PILLAR 3 REPORT
2011

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It's easier to leaseplan

LEASEPLAN IS A GLOBAL FLEET AND VEHICLE MANAGEMENT COMPANY OF DUTCH ORIGIN. OUR FULL SERVICE OFFERING CONSISTS OF FINANCING AND OPERATIONAL FLEET MANAGEMENT SERVICES TO MEET THE NEEDS OF A DIVERSE CLIENT BASE. ESTABLISHED MORE THAN 45 YEARS AGO, WE HAVE GROWN TO BECOME THE WORLD'S LEADING FLEET AND VEHICLE LEASING COMPANY WITH OVER 85% OF OUR 6,000 WORKFORCE NOW OPERATING OUTSIDE OF THE NETHERLANDS. OUR GLOBAL FRANCHISE MANAGES AROUND 1.3 MILLION MULTI-BRAND VEHICLES AND PROVIDES FLEET AND VEHICLE MANAGEMENT SERVICES IN 30 COUNTRIES.

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 PRESENCE AND INTERNATIONAL NETWORK BY PROVIDING INNOVATIVE PRODUCTS, VALUE FOR MONEY AND SUPERIOR SERVICE TO MEET THE NEEDS OF BOTH NATIONAL AND MULTINATIONAL CLIENTS. 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' and 'Group' is, where appropriate, used as a reference to LeasePlan Corporation N.V. as a group of companies forming part of LeasePlan Corporation N.V. 'Group company' as used in this document refers to a (partly) owned subsidiary of LeasePlan Corporation N.V. A list of principal consolidated companies within LeasePlan Corporation N.V. and a list of principal associates and jointly controlled subsidiaries that are accounted for under net equity accounting are included at the end of this document.

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INTRODUCTION

THIS PILLAR 3 REPORT IS PREPARED IN ACCORDANCE WITH THE DISCLOSURE REQUIREMENTS AS INCLUDED IN THE EUROPEAN UNION'S CAPITAL REQUIREMENTS DIRECTIVE. IN ADDITION TO LEASEPLAN'S ANNUAL REPORT 2011, THIS PILLAR 3 REPORT DESCRIBES LEASEPLAN'S RISK MANAGEMENT FRAMEWORK, THE MEASUREMENT OF RISK POSITIONS INTO RISK WEIGHTED ASSETS AND HOW THESE RISK POSITIONS TRANSLATE INTO CAPITAL REQUIREMENTS AND SUBSEQUENTLY, HOW THESE REQUIREMENTS RELATE TO THE ACTUAL CAPITAL POSITION OF THE COMPANY.

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

Pillar 1 – defines the rules and regulations for calculating risk weighted assets and regulatory minimum capital requirements.

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

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

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

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

Scope
This report describes LeasePlan's risk management framework and capital management. In its Annual Report 2011, LeasePlan has in a summarised format also presented disclosure on its risk framework, its risk positions and its capital position. In this Pillar 3 report LeasePlan aims at providing more detailed insight on the risks inherent to its business, how these are managed and how these relate to capital requirements.

Frequency
The Pillar 3 report will be made public annually, preceded by the publication of LeasePlan's Annual Report. The disclosures are made public on LeasePlan's website.

Structure of the report
To support the reader in assessing LeasePlan's risk management framework, the measurement of risk positions and our capital requirement and position, we have made some adjustments to the structure of the Pillar 3 report.
In the first chapter LeasePlan's historic development, our strategy, our products and services and our operating structure is now presented. The second chapter presents the capital adequacy, whereas the third chapter details the general risk management approach and risk management framework implemented. In the final two chapters we focus on our risk areas, distinguishing our primary risk management areas (chapter 4) from our other risk management areas (chapter 5) as recognised as of the date of publication of this document.

Furthermore, this document now contains two appendices. Appendix A describes the governance, supervision and regulation which is or will become applicable to LeasePlan. Appendix B lists our principal consolidated participating interests.

1 LEASEPLAN PROFILE
1.1 Our History
LeasePlan was founded in 1963 in Amsterdam, the Netherlands. We began by offering basic leasing services for machine equipment and subsequently extended our offerings with operational as well as service leasing. Under this model, we provided not only financing but also management of the assets and we also accepted the asset risks. In 1970, we began leasing vehicles and in the following year we introduced the innovative "open calculation" model which allows customers to pay a fixed monthly fee and receive a rebate if the real servicing costs under their contract are lower than the provisioned costs. We began expanding internationally in the 1970s by entering the Belgian, U.K., French and German markets, followed by the U.S., Australian and other markets during the 1980s.

In 1992, we became part of ABN AMRO Bank and in the following year obtained a full banking license from the Dutch Central Bank following the introduction of Basel I. During this period, we started to access the inter-bank funding market independently. During the 1990s, we also established two specialized subsidiaries: our Irish insurance subsidiary Euro Insurances, supervised by the Central Bank of Ireland, to bolster our ability to offer integrated fleet service solutions and LeasePlan International to enable us to offer coordinated fleet management services to large international clients across our markets of operation.

In 2000, we began executing a new strategy which led us to increase our business focus by divesting our machine equipment leasing business and to extend our presence in fleet leasing in Europe and the United States by acquiring the Dial Group and Consolidated Service Corporation, respectively. Following these acquisitions, we became a leader in the European car leasing and fleet management market, strengthened our overall international market position and enhanced our ability to provide a wide range of product and service offerings across geographic regions in a cost-efficient manner.

In 2004, we were acquired by Global Mobility Holding B.V. ("Global Mobility"), a consortium comprising the Volkswagen Group (50%), Mubadala Development Company (25%) and the Olayan Group (25%). In 2005, the Volkswagen Group sold the Italian, Portuguese and Spanish subsidiaries of EuropCar Fleet Management Services to LeasePlan. Our international expansion continued in 2007 with the acquisition in Turkey of a 51% share in vdf Holding A.S from the Volkswagen Group and in 2008 with the acquisition of Daimler Chrysler Fleet Management France S.A.S. from Mercedes-Benz Financial Services France S.A. and the commencement of our most recent greenfield operations in Romania and Mexico.

As a result of the strategy commenced in 2000, we achieved a broad client reach and operational excellence which led to profitable growth and enabled us to become a global market leader by the mid-2000s. The global financial crisis which began in 2008 changed the fleet market environment and put pressure on the industry. In response, we adopted a selective growth strategy that strikes a balance between maintaining profitability and seizing upon attractive growth opportunities.

Following a series of transactions, in 2010 the shareholder structure of our direct parent, Global Mobility, changed with Volkswagen Bank GmbH ("Volkswagen Bank") and Fleet Investments B.V. ("Fleet Investments") each holding a 50% stake. Volkswagen Bank is a subsidiary of Volkswagen Financial Services AG and part of the Volkswagen Group. Fleet Investments is an investment company owned by the German banker Mr. Friedrich von Metzler.

In 2010, we commenced internet retail banking operations in the Netherlands and began accepting savings deposits as part of our funding diversification strategy. In 2011, we expanded our Portuguese operations via the acquisition of the operational leasing and fleet management company Multirent and we also commenced preparations to enter the Russian fleet and vehicle management market.

1.2 Our Strategy

We aim to be recognized as the proactive service-excellence partner to our clients in fleet and vehicle management and we strive for selective growth with a profit focus. We target market-leading positions in our countries of operation as well as sustainable growth in our international fleet business. We seek to build upon our competitive strengths and further leverage our scope and scale to provide efficient, value-added services to our clients. In order to achieve these targets, we are focusing on the following areas:

Strengthening our competitive position.

We aim to strengthen our competitive position by focusing on three key areas. The first focus area is built around our values and service proposition in line with our client promise that "it's easier to leaseplan". We are rolling out global engagement programs to continue to embed our code of conduct and our values in the way we do business. The second focus area is geared towards continuing the further development of innovative products and services which seek to provide added value to our customers and differentiate us from our competitors. This includes coordinated and harmonized service offerings provided across geographic markets by our subsidiary LeasePlan International. Our third focus area is to emphasize our price competitiveness.

Accelerating growth into the SME segment.

We believe that the SME customer segment presents an opportunity for us to further expand our customer base because of the potential for higher growth in that segment. While SMEs are already part of our customer base in some countries, penetration of this segment is still at an early stage in most markets. We intend to leverage our existing product expertise and adapt our current product offerings in order to increase our market share in this growing segment.

Further development of the international fleet segment.

We intend to continue targeting the growing segment of international fleet customers by strengthening our service offerings in this area, including by strengthening LeasePlan International, and by developing and implementing sophisticated international fleet reporting tools that support enhanced client service capabilities.

Geographic expansion.

We believe that we can generate long-term growth opportunities through geographic expansion. We have chosen to do so at a moderate pace which takes into account market conditions. For us to consider a country for entry, the fleet management market in that country must have high stand-alone attractiveness and at the same time provide a high regional cluster potential. Pursuing geographic expansion at a moderate pace allows us to finance the expansion by maintaining a funding profile that is not dependent on obtaining further financing from our shareholders.

Selective pursuit of strategic growth opportunities.

We believe that a number of fleet markets, primarily in Europe, are becoming increasingly mature. This development could provide us with an opportunity to strengthen our competitive position in such markets and our strategy is to consider participating in the ongoing consolidation process by evaluating opportunities and, where appropriate, consider engaging in selective strategic transactions.

Enhancing profitability.

We aim to continuously modernize 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 top-line growth aspirations and a focus on risk-return considerations in times of tight credit markets. This strategy has been beneficial to us historically and enabled us to build a financial track record while growing our business prior to the global economic crisis and weather the turmoil of the past four years.

Diversification of funding sources.

We aim to maintain and further expand the portfolio of funding options for our business which we believe would allow us to secure the ongoing liquidity needs of the Group in a cost efficient manner. One element of this strategy includes the managed and selective growth of our internet retail banking division, LeasePlan Bank which had almost €2.8 billion in savings deposits as at December 31, 2011. Another element of the funding diversification strategy involves the continued selective use of securitization programs.

1.3 Our Products and Services

We operate across the automotive value chain. As a service integrator, we manage a wide variety of business activities in the automotive value chain. We perform independently or through outsourced partners all activities needed for clients to operate a vehicle fleet, from purchasing the vehicles until the remarketing of those vehicles at the end of the contract. Our 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;
- fleet consulting services; and
- vehicle remarketing by selling used cars to drivers, traders and private persons.

In addition to providing the services described above, we focus on continuous innovation in order to keep up with customer developments and industry trends. This has resulted in the development of additional services, or the modification of existing services, in response to evolving client needs and concerns such as a greater environmental focus, cost savings initiatives and driver-focused fleet management platforms. One example is our fuel efficiency management system, “GreenPlan”, which provides clients with a comparison of their fuel efficiency against market benchmarks and seeks to empower them to reduce their fuel costs while benefiting the environment.

Financial and Operational Leasing

Based on the accounting treatment under IFRS, the two major forms of vehicle leasing are financial and operational leasing. The major difference between financial and operational leasing lies in the economic ownership of the vehicle. Under a financial lease, the economic risk of ownership is borne by the customer and the vehicle is usually carried on the customer’s balance sheet. Under an operational lease, the economic risk of ownership is borne by the lessor (i.e., LeasePlan) and the vehicle is carried on the lessor’s balance sheet. While we are active in both forms of leasing, the majority of our leases are classified as operational leases. The accounting classification of the LeasePlan lease categories discussed below is determined based on the specific characteristics of the lease contract. As of December 31, 2011, 84% of the leases in our lease contract portfolio were classified as operational leases for accounting purposes.

Tailored Customer Offerings and Pricing Models

Our leasing offerings comprise a variety of bundled and stand-alone services tailored to the specific needs of our customers. Our full service offerings include a mixture of in-sourced and outsourced solutions and are based on two pricing models, open calculation and closed calculation. We also offer management-only as well as financing-only solutions. The following table provides an overview of our contract mix for each of the periods indicated:

As at December 31, *(vehicles, in thousands)*	2011	2010
Full service	951	923
Management-only	247	259
Finance-only	45	46
Other	85	66
Total fleet[1]	**1,328**	**1,294**
Total funded fleet	**996**	**969**
Total managed fleet	**1,197**	**1,182**

[1] In limited cases, we provide leasing of trucks and equipment as a service to selected clients and these are included in the overall numbers presented. In terms of book value, this represents 3% of our funded fleet. These types of assets tend to be leased out for longer durations and are subject to risk mitigation such as prudent residual value setting and buy-back agreements with suppliers or customers.

The contracting models associated with our principal product and service offerings are described on the next page.

Full Service – Open Calculation

The goal of the open calculation model is to partner with our customers to help them in reducing their total cost of vehicle ownership. This pricing model may be offered to customers who have a substantial number of vehicles managed by us and entails the payment of a fixed monthly management fee. As part of the partnership approach, customers are provided with information about the total costs of their fleet. In collaboration with our customers, we endeavor to keep costs as low as possible. By engaging our customer, we often manage to run their fleet at lower cost, due to active control from their side.

A typical open calculation contract includes certain baseline services (e.g., purchase, maintenance and damage repair), certain optional services (e.g., insurance or provision of replacement vehicles) and only a limited number of services that are settled at actual cost (e.g., fuel), though included in the fixed price. The optionality that is built into the open calculation model allows us to provide tailored customer solutions.

During the life of an open calculation contract, services are provided by our subsidiaries and third party vendors. Vendors set their own costs which are monitored by us. We build up a repair, maintenance and tires (“RMT”) provision based on the fixed portion of the monthly fee, which is released over time as RMT is required (in effect, funding for RMT required in later years is built up in earlier years of a leasing contract). In certain cases, we benefit from our scale which enables us to pass on the savings to our customers at the end of the contract.

At the end of an open calculation contract, we prepare a final statement comparing the costs budgeted at the inception of a contract with the actual costs incurred during the life of the contract. If the difference is positive, it is refunded in full to the customer, thereby allowing them to benefit from the cost savings. If the difference is negative, it is absorbed by LeasePlan. In principal, open calculation contracts with clients are settled in any year in which ten or more lease contracts expire. In principle, if less than ten lease contracts expire in a year, no settlement is done and LeasePlan retains any remaining positive differences.

Full Service - Closed calculation

Under the closed calculation model, customers pay fixed fees for the services they use. We do not provide closed calculation customers with a breakdown of the actual costs of the services and absorb both positive and negative differences from the budgeted costs.

Management-only

The management-only model includes situations where another company, such as a bank, provides financing and we provide only the management of the fleet.

Finance-only

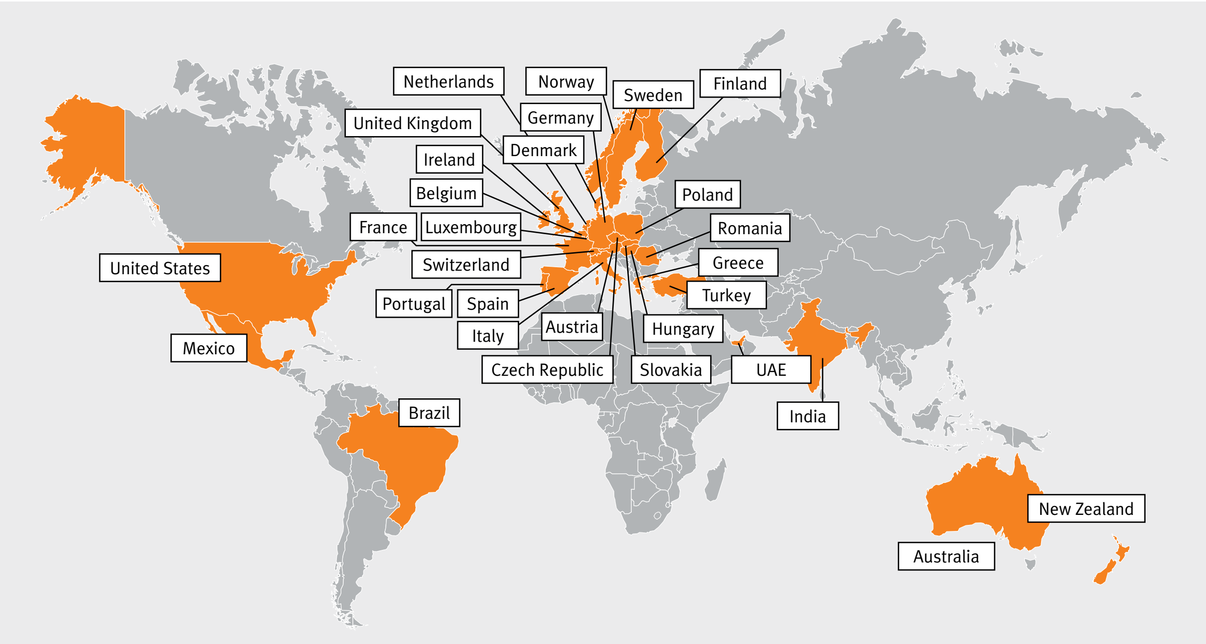
Under the finance-only model, we provide financing but do not provide any management services.

Other

We provide additional stand-alone services on an exceptional basis. These services include fuel-card-only fleet, contracts without maintenance, transition plans and plans that only include accident management.

1.4 Our operating structure

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. The following graph provides an overview of the countries in which we operate as at December 31, 2011:



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 markets.
- *Travelcard Nederland* 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.
- *Globalines* is our reinsurance subsidiary based in the Isle of Man. Euro Insurances is the only customer of Globalines. Globalines is subject to supervision by the Insurance and Pension Authority, the designated insurance authority of the Isle of Man.

1.5 Our partnership and joint ventures

We have entered into the following partnerships and joint ventures which we consider most significant:

- In the United Arab Emirates, we are active in the vehicle leasing market through our 49% stake in LeasePlan Emirates Fleet Management – LeasePlan Emirates LLC. The company was established in 2006, with Mubadala Development Company PJSC holding the remaining 51% of the shares. We hold two of the five seats on the board of management of this entity.
- In Turkey, we hold a 51% stake in LPD Holding A.Ş., with the remaining 49% held by Doğuş Otomotiv entities. The joint venture was established in 2007 aimed at the expansion into the Turkish leasing market.
- Excelease is a joint venture between LeasePlan Belgium and Toyota Belgium. Excelease was created in 1994, aimed at the Belgian leasing market. The partnership enables both shareholders to use the expertise and relationships they have established with the dealer network to develop a formula to finance customers' vehicles. We hold a 51% stake in the company.
- Overlease S.r.L, is a joint venture between LeasePlan Italia S.p.A. and RCI Banque. We hold a 51% stake in the company, although it is currently in liquidation.
- P Lease S.C.S. is a joint venture with the car dealer PGA Motors S.A.S in France. We hold a 99.3% stake and Prophi S.A.S. (a 100% subsidiary of PGA Motors S.A.S.) holds the remaining shares. While we hold a majority of the shares, various agreements are in place such that the distribution of profits and the exercise of voting rights are divided 50/50.
- We hold a 5% stake in E Lease S.A.S., France. The remaining shares are held by several organizations, being Sodetrel (70%), Arval (10%), Overlease (5%), Dexia Location Longue Duree (5%) and ALD (5%).
- Flottenmanagement GmbH is a joint venture between LeasePlan Osterreich Fuhrparkmanagement GmbH and EBV Leasing Gesellschaft m.b.h. & Co. KG. We hold a 49% stake in the company.
- We hold a 24% minority stake in Terberg Leasing B.V. The company is a player in the Dutch vehicle leasing market and is one of the ten largest vehicle leasing companies in the Netherlands (by number of contracts) with over 20,000 leasing contracts. Terberg Leasing B.V. is brand-independent and has its roots in the family-owned Terberg Groep N.V., who hold the remaining 76% of the shares.

2 CAPITAL ADEQUACY

To monitor the adequacy of our available capital, we use ratios established by the Basel Committee of the Bank for International Settlements ("BIS"). These ratios measure capital adequacy by comparing our eligible capital which consists of Tier 1 capital and Tier 2 capital with our balance sheet assets and off-balance sheet commitments, both at weighted amounts to reflect their relative credit risk and operational risk profile. Tier 1 capital is derived from our total equity position. In order to arrive at Tier 1 capital, adjustments to the total equity are required for the prudential filters (IAS 39) and a part of the acquisition related intangible assets. Tier 2 capital is represented primarily by our subordinated loans which were repaid in October 2011. Our eligible capital as at December 31, 2010 and 2011 is shown in the following table:

As at December 31,	**2011**	**2010**
(in millions of euro)		
ELIGIBLE CAPITAL		
Share capital	71.6	71.6
Share premium	506.4	506.4
Translation reserve	22.0	16.1
Hedging reserve	(33.0)	(24.7)
Retained earnings	1,586.9	1,367.0
Total equity	**2,153.9**	**1,936.4**
Deduction goodwill	(98.6)	(86.2)
Prudential filter mark-to-market derivatives	33.0	24.7
Deduction intangible assets	(12.1)	(6.4)
IRB provision shortfall	(1.8)	-
Tier 1 Capital	**2,074.3**	**1,868.5**
Subordinated loans (Tier 2 capital)	-	269.1
AIRB provision excess/shortfall	(1.8)	3.3
BIS Capital	**2,072.6**	**2,140.9**

2.1 Capital requirements under Pillar 1

Under the Pillar 1 requirement of Basel II, we are required to calculate capital for credit, market and operational risk. However, we are not exposed to market risk according to the Basel definition of market risk under Pillar 1.

Credit risk, mainly in the form of leases to counterparties, is risk-weighted for our corporate lease portfolio based on the outcome of models developed by us. We use the Advanced Internal Rating Based Approach ("AIRB"), for which we received approval from the Dutch Central Bank in November 2008, for our corporate lease portfolio. We are currently preparing for the use of AIRB for our retail lease portfolio in our UK and Dutch entities.

In respect of operational risk, we use the Advanced Measurement Approach ("AMA"). The required capital for operational risk is obtained from the outcome of models that track historic losses and anticipate potential low frequency, high risk events. The models predict the capital that is required to cover the operational loss we could incur under extreme circumstances.

We have developed the capital models in use based on the requirements set out by the Basel Committee. We regularly monitor the performance of all models against predetermined limits. In the case of underperformance, the models are redeveloped and require external validation prior to implementation.

As of 2009, banking institutions in the Netherlands were required to continue applying the capital floor of 80% of Basel I risk-weighted assets applicable in relation to the implementation of Basel II regulation. Under the capital floor regulation the risk-weighted assets to be used may not be below 80% of the risk-weighted assets as calculated under the former Basel I methodologies. The table set forth below shows the outcomes of the comparison between minimum required and actual capital under both Basel I and Basel II.

As at December 31,		**2011**		**2010**
	Minimum required	**Actual**	**Minimum required**	**Actual**
(in millions of euro)				
Basel II				
Risk-weighted assets	-	13,072.3	-	12,371.0
BIS capital (under Basel II):				
Credit risk leased assets AIRB	435.0	-	433.2	-
Credit risk leased assets Standardized	230.2	-	199.8	-
Credit risk other assets Standardized	173.9	-	186.6	-
Operational risk	122.9	-	127.2	-
Currency risk	50.2	-	42.9	-
Total Capital	**1,012.2**	**2,072.6**	**989.7**	**2,140.9**
Basel I				
Risk-weighted assets	-	17,432.1	-	16,047.3
Application of floor of 80% to risk-weighted assets	13,945.7	-	12,837.8	-
BIS capital (under Basel I)				
Total (after application of floor of 80%)	1,115.7	2,072.6	1,027.0	2,140.9
BIS ratio (under Basel I)	8.0%	14.9%	8.0%	16.7%
Tier 1 capital	-	2,074.3	-	1,868.5
Tier 1 ratio	-	14.9%	-	14.6%

In monitoring the adequacy of our capital, we constantly review the development in risk-weighted exposures on the one hand and the development in eligible capital on the other hand. Developments in risk-weighted exposures typically represent movements in the opportunities for growth of our core business. The eligible capital will normally grow with profits realized and retained. We do not have a formal dividend policy.

2.2 Capital requirements under Pillar 2

Under Pillar 2 of the Basel II framework, a banking institution is expected to enhance the link between its risk profile, risk management and risk mitigation systems and its capital. The main principle is that a banking institution assesses the adequacy of its available capital in view of the risks to which it is exposed. The periodic process in achieving this objective is referred to as the Internal Capital Adequacy Assessment Process ("ICAAP"), whereby the assessment of risks goes beyond the minimum requirements as determined under Pillar 1. This process addresses broadly:

(a) Risks considered under Pillar 1 that are not fully covered under the Pillar 1 process;
(b) Risks not taken into account by the Pillar 1 process, and
(c) Risks external to the bank (business cycle effects).

a. Risks considered under Pillar 1 that are not fully covered under the Pillar 1 process

For operational risk, outcomes of the Pillar 1 AMA calculation fully reflect the capital required for this risk type. For credit risk, however, the outcome of the Pillar 1 calculations is used as a basis for the calculation of internal capital requirements under Pillar 2. With regards to credit risk under Pillar 1, a clear split is required to be made between the contractual amounts due from a client during the contract period (lease receivables) and the residual value as set in that contract at contract end. Lease receivables (credit risk) and residual value (residual value risk) have different risk weights in accordance with applicable regulations. Under Pillar 2, during the lease contract period we consider the total investment for the purchase of the vehicle as credit risk, for the following two reasons:

- the total investment of the vehicle is funded by us to our clients; and
- the residual value risk (e.g. in case of a termination of the contract by the client before the original expiry date) is (partly or totally) contractually transferred to the client.

In addition to credit risk, under Pillar 2, we calculate internally required capital for asset risk, covering residual value and RMT exposure at contract termination.

b. Risks not taken into account by the Pillar 1 process

Risk types that are not addressed under Pillar 1 and for which additional capital is maintained under Pillar 2 are:

- Concentration risk: the risk related to the degree of granularity in the lease portfolio, i.e. the exposure to an uneven distribution of business with customers, industries and/or geographical regions. Similar risk is assessed with respect to granularity of (large) treasury exposures (e.g. deposits, call money, and derivatives).
- Motor insurance risk: the possibility that damages incurred for our account exceed the compensations received in lease rentals for these risks.
- Interest rate risk: the risk that our profitability is affected by movements in interest rates.

c. Risks external to the bank (business cycle effects)

We employ stress testing in order to address the risks external to the bank and the business cycle effects and to obtain additional insight into the Group's vulnerabilities. These tests are also further used to determine the potential effect on capital and test the effectiveness of the risk measures.

As part of our capital policy, stress tests are performed for our main financial and operational risk management areas. In addition to the individual stress tests and as part of Pillar 2, stress tests are also conducted, simulating an environment in which individual stress scenarios occur simultaneously. This, however, only includes the risk areas of which stress has not been reflected in the (internal) capital requirements, being credit risk, operational risk and motor insurance risk. In addition, we also perform reverse stress testing to define which extreme situations will impact asset risk, credit risk and operational risk such that our available capital will no longer be sufficient to sustain normal business.

The final outcome of the ICAAP, including the outcomes of internal capital calculations by risk type and stress tests, is annually reviewed by the Dutch Central Bank through the Supervisory Review and Evaluation Process.

3 LEASEPLAN RISK MANAGEMENT

LeasePlan is a vehicle leasing and vehicle management company with specialized Dutch banking operations regulated by the Dutch Central Bank. Our risk profile differs from most other banks due to the nature of our business. The largest part of our portfolio consists of operational leasing of vehicles, in which we bear the residual value risk. Residual value risk is related to the difference between the estimated residual values of vehicles estimated at lease inception and the actual sales proceeds of those vehicles at contract termination and this risk constitutes the main difference between our risk profile and most other banks' risk profiles.

3.1 Risk Management Framework

The Committee of Sponsoring Organizations of the Treadway Commission ("COSO") is a joint initiative of five private sector organizations to provide guidance on enterprise risk management, internal control and fraud deterrence for the development of risk frameworks. We use the framework developed by COSO as a guideline in the development of our risk management framework. Our risk management framework details our risk environment, strategy and objectives, risk appetite targets and tolerance levels, policies and guidelines and the roles and responsibilities of staff and risk committees. Our main risk management activities comprise risk identification, risk assessment, risk control, and risk reporting and communication.

The Managing Board has implemented corporate risk policies for all LeasePlan entities pursuant to our risk management strategy. The policies describe the minimum activities, controls and tools that must be in place within all Group companies. It is the responsibility of local management to ensure personnel are kept informed of strategy and policies relevant to them and to comply with these corporate policies.

Risk management responsibilities are delegated in the different risk control phases between the corporate risk management department, the corporate risk committees and local (risk) management. Our group audit department regularly audits corporate and local risk management processes.

3.2 Risk Management Areas

Management believes our primary risks are:

- Asset Risk - We view asset risk as a combination of residual value risks and risks on repair and maintenance and tire replacement. We are exposed to potential loss from the sales proceeds of our vehicles declining below the estimates made at lease inception, which is our residual value risk. The risk related to vehicle repair, maintenance and tire replacement is our exposure to potential loss due to the actual costs of the services for repair and maintenance and tires (over the entire contractual period) exceeding the estimates made at lease inception. We consider both elements under asset risk as inextricably linked and manage asset risk accordingly.
- Credit risk - Credit risk is the risk that a counterparty will be unable to fulfill its financial obligations to us when due. We are 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 vehicles returned to us. In addition to the credit risk arising from the lease portfolio, there is also credit exposure originating from our banking and treasury activities and reinsurance activities.
- Liquidity risk - Liquidity risk is the risk that we are not able to meet our obligations as they fall due. Our liquidity risk (which is managed as a part of treasury risk) mainly relates to funding liquidity risk, which is the risk that we will not be able to meet both expected and unexpected current and future cash flows without affecting either daily operations or our financial condition.

Our policies with respect to, measurements of, exposures to and mitigation of these three risk areas are disclosed in further detail in chapter 4 'Primary Risk Management Areas'. We are also exposed to interest rate risk, currency risk, reputational risk, operational risk, motor insurance risk and legal and compliance risk, which are described in more detail in Chapter 5 'Other Risk management Areas' of this document.

3.3 Risk Management Strategy and Objective

Risk, being the chance of occurrence of an event that will have a negative impact on the objectives of the organization, is inherent to our business operations. Our strategy towards risk management is to support the business in achieving our profitable growth ambitions in fleet and vehicle management for mainly corporate and small fleet customers while adhering to our risk appetite setting.

Risk management aims at reducing the frequency and/or the consequences of risk events, and enabling management to evaluate and balance the risks and returns related to business operations. As a result, high quality risk management is also considered to offer opportunities. We seek to accurately assess the relevant risks at the inception of each lease and manage these risks thereafter to attempt to maintain a balance between risk and return.

3.4 Risk Appetite

The Managing Board sets policies and conditions that reflect our risk appetite for each identified risk area for the Group as a whole and the management teams of individual Group companies. Our risk appetite is the type and amount of risk we are consciously willing to accept in pursuit of our business objectives and our risk tolerance is the maximum and minimum risk exposures we are willing to take. We seek to review and discuss potential corrective measures should any of the risk tolerance levels be exceeded.

The Managing Board has set the overall risk appetite for the Company in terms of (standalone) long-term debt rating. The overall risk appetite including tolerance levels for the Group and risk appetite including tolerance levels for each identified risk area were discussed with and approved by the Supervisory Board in 2011. At least once a year, the Managing Board is required to submit our risk appetite and risk tolerance to the Supervisory Board for its approval.

We have identified and implemented a set of key risk indicators in order to monitor our performance versus our risk appetite. The key risk indicators report is provided to the Supervisory Board on a quarterly basis where deviations and potential breaches of the set risk tolerance levels are disclosed and, if required, (mitigating) actions are discussed.

3.5 Risk Management Structure

Supervisory Board

As per our Articles of Association, the Supervisory Board supervises the policy pursued by the Managing Board and the general course of affairs in the Group. The Supervisory Board is made up of five members as of the date hereof, and meets at least four times a year to review and discuss, among other matters, financial and commercial results, developments in the market and developments relating to our treasury and risk management. The risk strategy, risk appetite and risk policy for the medium and long term are discussed once a year, and the Supervisory Board approves any material changes to the risk strategy, risk appetite and risk policy.

Managing Board
The Managing Board is responsible for our risk strategy and our risk management systems and controls. They are also responsible for defining our risk appetite and approving the overall corporate risk management framework. Within the Managing Board, the Chief Financial Officer is responsible for the management and control of risk on a consolidated level to ensure that our risk profile is consistent with risk appetite and risk tolerance levels. The Managing Board is currently made up of three members and is scheduled to meet every other week.

Risk Committees
The Managing Board installed four separate risk committees, consisting of the Credit Risk Committee, the Asset Risk Committee, the Motor Insurance Risk Committee and the Operational Risk Committee. Furthermore, the Managing Board established the Asset and Liability Committee, which, amongst others, assists the Managing Board in the management of treasury risks (i.e. interest rate, currency and liquidity risks). The Supervisory Board has a Remuneration Committee, an Audit Committee and a Credit Committee but no separate risk committees since the relevant risk management areas are reviewed and discussed by all members of the Supervisory Board. The Managing Board committees act within their mandated authority and assist the Managing Board with respect to all matters related to their specific risk areas. All meetings have fixed agenda items relating to policies, exposure developments and risk reporting and minutes are made of all meetings. The Managing Board committees have a cross functional character as they are comprised of at least two members of the Managing Board and are chaired by the Senior Corporate Vice-President ("SCVP") Risk Management, except for the Asset and Liability Committee which is chaired by the SCVP Strategic Finance.

- Credit Risk Committee: The Credit Risk Committee meets on a quarterly basis to assist the Managing Board in its oversight responsibilities with regard to our credit risk. Further, the committee reviews on a yearly basis our credit risk appetite and credit risk management framework and makes recommendations to the Managing Board for approval. Also, the Credit Risk Committee monitors and decides upon AIRB matters. Separately and on an as needed basis, the Credit Risk Committee meets and decides on credit proposals that exceed the local authority levels of Group companies.
- Asset Risk Committee: The Asset Risk Committee meets on a quarterly basis to assist the Managing Board in its oversight responsibilities with regard to our asset risk. Further, the committee reviews on a yearly basis our asset risk appetite and asset risk management framework and makes recommendations to the Managing Board for approval.
- Motor Insurance Risk Committee: The Motor Insurance Risk Committee meets on a quarterly basis to assist the Managing Board in its oversight responsibilities with regard to our motor insurance risk including insurance risk exposure from Euro Insurances and reinsurance risk exposure of Globalines. Further, the committee reviews on a yearly basis our motor insurance risk appetite and motor insurance risk management framework and makes recommendations to the Managing Board for approval. Also, the Motor Insurance Risk Committee monitors the preparation for Solvency II, which is being managed within Euro Insurances governed by the Solvency II Project Board.
- Operational Risk Committee: The Operational Risk Committee meets on a quarterly basis to assist the Managing Board in its oversight responsibilities with regard to our operational risks. Further, the committee reviews on a yearly basis our operational risk appetite and operational risk management framework and makes recommendations to the Managing Board for approval. Finally, all developments with respect to LeasePlan's AMA status are reviewed and recommended to the Managing Board.
- Asset and Liability Committee: The Asset and Liability Committee ("ALCO") reviews, amongst others, all relevant and significant developments with regard to our treasury risk profile and decides on the content of and potential changes to our policies. Treasury risk positions are monitored on a daily, weekly, monthly and quarterly basis (depending on the risk profile) by the treasury risk management department. All of the aforementioned risks are reported in the quarterly treasury reporting, which is discussed in the meetings of the ALCO. The ALCO members are also involved in the preparation for Basel III and related regulations such as the Internal Liquidity Adequacy Assessment Process (ILAAP).

3.6 Risk Management Lines of Defense
In line with banking industry best practice and the European Banking Authority Guidelines on Internal Governance, our risk management includes three lines of defense that are supported by investment in information technology and our people. From a corporate perspective, these lines of defense mainly consist of: (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 management functions including amongst others compliance risk (acting independent 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 our Managing Board, on how effectively we assess and manage our risks, including the manner in which the first and second lines operate.

We operate a decentralized governance model with support coming from a central corporate center. The following overview outlines the composition and responsibilities of the main parties involved in executing the three lines of defense for risk management within LeasePlan.

First Line of Defense

Local and regional compliance and risk management

Local management is considered as a first line of defense in our risk management. Local management is responsible for complying with all corporate policies as set by the Managing Board and for the initial management of risks encountered while performing the regular tasks for the relevant Group company. These risk management activities comprise identifying potential risks, assessing potential risks and taking adequate measures in accordance with the relevant risk policies to mitigate any negative influences on realizing the risk appetite limits and risk tolerance levels for the Group company. Finally, it is the responsibility of local management to timely and completely report all potential incidents and threats. As a result, local management is required to maintain comprehensive risk management systems that cover all risks inherent to the business, including setting up and maintaining local risk management and compliance functions. Regional management supervises all risk and compliance related activities of local management. The risk committees of local entities are responsible for discussing on at least a quarterly basis all the relevant risks for that entity as prescribed by corporate policies or identified by that entity.

Second Line of Defense

Corporate risk management

The corporate risk management department is responsible for maintaining the risk management framework set by the Managing Board and creating awareness and understanding of risks at all levels. The corporate risk management department is also responsible for measuring and reporting on our risk positions to the relevant risk committee of the Managing Board. It acts as a second line of defense in our risk management framework by monitoring adherence by Group companies to our risk management policies and risk appetite. The corporate risk management department participates that the Managing Board and, as the case may be, the Supervisory Board, in business initiatives which affect our risk management framework, risk appetite or risk tolerance levels. The corporate risk management department is headed by the SCVP Risk Management who reports to our Chief Financial Officer.

Corporate Legal and Compliance

The corporate Legal and Compliance department is headed by the SCVP Legal and Compliance and is responsible for maintaining our legal and compliance risk management framework, which consists amongst others of translating external compliance obligations into internal obligations for the Group and compliance specific to local offices, as necessary. As such, the corporate Legal and Compliance department acts as second line of defense through the review of the Managing Board's risk policies for conformance to external legal and compliance requirements in order to mitigate legal and compliance risks. Both the Group compliance function and the local compliance function support management of each entity on compliance issues. This includes identifying and enhancing awareness of compliance risks, and advising on whether or not to accept certain risks, on what mitigating measures to take, and in general on compliance matters. Furthermore the department also monitors and reports on compliance risks and enforces rules. Measures are in place that maintain the independence of the compliance function. The LeasePlan Compliance Charter and the Compliance Risk Management Framework are the base documents to control the risks of non-compliance. The compliance function also coordinates issues raised under the whistle blowing policy.

In addition, there is a quarterly compliance meeting comprised of the Chief Executive Officer and the SCVP Legal and Compliance and a monthly meeting between the Chief Financial Officer and the SCVP Legal and Compliance focusing on legal matters.

Third Line of Defense

Internal Audit

Our Group Audit Department provides internal audit services and is recognized as the third line of defense for our risk management. The internal audit activity is guided by the international standards for the professional practice of internal auditing. The scope of the internal audit function extends to include all majority owned entities. The Group Audit Department conducts independent audits of our activities and is responsible for providing professional and independent assurance by evaluating the organization'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 SCVP Audit who reports directly to the Chief Executive Officer. Regular internal audit meetings are scheduled between the Managing Board and the SCVP Audit in order to ensure sufficient attention and follow-up is given to the outcome of the audits. Measures are in place that are designed 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.

External Control Functions

In addition to the internal lines of defense, we also consider the below external parties as components of our overall risk management defense framework.

External Auditors
While the Managing Board is ultimately responsible for the preparation of our financial statements free from material misstatement, our external auditors provide an opinion on the fair presentation of our financial statements in conformity with IFRS. The external audit is conducted in accordance with generally accepted auditing standards. As part of the financial statements audit, the external auditor conducts an evaluation of the internal control system in order to assess the extent to which they can rely on the system in determining the nature, timing and scope of their own audit procedures. On a yearly basis, the overall scope of the external audit including identified risk areas and any additional agreed-upon procedures is discussed and agreed with the Audit Committee of the Supervisory Board.

Regulatory Bodies
In the context of our banking license held since 1993, our main regulators are the Dutch Central Bank, which is the prudential supervisor, and the Netherlands Authority for the Financial Markets, which supervises financial markets behaviour. In addition, Group companies are subject to external regulation from national governments, tax authorities or industry specific regulators, such as Euro Insurances, which is regulated by the Central Bank of Ireland.

Regulators are responsible for developing and maintaining a thorough understanding of the operations of individual banks, insurance companies and banking groups by collecting, reviewing and analyzing prudential reports and statistical returns, conducting on-site and off-site supervision and conducting research into behaviour and culture at banks. Regular contact is maintained with our management. The Basel Committee's Core Principles for Effective Banking Supervision (and specifically the FMSA for the Netherlands) outline the areas of attention and powers of the regulatory authorities.

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.

4 PRIMARY RISK MANAGEMENT AREAS
Our seven risk management areas are asset risk, credit risk, treasury risk (which includes interest rate, currency and liquidity risks), reputational risk, operational risk, motor insurance risk and legal and compliance risk. Of our seven risk management areas, we consider asset risk (which includes residual value risk), credit risk and liquidity risk (which is part of treasury risk) to be our primary risks.

4. 1 Asset risk
4.1.1 Definition
Within LeasePlan, we view asset risk as a combination of residual value risk and risk from vehicle repair, maintenance and tire replacement, whereby residual value risk is considered the more prominent risk. Residual value risk is our exposure to potential loss from the sales proceeds of our vehicles declining below the estimates made at lease inception. The risk related to vehicle repair, maintenance and tire replacement is our exposure to potential loss due to the actual costs of the services for vehicle repair, maintenance and tire replacement (over the entire contractual period) exceeding the estimates made at lease inception. We consider these elements under asset risk as being inextricably linked and manage asset risk accordingly.

4.1.2 Policy
Our residual value risk policy describes, among other things, the roles and responsibilities within our organization for residual value risk management, the minimum standards for residual value risk mitigation and the mandatory frequency of residual value risk measurement and reporting, which apply for all Group companies bearing residual value risk. Furthermore, this policy describes a limit structure based on our defined residual value risk appetite, whereby the level of risk taking is determined for three echelons within our Group. As a part of the residual value risk policy, all Group companies must establish a local asset risk committee, which is required to convene at least once every quarter and is tasked with overseeing on behalf of the local management team the adequate management of asset risks, which includes reporting on, inter alia, asset risk measurements and the trends in risk mitigation, residual values and vehicle repair, maintenance and tire replacement results. The local asset risk committees assess residual value risk exposure by taking into account both internal influences and external influences and, based on their assessment, decide on the appropriate residual value estimates and risk mitigating measures to be applied. The committees are responsible for informing the management team of such Group company on all relevant asset risk issues. The policy also establishes minimum standards with respect to residual value risk mitigating techniques that the Group companies are expected to have in place and the reporting that must be provided to the corporate center.

4.1.3 Measurement
We analyze asset risk throughout the term of our lease contracts, starting at lease inception and following it through its term up to lease termination. Measuring asset risk at all three stages of our lease contracts assists us in tracking developments with respect to asset risk elements and identifying adverse trends.

Contract Inception - We review on a monthly and quarterly basis the contractual residual values and the pricing applied for vehicle repair, maintenance and tire replacement of our Group companies. 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 tire replacement risk on vehicles under lease contract and report the estimated results of these exposures at lease termination to the corporate center on a quarterly basis. We refer to these measurements as fleet risk assessments. In many cases these measurements are calculated through statistical analysis (such as generalized linear models or regressions) based on our own historical vehicle sales proceeds. Estimates in respect of sales results and results from vehicle repair, maintenance and tire 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 residual value risk management committees. The outcomes can also serve as a basis for the determination of any prospective depreciation adjustments for the consolidated portfolio.

Contract Termination - For vehicle leases terminated within the relevant monthly or quarterly report period, we monitor and review the actual sales proceeds from the vehicle and the result from vehicle repair, maintenance and tire replacement in comparison to the estimates made at lease inception and the adjustments made during the life of the lease.

On a quarterly basis, reports summarizing the residual value pricing at lease inception, developments in the estimated sales result and vehicle repair, maintenance and tire 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 results and vehicle repair, maintenance and tire replacement results are provided for discussion at the meetings of the Group's Asset Risk Committee, and are then provided to the Supervisory Board, the Dutch Central Bank and our external auditor.

4.1.4 Exposure

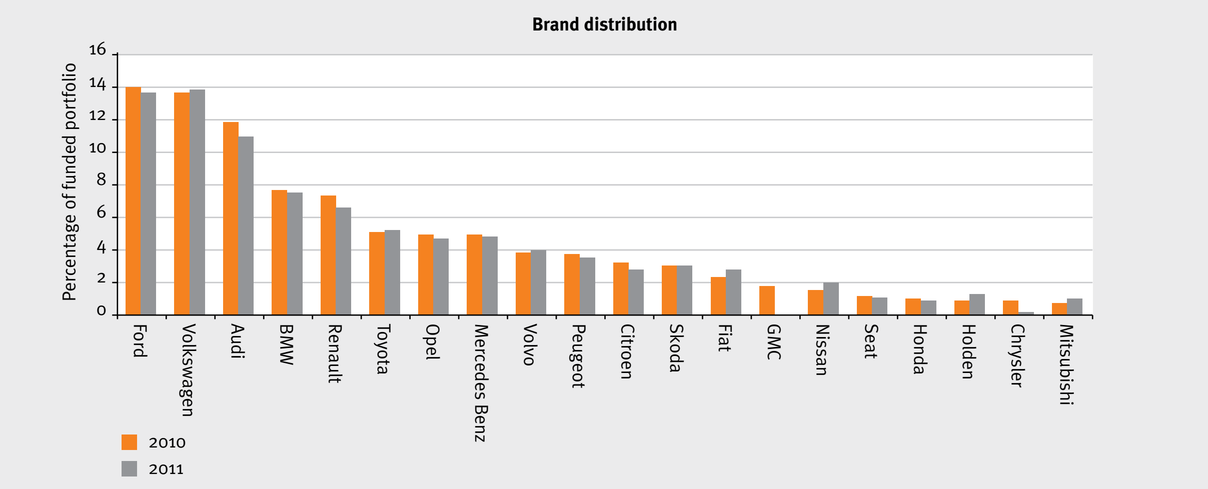
Our asset risk exposure and mainly our residual value exposure is affected by many factors, including, among others, changes in economic conditions, consumer confidence, consumer preferences, exchange rates, government policies, new vehicle pricing, new vehicle sales, new vehicle brand images or marketing programs, the actual or perceived quality, safety or reliability of vehicles, the mix of used vehicle supply, the levels of current used vehicle values and fuel prices. Shortly after the beginning of the global economic crisis in 2008, developments in the used vehicle market had an adverse affect on our vehicle sales proceeds, and which continue to have an adverse effect in several countries in which we operate.

Asset risk represents one of the most significant risk exposures that LeasePlan faces. The residual value element in asset risk amounted to EUR 8.1 billion as at the end of 2011 representing approximately 43%. The table below shows the amount of our residual value risk for vehicles on our balance sheet as at December 31, 2010 and 2011

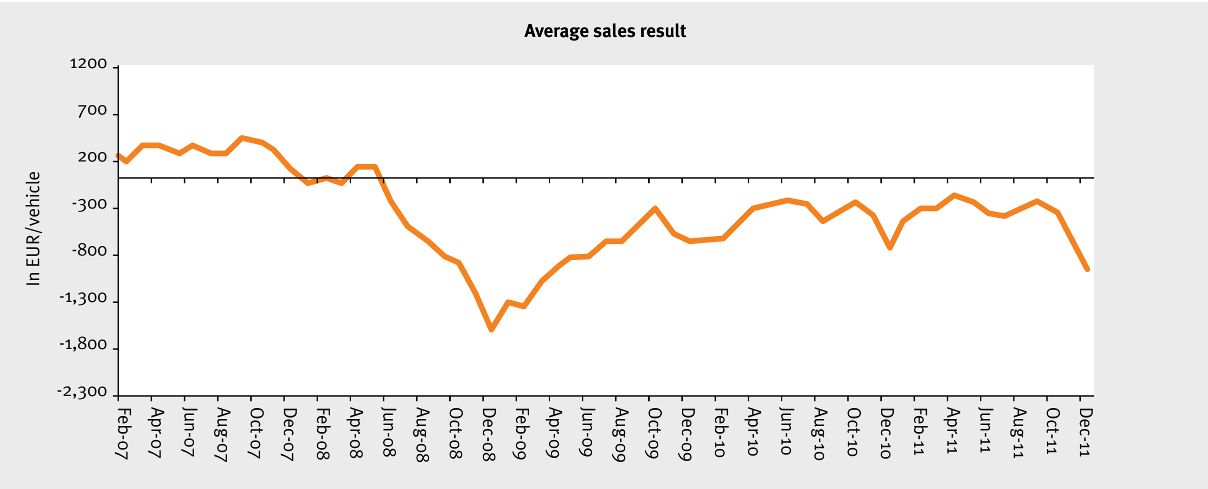
As at December 31, **RESIDUAL VALUE EXPOSURE** *(in millions of euro)*	**2011**	**2010**
Residual value	8,090.6	7,896.3

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.

LeasePlan operates in 30 countries. This in conjunction with acting as an independent multi-brand company and well diversified portfolio in terms of brands, partly mitigates the risk related to residual values. The graph on the next page presents the top 20 brand distribution, representing approximately 90% of our total fleet at year end of 2011.



The adverse developments in the used vehicle markets worldwide that started in 2008 continued to have an impact in several countries that LeasePlan operates in. Although many major markets started recovering after the low level of sales proceeds at the end of 2008, the sales proceeds on Group level have since remained below the estimates made at lease inception. Towards the end of 2011 sales proceeds further declined following deteriorating economic circumstances and reduced consumer confidence. As this risk is embedded in our product offering this resulted in LeasePlan absorbing substantial losses. The graph below presents, in euro per vehicle, a historical overview of the development of sales results (which is the difference between the net book value at termination and the actual vehicle sales proceeds) from February 2007 to December 2011.



For the full risk bearing portfolio at the end of the fourth quarter of 2011, considering the latest trends in the used vehicle markets, it is expected that LeasePlan will generate profits on a portfolio level in terms of termination results. Losses are, however, still expected in the year 2012 (EUR 12.7 million, excluding existing provisions).

4.1.5 Mitigation

One of the ways we mitigate residual value risk is through various measures as agreed upon with our customers in our customer contracts. Consequently, each Group company is expected to use the mitigating measures listed below:

Early termination charging: in most cases, we charge for losses on the difference between net book values at lease termination and actual sales proceeds resulting from the early termination of a contract. Any vehicle repair, maintenance and tire replacement result in relation to the lease contract generally, may not be offset with the early termination charge.

Charging for end of contract damage: We assess the wear and tear of the vehicle at the end of the contract and if such wear and tear is beyond the standards as established we generally invoice the customer for the excessive damages.

Mileage variation adjustments: Lease contracts typically set mileage variation limits within which we charge mileage variation adjustments based on the amount of miles driven. If the amount of miles driven passes the mileage variation limits, then a mileage variation adjustment is in principle not permitted and a recalculation should be performed on the lease contract. Our policy for Group subsidiaries recommends separate mileage variation adjustment for different cost components (such as depreciation, repair and maintenance, tires and replacement vehicle service).

Recalculation: Lease contracts typically allow for the recalculation during the life of the lease contract of the contractual terms and mileage when the actual mileage of a vehicle exceeds the contractually agreed mileage variation limits.

Minimum settlement account: Under some of our contracts with customers, if the settlement result (being the sum of sale results and results on services for vehicle repair, maintenance and tire replacement) is positive we share the difference with the customer. However, if this settlement result is negative, the customer is not charged for the difference. Since under this policy we are only exposed to downside risk, in general we require a minimum of 10 vehicles in final settlement per year so that any possible negative settlement result on individual vehicle level can be offset against any possible positive settlement result on vehicle level for that customer, if appropriate.

Governmental policy changes: We negotiate our contracts such that we are entitled to pass on any costs resulting from certain governmental policy changes.

We assess each of these measures individually upon the termination of lease contracts and depending on the type of lease contract and include the results from the mitigating measures in the sales result. We measure the effectiveness and impact of the main risk mitigating measures on a monthly basis.

4.1.6 Capital requirements

Under Pillar 1 residual values are considered to be non-credit obligation assets and are risk weighted at 100% under the standardised approach while under the advanced internal ratings based approach a risk weight is applied that depends on the remaining maturity of the underlying contract. For the majority of the assets of LeasePlan, the advanced internal ratings based approach is applied; the regulatory capital related to residual values amounts to EUR 439 million as at the end of 2011. This amount is included in the capital requirements amounting to EUR 665 million calculated for credit risk as shown in section 4.2.6.

Under Pillar 2, LeasePlan calculates internally required capital different from the methodology applied under regulatory requirements for Pillar 1. The methodology used under Pillar 2 assumes the residual value exposure to be a credit risk during the duration of the contract. Further, asset risk capital is calculated to cover for possible losses when the vehicles are returned at contract maturity. With respect to the latter, a 3% charge on the total on-balance residual value position is used, while for off-balance residual value guarantees a charge is made under the credit risk approach. As at the end of 2011, the internal capital calculated and held for asset risk was considered sufficient to cover a stressed scenario at the level observed in December 2008. The 3% approach will be replaced by a Value at Risk approach from 2012 onwards, allowing for enhanced differentiation within LeasePlan Group.

LeasePlan performs stress testing as part of its quarterly fleet risk assessment exercises on a Group level. The outcome of the stress testing is used as a benchmark for the Pillar 2 capital held for asset risk. A one percentage point movement in sales proceeds versus original list prices could lead to a EUR 53 million (before tax) movement in estimated sales results for the year 2012.

4.2 Credit Risk

4.2.1 Definition

Credit risk is the risk that a counterparty will be unable to fulfil its financial obligations when due. We are 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, we are exposed to credit risk originating from our banking and treasury activities, which includes deposits placed with banks or other financial institutions and hedging instruments, such as derivatives and reinsurance activities. Finally, we are exposed to credit risk as a result of our insurance activities as well as to discounts to be received from vehicle manufacturers and other suppliers.

4.2.2 Policy

Our credit risk policy seeks to regulate the credit risk management limits for Group subsidiaries. While credit risk appetite is defined on a consolidated level, under our credit risk policy, Group subsidiaries define their risk appetite and their risk tolerance levels for counterparty and concentration credit risk, which is then monitored at a Group level. Group subsidiaries have a local credit committee and a local credit risk management function with authority to accept exposures from counterparties up to a certain level of exposure, whereby the authority level of risk taking depends on the size of the local portfolio, the characteristics of the local portfolio and the proven track record of the members of the local credit committee and local credit risk management organization.

We distinguish in our 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 an investment value not exceeding €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 authorization 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 for corporate customers, which are based on our 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 regular basis by the respective risk management teams on both the local level and the Group level. A qualitative analysis of our total credit exposures, defaults and losses is reported on a quarterly basis to the Credit Risk Committee.

4.2.3 Measurement

Effective December 1, 2008, we implemented Advanced Internal Rating Based ("AIRB") models for calculating the regulatory capital requirement for credit risk for our corporate fleet under Basel II. In 2011 a project was started to develop and implement internal scorecards, probability of default, loss given default and exposure at default 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 €1.9 billion or 12.7% of total client exposures. The models for credit risk relate especially to the determination of:

- *probability of default* - the likelihood of a counterparty going into default in the next twelve months based on the internal rating assigned to that counterparty;
- *loss given default* - the expected loss we would incur as a result of a default;
- *exposure at default* - the expected exposure to a counterparty at the moment of default; and
- *remaining maturity* - the contractual remainder of the lease contract derived from the start date lease contract and contract duration.

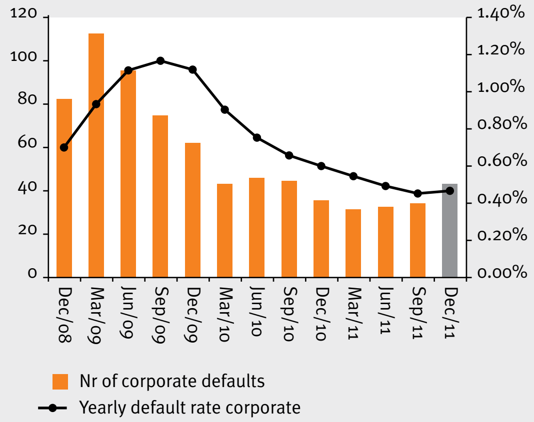
We use an internally developed risk measurement system to measure the probability of default and our exposure to potential defaults for our corporate portfolio. We use this measurement system to be able to report on such credit risk to internal and external regulators.

For purposes of assessing, recognizing and reporting defaults, we define a default as:

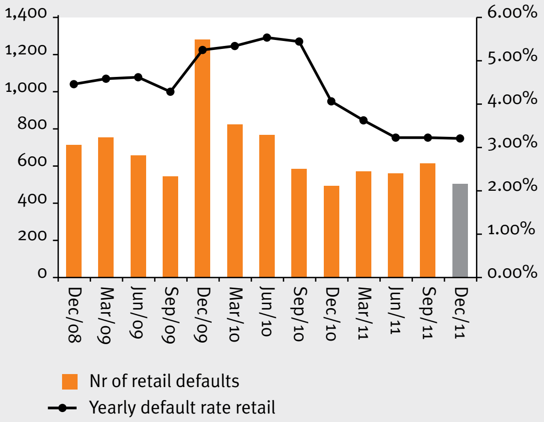
- any customer that is unable to fulfill its obligations (irrespective of the amount involved or the number of days outstanding); or
- when customers are over 90 days in arrears and local judgment so determines that there is a reasonable chance that the amount will not be collected, .

We monitor defaults on an ongoing basis with reports generated for the Credit Risk Committee and the Supervisory Board on a quarterly basis. As at December 31, 2011, the number of corporate defaults over the previous three years gradually decreased on a quarterly basis, from peaks in the first and second quarters of 2009. The yearly default rate (equal to the number of defaults over the previous four quarters at quarter end divided by the average number of clients for the same period (the "yearly default rate") for 2011 was 0.5% for the corporate fleet as at December 31, 2011. The moving average of the yearly default rate for 2011 was 3.2% for the retail fleet as at December 31, 2011. The tables below show the number of defaults by quarter (at quarter-end) and the yearly default rate for our corporate and retail customers for the period from the last quarter of 2008 through 2011.

Number of quarterly defaults - Corporate customers



Number of quarterly defaults - Retail customers



Probability of default ("PD")

We assess the probability of default of corporate counterparties using internal rating tools tailored to the various categories of such counterparties. Our internal rating system for corporate counterparties is segmented into fourteen non-default rating classes. Our rating scale reflects the range of default probabilities defined for each rating class and as the assessment of the corporate counterparties' probability of default changes we may adjust our exposure between classes. These internally developed tools combine statistical analysis with in-house judgment and are compared with externally available data when possible.

The rating tools are regularly reviewed and are renewed when required under our governance framework. This includes monitoring on a quarterly basis whether the performance of the models meets internal and external requirements, such as those set by the Dutch Central Bank. Regularly, all models are validated by an external audit firm other than the firm that audits our annual accounts. A table showing our internal ratings scale compared with external ratings is below.

LeasePlan's rating	Description of the rating grade	External rating: Standard & Poor's equivalent
1	Prime	AAA/AA
2A	Very Strong	A+
2B	Strong	A
2C	Relatively Strong	A-
3A	Very Acceptable	BBB+
3B	Acceptable	BBB
3C	Relatively Acceptable	BBB-
4A	Very Sufficient	BB+
4B	Sufficient	BB
4C	Relatively Sufficient	BB-
5A	Somewhat Weak – Special Attention	B+
5B	Weak – Special Attention	B
5C	Very Weak – Watch	B-
6A	Sub-Standard - Watch	CCC+/C

The ratings of Standard & Poor's shown in the table above are mapped to our rating classes based on the long-term average default rates for each external rating. Observed defaults by rating category vary year on year, especially over an economic cycle. External rating agencies, their rating framework and as a consequence their assessment of institutions could be subject to change which may impact any of our models, risk appetite, risk tolerance levels or internal ratings, which are set to such external ratings.

We assign a default probability to each rating grade based on historical default data. The table below summarizes the probability of default ranges of our credit risk exposure in our lease contract portfolio:

LeasePlan's rating	2011 Credit risk exposure	2011 PD range		2010 Credit risk exposure	2010 PD range	
(in millions of euro)						
1	392.3	0.04%	0.04%	388.3	0.03%	0.03%
2A to 2C	3,718.3	0.04%	0.10%	3,532.9	0.03%	0.10%
3A to 3C	4,547.0	0.10%	0.28%	4,236.1	0.10%	0.36%
4A to 4C	2,244.4	0.28%	1.36%	2,140.2	0.36%	1.55%
5A to 5C	286.1	1.36%	16.31%	330.9	1.55%	16.02%
6A	14.6	16.31%	49.01%	7.9	16.02%	56.77%
Unrated[1]	3,382.7	-	-	2,987.4	-	-
Total credit exposure for lease contract portfolio	**14,585.4**			**13,623.7**		

[1] *These figures include clients classified as retail, government, and banks for which there is not an approved internal ratings model. Some of these clients are rated by external rating agencies and are benchmarked against those.*

For the application of probability of defaults in calculating capital requirements a distinction should be made between Pillar 1 and Pillar 2. According to Pillar 1 regulation, the residual values in LeasePlan's credit risk exposure (approximately 55% of the total credit risk exposure) are subject to a separate risk weighting calculation than the future lease payments. As a result, under Pillar 1, probability of defaults is only used for the calculation of risk weight of future lease payments. Under Pillar 2, these are applied to the full counterparty exposure.

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

	2011 Credit risk exposure	2011 Risk weight	2011 Risk weighted assets	2010 Credit risk exposure	2010 Risk weight	2010 Risk weighted assets
Future lease payments	6,494,754	39.60%	2,571,733	5,727,423	34.94%	2,001,266
Residual value	8,090,606	70.99%	5,743,442	7,896,262	74.85%	5,910,591
	14,585,361	**57.01%**	**8,315,175**	**13,623,685**	**58.07%**	**7,911,857**

Loss Given Default ("LGD")

Loss given default is the loss we incur as the result of a default or the expected loss we would incur as a result of a default. Loss given default is expressed as the percentage loss of our exposure at the time the counterparty is declared in default and typically varies by country and transactional features, such as type of leased vehicle.

Loss given default expectations are arrived at by using historical default data gathered by our subsidiaries in a global default database. These loss given default expectations are calculated separately for each collateral type (cars and vans, trucks and equipment) and for each country in which we are active. The table below sets forth our average exposure weighted loss given default for corporate counterparties at the end of 2010 and 2011.

As at December 31,	2011		2010	
	Credit risk exposure	Effective LGD[1]	Credit risk exposure	Effective LGD[1]
(in millions of euro, except percentages)				
Total	14,585.4	30.46%	13,623.7	29.33%

[1] *Effective LGD is the exposure-weighted estimated LGD of the corporate portfolio.*

Exposure at default ("EAD")
The conversion factor for the EAD is 1.0 of the original credit risk exposure. The main driver for this conversion factor is that in general LeasePlan has no obligation towards counterparties to execute new orders at any time. The original risk exposure is derived from the remaining amortising book value of lease contracts and arrears. LeasePlan's main default criteria are overdue past 90 days and management's judgment of a counterparty's inability to fulfil its financial obligations. The latter criterion is used to avoid disputes with counterparties being reported as defaults.

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

	2011		2010	
	Credit risk exposure	Maturity (in years)	Credit risk exposure	Maturity (in years)
Total	**14,585,361**	**1.97**	**13,623,685**	**1.83**

4.2.4 Exposure

In accordance with the Capital Requirements Directive, we measure our credit risk items in the following categories: exposure classes, geographic segmentation, industry segmentation, and client concentration (single customers and groups of customers).

Our credit risk exposure presented below differs in some areas from the credit risk exposure as presented in our Audited Consolidated Financial Statements due to certain accounting principles. The credit risk exposure presented below is divided by exposure classes, while in the Audited Consolidated Financial Statements our credit risk exposure is reflected in two separate items based on the accounting classification of the lease, as either a financial or operational lease. The two balance sheet items reflecting the credit risk exposure related to leasing exposures in the Audited Consolidated Financial Statements are: 'Amounts receivable under finance lease contracts' (under 'Receivables from clients') and 'Property and equipment under operational lease and rental fleet'. The total credit risk exposure with regard to the leasing portfolio as distributed in the Audited Consolidated Financial Statements is shown in the following table:

As at December 31,	2011	2010
(in millions of euro)		
CREDIT RISK EXPOSURE		
Amounts receivable under finance lease contracts	2,390.5	2,191.0
Property and equipment under operational lease and rental fleet	12,194.8	11,432.7
Total credit risk exposure	**14,585.4**	**13,623.7**

The amounts above represent our total on-balance sheet exposure to counterparties with respect to lease contracts as at the specified dates. In the remainder of this section, we will provide further information on these credit risk exposures.

Credit risk exposure by exposure classes and approach
We apply the AIRB models for credit risk to all corporate counterparty exposures. For government, bank and retail customers' counterparty exposure, we apply the standardized approach which prescribes fixed percentages for risk weighting depending on characteristics and conditions of the exposure; as development of internal models for these exposure classes is not cost effective based on our relatively low exposures to those counterparties. In respect of retail clients in the United Kingdom and the Netherlands, we are preparing for implementing an AIRB approach in 2012.

The table below shows our aggregate credit risk exposure by exposure class and approach.

	2011			2010		
Exposure class	**AIRB**	**Standardised**	**Total**	**AIRB**	**Standardised**	**Total**
Corporates	11,202,693	248,140	11,450,833	10,636,288	425,400	11,061,688
Governments		643,041	643,041		719,377	719,377
Banks		172,390	172,390		189,691	189,691
Retail		1,857,197	1,857,197		1,579,310	1,579,310
Other		461,900	461,900		73,619	73,619
Total	**11,202,693**	**3,382,668**	**14,585,361**	**10,636,288**	**2,987,397**	**13,623,685**

The table below summarizes the external credit ratings of the counterparties of our financial assets as at December 31, 2010 and 2011, except for the lease contract portfolio which includes both financial assets (financial leases) and non-financial assets (operational leases) as the credit rating is performed on the total lease contract portfolio.

As at December 31,	2011			2010		
	Lease contract portfolio	**Derivative financial instruments**	**Receivables from financial institutions**	**Lease contract portfolio**	**Derivative financial instruments**	**Receivables from financial institutions**
(in millions of euro)						
External rating						
AAA to AA-	392.3	91.6	365.4	388.3	124.6	365.8
A+ to A-	3,718.3	152.1	1,494.2	3,532.9	204.4	1,112.6
BBB+ to BBB-	4,547.0	-	1.7	4,236.1	-	28.0
BB+ to BB-	2,244.4	-	8.8	2,140.2	-	-
B+ to B-	286.1	-	-	330.9	-	-
CCC+ to C	14.6	-	-	7.9	-	-
Unrated(1)	3,382.7	-	-	2,987.4	-	-
Total	**14,585.4**	**243.8**	**1,870.1**	**13,623.7**	**329.0**	**1,506.4**
Total credit risk exposure			**16,699.2**			**15,459.1**

[1] *These figures include clients classified as retail, government, and banks for which there is not an approved internal ratings model. Some of these clients are rated by external rating agencies and are benchmarked against those.*

Credit risk exposure by exposure class and geography

The following table shows the credit risk exposure distribution by exposure class and by geography of our lease contract portfolio based on the geographical location of the assets as at December 31, 2011. Distinction is made among Europe's euro-zone, Europe's non-euro-zone and the rest of the world:

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

(in millions of euro, except percentages)	Europe (euro)	Europe (none-euro zone)	Rest of the World	Total	Percent of Total
Exposure class					
Corporates	6,898.6	2,558.5	1,993.8	11,450.8	79%
Governments	165.6	290.4	187.0	643.0	4%
Banks	145.5	15.9	11.0	172.4	1%
Retail	912.1	918.9	26.1	1,857.2	13%
Other	265.6	123.7	72.5	461.9	3%
Total as at December 31, 2011	**8,387.3**	**3,907.5**	**2,290.5**	**14,585.4**	
Percentage of total as at December 31, 2011	58%	27%	16%	100%	100%
Total as at December 31, 2010	**8,004.1**	**3,510.2**	**2,109.3**	**13,623.7**	
Percentage of total as at December 31, 2010	59%	26%	15%	100%	

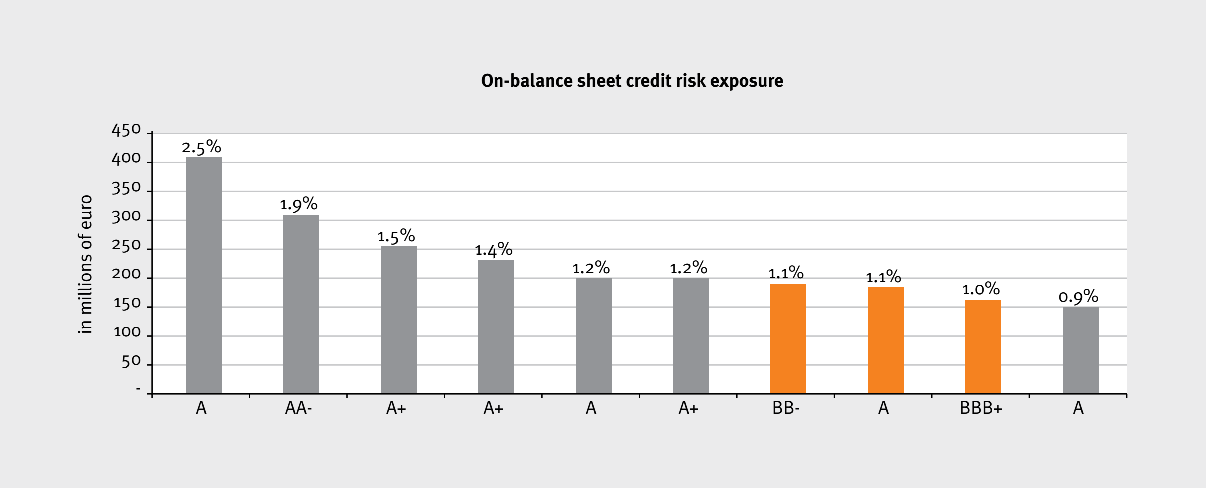
Credit risk exposure by industry

Credit risk exposure is broken down according to the industry segment in which the counterparties have their major business activity and by the type of counterparty (corporate, retail, governments, banks and other). The table below shows the breakdowns as at December 31, 2011.

Distribution by exposure class and industry type (in millions of euro, except percentages)	Corporate	Retail	Governments	Banks	Other	Total
Services	1,874.9	474.3	-	-	-	2,349.2
Consumer durables	1,901.4	268.3	-	-	-	2,169.8
Capital goods	1,702.5	190.5	-	-	-	1,892.9
Construction and infrastructure	923.0	148.7	-	-	-	1,071.7
Chemicals	852.2	35.5	-	-	-	887.7
Technology	652.7	65.2	-	-	-	717.9
Public administration	9.0	4.0	643.0	-	-	656.1
Transport and logistics	575.7	49.4	-	-	-	625.1
Banks and financial intermediation	395.8	50.0	-	172.4	-	618.1
Food, beverages and tobacco	496.1	19.9	-	-	-	516.1
Other	13.5	7.6	-	-	461.9	483.0
Utilities	347.1	10.9	-	-	-	358.0
Retail	229.5	49.6	-	-	-	279.1
Natural resources	239.4	18.5	-	-	-	257.8
Private individuals	8.7	237.3	-	-	-	246.0
Insurance and pension funds	205.4	14.0	-	-	-	219.4
Telecom	208.3	9.1	-	-	-	217.4
Diversified-others	127.4	57.7	-	-	-	185.2
Health care	135.5	33.4	-	-	-	168.9
Real estate	113.2	40.0	-	-	-	153.1
Oil and gas	137.1	5.2	-	-	-	142.3
Automotive	116.7	14.0	-	-	-	130.8
Media	70.8	18.5	-	-	-	89.3
Agriculture, forestry and fishing	53.4	12.4	-	-	-	65.8
Leisure and tourism	33.8	19.9	-	-	-	53.7
Building materials	27.6	3.4	-	-	-	31.0
Total as at 31 December 2011	**11,450.8**	**1,857.2**	**643.0**	**172.4**	**461.9**	**14,585.4**
Total as at 31 December 2010	**11,061.7**	**1,579.3**	**719.4**	**189.7**	**73.6**	**13,623.7**

Counterparty concentration

Our 100 largest leasing counterparties or groups of counterparties represented 35% of the consolidated book value of our total lease portfolio, as at December 31, 2011. We believe the concentration risk in the consolidated client portfolio for lease contracts is limited as the largest leasing counterparty represented 1.3% of the consolidated book value of our total lease portfolio or 1.4% of our risk-weighted assets as at December 31, 2011. Information on our 10 largest on-balance sheet credit risk exposures, including both our financial counterparties and lease counterparties in millions of euro as a percentage of total on-balance sheet credit risk exposures, by external S&P credit rating as at December 31, 2011 is shown in the table below, with the grey bars depicting our largest financial counterparties and the orange bars depicting our largest leasing counterparties.



Provisions and impairment
When a leasing client is considered to be in default, we calculate our exposure to such client by aggregating the outstanding invoices to that client and the book value of the vehicles currently under lease contracts for such client. The estimated sales proceeds of the vehicles under lease at the time of the default, instead of at the originally scheduled lease termination, is then deducted from the exposure at default to arrive at a provision amount. In general such exposure at default is intended to fully cover the expected loss.

We individually assess receivables from clients (mainly lease rentals that have become payable) for indications of impairment. Gross amounts of receivables from clients that were past due but not impaired were:

As at December 31, *(in millions of euro)*	**2011**	**2010**
Receivables from clients past due, but not impaired		
Past due up to 90 days	225.5	199.1
Past due between 90-180 days	22.8	27.7
Past due over 180 days	29.4	24.7
Total	**277.7**	**251.6**

Receivables from clients in default and amounts provided for impairment were:

As at December 31, *(in millions of euro)*	**2011**	**2010**
Impaired loans and receivables from clients	**75.8**	**81.0**
Provision on clients provided for	69.0	73.3
Expected loss provision	6.7	5.8
Total allowance for impairment	**75.7**	**79.1**

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

	2011		2010	
	Derivative financial instruments	Receivables from financial institutions	Derivative financial nstruments	Receivables from financial institutions
In millions of euros				
Counterparty rating				
AAA to AA-	92	365	125	375
A+ to A-	152	1,494	204	1,113
BBB+ to BBB-	-	2	-	28
BB+ to BB-	-	9	-	-
Total	**244**	**1,870**	**329**	**1,516**

Loans to associates and jointly controlled subsidiaries: Credit risk for LeasePlan also arises on lending to associates and jointly controlled Group companies. The underlying business of the respective associates and jointly controlled Group companies is very similar to LeasePlan's core activities conducted through wholly owned Group companies. In shareholder agreements LeasePlan has agreed with its respective partners the ability to provide debt funding under specific credit documentation. Such provision of credit is committed and established limits are reviewed regularly. In the control on its investments in associates and jointly controlled Group companies, LeasePlan also monitors and manages its credit exposures to such ventures. As at 31 December 2010 the following exposures existed on associates and jointly controlled activities:

	2011	2010
Counterparty	**Outstanding notional**	**Outstanding notional**
LPD Holding A.Ş., Turkey	97,859	85,986
Please S.C.S., France	69,300	67,650
LeasePlan Emirates Fleet Management - LeasePlan Emirates LL, United Arab Emirates	17,281	10,387
Overlease S.r.L., Italy	8,148	22,548
Total	**192,588**	**186,571**

4.2.5 Mitigation

We are 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. Depending on the size and the quality of the client, additional risk mitigating measures are taken such as the requirement of parent company guarantees, bank guarantees, down payments or deposits or similar risk mitigation instruments. Furthermore, the majority of our clients are paying by direct debit. If a direct debit payment is denied, it is often an early indicator of a possible increase in credit risk. In such cases additional risk mitigating measures may be taken. In addition to these measures, each Group company also maintains a watch list and a special attention list of corporate customers compiled based on the internal risk indicators specific to the Group company's portfolio profile and geographical location. We monitor developments in the companies placed on such lists. The credit risks inherent in our treasury activities, and corresponding exposures to banks with which we place deposits or arrange derivative financial instruments, are mitigated by internal policies, rules and guidelines that set limits on the banks with which transactions can be concluded and the maximum amount of business that can be concluded with a single bank. The limits for a single bank are split into a number of sub-limits based on the type of business, such as deposits, financial instruments or other types of transactions. These limits are regularly reviewed by the Credit Risk Committee. Furthermore, actual outstanding amounts are closely monitored to seek to ensure that deposited funds can be transferred to other parties as soon as possible in case of increases in counterparty risk.

4.2.6 Capital requirements

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

				2011				2010
Exposure class	**Exposure**	**Average risk weight**	**Risk weighted assets**	**Regulatory capital requirement**	**Exposure**	**Average risk weight**	**Risk weighted assets**	**Regulatory capital requirement**
AIRB approach								
Corporates	11,202,693	48.54%	5,437,973	435,037	10,636,288	50.91%	5,414,750	433,180
Standardised Approach								
Corporates	248,140	78.79%	195,500	15,640	425,400	94.21%	400,775	32,062
Governments	643,041	62.32%	400,751	32,060	719,377	61.82%	444,750	35,580
Banks	172,390	78.85%	135,925	10,874	189,691	78.23%	148,400	11,872
Retail	1,857,197	90.63%	1,683,127	134,650	1,579,310	90.52%	1,429,563	114,365
Other	461,900	100.00%	461,900	36,953	73,619	100.00%	73,619	5,894
Subtotal	**3,382,668**	**85.06%**	**2,877,203**	**230,177**	**2,987,397**	**83.59%**	**2,497,107**	**199,773**
Total	**14,585,361**	**57.01%**	**8,315,175**	**665,214**	**13,623,685**	**58.07%**	**7,911,857**	**632,953**

The risk weights as presented reflect both the future lease payments as well as the residual values included in the lease contracts. The calculation of risk weight for residual values differs between the advanced internal ratings based approach and the standardised approach.

While under the advanced internal ratings based approach the risk weight is dependent on the remaining maturity of the underlying lease contract (risk weight = 1/remaining maturity in years x 100%), residual values under the standardised approach are risk weighted at 100%. All other assets are subject to the standardised approach and can be summarised as follows:

		2011		2010
Standardised Approach	**Risk weighted assets**	**Regulatory capital requirement**	**Risk weighted assets**	**Regulatory capital requirement**
Other assets	2,173,900	173,912	1,855,763	148,461
Off-balance	374,313	29,945	374,963	29,997
Derivatives	45,688	3,655	101,813	8,145
Total	**2,593,900**	**207,512**	**2,332,538**	**186,603**

On a quarterly basis the Group's credit risk management department performs stress testing on the leasing portfolio by assuming deterioration in counterparty's' ratings in combination with a deterioration of LGDs. The worst case scenario calculated under these stress tests assumes an average decrease in counterparty's' ratings by 2 notches and a deterioration of the average LGD by 10%. Such scenario would for LeasePlan result in an increase of required capital amounting to approximately EUR 157 million.

The internal capital target calculated under Pillar 2 covers for such a scenario implying that LeasePlan aims for a minimum capital level that, in the event of such a scenario occurring in combination with stressed scenarios in other risk areas, will keep the capital ratio above the minimum required capital ratio of 8%. The currently available capital is well above the targeted capital.

4.3 Liquidity Risk

4.3.1 Definition

Liquidity risk is the risk that we are not able to meet our obligations as they fall due. Our liquidity risk (which is managed as a part of treasury risk) mainly relates to funding liquidity risk, which is the risk that we will not be able to meet both expected and unexpected current and future cash flows without affecting either daily operations or our financial condition.

4.3.2 Policy

Our liquidity risk mainly relates to funding liquidity risk, which is the risk that we will not be able to meet both expected and unexpected current and future cash flow needs without affecting either our daily operations or our financial condition. We place less emphasis on market liquidity risk because unlike most other banks we do not maintain trading and investment books as a core business.

Liquidity risk is neither a driver nor a profit center for us, and as a result both our matched funding policy and our funding strategy are aimed at minimizing our liquidity risks. Our liquidity risk appetite and tolerance levels are based on the following key principles:

- Compliance with minimum regulatory liquidity requirements at all times;
- Holding sufficient liquid assets to meet financial obligations under severe but plausible stress events for a period of at least one month without negatively affecting ongoing business; and
- Maintaining access to liquidity buffers and developing a set of possible management actions to meet our financial obligations during a period of continuing stress for at least nine months.

The continuous financing and refinancing of new lease contracts is a major factor in how we manage liquidity risk. We seek to match the duration of our assets and liabilities. We manage liquidity risk by seeking to conclude funding that matches the run-off profile of the leased assets. We apply this matched funding principle both at a consolidated group and a subsidiary level taking into account specific mismatch tolerance levels.

Local management of Group companies and our corporate management have responsibility and accountability for assessing, controlling and mitigating liquidity risks. They seek to ensure that there are adequate managerial and supervisory controls in place to ensure compliance with liquidity risk limits, achievement of liquidity targets and to identify control breakdowns, inadequacy of processes and unexpected events.

The Managing Board sets a number of limits designed to ensure that liquidity risk tolerance levels can be maintained. Limits are reviewed regularly and updated as a result of changes in market conditions or our liquidity and funding profile. The limits are differentiated between regulatory limits, liquidity mismatch limits, concentration limits and settlement limits.

A key aspect of our liquidity risk management is the liquidity funding planning maintained at the Group level, which forecasts issuances and redemptions for each funding source, resulting in a multiyear projection of our liquidity position. Apart from the actual forecast, a stress-tested forecast is also calculated based on stress assumptions. The liquidity funding planning is a recurring item on the ALCO agenda.

4.3.3 Measurement

We seek to ensure that we have a management information system that provides reliable up to date information that is available for the identification, measurement and monitoring of liquidity risk. We identify and measure our liquidity risk positions for:

- future cash flows of assets and liabilities (from lease contracts and financial liabilities);
- sources of contingent liquidity demand and related triggers associated with off-balance sheet positions (including early amortization triggers, such as defaults or insufficient volumes, in securitizations and collateral requirements resulting from derivative transactions); and
- currencies in which we own assets that are funded in a currency different from the currency in which the asset is denominated.

We measure and forecast our prospective cash flows for assets, liabilities, off-balance sheet commitments and derivatives over a variety of time horizons, under normal conditions and a range of stress scenarios, including scenarios of severe stress. Part of this involves creating cash-flow projections which cover expected cash inflows, expected cash outflows, and expected counterbalancing capacity, which is a combination of expected liquidity buffers and our expected ability to reduce or dispose of assets. When determining expected cash flows and expected counterbalancing capacity, we distinguish between contractual and behavioral flows.

Further, we perform stress tests on our models on a regular basis in order to identify and quantify our exposure to possible future liquidity stresses and to analyze possible impacts on our cash flows and liquidity position.

4.3.4 Exposure

We maintain a core liquidity buffer of call money and loans to banks and have access to committed credit facilities as contingent funding sources. Liquidity weights are prescribed for all asset and liability categories, resulting in available and required liquidity levels for a one week and one month period. The Dutch Central Bank sets out minimum liquidity level requirements for one week and one month periods, and requires that available liquidity exceeds required liquidity, according to their definitions, at all times. The table on the next page sets forth our liquidity position as reported to the Dutch Central Bank as at December 31, 2010 and 2011.

As at December 31,	2011		2010	
Liquidity position	**Week Period**	**Month Period**	**Week Period**	**Month Period**
(in millions of euro)				
Available liquidity	1,455.4	3,680.3	2,402.2	4,240.6
Required liquidity	832.8	2,790.8	1,510.2	3,208.5
Liquidity surplus	**622.6**	**889.5**	**892.0**	**1,032.1**

These figures show that according to then-current supervisory calculation rules, we had a liquidity surplus as at December 31, 2011, both for the one week and one month periods. We are required to hold at least 30% of the deposits on demand (consisting of a 10% standard amount and a 20% additional amount) at the reporting date in liquid assets. As of August 2011, the full 30% requirement has been included in the reported surplus. Before this date the actual liquidity surplus was less than the figure in the table above as it did not include the additional 20% amount. As at December 31, 2010 this additional minimum liquidity requirement of 20% of the deposits on demand amounted to €241 million, resulting in a net one month period liquidity surplus of €791 million.

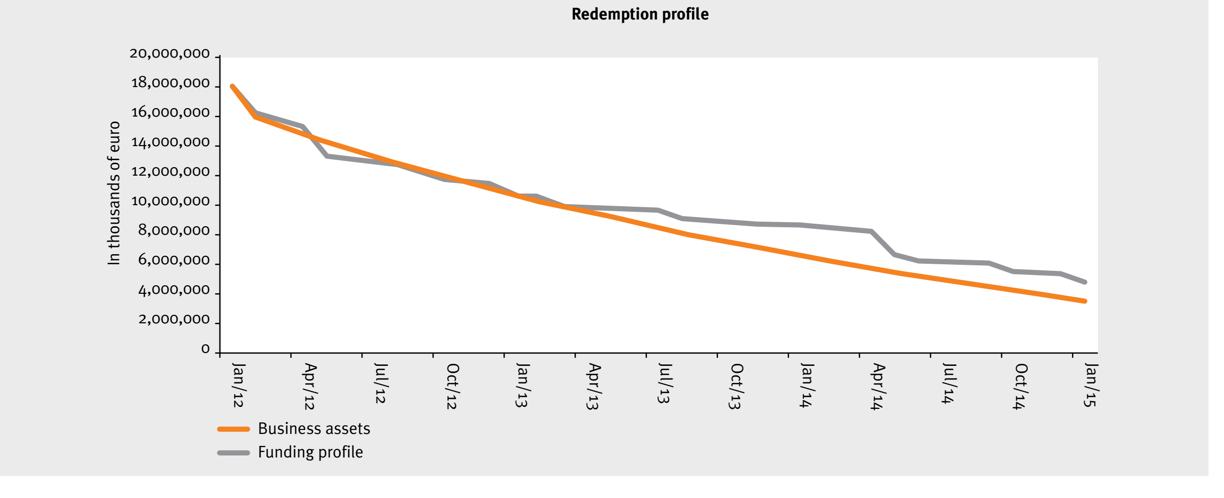
The table below is an overview of our liquidity position over the year ended December 31, 2011 based on the Dutch Central Bank liquidity reporting requirements by month, as at each respective month end:

Liquidity Position	**Jan. 2011**	**Feb. 2011**	**March 2011**	**April 2011**	**May 2011**	**June 2011**	**July 2011**	**Aug. 2011**	**Sept. 2011**	**Oct. 2011**	**Nov. 2011**	**Dec. 2011**
(in millions of euro)												
Week surplus	813	438	428	580	1,051	840	442	832	594	1,135	1,179	623
Month surplus	970	792	836	1,299	1,001	912	676	640	447	632	875	890

The Dutch Central Bank liquidity levels are embedded in our liquidity and cash management processes. Apart from end of month reporting performed by the control and reporting department, we monitor the development of the Dutch Central Bank liquidity levels on an ongoing basis as part of the liquidity funding planning process. If the forecast shows that Dutch Central Bank liquidity levels will significantly decrease, we may take possible mitigating actions. In addition, Dutch Central Bank liquidity forecasts are discussed in the ALCO.

5.3.5 Mitigation

The first level of liquidity risk mitigation is our matched funding policy, whereby we seek to align the maturity profile of our funding with the maturity profile of our fleet leases. The continuous financing and refinancing of new lease contracts is a major factor in managing liquidity risk. Pursuant to our matched funding policy liquidity risk is primarily limited to the funding of new vehicles. We apply this matched funding principle at both the Group and subsidiary level. We seek to minimize liquidity risk on existing assets by concluding funding that matches the run-off profile of the leased assets. Moreover, we aim for a balanced redemption profile to avoid peaks in redemptions such as the bonds guaranteed by the State of Netherlands under the 2008 Credit Guarantee Scheme. From a going-concern perspective, the continuous (re)financing of new lease contracts is a major factor in our management of liquidity risk. The relatively high turnover of new funding is due to the relatively short weighted average lifetime of our assets. Under the matched funding policy, we seek to limit liquidity risk to the funding of new vehicles. The graph below shows the redemption profile of our business assets and related funding as at December 31, 2011 in thousands of euro.



Funding profile consists of borrowings from financial institutions, funds entrusted and debt securities issued with maturities calculated as at their contractual end date, except for funds entrusted which is calculated based on behavioral outflow. Business assets consist of all lease contracts as at December 31, 2011 with maturities calculated as at their contractual termination date. This graph does not account for any new lease contracts.

The second level of our liquidity risk mitigation is our funding diversification strategy. If one of our funding sources is not available, we seek to ensure that we have access to alternative funding sources or markets. We launched our internet savings bank operations in the Netherlands in February 2010 under the brand name LeasePlan Bank with the purpose of further diversifying the funding of our core business activities. Attracting funds from both corporate and private clients through straightforward flexible savings products fits into this strategy. Another major component of our funding diversification strategy is our ability to securitize our assets. We have concluded four securitization transactions under the name of Bumper 1 (2006), Bumper 2 (2008 and 2011), Bumper 3 (2009) and Bumper 4 (2011). Bumper 2, 3 and 4 are all outstanding and all Class-A notes have been sold to external investors. Previously, the Bumper 1, 2 and 3 Class-A notes were kept on our own book, allowing the notes to be used as collateral for European Central Bank monetary transactions. The highest rated notes (rated AAA) were eligible to be used as collateral when we engaged as a counterparty in monetary transactions with the European Central Bank. As at December 31, 2010, €950 million was borrowed from the European Central Bank, which was secured with notes from the securitization transactions. However, as at December 31, 2011 we had no borrowings from the European Central Bank as all of the notes under the Bumper transactions had been sold to external investors or the securitization had been unwound.

The third level of our liquidity risk mitigation is our liquidity buffer (which consists of cash and cash equivalents and amounts available under committed credit facilities). As a precaution, our continued access to financial markets for funding is supported by a number of committed facilities to reduce our liquidity risk and to safeguard our ability to continue to write new business in case no new funding could be obtained temporarily. In the stress scenario that money market and debt capital market funding are unavailable for a longer period of time, our liquidity risk management policy is intended to enable us to repay maturing debt when it falls due on the basis of matched funding of existing assets. We believe that new business should be able to be continued for a substantial period of time on the basis of our existing committed facilities in combination with available excess cash balances and overfunding of existing assets.

4.3.6 Capital requirements

In respect of liquidity risk, LPC considers that its current measures taken are sufficient to cover for this risk and considers holding additional capital for liquidity risk unnecessary. Furthermore, due to the nature of the risks involved with securitisation (operational and legal risks) any capital for the complexity of the funding structure is considered to be part of the capital calculations for operational risk (project risk).

5 OTHER RISK MANAGEMENT AREAS

5.1 Interest rate risk

Interest rate risk is the risk that our profitability is affected by movements in interest rates. Our activities principally relate to vehicle leasing and fleet management. We accept and offer lease contracts to clients at both fixed and floating interest rates, for various periods and in various currencies. Group companies have interest bearing assets (mainly lease contracts) that are funded through interest bearing liabilities (loans and other indebtedness) and non-interest bearing liabilities (mainly working capital and equity).

Our interest rate risk policy is to match the interest rate profile of the lease contract portfolio with a corresponding interest rate funding profile to minimize our interest rate risk at the Group level. Individual Group companies are only authorized to have a maximum mismatch of 5% between their interest bearing assets and liabilities for every future month and a maximum average mismatch of 2.5% over the mismatch period.

Our central treasury organization provides loans to Group companies and attracts funds from the market in conjunction with interest rate derivatives entered into for hedging purposes. To enable the central treasury organization to achieve economies of scale, smaller intercompany assets are grouped into larger size external funding transactions. Some timing differences are unavoidable in this process and interest rate risk exposures are inherent to the central treasury process. To manage this risk, limits are set for the level of mismatch of interest rate re-pricing that may be undertaken by currency and time period.

Exposures to limits are monitored regularly by the Group's treasury risk management department. Derivative financial instruments are concluded by the central treasury organization as an end-user only and are important instruments in managing and controlling interest rate risk exposures. Interest rate risk exposures and any deviations from our policy within central treasury and Group companies are reported and discussed by the ALCO on a quarterly basis. The reporting of these positions is also part of the quarterly reporting to the Managing Board and Supervisory Board.

The table below summarizes our exposure to interest rate risk, whereby the outstanding interest rate exposures are clustered in time periods, as at December 31, 2011 and 2010. In addition interest rate derivatives entered into to manage interest rate risk exposures are included. The interest gaps are presented excluding total equity and non-interest-bearing liabilities. When taking into account total equity of €2.2 billion and non-interest-bearing liabilities of €1.0 billion as of December 31, 2011, our overall interest rate risk exposures are reduced significantly.

	0-3 months	3-12 months	1-5 years	> 5 years	Non-interest bearing	Total
(in millions of euro)						
As at December 31, 2011						
Total financial assets	3,945.5	507.3	466.4	107.5	469.4	5,496.1
Total financial liabilities	4,415.5	3,785.2	5,720.8	135.8	1,079.9	15,137.1
Non-financial assets						
and liabilities, net	1,296.1	3,170.5	7,653.9	74.4	(399.9)	11,794.9
Net on-balance position	826.1	(107.5)	2,399.5	46.2	(1,010.4)	2,153.9
Derivative financial instruments:						
Assets	15,639.4	2,708.7	4,807.0	118.2		
Liabilities	13,694.7	2,750.6	6,649.0	-		
INTEREST GAP	**2,544.3**	**(149.3)**	**783.9**	**164.4**		
As at December 31, 2010						
Total financial assets	2,735.6	637.2	825.9	220.5	522.0	4,941.1
Total financial liabilities	3,495.8	1,745.8	7,401.4	162.2	1,135.2	13,940.4
Non-financial assets						
and liabilities, net	1,533.8	3,150.9	6,691.0	66.0	(506.1)	10,935.6
Net on-balance position	773.5	2,042.3	115.5	124.3	(1,119.3)	1,936.4
Derivative financial instruments:						
Assets	15,232.2	1,039.2	8,146.0	121.6		
Liabilities	13,515.9	3,027.4	7,962.9	24.4		
INTEREST GAP	**2,489.9**	**54.1**	**298.6**	**221.5**		

Stress testing takes place regularly on central treasury exposures by analyzing the profit and loss effect of a 200 basis point parallel yield curve shift on all open positions. As at December 31, 2011, the annualized effect of such a change in interest rates (converted to its euro equivalent) on our profit before tax would be €4.7 million for the central treasury organization, which is equal to approximately 1.7% of profit before tax for the year ended December 31, 2011.

We calculate the capital requirements based on the possible effects of unexpected changes in interest rates. The annualised stress test result at central treasury level of EUR 4.7 million was calculated using the open positions whereby usage of interest rate gap limits was approximately 5%. For Pillar 2 calculations the gap was amended on a transaction level to achieve 100% limit utilisation. The maximum annualised loss amount at central treasury level is EUR 27.8 million and is incorporated as an amount for Pillar 2 capital calculations.

5.2 Currency risk

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. The Group's capital also 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 of each non-euro subsidiary 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. The adherence to central treasury limits is analyzed by the Group's treasury risk management department on a monthly basis. Additionally the Group's total currency exposure is measured on a quarterly basis. These exposures are reported to the ALCO quarterly.

The table below summarizes our exposure to currency risk as at December 31, 2011 and 2010.

(in millions of euro)	**EUR**	**GBP**[1]	**USD**[2]	**AUD**[3]	**Other**	**Total**
As at December 31, 2011						
FINANCIAL ASSETS						
Receivables from financial institutions	1,762.9	55.9	29.4	10.6	11.3	1,870.1
Receivables from clients	848.6	261.6	1,026.7	345.6	476.6	2,964.1
Discounts and commissions receivable	161.2	3.2	7.0	1.7	18.7	191.9
Reclaimable damages	27.4	-	-	-	2.2	29.6
Interest to be received	3.7	-	-	-	0.3	4.1
Loans to associates and jointly controlled entities	168.7	-	6.6	-	17.3	192.6
Total	**2,977.6**	**320.7**	**1,069.7**	**357.9**	**526.5**	**5,252.3**
FINANCIAL LIABILITIES						
Borrowings from financial institutions	649.0	2.1	9.3	417.0	458.5	1,535.9
Funds entrusted	2,984.3	-	-	-	1.1	2,985.4
Debt securities issued	6,712.5	-	2,313.8	164.7	344.9	9,535.9
Trade payables	437.2	12.2	19.5	51.3	145.9	666.1
Interest payable	127.3	0.1	9.2	7.3	11.6	155.5
Total	**10,910.3**	**14.5**	**2,351.7**	**640.4**	**962.1**	**14,878.9**
Non-financial assets and liabilities	7,796.6	1,381.6	130.6	625.8	1,860.3	11,794.9
Net on-balance position	(136.1)	1,687.8	(1,151.4)	343.3	1,424.8	2,168.3
Derivatives position	1,655.5	(1,523.5)	1,204.4	(224.6)	(1,126.3)	(14.5)
CURRENCY POSITION		164.3	53.0	118.7	298.5	
Net investment subsidiaries		164.2	53.6	118.2	290.5	
Other		0.1	(0.6)	0.5	8.0	
As at December 31, 2010						
Total financial assets	2,508.2	343.9	861.7	392.5	515.0	4,621.1
Total financial liabilities	10,221.1	17.7	2,289.5	216.1	772.1	13,516.5
Non-financial assets and liabilities	7,272.7	1,124.5	124.0	616.6	1,788.8	10,935.6
Net on-balance position	(440.2)	1,450.6	(1,303.9)	792.9	1,531.8	2,031.2
Derivatives position	1,842.8	(1,321.7)	1,346.6	(693.2)	(1,269.3)	(94.8)
CURRENCY POSITION		128.9	42.7	99.7	262.5	
Net investment subsidiaries		130.9	43.0	99.8	262.5	
Other		(2.0)	(0.2)	-	-	

[1] *Converted at a ratio of GBP 1.1977004 to EUR 1 as at December 31, 2011.*
Converted at a ratio of GBP 1.1606314 to EUR 1 as at December 31, 2010.
[2] *Converted at a ratio of USD 0.7716645 to EUR 1 as at December 31, 2011.*
Converted at a ratio of USD 0.7476636 to EUR 1 as at December 31, 2010.
[3] *Converted at a ratio of AUD 0.7854773 to EUR 1 as at December 31, 2011.*
Converted at a ratio of AUD 0.7604563 to EUR 1 as at December 31, 2010.

Based on the table above, our currency risk exposures as at December 31, 2011 mainly related to our net investment in subsidiaries. Our capital requirement under Pillar 1 reflects the investments in non-euro denominated Group companies. This is shown in the following table:

Currency	2011 Position in EUR	2011 Minimum required capital	2010 Position in EUR	2010 Minimum required capital
GBP	164,288	13,143	130,939	10,475
USD	53,446	4,276	42,956	3,436
AUD	118,640	9,491	99,750	7,980
Other	290,638	23,251	262,499	21,000
Total	**627,012**	**50,161**	**536,144**	**42,891**

These absolute positions will not be hedged by LeasePlan as the positions have been taken to protect LeasePlan's capital adequacy ratios against foreign exchange rate movements. We consider the capital reserved under Pillar 1 to be sufficient and do not see the necessity to increase the internally required capital for currency risk under Pillar 2.

5.3 Operational risk

Operational risk is the risk of losses resulting from inadequate or failed internal processes, human behavior and systems or from external events. An operational loss is the financial impact that arises from the occurrence of an operational risk event.

Our operational risk policy, as set by the Managing Board, includes requirements on creating awareness, sufficient staffing and governance (including the existence of a local risk committee), loss identification and reporting, risk assessment and the definition of operational risk appetite. This policy prescribes the requirements for the organization of the operational risk management activities in each Group company. Local management is responsible for managing the operational risks in their Group company.

In all Group companies a formal operational risk management role is in place. Our corporate operational risk management department is responsible for establishing and maintaining the operational risk framework, monitoring our operational risk profile and the collation and validation of operational risk reporting at Group level. This department prepares analyses of the operational losses reported by Group companies for the Group's Operational Risk Committee and initiates the overall assessment of risks in the Group as a basis for the annual ICAAP.

We apply the Advanced Measurement Approach ("AMA") in our operational risk framework. Methods deployed for risk identification are the operational risk scenario analyses, top-down assessments, operational risk self-assessments, operational loss data analysis and the performance of internal and external audits. Based upon the risks identified and losses reported, our operational risk profile is assessed. Operational loss data reported is analyzed and reported on a weekly basis. The overall impact of the mitigating activities is assessed by analyzing the frequency and impact of operational losses prior to and after implementation of the additional controls. Once it is established that certain controls have a distinguishable effect on the impact or frequency of the identified operational risks, it is the task of the Group's operational risk management department to communicate and advise Group companies with similar risks about the additional controls.

We recorded 999 operational losses for the year ended December 31, 2011 compared with 884 and 975 for the year ended December 31, 2010. These losses correspond with a total estimated loss amount of €6.0 million in the year ended December 31, 2011 and €2.8 million for the year ended December 31, 2010. The Group companies are required to report gross operational losses, i.e. the maximum estimated loss amount known at the moment of identification of the potential loss, irrespective of any potential recovery. As a result, the net impact of the operational losses (gross loss minus any recovery) can be substantially lower. The majority of the operational losses recorded by LeasePlan are classified in the event category 'Execution: Delivery and Process Management'. These categories represent 69% of the total operational loss amount and 80% of the total number of operational losses reported. The distribution of LeasePlan's operational losses is as follows:

	2011		2010	
Basel II category	**% total (EUR)**	**% total (nr)**	**% total (EUR)**	**% total (nr)**
Business Disruption and System Failures	12%	6%	7%	12%
Clients: Products and Business Practices	12%	6%	3%	1%
Damage to Physical Assets	1%	2%	1%	1%
Employment Practices and Workplace Safety	1%	1%	3%	2%
Execution: Delivery and Process Management	69%	80%	79%	76%
External Fraud	7%	5%	8%	6%
Internal Fraud	0%	0%	0%	0%
Total	**100%**	**100%**	**100%**	**100%**

LeasePlan uses a hybrid model to determine the required level of operational risk capital for regulatory purposes. This hybrid model consists of a purely quantitative analysis of LeasePlan's internal operational loss data and a more qualitative analysis of LeasePlan specific operational risk scenarios. The quantitative analysis is performed by modelling the severity and the frequency of loss events, using the internal operational loss data recorded by LeasePlan. The two distributions for the severity and the frequency are combined into one overall loss distribution by way of a Monte Carlo simulation. The resulting loss distribution determines the expected annual loss amount and the required capital at the 99.9th percentile confidence level. The qualitative analysis, or operational risk scenario analysis, is a process by which LeasePlan considers the effect of extreme, but nonetheless possible operational risk scenarios on the organisation. During the analysis, the high impact, low frequency operational risk scenarios are supplemented with relevant internal and external loss data, a description of the business environment and internal control factors to support the expert based frequency and impact estimations for each scenario. For each single scenario the estimates are modelled to determine the regulatory capital required to be held by LeasePlan at the 99.9th percentile confidence level.

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

Under Pillar 1 the operational risk regulatory capital requirement of LeasePlan as at the end of 2011 amounts to EUR 122,9 million, which is the sum of LeasePlan's operational loss data model (EUR 40.4 million) and scenario model (EUR 82.5 million).

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

To further assess the sensitivity of the models, the Group's operational risk management department performs additional tests including the following items:

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

Even if we assume that all operational risk scenarios occur at the same time and the frequency and financial impact of all scenarios have been underestimated and LeasePlan has been confronted with an overall increase of 25% of the operational losses (both impact and frequency), the additional capital required amounting to EUR 35 million will be easily available (measured stand-alone for operational risk). As a result, LPC does not see the necessity to (at this stage) increase the internally required capital for operational risk under Pillar 2.

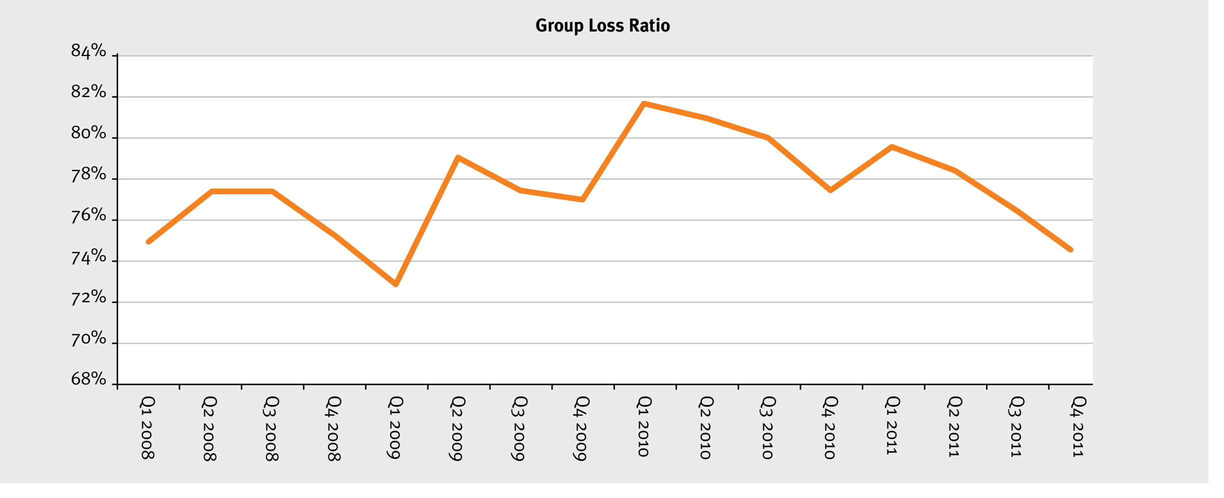
5.4 Motor insurance risk

Motor insurance risk is the exposure to potential loss due to costs related to damages incurred for our account exceeding the compensations included in lease rental payments. This risk consists of long-tail risks (motor third-party liability and legal defense) and short-tail risks (motor material damage and passenger indemnity). These risks are retained by our insurance subsidiary, Euro Insurances. In addition, some of our subsidiaries have a local risk retention scheme for motor material damages and retain the damage risk, while also offering insurance coverage through either Euro Insurances or external providers.

Euro Insurances provides motor third party liabilities insurance to our operational vehicle leasing subsidiaries' customers. As a result, we have insurance risk on the insurance sold to customers through Euro Insurances for their vehicle lease rentals. However, once certain insurance risk limits are reached, it is our policy that the related risks be reinsured to the extent they exceed such limits. Our reinsurance subsidiary, Globalines Reinsurance, seeks to reinsure the motor third party liability and catastrophic events liability of Euro Insurances up to certain defined limits of coverage, while external reinsurance providers are used for any coverage required outside of Globalines Reinsurance's coverage limits.

Our motor insurance risk policy seeks to regulate the motor insurance risk management activities for Euro Insurances, Globalines Reinsurance and other Group subsidiaries. Under our motor insurance risk policy, Group subsidiaries measure and monitor their motor insurance risk exposure by performing a yearly damage and insurance risk self-assessment. On a quarterly basis Euro Insurances, Globalines Reinsurance and other Group subsidiaries measure and report their risk exposures by means of premium developments and loss ratios to central management. These loss ratios are consolidated on group level and monitored against our defined risk appetite.

The following graph sets forth on a quarterly basis over the period from 2008 through 2011 the Group's consolidated loss ratio, which has been calculated as our consolidated projected claim costs for the year divided by our consolidated net premiums for the year of all our motor material damages for local risk retention schemes, motor material damages and third motor party liability for Euro Insurances.



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

Under Pillar 2, LeasePlan calculates internally required capital for all its Insurance risk activities. The methodology used is the regulation as laid down in the European Directive which basically requires a solvency margin expressed as a percentage of insurance premiums. As a result, LeasePlan calculated approximately EUR 55 million as internal capital requirements for insurance and damage risk activities. Since the risks in the Insurance and damage risk portfolio are quite well predictable, excessive risks are reinsured; LeasePlan considers the amounts of provisioning as sufficient, the outcome of realistic stress tests do not have significant impact on LeasePlan's capital position. Euro Insurances is preparing for the implementation of Solvency II. Any development relevant for the determination of capital requirements will be analysed to consider if a review of the current approach is necessary.

5.5 Reputational risk

Reputational risk within LeasePlan is defined as the current or prospective risk to earnings and/or capital arising from adverse perception of the image of LeasePlan on the part of clients, counterparties, shareholders, investors and regulators.

The identification of potential risks are ensured by both the Group wide risk identification processes taking place annually and the local risk self assessment programs performed by all entities. Next to the existing controls in place as described under operational risk, LeasePlan continuously monitors its internal controls to avoid its reputation being challenged.

LeasePlan has embedded the safeguarding of its reputation in various policies. Furthermore, as stated previously, the renewed Code of Conduct was adopted in 2010 and will be further embedded in the Group, for example by means of the dilemma game, developed in 2011 and to be rolled out in 2012. Three principles form the basis of our Code of Conduct: honesty & trust, respect for the law and honouring human rights. Finally, we continued to work with employees on the LeasePlan core values and identity which helps govern our reputation.

Under Pillar 1 no specific capital requirements for reputational risk need to be calculated for regulatory purposes. The effects from reputational incidents are considered to be operational losses within LeasePlan's definition of an operational loss and as such these events and their impact on LeasePlan's result are reported in the operational loss database. Consequently, the reporting of these losses results in capital requirements under the internal loss data model as described in section 6.3. Furthermore, in the determination of low frequency-high impact operational loss scenarios, reputational incidents are also considered.

5.6 Legal and Compliance risk

Legal risk covers the financial and other losses LeasePlan may suffer as a result of its negligence of, and/or failure to comply with, the applicable laws and regulations. Compliance risk is defined as the risk of legal or regulatory sanctions, financial loss, or loss to reputation LeasePlan may suffer as a result of its non-conformance with the integrity, expertise and professionalism requirements of applicable laws, regulations, codes of conduct, good management practices and internal policies.

The management of the legal and compliance risk is assigned to the corporate legal & compliance department, which is headed by the SCVP Legal & Compliance. This role also acts as the Group Compliance Officer reporting directly to LeasePlan's Chief Executive Officer and has the right to have direct access to the Chairman of the Supervisory Board. In each Group company a compliance risk management function is present. The corporate compliance function works with the local compliance functions. In 2011, a revised Compliance Charter was introduced as well as a new Compliance Risk Management Framework. The Charter introduces a a clear allocation of tasks and responsibilities of management and staff involved in compliance within the LP Group. LeasePlan follows a risk based approach along the lines of the compliance cycle, i.e. assessing risks, making , explaining , monitoring and enforcing rules. Also the independence of the LeasePlan compliance officers is now embedded in the Charter as well as their reporting lines. On a quarterly basis the Group Compliance Officer prepares reports on compliance activities with respect to mitigating compliance risks. Next to the informative reporting to senior management within LeasePlan, major risks and incidents related to compliance are discussed with LeasePlan's Chief Executive Officer on a quarterly basis and, if required, on an incidental basis. On an annual basis the Group Compliance Officer presents a report regarding compliance to the Supervisory Board starting in March 2012.

The basis for mitigating the compliance risk is formed by LeasePlan's Compliance Charter and Compliance Risk Management Framework, as well as the Compliance Risk Policy, which are applicable to all LeasePlan Group companies. In 2010 a renewed Code of Conduct was adopted to better reflect the values and behaviours that apply within the organisation. The renewed Code of Conduct will add to the afore-mentioned basis by ensuring ethical behaviour in the broadest sense, including corporate responsibility in doing business and customer focus Furthermore, the central compliance function ensures that developments in regulations are captured in new or existing Group policies if necessary. After formal approval by LeasePlan's Managing Board, these policies are announced to the Group companies and their compliance officers. Each Group company performs an annual risk assessment in respect of compliance with external laws and regulations. All Group companies report on this assessment in their yearly compliance reports to the Group Compliance Officer. Those risks are taken into consideration for inclusion in the Compliance Annual Plan.The new Compliance Risk Management Framework will further guide the Group companies in performing these risk self assessments. Next to this, an Integrity benchmark was performed in 2011. This global initiative helps us measuring the perceived level of integrity that exists in all parts of our business. Its outcome will support us to further steer on our values and integrity risks.

Under Pillar 1 no specific capital requirements for legal and compliance risk need to be calculated for regulatory purposes. The effects from legal and compliance incidents are considered to be operational losses within LeasePlan's definition of an operational loss and as such these events and their impact on LeasePlan's result are reported in the operational loss database. Consequently, the reporting of these losses results in capital requirements under the internal loss data model as described in section 8.6.1. Furthermore, in the determination of low frequency-high impact operational loss scenarios, legal and compliance incidents are also considered.

APPENDIX A. 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 "FMSA") which entered into force on January 1, 2007 and under which LeasePlan is supervised by the Dutch Central Bank (De Nederlandsche Bank N.V.) 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.

Basel Standards

The Basel Committee on Banking Supervision of the Bank for International Settlements (the "Basel Committee") develops international capital adequacy guidelines based on the relationship between a bank's capital and its credit risks. In this context, on July 15, 1988, the Basel Committee adopted risk-based capital guidelines (the "Basel guidelines"), which were implemented by banking regulators in the countries that have endorsed them. The Basel guidelines are intended to strengthen the soundness and stability of the international banking system. The Basel guidelines are also intended to reduce competitive inequality among international banks by harmonizing the definition of capital and the rules for the evaluation of asset risks and by establishing a uniform target capital base ratio (capital to risk-weighted assets). Supervisory authorities in each jurisdiction have, however, some discretion in determining whether to include particular instruments as capital under the Basel guidelines and to assign different weights, within a prescribed range, to various categories of assets. The Basel guidelines were adopted by the European Community and applied to all banks and financial institutions in the EU, and on January 1, 1991, the Dutch Central Bank implemented them and they were made part of Dutch regulations.

In June 1999, the Basel Committee proposed a review of the Basel guidelines of 1988. A new accord ("Basel II" – the previous Basel guidelines being referred to as "Basel I") was published in June 2004. Basel II is a flexible framework that is more closely in line with internal risk control and that results in a more sophisticated credit risk weighting. The Basel II framework, consisting of three "pillars", reinforces these risk sensitive requirements by laying out principles for banks to assess the adequacy of their capital ("Pillar 1") and for supervisors to review such assessments to ensure banks have adequate capital to support their risks ("Pillar 2"). It also seeks to strengthen market discipline by enhancing transparency in banks' financial reporting ("Pillar 3").

Basel II provides a range of options for determining the capital requirements for credit risk and also operational risk. In comparison to Basel I, Pillar 1 of the new capital framework aligns the minimum capital requirements more closely to each bank's actual risk of economic loss. Pursuant to Pillar 2, effective supervisory review of banks' internal assessments of their overall risks is exercised to ensure that bank management is exercising sound judgments and has reserved adequate capital for these risks. Pillar 3 uses market discipline to motivate prudent management by increasing transparency in banks' public reporting.

Instead of the previous "one size fits all" approach, under Basel II banks have the option to choose between various approaches, each with a different level of sophistication in risk management, ranging from simple via intermediate to advanced, giving banks the possibility to select approaches that are most appropriate for their operations and their financial market infrastructure.

For credit risk, banks can choose between the "Standardized Approach", the "Foundation Internal Ratings Based Approach" and the "Advanced Internal Ratings Based Approach". The Standardized Approach is based on external credit ratings and is the least complex. The two Internal Ratings Based Approaches allow banks to use internal credit rating systems to assess the adequacy of their capital. The Foundation Internal Ratings Based Approach allows banks to use their own credit rating systems with respect to the "Probability of Default". In addition to this component of credit risk, the Advanced Internal Ratings Based Approach allows banks to use their own credit rating systems with respect to the "Exposure at Default" and the "Loss Given Default". As of the date hereof, we use an Advanced Internal Ratings Based Approach with respect to our corporate counterparty credit risk exposures, and the Standardized Approach with respect to our government, bank and retail counterparty credit risk exposure.

On December 17, 2009, the Basel Committee proposed a number of fundamental reforms to the regulatory capital framework in its consultative document entitled "Strengthening the resilience of the banking sector". The Basel Committee published its economic impact assessment on August 18, 2010 and, on September 12, 2010, the Group of Governors and Heads of Supervision, the oversight body of the Basel Committee, announced further details of the proposed substantial strengthening of existing capital requirements. On December 16, 2010 the Basel Committee issued its final view on Basel III, with a revised version published on June 1, 2011. The framework sets out rules for higher and better quality capital, better risk coverage, the introduction of a leverage ratio as a backstop to the risk-based requirements, measures to promote the build-up of capital that can be drawn down in periods of stress, and the introduction of two liquidity standards. The leverage ratio, which is calculated as Tier 1 capital against all of a bank's assets (unadjusted for risk weighting) and certain off-balance sheet exposures, has a minimum level of 3%. The Basel Committee's package of reforms includes increasing the minimum common equity (or equivalent) requirement from 2% (before the application of regulatory adjustments) to 4.5% (after the application of stricter regulatory adjustments which will be gradually phased in from January 1, 2013 until January 1, 2017). The total Tier 1 capital requirement will increase from 4% to 6%. In addition, banks will be required to maintain, in the form of common equity (or equivalent), a capital conservation buffer of 2.5% to withstand future periods of stress, bringing the total common equity (or equivalent) requirements to 7%. If there is excess credit growth in any given country resulting in a system-wide build up of risk, a countercyclical buffer of up to 2.5% of common equity (or other fully loss absorbing capital) may be applied as an extension of the conservation buffer. Furthermore, banks considered to have systemic importance should have loss absorbing capacity beyond these standards. The capital requirements are to be supplemented by a leverage ratio, and a liquidity coverage ratio and a net stable funding ratio will also be introduced. The proposed reforms are expected to be implemented from the beginning of 2013, although certain requirements are subject to a series of transitional arrangements and will be phased in over a period of time, to become fully effective by 2019.

The Basel Committee's reforms have introduced two international minimum standards for liquidity risk supervision with the aim of ensuring banks have an adequate liquidity buffer to absorb liquidity shocks. The first one is the liquidity coverage ratio ("LCR"), to be introduced on January 1, 2015, which is a test to promote the short-term resilience of a bank's liquidity risk profile by ensuring that it has sufficiently high-quality liquid assets to survive a significant stress scenario lasting for 30 days. The second one is a net stable funding ratio ("NSFR"), to be introduced on January 1, 2018, which is a test to promote resilience over a longer period by creating additional incentives for banks to fund their activities with more stable funding on an ongoing basis. The NSFR test is similar to the LCR except the period over which it is tested is one year.

As at December 31, 2011, our NSFR calculated under the Basel III Standards as at that date would be below the prescribed minimum threshold and compliance with its ratio requirements may have an adverse effect on, among other things, the composition of the assets we hold for liquidity purposes. We believe that the current calculation of the NSFR under the Basel III Standards does not work for our specific business profile of relatively short term lease contracts and relatively large amounts of working capital. We have a matched funding policy and believe that with this policy, for short and medium term liquidity, liquidity risk is reduced and the specific classification of certain assets and liabilities will in the case of enforced compliance with a 100% target level would impact our existing business model. Possible solutions could include extending the duration of our wholesale funding, which would cause funding mismatches with additional spread risks and increased volatility on our income statement. Another measure would be to increase the level of capital. The application of the NSFR requirements in their current form would lead to a fundamental change in our funding strategy and could have a significant negative effect on our risk profile, and we have entered into discussions on the target levels of and the classification of certain assets under this ratio with the appropriate regulators.

European Union standards

The European Union had adopted a capital adequacy regulation for banks in all its member states based on the Basel I guidelines. In 1989, the EC adopted the Council Directive of April 17, 1989 on the "own funds" of banks (the "Own Funds Directive"), defining qualifying capital ("own funds"), and the Council Directive of December 18, 1989 on a capital base ratio for banks (the "Capital Base Ratio Directive" and, together with the Own Funds Directive, the "Capital Directives"), setting forth the required ratio of own funds to risk-adjusted assets and off-balance sheet items. The Capital Directives required EU member states to implement the provisions of the Capital Base Ratio Directive and the provisions of the Own Funds Directive into national law directly binding on banks operating in the member states. The Capital Directives permitted EU member states, when implementing the Capital Directives into national law, to establish more stringent, but not more lenient requirements. In 1993, the EC adopted the Directive of March 15, 1995 on the capital adequacy of investment firms and banks ("EEC Directive 1993/6") and in 2000 the Directive of March 20, 2000 on the taking up and pursuit of the Business of Credit Institutions ("EC Directive 2000/12"), which directive consolidated various previous directives, including the Capital Directives.

EC Directive 2000/12 and EEC Directive 1993/6 have been recast by EC Directives 2006/48 and 2006/49 (the "Capital Requirements Directive"), respectively, to introduce the capital requirements framework agreed by the Basel Committee under Basel II. These rules on capital requirements reflect the flexible structure and the major components of Basel II, tailored to the specific features of the EU market. The simple and intermediate approaches of Basel II have been available from January 2007 and the most advanced approaches since January 2008.

The Capital Requirements Directive was amended three times in 2009 and once in 2010 to repair shortcomings identified in the original Capital Requirements Directive. The amendments entered into force as of December 31, 2010 and certain further amendments entered into force on December 31, 2011. Further amendments to the Capital Requirements Directive will take place in the future in connection with the implementation of the new requirements under Basel III.

In 2010, agreement was reached at EU level on the introduction of a new supervisory structure for the financial sector. The new European architecture consists of the existing national authorities and the newly created European Systemic Risk Board ("ESRB") and the following three European Authorities: Banking ("EBA"), Insurance and Occupational Pensions ("EIOPA") and Securities and Markets ("ESMA"). These institutions have been in place since January 1, 2011. Operational day-to-day supervision continues to be with national supervisors.

The European Commission is proposing a European Crisis Management Framework. In this framework various issues would be addressed, such as prevention tools and early intervention and final resolution mechanisms.

If the regulatory capital requirements, liquidity restrictions or ratios applied to us are increased in the future, any failure of LeasePlan to maintain such increased regulatory capital or other ratios could result in administrative actions or sanctions, which may have an adverse effect on our business, financial condition, results of operations and prospects.

The Solvency II programme is driven by the Directive 2009/138/EC of the European parliament and proposes amendments for the rationalization, harmonization and modernization of insurance regulation in the European Union. The Directive includes ambitious and far-reaching proposals for a new, principles-based and risk-sensitive solvency regime ("Solvency II"). The proposed amendments are planned to take effect from 1 January 2013, however, this may be postponed until 1 January 2014.

Solvency II's primary objective is to strengthen policyholder protection by aligning capital requirements more closely with the risk profile of the company. It seeks to instill risk awareness into the governance, operations and decision-making of the business. The Directive forms part of the drive towards a European single market for insurance, with more open competition and greater policyholder and investor security.

Solvency II is expected to be similar to Basel II in respect of the three pillar structure:
- Pillar 1 consists of the quantitative requirements (for example, the amount of capital an insurer should hold).
- Pillar 2 sets out requirements for the governance and risk management of insurers, as well as for the effective supervision of insurers.
- Pillar 3 focuses on disclosure and transparency requirements.

Dutch regulation

General

As of September 2002, banking supervision in the Netherlands has been divided into prudential supervision, carried out by the Dutch Central Bank, and conduct of business supervision, carried out by the AFM.

Pursuant to authority granted under the FMSA, the Dutch Central Bank, on behalf of the Dutch Minister of Finance, supervises and regulates LeasePlan's activities. The AFM supervises primarily the conduct of business. Set forth below is a brief summary of the principal aspects of the FMSA.

Licensing

Under the FMSA, a bank established in the Netherlands is required to obtain a license from the Dutch Central Bank before engaging in any banking activities. The requirements that must be satisfied in order to obtain a license, among others, are as follows: (i) the day-to-day policy of the bank must be determined by at least two persons; (ii) the bank must have a body of at least three members which has tasks similar to those of a board of supervisory directors; and (iii) the bank must have a minimum own funds (eigen vermogen) of €5,000,000. Also, the Dutch Central Bank shall refuse to grant a license if, among other things, it is of the view that: (i) the persons who determine the day-to-day policy of the bank have insufficient expertise to engage in the business of the bank; (ii) the trustworthiness of the persons who determine the policy of the bank is not beyond doubt; or (iii) through a qualified holding in the bank, influence on the policy of such enterprise or institution may be exercised which is contrary to "prudent banking policy" (gezonde en prudente bedrijfsvoering). In addition to certain other grounds, the license may be revoked if a bank fails to comply with the requirements for maintaining it.
We have held a Dutch banking license since 1993.

Reporting and investigation

A bank is required to file with the Dutch Central Bank its annual financial statements in a form approved by the Dutch Central Bank, which includes a statement of financial position and a statement of income that have been certified by an appropriately qualified auditor. In addition, a bank is required to file quarterly (and some monthly) statements, on a basis established by the Dutch Central Bank, which also has the option to demand more frequent reports.

We must file quarterly (and some monthly) reports as well as annual reports that provide a true and fair view of our financial position and results with the Dutch Central Bank. Our independent auditor audits our December reports to the Dutch Central Bank.

Under the FMSA, we are required to make our annual financial statements and our semi-annual financial statements generally available to the public within four months and two months, respectively, of the end of the period to which the financial information relates. In addition, we must make generally available an interim management statement during each half-year period. Such interim management statement must be made public in the period between 10 weeks after the beginning and six weeks before the end of the relevant half-year period. The annual and semi-annual financial statements must be filed with the AFM simultaneously with their publication.

Supervision

The Dutch Central Bank exercises supervision with respect to the solvency and liquidity of banks, supervision of the administrative organization of banks and structure supervision relating to banks. To this end, the Dutch Central Bank has issued the following general regulations:

Solvency supervision

The regulations of the Dutch Central Bank on solvency supervision require – in broad terms – that a bank maintains own funds in an amount equal to at least 8% of its risk-weighted assets and operations. These regulations also impose limitations on the aggregate amount of claims (including extensions of credit) a bank may have against one debtor or a group of related debtors. Since the implementation of the FMSA, the regulations have become more sophisticated, being derived from the new capital measurement guidelines of Basel II as described under "Basel standards" above and as laid down in EU directives described above under "European Union standards".

Liquidity supervision

Under the Dutch Central Bank's liquidity regulation (the "Liquidity Regulation"), banks are in principle required to report their liquidity position on an individual and a consolidated level to the Dutch Central Bank on a monthly basis. The Liquidity Regulation seeks to ensure, inter alia, that banks are able to meet their payment requirements on an ongoing basis, on the assumption that banks would remain solvent. The regulatory report also takes into consideration the liquidity effects of derivatives and the potential drawings under committed facilities. The Liquidity Regulation places emphasis on the short term by testing the liquidity position over a period of up to one month with a separate test of the liquidity position in the first week. For observational purposes, several additional maturity bands are included in the liquidity supervision standard (e.g. one to three months, three to six months, six months to one year and beyond one year). Available liquidity must always exceed required liquidity. Available liquidity and required liquidity are calculated by applying weighting factors to the relevant on- and off balance sheet items. The liquidity test includes all currencies. The Liquidity Regulation allows the Dutch Central Bank to impose additional liquidity requirements on a bank based on periodic reviews by the Dutch Central Bank of the strategies and procedures for risk management, which include the strategies and procedures of banks aimed at liquidity risk management.

Structure supervision

The FMSA provides that a bank must obtain a declaration of no-objection from the Dutch Minister of Finance (or in certain cases from the Dutch Central Bank) before, among other things, (i) reducing its own funds (eigen vermogen) by way of repayment of capital or distribution of reserves or making disbursements from the item comprising the cover for general banking risks as referred to in article 2:424 of the Dutch Civil Code; (ii) acquiring or increasing a qualified holding (as defined in the FMSA as set out below) in a regulated institution such as a bank or other regulated financial institution, if the balance sheet total of that institution at the time of the acquisition or increase amounts to more than 1% of the bank's consolidated balance sheet total; (iii) acquiring or increasing a qualified holding in another enterprise than those mentioned under (ii) if the amount paid for the acquisition or the increase together with any amounts paid for prior acquisitions and prior increases exceeds 1% of the consolidated own funds of the bank; (iv) acquiring directly or indirectly all or a substantial part of the assets and liabilities of another enterprise or institution if this amounts to more than 1% of the bank's consolidated balance sheet total; (v) merging with another enterprise or institution if the balance sheet total thereof amounts to more than 1% of the bank's consolidated balance sheet total; or (vi) proceeding with a financial or corporate reorganization. For the purposes of the FMSA, "qualified holding" is defined to mean the holding, directly or indirectly, of an interest of at least 10% of the issued share capital or voting rights in an enterprise, or a similar form of control.

In addition, any person is permitted to hold, acquire or increase a qualified holding in a Dutch bank, or to exercise any voting power in connection with such holding, only after such person has obtained a declaration of no objection from the Dutch Minister of Finance (or in certain cases from the Dutch Central Bank).

Administrative supervision

The Dutch Central Bank also supervises the administrative organization of individual banks, their financial accounting system and their internal controls. The administrative organization must be such as to ensure that a bank has at all times a reliable and up-to-date overview of its rights and obligations. Furthermore, the electronic data processing systems, which form the core of the accounting system, must be secured in such a way as to ensure optimum continuity, reliability and security against fraud. As part of the supervision of the administrative organization, the Dutch Central Bank has also stipulated that this system must be able to prevent conflicts of interests.

If, in the opinion of the Dutch Central Bank, a bank fails to comply with the rules and regulations regarding the above mentioned subjects, the Dutch Central Bank will notify the bank and may instruct the bank to behave in a certain manner. If the bank does not respond to any such instructions to the satisfaction of the Dutch Central Bank, the Dutch Central Bank is allowed to exercise additional supervisory measures that may include the imposition of fines.

The Dutch Proposal/Resolution Framework

In October 2011, following a consultation process, the Dutch Ministry of Finance submitted to the Dutch parliament proposed banking legislation dealing with banks in need of external support. The Dutch Proposal was preceded by a consultation launched by the European Commission on January 6, 2011 on a comprehensive framework for dealing with banks in need of external support which contains a number of legislative proposals similar to the Dutch Proposal. Under the Dutch Proposal, substantial new powers would be granted to the Dutch Central Bank and the Dutch Minister of Finance enabling them to deal with, inter alia, ailing Dutch banks prior to insolvency. The Dutch Proposal aims to empower the Dutch Central Bank or the Dutch Minister of Finance, as applicable, to commence proceedings leading to: (i) transfer of all or part of the business (including deposits) of the relevant bank to a private sector purchaser; (ii) transfer of all or part of the business of the relevant bank to a "bridge bank"; and (iii) public ownership (nationalization) of the relevant bank. Subject to certain exceptions, as soon as any of these proposed proceedings have been initiated by the Dutch Central Bank or the Dutch Minister of Finance, as applicable, the relevant counterparties of such bank would not be entitled to invoke events of default or set off their claims against the bank.

The EU Proposal includes a discussion of possible proposals to give regulators resolution powers to write down debt of a failing bank (or to convert such debt into equity) to strengthen its financial position and allow it to continue as a going concern subject to appropriate restructuring. The working document states that it is not envisaged to apply any measures ultimately adopted in this area to any debt currently in issue, although no assurance can be given this provision will not be change.

Dutch Banking Code (2010)

On September 9, 2009 the Board of the Dutch Banking Association adopted and presented the Dutch Banking Code (2010) (Code Banken). The Dutch Banking Code has been given a legislative basis by virtue of a decree (algemene maatregel van bestuur), in the same way as was done previously for the Dutch Corporate Governance Code. Under this decree banks are obliged to report, in their annual report, on their compliance with the principles of the Dutch Banking Code (2010). The Dutch Banking Code (2010) formulates principles for banks relating to, for instance, remuneration, internal supervision, risk management and audits. Under a provision of the Dutch Banking Code (2010)'s preamble, banks are required to state in their annual report how they have applied the principles of the Dutch Banking Code (2010) in the previous year and, if they have not applied a principle or not done so in full, to provide a reasoned explanation for this. We comply with the majority of the principles of the Dutch Banking Code (2010). There are two areas of the Dutch Banking Code (2010) we currently do not comply with. One is that we do not have a separate risk committee for the Supervisory Board. However, the Supervisory 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. Second is the product approval process for products offered by us. We are in the process of finalizing our review of our current product approval process for leasing products, which may result in enhancements to further align such processes with the Dutch Banking Code (2010).

In 2010, we launched a renewed corporate Code of Conduct to employees that provides guidance on the principles that govern the way we conduct our business. The Code of Conduct is aligned with the principles of the Dutch Banking Code with respect to moral ethical conduct. In addition, the members of the Managing Board as well as the Senior Corporate Vice Presidents, Regional Senior Vice Presidents and the Senior Vice Presidents have signed the moral ethical statement as defined in the Dutch Banking Code (2010).

Remuneration

In 2010, guidelines related to the amended European Capital Requirements Directive ("CRD III") 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") and the Regulation on sound remuneration policies of the FMSA ("Wft 2011"). LeasePlan has subsequently implemented a new remuneration policy and structure.

Apart from the above-standing, there are also a number of other codes and regulations that LeasePlan takes into account in determining the 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").

LeasePlan has furthermore 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. Consequently, LeasePlan has adjusted its remuneration policy in line with the rules of this bill.

Regulation and Supervision of Euro Insurances

Our insurance subsidiary, Euro Insurances, is based in Dublin, Ireland and is subject to supervision by the Central Bank of Ireland, the designated EU insurance supervisory authority of Ireland. The Central Bank of Ireland is tasked with the prudential supervision of insurance company with its head office in Ireland and of the Irish branches of companies with head offices outside of the EEA in accordance with EU Directives and the Insurance Acts and Regulations.

Regulation and Supervision of Globalines Reinsurance

Our reinsurance subsidiary, Globalines Reinsurance, is based in the Isle of Man and is subject to supervision by the Insurance and Pension Authority, the designated insurance supervisory authority of the Isle of Man. The Isle of Man Insurance and Pension Authority is tasked with the prudential supervision of insurance entities with head offices in the Isle of Man in accordance with the Insurance Act 2008.

APPENDIX B. LIST OF PRINCIPAL CONSOLIDATED PARTICIPATING INTERESTS

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

Principal subsidiaries, which are fully included in the consolidated financial statements, are:
LeasePlan Australia Limited, Melbourne
LeasePlan Brasil Ltda., San Paulo
LeasePlan Česká republika s.r.o., Prague
LeasePlan Danmark A/S, Copenhagen
LeasePlan Deutschland GmbH, Neuss
LeasePlan Finland Oy, Helsinki
LeasePlan Fleet Management N.V., Brussels
LeasePlan Fleet Management (Polská) Sp. z.o.o., Warsaw
LeasePlan Fleet Management Services Ireland Limited, Dublin
LeasePlan France S.A.S., Paris
LeasePlan Hellas S.A., Athens
LeasePlan Hungária Gépjárm Kezelö és Fiannszírozó Részvénytá, Budapest
LeasePlan India Limited, New Delhi
LeasePlan Italia S.p.A., Milan
LeasePlan Luxembourg S.A., Luxembourg
LeasePlan Mexico S.A. de C.V., Mexico City
LeasePlan Nederland N.V., Amsterdam
LeasePlan New Zealand Limited, Auckland
LeasePlan Norge A/S, Oslo
LeasePlan Österreich Fuhrparkmanagement GmbH, Vienna
LeasePlan Portugal Comércio e Aluguer de Automóveis e Equipamentos Unipessoal Lda., Lisbon
LeasePlan Romania SRL, Voluntari
LeasePlan (Schweiz) AG, Zurich
LeasePlan Servicios S.A., Madrid
LeasePlan Slovakia s.r.o., Bratislava
LeasePlan Sverige AB, Stockholm
LeasePlan UK Limited, London
LeasePlan USA, Inc., Atlanta

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

All holdings are in the ordinary share capital of the undertaking concerned and are unchanged from 2010.

Special purpose companies with no shareholding by the Group are:
LeasePlan Securitisatie B.V., Amsterdam
Bumper 2 S.A., Luxembourg
Bumper Car Sales GmbH, Neuss
Bumper 3 Finance Plc, London
Bumper 4 (NL) Finance B.V.

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 (99.3%)
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, LeasePlan Corporation N.V. has filed a declaration of joint and several liability with respect to the financial obligations of the majority of the participating interests in the Netherlands. For the following participating interests an Article 403 declaration is filed:

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

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It’s easier to leaseplan

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