PILLAR 3 REPORT
2012

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It's easier to leaseplan

LEASEPLAN IS A GLOBAL VEHICLE LEASING AND FLEET AND VEHICLE MANAGEMENT COMPANY OF DUTCH ORIGIN. WE OPERATE IN 31 COUNTRIES ACROSS EUROPE, NORTH AND SOUTH AMERICA AND THE ASIA-PACIFIC. ESTABLISHED 50 YEARS AGO WE MANAGE A FLEET SIZE OF OVER 1.3 MILLION MULTI-BRAND VEHICLES, MAKING US THE WORLD'S LARGEST FLEET AND VEHICLE MANAGEMENT PROVIDER IN TERMS OF FLEET SIZE. WE OFFER A COMPREHENSIVE PORTFOLIO OF FLEET MANAGEMENT SOLUTIONS COVERING VEHICLE ACQUISITION, LEASING, FULL SERVICE FLEET MANAGEMENT, STRATEGIC FLEET SELECTION AND MANAGEMENT ADVICE, FLEET FUNDING, ANCILLARY FLEET AND DRIVER SERVICES AND CAR REMARKETING.

TAKING CARE OF OUR NUMEROUS STAKEHOLDERS HAS ENABLED LEASEPLAN TO CONTINUE GROWING FOR MUCH OF ITS 50 YEARS IN BUSINESS. BY PAYING CLOSE ATTENTION TO THE NEEDS OF CLIENTS, EMPLOYEES, SUPPLIERS, INVESTORS AND THE GLOBAL COMMUNITY, WE HAVE REMAINED A STABLE AND RESILIENT ORGANISATION FOR HALF A CENTURY, EVEN THROUGH THE RECENT YEARS OF ECONOMIC TURBULENCE.

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

'IT'S EASIER TO LEASEPLAN'.

'LeasePlan' 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.

PILLAR 3 REPORT
2012

PILLAR 3 REPORT

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 OUR ANNUAL REPORT 2012, THIS PILLAR 3 REPORT DESCRIBES OUR 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 our response to the requirements of Pillar 3 as laid out in Annex XII of the Capital Requirements Directive.

Scope
This report focusses on our risk management framework and capital management. In our Annual Report 2012, we have in a summarised format also presented disclosure on our risk framework, our risk positions and our capital position as required under IFRS. In this Pillar 3 report we aim at providing more detailed insight on the risks inherent to our 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 our Annual Report. The disclosures are made public on our website.

Structure of the report
In the second chapter LeasePlan's historic development, our strategy, our products and services and our operating structure is presented. The third chapter presents the capital adequacy and our approach towards economic capital and economic return. The fourth 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 5) from our other risk management areas (chapter 6) as recognised as of the date of publication of this document. Furthermore, this document 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.

2 LEASEPLAN PROFILE
2.1 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 (De Nederlandsche Bank, "DNB") 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 specialised 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 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 as a result of the transfer of 50% of the shares therein by Mubadala Development Company and the Olayan Group to Fleet Investments B.V. ("Fleet Investments") each holding a 50% stake. Global Mobility Holding, a limited liability company established in the

Netherlands and a joint venture between Volkswagen Group and Fleet Investments, holds 100% of our issued and outstanding shares. Volkswagen Group and Fleet Investments each currently hold a 50% ownership interest in Global Mobility Holding. The following is a brief description of each of our two shareholders:

Volkswagen Group, via its 50% stake in the joint venture Global Mobility Holding

The Volkswagen Group with its headquarters in Wolfsburg, Germany is one of the world's leading automobile manufacturers and the largest carmaker in Europe. The Group is made up of twelve brands from seven European countries: Volkswagen, Audi, SEAT, ŠKODA, Bentley, Bugatti, Lamborghini, Porsche, Ducati, Volkswagen Commercial Vehicles, Scania and MAN. The Group operates 100 production plants in eighteen European countries and a further nine countries in the Americas, Asia and Africa.

Fleet Investments, via its 50% stake in the joint venture Global Mobility Holding

Fleet Investments is wholly owned by Antje Verwaltungs GmbH, an investment vehicle that in turn is wholly owned by German banker Friedrich von Metzler. The heart of the Metzler Group is the Frankfurt based Metzler Bank. Founded in 1674, it is the oldest private bank in Germany with an unbroken tradition of family ownership. Main group activities focus on asset management, corporate finance, equities, financial markets and private banking. In addition to the head office in Frankfurt, the Metzler Group has offices in Munich, Stuttgart, Cologne/Düsseldorf, Hamburg, Atlanta, Los Angeles, Seattle, Tokyo, Dublin and Beijing.

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

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. In 2012, we incorporated an operating legal entity in Russia and we expect to become fully operational in the Russian fleet and vehicle management market in 2013. To expand our Italian operations we signed a sale purchase agreement with Banco Bilbao Vizcaya Argentaria, S.A. (BBVA) in 2012 to acquire their Italian fleet and vehicle leasing activities and the transaction closed on 27 February, 2013.

Core values

We have four core values that guide us in business and in the way we deal with all of our stakeholders. These values are: Commitment, Expertise, Passion and Respect.

Code of conduct

In 2010, we launched a renewed corporate Code of Conduct to employees which provides guidance on the principles which govern the way we conduct our business. The Code of Conduct is in tune with the principles of the Dutch Banking Code with respect to moral ethical conduct. In addition, the Managing Board and all Senior Vice-Presidents have signed the moral ethical statement as defined in the Dutch Banking Code.

2.2 Our Strategy

We aim to be recognised 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 four 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 harmonised service offerings provided across geographic markets by our subsidiary LeasePlan International. Our third focus area is to emphasise our price competitiveness in relation to our service offerings and by focusing on total cost of ownership. The fourth area is around our people management strategy. Being a service business, talented, engaged and motivated employees are considered the primary strength of our organisation as well as a distinct competitive advantage. Engagement of our employees is a long term performance driver and therefore this is one of the main areas of attention of our management.

Accelerating growth into the small and medium-sized enterprises ("SMEs") 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.

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 modernise our business and enhance the efficiency of our operations in core areas, such as procurement, risk management, car remarketing, contract management and insurance. This allows us to maintain a balance between continued 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 € 3.9 billion in savings deposits as at December 31, 2012. Another element of the funding diversification strategy involves the continued selective use of securitisation programs.

2.3 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. We are independent of vehicle brands and provide services for vehicles of a wide variety of makes and models in line with the specific needs of our customers. 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;
- providing rental management and temporary or short term rental of vehicles;
- fixed-fee fleet outsourcing services by handling all fleet-related matters for clients;
- comprehensive 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 guide 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.

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.

As at December 31, *(vehicles, in thousands)*	2012	2011
Full service	946	951
Management-only	255	247
Finance-only	51	45
Other	96	85
Total fleet[1]	**1,348**	**1,328**
Total funded fleet	**998**	**996**
Total managed fleet	**1,201**	**1,197**

(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 throughout this document. Trucks and equipment represent approximately 3% of the book value 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 buyback 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 as budgeted in a contract with the actual costs incurred during the life of the contract. If the difference is positive, it is refunded to the customer according to the percentage agreed in the contract, thereby allowing them to benefit from the cost savings. If the difference is negative, it is absorbed by LeasePlan. In principle, 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.

2.4 Our operating structure

Our local operating companies provide front-line fleet management services to diverse client segments in 31 countries[1]. The country subsidiaries offer comprehensive fleet solutions covering strategic fleet advice, funding options, full service leasing, and ancillary fleet and driver services to large corporate clients, public sector and small- to medium-sized businesses. The figure below provides an overview of the countries in which we are present as at December 31, 2012:

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

We also use a number of subsidiaries and divisions to provide our products and services, as described below:

- *Euro Insurances* is our wholly owned specialist motor insurance company. It is active in 23 countries, including the European Economic Area, Australia and New Zealand. LeasePlan is the main customer of Euro Insurances. Euro Insurances is based in Dublin, Ireland and is regulated by the Central Bank of Ireland.
- *LeasePlan Bank* is our internet savings bank brand in the Netherlands and a division within LeasePlan Corporation N.V. It offers straightforward flexible savings products and term deposits to private clients in the Netherlands. We established our internet retail banking activities in 2010 to provide an additional source of funding for our core business.
- *LeasePlan Information Services* is our shared data centre established in 2003. It 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. It was formed in 1996 in order to offer coordinated fleet management solutions at a global level.
- *LeasePlan Supply Services* seeks 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 capital market programs and concludes our funding and financing transactions with Group companies 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 LeasePlan was incorporated in Moscow, Russia, in 2012 and will be operational in 2013; as of then the number of countries in which LeasePlan is operational will be 31.

2.5 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 which 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 organisations, being Sodetrel (70%), Arval (10%), Overlease (5%), Dexia Location Longue Duree (5%) and ALD (5%).
- Flottenmanagement GmbH is a joint venture between LeasePlan Osterreich Fuhrpark-management 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 significant 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.

3 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 only of Tier 1 capital as at 31 December 2011 and 2012 with our balance sheet assets and off-balance sheet commitments, both at weighted amounts to reflect their (mainly) 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. Our eligible capital as at December 31, 2011 and 2012 is shown in the following table:

As at 31 December,	2012	2011
In millions of euros		
ELIGIBLE CAPITAL		
Share capital and share premium	578.0	578.0
Translation reserve	31.8	22.0
Hedging reserve	-36.7	-33.0
Retained earnings	1,822.7	1,586.9
Total equity	**2,395.8**	**2,153.9**
Deduction goodwill	-98.6	-98.6
Prudential filter m-t-m derivatives	36.7	33.0
Deduction intangible assets	-9.0	-12.1
Dividend accrual	-94.5	0.0
AIRB provision shortfall	-8.2	-3.6
TIER 1 CAPITAL	**2,222.2**	**2,072.6**
BIS CAPITAL	**2,222.2**	**2,072.6**

3.1 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. We are, however, 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 Group companies.

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 AMA and AIRB models against predetermined limits. In the case of underperformance, the models are redeveloped and require external validation prior to implementation.

As of 2009, with the introduction of Basel II advanced measurements banking institutions in the Netherlands were required to continue applying a capital floor of firstly 90% and thereafter 80% of Basel I risk-weighted assets meaning that Basel 2 determined Risk Weighted Assets ("RWA") could never fall below this threshold. Under the capital floor regulation the risk weighted assets determined under Basel II advanced measurements to be used may not be below 80% of the risk weighted assets as calculated under the former Basel I methodologies. Legislation enforcing the use of this capital floor ended at the end of 2011 (after an extension for that year). Anticipating new legislation that will also set effective thresholds for the reduction of Basel II (in future III) measured RWA's under advanced measurements, it has been agreed by banking institutions in the Netherlands to voluntarily continue the usage of the 80% Basel I RWA capital floor until further notice.

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 31 December,	2012		2011	
	Minimum required	**Actual**	**Minimum required**	**Actual**
(in millions of euro)				
Basel II				
Risk weighted assets	-	12,941.4	-	13,072.3
BIS capital (under Basel II):				
Credit risk leased assets AIRB	444.2	-	435.0	-
Credit risk leased assets Standardised	215.3	-	230.2	-
Credit risk other assets Standardised	195.3	-	207.5	-
Operational risk AMA	122.9	-	122.9	-
Currency risk	57.6	-	50.2	-
Total Capital	**1,035.3**	**2,222.2**	**1,045.8**	**2,072.6**
Basel I				
Risk weighted assets	-	17,721.7	-	17,432.1
Application of floor of 80% to risk-weighted assets	14,177.3	-	13,945.7	-
BIS capital				
Total (after application of floor of 80%)	1,134.2	2,222.2	1,115.7	2,072.6
BIS ratio	8.0%	15.7%	8.0%	14.9%
Tier 1 capital	-	2,222.2	-	2,072.6
Tier 1 ratio	-	15.7%	-	14.9%

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. The eligible capital will normally grow with profits realised and retained as LeasePlan's shareholders seek to encourage a strong capital position for the company.

3.2 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.

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 only 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; 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

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.

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. We perform three types of stress testing as part of our ICAAP:

- Stress tests on risk domains which are reflected in the (internal) capital requirements;
- Reverse stress tests on each risk domain individually to define which situations may impact our available capital in such a way that it is no longer sufficient to sustain normal business;
- Combined reverse stress tests to define which situations may 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.

3.3 Economic capital and return within LeasePlan

Economic capital is LeasePlan's internal quantification of risk capital associated with its business activities. The level and the composition of economic capital is fully aligned with the annual ICAAP at LeasePlan Corporation level. Economic capital is considered the cushion that provides protection against the various risks inherent in our business in order to maintain our financial integrity and remain a going concern even in the event of a near-catastrophic 'worst-case' scenario. It is calculated in such a way that we can absorb unexpected losses up to a level of confidence in line with the requirements of our firm's various stakeholders.

Economic capital for Group companies involved in leasing covers credit risk, asset risk, motor insurance risk and operational risk whereby, economic capital for credit risk is calculated using AIRB and standardised approaches, economic capital for operational risks is derived from AMA, economic capital for motor insurance risk uses Solvency I considerations and a non-regulatory Value at Risk model for asset risk is used for asset risk. The models are amended where deemed appropriate to better fit the risk profile of the company. We use economic capital as the basis for economic return measurements within the Group which has become a leading risk-based performance measure in recent years.

4 LEASEPLAN RISK MANAGEMENT

LeasePlan is a vehicle leasing and vehicle management company with specialised 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 the exposure to potential loss at contract end due to the resale values of assets declining below the estimates made at lease inception and this risk constitutes the main difference between our risk profile and most other banks' risk profiles.

4.1 Risk Management Framework

The Committee of Sponsoring Organisations of the Treadway Commission ("COSO") is a joint initiative of five private sector organisations 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 and the frameworks covering the underlying risk areas. 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 Group companies 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. Our risk management framework describes the following nine inherent risk types: strategic risk, asset risk, credit risk, treasury risk (which includes interest rate, currency and liquidity risks), operational risk, motor insurance risk, reputational risk, legal & compliance risk and ICT risk.

4.2 Risk Areas
The management of LeasePlan 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 fulfil 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 5 ‘Primary Risk Management Areas’.

The exposure to strategic risk, interest rate risk, currency risk, reputational risk, operational risk, motor insurance risk, legal and compliance risk and ICT risk are described in more detail in Chapter 6 ‘Other Risk management Areas’ of this document.

4.3 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 organisation, is inherent to our business operations. Our strategy towards risk management is to support the business in achieving our profitable growth ambitions in vehicle leasing and vehicle management for mainly corporate and small fleet customers while adhering to our risk appetite setting.

A risk management framework 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 nine identified inherent risk types, risks that we consider part of our overall risk profile, at the inception of each lease and manage and govern these risks thereafter to attempt to maintain a balance between risk and return.

4.4 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.

Our overall risk appetite is defined in terms of a long-term debt credit rating, supported by the financial return on risk adjusted capital (i.e. economic return) and the diversified share of funding levers. 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.

4.5 Risk Governance
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

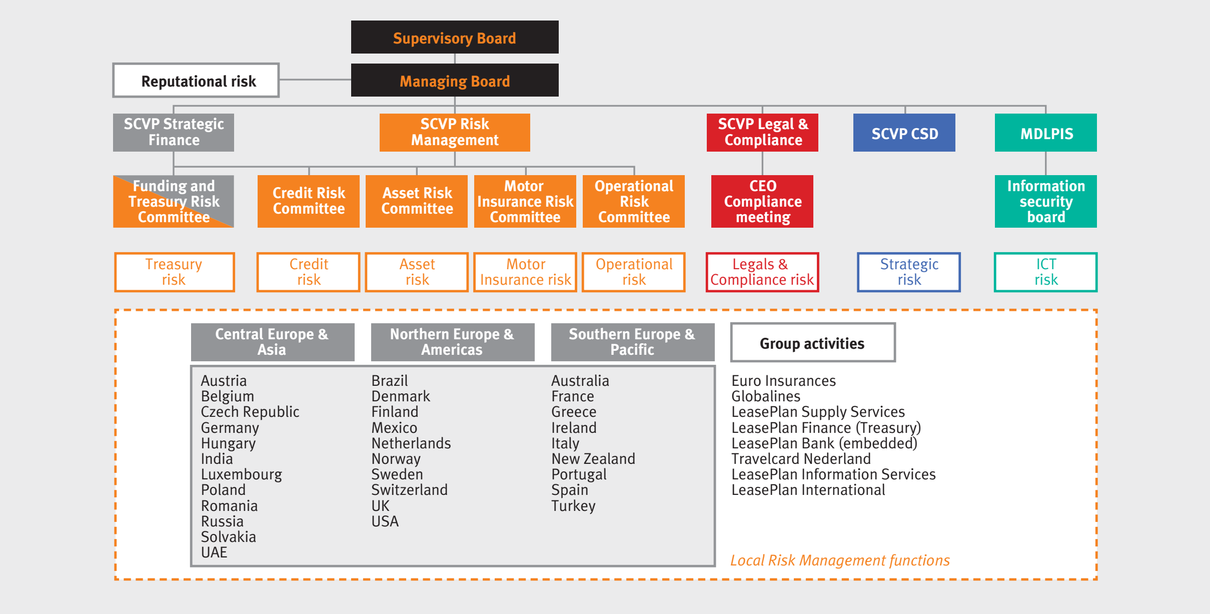
long term are discussed once a year, and the Supervisory Board approves any material changes to the risk strategy, risk appetite and risk policy. The Credit Committee of the Supervisory Board is authorised to decide on credit acceptance and renewal above limits as set in the Regulations for the Supervisory Board of LeasePlan Corporation NV.

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 made up of three members and is scheduled to meet every other week.

Risk Committees

The Managing Board installed five separate risk committees, consisting of the Credit Risk Committee, the Asset Risk Committee, the Motor Insurance Risk Committee, the Operational Risk Committee and the Funding and Treasury Risk Committee. The latter replaced the Asset & Liability Committee during 2012. The Supervisory Board has a Remuneration Committee, an Audit Committee and a Credit Committee but no other 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 delegated 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, 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 Funding and Treasury Risk Committee which is chaired by our Chief Financial Officer. All risk committees meet on a regular basis (minimum frequency of once per quarter) and have been given a delegated authority by our Managing Board.

- 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 Advanced Internal Rating-Based 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.
- 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.
- 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 governed by an internal Solvency II project board.

- 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 Advanced Measurement Approach status are reviewed and recommended to the Managing Board.
- The Funding & Treasury Risk Committee is a relatively new committee, replacing the former Asset & Liability Committee. The committee is, amongst other things, established to monitor risks and set policies related to liquidity, currency and interest rate risks. Furthermore the committee assesses and steers the development of our funding and liquidity position as well as our overall treasury risk profile. The Funding & Treasury Risk Committee is the natural owner of the Internal Liquidity Adequacy Assessment Process ("ILAAP") and the Internal Capital Adequacy Assessment Process ("ICAAP"). New treasury related regulation is monitored and implemented by this committee, including Basel III and EBA's liquidity regulation.

In addition to the above committees with a specific focus, several other identified risks are monitored structurally. Strategic risk is monitored by our Corporate Management Team (CMT), which comprises the Managing Board and all SCVPs of Group activities and the Corporate Center, on behalf of the Managing Board, and monitoring is coordinated by our Corporate Strategy & Development department. Similarly, reputational risk is monitored by all CMT members on behalf of the Managing Board and monitoring is coordinated by the Corporate Legal & Compliance department. In addition to a periodic CEO Compliance meeting a quarterly compliance meeting is held with the Senior Corporate Vice-Presidents responsible for Legal & Compliance, Risk Management, Group Audit, Control, Reporting & Taxation and Human Resources Management. The Information Security Board, chaired by our Chief Operating Officer, is responsible for ensuring thorough review of our information security risk profile, whether our subsidiaries and third parties meet the expectations of legal, regulatory and compliance requirements, and that information security initiatives and strategy align to the expectations of the business, our directors and shareholders.

4.6 Lines of Defence

In line with banking industry best practice and the European Banking Authority Guidelines on Internal Governance, our risk management includes three lines of defence that are supported by investment in information technology and our people. These lines of defence 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 independently from risk originators) who coordinate, oversee and objectively challenge the execution, management, control and reporting of risks; and (iii) internal audit which through a risk-based approach, provides independent and objective assurance to our Managing Board and the Audit Committee of the Supervisory Board, on how effectively we assess and manage our risks, including the manner in which the first and second lines operate. We operate a decentralised governance model with support coming from a central corporate centre. LeasePlan Group companies report to corporate risk management functions on a regular basis regarding key issues and developments. The following overview outlines the composition and responsibilities of the main parties involved in executing the three lines of defence for risk management within LeasePlan.

First Line of Defence

Local and regional compliance and risk management

Local management is considered as a first line of defence in our risk management. Local management is responsible for complying with all corporate policies as set by the Managing Board and for the 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 realising 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 individual Group companies are responsible for discussing on at least a quarterly basis all the relevant risks for the respective Group company as prescribed by corporate policies or identified by the Group company itself.

Second Line of Defence

Corporate risk management

The corporate risk management department is responsible for maintaining the (overall) 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 defence in our risk management framework by monitoring adherence by Group companies to our risk management policies and risk appetite. The corporate risk management department is responsible for ensuring that the Managing Board and, as the case may be, the Supervisory Board, is made aware of 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 & Compliance department is headed by the SCVP Legal & 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 & Compliance department acts as second line of defence 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 Group company on compliance issues. This includes identifying, assessing and monitoring as well as 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 reports on compliance risks, coordinates the handling of compliance incidents (including whistleblowing incidents) and advises management on the enforcement of compliance measures and rules. Measures are in place to strengthen 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 SCVP Legal & Compliance, who is also the Group Compliance Officer, reports to the Chief Executive Officer on compliance matters and to the Chief Financial Officer on legal matters. Annually, the Group Compliance Officer reports to the Supervisory Board on material compliance maters and developments. Furthermore there is a direct reporting line to the Chairman of the Supervisory Board if circumstances so require.

Third Line of Defence
Internal Audit
Our Group Audit Department provides internal audit services and is recognised as the third line of defence 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 organisation's network of risk management, control, and governance processes, as designed and represented by management. This includes but is not limited to assessing the effectiveness of governance, risk management and internal control processes. The Group Audit Department reports its findings to the Managing Board and provides quarterly updates to the Audit Committee of the Supervisory Board.

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 if circumstances so require.

External Control Functions
In addition to the internal lines of defence, we also consider the below external parties as components of our overall risk management defence 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 DNB, which is the prudential supervisor and the Netherlands Authority for the Financial Markets "AFM", 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 analysing 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 Financial Markets Supervision Act 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 DNB.

4.7 Risk and remuneration of Identified Staff members

The remuneration policy, which contains details about the remuneration structure of Identified Staff, is developed and adopted by the Managing Board. Identified Staff members are those members that have a material impact on our risk profile. Prior to adoption, the remuneration policy is reviewed by the Remuneration Committee and is approved by the Supervisory Board on an annual basis. The Remuneration Committee also reviews the decision making processes that relate to the execution of the remuneration policy, including the Identified Staff target setting and target achievement determination, application of any risk adjustment and the award of any variable remuneration in its various components. All variable remuneration of Identified Staff is subject to risk assessments at collective and individual performance levels. This means that the remuneration structure will reward according to performance at a Group, company and individual level as appropriate.

5 PRIMARY RISK MANAGEMENT AREAS

Our nine risk management areas are strategic risk, asset risk, credit risk, treasury risk (which includes interest rate, currency and liquidity risks), reputational risk, operational risk, motor insurance risk, legal and compliance risk and ICT risk. Of our nine 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.

5.1 Asset risk

Definition

Asset risk is defined internally as a combination of residual value risk and risk from vehicle repair, maintenance and tyre replacement, whereby residual value risk is considered the more prominent risk. Residual value risk is defined as our exposure to potential loss at contract end due to the resale values of assets declining below the estimates made at lease inception. The risk related to vehicle repair, maintenance and tyre replacement is defined as our exposure to potential loss due to the actual costs of the services for vehicle repair, maintenance and tyre replacement (over the entire contractual period) exceeding the estimates made at lease inception. We consider both elements under asset risk as being inextricably linked and manage asset risk accordingly.

Policy

We have a robust policy in place with respect to residual value risk management, based on principles developed under our risk management framework. The policy describes, inter alia, the roles and responsibilities within our organisation for residual value risk management, the minimum standards for residual value risk mitigation and the mandatory frequency of residual value risk measurement and reporting. The policy applies to 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 (i.e. Group company, Regional and Group management). As a part of the residual value risk policy, all Group companies must establish a local Residual Value Risk Management committee chaired by either the Managing Director or the Finance Director and in which all relevant disciplines involved in the asset risk management process must be represented. This committee is required to convene at least once every quarter with the primary responsibility of overseeing the adequate management of asset risks on behalf of the local management team. This includes but is not limited to reporting on asset risk measurements and trends in risk mitigation, residual values and vehicle repair, maintenance and tyre replacement results. The local Residual Value Risk Management 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 centre.

Measurement

We analyse 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 tyre 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 tyre replacement risk on vehicles under lease contract and report the estimated results of these exposures at lease termination to the corporate centre on a quarterly basis. We refer to these measurements as fleet risk assessments. In many cases these measurements are calculated by means of statistical analysis (such as generalised 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 tyre replacement are made at an individual vehicle level and aggregated to the portfolio level. The outcomes of these measurements are reviewed and discussed within local 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 reporting period, we monitor and review the actual sales proceeds from the vehicle and the result from vehicle repair, maintenance and tyre 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 summarising the residual value pricing at lease inception, developments in the estimated sales result and vehicle repair, maintenance and tyre replacement results of the unsold vehicles in our portfolio (consisting of both vehicles still under lease contract and vehicles after lease termination but prior to disposal), and the actual sales results and vehicle repair, maintenance and tyre 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 the external auditor.

Exposure

Our asset risk exposure and mainly our residual value exposure is affected by many factors, including but not limited to 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. Asset risk represents one of the most significant risk exposures that we face. The sum of residual values amounted to EUR 8.5 billion as at the end of 2012 representing approximately 44% of total assets. The table below shows the amount of our residual value risk for vehicles on our balance sheet as at December 31, 2011 and 2012 respectively.

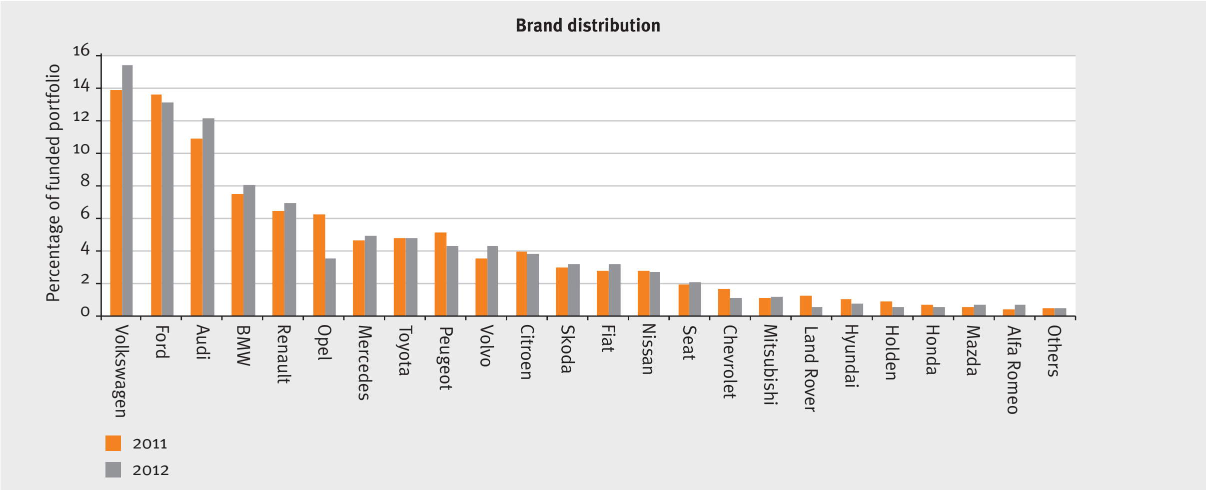
As at December 31,

RESIDUAL VALUE EXPOSURE	**2012**	**2011**
(in millions of euro)		
Residual value	8,192.0	8,090.6

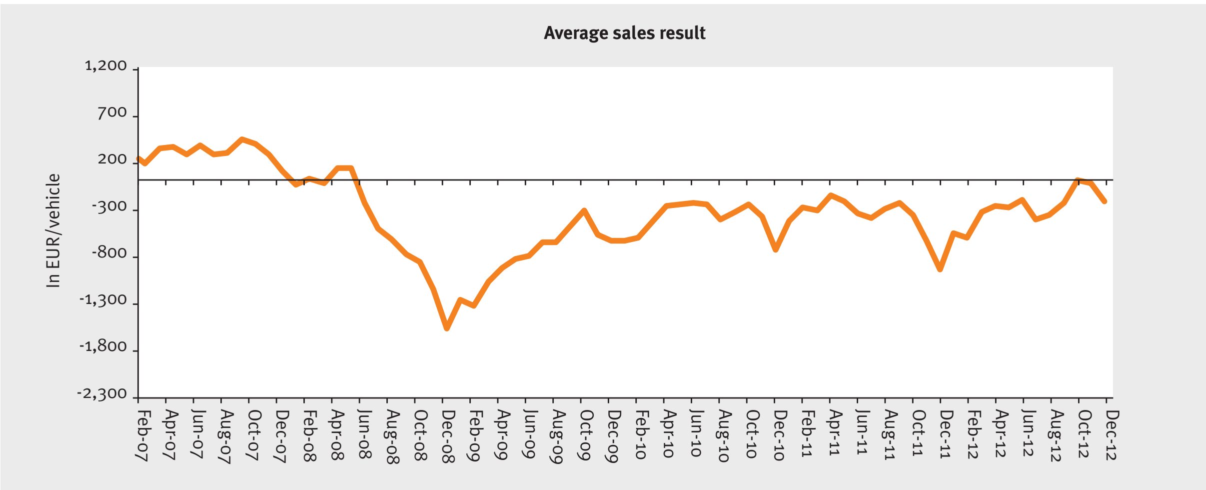
In addition to the above-mentioned on-balance residual value risk the Group has also provided off-balance residual value commitments for non-funded vehicles up to an amount of EUR 0.3 billion (2011: EUR 0.3 billion). The above table includes both operational and financial leases. The Group is therefore not effectively exposed to the entire residual value risk, since part of this represents its financial lease portfolio.

We are currently present in 31 countries[2]. This geographical diversification in conjunction with being an independent multi-brand company with a well diversified brand portfolio (see barchart on the next page), partly mitigates the risk related to residual values.

2 LeasePlan was incorporated in Moscow, Russia, in 2012 and will be operational in 2013; as of then the number of countries in which LeasePlan is operational will be 31.



The adverse developments in the used vehicle markets worldwide that started in 2008 continued to have an impact in several countries in which we operate in. Although many markets started recovering after the low level of sales results at the end of 2008, the sales results at a Group level have since remained below the estimates made at lease inception. As this risk was embedded in our product offering we had to absorb losses on sales. In 2012, our sales results began to reflect the downwardly revised residual values we made in 2009. The volatility around sales results, measured as a 12 months rolling average, decreased substantially since the 2008 financial crisis, and is now close to pre crisis levels. 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 achieved) from February 2007 to December 2012.



For the full risk bearing portfolio at the end of the fourth quarter of 2012, considering the latest trends in the used vehicle markets, we expect to generate termination result profits on a portfolio level across all future years.

Mitigation

We have the ability to adapt pricing of residual values and vehicle repair, maintenance and tyre replacement to changed market circumstances for newly to be concluded contracts. This limits our exposure for the remaining contract duration of the active portfolio. In addition, there are other ways to mitigate residual value risk. Each Group company is expected to pro-actively use the mitigating measures listed below, which are reflected in contracts with customers.

Early termination charging: In most cases, we charge for losses resulting from an early termination of a contract (i.e. the difference between net book values at lease termination and actual sales proceeds). Any vehicle repair, maintenance and tyre 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 set 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 companies recommends separate mileage variation adjustment limits for different cost components (such as depreciation, repair and maintenance, tyres and replacement vehicle service) as well as a prudent approach in case of under mileage.

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 tyre 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 these contracts 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.

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 our assets, the advanced internal ratings based approach is applied; the regulatory capital related to residual values amounts to EUR 453 million (advanced internal ratings based and standardised approach combined) as at the end of 2012. This amount is included in the capital requirements amounting to EUR 660 million calculated for credit risk as shown in section 5.2.

Under Pillar 2, we calculate 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. Furthermore, asset risk capital is calculated to cover for possible losses when the vehicles are returned at contract maturity. Starting with 2012 the Pillar 2 capital calculated and held for asset risk was determined based on a Value at Risk (VaR) approach. As at the end of 2012, the internal capital calculated and held for asset risk was considered sufficient to cover a stressed scenario reflecting market circumstances similar to the end of 2008 and the beginning of 2009.

We perform stress testing as part of our 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 50 million (before tax) movement in estimated termination income for the year 2013.

5.2 Credit Risk
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 mostly 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.

Policy
Our credit risk policy seeks to regulate the credit risk management limits for Group companies. While credit risk appetite is defined on a consolidated level, under our credit risk policy, Group companies define their risk appetite and their risk tolerance levels for counterparty and concentration credit risk, which is then monitored at a Group level. Group companies 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 organisation.

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 authorisation level, then credit approvals for such counterparty are sent to the corporate head office for final decision. All Group companies use the same global credit risk management systems.

Each Group company is required to maintain a special attention list and a watch list 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 Group company and Group level. With regard to retail customers, who in general pay by direct debit and depending on the credit quality are required to pay upfront deposits, strict payment monitoring is in place. In case of arrears, measures are taken to mitigate potential credit losses. A qualitative analysis of our total credit exposures, defaults and losses is reported on a quarterly basis to the Credit Risk Committee.

For the credit risks inherent to our treasury operations we established specific policies, among others, defining counterparties with which transactions can be concluded and limits for counterparties. The limits for a single counterparty are divided into a number of sub-limits based on the type of transaction such as deposits, financial instruments or other types of transactions. The limits and their usage are regularly reviewed by the Credit Risk Committee. Furthermore, amounts outstanding are closely monitored seeking to ensure that deposited funds can be transferred as soon as possible in case of an increase in counterparty risk. We have also put in place acceptance criteria for reinsurance of motor insurance risks.

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. 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 of the lease contract and contract duration.

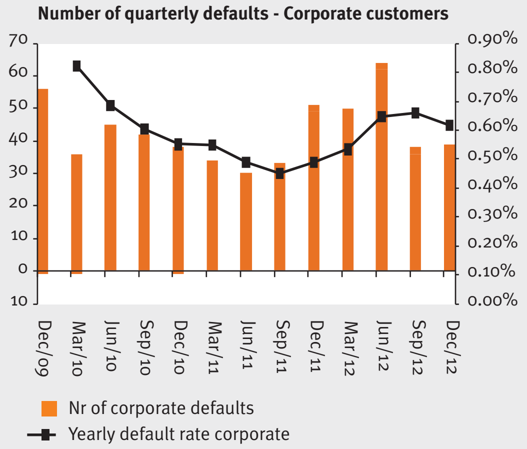
In 2011 a project was initiated to develop and implement internal scorecards, probability of default, loss given default and exposure at default models for the retail portfolio which is intended to increase the part of the assets that qualify for the AIRB approach. The focus is on the various retail portfolios in the United Kingdom and the Netherlands. This project has been completed in 2012 with submission of model documentation to the regulator. A decision of the regulator for permission to use these internal models is expected in 2013. The current balance sheet exposure to retail clients is € 2.1 billion or 13.7% of total client exposures of which € 1.2 billion relates to our Group companies in the United Kingdom and the Netherlands.

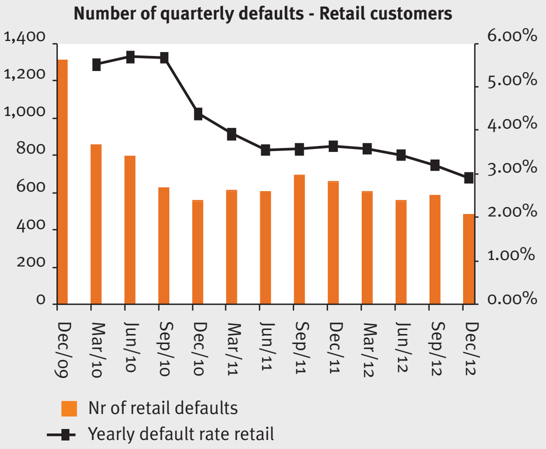
We use an internally developed risk measurement system to measure the probability of default and our exposure to potential defaults for our corporate portfolio. We use this measurement system to be able to report on such credit risk to internal and external regulators.

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

- any customer that is unable to fulfil 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 31 December, 2012, the number of corporate defaults reported over the year 2012 was higher than in 2011, however, still significantly lower than the peak reported in 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 2012 was 0.6% for the corporate fleet as at 31 December, 2012 (0.5% as at 31 December, 2011). The moving average of the yearly default rate for 2012 was 2.9% for the retail fleet as at 31 December, 2012 (3.2% as at 31 December, 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 2009 through 2012.





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. As a consequence of our local judgment criterion, the PD of our corporate counterparties as at 31 December, 2012 was somewhat lower than when applying a default definition solely based on a definition of default as being over 90 days in arrears (as per the Basel II definition) whereas the LGD of our corporate counterparties was somewhat higher. The local judgment criterion is used to avoid disputes with counterparties being reported as defaults.

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. 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 summarises the probability of default ranges of our credit risk exposure in our lease contract portfolio:

As at 31 December,	2012			2011		
LeasePlan's rating	**Credit risk exposure**	**PD range**		**Credit risk exposure**	**PD range**	
(in millions of euro)						
1	426.0	0.04%	0.04%	392.3	0.04%	0.04%
2A to 2C	3,871.8	0.04%	0.10%	3,718.3	0.04%	0.10%
3A to 3C	5,047.8	0.10%	0.28%	4,547.0	0.10%	0.28%
4A to 4C	2,129.8	0.28%	1.36%	2,244.4	0.28%	1.36%
5A to 5C	269.7	1.36%	16.31%	286.1	1.36%	16.31%
6A	6.9	16.31%	49.01%	14.6	16.31%	49.01%
Unrated[3]	3,185.5			3,382.7	-	-
Total	**14,937.3**			**14,585.4**		

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 our credit risk exposure are subject to a separate risk weighting calculation (depending on the remaining maturity of the contract) 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. As per above, 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 just over two years, residual values have a relatively high risk weight when compared with the risk weight of future lease payments.

As at 31 December,	2012			2011		
	Credit risk exposure	**Risk weight**	**Risk weighted assets**	**Credit risk exposure**	**Risk weight**	**Risk weighted assets**
In thousands of euro						
Future lease payments	6,745,323	37.40%	2,522,641	6,494,754	39.60%	2,571,733
Residual value	8,192,023	69.84%	5,721,414	8,090,607	70.99%	5,743,442
Total	**14,937,346**	**55.19%**	**8,244,055**	**14,585,361**	**57.01%**	**8,315,175**

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 estimate for corporate counterparties at the end of 2011 and 2012.

3 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.

As at 31 December,	2012		2011	
	Credit risk exposure	Effective LGD[1]	Credit risk exposure	Effective LGD[1]
(in millions of euro)				
Total	**14,937.3**	**29.71%**	**14,585.4**	**30.46%**

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

Exposure at default ("EAD")
The original risk exposure is derived from the remaining amortising book value of lease contracts and arrears. The conversion factor (i.e. the ratio of the currently undrawn amount of a commitment that will be drawn and outstanding at default to the currently undrawn amount of the commitment) for the EAD is 1.0 of the original credit risk exposure. The main driver for this conversion factor is that in general we have no obligation towards counterparties to execute new orders at any time.

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:

As at 31 December,	2012		2011	
	Credit risk exposure	Maturity (in years)	Credit risk exposure	Maturity (in years)
(in millions of euro)				
Total	**14,937.3**	**2.03**	**14,585.4**	**1.97**

Exposure

In accordance with the Capital Requirements Directive (as described in Appendix A 'Government Supervision and Regulation'), 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 31 December,	2012	2011
(in millions of euro)		
CREDIT RISK EXPOSURE		
Amounts receivable under finance lease contracts	2,517.7	2,390.5
Property and equipment under operational lease and rental fleet	12,419.6	12,194.8
Total credit risk exposure	**14,937.3**	**14,585.4**

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 standardised 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. The regulator's decision for permission to use this approach for our retail lease portfolio in our UK and Dutch Group companies is expected in 2013. The table on the next page shows our aggregate credit risk exposure by exposure class and approach.

As at 31 December,			2012			2011
Exposure class	**AIRB**	**Standardised**	**Total**	**AIRB**	**Standardised**	**Total**
In thousands of euro						
Corporates	11,751,872	234,096	11,985,968	11,202,693	248,140	11,450,833
Retail		2,051,543	2,051,543		1,857,197	1,857,197
Governments		638,577	638,577		643,041	643,041
Banks		180,416	180,416		172,390	172,390
Other[4]		80,842	80,842		461,900	461,900
Total	**11,751,872**	**3,185,475**	**14,937,346**	**11,202,693**	**3,382,668**	**14,585,361**

The table below summarises the external credit ratings of the counterparties of our financial assets as at 31 December, 2011 and 2012, 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 31 December,			2012			2011
	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-	426.0	63.4	270.0	392.3	91.6	365.8
A+ to A-	3,871.8	115.0	896.8	3,718.3	152.1	1,493.4
BBB+ to BBB-	5,047.8	10.5	15.2	4,547.0	-	1.7
BB+ to BB-	2,129.8	-	3.8	2,244.4	-	9.2
B+ to B-	269.7	-	-	286.1	-	-
CCC+ to C	6.9	-	0.3	14.6	-	-
Unrated[5]	3,185.5	-	-	3,382.7	-	-
Total	**14,937.3**	**188.9**	**1,186.1**	**14,585.4**	**243.8**	**1,870.1**
Total credit risk exposure			**16,312.4**			**16,699.2**

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, 2012. 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.

4 The category 'Other' is comprised of differences between local source and reporting data with regard to amongst others accounting and timing.
5 These figures include clients classified as rental, 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.

(in millions of euro)	Europe (euro)	Europe (none-euro zone)	Rest of the World	Total
Exposure class				
Corporates	7,072.7	2,646.1	2,267.1	11,986.0
Retail	1,046.8	978.1	26.6	2,051.5
Governments	151.1	303.6	183.9	638.6
Banks	153.0	18.3	9.1	180.4
Other	45.9	21.4	13.5	81.8
Total as at 31 December, 2012	**8,469.5**	**3,967.6**	**2,500.3**	**14,937.3**
Percentage of total as at 31 December, 2012	57%	27%	17%	100%
Total as at 31 December, 2011	**8,387.3**	**3,907.5**	**2,290.5**	**14,585.4**
Percentage of total as at 31 December, 2011	58%	27%	16%	100%

Credit risk exposure by industry

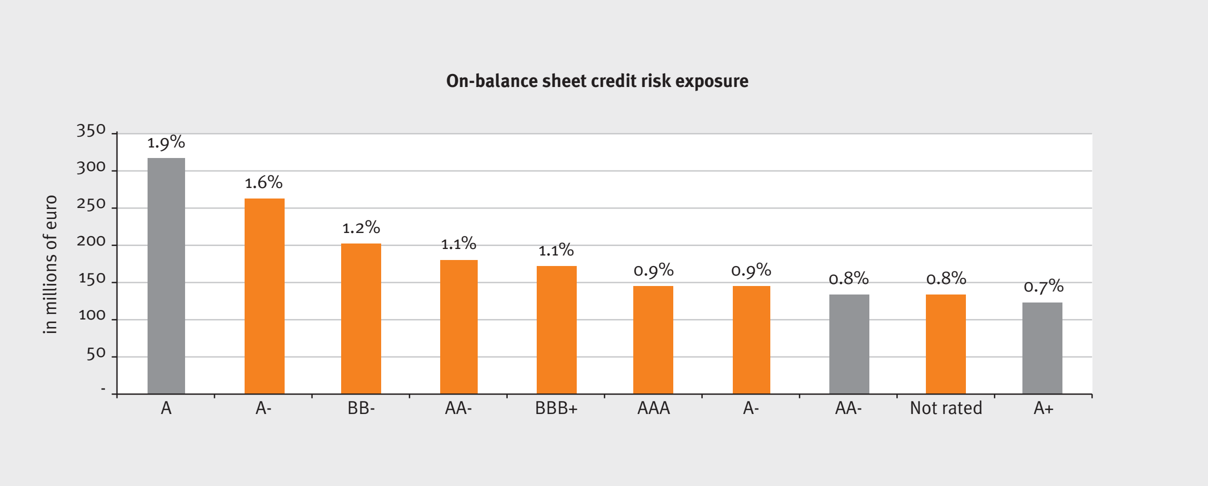
Credit risk exposure is broken down according to the industry segment in which the counterparties have their major business activity and by the type of counterparty (corporate, retail, governments, banks and other). The table below shows the breakdowns as at 31 December, 2012.

Distribution by exposure class and industry type *(in millions of euro)*	Corporates	Retail	Governments	Banks	Other	Total	2012	2011
Services	1,964.3	499.2	-	-	-	2,463.5	16%	16%
Consumer Durables	2,100.6	286.3	-	-	-	2,386.9	16%	15%
Capital Goods	1,749.3	203.3	-	-	-	1,952.6	13%	13%
Construction and Infrastructure	956.4	154.1	-	-	-	1,110.6	7%	7%
Chemicals	852.8	38.1	-	-	-	891.0	6%	6%
Technology	692.7	64.8	-	-	-	757.5	5%	5%
Public Administration	3.7	5.9	638.6	-	-	648.2	4%	4%
Transport & Logistics	584.9	60.4	-	-	-	645.3	4%	4%
Banks and financial intermediation	401.0	54.6	-	180.4	-	636.0	4%	4%
Food Beverages and Tobaco	508.9	22.5	-	-	-	531.3	4%	4%
Utilities	399.3	12.3	-	-	-	411.6	3%	3%
Retail	241.6	53.9	-	-	-	295.4	2%	2%
Private Individuals	13.9	255.5	-	-	-	269.4	2%	2%
Natural Resources	227.1	20.6	-	-	-	247.6	2%	2%
Insurance and Pensionfunds	213.4	16.5	-	-	-	229.9	2%	2%
Telecom	211.6	10.4	-	-	-	222.1	1%	2%
Health Care	157.6	36.2	-	-	-	193.8	1%	1%
Diversified-Others	118.8	57.5	-	-	-	176.3	1%	1%
Real Estate	118.0	42.5	-	-	-	160.5	1%	1%
Automotive	139.6	16.6	-	-	-	156.2	1%	1%
Other	0.1	73.4	-	-	80.8	154.3	1%	1%
Oil & Gas	133.2	5.9	-	-	-	139.0	1%	1%
Media	69.3	18.0	-	-	-	87.3	1%	1%
Agriculture Forestry and Fishing	67.8	13.5	-	-	-	81.3	1%	0%
Leisure and tourism	40.6	23.9	-	-	-	64.5	0%	0%
Building Materials	19.4	5.6	-	-	-	25.0	0%	0%
Total as at 31 December, 2012	**11,986.0**	**2,051.5**	**638.6**	**180.4**	**80.8**	**14,937.3**	**100%**	**100%**
Total as at 31 December, 2011	**11,450.8**	**1,857.2**	**643.0**	**172.4**	**461.9**	**14,585.4**	**100%**	

Counterparty concentration

Our 100 largest leasing counterparties or groups of counterparties represented 36% of the consolidated book value of our total lease portfolio, as at December 31, 2012. We believe the concentration risk in the consolidated client portfolio for lease contracts is limited as the largest leasing counterparty represented 1.8% of the consolidated book value of our total lease portfolio or 1.8% of our risk-weighted assets as at December 31, 2012.

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, 2012 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, are 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 31 December,	2012	2011
In thousands of euro		
Receivables from clients past due, but not impaired		
Past due up to 90 days	302,427	327,963
Past due between 90 - 180 days	27,158	33,193
Past due between 180 days - 1 year	25,112	25,248
Past due 1 - 2 years	10,150	10,629
Past due over 2 years	9,615	6,914
Total	**374,462**	**403,947**

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

As at 31 December,	2012	2011
In thousands of euro		
Impaired loans and receivables from clients	**78,900**	**75,770**
Provision on clients provided for	73,399	69,034
Expected loss provision	6,460	6,653
Total allowance for impairment	**79,859**	**75,687**

Other credit risk exposures

Receivables from financial institutions: In addition to our exposure to credit risk in the leasing of vehicles, we are also exposed to credit risk due to the use of derivative financial instruments and cash being deposited with other banks. Both credit risks arising from our central treasury organisation are controlled by setting specific nominal limits for the limited number of financial institutions that such transactions may be concluded with and the requirement of minimal external credit ratings that must be assigned to such counterparties.

As at 31 December,		2012		2011
	Derivative financial instruments	Receivables from financial institutions	Derivative financial nstruments	Receivables from financial institutions
(In millions of euro)				
Counterparty rating				
AAA to AA-	63.4	270.0	91.6	365.8
A+ to A-	115.0	896.8	152.1	1,493.4
BBB+ to BBB-	10.5	15.2	-	1.7
BB+ to BB-	-	3.8	-	9.2
CCC+ to C	-	0.3	-	-
Total	**188.9**	**1,186.1**	**243.8**	**1,870.1**

Loans to associates and jointly controlled subsidiaries
Credit risk for us 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 our core activities conducted through wholly owned Group companies. In shareholder agreements we have agreed with our 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 of our investments in associates and jointly controlled entities, we also monitor and manage our credit exposures to such entities. As at 31 December, 2012 the following exposures existed on associates and jointly controlled activities:

As at 31 December,	2012	2011
	Outstanding notional	Outstanding notional
In thousands of euro		
Counterparty		
LPD Holding A.Ş., Turkey	124,279	97,859
Please S.C.S., France	74,500	69,300
LeasePlan Emirates Fleet Management - LeasePlan Emirates LL, United Arab Emirates	22,136	17,281
Overlease S.r.L., Italy	2,775	8,148
Total	**223,690**	**192,588**

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 mostly 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, a significant part of our clients pay 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.

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 our credit risk exposure of our leased assets:

As at 31 December,				2012				2011
Exposure class	**Exposure**	**Average risk weight**	**Risk weighted assets**	**Regulatory capital requirement**	**Exposure**	**Average risk weight**	**Risk weighted assets**	**Regulatory capital requirement**
In thousands of euro								
AIRB approach								
Corporates	11,751,872	47,25%	5,552,590	444,207	11,202,693	48.54%	5,437,973	435,037
Standardised Approach								
Corporates	234,096	79,29%	185,622	14,850	248,140	78.79%	195,500	15,640
Retail	2,051,543	91,31%	1,873,288	149,863	1,857,197	90.63%	1,683,127	134,650
Governments	638,577	63,74%	406,998	32,560	643,041	62.32%	400,751	32,060
Banks	180,416	80,21%	144,715	11,577	172,390	78.85%	135,925	10,874
Other	80,842	100,00%	80,842	6,467	461,900	100.00%	461,900	36,953
Subtotal	**3,185,475**	**84,49%**	**2,691,465**	**215,317**	**3,382,668**	**85.06%**	**2,877,203**	**230,177**
Total	**14,937,346**	**55,19%**	**8,244,055**	**659,524**	**14,585,361**	**57.01%**	**8,315,175**	**665,214**

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%. The applicability of the 100% risk weight for residual values under the standardised approach (versus the risk weighting under the advanced internal ratings based approach) is currently under review. All other assets are subject to the standardised approach and can be summarised as follows:

As at 31 December,		2012		2011
Standardised Approach	**Risk weighted assets**	**Regulatory capital requirement**	**Risk weighted assets**	**Regulatory capital requirement**
In thousands of euro				
Other assets	2,098,642	167,891	2,173,900	173,912
Off-balance	298,493	23,879	374,313	29,945
Derivatives	44,393	3,551	45,688	3,655
Total	**2,441,528**	**195,322**	**2,593,900**	**207,512**

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% points. Such scenario would for LeasePlan result in an increase of required capital amounting to approximately EUR 168 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.

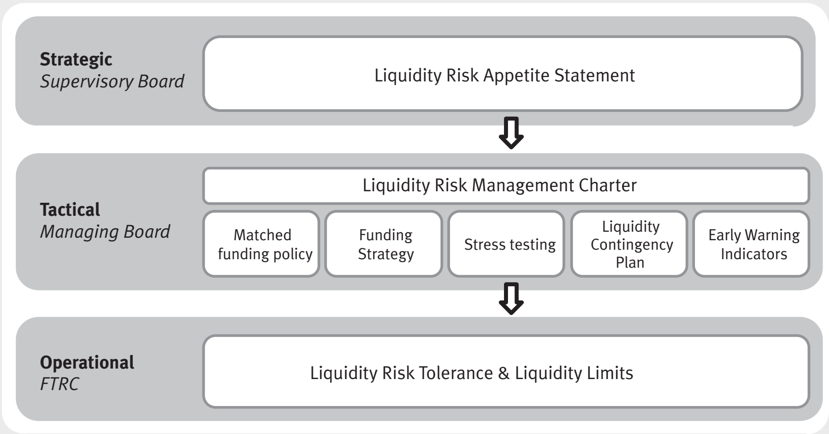
5.3 Liquidity Risk

Definition

Liquidity risk is the risk that we are not able to meet our obligations as they fall due. Our liquidity risk mainly relates to funding liquidity risk, which is the risk that we will not be able to refinance maturing funding contracts in order to finance the ongoing obligations our lease operations. Given the reliance on funding, limiting funding liquidity risk is a key element in the execution of LeasePlan's strategy.

We do not maintain trading and investment books. Furthermore our standing practice is not to commit to any undrawn leasing facilities which could impact our liquidity position significantly. Liquidity risks due to hedging activities resulting in margin calls for interest rate and foreign currency hedging are considered by management to be limited.

Policy



During 2012 we have further expanded our liquidity policy framework as part of the annual Internal Liquidity Adequacy Assessment Process ("ILAAP"). As of 2011 Dutch banks are required to annually assess liquidity adequacy, based on DNB's guidelines. The ILAAP includes governance, a policy framework and an assessment on the liquidity position, both from a going-concern perspective and different stressed environments. We have submitted the annual ILAAP to the DNB in both 2011 and 2012.

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.

Our Managing Board sets the Risk Appetite, which is discussed and annually approved by the Supervisory Board. The Risk Appetite and limits are reviewed periodically and updated as a result of changes in market conditions and the impact on our liquidity and funding profile. The limits are differentiated between regulatory limits, liquidity mismatch limits, redemption limits, counterparty limits and settlement limits.

Liquidity risk is not perceived as a driver for our profit and hence our policy is aimed at matched funding and diversification of funding sources. We manage liquidity risk by seeking to conclude funding that matches the estimated run-off profile of the leased assets. The matched funding principle is applied both at consolidated level and at subsidiary level taking into account specific mismatch tolerance levels.

The management of our Group companies is responsible for adhering to the matched funding and interest rate policy and attracting funding at the central treasury organisation, for which a fund transfer price is set, or directly via external banks. The fund transfer price for funds obtained at our central treasury is based on a full cost price calculation, adjusted monthly and approved by the Managing Board.

A key instrument in our liquidity risk management is the funding planning maintained at Group level and is a recurring item on the agenda of the Funding and Treasury Risk Committee ("FTRC"). The funding planning forecasts issuances and redemptions for each funding source, resulting in a multiyear projection of the liquidity position. Apart from the actual forecast, a stress-tested forecast is also calculated based on stress assumptions.

The stress testing program in 2012 includes integration of additional risk drivers and review of stress scenarios, governance, tools used and documentation of the stress testing process. We maintain a number of stress scenarios addressing idiosyncratic and market wide risk drivers in both specific and combined scenarios. On a monthly basis a high-level stress test is performed based on fixed parameterisation of cash flow forecasting, in addition to the quarterly stress testing cycle. Stress testing results are used both for contingency and going-concern funding planning and risk activities, for instance to set the target level for the liquidity buffer to meet a period of severe stress.

Where in normal circumstances liquidity risk is monitored and steered by the FTRC, the Liquidity Crisis Committee ("LCC") is established to handle critical situations. The LCC includes, among others, all Managing Board members, all Regional Senior Vice-Presidents that are responsible for LeasePlan Group, Senior Corporate Vice-Presidents of Risk Management, Strategic Finance, Control Reporting & Tax and Corporate Strategy & Development. The activation, role and mandate of the LCC is governed by the Liquidity Contingency Plan.

Both the compliance of LeasePlan as a group and of all Group companies (including our central treasury) is monitored on, at least, a monthly basis by the Group's Treasury Risk Management ("TRM") department. TRM is part of Corporate Risk Management. Positions of the central treasury are monitored daily by TRM. The members of the FTRC are informed of the liquidity risk positions on at least a monthly basis. TRM has the responsibility to monitor liquidity risk limits and to report and investigate limit breaches, inadequacy of processes and unexpected events.

Measurement

We maintain management information systems that are intended to continuously provide reliable up to date information for the identification, measurement and monitoring of liquidity risk. Identification and measurement for liquidity risk positions takes place 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, in securitisation transactions 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 assets are denominated.

We measure and forecast 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 the expected ability to reduce or dispose of assets.

Exposure

The Dutch Central Bank sets out minimum regulatory 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. 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 table below sets forth our liquidity position as reported to the Dutch Central Bank as at 31 December, 2012 and 2011.

As at 31 December,		2012		2011
	One week	**One month**	**One week**	**One month**
In thousands of euro				
Available liquidity	1,850,434	3,520,712	1,455,387	3,680,302
Required liquidity	898,315	3,078,272	832,820	2,790,765
Surplus (minimum requirement is above nil)	**952,119**	**442,440**	**622,567**	**889,537**

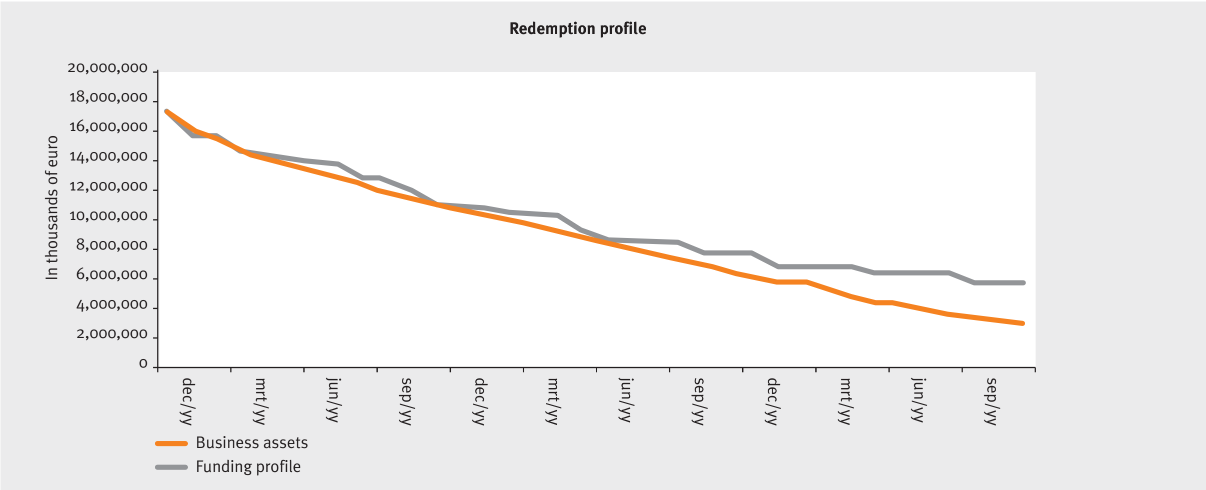
These figures show that we had a liquidity surplus as at 31 December, 2012, both for a one week and one month period. During the year the surplus showed some variation due to redemptions, but remained at a comfortable level at all times during the year.

The Dutch Central Bank regulatory liquidity limits are embedded in our liquidity and cash management processes. Apart from end of month reporting we monitor the development of the Dutch Central Bank liquidity levels on an ongoing basis as part of the funding planning process. Dutch Central Bank liquidity forecasts are discussed in the FTRC and are part of the funding planning.

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 business assets. 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 the matched funding principle at both consolidated and subsidiary level. We seek to minimise liquidity risk on existing leased assets by concluding funding that matches the run-off profile of the leased assets. The relatively high turnover of new funding, compared to most banks, is due to the relatively short weighted average duration of our assets. The graph below shows the redemption profile of our business assets and related funding as at 31 December, 2012 in thousands of euro.



The 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 behavioural outflow. Business assets consist of all lease contracts and the liquidity buffer as at December 31, 2012 with maturities calculated as at their contractual termination date. This graph does not account for any new lease contracts.

The second level of liquidity risk mitigation is our funding diversification strategy, in place since 2009. As can be seen in the table below, our funding profile has become more diversified. If one of the funding sources is not available, we seek to ensure access to alternative funding sources or markets. Since the launch of the Dutch-based internet savings bank LeasePlan Bank in February 2010, we have been able to further diversify our funding profile by attracting funding through straightforward flexible and term savings products.

As at 31 December,

Funding sources by volume	**2012**	**%**	**2011**	**%**
In thousands of euro				
Bonds and notes - orginated from securitisation transactions	1,969,170	14%	1,397,357	10%
Bonds and notes - other	6,421,801	45%	8,008,881	57%
Funds entrusted - term deposits	2,714,931	19%	1,567,691	11%
Funds entrusted - flexible savings	1,234,487	9%	1,226,720	9%
Funds entrusted - other	162,001	1%	190,989	1%
Borrowings from financial institutions	1,776,693	12%	1,535,899	11%
Commercial paper	77,599	1%	54,913	0%
Cerfitifcates of deposit	54,657	0%	74,777	1%
Balance	**14,411,339**	**100%**	**14,057,227**	**100%**

Another major component in our funding diversification strategy is the ability to securitise leased assets. As at December 31, 2012 we had concluded five asset backed securitization transactions under the name of Bumper 1 (2006/2008), Bumper 2 (2008/2011), Bumper 3 (2009), Bumper 4 (2011) and Bumper 5 (2012) as well as an asset backed securitisation warehousing facility under the name of Bumper CARS NL BV (2012). Under this latter warehousing facility as at December 31, 2012 no amounts were drawn. These transactions involve the sale of future lease instalment receivables and related residual value receivables originated by various LeasePlan subsidiaries to special purpose companies. Debt securities were issued by these special purpose companies to finance these transactions. As at 31 December, 2012 all Bumper 2, 4 and 5 Class-A and Class-B notes have been sold to external investors. Bumper 1 and 3 have been fully unwound. We are obliged to fund various reserves for Bumper transactions (default & liquidity, set off, maintenance, commingling and tax) as a result of certain trigger events. The table on the next page shows an overview of committed guarantees and the potential liquidity impact the Bumper transaction can have on us. The current outstanding exposure, remaining reserves to fund, is limited to € 68.0 million.

As at 31 December, 2012
Securitisation

		Maximum guaranteed amount	Actual guaranteed amount	Drawn as cash	Potential exposure for LPC on stand-alone basis
In euro x 1					
Transaction	**Country**				
Bumper 2	Germany	120,177,376	120,177,376	108,177,376	12,000,000
Bumper 4	NL	71,922,139	71,922,139	15,936,292	55,985,847
Bumper 5	UK	88,377,642	88,377,642	88,377,642	-
Total		**280,477,157**	**280,477,157**	**212,491,310**	**67,985,847**

In December 2012, we repurchased € 500 million of bonds issued by us under the Credit Guarantee Scheme of the State of the Netherlands to reduce our cash balance and soften the redemption profile of our liabilities. The remaining bonds issued under the Credit Guarantee Scheme are € 1.02 billion maturing in May 2014 and USD 500 million maturing in June 2014. These redemptions are taken into account by our funding planning.

The third level of our liquidity risk mitigation is our liquidity buffer, which consists of unencumbered liquid assets and amounts available under committed credit facilities. The buffer is maintained as a precaution in the event of disruption of continued access to funding sources. The overall liquidity buffer is intended to always be sufficient for us to continue our leasing business in a normal manner for at least nine months.

As at 31 December,

Liquidity buffer	**2012**	**2011**
(in thousands of euro)		
Liquid assets	1,827,443	1,603,515
RCF	1,250,000	1,475,000
VW facility	1,250,000	1,475,000
Other facilities	625,000	125,000
Total liquidity buffer	**4,952,443**	**4,678,515**

Collateral management:
The treasury risk related counterparty credit risks are governed by the Credit Committee. We maintain and accept cash as eligible collateral for derivative contracts. Whenever practicable we make use of Credit Support Annex's ("CSAs") in addition to ISDA-contacts, setting the bi-lateral collateral arrangements for OTC derivatives. In terms of notional amounts as at 31 December 2012 approximately 95% of all our derivatives are governed by CSAs. In addition to the current practice, we monitor the developments with regard to central clearing and aims to comply with related existing and upcoming regulation.

Capital requirements
In respect of liquidity risk, we consider that our current measures taken are sufficient to cover for this risk and consider 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).

6 OTHER RISK MANAGEMENT AREAS
6.1 Strategic risk
We define strategic risk as the current or prospective risk to earnings and capital arising from changes in the business environment and from adverse business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment. Strategic risk is reviewed along two dimensions being Strategy definition and Strategy execution.

Strategy definition
In line with our strategy we maintain a mono-line business model with diversified income streams. Within our mono-line business model we have the ambition to moderately grow our core business in the coming years while also increasing our efforts to expand our position in the SME sized fleet segment and execute further geographical expansion and enhance our profitability.

Our Corporate Strategy and Development department supports the Managing Board in determining our strategic direction. Our structured strategy planning cycle facilitates a dialogue on the strategy of the Group between relevant management layers. Strategy sessions are organised in a structured way to identify challenges and opportunities, strategic options and to define ambitions of the company. Annually, our short and long term vision, strategy and objectives are subject to approval of our Supervisory Board. In addition to approving our overall vision, strategy and objectives, the Supervisory Board is also requested to approve strategic decisions outside the agreed risk appetite framework. Equally, as a part of their planning cycle Group companies are required to perform a yearly Top Down Assessment, where the strategy is assessed by the management team and potential risks threatening the realisation of the strategy are identified, assessed and required mitigating actions are discussed. These assessments are part of our Operational Risk Management Policy and the output of Group companies is used in economic capital distribution within the Group.

Strategy execution

The implementation of our strategy depends on the impact and size of a strategic project. Strategic directions that have an impact on multiple Group companies are managed via a global projects approach for which we have established a Corporate Programme Management department allowing for managing and monitoring risks related to these global projects. To further address the occurrence of risks within the strategy implementation processes, e.g. in global projects and regional strategy sessions, we involve the relevant lines of defence during the development and implementation of strategic choices. In the event of execution of strategic global projects, governed by project boards, risks are reported and monitored on a periodic basis using the Prince II methodology.

Under Pillar 1 no specific capital requirements for strategic risks need to be calculated for regulatory purposes. Losses following the execution of our strategy are considered to be operational losses within our definition of an operational loss and as such these events and their impact on LeasePlan's result are to be 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 6.5. Furthermore, in the determination of low frequency-high impact operational loss scenarios, execution of strategy are also considered.

6.2 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 Group companies. Next to the existing controls in place as described under operational risk, we continuously monitor our internal controls to avoid its reputation being challenged.

We have embedded the safeguarding of its reputation in various policies. Furthermore, as stated previously, the renewed Code of Conduct was adopted in 2010 and integrity is the key focus. The Code is further embedded in the Group as a result of the LeasePlan dilemma game rolled out globally in 2012 as a part of our Identity Programme which is intended to further internalise our core values (respect, commitment, expertise and passion). Next to the continuation of the roll out of the dilemma game, during 2013 also a global e-learning training on the Code of Conduct will become available. Three principles form the basis of our Code of Conduct: honesty & trust, respect for the law and honouring human rights. Furthermore, we continued to work with employees on our core values and identity and there is a robust compliance awareness programme in place, which helps govern our reputation. Also the annual global Integrity Survey is a convincing tool to stress the importance of integrity as a measure to safeguard our reputation among each of our employees.

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 our definition of an operational loss and as such these events and their impact on our result are to be 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 6.5. Furthermore, in the determination of low frequency-high impact operational loss scenarios, reputational incidents are also considered.

6.3 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.

During the periodic review of the Risk Appetite, interest rate risk limits are set by the Managing Board and annually approved by the Supervisory Board. TRM monitors interest rate limits on a daily basis and reports to the SCVP Risk Management. Interest rate risk exposures and any deviations from our policy within our central treasury and Group companies are reported and discussed by the FTRC on a quarterly basis. The reporting of positions is also part of the quarterly reporting to the Managing Board and Supervisory Board.

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 authorised 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 provides loans and swaps to Group companies and attracts funds from the market in conjunction with interest rate derivatives entered into for hedging purposes. Derivative financial instruments are concluded by our central treasury as an end-user only. To enable our central treasury organisation 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.

The table on the next page summarises our exposure to interest rate risk, whereby the outstanding interest rate exposures are clustered in time periods, as at December 31, 2012 and 2011. In addition interest rate derivatives entered into to manage interest rate risk exposures are included. The first gap is reported including equity, non-interest-bearing liabilities and with assets and liabilities with relatively limited interest rate sensitivity. These amounts include liquid assets, containing call money and deposits. Our overall interest rate risk exposures are limited.

As at 31 December, 2012 *(in thousands of euro)*	Up to 3 months	3-12 months	1-5 years	> 5 years	Total
FINANCIAL ASSETS					
Cash and balances at central banks	1,015,429				1,015,429
Receivables from financial institutions	1,186,096				1,186,096
Receivables from clients	1,472,119	547,055	986,330	87,709	3,093,213
Rebates and bonuses and commissions receivable	197,286				197,286
Reclaimable damages	24,882				24,882
Interest to be received	2,941				2,941
Loans to associates and jointly controlled entities	30,517	49,022	144,150		223,689
Total	**3,929,270**	**596,077**	**1,130,480**	**87,709**	**5,743,536**
FINANCIAL LIABILITIES					
Borrowings from financial institutions	504,160	298,583	973,950		1,776,693
Funds entrusted	2,303,455	1,263,981	537,464	6,519	4,111,419
Debt securities issued	948,938	2,180,254	5,165,644	228,391	8,523,227
Trade payables	565,008				565,008
Interest payable	169,873				169,873
Total	**4,491,434**	**3,742,818**	**6,677,058**	**234,910**	**15,146,220**
NON-FINANCIAL ASSETS AND LIABILITES	**458,555**	**2,576,070**	**8,575,279**	**188,619**	**11,798,523**
Equity	- 2,395,839				- 2,395,839
Net on-balance position	**- 2,499,448**	**- 570,671**	**3,028,701**	**41,418**	**-**
Derivative financial instruments					
Assets	14,960,525	2,518,686	5,350,347	216,391	23,045,949
Liabilities	12,099,889	2,715,054	8,056,558	2,000	22,873,501
INTEREST GAP	**361,188**	**- 767,039**	**322,490**	**255,809**	**172,448**
As at 31 December, 2011					
Total financial assets	4,233,055	507,270	466,440	107,508	5,314,273
Total financial liabilities	5,237,094	3,785,194	5,720,809	135,765	14,878,862
Non-financial assets and liabilities	819,703	3,170,459	7,653,899	74,412	11,718,473
Equity	- 2,153,884				- 2,153,884
Net on-balance position	**- 2,338,220**	**- 107,465**	**2,399,530**	**46,155**	**-**
Derivative financial instruments					
Assets	15,639,366	2,708,724	4,807,002	118,238	23,273,330
Liabilities	13,694,698	2,750,595	6,649,039	-	23,094,332
INTEREST GAP	**- 393,552**	**- 149,336**	**557,493**	**164,393**	**178,998**

Derivative financial instruments are entered into to mitigate or reduce interest rate exposures and are not used for trading purposes. This “non-traded interest rate risk” exposure is monitored through interest rate gap reports. The analysis is performed by calculating the impact of an increase in rates on the future cash flows of all transactions.

Stress testing takes place regularly on central treasury exposures during the year by analysing the profit and loss effect of an unexpected parallel yield curve shift on all currencies. It is calculated as the difference between the estimated income using the current yield curve and the lowest estimated income following a 200 basis point increase or decrease in interest rates. The sensitivity analysis assumes an instantaneous 200 basis point change in interest rates in all currencies from their levels at 31 December 2012. The impact of a 200 basis points change in interest rates would be EUR 2.2 million (2011: EUR 4.7 million) or 0.7% of profit before tax for the year ending 31 December 2012 (2011: 1.7%). 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 20.7 million (2011: EUR 27.8 million) and is incorporated as an amount for Pillar 2 capital calculations.

6.4 Currency risk

Currency risk is the risk that a business' operations or an investment's value will be affected by changes in exchange rates. It arises from the change in price of one currency against another, where positions are not hedged.

Due to our activities in 31 countries, we as a Group, are exposed to currency exchange rates. We use the Euro as our functional currency. Whenever reasonably possible hedging is applied, naturally by means of matching assets and liabilities or by means of a financial derivate.

Our standing practice is to avoid any unnecessary currency risks. In order to facilitate the Group companies when obtaining funding in their local currencies, the central treasury organisation is permitted to run currency risk which allow minimal exposure per currency. TRM reviews positions on a monthly basis and reports to the SCVP Risk Management. Periodically the FTRC discusses the currency risk positions for the whole group, and potential measures to further mitigate such exposures if necessary.

Nearly all debt funding, directly or via derivatives, is concluded in the currency in which assets are originated, thereby protecting balance sheet ratio against currency fluctuations. This principle is applied both at Group level, and with the local Group companies. This is required both when obtaining funds at local banks or at our central treasury. In order to facilitate this, the central treasury organization seeks to follow limits per currency in line with the Risk Appetite.

We are exposed to currency risk on our equity holdings of subsidiaries, including annual results, reflecting our global footprint. We keep open the possibility to hedge translation risk when operations are denominated in highly volatile currencies or a high inflation environment.

In view of the limited exposure to effects of fluctuations in currencies on our financial position we have not performed a sensitivity analysis on the impact of such fluctuations.

The table on the next page summarises our exposure to currency risk as at 31 December, 2012 and 2011.

As at 31 December, 2012 *(in thousands of euro)*	EUR	GBP	USD	AUD	Other	Total
FINANCIAL ASSETS						
Cash and balances at central banks	1,015,331	5	28	5	60	1,015,429
Receivables from financial institutions	1,035,692	123,267	1,858	5,631	19,648	1,186,096
Receivables from clients	858,607	252,254	1,188,522	324,531	469,299	3,093,213
Rebates and bonuses and commissions receivable	165,903	4,963	5,083	1,961	19,376	197,286
Reclaimable damages	22,225				2,657	24,882
Interest to be received	2,921	2	18		-	2,941
Loans to associates and jointly controlled entities	195,124		6,429		22,136	223,689
Total	**3,295,803**	**380,491**	**1,201,938**	**332,128**	**533,176**	**5,743,536**
FINANCIAL LIABILITIES						
Borrowings from financial institutions	580,882	146,985	6,466	495,680	546,680	1,776,693
Funds entrusted	4,109,902				1,517	4,111,419
Debt securities issued	6,044,689	759,283	754,288	178,777	786,190	8,523,227
Trade payables	400,210	11,800	1,852	34,409	116,737	565,008
Interest payable	141,496	802	2,552	7,128	17,895	169,873
Total	**11,277,179**	**918,870**	**765,158**	**715,994**	**1,469,019**	**15,146,220**
Non-financial assets and liabilities	7,663,200	1,440,059	140,267	596,861	1,995,428	11,835,815
Net on-balance position	**- 318,176**	**901,680**	**577,047**	**212,995**	**1,059,585**	**2,433,131**
Derivatives position	1,994,904	- 723,030	- 508,228	- 82,883	- 718,055	- 37,292
CURRENCY POSITION		**178,650**	**68,819**	**130,112**	**341,530**	
Net investment subsidiaries		180,595	69,385	133,750	334,792	
Other		- 1,945	- 566	- 3,638	6,738	
As at 31 December, 2011						
Total financial assets	3,039,523	320,662	1,069,700	357,852	526,536	5,314,273
Total financial liabilities	10,910,282	14,491	2,351,676	640,363	962,050	14,878,862
Non-financial assets and liabilities	7,734,627	1,381,610	130,592	625,807	1,860,295	11,732,931
Net on-balance position	**- 136,132**	**1,687,781**	**- 1,151,384**	**343,296**	**1,424,781**	**2,168,342**
Derivatives position	1,655,467	- 1,523,467	1,204,414	- 224,607	- 1,126,265	- 14,458
CURRENCY POSITION		**164,314**	**53,030**	**118,689**	**298,516**	
Net investment subsidiaries		164,170	53,637	118,235	290,509	
Other		144	- 607	454	8,007	

Based on the table above, our currency risk exposures as at 31 December, 2012 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:

As at 31 December,		2012		2011
Currency	**Position in EUR**	**Minimum required capital**	**Position in EUR**	**Minimum required capital**
In thousand of euro				
GBP	180,595	14,448	164,288	13,143
USD	69,385	5,551	53,446	4,276
AUD	133,750	10,700	118,640	9,491
Other	334,792	26,783	290,638	23,251
Total	**718,522**	**57,482**	**627,012**	**50,161**

We allow currency exposure to exist as long as our foreign currency denominated assets are in line with foreign currency denominated Group companies' equity and liabilities, so balance sheet ratios remain within acceptable limits. Furthermore we keep open the possibility to hedge (remaining) translation risk or annual results when operations are denominated in highly volatile currencies. 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.

6.5 Operational risk

Operational risk is the risk of losses resulting from inadequate or failed internal processes, human behaviour 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 organisation 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. This function is the driving force behind the increase in risk awareness and the improvement of operational risk management within the Group company. 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 analysed 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.

The Group companies are required to report all operational losses above the amount of € 5,000. Reporting of losses below this threshold is encouraged. We distinguish between gross operational losses (the maximum estimated loss amount known at the moment of identification, irrespective of any potential recovery) and net operational losses (gross loss amount minus recovered amounts).

During the year ended 31 December, 2012 we recorded 1,132 operational losses, compared with 999 losses recorded for the period of 1 January 2011 to 31 December, 2011. The majority of the losses reported (86%) remain below the threshold of € 5,000. In total 156 operational losses are reported with an impact above € 5,000. The 1,132 losses recorded correspond with a total net loss amount of € 5.5 million in the year ended 31 December, 2012 and € 6.0 million net for losses reported in the year ended 31 December, 2011. The majority of the operational losses recorded by us are classified in the event category 'Execution: Delivery and Process Management'. These categories represent 69% of the total operational loss amount and 79% of the total number of operational losses reported. The distribution of LeasePlan's operational losses is as follows:

As at 31 December, Operational losses		2012		2011
Basel II category	**% total (EUR)**	**% total (nr)**	**% total (EUR)**	**% total (nr)**
Business Disruption and System Failures	11%	7%	12%	6%
Clients: Products and Business Practices	10%	6%	12%	6%
Damage to Physical Assets	2%	2%	1%	2%
Employment practices and workplace safety	1%	1%	1%	1%
Execution: Delivery and Process Management	69%	79%	69%	80%
External Fraud	7%	5%	7%	5%
Internal Fraud	0%	0%	0%	0%
Total	**100%**	**100%**	**100%**	**100%**

We use 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 our internal operational loss data and a more qualitative analysis of our 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 us. 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 we consider 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 us at the 99.9th percentile confidence level.

We started modelling our 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, we adjust our assumptions and as a result will recalculate the corresponding capital requirements. This way we ensure that the capital continuously reflects our operational risk profile even after significant organisational changes or unexpected external developments.

Under Pillar 1 the operational risk regulatory capital requirement as at the end of 2012 amounts to EUR 122.9 million, which is the sum of our 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 our 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, our operational risk management department performs additional tests including a sensitivity analysis of the scenario based model by measuring the effect on the capital of increasing the original estimated severities ($p<0.5$) and original estimated frequency median scores +1.

Even if assumed that all operational risk scenarios occur at the same time and the frequency and financial impact of all scenarios have been underestimated, the additional capital required amounting to EUR 32 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.

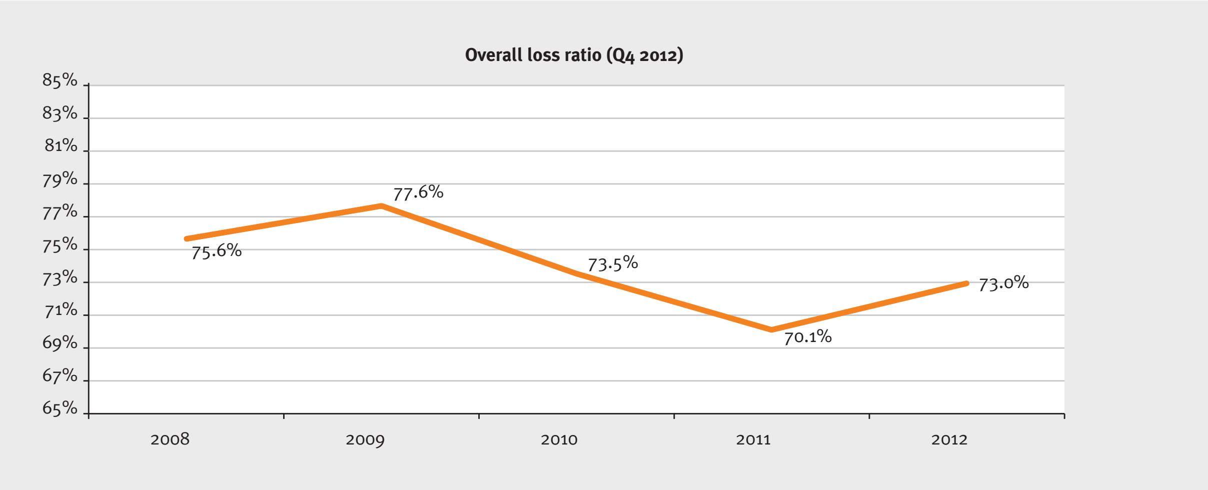
6.6 Motor insurance risk

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 defence) 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. Reinsurers are selected on the basis of their financial strength, price, capacity and service and are monitored, also in respect of credit ratings, on a quarterly basis.

Our motor insurance risk policy seeks to regulate the motor insurance risk management activities for Euro Insurances, Globalines Reinsurance and Group companies. Under our motor insurance risk policy, Group companies measure and monitor their motor insurance risk exposure by performing a yearly damage and insurance risk self-assessment. The main other requirements are the existence of motor insurance risk function with all Group companies which is independent from the insurance (pricing) department and a local motor insurance risk committee which is required to monitor exposure and discuss trends and developments therein. Clear authorisation structures are in place for intended launches of and changes in insurance structures and programmes. Furthermore, on a quarterly basis Euro Insurances, Globalines Reinsurance and Group companies 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 displays the Group's consolidated loss ratio measured at year's end 2012 for the underwriting years 2008 up to 2012, which has been calculated as our consolidated 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, third motor party liability and other programmes for Euro Insurances.



No specific capital requirements are applicable to our 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, we calculate internally required capital for all our 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. Next to the aforementioned solvency margin approach, we employ stress testing in respect of motor insurance risk. The outcome of afore stress testing, although not material (EUR 12.5 million as at 31 December 2012), forms part of the calculated internal capital under Pillar 2 on LeasePlan Corporation level. 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.

6.7 Legal and Compliance risk

Legal risk covers the financial and other losses we may suffer as a result of negligence in respect of, and/or failure to comply with, applicable laws and regulations. Compliance risk is defined as the risk of legal or regulatory sanctions, financial loss, or loss to reputation we may suffer as a result of our 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 legal and compliance risks 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 our Chief Executive Officer and has direct access to the Chairman of the Supervisory Board in specific circumstances. In each Group company a local compliance function is in place. The corporate compliance function cooperates closely with the local compliance functions.

The Group's compliance charter and compliance risk management framework form the basis for the governance of the function and compliance cycle. The charter introduces a clear allocation of tasks and responsibilities of management and staff involved in compliance within the Group. We follow a risk based approach along the lines of the compliance cycle, i.e. identifying risks, assessing risks and making, explaining, monitoring and enforcing rules. The independence of our compliance officers is embedded in the charter as well as their reporting lines. Twice per year the Group Compliance Officer provides updates on compliance matters to the meeting of the Managing Board. Annually, compliance topics are discussed with all Managing Directors of our operating companies during regionally held meetings. In addition to the informative reporting to senior management within LeasePlan, major risks and incidents related to compliance are discussed with our 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.

The basis for mitigating compliance risk is formed by our compliance charter and compliance risk management framework, as well as the compliance risk policy, which are applicable to all LeasePlan Group companies. The code of conduct reflects the values and behaviours that apply within the organisation. The code of conduct adds to the afore-mentioned basis by ensuring ethical behaviour in the broadest sense, including corporate responsibility in doing business and customer focus. Furthermore, the corporate 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 compliance risk assessment. All Group companies report on this assessment in their yearly compliance reports to the Group Compliance Officer. Those local compliance risk assessments also contribute the insight into the adequacy of the legal and compliance risk management organisation. Furthermore, identified risks are taken into consideration for inclusion in the Compliance Annual Plan. The compliance risk management framework is intended to further guide the Group companies in performing these risk self assessments. In addition, an annual global Integrity Survey was introduced in 2011. This global survey helps us in measuring the perceived level of integrity that exists in all parts of our business. Its outcome supports us to further steer our values and integrity and to enhance awareness of compliance 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 to be 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 6.5. Furthermore, in the determination of low frequency-high impact operational loss scenarios, legal and compliance incidents are also considered.

6.8 ICT Risk

Within LeasePlan ICT risk is defined as any risk which is related to information and communication technology. As there is substantial overlap with (processes related to) operational risk such as self assessments, loss reporting and business continuity (including disaster recovery), ICT risk mainly focuses on information security.

Each Group company must have an information security officer ("ISO") role assigned. The ISO role reports to senior management or is assigned to a member of the senior management and cooperates closely with the Information Security department at our corporate centre. Similar to operational risk, all Group companies including LeasePlan Bank, structurally identify, assess, and report their ICT risks. Each Group company is required to complete an annual ICT risk and control self assessment The resulting risk scorecard and action log provide a platform for mitigating any identified risks. Furthermore we have adopted a customised variant of the OCTAVE (Operationally Critical Threat, Asset and Vulnerability Evaluation) methodology and produced a toolkit of workflows and templates. Each Group company is responsible for producing an information asset inventory and it is recommended that the OCTAVE methodology is used to achieve this. The output from the information asset inventory is created, maintained and reviewed by the individual Group companies. On a day to day basis ICT issues and risks are typically identified and established via information technology infrastructure library ("ITIL") ICT management processes, (especially incident management and problem management), upon which our ICT Management processes are based. Risk analysis activities are incorporated within ITIL processes.

Under Pillar 1 no specific capital requirements for ICT risk need to be calculated for regulatory purposes. Within LeasePlan the financial impacts resulting from ICT risk incidents (also system unavailability, network communications failure and information security) are classified as operational losses. These events and their impact on our result are therefore to be captured in our operational loss database. Consequently, the reporting of these losses results in capital requirements under the internal operational loss data model as described in section 6.5. Furthermore, in the determination of low frequency-high impact operational loss scenarios, ICT risks 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 1 January, 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 15 July, 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 harmonising 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 1 January, 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 "Standardised Approach", the "Foundation Internal Ratings Based Approach" and the "Advanced Internal Ratings Based Approach". The Standardised 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 Standardised Approach with respect to our government, bank and retail counterparty credit risk exposure.

On 17 December, 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 18 August, 2010 and, on 12 September, 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 16 December, 2010 the Basel Committee issued its final view on Basel III, with a revised version published on 1 June, 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 1 January, 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 1 January, 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 part of the transition to the Basel III regime, all Dutch banks have been requested to take part in semi-annual monitoring of their capital buffers, leverage ratios, LCR and NSFR from 2011.

We believe that we are well capitalised for the implementation of the Basel III Standards. As at 31 December, 2012 our capital base consists solely of Core Tier 1 capital elements. The impact on RWA would be limited and all capital adequacy ratios as at 31 December, 2012 were above the 2019 minimum levels as currently proposed.

The difference between nominal assets and RWA has a relatively limited impact on us compared to other banks and as a result as at 31 December, 2012 we met the new Basel III Standards leverage ratio minimum required level of 3%.

As at 31 December, 2012 we had sufficient high-quality liquid assets available under the Basel III Standards to comply with the LCR requirement.

As at 31 December, 2012, 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 adversely 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.

There can be no assurance that, prior to its implementation in 2013, the Basel Committee will not amend the package of reforms described above. Further, the European Commission and/or the Dutch Central Bank may implement the package of reforms in a manner that is different from that which is currently envisaged, or may impose additional capital requirements on Dutch banks.

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 17 April, 1989 on the "own funds" of banks (the "Own Funds Directive"), defining qualifying capital ("own funds"), and the Council Directive of 18 December, 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 15 March, 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 31 December, 2010 and certain further amendments entered into force on 31 December, 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 1 January, 2011. Operational day-to-day supervision continues to be with national supervisors.

On 6 June, 2012, the European Commission proposed a new Directive on a comprehensive framework for dealing with ailing banks (the "Crisis Management Directive").

The Crisis Management Directive includes proposals to give regulators resolution powers to write down debt (which may include the Notes) 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. It is currently unclear whether measures ultimately adopted in this area will apply retrospectively to any debt currently in issue. It is at this stage uncertain whether the Crisis Management Directive will be adopted and if so, when and in what form.

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 program is driven by the Directive 2009/138/EC of the European parliament and proposes amendments for the rationalisation, harmonisation and modernisation 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 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 are not suitable 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 organisation 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 reorganisation. 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 organisation of individual banks, their financial accounting system and their internal controls. The administrative organisation 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 organisation, 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 Intervention Act

The Dutch legislator has adopted banking legislation dealing with ailing banks (Special Measures Financial Institutions Act, Wet bijzondere maatregelen financiële ondernemingen, the "Dutch Intervention Act"). Pursuant to the Dutch Intervention Act, substantial new powers have been granted to DNB and the Dutch Minister of Finance enabling them to deal with, inter alia, ailing Dutch banks prior to insolvency. The Dutch Intervention Act empowers DNB or the 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 proceedings have been initiated by DNB or the 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.

Dutch Banking Code (2010)

On 9 September, 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. The Dutch Banking Code follows the "comply or explain" principle: 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 all of the principles of the Dutch Banking Code (2010), with one exception where we chose to "explain": we have not established a separate risk committee for the Supervisory Board. In view of the importance of risk management and taking into account the size of the Supervisory Board, 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. 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). During its meetings of 19 January, 2011 and 30 January, 2012 the members of the Managing Board reconfirmed the moral ethical statement.

On 1 January, 2013 the "Regulation Oath or Promise Financial Sector" entered into force requiring that Managing Board and Supervisory Board members take the banker's oath or declare the banker's promise (the "Oath"). The wording of the aforesaid moral ethical statement and the Oath are similar. All members of the Managing Board and the Supervisory Board have taken the Oath.

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 January 1, 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. 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 on June 13, 2012, a bill has entered into force with retro-active effect for financial institutions up to and including October 6, 2011, referred to as the "Bonus Prohibition Bill", which seeks 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, in compliance with the Bonus Prohibition Bill, no variable remuneration is awarded or paid to the Managing Board during the term of state support.

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.

Act on Management and Supervision

This new act entered into force in the Netherlands on 1 January 2013. Some important features of this act which are relevant for us are (i) a limitation of the number of external supervisory board positions of board members, (ii) gender diversity in board composition and (iii) changes to rules regarding conflicts of interest of board members.

In the revised articles of association of LeasePlan Corporation N.V., reflecting the introduction of the large company structure regime, additional changes were made in respect of conflicts of interest in order to reflect the new legal requirements. These changes will be specified in more detail in the Regulations for the Supervisory Board and the Regulations for the Managing Board. Gender diversity is important for us and providing a non-discriminatory environment for our people is one of the principles of our Code of Conduct. The Act on Management and Supervision requires that LeasePlan and its Dutch "large entities" (as defined in the Act on Management and Supervision) aim in the years 2013-2015 to establish an equal division of gender in the Managing Boards and Supervisory Boards thereof, i.e. at least 30% male and at least 30% female members. The legislator will evaluate the effect of this temporary law at the end of 2015. The current composition of the Managing and Supervisory Board would not meet the gender diversity aim.

APPENDIX B. LIST OF PRINCIPAL CONSOLIDATED PARTICIPATING INTERESTS

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

Principal subsidiaries, which are fully included in the consolidated financial statements, are:
LeasePlan Australia Limited, Australia
LeasePlan Brasil Ltda., Brazil
LeasePlan Česká republika s.r.o., Czech Republic
LeasePlan Danmark A/S, Denmark
LeasePlan Deutschland GmbH, Germany
LeasePlan Finland Oy, Finland
LeasePlan Fleet Management N.V., Belgium
LeasePlan Fleet Management (Polská) Sp. z.o.o., Poland
LeasePlan Fleet Management Services Ireland Limited, Ireland
LeasePlan France S.A.S., France
LeasePlan Hellas S.A., Greece
LeasePlan Hungária Gépjármü Kezelö és Finanszírozó Részvénytá, Hungary
LeasePlan India Private Limited, India
LeasePlan Italia S.p.A., Italy
LeasePlan Luxembourg S.A., Luxembourg
LeasePlan Mexico S.A. de C.V., Mexico
LeasePlan Nederland N.V., the Netherlands
LeasePlan New Zealand Limited, New Zealand
LeasePlan Norge A/S, Norway
LeasePlan Österreich Fuhrparkmanagement GmbH, Austria
LeasePlan Portugal Comércio e Aluguer de Automóveis e Equipamentos Unipessoal Lda., Portugal
LeasePlan Romania SRL, Romania
LeasePlan Rus LLC, Russia
LeasePlan (Schweiz) AG, Switzerland
LeasePlan Servicios S.A., Spain
LeasePlan Slovakia s.r.o., Slovakia
LeasePlan Sverige AB, Sweden
LeasePlan UK Limited, United Kingdom
LeasePlan USA, Inc., USA

Euro Insurances Limited, Ireland
Globalines Reinsurance Limited, United Kingdom
LeasePlan Finance N.V., the Netherlands
LeasePlan Information Services Limited., Ireland
LeasePlan International B.V., the Netherlands
LeasePlan Supply Services AG, Switzerland
Mobility Mixx B.V., the Netherlands
Travelcard Nederland B.V., the Netherlands

All holdings are in the ordinary share capital of the undertaking concerned and are unchanged from 2011.

Special purpose companies with no shareholding by the Group are:
Bumper 2 S.A., Luxembourg
Bumper Car Sales GmbH, Germany
Bumper 3 Finance Plc, United Kingdom
Bumper 4 (NL) Finance B.V., the Netherlands
Bumper 5 Finance Plc, United Kingdom
Bumper Cars NL B.V., the Netherlands

Principal associates and jointly controlled entities that are accounted for under the equity method 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 Dutch Civil Code, a declaration of joint and several liability with respect to the financial obligations of the majority of the participating interests in the Netherlands is filed. Such declaration is filed for the following participating interests.

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

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