LeasePlan
DELIVERING ANY CAR, ANYTIME, ANYWHERE
LeasePlan Annual Report 2017

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01. AT A GLANCE

WE ARE WHAT'S NEXT

LeasePlan is a global leader in Car-as-a-Service, with 1.7 million vehicles under management in over 30 countries.

Our core businesses are Car-as-a-Service for new cars, a €68bn market, and CarNext.com, an independent marketplace for flexible used-car mobility solutions, serving a €65bn market.

With over 50 years' experience, our strategy is to lead the megatrend from ownership to usership taking place in both these markets. Our mission is to provide *What's next* in mobility via an 'any car, anytime, anywhere' service — so our customers can focus on *What's next* for them.

Founded
1963

World leader in Car-as-a-Service[1]

Fleet size
1.7m vehicles

European reseller
#1[2]

Two key markets:

Car-as-a-Service
Addressable market
€68bn

CarNext.com for 3-4 year-old high-quality cars
Addressable market
€65bn

Key business segments
Corporate
SME
Private individuals
Mobility providers

Employees
6,600+

Countries present
32

[1] Based on FY-2016 fleet size
[2] Largest reseller of 3-4 year-old used cars in Europe, based on the number of cars sold (source: Roland Berger).

REVENUE BY GEOGRAPHY

EUROPE
89%

REST OF THE WORLD
11%

EUROPE
Revenues: EUR 8.3 bn
Serviced fleet: 1.3 m

REST OF THE WORLD
Revenues: EUR 1.1 bn
Serviced fleet: 400,000 +

02. Performance highlights 2017

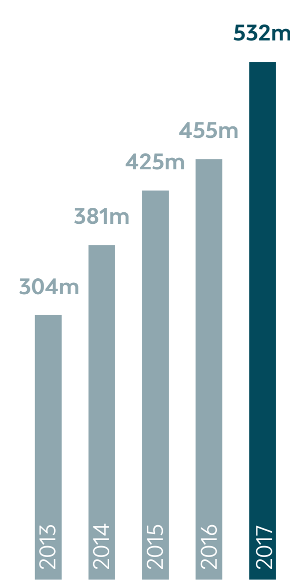
SUSTAINABLE GROWTH

Growth number of vehicles

5.5%

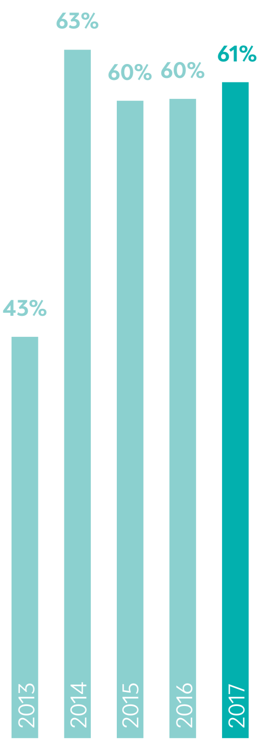
Savings from 'The Power of One LeasePlan'

€130m



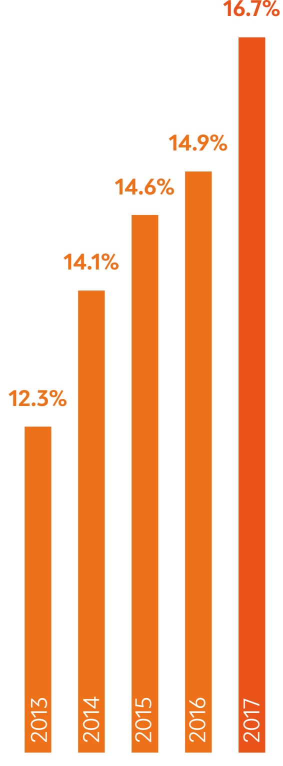
Underlying net result (EUR)

532m



Dividend payout ratio

61%



Underlying return on equity

16.7%

03. CEO STATEMENT

LEASEPLAN HAS DELIVERED ANOTHER EXCELLENT SET OF RESULTS, DEMONSTRATING AGAIN THE CORE STRENGTHS OF OUR BUSINESS

Dear stakeholder,

Throughout its more than 50 years of history, LeasePlan has developed a consistent track record of sustainable growth and profitability. 2017 was no exception: the team delivered another excellent set of results, yet again demonstrating the core strengths of our business. We have more cars on the road than ever before, and, at the same time, our underlying net result and return on equity continued to increase significantly. As the leader of LeasePlan, I am very proud to be part of such a strong company and deeply recognise that our performance in 2017 could not have been achieved without the many important contributions from my colleagues across the company and the support of our customers, investors and suppliers.

Our excellent results in 2017 underline the strong and resilient nature of our business as well as the ongoing positive impact of our 'The Power of One LeasePlan' operational excellence initiative, which we continued to implement successfully in the year. Our objective with The Power of One LeasePlan has been simple: to get the fundamentals in place for the future, implementing best practices and leveraging LeasePlan's scale along all elements of the value chain and across all LeasePlan countries. The Power of One LeasePlan was a big shift for our company: historically, LeasePlan was managed through a multi-local organisation, with LeasePlan's overall results being the aggregate of its local business activities. With The Power of One LeasePlan, we are creating a fully integrated operating model, laying the firm foundations on which we will build our business in the future.

Looking ahead, we are now in a position to achieve so much more. There is a clear megatrend from ownership to usership and subscription models taking place in both the new and high-quality used car markets. Increasingly, our customers – whether they are corporates, SMEs, mobility providers or private individuals – would prefer a 'Car-as-a-Service' (CaaS) with no strings attached in terms of car type or duration. They just want 'any car, anytime, anywhere'.

LeasePlan will lead this trend. With 1.7 million cars on the road in over 30 countries, we are already a global leader in providing our high-quality customer base with new CaaS – a business we will continue to invest in. Our approach will be to target disciplined profitable growth in the most attractive and service-intensive segments of the market: Corporate, SME and Mobility provider customers. Within these segments, we will build on our current high-value offering with innovative new products and services in areas including insurance, repairs and maintenance, and low-emission vehicles.

OUR EXCELLENT RESULTS IN 2017 UNDERLINE THE STRONG AND RESILIENT NATURE OF OUR BUSINESS

Looking further ahead, we also expect our CaaS business to benefit significantly from other megatrends in the mobility space, such as the growth of ride-hailing services in densely populated urban areas and the arrival of autonomous vehicle fleets.

In addition to leading the CaaS business for new cars, we are also in pole position to lead the growth of CaaS in the high quality EUR 65 billion market for the sale of high-quality 3-4 year-old used cars thanks to the introduction of our new CarNext.com business.

CarNext.com is a disruptive B2C and B2B digital marketplace that enables customers to buy, lease and subscribe to high-quality used cars in Europe. The CarNext.com platform will be supported by a European network of up to 50 branded retail and experience stores (18 today), where customers can view our high-quality cars, benefit from our full suite of consultation services and make their final decision if they prefer not to purchase directly online.

In comparison to a marketplace usually characterised by distrust and opaqueness, the cars on our CarNext.com platform have a fixed price and have been well maintained, can be trusted, come with the guaranteed endorsement of LeasePlan and a hassle-free returns policy. With 1 million funded vehicles on the road in Europe (1.2 million funded fleet contracts globally) and a guaranteed supply of approximately 250,000 well-maintained cars returned every year out of our Corporate CaaS business, LeasePlan has an unmatched ability to deliver 'any car, anytime, anywhere' in the used car marketplace – a significant, disruptive industry development.

Our leadership position in both of these CaaS markets – as well as our continuing focus on operational excellence and cost control across the company – will be further enhanced by our ambitious new LeasePlan Digital strategy, which we also launched in 2017. The objective of LeasePlan Digital is to transform LeasePlan from an analogue business into a fully digitally enabled business, delivering digital services through digital platforms at digital cost levels, leveraging the latest digital intelligence technologies. Specific focus areas include enhancing engagement with our customers and building an online market platform for CarNext.com. We will also leverage the latest technology to achieve digital cost levels by automating processes using machine learning, artificial intelligence and robotics. To support the rollout of LeasePlan Digital we were delighted to open the LeasePlan Digital Hub in Amsterdam in July.

OUR LEADERSHIP WILL BE FURTHER ENHANCED BY OUR AMBITIOUS NEW LEASEPLAN DIGITAL STRATEGY

In addition to 'digitizing' every aspect of our business, a key theme for LeasePlan in 2017 was 'sustainability'. As a responsible company, LeasePlan is taking a leadership role in the transition from the internal combustion engine to alternative powertrains, helping to create healthier environments in our towns and cities. In this regard, we took a number of important steps in 2017 – beginning in March with the announcement of our ambition to achieve net zero emissions from

our total fleet by 2030, supporting the effective implementation of the Paris Agreement and climate-related Sustainable Development Goals. To help us hit this target, in September, LeasePlan became a founding partner of EV100, a new global business initiative designed to fast-track the uptake of electric vehicles and infrastructure among large global corporations, launched by The Climate Group around the UN General Assembly. We were also delighted to announce our own electric vehicle pilot proposition for large corporates at the UN Climate Change Conference in Bonn, Germany, in November 2017. And – in a significant signal that we are committed to leading by example on this vitally important subject – we were also proud to announce that LeasePlan's own employee fleet will transition to an electric vehicle fleet by 2021.

LeasePlan has big plans for the future, but these cannot be achieved without the help of our people. Indeed, it is our belief that 'you cannot grow a business; you can only grow people who grow businesses'. This is true now more than ever: in a highly competitive and disruptive digital environment, it is our people that will make the difference between winning or losing, and to delivering our vision of 'any car, anytime, anywhere'. In 2017, we therefore made a number of significant changes to our People Strategy. For example, we strengthened the LeasePlan leadership team, selecting the best talent from within the company, complemented by external experts. We also initiated a rigorous succession planning process to build a pipeline of great people, who will be promoted to bigger roles or special assignments as appropriate.

Beyond the level of the individual, we also took steps to strengthen the LeasePlan culture in 2017 and build an organisation equipped to deliver 'any car, anytime, anywhere'. LeasePlan has always had a culture of care, accountability and hard work. It is this culture that will underpin our success in the years to come – and we will continue to invest in it. Key actions here included the introduction of our Leadership Journeys, which we began rolling out in 2017 and which will be extended to the entire organisation in 2018. Taken together, our People Strategy initiatives will ensure we have the right people in place with the right competencies and mindsets for the next phase of our journey.

All our employees around the world deserve tremendous credit for the energy, commitment and dedication they have shown this year. Together, we have achieved so much. I would also like to thank our customers, suppliers and investors for their trust and cooperation. For my own part, I am proud to be leading such a great company at such an exciting and dynamic time in its history, and look forward to contributing to *What's next*.

Tex Gunning
CEO, LeasePlan Corporation N.V.
Amsterdam, the Netherlands

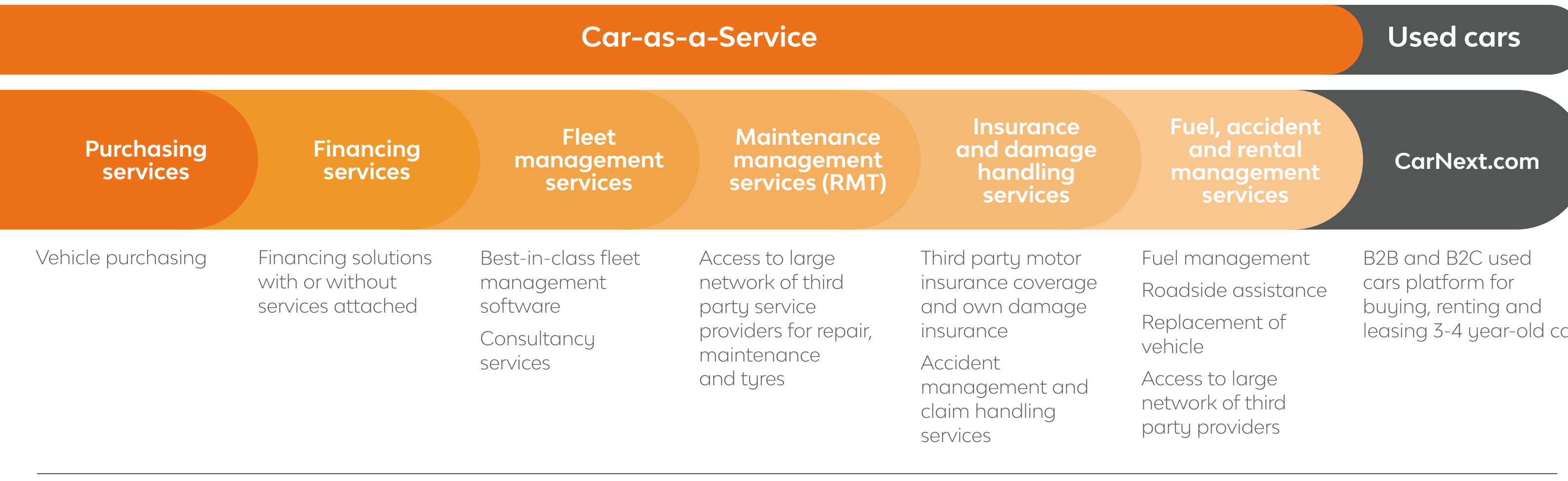
04. OUR BUSINESS

DELIVERING WHAT'S NEXT IN MOBILITY

Across more than 30 countries, LeasePlan purchases, funds and services vehicles for its customers, providing a complete end-to-end service through its Car-as-a-Service (CaaS) business for a typical contract duration of 3-4 years.

At the termination of the initial lease contracts, LeasePlan seeks to maximise the value of vehicles coming off contract by selling them through the most profitable channel or, increasingly, by re-leasing the used vehicles through its used car business, CarNext.com. As such, LeasePlan operates in two markets; a) it is a global market leader in the CaaS market, which covers all long-term subscription-based mobility solutions with integrated services, and b) it is the leading reseller of 3-4 year-old used cars in Europe, based on the number of cars sold annually in terms of operating lease returns, through its CarNext.com business[3]. With over 50 years' experience, we are a trusted partner for our corporate, SME, private and mobility customers.

Through our CaaS and CarNext.com businesses, we control the entire automotive value chain outside of car manufacturing and distribution.



[3] Source: Embracing the Car-as-a-Service model – The European leasing and fleet management market, Roland Berger January 2018, commissioned by LeasePlan

CAR-AS-A-SERVICE

We are a global market leader in Car-as-a-Service based on the number of vehicles in our fleet. We purchase, fund and manage vehicles for our customers, providing a complete end-to-end service.

This is a resilient and cash-generative business that provides long-term subscription-based mobility solutions with integrated services.

Our services typically include vehicle procurement, vehicle maintenance and repair services, insurance, recovery and damage services. LeasePlan also offers fleet management and consulting services, fuel and mileage management and short-term rental solutions. More recently, we have introduced telematics and 'connected car' solutions providing digital services to customers, including driver services, salary sacrifice schemes and fleet logistics services. These enhanced digital capabilities also allow us to improve and further optimise our insurance services, and operational efficiency.

LeasePlan's global scale and local leadership are key success factors and we manage approximately 1.7 million vehicles across Europe, the Americas and Asia Pacific, and hold predominantly top 1 or top 3 local leadership positions in 80% of the countries in which we operate[4]. We address the needs of our international customers with global harmonised procedures that allow us to provide fleet services across multiple jurisdictions. At the same time, we provide domestic customers with a range of innovative products and services shaped by three broad trends that have driven segment demand in recent years, namely, a) increasing sustainability and reducing the overall CO_2 footprint of the customer's fleet; b) reducing the cost of fleet ownership and c) increasing driver satisfaction and safety.

High quality and diversified customer base

We have a high quality and diversified customer base spread across numerous end-markets and sectors of the economy. We offer our services on either a bundled or stand-alone basis to meet the specific needs of our customers wherever they are. As a result of our 50-year track record among corporates and SMEs, we benefit from a loyal customer base.

[4] Based on management's best estimate, and excluding OEM non-FMC financial services divisions.

CAR-AS-A-SERVICE

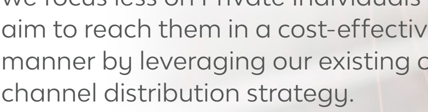
We distinguish between four customer segments: Corporates, SMEs, Mobility providers and Private Individuals.

Corporates: This segment consists of international corporate customers and domestic corporate customers leasing more than 25 vehicles. These customers benefit from our tailored products and services and 'one contract, one contact' approach that aims to provide consistency, continuity and cost efficiency in tandem with state-of-the-art fleet reporting and driver support.

SMEs: Customers with 25 or fewer vehicles in their fleet require simple products that are easily accessible and delivered quickly. We service SMEs through a range of standardised products and services that meet their local standards and industry-specific customer needs.

Mobility providers: We are providing services to new Mobility providers in a number of European countries. Under a partnership with Uber, LeasePlan has provided full service solutions to Uber partner-drivers. LeasePlan also has a partnership with GoMore, originally a Danish car sharing platform, which expanded to Sweden, Norway, Spain and France.

Private individuals: This segment consists of customers who lease one vehicle. LeasePlan offers standardised products and services to private customers, generally on either a business-to-customer basis or a business-to-business-to-employee basis. Compared to other customer segments, we focus less on Private Individuals and aim to reach them in a cost-effective manner by leveraging our existing omni-channel distribution strategy.



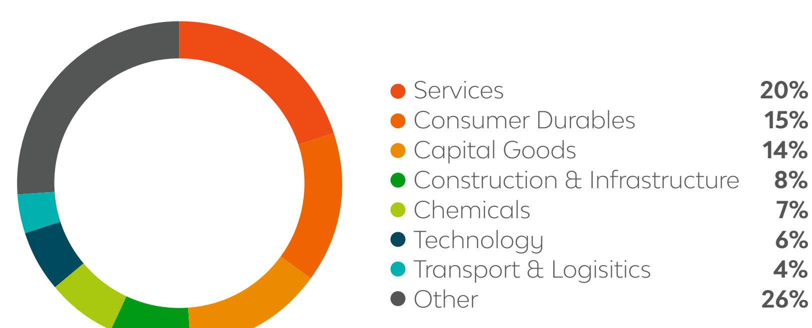
CAR-AS-A-SERVICE

LeasePlan serves mostly large, sophisticated corporate customers with extensive fleet management needs[5]

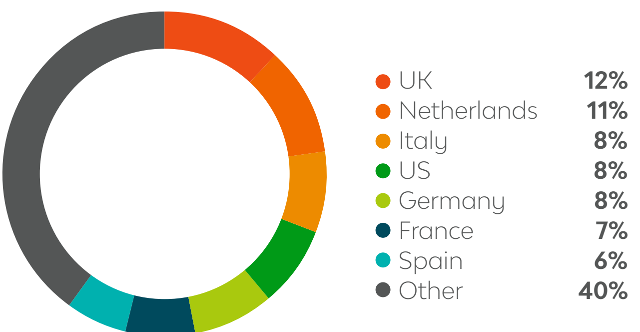
Customer base by segment
Total funded book value

Mobility providers are currently included within SME & Private segments

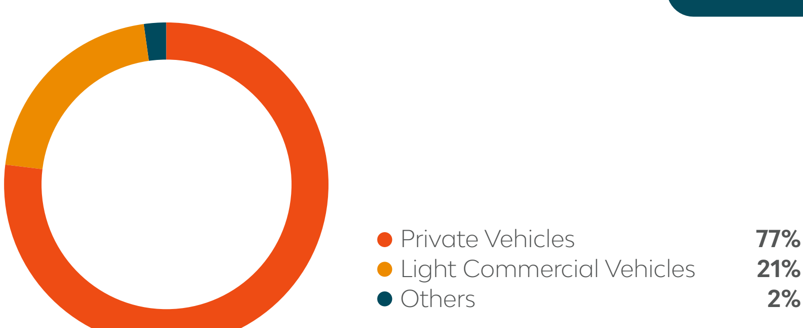
Customer base spread across sectors of the economy
Total funded book value



Customer base spread across geographies
Total funded book value



Fleet split by type
By total funded fleet book value



[5] Data as of 31 December 2017

A diverse and sustainable fleet

We operate independently from any vehicle manufacturer, and our fleet is well diversified with regard to type of vehicle, countries of registration, brands and models, and is made up of vehicles with the most in-demand fuel types. This variety of makes and models enables us to meet the needs of our diverse customer base. We mainly manage passenger vehicles and light commercial vehicles across a diversified mix of sectors, customer types and geographies.

Fleet diversified across a variety of brands[6]

Total funded book value

Brand	Share
Volkswagen	13%
Ford	13%
Audi	9%
BMW	9%
Mercedes	7%
Renault	6%
Peugeot	5%
Volvo	4%
Others	34%

OUR FLEET IS WELL DIVERSIFIED, ENABLING US TO MEET THE NEEDS OF OUR CUSTOMER BASE

[6] Data as of 31 December 2017

CARNEXT.COM

CarNext.com is today the leading reseller[7] of high-quality 3-4 year-old used cars in Europe, reselling LeasePlan's owned vehicles at the end of their Car-as-a-Service use cycle.

CarNext.com addresses customers through a comprehensive online search and discovery platform, complemented by 18 experience and delivery stores across 10 countries as of 31 December 2017 for fulfilment and product validation, allowing for a uniquely comprehensive customer experience. Customers can view vehicles online through a highly interactive website or arrange to view them in person at one of our experience and delivery stores. They can also order vehicles directly online to be picked up on site or delivered to their front door. The experience and delivery stores also provide significant brand recognition benefits. CarNext.com expects to increase the number of experience and delivery stores to 50 across 21 countries in the medium term.

CarNext.com aims to deploy its existing strengths and develop its platform to become the leading marketplace for buying and leasing high-quality used cars and associated services across Europe, catering to a wide range of B2B and B2C customers. It is a fast growing business that is disrupting the large, yet historically inefficient used car market in Europe, which is characterised by low levels of transparency and customer satisfaction. Furthermore, it is driving the rapid development of the nascent used car leasing market that is, in turn, encouraged by the extension of the ownership to usership trend from new cars to used cars. In addition, the fast growing segments of our customer base, namely SMEs and mobility providers, increasingly look to lease or flexibly subscribe to high-quality used cars.

[7] Largest reseller of 3-4 year-old used cars in Europe, based on the number of cars sold (source: Roland Berger).

CARNEXT.COM

The CarNext.com business is transforming the way LeasePlan, and the fleet management industry generally, generate value from cars returned at the end of a lease contract. Specifically, CarNext.com is using its leadership position in the existing B2B channel to also sell cars directly to consumers, thereby capturing a significantly greater share of the value chain. It is also leveraging LeasePlan's existing infrastructure and capabilities to provide customers with flexible leasing or subscription propositions on its high-quality used cars, including the provision of ancillary services such as maintenance and repairs or insurance.

TO FURTHER INCREASE THE SUPPLY OF VEHICLES ON THE PLATFORM AND EXPAND THE POTENTIAL PROFIT POOL, WE INTEND TO OPEN UP OUR CARNEXT PLATFORM TO THIRD PARTIES

CarNext.com operates a unique Asset Control Tower pricing prediction tool that is used to analyse external data (market, pricing, demand, volumes, etc.) and proprietary data (vehicle information, historical transaction information, fleet composition, etc.) to match various mobility supply solutions with multiple demand sources in order to maximise car lifecycle value across products (sale, lease, subscribe), channels (B2B, B2C) and geographies. The Asset Control Tower does not analyse personal data, or gear pricing towards customers on the basis of behaviour of customers.

What's next?

CarNext.com will initially focus on LeasePlan's serviced fleet before eventually extending its services to third-party suppliers. Since LeasePlan typically owns, maintains and services the vehicles, it is uniquely positioned to capture the mobility data from its own vehicles.

To further increase the supply of vehicles on the platform and expand the potential profit pool, we intend to open up our CarNext.com platform to third-parties, such as select corporate fleets, local leasing partners, select rental companies and car dealers that will benefit from CarNext.com's analytics and consumer access across Europe.

CASE STUDY

Delivering CarNext.com

CASE STUDY: CARNEXT.COM

2018 will see CarNext.com rolled out across all of Europe. This is LeasePlan's new online platform for high-quality used cars, and is a fundamental part of our promise to deliver 'any car, anytime, anywhere'.

CarNext.com builds on two of the biggest trends in mobility today: the growing market for Car-as-a-Service and increasing demand for high-quality, 3-4 year-old used cars. As Ewout van Jarwaarde, Senior Vice-President of Car Remarketing, explains: 'People are placing a greater emphasis on flexibility and value when choosing their next car. The rise of internet shopping also means that they want the whole process to be quick and easy. CarNext.com is designed to meet all of these expectations.'

With 250,000 vehicles coming out of its Corporate Car-as-a-Service business each year, LeasePlan has a continuous supply of high-quality used cars. 'This means that we are extremely well-positioned,' says van Jarwaarde. 'As Europe's largest car reseller, we are already leading the €65 billion market for high-quality 3-4 year old cars. CarNext.com will take that service to smaller businesses and individual customers.

'What's more, CarNext.com customers know that they can trust LeasePlan. Our fleets are young and get renewed frequently, so the used cars that we offer are only 3-4 years old. They have all the latest safety features, meet the newest environmental standards, and have been well-maintained throughout their lifetime. Customers also benefit from a hassle-free returns policy. This is something that few other players in the used car marketplace can offer.'

The CarNext.com platform allows customers to buy, lease or subscribe to the used car of their choice. They select their vehicle online and can then visit one of LeasePlan's experience stores for a test drive and consultation, before making a final decision. There were 18 of these stores across Europe at the end of 2017. That number will soon grow to 50.

'CarNext.com is much more than an online platform. It's the start of an entire experience for our customers,' says van Jarwaarde. 'By integrating an easy-to-use website with our state-of-the-art stores, CarNext.com brings the used car market into the 21st Century.'

CARNEXT.COM ALLOWS CUSTOMERS TO BUY, LEASE OR SUBSCRIBE TO THE USED CAR OF THEIR CHOICE

OUR ORGANISATION

LeasePlan is managed on the basis of a matrix structure where the business is run at a country level supported by twelve Corporate Functions and five Services Divisions.

The Corporate Functions provide direction to the Service Divisions, leveraging our scale and implementing best practices across the countries. Management teams at the country level supervise all aspects of local operations, which primarily aim to implement our strategy locally. Our country organisations are our face to the market and ensure a close connection to our global customer base. LeasePlan identifies Europe and Rest of the World as reportable segments, aligned with the monthly management reporting.

Services Divisions

Commerce ensures our customers are provided the best available products. Its focus is on attracting new customers, retaining existing customers, and increasing the range of services and products purchased. It is responsible for delivering customised fleet management advice to customers on topics such as sustainable fleet management (CO_2 reduction), transition to EVs, cost management, enhancing driver safety and embedding company vehicle policies.

Procurement distributes procured products and services across LeasePlan's 32 operating countries. These include approximately 350,000 vehicles annually, goods and services such as lubricants, brake pads, glass, tyres, spare parts, maintenance, damage repair, the provision of rental vehicles and road side assistance, as well as IT and other services. It generates value by optimising our margins, cutting costs and implementing policies and control mechanisms.

Insurance coverage and damage services are available to our customers in 30 countries for the duration of their contracts. In most cases, insurance cover is an integral part of our fleet management proposition. We also offer accident management and claim handling as part of our insurance and damage services.

RMT supports customers with a full range of services, including repair and maintenance of the vehicle and replacement of tyres. It enables us to provide our customers with access to a large network of more than 70,000 third party service providers at competitive

OUR ORGANISATION

rates and within short timeframes. This function is organised both globally and on a local level. Globally, the function is also responsible for monitoring of market-specific needs, data analytics and telematics analytics.

CarNext.com is our central remarketing organisation responsible for selling, leasing and renting our used cars across Europe after the expiry of the lease term. It does so via online and offline channels to private individuals and SMEs, and to professional traders, wholesalers and dealers, and offers shorter term used car leases (1-2 years).

Corporate Functions

Digital drives LeasePlan's strategy to leverage the latest digital technologies to transform LeasePlan's operations from an analogue to a digital model. To centralise and expand our digital capabilities, we opened the LeasePlan Digital Hub in Amsterdam in July 2017. The Hub supports our CaaS and CarNext.com businesses through the development of innovative solutions and services.

Strategic Finance oversees our funding and treasury operations, and houses our investor relations and corporate development functions. Through this function, we operate a very resilient, low cost and highly diversified funding base, which includes retail deposits through LeasePlan Bank, unsecured debt capital markets funding, securitisations and bank funding.

Finance oversees LeasePlan's financial budgeting and planning, reporting, consolidation and administration. It is responsible for consolidating financial results for management information and external reporting to the Dutch Central Bank (DNB) and other regulators. This function also includes tax management and the set-up and maintenance of financial systems.

Marketing function develops, governs and strengthens the global LeasePlan brand. It provides the strategic framework for our common identity, brand positioning, products and services and our commercial approach. In October 2017, it was responsible for launching our *What's next* global marketing campaign to present our views on the future of mobility and our 'any car, anytime, anywhere' aspiration, featuring TV-presenter Richard Hammond.

HR supports the execution of our corporate strategy through the creation of a high performance organisation. It is developing a comprehensive training and development programme for all employees, introducing 'Agile' working to build a culture of collaboration and implementing talent management and succession planning. It also oversees our diversity and inclusion policy which focusses on elements such as working parents and gender equality.

IT is driving our shift to becoming a highly digitalised operating company, and is currently implementing a new IT system covering all relevant processes in our value chain based on standard SAP technology. It also operates effective mitigating measures for risks imposed by cybercrime based on our technical and organisational capabilities and following best market practices.

WE ARE LEVERAGING OUR SCALE AND IMPLEMENTING BEST PRACTICES ACROSS THE COUNTRIES

OUR ORGANISATION

Legal provides exclusive, in-house and independent legal advice. It aims to avoid and mitigate legal risks by promoting compliance with applicable laws and regulations, and is in close contact with our service divisions and functions. In 2017, Legal introduced a OneLegal matrix organisation that included the roll out of a revised legal charter to provide a clear allocation of roles and responsibilities and reporting lines by the local legal counsels to local management and the General Counsel.

Corporate Affairs aims to enhance LeasePlan's brand and reputation amongst all key stakeholder groups. It is responsible for building and implementing a strong and consistent communications positioning across all internal and external platforms and stakeholders groups.

Risk is responsible for effective risk management within LeasePlan. The effectiveness of risk management is vital to LeasePlan's functioning and business. Controlled and balanced risk taking - accommodated by a strong independent risk organisation (on corporate and entity level) and risk governance, and supported by a clear tone at the top - are key elements in driving our strategy. Risk management is everyone's responsibility and risk awareness is in the DNA of all of us.

Privacy & Compliance is responsible for overseeing all privacy and compliance processes, related policies and procedures. In addition, it is responsible for aligning our internal procedures, policies and frameworks in an environment with increased compliance requirements.

Company Secretariat & Regulatory Affairs ensures proper corporate housekeeping within the LeasePlan group, and advises, guides and steers the Managing Board and the Supervisory Board on corporate law, (financial) regulatory law and corporate governance rules. In addition, it gives effect to the increasing demand for a function overarching the various departments within LP dealing with banking supervision and related regulations.

Group Audit provides internal audit services and is recognised as the third line of defence for LeasePlan's risk management. They conduct independent audits of LeasePlan's activities and provide independent assurance by assessing the effectiveness of governance, risk management and internal control processes.

CASE STUDY

What's next for LeasePlan Insurance

CASE STUDY: INSURANCE

2017 was a year of strong growth for LeasePlan's Insurance and Damage Handling activities. Gross profit in this area rose to €238 million, which is 18% higher than in 2016. LeasePlan now insures around 764,000[8] vehicles, compared to half-a-million only three years ago.

This success has not happened overnight. Four years ago, a strategy was developed to strengthen the commercial organisation and manage more risk and claims in-house. It is this strategy that is coming to fruition today.

As Hessel Kaastra, Managing Director of LeasePlan Insurance, explains: 'Different countries used to work with different external insurance companies, even though LeasePlan had its own insurance company. By embracing LeasePlan's role as mediator, insurer and claim handler, we became a true risk management partner for our clients. The introduction of the Power of One LeasePlan strategy at the end of 2016 accelerated that transformation.'

LeasePlan's insurance services are primarily aimed at fleets that lease their vehicles from LeasePlan. 'Instead of spending time, effort and money engaging with separate suppliers, customers benefit from an integrated one-stop-shop', Kaastra says. 'Moreover, LeasePlan is heavily involved in the day-to-day work of fleets and their drivers, unlike traditional insurers. This puts us in a much better position to help our customers improve safety and reduce accident frequency. This Active Prevention, as we call it, keeps their premiums down.'

Companies do not need to lease their fleets from LeasePlan in order to benefit from its insurance services. LeasePlan has a growing number of insurance-only customers and has won a number of large new contracts in 2017, including Galp and Randstad.

What's next in insurance? 'We've already shown that insurance is one of LeasePlan's core services – but we want to go further,' declares Kaastra. 'We will continue to add more insurance-only customers in the coming years, as well as making strides into new markets, including ride-hailing and car sharing.

In line with our Digital LeasePlan strategy, we also want to harness the potential of advanced data analytics to make our services more efficient and develop new products, such as connected car insurance.'

[8] Includes 37,000 used car guarantees where LeasePlan bears the risk.

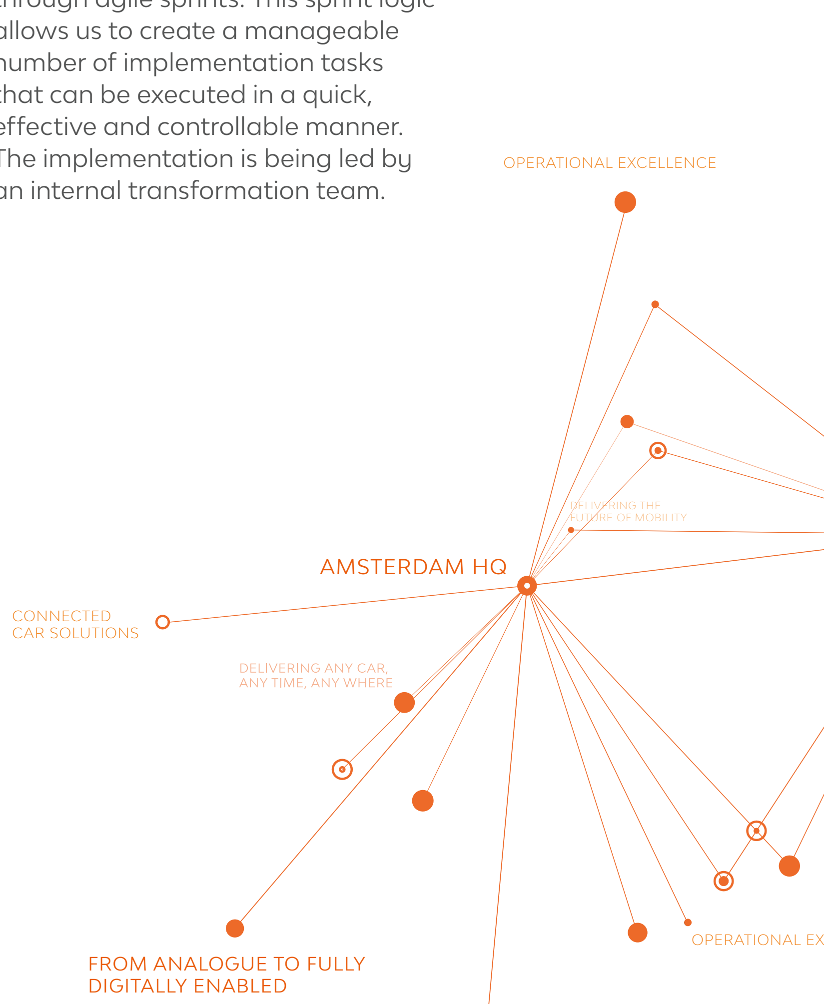
THE POWER OF ONE LEASEPLAN

During 2017, LeasePlan has continued to implement an operational improvement programme to put in place the fundamentals for the future, including best practices, and to leverage LeasePlan's scale along all elements of the value chain and across all LeasePlan countries.

LeasePlan has historically been managed as a multi-local organization, in which its overall results were the aggregate of all its local business activities. Through The Power of One LeasePlan programme, we are creating an integrated organisation, further centralising key functions, increasing management control, implementing proven best practices across all countries and identifying efficiencies at headquarter as well as country level.

The programme comprises low-risk operational improvement initiatives based on know-how and best practice that are being implemented in individual countries and being extended across the wider organisation.

The implementation process is based on clearly defined quarterly deliverables and bi-weekly follow up through agile sprints. This sprint logic allows us to create a manageable number of implementation tasks that can be executed in a quick, effective and controllable manner. The implementation is being led by an internal transformation team.



What's next? The Power of One LeasePlan

CASE STUDY: WHAT'S NEXT?
THE POWER OF ONE LEASEPLAN

'In 2017, we made great progress in implementing our The Power of One LeasePlan operational improvement program, and we are laying the foundations on which we can capitalise on the exciting opportunities we see for accelerated, sustainable growth in the years ahead,' says COO Europe Marco van Kalleveen.

As Marco explains, historically, LeasePlan was managed through a multi-local organization, with LeasePlan's overall results being the aggregate of its local business activities.

With the Power of One LeasePlan, the company is taking a new, global approach by implementing best practices and leveraging LeasePlan's scale along all elements of the value chain and across all LeasePlan countries. 'Our efforts are already bearing fruit,' van Kalleveen continues. 'Last year alone, The Power of One LeasePlan delivered savings of €130 million. And we don't intend to stop there. Our hope is that The Power of One LeasePlan will increase profits-before-tax by €370 million in the medium term.' About half of that increase is expected to come from lower overheads, and the other half from gross profit improvement.

This new approach spans across all of LeasePlan's activities, but it focuses on six key areas or 'Value Drivers': Car Remarketing (CarNext.com), Commercial, Insurance, IT, Procurement and Repair, Maintenance & Tyres. Numerous best practices have already been rolled out across the company.

For example in Insurance, LeasePlan now manages more risks and claims in-house, through its LeasePlan Insurance division. 'The Power of One LeasePlan has enabled us to become a true insurance provider,' says van Kalleveen. 'We can offer a comprehensive, integrated service to our customers – and that is proving extremely popular.' LeasePlan now insures around 764,000[9] vehicles, an increase of more than 40% in just 3 years.

The introduction of CarNext.com is another example of where the company is benefiting from The Power of One LeasePlan. Our off-lease cars now come onto our central digital marketplace and our data-driven pan-European approach enables us to effectively match supply and demand across the continent. This provides us with a profit uplift on each car and our customers with a great choice of high-quality used vehicles.

According to van Kalleveen, 'The Power of One LeasePlan has involved a lot of change and hard work, and it will continue to do so. But it is all worthwhile. This is the foundation on which we will build our business in the years to come, enabling us to grow and service our customers better.'

[9] Includes 37,000 used car guarantees where LeasePlan bears the risk.

LEASEPLAN DIGITAL

Digitalisation is a key priority and we are focused on delivering LeasePlan Digital. It will transform our operations from an analogue to a digital operating model that will provide new opportunities to enhance the customer experience, and also automate processes to reduce costs and utilise data sources.

This programme capitalises on our strengths and current leadership position in the Car-as-a-Service market to ultimately deliver on our 'any car, anytime, anywhere' aspiration.

The implementation roadmap for LeasePlan Digital has been formulated around specific stages. The first of these is also part of 'The Power of One LeasePlan' and represents the harmonisation of LeasePlan's core IT processes. This will be followed by the full digitalisation of the business, maximising the value of the existing ecosystem and developing new business models for a new ecosystem of digitally enabled services.

LEASEPLAN BANK

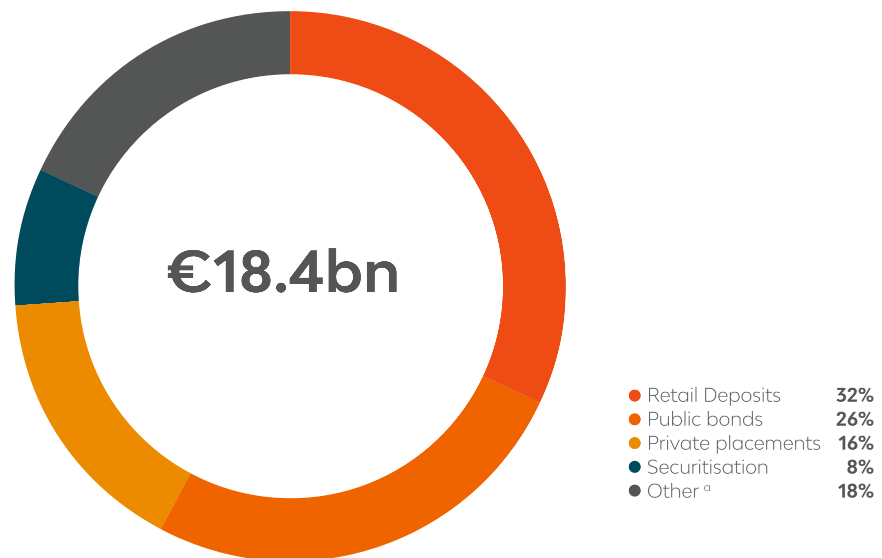
LeasePlan Corporation has a banking licence and operates LeasePlan Bank. As such it is regulated as a financial institution by DNB and the AFM.

LeasePlan Bank is an online-only savings bank that offers flexible saving accounts and term deposits to retail customers. It is integral to our funding diversification strategy and has operated in the Netherlands since 2010 and in Germany since 2015.

As of 31 December 2017, LeasePlan Bank had approximately 113,000 retail accounts in the Netherlands and 25,000 in Germany, with total savings deposits of EUR 4.65 billion and EUR 1.25 billion respectively.

A banking licence provides a competitive advantage for our business. It allows us to operate at a higher leverage while maintaining investment grade ratings, currently BBB+ by Fitch (stable outlook), Baa1 by Moody's (stable outlook) and BBB- by S&P (positive outlook). In turn, the investment grade rating contributes to relatively low funding costs and a high return on equity (16.7% for the year ended 31 December 2017). All else being equal, LeasePlan can combine both higher returns and lower risk than its peers that do not benefit from such a diversified funding platform.

Unique independent funding platform
Funding mix at end of 2017



[a] Other includes EUR 3bn in bank lines, warehouse funding fully redeemed in Q3-17

DIESEL AND OUR TRANSITION TO ZERO EMISSION MOBILITY

LeasePlan is committed to taking a leadership role in the transition from the internal combustion engine to alternative powertrains, including electric vehicles.

We announced in March last year that we are committed to achieving net zero emissions from our total fleet by 2030. We expect the shift to zero emission mobility to be a significant source of profitable growth for our business.

Diesel

In 2017, prices for 3-4 year-old high-quality diesel cars remained stable, with no discernible impact from diesel regulations over the year. Looking forward, we are well positioned to adapt to any new regulations targeted at older diesel cars that may impact vehicle sales.

LeasePlan's fleet turns over every 3-4 years, meaning the company retains exposure to just the latest and cleanest diesel models. Only 7% of our fleet is Euro V passenger cars and we expect to be almost entirely out of Euro V diesels by the end of 2018. The latest and cleanest Euro VI diesels are not subject to any legislative restrictions and continue to provide drivers with total cost of ownership benefits relative to other powertrains in key car categories.

In addition, our new pan-European CarNext.com business allows us to maximize resale options for vehicles coming off lease on a European-wide basis, leveraging cross-country pricing arbitrage opportunities.

As well as mitigating risk, our CarNext.com business has the potential to drive meaningful profit enhancements across a significant portion of the vehicles sold by LeasePlan each year.

2017 PLDV result

Profit/Loss on Disposal of Vehicles in 2017 was EUR 41 million versus EUR 69 million in 2016. This reduction was not the result of a change in used car prices or market conditions. The reduction of LeasePlan's Profit on Disposal of Vehicles represents a predictable normalisation of the exceptional Profit levels that followed the financial crisis of 2007/08.

As stated in LeasePlan's Q3 2017 results, the financial crisis led to exceptional pressure on used car prices from 2009 to 2014. During this period, LeasePlan was able to write contracts based on an expectation of unusually low Vehicle Sales proceeds. As used car prices have gradually risen, returning to the more normal levels we see today, LeasePlan has (1) generated strong Profit on the Disposal of Vehicles with contracts written during the financial crisis, and (2) gradually adjusted the Contract-End Book Values[10] within new contracts to reflect this market recovery and more normalised levels of profitability on disposal of vehicles. The reduction we are currently seeing in our PLDV is therefore simply the result of this predictable, gradual normalisation in the book value of contracts written in the post-Crisis period and is more than offset by the strong underlying growth of our business and the Power of One LeasePlan initiatives.

[10] Contract-End Book Value: Initial Contract-End Book Value of a vehicle, including modifications, if any, following changes in the contract over the term arising between start and end of contract.

05. OUR MARKETS

LEADER IN TWO LARGE, GROWING MARKETS

Today LeasePlan operates in two large and growing markets: Car-as-a-Service (CaaS) for new cars and the high-quality used car market (CarNext.com). Historically, LeasePlan has focussed on the EUR 68 billion[11] (as of 2016) CaaS market for new vehicles.

As the leading reseller[11] of 3-4 year-old used cars in Europe, based on the number of cars sold annually in terms of operating lease returns, in 2017 LeasePlan began actively penetrating the EUR 65 billion[11] (as of 2016) high-quality used car market utilising disruptive digital technologies and product/ service innovation to significantly expand its addressable market by extending its CaaS offering to used cars and creating its used car marketplace, CarNext.com.

CAR-AS-A-SERVICE

€68bn
ADDRESSABLE MARKET

GLOBAL LEADER

KEY GROWTH TREND
OWNERSHIP TO SUBSCRIPTION

CARNEXT.COM FOR 3-4 YEAR-OLD HIGH-QUALITY CARS

€65bn
ADDRESSABLE MARKET

LEADING RESELLER
IN EUROPE & EMERGING DISTRUPTER

KEY GROWTH TREND
USED CAR MARKET DIGITAL DISTRUPTION

11 Source: Embracing the Car-as-a-Service model – The European leasing and fleet management market, Roland Berger January 2018, commissioned by LeasePlan

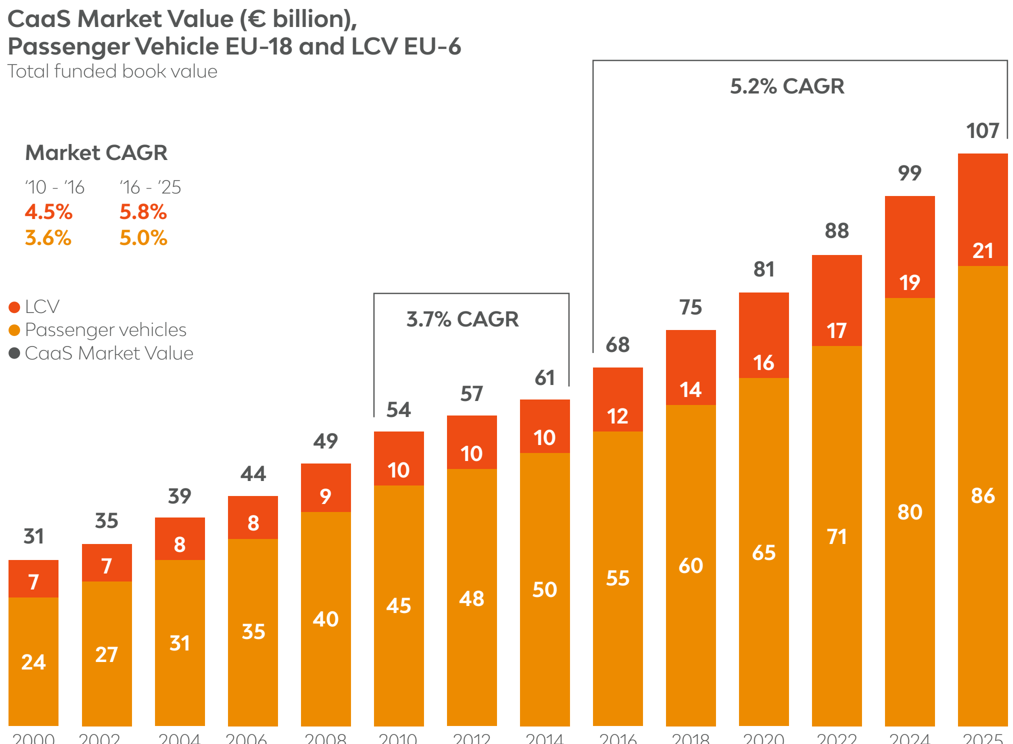
THE CAR-AS-A-SERVICE LANDSCAPE

Car-as-a-Service (CaaS) is a massive market, estimated at EUR 68 billion[12] in 2016. The CaaS market has grown every year for the last 15 years and demonstrated resilience to both the dot com crash in 2001 and the global financial crisis in 2007/08.

CaaS penetration has historically been low, accounting for only 4.8% of the total European, EU-6, EU-18 car parc in 2016.

However, it is growing and represents a significant opportunity for future market growth. Increasingly technology enabled services are broadening both the offering of Fleet Management Companies (FMCs) and the customer base. CaaS market growth is expected[12] at 5.2% Compound Annual Growth Rate (CAGR) from 2016 to 2025 vs. 3.7% CAGR from 2010 to 2016, which is mainly driven by the underlying megatrends of outsourcing and the general transition from ownership to usership and subscription. Forecasted CaaS market growth is expected to increase the CaaS penetration in the total car parc, reaching about 6.8% by 2025.

We are well positioned to capitalise on the main changes taking place in the ownership to subscription continuum; the mobility landscape; autonomous vehicles; digitalisation and sustainability. These are described in more detail as follows:



12 Source: Embracing the Car-as-a-Service model – The European leasing and fleet management market, Roland Berger January 2018, commissioned by LeasePlan

THE CAR-AS-A-SERVICE LANDSCAPE

1. CaaS: Ownership to subscription

While the term 'Car-as-a-Service' (CaaS) is relatively new, the CaaS market has actually been developing for more than 80 years. In the 1930s, vehicle OEMs began providing car financing solutions to corporate customers as a way to increase car sales. The OEMs were soon followed by banks and other financial institutions which saw car financing as an opportunity to diversify their product portfolio. In the 1960s, large companies started to outsource the management of fleets allowing them to focus on their core businesses. This trend continued in the 1980s with the development of financing solutions that transferred the ownership of the vehicle from the user to the financing provider and with that reduced the risk for the user.

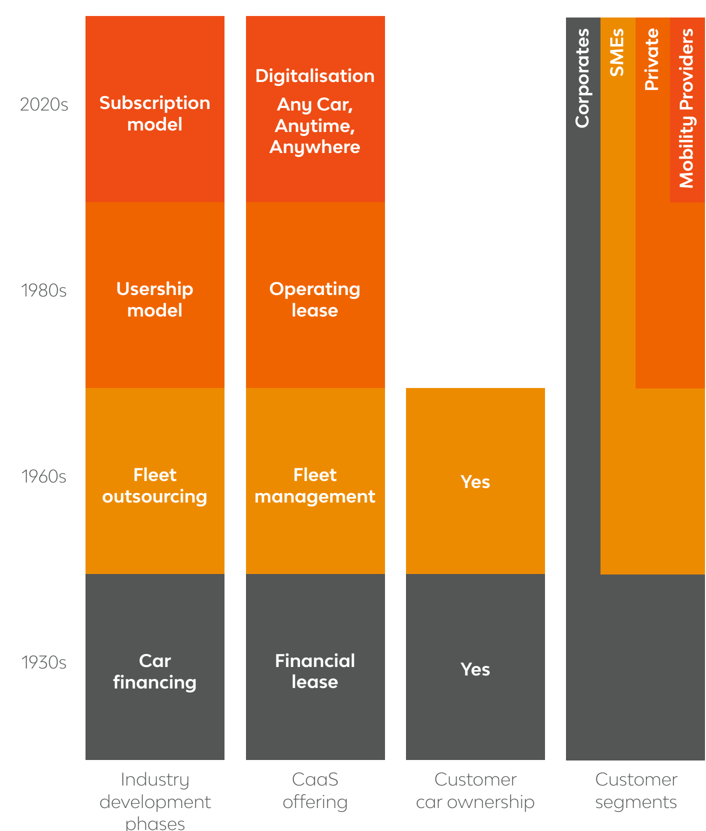
As vehicles become increasingly complex to own and maintain (e.g., insurance, tax, servicing, changing regulation, software upgrades) consumers are opting for a hassle-free subscription based model that provides the flexibility to meet all of their vehicle needs. Research by consultancy Roland Berger[13] of Fortune 1000 companies found that 68% of participants believed 'service' to be the most important factor of competition in the automotive industry. This shift is particularly present among the millennial generation. A 2013 survey[14] of millennials in the U.S. found that ownership of a vehicle was not important for 85% of those surveyed.

The trend of migrating from selling products to providing products-as-a-service is part of a broader megatrend from ownership to usership and subscription. It can be seen across industries from music and films to IT infrastructure and aero-engines.

2. The mobility landscape

Across industries a shift to the sharing economy can be seen. Factors such as urbanisation, digitalisation and consumer behaviour have driven the rapid growth of new mobility providers,

From ownership to subscription
continuous development of CaaS



Source: Roland Berger

13 Source: Roland Berger, COO insights - Service Excellence, 2015/1
14 Source: Goldman Sachs Fortnightly, Thoughts Intern Survey.

which include a variety of models from ride hailing platforms such as Uber to ride-sharing platforms such as Zip Car, Car2Go and DriveNow. The growth of these is expected to support an increase in total passenger kilometres (KM) travelled with a greater share from shared cars. The continuation of this trend is expected to lead to lower levels of vehicle ownership amongst Private Individuals in the long run as fleet penetration increases, which presents FMCs with a significant market opportunity in providing CaaS to these new Mobility providers and their partner drivers. New Mobility Providers generally do not want to own vehicles and do not have the expertise to service fleets. These Mobility Providers are generally in need of services that enable them to focus on their core business of providing asset light technology platforms connecting passengers to drivers. In addition, the higher mileage and utilisation of shared vehicles is expected to provide increased revenue streams from vehicle maintenance and management for FMCs.

3. Autonomous vehicles

OEMs and new Mobility providers are making significant investments to develop autonomous vehicles. Autonomous vehicles (AVs) have the potential to provide material benefits, including increased safety and efficiency gains resulting in lower cost of use/ownership for the end-customer or passenger. Whilst technology developments to enable autonomous vehicles are accelerating, widespread adoption of autonomous vehicles is not expected before 2030. Adoption of autonomous vehicles is expected to be a catalyst to the CaaS market growth opportunity for FMCs. The removal of the driver has the potential to transform the economics of ride hailing services, reduce personal car ownership and lead to an explosion of AV fleets that can be funded and maintained by FMCs. By providing a managed service of high quality autonomous vehicles, FMCs will be an important enabler to the continued significant growth of shared car use and new Mobility providers

4. Digitalisation

Continuing developments in technology are enabling car usership to be enhanced through digital products and services. The digitalisation trend supports increased growth in the value of the CaaS market through additional digitally enabled services such as telematics and fleet reporting tools. The CaaS offering is expected to increasingly involve online, on demand services. The digitalisation trend is expected to also support the rapid growth of New Mobility Providers. Significant investments are also being made to develop autonomous vehicles, which is expected to be a growth catalyst to the CaaS market in the long-term.

With the roll out of LeasePlan Digital, we will deliver best-in-class digital services to all our customers in all areas of our business at digital cost levels, leveraging the latest digital technologies. *What's next* for our customers is therefore an 'any car, anytime, anywhere' service.

5. Sustainability

Sustainability is receiving ever greater prominence regardless of the product or service. We believe this is particularly important for FMCs as their customers seek to ensure that their actions are socially responsible and use of cars is efficient and sustainable. This is an opportunity for LeasePlan to provide advisory services and additional technology enabled tools to ensure customers are getting the most out of their car fleets with minimal environmental impact.

Although electric vehicles, including plug-in hybrid vehicles and battery only powered electric vehicles, represent a small part of the car market today, greater adoption is expected as stricter emission regulations are implemented and technology developments reduce the cost of production.

What's next in sustainability and low-emission vehicles is an important dynamic for our business. Electric vehicles are expected to provide new opportunities for FMCs, including potential for separation of financing of the battery from the car (facilitating technology upgrades) and energy management.

LEASEPLAN IS COMMITTED TO ACHIEVING NET ZERO EMISSIONS FROM ITS TOTAL FLEET BY 2030

THE CARNEXT.COM LANDSCAPE

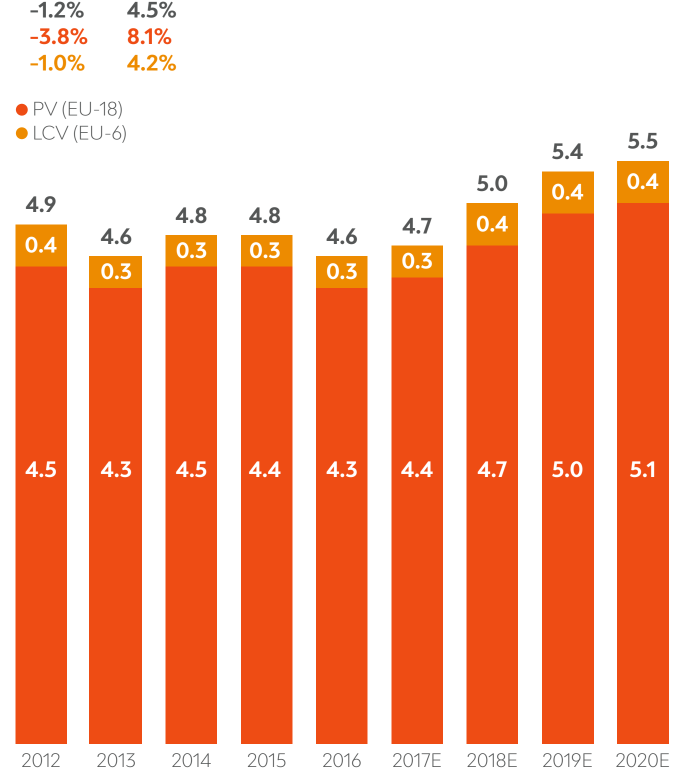
LeasePlan estimates that the current market size of used cars across all car age segments in Europe is approximately EUR 400 billion as of 31 December 2017.

Our business related to used cars focuses on the more attractive 3-4 year-old segment which tends to enjoy higher liquidity of sales and faster turnover and is subject to limited impact from diesel-related regulatory action.

According to the Roland Berger Report, the market size of the combined 3-4 year-old Passenger Vehicle (PV) in EU-18 and Light Commercial Vehicle (LCV) in the EU-6 used car market, was approximately EUR 65 billion as of 31 December 2016. The market volume of the combined 3-4 year-old PV in EU-18 and LCV in the EU-6 used car market, was approximately 4.6 million as of 31 December 2016.

The Roland Berger Report forecasts that this combined market volume will grow by a CAGR of 4.5% from 2016 to 2020, with the market volume of the 3-4 year-old PV in EU-18 and LCV in the EU-6 used car markets are expected to grow by a CAGR of 4.2% and 8.1%, respectively, during the same period, as is shown in the table on this page.

Combined three to four-year-old PV (EU-18) and LCV (EU-6) market volumes
(in millions)



Source: Embracing the Car-as-a-Service model – The European leasing and fleet management market, Roland Berger January 2018, commissioned by LeasePlan

THE CARNEXT.COM LANDSCAPE

1. The used car market is highly fragmented, opaque and broadly suffers from low trust from customers

The used car market is highly fragmented. The European used car market consists of intermediaries, traders and approximately 54,000 dealerships. According to Automotive News Europe 2016 Guide to Europe's Biggest Dealer Groups, the largest used car dealer group accounts for annual sales of approximately 175,000 used cars, which is less than 1% of the total market share in EU-28.

The used car market is also perceived as a relatively opaque industry, with information asymmetry between buyers and sellers. According to a customer survey by the European Commission, approximately two in five customer respondents reported experiencing at least one problem within a year of buying their used car; approximately one in five respondents who complained to the trader from whom they purchased the car was not offered any form of solution and approximately one in four respondents reported having experienced unfair commercial practices. As a result, the used car market suffers from a generally low level of trust from customers. According to another survey of the European Commission, the used car market is ranked 38 out of 42 goods and services markets and 13 out of 13 goods markets in terms of market transparency. Hence, the used car market is believed to offer a huge opportunity for disruption for a player like LeasePlan to offer transparency and quality.

2. Application of digital technologies are enabling greater transparency, efficiency and disintermediation of the used car market

Digital technologies greatly increase the ability of industry participants to sell used cars in various geographies and cross-border through their online car sale platforms.

According to Deutsche Automobil Treuhand GmbH (DAT Group), an information centre for the European automobile industry, the share of customers using internet search to find their used car has grown from 25% in 2000 to 90% in 2016, with over 30% of customers making their purchasing decision online.

Digital technologies also allow significantly greater transparency and efficiency in the used car market. Online portals facilitate access to car history such as maintenance and repair track record and give consumers more information in terms of brand, model, year and specifications, thereby enhancing the choice for consumers. Furthermore, digital technologies facilitate industry players in disintermediating the value chain, breaking geographical borders and shifting towards B2C sales thereby capturing a larger share of the value chain and improving profit margins. Traditionally, used cars at the end of their leases with FMCs are sold to retailers, either through auction websites or wholesalers or both, from where end customers buy their used cars.

CASE STUDY

Accelerating the ride-hailing revolution

CASE STUDY: RIDE-HAILING

Ride-hailing is one of the most important developments to impact the world of mass mobility since cars became an affordable addition to the average family in the 1950s and 60s.

In fact, according to leading global consultancy Roland Berger, the Car-as-a-Service market for Mobility Providers such as Uber and Lyft could reach €8 billion in Europe by 2025, implying a 50% CAGR.

"Especially in the densely populated inner cities, you can foresee a situation in which a significant number of people prefer to tap into a ride-hailing service, such as Uber, rather than owning their own car," says António Martins, Managing Director, LeasePlan Portugal.

As António explains, the trend away from car ownership to usership and subscription models via ride-hailing services is already leading to new growth opportunities for LeasePlan.

"Companies like Uber don't want to own cars; they want to focus on their core business, which is matching drivers with riders through their technology platforms," says António. "Providing cars is our core business, so we're very well placed to help them meet that need."

In 2017, LeasePlan entered into a pan-European partnership with Uber to provide its drivers with full operational lease cars in a number of its key markets. Although the partnership has been running for just a year, LeasePlan already provides 1800 Uber drivers with Car-as-a-service across 11 countries.

"That means that we take care of everything – repairs, maintenance, insurance – so Uber driver can focus exclusively on their core business: driving. Although the exact value proposition varies slightly per country, our overall goal is consistent: to help our partners accelerate the ride-hailing revolution and be the number one provider of Car-as-a-service to the ride-hailing industry."

OUR GOAL IS TO BE THE NUMBER ONE PROVIDER OF CAR-AS-A-SERVICE TO THE RIDE-HAILING INDUSTRY

06. WHAT'S NEXT STRATEGY

LEADING THE MEGATREND FROM OWNERSHIP TO SUBSCRIPTION

Today, LeasePlan is the world's leading Car-as-a-Service (CaaS) company and *What's next* for LeasePlan only strengthens that position.

There is a clear megatrend from ownership to usership and subscription models taking place in both the new car markets and in the high-quality used car markets. Increasingly, our customers – whether they are Corporates, SMEs, Mobility providers or Private individuals – just want a CaaS with no strings attached in terms of car type or duration. In short, they want 'any car, anytime, anywhere'.

LeasePlan, which has been providing CaaS for over 50 years, is a global leader in the EUR 68 billion CaaS market for new cars and is in pole position to lead the growth of CaaS in the EUR 65 billion market for the sale of 3-4 year-old cars.

To capitalise on our leadership positions, we have developed an updated strategic plan with three key focus areas:

01. VISION
02. PEOPLE
03. CULTURE

01. VISION

To deliver our new Vision of 'any car, anytime, anywhere', we have identified the following strategic priorities, each of which is supported by a detailed implementation roadmap:

1. Continue to grow our Car-as-a-Service business for new cars

We will continue to grow our CaaS business which encompasses subscription-based mobility solutions with integrated services. LeasePlan is a global leader in this EUR 68 billion[15] growth market. Our approach will be to target disciplined profitable growth in the most attractive and service-intensive segments of the market: Corporate, SME and Mobility provider customers.

Within these segments, we will build on our current high-value offering with innovative new products and services in areas including repairs and maintenance, insurance, and low-emission vehicles. Going forward, LeasePlan's leadership position will be further enhanced by its growing digital capabilities, which will enable us to deliver a superior online and offline service to all our customers at digital cost levels. Looking further ahead, we also expect our CaaS business to benefit significantly from other megatrends in the mobility space, such as the expected arrival of autonomous vehicles which will increase the need for the sophisticated fleet management services we provide.

2. Launch CarNext.com and disrupt the market for high-quality used cars

In 2017, LeasePlan launched CarNext.com with an aim to create the leading marketplace for flexible mobility solutions centred on trust, efficiency and transparency. With 1 million funded vehicles on the road in Europe (1.2 million funded fleet contracts globally) and a guaranteed supply of 250,000 well-maintained cars returned every year out of LeasePlan's CaaS business, CarNext.com is able to deliver 'any car, anytime, anywhere' to customers in Europe.

Specifically, CarNext.com provides its customers with unprecedented

[15] Source: Embracing the Car-as-a-Service model – The European leasing and fleet management market, Roland Berger January 2018, commissioned by LeasePlan

flexibility to buy, lease or subscribe to any used vehicle on its platform. Its proprietary Asset Control Tower data analysis tool matches vehicle supply from LeasePlan together with customers' mobility demand one to one in real time, allowing LeasePlan to maximise car lifecycle value across European geographies and products (sale, lease subscription). Ultimately, this service will be extended beyond LeasePlan to trusted 3rd party owners of high-quality used cars.

CarNext.com will operate primarily through its online CarNext.com platform, supported by a Pan-European network of up to 50 delivery stores, where customers can view its high-quality used cars, receive necessary consultation services and make a final decision. All the cars on the CarNext.com platform are well maintained, can be trusted and come with the guaranteed endorsement of LeasePlan.

CarNext.com is already growing strongly. In the financial year 2017, CarNext.com grew its penetration of B2C sales in Europe from 7% to a run-rate of 15% at year-end 2017. In addition, used CaaS was introduced at scale resulting in 3,200 used cars being leased in 2017.

Long-term, we expect CarNext.com to be a multi-hundred million euro profit before tax opportunity for LeasePlan, as the megatrend towards CaaS takes place not just in the new car market, but also in the high-quality 3-4-year-old used car market.

3. Drive further operational excellence through The Power of One LeasePlan

In 2017, we launched an operational improvement program to get the fundamentals in place for the future, implementing best practices and leveraging LeasePlan's scale along all elements of the value chain and across all LeasePlan countries. Best practices in repairs, maintenance and tyres, insurance and used car sales add a lot of value for our customers and will continue to create significant value for our shareholders. Leveraging our scale in Procurement, IT and Digital will further enable us to grow and service our customers better.

Historically, LeasePlan was managed through a multi-local organisation, with LeasePlan's overall results being the aggregate of its local business activities. With 'The Power of One LeasePlan', we are creating a fully integrated operating model globally, laying the foundations on which we will build our business and capitalising on the exciting opportunities we see for strong and sustainable growth in the years ahead.

In total, 'The Power of One LeasePlan' is targeting a EUR 370 million profit before tax uplift in the medium term compared to the 2016 baseline, of which EUR 130 million was realised in 2017. Nearly half of the benefits are expected to be achieved through reducing operating expenses with the balance coming from gross profit improvement. The Power of One LeasePlan will continue for the foreseeable future in line with our relentless focus on operational excellence. In parallel,

LeasePlan is investing significantly to drive strong long-term growth. In 2017, LeasePlan had EUR 40 million incremental operating expenses, invested primarily in the ramp-up of Marketing, LeasePlan Digital and CarNext.com operations.

4. Roll out LeasePlan Digital to deliver digital services at digital cost levels, ultimately leading to the delivery of 'any car, anytime, anywhere'

In order to deliver LeasePlan's vision of 'any car, anytime, anywhere' in both our new and used CaaS markets, we launched in 2017 our new 'LeasePlan Digital' programme. The objective of this programme is to transform LeasePlan from an analogue business into a fully digitally-enabled business, delivering digital services through digital platforms at digital cost levels, leveraging the latest digital intelligence technologies (e.g., artificial intelligence, algorithms and deep learning). Specific focus areas include enhancing digital engagement with our customers and building a digital market platform for CarNext.com. We will also leverage the latest technology to achieve digital cost levels by automating processes using machine learning, artificial intelligence and robotics. Furthermore, a fully digitized business model will put LeasePlan in an excellent position when autonomous fleet management becomes mainstream. To support the rollout of LeasePlan Digital, we established in 2017 the LeasePlan Digital Hub in Amsterdam. The LeasePlan Digital team will grow significantly in the coming years in order to develop the platforms, products, services and competencies required to deliver 'any car, anytime, anywhere'.

5. Aim to achieve net zero emissions from our total fleet by 2030

LeasePlan is taking a leadership role in the transition from internal combustion engines to electric and other alternative powertrains. We have therefore set ourselves the ambitious goal of achieving net zero emissions from our total fleet by 2030, supporting the effective implementation of the Paris Agreement and climate-related Sustainable Development Goals.

Key elements of our sustainability strategy include educating customers on *What's next* in low-emission vehicles, facilitating the uptake of low-emission vehicles with attractive customer propositions and transitioning LeasePlan's own employee fleet to an electric vehicle fleet by 2021. To further support our sustainability ambitions, LeasePlan became a founding partner of EV100, a new global business initiative designed to fast-track the uptake of electric vehicles and infrastructure among large global corporations, launched by The Climate Group around the UN General Assembly in September 2017.

The CO_2 performance of LeasePlan's service fleet is continuously improving[16]. Throughout the period 2011-2017, the CO_2 footprint of LeasePlan's fleet of diesel vehicles improved by 4.8% per annum on average and 4% per annum on average for the company's fleet of petrol vehicles. The CO_2 footprint of LeasePlan's own employee fleet is 11% less compared to the footprint from its total fleet.

[16] All car fleet data related to composition, term & mileage, fuel & fuel consumption are collected locally through International FleetReporting (for client related data) and via local HR departments (for LeasePlan employee data).

01. VISION

Our shareholders

In 2016, LeasePlan was sold by the Volkswagen Group to a consortium of responsible investors. LeasePlan's management is committed to delivering long-term value to its new shareholders. In 2017, we saw a step change in our underlying net result of EUR 532 million (2016: EUR 455 million), while our reported net result was EUR 467 million. We expect to continue to deliver low double-digit underlying profit growth over the next few years and our return on equity to increase.

02. PEOPLE

It is our belief that 'you cannot grow a business; you can only grow people who grow businesses'.

In a highly competitive and disruptive digital environment, it is our people that will make the difference between winning or losing, and to delivering our vision of 'any car, anytime, anywhere'. We are therefore making significant changes to our LeasePlan People Strategy.

Key focus areas are:

1. Strengthening LeasePlan's leadership

In 2017, we took significant steps to strengthen the LeasePlan leadership team, selecting the best talent from within the company, complemented by external experts. Our approach with all our leaders is to empower them in senior positions where they can make an impact. We have also initiated a rigorous succession planning process to build a pipeline of great people, who will be promoted to bigger roles or special assignments as appropriate. Taken together, these actions are enabling us to consistently enhance and upgrade the LeasePlan talent pool for the next phase of our journey.

2. Developing a highly effective leadership culture at LeasePlan

Our objective is to create a high degree of ownership and personal responsibility that rewards excellent performance in line with our values and risk management framework.

3. Building digital competencies via a new Digital People Strategy

Our ambition to deliver 'any car, anytime, anywhere', supported by LeasePlan digital require us to build a whole new range of skills and competencies across the organisation. A 'Digital People Strategy' will therefore be developed in 2018.

4. Introducing training and development for personal leadership

We know that to grow our business, we need to grow our people both in skills and competencies, but most importantly in character and attitude. A key enabler in sustaining and developing a highly effective leadership culture at LeasePlan will be our Leadership journeys, which we began rolling out in 2017 and which will be extended to the entire organisation in 2018.

03. CULTURE

We will continue to invest in our unique LeasePlan culture in order to deliver 'any car, anytime, anywhere'.

LeasePlan people are rightly proud of our heritage of more than 50 years. This is testimony to the strong service culture that has been created and sustained over the first half century of our operation.

Moving forward, we will be conscious of all the strong values and beliefs that have enabled us to become a global leader. Equally, we will evolve our culture to include a strong performance and accountability ethos. This is crucial given the ambition we have set ourselves and our commitment to transforming LeasePlan from an analogue business into a fully digitally enabled business. This will ask a lot of our people.

However, we believe that our culture of service and care for our customers and for each other, our culture of mutual dependency and accountability, and our commitment to the ambition we have set ourselves, will ultimately enable us to deliver another 50 years of *What's next* for our customers, shareholders and broader stakeholder base.

CASE STUDY

What's next? Global marketing campaign

CASE STUDY: 'WHAT'S NEXT?' GLOBAL MARKETING CAMPAIGN

In October, LeasePlan launched a major new global marketing campaign, featuring Top Gear and The Grand Tour presenter Richard Hammond.

The theme of the campaign was *What's next*, and its objective was simple: to highlight LeasePlan's commitment to offering its customers 'any car, anytime, anywhere'.

CEO Tex Gunning: "We were delighted to launch our global What's next campaign with Richard Hammond, which underlines our aspiration to provide the latest in mobility via a fully flexible 'any car, anytime, anywhere' service. The campaign was also an excellent opportunity to re-introduce ourselves to all of our key stakeholders and show them what the new LeasePlan is all about."
The centrepiece of the campaign was a 3-minute 'mission' film starring Richard Hammond. This was very well received and amassed over 8 million views in total across YouTube, Facebook and Twitter. It succeeded in significantly raising LeasePlan's profile among target audiences.

As part of the campaign, LeasePlan also introduced a number of innovative new propositions. These included a 'Click & Drive' offering for the fast-growing SME segment and an end-to-end electric vehicle proposition for corporate customers based in Europe – the first product of its kind.

'It was particularly pleasing that the campaign brought in a lot of new business,' says Gunning. 'We sold 7,000 Click & Drive vehicles and secured more than 3,000 meetings with both existing and prospective corporate clients to discuss our 360 Formula.' LeasePlan's 360 Formula helps its customers to improve safety, sustainability and employee satisfaction, while reducing the total cost of their fleets.
Tex concludes: 'This was a bold campaign for a bold company. *What's next* isn't just a slogan for LeasePlan – it's what we're all about.'

07. PEOPLE

WE 'GROW' PEOPLE WHO GROW OUR BUSINESSES

At LeasePlan we recognise that 'you cannot grow a business; you can only grow people who can grow the business.' Only employees who are given excellent opportunities to develop their potential can be capable of driving business performance.

We also realise that our global leadership is a by-products of a culture of service and care towards our customers and each other.

As we look ahead, we are conscious that the culture that has enabled us to reach this stage in our development must continue to evolve in order to face the opportunities and challenges that will define the next 50 years of our business. Crucial among these is our mission to deliver *What's next?* for our customers, shareholders, employees and other stakeholders, and to transform LeasePlan into a digitally enabled business capable of delivering 'any car, anytime, anywhere'.

To chart this course, in 2017 we began implementing a far-reaching transformation of our People organisation. At the heart of this transformation is the introduction of a methodology to make focus and accountability our core competence. This is supported by a new Agile way of working and next to this we introduced personal leadership journeys for each of our people. Our aim is to create a highly-effective leadership culture in which people take responsibility for their career and are empowered to be innovative and creative.

Employee base

The average number of FTEs at the end of 2017 totalled 6,615 (2016: 7,116).

In June 2017, we completed the move of our corporate headquarters in the Netherlands from Almere to Amsterdam, thereby further strengthening our appeal in the labour market for new talent, particularly among those with the skills and competencies we require to implement The Digital Power of One LeasePlan in the years ahead.

We plan to have the global engagement survey in 2018 to give us deeper information about employee satisfaction. Following a short baseline survey, we will be looking to monitor trends in satisfaction on a periodic basis in a simple yet effective way, while providing room for the countries to execute more detailed assessments if needed.

Highlights 2017

In 2017, we began transforming every aspect of our people organisation and strategy to have a highly effective leadership culture by 2020.

With a clear view on where we want to be, we have begun defining our priorities and plans for developing our competencies and capabilities in key areas. Highlights of the year included:

- A new HR team and governance system to reflect our new way of working together was established as part of our first steps to become a globally coordinated network organisation.

In 2017, the team focused on actions that prepare the foundations for the launch of our People strategy next year.

- In April, we coordinated the launch of Agile with country-specific training programs in 27 countries with trained local ambassadors. Agile is a new way of working, which contrary to a top-down decision-making structure, empowers people to do their job in a creative and efficient way.

Many countries reported accelerated team results and better collaboration levels almost immediately after the trainings were held.

- We began the first of our personal leadership journeys in June 2017, starting with the Managing Board. This personal development programme, which encouraged people to grow and earn the trust of their colleagues, will be rolled out to the leadership teams in all countries in 2018, and afterwards rolled out to the whole organisation.

- In June 2017, we launched a new methodology for management by objectives for the European teams. This will enable us to take the right operational actions to achieve top-level objectives, embed operational targets into our performance management, and establish transparency in our results. Supported by Agile, this methodology will help us to unlock our individual and team potential. In 2018, we will bring this together in the LeasePlan operational excellence handbook and proceed to full implementation.

One of the most visible aspects of our global HR transformation will be the roll out of a global HR cloud solution, which will digitize a large aspect of our employee's experience on a global level. The platform will enable performance and compensation to be managed in a transparent and consistent way while facilitating faster and better fact-based reporting by HR at a lower cost.

The transformation of our HR function will continue in 2018 when we will also launch our new People strategy, implement our HR Cloud solution and take the next steps towards The Digital Power of One LeasePlan.

Longer term we will constantly review innovations in the HR field while looking for the right people to drive our business forward to maintain and increase our competitive advantage.

Our strategic focus

LeasePlan operates in a highly competitive and disruptive digital environment in which the quality of our people will be the measure of our success. The People organisation must therefore enable LeasePlan to develop the in-house skills and competencies that are necessary to deliver The Digital Power of One LeasePlan. To achieve this, we are developing a new People strategy for the period ahead that is aligned to LeasePlan's overall strategy, and which will be unveiled in 2018.

This strategy will focus on the following priorities:

1. **Strengthen our leadership:** we look to empower our leaders with senior positions where they can make an impact, while building a pipeline of great people to meet our needs in the future.

2. **Develop a highly effective leadership culture with a new approach to compensation and benefits:** we are creating a high degree of ownership and responsibility among our people by recognising and rewarding excellent performance.

3. **Build digital competencies as part of our People Strategy:** our digital ambitions require us to build a new range of skills and competencies across the organisation in the years ahead.

4. **Strong focus on education and development for highly effective leadership:** we aim to grow our people's professional skills and competencies, as well as their character and attitude. Our personal Leadership Journeys, which began in 2017, will be a key element in this.

Diversity and inclusion

We believe a truly inclusive organisation delivers many benefits. It helps us to attract and retain talented people, allows us to better understand our stakeholders' needs, and enables us to develop an international mind-set, thereby contributing to a highly effective organisation.

Our current Diversity & Inclusion (D&I) policy focusses on specific elements such as working parents, gender equality and equality in career management and promotion. To ensure it is applied in a strong and consistent way, we are looking to share best practices, create communications materials, enhance internal and external tools and nominate role models.

This approach has been largely successful and over the years, has resulted in multiple external recognitions at a country level. In 2018, we aim to further strengthen the inclusiveness of our working environment and to renew our D&I policy globally.

08. SUSTAINABILITY

COMMITTED TO LEAD THE TRANSITION TO NET ZERO EMISSIONS BY 2030

LeasePlan operates in an industry at the crossroads of a rapid and far-reaching transformation. Automobile manufacturers are responding to the challenges of the Paris Agreement and to ever-greater demands for safer, more efficient and cleaner vehicles, while national and local authorities look to enhance mobility, reduce congestion levels and harmful pollutants.

At the same time, technological changes are shaping the competitive landscape and changing consumer behaviours with new digitally enabled products and services.

As part of our aim to use our scale, expertise and broad geographic presence to be at the heart of the discussion on sustainability, LeasePlan introduced a new Sustainability Strategy in 2016, which has been updated in 2017. The strategy is our attempt to clearly outline the decisive steps we will take to deliver *What's next* in sustainability, by aligning this strategy with the broad environment, social and governance (ESG) interests of our key stakeholders. This commitment is not an optional add-on to our current business activities but also a vital enabler of our overall strategy towards all stakeholder groups

Highlights 2017

Although our strategy continues to evolve, in 2017 we have already begun to take a leadership role in the transition from internal combustion engines to alternative powertrains, in support of the implementation of the Paris Agreement and climate-related Sustainable Development Goals.

Last year we announced our commitment to achieving net zero emissions from our total fleet by 2030, the first company in our industry to do so, by facilitating the uptake of low-emission vehicles with attractive customer propositions, and by transitioning LeasePlan's own employee fleet to an electric vehicle fleet by 2021. In 2017, we made further progress in the following areas:

Founding partner EV100

LeasePlan became a founding partner of EV100, a new major global transport initiative designed to fast-track the uptake of electric vehicles among

corporate companies launched by The Climate Group around the United Nations General Assembly in New York. EV100 members commit to transition their petrol and diesel fleets to electric vehicle fleets by 2030.

Other EV100 founding partners are Unilever, Baidu, IKEA Group, HP Inc., Vattenfall, PG&E, Deutsche Post DHL and Metro AG. LeasePlan is the only automotive company to join the initiative.

Launched electric vehicle proposition at UN COP23

LeasePlan launched its electric vehicle pilot program for large corporate organizations during the UN Climate Change Conference (COP23) in Bonn, Germany. LeasePlan's new EV pilot program is designed to make it as easy as possible for the growing number of large companies that want to make the switch to low-emission vehicles.
The pilot includes low-emission vehicles, charging infrastructure and high-impact carbon offsetting.

Supported the G20's Task Force on Climate-related Financial Disclosures (TCFD) recommendations

LeasePlan signed an international business declaration in support of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Set up two years ago by the G20's Financial Stability Board, the TCFD has developed a set of recommendations for companies to disclose information on how they oversee and manage climate-related risks and opportunities, as well as the material risks and opportunities to which they are exposed.

Work will continue in 2017 to ensure the consistent implementation of TCFD recommendations within LeasePlan. We will also work with our customers to ensure they understand the potential impact of the TFCD recommendations upon their own reporting and disclosure activities – and the role that low-emission vehicles can play in reducing their overall emissions footprint.

Launched first annual Sustainable Fleet Benchmark

LeasePlan developed and launched its first annual Sustainable Fleet Benchmark, which underlines the significant contribution that corporate fleets can make in the fight against climate change, and highlights the organisations that are already switching to sustainable fleets. The Benchmark's findings are based on an analysis of LeasePlan's database of over 500,000 vehicles across more than 30 countries, operating in sectors ranging from healthcare to technology.

OUR SUSTAINABILITY STRATEGY

The updated LeasePlan Sustainability Strategy broadens our approach along the following three strategic imperatives.

01. LOW-EMISSION MOBILITY

02. SOCIETAL WELLBEING

03. REDUCE ENVIRONMENTAL IMPACT

For each focus area we have developed action plans, with an integrated implementation plan being scheduled for completion in the first half of 2018. This will include targets with clear milestones, resourcing and timelines. The basis of the strategy is clear governance, consistent reporting and an open stakeholder dialogue. To oversee our implementation plan, monitor progress and to ensure we quickly leverage best practices across the entire organization, we will also create a new cross-company Sustainability Steering Committee, chaired by the Chief Risk Officer, who is a member of the Managing Board. The implementation program will be coordinated by a dedicated Corporate Social Responsibility (CSR) Manager reporting to the Chief Risk Officer.

01. HELP SHAPE THE FUTURE OF LOW-EMISSION MOBILITY

Access to clean, safe and affordable automotive transportation is essential to the effective functioning of our cities, societies and economies.
As a responsible company, LeasePlan is committed to taking a leadership role in the transition from internal combustion engines to alternative powertrains. We have set ourselves the ambitious goal of achieving net zero emissions from our total fleet by 2030, supporting the effective implementation of the Paris Agreement and climate-related UN Sustainable Development Goals.
Our aim is to help create healthier environments in our towns and cities by promoting cleaner, low-emission vehicles and the infrastructure required to make these cars a viable option for our customers.

Key focus areas

- Rolling out the company's new electric vehicle proposition to customers across Europe. The proposition includes vehicles, charging infrastructure and high-impact carbon offsetting to make it as easy as possible for LeasePlan customers to make the switch to low-emission mobility
- Training LeasePlan commercial staff to ensure they can provide up-to-date advice and guidance to customers on *What's next* in low-emission mobility
- Advocating the implementation of policies to encourage the adoption of low-emission mobility via organizations including the World Economic Forum and The Climate Group's EV100 initiative
- Implementing LeasePlan's commitment to transition its employee fleet to an 100% electric vehicle fleet by 2021

02. STRENGTHEN OUR CONTRIBUTION TO SOCIETAL WELLBEING

As one of the world's largest Car-as-a-Service companies and as an employer of approximately 7,000 people, LeasePlan has an important opportunity to strengthen societal wellbeing among both its employees and the communities it serves.
We are currently introducing a number of new programs and initiatives in this important area.

Key focus areas

- Strengthening the LeasePlan culture of service, engagement and care via our Leadership Journeys, which will continue to be rolled out across the company in 2018
- Developing road safety programs for customers and employees focused on our Active Prevention five-step approach

- Updating the Supplier Code of Conduct to ensure all our suppliers act in accordance with our high ethical standards and all applicable laws

- Supporting the development of a diverse and inclusive workplace via the consistent implementation of a renewed company-wide Diversity & Inclusion policy

- Enhancing our talent management and succession planning activities to ensure our people can learn and grow on the job and are promoted to bigger roles or special assignments as appropriate. Our activities here will include the enhancement of the LeasePlan Academy and the introduction of a Digital People Strategy to ensure our people have the skills to thrive in the era of the Fourth Industrial Revolution

- Introducing an Occupational Health & Safety policy and ensuring its consistent implementation across LeasePlan

03. REDUCE OUR OVERALL ENVIRONMENTAL IMPACT

We will lead by example when it comes to reducing our overall environmental impact by increasing the proportion of renewable energy used across all LeasePlan operations and cutting our overall energy consumption wherever possible.

Key focus areas

- Reducing energy consumption in our office buildings, ICT and other facilities (e.g., CarNext.com Experience Centres)

- Transitioning to suppliers of renewable energy wherever possible

- Reducing waste and water consumption wherever possible in LeasePlan buildings. Our progress here will be reported and aligned with the Carbon Disclosure Standards Board

- Implementing the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD)

HUMAN RIGHTS

We recognise that human rights should be considered fundamental and universal which is why we respect the human rights as stated in the United Nations' Universal Declaration of Human Rights and the principles of the International Labour Organisation. We avoid being complicit in human rights abuses of any kind. We do not use forced or compulsory labour and nor do we employ child labour. Human rights are also mentioned in our Supplier Code of Conduct.

CASE STUDY

Accelerating the zero-emission mobility revolution

CASE STUDY: SUSTAINABILITY

One of the defining themes of 2017 for LeasePlan was 'sustainability', with the company announcing two ambitious goals during the year. First, to achieve net zero emissions from its total fleet by 2030. Second, to lead by example and transition all of its employee fleet to electric vehicles by 2021.

As Tex Gunning, Chief Executive Officer, explains: 'Climate change is one of the greatest challenges facing society today. Given that road transport accounts for a fifth of global fuel emissions, and businesses own around half of all cars on the road, fleets can make a big difference by shifting to low-emission vehicles.'

Milestones

To make it as easy as possible for companies to switch to electric vehicles, in November, LeasePlan launched an electric vehicle pilot program for large corporates at the UN Climate Change Conference in Bonn, Germany.

'We're ready to support any organisation that wants to make the switch,' says Tex. 'As part of our pilot program, we even facilitate the installation of charging infrastructure at homes and workplaces.'

During 2017, LeasePlan also became a founding partner of EV100, a new global business initiative designed to fast-track the uptake of electric vehicles and infrastructure – the only leasing company to do so. In addition, the company signed an international business declaration in support of the Task Force on Climate-Related Financial Disclosures (TCFD). This is a commitment that LeasePlan will develop voluntary, consistent climate-related financial risk disclosures to demonstrate our progress.

'Helping to tackle climate change by moving to a low-emission fleet is something every company can do. It is as simple as a decision from top leadership saying 'we will make the switch', and that can happen today. It can be done with the stroke of a pen. LeasePlan is committed to helping any organisation that wants to make a positive contribution to this historic challenge.'

09. FINANCIAL AND BUSINESS REVIEW

LEASEPLAN REPORTED STRONG FINANCIAL AND BUSINESS RESULTS IN 2017 AND ANNOUNCED A STRATEGIC UPDATE TO DELIVER 'ANY CAR, ANYTIME, ANYWHERE'

We have more cars on the road than ever before, and at the same time, our underlying net result and return on equity continued to increase significantly.

These results underline the strong and resilient nature of our business as well as the ongoing positive impact of our The Power of One LeasePlan operational excellence initiative, which was successfully launched in 2017.

Financial Highlights

- Underlying net result[17] of EUR 532 million, up 17% year on year after EUR 40 million of incremental operating expenses to invest in long term growth
- Net result of EUR 467 million, up 10% versus 2016
- Underlying return on equity 16.7%, up 173 bps
- Serviced fleet[18] growth of 5.5% with 1.7 million cars on the road
- The Power of One LeasePlan' operational excellence programme delivered savings of EUR 130 million

Strategic Highlights

- Clear strategic focus on two large and growing markets in Europe[19]:
  - 'Car-as-a-Service' (CaaS) for new cars, a growing EUR 68 billion market
  - High-quality 3-4-year-old used car market, a growing EUR 65 billion market
- LeasePlan is focused on leading the megatrend from ownership to usership and subscription in both the new and high-quality used car markets, and on ultimately delivering 'any car, anytime, anywhere'
- Introducing CarNext.com: a disruptive B2C and B2B digital marketplace that enables customers to buy, lease and subscribe to high-quality used cars in Europe
- Continuing to deliver 'The Power of One LeasePlan', a programme to drive operational excellence globally by implementing best practices and leveraging LeasePlan's scale along all elements of the value chain and across all LeasePlan countries. 'The Power of One LeasePlan' is targeting a EUR 370 million underlying profit before tax uplift in the medium term compared to the 2016 baseline
- Launching LeasePlan Digital to transform the company from an analogue business into a fully digitally-enabled business, delivering digital services at digital cost levels, leveraging the latest digital intelligence technologies
- Commitment to lead the transition from internal combustion engines to alternative powertrain fleets, targeting net zero emissions from LeasePlan's fleet by 2030

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17 Underlying net result consists of net result adjusted for unrealized results on financial instruments, one-time items related to the sale of subsidiaries, restructuring charges and consultancy costs related to 'The Power of One LeasePlan', preparation cost for potential IPO and the tax effect thereof.
18 Serviced fleet – total funded fleet plus services-only fleet
19 Source: Embracing the Car-as-a-Service model – The European leasing and fleet management market, Roland Berger January 2018, commissioned by LeasePlan

LeasePlan has adapted the income statement of its Directors Report in order to provide increased transparency in our financial performance. Underlying net results are shown as an important performance measure, to adjust for impacts related to unrealised results on financial instruments, one-time items related to the sale of subsidiaries, restructuring and consultancy costs related to 'The Power of One LeasePlan,' preparation costs for a potential IPO and the related tax effect. For the reconciliation between the underlying net result and the reported IFRS net result, reference is made to note 36 - non-GAAP measures in the Financial Statements.

Key numbers[1]

	2017	Y-o-Y growth	2016	Y-o-Y growth	2015	Y-o-Y growth
PROFITABILITY						
Underlying net result (EUR million)	531.6	16.8%	455.3	7.1%	425.3	4.0%
Net result (EUR million)	466.6	9.7%	425.5	-3.8%	442.5	4.0%
Underlying return on equity[1]	16.7%		14.9%		14.6%	
VOLUME						
Serviced fleet (millions), as at 31 December[2]	1.745	5.5%	1.654	7.9%	1.533	9.4%
STAFF						
Number of FTE's, as at 31 December	6,615		7,116		6,830	

1 LTM Underlying return on equity throughout this document is defined as Last Twelve Months Underlying net result divided by the average IFRS equity (average monthly equity of the last 12 months) over the related period.
2 Serviced fleet – total funded fleet plus services-only fleet.

In millions of euros, unless otherwise stated	2017	Y-o-Y growth	2016	Y-o-Y growth	2015	Y-o-Y growth
Serviced fleet (millions), as at 31 December	1,745	5.5%	1,654	7.9%	1.533	9.4%
Lease & Additional Services Income	6.497.8		6.261.9		6,125.6	
Vehicles sales & end-of-contract fees	2,863.1		2,937.1		2,775.0	
REVENUES	**9,360.9**	**1.8%**	**9,199.0**	**3.4%**	**8,900.6**	**7.7%**
Lease & Additional Services cost	5,100.8		4,940.6		4,826.0	
Vehicles & disposal cost	2,706.0		2,750.6		2,588.6	
UNDERLYING DIRECT COST OF REVENUES	**7,806.8**	**1.5%**	**7,691.2**	**3.7%**	**7,414.6**	**6.6%**
As a % of Revenues	83.4%		83.6%		79.2%	
Lease Services	575.5		543.2		553.7	
Fleet Management & other Services	276.7		286.8		293.4	
Repair & Maintenance Services	307.0		289.5		268.2	
Damage & Insurance Services	237.8		201.9		184.4	
End of Contract fees	115.8		117.4		122.7	
Profit/loss on disposal of vehicles	41.3		69.0		63.6	
UNDERLYING GROSS PROFIT	**1,554.1**	**3.1%**	**1,507.8**	**1.5%**	**1,486.0**	**13.6%**
As a % of Revenues	16.6%		16.4%		15.9%	
Staff expenses	543.0		567.8		558.0	
Other operating expenses	289.1		291.3		290.6	
Other depreciation and amortisation	47.7		55.3		56.2	
UNDERLYING TOTAL OPERATING EXPENSES	**879.8**	**-3.8%**	**914.4**	**1.1%**	**904.8**	**10.9%**
As a % of Revenues	9.4%		9.9%		9.7%	
Share of profit of associates and jointly controlled	2.3		4.6		5.9	
UNDERLYING PROFIT BEFORE TAX	**676.6**	**13.1%**	**598.0**	**1.9%**	**587.1**	**17.6%**
As a % of Revenues	7.2%		6.5%		6.3%	
Underlying Tax	145.0		142.7		161.8	
UNDERLYING NET RESULT	**531.6**	**16.8%**	**455.3**	**7.1%**	**425.3**	**14.3%**
As a % of Revenues	5.7%		4.9%		4.5%	
Underlying adjustments	(65.0)		(29.8)		17.2	
REPORTED NET RESULT	**466.6**	**9.7%**	**425.5**	**-3.8%**	**442.5**	**19.0%**
As a % of Revenues	5.0%		4.6%		4.7%	

Underlying Income statement

Full Year Serviced fleet growth reached 5.5%. At year-end 2017, LeasePlan had a diversified and high-quality customer base of approximately 179,000 customers, with 59% of customers being investment grade[20]. The customer mix for CaaS as a percentage of Serviced fleet was 80% Corporate, 17% SMEs and 3% Private at year end 2017.
Our corporate customers continued to be well-diversified across sectors and geographies. Mobility providers are currently a small but dynamic part of the customer mix, and are expected to show strong growth in the future. In 2017, LeasePlan signed a pan-European strategic partnership with Uber, and other local partnerships with leading mobility providers to provide those companies' drivers with access to our CaaS model.

Revenues grew by 2% to EUR 9,361 million (3% excluding currency impact), driven by the increase in Lease & Additional Services Income, which in turn was largely due to the 5.5% increase in Serviced fleet but partially offset by a decrease in Vehicle sales. Whilst the Average Vehicle sales proceeds as % of MSRP[21] improved, the average sales proceeds decreased in Euro terms due to the smaller size of cars sold, on average, versus 2016.

Underlying gross profit grew by 3.1% to EUR 1,554 million for 2017. Underlying gross profit showed growth in all Lease & Additional Services income streams, most notably the Lease Services (which includes Interest Income and Depreciation), Repair & Maintenance Services and Damage & Insurance Services, driven by overall fleet growth and increased penetration of our Damage & Insurance products (insured fleet increased to 764,000 units).
'The Power of One LeasePlan' contributed to an increase in gross margins due to a reduction in repair costs, shifts in procurement spend towards LeasePlan's preferred dealer network and increased vehicle procurement discounts and bonuses.

End-of-contract fees, which include Excessive wear and tear and Mileage variation adjustments, were EUR 116 million in 2017 versus EUR 117 million in 2016. End-of-contract fees are relatively stable year-to-year and linked to the number of vehicles sold.

Profit/Loss on Disposal of Vehicles[22] (PLDV) was EUR 41 million versus EUR 69 million in 2016. This reduction has not been the result of a change in used car prices or market conditions of late. Prices for 3-4-year-old high-quality diesel cars remained stable throughout 2017 and are expected to remain stable in the medium term according

MOBILITY PROVIDERS ARE CURRENTLY A SMALL BUT DYNAMIC PART OF THE CUSTOMER MIX, AND ARE EXPECTED TO SHOW STRONG GROWTH IN THE FUTURE.

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[20] Based on S&P ratings for top 100 customers as of June 30, 2017 investment grade defined as BBB- or above
[21] Manufacturer's suggested retail price
[22] Profit/Loss on Disposal of vehicles was formerly called Residual Value Results

to a recent study published by Roland Berger. Rather, this reduction represents a predictable normalisation of the exceptional Profit levels that followed the financial crisis of 2007/08.

As stated in LeasePlan's Q3 2017 results, the financial crisis led to exceptional pressure on used car prices from 2009 to 2014. During this period, LeasePlan was able to write contracts based on an expectation of unusually low Vehicle Sales proceeds. As used car prices have gradually risen, returning to the more normal levels we see today, LeasePlan has (1) generated strong Profit on the Disposal of Vehicles with contracts written during the financial crisis, and (2) gradually adjusted the Contract-End Book Values[23] within new contracts to reflect this market recovery and more normalised levels of profitability on disposal of vehicles. The reduction we are currently seeing in our PLDV is simply the result of this predictable, gradual normalisation in the book value of contracts written in the post crisis period and is more than offset by the strong underlying growth of our business and 'The Power of One LeasePlan' initiatives.

Underlying Operating Expenses were down 4% versus 2016, to EUR 880 million. Our The Power of One LeasePlan operational improvement program achieved a decrease in operating expenses, which was partly reinvested in Marketing, LeasePlan Digital and CarNext.com operations.

The effective tax rate decreased in 2017 versus 2016, largely driven by additional tax depreciation allowances in Italy and a revaluation of LeasePlan's deferred tax liabilities in certain countries e.g. the United States following new tax legislation in 2017.

Underlying Net result improved to EUR 532 million in 2017 versus EUR 455 million in 2016. The EUR 77 million year-on-year improvement was driven by higher Gross Profit, lower Operating Expenses and an improved effective tax rate. Underlying net results included EUR 40 million of incremental operating expenses invested in long-term growth.

Underlying adjustments to net profit totalled EUR 65 million. This includes unrealised results on financial instruments, one-time items related to the sale of subsidiaries, restructuring charges and consultancy costs related to The Power of One LeasePlan, preparation costs for a potential IPO and the tax effect thereof. Reported Net result improved to EUR 467 million in 2017 from EUR 426 million in 2016.

Funding and capital position

LeasePlan continued its diversified funding activities over 2017 raising a total of EUR 4.3 billion in retail deposits, secured and unsecured debt. LeasePlan concluded two public senior unsecured transactions totalling EUR 1.25 billion with a further EUR 1.3 billion placed in private placement format across nine separate currencies. LeasePlan's retail

NET RESULT IMPROVED TO EUR 532 MILLION IN 2017 VERSUS EUR 455 MILLION IN 2016

[23] Contract-End Book Value: Initial Contract-End Book Value of a vehicle, including modifications, if any, following changes in the contract over the term arising between start and end of contract.

bank increased its retail deposits in the Netherlands and Germany by EUR 508 million to EUR 5.9 billion (2016: EUR 5.4 billion) while the company successfully raised EUR 1.2 billion from its Asset Backed Securities (Bumper) programme, including Bumper 8 in the UK for a total of GBP 425 million and Bumper 9 in the NL for EUR 574 million.

In addition, LeasePlan re-negotiated its existing undrawn revolving credit facility with a consortium of banks extending it for a further 5 years for a total of EUR 1.5 billion, resulting in a very robust liquidity buffer of EUR 4.5 billion.

Following the Supervisory Review and Evaluation Process (SREP) by the Dutch central bank (DNB), LeasePlan's minimum requirements for 2018 were set at 8.7% for the CET1 capital ratio and 12.2% for the total SREP capital requirement. The total SREP capital requirement excludes the combined buffer requirement (i.e. counter-cyclical buffer and capital conservation buffer). LeasePlan currently exceeds its regulatory capital requirements and its capital position remains solid, with a CET1 capital ratio and total capital ratio of 18.1% as at 31 December 2017.

In November, S&P revised LeasePlan's outlook to positive from stable. The BBB-/A-3 long and short term issuer credit ratings were affirmed. The ratings and outlook from Moody's and Fitch have remained unchanged (Baa1/P-2/Stable respectively BBB+/F2/Stable).

LeasePlan continues to explore various strategic alternatives, including an Initial Public Offering.

LEASEPLAN CONTINUED ITS DIVERSIFIED FUNDING ACTIVITIES OVER 2017 RAISING A TOTAL OF EUR 4.3 BILLION

10. RISK MANAGEMENT

A CRUCIAL ENABLER OF OUR WHAT'S NEXT STRATEGY

01. LINES OF DEFENCE
02. RISK APPETITE
03. RISK PROFILE HIGHLIGHTS 2017
04. PRIVACY & COMPLIANCE
05. MANAGEMENT AND MITIGATION

Ensuring the responsible and effective management of risk and compliance is a crucial enabler of our *What's next* strategy.

We are therefore committed to ensuring that all our activities are executed within a defined risk management framework, agreed by the Managing and Supervisory Boards. In this section, we describe the framework, including the improvements made to further enhance its effectiveness and the most important developments with regards to our risk appetite and profile.

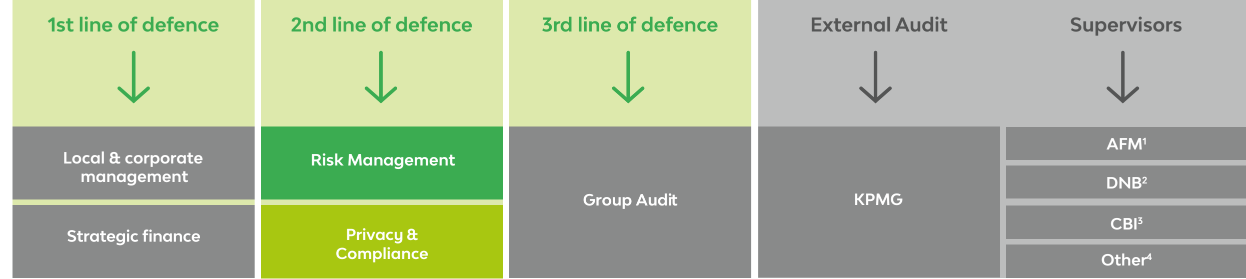
LeasePlan uses the Enterprise Risk Management ('ERM') framework and principles of the Committee of Sponsoring Organisations of the Treadway Commission ('COSO') dated 2004 and for the last time updated as per 2017, as reference model. The COSO definition of ERM (2004) is 'a process affected by an entity's 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 entities' targets. In September 2017, the COSO Board published an ERM Framework update, which addresses 'the evolution of enterprise risk management and the need for organisations to improve their approach to managing risk to meet the demands of an evolving business environment'.

At LeasePlan, risk management and control are closely linked with LeasePlan's strategic aims. We consider controlled and balanced risk taking - accommodated by a strong risk organisation and risk governance, and supported by a clear tone at the top - key elements in driving our strategy. Using COSO ERM (2004/2017) as a reference model, LeasePlan has introduced a Risk Management Cycle that links the various building blocks of the risk process and risk governance.

The Risk Management Cycle is illustrated in the figure on the right.

01. LINES OF DEFENCE

LeasePlan's risk governance is based on the three lines of defence model.



[1] AFM: Autoriteit Financiële Markten
[2] DNB: De Nederlandsche Bank
[3] CBI: Central Bank of Ireland
[4] Other: Other financial/insurance Regulators

The three lines of defence model distinguishes among functions that own and manage risks (first line), functions that oversee and advise on risk management practices (second line) and functions that provide internal assurance (third line).

The following overview outlines the composition and responsibilities of the key parties involved in executing the three lines of defence within LeasePlan:

1. Local & corporate management ('the business') have the full ownership of all risks at entity level and are responsible for complying with all corporate policies/standards and for the management of risks encountered while performing the business. The risk management activities comprise, among other areas, the identifying of potential risks, assessing potential risks and taking adequate measures to mitigate negative influences in order to adhere to the applicable risk limits and risk tolerance levels. Furthermore, local management is responsible to timely, completely and accurately register all risks, potential incidents and threats, and to maintain a comprehensive risk management system that covers all risks inherent to the business.
As such, local & corporate management are considered the first line of defence.

The Strategic Finance department is responsible for the overall liquidity management and funding strategy within LeasePlan. Strategic Finance is considered as a first line of defence, and as such in a similar way is responsible for risk management as described above.

Local management, in close consultation with Group Risk and Group Privacy & Compliance, ensures the set-up of an independent risk function and an independent privacy & compliance function at entity level. These functions are considered as part of the second line of defence, that coordinate, oversee and challenge the execution, management, control and reporting of risks.

2. Group Risk and the independent risk function at entity level, are jointly referred to as Risk Function. Group Risk challenges and creates awareness for risk within LeasePlan and is responsible for coordination and execution of the Risk Management Cycle and the Risk Decision Framework. Group Risk ensures that the Managing Board and the Supervisory Board, are made aware of all material risk developments. Within LeasePlan, the risk types as included in the Risk Type Universe, are considered on an integrated basis. The Risk Function is responsible for aggregating these risk types and providing an integral view.

   The Risk Function, which co-operates with all relevant disciplines within LeasePlan, is independent from the business functions and is represented by the CRO at the Managing Board level.

3. LeasePlan's Group Audit Department (GAD) provides internal audit services and is recognised as the third line of defence for LeasePlan's risk management. GAD conducts independent audits of LeasePlan's activities and provides independent assurance by assessing the effectiveness of governance, risk management and internal control processes. GAD reports its findings to the Managing Board and provides quarterly updates to the Supervisory Board Audit Committee.

   In addition to the internal lines of defence, LeasePlan also considers the external auditor and the regulatory supervisors, as components of the overall defence framework.

02. RISK APPETITE

During 2017, we managed our risk appetite based on the following pillars:

1. Long-term debt rating (stand-alone);
2. Financial return on risk-adjusted capital (i.e. economic return);
3. Diversified share of funding layers.

An institution's target credit rating is an indication of the overall risk appetite a company may have and the level of capital it will need to hold. In addition, a specific risk appetite has been set for each underlying risk category.

The Supervisory Board approves LeasePlan's risk appetite annually based on the recommendation of the Risk Committee, and approves any changes required throughout the year.

Depending on the risk metric, compliance with the risk appetite statement is monitored on a daily, monthly or quarterly basis and non-compliance is reported to the risk committees, the Managing Board and the Risk Committee of the Supervisory Board. The principal financial risks inherent to our business activities are individually discussed in the Financial Risk Management section of the Financial Statements on page 149.

LeasePlan's performance in 2017 against the approved risk appetite shows no continuous breaches.

Principal risks and uncertainties

Listed below are the main risk categories and opportunities known to LeasePlan, which could hinder the company in achieving its strategic and financial business objectives. This may, however, not include all the risks that may ultimately affect LeasePlan. For further analysis, please refer to the Financial Risk Management section of the financial statements.

- Strategic risks
- Operational risks
- Financial risks
- Financial reporting risks
- Strategic use of financial instruments

03. RISK PROFILE HIGHLIGHTS 2017

As a vehicle leasing and vehicle management company with specialised Dutch banking operations, and therefore regulated by the Dutch Central Bank (DNB), LeasePlan's risk profile differs from most other financial institutions due to the nature of its business.

The largest part of its portfolio consists of the operational leasing of vehicles, in which LeasePlan bears the residual value risk. Risk Management highlights for 2017 include the following:

- Franca Vossen was appointed as Chief Risk Officer and Member of the Managing Board in September 2017.

- With changes to reporting requirements arising from Capital Requirements Directive and Capital Requirements Regulation we have continued to focus on improving data quality, and will do so again in 2018.

- LeasePlan continued to harmonise the management of asset-related exposures and remained best-in-class in its control of residual value risk. Investments in monitoring systems, sharing of best practices, training staff and further development of (statistical) techniques are a prerequisite to remain in control of LeasePlan's asset risks and support the pricing of the business. For matrix pricing (or technical pricing: realistic expected sales proceeds and costs associated with risk bearing service RMT), a local Technical Pricing Committee (or the Asset Risk Management Committee in absence of a Technical Pricing) is in place. The Residual Value Risk Balance[24] is used as a monitoring and measurement system for pricing and risk mitigation, while the Group Asset Risk Committee defines the limits at the beginning of the year.

- LeasePlan met the liquidity survival horizon at a minimum of nine months at all times. Prudent liquidity management and controls are in place to ensure compliance with regulatory requirements. Based on the 2017 Internal Liquidity Adequacy Assessment Process (ILAAP), we concluded that we are adequately funded and that our liquidity buffer is more than sufficient to meet internal and prudential requirements.

- Prudent capital management and controls are in place to ensure compliance with regulatory requirements. Based on the 2017 Internal Capital Adequacy Assessment Process (ICAAP), we concluded that we are adequately capitalised. The Common Equity Tier 1 capital increased in 2017 with EUR 108 million to EUR 2.8 billion resulting in a Common Equity Tier 1 ratio at year-end of 18.1% (2017: 17.7%).

- As in previous years, we have maintained a solid platform of diversified funding sources that include debt capital markets, securitisation, bank credit lines and an internet savings bank in the Netherlands and Germany. With this as an underlying strategy, we ensured the availability of funding to meet our ongoing liquidity needs and match our asset profile. Our liquidity position remained solid and we safely comply with CRR/CRD IV requirements.

[24] The Residual Value Risk Balance is net of the average level of effective residual value pricing and the average level of effective residual value risk mitigation.

03. RISK PROFILE HIGHLIGHTS 2017

- We continued to leverage our Internal Rating Based (IRB) status and our approach to corporate and retail sectors to appropriately reflect the level of risk in the portfolio. This status reflects LeasePlan's commitment to high levels of credit risk management standards and allows for advanced credit risk assessments and clear risk appetite-setting for Group companies. We are well prepared for future regulation changes.

- LeasePlan's Advanced Measurement Approach (AMA) model for operational risk, which indicates its commitment to operational excellence and risk awareness. It is the main driver behind business process improvements across existing and new products and operations. Furthermore, we conducted our insurance activities in line with Solvency II regulations giving specific attention to underwriting skills and risk mitigation capabilities.

- We have continued to enhance our cyber security framework to protect, detect and respond to potential cybercrime threats. LeasePlan infrastructure relates to public networks and this introduces a constant threat of cybercrime. Examples of such threats are virus infection, computer hacking, denial of service attacks, fake emails (phishing) and malicious software (malware), the frequency and intensity of which are increasing on a global scale.

- Our remuneration framework continued to reflect the right incentives for managing risk and return in alignment with risk appetite objectives in a sustainable and healthy manner, while discouraging excessive risk taking. Risk is an essential building block in the Group Remuneration Framework, although balanced risk-taking is required to grow the business profitably.

- We have analysed the potential impact of Brexit on several metrics and risk components and have not encountered significant changes to the risk profile so far. A Brexit committee has been established, comprising members with first and second line responsibilities covering several disciplines, which will monitor relevant further developments. Within LeasePlan UK, several measures have been taken to reduce the potential impact; as a result, we are well prepared for the effects that may follow Brexit.

In 2018, LeasePlan will continue to shift its Risk Management from a decentralised function to a centralised integrated risk approach. Furthermore, the changing requirements arising from CRR / CRD IV will be taken into account in a timely way, and developments and changes will be monitored to ensure that LeasePlan is well prepared for future regulation changes.

In the years ahead, LeasePlan will continue to allocate the necessary time, resources and investment to maintain the strength of its risk management framework, and support its business ambitions and regulatory compliance.

A comprehensive overview of our overall risk management framework, including elaboration on all key risks inherent to our business activities is described in detail in the Financial Risk Management section of the Financial Statements and the Pillar III Disclosures, which are available at www.leaseplan.com.

04. PRIVACY & COMPLIANCE

LeasePlan operates in a complex regulatory environment in which the trust and confidence placed in us by stakeholders are crucial to our success.

Only by conducting our business based on high ethical standards and in compliance with applicable laws, directives and regulations can we win and retain that trust, and succeed in our mission. It is therefore essential to ensure the effective management of privacy and compliance risks.

As of September 2017, the Group Director Compliance and the Group Privacy Officer report to the Chief Risk Officer.

Integrated reporting for Legal, Privacy & Compliance and Risk

As of the first quarter of 2018, integrated quarterly reports will be prepared for the Managing Board, the Supervisory Board and our external auditor in order to provide a holistic overview of the developments and topics within Legal (General Counsel reporting to the CEO), Privacy & Compliance (Director Privacy & Compliance reporting to the CRO) and Risk (SVP Risk reporting to the CRO).

05. MANAGEMENT AND MITIGATION

The Managing Board is responsible for Privacy & Compliance risks. The Compliance team and the Privacy team coordinate, oversee, control and report on privacy and compliance risks.

The basis for mitigating these risks is formed by the Privacy Charter, the Compliance Charter and the Compliance Framework. Additionally, LeasePlan safeguards its internal policies, standards and guidelines and ensures employees understand and comply with relevant laws and regulations.

Privacy & Compliance teams translate our external obligations into internal obligations and assist management by explaining and promoting them. This includes advise on whether to accept certain risks based on LeasePlan's risk appetite, and measures to mitigate them.

A thorough assessment of the entire business model and governance was conducted as part of The Power of one LeasePlan transformation process. A new, more centralised organisation was introduced. In this context, LeasePlan has also implemented changes in the Risk Management area, aimed at strengthening Risk Management Group-wide. The following measures have been taken in the areas of Privacy & Compliance risks.

One Privacy & Compliance organisation

LeasePlan fully integrated its Privacy & Compliance functions, which are no longer organised in a multi-local way. In doing so, it has made the organisation more efficient and effective in these areas.

Dedicated charters

Privacy & Compliance Charters help us to embed these functions and improve LeasePlan's understanding of its role and responsibilities.

Privacy Policy implemented as Binding Corporate Rules

The implementation of our Privacy Policy continued in preparation for the upcoming General Data Protection Regulation (GDPR). We performed Privacy Impact Assessments on global and local systems containing personal data.

Anti-bribery

To mitigate bribery risk, LeasePlan has an Anti-bribery Policy. All new employees need to successfully complete the mandatory Anti-bribery e-learning. Additionally, all entities are required to have a Gifts and entertainment registration process in place.

Employees Screening Policy and Standard update

The Employees Screening Policy and Standard helps us recruit and maintain highly ethical employees.

New Insider Information Policy

Effective per 1 January 2018, the new Inside Information Policy sets out LeasePlan's internal procedures, systems and controls to ensure compliance with obligations relating to disclosure and inside information.

New Conflict of Interest Policy for all Employees

The newly implemented Conflict of Interest Policy for Employees enables LeasePlan to identify actual, potential or perceived conflicts of interest and assess, mitigate or prevent them in the most appropriate way.

8 steps to business excellence campaign

Launched at LeasePlan Corporation headquarters as a pilot, this campaign improved awareness around LeasePlan's Code of Conduct and related policies. It focusses on the areas of Reputation, Incidents, Corporate Secrets, Crisis, Integrity, Business Partners, Working Together and Privacy Data.

A new Counterparty Due Diligence (CDD) Policy and Standard

LeasePlan implemented the CDD Policy and Standard against money laundering, terrorist financing and transactions with sanctioned countries or persons;

KRIs and KPIs in place for Privacy & Compliance risks

LeasePlan now uses KPIs and KRIs as input for its Compliance Risk Assessment and to manage its Privacy & Compliance key risks.

Compliance Risk Assessment

Each company within LeasePlan performs an annual compliance risk assessment and must report to the Group Compliance Officer. Local compliance risk assessments inform our views on the adequacy of the Privacy & Compliance risk management organisation. All risks identified as part of this process are considered for inclusion in Privacy and Compliance agendas, and consolidated in our Group-level compliance risk assessment.

LEASEPLAN FULLY INTEGRATED ITS PRIVACY AND COMPLIANCE FUNCTIONS

Launch of the Global Fraud Project

As part of its Global Fraud Project, LeasePlan drafted the Fraud Risk Management Framework. It also developed a Fraud Risk Assessment, which will be part of a fraud awareness campaign to be launched in 2018.

New Whistleblowing Button

The new Whistleblowing Button is an additional channel via which employees can report whistleblowing incidents in accordance with its Whistleblowing Policy.

11. LEADERSHIP TEAM

BRINGING THE COMPANY TO ITS NEXT PHASE OF DEVELOPMENT

MANAGING BOARD

TEX GUNNING
CEO and Chairman of the Managing Board

Tex Gunning (1950) served as CEO of TNT Express between 2013 and 2016, guiding its merger with FedEx to create a global network for express parcel deliveries. Tex served on the Supervisory Board of TNT Express from 2011 to 2013, prior to his appointment as CEO. In his role as Managing Director of the Decorative Paints Division of AkzoNobel between 2008 and 2013, he merged AkzoNobel's decorative paints business with ICI. Prior to that, he was CEO of Vedior, overseeing its acquisition by Randstad in 2008, which saw Randstad become the second largest recruitment company in the world. He also has 25 years of experience with Unilever, where his last role was Business Group President in Asia. Mr Gunning was appointed as Chief Executive Officer and Chairman of LeasePlan's Managing Board in 2016. He is an economics graduate of Erasmus University. In January 2018 Mr Gunning was elected World Economic Forum Climate Sector Leader Automotive 2018.

MANAGING BOARD

YOLANDA PAULISSEN
Chief Strategic Finance and Investor Relations Officer

Yolanda Paulissen (1969) has been promoted from her former position as Senior Corporate Vice-President (SCVP) Strategic Finance, which she held since 2010, and appointed Chief Strategic Finance and Investor Relations Officer and member of the board of LeasePlan in January 2017. Mrs. Paulissen has over 20 years' experience in finance, beginning her career as International Funding Manager at ABN AMRO Lease Holding, a position she held from 1993 to 1997. She then served as senior consultant Corporate Finance at Van den Boom Groep, which later became NIBC Bank, from 1997 to 2003. She joined LeasePlan Corporation in 2003 as Senior Manager Corporate Strategy and Development and was subsequently appointed Director Mergers and Acquisitions in 2006 and SCVP Strategic Finance in 2010. She holds a Master's degree in Business Economics from Maastricht University.

GIJSBERT DE ZOETEN
Chief Financial Officer

Gijsbert de Zoeten (1966) joined LeasePlan in November 2016, taking the position of Senior Vice President Finance of LeasePlan's European leasing business. In September 2017 he was appointed as Chief Financial Officer and member of the Managing Board. He previously held various finance roles at Unilever, including Finance Director of Unilever Foods Brazil, Global Finance Director of Unilever Food Solutions (B2B) and Executive Vice President Finance of Unilever Europe. Mr. de Zoeten holds a Master's degree in Business Administration from Groningen University and a postgraduate executive Master's degree in Controlling (RC) from VU University of Amsterdam. He is a member of the Supervisory Board of the Technical University of Delft.

MANAGING BOARD

MARCO VAN KALLEVEEN

Chief Operational Officer Europe

Marco van Kalleveen (1969) served as member of the Board of Management of TNT Express between 2014 and 2016. He was responsible for leading the turnaround of the Domestic Businesses Division. Before his position at TNT Express, he was partner at McKinsey and at Bain Capital. Mr van Kalleveen was appointed to the position of Chief Operational Officer Europe and Member of the Managing Board of LeasePlan in 2016. Mr Van Kalleveen earned his MSc in Business Economics at the Erasmus University Rotterdam and holds an MBA from Harvard Business School. He is a member of the Advisory Board of the Rotterdam School of Management.

FRANCA VOSSEN

Chief Risk Officer

Franca Vossen (1972) has held various international senior management positions in Finance and Risk at global organisations including ABN AMRO, Fortis, ING and DLL. At ABN AMRO, Mrs. Vossen led the worldwide implementation of Sarbanes Oxley legislation and conducted a review of the Compliance, Legal and Risk functions of ABN AMRO Asset Management. Prior to her appointment in September 2017 as Chief Risk Officer and Member of the Managing Board of LeasePlan, she was CRO and Executive Vice President of DLL, the leasing arm of Rabobank, where she managed the global Risk function. Mrs. Vossen holds a Master's degree in Russian and German Studies from Leiden University, and an MBA from Maastricht University (EuroMBA). She has also held various Supervisory Board positions and successfully completed the Supervisory Board programme of Erasmus University Rotterdam.

SUPERVISORY BOARD

JOS STREPPEL

Appointed Chairman of the Supervisory Board on 21 March 2016. Member of the Remuneration and Nomination Committee (Chairman of the Nomination Committee), and member of the Risk Committee.

Mr Streppel (1949) is a Dutch national and has over 40 years' experience in the financial services industry, with a particular focus in the areas of commercial real estate and insurance, retirement and workplace services. His previous positions include Chief Financial Officer of AEGON N.V. He has also previously served as Chairman of the Management Board of Labouchere, a merchant bank; as Chairman of the Management Board of FGH Bank; and as a member of AEGON's Management Board. Until 2015, Mr Streppel was Chairman of the Supervisory Board of KPN, the Dutch telecommunications company, and a member of the State Commission on Insurance. He has previously served in various roles in connection with the Dutch Corporate Governance Code, ECOFIN and the International Accounting Standards Board, among others. From 2005 to 2017, he was vice-chairman of the Supervisory Board of Van Lanschot N.V.; nonexecutive director of RSA Insurance Group plc; deputy councillor of the Enterprise Chamber of the Amsterdam Court of Appeals; member of the Supervisory Board of Stichting Arq, a mental hospital; and Chairman of the Foundation Continuity Philips Lighting N.V. In 2018 he became a member of the advisory board of Van Lanschot Kempen N.V.

STEVEN VAN SCHILFGAARDE

Appointed member of the Supervisory Board on 21 March 2016, Vice-Chairman of the Supervisory Board. Chairman of the Audit Committee and member of the Risk Committee.

Mr van Schilfgaarde (1964) is a Dutch national and has over 25 years' experience in general management, strategy, corporate finance and business finance. He began his career in 1990 within the finance function at KPN, the Dutch telecommunications company, and held various roles at KPN affiliates until 2014, most recently serving as interim Chief Financial Officer and as a member of the Management Board of Royal KPN N.V.. From 2016 to 2017, Mr van Schilfgaarde was CFO and member of the Management Board of Royal FloraHolland and as of 2018 he is appointed CEO of Royal FloraHolland. He is also Treasurer/Secretary of the Van Schilfgaarde Stichting (a family foundation) and director of two private companies. Previously, Mr van Schilfgaarde was a member of the Supervisory Board at KPMG N.V., a member of the Board of the KPN Company Pension Fund, and a member of the Supervisory Boards at SNT Deutschland AG, Eplus Mobilfunk GmbH & Co. KG, and Digitenne Holding B.V. Mr van Schilfgaarde holds a Master's degree in Economics from Erasmus University Rotterdam. He has also completed the Postgraduate degree of Controller at the Vrije Universiteit Amsterdam and the New Board Program at Nyenrode Business University.

SUPERVISORY BOARD

MANJIT DALE

Appointed member of the Supervisory Board on 21 March 2016. Member of the Remuneration and Nomination Committee and member of the Risk Committee.

Mr Dale (1965) founded TDR Capital in 2002. Prior to that, Mr Dale served as managing partner at DB Capital Partners Europe and has almost 20 years' experience in private equity. Mr Dale graduated from Cambridge University with an honours degree in Economics.

ALLEGRA VAN HÖVELL-PATRIZI

Appointed member of the Supervisory Board (as per 21 March 2018). Chairperson of the Risk Committee.

Mrs van Hövell-Patrizi (1974) is a Belgian and an Italian national. Since January 2016, she has been chief risk officer and member of the management board of Aegon N.V. Previously, she was at McKinsey (1996-2007) up to partner level, head of client solutions and chief administrative officer at F&C Investment (2007 to 2009), member of the CEO office and business representative US (2009-2013) and group risk director at Prudential Plc. (2013 to 2015). Mrs van Hövell-Patrizi was also a member of the founding board of the Women's Forum for Economy and Society (started in 2004). She holds a Master degree and DEA in Engineering/Applied Physics from Ecole Normale Supérieure in France, as well as an MBA from INSEAD.

SUPERVISORY BOARD

STEFAN ORLOWSKI

Appointed member of the Supervisory Board on 21 March 2016 (resigned as per 21 March 2018). Chairman of the Risk Committee.

Mr Orlowski (1966) is a Polish national and has over 20 years' experience in global and local brand and portfolio management, as well as commercial fields such as sales and distribution. After beginning his career as an attorney in Australia with Arthur Robinson & Hedderwicks, Mr Orlowski has spent the majority of his career with various affiliates of Heineken N.V., including as regional president of the Americas in New York City and a member of the executive committee until 2015. In 2015, he moved to a European role with Heineken and currently is based in Amsterdam.

Mr Orlowski currently serves as a member of the Supervisory Board of Żywiec S.A. (a Polish brewer controlled by Heineken), where he was previously employed as a vice-president, and as a member of the Supervisory Board of Paulaner Brauerei Gruppe GmbH & Co. KgaA. He is also a Board member of the AIM – European Brands Association, and Supervisory Board member of Heineken Nederland. Previous board positions include roles as Vice-Chairman of Compañía Cervecería Costa Rica, Director of Compañía Cervecería de Colombia, and Chairman of the Marketplace Committee for Business in the Community, a charity under the patronage of the Prince of Wales.

HERTA VON STIEGEL

Appointed member of the Supervisory Board on 25 March 2015. Member of the Audit Committee.

Dr von Stiegel (1957) is a British and American national and has over 30 years' experience in international management, finance and board-level positions in highly regulated financial services businesses. She has specific expertise in banking, clean energy and cross-border risk management in Europe, North America, emerging and frontier markets. During her 17 years in the banking sector, she held senior positions at Citibank, JP Morgan and AIG in London and New York. Until 2005, she was Managing Director at AIG Financial Products. She currently serves on several corporate and non-profit boards, including the Kenya Chapter of Women Corporate Directors. From 2013 to 2017 she served as the first independent Chairperson of CHAPS Clearing Company Ltd. Furthermore, she is the founder and executive Chairperson of Ariya Capital Group Ltd., a financial services and project development firm focusing on clean energy and infrastructure investments in Africa. She is the founder and former Chairperson of the Prince's Trust Women's Leadership Group, the UK's leading youth charity and an Adjunct Professor at Strathmore Business School.

SUPERVISORY BOARD

ADA VAN DER VEER – VERGEER

Appointed member of the Supervisory Board on 10 December 2010; reappointed on 22 October 2014. Member of the Remuneration and Nomination Committee (Chairperson of the Remuneration Committee).

Ms van der Veer – Vergeer (1959) is a Dutch national and has over 25 years' experience in the financial services industry, including a strong background in the banking sector. Her previous positions at financial institutions include CEO of Currence Holding, Chairperson of the Board of Staal Bankiers and member of the Executive Board of Achmea Bank Holding. Since 2007, she has been a Director of Stranergy, a company specialising in independent boardroom consultancy in the areas of strategy and corporate governance. She is currently Chairperson of the Supervisory Board of Arcadis Nederland Holding and member of the Supervisory Board of Alliander N.V. Furthermore, Ms. Van der Veer-Vergeer is a Board member of the Foundation of Preference Shares Nedap N.V., an advisor to the National Register of Directors and Supervisors, Visiting Lecturer at the Erasmus University and Nyenrode Business University and Chairperson of the Dutch Monitoring Committee Accountancy.

ERIC-JAN VINK

Appointed member of the Supervisory Board on 21 March 2016. Member of the Audit Committee.

Mr Vink (1971) is a Dutch national and has more than 20 years' experience in the private equity industry. He has been head of Private Equity at PGGM since 2012. His previous positions include Senior Investment Manager at Private Equity at PGGM and Partner at Gilde Buy Out Partners. Mr Vink graduated from the Erasmus University in Rotterdam with a degree in business administration.

12. IN-CONTROL STATEMENT

IN-CONTROL STATEMENT

The Managing Board is responsible for designing, implementing and maintaining the internal risk management and control systems.

The purpose of these systems is to adequately and effectively manage the risks associated with the strategy and activities of the company. In this respect the Managing Board has made an assessment of the design and effectiveness of the internal control and risk management systems, which is described in more detail in the Risk Management chapter.

On the basis of this assessment and in accordance with best practice provision 1.4.3 of the Dutch Corporate Governance Code, the Managing Board believes, to the best of its knowledge, that:

1. the annual report provides sufficient insights into any failings in the effectiveness of the internal risk management and control systems during the financial year 2017;

2. the internal risk management and control systems provide reasonable assurance that the financial statements do no contain any material inaccuracies;

3. based on the current state of affairs, it is justified that the financial statements are prepared on a going concern basis; and

4. the annual report states those material risks and uncertainties that are relevant to the expectations of the company's continuity for the period of twelve months after the preparation of this report.

13. CHAIRMAN OF THE SUPERVISORY BOARD STATEMENT

THE TRANSFORMATION PROCESS HAS BEEN REMARKABLY SUCCESSFUL

The past year has been defined by the successful implementation of The Power of One LeasePlan operational excellence initiative, and by the introduction of LeasePlan's strategy to lead the megatrend from ownership to usership and subscription models taking place in both the new and high-quality used car markets.

This continues the process of transformation that began in late 2016, following the sale of the company to its present shareholders.

The key highlight of 2017 was the successful implementation of our The Power of One LeasePlan operational excellence initiative. The objective with The Power of One LeasePlan is simple: to get the fundamentals in place for the future, implementing best practices and leveraging LeasePlan's scale along all elements of the value chain and across all LeasePlan countries.

The Power of One LeasePlan was a big shift for our company. Historically, LeasePlan was managed through a multi-local organization, with LeasePlan's overall results being the aggregate of its local business activities. With The Power of One LeasePlan, we have – within the space of just one year – created a fully integrated operating model, laying the firm foundations for the next stage of our journey; The Digital Power of One LeasePlan. This will be essential to ensuring the company continues to lead the megatrend from ownership to usership and subscription models taking place in both the new and high-quality used car markets – and deliver on its vision of providing 'any car, anytime, anywhere'.

The transformation process has been remarkably successful, and has allowed LeasePlan to realise considerable savings that are already being reinvested in the business. However, the process has not been without its challenges, particularly for employees, with several areas of the business undergoing significant change. I would therefore like to thank all our people for the support and flexibility they have shown over the past year and their ongoing commitment and support. I would also like to assure them that we will do everything we can in the years ahead to maintain the strength and cohesiveness of the formidable LeasePlan culture that has brought us to where we are today.

The year also brought further changes to the Managing Board and senior leadership teams that will be instrumental to bringing LeasePlan to the next phase of its development.
In September, Gijsbert de Zoeten, previously Senior Vice President Finance of the European leasing business, was appointed Chief Financial Officer. In the same month, Franca Vossen also joined the company as our new Chief Risk Officer (CRO). A talented and diverse leadership team is now in place to support the delivery of LeasePlan's strategy and to capitalize on the company's value-creating capabilities.
I am also pleased to report that the relationship between the Managing Board and the Supervisory Board, while still relatively new, has been very open, dynamic and productive.

With the new management team in place, it was also pleasing to see that, during the year, the organization also took a number of important steps to align itself to the broad interests of all its stakeholders; creating shared value for society, in addition to the returns it brings to its shareholders. Key initiatives here included the launch of its electric vehicle value proposition for our large corporate organizations at the United Nations Climate Change Conference in Bonn, and the steps we are taking to provide our customers with smart solutions to improve safety and make our roads safer.

The priorities for the year ahead and the next steps are clear. LeasePlan will continue the successful implementation of The Power of One LeasePlan, and will prepare for the second, and most ambitious part of its journey: The Digital Power of One LeasePlan. It only remains for me to thank, on behalf of the Supervisory Board, our employees once more for their exemplary work and dedication at this time, the Works Council for their constructive approach to our transformation, and our shareholders for the trust they continue to place in our business and people.

Jos Streppel
Chairman of the Supervisory Board

14. REPORT FROM THE SUPERVISORY BOARD

WE ARE SATISFIED BY THE COMPANY'S OVERALL PERFORMANCE, THE POWER OF ONE LEASEPLAN INITIATIVE AND THE INTRODUCTION OF LEASEPLAN DIGITAL

This report contains an overview of the activities of the Supervisory Board and its committees in 2017. A description of the composition and operation of the Supervisory Board is set out in this report and in the chapter on governance (see page 109).

INTERNAL ORGANISATION

Profile and composition of the Supervisory Board

The Supervisory Board of LeasePlan has been composed to warrant proper execution of the function of the Board and its committees. Its size and composition are attuned to the nature and characteristics of the business as well as the required expertise and background of each member.

The Supervisory Board has a complementary and mixed composition and complies with the Banking Code's provisions in the duties it performs under its purview. In this respect, a profile for the Supervisory Board has been in place since May 2011 and provides guiding principles for the appointment of its members and the composition.

In 2017, the Supervisory Board consisted of Mr J.B.M. Streppel (Chairman), Mr S. van Schilfgaarde, Mr M. Dale, Mr S. Orlowski and Mr E.J.B. Vink, Ms H. von Stiegel and Ms A.P.M. van der Veer - Vergeer. On 20 March 2018, Mrs. A. van Hövell-Patrizi was appointed to replace Mr. S Orlowski, who stepped down the same day.

Independence

All members of the Supervisory Board perform their duties independently and critically. In the event of a conflict of interest with regard to a particular topic, the Supervisory Board member in question may not participate in discussions or decision-making on that topic. Five members are independent (two of which were appointed following the specific right of recommendation by the Works Councils) and two are associated with the consortium of shareholders. Best practice provisions 2.7.1 to 2.7.4 of the Dutch Corporate Governance Code were observed in so far as applicable.

Diversity

The members of the Supervisory Board have a diverse and balanced mix of knowledge, skills, and expertise, in line with the required profiles. The Supervisory Board aims to ensure that its members represent a good balance in terms of diversity (including nationality, gender, and area of expertise) to warrant proper supervision of the overall management

of the Group by the Managing Board. Gender diversity is important to LeasePlan. This means that every time a position within the Supervisory Board becomes vacant, the gender diversity aspect will be taken into account during the procedure of selection and appointment of the candidates.

Responsibilities of the Supervisory Board

The Supervisory Board supervises the policies of the Managing Board and the general conduct of affairs of LeasePlan and its Group companies.
In its role, it acts as an advisory partner to the Managing Board in determining the company's strategic direction.
Regular topics for discussion and, where necessary, approval, are the annual and quarterly financial statements, operating and financial performance, organisation and people, strategy, funding, potential acquisitions and major investments, objectives, business plans, budgets, IT infrastructure, risk management,

Diversity profile of the Supervisory Board

Name	Year of birth	Nationality	Gender	Specific Expertise
J.B.M. Streppel	1949	Dutch	M	Governance, international business, finance
S. van Schilfgaarde	1964	Dutch	M	Sound & controlled operational policies and processes, finance
M. Dale	1965	British	M	Financial Services
S. Orlowski	1966	Polish and Australian	M	Management of diverse international consumer operations
H. van Stiegel	1957	British and American	F	Financial services, including leasing
A.P.M. van der Veer	1959	Dutch	F	Banking & finance, governance & organization
E.J.B. Vink	1971	Dutch	M	Finance

INTERNAL ORGANISATION

risk appetite, governance, internal controls, and any other organisational developments of the business.

The Chairman of the Supervisory Board is in close contact with the Chairman of the Managing Board. There are close relations with the Works Councils, not only safeguarded by the two Supervisory Board members who were appointed following the specific right of recommendation of the Works Councils, but also through direct and regular contacts from the Chairman of the Supervisory Board with the Works Councils. The Chairman of the Managing Board and the Company Secretary ensure that the members of the Supervisory Board receive timely and clear information on all relevant matters. LeasePlan's internal Control functions have direct access to the Chairman of the relevant committee or Supervisory Board, as applicable. The Supervisory Board and the Audit Committee annually review and discuss respectively the yearly Board report and Group management letter prepared by the external auditor and in attendance of the external auditor.

In line with Dutch company law, the Banking Code (as revised in 2015) and the Articles of Association, the Supervisory Board requires all its members to act in accordance with the interests of LeasePlan and its group companies, and their business enterprises.

Certain resolutions of the Managing Board, specified in the Articles of Association of LeasePlan and in the Supervisory Board regulations, are subject to approval by the Supervisory Board. The Supervisory Board may discuss and, where necessary, approve certain decisions by way of written resolutions outside of the scheduled meetings.

Terms of appointment of members of the Supervisory Board

THE CHAIRMAN OF THE SUPERVISORY BOARD IS IN CLOSE CONTACT WITH THE CHAIRMAN OF THE MANAGING BOARD

Members of the Supervisory Board are appointed for a maximum term of four years and may be reappointed following the expiry of each term. While the maximum term is four years, six of the seven members have been appointed for approximately three years. This shorter term allows a reappointment schedule which prevents simultaneous expiration going forward.

ASSURING SUPERVISION QUALITY

The members of the Supervisory Board took part in the Lifelong Learning (LLL) programme during the year. The Chairman of the Supervisory Board decides on the contents of the Supervisory Board's LLL, with the aim of maintaining and, where necessary, improving the expertise of the Supervisory Board members at the standards that are generally imposed.

The learning programme covers relevant developments in the company and corporate governance as well as specific topics relating to the financial sector, integrity, risk management, financial reporting and audits.

In 2017, the LLL included visits to the Koopman Car Terminal in Amsterdam and the LPNL car remarketing centre in Breukelen. It also featured a session on digital business with several important internal and external speakers.
Other sessions focused on further deepening Supervisory Board members' knowledge on relevant legislation and practices among banks and leasing corporations, IT and infrastructure and audit and finance, as well as LeasePlan's latest business plans and updated strategy. This learning focus will continue in 2018, and is likely to include additional topics surrounding digitalisation, such as cybersecurity and privacy.

Assessment of the Supervisory Board

The Supervisory Board carries out an annual assessment of its own performance, its composition and effectiveness, as well as the effectiveness of the LLL programme. Every three years, the self-assessment is performed with the assistance of independent supervision by a professional party selected by the Supervisory Board.
In this triennial assessment, focus lies on the evaluation of the performance of individual Supervisory Board members, the culture within the Supervisory Board and the relationship between the Supervisory Board and the Managing Board. The Supervisory Board also performs an assessment of the Managing Board and its individual members, including its LLL programme.

To give new Supervisory Board members sufficient time to familiarise themselves with the new LeasePlan, the first self-assessment of the Supervisory Board took place on 19 March 2018.
The Supervisory Board is, however, of the opinion that it meets the required profile in terms of suitability, expertise and diversity, and also complies with the Dutch Corporate Governance Code in this respect. The Supervisory Board Chairman prioritised bilateral contacts with the other Supervisory Board members to make sure everybody had the required information and knowledge, and there have been regular discussions with the Managing Board, the consortium of (indirect) shareholders and the Works Councils.

SUPERVISORY ACTIVITIES

Meetings of the Supervisory Board and attendance

Since March 2017, the Supervisory Board held 10 meetings, of which 6 were plenary and 4 were arranged via conference call.

Meetings held by the Supervisory Board in 2017

Date	Meeting/call	Attendance
18 January 2017	Meeting	Manjit Dale absent
7 February 2017	Conference call	100%
22 March 2017	Meeting	100%
16 May 2017	Meeting	100%
15 June 2017	Meeting	100%
29 August 2017	Conference call	Manjit Dale absent
13 September 2017	Meeting	100%
13 November 2017	Conference call	Manjit Dale and Stefan Orlowski absent
22 November 2017	Meeting	Stefan Orlowski absent
14 December 2017	Conference call	Manjit Dale, Stefan Orlowski and Eric-Jan Vink. Absent (proxy issued by Stefan Orlowski to Steven van Schilfgaarde)

SUPERVISORY ACTIVITIES

Meetings held by the committees of the Supervisory Board in 2017

Remuneration / Nomination Committee meetings	Audit Committee meetings	Risk Committee meetings
21 March 2017	22 March 2017	21 March 2017
12 September 2017	14 June 2017	14 June 2017
21 November 2017	12 September 2017	12 September 2017
	21 November 2017	21 November 2017

Senior management was frequently invited to make presentations on a range of topics to the Supervisory Board and its committees. Members of the Supervisory Board, the Managing Board and senior management also held relevant discussions throughout the year that were not part of the formally scheduled meetings and calls.

The combination of regular meetings / conference calls and the various informal consultations ensured that the Supervisory Board was well informed about the running of the business.
The Supervisory Board additionally held several discussions among its members without members of the Managing Board being present.

Attendance per SB member in SB meetings / calls:

Name	Attendance
Jos Streppel	100%
Manjit Dale	60%
Stefan Orlowski	70%
Steven van Schilfgaarde	100%
Eric-Jan Vink	90%
Herta von Stiegel	100%
Ada van der Veer	100%

SUPERVISION: TOPICS DISCUSSED

The recurring items on the quarterly agenda include the financial and commercial results, market developments, developments related to funding and liquidity (including quarterly approval of the funding framework), performance of the group companies, and risk management with a specific focus on the performance against the approved risk appetite, asset risk management, and credit risk management including approval of credit exposures above EUR 100 million.

The economic climate and prevailing market conditions continued to be regular discussion points, as were key organisational developments and the new Core Leasing System. The Supervisory Board was focused on IT, information and data security matters and infrastructure, in relation to legislation.

Management of the company

The Supervisory Board is satisfied by the company's overall performance, by the successful implementation of The Power of One LeasePlan initiative in the year, and more recently, by the introduction of The Digital Power of One LeasePlan strategy. The Power of One LeasePlan is allowing the business to leverage its scale across the value chain and the countries, and to implement best practices as a fully integrated organisation. The Digital Power of One LeasePlan represents the next stage in this journey and will enable the business to deliver on its 'any car, anytime, anywhere' aspiration.

Financial reporting

Financial reporting is discussed regularly at meetings and calls of the Supervisory Board. All interim financial statement reports and related review reports of the external auditor were discussed in the presence of the external auditor. The Supervisory Board approved the financial statements for 2016 on 22 March 2017. KPMG acted as external auditor for the 2017 financial year. For each reappointment of the external auditor the Audit Committee will make a recommendation for the year under review in their March meeting, which will then be decided upon during the General Meeting of Shareholders.

Legal and regulatory compliance

As LeasePlan complies with the Banking Code, thorough attention is paid to discussions with the DNB and its requirements. The SREP letter and outcome are discussed, also by representatives of the Supervisory Board directly with DNB.

Risk

In September 2017, Franca Vossen was appointed Chief Risk Officer to bring a fresh look at LeasePlan's approach to risk in a fast-changing world. LeasePlan is reviewing the entire Risk organisation as it transitions from a decentralised to a centralised one with an integrated approach to risk management. It is the opinion of the Supervisory Board that due to the advanced implementation of the overall integration process by LeasePlan, the temporary increase in operational risk referenced last year has decreased considerably.

THE SUPERVISORY BOARD IS SATISFIED BY THE COMPANY'S OVERALL PERFORMANCE

COMPOSITION AND REPORTING BY COMMITTEES

Composition

In order to ensure the efficiency of its work, the Supervisory Board has three committees: the Audit Committee, the Risk Committee and the Remuneration and Nomination Committee.
Each committee prepares the Supervisory Board's decision-making in its designated area of interest.
The Supervisory Board remains fully responsible, however, for the decisions prepared by these committees.
Each Supervisory Board member is entitled to attend the committee meetings, and receives the minutes of each committee meeting and, if so desired, all documentation. The Chairman of the Supervisory Board regularly attends the Audit Committee meetings as a guest.

Audit Committee

The Audit Committee (AC) met four times during the year. In addition to re-occurring items, such as the yearly assessment of internal audit function, the LeasePlan Group control measures, and the financials, the AC discussed the impact of the new (upcoming) legislation, such as IFRS 9, IFRS 15 and IFRS 16.

Risk Committee

There were four Risk Committee meetings in 2017. A cycle of risk-related matters is addressed with a frequency of four times during the year (and more often if so desired), with specific items to be tabled upon request. During the first two meetings, risk appetite, motor insurance risk and capital planning were amongst others discussed. In the second half of 2017, the impact of Basel 3.5, the recovery and capital and liquidity adequacy were among the topics that were discussed. More information can be found in the risk management chapter.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee met three times during 2017 and held many formal and informal discussions, as the composition of the new leadership team has received strong attention in the year. The main topics discussed were the Remuneration Framework 2017, target setting for 2018; and the remuneration of MB.
For more information on remuneration matters please refer to the Remuneration Report on the next page.

Annual report and financial statements for 2017

In accordance with the relevant provisions of the Articles of Association of LeasePlan, the Supervisory Board has reviewed the annual report and the financial statements for 2017.
The Supervisory Board discussed these documents with the Managing Board and KPMG, the external auditor, and took note of the external auditor's report that it issued on the financial statements of 2017, as included as from page 116 of this report.

The Supervisory Board proposes that the shareholders adopt the financial statements and the proposed profit appropriation contained therein, and recommends the endorsement of the Managing Board's conduct and the supervision thereof as provided by the members of the Supervisory Board.

Amsterdam, the Netherlands,
22 March 2018

The Supervisory Board

Jos Streppel (Chairman)
Steven van Schilfgaarde
(Vice-Chairman)
Manjit Dale
Stefan Orlowski
Herta von Stiegel
Ada van der Veer – Vergeer
Eric-Jan Vink

15. REMUNERATION REPORT

The remuneration report sets out LeasePlan's remuneration policy, as laid down in the Group Remuneration Framework, which is in accordance with all relevant legal requirements and guidelines, including the Banking Code, the Regulation on Sound Remuneration Policies pursuant to the Financial Supervision Act 2014, the Dutch Act on Remuneration Policies for Financial Enterprises (the WBFO) and Book 2 of the Dutch Civil Code (DCC).

LEASEPLAN'S GROUP REMUNERATION FRAMEWORK

The Group Remuneration Framework is designed to provide appropriate, restrained and sustainable remuneration for all employees in support of LeasePlan's long-term strategy, risk appetite, objectives and values.

The Framework applies to all entities and staff members within LeasePlan, including the Managing Board. It includes (i) general remuneration principles applicable to all staff and (ii) specific details about the remuneration structure of the Identified Staff, i.e. staff considered to have a material impact on the risk profile of LeasePlan.

General remuneration principles.
The following general remuneration principles apply to all staff:

- The remuneration policy and structure are aligned with LeasePlan's business strategy, long-term interests, objectives, corporate values and risk appetite and support robust and effective risk management;
- Fixed and variable remuneration will be used to align individual performance with aforementioned strategy and objectives.
- The remuneration positioning will, in general, be set at the median of the relevant market, assuming a comparable split between fixed and variable remuneration;
- Variable remuneration is performance-related, consists of a well-thought-out mix of financial (at maximum 50%) and non-financial elements and reflects both short- and long-term strategic goals;
- Variable remuneration can never exceed 100% of fixed remuneration. For staff who are employed by one of the Dutch operating companies this maximum is further capped at 20% on average;
- Pension schemes are recognised in accordance with the applicable accounting standards. LeasePlan does not award discretionary pension benefits as part of the variable remuneration;

- Other benefits for staff are provided in line with local market practice;

- Severance payments reflect performance over time and do not reward for failure or misconduct. For LeasePlan's daily policymakers severance payments are capped at 100% of fixed remuneration;

- Claw back and malus provisions are applicable to all variable remuneration awarded;

- For variable remuneration that deviates from the Framework, approval is required by the (Remuneration and Nomination Committee of the) Supervisory Board.

Remuneration Identified Staff

In addition to the general remuneration principles applicable to all staff, for Identified Staff the following principles apply:

- Variable remuneration is capped at 50% for the heads of Risk Management, Compliance and Audit (jointly referred to as Control Functions);

- The remuneration positioning for Identified Staff is based on a relevant peer group as approved by the (Remuneration and Nomination Committee of the) Supervisory Board;

- Variable remuneration for Identified Staff consists of cash (50%) and non-cash elements (50%), i.e. phantom share units (PSUs);

- 60% of the variable remuneration for Identified Staff is paid upfront and 40% of the variable remuneration of Identified Staff is deferred for a period of three years, whereby every year one-third vests;

- PSUs have a retention period of one year after vesting.

Remuneration Managing Board

In addition to the general remuneration principles applicable to all staff and Identified Staff, for the Managing Board the following principles apply:

- In line with the Dutch Banking Code the remuneration positioning of the Managing Board is set below the median for comparable positions in- and outside the financial industry, taking into account the relevant international context;

- Managing Board members are entitled to a variable remuneration of 15% at target and 20% at maximum;

- Managing Board members are appointed for the duration of four years.

- A fixed notice period of 3 months in case of termination by a Managing Board member and 6 months in case of termination by the Employer applies;

- Managing Board members in principle fully participate in LeasePlan's pension scheme. Where the applicable retirement age ('pensioenrichtleeftijd') is however reached during the appointment period, a fixed allowance of 18.7% over the gross annual salary is paid;

- Managing Board members are entitled to a net expense allowance of EUR 550 on a monthly basis.

REMUNERATION GOVERNANCE

Remuneration governance within LeasePlan is as follows:

The Remuneration and Nomination Committee of the Supervisory Board

The main responsibilities of the Remuneration and Nomination Committee of the) Supervisory Board concerning the Framework are the following:

- Reviewing and approving the Framework and supervising its implementation (if it includes changes applicable to the Managing Board, in addition the General Meeting of Shareholders will be requested for approval);
- Approving the selection of Identified Staff on an annual basis;
- Approving the financial and the non-financial target areas and levels for Identified Staff;
- Reviewing and approving the award of any fixed and variable remuneration for Identified Staff;
- Reviewing and approving significant severance payments for Identified Staff.

In order to support sound decision making, external advice may be sought by the (Remuneration and Nomination Committee of the) Supervisory Board.

The Managing Board

The main responsibilities of the Managing Board concerning the Framework are the following:

- Developing and adopting the Framework;
- Recommending fixed and variable remuneration levels/payments for Identified Staff, other than for Managing Board members, in line with the Framework;
- Setting the financial and non-financial targets for Identified Staff, excluding those of Managing Board members, in line with the short- and long-term corporate strategy and objectives.

Control Functions

In line with remuneration regulations, the Control Functions Risk, Compliance and Audit review and monitor the execution of the Framework together with the Human Resources department.

PERFORMANCE TARGETS

Global performance targets are set by the (Remuneration and Nomination Committee of the) Supervisory Board for the Identified Staff on an annual basis.

The targets need to comply with relevant remuneration regulations and are set to support the achievement of the long-term strategy of LeasePlan and consider the interests of all relevant stakeholders.

After the performance year the performance achievement of the Identified Staff is reviewed by HR. Separately, the Control Functions Risk and Compliance perform an ex ante risk analysis and report their findings to the (Remuneration and Nomination Committee of the) Supervisory Board.

In case of deferred variable remuneration, the ultimate payment is also subject to an ex post risk analysis, as performed by the Control Functions Risk and Compliance and subject to approval by the (Remuneration and Nomination Committee of the) Supervisory Board. The extent to which the performance targets have been achieved by each individual Identified Staff member is ultimately determined and approved by the (Remuneration and Nomination Committee of the) Supervisory Board after the end of each performance period.

The table below provides an overview of the global performance targets that are derived from LeasePlan's business strategy:

For all targets, a threshold and stretch level is defined. In addition, for all non-financial targets a financial threshold applies. Where appropriate, more specific and personal targets may apply for certain Identified Staff positions.

The targets for Control Functions exclude any targets that may create a conflict of interest and the function holders are remunerated on the basis of the achievement of non-financial Group objectives and non-financial targets relevant to their position.

Target	Element	Link to LeasePlan's strategy
Financial	Profit	Growth (financial) & Operational Excellence
Financial	ROE (Managing Board Only)	Growth (financial)
Non-financial	Volume Growth Global Best Practice	Growth (volume) and The Power of One LeasePlan

EXECUTION IN 2017

In 2017, the Framework has been updated due to the newly published Guidelines on sound remuneration policies under the Capital Requirements Directive (CRD IV) on 21 December 2015 by the European Banking Authority (EBA) that entered into force on 1 January 2017.

REMUNERATION DISCLOSURES

In line with the WBFO, the following table summarises (1) the total amount of aggregated variable remuneration expenses for the year 2017 and (2) the number of individuals employed by LeasePlan who received a total remuneration of more than EUR 1 million.

More remuneration information can be found in:

- Note 5 of the consolidated Financial Statements as included in the Annual Report: Staff expenses;
- Note 25 of the consolidated Financial Statements as included in the Annual Report: Trade and other payables and deferred income;
- Note 33 of the consolidated Financial Statements as included in the Annual Report: Managing Board and Supervisory Board Remuneration;
- Pillar III report, remuneration section as published 23 March 2018 includes qualitative and quantitative remuneration information with respect to Identified Staff.

1. Total aggregated variable remuneration expenses for all staff within LeasePlan globally	**EUR 61.9 MILLION**
2. Number of individuals that received (i.e. were awarded) more than EUR 1 million of total remuneration	**1 – HEAD OFFICE** **3 – OTHER**

16. GOVERNANCE

LEASEPLAN HAS A WELL-DEFINED AND WELL-STRUCTURED CORPORATE GOVERNANCE INFRASTRUCTURE IN PLACE WHICH SUPPORTS ITS BUSINESS MODEL AND STRATEGY

OVERVIEW

At LeasePlan, we believe that it is imperative that a robust infrastructure is supported by the right culture, values and behaviours, both at the top and throughout the entire organisation. We believe that a well-defined and well-structured corporate governance structure ensures good long-term relationships within the organisation between the stakeholders and with society at large.

LeasePlan is incorporated under the laws of the Netherlands. Its head office is located in Amsterdam, the Netherlands and its statutory seat is situated in Amsterdam. LeasePlan operates in 32 countries across the globe. These operations are conducted through various local LeasePlan companies.

Supervision

In addition to a well-functioning global corporate governance infrastructure, LeasePlan is subject to supervision by competent supervisory authorities worldwide. In the Netherlands, we are supervised by among others the Dutch Authority for the Financial Markets (AFM) and the Dutch Central Bank (DNB). In Ireland, where LeasePlan Insurance is located, the Central Bank of Ireland (CBI) supervises the insurance activities of the company. Several other LeasePlan companies are being supervised by relevant local supervisory authorities.

Applicable laws and codes

As LeasePlan meets the criteria listed in the Dutch Civil Code, we have been subjected to the large company regime (structuurregime) since 9 February 2013. As of 21 March 2016, pursuant to the amendment of LeasePlan's Articles of Association, we comply with the full large company regime. Additionally, we are subject to certain EU legislation (including amongst others CRR/ CRD IV), which has an impact on the regulation of our businesses in the EU, and the regulations and supervision by local supervisory authorities of the various countries in which we do business.

As LeasePlan is not a listed entity we are not subject to the Dutch Corporate Governance Code (Code). However, we do use the Code as a reference point for good corporate governance and therefore apply certain principles and best practice provisions of the Code. In 2017, we used the new Dutch Corporate Governance Code, placing more emphasis on long-term value creation and risk management as a benchmark for assessing any further improvements to our governance framework and policies.

As part of our diversified funding strategy, we obtain funds from savings deposits in the Netherlands and Germany through LeasePlan Bank. In light thereof, we have a banking licence pursuant to which we are obliged to comply with banking regulations such as the 2015 Banking Code. This code covers areas such as governance, remuneration, audit and risk management. On an annual basis, we are obliged to disclose information on how we have complied with the 2015 Banking Code in practice.

More information with respect to corporate governance and our compliance therewith (documents such as Code of Conduct, Supplier Code of Conduct, Banking Code Compliance and Articles of Association) can be found on our website: www.leaseplan.com.

SHAREHOLDERS

LP Group B.V. is the sole shareholder of LeasePlan Corporation N.V., with TDR Capital, sovereign wealth funds ADIA and GIC and pension funds PGGM and ATP amongst the indirect shareholders of LeasePlan Corporation N.V. None of these investors has a(n indirect) controlling interest in LeasePlan.

GOVERNANCE STRUCTURE

LeasePlan is governed by a two-tier board comprising a Supervisory Board and a Managing Board. Both boards perform their duties and powers as laid down in the relevant laws, rules, regulations and our Articles of Association.

Supervisory Board

The Supervisory Board is responsible for supervising the Managing Board and the general course of affairs of LeasePlan and its Group companies. In addition thereto, the Supervisory Board advises the Managing Board in determining the strategic direction. It also is responsible for the appointment, yearly assessments of the remuneration and other conditions of employment of the Managing Board members.

The Supervisory Board consists of seven members. More detailed information with respect to the members of the Supervisory Board can be found in the Supervisory Board report and on page 83.

LeasePlan believes that the Supervisory Board has sufficient diversity in the background, knowledge and expertise of the individual members to warrant proper supervision of the overall management of the Group by the Managing Board.

There is a lifelong learning programme in place for the members of the Supervisory Board which meets the requirements of the 2015 Banking Code. The various training sessions are conducted by internal and external experts.

Managing Board

The Managing Board's responsibility is -inter alia, setting the strategy and resulting business approach and policies for LeasePlan and its Group companies.

The Managing Board's responsibility is -inter alia, setting the strategy and resulting business approach and policies for LeasePlan and its Group companies. It is well aware of the importance of the right tone at the top and the positive effects thereof for the rest of the organisation.

Moreover, the Managing Board is responsible for maintaining proper accounting records, for safeguarding assets and for taking reasonable steps to prevent and detect fraud and

GOVERNANCE STRUCTURE

other irregularities. It is responsible for selecting suitable accounting policies and applying them on a consistent basis and making judgments and estimates that are prudent and responsible.

It is also responsible for establishing and maintaining internal procedures that ensure that the Managing Board is informed of all major financial information, so that timeliness, completeness and accuracy of external financial reporting are assured.

The aforesaid means that the Managing Board is responsible for the system of internal control that is designed to safeguard controlled and sound business operations and to ensure the quality of internal and external reporting and compliance with applicable laws, regulations and codes of conduct. In devising internal controls, the company has taken into account the nature and extent of the risks that may affect the soundness of the entire enterprise, the likelihood of risks occurring and the cost of control.

In 2017, the Managing Board consisted of Mr L.W. (Tex) Gunning as Chairman and Chief Executive Officer, M.T.A. (Marco) van Kalleveen as Chief Operating Officer Europe, Ms Y.J.M.A. (Yolanda) Paulissen as Chief Strategic Finance and Investor Relations Officer appointed on 19 January 2017. Ms D.M. (Daniëlle) Pos, who was appointed as Chief Legal and Compliance Officer as per 7 February 2017, resigned as from 2 August 2017. The Chief Financial and Risk Officer, Mr A.B. (Guus) Stoelinga, resigned as from 28 September 2017. Mr G. (Gijsbert) de Zoeten was appointed as Chief Financial Officer and Ms F.P.C.G. (Franca) Vossen as Chief Risk Officer, both of them as per 28 September 2017.

After these appointments and resignations, the Managing Board currently comprises of five members.

More detailed information with respect to the members of the Managing Board can be found on page 80.

The Managing Board has sufficient diversity in background, knowledge and expertise of the individual members to warrant proper execution of the overall management of the Group. The division of tasks within the Managing Board is determined by the Board itself and has been approved by the Supervisory Board. The members of the Managing Board are fully supported in performing their duties by the advice and services provided by a mixed and diverse executive and corporate management team.

There is a lifelong learning programme in place for the members of the Managing Board. The various training sessions are conducted by internal and external experts.

CORPORATE GOVERNANCE STATEMENT

In accordance with the Dutch Decree for further content in the management report (Vaststellingsbesluit nadere voorschriften inhoud bestuursverslag) and based on the listing of LeasePlan's debt securities on regulated markets in the EU, the following information is provided:

Control systems

The most important features of the control systems set up for securing reliable consolidated financial statements are:

- LeasePlan has a uniform set of accounting and reporting principles applied throughout the Group based on its application of International Financial Reporting Standards;
- A monthly cycle of reporting is maintained and throughout the year financial results and developments are analysed, explained and linked to the risk management information:
- Compliance with these uniform accounting and reporting principles is monitored by the Control, Reporting & Tax department and reviewed by both internal and external auditors.

Managers of the individual business units submit a letter of representation emphasising the compliance with the uniform set of accounting and reporting principles. The Group of entities that is included in the consolidated financial statements is comprised of subsidiaries in 32 countries acting as separate business units selling LeasePlan's core products.

Gender diversity

LeasePlan is committed to attracting and retaining the finest human talent as this ensures top business performance and delivers a competitive advantage. We recruit from all cultural, linguistic and national backgrounds as this allows us to meet the needs of our customers, whilst also providing us with valuable knowledge for understanding complex markets. Taking into account the above, LeasePlan aims to obtain an equal division of gender in the Managing Boards and Supervisory Boards as well. This means that every time a position within either a Managing Board or a Supervisory Board becomes vacant, the gender diversity aspect will be taken into account during the procedure of selection and appointment of the candidates.

CONFORMITY STATEMENT

Conformity statement pursuant to section 5:25c paragraph 2(c) of the Dutch Act on Financial Supervision (Wet op het financieel toezicht).

The Managing Board is responsible for maintaining proper accounting records, for safeguarding assets and for taking reasonable steps to prevent and detect fraud and other irregularities.

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

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

- The LeasePlan 2017 Financial statements give a true and fair view of the assets, liabilities, financial position and profit and loss of LeasePlan and the subsidiaries included in the consolidated financial statements;
- The LeasePlan 2017 Annual Report gives a true and fair view of the position at the balance sheet date, the development and performance of the business during the financial year 2017 and the subsidiaries included in the financial statements, together with a description of the principal risks that LeasePlan is being confronted with.

Amsterdam, the Netherlands, 2018

Tex Gunning
Marco van Kalleveen
Yolanda Paulissen
Franca Vossen
Gijsbert de Zoeten

17. FINANCIAL STATEMENTS

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CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement

for the year ended 31 December

In thousands of euros	Note	2017	2016[1]	2015[1]
Operating Lease income		3,846,599	3,761,075	3,656,753
Finance Lease & other interest income		124,514	131,809	143,425
Additional Services income		2,526,702	2,369,121	2,325,387
Vehicle sales & End of Contract fees		2,863,105	2,937,062	2,775,018
Revenues	3	**9,360,920**	**9,199,067**	**8,900,583**
Depreciation cars		3,069,892	3,006,590	2,893,266
Finance cost		306,170	322,917	330,035
Unrealised (gains)/losses on financial instruments	13	- 9,378	- 4,776	- 13,480
Impairment charges on loans and receivables	4	19,452	20,168	23,246
Lease cost		3,386,136	3,344,899	3,233,067
Additional Services cost		1,705,256	1,590,977	1,579,388
Vehicle & disposal cost		2,706,033	2,750,617	2,588,686
Direct cost of revenues	3	**7,797,425**	**7,686,493**	**7,401,141**
Lease Services		584,977	547,985	567,111
Additional Services		821,446	778,144	745,999
Profit/loss on disposal of vehicles & End of Contract fees		157,072	186,445	186,332
Gross profit	3	**1,563,495**	**1,512,574**	**1,499,442**
Staff expenses	5	570,614	640,977	557,986
Other operating expenses	6	357,023	310,602	290,570
Other depreciation and amortisation	7	55,935	56,403	56,178
Total operating expenses		**983,572**	**1,007,982**	**904,734**
Other income	8	5,057	39,068	7,357
Share of profit of investments accounted for using the equity method	20	2,301	4,596	5,870
Profit before tax		**587,281**	**548,256**	**607,935**
Income tax expenses	9	120,675	122,790	165,460
Net result attributable to owners of the parent		**466,606**	**425,466**	**442,475**

Consolidated statement of comprehensive income

for the year ended 31 December

In thousands of euros	Note	2017	2016[1]	2015[1]
Net result		**466,606**	**425,466**	**442,475**
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Remeasurement of post-employment benefit reserve, before tax	30	2,557	3,736	- 218
Income tax on post-employment benefit reserve	9	- 998	- 1,162	162
Subtotal changes post-employment benefit reserve, net of income tax		**1,559**	**2,574**	**- 56**
Items that may be subsequently reclassified to profit or loss				
Changes in cash flow hedges, before tax		4,296	11,460	6,851
Cash flow hedges recycled from equity to profit and loss, before tax		15	- 6,863	- 7,565
Income tax on cash flow hedges	9	- 1,078	- 1,149	178
Subtotal changes in cash flow hedges, net of income tax	9	**3,233**	**3,448**	**- 536**
Exchange rate differences	30	- 46,214	- 18,848	16,655
Other comprehensive income, net of income tax		**- 41,422**	**- 12,826**	**16,063**
Changes in post-employment benefit plans in associates		-	398	-
Total comprehensive income for the year		**425,184**	**413,038**	**458,538**
Comprehensive income attributable to				
Owners of the parent		425,184	413,038	458,538

[1] Prior year comparatives have been restated due to changes in the presentation of the income statement. Please refer to the Basis of preparation for further details.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet

as at 31 December

In thousands of euros	Note	2017	2016	2015[1]
ASSETS				
Cash and balances at central banks	11	2,349,162	1,857,144	1,605,437
Receivables from financial institutions	12	547,296	490,448	368,930
Derivative financial instruments	13	103,458	224,898	166,085
Other receivables and prepayments	14	1,178,859	980,292	837,361
Inventories	15	384,775	280,519	261,325
Loans to investments accounted for using the equity method	16	140,500	125,275	103,325
Corporate income tax receivable		33,320	57,906	37,441
Lease receivables from clients	17	3,260,694	3,425,539	3,084,247
Property and equipment under operating lease and rental fleet	18	16,708,694	15,919,429	14,486,782
Other property and equipment	19	93,982	91,806	90,673
Investments accounted for using the equity method	20	12,983	27,394	24,211
Intangible assets	21	185,679	174,179	171,267
Deferred tax assets	22	122,453	118,178	141,372
		25,121,855	**23,773,007**	**21,378,456**
Assets classified as held-for-sale	23	20,107	13,763	36,790
Total assets		**25,141,962**	**23,786,770**	**21,415,246**

continue >

Consolidated balance sheet - continued

as at 31 December

In thousands of euros	Note	2017	2016	2015[1]
LIABILITIES				
Funds entrusted	24	6,002,501	5,480,777	5,086,974
Derivative financial instruments	13	80,369	77,584	88,379
Trade and other payables and deferred income	25	2,408,074	2,320,288	2,255,271
Corporate income tax payable		37,994	40,454	37,315
Borrowings from financial institutions	26	3,323,132	3,259,384	2,073,118
Debt securities issued	27	9,337,826	8,805,351	8,142,443
Provisions	28	454,057	454,507	378,333
Deferred tax liabilities	22	274,023	272,723	253,860
		21,917,976	**20,711,068**	**18,315,693**
Liabilities classified as held-for-sale	23	-	-	28,089
Total liabilities		**21,917,976**	**20,711,068**	**18,343,782**
EQUITY				
Share capital	29	71,586	71,586	71,586
Share premium	29	506,398	506,398	506,398
Other reserves	30	- 51,147	- 9,725	3,101
Retained earnings	31	2,697,149	2,507,443	2,490,379
Total equity		**3,223,986**	**3,075,702**	**3,071,464**
Total equity and liabilities		**25,141,962**	**23,786,770**	**21,415,246**

[1] Prior year figures have been restated due to changes in the presentation. Please refer to the Basis of preparation for further details.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of changes in equity

	Attributable to the owners of the parent				
In thousands of euros	Share capital	Share premium	Other reserves	Retained earnings	Total equity
Note	29	29	30	31	
Balance as at 1 January 2015	**71,586**	**506,398**	**- 13,178**	**2,278,120**	**2,842,926**
Net result				442,475	442,475
Other comprehensive income			16,063	-	16,063
Post-employment plans in associates			216	- 216	-
Total comprehensive income			**16,279**	**442,259**	**458,538**
Dividend relating to 2014				- 230,000	- 230,000
Total transactions with owners of the parent				**- 230,000**	**- 230,000**
Balance as at 31 December 2015	**71,586**	**506,398**	**3,101**	**2,490,379**	**3,071,464**
Net result				425,466	425,466
Other comprehensive income			- 12,826	-	- 12,826
Post-employment plans in associates				398	398
Total comprehensive income			**- 12,826**	**425,864**	**413,038**
Dividend relating to 2015				- 265,500	- 265,500
Dividend relating to 2016				- 143,300	- 143,300
Total transactions with owners of the parent				**- 408,800**	**- 408,800**
Balance as at 31 December 2016	**71,586**	**506,398**	**- 9,725**	**2,507,443**	**3,075,702**
Net result				466,606	466,606
Other comprehensive income			- 41,422		- 41,422
Total comprehensive income			**- 41,422**	**466,606**	**425,184**
Dividend relating to 2016				- 112,000	- 112,000
Dividend relating to 2017				- 164,900	- 164,900
Total transactions with owners of the parent				**- 276,900**	**- 276,900**
Balance as at 31 December 2017	**71,586**	**506,398**	**- 51,147**	**2,697,149**	**3,223,986**

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of cash flows

for the year ended 31 December

In thousands of euros	Note	2017	2016[1]	2015[1]
OPERATING ACTIVITIES				
Net result		466,606	425,466	442,475
Adjustments:				
Interest income and expense	3	181,656	191,109	186,610
Impairment on receivables	4	19,452	20,168	23,245
Bargain purchase gain	8	-	-	- 7,357
Depreciation operating lease portfolio and rental fleet	18	3,167,014	3,098,115	2,973,848
Depreciation other property and equipment	19	26,607	26,740	24,507
Gain on Sale of Subsidiaries / Associates	8	- 5,057	- 40,650	-
Amortisation and impairment intangible assets	21	29,501	29,663	31,671
Share of profit of investments accounted for using the equity method	20	- 2,301	- 4,596	- 5,870
Financial instruments at fair value through profit and loss	13	- 9,378	- 4,776	- 13,480
Income tax expense		120,675	122,790	165,460
Changes in:				
Provisions		- 44,921	74,910	21,112
Derivative financial instruments		116,186	- 61,384	- 12,022
Trade and other payables and other receivables		- 46,564	- 154,519	40,989
Inventories	15	150,856	192,485	164,705
Amounts received for disposal of vehicles under operating lease	18	2,173,709	2,226,427	2,114,007
Amounts paid for acquisition of vehicles under operating lease	18	- 6,621,364	- 7,432,245	- 6,475,708
Acquired new finance leases		- 1,186,794	- 1,278,079	- 1,178,514
Repayment finance leases		1,205,203	1,232,580	818,052
Interest paid		- 323,939	- 313,962	- 351,850
Interest received		124,616	131,715	143,359
Income taxes paid		- 121,525	- 133,209	- 150,781
Income taxes received		35,828	20,681	19,847
Cash used in operating activities		**- 543,935**	**- 1,630,571**	**- 1,025,697**

continue >

Consolidated statement of cash flows - continued

for the year ended 31 December

In thousands of euros	Note	2017	2016[1]	2015[1]
INVESTING ACTIVITIES				
Acquisition of subsidiary, net of cash acquired	8	-	-	- 36,125
Purchases of other property and equipment (net)	19	- 30,113	- 28,004	- 29,939
Purchases of intangible assets (net)	21	- 42,590	- 33,817	- 20,902
Loans provided to investments accounted for using the equity method	16	- 71,475	- 71,950	- 364,516
Redemption on loans to investments accounted for using the equity method	16	56,250	50,000	551,322
Dividend received from investments accounted for using the equity method	16	1,420	720	1,999
Changes in held-for-sale investments		- 8,499	- 5,062	-
Proceeds from sale of subsidiaries		17,500	40,650	-
Cash used in investing activities		**- 77,507**	**- 47,463**	**101,839**
FINANCING ACTIVITIES				
Receipt of receivables from financial institutions		3,299,301	2,751,687	3,593,192
Balances deposited to financial institutions		- 3,349,265	- 2,923,665	- 2,705,585
Receipt of borrowings from financial institutions		3,756,794	3,469,973	7,975,232
Repayment of borrowings from financial institutions		- 3,672,830	- 2,112,567	- 8,257,058
Receipt of funds entrusted		2,317,779	2,187,510	2,353,168
Repayment of funds entrusted		- 1,795,935	- 1,793,706	- 1,645,085
Receipt of debt securities		3,602,148	2,872,668	2,477,152
Repayment of debt securities		- 2,774,552	- 2,209,760	- 1,972,746
Dividends paid to Company's shareholders		- 276,900	- 408,800	- 230,000
Cash generated from financing activities		**1,106,541**	**1,833,340**	**1,588,270**
Cash and balances with banks as at 1 January		**1,739,066**	**1,583,373**	**919,688**
Net movement in cash and balances with banks		485,098	155,306	664,412
Exchange gains/losses on cash and balances with banks		565	387	- 726
Cash and balances with banks as at 31 December	11	**2,224,729**	**1,739,066**	**1,583,374**

[1] Prior year comparatives have been restated due to changes in the presentation. Please refer to the Basis of preparation for further details.

GENERAL NOTES

1. GENERAL INFORMATION

LeasePlan Corporation N.V.
LeasePlan Corporation N.V. (the 'Company') is domiciled in Amsterdam, the Netherlands, where its statutory seat is located. The address of its registered office is Gustav Mahlerlaan 360, 1082 ME Amsterdam. The consolidated financial statements of the Company as at and for the year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the 'Group') and the Group's interest in investments accounted for using the equity method. The Group consists of an international network of companies engaged in fleet management and mobility services, mainly through operating leasing. At the end of the year 2017, the Group employed just over 6,800 people worldwide and had offices in over 30 countries. A list of the principal consolidated participating interests is included on page 250.

The Company holds a banking licence in the Netherlands since 1993 and is regulated by the Dutch Central Bank. Specific additional (IFRS) disclosures are included that focus on the Company's liquidity and solvency and on the risks associated with the assets and liabilities recognized on its balance sheet and with its off-balance sheet exposures.

Ownership of the Company
On 21 March 2016 LP Group B.V. acquired 100% of the shares of the Company from Global Mobility Holding B.V.

LP Group B.V. is the parent company of LeasePlan Corporation N.V. and represents a group of long-term responsible investors. None of these investors have a(n indirect) controlling interest in the Company:

- **ADIA:** Since 1976, the Abu Dhabi Investment Authority (ADIA) has been prudently investing funds on behalf of the Government of Abu Dhabi, with a focus on long-term value creation. ADIA manages a global investment portfolio that is diversified across more than two dozen asset classes and sub categories, including quoted equities, fixed income, real estate, private equity, alternatives and infrastructure.
- **ATP:** ATP was established in 1964 and is Denmark's, and one of Europe's, largest pension funds.
- **Broad Street Investments:** - A Singapore based Holding company.
- **GIC:** GIC is a leading global investment firm with well over US$100 billion in assets under management. Established in 1981, the firm manages Singapore's foreign reserves and is positioned for long-term and flexible investments across a wide range of asset classes, including public equities, fixed income, real estate, and private equity. In private equity, GIC invests through funds as well as directly in companies, partnering with fund managers and management teams to help businesses achieve their objectives. GIC employs more than 1,300 people.
- **PGGM:** PGGM is a cooperative Dutch pension fund service provider. Institutional clients are offered: asset management, pension fund management, policy advice and management support. Either alone or together with strategic partners, PGGM develops innovative future provisions by linking together pension, care, housing and work.
- **TDR Capital:** TDR Capital LLP is a highly selective private equity firm with a track record of investing in businesses. TDR Capital LLP was founded in 2002 and currently manages funds totalling over EUR 5.0 billion on behalf of a range of sophisticated investors.

2. BASIS OF PREPARATION

Statement of compliance and restatements
The consolidated financial statements for the year ended 31 December 2017 were authorised for issue by the Managing Board on 22 March 2018.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) and its interpretations as adopted by the European Union (EU). The consolidated financial statements are also compliant with article 362 paragraph 9 of the Dutch Civil Code.

The Company has made changes to the presentation of the consolidated income statement and the operating segments, which have been retrospectively applied to the comparative results. The Group has chosen to present comparative amounts for the years 2016 and 2015.

Restatement in the presentation of the consolidated income statement
In previous years, the Group prepared its consolidated financial statements in accordance with bank-specific reporting requirements, due to the fact that LeasePlan Corporation N.V. has a banking licence. In 2017, the Group restated the presentation of the income statement in accordance with IFRS, to present operating lease income in revenues in one line item, whereas the interest part was previously separately presented as part of net interest income. The income statements for the years ended 31 December 2016 and 31 December 2015 have been restated accordingly.

In the presentation of revenues, the Group now distinguishes four revenue streams composing of revenues from operating leases, finance leases, additional services provided and the vehicles sales for which the contracts ended. The direct cost of revenues have also been changed in line with the abovementioned changes to the presentation of revenues. The changes include the new way of presentation of finance cost, unrealised gains/losses on financial instruments and impairment charges on loans and receivables as part of direct cost of revenues. Consequently, gross profit streams have also been presented in categories of lease services, additional services and Profit/loss on disposal of vehicles & End of Contract fees. Furthermore, other income is now presented separately below the operating expenses in the income statement.

The restated presentation has been applied retrospectively to the 2016 and 2015 comparative amounts in the consolidated income statement. The comparative amounts have been restated as disclosed in the following tables on the next pages.

Consolidated income statement 2016

for the year ended 31 December

In thousands of euros	2016 Previously reported	Reclassifications: Revenues and Direct cost of revenues	Interest income operating lease	Interest income finance lease and other	Interest expenses and similar charges	Impairment charges on loans and receivables	Unrealised (gains)/losses on financial instruments	Other income	2016 Restated
Revenues (lease income and vehicles sales)	8,430,912	- 8,430,912							-
Operating Lease income		3,124,748	636,327						3,761,075
Finance Lease & other interest income				131,809					131,809
Additional Services income		2,369,121							2,369,121
Vehicle sales & end-of-contract fees		2,937,062							2,937,062
Revenues	**8,430,912**	**19**	**636,327**	**131,809**	**-**	**-**	**-**	**-**	**9,199,067**
Cost of revenues	7,348,165	- 7,348,165							-
Depreciation cars		3,006,590							3,006,590
Finance cost					322,917				322,917
Unrealised (gains)/losses on financial instruments							- 4,776		- 4,776
Impairment charges on loans and receivables						20,168			20,168
Lease cost		3,006,590			322,917	20,168	- 4,776		3,344,899
Additional Services cost		1,590,977							1,590,977
Vehicle & disposal cost		2,750,617							2,750,617
Direct cost of revenues	**7,348,165**	**19**	**-**	**-**	**322,917**	**20,168**	**- 4,776**	**-**	**7,686,493**
Gross profit (net lease and vehicles sales income)	1,082,747	- 1,082,747							-
Lease Services		118,158	636,327	131,809	- 322,917	- 20,168	4,776		547,985
Additional Services		778,144							778,144
Profit/loss on disposal of vehicles & End of Contract fees		186,445							186,445
Gross profit	**1,082,747**	**-**	**636,327**	**131,809**	**- 322,917**	**- 20,168**	**4,776**	**-**	**1,512,574**
Interest and similar income	768,136		- 636,327	- 131,809					-
Interest expenses and similar charges	- 322,917				322,917				-
Net interest income	**445,219**		**- 636,327**	**- 131,809**	**322,917**				**-**
Impairment charges on loans and receivables	20,168					- 20,168			-
Unrealised gains/losses on financial instruments	- 4,776						4,776		-
Net finance income	**429,827**		**- 636,327**	**- 131,809**	**322,917**	**20,168**	**- 4,776**		**-**

continue >

GENERAL NOTES

Consolidated income statement 2016 - continued

for the year ended 31 December

		Reclassifications							
In thousands of euros	**2016 Previously reported**	**Revenues and Direct cost of revenues**	**Interest income operating lease**	**Interest income finance lease and other**	**Interest expenses and similar charges**	**Impairment charges on loans and receivables**	**Unrealised (gains)/losses on financial instruments**	**Other income**	**2016 Restated**
Other income	**39,068**							**- 39,068**	**-**
Staff expenses	640,977								640,977
Other Operating Expenses	310,602								310,602
Other Depreciation and amortization	56,403								56,403
Total operating expenses	**1,007,982**								**1,007,982**
Other income								39,068	39,068
Share of profit of investments accounted for using the equity method	4,596								4,596
Profit before tax	**548,256**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**548,256**
Income tax expenses	122,790								122,790
Net result attributable to owners of the parent	**425,466**	**-**	**-**	**-**	**-**	**-**	**,**	**-**	**425,466**

GENERAL NOTES

Consolidated income statement 2015

for the year ended 31 December

In thousands of euros	2015 Previously reported	Reclassifications							2015 Restated
		Revenues and Direct cost of revenues	Interest income operating lease	Interest income finance lease and other	Interest expenses and similar charges	Impairment charges on loans and receivables	Unrealised (gains)/losses on financial instruments	Other income	
Revenues (lease income and vehicles sales)	8,101,702	- 8,101,702							-
Operating Lease income		3,001,086	655,667						3,656,753
Finance Lease & other interest income		5		143,420					143,425
Additional Services income		2,325,387							2,325,387
Vehicle sales & end-of-contract fees		2,775,018							2,775,018
Revenues	**8,101,702**	**- 206**	**655,667**	**143,420**	**-**	**-**	**-**	**-**	**8,900,583**
Cost of revenues	7,061,547	- 7,061,547							-
Depreciation cars		2,893,266							2,893,266
Finance cost		-			330,035				330,035
Unrealised gains/losses on financial instruments		-					- 13,480		- 13,480
Impairment charges on loans and receivables		-				23,246			23,246
Lease cost	-	2,893,266	-	-	330,035	23,246	- 13,480		3,233,067
Additional Services cost		1,579,388							1,579,388
Vehicle & disposal cost		2,588,686							2,588,686
Direct cost of revenues	**7,061,547**	**- 207**	**-**	**-**	**330,035**	**23,246**	**- 13,480**	**-**	**7,401,141**
Gross profit (net lease and vehicles sales income)	1,040,155	- 1,040,155							-
Lease Services		107,825	655,667	143,420	- 330,035	- 23,246	13,480		567,111
Additional Services		745,999							745,999
Profit/loss on disposal of vehicles & End of Contract fees		186,332							186,332
Gross profit	**1,040,155**	**1**	**655,667**	**143,420**	**- 330,035**	**- 23,246**	**13,480**	**-**	**1,499,442**
Interest and similar income	799,087		- 655,667	- 143,420					-
Interest expenses and similar charges	330,035				- 330,035				-
Net interest income	**469,052**	**-**	**- 655,667**	**- 143,420**	**330,035**	**-**	**-**	**-**	**-**
Impairment charges on loans and receivables	23,245					- 23,245			-
Unrealised (gains)/losses on financial instruments	13,480						- 13,480		-
Net finance income	**459,287**	**-**	**- 655,667**	**- 143,420**	**330,035**	**23,245**	**- 13,480**	**-**	**-**

continue >

GENERAL NOTES

Consolidated income statement 2015 - continued

for the year ended 31 December

		Reclassifications							
In thousands of euros	**2015 Previously reported**	**Revenues and Direct cost of revenues**	**Interest income operating lease**	**Interest income finance lease and other**	**Interest expenses and similar charges**	**Impairment charges on loans and receivables**	**Unrealised (gains)/losses on financial instruments**	**Other income**	**2015 Restated**
Other income	**7,357**							**- 7,357**	**-**
Staff expenses	557,986								557,986
Other Operating Expenses	290,570								290,570
Other Depreciation and amortization	56,178								56,178
Total operating expenses	**904,734**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**904,734**
Other income	-							7,357	7,357
Share of profit of investments accounted for using the equity method	5,870								5,870
Profit before tax	**607,935**								**607,935**
Income tax expenses	165,460								165,460
Net result attributable to owners of the parent	**442,475**								**442,475**

The changes in format, as described, have an impact on the presentation of items in the consolidated income statement. Due to changes in the consolidated income statement, certain line items in the consolidated statement of cash flows changed. The changes did not impact the total net cash flows from operating, investing and financing activities. There is no impact on the statements of comprehensive income and the statements of changes in equity.

Other restatements
We refer to note 33 for the disclosure of granted rights to certain Supervisory Board members by the Consortium to indirectly participate in the share capital of LeasePlan.

Furthermore, certain comparative amounts in the Consolidated balance sheet have been restated, as a result of a revised interpretation of lease contract classification for a small part of the lease portfolio in 2016. This portfolio used to be classified as finance lease contracts, but is reclassified to operating lease given the nature of the contracts. The restatements are reflected in the table below:

in thousands of euros	2015 Previously reported	Reclassi-fications	2015 Restated
Lease receivables from clients	3,309,512	-225,265	3,084,247
Property and equipment under operating lease and rental fleet	14,261,517	225,265	14,486,782

The impact of this reclassification on the net result 2016 and the years before is fully reflected in the net result of 2016, given the limited materiality.

The 2015 comparative disclosures following this reclassification have not been fully adjusted as this information is not readily available and retrospective preparation would require undue cost and effort.

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

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

The main estimates and underlying assumptions relate to the residual values at the end of the contract date, the assessment of impairment of fixed assets from operating leases, impairment of finance lease receivables, the defined benefit pensions obligations, the fair value of the derivatives, the assessment of the income tax position and damage risk retention provision, the impairment of intangibles and goodwill, revenue recognition, the assessment of restructuring provisions and litigation provisions. Information on the above-mentioned areas of estimation and judgement is provided in note W - Critical accounting estimates, assumptions and judgements.

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

New and amended standards adopted by the Group effective as from 1 January 2017
The following new standards, amendments and interpretations to published standards are mandatory for the first time for the financial year beginning 1 January 2017 and are applicable to the Group.
- Amendments to IAS 12 'Income Taxes' issued in January 2016 clarifies certain aspects around the recognition and measurement of deferred taxes, amongst which that unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use. These amendments do not have material impact on the Group.
- Amendments to IAS 7 'Statement of Cash Flows' issued in January 2016 clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The Group has disclosed in note 10 of the consolidated financial statements of the Company.

- Annual Improvements 2014-2016 Cycle:
  Amendment to IFRS 12 'Disclosure of Interests in Other Entities' clarifying the scope of the standard by specifying the application of the standard on entity's interests classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. The amendment has no material impact on the Group.

New standards, amendments and interpretations issued but not effective for the financial year as from 1 January 2017 and not early adopted

The following new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2017 and have not been early adopted in preparing these consolidated financial statements.

IFRS 9: Financial instruments

Adoption of IFRS 9

IFRS 9 must be applied for financial years commencing on or after 1 January 2018 and has been fully endorsed by the EU. The Group will adopt IFRS 9 by the required effective date of 1 January 2018. Set out below is an overview of the main elements of IFRS 9 as well as the impact of the adoption of IFRS 9 on the Group.

Classification and Measurement

The classification and measurement of financial assets will depend on how these are managed (the business model test) and their contractual cash flow characteristics (the solely payment of principal and interest test). The outcome of these tests will drive how financial assets are subsequently measured: at amortized cost, fair value through OCI or fair value through profit or loss. The classification and measurement of financial liabilities remain substantially unchanged from the existing standard, IAS 39.

Impairment

The IFRS 9 expected credit loss (ECL) model will replace the current 'incurred loss' model of IAS 39.

The ECL model will require the recognition of ECLs upon initial recognition of a financial asset. It contains a 3 stage approach which is based on the change in credit quality of financial assets. Depending on the stage, the ECL allowance is measured either as 12-months (stage 1) or lifetime expected credit losses (stage 2 and 3).

The Group made an accounting policy choice, to use the Simplified Approach under IFRS 9 in measuring expected credit losses for its finance lease receivables under IAS 17, as well as trade debtors arising from contracts with customers under IFRS 15. As a result, the expected credit losses for these categories will always be measured as lifetime expected. For the remainder of the financial assets, consisting of financial guarantees and receivables from financial institutions, the general approach for ECL measurement will be applied. Leveraging the existing Advanced Internal Ratings Based (AIRB) credit models for regulatory capital purposes, the Group has developed ECL models which calculate ECL by multiplying the Probability of default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). These models also incorporate forward looking information through the use of three different scenarios of future economic developments (adverse, baseline, optimistic).

Following the adoption of IFRS 9, any developments in the impairment losses will impact the Group's profit or loss. Since the expected loss model is driven more by possible future economic developments, it is expected that impairment losses in the upcoming periods will be more volatile than under the current accounting standard (IAS 39).

Hedge Accounting

IFRS 9 also incorporates new hedge accounting rules that intend to align hedge accounting with risk management practices. The Group will apply the accounting policy choice to defer the application of the IFRS 9 guidance on hedge accounting and continue applying the hedge accounting requirements of IAS 39 in their entirety until the standard resulting from the IASB's separate project on macro hedge accounting becomes effective.

Transition impact

The Group is in process to finalize the impact assessment of IFRS 9 classification and measurement. The outcome is that upon adoption of IFRS 9, there will be no significant changes in the classification and measurement of financial assets and financial liabilities. This is mainly driven by the fact that, classification and measurement of both finance and operating lease assets are governed by the prevailing standard IAS 17.

As permitted by the transitional provisions of IFRS 9, the Group will elect not to restate comparative results. Consequently, any adjustments to the carrying amounts of financial assets and liabilities at the date of transition will be recognised against the opening balance of retained earnings as at 1 January 2018. The Group estimates the IFRS 9 transition amount will reduce shareholders' equity by approximately EUR 5 million after-tax with no significant impact to the Common Equity Tier 1 capital ratio as at 1 January 2018. The impact relates mainly to the implementation of the ECL requirements by the Group as applicable to finance lease receivables and trade debtors. The impact of classification and measurement is limited. These estimates are based on accounting policies, assumptions, judgements and estimation techniques that remain subject to change until the Group finalizes its financial statements for the year ending 31 December 2018.

IFRS 15: Revenue from contracts with customers

Adoption of IFRS 15

IFRS 15 must be applied for periods beginning on or after 1 January 2018 and it is fully endorsed by the EU. The Group will adopt IFRS 15 (as issued by the IASB and subsequently endorsed by the European Union in September 2016) by the required effective date of 1 January 2018. Set out below is an overview of IFRS 15 as well as the impact of the adoption of IFRS 15 on the Group.

IFRS 15 provides a single, principles-based five-step model to be applied to all contracts with customers and is based on the principle that revenue is recognized when control of a good or service transfers to a customer. Furthermore, it provides new guidance on whether revenue should be recognized at a point in time or over time. The standard also introduces new guidance on costs of fulfilling and obtaining a contract, specifying the circumstances in which such costs should be capitalized. Costs that do not meet the criteria must be expensed when incurred. As a full service provider, the Group's arrangements with customers are expected to be impacted by IFRS 15 in two ways:

- Service components of arrangements are governed in their entirety by IFRS 15.
- While recognition of lease and insurance elements are governed by IAS 17 'Leases' and IFRS 4 'Insurance contracts' respectively, their allocation of value from a customer's monthly instalment is to be performed under IFRS 15.

IFRS 15 has provided significantly more guidance than its predecessor, particularly with respect to the identification of performance obligations, determination of the transaction price, and allocation of value thereto within multiple element arrangements.

Upon adoption of IFRS 15, the Group does not expect significant changes in the identification of performance obligations or the allocation of the transaction price thereto.

Transition impact

As permitted by the transitional provisions of IFRS 15, the Group will elect not to restate comparative results. Consequently, any adjustments to historic revenues at the date of transition will be recognized against the opening balance of retained earnings as at 1 January 2018.

The Group is in process to finalize the impact assessment of IFRS 15. No significant impact to the income statement is expected after IFRS 15 is fully implemented:

- The Group's existing policies for identification of performance obligations, determination of the transaction price and allocation of value thereto are largely aligned with the requirements of the new standard; and
- A significant portion of the Group's revenue is recognized under IAS 17 (for lease elements). Furthermore, current revenue recognition under IAS 18 does not carry a significant impact when compared to IFRS 15.

IFRS 16: Leases

Adoption of IFRS 16

The Group will adopt IFRS 16 (as issued by the IASB and subsequently endorsed by the European Union in October 2017) by the required effective date of 1 January 2019. Set out below is an overview of IFRS 16 as well as the impact of the adoption of IFRS 16 on the Group.

IFRS 16 introduces a new approach to lessee accounting, requiring they recognize assets and liabilities for the rights and obligations created by all types of leases (previously only finance leases). Lease assets will then be depreciated over the term of the lease, while liabilities will be cash settled against, and accreted upwards to future value. The approach in IFRS 16 for lessor accounting remains substantially unchanged compared to IAS 17. Lessors continue to classify leases as operating or finance leases.

The Group is currently assessing the full impact of IFRS 16, and as such is not in a position to quantify its impact, nor specify its choice of transition methods.

IFRS 17: Insurance contracts

Adoption of IFRS 17

The Group will adopt IFRS 17 (as issued by the IASB in May 2017) by the required effective date of 1 January 2021. Set out below is an overview of IFRS 17 as well as the impact of the adoption of IFRS 17 on the Group.

IFRS 17 includes a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows
- an explicit risk adjustment, and
- a contractual service margin ('CSM') representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognizing changes in discount rates either in the income statement or directly in other comprehensive income. This is expected to impact the damage risk retention provision.

The Group is currently assessing the impact of IFRS 17, and as such is not in a position to quantify its impact, nor specify its choice of transition methods.

Amendments to IFRS 2 'Share-based Payment'

Amendments to IFRS 2 'Share-based Payment' issued June 2016 and clarifying the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. This amendment is effective for periods beginning on or after 1 January 2018. The amendment does not have material impact on the Group's balances and results.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Note A - Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

Subsidiaries

Subsidiaries are all companies (including special purpose companies) over which the Group has control. The Group controls a company when the Group is exposed to, or has rights to, variable returns from its involvement with the company and has the ability to affect those returns through its power over the company. Subsidiaries are fully consolidated from the date on which control commences until the date on which control ceases.

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the entity acquired and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at its fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the entity acquired either at fair value or at the non-controlling interest's proportionate share of the entity's net assets. Acquisition-related costs are expensed as incurred. If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in the income statement.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired in case of a bargain purchase, the difference is recognised in the income statement.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Accounting policies of acquired subsidiaries were changed to ensure consistency with the policies adopted by the Group.

Transactions with non-controlling interests and disposals

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

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

Associates

Associates are those companies over which the Group has significant influence but no control, generally accompanying a shareholding between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

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

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of

losses exceeds its interest in an equity accounted associate, including any other unsecured receivables, the Group does not recognise further losses, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate. The accounting policies applied for the associates are in line with the policies adopted by the Group.

For the impairment of non-financial assets, reference is made to Note R - Impairments.

Joint arrangements
Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interest that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies applied for the joint ventures are consistent with the policies adopted by the Group.

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

Note B - Foreign currency

Foreign currency transactions
Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transaction or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement under the caption 'Finance lease and other interest income', except when deferred in other comprehensive income as qualifying cash flow hedges.

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

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

Exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. Since 1 January 2004, the Group's date of transition to IFRS, such translation differences have been recognised in the translation reserve of equity. When a foreign operation is disposed of or sold, in part or in full, the relevant amount of this reserve is reclassified in the income statement as part of the gain or loss on disposal or sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and are translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

Note C - Financial assets and liabilities

Classification

Financial assets are initially recognised at fair value. Subsequent measurement depends on the classification described below. The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, and cash and cash equivalents. The classification depends on the purpose for which the investments were initially acquired or originated.

Financial liabilities are initially recognised at fair value net of transaction costs incurred and are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the financial liability using the effective interest method.

Financial assets and financial liabilities at fair value through profit or loss

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These arise when the Group provides money, goods or services directly to a debtor with no intention of trading the loans or receivables. The following balance sheet items are classified as loans and receivables: receivables from financial institutions, lease receivables from clients, loans to investments accounted for using the equity method, and certain items included in other receivables and prepayments (rebates and bonuses and commissions receivable, reclaimable damages, interest to be received).

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

Financial liabilities measured at amortised cost

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any differences between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. The following balance sheet items classified as financial liabilities are measured at amortised cost: borrowings from financial institutions, funds entrusted, debt securities issued, and certain items included in trade and other payables and deferred income (trade payables, interest payable).

Recognition

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

A financial liability is recognised when the Group becomes party to a contractual obligation to deliver cash or another financial instrument to another entity.

Derecognition

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

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

Offsetting

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

Note D - Derivative financial instruments and hedge accounting

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

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

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

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

Derivatives are used as hedging instruments designated in this way provided certain criteria are met.

The Group documents the relationship between hedging instruments and hedged items at inception of the transaction, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessments, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in a hedge are highly effective in offsetting changes in fair values or cash flows of hedged items.

Cash flow hedging

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

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

In case ineffectiveness arises because insufficient cash flows are available but forecast cash flows are still likely to occur or when a hedge no longer meets the criteria for hedge accounting then the amounts in equity are amortised only as and when the forecast cash flows will occur.

Fair value hedging

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

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

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

Derivatives

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

Note E - Lease contracts

Lease classification

The lease classification is determined on a contract-by-contract basis, taking into consideration the substance of the transaction and the specific details of each lease contract. The key factor is whether or not substantially all of the risks and rewards incidental to ownership are transferred.
Various criteria are used to determine the lease classification of which the two most important are:

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

Finance lease portfolio

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

Over the lease term, the instalments charged to the clients are apportioned between a reduction in the net investment in the lease and finance lease income. The finance lease income is calculated using the effective interest method.

Operating lease portfolio

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

The operating lease instalments are recognised in the financial statements in their entirety on a straight-line basis over the lease term. The instalments are classified and presented in the 'Operating Lease income' revenue category of the income statement.

Lease products

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

Closed calculation contracts

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

Open calculation contracts

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

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

Note F - Insurance contracts

Reinsurance assets

Reinsurance contracts are contracts entered into by the Group in order to receive compensation for claims/benefits incurred on contracts written by the Group (outgoing reinsurance). Reinsurance assets are also held as part of exiting the business. For contracts transferring sufficient insurance risk, a reinsurance asset is recognized for the expected future benefits, less expected future reinsurance premiums. Reinsurance contracts with insufficient insurance risk transfer are accounted for as investment or service contracts, depending on the nature of the agreement.

Reinsurance assets are measured consistently with the assumptions associated with the underlying insurance contracts and in accordance with the terms of each reinsurance contract. They are subject to impairment testing and are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

The Group is not relieved of its legal liabilities when entering into reinsurance transactions, therefore the reserves relating to the underlying insurance contracts will continue to be reported on the consolidated statement of financial position during the contractual term of the underlying contracts.

Reinsurance premiums, commissions and claim settlements are accounted for in the same way as the original contracts for which the reinsurance was concluded. The insurance premiums for the original contracts are presented gross of reinsurance premiums paid.

Reinsurance assets are impaired if there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that not all amounts due under the terms of the contract may be received. In such a case, the value of the reinsurance asset recoverable is determined based on the best estimate of future cash flows, taking into consideration the reinsurer's current and expected future financial conditions plus any collateral held in trust for the Group's benefit. The carrying value is reduced to this calculated recoverable value, and the impairment loss recognized in the income statement.

Insurance contracts

Insurance contracts are accounted for under IFRS 4 Insurance Contracts. In accordance with this standard, the Group continues to apply the existing accounting policies that were applied prior to the adoption of IFRS-EU with certain modifications allowed by IFRS 4 for standards effective subsequent to adoption. The Group applies, in general, non-uniform accounting policies for insurance liabilities and intangible assets to the extent that it was allowed under Dutch Accounting Principles. As a result, specific methodologies applied may differ between the Group's operations as they may reflect local regulatory requirements and local practices for specific product features in these local markets. Since adoption of IFRS-EU, the Group has considered new and amended standards in those GAAPs which have become effective subsequent to the date of transition to IFRS-EU. If any changes are made to current accounting policies for insurance contracts, these will be in accordance with IFRS 4.

Insurance contracts are contracts under which the Group accepts a significant risk – other than a financial risk – from a policyholder by agreeing to compensate the beneficiary on the occurrence of an uncertain future event by which he or she will be adversely affected. Contracts that do not meet this definition are accounted for as investment contracts. The Group reviews homogeneous books of contracts to assess whether the underlying contracts transfer significant insurance risk on an individual basis. This is considered the case when at least one scenario with commercial substance can be identified in which the Group has to pay significant additional benefits to the policyholder. Contracts that have been classified as insurance are not reclassified subsequently.

Insurance liabilities are recognized when the contract is entered into and the premiums are charged. The liability is derecognized when the contract expires, is discharged, disposed or cancelled.

Insurance assets and liabilities are valued in accordance with the accounting principles that were applied by the Group prior to the transition to IFRS-EU and with consideration of standards effective subsequent to the date of transition to IFRS-EU. In order to reflect the specific nature of the products written, subsidiaries are allowed to apply local accounting principles to the measurement of insurance contracts. All valuation methods used by the subsidiaries are based on the general principle that the carrying amount of the net liability must be sufficient to meet any reasonably foreseeable obligation resulting from the insurance contracts.

Non-life insurance contracts are insurance contracts where the insured event is not life-contingent. For non-life products the insurance liability generally includes reserves for unearned premiums, unexpired risk, inadequate premium levels and outstanding claims and benefits. No catastrophe or equalization reserves are included in the measurement of the liability. The reserve for unearned premiums includes premiums received for risks that have not yet expired. Generally, the reserve is released over the coverage period of the premium and is recognized as premium income.

The liability for outstanding claims and benefits is established for claims that have not been settled and any related cash flows, such as claims handling costs. It includes claims that have been incurred but have not been reported to the Group. The liability is calculated at the reporting date using statistical methods based on empirical data and current assumptions that may include a margin for adverse deviation. Liabilities for claims subject to periodic payment are calculated using actuarial methods consistent with those applied to life insurance contracts. Discounting is applied if allowed by the local accounting principles used to measure the insurance liabilities. Discounting of liabilities is generally applied when there is a high level of certainty concerning the amount and settlement term of the cash outflows.

Note G - Revenues and direct cost of revenues

Revenues

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

Operating lease income

Leasing income from operating lease instalments (the minimum lease payments) are recognised straight-line over the lease term, based on the total of the contractual payments divided by the number of months of the lease term.

Charges to clients may include passed on costs such as fuel, road taxes and other taxes which do not represent the inflow of economic benefits and/or are collected on behalf of third parties and are therefore not presented as revenues.

Finance lease & other interest income

Interest income from finance lease contracts is recognised using the effective interest method. Payments collected from the lease are allocated between reducing the net investment in the lease and recognising interest income.

Other interest income mainly includes income from interest-bearing assets, which is recognised using the effective interest method.

Additional services income

Additional services includes fees charged for fleet management services, repair & maintenance services, rental activities and damage & insurance services.

Fleet management & other services

Revenue from fleet management services is recognised on a straight-line basis over the term of the fleet management agreement.

Repair & maintenance services

Income related to repair & maintenance services is recognised over the term over the lease contract. The allocation of income over the term is based on the normal repair & maintenance cost profile supported by historical statistics and expected service costs. The difference between the amounts charged to clients and amounts recognised as income are accounted for as deferred leasing income. Cost profiles are reviewed periodically in order to ensure they remain a fair representation of historical repair and maintenance expenditures, adjusted for reasonable expectations of changes in cost profiles.

Income related to services surrounding open calculation contracts is not certain until final settlement takes place. As such, this income is not recognised until that time and is presented within the sales result. For open calculation contracts expected losses are recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenues.

Rental

Rental revenues are recognised on a straight-line basis over the term of the rental agreement.

Damage & insurance services

The revenue from the risk retention schemes is recognized based on the monthly lease instalment. This applies for the third party liability and the own damage insurance products. Revenue recognition will cease when the contract is terminated by a client or at the end of the contractual term.

Lease incentives

Amounts paid or value provided to lessees as lease incentives are capitalized. Lease incentives are amortized on a straightline basis over the term of the related lease as a reduction in revenue.

Vehicle sales & End of contract fees

Vehicle sales revenue includes the proceeds of the sale of vehicles from terminated lease contracts. The proceeds from the sale of vehicles are recognised when the objects are sold and the risk and rewards are transferred. End of contract fees may consist of fees charged to clients for deviations from the contractual terms related to contract duration, mileages and extensive wear and tear of the vehicle. The fees are recognised upon termination of the lease contract.

Direct Cost of Revenues

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

Cost of revenues also includes the carrying amount of the sold vehicles and the costs associated with the rental activities, finance costs for interest-bearing liabilities, impairment charges on loans and receivables and unrealized (gains)/losses on financial instruments.

Finance Cost

Finance cost consists of interest expenses and similar charges for interest-bearing liabilities and is recognised in the income statement using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability to the carrying amount of the financial asset or liability.

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

Note H - Employee benefits

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

Pension obligations

Defined contribution plans

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

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

Defined benefit plans

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

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

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

The pension liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets. Actuarial gains and losses from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past service costs are recognised immediately in income.

Settlements and curtailments invoke immediate recognition in the income statement of the consequent change in the present value of the defined benefit obligations and in the market value of the plan assets.

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

Other post-employment services

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

Other post-employment obligations

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

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

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognises costs for restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the event when an offer is made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

Bonus plans

The Group recognises a liability and an expense for variable remuneration to employees based on a comparison made at the end of the year between the criteria applied for granting variable remuneration and an assessment of the relevant performance. The Group recognises an accrual where contractually obliged or where there is a past practice that has created a constructive obligation.

The variable remuneration award for the Identified Staff consists of a direct payment in cash and a deferred payment in cash and Phantom Share Units (PSUs). The PSUs represent the underlying value of the company shares which entitle the participant to a payment in cash after a specified period and is recognised as a cash-settled share based payment arrangement. The PSU part of the deferred award is revalued annually by estimating the Company's equity value for determining the fair value of the outstanding PSU awards. Liabilities recognised for PSUs are

measured at the estimated fair value. This fair value is established once a year by the (Remuneration Committee of the) Supervisory Board and is based on comparing financial performance of the Company to publicly available valuation and financial performance of a selected peer group of comparable companies. All changes to the PSUs liabilities are recognised in the income statement under staff expenses.

Share based payments
Selected managers of LeasePlan management, including managing board members, participate in the share capital of an indirect parent company of the Group. The Company or another group entity will under no circumstances be required to settle in cash. Accordingly, this arrangement is classified as an equity-settled share-based payment arrangement. The Company therefore determines the fair value of the shares at the grant date and recognises, if applicable, an expense for the services received over the service period with a corresponding increase in equity.

The total amount to be expensed is determined by reference to the fair value of the awards granted; including the impact of any non-vesting conditions and market conditions. For this purpose, the Company analyses whether the price paid by a manager is in line with the market price of the shares acquired. If a positive difference exists between (i) the actual market value of the shares and (ii) the purchase price; this results in a fair value to be reported as a share-based payment expense.

Service conditions and non-market performance conditions are taken into account in the number of awards expected to vest. At each reporting date, the Company revises its estimates of the number of awards that are expected to vest. The impact of the revision of vesting estimates, if any, is recognised in the income statement for the period.

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

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

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

Deferred tax
Deferred tax is recognised, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes and providing for unused tax losses and unused tax credits.

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Future taxable profits are determined based on business plans for individual subsidiaries of the Group. Deferred tax assets are reviewed annually and reduced to the extent that it is no longer probable that the related income tax benefit will be realized.

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

Note J - Receivables from financial institutions

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

Note K - Lease receivables from clients

This caption includes lease receivables from the finance lease portfolio and trade receivables. Trade receivables represent unpaid, current lessee obligations under existing (operating and finance lease) contracts or receivables related to inventory sales. The receivable balances are shown after any accumulated impairment losses and are initially measured at fair value and subsequently at amortised cost using the effective interest method.

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

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

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

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

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

Note M - Intangible assets

Goodwill

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

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

Software

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

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

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

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

Amortisation
Intangible assets other than goodwill are amortised on a straight-line basis over the estimated useful lives of the intangible assets from the date they are available for use. The estimated useful life for software is generally three to seven years. The capitalised intangible assets have no estimated residual value.

Note N - Other property and equipment

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

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

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

Depreciation
The carrying amount of other property and equipment is depreciated to its estimated residual value and recognised in the income statement on a straight-line basis over the estimated useful life of each part of an item of property and equipment. The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

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

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

Note O - Property and equipment under operating lease and rental fleet

Property and equipment under operating lease and rental fleet are measured at cost less accumulated depreciation and impairment losses. Cost consist of the purchase price and directly attributable costs. The assets subject to operating leases are presented in the balance sheet according to the nature of the asset. The depreciation policy for depreciable leased assets is consistent with the Company's normal depreciation policy for similar assets. The leased assets are depreciated on a straight-line basis over its contract period to its residual value. The contract period ranges on average between three to four years. Upon termination of the lease or rental contract the relevant assets are reclassified to the caption 'Inventories' at their carrying amount. Leased assets are depreciated over the shorter of the lease term and their useful lives. The residual value and the useful life of the leased assets are reviewed at least at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for as a change in accounting estimate (so-called prospective depreciation).

Note P - Inventories

Inventories are stated at the lower of cost and net realisable value. Upon termination of the lease or rental contract the relevant assets are reclassified from the caption 'Property and equipment under operating lease and rental fleet' to the caption 'Inventories' at their carrying amount. Net realisable value is the estimated selling price in the ordinary course of business, less the applicable variable selling expenses. Valuation allowances on cars and trucks from terminated lease contracts are included in 'direct cost of revenues'.

Note Q - Other receivables and prepayments

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

Note R - Impairment

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

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

(Lease) receivables
Impairment on a receivable is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms of the receivable. The amount of the impairment is the difference between the carrying amount and the recoverable amount, being the value of future cash flows, including amounts recoverable from guarantees and collateral.

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

Impairment loss on receivables is recognised in the income statement and is disclosed as part of the 'direct cost of revenues'.

Receivables are written off in case there are no reasonable expectations of recovering the outstanding amounts. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Twelve months after the debtor is considered in default (in accordance with the Group's default policy) serves as a backstop by when the receivable should have been written-off. However, receivables that are written off can still be subject to enforcement activities in order to recover the amounts due.

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

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

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

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

Note S - Capital and dividends

Ordinary shares are classified as equity. Dividends are recognised as a liability in the balance sheet after the approval by the shareholders.

Note T - Provisions

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

Damage risk provision

The damage risk provision for motor third party liability, legal defence, motor material damage and passenger indemnity is calculated on the basis of the damages history and technical damage risk principles. The amount of the provision also includes an allowance for losses incurred but not yet reported (IBNR).

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

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

Other provisions

Other provisions include amounts for litigation, provisions for restructuring as well as onerous contracts. For litigation, the best estimate of the future outflow of resources has been recognised.

A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

Regarding onerous contracts, the present obligation under a contract that is onerous is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

Note U - Statement of cash flows

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

Operating cash flows

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

Investing cash flows

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

Finance cash flows

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

Cash and balances with banks

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

Note V - Segment reporting

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

Leasing activities comprise the main activity of the Group which is providing fleet management services including the purchase, financing service and remarketing of vehicles. The Group offers a mono-line product through all of its LeasePlan subsidiaries. Segmentation is presented based on the two geographical segments distinguished by the management: Europe and Rest of the World. The segment disclosure is included in Note 2.

Inter-segment sales are carried out at arm's length and are eliminated on consolidated level. Inter-segment revenues are not presented separately given their insignificance. The revenue from external parties is measured in the same way as in the income statement.

Note W - Critical accounting estimates, assumptions and judgements

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

Impairment of goodwill and intangible assets

Determining whether goodwill or intangible assets are impaired requires an estimation of the value in use of the groups of cash generating units to which the goodwill and intangible assets have been allocated. The key assumptions calculating the value in use are those regarding discount rates, growth rates and other expected changes in cash flows. The sensitivity to estimates and assumptions used is disclosed in note 21 of the consolidated financial statements of the Company.

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

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

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

Impairment losses on (lease) receivables
The Group reviews its outstanding receivables in its lease portfolio to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows of a lease portfolio before the decrease can be identified with an individual lease contract in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or in national or local economic conditions that correlate with defaults on assets in the Group. The Group recognises, next to specific impairment allowances, an incurred but not reported loss provision based on the probability of default (PD) and the loss given default (LGD).Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. This method makes use of the probability of default (PD), the loss given default (LGD) and the exposure at default (EAD). The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. The sensitivity to estimates and assumptions used is disclosed in the financial risk management section (Credit risk).

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

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

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

Fair value of derivatives
The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and makes assumptions that are mainly based on market conditions existing at the end of each reporting period. The Group has mainly used discounted cash flow analysis for calculating the fair value of the derivatives.

Revenue recognition
Income related to lease services is recognised over the term of the contract based on historical statistics and on assumptions regarding expected service costs. The assumptions may differ from the actual data as a result of changes in economic and market conditions and are periodically back tested and adjusted if considered necessary. For details in relation to the accounting of revenue recognition please refer to specific note G.

Litigation
For litigation, the best estimate of the future outflow of resources has been recognised. In situations that no proper estimate can be made yet on claims expected, no provision is recognized in the balance sheet but information about a contingent liability is disclosed.

Restructuring provision
A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

FINANCIAL RISK MANAGEMENT

All amounts are in thousands of euros, unless stated otherwise

INTRODUCTION

The Group recognises ten risk management areas being strategic risk, operational risk, financial risk and other risk. Financial risks include credit risk, asset risk, treasury risk and insurance risk. The treasury risk can be further broken down into risk related to liquidity, interest and currency.

Of the ten risk management areas, asset risk, operational risk and liquidity risk (which is part of treasury risk) are considered to be primary risks. This section of the financial statements describes in detail the Group's approach to capital management (including regulatory risk) and the risk management objectives and organisation in general, as well as the Group's policy, appetite and measurement of risks over the year 2017. Reputational risk, legal risk and compliance risk are discussed in other sections of the Annual Report.

In line with IFRS 7, the Group's strategy in using financial instruments and various disclosures on the Group's financial assets and liabilities are included in this section. The Group is mainly transacting operating leases, which under IFRS do not qualify as financial assets, resulting in a significant difference between financial assets and financial liabilities.

as at 31 December	**2017**	**2016[1]**	**2015[1]**
FINANCIAL ASSETS			
Cash and balances at central banks	2,349,162	1,857,144	1,605,437
Receivables from financial institutions	547,296	490,448	368,930
Derivative financial instruments	103,458	224,898	166,085
Rebates and bonuses and commissions receivable	297,063	288,208	235,405
Reclaimable damages	30,900	25,470	19,656
Lease receivables from clients	3,260,694	3,425,539	3,309,512
Investments accounted for using the equity method	12,983	27,394	24,211
Loans to other third parties	16,904	30,128	12,482
Loans to investments accounted for using the equity method	140,500	125,275	103,325
Other receivables	20,852	16,729	10,825
Assets classified as held-for-sale	20,107	13,763	13,065
Total	**6,799,919**	**6,524,996**	**5,868,933**
Non-financial assets	18,342,043	17,261,774	15,546,313
Total assets	**25,141,962**	**23,786,770**	**21,415,246**
FINANCIAL LIABILITIES			
Funds entrusted	6,002,501	5,480,777	5,086,974
Derivative financial instruments	80,369	77,584	88,379
Trade payables	834,295	790,893	764,430
Interest payable	80,314	99,609	90,653
Borrowings from financial institutions	3,323,132	3,259,384	2,073,118
Debt securities issued	9,337,826	8,805,351	8,142,443
Total	**19,658,437**	**18,513,598**	**16,245,997**
Non-financial liabilities	2,227,447	2,197,470	2,097,785
Total liabilities	**21,917,976**	**20,711,068**	**18,343,782**

[1] The Group has updated the classification of financial assets in 2017 and comparatives have been adjusted accordingly.

A. CAPITAL MANAGEMENT

A financial 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 Group's capital management consists of internal quantification of risk capital associated with its business activities, capital planning and monitoring of developments in exposures and capital adequacy ratios, based on targets set during the annual Internal Capital Adequacy Assessment Process (ICAAP).

Internal Risk capital

IFRS Required Capital is the Group's internal quantification of risk capital associated with its business activities. This internal capital is considered the cushion that provides protection against the various risks inherent in our 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 we can absorb unexpected losses up to a level of confidence in line with the requirements of our firm's various stakeholders. IFRS Required Capital measures risk using economic realities rather than accounting and regulatory rules which show actual capital level included in the balance sheet.

The capital components included are based on the same components as used in ICAAP for the Group and covers asset risk, credit risk, operational risk, motor insurance risk, treasury risk, information security risk, legal risk, compliance risk, reputational risk and strategic risk. Risk management is responsible for the periodical assessment of the (material) risks stemming from LeasePlan's activities.

Capital planning

Based on the strategic management outlook a forecast of the regulatory Common Equity Tier 1 (CET 1) ratio is prepared with a time horizon of 5 years. The projections of the CET 1 capital ratios are performed in order to ensure ongoing compliance with the minimum requirements set by the Dutch Central Bank (DNB); based on the latest estimates the Group will remain above the minimum CET 1 requirement.

The Capital Contingency Plan ('CCP') is an important element within the capital risk management framework and sets out the strategies for addressing stress on capital in emergency situations (tactical level). The CCP enforces readiness of the LeasePlan organisation to deal with events of severe stress originated from both company specific and market-wide events.

Primary objective of the CCP is to ensure both awareness and readiness in the organisation with respect to the ability of the Group to deal with unexpected deterioration of its capital adequacy. The CCP sets the framework for managing the risk of a loss of confidence due to existing or expected capital adequacy issues. To that end, the CCP sets the crisis governance to discuss and implement pre-emptive and corrective actions that could be undertaken to prevent or mitigate a capital adequacy confidence threat and to prepare for capital restoration in case of a weakening capital position.

The CCP strengthens and broadens the scope of the monitoring processes of the capital adequacy of LeasePlan and ensures immediate reporting of any irregularities in capital ratios. The capital position is monitored and reported on a monthly basis. In addition, the Group developed a set of key triggers, Early Warning Indicators ('EWI') and their respective trigger levels. Key triggers comprise of several events which would prompt an immediate action. These are seen as more abrupt and severe. Among others, they include the deterioration of CET 1 ratio and a credit rating downgrade. Early warning indicators are to serve as warning signals following specific internal and external developments.

Capital Adequacy

On 1 January 2014 the EU's adoption of the third Basel capital accord (Basel III) was implemented, by means of the amended Capital Requirements Directive (Directive 2013/36/EU) and the Capital Requirements Regulation (Regulation No 575/2013). The Group reports its capital metrics and risk exposures under this framework; comparing the Group's eligible regulatory capital with its risk-weighted assets for credit risk, operational risk and market risk (currency risk). Furthermore, banking institutions are required to assess the adequacy of available capital in view of the risks to which it is exposed. The periodic process in achieving this objective is referred to as ICAAP.

Total risk exposure amount (TREA)

In order to determine risk-weighting, the Group applies the AIRB approach for credit risk for the corporate portfolio and for the trade receivables and for the retail portfolios in the United Kingdom and the Netherlands. For the exposures related to governments, banks and other retail clients the Group applies the Standardised Approach of the CRR/CRD IV framework which prescribes fixed percentages for risk weighting depending on characteristics and conditions of the exposure.

In addition, the Group implemented an AMA for operational risk. In 2017 the Group developed a new Group's AMA model, which have been submitted for the Dutch Central Bank's review and approval in December 2017.

For the calculation of risk-weighting of other balance sheet and off-balance sheet exposures, the standardised approaches as described in the CRR/CRD IV framework are used.

The following table illustrates the comparison between the carrying amount of assets and the risk weighted assets.

	2017			2016			2015		
	Carrying amount	Risk-weighted	Risk-weight	Carrying amount	Risk-weighted	Risk-weight	Carrying amount	Risk-weighted	Risk-weight
Lease assets[1]	19,337,373	10,329,739	53%	18,765,829	9,621,756	51%	17,061,719	8,506,018	50%
Other assets	5,772,497	2,466,606	43%	5,020,941	2,216,017	44%	4,353,527	1,978,886	45%
Total assets	**25,109,870**	**12,796,345**	**51%**	**23,786,770**	**11,837,773**	**50%**	**21,415,246**	**10,484,904**	**49%**
Off-balance sheet exposures and other capital requirements		2,941,799			3,612,720			3,498,659	
Total risk exposure amount		**15,738,145**	**63%**		**15,450,493**	**65%**		**13,983,563**	**65%**

[1] Includes the lease assets classified as held for sale. Please refer to note 23 of the consolidated financial statements.

Common Equity Tier 1 (CET 1)

The Group's eligible regulatory capital fully consists of CET 1 capital, which is derived from its IFRS equity position. The following table illustrates the reconciliation between Total equity and CET 1 capital.

As at 31 December	2017	2016	2015
Total equity	**3,223,986**	**3,075,702**	**3,071,464**
Deduction of net result for the year	- 466,606	- 425,466	- 442,475
Eligible result	466,606	425,466	-
Foreseeable dividend	- 120,100	- 112,000	-
Regulatory adjustments	- 255,068	- 222,398	- 250,141
Common Equity Tier 1 capital	**2,848,818**	**2,741,304**	**2,378,848**

Based on EU endorsed frameworks for Basel III (CRR/CRD IV), the Group's CET 1 ratio as at 31 December is as follows:

As at 31 December	2017	2016	2015
Total risk exposure amount	15,738,145	15,450,493	13,983,563
Common Equity Tier 1 capital	2,848,818	2,741,304	2,378,848
Common Equity Tier 1 ratio	**18.1%**	**17.7%**	**17.0%**

As per February 2017 the Group applies a new TREA methodology for currency risk which is built on ratio protection; considering the absolute mismatch between the capital adequacy ratio per currency and the Group's overall ratio. The new approach is applied for the year 2017.

The Group continued to harmonize the management of asset-related exposures with investments in systems and further development of (statistical) techniques.

The regulatory scope of consolidation comprises LeasePlan Corporation N.V. and its subsidiaries ('sub-consolidated level'). The Group also submits regulatory reporting on a consolidated level (including LP Group B.V.) and on a solo level (LeasePlan Corporation N.V. stand-alone). The sub-consolidated level of consolidation is equal to the IFRS scope of consolidation as applied in these consolidated financial statements. The Group's CET1 ratio is equal to the Total Capital Ratio.

The Group analyses the development in (risk-weighted) exposures and in eligible capital; stress testing is an important part of this analysis. Developments in (risk-weighted) exposures typically represent relative movements in the lease portfolio, whereas eligible capital normally grows with retained profits after dividend distribution.

Based on the 2017 ICAAP, the Group concludes that it is sufficiently capitalised and resilient to future plausible stress scenarios. This conclusion is based on the Group's internal control framework and its capital assessment methodologies.

B. RISK MANAGEMENT

Risk management framework and objective
The Group uses the principles of the Committee of Sponsoring Organisations of the Treadway Commission (COSO) and ERM Enterprise Risk Management (ERM) as a basis and reference model for the risk management frameworks. A risk management framework aims at reducing the frequency and/or the consequences of risk events, and enables management to evaluate and balance the risks and returns related to business operations.

The Managing Board has implemented corporate risk policies for all the Group's entities pursuant to its risk management strategy. The policies describe the minimum activities, controls and tools that must be in place within all the Group's entities. 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, 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 their target Return on Equity (RoE), while adhering to the risk appetite.

Risk appetite
During 2017 we managed our risk appetite based on the following pillars:
1. Long-term debt rating (stand-alone);
2. Financial return on risk-adjusted capital (i.e. economic return);
3. Diversified share of funding layers.

An institution's rating target is an indication of the overall risk appetite a company may have and the level of capital it will hold. In addition, a specific risk appetite has been set for each underlying risk category.

The Risk Committee of the Supervisory Board approves the risk appetite for the Group annually, and approves any changes required throughout the year. Depending on the risk metric, compliance with the risk appetite statement is monitored on a daily, monthly or quarterly basis and non-compliance is reported to the risk committees, the Managing Board and the Risk Committee of the Supervisory Board. The principal financial risks inherent to our business activities are individually discussed in the Financial Risk Management section of the Financial Statements.

The Group's performance in 2017 against the approved risk appetite shows no continuous breaches.

Risk governance
Supervisory Board
As per the Group's Articles of Association, the Supervisory Board supervises the direction pursued by the

Managing Board and the general course of affairs. 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 (Risk Committee of the) Supervisory Board is authorised to decide on credit acceptance and renewal above limits as set in the Regulations for the (Risk Committee of the) Supervisory Board.

The Supervisory Board has a Remuneration and Nomination Committee, an Audit Committee and a Risk Committee. The Risk Committee's role is to review the Group's risk appetite and to monitor performance of key risk indicators against the targets and tolerance levels set, in order to support the Supervisory Board's supervision of risk management.

Managing Board
The Managing Board is responsible for the risk strategy and risk management systems and controls. It is also responsible for defining the risk appetite and approving the overall risk management framework. Within the Managing Board, the Chief Risk 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.

Risk Committees
During 2017 LeasePlan had specific risk committees for credit risk, asset risk, motor insurance risk, operational risk and funding and treasury risk. In addition, the risk department is member of the product approval process (PAP) committee. The ICT profile and information security related matters are discussed in the Information Security Board. All risk committees meet on a regular basis (minimum frequency of once per quarter) and have been given a mandated authority by the Managing Board.

The risk committees act within their mandated authority and assist the Managing Board with respect to all matters related to their specific risk areas. The Risk committees have a cross functional character as they are comprised of at least two members of the Managing Board and are chaired by Chief Risk Officer.

In addition to the above committees with a specific focus, strategic risk, reputational risk and legal and compliance risks are monitored by the Group's Senior Management Team structurally. LeasePlan is currently reviewing the set-up of all separate risk committees, in order to ensure a proper fit with the strategic and functional value drivers.

Lines of defence

LeasePlan's control framework includes three lines of defence supported by investments in information technology and people. The following overview outlines the composition and responsibilities of the key parties involved in executing the three lines of defence with the Group:

1. Local and corporate management have ownership and responsibility for the leasing business and accountability for assessing, controlling and mitigating risks, whereas the Strategic Finance department is involved in the central funding of the Group;
2. Corporate Risk Management (including Information Security & Governance) and the Compliance department (acting independently from risk originators) coordinate, oversee and objectively challenge the execution, management, control and reporting of risks;
3. Group (Internal) Audit, through a risk-based approach, provides independent and objective assurance, on how effectively we assess and manage our risks, including the way the first and second lines operate, to our Managing Board and the Audit Committee of the Supervisory Board.

The Risk Committee is a subcommittee of the Supervisory Board. The Risk Committee's role is to review LeasePlan's risk appetite and to monitor performance of key risk indicators against the targets and tolerance levels set, to support the Supervisory Board's supervision of risk management.

C. STRATEGIC RISK

The Group defines strategic risk as the current or prospective risk to earnings and capital arising from changes in the business environment, lack of responsiveness to changes in the business environment, from adverse business decisions or improper implementation of decisions. LeasePlan recognises three types of strategic risk:

- Macro environment risks - the current or prospective risk to earnings and capital arising from uncontrollable external forces affecting LeasePlan;
- Micro environment risks - the current or prospective risk to earnings and capital arising from factors or elements directly in LeasePlan's immediate area of operations affecting its performance and decision-making processes;
- Corporate governance risk - the current or prospective risk to earning and capital arising from the manner in which LeasePlan's governance structure is set, communicated, implemented and reviewed.

With the execution of the new strategy 'The Power of One LeasePlan' and 'The Digital Power of One LeasePlan' LeasePlan is well positioned to absorb possible strategic disruption and to capitalize on future opportunities. The new operating model secures that strategic and operational leadership has moved from a delegated in-transparent multi-local level to the top of the organization and the Board leadership team.

D. OPERATIONAL RISK

Operational risk definitions
Operational risk involves the risk of a positive, negative or potential loss resulting from inadequate or failed internal processes, human behaviour and systems or from external incidents. Business continuity risk, Financial Risk and HR Risk are within the scope of LeasePlan's operational risk management. Operational incidents and losses in all (risk) areas are recorded in the Operational Incident Database.

Operational risk management structure and organisation
Local management is responsible for managing the operational risks in their local entity. In all local entities 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 local entity. Group Risk management is responsible for establishing and maintaining the operational risk framework, monitoring the operational risk profile and the collation and validation of operational risk reporting. Group Risk management analyses the operational risk incidents reported by local entities and reports subsequently to the Group's operational risk committee. On a quarterly basis Group Risk management reports on actual performance against the risk appetite to the Risk Committee of the Supervisory Board. This report includes the operational risk position of the Group.

AMA activities and projects
On December 1, 2008 the Group received approval from the Dutch Central Bank to use the Advanced Measurement Approach (AMA) for operational risk. A review of the Dutch Central Bank at the end of 2013 indicated the need for further attention to elements of the framework. Over 2016 and 2017 the Group has redesigned the governance process for operational risk by, among others, decreasing the reporting threshold for reporting operational risk incidents from EUR 5,000 to EUR 1,000; transforming the risk self-assessments in risk and control self-assessments; setting a standardised operational risk register mapped to internal processes; integrating risk appetite and scenario analysis exercises at Group entity level. Additionally the Group's operational risk tool has been replaced in order to facilitate the governance alterations. All these upgrades operated to the AMA framework have been submitted for the Dutch Central Bank's review and approval in December 2017.

The Group applies the AMA in its operational risk framework. Methods deployed for risk identification are the operational risk scenario analysis, operational risk and control self-assessments, operational risk incidents 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 risk management policy
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), incident 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 local entity.

Operational risk incidents reports are continuously analysed, while operational risk incidents are reported on a monthly basis to the Central European Leadership Team ('CELT'). Operational risk incidents with a net impact exceeding EUR 100,000 are reported on a quarterly basis to the Operational Risk Committee and Supervisory Board. The overall impact of the mitigating activities is assessed by analysing the frequency and impact of operational risk incidents 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 Group Risk Management to communicate and advise local entities with similar risks about the additional controls. The local entities are required to report all operational risk incidents above the amount of EUR 1,000. Reporting of incidents below this threshold is encouraged. The Group distinguishes between gross impact (the maximum estimated impact known at the moment of identification, irrespective of any potential recovery) and net impact (gross impact minus recovered amounts).

Operational risk measurement
During 2017 the Group recorded 1,765 operational risk incidents, compared to 1,766 events in 2016. 43% of these incidents have a gross impact below EUR 1,000 whereas 1,004 events are exceeding this threshold. The 1,765 events recorded amount to a total net loss of EUR 16.4 million in 2017; whereas incidents of EUR 16.7 million net were reported in 2016. The increase is mostly due to a few incidents reported over 2017 that had a more significant impact compared to previous experiences within the Group. These are not indicative of structural failures of controls as they concern very specific incidents.

The majority of the operational risk incidents recorded (65% from the total amount and 83% of the total number) are classified in the event category 'Execution: Delivery and Process Management'. The impact of external fraud incidents decreased over the year in terms of impact, while their number was slightly lower. The distribution of the Group's operational risk incidents is as follows:

	2017		2016		2015	
Basel Category	% total (EUR)	% total (nr)	% total (EUR)	% total (nr)	% total (EUR)	% total (nr)
Business Disruption and System Failures	7%	5%	4%	4%	7%	5%
Clients: Products and Business Practices	12%	7%	7%	6%	8%	3%
Damage to Physical Assets	1%	2%	2%	4%	1%	5%
Employment practices and workplace safety	1%	0%	0%	1%	6%	1%
Execution: Delivery and Process Management	65%	83%	62%	79%	74%	78%
External Fraud	14%	3%	25%	6%	4%	8%
Internal Fraud	0%	0%	0%	0%	0%	0%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

The Group is currently going through a transformation process; the risk department is closely monitoring transition risks resulting from the organisational changes.

Financial Reporting Risk
Like other companies, the Group faces financial reporting risks resulting from operational failures or external events, such as changes in regulations, acts from personnel and system issues. The finance systems and processes are designed to support the accounting and reporting of products and transactions and to avoid issues as non-compliance with regulations and the Group accounting and reporting policy, system failures and human errors. The Group has processes in place to update and improve these finance systems and processes when required.

E. FINANCIAL RISK

CREDIT RISK

Credit risk definition
Credit risk is the risk that a counterparty will be unable to fulfil its financial obligations when due. The Group is exposed to credit risk for vehicles leased to counterparties through both receivables due under the lease and the book value of vehicles. The credit risk of the book value of vehicles is 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 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 rebates and bonuses to be received from vehicle manufacturers and other suppliers.

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) and 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. 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 higher.

Credit risk management structure and organisation
The Group's Managing Board sets authority levels for all of the Group's entities, allowing to decide on counterparty acceptance and renewal. The authority levels are granted based on the relative size of the LeasePlan entity and the perceived quality of credit risk management. If a requested facility exceeds the local authority level, the Group's risk management, the Group's Credit Committee, the Risk Committee of the Supervisory Board or the Supervisory Board is authorised to decide on credit acceptance and renewal thereof. The Group has a custom built web-based global credit risk management system in place in order to efficiently, and in accordance with granted authorities, handle and monitor credit requests and defaults.

The Group's credit risk management advises the Group's Committee in quarterly meetings on items concerning adjustments of delegated authorities, development of credit and concentration risk in local portfolios, internal credit risk models performance, stress testing, development of trade receivables and doubtful debtors, watch accounts and provisions, and introduction and adjustment of credit risk management policies and guidelines. Furthermore, the Group's risk management initiates the introduction and review of counterparty rating models and score cards.

Quantitative specialists within the Group are responsible for monitoring and analysing performance of the internal risk models and underlying risk components. In the model development phase, this function performs an internal pre-validation of the model and advises on the expected performance of the models to be validated and implemented. The quantitative specialists work in consultation with several corporate risk management disciplines and are supported by external parties, among others, for validation of the models.

The tasks of credit risk management organisations within the local entities, including the local credit committee, comprise among others the following:
- defining a clear internal credit acceptance policy;
- decisions on credit requests;
- regular reviews of overdue trade receivables and the non performing debtors; and
- regular reviews of the local watch account list, containing all counterparties that need special attention with regards to credit risk management.

The Managing Director and the Finance Director of a local entity are members of the local credit risk committee. The local credit risk committees act independently from the commercial business area. The Group's (internal) audit department pays, during the audits, specific attention to the way credit risk management has been organised and embedded in the organisation.

On a quarterly basis, risk management reports on actual performance against the risk appetite to the Risk Committee of the Supervisory Board. This report includes the credit risk position of the Group. In addition, the Group monitors defaults on an ongoing basis with reports prepared for the Risk Committee and the Supervisory Board on a quarterly basis. Furthermore, the credit risk position is discussed in the Group's Credit Committee and is shared with the Managing Board.

Credit risk management policy
The Group has issued policies and standards, which regulate the governance of the local credit risk management organisation. Group entities are required to define their credit acceptance criteria and set their limits on counterparty and concentration risks, as well as the types of business and conditions thereof in local policies.

For its credit risk management the Group distinguishes between corporate clients, retail clients, governments, banks and others. In this respect, retail clients are from a regulatory point of view defined as small and medium entities (SME's) and private households. Except for retail clients, which are assessed whenever a credit application is received, the credit risk of all counterparties is assessed at least once a year.

FINANCIAL RISK MANAGEMENT

For corporate counterparties the Group has an internal rating system in place, segmented into 14 non-default rating classes. The Group's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. The governance framework built around models ensures that the rating tools are kept under constant review and are renewed when necessary. For this purpose the Group monitors on a quarterly basis whether the performance of the models meets internal and external requirements. The Group's internal ratings scale for corporate counterparties and mapping of external ratings are as follows:

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 Sufficiënt	BB+
4B	Sufficiënt	BB
4C	Relatively Sufficiënt	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 grade. LeasePlan uses the external ratings where available to benchmark its internal credit risk assessment. Observed defaults per rating category vary year on year, especially over an economic cycle.

The Group also applies internal models to determine the credit risk to retail exposures in the United Kingdom and the Netherlands. Where the Group uses internal models to determine the credit rating of a counterparty, capital is calculated based on AIRB models. 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 - is the expected amount the Group is exposed to when a client goes into default.
- Remaining maturity - the contractual remainder of the lease contract.

For government, bank and other retail customers' counterparty exposures, the Group does not use internal models, as development of internal models for these counterparty classes is not cost-effective based on the Group's relatively low exposures to those counterparties. The credit rating of these exposures is determined based on external ratings being the lowest rating of Standard & Poor's and Moody's. For the determination of the risk-weight of these exposures the Group applies the standardised approach (which prescribes fixed percentages for risk weighting depending on characteristics and conditions of the exposure), to determine capital requirements.

For further details regarding capital requirements reference is made to the Group's Pillar 3 report in accordance with the disclosure requirements as set by Regulation (EU) 575/2013 part eight.

Each local entity is required to maintain a special attention list and a watch list which are based on the internal rating grades and other available information. These lists are reviewed in regular meetings by the credit committees. Credit risk exposures and news on companies included in these lists are monitored on a daily basis by the respective risk management teams both at local entity and at Group level.
A qualitative analysis of total credit exposures, defaults and losses is reported on a quarterly basis to the Group's Credit Committee.

As per above, credit risk arising from the use of the relationship with banking and treasury counterparties is laid down in a specific counterparty policy. Limits are set on a legal entity basis and are included in the Group's risk appetite and approved on a yearly basis. Key criteria used in setting limits are, among others, large exposure rule, long-term debt ratings, credit risk assessments on the related banks and participation in the revolving credit facility. The Group, equally, puts in place acceptance criteria for reinsurance of motor insurance risks. The Group's treasury risk management monitors the exposures, against the approved limits, on an ongoing basis.

On a daily basis, the treasury risk management department reviews the current spread on credit default swaps (CDS) of all relevant banking counterparties and sovereigns in the market. The spread of a CDS, securing debt holders against a counterparty or sovereign defaulting on its debt, highlights the market participants perceived credit risk on such a counterparty. Large or unusual volatility is raised to the Senior Treasury Risk Manager for review. For credit risk in reinsurance, reference is made to the section on motor insurance risk.

Credit risk measurement

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). Whereas for the purpose of the financial statements credit risk exposure is reflected in two separate items based on the accounting classification of the lease, as either a finance or operating lease.

The Group's credit risk exposure can be detailed as follows:

as at 31 December	**2017**	**2016**	**2015**
Amounts receivable under finance lease contracts	2,608,572	2,832,636	2,787,137
Property and equipment under operating lease and rental fleet	16,708,694	15,919,429	14,261,517
Assets classified as held-for-sale	20,107	13,763	36,790
Total lease assets	**19,337,373**	**18,765,828**	**17,085,444**
Trade receivables	652,122	592,903	522,375
Total credit risk exposure	**19,989,495**	**19,358,731**	**17,607,819**

By geography

The following table shows the concentration of the financial assets in geographical sectors as at 31 December:

	Europe		Rest of the world	Total
	(euro)	(non-euro)		
FINANCIAL ASSETS				
Cash and balances at central banks	2,349,128	17	17	2,349,162
Receivables from financial institutions	469,912	63,168	14,216	547,296
Derivative financial instruments	102,233	1,225	-	103,458
Rebates and bonuses and commissions receivable	252,168	39,643	5,252	297,063
Reclaimable damages	26,428	3,068	1,404	30,900
Lease receivables from clients	826,535	769,103	1,665,056	3,260,694
Investment accounted for using the equity method	12,983	-	-	12,983
Loans to other third parties	16,574	330	-	16,904
Loans to investments accounted for using the equity method	140,500	-	-	140,500
Other receivables	20,852	-	-	20,852
Assets classified as held-for-sale	-	-	20,107	20,107
Total as at 31 December 2017	**4,217,313**	**876,554**	**1,706,052**	**6,799,919**
Total as at 31 December 2016	**3,812,783**	**865,373**	**1,846,840**	**6,524,996**
Total as at 31 December 2015	**3,219,618**	**884,076**	**1,765,239**	**5,868,933**

By industry

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

	Financial institutions	Manu-facturing	Wholesale trade	Transport and public utilities	Public sector	Other industries	Total
FINANCIAL ASSETS							
Cash and balances at central banks	2,349,162	-	-	-	-	-	2,349,162
Receivables from financial institutions	547,296	-	-	-	-	-	547,296
Derivative financial instruments	103,458	-	-	-	-	-	103,458
Rebates and bonuses and commissions receivable	297,063	-	-	-	-	-	297,063
Reclaimable damages	-	-	-	-	-	30,900	30,900
Lease receivables from clients	121	697,783	110,723	165,596	40,880	2,245,591	3,260,694
Investment accounted for using the equity method	-	-	-	-	-	12,983	12,983
Loans to other third parties	-	-	-	-	-	16,904	16,904
Loans to investments accounted for using the equity method	-	-	-	-	-	140,500	140,500
Other receivables	-	-	-	-	-	20,852	20,852
Assets classified as held-for-sale						20,107	20,107
Total as at 31 December 2017	**3,297,100**	**697,783**	**110,723**	**165,596**	**40,880**	**2,486,673**	**6,799,919**
Total as at 31 December 2016	**3,088,869**	**854,720**	**565,222**	**276,859**	**107,361**	**1,631,965**	**6,524,996**
Total as at 31 December 2015	**2,368,326**	**1,069,615**	**578,892**	**272,983**	**106,536**	**1,472,581**	**5,868,933**

FINANCIAL RISK MANAGEMENT

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

	Carrying amount	Neither past due nor impaired	Past due but not impaired	Impaired	Allowance for impairment
FINANCIAL ASSETS					
Cash and balances at central banks	2,349,162	2,349,162			
Receivables from financial institutions	547,296	547,296			
Derivative financial instruments	103,458	103,458			
Rebates and bonuses and commissions receivable	297,063	297,063		1,035	- 1,035
Reclaimable damages	30,900	30,900		6,121	- 6,121
Lease receivables from clients	3,260,694	3,000,080	266,510	31,377	- 37,273
Investment accounted for using the equity method	12,983	12,983			
Loans to other third parties	16,904	16,904			
Loans to investments accounted for using the equity method	140,500	140,500			
Other receivables	20,852	20,852			
Assets classified as held-for-sale	20,107	20,107			
Total as at 31 December 2017	**6,799,919**	**6,539,305**	**266,510**	**38,533**	**- 44,429**
FINANCIAL ASSETS					
Cash and balances at central banks	1,857,144	1,857,144			
Receivables from financial institutions	490,448	490,448			
Derivative financial instruments	224,898	224,898			
Rebates and bonuses and commissions receivable	288,208	288,208		1,193	- 1,193
Reclaimable damages	25,470	25,470		4,779	- 4,779
Lease receivables from clients	3,425,539	2,856,626	571,224	37,722	- 40,033
Investment accounted for using the equity method	27,394	27,394			
Loans to other third parties	30,128	30,128			
Loans to investments accounted for using the equity method	125,275	125,275		7,325	- 7,325
Other receivables	16,729	16,729			
Assets classified as held-for-sale	13,763	13,763			
Total as at 31 December 2016	**6,524,996**	**5,955,825**	**571,224**	**51,019**	**- 53,330**

continue >

FINANCIAL RISK MANAGEMENT

Past due and/or impaired financial assets - continued

	Carrying amount	Neither past due nor impaired	Past due but not impaired	Impaired	Allowance for impairment
FINANCIAL ASSETS					
Cash and balances at central banks	1,605,437	1,605,437			
Receivables from financial institutions	368,930	368,930			
Derivative financial instruments	166,085	166,085			
Rebates and bonuses and commissions receivable	235,405	235,405		1,008	- 1,008
Reclaimable damages	19,656	19,656		6,354	- 6,354
Lease receivables from clients	3,309,512	2,809,175	495,462	95,786	- 90,911
Investment accounted for using the equity method	24,211	24,211			
Loans to other third parties	12,482	12,482			
Loans to investments accounted for using the equity method	103,325	103,325		7,325	- 7,325
Other receivables	10,825	10,825			
Assets classified as held-for-sale	13,065	13,065			
Total as at 31 December 2015	**5,868,933**	**5,368,596**	**495,462**	**110,473**	**- 105,598**

More detailed information regarding the exposures split in the following categories: exposure classes, geographic segmentation, industry segmentation and client concentration (single customers and groups of customers), is included in the Group's Pillar 3 report.

Cash and balances at central banks/receivables from financial institutions

LeasePlan maintains liquid assets at central banks and a diversified group of solid commercial banks. These exposures are monitored against predefined limits on a daily basis and are part of the liquidity buffer the Group maintains to reduce liquidity risk. All balances included under the heading central banks are deposited at the DNB.

Derivative financial instruments

The Group is exposed to credit risk resulting from the use of derivative financial instruments and because of excess cash being deposited with banks. Both credit risks arising from the Group's central Treasury operations are controlled by setting specific nominal limits for the financial institutions that such transactions are being concluded with and the requirement of minimal external rating grades that such counterparties are assigned.

Exposures on derivative financial instruments are mitigated by using CSAs (reference is made to paragraph 'Strategy in using financial instruments') where the financial instruments are not centrally cleared under the regulations of EMIR (European Market Infrastructure regulation). As at 31 December 2017 all derivatives are governed under a credit support annex or else centrally cleared, of which 39% (measured in terms of notional amounts) have CSAs (2016: 98%, 2015: 96%); The Group received EUR 27 million cash collateral under these CSAs (2016: EUR 71 million, 2015: EUR 63 million). The balance of 61% of the total notional amount of derivatives, was centrally cleared for which the Group received EUR 11 million.

The Group does not maintain trading or investment books. As per EMIR (European Market Infrastructure Regulation) legislation, the Group is required to clear all eligible OTC (over-the-counter) trades with a central clearing house, the objective of which is to significantly reduce systemic counterparty default risk. In the Group's case, plain vanilla interest rate swaps (IRS) can be cleared through the central clearing house.

Lease receivables from clients

Lease receivables from clients are individually assessed for indications for impairment. The sources for such indications can be internal, such as internal credit rating, payment behaviour and receivable ageing or external, such as external credit ratings and solvency information. Impairment is recognised when collection of receivables is at risk and when the recoverable amount is lower than the carrying amount of the receivable, also taking into account cash collateral amounting to EUR 38.0 million at year-end 2017 (2016: EUR 56.3 million, 2015: EUR 53.8 million) and the fact the Group retains legal ownership of the leased asset until transfer of such ownership at the end of the lease contract.

Lease receivables from clients less than 90 days past due are not considered to be impaired, unless other information is available to indicate the contrary. Gross amounts of lease receivables from clients that were past due but not impaired were as follows:

as at 31 December	**2017**	**2016**	**2015**
Lease receivables from clients past due, but not impaired			
Past due to up to 90 days	236,200	515,803	436,128
Past due between 90 - 180 days	18,637	30,360	43,677
Past due between 180 days - 1 year	7,662	21,111	10,292
Past due 1 - 2 years	3,314	1,740	3,092
Past due over 2 years	697	2,210	2,273
Total	**266,510**	**571,224**	**495,462**

When invoiced lease instalments for finance leases are past due, the remaining not-yet-invoiced finance lease receivables (relating to the remaining contract duration) also become past due, and are included in the above balance of receivables from clients past due but not impaired. This balance of not-yet-invoiced finance lease receivables amounts to EUR 261 million (2016: EUR 426 million, 2015: EUR 348 million).

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

as at 31 December	**2017**	**2016**	**2015**
Impaired loans and lease receivables from clients	**31,377**	**37,722**	**95,786**
Specific impairment allowances	30,197	32,568	84,911
Incurred but not reported loss provision	7,076	7,465	6,000
Total allowance for impairment	**37,273**	**40,033**	**90,911**

The total impairment allowance for loans and receivables is EUR 37.3 million (2016: EUR 40 million, 2015: EUR 90.9 million) of which EUR 30.2 million (2016: EUR 32.6 million, 2015: EUR 84.9 million) represents specific impairment allowances and the remaining amount of EUR 7 million (2016: EUR 7.5 million, 2015: EUR 6.0 million) represents the incurred but not reported loss provision. The Group assessed the levels of forbearance activities. The financial impact of forbearance is not significant.

Loans to investments accounted for using the equity method

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 entities. 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 exposure to such entities.

Credit risk measurement including non-financial assets

As at 31 December 2017, the number of corporate defaults reported over the year 2017 was slightly higher than in 2016, while the number of retail defaults increased as well. The yearly default rate was 0.87% for the corporate fleet as at 31 December 2017 (0.60% as at 31 December 2016 and 0.67% as at 31 December 2015). The yearly default rate was 2.30% for the retail fleet as at 31 December 2017 (1.79% as at 31 December 2016 and 2.14% as at 31 December 2015).

FINANCIAL RISK MANAGEMENT

The table below summarises the credit rating of the other most relevant financial assets of the Group, including the lease contract portfolio (which includes both financial assets (finance leases) and non-financial assets (operating leases), as credit risk management is performed on the total lease contract portfolio. The credit risk management of the finance lease portfolio is, however, not substantially different from the credit rating of the total lease contract portfolio.

For counterparties included in the lease contract portfolio that are subject to the AIRB models, and for which no external rating is available, the 'external' rating is based on the internal Group rating equivalent as mentioned in the mapping table above. Internally scored relates to AIRB retail counterparties in the United Kingdom and the Netherlands. The unrated part mainly includes the lease contract portfolio to retail clients for which the Standardised Approach is applied. There are no defaults included in the unrated part of the lease contract portfolio.

	2017			2016			2015		
	Lease contract portfolio	Derivative financial instruments	Receivables from financial institutions	Lease contract portfolio	Derivative financial instruments	Receivables from financial institutions	Lease contract portfolio	Derivative financial instruments	Receivables from financial institutions
AAA to AA-	1,110,573	22,651	60,585	1,022,559	86,218	31,396	952,360	51,252	24,015
A+ to A-	4,960,658	77,905	358,672	4,876,245	93,232	435,822	4,682,827	67,294	278,218
BBB+ to BBB-	6,931,473	2,902	119,737	7,020,214	45,448	10,173	5,972,454	47,539	58,942
BB+ to BB-	1,619,398		3,272	1,493,773	-	6,608	1,480,016		2,245
B+ to B-	102,149		-	102,368	-	137	99,099		-
CCC+ to C	4,031		1,038	4,699	-	-	2,883		-
At default	17,929		-	9,529	-	-	7,861		-
Internally scored	765,587		-	992,351	-	-	1,583,961		-
Unrated	3,825,574		3,992	3,244,091		6,312	2,280,258		5,510
Total	**19,337,373**	**103,458**	**547,296**	**18,765,829**	**224,898**	**490,448**	**17,061,719**	**166,085**	**368,930**

In addition to the (financial) assets included in the table above the Group recognises other unrated financial assets such as (i) rebates and bonuses and commissions receivable and (ii) loans to investments accounted for using the equity method. The receivables are due from counterparties that are contracted for purchasing goods and rendering services.

Loss-given default or loss severity represents the Group's expectation of the extent of a loss should default occur. It is expressed as percentage loss of the exposure at the time a counterparty is declared in default and typically varies by country and transactional features like the leased object. The average credit risk exposure-weighted estimated loss given default percentage of the AIRB portfolio, and applicable to the capital calculation of the Group in 2017, amounted to 27% (2016: 28%, 2015: 27% for the AIRB corporate portfolio). The remaining maturity of the lease portfolio on average amounts to 2.2 years (2016: 2.07 years, 2015: 2.01 years).

On a quarterly basis the Group's risk management performs stress testing on the 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 the following: (i) for all counterparties in countries with a Standard & Poor's rating equal to or higher than BBB a decrease of 1 notch of the counterparties' rating and in countries with a Standard & Poor's rating below BBB a decrease of 2 notches of the counterparties' rating, and (ii) in all countries a deterioration of the average LGD by 5% for corporate counterparties and 10% for retail counterparties. Such a scenario would, result in an increase of required capital amounting to approximately EUR 81 million (2016: EUR 94 million, 2015: EUR 99 million) which includes an additional AIRB provision shortfall of EUR 10 million (2016: EUR 13 million, 2015: EUR 20 million).

ASSET RISK

Asset risk definition

Asset risk consists of two main risk components; residual value risk and risk related to the repair, maintenance and tyre replacement services. Residual value risk, being the prominent risk under asset risk, is defined as the exposure to potential losses at contract end date due to the resale values of assets declining below the estimates made at the start of the lease. The risk related to repair, maintenance and tyre replacement is considered the exposure to potential losses due to the actual costs of the services repair, maintenance and tyre replacement exceeding the estimates made at the start of the lease.

Asset risk management structure and organisation

The Group's Asset Risk Committee, which consists of members of the Managing Board as well as relevant members of senior management, is responsible for determining policies and risk appetite in the asset risk domain. The Group's Risk Management department is responsible for monitoring the implementation of the policies on asset risk by the Group entities and their performance against the asset risk appetite. On a quarterly basis asset risk management reports to the Asset Risk Committee on the actual performance against the asset risk appetite and relevant developments that may affect the asset risk profile in the future. These reports are furthermore shared with the Managing Board and Supervisory Board.

The Group entities are responsible for adequate management (risk identification, risk assessment and response, risk control, monitoring and communication) of asset risks in their respective portfolios as well the adequate implementation of asset risk related policies determined by the Managing Board.

Asset risk management policy

The asset risk management policy outlines a limit structure which is based on the defined residual value risk appetite. Furthermore, the policy describes the principles on which the Group entities manage the asset risk position of the respective portfolios. The principles include a quarterly meeting of the local Asset Risk Committee in entity's Managing Director and/or Finance Director, as well as risk and subject matter experts are present.

Further principles include internal asset risk reporting by Group entities which includes, but not limited to, the trends in termination results, trends in risk mitigation and asset risk measurements. The policy also describes the minimum standard

FINANCIAL RISK MANAGEMENT

with respect to asset risk mitigating techniques. The purpose of these mitigating techniques is to ensure that Group entities are placed in a position where asset risks can be adequately managed. Examples of risk mitigation techniques are interim contract adjustments as a result of deviations in terms of duration and mileage, as well as end-of-contract fees related to excessive wear and tear and end-of-contract mileage variations.

Asset risk measurement

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

On a quarterly basis, all Group entities assess the exposures in the existing lease portfolios for future years using a global platform; comparing contracted residual values to the latest expectations of market prices. With a view to the consolidated outcome of the assessment of expected residual value results in future years, no additional depreciation charge was taken in 2017 (2016: nil, 2015: nil). Reference is made to note 18 to the consolidated financial statements.

In determining additional depreciation charges not only the outcome of the comparison between residual value and fair price is relevant, but also the risk mitigating measures which are actively being pursued to manage residual value exposure during and at the end of a lease contract, are of importance. Examples of such measures are forward looking with regards to estimated numbers of early terminations, mileage variation adjustments to lease rentals and amounts of end of contract damages invoiced after the end of the contract. Additional management actions and compensating elements as well as other risk bearing elements of the product (i.e. maintenance, tyre replacement and repair), are included in the exposure (Management actions and compensating elements are included in the exposure, but excluded from the assessment of additional depreciation charges).

The Group monitors the asset risk exposure and its pricing level against current and expected future market development on a continuous basis and adjusts its residual values for new leases accordingly. New leases are originated in general for original terms of three to five years, but are in practice also regularly adjusted during the term of the lease as part of the interim contract adjustments.

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

	2017	2016	2015
Future lease payments	7,765,877	8,040,577	7,458,874
Residual value	11,571,496	10,725,252	9,602,845
Total	**19,337,373**	**18,765,829**	**17,061,719**

In addition to the above-mentioned on-balance sheet residual value risk, the Group has also provided off-balance sheet residual value commitments for non-funded vehicles up to an amount of EUR 0.4 billion (2016: EUR 0.4 billion, 2015: EUR 0.3 billion). The above table includes both operating and finance leases.

The Group is currently exposed to residual value risk in 31 countries. This geographical diversification, in conjunction with being an independent multi-brand company with well-diversified brand portfolio, partly mitigates the risk related to residual values. Vehicle sales and performance in risk mitigation have remained at a stable positive level in 2017.

The Group has a number of instruments available to reduce the exposure to residual value risk. These instruments allow the Group to adjust its pricing to compensate for the effects of (interim) deviations from the contractual mileage and duration by customers. Furthermore, other instruments are available to allow for charging of fees to compensate for excessive wear and tear to the vehicle and excess mileages at contract-end.

The Group performs stress testing as part of the above-mentioned quarterly assessment. A one percentage point movement in the estimated sales ratio (the fair value as percentage of the list price) would lead to a EUR 61 million (2016: EUR 59 million, 2015: EUR 57 million) movement in estimated gross sales results expected for the year 2017. This effect on gross sales results applies to both the upward and downward direction.

TREASURY RISK

Treasury risk definitions
Treasury risk consists of three individual risks, being liquidity risk, interest rate risk and currency risk. Liquidity risk is the risk that the Group is not able to meet its obligations for (re)payments, due to a mismatch between the run-off of its assets and liabilities. Interest rate risk is the risk that the profitability and shareholders' equity of the Group is affected by movements in interest rates. Currency risk entails the risk that currency fluctuations have an adverse impact on the Group's capital ratios, result and shareholders' equity. The Group's risk appetite for Treasury risks is low.

Treasury risk management structure and organisation
The Group's treasury risk management is driven by monitoring of regulatory and operational (mismatch) limits as set in the risk appetite statement; compliance with the risk appetite statement of the Group and its entities (including LeasePlan's central Treasury and LeasePlan Bank) is monitored on, at least, a monthly basis by the Group's risk management department, whereas treasury risk positions of the Group's central Treasury are monitored daily.

The GroupRisk management department has the responsibility to monitor treasury risk limits, achievement of liquidity targets, and to identify control breakdowns, inadequacy of processes and unexpected events. The treasury risk positions, non-compliance and follow-up measures are discussed within the Group's FTRC and if necessary shared with the Managing Board.

Whereas the FTRC is meant for going-concern situations, a Crisis Management Response Team (CMRT) is established to manage liquidity and capital levels in crisis scenarios. The Group has developed a trigger and early warning indicator framework. The CMRT decides on the activation of the Alarm Phase 'amber' or Recovery Phase 'red' depending on breached trigger levels. The role and mandate of the CMRT are governed by the Liquidity Contingency Plan (LCP) and the Capital Contingency Plan (CCP), which together with the Recovery Plan are integrated in the Group's risk management framework.

On a quarterly basis the Group's risk management department reports on actual performance of treasury risk positions against the risk appetite limits to the Risk Committee of the Supervisory Board.

Treasury risk management policy
Liquidity risk policy
Liquidity risk is governed by the Internal Liquidity Adequacy Assessment Process (ILAAP). The ILAAP encompasses all underlying elements of liquidity risk management such as liquidity risk appetite, tolerance levels and limits, funding strategy, contingency funding plan and stress testing. The ILAAP is an on-going process embedded within liquidity risk management, which is part of the overall risk management framework.

The liquidity risk appetite and tolerance levels are based on the following key principles:
1. the primary (overarching) objective in managing funding & liquidity risk is to accommodate the going concern business objectives without incurring unduly exposure to liquidity or refinancing risk;
2. LeasePlan aims to be matched or longer funded with reasonable (relative) funding costs;
3. primary objective of the funding strategy is to maintain good market access at all times; and
4. compliance with minimum regulatory liquidity requirements at all times.

As liquidity risk is not perceived by the Group as a driver for profit, the policy aims at matched funding and diversification of funding sources. Liquidity risk is managed by seeking to conclude funding that matches the estimated run-off profile of the leased assets. This matched funding principle is applied both at a consolidated Group and at entity level, taking into account specific mismatch tolerance levels depending on the total of interest bearing assets of the subsidiary. Local management of Group entities is responsible to adhere to the Matched Funding Policy. To fund its business, local management can take inter-company funding at LeasePlan's central Treasury or bi-lateral funding with third party banks. A Fund Transfer Pricing Policy governs the pricing of intercompany funding, which is determined and approved by the Managing Board on a monthly basis.

The Group holds a liquidity buffer to mitigate liquidity risk. The liquidity buffer consists of unencumbered cash, cash equivalents and committed facilities. Liquid assets are maintained to meet regulatory liquidity requirements at all times.

Within the pre conditions of the ILAAP, the Strategic Finance department executes the funding strategy. A key instrument in liquidity risk management is the funding planning, which is a recurring item on the FTRC agenda. The funding planning

forecasts issuances and redemptions for each funding source, resulting in a multi-year projection of the liquidity position. Apart from a going concern forecast, a forecast based on stress scenario assumptions is calculated on a monthly basis. The governance of the liquidity stress testing process is outlined in the Liquidity Stress Testing Policy.

The Group maintains a number of stress scenarios addressing idiosyncratic and market wide risk drivers in both specific and combined scenarios. In addition to the quarterly stress testing cycle a high-level stress test is performed based on parameterisation of estimated cash flow forecasting on a monthly basis. The monthly stress testing has been further enhanced by including the estimated compliance of the '9 months survival period' requirement over a 5 year forward looking horizon. Stress testing results are used both for contingency planning as for going-concern funding and risk activities, for instance, to set the target level for the liquidity buffer to meet financial and regulatory obligations during a period of severe stress. Furthermore, these results are used as input for the periodic recalibration of the risk appetite for liquidity risk.

In addition to the Group's own internal policies and controls, liquidity risk is also supervised by and reported to DNB on a monthly basis. The liquidity supervision by DNB is focused on identifying available sources of liquidity and required liquidity for weekly and monthly periods. Additionally, the ILAAP is subject to the yearly Supervisory Review and Evaluation Process (SREP) conducted by DNB. Furthermore, a Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), both of at least 100% and a survival period requirement are binding regulatory requirement. These regulatory liquidity requirements are embedded in the Group's liquidity and cash management processes.

Interest rate risk policy

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:

- Group entities and jointly controlled entities, carrying interest-bearing assets (mainly lease contracts) and funding on their balance sheet, which mainly is inter-company funding supplied by LeasePlan's central Treasury;
- LeasePlan's central Treasury, concluding external funding, external derivatives and granting inter-company loans to LeasePlan entities;
- LeasePlan Bank (LPB), supporting the diversified funding strategy by raising retail saving deposits.

The Interest Rate Risk Policy is to match 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 entity. Group entities 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.

LeasePlan's central Treasury provides loans to LeasePlan entities and attracts funds from the market in conjunction with interest rate derivatives entered into for hedging purposes. Derivative financial instruments are concluded by LeasePlan's central Treasury as an end-user only; the Group does not hold a trading book. Due to the accounting treatment of derivative financial instruments, the Group is exposed to some volatility in its income statement, particularly regarding the derivatives that do not qualify for hedge accounting.

To enable the LeasePlan's central Treasury to achieve economies of scale, smaller inter-company loans are grouped and financed through larger-sized external funding transactions. Interest rate risk inherent to the central treasury process, such as timing differences and mismatches of interest rate re-pricing, are accepted within set currency and duration limits.

The liquidity and interest typical duration of LPB's flexible savings are modelled and measured from a behavioural perspective. LPB invests the flexible savings funds received by placing deposits with LeasePlan's central Treasury in line with the modelled interest profile of the flexible savings, thereby replicating the flexible savings' maturity profile. In 2017 model performance, investment rule and outflow assumptions have been revalidated.

In addition, the Group Risk management department monitors the effect of a gradual movement in market interest rates on its profitability and the effect of a sudden parallel shift of the yield curve on its equity.

Currency risk policy

The Group is exposed to currency risk due to its global coverage. Where required, hedging is applied by means of matching assets and liabilities in the same currency or by means of financial derivatives. Nearly all debt funding, directly or via derivatives, is concluded in the currency in which assets are originated. This principle is applied both at Group level, and at entity level. This is required both when obtaining funds at local banks or at LeasePlan's central Treasury. In order to facilitate this, LeasePlan's central Treasury works with limits per currency, in line with the Group's approved risk appetite. Also Group equity (in most cases) is allocated to the currencies in which assets are denominated.

The Group Risk management is built on ratio protection; the Group protects its overall capital adequacy ratio against fluctuations in foreign exchange rates by deliberately taking structural equity positions in its foreign currency entities, effectively matching the entities' capital adequacy ratios with the Group's overall capital adequacy ratio. The Group's currency exposure, from a capital ratio protection perspective, is therefore the absolute mismatch between the Group's overall ratio and the capital adequacy ratios of the foreign currency entities.

The reasoning behind this is that if the relative individual capital adequacy position is the same as for the Group as a whole, both the TREA and capital allocated to the non-functional currency will move in the same direction in case of a currency shock, hence this should not impact the Group's capital ratio.

Treasury risk measurement

Liquidity risk measurement

The table below presents the Group's contractual undiscounted cash flows payable of the financial liabilities in the relevant contractual maturity groupings. The cash flows do not reconcile to the balance sheet because the balance sheet amounts are presented on an amortised cost basis. In 2017 funds entrusted, funding in the debt capital markets and borrowings from financial institutions increased as a result of a combination of the growth of the lease portfolio and the utilisation of funding levers.

	0-3 months	3-12 months	1-5 years	>5 years	Total
FINANCIAL LIABILITIES					
Funds entrusted	4,136,364	1,304,401	561,642	94	6,002,501
Trade payables	834,295				834,295
Borrowings from financial institutions	623,915	838,766	1,860,451	-	3,323,132
Debt securities issued	237,847	1,917,979	6,841,878	340,122	9,337,826
Future payments (interest and commitment fees)	94,571	190,173	259,591	26,758	571,093
Total as at 31 December 2017	**5,926,992**	**4,251,319**	**9,523,562**	**366,974**	**20,068,847**
FINANCIAL LIABILITIES					
Funds entrusted	3,809,864	1,125,902	544,858	153	5,480,777
Trade payables	790,893	-	-	-	790,893
Borrowings from financial institutions	553,622	727,809	1,965,909	12,044	3,259,384
Debt securities issued	316,052	2,045,359	6,141,913	302,027	8,805,351
Future payments (interest and commitment fees)	47,086	179,956	274,653	73,034	574,729
Total as at 31 December 2016	**5,517,517**	**4,079,026**	**8,927,333**	**387,258**	**18,911,134**
FINANCIAL LIABILITIES					
Funds entrusted	3,013,292	1,167,209	906,300	173	5,086,974
Trade payables	764,430	-	-	-	764,430
Borrowings from financial institutions	353,713	518,971	1,189,054	11,380	2,073,118
Debt securities issued	102,010	1,402,959	6,254,451	383,023	8,142,443
Future payments (interest and commitment fees)	51,319	187,897	309,438	160,116	708,770
Total as at 31 December 2015	**4,284,764**	**3,277,036**	**8,659,243**	**554,692**	**16,775,735**

In the table below for interest rate swaps the undiscounted cash inflows and outflows are presented on a net basis into the relevant maturity groupings, whereas the undiscounted cash flows on currency swaps are presented on a gross basis.

	0-3 months	3-12 months	1-5 years	>5 years	Total
Interest rate swaps/forward rate agreements netted cash flow	- 2,449	10,928	48,512	29,386	86,376
Currency swaps cash inflow	2,815,537	115,479	895,461	46,390	3,872,867
Currency swaps cash outflow	- 2,813,858	- 123,038	- 905,615	- 45,445	- 3,887,956
Total as at 31 December 2017	**- 770**	**3,369**	**38,358**	**30,331**	**71,287**
Interest rate swaps/forward rate agreements netted cash flow	- 1,073	- 4,889	56,085	56,878	107,001
Currency swaps cash inflow	2,665,740	580,685	1,006,503	-	4,252,928
Currency swaps cash outflow	- 2,621,790	- 541,702	- 983,536	-	- 4,147,028
Total as at 31 December 2016	**42,877**	**34,094**	**79,052**	**56,878**	**212,901**
Interest rate swaps/forward rate agreements netted cash flow	- 428	2,739	63,875	134,733	200,919
Currency swaps cash inflow	2,761,186	564,425	1,000,780	-	4,326,391
Currency swaps cash outflow	- 2,746,799	- 549,285	- 981,979	-	- 4,278,063
Total as at 31 December 2015	**13,959**	**17,879**	**82,676**	**134,733**	**249,247**

As a precaution to the risk of not having continued access to financial markets for funding, the Group maintains a liquidity buffer. This buffer includes unencumbered cash and committed (standby) credit facilities to reduce the Group's liquidity risk. The liquidity buffer as per 31 December is specified as follows:

in millions of euros	2017	2016	2015
Unencumbered cash at banks	333	273	331
Unencumbered cash at Dutch Central Bank	2,289	1,805	1,559
Total on balance liquidity buffer	**2,622**	**2,078**	**1,890**
Commited facilities	1,967	2,500	2,500
Total	**4,589**	**4,578**	**4,390**

In June 2015 the Company concluded a committed revolving credit facility with a consortium of 12 banks (EUR 1.25 billion) maturing in December 2018. Following the completion of the change in ownership on 21 March 2016, the Company acceded to a second committed revolving credit facility with a consortium of 12 banks (EUR 1.25 billion) also maturing in December 2018. In November 2017, the Company renewed both committed revolving credit facilities into one new committed revolving credit facility with a consortium of 12 banks (EUR 1.5 billion) maturing in November 2022. The 12 banks in this consortium largely consist of the banks that also participated in the committed revolving credit facility concluded in June 2015. During 2016 and 2017 no amounts were drawn under these facilities.

LeasePlan entered into a warehouse facility in December 2017 with a limit of A$ 560 million for the Class A Notes. The facility is a single-sided commitment from the Class A Noteholder to provide funding on a secured basis to LeasePlan up to the A$ 560 million limit. The facility matures in December 2018 but LeasePlan has the option to extend the availability period annually for a further year. As per 31 December 2017, no amounts were drawn under this facility. The Dutch Central Bank sets out minimum liquidity level requirements demanding that available liquidity exceeds required liquidity at all times as well as an Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) of 100%; LeasePlan is in compliance with these minimum liquidity requirements.

The Dutch Central Bank sets out minimum liquidity level requirements demanding that available liquidity exceeds required liquidity at all times as well as an Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) of 100%; LeasePlan is in compliance with these minimum liquidity requirements.

The Group's liquidity stress testing program includes the integration of risk drivers and review of stress scenarios, governance, tools used and documentation of the stress testing process. Stress testing is embedded in the funding planning, taking into account the 9 months minimum liquidity buffer requirement, in line with the Group's risk appetite statement. At all times during 2017 the Group held enough liquidity to continue business as usual during the most severe stress scenario for a minimum period of 9 months.

Interest rate risk measurement

The Group manages interest rate risk by matching the interest typical run-off of its interest bearing assets with interest bearing liabilities within specified limits. LeasePlan entities' interest rate exposure as per reporting date (not including LeasePlan's central treasury and LeasePlan Bank positions), resulting from covering interest-bearing assets by both interest-bearing liabilities and non-interest bearing working capital and equity, is EUR 514.4 million (2016: EUR 39.8 million, 2015: EUR 150.3 million), in relation to an amount of risk bearing assets of EUR 25.6 billion as per 31 December 2017 (2016: EUR 19.8 billion, 2015: EUR 18.4 billion). Due to the accounting treatment of lease contracts, this does not result in gains or losses in the Group's income statement or in shareholder's equity

In addition, the Group monitors the effect of a gradual movement in interest rates on its profitability and the effect of a sudden parallel shift to the yield curve on the Group's capital. The impact of a 200 basis points interest rate shock on the Group's result and capital are shown below:

Gradual shock on the yield curve (in millions of euros as at 31 December)	Earnings at risk		
	2017	**2016**	**2015**
Effect within 1 year			
-200 bps	- 9.0	- 7.5	- 7.7
+200 bps	9.0	7.5	7.7
Effect within 2 years			
-200 bps	- 22.2	- 16.2	- 21.0
+200 bps	22.2	16.2	21.0

The impact of a gradual movement on the Group's profitability is fairly stable when comparing 2017 to 2016 and 2015.

	Equity at risk		
	2017	**2016**	**2015**
-200 bps	240.8	228.3	205.9
+200 bps	- 220.0	- 208.2	- 188.0

Due to the Group's estimated overall cash flow profile, an increase in market rates has a negative impact on Equity. The difference between 2017 and 2016 is mainly resulting from changes in the underlying cash flow profiles of Group entities; whereas the impact resulting from the development in market rates is relatively stable.

FINANCIAL RISK MANAGEMENT

Currency risk measurement

The table below details the Group's net currency positions as at 31 December:

	EUR	GBP	USD	AUD	TRY	Other	Total
As at 31 December 2017							
FINANCIAL ASSETS							
Cash and balances at central banks	2,349,130	-	17	-	-	16	2,349,162
Receivables from financial institutions	287,115	1,517	111	8,508	51	249,994	547,296
Derivatives (long)	2,858,601	4,406	27,220	1,156	-	1,020,376	3,911,759
Rebates and bonuses and comissions receivable	252,168	11,766	2,430	1,800	2,134	26,765	297,063
Reclaimable damages	26,428	-	-	-	952	3,520	30,900
Lease receivables from clients	488,638	387,863	1,228,209	267,611	-	888,373	3,260,694
Investments accounted for using the equity method	12,983	-	-	-	-	-	12,983
Loans to other third parties	3,397	-	-	-	-	13,507	16,904
Loans to investments accounted for using the equity method	140,500	-	-	-	-	-	140,500
Other receivables	20,537	-	-	59	-	256	20,852
Assets held-for-sale	-	-	20,107	-	-	-	20,107
Non-financial assets	10,041,874	2,144,654	445,986	504,695	91,143	5,081,598	18,309,950
Total	**16,481,371**	**2,550,206**	**1,724,080**	**783,829**	**94,280**	**7,284,404**	**28,918,170**
FINANCIAL LIABILITIES							
Funds entrusted	6,000,258	-	-	-	-	2,243	6,002,501
Derivatives (short)	1,070,926	1,451,508	383,434	367,859	11,005	603,943	3,888,676
Trade payables	555,374	19,668	25,040	29,933	51,137	153,143	834,295
Interest payable	50,754	467	7,446	319	-	21,328	80,313
Borrowings from financial institutions	2,112,693	141,005	936	126,800	20,735	920,964	3,323,132
Debt securities issued	5,732,856	478,187	1,099,030	-	-	2,027,753	9,337,826
Non-financial liabilities	701,628	442,446	222,683	254,762	4,456	601,465	2,227,440
Total	**16,224,489**	**2,533,281**	**1,738,569**	**779,673**	**87,333**	**4,330,839**	**25,694,183**
Net position	**256,882**	**16,925**	**- 14,489**	**4,156**	**6,946**	**2,953,566**	**3,223,986**
Currency position		**16,925**	**- 14,489**	**4,156**	**6,946**	**2,953,566**	
Net investment subsidiaries		223,535	113,130	133,055	96,303	460,961	
Other		- 206,610	- 127,625	- 128,899	- 89,357	2,492,605	

continue >

FINANCIAL RISK MANAGEMENT

Currency risk measurement - continued

	EUR	GBP	USD	AUD	TRY	Other	Total
As at 31 December 2016							
Financial assets	6,577,334	468,845	2,224,213	296,546	9,998	1,065,334	10,642,270
Non-financial assets	11,176,931	2,201,572	415,129	482,309	103,628	2,882,227	17,261,796
Financial liabilities	14,256,587	2,256,023	2,412,902	532,467	37,533	3,135,382	22,630,894
Non-financial liabilities	1,431,119	191,096	98,398	119,244	16,789	340,824	2,197,470
Net position	**2,066,559**	**223,298**	**128,042**	**127,144**	**59,304**	**471,355**	**3,075,702**
Currency position		**223,298**	**128,042**	**127,144**	**59,304**	**471,355**	
Net investment subsidiaries		236,264	116,244	123,953	93,751	457,472	
Other		- 12,966	11,798	3,191	- 34,447	13,883	
As at 31 December 2015							
Financial assets	5,734,293	462,394	2,192,817	276,050	11,595	1,332,025	10,009,174
Non-financial assets	10,146,056	2,198,770	336,517	475,848	55,211	2,368,782	15,581,184
Financial liabilities	12,432,788	2,195,769	2,314,824	507,094	15,291	2,955,343	20,421,109
Non-financial liabilities	1,317,288	236,279	80,300	114,752	12,036	337,130	2,097,785
Net position	**2,130,273**	**229,116**	**134,210**	**130,052**	**39,479**	**408,334**	**3,071,464**
Currency position		**229,116**	**134,210**	**130,052**	**39,479**	**408,334**	
Net investment subsidiaries		229,778	112,423	127,716	85,220	398,111	
Other		- 662	21,787	2,336	- 45,741	10,223	

The Group monitors the relative currency exposure, by comparing its capital adequacy ratio per currency to the Group's overall ratio. The Group's aim is to neutralise its capital ratio for currency exchange rate fluctuations. Taking a 10% presumed currency shock on all currencies against the euro, an instantaneous impact on the Group's capital would be EUR 33.0 million (2016: EUR 37.7 million, 2015: EUR 30.0 million). The following table shows the net currency position versus the risk exposure amount for which in absolute terms, under a shock of 10%, the Group's capital can be impacted (considered for the main currencies)[2].

	2017		2016		2015	
	Net open position	Currency shock	Net open position	Currency shock	Net open position	Currency shock
Great British Pound ('GBP')	269.1	3.5	236.3	8.9	229.8	6.8
United States Dollar ('USD')	114.7	0.3	116.2	4.9	112.4	1.6
Australian Dollar ('AUD')	133.1	5.8	124.0	3.6	127.7	4.0
Turkish Lira ('TRY')	96.3	0.3	93.8	0.9	85.2	2.6
Other	469.7	23.0	480.3	19.4	425.9	15.0
Total	**1,082.9**	**33.0**	**1,050.6**	**37.7**	**981.0**	**30.0**

Although LeasePlan is aware that, from an absolute equity perspective, currency exposures exist; these exposures are deliberately not fully mitigated following the ratio protection strategy.

[2] The 'Other' category consists of smaller entities with corresponding currencies. The category ' other' does not reconcile with the table showing the Group's net currency position due to the inclusion of an off-balance sheet commitment as part of the total FX risk positions, whereas the position on the previous page only includes on-balance positions.

INSURANCE RISK

The Group has minimal appetite for insurable risks (outside of motor insurance risk). As such, the Group arranges multi-national insurance programmes to protect all of its entities. Insurance Policies issued, are written by leading global insurance companies, on a 'Freedom of Services' basis and apply to all European Union (EU) Countries and Norway. For non-EU Countries or where local regulations require, the Group has arranged for local policies to be issued, by the same insurers or their authorised agents. Insurance covers purchased on a global level are: Property, Combined General Liability, Employment Practices Liability, Crime,Directors & Officers Liability and Professional Indemnity cover. Additionally, where local legislation requires a policy to be in place in a particular entity, such as Employers' Liability Insurance or Workers' Compensation Insurance, such cover is arranged by the local entity and confirmation of the same is provided to the Risk Department at corporate centre.

During 2017, LeasePlan undertook a review of its Broker provision services, for non-motor related risks. Following a Broker Tender process, LeasePlan appointed a new broker to be their partner going forward.

Motor insurance risk definition

As a result of its normal business activities the Group is exposed to motor insurance risk. Motor insurance risk is the exposure to potential loss, due to costs related to damages incurred by drivers insured by the Group, exceeding the premiums paid for insurance coverage. This risk consists of long-tail risks (e.g. motor third party liability and legal defence) and short-tail risks (e.g. motor material damage and passenger indemnity).

Additionally, some local entities offer a non-insurance solution referred to as 'risk retention'. For non-compulsory lines of cover, where local regulations permit, the Group may offer a warranty for damage sustained to a vehicle, up to a pre-defined limit, in return for a higher lease charge. This risk also consists of long-tail risks (e.g. motor third party liability and legal defence) and short-tail risks (e.g. motor material damage and passenger indemnity).

Motor insurance risk management structure and organisation

Group Risk Management is responsible for establishing and maintaining the motor insurance risk framework and monitoring the motor insurance risk profile. Motor insurance risks (referred to as insurance risk) are underwritten by the Group's insurance subsidiary, LeasePlan Insurance (Euro Insurances DAC) based in Dublin, Ireland. In addition, some local entities have a local risk retention scheme for motor material damages and retain the damage risk, whilst also offering additional insurance coverage through either LeasePlan Insurance or external providers. LeasePlan Insurance is regulated by the Central Bank of Ireland and its 'European passport' enables it to support LeasePlan entities in all EU countries and Norway. LeasePlan Insurance is capitalised in accordance with the standardised approach of Solvency II. LeasePlan Insurance maintains external reinsurance cover on an excess of loss basis for motor third party liability risks and catastrophic events. LeasePlan Insurance purchases reinsurance cover for these risks up to prescribed coverage limits with an external reinsurance panel in order to minimise the financial impact of a single large accident and/or event.

Annually, the risk management department prepares the risk appetite statement, which includes all risk areas and requires approval by the Managing Board and the Risk Committee of the Supervisory Board. On a quarterly basis, the risk management department reports to the Risk Committee of the Supervisory Board on performance against the risk appetite, including developments within motor insurance. The motor insurance position is further discussed in the Motor Insurance Risk Committee and shared with the Managing Board and the Risk Committee of the Supervisory Board.

Motor insurance risk management policy

The overall approach of the Group is to selectively accept damage and insurable risk within LeasePlan entities and/or LeasePlan Insurance. The Group's objective is to identify and develop the motor insurance risk profile and to continuously monitor and manage these risks in line with the risk appetite for motor insurance risk. Generally the Group only accepts damage and insurance risk positions arising from its own operating and (to a lesser extent) finance lease portfolio. Damage and insurance specialists in each Group entity accept damage or insurance risks in accordance with the strict Risk Selection and Pricing Procedures issued by LeasePlan Insurance, or by the Group Risk department for the risk retention schemes. These procedures set out the scope and nature of the risks to be accepted (or not) as well as the local authority rules.

Settlement of damages is generally outsourced to specialised independent damage handling companies in accordance with service level agreements, although some local entities have a specialist team in place to perform this activity. Settlement of damages is performed by specialised damage handling teams, within the Group, when a local risk retention scheme is in place.

In order to clearly identify, monitor, manage and limit the risks, principles are laid down in a motor insurance risk policy that must be adhered to by all Group entities. The main requirements are; the existence of a motor insurance risk function within all Group entities, which is independent from the insurance pricing department and the existence of a local motor insurance risk committee, which is required to monitor exposure and discuss trends and developments within the portfolio. Clear authorisation structures are in place for intended launches of and changes in, insurance structures and programmes. (Re)insurers are selected on the basis of their financial strength, price, capacity and service and are monitored, in respect of credit ratings, on a quarterly basis.

Motor insurance risk measurement

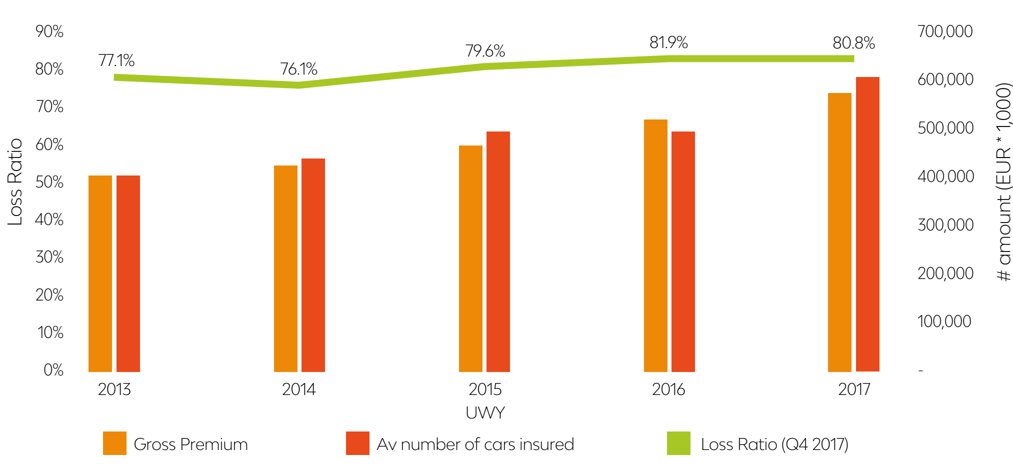
The Group monitors the damage and insurance risk acceptance process and the financial performance using actuarial and statistical methods for estimating liabilities and determining adequate pricing levels. Regular analysis of damage, loss ratio statistics, strict compliance with damage handling procedures and policies and when necessary, reviews of damage and insurance risk pricing, ensure a healthy balance between revenues and damages at both an aggregate level and an individual fleet level. The provision for damages is regularly assessed and periodically verified by external actuaries.

The price for acceptance of damage and insurance risk is set in each market based on prevailing local market conditions after determining appropriate levels of reinsurance cover and the expected costs of managing and settling damages. Regular external actuarial assessments support internal actuarial assessments of the individual programme loss ratios, which are influenced by statistical evidence of accident frequency in the local market and the cost per claim of expected and large

damages. These support the Incurred But Not Reported (IBNR) and Incurred But Not Enough Reported (IBNER) factors used to determine appropriate reserve levels necessary to meet projected short-tail and long-tail damages.

Under the motor insurance risk policy, Group entities measure and monitor their motor insurance risk exposure by performing a yearly damage and insurance risk self-assessment. On a quarterly basis LeasePlan Insurance and Group entities measure and report their risk exposures by means of premium developments and loss ratio developments to central management. These loss ratios are consolidated and monitored against the Group's risk appetite.

The following graph shows the Group's consolidated loss ratio, premium development and average number of insured vehicles measured at year's end 2017 for the underwriting years 2012 up to 2017.



Annually, Group entities submit for approval, a Country Based Risk Appetite (CoBRA) for Motor Insurance Risk, in which they define for the year ahead a loss ratio limit for motor insurance risk, against which entities are monitored.

G. OTHER RISKS

INFORMATION SECURITY RISK

Information Security risk definition

The Group defines Information Security risk as 'the risk of loss due to inadequate ICT controls, failed components, human behaviour or external events, resulting in a loss of information confidentiality and/or integrity and/or availability'. The availability, integrity and confidentiality of information assets are essential in maintaining LeasePlan's competitive edge, cash flow, profitability, regulatory and legal compliance and LeasePlan's overall brand image. There is substantial overlap with (processes related to) operational risk such as self-assessments, loss reporting and business continuity (including disaster recovery).

Information Security risk management structure and organisation

The Group Risk Management - Information Security & Governance (ISG) department at Corporate level is responsible for the information security strategy, specific input into the Risk Appetite Statement, Information Security policies & standards, monitoring and reporting. This to ensure that adequate security controls are defined and implemented. ISG monitors implementation and adherence at entity level and reports periodically.

ISG monitors that all local entities appoint an Information Security Officer (ISO) and Information Security Administrator (ISA) and that the local ISO's can work independently from IT. ISG is responsible for the regular communication and interaction between Group Risk Management and the local ISO/ISA functions. In cooperation with IT, ISG will ensure that the appropriate security services and tools are defined and delivered to the entities in order to implement the adequate security controls. On a quarterly basis Group Risk Management - ISG reports on information security status levels within the Group, This is including reporting upon performance against the risk appetite to the Risk Committee of the Supervisory Board.

Similar to operational risk, all Group entities including LeasePlan Bank, structurally identify, assess, and report their Information Security risks. On a day-to-day basis Information Security 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 the ITIL processes.

Information Security risk management policy
The Group's Information Security Policy and standards, as set by the Managing Board, includes requirements on creating awareness, sufficient staffing and governance, security incident reporting and risk assessment. The policy and standards prescribes the requirements for the organisation of information security in each Group entity. Local management is responsible for managing and implanting the security requirements as defined in the information security policy and standards.

ISG organizes various security awareness activities (E-learnings, security awareness campaigns regarding phishing e.g.) to increase security awareness among LeasePlan staff.

Information Security risk measurement
Information Security risk incidents need to be registered in the Governance, Risk and Compliance (GRC) system which LeasePlan have implemented.

Information Security risk incidents (which have also resulted in a loss event) are reported also as an operational risk, so the financial impact of security incidents is taken into account in the overall operational risk results.

All local entities perform on a quarterly basis a self-assessment on their local information security controls. ISG performs a quality assurance on these self-assessments and prepares a consolidated report. The results are reported on a quarterly basis to the Operational Risk Committee.

FINANCIAL REPORTING RISK

Like other companies, the Group faces financial reporting risks resulting from operational failures or external events, such as changes in regulations, acts from personnel and system issues. The finance systems and processes are designed to support the accounting and reporting of products and transactions and to avoid issues as non-compliance with regulations and the Group accounting and reporting policy, system failures and human errors. The Group has processes in place to update and improve these finance systems and processes when required

H. STRATEGY IN USING FINANCIAL INSTRUMENTS

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

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

The Group has, where allowed under IFRS hedge accounting rules, applied cash flow and fair value hedges to the interest rate risk and other types of market risks on the issued debt securities and other borrowings, to mitigate both current and future income statement volatility arising from the variability of cash flows attributable to currency and interest rate movements, and due to the exposure to changes in fair values of recognised liabilities. It should be noted that while as a result of the above the Group mitigates interest rate risk and currency risk from an economic perspective, these derivatives do not always qualify for hedge accounting from an accounting perspective and in such cases, the unrealised gains and losses are recognised in the income statement.

FINANCIAL RISK MANAGEMENT

The contracted notional amounts of all derivatives are listed below:

	2017			2016			2015		
	Interest rate contracts	Currency contracts	Total	Interest rate contracts	Currency contracts	Total	Interest rate contracts	Currency contracts	Total
Fair value hedge	5,116,881	434,434	5,551,315	4,923,053	44,297	4,967,350	4,057,309	85,948	4,143,257
Cash flow hedge	1,380,000	-	1,380,000	1,595,000	-	1,595,000	1,805,000	-	1,805,000
Not in hedge	18,177,904	3,409,241	21,587,145	13,781,558	4,050,937	17,832,495	12,196,989	4,111,929	16,308,918
Total	**24,674,785**	**3,843,675**	**28,518,460**	**20,299,611**	**4,095,234**	**24,394,845**	**18,059,298**	**4,197,877**	**22,257,175**

Cash flow hedges

The Group hedges the exposure to variability in future interest payments on recognised floating rate bonds and notes issued and on highly probable forecast transactions (short-term rolling over liabilities) attributable to changes in underlying swap and money market rates. In cash flow hedging, the hedged risks are future changes in cash flows stemming from anticipated repricing and/or roll-overs of borrowings due to interest rate movements. To apply highly effective cash flow hedges the forecast cash flows, which are subject to a hedge, must be 'highly probable'. Based on the Group's business activities and the financial/operational ability to carry out the transactions, the likelihood that forecast cash flows will take place is very high. These forecast cash flows are expected to occur and to affect the income statement during 2017-2021.

The Group applies a cash flow hedge as an aggregate hedging of a similar group of assets/liabilities. A group of derivatives sharing the same characteristics is designated to the hedge with a group of borrowings with the same characteristics. Any ineffectiveness resulting from these cash flow hedges is recognised in the income statement when incurred.

Fair value hedges

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

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

Risk-weighting

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

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

FINANCIAL RISK MANAGEMENT

I. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Fair value of financial instruments

as at 31 December 2017	Carrying value	Fair value		
		Level 1	Level 2	Total
FINANCIAL ASSETS MEASURED AT FAIR VALUE				
Derivatives financial instruments in hedge	54,690		54,690	54,690
Derivatives financial instruments not in hedge	48,768		48,768	48,768
FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE				
Cash and balances at central banks	2,349,162	2,349,162		2,349,162
Receivables from financial institutions	547,296		547,296	547,296
Lease receivables from clients[3]	3,260,694		3,273,332	3,273,332
Investments accounted for using the equity method	12,983		12,983	12,983
Loans to investments using the equity method	140,500		143,774	143,774
Receivables and prepayments[1]	365,720		366,021	366,021
Assets held-for-sale[3]	20,107		20,654	20,654
Total financial assets	**6,799,920**	**2,349,162**	**4,467,518**	**6,816,680**
FINANCIAL LIABILITIES MEASURED AT FAIR VALUE				
Derivatives financial instruments in hedge	25,937		25,937	25,937
Derivatives financial instruments not in hedge	54,432		54,432	54,432
FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE				
Funds entrusted	6,002,501		6,162,088	6,162,088
Trade and other payables and deferred income[2]	914,609		914,609	914,609
Borrowings from financial institutions	3,323,132		3,223,358	3,223,358
Debt securities issued	9,337,826		9,464,504	9,464,504
Total financial liabilities	**19,578,068**		**19,764,559**	**19,764,559**

1 Other receivables that are not financial assets are not included
2 Other payables that are not financial liabilities are not included
3 Presented as level 2 (previously as level 3) as this better reflects the technique used to determine its fair value.

Fair value of financial instruments

as at 31 December 2016	Carrying value	Fair value		
		Level 1	Level 2	Total
FINANCIAL ASSETS MEASURED AT FAIR VALUE				
Derivatives financial instruments in hedge	78,336		78,336	78,336
Derivatives financial instruments not in hedge	146,562		146,562	146,562
FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE				
Cash and balances at central banks	1,857,144	1,857,144		1,857,144
Receivables from financial institutions	490,448		490,452	490,452
Lease receivables from clients[3]	3,425,539		3,471,791	3,471,791
Investments accounted for using the equity method	27,394		27,394	27,394
Loans to investments using the equity method	125,275		128,452	128,452
Receivables and prepayments[1]	360,535		361,393	361,393
Assets held-for-sale	13,763		14,269	14,269
Total financial assets	**6,524,996**	**1,857,144**	**4,718,649**	**6,575,793**
FINANCIAL LIABILITIES MEASURED AT FAIR VALUE				
Derivatives financial instruments in hedge	18,750		18,750	18,750
Derivatives financial instruments not in hedge	58,834		58,834	58,834
FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE				
Funds entrusted	5,480,777		5,556,367	5,556,367
Trade and other payables and deferred income[2]	890,502		890,502	890,502
Borrowings from financial institutions	3,259,384		3,314,513	3,314,513
Debt securities issued	8,805,351		8,870,422	8,870,422
Total financial liabilities	**18,513,598**		**18,709,388**	**18,709,388**

1 Other receivables that are not financial assets are not included
2 Other payables that are not financial liabilities are not included
3 Presented as level 2 (previously as level 3) as this better reflects the technique used to determine its fair value.

Fair value of financial instruments

as at 31 December 2015	Carrying value	Fair value		
		Level 1	Level 2	Total
FINANCIAL ASSETS MEASURED AT FAIR VALUE				
Derivatives financial instruments in hedge	83,799		83,799	83,799
Derivatives financial instruments not in hedge	82,286		82,286	82,286
FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE				
Cash and balances at central banks	1,605,437	1,605,437		1,605,437
Receivables from financial institutions	368,930		369,212	369,212
Lease receivables from clients[3]	3,309,512		3,354,887	3,354,887
Investments accounted for using the equity method	24,211		24,211	24,211
Loans to investments using the equity method	103,325		106,401	106,401
Receivables and prepayments[1]	267,708		268,566	268,566
Assets held-for-sale	13,065		13,274	13,274
Total financial assets	**5,858,273**	**1,605,437**	**4,302,636**	**5,908,073**
FINANCIAL LIABILITIES MEASURED AT FAIR VALUE				
Derivatives financial instruments in hedge	29,184		29,184	29,184
Derivatives financial instruments not in hedge	59,195		59,195	59,195
FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE				
Funds entrusted	5,086,974		5,184,833	5,184,833
Trade and other payables and deferred income[2]	855,083		855,083	855,083
Borrowings from financial institutions	2,073,118		2,099,092	2,099,092
Debt securities issued	8,142,443		8,235,543	8,235,543
Total financial liabilities	**16,245,997**		**16,462,930**	**16,462,930**

[1] Other receivables that are not financial assets are not included
[2] Other payables that are not financial liabilities are not included
[3] Presented as level 2 (previously as level 3) as this better reflects the technique used to determine its fair value.

In 2017 there was a transfer of EUR 3,268 million of lease receivables from clients and assets held-for-sale of EUR 21 million from level 3 to level 2. The transfer was carried out because the valuation was not significantly impacted by unobservable input. The comparative amounts for the lease receivables from clients (2016: EUR 3,472 million, 2015: EUR 3,355 million) and assets held-for-sale (2016: EUR 14 million, 2015: EUR 13 million) have been reclassified accordingly. There are no other transfers between levels 1, 2 and 3 during the years. There were no changes in valuation techniques during the years.

Financial instruments in level 1
The fair value of financial instruments that are traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry, group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. Cash and balances with central banks are the only financial instruments held that are included in level 1.

Financial instruments in level 2
The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques that maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. Specific valuation techniques used to value financial instruments include:
- Quoted market prices or dealer quotes for similar instruments.
- The fair value of the interest rate swaps and cross currency swaps calculated as the present value of the estimated future cash flows based on observable yield curves at commonly quoted intervals, while taking into account the current creditworthiness of the counterparties.
- The yield curve for all collateralised derivatives is based on the overnight index swap (OIS) rate (the vast majority of the Group's derivatives is collateralised).
- The valuation methodology of the cross currency swaps includes a liquidity premium (which swaps less liquid currencies into those that are considered more liquid in the market and vice versa).
- The counterparty's probability of default is estimated using market CDS spreads resulting in credit valuation adjustments.
- The Group's own creditworthiness and probability of default is estimated using input such as secondary spreads and cost of funding curve as well as information from counterparties resulting in a debit valuation adjustment.
- Other techniques such as discounted cash flow analysis based on observable yield curves at commonly quoted intervals, are used to determine the fair value for the remaining financial instruments.
- For certain other receivables (Rebates and bonuses and commissions receivable, Reclaimable damages and Interest to be received) and payables (Trade payables and Interest payable) with a remaining term well below one year, the carrying value is deemed to reflect the fair value.

The derivative financial instruments not in hedge are derivatives that mitigate interest rate risk and currency risk from an economic perspective but do not qualify for hedge accounting from an accounting perspective. The Group is not involved in active trading of derivatives.

Financial instruments in level 3
This category includes financial instruments whose fair value is determined using a valuation technique (e.g. a model) for which more than an insignificant part of the inputs in terms of the overall valuation are not market observable. Unobservable in this context means that there is little or no current market data available from which to derive a price that an unrelated, informed buyer would purchase the asset or liability at. No financial instruments are included in this category.

J. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following financial assets and financial liabilities are subject to offsetting, enforceable master netting agreements and similar agreements.

	Gross amounts of recognised financial instruments	Gross amounts of recognised financial instruments offset in the balance sheet	Net amounts of financial instruments presented in the balance sheet	Related amounts not offset in the balance sheet		
				Financial instruments	Cash collateral received	Net amount
As at 31 December 2017						
Derivative financial assets	103,458		103,458	- 80,369	- 43,523	- 20,434
Derivative financial liabilities	80,369		80,369	- 80,369		-
As at 31 December 2016						
Derivative financial assets	224,898	-	224,898	- 77,584	- 71,320	75,994
Derivative financial liabilities	77,584	-	77,584	- 77,584	-	-
As at 31 December 2015						
Derivative financial assets	166,085		166,085	- 88,379	- 63,100	14,606
Derivative financial liabilities	88,379		88,379	- 88,379		

For the financial assets and liabilities subject to enforceable master netting agreements or similar agreements above, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party. Except for derivative financial instruments there are no other financial assets or liabilities subject to offsetting.

K. TRANSFER OF (FINANCIAL) ASSETS

The Group engages in various securitisation transactions (reference is made to note 12 and note 18 of the consolidated financial statements of the Group and note 14 of the Company financial statements). As a consequence of such transactions (financial) assets are transferred from the originating LeasePlan subsidiaries to special-purpose companies. The special-purpose companies are controlled by the Company and included in the consolidated financial statements in view of this, the transferred (financial) assets are not de-recognised in their entirety from a Group perspective.

The table below summarises the Group's transferred (financial) assets and financial liabilities that are not derecognised in their entirety at 31 December.

	Loans and receivables			
	Receivables from clients (finance leases)	Receivables from financial institutions (collateral deposited)	Property and equipment under operating lease	Total
As at 31 December 2017				
Carrying amount				
Assets	47,002	176,558	2,084,448	2,308,008
Associated liabilities				
Bonds and notes originated from securitisation transactions				1,503,758
Borrowings from financial institutions				-
Net carrying amount position				**804,250**
For those liabilities that have recourse only to the transferred assets				
Fair value				
Assets	46,847	180,869	2,088,253	2,315,969
Associated liabilities				
Bonds and notes originated from securitisation transactions				1,504,970
Borrowings from financial institutions				
Net fair value position				**810,999**

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FINANCIAL RISK MANAGEMENT

K. Transfer of (financial) assets - continued

	Loans and receivables			
	Receivables from clients (finance leases)	**Receivables from financial institutions (collateral deposited)**	**Property and equipment under operating lease**	**Total**
As at 31 December 2016				
Carrying amount				
Assets	56,384	185,753	2,264,623	2,506,760
Associated liabilities				
Bonds and notes originated from securitisation transactions				1,435,997
Borrowings from financial institutions				249,750
Net carrying amount position				**821,013**
For those liabilities that have recourse only to the transferred assets				
Fair value				
Assets	61,094	191,468	2,307,951	2,560,513
Associated liabilities				
Bonds and notes originated from securitisation transactions				1,428,194
Borrowings, from financial institutions				250,687
Net fair value position				**881,632**
As at 31 December 2015				
Carrying amount				
Assets	54,879	15,794	2,473,764	2,544,437
Associated liabilities				
Bonds and notes originated from securitisation transactions				1,610,820
Borrowings from financial institutions				249,750
Net carrying amount position				**683,867**
For those liabilities that have recourse only to the transferred assets				
Fair value				
Assets	55,120	16,537	2,484,699	2,556,356
Associated liabilities				
Bonds and notes originated from securitisation transactions				1,609,169
Borrowings from financial institutions				247,868
Net fair value position				**699,319**

SPECIFIC NOTES

Note 1 - country by country reporting

This note is pursuant to the 'Besluit uitvoering publicatieverplichtingen richtlijn kapitaalvereisten' that implements articles 89 and 90 of the Capital Requirement Directive (CRD IV). The list of entities is equal to the 'List of principal consolidated participating interests' and 'Principal associates and jointly controlled entities that are accounted for under the equity method', with the exception of entities that have been disposed during the period. The amount of Government subsidies is negligible and therefore not disclosed.

2017

Country of activity	Principal subsidiary or participating interest	Main activity	FTE's	Revenues	Profit before tax	Income tax expenses
Netherlands	LeasePlan Corporation N.V.	Holding/Treasury/Retail banking	934	1,171,267	-73,289	-15,415
	LeasePlan Finance N.V.	Treasury				
	LeasePlan Global B.V.	Holding				
	LeasePlan International B.V.	International client coordination				
	LeasePlan Nederland N.V.	Leasing				
	LeasePlan Digital B.V.	Digital business & services				
	Mobility Mixx B.V.	Mobility services				
	Terberg Leasing B.V.[1] (sold in 2017)	Leasing				
United Kingdom	LeasePlan UK Limited	Leasing	526	1,111,721	57,479	12,361
Italy	LeasePlan Italia S.p.A.	Leasing	489	958,081	69,288	-3,962
	Overlease S.r.L.[1] (sold in 2017)	Leasing				
France	LeasePlan France S.A.S.	Leasing	401	674,926	64,994	20,634
	PLease S.C.S.[1]	Leasing				
Spain	LeasePlan Servicios S.A.	Leasing	446	611,984	68,473	15,531
Germany	LeasePlan Deutschland GmbH	Leasing	378	661,709	31,203	9,903
Australia	LeasePlan Australia Limited	Leasing	344	360,807	22,777	7,395
Belgium	LeasePlan Fleet Management N.V.	Leasing	225	443,026	60,062	19,848
Portugal	LeasePlan Portugal Comericio e Aluguer de Automobeis e Equipamentos Uniperssoal Lda.	Leasing	345	447,784	46,916	11,583
Norway	LeasePlan Norge A/S	Leasing	111	309,097	18,753	2,960

1 Associates and jointly controlled entities that are accounted for using the equity method.

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SPECIFIC NOTES

2017 - continued

Country of activity	Principal subsidiary or participating interest	Main activity	FTE's	Revenues	Profit before tax	Income tax expenses
United States	LeasePlan USA Inc.	Leasing	544	394,705	-5,225	-17,013
Sweden	LeasePlan Sverige AB	Leasing	106	196,865	11,481	2,543
Finland	LeasePlan Finland Oy	Leasing	79	173,316	16,905	3,387
Austria	LeasePlan Osterreich Fuhrparkmanagement GmbH	Leasing	146	177,946	10,882	3,217
	Flottenmanagement GmbH[1]	Leasing				
Switzerland	LeasePlan Supply Services AG	Procurement	105	103,766	39,041	4,525
	LeasePlan (Schweiz) AG	Leasing				
Denmark	LeasePlan Danmark A/S	Leasing	85	214,638	16,481	3,664
Poland	LeasePlan Fleet Management (Polska) Sp.z.o.o.	Leasing	121	145,379	10,915	2,493
Czech republic	LeasePlan Ceska republika s.r.o.	Leasing	123	148,961	14,335	2,830
New Zealand	LeasePlan New Zealand Limited	Leasing	85	96,738	5,674	1,594
Ireland	Euro Insurances DAC	Motor Insurance	282	143,132	43,203	5,667
	LeasePlan Information Services Limited	Information services				
	LeasePlan Fleet Management Services (Ireland) Limited	Leasing				
Luxembourg	LeasePlan Luxembourg S.A.	Leasing	54	84,429	4,125	1,406
Greece	LeasePlan Hellas S.A.	Leasing	88	104,535	18,397	7,217
Brazil	LeasePlan Brasil Ltda.	Leasing	86	94,865	10,289	4,115
Hungary	LeasePlan Hungaria Gempjarmupark Kezelo es Finanscirozo Zartkoru Reszvenytarsasag	Leasing	61	69,343	6,017	779
Romania	LeasePlan Romania SRL	Leasing	69	55,141	5,383	806
Slovakia	LeasePlan Slovakia s.r.o.	Leasing	42	51,828	4,598	973
India	LeasePlan India Private Limited	Leasing	63	58,903	-6,268	1,111
Mexico	LeasePlan Mexico S.A. de C.V.	Leasing	126	59,770	3,161	2,274
Russia	LeasePlan Rus LLC	Leasing	35	25,167	129	568
Turkey	LeasePlan Otomotiv Servis ve Ticaret A.S.	Leasing	116	211,102	10,233	7,681
United Arab Emirates	LeasePlan Emirates Fleet Management - LeasePlan Emirates LLC[1]	Leasing		-	1,769	-
Malaysia	LeasePlan Malaysia	Leasing	-	-11	-900	-
Total as at 31 December 2017			**6,615**	**9,360,920**	**587,281**	**120,675**

[1] Associates and jointly controlled entities that are accounted for using the equity method.

SPECIFIC NOTES

2016

Country of activity	Principal subsidiary or participating interest	Main activity	FTE's	Revenues	Profit before tax	Income tax expenses
Netherlands	LeasePlan Corporation N.V.	Holding/Treasury/Retail banking	995	1,171,951	21,406	-5,164
	LeasePlan Finance N.V.	Treasury				
	LeasePlan International B.V.	International client coordination				
	LeasePlan Nederland N.V.	Leasing				
	Mobility Mixx B.V.	Mobility services				
	Terberg Leasing B.V.[1]	Leasing				
	Travelcard Nederland B.V.[1] (sold in 2016)	Fuel card services				
United Kingdom	LeasePlan UK Limited	Leasing	585	1,133,740	50,565	10,066
Italy	LeasePlan Italia S.p.A.	Leasing	528	815,235	42,650	6,695
	Overlease S.r.L.[1]	Leasing				
France	LeasePlan France S.A.S.	Leasing	438	665,648	42,482	17,595
	PLease S.C.S.[1]	Leasing				
Spain	LeasePlan Servicios S.A.	Leasing	482	601,716	57,250	17,194
Germany	LeasePlan Deutschland GmbH	Leasing	383	651,634	27,522	9,881
Australia	LeasePlan Australia Limited	Leasing	370	386,366	5,543	1,667
Belgium	LeasePlan Fleet Management N.V.	Leasing	238	466,081	51,461	15,586
Portugal	LeasePlan Portugal Comercio e Aluguer de Automobeis e Equipamentos Uniperssoal Lda.	Leasing	372	414,349	37,752	10,236
Norway	LeasePlan Norge A/S	Leasing	114	304,243	16,786	2,797
United States	LeasePlan USA Inc.	Leasing	568	365,226	18,938	6,951
Sweden	LeasePlan Sverige AB	Leasing	105	217,447	8,535	1,906
Finland	LeasePlan Finland Oy	Leasing	81	184,909	15,474	3,109
Austria	LeasePlan Osterreich Fuhrparkmanagement GmbH	Leasing	153	179,921	7,089	1,766
	Flottenmanagement GmbH[1]	Leasing				
Switzerland	LeasePlan Supply Services AG	Procurement	125	120,013	27,212	2,311
	LeasePlan (Schweiz) AG	Leasing				
Denmark	LeasePlan Danmark A/S	Leasing	87	191,346	10,411	1,908
Poland	LeasePlan Fleet Management (Polska) Sp.z.o.o.	Leasing	125	144,414	10,997	2,337
Czech republic	LeasePlan Ceska republika s.r.o.	Leasing	127	130,926	13,495	2,615
New Zealand	LeasePlan New Zealand Limited	Leasing	100	94,301	4,924	1,399

1 Associates and jointly controlled entities that are accounted for using the equity method.

continue >

SPECIFIC NOTES

2016 - continued

Country of activity	Principal subsidiary or participating interest	Main activity	FTE's	Revenues	Profit before tax	Income tax expenses
Ireland	Euro Insurances DAC	Motor Insurance	318	262,557	32,527	4,429
	LeasePlan Information Services Limited	Information services				
	LeasePlan Fleet Management Services (Ireland) Limited	Leasing				
Luxembourg	LeasePlan Luxembourg S.A.	Leasing	72	85,850	2,556	-7,080
Greece	LeasePlan Hellas S.A.	Leasing	92	91,383	14,170	4,262
Brazil	LeasePlan Brasil Ltda.	Leasing	84	76,557	6,470	2,848
Hungary	LeasePlan Hungaria Gempjarmupark Kezelo es Finanscirozo Zartkoru Reszvenytarsasag	Leasing	72	56,384	2,186	334
Romania	LeasePlan Romania SRL	Leasing	74	49,725	4,940	636
Slovakia	LeasePlan Slovakia s.r.o.	Leasing	41	46,243	3,465	609
India	LeasePlan India Private Limited	Leasing	86	52,801	691	238
Mexico	LeasePlan Mexico S.A. de C.V.	Leasing	142	50,275	-1,269	1,391
Russia	LeasePlan Rus LLC	Leasing	34	13,618	-1,161	114
Turkey	LeasePlan Otomotiv Servis ve Ticaret A.S.	Leasing	124	174,204	12,695	4,164
United Arab Emirates	LeasePlan Emirates Fleet Management - LeasePlan Emirates LLC[1]	Leasing	-	-	1,635	-
Malaysia	LeasePlan Malaysia	Leasing	1	4	-1,141	-10
Total as at 31 December 2016			**7,116**	**9,199,067**	**548,256**	**122,790**

[1] Associates and jointly controlled entities that are accounted for using the equity method.

2015

Country of activity	Principal subsidiary or participating interest	Main activity	FTE's	Revenues	Profit before tax	Income tax expenses
Netherlands	LeasePlan Corporation N.V.	Holding/Treasury/Retail banking	970	1,195,626	44,368	15,486
	LeasePlan Finance N.V.	Treasury				
	LeasePlan International B.V.	International client coordination				
	LeasePlan Nederland N.V.	Leasing				
	Mobility Mixx B.V.	Mobility services				
	Terberg Leasing B.V.[1]	Leasing				
	Travelcard Nederland B.V.[1]	Fuel card services				
United Kingdom	LeasePlan UK Limited	Leasing	556	1,143,019	65,181	12,841
Italy	LeasePlan Italia S.p.A.	Leasing	517	761,052	58,438	26,570
	Overlease S.r.L.[1]	Leasing				
France	LeasePlan France S.A.S.	Leasing	438	647,549	49,031	20,830
	PLease S.C.S.[1]	Leasing				
Spain	LeasePlan Servicios S.A.	Leasing	456	568,487	56,575	16,452
Germany	LeasePlan Deutschland GmbH	Leasing	353	614,399	42,831	16,256
Australia	LeasePlan Australia Limited	Leasing	357	381,593	11,402	3,505
Belgium	LeasePlan Fleet Management N.V.	Leasing	232	444,514	54,872	15,457
Portugal	LeasePlan Portugal Comericio e Aluguer de Automobeis e Equipamentos Uniperssoal Lda.	Leasing	370	422,194	18,927	3,278
Norway	LeasePlan Norge A/S	Leasing	114	290,945	14,132	1,493
United States	LeasePlan USA Inc.	Leasing	541	429,244	26,177	9,733
Sweden	LeasePlan Sverige AB	Leasing	104	194,228	7,680	1,713
Finland	LeasePlan Finland Oy	Leasing	76	190,005	15,212	3,227
Austria	LeasePlan Osterreich Fuhrparkmanagement GmbH	Leasing	147	177,661	10,210	1,848
	Flottenmanagement GmbH[1]	Leasing				
Switzerland	LeasePlan Supply Services AG	Procurement	131	145,292	16,522	994
	LeasePlan (Schweiz) AG	Leasing				
Denmark	LeasePlan Danmark A/S	Leasing	80	118,519	15,410	2,381
Poland	LeasePlan Fleet Management (Polska) Sp.z.o.o.	Leasing	123	125,308	10,922	2,417
Czech republic	LeasePlan Ceska republika s.r.o.	Leasing	121	104,850	11,789	2,382
New Zealand	LeasePlan New Zealand Limited	Leasing	93	90,130	5,697	1,611

[1] Associates and jointly controlled entities that are accounted for using the equity method.

continue >

2015 - continued

Country of activity	Principal subsidiary or participating interest	Main activity	FTE's	Revenues	Profit before tax	Income tax expenses
Ireland	Euro Insurances DAC	Motor Insurance	295	228,113	36,533	4,965
	LeasePlan Information Services Limited	Information services				
	LeasePlan Fleet Management Services (Ireland) Limited	Leasing				
Luxembourg	LeasePlan Luxembourg S.A.	Leasing	70	77,484	4,009	-6,511
Greece	LeasePlan Hellas S.A.	Leasing	85	74,520	10,617	3,507
Brazil	LeasePlan Brasil Ltda.	Leasing	83	72,561	5,966	3,369
Hungary	LeasePlan Hungaria Gempjarmupark Kezelo es Finanscirozo Zartkoru Reszvenytarsasag	Leasing	74	52,414	2,017	352
Romania	LeasePlan Romania SRL	Leasing	70	45,818	5,909	1,176
Slovakia	LeasePlan Slovakia s.r.o.	Leasing	40	40,177	3,371	721
India	LeasePlan India Private Limited	Leasing	89	46,131	-2,346	-797
Mexico	LeasePlan Mexico S.A. de C.V.	Leasing	127	48,170	-8,980	-3,168
Russia	LeasePlan Rus LLC	Leasing	24	5,152	-2,270	-238
Turkey	LeasePlan Otomotiv Servis ve Ticaret A.S.	Leasing	94	165,428	14,674	3,610
United Arab Emirates	LeasePlan Emirates Fleet Management - LeasePlan Emirates LLC[1]	Leasing	-	-	3,059	-
Total as at 31 December 2015			**6,830**	**8,900,583**	**607,935**	**165,460**

[1] Associates and jointly controlled entities that are accounted for using the equity method.

Note 2 - Segment information

LeasePlan's core business activity consist of providing leasing and fleet management services, including the purchase, financing, insurance, maintenance and remarketing of vehicles, to external customers. The Group offers a mono-line product through all of its LeasePlan subsidiaries allowing for some differentiation based on the maturity of local markets. The Group's key management is responsible for allocating resources to the segments and assesses its performance. The Group identified Europe and Rest of the world as reportable segments. Operating segments are reported in accordance with the internal reporting provided to the Group's key management.

Europe

Geographies in this segment are all European countries where the Group operates including Turkey, Russia and United Arab Emirates.

Rest of the World

Geographies in this segment are Australia, Brazil, India, Mexico, New Zealand and the United States.

The performance of the segments is measured based the combination of IFRS and non-GAAP measures, such as Serviced fleet, Revenue and Underlying Net result. The performance measures are obtained from the internal system of management accounting. All relevant revenues and related costs of the central managed activities, like borrowings, treasury, insurance, information services, supply services and holding activities are allocated to the individual segments. This provides management a comprehensive view of the performance of the segments. Inter-segment revenues are not presented separately given their insignificance.

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The segment information is presented in the table below.

Measures of segment performance

	Europe			Rest of World			Total[1]		
In millions of euros	**2017**	**2016**	**2015**	**2017**	**2016**	**2015**	**2017**	**2016**	**2015**
Serviced fleet (in thousands) as at 31 December	1,333	1,251	1,143	412	403	390	1,745	1,654	1,533
Revenues	**8,296**	**8,154**	**7,811**	**1,065**	**1,045**	**1,090**	**9,361**	**9,199**	**8,901**
Finance lease & other interest income	58	71	86	66	60	57	124	131	143
Finance cost	206	235	249	100	88	81	306	323	330
Car and other depreciation and amortization	2,854	2,824	2,698	263	238	251	3,117	3,062	2,949
Underlying taxes	143	126	148	2	16	14	145	142	162
Underlying net result	**501**	**433**	**405**	**31**	**23**	**20**	**532**	**456**	**425**
Total assets	21,779	20,256	18,393	3,363	3,531	3,022	25,142	23,787	21,415
Total liabilities	18,939	17,587	15,715	2,979	3,124	2,629	21,918	20,711	18,344

[1] In previous years, the unallocated portion of revenues and expenses were summarized under Group activities. As from 2017 all revenues and expenses are allocated to the segments Europe and Rest of World. The revised measures of segment performance is retrospectively applied for 2016 and 2015.

Reference is made to Note 36 for the reconciliation of the non-GAAP based measures to IFRS.

The table below presents information about the major countries in which the Group is active. The Netherlands is the domicile country of the Group.

	FTE's			Revenues			Lease assets		
Country of activity	**2017**	**2016**	**2015**	**2017**	**2016**	**2015**	**2017**	**2016**	**2015**
Netherlands	934	995	970	1,172	1,172	1,196	2,194	2,071	1,992
United Kingdom	526	585	556	1,111	1,134	1,143	2,367	2,540	2,532
Italy	489	528	517	958	815	761	1,621	1,395	1,179
Other	4,666	5,008	4,787	6,120	6,078	5,801	13,155	12,760	11,359
Total as at 31 December	**6,615**	**7,116**	**6,830**	**9,361**	**9,199**	**8,901**	**19,337**	**18,766**	**17,062**

SPECIFIC NOTES

Note 3 - Revenues and direct cost of revenues

Revenues (lease income, additional services and vehicle sales)

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

In thousands of euros	2017	2016	2015
Operating Lease income	3,846,599	3,761,075	3,656,753
Finance Lease & other interest income	124,514	131,809	143,425
Additional Services income	2,526,702	2,369,121	2,325,387
Vehicle sales & End of Contract fees	2,863,105	2,937,062	2,775,018
Revenues	**9,360,920**	**9,199,067**	**8,900,583**

Finance Lease & other interest income includes an amount of EUR 6.0 million (2016:EUR 6.0 million, 2015: EUR 5.2 million) related to Other interest income.

Operating Lease income includes an amount of EUR 647 million (2016: EUR 636 million, 2015: EUR 656 million) related to interest income.

Direct cost of revenues

Direct cost of revenues comprises the costs associated with providing the above-mentioned lease and additional services, the sale of vehicles and related finance cost and impairment charges.

In thousands of euros	2017	2016	2015
Depreciation cars	3,069,892	3,006,590	2,893,266
Finance cost	306,170	322,917	330,035
Unrealised gains on financial instruments	(9,378)	(4,776)	(13,480)
Impairment charges on loans and receivables	19,452	20,168	23,246
Lease cost	3,386,136	3,344,899	3,233,067
Additional Services cost	1,705,256	1,590,977	1,579,388
Vehicle & disposal cost	2,706,033	2,750,617	2,588,686
Direct cost of revenues	**7,797,425**	**7,686,493**	**7,401,141**

Gross profit (net lease income and vehicles sales income)

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

In thousands of euros	2017	2016	2015
Lease Services	575,599	543,209	553,631
Unrealised gains on financial instruments	9,378	4,776	13,480
Lease	584,977	547,985	567,111
Fleet Management & Other Services	276,649	286,809	293,421
Repair & Maintenance Services	306,965	289,484	268,177
Damage & Insurance	237,832	201,851	184,401
Additional Services	821,446	778,144	745,999
End of Contract fees	115,770	117,407	123,419
Profit/loss on disposal of vehicles	41,302	69,038	62,913
Profit/loss on disposal of vehicles & End of Contract fees	157,072	186,445	186,332
Gross profit	**1,563,495**	**1,512,574**	**1,499,442**

Net finance income

In thousands of euros	2017	2016	2015
Operating Lease - interest income	646,510	636,327	655,667
Finance Lease & other interest income	124,514	131,809	143,425
Finance cost	(306,170)	(322,917)	(330,035)
Net interest income	**464,854**	**445,219**	**469,057**
Unrealised gains/(losses) on financial instruments	9,378	4,776	13,480
Impairment charges on loans and receivables	(19,452)	(20,168)	(23,246)
Net finance income	**454,780**	**429,827**	**459,291**

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Note 4 - Impairment charges on loans and receivables

The net impairment charges can be detailed as follows:

	Note	2017	2016	2015
Trade receivables				
Impairment		44,455	48,569	44,410
Reversal of impairment		- 25,766	- 28,720	- 21,298
	17	**18,689**	**19,849**	**23,112**
Other				
Reclaimable damages		473	23	66
Rebates and bonuses		290	296	68
Total		**19,452**	**20,168**	**23,246**

Note 5 - Staff expenses

	2017	2016	2015
Wages and salaries	411,697	461,095	421,512
Social security charges	60,724	66,636	62,631
Defined contributions pension costs	20,205	23,570	22,647
Defined benefit post-employment costs	4	6,544	4,285
Other staff costs	77,984	83,132	46,911
Total	**570,614**	**640,977**	**557,986**

The number of staff (FTEs) employed (including temporary staff) by the Group at the end of the year was 6,615 (2016: 7,116, 2015: 6,830), of whom 934 (2016: 995, 2015: 970) were employed in the Netherlands. At 31 December 2017 the nominal number of staff employed by the Group was 6,843 (2016: 7,243, 2015: 7,275). In 2017, restructuring related expenses relating to the 'Power of One LeasePlan' initiative are included in the staff expenses for EUR 28 million (2016: EUR 73 million, 2015: nil).

The breakdown of post-employment costs is as follows:

	Note	2017	2016	2015
Current service costs	28 (ii)	3,099	4,347	3,781
Interest expense/income	28 (ii)	346	625	603
Curtailments and settlements	28 (ii)	- 3,441	1,572	- 99
Defined benefit post-employment costs		**4**	**6,544**	**4,285**
Defined contribution pension costs		20,205	23,570	22,647
Total post-employment costs		**20,209**	**30,114**	**26,932**

Note 6 - Other operating expenses

The breakdown of other operating expenses is as follow:

	2017	2016	2015
Professional services expenses	221,417	169,062	144,023
Housing and other office expenses	58,631	71,150	66,948
Marketing Expenses	41,345	28,855	34,461
Other operating expenses	35,630	41,535	45,138
Total	**357,023**	**310,602**	**290,570**

In 2017, restructuring related expenses relating to the Power of One LeasePlan are included in professional services expenses for EUR 61 million (2016: EUR 12 million, 2015: nil). Other operating expenses include travel and entertainment expenses and non-profit related tax.

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Note 7 - Other depreciation and amortisation

	Note	2017	2016	2015
Depreciation other property and equipment	19	26,434	26,740	24,507
Amortisation intangible fixed assets	21	22,643	29,663	31,671
Impairment charge intangible fixed assets	21	6,858	-	-
Total		**55,935**	**56,403**	**56,178**

Note 8 - Other income

Other income includes the result from the sale of the 24% interest in Terberg Leasing B.V (Terberg). Terberg was sold for the amount of EUR 17.5 million from which the gain on the sale was EUR 5.1 million.

In the financial year 2016 other income included the result from the sale of Travelcard Nederland B.V. (Travelcard). Travelcard was classified as held for sale following the approval of the Group's Managing Board and Supervisory Board in 2015 to sell this part of the business. On 1 August 2016 LeasePlan Corporation N.V. entered into a share purchase agreement with FleetCor Technologies Inc. and sold its subsidiary Travelcard Nederland B.V. for an amount of EUR 40.7 million. The gain on the sale amounted to EUR 39.1 million.

In 2015 the caption 'Other' includes bargain purchase gains of EUR 7.4 million arising from two acquisitions of the remaining share capital of LPD Holding A.Ş (Turkey) and Excelease S.A. (Belgium). These former jointly controlled entities were consolidated in the Group results from the moment of acquisition of the remaining shares.

The following table summarises the consideration paid, the fair value of assets acquired and liabilities assumed at acquisition date.

Consideration at:	Note	LPD Holding A.Ş.	Excelease S.A.	Total
Cash		30,625	5,500	36,125
Fair value of equity interest held before the acquisition		31,875	5,724	37,599
Total consideration		**62,500**	**11,224**	**73,724**
Acquisition related expenses (included in the general and administrative expenses in the consolidated income statement for the year ended 31 December 2015)		291	160	451
Recognised amount of identifiable assets acquired and liabilities assumed				
Cash and balances at central banks		-	2	2
Receivables from clients		6,052	14,576	20,628
Receivables from financial institutions		290	404	694
Corporate income tax receivable		-	149	149
Inventories		17,864	907	18,771
Other receivables and prepayments		24,101	373	24,474
Property and equipment under operating lease and rental fleet	18	269,147	36,180	305,327
Other property and equipment	19	1,529	389	1,918
Purchased software (included in intangible assets)	21	1,115	-	1,115
Customer relationship (included in intangible assets)	21	3,659	-	3,659
Customer contract (included in intangible assets)	21	13,104	-	13,104
Corporate income tax payable		- 1,964	-	- 1,964
Deferred tax asset	22	-	605	605
Borrowings from financial institutions		- 237,330	- 33,882	- 271,212
Trade and other payables and deferred income		- 23,100	- 4,873	- 27,973
Damage risk retention provision		- 531	- 86	- 617
Provision for post employment benefits	28	-	- 782	- 782
Other provisions		- 232	- 50	- 282
Deferred tax liabilities	22	- 6,535	-	- 6,535
Total identifiable net assets		**67,169**	**13,912**	**81,081**
Bargain purchase gain		- 4,669	- 2,688	- 7,357
Total		**62,500**	**11,224**	**73,724**

LPD Holding A.Ş.
In November 2007 the Group acquired 51% of the share capital of LPD Holding A.Ş, the holding company of LeasePlan Turkey, for EUR 9.2 million. The remaining 49% of the share capital was acquired on 27 February 2015. From the moment control was obtained, the results of LeasePlan Turkey were consolidated in the Group results and also adding approximately 14,000 vehicles to the total lease portfolio of the Group.

The Group recognised a loss of EUR 1.1 million as a result of re-measuring its 51% equity interest in LeasePlan Turkey held before the acquisition to fair value. The loss is included in 2015 in Share of profit of investments accounted for using the equity method. As the fair value of assets acquired and liabilities assumed exceeded the total consideration paid, a bargain purchase gain of EUR 4.7 million has been included in the income statement.

The fair value of acquired lease receivables from clients amounts to EUR 6.1 million. The gross contractual amount for lease receivables from clients due is EUR 7.8 million of which EUR 1.7 million is deemed to be uncollectible. No contingent liabilities were recognised.

If the acquisition had been consolidated from 1 January 2015 the net result would have been EUR 493 thousand higher. The 51% of the January 2015 net result of LeasePlan Turkey is presented as Share of profit of investments accounted for using the equity method. The revenue included in the consolidated income statement 2015 contributed by LeasePlan Turkey was EUR 150.3 million. If LeasePlan Turkey had been consolidated as from 1 January 2015, the consolidated statement of income would show a revenue of EUR 163.1 million.

Excelease S.A.
On 12 November 2015 LeasePlan Belgium acquired the remaining 49% of the shares of Excelease S.A. based in Brussels, Belgium. From the moment control was obtained, the results of Excelease were consolidated in the LeasePlan Belgium results and also adding approximately 3,000 vehicles to the total lease portfolio of the Group.

The Group recognised a gain of EUR 0.9 million as a result of re-measuring its 51% equity interest in Excelease S.A. held before the acquisition to fair value. The gain is included in 2015 in Share of profit of investments accounted for using the equity method. As the fair value of assets acquired and liabilities assumed exceeded the total consideration paid, a bargain purchase gain of EUR 2.7 million has been included in the income statement.

The fair value of lease receivables from clients of EUR 14.6 million includes acquired trades receivables amounting to EUR 3.0 million. The gross contractual amount for trade receivables is EUR 3.8 million of which EUR 0.8 million is deemed to be uncollectible. No contingent liabilities were recognised.

If the acquisition had been consolidated from 1 January 2015 the net result would have been EUR 94 thousand lower. The 51% of the October 2015 year-to-date net result of Excelease S.A. is presented as Share of profit of investments accounted for using the equity method. The revenue included in the consolidated income statement 2015 contributed by Excelease S.A. was EUR 0.9 million. If Excelease S.A. had been consolidated as from 1 January 2015, the consolidated statement of income would show a revenue of EUR 2.4 million.

Note 9 - Income tax expenses

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

	2017	2016	2015
Current tax			
Current tax on profits for the year	114,662	86,913	134,147
Adjustments in respect of prior years	4,550	- 1,881	2,549
Total current tax	**119,212**	**85,032**	**136,696**
Deferred tax			
Origination and reversal of temporary differences	13,113	37,718	32,336
Changes in tax rates	- 20,411	- 599	- 2,539
Adjustments in respect of prior years	8,761	639	- 1,033
Total deferred tax	**1,463**	**37,758**	**28,764**
Total	**120,675**	**122,790**	**165,460**

Changes in tax rates are mainly caused by the revaluation of LeasePlan's deferred tax liabilities in certain countries; primarily the United States and France. The deferred tax adjustments in respect of prior years mainly include: (i) valuation allowances on deferred tax assets in relation to tax losses and tax credits resulting in a tax charge of EUR 5.4 million (2016: EUR 9.6 million, 2015: EUR 6.6 million), (ii) a tax charge of EUR 3.3 million mainly due to adjustments in respect of prior years. For 2016 this was a tax credit of EUR 4.3 million and for 2015 a tax credit of EUR 11.4 million.

Further information on deferred tax assets and liabilities is presented in note 22.

Effective tax rate reconciliation

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the basic nominal tax rate of the domicile country (25.0%) of the parent and is as follows:

	%	2017	%	2016	%	2015
Profit before tax		**587,281**		**548,256**		**607,935**
Tax calculated at domicile country nominal tax rate	25.0%	146,820	25.0%	137,064	25.0%	151,984
Effect of different tax rates in foreign countries		745		2,780		12,199
Weighted average taxation	**25.1%**	**147,565**	**25.5%**	**139,844**	**27.0%**	**164,183**
Income not subject to tax		- 30,364		- 21,664		- 4,557
Expenses not deductible for tax purposes		10,574		6,451		6,857
Changes in tax rates		- 20,411		- 599		- 2,539
Adjustments in respect to prior years						
Current tax		4,550		- 1,881		2,549
Deferred tax		8,761		639		- 1,033
Total effective taxation	**20.5%**	**120,675**	**22.4%**	**122,790**	**27.2%**	**165,460**

The weighted average of the local tax rates applicable to the Group for 2017 is 25.1% (2016: 25.5%, 2015: 27.0%) which is higher than the domicile country nominal tax rate of 25.0% predominantly as a result of the fact that the Group realises on average, relatively more profits in jurisdictions with a tax rate higher than 25.0%.

Income not subject to tax over 2017 includes the effect of the temporary tax facility in Italy resulting in extra depreciation on new investments.

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The tax charge/credit relating to components of other comprehensive income is asfollows:

	2017			2016			2015		
	Before tax	Tax charge/ credit	After tax	Before tax	Tax charge/ credit	After tax	Before tax	Tax charge/ credit	After tax
Cash flow hedges	4,311	- 1,078	3,233	4,597	- 1,149	3,448	- 714	178	- 536
Post-employment benefit reserves	2,557	- 998	1,559	3,736	- 1,162	2,574	- 218	162	- 56
Exchange rate differences	- 46,214		- 46,214	- 18,848	-	- 18,848	16,655		16,655
Total	**- 39,346**	**- 2,076**	**- 41,422**	**- 10,515**	**- 2,311**	**- 12,826**	**15,723**	**340**	**16,063**

Note 10 - Cashflow statement supplementary information

Changes in liabilities arising from financing activities are shown in table below.

in thousands of euros	Balance as at 31 December 2016	Movements in 2017: Financing cash flows	Movements in 2017: Foreign exchange adjustments	Movements in 2017: Other non-cash movements	Balance as at 31 December 2017
LIABILITIES					
Funds entrusted	5,480,777	521,845	0	-121	6,002,501
Borrowings from financial institutions	3,074,308	83,964	- 35,826	-	3,122,446
Debt securities issued	8,805,351	827,596	-267,850	-27,271	9,337,826
ASSETS					
Receivables from financial institutions	423,450	49,965	- 852	- 1,520	471,043
EQUITY					
Dividend payable	0	276,900	0	-276,900	0
Total cash flow from financing activities		**1,106,540**			

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Note 10 - Net debt reconciliatio - continued

in thousands of euros	Balance as at 31 December 2015	Movements in 2016 Financing cash flows	Foreign exchange adjustments	Other non-cash movements	Balance as at 31 December 2016
LIABILITIES					
Funds entrusted	5,086,974	393,804	0	0	5,480,777
Borrowings from financial institutions	1,937,971	1,357,406	-221,069	0	3,074,308
Debt securities issued	8,142,443	662,908	0	0	8,805,351
ASSETS					
Receivables from financial institutions	255,847	171,978	0	-4,375	423,450
EQUITY					
Dividend payable	0	408,800	0	-408,800-	0
Total cash flow from financing activities		**1,833,340**			

in thousands of euros	Balance as at 1 January 2015	Movements in 2015 Financing cash flows	Foreign exchange adjustments	Other non-cash movements	Balance as at 31 December 2015
LIABILITIES					
Funds entrusted	4,378,891	708,083	0	0	5,086,974
Borrowings from financial institutions	1,873,718	-281,826	346,079	0	1,937,971
Debt securities issued	7,638,038	504,406	0	0	8,142,443
ASSETS					
Receivables from financial institutions	1,143,454	-887,607	0	0	255,847
EQUITY					
Dividend payable	0	230,000	0	-230,000	0
Total cash flow from financing activities		**1,588,270**			

Note 11 - Cash and balances at banks

	Note	2017	2016	2015
Cash and balances at central banks		2,349,162	1,857,144	1,605,437
Call money, cash at banks	12	76,253	66,998	113,083
Call money and bank overdrafts	26	- 200,686	- 185,076	- 135,147
Balance as at 31 December for the purposes of the statement of cash flows		**2,224,729**	**1,739,066**	**1,583,373**

All cash and balances at (central) banks are available at call except for the mandatory reserve deposits at the Dutch Central Bank. A monetary policy instrument of the European Central Bank is the minimum reserve requirement, whereby credit institutions in the euro area are obliged to maintain a specified average amount of cash reserves – the so-called minimum reserves – with their respective national banks for successive periods of four to five weeks. The cash reserve requirements serve to create a liquidity shortage in the euro area, so that banks depend on the European Central Bank's liquidity-providing mechanism for their liquidity needs. The mandatory reserve deposits amounting to EUR 60.0 million (2016: 52.2 million, 2015: EUR 46.7 million) are not used in the Group's day-to-day operations and form part of the 'Cash and balances at central banks'.

The average interest rate on the outstanding cash and balances at central banks is -0.4% (2016: -0.4%, 2015: -0.3%).

Note 12 - Receivables from financial institutions

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

	Note	2017	2016	2015
Deposits with banks		257,269	206,542	216,953
Call money, cash at banks	11	76,253	66,998	113,083
Cash collateral deposited for securitisation transactions		176,558	185,753	15,794
Cash collateral deposited for derivative financial instruments		33,848	16,300	19,606
Other cash collateral deposited		3,367	14,855	3,494
Balance as at 31 December		**547,296**	**490,448**	**368,930**

The cash collateral deposited for securitisation transactions relates to the Bumper securitisation transactions, reference is made to the financial risk section (Treasury risk). The cash collateral deposited for derivative financial instruments originates from Credit Support Annexes (CSAs) to International Swaps and Derivatives Association (ISDA) master agreements and reference is made to the financial risk paragraph (section strategy in using financial instruments

The average interest rate on the receivables from financial institutions is -0.2% (2016: -0.4%, 2015: -0.3%).

The maturity analysis is as follows:

	2017	2016	2015
Three months or less	364,508	292,393	333,109
Longer than three months, less than a year	143,633	58,264	10,664
Longer than a year, less than five years	39,052	139,136	24,934
Longer than five years	103	655	223
Balance as at 31 December	**547,296**	**490,448**	**368,930**

SPECIFIC NOTES

Note 13 - Derivative financial instruments

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

	2017			2016			2015		
		Fair value			Fair value			Fair value	
	Notional amounts	Assets	Liabilities	Notional amounts	Assets	Liabilities	Notional amounts	Assets	Liabilities
Fair value hedge									
Interest rate swaps	5,116,881	54,227	14,018	4,923,053	78,131	10,981	4,057,309	80,456	15,953
Currency swaps	434,434		10,272	44,297	-	337	85,948	3,343	1,053
Cash flow hedge									
Interest rate swaps	1,380,000	463	1,647	1,595,000	205	7,432	1,805,000		12,178
Total derivatives in hedge	**6,931,315**	**54,690**	**25,937**	**6,562,350**	**78,336**	**18,750**	**5,948,257**	**83,799**	**29,184**
Interest rate swaps	18,177,904	14,164	19,970	13,781,558	14,529	35,147	12,196,989	13,022	38,939
Currency swaps/currency forwards	3,409,241	34,604	34,462	4,050,937	132,033	23,687	4,111,929	69,264	20,256
Total derivatives not in hedge	**21,587,145**	**48,768**	**54,432**	**17,832,495**	**146,562**	**58,834**	**16,308,918**	**82,286**	**59,195**
Total	**28,518,460**	**103,458**	**80,369**	**24,394,845**	**224,898**	**77,584**	**22,257,175**	**166,085**	**88,379**

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

	2017	2016	2015
Fair value cash flow hedges - assets	463	205	-
Fair value cash flow hedges - liabilities	- 1,648	- 7,432	- 12,178
Less: accrued interest on cash flow hedges	525	1,905	2,244
Total net position on cash flow hedges	**- 660**	**- 5,322**	**- 9,934**
Less: cumulative fair value gains/losses through income statement (hedge ineffectiveness)	- 367	- 15	- 1
Tax on cash flow hedges	257	1,334	2,484
Hedging reserve	**- 770**	**- 4,003**	**- 7,451**
Movement hedging reserve 2017	**3,233**	**3,448**	

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

	2017	2016	2015
Derivatives not in hedges	14,253	2,708	13,468
Hedge ineffectiveness cash flow hedges	- 15	14	21
Derivatives fair value hedging instruments	- 25,496	3,867	- 16,492
Financial liabilities fair value hedged items	20,636	- 1,813	16,483
Hedge ineffectiveness fair value hedges	**- 4,860**	**2,054**	**- 9**
Unrealised gains/losses on financial instruments	**9,378**	**4,776**	**13,480**

A number of fixed rate bonds are included in fair value hedges whereby the bonds (the hedged items) are measured at amortised cost and are constantly being adjusted for gains/losses attributable to the risk being hedged. This adjustment is recognised in the income statement, where it offsets the re-measurement of the fair value of the hedging instruments that is also recognised in the income statement.

Certain derivative contracts are used by the Group as part of its Interest and Liquidity Risk Management Strategy. These economic hedges do not qualify for hedge accounting under the Group's accounting policy which is driven by the requirements as set under IAS39. These derivatives are therefore deemed as not in hedge.

Note 14 - Other receivables and prepayments

This item includes prepayments in respect of expenses attributable to a subsequent period and amounts still to be received, as well as to amounts that are not classified under any other asset.

	2017	2016	2015
Rebates and bonuses and commissions receivable	297,063	288,208	235,405
Prepaid lease related expenses	411,746	312,985	289,324
VAT and other taxes	177,140	148,164	118,339
Reclaimable damages	30,900	25,470	19,656
Other prepayments and accrued income	146,726	137,069	128,789
Interest to be received	1,164	258	165
Reinsurance assets	17,455	12,355	10,825
Other receivables	96,665	55,783	34,858
Balance as at 31 December	**1,178,859**	**980,292**	**837,361**

Other receivables include amongst others receivables from investments accounted for using the equity method and loans and deposits to employees and third parties. The majority of the other receivables and prepayments have a remaining maturity of less than one year.

Note 15 - Inventories

	Note	2017	2016	2015
Cars and trucks from terminated lease contracts	18	306,350	245,900	227,104
Write-down		- 8,200	-	- 1,264
Carrying amount cars and trucks from terminated lease contracts		**298,150**	**245,900**	**225,840**
New cars and trucks in stock		86,625	34,619	35,485
Balance as at 31 December		**384,775**	**280,519**	**261,325**

The write-down of EUR 8.2 million as at 31 December 2017 is driven by market circumstances leading to lower sales prices in certain regions.

Note 16 - Loans to investments accounted for using the equity method

The loans to investments accounted for using the equity method are accounted for at amortised cost (less impairment) and the maturity analysis is as follows:

	2017	2016	2015
Loans deposited	140,500	132,600	110,650
Impairment		- 7,325	- 7,325
Carrying amount as at 31 December	**140,500**	**125,275**	**103,325**
Three months or less	7,700	21,575	18,350
Longer than three months, less than a year	47,800	42,275	36,750
Longer than a year, less than five years	85,000	68,750	55,550
Impairment	-	- 7,325	- 7,325
Balance as at 31 December	**140,500**	**125,275**	**103,325**

Note 17 - Lease receivables from clients

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

	2017	2016	2015[3]
Amounts receivable under finance lease contracts	2,608,572	2,832,636	2,787,137
Trade receivables	689,395	632,936	613,286
Impairment	- 37,273	- 40,033	- 90,911
Balance as at 31 December	**3,260,694**	**3,425,539**	**3,309,512**

The maturity analysis is as follows:

	2017	2016	2015[3]
Three months or less	1,113,403	581,074	795,102
Longer than three months, less than a year	706,284	396,515	387,175
Longer than a year, less than five years	1,464,123	2,357,649	2,137,148
Longer than five years	14,157	130,334	80,998
Impairment	- 37,273	- 40,033	- 90,911
Balance as at 31 December	**3,260,694**	**3,425,539**	**3,309,512**

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

(i) Impairment allowance

The movement in impairment allowance on trade receivables is as follows:

	Note	2017	2016	2015[3]
Balance as at 1 January		**40,033**	**90,911**	**89,160**
Net impairment charges	4	18,689	19,849	23,112
Receivables written off during the year as uncollectable		- 21,065	- 70,745	- 20,687
Exchange rate differences		- 384	18	- 263
Reclassification to assets held-for-sale	23	-	-	- 411
Balance as at 31 December		**37,273**	**40,033**	**90,911**

For a description of the criteria used to determine whether receivables to clients are impaired reference is made to the financial risk section (Credit risk). The Group recognises, next to specific impairment allowances of EUR 30.3 million (2016: EUR 32.6 million, 2015: EUR 84.9 million), an incurred but not reported loss provision of EUR 7.0 million (2016: EUR 7.5 million, 2015: EUR 6.0 million) based on the probability of default (PD) and the loss given default (LGD).

In 2016, the impairment allowance decreased by EUR 51 million to EUR 40 million as at 31 December 2016 mainly as a result of a change in accounting estimate related to the write-off of receivables. Effective 1 November 2016, receivables are written off in case there are no reasonable expectations of recovering the outstanding amounts. Twelve months after the debtor is considered in default (in accordance with the Group's default policy) serves as a backstop by when the receivable should have been written-off. However, receivables that are written off can still be subject to enforcement activities in order to recover the amounts due. This change in estimate better reflects increased supervisory expectations about the timeliness of write-offs and better aligns to guidance included in IFRS 9 which becomes effective on 1 January 2018.

[3] The 2015 comparatives of the Lease receivables from clients have been adjusted in the consolidated balance sheet and not in the underlying notes. Reference is made to the General notes (Basis of preparation) for further details.

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(ii) Finance lease contracts

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

Gross investment in finance leases, with remaining maturities.

	2017	2016	2015[3]
Not longer than a year	1,159,795	720,533	613,103
Longer than a year, less than five years	1,674,032	2,557,734	2,278,905
Longer than five years	45,356	140,618	90,149
	2,879,183	**3,418,885**	**2,982,157**
Unearned finance income on finance leases	270,611	586,249	195,020
Net investment in finance leases	**2,608,572**	**2,832,636**	**2,787,137**

Net investment in finance leases, with remaining maturities.

	2017	2016	2015[3]
Not longer than a year	1,024,313	344,655	568,991
Longer than a year, less than five years	1,514,420	2,357,647	2,137,148
Longer than five years	69,839	130,334	80,998
Balance as at 31 December	**2,608,572**	**2,832,636**	**2,787,137**

A part of the finance lease assets is encumbered (securitised) as a result of the asset backed securitisation transactions concluded by the Group. The total value of the securitised finance lease assets amounts to EUR 47.0 million (2016: EUR 56.3 million, 2015: EUR 54.9 million). For further details on the transactions reference is made to the financial risk section (Transfer of (financial) assets) and note 18 of the consolidated financial statements.

[3] The 2015 comparatives of the Lease receivables from clients have been adjusted in the consolidated balance sheet and not in the underlying notes. Reference is made to the General notes (Basis of preparation) for further details.

Note 18 - Property and equipment under operating lease and rental fleet

	Note	Operating leases	Rental fleet	Total
Cost		18,126,213	82,880	18,209,093
Accumulated depreciation and impairment		- 5,513,386	- 14,395	- 5,527,781
Carrying amount as at 1 January 2015[1]		**12,612,827**	**68,485**	**12,681,312**
Carrying amount as at 1 January 2015[1]		**12,612,827**	**68,485**	**12,681,312**
Purchases		6,398,022	77,686	6,475,708
Acquisition of subsidiary	8	305,327	-	305,327
Transfer from inventories		25,434	-	25,434
Transfer to inventories		- 227,104	-	- 227,104
Disposals		- 2,074,293	- 39,715	- 2,114,008
Depreciation		- 2,958,463	- 15,385	- 2,973,848
Exchange rate differences		88,763	- 67	88,696
Carrying amount as at 31 December 2015[1]		**14,170,513**	**91,004**	**14,261,517**
Cost		19,673,152	106,389	19,779,541
Accumulated depreciation and impairment		- 5,502,639	- 15,385	- 5,518,024
Carrying amount as at 1 January 2016		**14,170,513**	**91,004**	**14,261,517**
Purchases		7,211,496	64,273	7,275,769
Transfer from inventories	15	35,485	-	35,485
Transfer to inventories	15	- 245,900	-	- 245,900
Disposals		- 2,179,103	- 47,324	- 2,226,427
Depreciation		- 3,083,130	- 14,985	- 3,098,115
Exchange rate differences		- 239,121	- 255	- 239,376
Reclassification		156,476	-	156,476
Carrying amount as at 31 December 2016		**15,826,716**	**92,713**	**15,919,429**
Cost		21,343,482	108,897	21,452,379
Accumulated depreciation and impairment		- 5,516,766	- 16,184	- 5,532,950

[1] The 2015 comparatives of operating lease equipment have been adjusted in the consolidated balance sheet and not in the underlying notes. For further details reference is made to the General note 2 Basis of preparation.

continue >

SPECIFIC NOTES

Note 18 - Property and equipment under operating lease and rental fleet - continued

	Note	Operating leases	Rental fleet	Total
Carrying amount as at 1 January 2017		**15,826,716**	**92,713**	**15,919,429**
Purchases		6,523,144	98,221	6,621,364
Transfer from inventories	15	34,619	-	34,619
Transfer to inventories	15	- 306,350	-	- 306,350
Disposals		- 2,138,931	- 34,778	- 2,173,709
Depreciation & impairment		- 3,147,000	- 20,014	- 3,167,014
Exchange rate differences		- 247,805	709	- 247,097
Reclassification		24,048	3,403	27,451
Carrying amount as at 31 December 2017		**16,568,441**	**140,253**	**16,708,694**
Cost		22,534,379	164,184	22,698,562
Accumulated depreciation and impairment		- 5,965,938	- 23,931	- 5,989,868
Carrying amount as at 31 December 2017		**16,568,441**	**140,253**	**16,708,694**

The Group concluded a number of asset backed securitisation transactions here in after identified as the Bumper transactions. These transactions involve the sale of future lease instalment receivables and related residual value receivables originated by various LeasePlan subsidiaries to special purpose companies (which are included in the consolidated financial statements of the Company).

As a result of this sale this caption includes encumbered (securitised) operating lease assets amounting to EUR 2.1 billion (2016: EUR 2.3 billion, 2015: EUR 2.5 billion), which can be detailed as follows:

	2017	2016	2015
Bumper France	-	819,833	807,466
Bumper DE*	-	-	664,888
Bumper 6	236,100	436,214	681,107
Bumper NL	-	326,809	320,323
Bumper 7	522,417	681,767	-
Bumper 8	626,069	-	-
Bumper 9	699,862	-	-
Total	**2,084,448**	**2,264,623**	**2,473,784**

* Unwound in 2016

For further information about the asset backed securitisation transactions reference is made to note 27.

The Group reviews whether as a result of changes in the estimated residual value and/or the useful life of the property and equipment under operating lease prospective adjustments to the depreciation charges are required. For 2017 this did not result in additional depreciation charges (2016: nil, 2015: nil).

Equipment under operating lease contracts was impaired in 2017 for an amount of EUR 6.2 million (2016: nil, 2015: nil). The impairment is related to a specific number of vehicles for which (i) unfavourable sales terms are agreed upon and (ii) new legislation impacted the recoverability. The impairment is recognized in the consolidated income statement in the line-item Depreciation cars and included in the reportable segments Europe (EUR 1.7 million) and Rest of world (EUR 4.5 million).

Further information about the asset risk and responses are included in the financial risk section.

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An approximation of the future minimum lease payments under non-cancellable operating leases in aggregate and for each of the following periods can be summarised as follows:

	2017	2016	2015
Not longer than a year	2,925,912	3,147,261	2,695,229
Longer than a year, less than five years	5,708,067	6,216,050	5,191,709
Longer than five years	73,535	42,035	37,911
Total	**8,707,514**	**9,405,346**	**7,924,849**

Note 19 - Other property and equipment

	Note	Property	Equipment	Total
Cost		40,952	215,951	256,903
Accumulated depreciation and impairment		- 25,977	- 148,038	- 174,015
Carrying amount as at 1 January 2015		**14,975**	**67,913**	**82,888**
Carrying amount as at 1 January 2015		**14,975**	**67,913**	**82,888**
Purchases		1,124	44,450	45,574
Acquisition of subsidiary		-	1,918	1,918
Disposals		- 289	- 15,346	- 15,635
Depreciation	7	- 1,342	- 23,165	- 24,507
Exchange rate differences		304	423	727
Reclassification to assets held-for sale		-	- 292	- 292
Carrying amount as at 31 December 2015		**14,772**	**75,901**	**90,673**

continue >

Note 19 - Other property and equipment - continued

	Note	Property	Equipment	Total
Cost		42,170	230,984	273,154
Accumulated depreciation and impairment		- 27,398	- 155,083	- 182,481
Carrying amount as at 31 December 2015		**14,772**	**75,901**	**90,673**
Carrying amount as at 31 December 2015		**14,772**	**75,901**	**90,673**
Purchases		578	44,323	44,901
Disposals		- 12	- 16,885	- 16,897
Depreciation	7	- 1,400	- 25,340	- 26,740
Exchange rate differences		84	- 215	- 131
Carrying amount as at 31 December 2016		**14,022**	**77,784**	**91,806**
Cost		42,865	233,999	276,864
Accumulated depreciation and impairment		- 28,843	- 156,215	- 185,058
Carrying amount as at 31 December 2016		**14,022**	**77,784**	**91,806**
Purchases		394	54,180	54,574
Disposals		- 1	- 24,463	- 24,464
Depreciation & impairment	7	- 1,421	- 25,013	- 26,434
Exchange rate differences		- 307	- 1,193	- 1,500
Carrying amount as at 31 December 2017		**12,687**	**81,295**	**93,982**
Cost		28,898	216,741	245,639
Accumulated depreciation and impairment		- 16,211	- 135,446	- 151,657
Carrying amount as at 31 December 2017		**12,687**	**81,295**	**93,982**

The title to the other property and equipment is not restricted and these assets are not pledged as security for liabilities.

SPECIFIC NOTES

Note 20 - Investments accounted for using the equity method

Principal investments in the consolidated financial statements are:

	% of ownership interest				
	2017	2016	2015	Country of incorporation	Activity
Associates					
Terberg Leasing B.V.	-	24.0%	24.0%	Netherlands	Leasing
Jointly controlled entities					
LeasePlan Emirates Fleet Management - LeasePlan Emirates LLC	49.0%	49.0%	49.0%	United Arab Emirates	Leasing
Overlease S.r.L.	-	51.0%	51.0%	Italy	Leasing
PLease S.C.S.	99.3%	99.3%	99.3%	France	Leasing
Flottenmanagement GmbH	49.0%	49.0%	49.0%	Austria	Leasing

All jointly controlled entities in the table are interests in joint ventures.

PLease S.C.S

PLease is a Société en Commandite Simple (SCS) under French law, whereby the Group is one of the partners. PLease is governed by a steering committee and a strategic committee whereby the Group can nominate two of the four members of each committee. In the steering committee decisions require a majority of its member votes and in the strategic committee decisions can only be taken unanimously.

The amounts recognised in the balance sheet are as follows:

	2017	2016	2015
Associates	-	12,443	10,911
Jointly controlled entities	12,983	14,951	13,300
Balance as at 31 December	**12,983**	**27,394**	**24,211**

The amounts recognised in the income statement are as follows:

	2017	2016	2015
Associates	-	2,252	1,420
Jointly controlled entities	2,301	2,344	4,450
Balance as at 31 December	**2,301**	**4,596**	**5,870**

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There are no material contingent liabilities of the investments accounted for using the equity method other than loan commitments (reference is made to note 32).

The summarised financial information below does not represent the proportionate share of entity but the actual amount included in the separate financial statements of the material interests in investments accounted for using the equity method.

	2017			2016			2015		
	Associates	Jointly controlled entities	Total	Associates	Jointly controlled entities	Total	Associates	Jointly controlled entities	Total
Cash and cash equivalents			-	2	3,086	3,088	13	1,413	1,426
Other current assets		28,399	28,399	23,127	25,050	48,177	31,352	25,475	56,827
Total current assets	**-**	**28,399**	**28,399**	**23,129**	**28,136**	**51,265**	**31,365**	**26,888**	**58,253**
Total non-current assets		**225,430**	**225,430**	**347,472**	**229,739**	**577,211**	**333,431**	**223,676**	**557,107**
Current financial liabilities		6,609	6,609	8,835	9,578	18,413	12,710	14,031	26,741
Other current liabilities		41,979	41,979	29,034	36,158	65,192	41,754	37,285	79,039
Total current liabilities	**-**	**48,588**	**48,588**	**37,869**	**45,736**	**83,605**	**54,464**	**51,316**	**105,780**
Non-current financial liabilities		177,291	177,291	279,839	180,020	459,859	264,024	170,865	434,889
Other non-current liabilities		1,989	1,989	1,043	2,174	3,217	847	1,827	2,674
Total non-current liabilities	**-**	**179,280**	**179,280**	**280,882**	**182,194**	**463,076**	**264,871**	**172,692**	**437,563**
Net assets (100%)	**-**	**25,961**	**25,961**	**51,850**	**29,945**	**81,795**	**45,461**	**26,556**	**72,017**

SPECIFIC NOTES

The total assets of jointly controlled entities amount to EUR 254 million (2016: EUR 258 million, 2015: EUR 251 million), of which EUR 171 million (2016: EUR 157 million, 2015: EUR 137 million) relate to Please S.C.S.

The summarised statement of comprehensive income below does not represent the proportionate share of entity but the actual amount included for the material interests in investments accounted for using the equity method.

	2017			2016			2015		
	Associates	Jointly controlled entities	Total	Associates	Jointly controlled entities	Total	Associates	Jointly controlled entities	Total
Revenue		100,676	100,676	25,750	3,796	29,546	20,657	8,969	29,626
Depreciation and amortisation		189	189	820	237	1,057	834	312	1,146
Interest income		1,028	1,028	12,151	13,557	25,708	12,306	14,906	27,212
Interest expense		8,133	8,133	6,633	4,701	11,334	7,040	5,803	12,843
Profit before tax		**4,826**	**4,826**	**12,056**	**4,912**	**16,968**	**7,990**	**9,403**	**17,393**
Income tax expenses		151	151	2,673	157	2,830	2,074	223	2,297
Net result	**-**	**4,675**	**4,675**	**9,383**	**4,755**	**14,138**	**5,916**	**9,180**	**15,096**
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive income	**-**	**4,675**	**4,675**	**9,383**	**4,755**	**14,138**	**5,916**	**9,180**	**15,096**
Dividends received		1,420	1,420	720	-	720	1,224	-	1,224

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The reconciliation to the proportional share of the Group included in the summarised financial information is as follows:

	2017			2016			2015		
	Associates	Jointly controlled entities	Total	Associates	Jointly controlled entities	Total	Associates	Jointly controlled entities	Total
Net assets (100%) as at 1 January	**51,850**	**29,945**	**81,795**	**45,461**	**26,556**	**72,017**	**44,651**	**85,423**	**130,074**
Transfer to subsidiaries	-	-	-	-	-	-	-	68,310	68,310
Result for the year	-	4,675	4,675	9,383	4,755	14,138	5,916	9,180	15,096
Dividend paid	-	- 5,303	- 5,303	- 3,000	- 2,285	- 5,285	- 5,100	- 1,579	- 6,679
Exchange rate differences	-	- 3,356	- 3,356	-	917	917	-	1,842	1,842
Other equity changes	-	-	-	6	2	8	- 6	-	- 6
Sale of associate	- 51,850	-	- 51,850	-	-	-	-	-	-
Net assets (100%) as at 31 December	**-**	**25,961**	**25,961**	**51,850**	**29,945**	**81,795**	**45,461**	**26,556**	**72,017**
Percentage of interest	-	various	-	24%	various	-	24%	various	-
'Interest in associates/jointly controlled entities'	-	12,983	12,983	12,443	14,951	27,394	10,911	13,300	24,211
Carrying value	**-**	**12,983**	**12,983**	**12,443**	**14,951**	**27,394**	**10,911**	**13,300**	**24,211**

SPECIFIC NOTES

Note 21 - Intangible assets

	Note	Internally generated software	Software licenses	Customer relationship	Customer contract	Goodwill	Assets under construction*	Total
Cost		137,348	61,524	28,447	12,808	98,604	-	338,731
Accumulated amortisation and impairment		- 92,127	- 53,715	- 22,927	- 7,116	-	-	- 175,885
Carrying amount as at 1 January 2015		**45,221**	**7,809**	**5,520**	**5,692**	**98,604**	**-**	**162,846**
Carrying amount as at 1 January 2015		**45,221**	**7,809**	**5,520**	**5,692**	**98,604**	**-**	**162,846**
Purchases		16,536	6,748	-	-	-	-	23,284
Acquisition of subsidiary		-	1,115	3,659	13,104	-	-	17,878
Divestments		- 278	- 2,104	-	-	-	-	- 2,382
Amortisation	7	- 18,667	- 5,104	- 1,937	- 5,963	-	-	- 31,671
Exchange rate differences		1,822	97	-	-	-	-	1,919
Reclassification to assets held-for-sale	23	-	- 607	-	-	-	-	- 607
Carrying amount as at 31 December 2015		**44,634**	**7,954**	**7,242**	**12,833**	**98,604**	**-**	**171,267**
Cost		157,045	63,993	32,034	25,912	98,604	-	377,588
Accumulated amortisation and impairment		- 112,411	- 56,039	- 24,792	- 13,079	-	-	- 206,321
Carrying amount as at 31 December 2015		**44,634**	**7,954**	**7,242**	**12,833**	**98,604**	**-**	**171,267**
Purchases		9,585	5,070	73	-	-	19,655	34,383
Divestments		- 332	- 147	-	- 87	-	-	- 566
Amortisation	7	- 18,781	- 4,855	- 1,050	- 4,977	-	-	- 29,663
Exchange rate differences		- 1,257	- 3	17	1	-	-	- 1,242
Carrying amount as at 31 December 2016		**33,849**	**8,019**	**6,282**	**7,770**	**98,604**	**19,655**	**174,179**

* As from 2017 assets under construction are presented separately. The presentation is applied retrospectively for 2016 and 2015.

continue >

SPECIFIC NOTES

Note 21 - Intangible assets - continued

	Note	Internally generated software	Software licenses	Customer relationship	Customer contract	Goodwill	Assets under construction*	Total
Cost		166,298	68,916	32,107	25,825	98,604	19,655	411,405
Accumulated amortisation and impairment		- 132,449	- 60,897	- 25,825	- 18,055	-	-	- 237,226
Carrying amount as at 31 December 2016		**33,849**	**8,019**	**6,282**	**7,770**	**98,604**	**19,655**	**174,179**
Purchases		2,696	4,267	-	-	-	36,010	42,973
Divestments		- 815	- 268	-	-	-	-	- 1,083
Amortisation	7	- 10,390	- 4,374	- 968	- 6,911	-	-	- 22,643
Impairment charge	7	- 6,724	- 134	-	-	-	-	- 6,858
Assets available for use		6,925	1,912	-	-	-	- 8,837	-
Exchange rate differences		- 1,553	- 122	-	789	-	- 3	- 889
Carrying amount as at 31 December 2017		**23,988**	**9,300**	**5,314**	**1,648**	**98,604**	**46,825**	**185,679**
Cost		140,568	62,040	14,441	21,894	98,604	46,825	384,372
Accumulated amortisation and impairment		- 116,580	- 52,740	- 9,127	- 20,246	-		- 198,693
Carrying amount as at 31 December 2017		**23,988**	**9,300**	**5,314**	**1,648**	**98,604**	**46,825**	**185,679**

* As from 2017 assets under construction are presented separately. The presentation is applied retrospectively for 2016 and 2015.

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The remaining amortisation period for the majority of the intangible assets with a finite life is approximately six years. The title to the intangible assets is not restricted and the intangible assets are not pledged as security for liabilities. In 2017 the Group recognised EUR nil (2016: EUR nil, 2015: EUR 0.8 million) of research and development expenditure as an expense.

Internally generated software development costs were impaired in 2017 for an amount of EUR 6.8 million. The impairment is mainly related to IT legacy systems in the USA. The impairment is recognized in the consolidated income statement in the line-item Other depreciation and amortization and part of the reportable segment Rest of World. For 2016 and 2015 no indications for impairment or reversal of impairment on intangibles with a finite life were identified and consequently no impairment charge was recognised or reversed.

The goodwill relates to the acquisitions in previous years. All acquired companies were engaged in providing lease services. Goodwill is allocated to the Group's cash generating units which have incorporated the acquisitions. Cash generating units are the individual countries LeasePlan is operating in. The cash generating units to which goodwill is allocated are listed in the table below.

		Key assumptions applied in value in use	
Cash generating unit	**Goodwill**	**Discount rate**	**Terminal growth factor**
LeasePlan Italy	46,646	8.2%	2.0%
LeasePlan Spain	14,413	8.2%	2.0%
LeasePlan Portugal	27,232	8.9%	2.0%
LeasePlan France	10,313	6.5%	2.0%
Total	**98,604**		

Annually, or more frequently if events or changes in circumstances indicate a potential impairment, goodwill is reviewed for impairment. There was no impairment recognised in 2017 (2016: nil, 2015: nil). The impairment test is identical for all cash generating units and is based on value in use. The value in use was determined by discounting future cash flows generated from the continuing use of the cash generating units in which the acquired operating companies were incorporated. Cash flows were projected on actual financial results and the 3-year business plans. The growth rates included in the business plans exceed the long-term average growth rate for this business. This is mainly based on the expected improvements due to the Power of One LeasePlan initiative.

In order to align the planned growth rate to the long-term growth rate, the cash flows were extrapolated for a further 10 years based on a gradually declining growth rate. A discount rate was applied which is built up of (i) a risk free rate (0.5%), (ii) a market premium (5.5%) multiplied by a market specific ß (1.0) and (iii) a country specific risk premium (ranging between 0.6% and 2.9%).

The recoverable value of all cash generating units with goodwill significant exceed their carrying amounts.

SPECIFIC NOTES

Note 22 - Deferred tax assets and deferred tax liabilities

Deferred tax assets and liabilities as at 31 December are attributable to the following:

	Deferred tax assets			Deferred tax liabilities		
	2017	**2016**	**2015**	**2017**	**2016**	**2015**
Goodwill	6,696	8,441	9,315	-	-	-
Property and equipment under operating lease	21,158	18,420	22,912	339,667	355,284	318,516
Other property and equipment	6,802	5,278	6,419	4,101	5,047	7,349
Provisions	21,439	23,780	22,988	-	-	263
Deferred leasing income	66,313	77,807	65,887	2,923	469	1,717
Tax value of losses carried forward recognised	80,329	48,677	61,036	-	-	-
Tax credits and prepayments	1,056	1,555	7,115	-	-	-
Other receivables	11,135	24,267	20,308	22,524	3,164	7,410
Other payables	33,245	36,513	37,208	30,528	35,319	30,421
Tax assets/liabilities	**248,173**	**244,738**	**253,188**	**399,743**	**399,283**	**365,676**
Offset of deferred tax assets and liabilities	-125,720	-126,560	-111,816	-125,720	-126,560	-111,816
Balance as at 31 December	**122,453**	**118,178**	**141,372**	**274,023**	**272,723**	**253,860**
Net tax position				**151,570**	**154,545**	**112,488**
Movement net tax position	**2,975**	**-42,057**				

The movement in the net deferred tax position can be summarised as follows:

	Note	2017	2016	2015
Balance as at 1 January		**- 154,545**	**- 112,488**	**- 71,799**
Acquisition of a subsidiary	8	-	-	- 5,930
Income statement charge/credit	9	- 1,463	- 37,758	- 28,764
Tax charge/credit relating to components of other comprehensive income	9	- 2,076	- 2,311	340
Exchange rate differences		6,514	- 1,988	- 6,335
Balance as at 31 December		**- 151,570**	**- 154,545**	**- 112,488**

SPECIFIC NOTES

The income statement (charge)/credit can be broken down as follows:

	Deferred tax assets			Deferred tax liabilities		
	2017	**2016**	**2015**	**2017**	**2016**	**2015**
Goodwill	-1,744	-875	-2,197	-	-	-
Property and equipment under operating lease	-9,061	-4,492	1,332	-15,617	32,720	-8,630
Other property and equipment	1,524	-1,141	-118	-1,112	-2,373	-4,189
Provisions	-2,341	672	-498	-347	-263	118
Deferred leasing income	-11,494	11,031	4,637	1,164	-1,248	-7,308
Tax value of losses carried forward recognised	31,652	-14,365	-26,247	-3,739	-	-1,589
Tax credits and prepayments	-1,194	-5,561	1,144	-	-194	-322
Other receivables	-13,186	3,863	-43,639	18,282	-5,395	1,479
Other payables	-3,268	-693	17,706	-6,280	2,950	1,325
Movement in deferred tax	**-9,112**	**-11,561**	**-47,880**	**-7,649**	**26,197**	**-19,116**
Movement in deferred liabilities	7,649	-26,197	19,116			
Income statement charge/credit	**-1,463**	**-37,758**	**-28,764**			

Exchange rate differences can be broken down as follows:

	Deferred tax assets			Deferred tax liabilities		
in thousands of euros	**2017**	**2016**	**2015**	**2017**	**2016**	**2015**
Goodwill	-	-	101	-	-	
Property and equipment under operating lease	11,799	-	-	-	4,047	5,347
Other property and equipment	-	-	236	166	71	
Provisions	-	119	117	347	-	
Deferred leasing income	-	889	-	1,291	-	863
Tax value of losses carry forward recognised	-	2,007	-	3,739	-	1,589
Tax credits and prepayments	695	-	-	-	194	322
Other receivables	54	96	-	-		192
Other payables	-	-	1,525	492	788	-
Tax (assets)/ liabilities	**12,548**	**3,111**	**1,979**	**6,034**	**5,100**	**8,314**
Offset of deferred tax assets and liabilities	-6,034	-5,100	-8,314			
Exchange rate differences	**6,514**	**-1,988**	**-6,335**			

SPECIFIC NOTES

The Group recognises deferred tax assets for the tax value of losses and tax credits carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group has not recognised deferred tax assets in respect to tax losses of EUR 63.6 million (2016: EUR 60.6 million, 2015: EUR 52.0 million) and has not recognised tax credits for an amount of EUR 24.2 million (2016: EUR 22.4 million, 2015: EUR 15.9 million) as the Group considers it is not probable that future taxable profits will be available to offset these tax losses and to settle tax credits with current tax liabilities (also taking into account expiry dates when applicable). The unrecognised losses of EUR 63.6 million do not have an expiry date and tax credits can be utilised limited in time.

The expiration profile of the tax credits not recognised can be illustrated as follows:

	2017	2016	2015
Expire after a year, less than five years	9	8	-
Expire after five years	15	15	16
Total	**24**	**22**	**16**

The expiration profile of the losses carried forward can be illustrated as follows:

	2017	2016	2015
Expire within a year	-	-	-
Expire after a year, less than five years	20,064	5,289	30,765
Expire after five years	193,954	99,949	84,365
No expiry date	121,575	60,920	91,696
Total	**335,593**	**166,158**	**206,826**
Tax value	80,329	48,677	61,036

The total tax value of losses carried forward is presented before offsetting the corresponding deferred tax liabilities (which are reflected in the offset of deferred tax assets and liabilities as shown in the first table of this note).

The deferred tax liability relating to property and equipment under operating leases reverses over the remaining term of the operating lease contracts which ranges from three to four years.

Breakdown of certain net deferred tax asset positions by jurisdiction:

	2017	2016	2015
Netherlands	26,432	-	-
Spain	49,089	56,764	66,431
Italy	17,237	14,659	13,069
Total	**92,758**	**71,423**	**79,500**

The table above includes a breakdown of certain net deferred tax asset positions by jurisdiction for which the utilisation is dependent on future taxable profits whilst the related entities have incurred losses in either the current or the preceding year. In 2017, the aggregate amount for the most significant entities is EUR 92.8 million (2016: EUR 71.4 million, 2015: EUR 79.5 million). Recognition is based on the fact that it is probable that the entity will have taxable profits before expiration of the deferred tax assets.

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Note 23 - Assets and liabilities classified as held-for-sale

Assets and liabilities held-for-sale include parts of the business expected to be sold within a year whose carrying amount will be recovered principally through a sale transaction rather than through continuing operations.

This category mainly includes operational leases that the Group entered into in the United States with the aim to sell onward to debt investors for an amount of EUR 20.1 million (2016 EUR 13.8 million, 2015 EUR 13.1 million).

Note 24 - Funds entrusted

This item includes non-subordinated loans from banks and saving deposits.

The maturity analysis of these loans is as follows:

	2017	2016	2015
Three months or less	4,136,364	3,809,864	3,013,292
Longer than three months, less than a year	1,304,401	1,125,902	1,167,209
Longer than a year, less than five years	561,642	544,858	906,300
Longer than five years	94	153	173
Balance as at 31 December	**6,002,501**	**5,480,777**	**5,086,974**

Savings deposits raised by LeasePlan Bank amounts to EUR 5.89 billion (2016: EUR 5.39 billion, 2015: EUR 4.99 billion) of which 45.6% (2016: 48.8%, 2015:51.0%) is deposited for a fixed term. LeasePlan Bank is the brand name under which savings deposits are raised by LeasePlan Corporation N.V. which holds a banking licence in the Netherlands. As of September 2015 LeasePlan Bank is also operating on the German savings deposit market with a cross border offering from the Netherlands.

The average interest rates on the outstanding balances of the savings deposits in original maturity terms are as follows:

	2017	2016	2017
Three months or less	0.52%	0.75%	1.18%
Longer than three months, less than a year	0.79%	1.10%	1.61%
Longer than a year, less than five years	1.39%	2.00%	2.35%
Longer than five years	n/a	n/a	n/a

The interest rate of the on demand accounts is set on a monthly basis.

The funds entrusted include an outstanding balance of EUR 2.2 million (2016: EUR 2.3 million, 2015: EUR 1.6 million) which is non-euro currency denominated as at 31 December. The remainder of the funds entrusted is denominated in euro. Reference is made to the financial risk section (Treasury risk).

Note 25 - Trade and other payables and deferred income

	2017	2016	2015
Trade payables	834,295	790,893	764,430
Deferred leasing income	556,818	563,889	580,111
Lease related accruals	524,140	503,158	501,113
Other accruals and other deferred amounts owed	290,633	228,456	197,234
Interest payable	80,314	99,609	90,653
Accrual for contract settlements	82,179	105,256	106,725
VAT and other taxes	39,695	29,027	15,005
Balance as at 31 December	**2,408,074**	**2,320,288**	**2,255,271**

The majority of the trade and other payables and deferred income, except for deferred leasing income, have a remaining maturity less than one year. Deferred leasing income relates to amounts received in advance, as part of the monthly lease instalments, to cover lease expenses in a subsequent period. Lease related accruals mainly consist of accruals for lease related service expenses.

Other accruals and other deferred amounts owed contain accruals for a number of different staff expenses, including for the variable remuneration. The accrual for variable remuneration contains also the liability for Phantom Share Units ('PSUs') measured at fair value, for an amount of EUR 12.3 million at the end of 2017 (2016: EUR 11.3 million, 2015: EUR 3.9 million).

The movements in the number of PSUs outstanding are as follows:

	2017	2016	2017
Outstanding as per 1 January	**167,595**	**71,550**	**55,123**
Granted	76,803	132,010	33,365
Settled during the year	90,142	35,965	16,938
Outstanding per 31 December	**154,256**	**167,595**	**71,550**

The PSU expenses recognised during 2017 relating to PSU revaluation amount to EUR 1.9 million (2016: EUR 4.2 million, 2015: EUR 5.3 million)

The intrinsic value of one vested PSU awarded prior to 2015 is EUR 75.34. The intrinsic value of one PSU awarded after 2015 is EUR 82.13.

Note 26 - Borrowings from financial institutions

This item includes amounts owed to banks under government supervision.

The maturity analysis of these loans is as follows:

	Note	2017	2016	2015
On demand	11	200,687	185,076	135,147
Three months or less		423,228	368,545	218,566
Longer than three months, less than a year		838,766	727,810	518,971
Longer than a year, less than five years		1,860,451	1,965,909	1,189,054
Longer than five years		-	12,044	11,380
Balance as at 31 December		**3,323,132**	**3,259,384**	**2,073,118**

On demand amounts owed to financial institutions relating to call money and bank overdraft balances form part of the cash and balances with banks in the cash flow statement. Borrowings from financial institutions include an outstanding balance of EUR 1.2 billion (2016: EUR 1.3 billion, 2015: EUR 1.0 billion) which is non-euro currency denominated as at 31 December. The remainder of the borrowings from financial institutions is denominated in euro. Reference is made to the financial risk section (Treasury risk).

In May 2016 the Company concluded a term loan with three banks amounting to EUR 1,050 million. At 31 December 2017 this term loan was fully drawn (as at 31 December 2016).

In December 2014 Bumper NL concluded an asset backed securitisation warehousing facility of EUR 250 million with a bank. In December 2016, the revolving period of this committed facility has been extended until December 2017 and increased to EUR 400 million. This facility was fully drawn since January 2017 for an amount of EUR 400 million (year end 2016: EUR 250 million). In the third quarter of 2017, this amount was fully redeemed.

In June 2015 the Company concluded a committed revolving credit facility with a consortium of 12 banks (EUR 1.25 billion) maturing in December 2018. Following the completion of the change in ownership on 21 March 2016, the Company acceded to a second committed revolving credit facility with a consortium of 12 banks (EUR 1.25 billion) also maturing in December 2018. In November 2017, the Company renewed both committed revolving credit facilities into one new committed revolving credit facility with a consortium of 12 banks (EUR 1.5 billion) maturing in November 2022. The 12 banks in this consortium largely consist of the banks that also participate in the committed revolving credit facility concluded in June 2015. During 2017 and 2016 no amounts were drawn under these facilities.

In addition to centrally arranged credit facilities at a Group level, the Group also has credit facilities in place at the level of some of its subsidiaries.

Note 27 - Debt securities issued

This item includes negotiable, interest bearing securities.

	2017	2016	2015
Bonds and notes - originated from securitisation transactions	1,507,832	1,435,997	1,610,820
Bonds and notes - other	7,800,858	7,319,911	6,483,993
Bonds and notes - fair value adjustment on hedged risk	29,136	49,443	47,630
Balance as at 31 December	**9,337,826**	**8,805,351**	**8,142,443**

There is no pledge nor security for these debt securities except for the bonds and notes which are originated from securitisation transactions.

The debt securities issued include an outstanding balance of EUR 3.6 billion (2016: EUR 3.1 billion, 2015: EUR 3.8 billion) which is non-euro currency denominated as at 31 December. The remainder of the debt securities is denominated in euro. The fair value adjustment is attributable to the hedged risk on bonds and notes in fair value hedges. This fair value hedging policy is described in the financial risk section (Strategy in using financial instruments).

The average interest rates applicable to the outstanding balances can be summarised as follows:

	2017	2016	2015
Bonds and notes - originated from securitisation transactions	1.4%	1.5%	1.7%
Average interest rate	**1.4%**	**1.5%**	**1.7%**

The maturity analysis of these debt securities issued is as follows:

	2017	2016	2015
Three months or less	237,847	316,053	102,010
Longer than three months, less than a year	1,917,979	2,045,359	1,402,959
Longer than a year, less than five years	6,841,877	6,141,912	6,254,451
Longer than five years	340,123	302,027	383,023
Balance as at 31 December	**9,337,826**	**8,805,351**	**8,142,443**

The caption 'Bonds and notes – originated from securitisation transactions' can be detailed as follows:

	2017	2016	2015
Bumper France*	-	614,736	595,420
Bumper DE*	-	-	499,817
Bumper 6	73,331	274,514	515,583
Bumper 7	381,295	546,747	
Bumper 8	479,206	-	
Bumper 9	574,000	-	
Total	**1,507,832**	**1,435,997**	**1,610,820**

* Fully redeemed and unwound in 2017 and in 2016 respectively.

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These Bumper 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 most of these special purpose companies to finance these transactions. The special purpose companies are responsible for making interest and principal payments to the noteholders. The noteholders do not have recourse on the Company or other Group companies in case of non-performance or default by the special purpose companies. The Group has deposited cash collateral for these securitisation transactions, reference is made to note 12 of the consolidated financial statements. The higher rated notes are sold to external investors and the other (non-rated) notes are bought by the Company. The Company provided funding to facility the purchase of Bumper notes by group companies.

A number of fixed rate bonds are included in a fair value hedge whereby the bonds (hedged items) are measured at amortised cost and are constantly being adjusted for gains/losses attributable to the risk being hedged. This adjustment is recognised in the income statement, where it offsets (to a large extent) the remeasurement of the fair value of the hedging instruments that is also recognised in the income statement.

LeasePlan entered into a warehouse facility in December 2017 with a limit of AUD 560 million for the Class A Notes. The facility is a single-sided commitment from the Class A Noteholder to provide funding on a secured basis to LeasePlan up to the AUD 560 million limit. The facility matures in December 2018, but LeasePlan has the option to extend the availability period annually for a further year. As per 31 December 2017, no amounts were drawn under this facility.

Further reference is made to the financial risk section (Treasury risk).

Note 28 - Provisions

		2017	2016	2015
Damage risk retention	(i)	389,574	340,240	300,744
Post-employment benefits	(ii)	26,421	32,482	33,947
Other provisions	(iii)	38,062	81,785	43,642
Balance as at 31 December		**454,057**	**454,507**	**378,333**

The majority of provisions is expected to be recovered or settled after more than 12 months.

(i) Damage risk retention provision

	2017	2016	2015
Provision for Third Party Liability (TPL)	145,456	136,661	109,966
Provision for damage claims	71,813	64,019	62,861
Incurred but not reported (IBNR)	172,305	139,560	127,917
Balance as at 31 December	**389,574**	**340,240**	**300,744**

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The damage risk retention provision breaks down as follows:

	2017			2016			2015		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Damages reported	217,269	- 11,722	205,547	200,680	- 7,357	193,323	172,827	- 6,800	166,027
Damages IBNR	172,305	- 5,733	166,572	139,560	- 4,998	134,562	127,917	- 4,024	123,893
Total damage risk provisions	**389,574**	**- 17,455**	**372,119**	**340,240**	**- 12,355**	**327,885**	**300,744**	**- 10,824**	**289,920**
Current	107,741	-	107,741	94,513	-	94,513	107,644	-	107,644
Non-current	281,833	- 17,455	264,378	245,727	- 12,355	233,372	193,100	- 10,824	182,276
Total damage risk provisions	**389,574**	**- 17,455**	**372,119**	**340,240**	**- 12,355**	**327,885**	**300,744**	**- 10,824**	**289,920**

The non-current part of the damage risk provision relates to the third party liability (TPL exposure).The development of the TPL exposures provides a measure of the Group's ability to estimate the ultimate value of damages. The top half of the table below illustrates how the Group's estimate of total damages outstanding for each accident year has changed at successive year-ends. The bottom half of the table below reconciles the cumulative damages to the amounts appearing in the balance sheet for TPL. The accident year basis is considered the most appropriate for the business written by the Group.

Accident year	<2012	2012	2013	2014	2015	2016	2017	Total
At end of accident year	471,744	85,156	109,967	84,813	91,211	114,677	153,266	
One year later	429,736	85,049	119,917	101,449	99,089	133,315	-	
Two years later	417,204	86,422	100,475	88,791	89,710	-	-	
Three years later	393,133	70,907	106,472	88,555	-	-	-	
Four years later	362,324	76,499	98,984	-	-	-	-	
Five years later	323,099	91,374	-	-	-	-	-	
More than five years later	377,731	-	-	-	-	-	-	
Estimate of cumulative claims	377,731	91,374	98,984	88,555	89,710	133,315	153,266	
Cumulative payments to date	- 351,224	- 81,174	- 83,208	- 64,195	- 53,233	- 74,898	- 43,170	
Gross outstanding damage liabilities	**26,507**	**10,200**	**15,776**	**24,360**	**36,477**	**58,417**	**110,096**	**281,833**
Less: IBNR	5,680	2,324	4,826	11,366	14,441	31,139	66,601	136,377
Total provision for TPL, excluding IBNR	**20,827**	**7,876**	**10,950**	**12,994**	**22,036**	**27,278**	**43,495**	**145,456**

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The total provision for TPL, excluding IBNR for the year prior to 2011 can be detailed as follows:

	Gross outstanding damage liabilities	Less: IBNR	Total provision for TPL, excluding IBNR
2011	4,436	1,987	2,449
2010	1,547	588	959
2009	3,371	1,047	2,324
2008	1,828	464	1,364
2007	1,224	361	863
< 2006	14,101	1,233	12,868
			-
Total	**26,507**	**5,680**	**20,827**

The expected maturity analysis of the gross outstanding damage liabilities is as follows:

	2017	2016	2015
Not longer than a year	152,405	139,928	101,798
Between 1-2 years	47,859	29,984	25,449
Between 2-5 years	43,068	39,978	33,280
Longer than 5 years	38,501	39,978	35,238
Total	**281,833**	**249,868**	**195,765**

The current part of the damage risk provision of EUR 107,741 is related to reported damages for EUR 71,813 and to incurred but not reported damages for EUR 35,928.

The provision for reported damages represents the estimated cost of settling liabilities arising from occurred events up to reporting date that have been identified by or reported to the Group. The provision for claims incurred by not reported is established to cover the ultimate cost of settling the liabilities in respect of claims that have occurred, and are estimated based on known facts at the statement of financial position date, which fall to the account of the Group.

The provisions are monitored and refined as part of a regular ongoing process as claims experience develops, certain claims are settled and further claims are reported. For IFRS reporting purposes outstanding insurance liabilities are not discounted for the time value of money.

The measurement process primarily includes a projection of future claims costs using recognised actuarial methods. In certain cases, where there is a lack of reliable historical data on which to estimate claims development, relevant benchmarks of a similar business and external actuarial advice are used in developing claims estimates. Insurance liabilities are separately analysed by product type. The claims projection assumptions are generally intended to provide a best estimate of the most likely or expected outcome.

The principal assumption underlying the estimates is the Group's past claims development experience. This includes assumptions in respect of average claim costs, claim frequency, claims handling costs, claims inflation factors and claim numbers for each accident year.

(ii) Provision for post-employment benefits

The provision for post-employment benefits comprises both defined benefit pension plans and other post-employment benefits. The Group operates a number of pension plans around the world. Most of these pension plans are defined contribution plans. The Group has sponsored defined benefit pension plans, for which the majority are not open to new participants. The total number of participants in these pension plans is 370 (2016: 427, 2015: 414). The plans are final salary pension plans, which provide benefits to members in the form of a guaranteed level of pension payable for life.

The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. In the plans, pensions generally do not receive inflationary increases once in payment. The benefit payments are from trustee administered funds. Plan assets held in trusts are governed by local regulations and practice, as is the nature of the relationship between the company and the trustees (or equivalent) and their composition. In addition, the Group operates other post-employment benefit plans in five countries for legally required termination indemnities, which are payable at either the retirement date or the date the employee leaves the Group. The amount of the benefit depends on the length of service of the employee at the dismissal or retirement date. The majority of these plans is unfunded where the company meets the benefit payment obligation as it falls due. The total number of participants of these other post-employment benefit plans is 1,114 (2016: 1,292, 2015: 1,272).

The amounts recognised in the balance sheet are as follows:

	2017	2016	2015
Present value of funded obligations	38,908	50,474	51,145
Fair value of plan assets	- 28,520	- 34,694	- 32,638
Deficit of funded plans	**10,388**	**15,780**	**18,507**
Present value of unfunded obligations	16,033	16,702	15,440
Total deficit of defined benefit plans as per 31 December	**26,421**	**32,482**	**33,947**

The impact of minimum funding requirement/asset ceiling is nil in 2017 (2016: nil, 2015: nil).

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The valuations of provisions for post-employment benefits are performed by independent qualified actuaries on an annual basis. The following tables summarise the impact on the balance sheet, payment obligations, assets and economic assumptions in respect of the main post-employment benefits in the various countries.

	Note	Present value of obligation	Fair value of plan assets	Total
Balance as at 1 January 2015		**65,973**	**- 33,709**	**32,264**
Current service cost	5	3,781	-	3,781
Interest expense/income	5	1,133	- 530	603
Past service cost and gains and losses on settlements	5	16	- 115	- 99
		4,930	**- 645**	**4,285**
Remeasurements				
Return on plan assets, excluding amounts included in interest expense/income		- 8	277	269
Gain/loss from changes in demographic assumptions		149	-	149
Gain/loss from changes in financial assumptions		2,382	-	2,382
Experience gain/losses		- 1,573	- 47	- 1,620
		950	**230**	**1,180**
Exchange differences		1,603	- 1,265	338
Contributions				
Employers		-	- 2,602	- 2,602
Plan participants		334	- 350	- 16
Payments from plans				
Benefit payments		- 9,018	6,734	- 2,284
Acquired in a business combination	8	1,812	- 1,030	782
Balance as at 31 December 2015		**66,584**	**- 32,637**	**33,947**
Balance as at 1 January 2016		**66,584**	**- 32,637**	**33,947**
Current service cost	5	4,282	65	4,347
Interest expense/income	5	1,104	- 479	625
Past service cost and gains and losses on settlements	5	4,649	- 3,077	1,572
		10,035	**- 3,491**	**6,544**
Remeasurements				
Return on plan assets, excluding amounts included in interest expense/income		-	- 492	- 492

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	Note	Present value of obligation	Fair value of plan assets	Total
Gain/loss from changes in demographic assumptions		- 3,950	-	- 3,950
Gain/loss from changes in financial assumptions		2,478	-	2,478
Experience gain/losses		- 1,697	- 37	- 1,734
		- 3,169	**- 529**	**- 3,698**
Exchange differences		131	- 138	- 7
Contributions				
Employers		-	- 3,060	- 3,060
Plan participants		535	- 535	-
Payments from plans				
Benefit payments		- 6,940	5,696	- 1,244
Balance as at 31 December 2016		**67,176**	**- 34,694**	**32,482**
Balance as at 1 January 2017		**67,176**	**- 34,694**	**32,482**
Current service cost	5	3,096	3	3,099
Interest expense/income	5	690	- 344	346
Past service cost and gains and losses on settlements	5	- 3,441	-	- 3,441
		345	**- 341**	**4**
Remeasurements				
Return on plan assets, excluding amounts included in interest expense/income		-	- 491	- 491
		145	-	145
Gain/loss from changes in demographic assumptions		- 1,543	- 3	- 1,546
Gain/loss from changes in financial assumptions		- 558	- 55	- 613
Experience gain/losses				-
		- 1,956	**- 549**	**- 2,505**
Exchange differences		- 796	614	- 182
Contributions				
Employers		711	- 2,596	- 1,885
Plan participants		462	- 462	-
Payments from plans				
Benefit payments		- 11,001	9,508	- 1,493
Balance as at 31 December 2017		**54,941**	**- 28,520**	**26,421**

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In the course of 2016 the defined (benefit) pension plan in Mexico was settled by means of a transfer of all obligations and plan assets to an insurance company. The balance sheet impact of this settlement is included in the table on the previous page.

In 2017 the pension plan in LeasePlan Supply Services (Switzerland) was settled by means all further legal or constructive obligations for part or all of the benefits provided under a defined benefit plan, other than a payment of benefits to, or on behalf of, employees that is set out in the terms of the plan and included in the actuarial assumptions. All employees in Switzerland have terminated their employment during 2017 or will terminate all employment contracts during the year 2018. The impact amounts to EUR 3.4 million.

Reference is made to note 5 for the details on the amounts recognised in the income statement in respect of the Group's post-employment defined benefit plans. Expected contributions to post-employment defined benefit plans are EUR 2.3 million for the year ending 31 December 2018.

There are no defined benefit pension plans that are wholly unfunded and none of the collective and individual pension plans in the various countries are fully funded.

The weighted averages of the main actuarial assumptions used to determine the value of the provision for post-employment defined benefits as at 31 December were as follows:

	2017	2016	2015
Discount rate	2.0%	1.8%	2.4%
Inflation	1.9%	1.7%	1.7%
Salary growth rate	2.9%	2.9%	2.9%
Pension growth rate	1.0%	0.1%	0.6%

The rates used for interest discount factors, inflation, salary developments and future pension increases reflect country specific conditions. The expected return on plan assets is determined by considering the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk free premium associated with the respective asset classes and the expectations for future returns on each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets. The expected returns of the individual plans have been weighted on the basis of the fair value of the assets of the plans in order to determine the average expected return on plan assets. All other assumptions are weighted on the basis of the post-employment benefit obligations.

Assumptions regarding future mortality experience are set based on published statistics and actuarial advice. The average life expectancy in years of a pensioner retiring at age 65 on the balance sheet date is as follows:

	2017	2016	2015
Male	22.1	21.3	20.1
Female	24.9	24.5	23.8

SPECIFIC NOTES

Plan assets comprise the following:

	2017			2016			2015		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Equities	173	-	173	114	-	114	101	-	101
Debt instruments	1,777	-	1,777	1,789	-	1,789	1,594	-	1,594
Property	202	-	202	71	-	71	63	-	63
Investment funds	3,217	23,151	26,368	11,004	21,706	32,710	11,969	18,910	30,879
Insurance policy	-	-	-	1	9	10	-	-	-
Total	**5,369**	**23,151**	**28,520**	**12,979**	**21,715**	**34,694**	**13,727**	**18,910**	**32,637**

The expected maturity analysis of undiscounted post-employment benefits is:

	Not longer than a year	Between 1-2 years	Between 2-5 years	Longer than 5 years	Total
Post-employment benefits	1,666	2,077	7,889	63,980	75,612

The cumulative actuarial gain recognized in the Combined Statements of Comprehensive Income is EUR 2.5 million (2016: EUR 3.7 million, 2015 EUR 1.2 million).

Expected contributions to post-employment Defined benefit plans for the year ending 31 December 2017 are EUR 3.6 million.

(iii) Other provisions

	Other long-term employee benefits	Termination benefits	Litigation	Miscellaneous	Total
Balance as at 1 January 2015	**12,259**	**3,424**	**11,339**	**6,360**	**33,382**
Charge/credit to the income statement					
Additional provisions	2,684	5,706	1,851	18,569	28,810
Unused amounts reversal	- 2,121	- 665	- 247	- 4,114	- 7,147
Usage during the year	- 1,421	- 3,337	-	- 6,835	- 11,593
Exchange rate differences	- 52	11	- 143	435	251
Reclassification to liabilities held-for-sale	- 61	-	-	-	- 61
Balance as at 31 December 2015	**11,288**	**5,139**	**12,800**	**14,415**	**43,642**
Charge/credit to the income statement					
Additional provisions	1,331	1,131	3,261	59,923	65,646
Unused amounts reversal	- 949	- 1,047	- 2,400	- 2,116	- 6,512
Usage during the year	- 370	- 3,027	- 55	- 17,725	- 21,177
Exchange rate differences	78	- 135	260	- 17	186
Balance as at 31 December 2016	**11,378**	**2,061**	**13,866**	**54,480**	**81,785**
Charge/credit to the income statement					
Additional provisions	788	437	3,773	3,460	8,458
Unused amounts reversal	-257	-137	-3,388	-3,805	- 7,587
Usage during the year	-934	-1,680	-988	-40,214	- 43,816
Exchange rate differences	-193	-23	-231	-331	- 778
Balance as at 31 December 2017	**10,782**	**658**	**13,032**	**13,590**	**38,062**
Usage within a year	1,010	658	5,259	8,626	15,553
Usage after a year	9,772	-	7,773	4,964	22,509

Other long-term employee benefits

Other long-term employee benefits include provisions for medium-term bonus schemes, jubilee payments and extra leave entitlements.

Termination benefits

The provision for termination benefits relates to expected payments in order to terminate the employment of an employee or group of employees before the normal termination date. The balance relates to a small number of employee related litigations and obligations of relatively small size.

Litigation

Litigation provisions have been set up to cover legal and administrative proceedings that arise in the ordinary course of business. These provisions are not employee related.

Miscellaneous

Miscellaneous provisions include a provision for restructuring related expenses as well as items which cannot be classified under one of the other captions such as provisions for guarantee payments and onerous contracts. The provision for restructuring related expenses of EUR 7.8 million (2016: EUR 44.7 million, 2015: EUR 1.6 million) mainly related to the Power of One LeasePlan initiative.

Note 29 - Share capital and share premium

At 31 December 2017, the authorised capital amounted to EUR 250 million (2016 and 2015: EUR 250 million), divided into 250,000,000 ordinary shares with a nominal value of EUR 1.00 each, of which EUR 71.6 million is issued and paid up. The holders of the ordinary shares are entitled to receive dividend as declared from time to time and are entitled to vote per share at meetings of the Company.

The share premium includes the amount paid in excess of the nominal value of the share capital.

Note 30 - Other reserves

	Translation reserve	Post-employment benefit reserve	Hedging reserve	Other	Total
Balance as at 1 January 2015	**3,739**	**- 9,786**	**- 6,915**	**- 216**	**- 13,178**
Gains/losses arising during the year	16,655	- 218	- 714	-	15,723
Related income tax	-	162	178	-	340
Transfer to retained earnings	-			216	216
Balance as at 31 December 2015	**20,394**	**- 9,842**	**- 7,451**	**-**	**3,101**
Gains/losses arising during the year	- 18,848	3,736	4,597	-	- 10,515
Related income tax	-	- 1,162	- 1,149	-	- 2,311
Balance as at 31 December 2016	**1,546**	**- 7,268**	**- 4,003**	**-**	**- 9,725**
Gains/losses arising during the year	- 46,214	2,557	4,311		- 39,346
Related income tax	-	- 998	- 1,078		- 2,076
Balance as at 31 December 2017	**- 44,668**	**- 5,709**	**- 770**	**-**	**- 51,147**

Translation reserve

The translation reserve comprises all exchange rate differences arising from the translation of the financial statements of foreign operations that are not integral to the operations of the Group. In 2017 no translation differences related to discontinued operations were recycled to the income statement (2016: nil, 2015: nil). The significant movement in 2017, 2016 and 2015 is mainly caused by depreciation of the euro against the pound sterling and United States dollar.

Post-employment benefit reserve

The post-employment benefit reserve comprises the actuarial gains and losses recognised on defined benefit post-employment plans.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments where the hedged transaction has not yet occurred.

Other

Other comprises the share of other comprehensive income in investments accounted for using the equity method.

Note 31 - Retained earnings

Dividend
In March 2017 a final dividend of EUR 112.0 million (EUR 1.56 cent per share) was paid relating to 2016. In September 2017 an interim dividend of EUR 164.9 million (EUR 2.30 cent per share) was paid for 2017.

In March 2016 a final dividend of EUR 265.5 million (EUR 3.71 cent per share) was paid relating to 2015, In September 2016 an interim dividend of EUR 143.3 million (EUR 2.00 cent per share) was paid for 2016.

Profit appropriation
Reference is made to the Company financial statements on the appropriation of profits for the year and the movements in the reserves.

Note 32 - Commitments

The Group has entered into commitments in connection with the forward purchase of property and equipment under operating lease and rental fleet amounting to EUR 2.0 billion (2016: EUR 1.9 billion, 2015: EUR 1.9 billion) as at the balance sheet date. These commitments are entered into in the ordinary course of business and the majority is back-to-back matched with lease contracts entered into with customers.

Furthermore, the Group has entered into commitments in connection with long-term rental and lease contracts. The future aggregate minimum lease payments under these contracts are as follows:

	2017	2016	2015
Not longer than a year	31,673	29,580	32,012
Longer than a year, less than five years	85,447	91,797	79,395
Longer than five years	56,551	78,344	52,893
Balance as at 31 December	**173,671**	**199,721**	**164,300**

For a number of clients, residual value guarantees have been given to a total of EUR 364 million (2016: EUR 363 million, 2015: EUR 346 million).

Credit facilities have been concluded with investments accounted for using the equity method amounting to EUR 145 million (2016: EUR 176 million, 2015: EUR 155 million) of which EUR 141 million (2016: EUR 133 million, 2015: EUR 111 million) is drawn as at 31 December.

Note 33 - Related parties

Identity of related parties
Related parties and enterprises, as defined by IAS 24, are parties and enterprises which can be influenced by the Company or which can influence the Company.

Global Mobility Holding B.V., a joint venture company between Volkswagen AG and Fleet Investments, was the shareholder of the Company until 21 March 2016. Any business relations with the former indirect shareholders are handled on normal market terms.

The Group purchases cars and trucks manufactured amongst others by the Volkswagen Group. These purchases are entered into in the ordinary course of business and are handled on normal market conditions. These cars and trucks are not directly obtained from the Volkswagen Group but indirectly through importers and dealers in these brands and are purchased based on the price lists and terms that are available to third parties.

As of 21 March 2016, LP Group B.V. became the shareholder of the Company. LP Group B.V. represents a group of long-term responsible investors and includes ADIA, ATP, Broad Street Investments, GIC, PGGM and TDR Capital. None of these investors has a(n indirect) controlling interest in the Company. The business relations between the Company, LP Group B.V. and their indirect shareholders are handled on normal market terms. Apart from the transaction related to the change of shareholder no other transactions occurred in 2017.

Transactions between the Company and its subsidiaries mainly comprise of long-term funding and cost allocation of group activities as described in Note 2. All business relations with its subsidiaries are conducted in the ordinary course of business and at arm's length basis.

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Transactions between LeasePlan Corporation N.V. and its subsidiaries are eliminated on consolidation. Reference is made to Note 12 of the Company financial statements for further details with respect to investments in and loans to subsidiaries. For a list of the principal consolidated participating interests, reference is made to Other information to the financial statements.

All business relations with investments accounted for using the equity method are in the ordinary course of business and are handled on normal market terms. An amount of EUR 141 million (2016: EUR 133 million, 2015: 111 million) is provided as loans to investments accounted for using the equity method (Note 16). In relation to the loans to investments accounted for using the equity method in the Company financial statements, reference is made to its Note 12.

The interest income recognised by the Group on these funding transactions amounts to EUR 2.1 million (2016: EUR 2.2 million, 2015: EUR 2.5 million). Furthermore, the Group charged a service fee amounting to EUR 0.5 million (2016: EUR 0.5 million, 2015: EUR 0.7 million) to the investments accounted for using the equity method.

Transactions with the Managing Board

The Managing Board consists of the Key management personnel. In addition to their salaries, the Group provides non-cash benefits to the Managing Board and contributes to post-employment defined contribution plans on their behalf. The Managing Board is also the statutory executive board of the Company.

The statutory board remuneration is as follows:

	2017	2016	2015
Fixed remuneration	3,534	3,193	2,899
Other short-term employee benefits	1,405	1,336	2,209
Post-employment benefits	63	1,030	286
Other long-term employee benefits	496	1,686	1,653
Total	**5,498**	**7,245**	**7,047**

The Group has not granted any loans, guarantees or advances to members of the Managing Board. The Managing Board does participate in a management investment plan (details provided in the Management Investment Plan section on the next page).

For information on the remuneration policy of the Managing Board, please refer to the Remuneration Report.

Remuneration of the members of the Supervisory Board

The following table summarizes the income components for the five independent members of the Supervisory Board.

in euros	2017	2016	2015
Mr Jos Streppel	150,000	112,500	-
Ms Ada van der Veer - Vergeer	75,000	113,750*	110,000*
Dr Herta von Stiegel	75,000	113,750*	77,500*
Mr Steven van Schilfgaarde	75,000	56,250	-
Mr Stefan Orlowski	75,000	56,250	-

* In 2016, both Ms Ada van der Veer and Dr Herta von Stiegel received EUR 40,000 as additional compensation for incremental time and tasks related to extraordinary activities during calendar year 2015. In 2015, Ms Ada van der Veer received EUR 40,000 as a one-off additional compensation for extraordinary activities performed in 2014. Prior to her formal appointment in March 2015, Dr Herta von Stiegel attended various Supervisory Board meetings and calls for which she received a compensation of EUR 25,000 in 2015. These additional compensations have been included in the table above.

The other members of the Supervisory Board did not received compensation from LeasePlan for theirs tasks and responsibilities as a member of the board.

Neither the Company nor any of its Group companies has granted any loans, guarantees or advances to the members of the Supervisory Board.

In 2016 certain members of the Supervisory Board were granted rights by a consortium of financial investors (the 'Consortium') to indirectly participate in the share capital of LeasePlan at fair value and subject to several conditions precedent. This arrangement was never put into effect and was terminated in 2017, without any participation being made. There was no impact on the group's results or its financial position.

Management Investment Plan

Selected members of LeasePlan management, including the Managing Board members, (the 'participants) have been invited to make an indirect personal investment in the risk capital, alongside a consortium of financial investors (the 'Consortium') in LeasePlan through a Management Investment Plan (the 'MIP'). In order to facilitate the allocation of the MIP investment to individual employees, the investment in the MIP is held indirectly via a management holding company ('ManCo'). ManCo issues shares to a specially incorporated foundation that issues depositary receipts to each participant as evidence of its investment. These depositary receipts expose each participant to the full economic risk and benefit of the underlying shares held by ManCo in an indirect parent company of LeasePlan.

The ability of a participant to dispose the share investment is linked to the Consortium's exit. Typically a participant will be able to sell a proportion of the investment equal to the proportion sold by the Consortium at exit. Furthermore, there are specific provisions governing an exit through an IPO where the ability to dispose of shares may be restricted by customary lock-up periods. If a participant ceases to be employed by a LeasePlan group company prior to an exit, the participant may be required to sell part or all of the shares. The price payable for the shares will depend on a vesting schedule where 20% of the shares vest each year over a period of five years. Vested shares would be sold at fair market value and unvested shares would be sold at the lower of i) cost and ii) fair market value. The investment taken by the individual manager is entirely a personal investment and at personal risk. As LeasePlan has no obligation to repurchase shares from a participant or to make any other cash payments to the participants under the MIPhe arrangement is classified as an equity-settled share-based scheme under the IFRS 2 rules.

ManCo is capitalised with a mix of ordinary shares and preference shares. Management participants subscribed for ordinary shares, while the Consortium subscribed for ordinary shares and preference shares in ManCo. When the Consortium exits its investment in LeasePlan, the preference shares will automatically convert into ordinary shares in ManCo. The rate at which the preference shares convert will depend on the returns achieved by the Consortium at the time of exit. If the Consortium's returns at exit are above a pre-defined threshold, the conversion ratio will be adjusted to deliver a greater share of the equity value to the management investors.

The movements in the number of shares that the participants have indirectly acquired under the MIP are as follows:

in thousands of euros	**2017**	**2016**	**2015**
Balance as at 1 January	25,320,000	-	-
Issued	3,405,000	25,320,000	
(Re)purchased[1]	-	-	-
Balance as at 31 December	**28,725,000**	**25,320,000**	**-**

[1] At 31 December 2016, 300,000 certificates were temporarily re-purchased by the Consortium from a leaver. These certificates are intended to be re-purchased by new joiners.

The participants have indirectly invested EUR 28.7 million via ManCo in LeasePlan Corporation N.V. as per 31 December 2017. Of that amount, the total aggregated investment amount of Managing Board members amounts to EUR 9.3 million.

The acquisition price of the ordinary shares in ManCo represents the fair market value of those shares, being the same subscription price as paid by the Consortium for their interest in the ordinary shares. Accordingly, there is no impact on the group's results or its financial position from the MIP.

Note 34 - Contingent assets and liabilities

As at 31 December 2017, guarantees had been provided on behalf of the consolidated subsidiaries in respect of commitments entered into by those companies with an equivalent value of EUR 1.4 billion (2016: EUR 1.8 billion, 2015: EUR 2.3 billion). The Company charges a guarantee fee to the respective subsidiaries based on normal market terms.

The probability of any inflow of economic benefits arising from the contingent assets is difficult to estimate and remote. Accordingly no asset is recognised in the balance sheet.

Following an investigation in July 2015 by the Italian competition authority (ICA) into a possible infringement of EU competition law by all members (including LeasePlan Italy (LPIT)) of the Italian car leasing association ANIASA, LPIT was served with a Statement of Objections on 7 December 2016. Pursuant to the Statement of Objections, the ICA was of the opinion that an infringement of competition law has taken place. LPIT has defended its position. Following a hearing at 1 March 2017 and LPIT's statement of defence, the ICA Decision has been served to LPIT on 13 April 2017 which established that LPIT is totally cleared of the alleged infringements of antitrust rules. More specifically the ICA announced that, following an in-depth investigation, it has found no evidence to prove the existence of an exchange of commercially sensitive information by LPIT within the framework of ANIASA. The LPIT Anti-trust case has been closed.

In respect of the widely-publicized vehicle emissions controversy affecting our former co-shareholder Volkswagen AG, to date the Group has not seen any significant impact on the residual values of our vehicles or on the demand for certain types of our vehicles in the second-hand vehicle market. As this is a developing issue, the full scope of any impact on the residual values of our vehicles might not yet be fully apparent. Accordingly, we continue to monitor closely all developments with respect to this issue.

On 1 August 2016 the Group entered into a share purchase agreement ('SPA') with FleetCor Technologies Inc. and sold its subsidiary Travelcard Nederland B.V. As part of this SPA the Group has a contingent liability for a specifically agreed period. Based on current knowledge the Group assesses the probability of any economic outflow to be limited.

Note 35 - Events occurring after balance sheet date

On 18 January 2018 the Group entered into a share purchase agreement for the sale of its subsidiary Mobility Mixx B.V. It is expected that the transaction will be completed in September 2018 will not have a material impact on Net result in 2018 on group level.

No other material events occurred after 31 December 2017, that require disclosure in accordance with IFRS, nor events affecting the financial position of the Group as at 31 December 2017 or the result for the period ended 31 December 2017.

SPECIFIC NOTES

Note 36 - Non-GAAP measures

LeasePlan has adapted the income statement of its Directors Report in order to provide increased transparency in our financial performance. Underlying net results are shown as an important performance measure, to adjust for impacts related to unrealized results on financial instruments, one-time items related to the sale of subsidiaries, restructuring and consultancy related to the 'Power of One LeasePlan' initiatives, preparation costs for a potential IPO and the related tax effect. The reconciliation from IFRS measures to non-GAAP measures for 2017 and 2016 is included in the tables below.

		Underlying adjustments				
In thousands of euros	**IFRS results 2017**	**Power of One LeasePlan / IPO preparation cost**	**Unrealized results on financial instruments**	**Gains/losses on the sale of investments**	**Tax effect**	**Underlying results 2017**
Revenues	**9,360,920**					**9,360,920**
Direct cost of revenues	**7,797,425**		**9,378**			- **7,806,803**
Gross profit	**1,563,495**		**- 9,378**			- **1,554,117**
Total operating expenses	**983,572**	**- 103,707**				- **879,865**
Other income	5,057			- 5,057		- -
Share of profit of investments accounted for using the equity method	2,301					2,301
Profit before tax	**587,281**	**103,707**	**- 9,378**	**- 5,057**		**676,553**
Income tax expenses	120,675				24,361	- 145,036
Net result attributable to owners of the parent	**466,606**	**103,707**	**- 9,378**	**- 5,057**	**- 24,361**	- **531,517**

SPECIFIC NOTES

In thousands of euros	IFRS results 2016	Underlying adjustments: Power of One LeasePlan / IPO preparation cost	Underlying adjustments: Unrealized results on financial instruments	Underlying adjustments: Gains/losses on the sale of investments	Underlying adjustments: Tax effect	Underlying results 2016
Revenues	**9,199,067**					**9,199,067**
Direct cost of revenues	**7,686,493**		**4,776**			**7,691,269**
Gross profit	**1,512,574**		**- 4,776**			**1,507,798**
Total operating expenses	**1,007,982**	**- 93,592**				**914,390**
Other income	39,068			- 39,068		-
Share of profit of investments accounted for using the equity method	4,596					4,596
Profit before tax	**548,256**	**93,592**	**- 4,776**	**- 39,068**		**598,004**
Income tax expenses	122,790				19,892	142,682
Net result attributable to owners of the parent	**425,466**	**93,592**	**- 4,776**	**- 39,068**	**- 19,892**	**455,322**

In thousands of euros	IFRS results 2015	Underlying adjustments: Power of One LeasePlan / IPO preparation cost	Underlying adjustments: Unrealized results on financial instruments	Underlying adjustments: Gains/losses on the sale of investments	Underlying adjustments: Tax effect	Underlying results 2015
Revenues	**8,900,583**					**8,900,583**
Direct cost of revenues	**7,401,141**		**13,480**			**7,414,621**
Gross profit	**1,499,442**		**- 13,480**			**1,485,962**
Total operating expenses	**904,734**					**904,734**
Other income	7,357			- 7,357		-
Share of profit of investments accounted for using the equity method	5,870					5,870
Profit before tax	**607,935**		**- 13,480**	**- 7,357**		**587,098**
Income tax expenses	165,460				- 3,669	161,791
Net result attributable to owners of the parent	**442,475**		**- 13,480**	**- 7,357**	**3,669**	**425,307**

COMPANY FINANCIAL STATEMENTS

INCOME STATEMENT OF THE COMPANY

for the year ended 31 December

In thousands of euros	Note	2017	2016	2015
Interest and similar income from subsidiaries & other interest income	2	266,808	270,279	296,332
Revenues		**266,808**	**270,279**	**296,332**
Finance cost	3	238,452	252,358	250,618
Unrealised gains/losses on financial instruments		- 2,988	- 19,272	- 9,187
Direct cost of revenue		**235,464**	**233,086**	**241,431**
Gross profit		**31,344**	**37,193**	**54,901**
Other operating expenses	6	13,341	15,752	15,125
Other depreciation and amortisation	8	6,197	4,357	4,637
Total operating expenses		**19,538**	**20,109**	**19,762**
Other income	4	-	39,229	163
Profit before tax		**11,806**	**56,313**	**35,302**
Income tax expenses	9	- 5,521	571	- 16,773
Share in result of participations	12 & 13	460,321	368,582	423,946
Net result		**466,606**	**425,466**	**442,475**

BALANCE SHEET OF THE COMPANY

for the year ended 31 December (before profit appropriation)

In thousands of euros	Note	2017	2016	2015
ASSETS				
Cash and balances with central banks	10	2,349,118	1,857,120	1,605,407
Amounts due from banks	11	36,209	27,520	22,845
Loans to subsidiaries	12	13,465,916	12,483,098	11,346,977
Loans to jointly controlled entities	13	140,500	125,000	102,800
Financial assets held-to-maturity	14	135,416	135,416	214,286
Investments in subsidiaries	12	2,845,991	2,692,523	2,690,746
Investments in jointly controlled entities	13	12,142	13,354	11,297
Intangible assets	15	3,357	9,474	13,673
Other assets	16	288,451	563,599	311,181
Total assets		**19,277,100**	**17,907,104**	**16,319,212**
LIABILITIES				
Amounts due to banks	17	1,093,605	1,122,464	319,336
Funds entrusted	18	5,896,462	5,388,309	4,997,075
Debt securities issued	19	7,834,068	7,224,117	6,339,501
Provisions	20	18,725	11,560	8,157
Other liabilities	21	1,210,254	1,084,952	1,583,679
Total liabilities		**16,053,114**	**14,831,402**	**13,247,748**
EQUITY				
Share capital		71,586	71,586	71,586
Share premium		506,398	506,398	506,398
Legal reserves		636,498	484,244	417,920
Other reserves		- 51,147	- 9,725	3,101
Retained earnings		1,594,045	1,597,733	1,629,984
Profit for the year		466,606	425,466	442,475
Shareholders' equity	22	**3,223,986**	**3,075,702**	**3,071,464**
Total equity and liabilities		**19,277,100**	**17,907,104**	**16,319,212**

NOTES TO THE COMPANY FINANCIAL STATEMENTS

All amounts are in thousands of euros, unless stated otherwise

Note 1 - General

For certain notes to the Company's balance sheet, reference is made to the notes to the consolidated financial statements.

The Company's financial statements are prepared pursuant to the provisions in Part 9, Book 2, of the Dutch Civil Code, by applying the accounting policies used in the consolidated financial statements under IFRSs pursuant to the provisions of Article 362 sub 8, Part 9, Book 2, of the Dutch Civil Code.

Under reference to Article 362 sub 8, Part 9, Book 2 of the Dutch Civil Code, the investments accounted for using the equity method are measured and valued in accordance with the same IFRS as adopted in the consolidated financial statements of the Company.

Investments in subsidiaries and investments accounted for using the equity method

The investments in subsidiaries that are not classified as held-for-sale are accounted for in accordance with the net value of assets and liabilities, based upon accounting policies used in the consolidated financial statements.

If the valuation of a subsidiary, jointly controlled entity or associate, based on the net asset value is negative, it will be stated at nil. If and insofar as the Group can be held fully or partially liable for the debts of the subsidiary, or has the firm intention of enabling the subsidiary to settle its debts, a provision is recognised for this.

Legal reserves

Legal reserves are non-distributable reserves required for specific purposes in line with Part 9, Book 2, of the Dutch Civil Code and/or by local law. The legal reserves are the minimum reserves to be maintained for the non-distributable share in cumulated profits of subsidiaries and investments accounted for using the equity method.

Restatement in the presentation of the Company income statement

In parallel with the changes in presentation in the consolidated income statement, the group changed the presentation of the Company income statement. Reference is made to general note 2 'Basis of preparation' of the consolidated financial statements for further explanation.

The restated presentation has been applied retrospectively to the 2015 and 2016 comparative amounts in the Company income statement. The comparative amounts have been restated as disclosed in the tables on the next pages.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

Income statement of the Company

for the year ended 31 December

		Reclassifications					
In thousands of euros	2016 Previously reported	Interest income finance lease and other	Interest expenses and similar charges	Unrealised gains/losses on financial instruments	Share of profit of subsidiaries and jointly controlled entities	Other income	2016 Restated
Interest and similar income	270,279	- 270,279					-
Interest and similar income from subsidiaries & other interest income		270,279					270,279
Revenues		**270,279**					**270,279**
Interest expenses and similar charges	252,358		- 252,358				-
Net interest income	**17,921**	**- 270,279**	**252,358**				**-**
Finance cost			252,358				252,358
Unrealized gains/losses on financial instruments				- 19,272			- 19,272
Direct cost of revenues			**252,358**	**- 19,272**			**233,086**
Gross profit		**270,279**	**- 252,358**	**19,272**			**37,193**
Share of profit of subsidiaries and jointly controlled entities	368,582				- 368,582		-
Unrealised gains/losses on financial instruments	19,272			- 19,272			-
Other income	39,229					- 39,229	-
Total income	**445,004**	**- 270,279**	**252,358**	**- 19,272**	**- 368,582**	**- 39,229**	**-**
Other operating expenses	15,752						15,752
Other depreciation and amortisation	4,357						4,357
Total operating expenses	**20,109**	**-**	**-**	**-**	**-**	**-**	**20,109**
Impairment charges on loans and receivables	-						-
Total expenses	**20,109**	**-**	**-**	**-**	**-**	**-**	**20,109**
Other income						39,229	39,229
Profit before tax	**424,895**	**-**	**-**	**-**	**- 368,582**	**-**	**56,313**
Income tax expenses	571						571
Share in result of participations					368,582		368,582
Net result	**425,466**	**-**	**-**	**-**	**-**	**-**	**425,466**

continue >

NOTES TO THE COMPANY FINANCIAL STATEMENTS

Income statement of the Company - continued

for the year ended 31 December

		Reclassifications					
In thousands of euros	2015 Previously reported	Interest income finance lease and other	Interest expenses and similar charges	Unrealised gains/losses on financial instruments	Share of profit of subsidiaries and jointly controlled entities	Other income	2015 Restated
Interest and similar income	296,332	- 296,332					-
Interest and similar income from subsidiaries & other interest income		296,332					296,332
Revenues		**296,332**					**296,332**
Interest expenses and similar charges	250,618		- 250,618				-
Net interest income	**45,714**	**- 296,332**	**250,618**				**-**
Finance cost			250,618				250,618
Unrealized gains/losses on financial instruments				- 9,187			- 9,187
Direct cost of revenues			**250,618**	**- 9,187**			**241,431**
Gross profit		**296,332**	**- 250,618**	**9,187**			**54,901**
Share of profit of subsidiaries and jointly controlled entities	423,946				- 423,946		-
Unrealised gains/losses on financial instruments	9,187			- 9,187			-
Other income	163					- 163	-
Total income	**479,010**	**- 296,332**	**250,618**	**- 9,187**	**- 423,946**	**- 163**	**-**
Other operating expenses	15,125						15,125
Other depreciation and amortisation	4,637						4,637
Total operating expenses	**19,762**	**-**	**-**	**-**	**-**	**-**	**19,762**
Impairment charges on loans and receivables	-						-
Total expenses	**19,762**	**-**	**-**	**-**	**-**	**-**	**19,762**
Other income						163	163
Profit before tax	**459,248**	**-**	**-**	**-**	**- 423,946**	**-**	**35,302**
Income tax expenses	- 16,773						- 16,773
Share in result of participations					423,946		423,946
Net result	**442,475**	**-**	**-**	**-**	**-**	**-**	**442,475**

Note 2 - Interest and similar income from subsidiaries & other interest income

In 2017 the Company recognised EUR 2.1 million (2016: EUR 2.9 million, 2015: EUR 3.6 million) as other interest income.

Note 3 - Finance cost

In thousands of euros	2017	2016	2015
Interest expenses on debt securities	123,071	132,316	125,688
Interest expenses on funds entrusted	44,995	66,831	86,255
Interest on borrowings with financial institutions	70,386	53,211	38,675
Finance cost	**238,452**	**252,358**	**250,618**

Note 4 - Other income

In 2016 Other income includes the result of the sale of Travelcard Nederland B.V. On 1 August 2016 the Company entered into a share purchase agreement with FleetCor Technologies Inc. and sold its subsidiary Travelcard Nederland B.V. for an amount of EUR 40.65 million. The gain on the sale amounts to EUR 39.1 million.

Note 5 - Managing Board remuneration

The Managing Board comprises the Key management personnel. In addition to their salaries, the Group provides non-cash benefits to the Managing Board and contributes to post-employment defined contribution plans on their behalf.
The statutory board remuneration is as follows:

	2017	2016	2015
Fixed remuneration	3,534	3,193	2,899
Other short-term employee benefits	1,405	1,336	2,209
Post-employment benefits	63	1,030	286
Other long-term employee benefits	496	1,686	1,653
Total	**5,498**	**7,245**	**7,047**

Detailed information on remuneration of the Managing Board and the members of the Supervisory Board is included in note 33 Related parties to the consolidated financial statements.

For information on the remuneration policy of the Managing Board, please refer to the Group remuneration report.

Note 6 - Other operating expenses

General and administrative expenses include professional fees, office overheads and other general expenses. The Company does not directly employ any staff.

Note 7 - Audit fees

The table below shows the fees attributable to the fiscal years 2017, 2016 and 2015 for services rendered by the respective Group auditors. The fees are presented as part of the caption Other operating expenses.

			2017	2016	2015
	KPMG Accountants N.V.	Other KPMG network	Total KPMG network	Total KPMG network	Total PwC network
Audit services	2,176	4,402	6,578	5,067	5,676
Audit related services	357	50	407	122	288
Tax advice	-	45	45	35	270
Other (non-audit) services	-	-	-	65	33
Total services	**2,533**	**4,497**	**7,030**	**5,289**	**6,267**

From the total fee of 2017 the amount of EUR 0.9 million is related to overruns and audit scope extensions for 2016.

For the period to which the statutory audit relates, KPMG has provided the following services to LeasePlan:

- Audit of financial statements;
- Review engagements of interim financial statements;
- Audit of financial statements for regulatory purposes;
- Procedures respecting prospectuses.
- Agreed Upon Procedures for regulatory purposes;
- Agreed Upon Procedures on certain intercompany cost charging for foreign tax purposes.

Note 8 - Other depreciation and amortisation

Depreciation and amortisation mainly includes the amortisation of the intangible fixed assets. Reference is made to note 15.

Note 9 - Income tax expenses

	2017	2016	2015
Current tax			
Current tax on result for the year	3,440	- 45	8,647
Adjustments in respect of prior years	2,081	- 3,478	- 2,232
Total current tax	**5,521**	**- 3,523**	**6,415**
Deferred tax			
Origination and reversal of temporary differences	-	2,952	10,358
Adjustments in respect of prior years	-	-	-
Total deferred tax	**-**	**2,952**	**10,358**
Total	**5,521**	**- 571**	**16,773**

Note 10 - Cash and balances with central banks

The majority of this amount is cash deposited at the Dutch Central Bank of which a part is the mandatory reserve deposit that amount to EUR 60.0 million (2016: EUR 52.2 million, 2015: EUR 46.7 million) which is not available for use in the Group's day-to-day operations.

Note 11 - Amounts due from banks

A breakdown of this caption is as follows:

	2017	2016	2015
Call money and cash at banks	2,361	1,356	3,239
Cash collateral derivative financial instruments	33,848	26,164	19,606
Balance as at 31 December	**36,209**	**27,520**	**22,845**

Note 12 - Investments in and loans to subsidiaries

Movements in investments in Group companies are as follows:

	2017	2016	2015
Balance as at 1 January	**2,692,523**	**2,690,746**	**2,454,659**
Capital contributions	10,794	17,736	115,525
Capital reductions	- 80,000	- 200,000	-
Revaluations	4,431	3,403	12,556
Dividend received	- 186,645	- 169,535	- 329,631
Result for the year	435,054	366,947	421,401
Direct changes in equity	1,624	2,286	- 25
Exchange rate differences	- 31,790	- 19,060	16,261
Balance as at 31 December	**2,845,991**	**2,692,523**	**2,690,746**

Reference is made to the List of principal consolidated participating interests.

Revaluations relate to the negative net asset value of subsidiaries based on Group accounting standards. The direct changes in equity relate to fair value changes in cash flow hedges.

The maturity analysis on the loans is as follows:

	2017	2016	2015
Three months or less	2,070,758	1,835,970	1,872,454
Longer than three months, less than a year	3,972,758	3,294,555	3,113,665
Longer than a year, less than five years	7,420,875	7,351,003	6,359,223
Longer than five years	1,525	1,570	1,635
Balance as at 31 December	**13,465,916**	**12,483,098**	**11,346,977**

Note 13 - Investments in and loans to jointly controlled entities

The investment relates to a jointly controlled entity in the United Arab Emirates. Movements are as follows:

	2017	2016	2015
Balance as at 1 January	**13,354**	**11,297**	**39,555**
Transfer of equity interest to subsidiaries	-	-	- 32,929
Dividends received	- 1,420	-	-
Share of results	1,769	1,635	3,573
Exchange rate differences	- 1,561	422	1,098
Balance as at 31 December	**12,142**	**13,354**	**11,297**

The loans relate to jointly controlled entities of the Company (United Arab Emirates) and of the Group (France).

The maturity analysis on the loans is as follows:

	2017	2016	2015
Three months or less	7,700	14,250	10,500
Longer than three months, less than a year	47,800	42,000	36,750
Longer than a year, less than five years	85,000	68,750	55,550
Balance as at 31 December	**140,500**	**125,000**	**102,800**

The company has entered into loan commitments of EUR 145 million (2016: EUR 162 million, 2015: EUR 141 million) of which EUR 141 million has been drawn at 31 December 2017 (2016: EUR 125 million, 2015: EUR 103 million). There are no other material contingent liabilities of the jointly controlled entities.

Note 14 - Financial assets held-to-maturity

This caption includes investments in special purpose companies involved in securitisation programmes concluded by LeasePlan Group. The Group consolidates the special purpose entities as control is retained. LeasePlan Corporation N.V. (the Company) provided a subordinated loan to the special purpose company Bumper 7 S.A. with a maturity date in March 2026.

The Bumper notes bought by the Company are as follows:

	2017	2016	2015
Bumper DE*	-	-	214,286
Bumper 7	135,416	135,416	
Total	**135,416**	**135,416**	**214,286**

* Fully redeemed and unwound in 2016

Note 15 - Intangible assets

	Software licences	Customer relationship	Customer contract	Total
Cost	3,667	-	-	3,667
Accumulated amortisation and impairment	- 2,958	-	-	- 2,958
Carrying amount as at 1 January 2015	**709**	**-**	**-**	**709**
Carrying amount as at 1 January 2015	**709**	**-**	**-**	**709**
Purchases	721	-		721
Acquisition of subsidiary	-	3,659	13,104	16,763
Amortisation	- 533	- 366	- 3,621	- 4,520
Carrying amount as at 31 December 2015	**897**	**3,293**	**9,483**	**13,673**
Cost	4,388	3,659	13,104	21,151
Accumulated amortisation and impairment	- 3,491	- 366	- 3,621	- 7,478
Carrying amount as at 1 January 2016	**897**	**3,293**	**9,483**	**13,673**
Carrying amount as at 1 January 2016	**897**	**3,293**	**9,483**	**13,673**
Purchases	44	-	-	44
Amortisation	- 504	- 366	- 3,373	- 4,243
Carrying amount as at 31 December 2016	**437**	**2,927**	**6,110**	**9,474**
Cost	4,432	3,659	13,104	21,195
Accumulated amortisation and impairment	- 3,995	- 732	- 6,994	- 11,721
Carrying amount as at 31 December 2016	**437**	**2,927**	**6,110**	**9,474**
Purchases	-	-	-	-
Amortisation	- 291	- 366	- 5,460	- 6,117
Carrying amount as at 31 December 2017	**146**	**2,561**	**650**	**3,357**
Cost	2,112	3,659	13,104	18,875
Accumulated amortisation and impairment	- 1,966	- 1,098	- 12,454	- 15,518
Carrying amount as at 31 December 2017	**146**	**2,561**	**650**	**3,357**

The prior year increases in customer relationship and customer contracts relate to the acquisition of LPD Holding A.S. (Turkey). Reference is made to note 8 of the consolidated financial statements.

Note 16 - Other assets

Besides derivative financial instruments this caption includes a corporate income tax receivable from fiscal authorities and Group companies forming part of the fiscal unity. The Company settles corporate income tax due or receivable on taxable income with its Group companies forming part of the fiscal unity as if these Group companies were responsible for their tax filings on a stand-alone basis.

The other assets are made up as follows:

	2017	2016	2015
Derivative financial instruments	104,003	191,985	158,936
Tax receivables	2,095	1,274	8,372
Accounts receivable from group companies	33,326	326,834	122,743
Loans to other third parties	19,971	30,116	12,473
Other	129,056	13,390	8,657
Balance as at 31 December	**288,451**	**563,599**	**311,181**

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

	2017			2016			2015		
		Fair value			Fair value			Fair value	
	Notional amounts	Assets	Liabilities	Notional amounts	Assets	Liabilities	Notional amounts	Assets	Liabilities
Fair value hedge									
Interest rate swaps	5,116,881	54,229	14,018	4,898,053	76,870	10,981	4,032,309	78,002	15,953
Currency swaps	434,434	-	10,272	44,297	-	337	85,948	3,343	1,053
Cash flow hedge									
Interest rate swaps	1,380,000	463	1,647	1,595,000	204	7,432	1,805,000	-	12,178
Total derivatives in hedge	**6,931,315**	**54,692**	**25,937**	**6,537,350**	**77,074**	**18,750**	**5,923,257**	**81,345**	**29,184**
Interest rate swaps	18,854,481	14,707	20,896	15,576,662	26,363	44,682	15,364,293	32,085	74,141
Currency swaps/currency forwards	3,409,241	34,604	34,462	3,483,522	88,548	23,686	3,544,514	45,506	20,256
Total derivatives not in hedge	**22,263,722**	**49,311**	**55,358**	**19,060,184**	**114,911**	**68,368**	**18,908,807**	**77,591**	**94,397**
Total	**29,195,037**	**104,003**	**81,295**	**25,597,534**	**191,985**	**87,118**	**24,832,064**	**158,936**	**123,581**

The fair value is based on the price including accrued interest (dirty price).

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

	2017	2016	2015
Derivatives not in hedges	7,847	14,532	9,157
Hedge ineffectiveness cash flow hedges	- 15	28	40
Derivatives fair value hedging instruments	- 25,203	8,062	- 31,786
Financial liabilities fair value hedged items	20,359	- 3,350	31,776
Hedge ineffectiveness fair value hedges	**- 4,844**	**4,712**	**- 10**
Unrealised gains/losses on financial instruments	**2,988**	**19,272**	**9,187**

Note 17 - Amounts due to banks

This caption includes amounts owed to credit institutions under government supervision.

The maturity of these loans is as follows:

	2017	2016	2015
Three months or less	43,605	72,464	63,336
Longer than three months, less than a year	-	-	6,000
Longer than a year, less than five years	1,050,000	1,050,000	250,000
Balance as at 31 December	**1,093,605**	**1,122,464**	**319,336**

Amounts due to banks include no outstanding balance (2016: nil, 2015: nil) which is non-euro currency denominated as at 31 December. The related interest rate ranges from -0.4% to 1.1% (2016: from -0.4% to 1.1%, 2015: from -0.1% to 2.3%).

In May 2016 the Company concluded a term loan with three banks amounting to EUR 1,050 million. At 31 December 2016 this term loan was fully drawn.

Note 18 - Funds entrusted

The maturity analysis of funds entrusted is as follows:

	2017	2016	2015
Three months or less	4,127,522	3,800,834	3,003,439
Longer than three months, less than a year	1,281,125	1,103,359	1,146,671
Longer than a year, less than five years	487,815	484,116	846,965
Balance as at 31 December	**5,896,462**	**5,388,309**	**4,997,075**

This caption mainly includes savings deposits raised by LeasePlan Bank amounting to EUR 5.89 billion (2016: EUR 5.39 billion, 2015: EUR 4.99 billion) of which 45.6% (2016: 48.8%, 2015: 51.0%) is deposited for a fixed term. LeasePlan Bank is the brand name under which savings deposits are raised by LeasePlan Corporation N.V. which holds a banking licence in the Netherlands. As of September 2015 LeasePlan Bank is also operating on the German banking market with a cross border offering from the Netherlands.

The average interest rates on the outstanding balances of the savings deposits in original maturity terms are as follows:

	2017	2016	2015
On demand	0.52%	0.75%	1.10%
A year or less	0.79%	1.10%	1.60%
Longer than a year, less than or equal to two years	1.39%	2.00%	2.05%
Longer than two years	n/a	n/a	2.93%

The interest rate of the on demand accounts is set on a monthly basis.

The funds entrusted include an outstanding balance of EUR 2.2 million (2016: EUR 2.3 million, 2015: EUR 1.6 million) which is non-euro currency denominated as at 31 December. The remainder of the funds entrusted is denominated in euro.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

Note 19 - Debt securities issued

This caption includes negotiable, interest-bearing securities.

	2017	2016	2015
Bonds and notes	7,804,933	7,174,951	6,293,359
Bonds and notes - fair value adjustment on hedged risk	29,135	49,166	46,142
Balance as at 31 December	**7,834,068**	**7,224,117**	**6,339,501**

The average interest rates applicable to the outstanding balances can be summarised as follows:

	2017	2016	2015
Bonds and notes	1.5%	1.6%	1.9%
Average interest rate	**1.5%**	**1.6%**	**1.6%**

The maturity analysis of the debt securities issued is as follows:

	2017	2016	2015
Three months or less	140,685	131,362	49,992
Longer than three months, less than a year	1,435,732	1,563,069	796,825
Longer than a year, less than five years	5,917,529	5,227,659	5,109,661
Longer than five years	340,122	302,027	383,023
Balance as at 31 December	**7,834,068**	**7,224,117**	**6,339,501**

The debt securities include an outstanding balance of EUR 3.6 billion (2016: EUR 3.1 billion, 2015: EUR 3.1 billion) which is non-euro currency denominated as at 31 December. The remainder of the debt securities is denominated in euro.

Note 20 - Provisions

The provision relates to subsidiaries with a negative net asset value based on Group accounting standards.

Note 21 - Other liabilities

	2017	2016	2015
Loans from Group companies	898,172	821,888	1,291,349
Accounts payable to Group companies	129,284	67,082	60,122
Derivative financial instruments	81,295	87,118	123,581
Other accruals and deferred income	71,270	83,999	80,482
Corporate income tax payable	30,233	24,865	28,145
Balance as at 31 December	**1,210,254**	**1,084,952**	**1,583,679**

Other accruals and deferred income mainly includes accrued interest payable.

For derivative financial instruments reference is made to the table in note 16.

The maturity analysis of the loans from Group companies is as follows:

	2017	2016	2015
Three months or less	47,842	89,050	67,095
Longer than three months, less than a year	266,330	5,123	58,410
Longer than a year, less than five years	584,000	727,715	1,165,844
Balance as at 31 December	**898,172**	**821,888**	**1,291,349**

Note 22 - Shareholders' equity

Share capital

As at 31 December 2017, the authorised capital amounted to EUR 250 million (2016: EUR 250 million, 2015: EUR 250 million), divided into 250,000,000 ordinary shares with a nominal value of EUR 1.00 each, of which EUR 71.6 million is issued and paid up. There were no movements in the issued and paid up capital in 2017, 2016 and 2015.

The movement in shareholders' equity is as follows:

			Reserves				
	Share capital	Share premium	Legal reserves	Other reserves	Retained earnings	Profit for the year	Share-holders' equity
Balance as at 1 January 2015	**71,586**	**506,398**	**440,810**	**- 13,178**	**1,465,339**	**371,971**	**2,843,196**
Net result						442,475	442,475
Other comprehensive income				16,279			16,279
Post-employment plans in associates					- 216		- 216
Total comprehensive income	**-**	**-**	**-**	**16,279**	**- 216**	**442,475**	**458,538**
Transfer from/to			- 22,890		22,890	-	-
Appropriation of result					371,971	- 371,971	-
Dividend					- 230,000		- 230,000
Balance as at 31 December 2015	**71,586**	**506,398**	**417,920**	**3,101**	**1,629,984**	**442,475**	**3,071,464**
Net result						425,466	425,466
Other comprehensive income				- 12,826			- 12,826
Post-employment plans in associates					398		398
Total comprehensive income	**-**	**-**	**-**	**- 12,826**	**398**	**425,466**	**413,038**
Transfer from/to			66,324		- 66,324		-
Appropriation of result					442,475	- 442,475	-
Dividend					- 408,800		- 408,800

continue >

NOTES TO THE COMPANY FINANCIAL STATEMENTS

Note 22 - Shareholders' equity - continued

	Share capital	Share premium	Reserves			Profit for the year	Share-holders' equity
			Legal reserves	Other reserves	Retained earnings		
Balance as at 31 December 2016	**71,586**	**506,398**	**484,244**	**- 9,725**	**1,597,733**	**425,466**	**3,075,702**
Net result						466,606	466,606
Other comprehensive income				- 41,422			- 41,422
Post-employment plans in associates							-
Total comprehensive income	**-**	**-**	**-**	**- 41,422**	**-**	**466,606**	**425,184**
Transfer from/to			152,254		- 152,254		-
Appropriation of result					425,466	- 425,466	-
Dividend					- 276,900		- 276,900
Balance as at 31 December 2017	**71,586**	**506,398**	**636,498**	**- 51,147**	**1,594,045**	**466,606**	**3,223,986**

The share premium includes the amount paid in excess of the nominal value of the share capital.

The other comprehensive income comprises the translation reserve, the hedging reserve, the post-employment benefit reserve and the share of other comprehensive income in investments accounted for using the equity method. The translation reserve comprises all exchange rate differences arising from the translation of the financial statements of foreign operations that are not integral to the operations of the Company as of 1 January 2004. No translation differences related to discontinued operations are recycled to the income statement (2016: nil, 2015: nil). The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred and that prove to be highly effective in relation to the hedged risk. The movement in cash flow hedges is disclosed in the consolidated statement of comprehensive income. The post-employment benefit reserve comprises the actuarial gains and losses recognised on defined benefit post-employment plans.

The legal reserves and other comprehensive income are non-distributable reserves of the Company pursuant to the provisions of Part 9, Book 2, of the Dutch Civil Code.

There are no statutory reserves prescribed in the Articles of Association of the Company.

Note 23 - Commitments

Loan commitments have been concluded with investments accounted for using the equity method amounting to EUR 145 million (2016: EUR 162 million, 2015: EUR 141 million) of which EUR 141 million (2016: 125 million, 2015: EUR 103 million) is drawn (reference is made to note 13).

Furthermore, the Company has entered into commitments in connection with long-term rental and lease contracts of which the future aggregate minimum lease payments amount to EUR 12 million (2016: EUR 28 million, 2015: EUR 8 million).

Note 24 - Contingent liabilities

Pursuant to the provisions of Article 403 f, Part 9, Book 2, of the Dutch Civil Code, the Company has filed a declaration of joint and several liabilities with respect to the majority of the subsidiaries in the Netherlands. Abridged financial statements have accordingly been prepared for these subsidiaries.

The Company forms a fiscal unity with a number of Group companies in the Netherlands regarding corporate income tax and VAT. As a result the Company can be held jointly liable for tax returns of those subsidiaries.

As at 31 December 2017 guarantees had been provided on behalf of the consolidated subsidiaries outside the Netherlands. These guarantees had been provided in respect of commitments entered into by those companies and amount to a value of EUR 1.4 billion (2016: EUR 1.8 billion, 2015: EUR 2.2 billion).

Note 25 - Distribution of profit

PROVISIONS OF THE ARTICLES OF ASSOCIATION ON PROFIT APPROPRIATION
Article 31

1. The Managing Board shall in respect of distributable profits make a proposal for the distribution of a dividend and the allocation to the general reserve. Such a proposal is subject to the approval of the General Meeting.
2. With due observance of paragraph 1 of this article, the distributable profits shall be at the disposal of the General Meeting for distribution of dividend or in order to be added to the reserves or for such other purposes within the Company's objectives as the meeting shall decide. In calculating the amount of profit to be distributed in respect of each share, only the amount of the mandatory payments towards the nominal amount of the shares shall be taken into account.
3. The Company may make distributions to shareholders and other persons entitled to distributable profits only to the extent that the shareholders' equity exceeds the sum of the paid and called-up part of the share capital and the reserves which must be maintained by law. In calculating the appropriation of profits, the shares held by the Company in its own share capital shall not be taken into account.
4. Distribution of profits shall take place after the adoption of the annual accounts which show that the distribution is permitted.
5. The General Meeting may resolve to distribute one (1) or more interim dividends and/or other interim distributions, provided that the requirement laid down in paragraph 3 of this article has been met as shown in an interim statement of assets and liabilities as referred to in Article 2:105(4) of the Dutch Civil Code.
6. Dividends shall be payable immediately after they have been declared, unless the General Meeting provides otherwise.
7. The claim for payment of dividends shall lapse on the expiry of a period of five (5) years.

Proposed profit appropriation

A final dividend of EUR 120 million for the year, bringing the total dividend for the year to EUR 285 million, is approved by for the general meeting of shareholders on 20 March 2018. The remainder of the net result 2017 amounting to EUR 182 million will be added to the general reserves (retained earnings).

NOTES TO THE COMPANY FINANCIAL STATEMENTS

Note 26 - Subsequent events

No material events occurred after 31 December 2017, that require disclosure in accordance with IFRS, nor events affecting the financial position of the Company as at 31 December 2017 or the result for the period ended 31 December 2017.

Amsterdam, 22 March 2017

Managing Board
Tex Gunning, CEO and Chairman
Gijsbert de Zoeten, CFO
Marco van Kalleveen, COO Europe
Yolanda Paulissen, CSFIRO
Franca Vossen, CRO

Supervisory Board
Jos Streppel, Chairman
Steven van Schilfgaarde, Vice-Chairman
Manjit Dale
Stefan Orlowski
Herta von Stiegel
Ada van der Veer – Vergeer
Eric-Jan Vink

18. OTHER INFORMATION

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 Amsterdam. Unless stated otherwise, the percentage interest is 100% or nearly 100%.

All holdings are in the ordinary share capital of the undertaking concerned. Reference is made to note 8 of the consolidated financial statements for acquisitions. In addition, Terberg Leasing B.V and Overlease S.r.L were sold in 2017 and Travelcard Nederland B.V was sold in 2016 and are therefore no longer part of the list below.

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 Digital B.V, the Netherlands
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 Malaysia, Malaysia
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 S.R.L., 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 Otomotive Servis ve Ticaret A.Ş. Turkey
LeasePlan UK Limited, United Kingdom
LeasePlan USA, Inc., USA
Euro Insurances DAC, Ireland
LeasePlan Finance N.V., the Netherlands
LeasePlan Information Services Limited., Ireland
LeasePlan Global B.V., the Netherlands
LeasePlan International B.V., the Netherlands
LeasePlan Supply Services AG, Switzerland
Mobility Mixx B.V., the Netherlands
CarNext B.V, the Netherlands

Special purpose companies with no shareholding by the Group are:
Bumper France FCT, France
Bumper 7 (DE) S.A., Luxembourg
Bumper 6 (NL) Finance B.V., the Netherlands
Bumper NL B.V., the Netherlands
Bumper 8 (UK) Finance plc
Bumper 9 (NL) Finance B.V.

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%)
PLease S.C.S., France (99.3%)
Flottenmanagement GmbH, Austria (49%)

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.
CarNext B.V.
Firenta B.V.
LeasePlan Digital B.V.
Lease Beheer Holding B.V.
Lease Beheer Vastgoed B.V.
LeasePlan Finance N.V.
LeasePlan Global B.V.
LeasePlan International B.V.
LeasePlan Nederland N.V.
LPC Auto Lease B.V.
Mobility Mixx B.V.
Transport Plan B.V.

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report

To: the General Meeting of Shareholders and the Supervisory Board of LeasePlan Corporation N.V.

Report on the audit of the financial statements 2017 included in the annual report

Our opinion

In our opinion:

- the accompanying consolidated financial statements give a true and fair view of the financial position of LeasePlan Corporation N.V. as at 31 December 2017 and of its result and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- the accompanying company financial statements give a true and fair view of the financial position of LeasePlan Corporation N.V. as at 31 December 2017 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the financial statements 2017 of LeasePlan Corporation N.V. ('LeasePlan' or 'the Company') based in Amsterdam. The financial statements include the consolidated financial statements and the company financial statements.

The consolidated financial statements comprise:

1. the consolidated balance sheet as at 31 December 2017;
2. the following consolidated statements for 2017: the income statement, the statements of comprehensive income, changes in equity and cash flows; and
3. the notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1. the company balance sheet as at 31 December 2017;
2. the company income statement for 2017; and
3. the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of LeasePlan in accordance with the EU Regulation on specific requirements regarding statutory audits of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Audit approach

Summary

MATERIALITY
- Materiality of EUR 27 million
- 4.6% of profit before tax

GROUP AUDIT
-99.1% of total assets
- 99.0% of revenue
- 99.0% of the profit before tax

KEY AUDIT MATTERS
- Asset risk
- Revenue recognition - lease contracts
- Effectiveness of IT management

UNQUALIFIED OPINION

KPMG Accountants N.V., registered with the trade register in the Netherlands under number 33263683, is a member firm of the KPMG network of independent companies affiliated with KPMG International Cooperative ('KPMG International'), a Swiss entity.

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 27 million (2016: EUR 20 million). The materiality is determined with reference to profit before tax (4.6 %).

We consider profit before tax as the most appropriate benchmark based on our assessment of the general information needs of users of financial statements. We believe that profit before tax is a relevant metric for the assessment of the financial performance of the Group. Given the relatively high balance sheet total and gross profit, we have not used these alternative benchmarks in determining materiality. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Audit Committee of the Supervisory Board that misstatements in excess of EUR 1 million which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

LeasePlan, is at the head of a group of components. The financial information of this group is included in the consolidated financial statements of LeasePlan. The group of entities is engaged in fleet and vehicle management services, mainly through operating lease and is active in 32 countries. The group has a banking license in the Netherlands and operates a retail savings bank, through brand name LeasePlan Bank, in the Netherlands and in Germany. The group is supervised by the Dutch Central Bank and the Dutch Authority for the Financial Markets. The insurance activities of the group are centralised in its subsidiary Euro Insurances DAC in Ireland, supervised by the Irish Central Bank. The group is structured along the segments: Europe and the Rest of the World, each comprising of multiple entities and operating in different jurisdictions.

Group entities located in the Netherlands are audited by KPMG Accountants N.V. Group entities located abroad are audited by component auditors of KPMG Member firms. Because we are ultimately responsible for the opinion, we are responsible for directing, supervising and performing the group audit. We issued comprehensive audit instructions to all component auditors, prescribing the scope of the work to be performed, covering significant areas including the relevant risks of material misstatement and reporting requirements to be reported to us. In addition, on 9 and 10 November 2017, we hosted a global audit planning meeting for all partners and senior managers involved in the audit at group level and the significant components of the group. Purpose of this meeting was to discuss and agree our audit risk assessment and our global audit approach. Representatives of the LeasePlan organisation in finance, risk, tax and IT attended the meeting and provided an overview on the developments of the organisation.

We performed a full scope audit of all significant components. In addition, at the request of the Supervisory Board, we also performed full scope audits on the majority of the non-significant components and audit of specific account balances for one component. This resulted in a coverage of 99.0% of total revenues, 99.0% of profit before tax and 99.1% of total assets. The remaining 1.0% of revenues and 0.9% of total assets amongst other relates to investments accounted for using the equity method. For these remaining entities, we performed analytical procedures at the aggregated group level in order to corroborate our assessment that there are no significant risks of material misstatement.

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Hard close audit procedures were performed on the November 2017 financial reporting packages for all group entities, followed by year-end audit procedures. All resulting reports of the component auditors have been assessed by the group engagement team and observations have been discussed with group management. We visited significant components in the Netherlands, Spain, Germany, Ireland and the United Kingdom where we attended (closing) meetings with local management and performed a review of the audit files.

In addition, for the significant components in the United States, Denmark and Norway we held conference calls, performed file reviews and/or held physical meetings with the component auditors. During these visits, meetings and calls, the planning, risk assessment, procedures performed, findings and observations reported to the group auditor were discussed in more detail and any further work deemed necessary by the group audit team was then performed.

We have determined component materiality levels, which range from EUR 2 million to EUR 10 million, considering the size and financial statement risk profile of the LeasePlan entities and the aggregation risk.

The consolidation of the group, the disclosures in the financial statements and certain accounting topics that are performed at group level are audited by the group engagement team at the head office in Amsterdam, where central functions such as financial reporting & controlling, tax, risk management, strategic finance and group internal audit are located. The items audited by the group audit team, include, but are not limited to, assessment of the use of the going concern assumption, assessment of the necessity of a prospective depreciation adjustment or impairment on the carrying value of the vehicles leased out under operating lease, provision of cars in stock, goodwill impairment testing, management investment plan, incurred but not reported credit risk provision and recoverability of deferred tax assets, provisions for tax exposures and corporate income tax for the Dutch fiscal unity. In addition, in 2017 special attention was given to the implementation of the new accounting standards that will become effective as from book year 2018. The underlying models have been built centrally by LeasePlan and have been audited by our financial risk management specialists. The impact of the new standards is disclosed in the notes to the 2017 financial statements.

Because of the importance of the IT environment for the audit of the financial statements our IT auditors assessed the IT environment. We have tested General Information Technology Controls (GITC's) that are the policies and procedures used by the Group to ensure information technology operates as intended, provides reliable data for financial reporting purposes and to determine to what extent we can rely on programmed application controls. The IT environment of LeasePlan Information Services, LeasePlan Corporation, LeasePlan Bank and all LeasePlan entities has been assessed in the context of the audit of the financial statements.

We liaised with the group's internal audit department which performs on a rotational basis audits at corporate level and at LeasePlan entity level. Observations of the internal audit department are periodically discussed with us and their findings are shared with the component auditors.

By performing the procedures mentioned above at group components, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

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Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Audit Committee of the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

In line with last year we consider asset risk, revenue recognition lease contracts and IT transformation key audit matters.

Last year, we also included 'Change of ownership and restructuring provision' and the 'Estimation uncertainty related to litigation of LeasePlan Italy reported as contingent liability' as key audit matters. The key audit matter 'Change of ownership and restructuring provision' primarily related to the initial recognition and measurement of the restructuring provisions as per 31 December 2016. Based on the observations following our audit of the 2017 annual account we do not consider the subsequent measurement of the restructuring provision to be a key audit matter anymore. The key audit matter 'Estimation uncertainty related to litigation of LeasePlan Italy reported as contingent liability' related primarily to possible infringement of the EU competition law by all members of the Italian Car Leasing Association, including LeasePlan Italy. In April 2017 the Italian Competition Authority totally cleared the alleged infringements of antitrust rules and therefore we do not consider this to be a key audit matter anymore.

The key audit matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Asset risk - Estimation uncertainty with respect to the valuation of residual values included in the vehicles leased out under operating lease contracts

Description

LeasePlan' s portfolio of vehicles leased out under operating lease contracts amounts to EUR 16.7 billion as at 31 December 2017. These vehicles are measured at cost less accumulated depreciation and accumulated impairment losses. The accounting standards require management to assess the residual value and the useful life of an asset at least each financial year-end. Changes should either be accounted for as an impairment charge or as a change in accounting estimate through prospective depreciation.

The Group's Asset Risk committee is responsible for determining the policies and risk appetite in the asset risk domain, while the Asset Risk Management department is responsible for monitoring of the implementation of the policies and the actual performance of the reporting entities against the asset risk appetite. On a quarterly basis all reporting entities assess the estimated residual values of the existing operating lease portfolio by comparing contracted residual values to the latest expectations of market prices, by means of the so-called 'fleet risk assessment tool' (FRA tool). Certain aspects of this assessment require significant judgement such as the impact of technological developments, macro-economic circumstances and changing local laws and regulations on the residual value of vehicles.

Due to the significance of the operating lease portfolio and the related estimation uncertainty with respect to residual values, we consider the valuation of the vehicles leased out under operating leases a key audit matter. For more information, reference is made to general note R Impairment, the financial risk management paragraph and note 18 to the consolidated financial statements.

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Our response

Our audit approach included obtaining an understanding of the asset risk management framework as designed and implemented at group and reporting entity level.

In relation to the fleet risk assessment, we performed audit procedures which can be summarised as follows:

- At group level we tested the relevant IT controls in respect of the FRA tool and the underlying core leasing systems. We also analysed the main developments and trends resulting from the fleet risk assessment.
- At reporting entity level we reconciled the data used in the fleet risk assessments to underlying source systems and assessed the reasonableness of the valuation assumptions used as captured in FRA tool by comparing these on a sample basis to actual market data.
- We have evaluated and challenged management's periodic impairment assessment with a focus on impairments and impairment triggers existing, if any, at client lease contract level as cash generating unit. In this respect we have evaluated the information available through the FRA tool and other assumptions, data and information used by LeasePlan.
- We have specifically assessed that management actions and compensating elements as well as other risk bearing elements of the lease contract (i.e. repair, maintenance and tyre replacement), are included in the exposure, but excluded from the assessment of prospective depreciation at group level.
- Furthermore, we have tested the contracted residual values as included in the existing lease portfolio, by comparing these to recent actual sales results from terminated contracts. This procedure was performed at reporting entity level.

Our observation

Overall, we assess the assumptions used by management and related estimates resulted in a balanced valuation of the vehicles leased out under operating leases.

Revenue recognition – lease contracts

Description

Lease Plan's core business is managing the cycle of a fleet of vehicles from purchasing to leasing and car remarketing. Within this framework LeasePlan offers a range of bundled and stand-alone services as part of the lease contracts to meet the specific needs of clients. Apart from financing of vehicles, additional services are provided that include repair, maintenance, tyres, accident and fleet management, rental and insurance.

Any volume related bonuses related to expenses are credited directly to expenses. Purchase bonuses received on purchases of vehicles for operating lease contracts are deducted from the purchase consideration and result in lower depreciation, whereas for finance lease contracts these bonuses are immediately recognised as revenue.

The revenues and direct costs of the additional service elements in the lease contracts need to be recognised and considered on a separate basis, while the timing of the revenue recognition over the term and/or at the end of the contract of certain service elements can also be impacted by the selected pricing model, closed or open calculation. For closed calculation contracts the overall risk on the result, both positive and negative, is borne by LeasePlan. For open calculation contracts these risks are borne by the client whereas only under certain circumstances part of the positive result from the lease contract is shared with the client upon termination of the lease contract.

We specifically assess the timing of the revenue recognition related to the additional service elements on repair, maintenance and tyres as part of the Income Statement captions additional service income and additional service costs as complex and judgemental and have therefore addressed this aspect of revenue recognition as key audit matter.

For more information, reference is made to note 3 to the consolidated financial statements.

KPMG Accountants N.V., registered with the trade register in the Netherlands under number 33263683, is a member firm of the KPMG network of independent companies affiliated with KPMG International Cooperative ('KPMG International'), a Swiss entity.

Our response

Our audit approach included testing of internal controls around the various revenue streams and the direct costs of revenues, as well as substantive audit procedures to ensure the correct recording of all revenues and direct costs of revenues from lease contracts.

Our procedures focused on the adequacy and consistency of the accounting policies applied. In this context we paid particular attention to the accurate and complete recording of volume related bonuses around year-end (cut-off) and the revenue recognition over the term of the contract for closed calculation contracts in relation to additional services income that mainly relates to repair, maintenance and tyres (RMT). We specifically challenged management estimates in relation to the estimated margins for RMT services both at group and reporting entity level. We have evaluated the assumptions, data, and information systems used by LeasePlan for the timing of the revenue recognition and the consistency of the methodology applied within the Group, including the updated assumptions to better reflect the current circumstances of the portfolio performance and economic conditions.

We also tested the appropriateness of the cut-off of the lease revenues , the direct cost of revenues and related accruals for both open and closed calculation contracts.

Our observation

Overall we assess the revenue recognition of additional services included in lease contracts to be mildly cautious. In our reporting to the Managing and Supervisory Board we have shared our recommendations to reduce reliance on spreadsheets for this critical revenue stream and to improve consistency of the application of the service income accounting policy across all reporting entities and to improve central monitoring of margins realised in relation to RMT services.

Effectiveness of IT management

Description

LeasePlan is highly dependent on its IT-infrastructure for the reliability and continuity of its operations and financial reporting. As part of the One LeasePlan initiatives an IT Transformation has been initiated, that includes a new operating model, a new target IT infrastructure and a new IT application landscape. The role out of the new contract management system Core Leasing Solution (CLS) started in the Netherlands in October 2017. Management considers CLS as the heart of the IT transformation as it is meant to deliver one common leasing platform for the group as a whole. Other key initiatives in 2017 include the outsourcing of the new (CLS) and existing contract management system (NOLS) to a third-party service provider: HCL.

Due to the dependency on IT, the impact of the ongoing IT transformation on the control environment and the outsourcing initiatives we have identified the effectiveness of IT management as part of the general IT controls as a key audit matter.

Our response

Because of the importance of the IT environment for our audit of the financial statements we performed a Shared Service Centre Audit at LeasePlan Information Services ('LPIS'), also in relation to the changing role of LPIS in 2017 and significantly reduced workforce due to the outsourcing. We reported our findings to our local auditors at reporting entity level where relevant. Our local IT auditors assessed the impact of the central changes and tested the reliability and continuity of the IT environment for systems hosted and managed locally. Central and local testing was performed within the scope of our audit of the 2017 financial statements.

To assess the impact of the CLS implementation and related risks for our audit we had multiple meetings with the CIO and Group Internal Audit to discuss their activities and findings with respect to the CLS implementation, governance and data migration. Where needed we updated our approach following the changes due to the transformation and outsourcing.

As the outsourcing of core IT management activities in 2017 was in progress we could still perform direct testing and did not need to rely on third parties.

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Our observation

We identified both centrally and locally exceptions with respect to user access and change management. The combination of the tests of controls and additional substantive tests performed however provided sufficient evidence to enable us to rely on the continued operation of the IT systems for the purpose of our audit.

In 2018 more countries are planned to migrate to CLS and HCL's role will become more important as being part of the control environment of LeasePlan. In our reporting to the Managing Board we provided recommendations for improvements to the IT controls and governance.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- chapters from 'At a glance' up to 'Governance'; and
- chapters 'Other Information' and 'Glossary'.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements; and
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The Managing Board is responsible for the preparation of the other information, including the information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the resolution at the General Meeting of Shareholders as auditor of LeasePlan on 21 September 2015. Our appointment for the audit for the year 2017 has been reconfirmed at the Audit Committee on 22 March 2017.

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No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audits of public-interest entities.

Description of responsibilities regarding the financial statements

Responsibilities of the Managing Board and the Supervisory Board for the financial statements

The Managing Board is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code.

Furthermore, the Managing Board is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Managing Board is responsible for assessing the LeasePlan's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Managing Board should prepare the financial statements using the going concern basis of accounting unless the Managing Board either intends to liquidate the LeasePlan or to cease operations, or has no realistic alternative but to do so. The Managing Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

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A further description of our responsibilities for the audit of the financial statements is located at the website of de ‘Koninklijke Nederlandse Beroepsorganisatie van Accountants’ (NBA, Royal Netherlands Institute of Chartered Accountants) at: http://www.nba.nl/ENG_oob_01.

This description forms part of our auditor’s report.

Amstelveen, 22 March 2018

KPMG Accountants N.V.

D. Korf RA

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19. GLOSSARY

AFM The Dutch Authority for the Financial Markets (AFM) has been responsible for supervising the operation of the financial markets since 1 March 2002

CaaS LeasePlan purchases, funds and manages vehicles for its customers, providing a complete end-to-end service through its Car-as-a-Service (CaaS) business for a typical contract duration of three to four years

CAGR Compound Annual Growth Rate

CLS The SAP-based Core Leasing System (CLS) re-engineers the IT backbone of the Group and harmonizes processes across all countries

DNB The Dutch Central Bank (De Nederlandsche Bank N.V.)

Digital Power of One LeasePlan This programme aims to move the Group towards becoming a data driven company delivering digital car services at digital cost levels steered by the latest digital technology of data analytics, artificial intelligence and algorithms

EU-12 Austria, Belgium, Czech Republic, Denmark, Finland, Greece, Hungary, Norway, Portugal, Poland, Sweden and Switzerland

EU-18 EU-6 together with EU-12

EU-6 France, Germany, Italy, Spain, the Netherlands and the United Kingdom

FMCs Fleet management companies

ICE Internal combustion engine

LCV Light commercial vehicles

OEMs Vehicle original equipment manufacturers

PV Passenger vehicle

RMT Repair, maintenance and tyres

RV Residual value of a vehicle

LeasePlan Bank The online retail deposit bank operated by LeasePlan Corporation N.V. under a banking license from DNB

Power of one LeasePlan Power of one LeasePlan is our operational improvement programme via which we have created a fully integrated operating model. This initiative enables us to leverage the strength of our organisation across all LeasePlan countries, the value chain and our functional competencies

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