	0.427
Salaries and other short-term employee benefits  Post-employment benefits	5,157 860	8,136 838
Other long-term benefits	1,308	729
Total	7,325	9,703

In both 2011 and 2010 there were no termination benefits.

The compensations are distributed as follows:

	2011	2010
Managing Board	1,825	3,498
Senior Vice-Presidents	5,500	6,205
Total	7,325	9,703

The total remuneration is included in the caption 'Staff expenses' (reference is made to note 6).

The Group has not granted any loans, guarantees or advances to the members of the Managing Board.

# Remuneration of the members of the Supervisory Board

One of the members of the Supervisory Board is compensated by the Company for the tasks and responsibilities as a member of the Supervisory Board. The total expense for the Group amounted to EUR 55,000 for 2011 and EUR 30,000 for 2010 (appointment of the relevant Supervisory Board member took place during the year). The other four members are associated, by way of employment, to the LeasePlan shareholders. As such those four members are compensated by the shareholders and receive no remuneration chargeable to the Group. The Group has not granted any loans, guarantees or advances to the members of the Supervisory Board.

# **NOTE 33 - CONTINGENT ASSETS AND LIABILITIES**

As at year-end 2011, guarantees had been provided on behalf of the consolidated subsidiaries in respect of commitments entered into by those companies with an equivalent value of EUR 2.4 billion (2010: EUR 1.9 billion). The company charges a guarantee fee to the respective subsidiaries based on normal market terms.

The probability of any inflow of economic benefits arising from the contingent assets is difficult to estimate and remote. Accordingly no asset is recognised in the balance sheet.

# **COMPANY FINANCIAL STATEMENTS**

# BALANCE SHEET OF THE COMPANY

for the year ended 31 December (before profit appropriation)

In thousands of euros	Note	2011	2010
ACCETO			
ASSETS	2	(4.00(	70.464
Cash and balances with central banks	2	61,906	70,161
Amounts due from banks	3	1,435,105	904,544
Debt securities .	4	289,900	2,011,950
Loans to group companies	5	9,376,455	6,944,545
Loans to jointly controlled entities	6	167,159	153,636
Investments in group companies	5	2,018,739	1,684,776
Investments in jointly controlled entities	6	14,740	12,904
Other assets	7	266,213	302,161
Intangible assets	8	670	1,371
Total assets		13,630,887	12,086,048
LIABILITIES			
Amounts due to banks	9	117,196	1,117,856
Funds entrusted	10	2,807,412	1,728,778
Debt securities issued	11	7,031,382	6,455,101
Other liabilities	12	1,521,013	578,398
Subordinated loans	13	-	269,057
Total liabilities		11,477,003	10,149,190
EQUITY			
Share capital		71,586	71,586
Share premium		506,398	506,398
Hedging reserve		- 32,967	- 24,691
Legal reserves		370,327	287,470
Translation reserve		21,988	16,074
Other reserves		992,265	880,933
Profit for the year		224,287	199,088
Shareholders' equity	14	2,153,884	1,936,858
· ·			
Total equity and liabilities		13,630,887	12,086,048

# INCOME STATEMENT OF THE COMPANY

In thousands of euros	Note	2011	2010
Result from subsidiaries after taxation	5	244,448	213,336
Other results after taxation		- 20,161	-14,248
Profit for the year		224,287	199,088

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

All amounts are in thousands of euros, unless stated otherwise

#### **NOTE 1 - GENERAL**

For certain notes to the Company's balance sheet, reference is made to the notes to the consolidated balance sheet unless stated otherwise.

The Company's financial statements are prepared pursuant to the provisions in Part 9, Book 2, of the Netherlands Civil Code, by applying the accounting policies used in the consolidated financial statements under IFRSs pursuant to the provisions of Article 362 sub 8, Part 9, Book 2, of the Netherlands Civil Code.

The income statement in the Company's financial statements has been presented in abridged form pursuant to the provisions of Article 402, Part 9, Book 2, of the Netherlands Civil Code.

Under reference to Article 362 sub 8, Part 9, Book 2 of the Netherlands Civil Code, the associates and jointly controlled entities are measured and valued in accordance with the same IFRSs accounting standards as adopted in the consolidated financial statements of the Company.

The accounting policies set out before in preparing the consolidated financial statements for the year ended 31 December 2011 and the consolidated financial statements for the year ended 31 December 2010 are also applied in the Company's financial statements, with the exception of the valuation of investments in subsidiaries.

# Investments in subsidiaries, associates and jointly controlled entities

The investments in subsidiaries that are not classified as held-for-sale are accounted for in accordance with the net value of assets and liabilities, based upon accounting policies used in the consolidated financial statements.

The investments associates and jointly controlled entities that are not classified as held-for-sale are accounted for in accordance with the net equity method based upon accounting policies used in the consolidated financial statements. When the Group's share of losses exceeds its interest in a subsidiary, jointly controlled entity or associate, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations, which are expected to result in an outflow of resources, or made payments on behalf of the subsidiary, jointly controlled entity or associate.

# **NOTE 2 - CASH AND BALANCES WITH CENTRAL BANKS**

Mandatory reserve deposits that amount to EUR 59.1 million (2010: EUR 61.1 million) are not available for use in the Group's day-to-day operations. The mandatory reserve deposits form part of the cash.

# **NOTE 3 - AMOUNTS DUE FROM BANKS**

A break down of this caption is as follows:

	2011	2010
Call manay and each at hanks	072 020	EE2 E74
Call money and cash at banks	873,930	552,574
Cash collateral Bumper transactions  Cash collateral derivative financial instruments	7,075	134,770
	11,100	17,200
Deposits with banks	543,000	200,000
Balance as at 31 December	1,435,105	904,544

# **NOTE 4 - DEBT SECURITIES**

This caption includes investments in bonds resulting from four securitisation programmes concluded by the Company. The following debt securities are issued:

CONSOLIDATED FINANCIAL STATEMENTS

Programme	Originator	Special purpose company	Currency	Transaction value*
Bumper 1	LeasePlan Nederland N.V.	Bumper 1 B.V.	EUR	1,274,300
Bumper 2	LeasePlan Deutschland GmbH	Bumper 2 S.A.	EUR	875,600
Bumper 3	LeasePlan UK Ltd	Bumper 3 Finance Plc	GBP	887,137
Bumper 4	LeasePlan Nederland N.V.	Bumper 4 (NL) Finance B.V.	EUR	1,019,681

<sup>\*</sup>Transaction value at issue date. The transaction value of Bumper 1 is at tap-issue date in 2008 and for Bumper 2 at re-issue date in 2011.

These transactions involve the sale of future lease instalment receivables and related residual value receivables originated by various LeasePlan subsidiaries to special purpose companies. The special purpose companies are incorporated as bankruptcy remote companies. Debt securities were issued by these special purpose companies to finance these transactions. The special purpose companies are responsible for making interest and principal payments to the note-holders. The note-holders do not have recourse on the Company or other Group companies in case of non-performance or default by the special purpose companies. Depending on market situations the (high) rated notes are sold to external investors or are bought by the Group's central Treasury (own book). In case the highest rated notes are held by the Company such notes are intended to be ECB eligible and to be used as collateral value when the Company engages as counterparty in monetary transactions with the European Central Bank (ECB).

The Bumper notes bought by the Company are as follows:

	2011	2010
Bumper 1	-	1,274,300
Bumper 2	273,200	737,650
Bumper 3	-	-
Bumper 4	16,700	-
Total	289,900	2,011,950

In addition to the notes bought by the Company, LeasePlan Finance N.V. (a consolidated subsidiary of the Company) bought Bumper 3 class B and C-notes for an amount of GBP 221.8 million at issue date. The Company provided in 2011 a subordinated loan to Bumper 4 (NL) Finance B.V. for an amount of EUR 275.5 million. The subordinated loan is included in note 5.

The maturity of the Bumper notes bought by the Company is as follows:

	2011	2010
Longer than three months, less than a year	-	117,752
Longer than a year, less than five years	276,059	1,869,871
Longer than five years	13,841	24,327
Balance as at 31 December	289,900	2,011,950

#### Bumper 1

In December 2006 the first securitisation transaction was completed by LeasePlan named Bumper 1. The initial value of the transaction was EUR 1,109 million representing the future lease receivables and related residual value receivables originated by LeasePlan Nederland N.V. (the "originator") and sold to LeasePlan Securitisatie B.V. in 2006. In September 2008 a tap-issue was completed to increase the value of Bumper 1 to EUR 1,274.3 million. The debt securities issued by Bumper 1 B.V. are divided into four classes: A-notes, B-notes, C-notes and D-notes, whereby the A-notes are rated AAA and the B-notes AA by Fitch Ratings. The Bumper 1 notes were listed on the Irish Stock Exchange and were held by the Company. Both Bumper 1 B.V. and LeasePlan Securitisatie B.V. were specially incorporated under the laws of The Netherlands for the purpose of securitisation transactions and are both bankruptcy remote special purpose companies. Bumper 1 B.V. and LeasePlan Securitisatie B.V. are included in the consolidated financial statements of the Company.

Early 2011 the transaction was unwound and replaced by a new Dutch asset backed securitisation transaction named Bumper 4.

#### Bumper 2

After successfully completing Bumper 1, LeasePlan completed the second asset backed securitisation transaction named Bumper 2 in March 2008. Future lease instalment receivables and related residual value receivables for a total amount of EUR 875.6 million originated by LeasePlan Deutschland GmbH (the "originator") were sold to Bumper 2 S.A., a bankruptcy remote company incorporated for the purpose of securitisation transactions under the laws of Luxembourg. Debt securities were issued by Bumper 2 S.A. to finance this transaction. The residual value receivables are created through the expectancy rights purchaser (ERP), Bumper Car Sales GmbH, a German special purpose company that purchased the expectancy rights which the originator has against the issuer. The ERP in turn contracted with the originator to pay the vehicle realisation proceeds as the purchase price for the expectancy rights. These claims the originator has against the ERP were sold to the issuer. The originator must pay the contractually residual value at the end of the leasing contract to the ERP.

In 2008 Bumper 2 S.A. issued under this securitisation programme debt securities with a final legal term of 15 years and a revolving period of five years, after which redemption takes place. Bumper 2 S.A. and Bumper Car Sales GmbH are bankruptcy remote special purpose companies, but are included in the consolidated financial statements of the Company. The debt securities issued in March 2008 were divided into A-notes (EUR 663.3 million), B-notes (EUR 74.4 million) and C-notes (EUR 137.9 million). The notes were listed on the Irish Stock Exchange. The transaction was assessed by Standard & Poor's resulting in an AAA-rating for the A-notes and an A-rating for the B-notes.

In 2011 a new ECB rule became effective which requires that all notes (including existing notes) which are used for collateral purposes with the ECB need to be assessed by at least two external credit assessment institutions. In 2011 the Company restructured the Bumper 2 transaction in order to have the notes rated by two external credit assessment institutions. In March 2011 Bumper 2 S.A. bought back all Bumper 2 notes issued in 2008 and issued new notes. The debt securities issued in March 2011 are divided into A-notes (EUR 602.4 million), B-notes (EUR 47.9 million) and C-notes (EUR 225.9 million) which are listed on the Irish Stock Exchange. The transaction was assessed by Standard & Poor's and Fitch Ratings, resulting in an AAA-rating for the A-notes and AA-rating for the B-notes. The final legal term, the revolving period, after which redemption take place are unchanged. In and after the restructuring process the Company successfully sold the A-notes to external investors, the B-notes and the C-notes are held by the Company. The interest payable on the notes on a monthly basis is equal to one-month Euribor plus a mark-up. The C-notes are subordinated to the B-notes and the B-notes are subordinated to the A-notes.

# Bumper 3

The Bumper 3 transaction was completed in April 2009 whereby GBP 887 million of future lease instalment receivables and associated residual value receivables originated by LeasePlan UK Ltd. (the "originator") were sold to Bumper 3 Finance Plc, a bankruptcy remote limited liability company specially incorporated for the purpose of securitisation transaction under the laws of England and Wales. Debt securities were issued by Bumper 3 Finance Plc in EUR and GBP to finance this transaction. To hedge the currency risk arising from purchasing GBP receivables and issuing EUR class A-notes Bumper 3 Finance Plc concluded a currency swap. The title to the underlying objects is retained by the originator (except for vehicles under an Employee Car Ownership Scheme).

The notes issued under this securitisation programme have a final legal term of 13 years and a revolving period of one year. Bumper 3 Finance Plc is a bankruptcy remote limited liability company, but is included in the consolidated financial statements of the Company.

The debt securities issued in April 2009 are divided into A-notes (EUR 733.8 million), B-notes (GBP 79.9 million) and C-notes (GBP 142.0 million). The notes are listed on the Irish Stock Exchange. The transaction was assessed by Fitch Ratings resulting in an AAA-rating for the A-notes and an A-rating for the B-notes. As from June 2011 Fitch Ratings upgraded the B-notes to AA.

The A-notes were sold to external investors, the B and C-notes are held by LeasePlan Finance N.V. The interest payable on the notes on a quarterly basis is equal to three-month Euribor plus a mark-up for the EUR notes and three-month Libor plus a mark-up for the GBP notes. The C-notes are subordinate to the B-notes and the B-notes are subordinate to the A-notes.

# **Bumper 4**

The Bumper 4 transaction was completed in April 2011 whereby EUR 1,019.6 million of future lease instalment receivables and associated residual value receivables originated by LeasePlan Netherlands N.V. (the "originator") were sold to Bumper 4 (NL) Finance B.V., a bankruptcy remote special purpose company specially incorporated for the purpose of securitisation transactions under the laws of the Netherlands. Debt securities were issued by Bumper 4 (NL) Finance B.V. and a subordinated loan received from the Company are used to finance this transaction. The title to the underlying objects is retained by the originator.

The notes issued under this securitisation programme have a final legal term of 15 years and a revolving period of one year. During this revolving period Bumper 4 (NL) Finance B.V. can use available funds to purchase new receivables. Bumper 4 (NL) Finance B.V. is a bankruptcy remote limited liability company, but is included in the consolidated financial statements of the Company.

The debt securities issued in April 2011 are divided into A-notes (EUR 703.5 million), B-notes (EUR 40.7 million) and a subordinated loan of (EUR 275.5 million). The notes are listed on the Irish Stock Exchange. The transaction is assessed by Fitch Ratings and Moody's, resulting in an AAA-rating (Fitch) and an Aaa-rating (Moody's) for the A-notes. The class B-notes are rated AAA by Fitch Ratings and Aa2 by Moody's.

The A-notes and the majority of the B-notes are sold to external investors. The interest payable on the notes on a monthly basis is equal to one-month Euribor plus a mark-up. The B-notes are subordinate to the A-notes. The loan (EUR 275.5 million) provided by the Company to Bumper 4 (NL) Finance B.V. is subordinate to the A-notes and the B-notes.

# **NOTE 5 - INVESTMENTS IN AND LOANS TO GROUP COMPANIES**

Movements in investments in group companies are as follows:

	2011	2010
Balance as at 1 January	1,684,776	1,439,453
Purchase of and increase in subsidiaries	175,002	4,121
Reductions in subsidiaries	- 107,787	- 100,238
Result of subsidiaries	244,448	213,336
Direct changes in equity	16,386	89,973
Exchange rate differences	5,914	38,131
Balance as at 31 December	2,018,739	1,684,776

The direct changes in equity relate to fair value changes in cash flow hedges.

The maturity analysis on the loans is as follows:

	2011	2010
Three months or less	3,641,283	4,162,818
Longer than three months, less than a year	1,440,370	1,010,009
Longer than a year, less than five years	4,017,639	1,770,046
Longer than five years	277,163	1,672
Balance as at 31 December	9,376,455	6,944,545

# NOTE 6 - INVESTMENTS IN AND LOANS TO JOINTLY CONTROLLED ENTITIES

The investment relates to a jointly controlled entity in Turkey. Movements in jointly controlled entities are as follows:

	2011	2010
Polonco os et 1 lanuary	12.004	9.402
Share of results	<b>12,904</b> 1,836	<b>8,692</b> 4,212
Balance as at 31 December	14,740	12,904

The loans relate to jointly controlled entities in France and Turkey.

The maturity analysis on the loans is as follows:

	2011	2010
Three months or less	16,200	21,000
Longer than three months, less than a year	56,257	55,814
Longer than a year, less than five years	94,702	76,822
Balance as at 31 December	167,159	153,636

The company has entered into loan commitments of EUR 211 million (2010: EUR 211 million) of which EUR 167 million has been drawn at year-end 2011 (2010: EUR 154 million). There are no other material contingent liabilities of the jointly controlled entities.

# **NOTE 7 - OTHER ASSETS**

Besides derivative financial instruments this caption includes a corporate income tax receivable from fiscal authorities and Group companies forming part of the fiscal unity. The Company settles corporate income tax due or receivable on taxable income with its Group companies forming part of the fiscal unity as if these Group companies were responsible for their tax filings on a stand-alone basis.

	2011	2010
Derivative financial instruments	216,955	280,372
Tax receivables	216,955	9,104
Other	26,386	12,685
Balance as at 31 December	266,213	302,161

Derivative financial instruments are carried at fair value and are made up as follows:

			2011			2010
	Notional	Fair	value	Notional	Fair v	<i>r</i> alue
	amounts	Assets	Liabilities	amounts	Assets	Liabilities
Fair value hedge						
Interest rate swaps/						
forward rate agreements	5,241,102	125,892	919	5,096,348	126,718	12,935
Currency swaps	47,332	5,182	34	-	-	-
Cash flow hedge						
Interest rate swaps/						
forward rate agreements	1,836,465	340	50,278	1,150,000	12,111	22,256
Total derivatives in hedge	7,124,899	131,414	51,231	6,246,348	138,829	35,191
Interest rate swaps/						
forward rate agreements	8,536,879	47,263	79,237	8,094,497	140,380	137,578
Currency swaps/						
currency forwards	1,987,434	38,278	41,266	1,249,468	1,163	85,597
Total derivatives not in hedge	10,524,313	85,541	120,503	9,343,965	141,543	223,175
Total	17,649,212	216,955	171,734	15,590,313	280,372	258,366

The fair value is based on the price including accrued interest (dirty price).

The unrealised gains/(losses) on financial instruments recognised in the income statement breaks down as follows:

	2011	2010
Derivatives not designated as hedges	- 19,718	- 2,498
Derivatives at fair value hedges	10,472	34,634
Derivatives at cash flow hedges (imperfectness)	14	- 45
	- 9,232	32,091
Financial liabilities used in fair value hedges	- 9,352	- 35,577
Unrealised gains/(losses) on financial instruments	- 18,584	- 3,486

# **NOTE 8 - INTANGIBLE ASSETS**

	Purch	Purchased software	
	2011	2010	
Carrying amount as at 1 January	1,371	_	
Purchases	152	2,168	
Depreciation	- 853	-797	
Carrying amount as at 31 December	670	1,371	
Cost	2,320	2,168	
Accumulated depreciation and impairment	- 1,650	-797	
Carrying amount as at 31 December	670	1,371	

The purchased software relates to a banking system for LeasePlan Bank.

#### **NOTE 9 - AMOUNTS DUE TO BANKS**

This caption includes amounts owed to credit institutions under government supervision.

The maturity of these loans is as follows:

	2011	2010
Three months or less	33,446	1,049,865
Longer than three months, less than a year	41,157	19,369
Longer than a year, less than five years	42,593	48,622
Balance as at 31 December	117,196	1,117,856

Amounts due to banks include an outstanding balance of EUR 2.7 million (2010: EUR 3.0 million) which is non-euro currency denominated as at 31 December 2011. The remainder of the amounts due to banks is denominated in euro.

#### **NOTE 10 - FUNDS ENTRUSTED**

The maturity analysis of funds entrusted is as follows:

	2011	2010
Three months or less	1,461,837	1,315,986
Longer than three months, less than a year	1,112,998	254,013
Longer than a year, less than five years	230,577	155,779
Longer than five years	2,000	3,000
Balance as at 31 December	2,807,412	1,728,778

This caption mainly includes savings deposits raised by LeasePlan Bank amounting to EUR 2.794 billion (2010: EUR 1.675 billion) of which 56.1 % (2010: 28.1%) is deposited for a fixed term. LeasePlan Bank is the brand name under which savings deposits are raised by LeasePlan Corporation N.V. which holds a universal banking licence in the Netherlands.

The average interest rates on the outstanding balances of the savings deposits in original maturity terms are as follows:

	2011	2010
On demand	3.26%	2.91%
A year or less	3.56%	2.78%
Longer than a year, less than or equal to two years	3.28%	3.04%
Longer than two years	3.94%	3.85%

The interest rate of the on demand accounts is set on a monthly basis.

The funds entrusted are fully denominated in euro as at 31 December 2011 and 2010.

#### **NOTE 11 - DEBT SECURITIES ISSUED**

This caption includes negotiable, interest-bearing securities, other than those of a subordinated nature. The debt securities issued include a number of bonds, which were raised under the Credit Guarantee Scheme of the State of the Netherlands. An overview of these bonds is included in note 25 of the consolidated financial statements of the Company.

	2011	2010
Bonds and notes	6,909,548	6,244,832
Commercial Paper	47,057	19,971
Certificates of Deposit	74,777	190,298
Balance as at 31 December	7,031,382	6,455,101

The average interest rates applicable on the outstanding balances can be summarised as follows:

	2011	2010
Bonds and notes	3.2%	3.2%
Commercial Paper	1.9%	1.3%
Certificates of Deposit	1.8%	1.4%
Average interest rate	3.1%	3.1%

The maturity analysis of these debt securities issued is as follows:

	2011	2010
Three months or less	1,644,504	177,756
Longer than three months, less than a year	2,037,456	534,286
Longer than a year, less than five years	3,269,948	5,669,130
Longer than five years	79,474	73,929
Balance as at 31 December	7,031,382	6,455,101

The debt securities include an outstanding balance of EUR 2.5 billion (2010: EUR 2.3 billion) which is non-euro currency denominated as at 31 December 2011. The remainder of the debt securities is denominated in euro.

#### **NOTE 12 - OTHER LIABILITIES**

	2011	2010
Loans from Group companies	1,183,428	146,309
Amounts payable to Group companies	15,492	36,713
Derivative financial instruments	171,734	258,366
Other accruals and other deferred income	138,141	120,637
Corporate income tax payable	12,218	16,373
Balance as at 31 December	1,521,013	578,398

The amounts payable to Group companies comprise transactions with Euro Insurances and Lease Beheer N.V. For derivative financial instruments reference is made to the table in note 7.

The maturity analysis of the loans from Group companies is as follows:

	2011	2010
Three months or less	101,228	146,309
Longer than three months, less than a year	2,519	-
Longer than a year, less than five years	804,200	-
Longer than five years	275,481	-
Balance as at 31 December	1,183,428	146,309

#### **NOTE 13 - SUBORDINATED LOANS**

With respect to the disclosure of the subordinated loans, reference is made to note 28 to the consolidated financial statements of the Company.

#### **NOTE 14 - SHAREHOLDERS' EQUITY**

#### Share capital

As at 31 December 2011, the authorised capital amounted to EUR 250 million (2010: EUR 250 million), divided into 250,000,000 ordinary shares with a nominal value of EUR 1.00 each, of which EUR 71.6 million is issued and paid up. There were no movements in the issued and paid up capital in 2011 and 2010.

The movement in shareholders' equity is as follows:

	Share capital	Share premium		Reserves			Result for the	Share- holders'
			Legal	Hedging	Other	Translation	year	equity
			reserves	reserve	reserves	reserve		
Balance as at								
1 January 2010	71,586	506,398	234,175	- 110,284	773,284	- 22,057	165,233	1,618,335
Changes in cash flow hedges		•		85,593		•		85,593
Exchange rate differences						38,130		38,130
Net income/(expenses)								
recognised directly in equity	-	-	-	85,593	-	38,130	-	123,723
Profit for the year							199,088	199,088
Total recognised income/								
(expenses) for the year	-	-	-	85,593	-	38,130	199,088	322,811
Transfer from/to			53,295		- 53,295			
Appropriation of result					165,233		- 165,233	
Dividend					- 4,288			- 4,288
Balance as at 31 December 2010	71,586	506,398	287,470	- 24,691	880,934	16,073	199,088	1,936,858
Changes in cash flow hedges				- 8,276				- 8,276
Exchange rate differences				•		5,915		5,915
Net income/(expenses)						•		
recognised directly in equity	-	-	-	- 8,276	-	5,915	-	- 2,361
Profit for the year							224,287	224,287
Total recognised income								
/(expenses) for the year	-	-	-	- 8,276	-	5,915	224,287	221,926
Transfer from/to			82,856		- 82,856			
Appropriation of result					199,088		- 199,088	
Dividend					- 4,900			- 4,900
Balance as at 31 December 2011	71,586	506,398	370,326	- 32,967	992,266	21,988	224,287	2,153,884

The share premium reserve is a reserve in which the amount paid in excess of the nominal value is included.

The translation reserve comprises all foreign exchange rate differences arising from the translation of the financial statements of foreign operations that are not integral to the operations of the Company as of 1 January 2004. No translation differences related to discontinued operations are recycled to the income statement (2010: nil).

Legal reserves are non-distributable reserves relating to requirements to establish reserves for specific purposes either by the Articles of Association of the Company, Part 9, Book 2, of the Netherlands Civil Code and/or by local law. The legal reserves relate to minimum reserves to be maintained for the non-distributable share in cumulated profits of subsidiaries and associates and jointly controlled entities.

The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred and that prove to be highly effective in relation to the hedged risk. The movement in cash flow hedges is disclosed in the consolidated statement of comprehensive income.

The legal reserves, translation reserves and hedging reserves are non-distributable reserves of the Company pursuant to the provisions of Part 9, Book 2, of the Netherlands Civil Code.

There are no statutory reserves prescribed in the Articles of Association of the Company.

In 2010 shareholders' equity differs from the total equity in the consolidated financial statements due to the sale of Bumper 3 notes which resulted in initial recognition of a liability in the consolidated financial statements whereby the gain on this sale is amortised over the (expected) remaining duration of the notes. In 2011 this gain is fully amortised (EUR 0.5 million) and consequently at year-end 2011 the shareholders' equity equals the total equity in the consolidated financial statements. Reference is made to note 4 to the Company financial statements and note 25 to the consolidated financial statements.

Shareholders' equity as at 31 December 2010		1,936,858
Gain on sale Bumper 3 notes	- 1,613	
Amortisation of gain on sale Bumper 3 notes in 2010	1,003	
Variance in result before tax	- 610	
Taxation	- 156	
Variance in net result		- 454
Total equity in consolidated financial statements as at 31 December 2010		1,936,404

#### **NOTE 15 - STAFF**

The Company does not directly employ any staff.

#### **NOTE 16 - MANAGING BOARD REMUNERATION**

In addition to their salaries, the Group also provides non-cash benefits to the Managing Board and contributes to post-employment defined benefit and defined contribution plans on their behalf. The Managing Board is also the statutory board of the Company.

The statutory board remuneration is as follows:

	2011	2010
Salaries and other short-term employee benefits	1,566	2,877
Post-employment benefits	259	321
Other long-term benefits	-	300
Total	1,825	3,498

In both 2011 and 2010 there were no termination benefits.

The Group has not granted any loans, guarantees or advances to members of the Managing Board.

#### Remuneration of the members of the Supervisory Board

One of the members of the Supervisory Board is compensated by the Company for the tasks and responsibilities as a member of the Supervisory Board. The total expense for the Group amounted to EUR 55,000 for 2011 and EUR 30,000 for 2010 (appointment of the relevant Supervisory Board member took place during the year). The other four members are associated, by way of employment, to the LeasePlan shareholders. As such those four members are compensated by the shareholders and receive no remuneration chargeable to the Group. The Group has not granted any loans, guarantees or advances to the members of the Supervisory Board.

#### **NOTE 17 - AUDIT FEES**

The caption 'General and administrative expenses' in the consolidated financial statements includes an amount of EUR 4.4 million (2010: EUR 4.3 million) of audit fees for services provided by PwC.

			2011	2010
	PwC	Other	Total	Total
	Accountants N.V.	PwC network	PwC network	PwC network
Audit services	958	2,901	3,859	3,800
Other audit related services	-	60	60	51
Tax advice	-	122	122	231
Other (non-audit) services	108	239	347	239
Total services	1,066	3,322	4,388	4,321

#### **NOTE 18 - COMMITMENTS**

Credit facilities have been concluded with associates and jointly controlled entities amounting to EUR 211 million (2010: EUR 211 million) of which EUR 167 million (2010: EUR 154 million) is drawn (reference is made to note 6).

#### **NOTE 19 - CONTINGENT LIABILITIES**

Pursuant to the provisions of Article 403 f, Part 9, Book 2, of the Netherlands Civil Code, the Company has filed a declaration of joint and several liability with respect to the majority of the subsidiaries in the Netherlands. Abridged financial statements have accordingly been prepared for these subsidiaries.

The Company forms a fiscal unity with a number of Group companies in the Netherlands regarding corporate income tax and VAT. As a result the Company can be held jointly liable for tax returns of those subsidiaries.

As at 31 December 2011, guarantees had been provided on behalf of the consolidated subsidiaries outside the Netherlands. These guarantees had been provided in respect of commitments entered into by those companies and amount to a value of EUR 2.4 billion (2010: EUR 1.9 billion).

Almere, 13 March 2012

#### **Supervisory Board**

Frank Witter, Chairman Michael Klaus, Deputy Chairman Albrecht Möhle Christian Schlögell Ada van der Veer - Vergeer

#### **Managing Board**

Vahid Daemi, Chairman and CEO Guus Stoelinga, CFO Sven-Torsten Huster, COO

## 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, Australia

LeasePlan Brasil Ltda., Brazil

LeasePlan Česká republika s.r.o., Czech Republic

LeasePlan Danmark A/S, Denmark

LeasePlan Deutschland GmbH, Germany

LeasePlan Finland Oy, Finland

LeasePlan Fleet Management N.V., Belgium

LeasePlan Fleet Management (Polská) Sp. z.o.o., Poland

LeasePlan Fleet Management Services Ireland Limited, Ireland

LeasePlan France S.A.S., France

LeasePlan Hellas S.A., Greece

LeasePlan Hungária Gépjármü Kezelő és Fiannszírozó Részvénytá, Hungary

LeasePlan India Private Limited, India

LeasePlan Italia S.p.A., Italy

LeasePlan Luxembourg S.A., Luxembourg

LeasePlan Mexico S.A. de C.V., Mexico

LeasePlan Nederland N.V., the Netherlands

LeasePlan New Zealand Limited, New Zealand

LeasePlan Norge A/S, Norway

LeasePlan Österreich Fuhrparkmanagement GmbH, Austria

LeasePlan Portugal Comércio e Aluguer de Automóveis e Equipamentos Unipessoal Lda., Portugal

LeasePlan Romania SRL, Romania

LeasePlan (Schweiz) AG, Switzerland

LeasePlan Servicios S.A., Spain

LeasePlan Slovakia s.r.o., Slovakia

LeasePlan Sverige AB, Sweden

LeasePlan UK Limited, United Kingdom

LeasePlan USA, Inc., USA

Euro Insurances Limited, Ireland

Globalines Reinsurance Limited, United Kingdom

LeasePlan Finance N.V., the Netherlands

LeasePlan Infrastructure Services Limited., Ireland

LeasePlan International B.V., the Netherlands

LeasePlan Supply Services AG, Switzerland

Mobility Mixx B.V., the Netherlands

Travelcard Nederland B.V., the Netherlands

All holdings are in the ordinary share capital of the undertaking concerned and are unchanged from 2010.

Special purpose companies with no shareholding by the Group are:

Bumper 2 S.A., Luxembourg

Bumper Car Sales GmbH, Germany

Bumper 3 Finance Plc, United Kingdom

Bumper 4 (NL) Finance B.V., the Netherlands

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 LLC, United Arab Emirates (49%) LPD Holding A.Ş, Turkey (51%)
Excelease N.V., Belgium (51%)
Overlease S.r.L., Italy (51%)
PLease S.C.S., France (99.1%)
E Lease S.A.S., France (5%)
Flottenmanagement GmbH, Austria (49%)
Terberg Leasing B.V., the Netherlands (24%)

The net equity accounting treatment is based on whether the company has significant influence or joint control. In the situations where the Group has a majority shareholding in the companies listed above these companies still qualify as jointly controlled entities as the Group has contractually agreed to sharing of control whereby the strategic and operating decisions relating to the company require the unanimous consent of the parties sharing control.

Pursuant to the provisions of Article 403 f, Part 9, Book 2, of the Netherlands Civil Code, a declaration of joint and several liability with respect to the financial obligations of the majority of the participating interests in the Netherlands is filed. Such declaration is filed for the following participating interests.

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.

# OTHER INFORMATION

#### DISTRIBUTION OF PROFIT

#### PROVISIONS OF THE ARTICLES OF ASSOCIATION ON PROFIT APPROPRIATION

**DISTRIBUTION OF PROFIT** 

#### Article 25

- 1. The Managing Board shall in respect of distributable profits make a proposal for distribution of dividend and the allocation to the general reserve. Such proposal is subject to the approval of the General Meeting.
- 2. With due observance of paragraph 1 of this article, the distributable profits shall be at the disposal of the General Meeting for distribution of dividend or in order to be added to the reserves or for such other purposes within the Company's objects as the meeting shall decide. In calculating the amount of profit to be distributed in respect of each share, only the amount of the mandatory payments towards the nominal amount of the shares shall be taken into account.
- 3. The Company may make distributions to shareholders and other persons entitled to distributable profits only to the extent that the shareholders' equity exceeds the sum of the paid and called-up part of the share capital and the reserves which must be maintained by law. In calculating the appropriation of profits, the shares held by the Company in its own share capital shall not be taken into account.
- 4. Distribution of profits shall take place after the adoption of the annual accounts which show that the distribution is permitted.
- 5. The General Meeting may resolve to distribute one (1) or more interim dividends and/or other interim distributions, provided that the requirement laid down in paragraph 2 of this article has been met as shown in an interim statement of assets and liabilities as referred to in article 2:105(4) of the Dutch Civil Code.
- 6. Dividends shall be payable immediately after they have been declared, unless the General Meeting provides otherwise.
- 7. The claim for payment of dividends shall lapse on the expiry of a period of five (5) years.

#### Proposed profit appropriation

A dividend of EUR 4.9 million was paid out in December 2011. The remainder of the financial net profit amounting to EUR 219.4 million will be added to the general reserve (Other reserves).

#### INDEPENDENT AUDITOR'S REPORT

#### TO THE GENERAL MEETING OF SHAREHOLDERS OF LEASEPLAN CORPORATION N.V.

#### Report on the financial statements

We have audited the accompanying financial statements 2011 of LeasePlan Corporation N.V., Amsterdam as set out on pages 71 to 152. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2011, the consolidated income statement, the statements of comprehensive income, changes in equity and cash flows for the year then ended and the notes, comprising a summary of significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at 31 December 2011, the company income statement for the year then ended and the notes, comprising a summary of accounting policies and other explanatory information.

#### The Managing Board's responsibility

The Managing Board is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the report of the Managing Board in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Managing Board is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Managing Board, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of LeasePlan Corporation N.V. as at 31 December 2011, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

#### Opinion with respect to the Company financial statements

In our opinion, the Company financial statements give a true and fair view of the financial position of LeasePlan Corporation N.V. as at 31 December 2011, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

#### Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the report of the Managing Board, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the report of the Managing Board, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, 13 March 2012 PricewaterhouseCoopers Accountants N.V.

Originally signed by dr. H.F.M. Gertsen RA

#### MAIN OPERATING COMPANIES

#### LeasePlan International B.V.

Managing Director: J.L. Criado-Pérez

Tel: + 31 36 529 3409 Email: info@lpint.com www.leaseplan-int.com

#### **Australia**

LeasePlan Australia Ltd.

Managing Director: S. Haralambopoulos

Tel: +61 9269 2399

Fax: +61 3 9269 2200

Email: info@leaseplan.com.au

www.leaseplan.com.au

#### Austria

LeasePlan Österreich Fuhrparkmanagement GmbH

Managing Director: N. Storny

Tel: +43 1 60102 0 Fax: +43 1 60102 100 Email: leaseplan@leaseplan.at

www.leaseplan.at

#### **Belgium**

LeasePlan Fleet Management nv/sa Managing Director: M. Van den Broeck

Tel: +32 2 7226211

Fax: +32 2 7226283

Email: info@leaseplan.be

www.leaseplan.be

#### Brazil

LeasePlan Brasil Ltda.

Managing Director: T. Bercx
Tel: +55 11 3296 8600
Fax: +55 11 3296 8620

Email: leaseplan@leaseplan.com.br

www.leaseplan.com.br

#### Czech Republic

LeasePlan Česká republika, s.r.o. Managing Director: J. Hájek Tel: +420 222 829 210/211 Fax: +420 222 829 391 Email: info@leaseplan.cz www.leaseplan.cz

#### Denmark

LeasePlan Danmark A/S Managing Director: L. Eegholm

Tel: +45 36 738300 Fax: +45 36 738400 Email: lp@leaseplan.dk www.leaseplan.dk

#### Finland

LeasePlan Finland Oy
Managing Director: P. Pihlas
Tel: +358 207 420 800
Fax: +358 207 420 810
Email: info@leaseplan.fi
www.leaseplan.fi

#### **France**

LeasePlan France S.A.S.

Managing Director: D. Pissens

Tel: +33 1 56 84 10 10

Fax: +33 1 56 84 11 11

Email: information@leaseplan.fr

www.leaseplan.fr

#### Germany

LeasePlan Deutschland GmbH Managing Director: J.R. Friman Tel: +49 21 311 320

Fax: +49 21 311 320 Fax: +49 21 311 326 881 03 Email: marketing@leaseplan.de

www.leaseplan.de

#### Greece

LeasePlan Hellas SA

Managing Director: P. Zagorianakos

Tel: +30 210 689 8760 Fax: +30 210 682 5665 Email: info@leaseplan.gr www.leaseplan.gr

#### Hungary

LeasePlan Hungária Zrt. Managing Director: R. Hansman

Tel: +36 1 236 36 36 Fax: +36 1 236 36 92

Email: ugyfelszolgalat@leaseplan.hu

www.leaseplan.hu

#### India

LeasePlan India Ltd.

Managing Director: S. Prasad
Tel: +91 124 466 0100
Fax: +91 124 466 0111
Email: lpininfo@leaseplan.co.in

www.leaseplan.co.in

#### Ireland

LeasePlan Fleet Management Services (Ireland) Ltd.

Managing Director: S. O'Buachalla

Tel: +353 1 2407600
Fax: +353 1 2931700
Email: info@leaseplan.ie
www.leaseplan.ie

Euro Insurances Ltd.

Managing Director: F. Nisar
Tel: +353 1 680 4160
Fax: +353 1 680 4140

Email: fuzail.nisar@euroinsurances.net

www.euroinsurances.net

#### Italy

LeasePlan Italia S.p.A.

Managing Director: A. Martínez Cordero

Tel: +39 06 967071
Fax: +39 06 96707400
Email: informazioni@leaseplan.it

www.leaseplan.it

#### Luxembourg

LeasePlan Luxembourg S.A. Managing Director: B. Walté

Tel: +352 40 44 111

Fax: +352 40 44 15

Email: lplu@leaseplan.lu

www.leaseplan.lu

#### Mexico

LeasePlan México S.A. de C.V. Managing Director: H.D. Kaastra

Tel: +52 55 52 49 12 60
Fax: +52 55 55 20 35 77
Email: info@leaseplan.com.mx
www.leaseplan.com.mx

#### **Netherlands**

LeasePlan Nederland N.V.

Managing Director: B.J.P. Kleinherenbrink

Tel: +31 36 527 27 00 Fax: +31 36 527 27 10 Email: info@leaseplan.nl www.leaseplan.nl

LeasePlan Bank Director: R. Keulemans Tel: 0900 8303

Email: klantenservice@leaseplanbank.nl

www.leaseplanbank.nl

Travelcard Nederland B.V.

Managing Director: J.R. Vink

Tel: +31 88 110 5000

Fax: +31 88 110 5097

Email: info@travelcard.nl

www.travelcard.nl

#### **New Zealand**

LeasePlan New Zealand Ltd. Managing Director: C.G. Willmer

Tel: +64 9 583 2000 Fax: +64 9 583 2001

Email: infolpnz@leaseplan.co.nz

www.leaseplan.co.nz

#### Norway

LeasePlan Norge AS

Managing Director: A. Ree-Pedersen

Tel: +47 23 06 98 00 Fax: +47 23 06 98 01 Email: firmapost@leaseplan.no

www.leaseplan.no

#### **Poland**

LeasePlan Fleet Management (Polska) SP. z.o.o

Managing Director: S.Z. Wontrucki

Tel: +48 22 335 1666 Fax: +48 22 335 1661 Email: info@leaseplan.pl www.leaseplan.pl

#### **Portugal**

LeasePlan Portugal, Lda.

Managing Director: A.O.M. Martins

Tel: + 351 214 400 990 Fax: + 351 214 461 8 77 Email: contacto@leaseplan.pt

www.leaseplan.pt

#### Romania

S.C. LeasePlan Romania S.R.L. Managing Director: B. Apahidean

Tel: +40 21 407 2100
Fax: +40 21 407 2149
Email: office@leaseplan.ro
www.leaseplan.ro

#### Slovakia

LeasePlan Slovakia, s.r.o.

Managing Director: F. Stank

Tel: +421 220 649 200

Fax: +421 220 649 205

Email: leaseplan@leaseplan.sk

www.leaseplan.sk

#### Spain

LeasePlan Servicios, S.A. Managing Director: I. Barbadillo Tel: +34 902 400 520

Fax: +34 91 490 85 00 Email: info@leaseplan.es www.leaseplan.es

#### Sweden

LeasePlan Sverige AB

Managing Director: F. Göransson

Tel: +46 8 470 26 00 Fax: +46 8 470 26 99 Email: info@leaseplan.se www.leaseplan.se

#### **Switzerland**

LeasePlan (Schweiz) AG
Managing Director: C. Mahieu
Tel: +41 44 746 63 63
Fax: +41 44 746 63 00
Email: info@leaseplan.ch

www.leaseplan.ch

LeasePlan Supply Services AG Managing Director: B. Schönenberger

Tel: +41 41 798 0193 Fax: +41 41 790 77 19

Email: contact@lpsupplyservices.com

CarNext International

Managing Director: W.E. Reinhold

Tel: +41 417 98 0193 Fax: +41 417 907 719

Email: carnext@lpsupplyservices.com

www.carnext.com

#### Turkey

LeasePlan Otomotiv Servis ve Ticaret A.S

Managing Director: T. Oktay Tel: +90 212 335 71 00 Fax: +90 212 346 01 94

Email: leaseplan@leaseplan.com.tr

www.leaseplan.com.tr

#### **United Arab Emirates**

 $Lease Plan\ Emirates - Lease Plan\ Fleet\ Management\ LLC$ 

Managing Director: A. Narain Tel: +971 24046444

Fax: +971 24432801

Email: ajay.narain@leaseplan.ae

www.leaseplan.ae

#### **United Kingdom**

LeasePlan UK Ltd.

Managing Director: D. Brennan

Tel: +44 1753 802000 Fax: +44 8444 935820

Email: marketing@leaseplan.co.uk

www.leaseplan.co.uk

#### **United States**

LeasePlan U.S.A., Inc.

Managing Director: M. A. Pitcher

Tel: +1 800 323 6644

Email: contactlpus@leaseplan.com

www.us.leaseplan.com

Listed in the Trade Registry of the Gooi-, Eem- and Flevoland Chamber of Commerce and Industry under the number 39037076. LeasePlan Corporation N.V. is incorporated in Amsterdam, the Netherlands.

#### **Contact:**

Corporate Communications
LeasePlan Corporation N.V.
P.O. Box 1085
1300 BB Almere
The Netherlands
info@leaseplancorp.com
Phone number: +31 (0)36 539 3911

#### Investors:

Group Treasurer +353 1680 4005

#### Media:

+31 (0)36 529 3626

#### **CREDITS**

#### Written and published by:

LeasePlan Corporation N.V., Corporate Communications, Almere

#### $\ \ \, \textbf{Layout and production by:}$

Ambitions, 's-Hertogenbosch

#### **Printed by:**

HENK Grafimedia Center, Belfeld

#### Photography of leadership team and Supervisory Board:

Sjaak Ramakers, Utrecht (incl. photo on page 9) Miguel Méndez, Madrid (Photos 2, 4 and 5 on page 52) Simone van Es, Amsterdam (Photo of Sven Huster page 12)







### It's easier to leaseplan

LeasePlan Corporation N.V. P.J. Oudweg 41 1314 CJ Almere the Netherlands

P.O. Box 1085 1300 BB Almere the Netherlands

Tel: +31 36 539 3911

E-mail: info@leaseplancorp.com Internet: www.leaseplan.com