Pillar 3 report
2014

LeasePlan

It's easier to leaseplan

LeasePlan is a global vehicle leasing, fleet services and driver mobility provider of Dutch origin. LeasePlan operates in 32 countries across Europe, North and South America and the Asia-Pacific.

Established more than 50 years ago LeasePlan manages a fleet size of 1.42 million multi-brand vehicles, making LeasePlan the world's largest fleet and vehicle management provider in terms of fleet size. The group offers 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 its numerous stakeholders has enabled LeasePlan to continue growing for much of its 51 years in business. By paying close attention to the needs of clients, employees, suppliers, investors and the global community, LeasePlan has remained a stable and resilient organisation for more than half a century, even through the recent years of economic turbulence.

The group has a proven track record in enhancing precense in traditional mature fleet markets, as well as expanding into new markets and growing the business to market leading positions. LeasePlan is able to capitalise on the 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. LeasePlan aims to do this by using expertise to make running a fleet easier for its clients. This is reflected in LeasePlan's universal promise to all its clients: *'It's easier to leaseplan'*.

Pillar 3 Report
2014

1 Introduction

This disclosures report is prepared in accordance with the disclosure requirements as set by Regulation (EU) No 575/2013. In addition to the Group's Annual Report 2014, this Pillar 3 report describes the risk management framework, the measurement of risk positions into total risk exposure amount, how these risk positions translate into capital requirements and subsequently, how these requirements relate to the available capital of LeasePlan.

The Capital Requirements Regulation is based on the third Basel Capital Accord, prepared by the Basel Committee on Banking Supervision. The European Union has endorsed this framework under the name of 'CRD IV package'. 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 both risk-sensitive capital requirements and absolute capital requirements. The framework promotes the adoption of stronger risk management practice by the banking industry. This is promoted by introducing greater use of assessments of risks provided by a bank's internal systems as input to capital calculations. Furthermore with the introduction of the third Basel Capital Accord, strong liquidity risk management is promoted. Some new requirements of the regulation will be phased in years to come. The Basel III framework is built on three pillars:

Pillar 1 – defines the rules and regulations for calculating total risk exposure amount and regulatory minimum capital and liquidity requirements.
Pillar 2 – addresses a bank's internal process for assessing overall capital and liquidity 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 aims 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 fulfils disclosure requirements as laid out in part eight of Regulation (EU) No 575/2013, applicable as from December 2014.

Scope

This report focuses on LeasePlan's risk management framework, capital and liquidity management. In the Group's Annual Report 2014, in a summarised format the Group also presented disclosures on the Group's risk framework, risk positions, capital and liquidity position as required under IFRS. In this Pillar 3 report the Group aims at providing more detailed insight on the risks inherent to its business, how the risks are managed and how these relate to capital and liquidity requirements.

Whenever reference is made to "LeasePlan" or "the Group" reference is made to the same scope of consolidation as disclosed in the consolidated financial statements. The principal subsidiaries of LeasePlan Corporation N.V. are mentioned in Appendix A. When "LeasePlan Corporation" is mentioned, only the parent company of the Group on a stand-alone basis, LeasePlan Corporation N.V., is referred to.

Frequency

The Pillar 3 report will be made available at least annually in conjunction with the Group's Annual Report via the Group's website **www.leaseplan.com**.

Structure of the report

In the second chapter LeasePlan's historic development, the Group's strategy, products and services and operating structure are presented. The third chapter presents the capital adequacy and the Group's approach towards economic capital and economic return. The fourth chapter details the general risk management approach and the implementation of the risk management framework. The final two chapters focus on the Group's risk areas, differentiating the primary risk management areas (chapter 5) from other risk management areas (chapter 6) as recognised as of the date of publication of this document. Appendix A lists the Group's principal associates and jointly controlled subsidiaries that are accounted for under net equity accounting. Joint ventures are included at the end of this document.

Audit

The numbers in this report have not been subject to an audit by an independent third party, as is the case with the Group's financial statements.

2 **Group** profile

2.1 History

LeasePlan was founded in 1963 in Amsterdam, the Netherlands. LeasePlan began by offering basic leasing services for machine equipment and subsequently extended offerings with operational as well as service leasing. Under this model, LeasePlan provided not only financing but also management of the assets and also accepted the asset risks. In 1970, LeasePlan began leasing vehicles and in the following year introduced the innovative “open calculation” model, allowing customers to pay a fixed monthly instalment and receive a refund if the real servicing costs under their contract are lower than the provisioned costs. LeasePlan began expanding internationally in the 1970s by entering the Belgian, British, French and German markets, followed by the US, Australian and other markets during the 1980s.

In 1992, LeasePlan became part of ABN AMRO Bank. In the following year LeasePlan obtained a full banking license from DNB (“De Nederlandsche Bank” – The Dutch central bank) following the introduction of Basel I. During this period, LeasePlan started to access the interbank funding market independently. During the 1990s, the Group also established two specialised subsidiaries:

- Euro Insurances: The Group’s Irish insurance subsidiary, supervised by the Central Bank of Ireland. This was to bolster the ability to offer integrated fleet service solutions.
- LeasePlan International: To enable LeasePlan to offer coordinated fleet management services to large international clients across LeasePlan’s markets of operation.

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

In 2004, the Group was 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. The international expansion of the Group continued in 2007 with the acquisition in Turkey of a 51% share in vdf Holding A.Ş. 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 greenfield operations in Romania and Mexico.

As a result of the strategy commenced in 2000, LeasePlan achieved a broad client reach and operational excellence, leading to profitable growth and enabling the Group to become a global market leader by the mid-2000s. The global financial crisis that began in 2008 changed the fleet market environment and put pressure on the industry. In response, the Group 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 Lease Corporation’s direct parent, Global Mobility, changed with Volkswagen Bank GmbH ("Volkswagen Bank") and Fleet Investments B.V. ("Fleet Investments") each holding a 50% stake. Volkswagen Bank is a subsidiary of Volkswagen Financial Services AG and part of the Volkswagen Group. Fleet Investments is an investment company owned by the German banker Friedrich von Metzler. In 2013, an internal restructuring took place within the Volkswagen

Group regarding the shares of Global Mobility B.V. Therefore, the shares of LeasePlan Corporation N.V. are currently held by Global Mobility Holding B.V., a company owned by the Volkswagen Group headed by Volkswagen AG (50%) and Fleet Investments B.V. (50%).

The following is a brief description of each of the Group's 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. Volkswagen Group is made up of twelve brands from seven European countries: Volkswagen, Audi, SEAT, SKODA, Bentley, Bugatti, Lamborghini, Porsche, Ducati, Volkswagen Commercial Vehicles, Scania and MAN. The Volkswagen 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, LeasePlan commenced internet retail banking operations in the Netherlands and began accepting savings deposits with and without term as part of the Group's funding diversification strategy. In 2011, LeasePlan expanded the Portuguese operations via the acquisition of the operational leasing and fleet management company Multirent. In 2012, the Group established an operating legal entity in Russia and became fully operational in the Russian fleet and vehicle management market in 2013. In 2013 LeasePlan also expanded both its Italian and Austrian operations through the acquisition of respectively BBVA (Auto) Renting and BAWAG P.S.K. Fuhrparkleasing. In January 2014 ,LeasePlan expanded its North American service offering to Canada. LeasePlan and the Canadian fleet management company Foss National Leasing Ltd. ("FNL") entered into a licensing agreement whereby FNL will operate a newly formed subsidiary of FNL, LeasePlan Canada. With the launch of LeasePlan Canada, LeasePlan now has complete North American coverage with locations in the US, Mexico and Canada. In November 2014, LeasePlan signed a Sale and Purchase Agreement with Dogus Group to buy the remaining 49% of the shares to gain full ownership of the joint venture LPD Holding A.Ş. in Turkey operating as LeasePlan Turkey. The transaction was closed 16 February 2015.

Status ownership of LeasePlan

In the interest of all stakeholders, LeasePlan makes reference to the public announcements of March 2015 regarding its 100% shareholder Global Mobility Holding B.V. entering into discussions concerning the potential divestment of LeasePlan Corporation N.V. LeasePlan emphasises that the discussions are still in progress and may or may not result in an agreement. Any transaction and any change of ownership of LeasePlan Corporation will be subject to regulatory and competition authorities' approval.

Code of conduct

The LeasePlan Code of Conduct more than covers the principles of the Dutch Banking Code (2010) with respect to moral ethical conduct.

On the basis of the principles of the Banking Code (2010) regarding the governance structure, products, and services offered by LeasePlan, LeasePlan confirms that it applies the Banking Code (2010) from the date of its inception at the consolidated level of LeasePlan. As such the Supervisory Board and Managing Board endorse the principles of the Banking Code (2010), with one exception. LeasePlan decided not to establish a separate Risk Committee of the Supervisory Board. In view of the importance of risk management, and also taking into account the size of the Supervisory Board, the Board has determined that instead of a separate Risk

Committee, all members will retain full responsibility for overseeing decisions concerning the risk management framework of the group.

Between 2010 and 2012 the members of the Managing Board of LeasePlan have annually signed the moral ethical statement required under the Banking Code (2010). 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. On 4 December 2012 two members of the Supervisory Board took the Oath in view of their reappointment. On 19 February 2013 the members of the Managing Board took the Oath. On 13 March 2013 the three remaining members of the Supervisory Board took the Oath. On 21 August 2014 Nick Salkeld was appointed as Chief Commercial Officer. He took the Oath on 17 September 2014. Furthermore, the Identified Staff of LeasePlan (staff whose professional activities have a material impact on the Group's risk profile, including the control functions) signed the Moral Ethical Statement in 2011.

As per 1 January 2015 the Social Charter, the updated Banking Code and the rules of conduct associated with the bankers'oath took effect. LeasePlan underwrites the Social Charter and will continue to operate pursuant to the principles of the Banking Code (2015). LeasePlan will introduce the bankers' oath for all applicable staff, during 2015.

2.2 Strategy

LeasePlan seeks to create value by investing in its business and people for growth. Wherever they are based in the world, the Group aims to connect to clients for leasing and mobility opportunities that make their lives easier. The Group's growth strategy is designed to extend its presence in current markets, develop new customer segments, further expand geographically and deliver innovative products and services. The Group carefully prioritises its growth strategy in order to achieve the maximum return on investments. The Group ensures it has the right people and culture to continue its global growth story.

Growth

LeasePlan takes a global approach to its business. The Group maps its presence in the world and then evaluates the options and opportunities for expanding into new geographies while considering its clients' footprint and their global service requirements. The Group continuously works on strengthening its value proposition with differentiated products and services for both new and current customer segments. Finally, the Group looks to deliver further market penetration inorganically via (multi) country acquisitions in order to strengthen its market position.

Operational excellence

In connecting with clients for leasing and driver services, there is a growing demand for data and analytics that provide efficient leasing solutions and enhance the customer experience. The size of the Group's fleet under management requires maintenance and replenishment with significant procurement of fleet services and commodities. By continuing to leverage the size and scale of its business, the Group seeks ways to negotiate favourable pricing structures with a preferred network of suppliers that translate into improved services and savings for clients. The Group is, therefore, continuously looking at alternative ways to optimise its size and scale by maturing its procurement activities across the entire value chain. The Group has also built significant expertise in vehicle remarketing, enabling maximisation of the residual value of a vehicle under management at the end of the service contract.

Customer-centric innovation

LeasePlan invests in products, platforms and consultancy services that are designed to work in many markets around the world, taking the best products and ideas from one market and introducing these into new markets. Central to its client promise is connecting customers to leasing and mobility opportunities that make their lives easier. The Group looks for ways to become more efficient and its preference is to build a product once and then to deploy it many times. In this way, the Group's business becomes more scalable and cost-efficient. It also means the Group can build products and services on which its clients can standardise, enabling them to make more consistent decisions wherever they operate around the world. The Group is investing in the way it uses data and telematics intelligently to improve services to clients and drivers.

Right people and culture

Enabling further growth and the constant demand for new, innovative services mean that the Group needs to be agile to recruit, develop, adapt and move the right talent that fits within its culture. The Group is meeting this challenge by actively empowering its employees through development plans for the company and individuals. The Group is also empowering line managers to lead their people. Through global projects, cross-functional business initiatives and international job opportunities the Group actively encourages its people to move around the global business. The Group is continuously looking at ways to share best practices through internal initiatives to create more efficiency and alignment across the business.

Core values

LeasePlan has four core values that guide in business and in the way LeasePlan deals with all of its stakeholders. These values are:

- Commitment
- Expertise
- Passion
- Respect

2.3 Products and services

The Group operates across the automotive value chain. As a service integrator, LeasePlan manages a wide variety of business activities in the automotive value chain. LeasePlan performs independently or through outsourced partners for 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. The Group is independent of vehicle brands and provides services for vehicles of a wide variety of makes and models in line with the specific needs of its customers. Services are coordinated across markets of operation and include:

- Purchasing and procurement of vehicles.
- Vehicle financing.
- 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.
- Vehicle remarketing by selling used cars to drivers, traders and private persons.

In addition to providing the services described above, LeasePlan focuses 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 the fuel efficiency management system (“GreenPlan”) that provides clients with a comparison of their fuel efficiency against market benchmarks and seeks to empower them to reduce their fuel costs for environmental benefits.

Financial and operational leasing

Based on the accounting treatment under International Financial Reporting Standards (IFRS), as endorsed by the EU, 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 the Group is active in both forms of leasing, the majority of its leases are classified as operational leases.

Tailored customer offerings and pricing models

LeasePlan's leasing offerings comprise a variety of bundled and stand-alone services tailored to the specific needs of customers. The Group's full service offerings include a mixture of insourced and outsourced solutions. The solutions are based on two pricing models; open calculation and closed calculation. LeasePlan also offers management-only as well as financing-only solutions.

The following table provides an overview of the contract mix for each of the periods indicated:

As at 31 December, *In thousands of vehicles*	**2014**	**2013**
Funded with services	944	930
Services only	368	333
Funded without services	90	81
Other fleet	21	27
Total fleet[1]	**1,423**	**1,371**
Total funded fleet	**1,034**	**1,011**
Total serviced fleet	**1,400**	**1,344**

[1] In limited cases, LeasePlan provides leasing of trucks and equipment as a service to selected clients. These cases are included in the overall numbers presented throughout this document. Trucks and equipment represent 2.0% of the book value of the Group's funded fleet. These types of assets tend to be leased out for longer durations and are subject to risk mitigation such as prudent residual value setting and buy-back agreements with suppliers or customers.

Funded with services – open calculation

The goal of the open calculation model is to partner with 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 LeasePlan and entail the payment of a fixed monthly instalment. As part of the partnership approach, customers are provided with information about the total costs of their fleet. In collaboration with customers, LeasePlan endeavours to keep costs as low as possible. By engaging with customers, LeasePlan often manages 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 the Group to provide tailored customer solutions.

During the life of an open calculation contract, services are provided by both the Group and third party vendors. Vendors set their own costs that are monitored by LeasePlan. LeasePlan builds 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, the Group benefits from economies of scale enabling it to pass on the savings to customers at the end of the contract.

At the end of an open calculation contract, the Group prepares a final statement comparing the costs as budgeted at the inception of a contract with the actual costs incurred during the life of the contract. If the difference is positive, it will be 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.

Funded with services – closed calculation

Under the closed calculation model, customers pay fixed lease instalments for the services they use. In general, LeasePlan does 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.

Services-only

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

Funded without services

Under the funded without services model, the Group provides financing, but does not provide any management services.

Other

LeasePlan provides additional stand-alone services on an exceptional basis. These services include all services other than the core services such as transition plan, road tax and roadside assistance.

2.4 Operating structure

LeasePlan's main operating companies provide front-line fleet management services to diverse client segments in 32 countries that are not always wholly owned or owned by the Group[1]. The operating companies offer comprehensive fleet solutions, covering strategic fleet advice, funding options, full service leasing, and ancillary fleet and driver services to large clients, public sector and retail (small to medium-sized businesses and private individuals). The figure below provides an overview of the countries in which the Group is present as at 31 December 2014:

[1] The 32 operating companies include subsidiaries, joint-ventures and franchises.

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
- Car Remarketing
- Operations & Procurement
- Control, Reporting & Tax
- Corporate Communications
- Corporate Insurance
- Corporate Strategy & Development
- Human Resources
- Information Security and Governance
- Legal & Compliance
- Regional Management
- Risk Management and Strategic Finance

Group activities

The Group includes a number of subsidiaries and divisions to provide products and services, as described below:

- *Euro Insurances* is LeasePlan's wholly owned specialist motor insurance company, underwriting in 23 countries, including the European Economic Area, Australia and New Zealand. LeasePlan is the main customer of Euro Insurances. Euro Insurances Ltd. is based in Dublin, Ireland and is regulated by the Central Bank of Ireland.
- *LeasePlan Bank* is a Dutch internet savings bank and a division of LeasePlan Corporation. It offers straightforward savings products to private clients in the Netherlands. The Group established internet retail banking activities in 2010 to provide an additional source of funding for its core business and to limit dependence on wholesale funding.
- *LeasePlan Information Services* is a shared data centre established in 2003. It helps to harmonise various ICT applications and platforms in a robust ICT network for the entire business operations, clients and drivers. The company is based in Dublin, Ireland.
- *LeasePlan International* is a dedicated entity within LeasePlan that focuses on the sale and marketing of international fleet management services and manages 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* is established to leverage economies of scale and purchase power in the area of global procurement of fleet management services and international car remarketing. The entity is based in Switzerland.
- *LeasePlan Treasury* arranges and manages funding programs and concludes funding and financing transactions with Group companies and external counterparts in the financial markets.
- *Travelcard Nederland* is a fuel card innovation company offering ease of use, fuel monitoring and additional innovative mobility services to fleet managers and business drivers in the Netherlands.

2.5 Partnership and joint ventures

The Group has entered into the following (most significant) partnerships and joint ventures:

- In the United Arab Emirates, the Group is active in the vehicle leasing market through a 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. LeasePlan holds two of the five seats on the board of management of this entity.
- In Turkey, the Group holds a 51%[2] stake in LPD Holding A.Ş., with the remaining 49% held by Dogus Otomotiv entities. The joint venture was established in 2007 and aimed at expansion into the Turkish leasing market.

[2] In November 2014 LeasePlan signed a Sales and Purchase agreement with Dogus Group to buy the remaining 49% of the shares to gain full ownership of the joint venture LPD Holding A.Ş. in Turkey operating as LeasePlan Turkey. The transaction was closed on 16 February 2015.

- Excelease is a joint venture between LeasePlan and Toyota Belgium, a subsidiary of Inchcape Plc. 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 Toyota/Lexus dealer network to develop a formula to finance customers' vehicles. The Group holds a 51% stake in the company.
- P Lease S.C.S. is a joint venture with the car dealer PGA Motors S.A.S in France. The Group holds a 99.3% stake and Prophi S.A.S. (a 100% subsidiary of PGA Motors S.A.S.) holds the remaining shares. While the Group holds 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.
- The Group holds a 5% stake in E Lease S.A.S., France. The remaining shares are held by several organisations, being Sodetrel (70%), Arval (15%), Overlease (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. The Group holds a 49% stake in the company.
- The Group holds 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.
- LeasePlan and the Canadian fleet management company Foss National Leasing Ltd. (FNL) have entered into a license and cooperation agreement whereby FNL will operate its 100% subsidiary LeasePlan Canada.

3 Capital **adequacy**

As of 1 January 2014 capital metrics and risk exposures are reported under the Basel III ("CRR/CRD IV") framework. Comparative figures for 2013 are reported according to Basel II. To monitor the adequacy of the available capital, the Group uses ratios from the CRR/CRD IV framework. These ratios measure capital adequacy by comparing the eligible capital, which consists only of Common Equity Tier 1 capital as at 31 December 2013 and 2014, with the balance sheet assets and off-balance sheet commitments, both at weighted amounts to reflect their (mainly) relative credit risk and operational risk profile. Common Equity Tier 1 capital is derived from the Group's total equity position. In order to arrive at the Common Equity Tier 1 capital, adjustments to the total equity are required for the regulatory prudential filters as defined by the CRR. For the calculation of risk-weights of on-balance sheet and off-balance sheet exposures, the approaches as described in the CRR/CRD IV framework are used. The following table illustrates the reconciliation between Total IFRS equity and Common Equity Tier 1 capital:

As at 31 December, In thousands of euros	2014	2013
Eligible Capital		
Share capital and share premium	577,984	577,984
Other reserves	- 13,178	- 42,578
Retained earnings	2,278,120	2,046,149
Total IFRS equity	**2,842,926**	**2,581,555**
Exclude profit for the year	- 371,971	-
Foreseeable dividend	-	- 140,000
Interim dividend paid out of retained earnings	6,000	6,000
Prudential filter m-t-m derivatives	6,915	15,309
Deduction of intangible assets (including goodwill)	- 167,930	- 114,880
Deduction of deferred tax assets	- 50,585	-
AIRB provision shortfall	- 37,585	- 10,336
Prudential valuation adjustment	- 180	-
Common equity tier 1 capital	**2,227,590**	**2,337,648**

Common Equity Tier 1 capital reduced in 2014 as a result of additional deductions under the CRR/CRD IV regime such as deferred tax assets and intangible assets. Following the CRR/CRD IV requirements the full year profit of 2014 is not included in Common Equity Tier 1 capital until approval from the DNB is obtained.

Contingency plans are in place to address capital issues, if any. The Group's Recovery Plan provides a framework to detect capital adequacy stress by setting out various early warning indicators. The Recovery Plan also defines a range of available actions that could be undertaken based on the level of severity and urgency of the issues.

3.1 Regulatory capital requirements

Under the CRR/CRD IV regime, the Group is required to calculate capital for credit, market and operational risk. The Group is, however, not exposed to market risk in the trading book as the Group does not maintain trading or investment books. Credit risk, mainly in the form of leases to counterparties, is risk-weighted for the corporate lease portfolio and retail portfolios in the United Kingdom and the Netherlands based on the outcome of internally developed models. The Group uses the Advanced Internal Rating Based Approach ("AIRB"), for which approval was received from the DNB in November 2008 for the corporate lease portfolio, and in June 2013 for the retail portfolios in the United Kingdom and the Netherlands. The AIRB approach for the retail portfolios in the United Kingdom and the Netherlands is applied as of 1 January 2014. In respect of operational risk, the Group uses 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 and high-risk events. The models predict the capital that is required to cover the operational loss the Group could incur under extreme circumstances. The Group has developed the capital models in use based on the requirements set out by the Basel Committee. The Group regularly monitors 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.

The following table illustrates the reconciliation between the total assets on the balance sheet and Total Risk Exposure Amount ("TREA").

As at 31 December,			2014			2013
In thousands of euros	**Nominal**	**Risk-weighted**	**Risk-weight**	**Nominal**	**Risk-weighted**	**Risk-weight**
AIRB method applied	12,756,241	5,880,923	46%	11,110,129	5,365,790	48%
Corporates	11,420,252	5,138,149	45%	11,110,129	5,365,790	48%
Retail	1,335,990	742,774	56%	-	-	-
Standard method applied	2,364,812	1,581,567	67%	3,424,725	2,936,512	86%
Corporates	253,319	187,744	74%	238,795	178,123	75%
Retail	1,132,142	777,030	69%	2,092,135	1,914,693	92%
Government	497,070	232,595	47%	565,631	353,893	63%
Banks	205,147	107,996	53%	201,320	162,959	81%
Other	277,133	276,203	100%	326,844	326,844	100%
Lease contract portfolio	**15,121,053**	**7,462,490**	**49%**	**14,534,854**	**8,302,302**	**57%**
Cash and balances at central banks	957,951	-	0%	978,774	-	0%
Receivables from financial institutions	1,222,829	295,297	24%	1,439,051	339,577	24%
Derivative financial instruments	183,023	123,948	68%	120,438	35,129	29%
Other assets	2,170,893	1,842,430	85%	2,056,282	1,724,108	84%
Total assets	**19,655,749**	**9,724,165**	**49%**	**19,129,399**	**10,401,116**	**54%**
Off-balance sheet commitments		828,505			285,933	
Currency risk[1]		831,482			744,216	
Operational risk (AMA)		1,515,000			1,515,000	
CVA Capital charge		62,312			-	
Deferred tax assets						
Capital floor		-			898,712	
Risk-weighted assets Basel III resp. Basel II		**12,961,464**	**66%**		**13,844,977**	**72%**
Capital floor		-			-898,712	
Risk-weighted assets excluding capital floor		**12,961,464**	**66%**		**12,946,265**	**68%**

1 Includes off-balance sheet positions.

In monitoring the adequacy of capital, the Group constantly reviews 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. The following table analyses actual capital and the minimum required capital, which are based on Basel III respectively Basel II, as at 31 December.

As at 31 December, In thousands of euros	2014 Actual	2013 Actual
TREA/RWA	12,961,464	13,844,977
TREA/RWA excluding capital floor	12,961,464	12,946,265
Common Equity Tier 1 capital	2,227,590	2,337,648
Common Equity Tier 1 ratio	17.2%	16.9%
Common Equity Tier 1 ratio excluding capital floor	17.2%	18.1%

The Common Equity Tier 1 ratio of the Group is fully loaded, meaning the Group does not apply the phase-in options for the deduction of deferred tax assets and intangible assets. Also, following the CRR/CRD IV requirements interim profits as of 2014 are not included in the Common Equity Tier 1 until approval from the DNB is received.

The table below reconciles the various capital requirement components per risk category with the consolidated minimum capital amount reported. The individual risk areas are further described in the respective risk sections, like asset risk (section 5.1), credit risk (section 5.2), operational risk (section 6.5) and currency risk (section 6.4).

As at 31 December, In thousands of euros	2014 Minimum required			2014 Actual	2013 Minimum required			2013 Actual
Exposure class	**Future lease payments**	**Residual value**	**Total**		**Future lease payments**	**Residual value**	**Total**	
TREA/RWA								
Total risk exposure amount/risk weighted assets				**12,961,464**				**12,946,265**
CET 1 Capital								
Credit risk leased assets AIRB	121,105	349,369	470,474		122,955	306,308	429,262	
Credit risk leased assets Standardised	62,082	64,443	126,525		88,159	146,763	234,922	
Sub total Leasing portfolio	183,187	413,812	596,999		211,114	453,071	664,184	
Credit risk other assets Standardised			180,934				190,780	
Sub total Credit risk			777,934				854,964	
Off-balance sheet commitments			66,280				-	
Currency risk			66,519				59,537	
Operational risk AMA			121,200				121,200	
CVA Capital charge			4,985				-	
Capital floor			-				71,897	
Total Capital			**1,036,918**	**2,227,590**			**1,107,598**	**2,337,637**

On 1 January 2014 the CRR/CRD IV regime became applicable. With the adoption of this regime and as available capital is largely above the minimum threshold as determined by regulation, the capital floor ceases to have impact on the Group's capital ratios. In addition, the Group processed a number of other changes as per 1 January 2014 that impacted the risk-weighted assets such as (i) implementation of updated models for PD and LGD, (ii) implementation of AIRB models for a large part of the retail portfolio and trade receivables, (iii) application of the 1/t formula for risk-weighting of the residual value of the portfolio for which the standardised method is applied, (iv) inclusion of commitments in connection with the forward purchase of property and equipment under operating lease, and (v) adoption of the SME supporting factor.

3.2 Capital requirements following the internal capital adequacy assessment process ("ICAAP")

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:

- Risks considered under Pillar 1 that are not (fully) covered under the Pillar 1 process.
- Risks not taken into account by the Pillar 1 process.
- 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, the Group considers the total investment for the purchase of the vehicle as credit risk rather than an (asset) risk which materialises at contract termination only. Therefore, the Group will apply the same risk weights under Pillar 2 for the lease receivable as well as the residual value of the contract.

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 the Group's account exceed the compensations received in lease rentals for these risks.
- Interest rate risk: the risk of the Group's capital is affected by movements in interest rates.

c. Risks external to the bank

The Group employs 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. The Group performs three types of stress testing as part of the 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 the available capital in such a way that it is no longer sufficient to sustain normal business.
- Combined stress tests to define which situations may impact such that the 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 DNB through the Supervisory Review and Evaluation Process.

3.3 Economic capital and return within the Group

Economic capital is LeasePlan's internal quantification of risk capital associated with its business activities. The level and the composition of economic capital are fully aligned with the annual ICAAP at LeasePlan Corporation level. Economic capital is considered the cushion that provides protection against the various risks inherent to the Group's business in order to maintain its 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 the Group can absorb unexpected losses up to a level of confidence in line with the requirements of the Group'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 a non-regulatory factor model 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.

Next to the risks mentioned for Group companies involved in leasing, various other risks are recognised at LeasePlan Corporation level (e.g. credit risks in non leasing activities, stress tests for motor insurance, credit and operational risk). The Group uses economic capital as the basis for economic return measurements within the Group which is the leading risk-based performance measure.

4 Group **risk management**

LeasePlan is a vehicle leasing and vehicle management company with specialised Dutch banking operations regulated by DNB. The risk profile differs from most other banks due to the nature of LeasePlan's business. The largest part of the portfolio consists of operational leasing of vehicles, in which the Group bears 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; this risk constitutes the main difference between the Group's 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. The COSO definition of Enterprise Risk Management (ERM) is "a process affected by an entity's board of directors, management, and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within the risk appetite, to provide reasonable assurance regarding the achievement of entity objectives". In other words, ERM is about managing risks whilst supporting the realisation of the companies' targets. LeasePlan used COSO and ERM principles as basis and reference model for the risk management frameworks.

The Managing Board has implemented corporate risk policies for all Group companies pursuant to the Group's 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 complying 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. The Group audit department regularly audits corporate and local risk management processes. The Group's risk management framework describes the following nine inherent risk types:
- Strategic risk
- Asset risk
- Credit risk
- Treasury risk (including interest rate, currency and liquidity risks)
- Operational risk
- Motor insurance risk
- Reputational risk
- Legal & Compliance risk
- ICT risk

4.2 Risk areas

The management of LeasePlan believes the Group's primary risks are:
- *Asset risk* – LeasePlan views asset risk as a combination of residual value risks and risks on repair and maintenance and tire replacement. The Group is exposed to potential loss from the sales proceeds of vehicles declining below the estimates made at lease inception, which is the residual value risk. The risk related to vehicle repair, maintenance and tire replacement is the Group's 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. LeasePlan considers 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 the Group when due. LeasePlan is exposed to credit risk for vehicles leased to counterparties through both receivables due under the lease and the book value of vehicles. The credit risk of the book value of vehicles is partly mitigated by the sales proceeds of vehicles returned to the Group.In addition to the credit risk arising from the lease portfolio, there is also credit exposure originating from the Group's banking and treasury activities and (re-)insurance activities; and rebates and bonuses.
- *Liquidity risk* - Liquidity risk is the risk that the Group is not able to meet its obligations as they fall due. LeasePlan's liquidity risk (which is managed as a part of treasury risk) mainly relates to funding liquidity risk; the risk that the Group is not able to meet both expected and unexpected current and future cash flows without affecting either daily operations or the Group's financial condition.

The Group's 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.

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 the Group's business operations. The Group's risk strategy is to support the business in achieving all strategic aims, such as achieving profitable growth in fleet and vehicle management for mainly corporate and small fleet customers while adhering to the Group's risk appetite commitments. 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, a high quality risk management framework is also considered to offer opportunities. The Group seeks to accurately assess the relevant inherent risks that LeasePlan considers part of its overall risk profile at the inception of each lease, and manage and control these risks thereafter to attempt to maintain a balance between risk and return.

4.4 Risk appetite

The risk appetite or the amount of risk a company is willing to accept in pursuit of its business objectives is set at two levels. First, the 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 layers. Secondly, risk appetite is set for the underlying key risks that LeasePlan is facing by using key risk indicators customary to measure these exposures. At least once a year, the Managing Board is required to submit the Group's risk appetite and risk tolerance to the Supervisory Board for its approval.

The Group reviews and discusses potential corrective measures should any of the risk tolerance levels be exceeded. The Group has identified and implemented a set of key risk indicators in order to monitor its performance versus the risk appetite. The key risk indicators report (across all risk areas) 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 the Group's 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 as per 2014 is made up of five members 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 the Group's treasury and risk management. The risk strategy, risk appetite and risk policy for the medium and long term are discussed once a year; 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

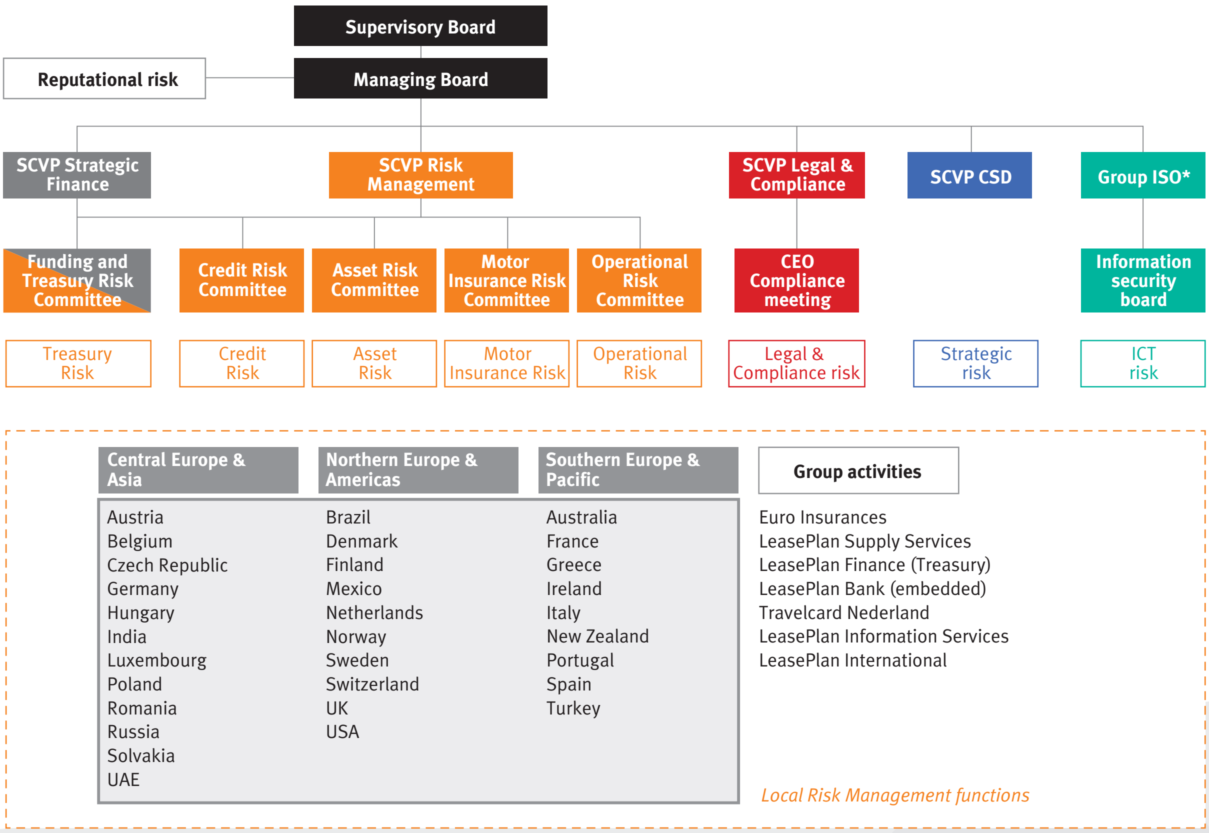
The Managing Board is responsible for the risk strategy and risk management systems and controls. They are also responsible for defining the Group's risk appetite and approving the overall corporate risk management framework. Within the Managing Board, the Chief Financial Officer is responsible for the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

Risk Committees

The Managing Board installed five separate risk committees:

- Credit Risk Committee
- Asset Risk Committee
- Motor Insurance Risk Committee
- Operational Risk Committee
- Funding and Treasury Risk Committee

The Supervisory Board has a Remuneration Committee, an Audit Committee and a Credit Committee, but no separate risk committees since the relevant risk management areas are reviewed and discussed by all members of the Supervisory Board.



** Further details regarding recent Information Security Board (ISB) changes during 2014 can be found in section 4.6 lines of defence.*

The Managing Board committees act within their mandated authority and assist the Managing Board with respect to all matters related to their specific risk areas. All meetings have fixed agenda items relating to policies, exposure developments; risk reporting and minutes are made of all meetings. The Managing Board committees have a cross functional character as they are comprised of at least two members of the Managing Board and are chaired by the Senior Corporate Vice-President ("SCVP") Risk Management, except for the Funding and Treasury Risk Committee which is chaired by LeasePlan's Chief Financial Officer and the Information Security Board, which is chaired by the Chief Operating Officer. Only one Managing Board member participates in the Information Security Board and Funding and Treasury Risk Committee.

In addition to the above committees with a specific focus, several other identified risks are monitored structurally. Strategic risk is monitored by the Corporate Management Team ("CMT"). CMT comprises the Managing Board and all SCVPs of Group activities and the Corporate Center, on behalf of the Managing Board; monitoring is coordinated by the Corporate Strategy & Development department. Similarly, reputational risk is monitored by all CMT members on behalf of the Managing Board; monitoring is coordinated by the Corporate Legal & Compliance department. In addition to the periodic CEO Compliance meeting, a quarterly meeting is held with the Senior Corporate Vice-Presidents responsible for Legal & Compliance, Risk Management, Group Audit, Control, Reporting & Taxation and Human Resources Management.

All Risk Committees meet on a regular basis (minimum frequency of once per quarter) and have been given a mandated authority by the Group's Managing Board.

- The Credit Risk Committee meets on a quarterly basis to assist the Managing Board in its oversight responsibilities with regard to the Group's credit risk. Further, the committee reviews on a yearly basis the 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 ("AIRB") matters. Separately and on need basis, the Credit Risk Committee meets and decides on credit proposals that exceed the local authority levels of Group companies and prepares for credit proposals that require approval of the (Credit Committee of the) Supervisory Board.
- The Asset Risk Committee meets on a quarterly basis to assist the Managing Board in its oversight responsibilities with regard to the Group's asset risk. Further, the committee reviews on a yearly basis the 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 regarding motor insurance risk including insurance risk exposure from Euro Insurances. Further, the committee reviews on a yearly basis the 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 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 the Group's operational risks. Further, the committee reviews on a yearly basis the 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, amongst other things, established to monitor risks and set the treasury policies, related to liquidity, currency and interest rate risks. Furthermore, the committee assesses and steers the development of the Group's funding and liquidity position as well as the overall treasury risk profile. The Funding & Treasury Risk Committee is the natural owner of the Internal Liquidity Adequacy Assessment Process ("ILAAP"), Internal Capital Adequacy Assessment Process ("ICAAP") and Recovery Plan (including capital contingency Plan, liquidity contingency plan and business continuity plan). New treasury related regulation is monitored and implemented by this committee, including Basel III (Capital Requirement Directive and Capital Requirement Regulation) and other liquidity and capital related guidelines and regulations issued by the BIS, EBA and DNB.
- The Information Security Board is responsible for ensuring thorough review of the Group's ICT risk profile, whether Group companies 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, directors and shareholders. In addition, the board confirms the Group information security

strategy and its objectives, agrees the budget and the priorities, and reviews any major incidents as well as makes sure the Group's response to incidents takes into account any lessons learned.

4.6 Lines of defence

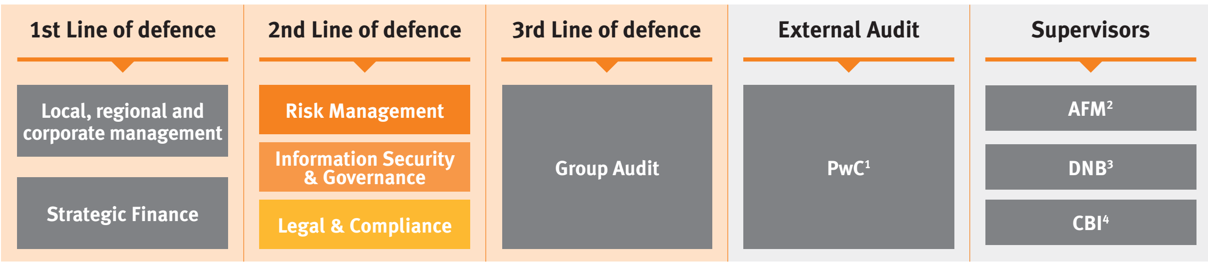
In line with banking industry best practice and the European Banking Authority Guidelines on Internal Governance, the Group's risk management includes three lines of defence that are supported by investment in information technology and people. From a corporate perspective, these lines of defence mainly consist of:

(i) Local, regional and corporate management heads of the Group's businesses that have ownership, responsibility and accountability for assessing, controlling and mitigating risks.

(ii) Corporate control functions, acting independently from risk originators who coordinate, oversee and objectively challenge the execution, management, control and reporting of risks.

(iii) Internal audit, which through a risk-based approach, provides independent and objective assurance to the Group's Managing Board and the Audit Committee of the Supervisory Board, on how effectively the Group assesses and manages risks, including the manner in which the first and second lines operate.

The Group operates a decentralised governance model with support coming from a central corporate centre. LeasePlan entities report to the 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.



[1] PWC - PricewaterhouseCoopers Accountants N.V.
[2] AFM - Autoriteit Financiële Markten
[3] DNB - De Nederlandsche Bank
[4] CBI - Central Bank of Ireland

First Line of defence

Local and regional compliance and risk management

Local management is considered as a first line of defence in the Group's risk management. Local management is responsible for complying with all corporate policies as set by the Managing Board and for the initial management of risks encountered while performing the regular tasks for the relevant Group company. These risk management activities comprise identifying potential risks, assessing potential risks and taking adequate measures in accordance with the relevant risk policies to mitigate any negative influences on 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 local entities are responsible for discussing on at least a quarterly basis all the relevant risks for that entity as prescribed by corporate policies or identified by that entity.

Strategic Finance
The Strategic Finance ("SF") department is responsible for overall liquidity management and funding strategy within the group. SF is the overarching department on corporate level, encompassing LeasePlan Treasury ("LPTY"), LeasePlan Bank ("LPB"), SF Almere and the Structured Finance and Securitisation department. With diversification of funding sources as an underlying strategy, SF ensures the availability of funding to meet the ongoing liquidity needs for the group. SF strives to create a stable, diversified and independent funding profile with cost of funding at a level playing field with industry competitors. It is the responsibility of SF to maintain LeasePlan's funding sources by tapping from them on a regular basis and keeping existing and potential investors in the relevant markets updated in order to ensure future market access to the best extent possible.

SF maintains a funding planning in line with the funding strategy and redemption limits in place. Furthermore, stress testing is performed on a monthly basis to ensure LeasePlan can meet its financial obligations during a period of persistent stress of at least 9 months. SF updates the Group's Fund Transfer Pricing calculation on a monthly basis; pricing mechanism allocates liquidity costs, benefits and risks to the LeasePlan entities.

Second Line of defence

Corporate Risk Management
The Corporate Risk Management department is responsible for coordinating and 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 the Group's risk positions to the relevant risk committee of the Managing Board. It acts as a second line of defence in the Group's risk management framework by monitoring adherence by Group companies to the risk management policies and risk appetite. The Corporate Risk Management department ensures that the Managing Board and, as the case may be, the Supervisory Board, are made aware of business initiatives which affect the Group's risk management framework, risk appetite or risk tolerance levels. The Corporate Risk Management department is headed by the SCVP Risk Management who reports to the Group's Chief Financial Officer.

Corporate Information Security & Governance
The LeasePlan Corporation Information Security & Governance department (headed by the Group Information Security Officer) is responsible for coordinating and overseeing LeasePlan wide compliance with the information security policy and standards regarding confidentiality, integrity and security of the information assets; in conjunction with the Information Security Board. The Information Security Board acts as a second line of defence committee by deciding on Group Information Security Strategy, objectives, budget, priorities and responses to incidents. The Information Security & Governance department acts as a second line of defence in the ICT Risk Framework by monitoring adherence by Group companies to the Group's information security policies and risk appetite. Both the Group Information Security & Governance and the Local Information Security function as support management of each entity on information security issues. This includes identifying and enhancing awareness of information security risks, and advising on whether or not to accept certain risks, on what mitigating measures to take, and in general on information security matters. Measures are in place when they maintain the independence of the information security function. The Group Information Security Officer reports to the Chief Operating Officer on information security matters.

The Information Security model has been established per 1/10/2014 (in line with the organisational models for the other risk components). With an ever more complex external landscape (in terms of technologies, threats, regulations and requirements) this organisational model change for information security is the organisational response to that changing landscape. A clear separation of Information Security from technology has been made as well as taking the opportunity to raise the profile of Information Security even further by having it reported directly at board level.

Corporate Legal and Compliance
The corporate Legal and Compliance department is headed by the SCVP Legal and Compliance and is responsible for maintaining the Group's legal and compliance risk management framework which consists (amongst others) of translating external compliance obligations into internal obligations for the Group and

compliance specific to local offices, as necessary. As such, the corporate Legal and Compliance department acts as second line of 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 entity on compliance issues. This includes identifying and enhancing awareness of compliance risks, and advising on whether or not to accept certain risks, on what mitigating measures to take, and in general on compliance matters. Furthermore, the department also monitors and reports on compliance risks and enforces rules. Measures are in place when maintaining the independence of the compliance function. The LeasePlan Compliance Charter and the Compliance Risk Management Framework are the base documents to control the risks of non-compliance. The compliance function also coordinates issues raised under the whistle blowing policy. The SCVP Legal and Compliance reports to the Chief Executive Officer on compliance matters and reports to the Chief Financial Officer on legal matters.

Third Line of defence

Internal Audit
The Group's Group Audit Department provides internal audit services and is recognised as the third line of defence for the Group's risk management. The internal audit activity is guided by the international standards for the professional practice of internal auditing. The scope of GAD includes all entities within LeasePlan Corporation (LPCorp), Group services entities, LeasePlan Bank, as well as the LPCorp headquarter functions and responsibilities. The Group Audit Department conducts independent audits of the Group's activities and is responsible for providing professional and independent assurance by evaluating the organisation's network of risk management, control, and governance processes as designed and represented by management. This includes, but is not limited to assessing the effectiveness of governance, risk management and internal control processes. The Group Audit Department reports its findings to the Managing Board and provides quarterly updates to the Supervisory Board Audit Committee. The Group Audit Department is headed by the 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; follow-up is given to the outcome of the audits. Measures are in place when they are designed to maintain the independence of the audit function, including the right to directly approach the chairman of the Supervisory Board Audit Committee if circumstances so require.

External Control Functions

In addition to the internal lines of defence, the Group also considers the below external parties as components of the Group's overall defence framework.

External Auditors
While the Managing Board is ultimately responsible for the preparation of the Group's financial statements free from material misstatement, the Group's external auditors provide an opinion on the fair presentation of the Group's financial statements in conformity with IFRS. The external audit is conducted in accordance with generally accepted auditing standards. Reviews take place on quarterly, half-yearly and yearly basis. 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 are discussed and agreed with the Audit Committee of the Supervisory Board.

Regulatory Bodies
In the context of the Group's banking license held since 1993, the Group's main regulators are DNB (indirectly the ECB as of November 2014), which is the Group's prudential supervisor and the Netherlands Authority for the Financial Markets, which supervises financial markets behaviour. In addition, Group companies are subject to external regulation from national governments, tax authorities or industry specific regulators, such as Euro Insurances, which is regulated by the Central Bank of Ireland.

Regulators are responsible for developing and maintaining a thorough understanding of the operations of individual banks, insurance companies and banking groups by collecting, reviewing and analysing prudential reports and analysis, conducting on-site and off-site supervision and conducting research into behaviour and culture at banks. Regular contact is maintained with the Group's senior 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, the Group communicates all relevant developments and initiatives with regard to the Group's 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 who have a material impact on the Group's 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. Reference is made to the remuneration report in the Group's Annual Report 2014[3].

[3] As available on www.leaseplan.com.

5 Primary risk management areas

The Group's 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 the Group's nine risk management areas, asset risk (which includes residual value risk), credit risk and liquidity risk (which is part of treasury risk) are considered to be 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 the exposure to potential loss at contract end due to the resale values of assets declining below the estimates made at lease inception. The risk related to vehicle repair, maintenance and tyre replacement is defined as the 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. LeasePlan considers both elements under asset risk as being inextricably linked and manages asset risk accordingly.

Policy

The Group has a robust policy in place with respect to asset risk management, based on principles developed under its risk management framework. The policy describes, inter alia, the roles and responsibilities within the Group for asset risk management, the main principles regarding asset risk pricing, the minimum standards for asset risk mitigation and the mandatory frequency of asset risk measurement and reporting. The policy applies to all Group companies bearing residual value risk and/or risk on repair, maintenance and tyre replacement. Furthermore, as a part of the asset risk policy, all Group companies must establish a local Asset Risk Management Committee chaired by either the Managing Director or the Finance Director; 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 Asset Risk Management Committees assesses asset risk exposure by taking into account both internal influences and external influences. Based on their assessment, the local Asset Risk Management committee decides on the appropriate residual value estimates, vehicle repair, maintenance and tyre replacement 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 asset 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

LeasePlan analyses asset risk throughout the term of its lease contracts: Starting at lease inception and following it through its term up to lease termination. Measuring asset risk at all three stages of lease contracts assists the Group in tracking developments with respect to asset risk elements and identifying adverse trends.

Contract Inception - LeasePlan reviews on a monthly and quarterly basis the contractual residual values and the pricing applied for vehicle repair, maintenance and tyre replacement of the 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. LeasePlan refers 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 the Group companies' 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 Asset 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, the Group monitors and reviews the termination result. Termination result is the realised sales proceeds from the sold vehicle and the actual costs from vehicle repair, maintenance and tyre replacement compared to the estimates made at lease inception and the adjustments thereto applied during the life of the lease. The resulting two components (sales result and result on vehicle repair), maintenance and tyre replacement are the main drivers behind LeasePlan's termination income in the Group's financial statements. 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 the Group's 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, DNB and the external auditor.

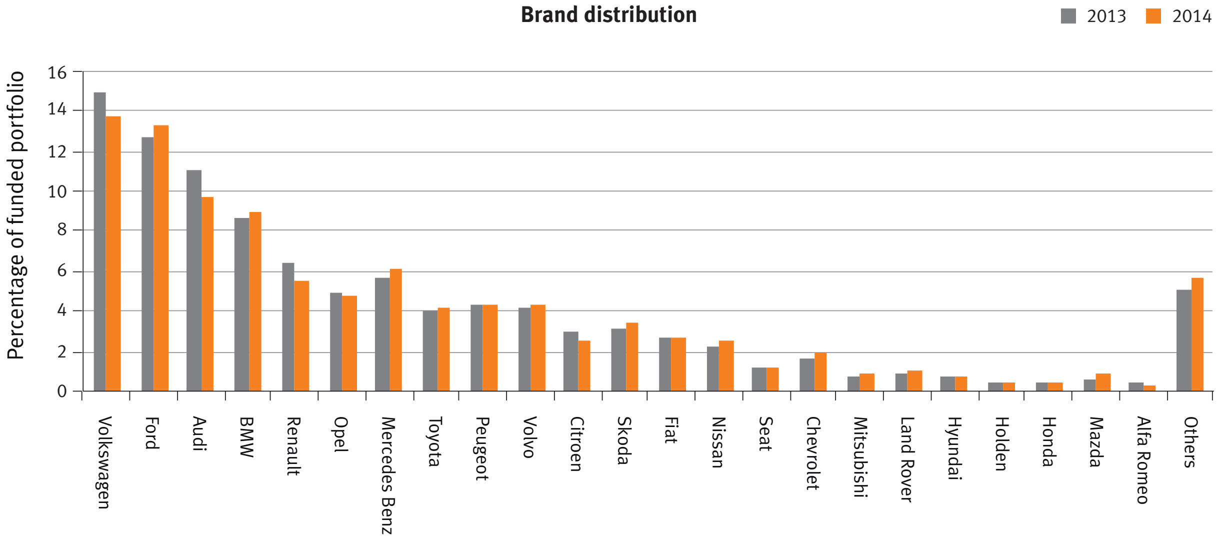
Exposure

The Group's asset risk exposure (mainly the 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 the Group faces. The sum of residual values amounted to EUR 8.7 billion[4] as at the end of 2014, representing approximately 44% of total assets. The table below shows the amount of residual value exposure for vehicles on the Group's balance sheet as at 31 December 2014 and 2013 respectively.

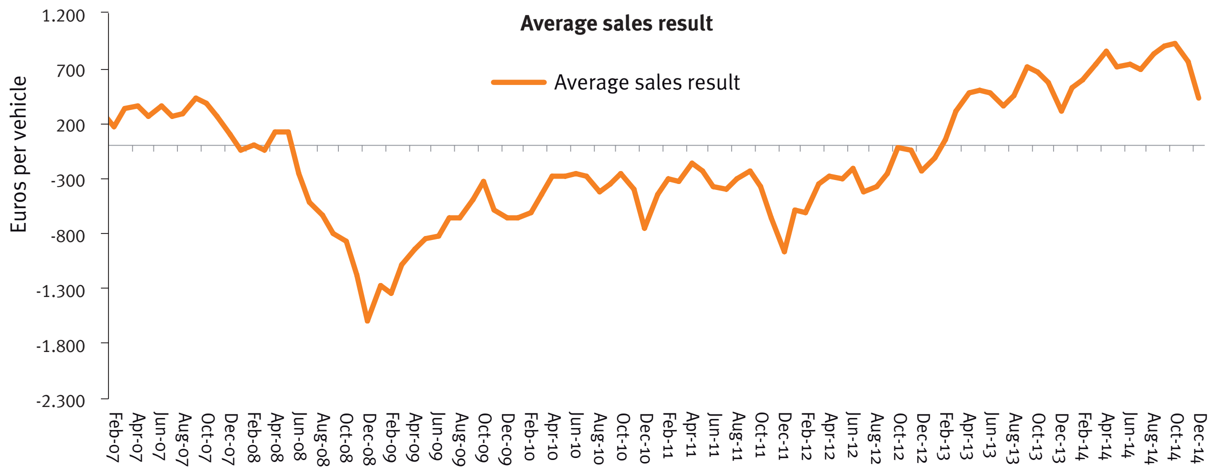
Residual Value Exposure *In millions of euros*	2014	2013
Residual value	8,403,384	8,092,277

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 (2013: 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. LeasePlan is currently present in 32 countries. This geographical diversification in conjunction with being an independent multibrand company with a well-diversified brand portfolio (see bar chart on the next page), partly mitigates the risk related to residual values.

[4] Inclusive of EUR 0.3 billion in residual value commitments for non-funded vehicles.



The adverse developments in the used vehicle markets worldwide (that started in 2008) has had an impact in a number of countries in which LeasePlan operates ; the sales results at a Group level remained below the estimates made at lease inception up to and including early 2013. Thereafter, the sales results became positive again and trended upwards during 2014, such following downwardly amended residual values (after 2008), improved market circumstances, and a fairly stable performance in risk mitigation. The graph below presents (in euros 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 2014[5].



For the full portfolio risk bearing at the end of the fourth quarter of 2014 (considering the latest trends in the used vehicle markets) the Group expects to generate termination result profits on a portfolio level across all future years.

Mitigation

The Group has 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 the exposure for the remaining contract duration of the active portfolio. In addition, there are other ways to mitigate asset risk. Each Group company is expected to pro-actively use the mitigating measures listed on the next page, which are reflected in contracts with customers.

[5] The movement at year's end 2014 is considered seasonality.

Early termination charging: In most cases, LeasePlan charges 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: LeasePlan assesses the wear and tear of the vehicle at the end of the contract; if such wear and tear is beyond the standards as set, it generally invoices the customer for the excessive damages.

Mileage variation adjustments: Lease contracts typically set mileage variation limits within which LeasePlan charges mileage variation adjustments based on the number of miles driven. If the number of miles driven passes the mileage variation limits, then a mileage variation adjustment in principle is not permitted; a recalculation should be performed on the lease contract. The 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.

Informal contract extensions: Extensions are typically informal when a vehicle exceeds the contractually agreed duration and/or mileage without formal notice or lease contract extension. Informal extensions are to be applied only when additional income on the sale of vehicles outweighs the additional costs related to RMT.

Minimum settlement account: Under some of the 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, LeasePlan shares the difference with the customer. However, if this settlement result is negative, the customer is not charged for the difference. Since under these contracts LeasePlan is only exposed to downside risk. In general the Group requires 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: The Group negotiates its contracts such that it is entitled to pass on any costs resulting from certain governmental policy changes.

LeasePlan measures the effectiveness and impact of the main risk mitigating measures on a monthly, quarterly and annual basis.

Capital requirements

On 1 January 2014 the CRR/CRD IV regime became applicable. With the adoption of this regime, the 1/t formula has been applied for risk-weighting of the residual value of the portfolio for the majority of the Group's assets; the regulatory capital related to residual values amounts to EUR 422 million as at the end of 2014. This amount is included in the capital requirements amounting to EUR 598 million calculated for credit risk as shown in section 5.2, for all lease portfolios. Under Pillar 2, the Group calculates internally required capital different from the methodology applied under regulatory requirements for Pillar 1. The methodology used under Pillar 2 assumes the residual value exposure to be a credit risk during the duration of the contract. 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 2013, 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. The Group performs stress testing as part of the 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 54 million (before tax) movement in estimated termination income for the year 2015.

5.2 Credit risk

Definition

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

Policy

The Group's 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 its 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. The Group distinguishes in its policies and portfolios 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 EUR 1 million with which there is no active commercial relationship. Except for retail customers (which are assessed whenever a credit application is received) the credit risk of all its 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 centre 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 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 the Group's total credit exposures, defaults and losses is reported on a quarterly basis to the Credit Risk Committee. For the credit risks inherent to treasury operations, the Group 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 sublimits 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. The Group has also put in place acceptance criteria for reinsurance of motor insurance risks.

Measurement

Effective 1 December 2008, the Group implemented Advanced Internal Rating Based ("AIRB") models for calculating the regulatory capital requirement for credit risk for its corporate fleet. Effective 1 January 2014 the Group implemented AIRB models for the retail portfolios in the United Kingdom and the Netherlands. The models for credit risk relate especially to the determination of:

- *Probability of default* - being the likelihood of the default of a client in the next 12 months (expressed in %).
- *Loss given default* - being the loss the Group expects to incur at the moment of a default (expressed in %).
- *Exposure at default* - being the total exposure to a client expressed as the expected amount if a client would go into default.
- *Remaining maturity* - the contractual remainder of the lease contract.

The table below shows the Group's aggregate credit risk exposure by exposure class and approach.
The characteristics of the credit risk exposure will be further disclosed in the respective sections for probability of default, loss given default, exposure at default and remaining maturity.

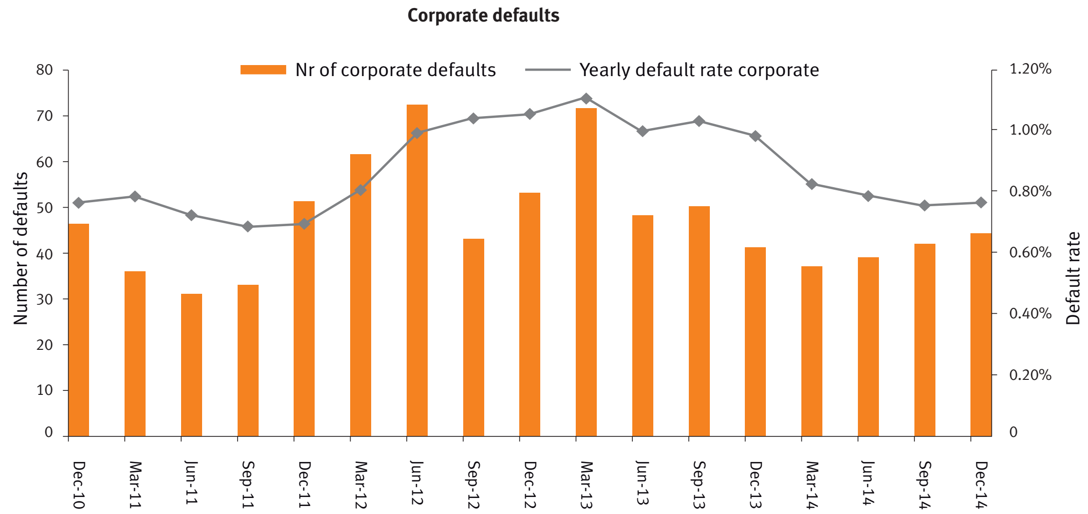
As at 31 December, In thousands of euros			**2014**			**2013**
Exposure class	**AIRB**	**Standardised**	**Total**	**AIRB**	**Standardised**	**Total**
Corporates	11,420,252	253,319	11,673,570	11,110,128	238,795	11,348,924
of which SME	*1,355,804*	*6,034*	*1,361,838*	*1,386,774*	*13,678*	*1,400,451*
Retail	1,335,990	1,132,142	2,468,131	-	2,092,135	2,092,135
of which SME	*124,107*	*168,441*	*292,547*		*331,459*	*331,459*
Governments	-	497,070	497,070	-	565,631	565,631
of which Central Governments and Central Banks	-	*208,010*	*208,010*	-	*200,852*	*200,852*
Banks	-	205,147	205,147	-	201,320	201,320
Other	-	277,133	277,133	-	326,844	326,844
Total	**12,756,241**	**2,364,812**	**15,121,053**	**11,110,128**	**3,424,725**	**14,534,854**
of which SME	*1,479,910*	*174,475*	*1,654,385*	*1,386,774*	*345,136*	*1,731,910*

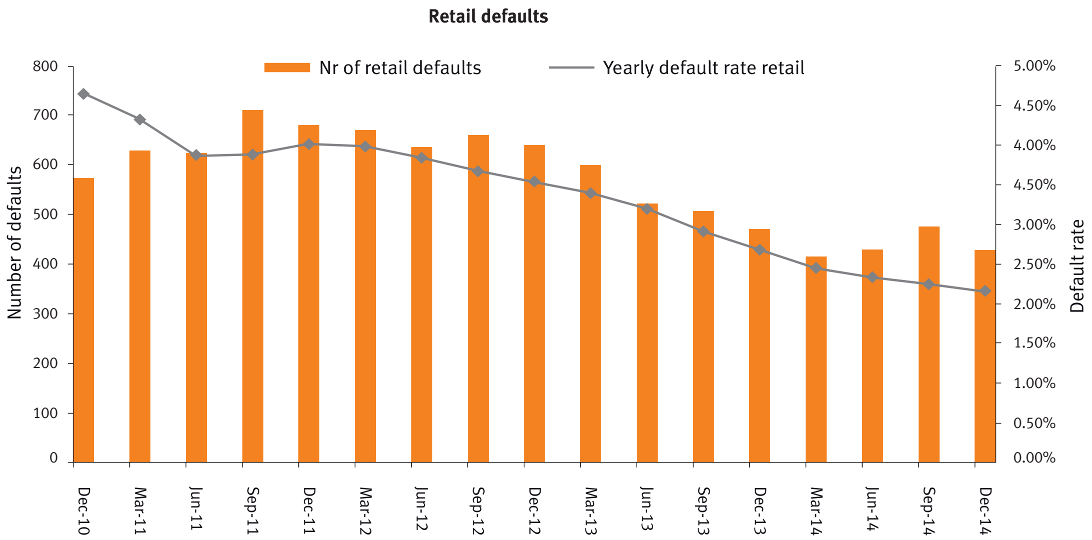
The exposure class "Other" represents for 2013 amongst other the acquired portfolios in Italy and Austria for an amount of EUR 309.2 million. In 2014 the exposure class "Other" includes differences between local source and reporting data with regard to amongst others accounting and timing.

Default definition in use
For purposes of assessing, recognising and reporting defaults, the Group defines a default as:

- Any customer that is unable to fulfil its obligations (irrespective of the amount involved or the number of days outstanding).
- 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.
- The local judgment criterion is the result of an internal assessment with regard to arrears in order to establish whether the customer is unable to pay. The local judgment criterion is used to avoid disputes with counterparties being reported as defaults.

The Group monitors 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 2014, the number of corporate defaults reported over the year 2014 was lower than in 2013. In 2014 the Group changed the definition of the yearly default rate. For 2014 the Group has calculated the yearly default rate by dividing the number of defaults over the previous four quarters at quarter end by the number of performing counterparties at quarter end one year ago. In 2013 the definition of the yearly default rate was 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 change in definition was made to align to the definition as included in the CRR. Based on the 2014 definition, the yearly default rate for 2014 was 0.76% for the corporate fleet as at 31 December 2014 (0.98% as at 31 December, 2013). The yearly default rate for 2014 was 2.13% for the retail fleet as at 31 December 2014 (2.68% as at 31 December 2013).
The graphs on the next page show the number of defaults by quarter (at quarter-end) and the yearly default rate for corporate and retail customers for the period from the last quarter of 2010 through 2014.





As a consequence of the Group's local judgment criterion, the probability of default of AIRB counterparties is lower than when applying a default definition solely based on a definition of default as being over 90 days past due (as per CRR/CRD IV definition) whereas the loss given default of corporate counterparties is somewhat higher.

Probability of default ("PD")

The Group assesses the probability of default of AIRB counterparties using internal rating tools tailored to the various categories of such counterparties. The Group's internal rating system for corporate counterparties is segmented into fourteen non-default rating classes. The Group's 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 the Group may adjust its exposure between classes. These internally developed tools combine statistical analysis with in-house judgment and are compared with externally available data when possible. The Group has internal scoring systems in place for retail counterparties for the retail portfolios in the United Kingdom and the Netherlands.

The rating and scoring tools are regularly reviewed and are renewed when required under the Group's governance framework. This includes monitoring on a quarterly basis whether the performance of the models meets internal and external requirements. All models are validated by an external audit firm other than the firm that audits the annual accounts. On the next page a table showing the Group's internal ratings scale compared with external ratings.

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

The ratings of Standard & Poor's shown in the table above are mapped to the Group's 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 the Group's models, risk appetite, risk tolerance levels or internal ratings, which are set to such external ratings.

The Group assigns a default probability to each rating and score grade based on historical default data. The table below summarises the probability of default ranges of the Group's credit risk exposure in the lease contract portfolio:

As at 31 December, In thousands of euros	2014 Credit risk exposure	2013 Credit risk exposure
PD range		
0.00 to ‹ 0.15	6,789,876	6,070,888
0.15 to ‹ 0.25	1,770,426	1,278,589
0.25 to ‹ 0.35	-	1,240,615
0.35 to ‹ 0.50	1,475,428	1,008,073
0.50 to ‹ 0.75	742,821	847,033
0.75 to ‹ 1.35	440,368	-
1.35 to ‹ 2.50	206,675	400,720
2.50 to ‹ 5.50	521,551	120,151
5.50 to ‹ 10.00	272,806	51,937
10.00 to ‹ 20.00	348,513	56,371
20.00 to ‹ 100.00	170,902	4,918
100.00 (Default)	16,874	30,832
AIRB Approach	**12,756,241**	**11,110,128**
Externally rated	637,732	497,892
Unrated	1,727,080	2,926,834
Standardised Approach	**2,364,812**	**3,424,726**
Total	**15,121,053**	**14,534,854**

The average exposure weighted PD estimate as at end 2014 is 0.13% (2013: 0.09%) for the lease contract portfolio. This increase can be addressed to the inclusion of the retail portfolios in the UK and the Netherlands which in general have higher PD values. The actual default rates for the exposure classes Corporate and Retail in 2014 have been significantly lower.

For the application of probability of default in calculating capital requirements a distinction should be made between Pillar 1 and Pillar 2. According to Pillar 1 regulation, the residual values in the Group's 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 default 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 Group uses ratings from external rating agencies for calculating the risk weight of the exposure classes Governments and Banks which comprise 4.5% of the total credit risk 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 approximately two years, residual values have a relatively high risk weight when compared with the risk weight of future lease payments.

As at 31 December, In thousands of euros			**2014**			**2013**
	Credit risk exposure	**Risk weight**	**Risk weighted assets**	**Credit risk exposure**	**Risk weight**	**Risk weighted assets**
Future lease payments	6,810,603	32.15%	2,189,524	6,442,577	37.36%	2,407,152
Residual value	8,310,450	63.45%	5,272,966	8,092,277	72.85%	5,895,138
Total	**15,121,053**	**49.35%**	**7,462,490**	**14,534,854**	**57.12%**	**8,302,290**

Loss Given Default ("LGD")

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

Loss given default expectations are composed by using historical default data (gathered by the Group's subsidiaries in a global default database). These expectations are calculated separately for each collateral type (cars and vans, trucks and equipment) and for each country in which the Group is active.

The table on the next page sets forth the average exposure weighted loss given default estimate for AIRB counterparties at the end of 2014 and 2013. These figures include clients classified as retail, government, and banks for which there are no approved internal risk models. Therefore, in the table on the next page only an effective loss given default is disclosed for the AIRB portfolio. Most clients (as part of the standardised approach) are rated by external rating agencies and are benchmarked against those.

As at 31 December, In thousands of euros				2014				2013
Exposure class	**AIRB**	**Effective**	**Standar-dised**	**Total**	**AIRB**	**Effective**	**Standar-dised**	**Total**
Corporates	11,420,252	28.50%	253,319	11,673,570	11,110,128	29.59%	238,795	11,348,924
Retail	1,335,990	24.42%	1,132,142	2,468,131	-	-	2,092,135	2,092,135
Governments	-		497,070	497,070	-	-	565,631	565,631
Banks	-		205,147	205,147	-	-	201,320	201,320
Other	-		277,133	277,133	-	-	326,844	326,844
Total	**12,756,241**	**28.08%**	**2,364,812**	**15,121,053**	**11,110,128**	**29.59%**	**3,424,725**	**14,534,854**

The average exposure weighted LGD at end 2014 is fairly stable compared to end 2013. The lower average exposure weighted LGD for the retail portfolio is the result of a stricter monitoring on trade receivables. The actual loss rates in 2014 have been lower.

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 the Group has 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 and includes all portfolios:

As at 31 December, In thousands of euros				2014				2013
Exposure class	**AIRB**	**Standar-dised**	**Total**	**Maturity (in years)**	**AIRB**	**Standar-dised**	**Total**	**Maturity (in years)**
Corporates	11,420,252	253,319	11,673,570	1.92	11,110,128	238,795	11,348,924	1.96
Retail	1,335,990	1,132,142	2,468,131	1.99	-	2,092,135	2,092,135	1.98
Governments	-	497,070	497,070	2.02	-	565,631	565,631	2.11
Banks	-	205,147	205,147	1.80	-	201,320	201,320	1.97
Other	-	277,133	277,133	-	-	326,844	326,844	-
Total	**12,756,241**	**2,364,812**	**15,121,053**	**1.94**	**11,110,128**	**3,424,725**	**14,534,854**	**1.97**

Exposure

In accordance with the CRR/CRD IV regime, the Group measures its credit risk items in the following categories: exposure classes, geographic segmentation, industry segmentation, and client concentration (single customers and groups of customers). The Group's credit risk exposure presented below differs in some areas from the credit risk exposure as presented in the Audited Consolidated Financial Statements due to certain accounting principles. The credit risk exposure presented below is divided by exposure classes, while in the Consolidated Financial Statements the 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
- Trade receivables

Both items are part of "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 Consolidated Financial Statements is shown in the following table:

As at 31 December, In thousands of euros	2014	2013
Amounts receivable under finance lease contracts	2,439,741	2,308,222
Property and equipment under operational lease and rental fleet	12,681,312	12,226,631
Total lease portfolio	**15,121,053**	**14,534,854**
Trade receivables	521,822	-
Total credit risk exposure	**15,642,874**	**14,534,854**

The trade receivables under AIRB approach amount to EUR 390,636 (75% of total).Considering the relative low amount of Trade receivables, all tables and amounts mentioned in this chapter are related to the Total lease portfolio amount only.

The amounts on the previous page represent the Group's total on-balance sheet exposure to counterparties with respect to lease contracts as at the specified dates. In the remainder of this section, further information on these credit risk exposures is provided.

Credit risk exposure by exposure classes and approach

The Group applies AIRB models for credit risk to corporate counterparty exposures and retail exposures in the United Kingdom and the Netherlands. For government, bank and remaining retail customers' counterparty exposures, the Group applies 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 the Group's relatively low exposures to those counterparties. The table below summarises the external credit ratings of the counterparties of the financial assets as at 31 December, 2014 and 2013, 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, In thousands of euros	2014			2013		
External rating	**Lease contract portfolio**	**Derivative financial instruments**	**Receivables from financial institutions**	**Lease contract portfolio**	**Derivative financial instruments**	**Receivables from financial institutions**
AAA to AA-	898,567	69,228	375,918	968,763	36,770	181,007
A+ to A-	4,241,804	110,053	825,031	3,810,872	79,671	1,218,289
BBB+ to BBB-	5,422,967	3,742	9,556	4,493,904	3,997	24,694
BB+ to BB-	1,306,489	-	155	2,280,998	-	5,399
B+ to B-	166,039	-	6,148	228,459	-	5,485
CCC+ to C	9,537	-	606	5,213	-	181
At default	12,580	-	-	65,545	-	-
Internally scored[1]	1,335,990	-	-	-	-	-
Unrated	1,727,080	-	5,415	2,681,100	-	3,996
Total	**15,121,053**	**183,023**	**1,222,829**	**14,534,854**	**120,438**	**1,439,051**
Total credit risk exposure			**16,526,905**			**16,094,343**

[1] Internally scored relates to AIRB retail counterparties in the United Kingdom and the Netherlands.
Unrated consists of retail portfolios under the Standardised Approach.

Other credit risk exposures

In addition to the Group's exposure to credit risk in the leasing of vehicles, the Group is 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 the 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.

Credit risk exposure by exposure class and geography

The table below shows the credit risk exposure distribution by exposure class and by geography of the lease contract portfolio based on the geographical location of the assets as at 31 December 2014. Distinction is made among European Union's euro-zone, European Union's non-euro-zone and the rest of the world:

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

The category "Other" comprises differences between local source and reporting data with regard to amongst others accounting and timing. 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.

As at 31 December,
In thousands of euros

Exposure class	European Union (euro)	European Union (non euro zone)	Rest of the world	Total	Percent of Total exposure
Corporates	6,753,170	1,978,951	2,941,448	11,673,570	77%
Retail	1,325,859	1,080,009	62,264	2,468,131	16%
Governments	147,764	111,204	238,102	497,070	3%
Banks	167,790	24,312	13,045	205,147	1%
Other	157,318	59,390	60,426	277,133	2%
Total as at 31 December 2014	**8,551,901**	**3,253,866**	**3,315,285**	**15,121,053**	**100%**
Percentage of total as at 31 December 2014	57%	22%	22%	100%	
Total as at 31 December 2013	**8,472,230**	**2,882,327**	**3,180,296**	**14,534,854**	
Percentage of total as at 31 December 2013	58%	20%	22%	100%	

The largest credit risk exposure is in the United Kingdom (13.5%).

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 on the next page shows the breakdowns as at 31 December 2014.

Distribution by exposure class and industry type

As at 31 December,
In thousands of euros

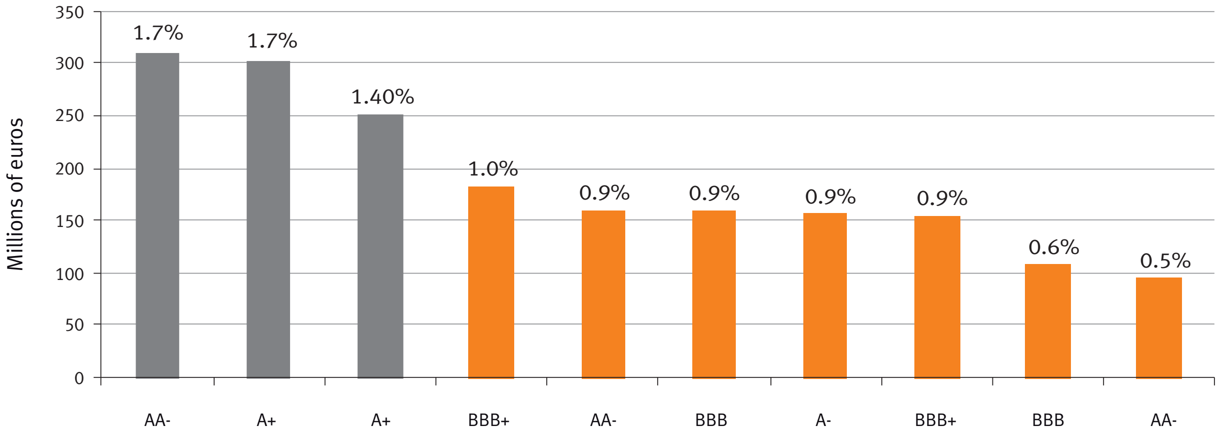
	Corporates	Corporates of which SME	Retail	Retail of which SME	Governments	Governments of which SME	Banks	Banks of which SME	Other	Total	2014	2013
Services	1,875,001	306,382	620,700	75,632	-	-	-	-	-	2,495,702	17%	17%
Consumer Durables	1,885,852	290,745	307,241	68,332	-	-	-	-	-	2,193,093	15%	15%
Capital Goods	1,775,885	269,199	210,324	49,897	-	-	-	-	-	1,986,209	13%	13%
Construction and Infrastructure	887,313	64,559	210,399	16,414	-	-	-	-	-	1,097,712	7%	7%
Chemicals	932,784	45,137	34,007	7,832	-	-	-	-	-	966,791	6%	6%
Technology	726,382	72,942	67,495	14,605	-	-	-	-	-	793,877	5%	5%
Banks and financial intermediation	268,831	54,064	53,678	8,411	-	-	205,147	5,880	-	527,657	3%	4%
Food Beverages and Tobaco	537,918	22,718	25,723	4,229	-	-	-	-	-	563,641	4%	4%
Transport & Logistics	492,017	26,142	67,884	7,370	-	-	-	-	-	559,901	4%	4%
Public Administration	7	-	1,854	-	497,070	6,840	-	-	-	498,932	3%	4%
Utilities	422,472	19,908	12,601	1,119	-	-	-	-	-	435,073	3%	3%
Other	482	-	130,220	1,010	-	-	-	-	277,133	407,836	3%	3%
Retail	275,228	31,596	70,264	5,123	-	-	-	-	-	345,492	2%	2%
Private Individuals	2,242	-	342,250	-	-	-	-	-	-	344,493	2%	2%
Health Care	216,051	32,566	41,842	3,796	-	-	-	-	-	257,893	2%	2%
Telecom	235,705	11,038	13,601	2,307	-	-	-	-	-	249,306	2%	2%
Insurance and Pensionfunds	224,315	6,206	15,952	1,314	-	-	-	-	-	240,267	2%	2%
Natural Resources	194,114	7,982	20,346	3,258	-	-	-	-	-	214,460	1%	1%
Diversified-Others	115,722	15,092	83,501	3,605	-	-	-	-	-	199,223	1%	1%
Automotive	160,780	6,166	17,596	3,198	-	-	-	-	-	178,375	1%	1%
Real Estate	130,883	29,879	44,754	5,416	-	-	-	-	-	175,637	1%	1%
Oil & Gas	127,019	1,034	5,126	357	-	-	-	-	-	132,145	1%	1%
Media	70,010	7,811	18,459	2,621	-	-	-	-	-	88,469	1%	1%
Agriculture Forestry and Fishing	57,242	3,016	18,282	1,357	-	-	-	-	-	75,524	0%	1%
Leisure and tourism	36,776	4,826	28,913	2,944	-	-	-	-	-	65,689	0%	0%
Building Materials	22,538	2,137	5,119	315	-	-	-	-	-	27,657	0%	0%
Total as at 31 December 2014	**11,673,570**	**1,331,145**	**2,468,131**	**290,463**	**497,070**	**6,840**	**205,147**	**5,880**	**277,133**	**15,121,053**	**100%**	
Total as at 31 December 2013	**11,348,924**	**1,400,451**	**2,092,135**	**331,459**	**565,631**	**6,856**	**201,320**	**4,899**	**326,844**	**14,534,854**		**100%**

Counterparty concentration

The Group's 100 largest leasing counterparties or groups of counterparties represented 32% (2013: 34%) of the consolidated book value of the total lease portfolio, as at 31 December 2014. The Group believes the concentration risk in the consolidated client portfolio for lease contracts is limited as the largest leasing counterparty representing 1.2% (2013: 1.1%) of the consolidated book value of the total lease portfolio or 1.4% of the risk-weighted assets as at 31 December 2014.

The graph on the next page highlights the 10 largest on-balance sheet credit risk exposures, including both financial counterparties and lease counterparties, both in millions of euros and as a percentage of total on-balance sheet credit risk exposures. Financial counterparties exposures as of 31 December 2014 are shown in grey bars. The orange bars represent the Group's largest exposures due to leasing clients.

The 10 largest credit risk exposures



Past due, provisions and impairment

The amount past due as at end 2014 is as follows: *In thousands of euros*	2014	2013
Three months or less	689,570	780,107
Longer than three months, less than a year	369,268	414,936
Longer than a year, less than five years	1,816,027	1,564,957
Longer than five years	76,356	69,951
Balance as at 31 December	**2,951,221**	**2,829,951**

Receivables from clients are individually assessed on indications for impairment. The sources for such indications can be internal (such as internal credit rating/score, payment behaviour and receivable ageing) or external (such as external credit ratings and solvency information). Impairment is recognised when collection of receivables is at risk and when the recoverable amount is lower than the carrying amount of the receivable, also taking into account cash collateral and the fact the Group retains legal ownership of the leased asset until transfer of such ownership at the end of the lease contract. Receivables from clients less than 90 days past due are not considered to be impaired, unless other information is available to indicate the contrary.

When a leasing client is considered to be in default, the Group calculates its 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. The Group individually assesses receivables from clients (mainly lease rentals that have become payable) for indications of impairment. Receivables from clients impaired and the allowance for impairment were as follows:

As at 31 December, In thousands of euros	2014	2013
Impaired loans and receivables from clients	**91,973**	**87,409**
Provision on clients provided for	83,805	80,262
Expected loss provision	5,355	6,000
Total allowance for impairment	**89,160**	**86,262**

The movement in impairment on receivables is as follows:

As at 31 December, *In thousands of euros*	2014	2013
Balance as at 1 January	**86,262**	**79,859**
Net impairment charge	19,771	23,767
Receivables written off during the year as uncollectable	-16,924	-16,685
Foreign exchange	51	-680
Balance as at 31 December	**89,160**	**86,262**

The Group assessed the levels of forbearance activities. Considering the asset backed nature and relatively short duration of the lease contracts the level of forbearance activities is not material. This is further supported by the limited levels of credit losses the Group experiences.

Loans to associates and jointly controlled subsidiaries
Credit risk for the Group also arises on lending to associates and jointly controlled companies. The underlying business of the respective associates and jointly controlled companies is very similar to the core activities conducted through wholly owned Group companies. In shareholder agreements the Group has agreed with its respective partners the ability to provide debt funding under specific credit documentation. Such provision of credit is committed and established limits are reviewed regularly. In the control of its investments in associates and jointly controlled entities, the Group also monitors and manages its credit exposures to such entities. As at 31 December 2014 the following exposures existed on associates and jointly controlled activities:

As at 31 December, *In thousands of euros*	2014 **Outstanding notional**	2013 **Outstanding notional**
Counterparty		
LPD Holding A.Ş., Turkey	144,538	149,975
Please S.C.S., France	96,500	86,000
LeasePlan Emirates Fleet Management - LeasePlan Emirates LL, United Arab Emirates	25,317	20,119
Overlease S.r.L., Italy	1,775	2,275
Total	**268,130**	**258,369**

Mitigation

The Group does not make use of credit risk mitigation techniques with reference to the CRR/CRD IV regime. The Group is exposed to credit risk for vehicles leased to counterparties through both receivables due under the lease and the book value of vehicles. The credit risk of the book value of vehicles is 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 the Group's 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 based on the internal risk indicators specific to the Group company's portfolio profile and geographical location. The Group monitors developments in the companies placed on such lists.

The credit risks inherent in the Group's treasury activities, and corresponding exposures to banks with which the Group places 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 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 according to CRR/CRD IV regime using the following formula "Total risk exposure x Risk weight x 8%". The following table shows the minimum capital requirement for the Group's credit risk exposure of leased assets:

As at 31 December, In thousands of euros				2014				2013
Exposure class	**Exposure**	**Average risk weight**	**Risk weighted assets**	**Regulatory capital requirement**	**Exposure**	**Average risk weight**	**RWA**	**Regulatory capital requirement**
AIRB Approach								
Corporates	11,420,252	44.99%	5,138,149	411,052	11,110,128	48.30%	5,365,790	429,263
Retail	1,335,990	55.60%	742,774	59,422	-	-	-	-
Subtotal	**12,756,241**	**46.10%**	**5,880,923**	**470,474**	**11,110,128**	**48.30%**	**5,365,790**	**429,263**
Standardised Approach								
Corporates	253,319	74.11%	187,744	15,019	238,795	74.59%	178,123	14,250
Retail	1,132,142	68.63%	777,030	62,162	2,092,135	91.52%	1,914,693	153,175
Governments	497,070	46.79%	232,595	18,608	565,631	62.57%	353,893	28,311
Banks	205,147	52.64%	107,996	8,640	201,320	80.95%	162,959,24	13,037
Other	277,133	99.66%	276,203	22,096	326,844	100.00%	326,831	26,147
Subtotal	**2,364,812**	**66.88%**	**1,581,567**	**126,525**	**3,424,725**	**85.74%**	**2,936,500**	**234,920**
Total	**15,121,053**	**49.35%**	**7,462,490**	**596,999**	**14,534,854**	**57.12%**	**8,302,290**	**664,183**

The risk weights as presented reflect both the future lease payments as well as the residual values included in the lease contracts.

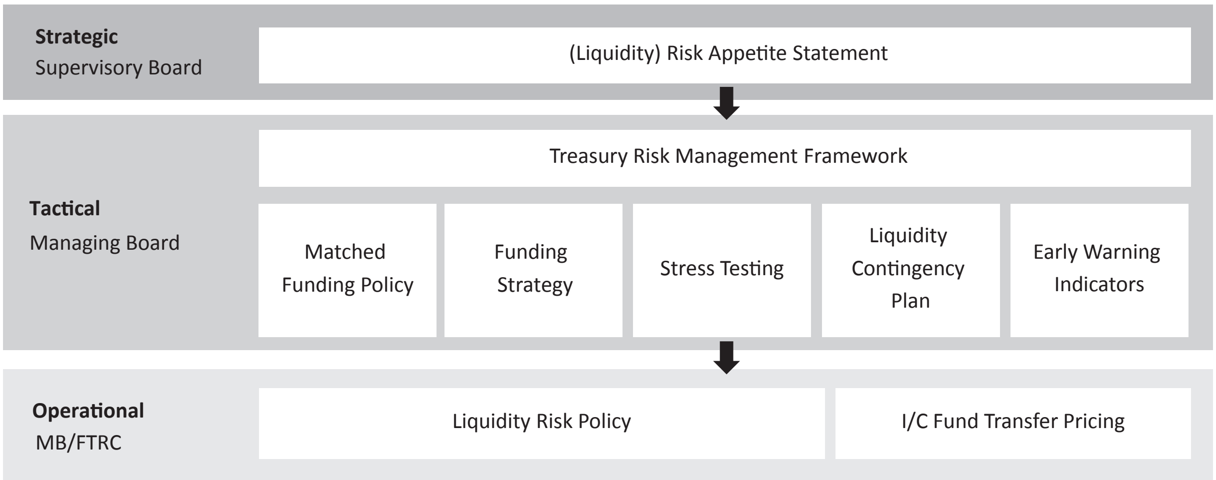
On a quarterly basis the Group's credit risk management department performs stress testing on the corporate AIRB lease portfolio by assuming deterioration in counterparties' scores and ratings in combination with a deterioration of LGDs. The worst-case scenario calculated under these stress tests assumes an average decrease in ratings for all corporate counterparties' by 1 notch in countries with a S&P rating equal to or higher than BBB and ratings by 2 notches in countries with a S&P rating below BBB. Next to this, the worst-case scenario also includes a deterioration of the average LGD by 5% for corporate counterparties and 10% for retail counterparties. Such scenario would for the Group result in an increase of required capital amounting to approximately EUR 89 million, which includes an additional AIRB provision shortfall of EUR 17 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 the Group is unable to meet its obligations as they fall due. The liquidity risk mainly relates to funding liquidity risk, which is the risk that the Group will not be able to refinance maturing funding contracts in order to finance the on-going obligations on its lease operations. Given the reliance on funding, limiting funding liquidity risk is a key element in the execution of LeasePlan's strategy.

The Group does not maintain trading and investment books. Furthermore, its standing practice is not to commit to any undrawn leasing facilities that could impact the Group's liquidity position significantly. Management considers liquidity risks due to hedging activities resulting in margin calls for interest rate and foreign currency hedging as limited.



In line with DNB guidelines the Group conducted its annual Internal Liquidity Adequacy Assessment Process ("ILAAP") in 2014. The ILAAP includes an assessment on governance, the policy framework and the liquidity position, both from a going concern perspective and different stressed environments.

The Group's liquidity risk appetite and tolerance levels are based on the following key principles:
- Compliance with minimum regulatory liquidity requirements at all times.
- Maintaining access to liquidity buffers and developing a set of possible management actions to meet financial obligations during a period of continuing stress for at least nine months.

The Group's 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 the Group's 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 profit driver; the Group's policy is aimed at matched funding and diversification of funding sources. The Group manages 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 Group companies is responsible for adhering to the Matched Funding and Interest Rate Risk Management 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 the Group's central Treasury is based on a full cost price calculation, adjusted monthly and approved by the Managing Board. A key instrument in The Group's 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 stressed forecast is also calculated based on stress assumptions.

The stress testing program for 2014 included alignment of stress scenarios with integrated capital stress testing and further documentation of the stress testing assumptions and tool in use. The Group maintains a number of stress scenarios addressing idiosyncratic and market wide risk drivers in both specific and combined scenarios. On a monthly basis a stressed funding planning is sent to the FTRC, thereby using identical parameters as the most severe scenario of the full quarterly stress tests conducted. 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.

Both the compliance of the Groups and of all individual Group companies (including the central treasury) is monitored on at least a monthly basis by the Group's Treasury Risk Management ("TRM") function. The TRM function is part of the (corporate) Risk Management department. 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

The Group maintains management information systems that are intended to periodically provide reliable up-to-date information for the identification, measurement and monitoring of liquidity risk. Identification and measurement for liquidity risk positions take 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 amortisation triggers, such as defaults, in securitisation transactions and collateral requirements resulting from derivative transactions).
- Currencies in which the Group owns assets that are funded in a currency different from the currency in which the assets are denominated.

The Group measures and forecasts 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

DNB 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 the Group's liquidity position as reported to DNB as at 31 December 2014 and 2013.

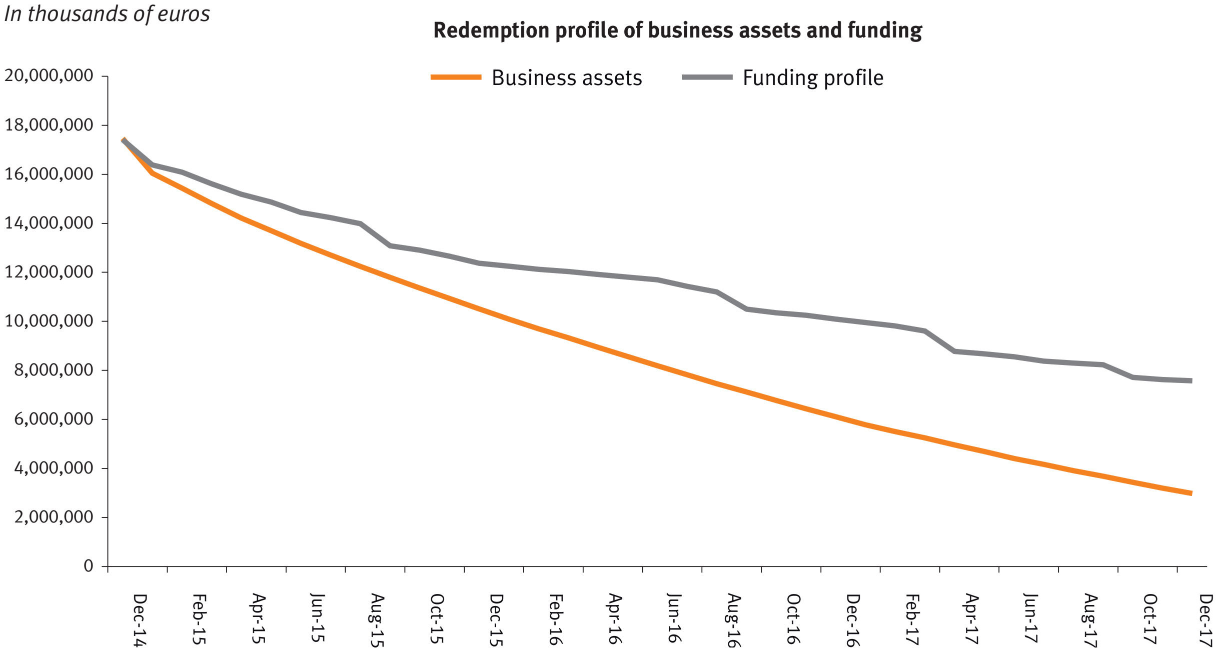
As at 31 December,		2014		2013
In thousands of euros	One week	One month	One week	One month
Available liquidity	1,385,474	4,416,320	1,438,412	3,249,860
Required liquidity	794,025	4,031,263	615,346	2,190,707
Surplus (minimum requirement is above nil)	**591,449**	**385,057**	**385,057**	**1,059,15**

These figures show a liquidity surplus as at 31 December 2014, 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 DNB regulatory liquidity limits are embedded in the Group's liquidity and cash management processes. Apart from end of month reporting the Group monitors the development of DNB liquidity levels on an on-going basis as part of the funding planning process. DNB liquidity forecasts are discussed in the FTRC and are part of the funding planning.

Mitigation

The first level of liquidity risk mitigation is the Group's Matched Funding Policy, whereby the maturity profile of funding concluded is matched with the maturity profile of the Group's business assets. The continuous financing and refinancing of new lease contracts is a major factor in managing liquidity risk. Pursuant to Matched Funding Policy liquidity risk is primarily limited to the funding of new vehicles. The matched funding principle applies at both consolidated and subsidiary level. The Group seeks 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 the Group's assets. The graph below shows the redemption profile of business assets and related funding as at 31 December 2014 in thousands of euros.

In thousands of euros



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 (mainly retail savings) which are calculated based on behavioural outflow. Business assets consist of all lease contracts and the liquidity buffer as at 31 December 2014 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 the Group's funding diversification strategy, in place since 2009. As can be seen in the table on the next page, the Group's funding profile is diversified across various funding sources. If one of the sources is not available, the Group seeks to ensure access to alternative funding sources or markets. Since the launch of the Dutch-based internet savings bank LeasePlan Bank in February 2010, the Group has been able to further diversify its funding profile by attracting funding through straightforward flexible and term savings products mainly aimed at retail customers. The Group aims to collect up to 30-35% of its funding via LeasePlan Bank.

Funding sources by volume

As at 31 December, In thousands of euros	2014 One week	% One month	2013 One week	% One month
Bonds and notes - originated from securitisation transactions	1,730,099	12%	1,455,924	11%
Bond and notes - other	5,907,939	42%	5,462,202	39%
Funds entrusted - term deposits	2,572,008	18%	2,278,526	16%
Funds entrusted - flexible savings	1,709,086	12%	1,885,987	14%
Funds entrusted - other	97,797	1%	155,643	1%
Borrowings from financial institutions	1,991,356	14%	2,523,337	18%
Commercial paper	-	0%	70,614	1%
Certificates of deposit	-	-	-	-
Balance	**14,008,284**	**100%**	**13,832,233**	**100%**

Another major component in the Group's funding diversification strategy is the ability to securitise leased assets. As at 31 December 2014 the Group concluded three asset backed securitisation transactions under the name of Bumper 2 (2008/2011), Bumper 5 (2012), Bumper France (2014), Bumper 6 (2014) as well as a structured finance transaction under the name of Bumper CARS NL (2014) and Bumper DE (2014). The latter two are warehouse transactions in the Netherlands and Germany. Bumper France, Bumper DE and Bumper CARS NL are private transactions. All securitisation transactions involve the sale of future lease instalment receivables and related residual value receivables originated by various LeasePlan subsidiaries to special purpose companies. Debt securities were issued by these special purpose companies to finance these transactions. The higher rated notes were sold to external investors and the subordinated notes were retained by the Group. The Group is 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 below shows an overview of committed guarantees and the potential liquidity impact the Bumper transactions can have on us. The current outstanding exposure, remaining reserves to fund, is limited to EUR 166 million. For further information on the Group's securitisation, reference is made to note 4 of the Company Financial Statements 2014[6].

Securitisation

As at 31 December, In thousands of euros		Maximum guaranteed amount	Actual guaranteed amount	Drawn as cash	Potential exposure for LP Corp on stand-alone basis
Transaction	**Country**				
Bumper 2	Germany	71,416	71,416	59,416	12,000
Bumper 5	United Kingdom	40,269	40,269	40,269	-
Bumper FRANCE	France	62,607	62,607	4,766	57,840
Bumper DE	Germany	52,139	52,139	4,160	47,979
Bumper 6	Netherlands	52,350	52,350	4,000	48,350
Total		**278,780**	**278,780**	**112,611**	**166,169**

[6] As available on www.leaseplan.com

In the last quarter of 2008 and in the first half of 2009 the Group has availed of the possibility to issue debt under the Credit Guarantee Scheme of the State of the Netherlands. In 2014 the last tranche of EUR 1 billion was repaid of the notes issued under the Credit Guarantee Scheme.

The third level of liquidity risk mitigation is the Group's 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 to continue the leasing business in a normal manner for at least nine months. Over time the composition of the liquidity buffer will change, in order to get aligned with the definition of the Liquidity Coverage Ratio, as to be endorsed by the European Banking Authority. Other facilities include the undrawn commitment of Bumper DE, being EUR 63 million in December 2014.

Liquidity buffer

As at 31 December, In thousands of euros	2014	2013
Liquid assets	1,959,845	2,099,420
RCF	1,250,000	1,250,000
VW facility	1,250,000	1,250,000
Other facilities	63,000	145,400
Total liquidity buffer	**4,522,845**	**4,744,820**

The fourth level of the liquidity risk mitigation is the Group's granular redemption pattern. As part of managing its funding planning, the Group maintains limits to remain granular funded.

Collateral management
The treasury risk related counterparty credit risks are governed by the Credit Committee. The Group maintains and accepts cash as eligible collateral for derivative contracts. Whenever possible, use is made 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 2014 all derivatives are governed by ISDAs, of which 86% have CSAs. In addition to the current practice, the Group monitors the developments and prepares for central clearing, as defined by the European Market Infrastructure Regulation ("EMIR").

Capital requirements

In respect of liquidity risk, the Group considers that its current measures taken are sufficient to cover for this risk and considers holding 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

The Group defines 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: Strategy definition and Strategy execution.

Strategy definition

In line with the Group's strategy, a monoline business model is maintained with diversified income streams. Within the monoline business model, the Group has the ambition to moderately grow its core business in the coming years while also increasing efforts to expand its position in the SME-sized fleet segment and execute further geographical expansion and enhance profitability.

The Corporate Strategy and Development department supports the Managing Board in determining the Group's strategic direction. The 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 Group. Annually, the short and long term vision, strategy and objectives are subject to approval of LeasePlan's Supervisory Board. In addition to approving the 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 the Group's Operational Risk Management Policy and the output of Group companies is used in economic capital distribution within the Group.

Strategy execution

The implementation of the Group's 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 a Corporate Programme Management department is established, allowing for managing and monitoring risks related to global projects. To further address the occurrence of risks within the strategy implementation processes, e.g. in global projects and regional strategy sessions, the relevant lines of defence are involved 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.

Capital requirements

Under Pillar 1 no specific capital requirements for strategic risks need to be calculated for regulatory purposes. Losses following the execution of the Group's strategy are considered to be operational losses within the 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 is also considered.

The Group addresses capital requirements for strategic risk as part of the scenario approach as presented under the operational risk section. Therefore, strategic risk is no separate risk under Pillar 2.

6.2 Reputational risk

Reputational risk derives from each of the other risks identified by the Group and is defined as the current or prospective risk to earnings, liquidity and/or capital arising for Group companies or the Group as a whole from adverse perception of the image of LeasePlan on the part of current or prospective clients, investors, employees and other stakeholders.

The reputational risk appetite was set to a low tolerance level and criteria were set for tolerance levels on 4 elements (frequency, stakeholder perception, media coverage and integrity level). During 2014 the Group decided on a two-way approach to deal with potential reputational issues: a communications framework and a reputational risk framework. The communications framework focuses on ensuring the reputation of the Group and is sufficiently robust to absorb incidents; a structured approach on all crisis communications and reputation management plans has been developed, escalation levels for crisis communications are embedded and overall monitoring of LeasePlan publications is executed.

The Group also has a reputation risk framework in place. It makes sure sufficient measures are in place to keep the Group in line with the “low” tolerance level for reputational risk, coordination and implementing of mitigating activities; awareness is also provided. By bringing reputational risk within the tolerance level of low risk the Group has reviewed current mitigating activities and proposed additional activities.

Furthermore, the Code of Conduct was adopted in 2010; 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). In 2013 also a global e-learning training on the Code of Conduct was rolled out. There is a robust compliance awareness programme in place, which helps govern the Group’s reputation. Also the annual global Integrity Survey is a convincing tool to stress the importance of integrity as a measure to safeguard the Group’s reputation among its employees.

Capital requirements

Under Pillar 1 no specific capital requirements for reputational risk need to be calculated for regulatory purposes. The effects from incidents that may affect the Group’s reputation are considered to be operational losses within the definition of an operational loss; such these events and their impact on the Group’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, incidents affecting the Group’s reputation are also considered.

The Group addresses capital requirements for reputational risk as part of the scenario approach as presented under the operational risk section. Therefore, reputational risk is no separate risk under Pillar 2.

6.3 Interest rate risk

The Group accepts and offers lease contracts to clients at both fixed and floating interest rates, for various durations and in various currencies. Interest rate risk within LeasePlan is managed separately for:

I. Group companies and joint ventures, carrying interest bearing assets (mainly lease contracts), and funding on their balance sheet, which mainly is intercompany funding supplied by the Group’s central Treasury.

II. The central treasury, concluding external funding, external derivatives and granting intercompany loans to Group companies.

Interest rate risk policy

The interest rate risk policy focuses on matching the interest rate profile of the lease contract portfolio with a corresponding interest rate funding profile to minimise the interest rate risk, as measured by interest rate gap reports per Group company. Group companies carry interest-bearing assets on their balance sheet funded by interest-bearing liabilities (loans and other indebtedness). Where interest-bearing sensitive liabilities fall short to cover interest-bearing assets, non-interest sensitive working capital and subsidiary’s equity are allowed to cover interest-bearing assets as part of the matched funding policy. Since working capital and equity are in itself not interest rate sensitive, a gap remains if these items would be measured at fair value. Since lease contracts and most funding instruments are carried at costs on the Group's balance sheet, no gains or losses in the Group's income statement or in shareholder's equity are accounted for due to interest rate changes for these specific balance sheet items.

The Group's central Treasury provides loans 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 the Group's central Treasury as an end user only. Due to the accounting treatment of derivative financial instruments, the Group is exposed to volatility in the Group's income statement due to interest rate fluctuations.

To enable the Group's central Treasury 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 repricing that may be undertaken by currency and time period. Thereby, derivative financial instruments are entered to mitigate or reduce interest rate exposures; they are not used for trading purposes.

Capital requirements
Stress testing takes place regularly on central treasury exposures during the year by analysing the profit and loss effect of an unexpected increase of 200 basis points parallel yield curve shift in all currencies. The results on the interest positions are due to the fact that the Group's central Treasury leaves interest exposures partly open by not fully hedging the intercompany funding. These limited interest rate positions are held in different currencies, yet mainly in EUR, USD, GBP and CHF, for which limits have been approved as part of the risk appetite setting. The analysis is performed by calculating the impact of an increase in rates on the future cash flows of all transactions (including the off-balance transactions) categorised as open interest rate position. Based on this analysis it can be concluded that with an increase in interest rates of 200 basis points, the results on the open interest positions will decrease by approximately EUR 11.5 million of profit before tax for the year ending 31 December 2014 (2013: EUR 6.9 million). The calculation is based on a blended yield curve of cash rates and swap rates derived from Bloomberg. The 200 basis points parallel yield curve shift in all currencies is also used within the Pillar 2 capital calculation.

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.

Currency risk policy
Due to the Group's activities in 32 countries, the Group is exposed to currency exchange rates. The Group applies the euro as functional currency. Whenever reasonably possible hedging is applied, naturally by means of matching assets and liabilities or by means of a financial derivate.

It is the Group's standing practice 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, allowing 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 ratios against currency fluctuations. This principle is applied both at Group level, and at Group companies. This is both required when obtaining funds at local banks or at the Group's central Treasury. In order to facilitate this, the central treasury organisation seeks to follow limits per currency in line with the risk appetite. The Group is exposed to currency risk on equity holdings of subsidiaries, including annual results, reflecting the global footprint. The Group is open to 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 the Group's financial position, the Group has not performed a sensitivity analysis on the impact of such fluctuations. The table below summarises exposures to currency risk as at 31 December 2014 and 2013.

As at 31 December 2014 *In thousands of euros*	EUR	GBP	USD	AUD	Other	Total
Financial Assets						
Cash and balances at central banks	957,886	6	11	-	48	957,951
Receivables from financial institutions	1,097,164	57,712	8,165	5,823	53,965	1,222,829
Derivatives (long)	2,726,105	1,016	609,998	1,748	543,571	3,882,438
Rebates and bonuses and commissions receivable	166,446	6,955	7,943	2,026	21,142	204,512
Reclaimable damages	22,022	-		-	2,089	24,111
Interest to be received	90	-		5	4	99
Receivables from clients	771,804	310,593	1,126,739	262,668	480,322	2,952,126
Loans to investments accounted for using the equity method	247,205	-	17,608	-	25,317	290,130
Non-Financial Assets	8,979,165	1,837,583	266,218	495,636	2,242,366	13,820,968
Total	**14,967,887**	**2,213,865**	**2,036,682**	**767,906**	**3,368,824**	**23,355,164**
Financial Liabilities						
Trade payables	438,100	12,201	28,338	26,905	135,870	641,414
Interest payable	89,064	328	4,472	1,988	16,616	112,468
Derivatives (short)	1,214,136	1,291,049	189,125	314,408	820,981	3,829,699
Borrowings from financial institutions	756,921	454,208	26,319	80,889	673,019	1,991,356
Funds entrusted	4,377,319	-	-	-	1,572	4,378,891
Debt securities issued	4,858,844	15,159	1,624,739	118,010	1,021,286	7,638,038
Non-Financial Liabilities	1,211,365	205,475	65,922	104,668	332,942	1,920,372
Total	**12,945,749**	**1,978,420**	**1,938,915**	**646,868**	**3,002,286**	**20,512,238**
Net position	**2,022,138**	**235,445**	**97,767**	**121,038**	**366,538**	**2,842,926**
Currency position		**235,445**	**97,767**	**121,038**	**366,538**	
Net investment subsidiaries		238,766	97,529	120,241	363,056	
Other		- 3,321	238	797	3,482	
As at 31 December 2013						
Financial assets	3,503,252	349,234	1,034,043	296,149	523,467	5,706,145
Derivatives (long)	2,193,555	207,026	533,542		383,478	3,317,601
Non-financial assets	8,795,858	1,542,460	241,861	540,829	2,181,808	13,302,816
Financial liabilities	10,221,066	606,878	1,469,642	607,302	1,634,898	14,539,786
Derivatives (short)	1,271,491	1,127,504	195,674	1,137	798,848	3,394,653
Non-financial liabilities	1,168,791	162,808	70,176	102,835	305,957	1,810,568
Net position	**1,831,317**	**201,530**	**73,955**	**125,703**	**349,050**	**2,581,555**
Currency position		201,530	73,955	125,703	349,050	
Net investment subsidiaries		194,260	77,307	126,626	342,850	
Other		7,270	- 3,352	- 923	6,200	

Based on the table above, the currency risk exposures as at 31 December 2014 mainly relate to net investments in subsidiaries.

Capital requirements

The Group's 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, In thousands of euros		2014		2013
Currency	**Position in EUR**	**Minimum required capital**	**Position in EUR**	**Minimum required capital**
GBP	238,766	19,101	194,260	15,541
USD	97,529	7,802	77,307	6,185
AUD	120,241	9,619	126,626	10,130
Other	363,056	29,044	342,850	27,428
Total[1]	**819,592**	**65,567**	**741,043**	**59,283**

[1] Excludes off-balance sheet positions.

At 31 December the Group has assessed the difference between assets and equity at Group level and for individual currency areas, as the relative currency exposure. The logic behind this is that if the relative assets/equity position are/is the same as for the Group, both assets and equity allocated to the non-functional currency will deviate, but will not impact the Group's capital ratio. Taking a 10% presumed currency shock on all currencies against the euro an instantaneous impact on the Group's capital would be EUR 14 million.

Although the Group is aware (relative) currency exposure exists for business and practical reasons, the exposure is not fully mitigated.

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. The Group's 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. LeasePlan's corporate Operational Risk Management department is responsible for establishing and maintaining the operational risk framework, monitoring the 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 assesses operational risks in the Group as a basis for the annual ICAAP. The Group applies the Advanced Measurement Approach ("AMA") in its operational risk framework. Methods deployed for risk identification are the operational risk scenario analysis, top-down assessments, operational risk self-assessments, operational loss data analysis, the integration of outcomes from internal and external audits, as well as of relevant internal and external micro/macro economic developments. Based upon the risks identified and losses reported, the Group's operational risk profile is assessed. Operational loss data reports are analysed on a weekly basis; operational losses with a net impact exceeding EUR 100,000 are communicated to and discussed with relevant stakeholders. Furthermore, these events are reported on a monthly basis to the Managing Board and to the Regional Management, while the Operational Risk Committee and the Supervisory Board receive quarterly updates. The overall impact of the mitigating activities is assessed by analysing the frequency and impact of operational losses prior to and after implementation of the additional controls. Once 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 EUR 5,000. Reporting of losses below this threshold is encouraged. LeasePlan distinguishes 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 2014 LeasePlan recorded 1,437 operational losses, compared with 1,124 losses recorded for the period of 1 January 2013 to 31 December 2013. The increase is due to correlation between various local and corporate initiatives focusing on more awareness throughout the year. The majority of the losses reported (86%) remain below the threshold of EUR 5,000. In total 207 operational losses are reported with an impact above EUR 5,000. The 1,437 losses recorded amount to a total net loss of EUR 6.9 million in the year ended 31 December 2014; whereas losses of EUR 4.6 million net were reported in the year ended 31 December 2013. The majority of the operational losses recorded (72% from the total operational loss amount and 77% of the total number of operational losses) are increasingly classified in the event category "Execution: Delivery and Process Management". The 4% of total impact allocated to internal fraud is mainly related to one incident which was almost fully recovered mid January. The distribution of LeasePlan's operational losses is as follows:

	2014		2013	
Basel II Category	**% total (EUR)**	**% total (nr)**	**% total (EUR)**	**% total (nr)**
Business Disruption and System Failures	9%	4%	12%	7%
Clients: Products and Business Practices	5%	7%	18%	9%
Damage to Physical Assets	1%	5%	2%	5%
Employment practices and workplace safety	2%	2%	1%	3%
Execution: Delivery and Process Management	72%	77%	62%	71%
External Fraud	7%	4%	5%	5%
Internal Fraud	4%	1%	0%	0%
Total	**100%**	**100%**	**100%**	**100%**

Capital requirements
LeasePlan uses a hybrid model to determine the required level of operational risk capital for regulatory purposes. This hybrid model consists of a purely quantitative analysis of the Group's internal operational loss data and a more qualitative analysis of the Group's 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 the Group. Under the AMA requirements, insurance related loss recovery is recognised as an accepted risk mitigating instrument. The impact on the reduction of regulatory capital however is capped at 20%. LeasePlan monitors the 20% level by measuring the insurance related recoveries reported in the loss database. The total insurance related recovery for operational losses amounts to 1.86% of the total loss recoveries, as most operational risk events (such as human error) are not covered by insurance. The two distributions for the severity and the frequency are combined into one overall loss distribution by means of Monte Carlo simulation. The resulting loss distribution determines the expected annual loss amount and the required capital at the 99.9th percentile confidence level.

The qualitative analysis (or operational risk scenario analysis) is a process by which LeasePlan considers the effect of extreme, but nonetheless possible operational risk scenarios on the organisation. During the analysis, the high impact, low frequency operational risk scenarios are supplemented with relevant internal and external loss data, a description of the business environment and internal control factors to support the expert based frequency and impact estimations for each scenario. For each single scenario the estimates are modelled to determine the regulatory capital required to be held by LeasePlan at the 99.9th percentile confidence level. LeasePlan started modelling capital requirements under AMA in 2006. Since then a model governance structure has been developed and implemented that ensures an annual cycle of model monitoring, development, validation and implementation. Part of the model monitoring activities is the evaluation of the assumptions used in the capital modelling process. If the outcome of the model monitoring requires so, LeasePlan adjusts the assumptions and as a result will recalculate the corresponding capital requirements. This way LeasePlan ensures that the capital continuously reflects the Group's 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 2014 remains stable at EUR 121.2 million (2013: EUR 121.2 million), which is the sum of LeasePlan's operational loss data model (EUR 38.7 million on calculation set 2005 - 2011) and scenario model (EUR 82.5 million). The output of the operational loss model incorporating operational losses over 2014 (calculation data set covering the period July 2009 to June 2014) indicates a reduction of related capital from EUR 38.7 million to EUR 17.9 million. Considering this evolution, LeasePlan maintains the Pillar 1 capital for operational risk at EUR 121.2 million.

The AMA model in itself already incorporates stress scenarios. These scenarios are explicitly identified and quantified (the operational risk scenarios). This stress testing is performed by LeasePlan's corporate 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, LeasePlan's corporate Operational Risk Management department performs additional tests, including a sensitivity analysis of the scenario model by changing the original estimated severities ($p \leftarrow 0.5$) and original estimated frequency median scores. LeasePlan has assessed the impact of doubling the estimated average severity of all scenarios and increasing the median of the frequency estimation by one step. This simulates the effects on its minimal capital requirements for operational risk as result of underestimating both the impact and likelihood of the assessed scenarios by its expert group. Even if assumed that all operational risk scenarios occur at the same time and the frequency and the average financial impact of all scenarios have been underestimated, the additional capital required amounting to EUR 32 million would be easily available (measured stand-alone for operational risk). As such LeasePlan 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

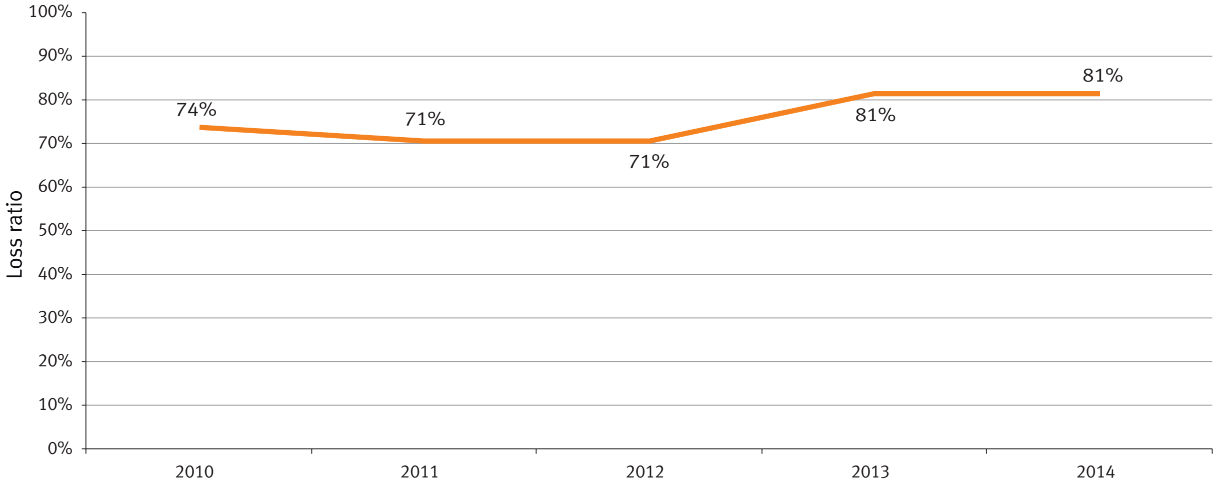
Motor insurance risk is the exposure to potential loss due to costs related to damages incurred to the Group exceeding the compensations included in lease rental payments. This risk consists of long-tail risks (motor third-party liability and legal defence) and short-tail risks (motor material damage and passenger indemnity). These risks are retained by the Group's insurance subsidiary, Euro Insurances. In addition, some of the Group companies 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 operational vehicle leasing subsidiaries' customers. As a result, the Group has 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 the Group's policy that the related risks will be reinsured to the extent they exceed such limits.

The Group entity Globalines Reinsurance discontinued their operations and since Euro Insurances reinsures the motor third party liability and catastrophic events liability with an external reinsurance panel. 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.

The Group's motor insurance risk policy seeks to regulate the motor insurance risk management activities for Euro Insurances and Group companies. Under the 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 a motor insurance risk function in all Group companies which are independent from the insurance (pricing) department. Furthermore, local motor insurance risk committees are in place, required to monitor exposures and discuss trends and developments therein. Clear authorisation structures are in place for intended launches of and changes in insurance structures and programs. Furthermore, on a quarterly basis Euro Insurances 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 the risk appetite. The following graph displays the

Group's consolidated loss ratio measured at year's end 2014 for the underwriting years 2010 up to 2014, which have been calculated as the consolidated claim costs for the year divided by the consolidated net premiums for the year of all the Group's motor material damages for local risk retention schemes, motor material damages, third motor party liability and other programmes for Euro Insurances.

Overall loss ratio (Q4 2014)



Capital requirements
No specific capital requirements are applicable to the Group's insurance risk activities under the Pillar 1 framework of Basel III. 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, the Group calculates internally required capital for all insurance risk activities. As of 2014, the methodology used is a factor-based approach. The main factors are based on amongst other damages, catastrophic events and counterparty risk. Next to the aforementioned factor based approach, the Group employs stress testing using scenarios in line with Solvency II principles in respect of motor insurance risk. The outcome of afore stress testing, although not material (EUR 10.2 million as at 31 December 2014), forms part of the calculated internal capital under Pillar 2. Euro Insurances is in the final stadium of implementing Solvency II.

6.7 Legal and Compliance risk

Legal risk covers the financial and other losses the Group 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 the Group may suffer as a result of the 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 the 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. LeasePlan follows 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 the Group's 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 Group 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 the 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 the Group's 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 aforementioned 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 to 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 the Group in measuring the perceived level of integrity that exists in all parts of the business. Its outcome supports the Group to further steer values and integrity and to enhance awareness of compliance risks.

Capital requirements
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. The Group addresses capital requirements for legal and compliance risk as part of the scenario approach as presented under the operational risk section. Therefore, legal and compliance risk is no separate risk under Pillar 2.

6.8 ICT risk
The Group defines ICT risk as any risk that 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. The Group's Information Security Policy, as set by the Managing Board, includes requirements on creating awareness, sufficient staffing and governance, security incident reporting and risk assessment. This policy prescribes the requirements for the organisation of information security in each Group company. Local management is responsible for managing information security in their Group company. 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 & Governance department at the corporate centre. The corporate Information Security & Governance department is responsible for establishing and maintaining the ICT Risk Framework, monitoring the ICT Risk profile and the collation and validation of ICT risk reporting at Group level. This department prepares on a bi-monthly basis a consolidated ICT Risk report (based upon the ICT risk reports reported by Group companies) for the Group's Information Security Board. Similar to operational risk, all Group companies including LeasePlan Bank, structurally identify, assess, and report their ICT risks. Furthermore, the Group has adopted a customised variant of the OCTAVE (Operationally Critical Threat, Asset and Vulnerability Evaluation) methodology and has 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 the 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.

Capital requirements

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 the Group's result are therefore to be captured in the 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. The Group addresses capital requirements for ICT risk as part of the scenario approach as presented under the operational risk section. Therefore, ICT risk is no separate risk under Pillar 2.

Appendix A

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 investments accounted for using the equity method 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 Gépjárműpark Kezelö és Finanszírozó Zártkörű Részvénytársaság, Hungary
LeasePlan India Private Limited, India
LeasePlan Italia S.p.A., Italy
LeasePlan Luxembourg S.A., Luxembourg
LeasePlan México 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 2013.

Special purpose companies with no shareholding by the Group are:
Bumper France FCT, France
Bumper DE S.A., Luxembourg
Bumper Car Sales GmbH, Germany
Bumper 2 S.A., Luxembourg
Bumper 5 Finance Plc, United Kingdom
Bumper 6 (NL) Finance B.V., the Netherlands
Bumper NL B.V., the Netherlands

Principal investments accounted for using 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%)
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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LeasePlan Corporation NV
P.J. Oudweg 41
1314 CJ Almere
The Netherlands
Tel. +31 36 539 3911
Fax +31 36 539 3912
info@leaseplancorp.com

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