Pillar 3 report 2017

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1 Introduction

1.1 General

The Capital Requirements Regulation (CRR) is published under reference number 575/2013 on 26 June 2013 in the Official Journal of the European Union and is in force as of 27 June 2013, while the supervised entities within its scope are subject to it as of 1 January 2014. The CRR is directly applicable within the European Union and is not transposed into national law. Much of the CRR is derived from the Basel III standards issued by the Basel Committee on Banking Supervision (BCBS).

The Basel III framework is built on three pillars:

Pillar 1 – defines the rules and regulations for calculating risk-weighted assets (RWA) or total risk exposure amount (TREA), throughout this document both terms are being used, and regulatory minimum capital and liquidity requirements.

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

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

This Pillar 3 report has been prepared in accordance with CRR, Part 8 Title II and III, article 435-455. Pillar 3 recognises that market discipline has the potential to reinforce capital regulation and other supervisory efforts to promote safety and soundness in banks and financial systems. In accordance with CRR article 431.3, LeasePlan has adopted a formal policy promoting compliance with the disclosure requirements.

This Pillar 3 report is further based on the BCBS standards for the "Pillar 3 disclosure requirements – consolidated and enhanced framework" of March 2017.

LeasePlan does not disclose information regarded as non-significant, proprietary or confidential. Confidentiality of business information could potentially create a conflict with LeasePlan's aim to provide all beneficial information for its main stakeholders. Where such confidentiality becomes a potential issue, the disclosures may be limited to qualitative information only. Information shall be regarded as confidential if there are obligations to customers or other counterparty relationships binding LeasePlan to confidentiality.

Information in disclosures shall be regarded as material if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions.

Information shall be regarded as proprietary to an institution if disclosing it publicly would undermine its competitive position. It may include information on products or systems which, if shared with competitors, would render an institution's investments therein less valuable.

1.2 Scope of application

This Pillar 3 report is prepared at sub-consolidated level, being LeasePlan Corporation N.V. (LeasePlan). Looking through the levels of consolidation, from a risk, regulatory reporting, control and governance perspective, LeasePlan concludes that the outcome of the capital adequacy assessment of LeasePlan and its entities is not materially different to the outcome of such assessment at consolidated (LP Group B.V., LeasePlan's 100% shareholder and solo level (LeasePlan Corporation N.V., licensed undertaking).

From a risk perspective, all levels of consolidation are exposed to the same set of main business risks, i.e. residual value and credit risks as well as liquidity risk and LeasePlan Corporation N.V. either provides or guarantees the LeasePlan entities' liabilities.

From a regulatory reporting perspective, LeasePlan Corporation N.V. and all LeasePlan entities are included in the consolidation of LP Group B.V. and are covered by the scope of the consolidated supervision by the Dutch Central Bank (DNB). From a control and governance perspective, LeasePlan Corporation N.V., as parent entity, ensures prudent operation of the LeasePlan entities. The LeasePlan entities are integrated into the overall risk management framework and are required to operate within the risk appetite. LeasePlan Corporation N.V. has all voting rights in the material LeasePlan entities and is entitled to appoint or dismiss the LeasePlan entities' management. For further detail references is made to note 1 and note 20 of the Consolidated Financial Statements.

The starting point of the CRR/CRD IV prudential scope of application is the consolidation scope of LeasePlan, according to the International Financial Reporting Standards (IFRS). Whenever reference is made to "LeasePlan" or "the Group" reference is made to the same scope of consolidation as disclosed in the Annual Report. For an overview of the principal subsidiaries of LeasePlan Corporation N.V. reference is made to "Specific Notes", note 1 - Country to country reporting and "List of principal consolidated participating interests" of the Annual Report 2017. When "LeasePlan Corporation" is mentioned, only the parent company of the Group on a stand-alone basis, LeasePlan Corporation N.V., is referred to.

1.3 Frequency

LeasePlan's Pillar 3 report is prepared at least on an annual basis and is published on LeasePlan's website (**www.leaseplan.com**), at the same time the Annual Report is published. LeasePlan's remuneration report is part of this Pillar 3 report.

1.4 Assurance

Internal Audit conducts agreed upon procedures to provide management and the Board with findings related to the adequacy and effectiveness of the controls over the production of the Pillar 3 disclosures.

1.5 Report structure

The Pillar 3 report follows the disclosure requirements in accordance with CRR Part 8 Title II, article 435-455. This report should be read in conjunction with the Annual Report in which LeasePlan's risk profile is disclosed based on IFRS disclosure requirements, Title 9 BW2 (Burgerlijk Wetboek / the Dutch Civil Code) and RJ400 (Raad voor de Jaarverslaggeving / Dutch Accounting Standard Board). In section 1.6 of this report LeasePlan mapped the CRRarticles with the sections of the Pillar 3 report and the Annual Report. All tables are as per December and in millions of euros, unless stated otherwise and with the exception of the tables included in the remuneration section; rounding differences in table totals are to be considered non-significant.

In this report LeasePlan covers its Pillar 1 risks: credit risk, operational risk and market risk (including asset risk). In addition, LeasePlan provides additional details regarding Interest Rate Risk in the Banking Book (IRRBB), capital and leverage ratios, capital buffers, asset encumbrance, human resource management (remuneration, diversity, directorships held by managing board members) and securitisation transactions.

1.6 Reference table

In the table below reference is made to the section of the Pillar 3 report and/or Annual Report where the required disclosure can be found:

Article	Disclosure	Pillar 3	Annual Report[1)]
435	Risk management objectives and policies	Section 2 and 3	FRM: Section B
436	Scope of application	Section 1.2	Not applicable
437	Own funds	Section 5	FRM: Section A
438	Capital requirements	Section 6	FRM: Section A
439	Exposure to counterparty credit risk	Section 6.3.8	FRM: Section E
440	Capital buffers	Section 6.2	FRM: Section A
441	Indicators of global systemic importance	Not applicable	Not applicable
442	Credit risk adjustments	Section 6.3.4	FRM: Section E
443	Unencumbered assets	Section 7.1	FRM: Section E
444	Use of ECAIs	Section 6.3.6	Not applicable
445	Exposure to market risk	Section 6.4	FRM: Section D, E
446	Operational risk	Section 6.5	FRM: Section D
447	Exposures in equities not included in the trading book	Section 6.3.9	SN: 20
448	Exposure to interest rate risk on positions not included in the trading book	Section 7.2	FRM: Section E
449	Exposure to securitisation positions	Section 7.3	SN: 12, 18, 26, 27 NCFS: 14
450	Remuneration policy	Section 8	Remuneration
451	Leverage	Section 5.2	Not applicable
452	Use of the IRB Approach to credit risk	Section 6.3.7	FRM: Section E
435	Use of credit risk mitigation techniques	Section 6.3.5	FRM: Section E
453	Use of the Advanced Measurement Approaches to operational risk	Section 6.5	FRM: Section D
454	Use of Internal Market Risk Models	Section 6.4	FRM: Section E

Table 1: Reference table between CRR articles and Pillar 3 / Annual Report

1) Financial Risk Management (FRM), Specific Notes (SN), Notes to the company financial statements (NCFS)

2 Risk Management governance

2.1 Governance aspects

LeasePlan's risk management framework is composed of various components which support and sustain risk management throughout the organisation. These components can be classified into two types: foundations and organisational arrangements. Foundations include policies, objectives and goals, mandates, and commitment. Organisational arrangements include plans, reporting relationships, accountabilities, resources, processes and activities used to manage risk exposures.

Every key risk is managed through an individual risk framework, approved by the Managing Board. Each risk area framework details the specific risk environment, strategy and objectives, risk appetite targets and tolerance levels, policies and guidelines and the roles and responsibilities of staff and risk committees.

LeasePlan's main risk management activities comprise risk profile identification, risk appetite setting, risk and control assessment, and a feedback link to the overall strategy via measurement, monitoring and reporting. The Managing Board has implemented corporate risk policies for all LeasePlan entities pursuant to LeasePlan's risk management strategy. The policies describe the minimum activities, controls and tools that must be in place within all LeasePlan 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 management responsibilities in the different risk control phases are delegated by the Managing Board to the corporate risk management department, the corporate risk committees and local (risk) management.

In line with banking industry best practice and the EBA Guidelines on Internal Governance, LeasePlan's risk management is based on three lines of defence principles that are supported by investments in information technology and people.

Disclosures regarding risk management objectives, strategies, processes, policies, organisation and committee structure and reporting and information flows, are further detailed per risk area in the Annual Report. In this respect reference is made to the Financial Risk Management chapter, sections B - I of the Annual Report.

2.2 Management declaration

The Managing Board of LeasePlan Corporation N.V. declares that the risk management systems put in place are adequate with regard to LeasePlan's profile and strategy.

3 Other governance arrangements

3.1 Managing Board biographies including directorships

The following table shows the number of directorships held by members of the Managing Board:

	Supervisory Board positions	Other positions
Chief Executive Officer	1	-
Chief Financial Officer	-	-
Chief Operational Officer Europe	-	-
Chief Risk Officer	-	-
Chief Strategic Finance and Investor Relations Officer	-	-

For the disclosures in accordance with CRR 435.2 sub b reference is made to the Annual Report section Leadership team.

3.2 Diversity policy

LeasePlan's approach to diversity is built on the following principles:

- Increasing the representation of women in senior leadership globally. At LeasePlan we have a high proportion of female employees; representation of female employees in top-management positions has recently improved. We are happy to report that the Managing Board of LeasePlan Corporation N.V. consists of three male representatives and two female representatives (compared to four male representatives in the previous year). LeasePlan's Supervisory Board consists of five male and two female representatives;
- Providing equal opportunities for all. This includes, but is not limited to, access to relevant experience-based learning, mentoring and networking;
- Maintaining an inclusive and supportive work environment by evolving and providing access to progressive work/life balance and flexibility practices and programmes.

Furthermore, the following five guidelines drive LeasePlan's approach to diversity and inclusion:

1. LeasePlan is committed to attracting and retaining the finest talent as this ensures top business performance and delivers a competitive advantage;
2. We recruit from all cultural, linguistic and national backgrounds as this allows us to meet the clients' needs, whilst also providing us with valuable knowledge for understanding complex markets;
3. LeasePlan assesses the merits of all employees fairly and objectively and we treat all people with respect and dignity;
4. LeasePlan strives to create and foster a supportive and understanding environment in which all individuals, regardless of their differences, can realise their full potential;
5. We believe that diversity and inclusion management benefits individuals, teams, the company as a whole, and clients.

4 Reconciliation Annual Report and Pillar 3

In the tables below LeasePlan provides a reconciliation between the Annual Report and the Pillar 3 disclosure requirements, providing additional details regarding the differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories.

As per 31 December 2017, in millions of euros	**Carrying value as reported in published financial statements**	**Carrying value under scope of regulatory consolidation**	**Subject to credit risk framework**	**Subject to counterparty credit risk framework**	**Subject to securitisation framework**	**Subject to market risk framework**	**Not subject to capital requirements or subject to deduction from capital**
Assets							
Cash and balances at central banks	2,349	2,349	2,349	-	-	-	-
Receivables from financial institutions	547	547	547	-	-	-	-
Derivative financial instruments	103	103	-	103	-	-	-
Other receivables and prepayments	1,179	1,179	1,179	-	-	-	-
Inventories	385	385	385	-	-	-	-
Loans to investments accounted for using the equity method	141	141	141	-	-	-	-
Corporate income tax receivable	33	33	33	-	-	-	-
Lease receivables from clients	3,261	3,261	3,261	-	-	-	-
Property and equipment under OL& rental fleet	16,709	16,709	16,709	-	-	-	-
Other property and equipment	94	94	94	-	-	-	-
Investments accounted for using the equity method	13	13	13	-	-	-	-
Intangible assets	186	186	-	-	-	-	186
Deferred tax assets	122	122	74	-	-	-	48
Assets classified as held for sale	20	20	20	-	-	-	-
Total assets	**25,142**	**25,142**	**24,805**	**103**	**-**	**-**	**234**

Table 2: Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories

As per 31 December 2017, in millions of euros	**Total**	**Items subject to:**			
		Credit risk framework	**Counterparty credit risk framework**	**Securitisation framework**	**Market risk framework**
Assets carrying value amount under scope of regulatory consolidation	**24,908**	**24,805**	**103**	**-**	**-**
Liabilities carrying value amount under regulatory scope of consolidation	-	-	-	-	-
Total net amount under regulatory scope of consolidation	**24,908**	**24,805**	**103**	**-**	**-**
Off-balance sheet amounts	2,338	2,338	-	-	-
Differences in valuation	139	- 5	144	-	-
Differences due to different netting rules	- 38	-	- 38	-	-
Differences due to consideration of provisions	-	-	-	-	-
Differences due to prudential filters	-	-	-	-	-
Exposure amounts considered for regulatory purposes	**27,347**	**27,138**	**209**	**-**	**-**

Table 3: Flow statement exposure amounts considered for regulatory purposes

5 Own funds and leverage

5.1 Own funds

Composition of capital and risk exposure amounts	2017	2016	Delta
As per 31 December, in millions of euros			
Share capital and share premium	578.0	578.0	-
Other reserves	-51.1	-9.7	-41.4
Retained earnings	2,697.1	2,507.4	189.7
Total equity	**3,224.0**	**3,075.7**	**148.3**
Deduction of net result for the year	-466.6	-425.5	-41.1
Eligible results	466.6	425.5	41.1
Forseeable dividend	-120.1	-112.0	-8.1
Prudential filter m-t-m derivatives	0.8	4.0	-3.2
Deduction of intangible assets	-185.7	-174.2	-11.5
Deduction of deferred tax assets	-48.0	-26.2	-21.8
AIRB provision shortfall	-22.0	-26.1	4.1
Prudential valuation adjustment	-0.1	-0.2	0.1
Common Equity Tier 1 (CET 1) capital	**2,848.8**	**2,741.0**	**107.8**
Risk-weighted lease assets	10,329.7	9,621.8	707.9
Risk-weighted other assets	2,466.7	2,216.0	250.7
On balance risk-weighted assets	**12,796.4**	**11,837.8**	**958.6**
Other risk exposure amounts	2,941.8	3,612.7	-670.9
Total risk exposure amount	**15,738.1**	**15,450.5**	**287.6**
Common Equity Tier 1 ratio	**18.1%**	**17.7%**	**-**

Table 4: Breakdown of LeasePlan's CET 1 capital and RWA/TREA

Capital position
LeasePlan's capital position is solid. LeasePlan's CET 1 ratio as per December 2017 shows an improvement compared to year-end 2016 and remained firmly above the regulatory capital requirements at 18.1% (2016: 17.7%).

LeasePlan changed the Pillar 1 methodology for foreign exchange (FX risk) as of February 2017. If the new FX approach would have been applied for year-end 2016, the CET 1 ratio as per 31 December 2016 would have been 18.4%.

During 2017 LeasePlan further invested in the development of an advanced (Pillar 2) capital approach for residual value risk, further leveraging investments previously made in this respect. Based on the 2017 Internal Capital Adequacy Assessment Process (ICAAP), LeasePlan concludes that it is well capitalised and resilient to future plausible stress scenarios. This conclusion is based on LeasePlan's internal control framework and LeasePlan's capital assessment methodologies.

CET 1 capital as per the end of December 2017 (EUR 2,849 million) increased with 3,9% compared to year-end 2016, mainly resulting from an increase of eligible interim profits, under deduction of foreseeable dividends. Approval to include interim results as part of CET 1 capital, under deduction of foreseeable dividends, has been obtained up till the fourth quarter of 2017.

In addition, the TREA, compared to 2016, on a net basis increased by 1.9% during 2017. This increase is mainly related to the lease contract portfolio; resulting from a combination of movements in asset size (future lease payments and residual values of new clients and growth of existing clients), foreign exchange differences and a decrease in the rounded maturity of lease contracts. For more details on the TREA, reference is made to section 6.3.8.

5.2 Leverage ratio

The leverage ratio is calculated on the basis of the requirements of CRR/CRD IV. The fully loaded leverage ratio as per 31 December 2017 is 10.2% (2016: 10.5%), whereas the regulatory minimum level of the leverage ratio is 3.0%. In accordance with CRR article 451, a breakdown of the leverage ratio components is provided in the following three tables.

Summary reconciliation of accounting assets and leverage ratio exposures		**2017**	**2016**
As per 31 December, in millions of euros			
1	Total assets as per published financial statements	25,142	23,787
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-	-
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013)	-	-
4	Adjustments for derivative financial instruments	103	154
5	Adjustment for securities financing transactions (SFTs)	-	-
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	2,334	2,248
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013)	-	-
EU-6b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013)	-234	- 200
7	Other adjustment	-53	- 71
8	**Leverage ratio total exposure measure**	**27,292**	**25,918**

Table 5: Summary reconciliation of accounting assets and leverage ratio exposures - LRSum

Leverage ratio common disclosure		2017	2016
As per 31 December, in millions of euros			
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	24,983	23,562
2	(Asset amounts deducted in determining Tier 1 capital)	-234	- 200
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**24,749**	**23,362**
Derivative exposures			
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	65	154
5	Add-on amounts for PFE associated with all derivatives transactions (mark- to-market method)	143	154
EU-5a	Exposure determined under Original Exposure Method	-	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-
8	(Exempted CCP leg of client-cleared trade exposures)	-	-
9	Adjusted effective notional amount of written credit derivatives	-	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
11	**Total derivatives exposures (sum of lines 4 to 10)**	**209**	**308**
SFT exposures			
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	-	-
12a	Gross SFT assets (with no recognition of netting)	-	-
12b	Adjustments for sales accounting transactions	-	-
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
14	Counterparty credit risk exposure for SFT assets	-	-
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No 575/2013	-	-
15	Agent transaction exposures	-	-
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	-	-
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**-**	**-**
Other off-balance sheet exposures		**-**	**-**
17	Off-balance sheet exposures at gross notional amount	2,334	2,275
18	(Adjustments for conversion to credit equivalent amounts)	-	- 27
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	**2,334**	**2,248**

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Leverage ratio common disclosure		**2017**	**2016**
As per 31 December, in millions of euros			
Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)			
EU-19a	(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	-	-
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	-	-
Capital and total exposure measure			
20	**Tier 1 capital**	**2,777**	**2,741**
21	**Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**27,292**	**25,918**
Leverage Ratio			
22	**Leverage Ratio**	**10.2%**	**10.5%**
Choice on transitional arrangements and amount of derecognised fiduciary items			
EU-23	Choice on transitional arrangements for the definition of the capital measure	-	-
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	-	-

Table 6: Leverage ratio common disclosure - LRCom

Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)		**2017**	**2016**
As per 31 December, in millions of euros			
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**24,983**	**23,562**
EU-2	Trading book exposures	-	-
EU-3	**Banking book exposures, of which:**	**24,983**	**23,562**
EU-4	Covered bonds	-	-
EU-5	Exposures treated as sovereigns	2,832	2,666
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	-	-
EU-7	Institutions	616	751
EU-8	Secured by mortgages of immovable properties	-	-
EU-9	Retail exposures	559	1,933
EU-10	Corporate	7,365	16,256
EU-11	Exposures in default	35	47
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	13,575	1,909

Table 7: Split-up of on balance sheet exposures - LRSpl

5.3 Liquidity

5.3.1 Liquidity risk management

For further details regarding liquidity risk management reference is made to the Financial Risk Management chapter, section E of the Annual Report.

5.3.2 Liquidity Coverage Ratio (LCR)

The liquidity Coverage Ratio (LCR) as per 31 December 2017 is 242%, whereas the regulatory minimum level of the leverage ratio is 100%. A breakdown of the liquidity Coverage Ratio components is provided in the following table.

Liquidity Coverage Ratio common disclosure	**Total unweighted value (average)**	**Total weighted value (average)**
As per 31 December 2017, in millions of euros		
High-quality liquid assets (HQLA)		
Total HQLA	-	2,351
Cash outflows		
Retail deposits and deposits from small business customers, of which:	-	-
Stable deposits	-	-
Less stable deposits	3,323	332
Unsecured wholesale funding, of which:	-	-
Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-
Non-operational deposits (all counterparties)	4	2
Unsecured debt	-	-
Secured wholesale funding	-	24
Additional requirements, of which:	-	-
Outflows related to derivative exposures and other collateral requirements	217	217
Outflows related to loss of funding on debt products	-	-
Credit and liquidity facilities	29	3
Other contractual funding obligations	619	614
Other contingent funding obligations	289	289
TOTAL CASH OUTFLOWS	-	1,481
Cash inflows	-	-
Secured lending (eg reverse repos)	-	-
Inflows from fully performing exposures	547	490
Other cash inflows	21	21
TOTAL CASH INFLOWS	568	511

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Liquidity Coverage Ratio common disclosure	Total unweighted value (average)	Total weighted value (average)
Liquidity Coverage Ratio common disclosure		Total adjusted value
As per 31 December 2017, in millions of euros		
Total HQLA	**-**	**2,351**
Total net cash outflows	-	970
Liquidity Coverage Ratio (%)	**-**	**242%**

Table 8: Liquidity Coverage Ratio common disclosure

6 Capital requirements

6.1 Minimum capital requirements

Under the CRR/CRD IV regime, LeasePlan is required to calculate capital for credit risk, counterparty credit risk, market risk and operational risk. LeasePlan is, however, not exposed to market risk in the trading book as LeasePlan does not maintain trading or investment books.

For corporate counterparties LeasePlan has an internal rating system in place segmented into 14 non-default rating classes. LeasePlan's rating scale, which is shown in section 6.3.6, 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 renewed when necessary. For this purpose LeasePlan monitors on a quarterly basis whether the performance of the models meets internal and external requirements. The models are validated on an annual basis. LeasePlan's internal ratings scale for corporate counterparties and mapping of external ratings are specified in section 6.3.6.

LeasePlan also applies internal models to determine the credit risk of retail exposures in the United Kingdom and the Netherlands. Where LeasePlan uses internal models to determine the credit rating of a counterparty, capital is calculated based on Advanced Internal Rating Based (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.
- Loss given default - being the expected loss to incur at the moment of a default.
- Exposure at default - is the expected exposure amount when a client goes into default.
- Remaining maturity - the contractual remainder of the lease contract.

For government, bank and remaining retail customers' counterparty exposures, LeasePlan does not use internal models, as development of internal models for these exposure classes is not cost-effective based on LeasePlan's relatively low exposures to those counterparties. The credit rating of these exposures is determined based on external ratings being the lowest rating of either Standard & Poor's or Moody's. For the determination of the risk-weight of these exposures LeasePlan applies the standardised approach (which prescribes fixed percentages for risk weighting depending on characteristics and conditions of the exposure) to determine capital requirements.

For FX risk, as part of market risk, LeasePlan's exposures are calculated as the absolute mismatch between LeasePlan's overall ratio and the capital adequacy ratios of the foreign currency entities.

In respect of operational risk, LeasePlan uses the Advanced Measurement Approach (AMA). The required capital for operational risk is obtained from the outcome of models that track historic losses and anticipate potential low frequency and high-risk events. The models calculate the capital that is required to cover the operational loss LeasePlan could incur under extreme circumstances. LeasePlan has developed the capital models in use based on the requirements set out by the EBA.

LeasePlan regularly monitors the performance of AMA and AIRB models against predetermined limits. In the case of underperformance, the models are redeveloped and externally validated prior to implementation.

The following table illustrates the breakdown of RWA/TREA:

As per 31 December, in millions of euros	2017 RWA	2016 RWA	2017 Minimum capital requirement
Credit risk (excluding counterparty credit risk)	**13,690**	**12,700**	**1,095**
Of which: standardised approach (SA)	4,527	4,130	362
Of which: foundation internal ratings-based (F-IRB) approach	-	-	-
Of which: supervisory slotting approach	-	-	-
Of which: advanced internal ratings-based (A-IRB) approach	9,164	8,570	733
Counterparty credit risk (CCR)	**98**	**118**	**8**
Of which: standardised approach for counterparty credit risk	98	118	8
Of which: Internal Model Method (IMM)	-	-	-
Of which: other CCR	-	-	-
Credit valuation adjustment (CVA)	**38**	**66**	**3**
Equity positions in banking book under market-based approach	**-**	**-**	**-**
Equity positions under the simple risk weight approach	**-**	**-**	**-**
Equity investments in funds – look-through approach	**-**	**-**	**-**
Equity investments in funds – mandate-based approach	**-**	**-**	**-**
Settlement risk	**-**	**-**	**-**
Securitisation exposures in banking book	**-**	**-**	**-**
Of which: securitisation internal ratings-based approach (SEC-IRBA)	-	-	-
Of which: securitisation external ratings-based approach (SEC-ERBA), including internal assessment approach (IAA)	-	-	-
Of which: securitisation standardised approach (SEC-SA)	-	-	-
Market risk	**397**	**1,051**	**32**
Of which standardised approach (SA)	397	1,051	32
Of which internal model approaches (IMM)	-	-	-
Capital charge for switch between trading book and banking book	-	-	-
Operational risk	**1,515**	**1,515**	**121**
Amounts below the thresholds for deduction (subject to 250% risk weight)	**-**	**-**	**-**
Floor adjustment	**-**	**-**	**-**
Total	**15,738**	**15,450**	**1,259**

Table 9: Overview of RWA/TREA and Minimum capital requirement

In monitoring the adequacy of capital, LeasePlan constantly reviews the development in risk-weighted exposures on the one hand and the development in eligible capital on the other hand. The eligible capital will normally grow with profits realised and retained.

The CET 1 ratio of LeasePlan is fully loaded, meaning LeasePlan does not apply the phase-in options for the deduction of deferred tax assets and intangible assets.

6.2 Capital buffers

6.2.1 Countercyclical capital buffer

As per 31 December 2017 LeasePlan holds 0.10% (EUR 15.7 million) of its TREA (EUR 15.7 billion) as countercyclical capital buffer. The geographical distribution of LeasePlan's credit exposures, in accordance with CRR article 440, is presented in the table on the next page.

Countries	**General credit exposures**		**FX exposures**		**Securitisation positions**		**Own fund requirements**					**CCB%**
As per 31 December 2017, in thousands of euros	Exposure values for SA	Exposure values for IRB	Sum of long and short positions of FX exposures for SA	Values of FX exposures for internal models	Exposure values for SA	Exposure values for IRB	Of which: General credit exposures	Of which: FX exposures	Of which: Securitisation exposures	Total	Weights	
Australia	212,847	343,215	57,945	-	-	-	12,839	4,636	-	17,474	0.04	0.00%
Austria	88,235	136,112	-	-	-	-	5,808	-	-	5,808	0.01	0.00%
Belgium	214,974	343,654	-	-	-	-	13,684	-	-	13,684	0.02	0.00%
Brazil	20,255	43,516	2,894	-	-	-	2,315	232	-	2,547	0.01	0.00%
Canada	16,574	-	-	-	-	-	1,326	-	-	1,326	0.00	0.00%
Czech Republic	72,819	120,532	9,543	-	-	-	4,976	763	-	5,739	0.02	0.01%
Denmark	57,463	272,520	51,020	-	-	-	5,322	4,082	-	9,403	0.01	0.00%
Finland	56,769	179,388	-	-	-	-	2,566	-	-	2,566	0.00	0.00%
France	734,518	533,324	-	-	-	-	46,560	-	-	46,560	0.08	0.00%
Germany	426,238	557,057	-	-	-	-	26,253	-	-	26,253	0.05	0.00%
Greece	89,103	104,996	-	-	-	-	7,160	-	-	7,160	0.01	0.00%
Hungary	37,706	60,458	10,027	-	-	-	3,465	802	-	4,267	0.01	0.00%
India	22,809	52,189	32,994	-	-	-	3,119	2,640	-	5,759	0.01	0.00%
Ireland	85,245	92,969	-	-	-	-	6,301	-	-	6,301	0.01	0.00%
Italy	1,111,334	535,464	-	-	-	-	69,038	-	-	69,038	0.13	0.00%
Japan	-	-	-	-	-	-	-	-	-	-	-	0.00%
Luxembourg	57,701	52,974	-	-	-	-	3,675	-	-	3,675	0.01	0.00%
Malaysia	-	-	1,434	-	-	-	-	115	-	-	0.01	0.00%
Mexico	7,775	59,454	7,007	-	-	-	1,581	561	-	2,141	0.09	0.00%
Netherlands	733,068	971,468	-	-	-	-	50,187	2,905	-	50,187	0.02	0.00%
New Zealand	43,350	64,472	36,314	-	-	-	3,680	562	-	6,585	0.04	0.00%
Norway	284,631	261,911	7,030	-	-	-	15,186	-	-	15,748	-	0.06%
Poland	93,417	136,361	29,176	-	-	-	6,773	2,334	-	9,107	0.02	0.00%
Portugal	346,998	420,092	-	-	-	-	19,809	-	-	19,809	0.04	0.00%
Romania	19,145	64,064	-	-	-	-	2,456	-	-	2,456	0.00	0.00%
Russia	6,227	24,686	19,024	-	-	-	865	1,522	-	2,387	0.01	0.00%
Spain	286,590	395,608	-	-	-	-	30,389	-	-	30,389	0.06	0.00%
Slovakia	8,868	48,136	-	-	-	-	1,389	-	-	1,389	0.00	0.00%
Sweden	107,689	163,304	1,200	-	-	-	6,481	96	-	6,577	0.02	0.03%
Switzerland	33,862	130,717	9,708	-	-	-	2,471	777	-	3,248	0.01	0.00%
Turkey	198,315	155,684	3,389	-	-	-	13,440	271	-	13,711	0.02	0.00%
UAE	-	12,142	12,145	-	-	-	2,428	972	-	3,400	0.00	0.00%
UK	912,759	656,223	35,388	-	-	-	65,903	2,831	-	68,734	0.16	0.00%
US	239,952	1,441,913	3,271	-	-	-	39,000	261	-	39,262	0.09	0.00%
Other	-	-	-	-	-	-	-	-	-	-	-	0.00%
Total	**6,627,237**	**8,434,602**	**329,510**	**-**	**-**	**-**	**476,447**	**26,361**	**-**	**502,808**	**1**	**0.10%**

Table 10: Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer[1]

[1] In accordance with CRR article 140 (4) the table only includes credit exposures that are relevant for the calculation of the institution specific countercyclical capital buffer. Effectively this means that exposures to governments and institutions are excluded. In addition, LeasePlan does not hold a trading book. The market exposures are related to FX exposures

6.2.2 Capital conservation buffer

As per 31 December 2017 and for the year 2018, LeasePlan's capital conservation buffer consists of CET 1 capital equal to 1.875% (EUR 295 million) of its TREA (EUR 15.7 billion), in accordance with CRR article 92 and 160.

6.3 Credit risk

This section contains the disclosures regarding credit risk in accordance with CRR articles 439, 442, 447, 452 and 453.

6.3.1 Credit quality of assets

The following table shows the split of exposures in default and non-default with deduction of allowances and impairments:

As per 31 December 2017, in millions of euros	Gross carrying values of			
	Defaulted exposures	**Non-defaulted exposures**	**Allowances/ impairments**	**Net values**
Loans	25.3	20,537.0	-37.3	**20,525.0**
Debt Securities	-	-	-	-
Off-balance sheet exposures	-	1,973.0	-	-
Total	**25.3**	**22,510.0**	**-37.3**	**20,525.0**

Table 11: Carrying values of loan and off-balance sheet exposures

Loans comprise of lease portfolio, trade receivables and loans to LeasePlan entities and third parties. Off-balance sheet exposures represent the commitments on replacement of the lease portfolio.

6.3.2 Default definition

For purposes of assessing, recognising and reporting defaults, LeasePlan 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 LeasePlan'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) and the loss given default of corporate counterparties is somewhat higher.

As per 31 December 2017, in millions of euros	
Defaulted loans and debt securities at end of the previous reporting period	**40**
Loans and debt securities that have defaulted since the last reporting period	44
Returned to non-defaulted status	- 26
Amounts written off	- 21
Other changes	-
Defaulted loans and debt securities at end of the reporting period	**37**

Table 12: Changes in defaulted loans

6.3.3 Additional disclosures related to the credit quality of assets

Past due and impaired exposures

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

When a leasing client is considered to be in default, LeasePlan calculates its exposure by aggregating the outstanding invoices and the book value of the vehicles. The estimated sales proceeds of the vehicles under lease at the time of the default are deducted from the exposure at default to arrive at a provision amount. In general such exposure at default is intended to fully cover the expected loss. LeasePlan individually assesses receivables from clients (mainly lease rentals that have become payable) for indications of impairment.

Breakdown of exposure by exposure class and geography

The table below shows the total exposure distribution by exposure class and geography based on the geographical location of the assets. LeasePlan's residual value exposure (EUR 11,571 million) is classified under Other items.

Distinction is made between the European countries and the Rest of the World:

- 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 of America.
- For purposes of Pillar 3 reporting Group activities are defined. Group activities mainly relate to services provided in the area of treasury to support the leasing activities.

Asset classes *As per 31 December 2017, in millions of euros*	**Europe**	**Rest of the world**	**Group**	**Total**
Sovereigns and their central banks	343	33	2,349	**2,725**
Non-central government public sector entities	97	15	-	**112**
Multilateral development banks	-	-	-	**-**
Banks	268	17	330	**615**
Securities firms	-	-	-	**-**
Corporates	5,273	1,929	159	**7,361**
Regulatory retail portfolios	552	4	3	**559**
Secured by residential property	-	-	-	**-**
Secured by commercial real estate	-	-	-	**-**
Equity	1	-	12	**13**
Past-due loans	78	5	-	**83**
Higher-risk categories	-	-	-	**-**
Other assets	14,122	1,364	183	**15,669**
Total	**20,734**	**3,368**	**3,037**	**27,138**

Table 13: Breakdown of exposures by segment

Breakdown of exposure by industry

Total exposure is broken down according to the industry segment in which the counterparties have their major business.

Asset classes *As per 31 December 2017, in millions of euros*	**Financial institutions**	**Manufacturing**	**Wholesale trade**	**Transport and public utilities**	**Public sector**	**Private households**	**Services**	**Other industries**	**Total**
Sovereigns and their central banks	-	-	-	-	2,725	-	-	-	**2,725**
Non-central government public sector entities	-	-	-	-	112	-	-	-	**112**
Multilateral development banks	-	-	-	-	-	-	-	-	**-**
Banks	616	-	-	-	-	-	-	-	**616**
Securities firms	-	-	-	-	-	-	-	-	**-**
Corporates	328	2,123	489	630	-	1	1,555	2,234	**7,361**
Regulatory retail portfolios	10	65	28	18	-	211	102	127	**559**
Secured by residential property	-	-	-	-	-	-	-	-	**-**
Secured by commercial real estate	-	-	-	-	-	-	-	-	**-**
Equity	13	-	-	-	-	-	-		**13**
Past-due loans	3	14	4	9	-	4	16	33	**83**
Higher-risk categories	-	-	-	-	-	-	-	-	**-**
Other assets	4,559	2,921	827	993	460	600	2,945	2,365	**15,669**
Total	**5,528**	**5,122**	**1,348**	**1,650**	**3,297**	**816**	**4,618**	**4,758**	**27,138**

Table 14: Breakdown of exposures by industry

Breakdown of exposures by residual maturity

The table below show the total exposure broken down by residual maturity:

Asset classes *As per 31 December 2017, in millions of euros*	**Three months or less**	**Longer than three months, less than a year**	**Longer than a year, less than five years**	**Longer than five years**	**Total**
Sovereigns and their central banks	2,407	161	152	5	**2,725**
Non-central government public sector entities	-	4	106	2	**112**
Multilateral development banks	-	-	-	-	**-**
Banks	333	3	279	-	**615**
Securities firms	-	-	-	-	**-**
Corporates	78	312	6,919	51	**7,361**
Regulatory retail portfolios	3	47	509	-	**559**
Secured by residential property	-	-	-	-	**-**
Secured by commercial real estate	-	-	-	-	**-**
Equity	-	-	-	13	**13**
Past-due loans	5	22	56	-	**83**
Higher-risk categories	-	-	-	-	**-**
Other assets	1,270	3,862	10,351	186	**15,669**
Total	**4,097**	**4,411**	**18,372**	**257**	**27,138**

Table 15: Breakdown of exposures by residual maturity

6.3.4 Credit risk adjustments

The following tables provide the required disclosures in accordance with CRR article 442 h and i. In this context LeasePlan applies the same definitions, of 'past due' and 'impairment' as used for accounting purposes in the Annual Report. The tables below further specify the amounts disclosed in the Annual Report for the purpose of the Pillar 3 disclosure requirements.

As per 31 December 2017, in millions of euros	**Europe**	**Rest of the world**	**Group**	**Total**
Past due up to 90 days	112	121	4	236
Past due between 90-180 days	7	12	-	19
Past due 180 days - 1 year	5	3	-	8
Past due 1-2 years	2	1	-	3
Past due > 2 years	1	-	-	1
Total past due but not impaired	**126**	**137**	**4**	**267**
Of which impaired	28	3	-	31

Table 16: Past due exposures

As per 31 December 2017, in millions of euros	**Europe**	**Rest of the world**	**Group**	**Total**
Openings balance	35	3	-	38
Additions	40	4	-	44
Releases/reversals	-25	-1	-	-26
Write-offs	-19	-2	-	-21
Other movements	2	-	-	2
Closing balance	**33**	**4**	**-**	**37**

Table 17: Specific risk adjustments

6.3.5 Credit risk mitigation

LeasePlan applies unfunded credit protection by using third party financial guarantees, liability statements and letters of comfort mainly from parent or other group companies.

As per 31 December 2017, in millions of euros	**Exposures unsecured: carrying amount**	**Exposures secured by collateral**	**Exposures secured by collateral, of which secured**	**Exposures secured by financial guarantees**	**Exposures secured by financial guarantees, of which secured**	**Exposures secured by credit derivatives**	**Exposures secured by credit derivatives, of which secured**
Loans	20,525	-	-	2,943	-	-	-
Debt securities	-	-	-	-	-	-	-
Total	**20,525**	**-**	**-**	**2,943**	**-**	**-**	**-**
Of which defaulted	37	-	-	-	-	-	-

Table 18: Overview of credit risk mitigation

6.3.6 Standardised approach

Use of external credit ratings

LeasePlan uses ratings mainly from Standard & Poor’s for calculating the risk weight of the exposure classes Sovereigns and their central banks, Non-central government public sector entities and Banks.

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

Table 19: Mapping table LeasePlan's rating and external credit rating

Exposures under the standardised approach

The table below shows LeasePlan's exposures, RWA and risk weights (RWA density) under the standardised approach. LeasePlan does not use any credit risk mitigation techniques.

As per 31 December 2017 in millions of euros	**Exposures before CCF and CRM**		**Exposures post-CCF and CRM**		**RWA and RWA density**	
Asset classes	**On-balance**	**Off-balance**	**On-balance**	**Off-balance**	**RWA**	**RWA density**
Sovereigns and their central banks	2,725	-	2,725	-	81	3%
Non-central government public sector entities	112	-	112	-	28	25%
Multilateral development banks	-	-	-	-	-	-
Banks	616	-	616	-	223	36%
Securities firms		-		-		
Corporates	1,040	-	1,040	-	994	96%
Regulatory retail portfolios	319	-	319	-	229	72%
Secured by residential property	-	-	-	-	-	-
Secured by commercial real estate	-	-	-	-	-	-
Equity	-	-	-	-	-	-
Past-due loans	6	-	6	-	8	132%
Higher-risk categories	-	-	-	-	-	-
Other assets	3,284	1,975	3,284	1,975	2,963	56%
Total	**8,102**	**1,975**	**8,102**	**1,975**	**4,527**	**45%**

Table 20: Overview of total exposure and credit risk mitigation (CRM) effects

The RWA density remained fairly stable at 45% as per 31 December 2017 compared to 2016.

Exposures by asset classes and risk weights

The relatively high amounts in the risk weight category "other assets" is the result of the residual value part of the total exposure which is risk weighted according to the 1/t formula (article 134.7) where t is the rounded contractual remainder of the leased contract.

As per 31 December 2017, in millions of euros	**0%**	**10%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**Others**	**Total credit exposures amount (post CCF and post-CRM)**
Asset classes / Risk weight										
Sovereigns and their central banks	2,621	-	-	-	48	-	57	-	-	**2,725**
Non-central government public sector entities	-	-	102	-	5	-	5	-	-	**112**
Multilateral development banks	-	-	-	-	-	-	-	-	-	**-**
Banks	-	-	347	-	231	-	36	2	-	**616**
Securities firms	-	-	-	-	-	-	-	-	-	**-**
Corporates	-	-	21	-	20	-	999	-	-	**1,040**
Regulatory retail portfolios	-	-	-	-	-	319	-	-	-	**319**
Secured by residential property	-	-	-	-	-	-	-	-	-	**-**
Secured by commercial real estate	-	-	-	-	-	-	-	-	-	**-**
Equity	-	-	-	-	-	-	-	-	-	**-**
Past-due loans	-	-	-	-	-	-	1	1	4	**6**
Higher-risk categories	-	-	-	-	-	-	-	-	-	**-**
Other assets	-	-	-	-	-	-	-	-	5,259	**5,259**
Total	**2,621**	**-**	**471**	**-**	**303**	**319**	**1,098**	**3**	**5,263**	**10,078**

Table 21: Overview of exposures by asset classes and risk weights under the standardised approach

6.3.7 IRB approach

Internal models

Effective 1 December 2008, LeasePlan implemented AIRB models for calculating the regulatory capital requirement for credit risk for its corporate fleet. Effective 1 January 2014 LeasePlan implemented AIRB models for the retail portfolios in the United Kingdom and the Netherlands.

Probability of default (PD)

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

LeasePlan has internal scoring systems in place for retail counterparties for the retail portfolios in the United Kingdom and the Netherlands.

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

Loss Given Default (LGD)

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

LGD expectations are composed by using historical default data (gathered by LeasePlan entities in a global default database). These expectations are calculated separately for each collateral type (cars and vans, trucks and equipment) and for each country in which LeasePlan is active.

The average exposure weighted LGD as per 31 December 2017 (27.1%) is fairly stable compared to 31 December 2016 (27.9%).

Exposure at default (EAD)

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

Remaining maturity

The exposure weighted remaining maturity is based upon the remaining contractual maturity which is calculated per object.

Exposures by asset classes, approach and roll-out plan

As per 31 December 2017, in millions of euros	Approach						
Asset classes	**AIRB**	**%**	**Standardised**	**%**	**Total**	**Of which roll-out plan**	**%**
Sovereigns and their central banks	-	-	2,725	10%	**2,725**	-	0%
Non-central government public sector entities	-	-	112	0%	**112**	-	0%
Multilateral development banks	-	-	-	-	**-**		-
Banks	-	-	616	2%	**616**	-	0%
Securities firms	-	-	-	-	**-**	-	-
Corporates	6,321	23%	1,040	4%	**7,361**	-	0%
Regulatory retail portfolios	240	1%	319	1%	**559**	445	2%
Secured by residential property	-	-	-	-	**-**	-	-
Secured by commercial real estate	-	-	-	-	**-**	-	-
Equity	13	0%	-	-	**13**	-	0%
Past-due loans	77	0%	6	0%	**83**	2	0%
Higher-risk categories	-	-	-	-	**-**	-	-
Other assets	10,410	38%	5,259	19%	**15,669**	-	0%
Total	**17,060**	**63%**	**10,078**	**37%**	**27,138**	**447**	**2%**

Table 22: Overview of asset classes by approach and roll-out plan

The amounts for the roll-out plan relate to the retail portfolios in France and Italy.

Overview main parameters of portfolios under the IRB approach

Portfolio *As per 31 December 2017, in millions of euros*	PD scale	Original on-balance sheet gross exposure	Off-balance sheet exposures pre CCF	Average CCF	EAD post CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Provisions
Corporate - SME													
	0.00 to <0.15	263	-	1.0	263	0.1	2,790	27.4	2.0	30	12%	0	-
	0.15 to <0.25	103	-	1.0	103	0.2	1,069	27.7	2.0	24	23%	0	-
	0.25 to <0.50	69	-	1.0	69	0.4	892	25.4	2.1	20	28%	0	-
	0.50 to <0.75	37	-	1.0	37	0.7	649	26.2	2.1	14	37%	0	-
	0.75 to <2.50	33	-	1.0	33	1.4	736	28.4	1.9	16	50%	0	-
	2.50 to <10.00	7	-	1.0	7	4.0	223	26.5	1.8	4	61%	0	-
	10.00 to <100.00	0	-	1.0	0	13.4	14	30.5	1.7	0	101%	0	-
	100.00 (Default)	10	-	1.0	10	100.0	41	26.8	1.2	16	151%	-	3
	Sub-total	**523**	**-**	**1.0**	**523**	**1.6**	**6,414**	**27.0**	**2.0**	**124**	**24%**	**0**	**3**
Corporate - Other													
	0.00 to <0.15	3,443	-	1.0	3,443	0.1	12,907	27.0	2.3	527	15%	1	-
	0.15 to <0.25	1,029	-	1.0	1,029	0.2	4,151	26.4	2.3	277	27%	1	-
	0.25 to <0.50	678	-	1.0	678	0.4	3,445	28.2	2.0	241	36%	1	-
	0.50 to <0.75	396	-	1.0	396	0.7	2,307	30.7	2.3	216	55%	1	-
	0.75 to <2.50	219	-	1.0	219	1.4	2,343	29.1	2.2	136	62%	1	-
	2.50 to <10.00	43	-	1.0	43	5.7	559	28.5	2.7	41	95%	1	-
	10.00 to <100.00	1	-	1.0	1	13.5	25	38.0	3.1	2	171%	0	-
	100.00 (Default)	61	-	1.0	61	100.0	1,067	33.7	1.7	180	297%	-	7
	Sub-total	**5,869**	**-**	**1.0**	**5,869**	**0.7**	**26,804**	**27.3**	**2.2**	**1,621**	**28%**	**5**	**7**
Retail - Other SME													
	0.00 to <0.15	6	-	1.0	6	0.0	255	30.4	2.0	0	3%	0	-
	0.15 to <0.25	-	-	-	-	-	-	-	-	-	-	-	-
	0.25 to <0.50	6	-	1.0	6	0.5	213	30.6	2.1	1	22%	0	-
	0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-	-
	0.75 to <2.50	29	-	1.0	29	1.4	1,209	30.5	2.0	10	36%	0	-
	2.50 to <10.00	38	-	1.0	38	5.5	1,815	27.6	2.1	16	42%	1	-
	10.00 to <100.00	44	-	1.0	44	17.1	6,980	23.9	1.7	23	51%	2	-
	100.00 (Default)	3	-	1.0	3	100.0	-	24.8	1.5	8	264%	-	0
	Sub-total	**126**	**-**	**1.0**	**126**	**8.8**	**10,472**	**26.8**	**1.9**	**58**	**46%**	**3**	**0**
Retail - Other non-SME				**-**									
	0.00 to <0.15	-	-	-	-	-	-	-	-	-	-	-	-
	0.15 to <0.25	-	-	-	-	-	-	-	-	-	-	-	-
	0.25 to <0.50	-	-	-	-	-	-	-	-	-	-	-	-
	0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-	-
	0.75 to <2.50	-	-	-	-	-	-	-	-	-	-	-	-
	2.50 to <10.00	99	-	1.0	99	4.7	22,754	23.4	2.6	36	36%	1	-
	10.00 to <100.00	18	-	1.0	18	17.4	4,599	24.4	2.4	9	49%	1	-
	100.00 (Default)	3	-	1.0	3	100.0	-	23.4	1.5	6	249%	-	0
	Sub-total	**119**	**-**	**1.0**	**119**	**7.0**	**27,353**	**23.2**	**2.5**	**51**	**43%**	**2**	**0**
Total (all portfolios)		**6,637**	**-**	**1.0**	**6,637**	**1.0**	**71,043**	**27.1**	**2.2**	**1,854**	**28%**	**10**	**10**
Equity IRB		**13**	**-**	**-**	**13**	**-**	**-**	**-**	**-**	**32**	**250%**	**-**	**-**
Other non credit-obligation assets		**10,410**	**-**	**-**	**10,410**	**-**	**-**	**-**	**-**	**7,277**	**70%**	**-**	**-**
Total IRB approach		**17,060**	**-**	**-**	**17,060**	**-**	**-**	**-**	**-**	**9,164**	**51%**	**-**	**-**

Table 23: Overview main parameters of portfolios under the IRB approach

The following table shows the changes in risk weighted assets during 2017 for the assets under the IRB approach:

	RWA amounts
RWA as per 31 December 2017	**8,570**
Asset size	392
Asset quality	11
Model updates	-
Methodology and policy	-
Acquisitions and disposals	-31
Foreign exchange movements	-188
Other	410
RWA as per 31 December 2017	**9,164**

Table 24: Changes in risk weighted assets

The amount under Acquisitions and disposals is due to the disposal of Terberg Leasing B.V. The foreign exchange movements can be mainly addressed to the US Dollar (USD) and British Pound (GBP). The category other can mainly be explained by changes in remaining rounded maturity (M) for residual values.

Back testing of probability of default (PD) per portfolio

Portfolio *As per 31 December 2017, in millions of euros*	PD Range	Weighted average PD	Arithmetic average PD by obligors	Number of obligors End of previous year	End of the year	Defaulted obligors in the year	of which: new defaulted obligors in the year	Average historical annual default rate
Corporate - SME								
	0.00 to <0.15	0.1	0.1	2,864	2,451	3	-	0.1
	0.15 to <0.25	0.2	0.2	1,160	899	5	-	0.3
	0.25 to <0.50	0.4	0.4	1,057	759	3	-	0.3
	0.50 to <0.75	0.7	0.7	732	565	6	-	0.9
	0.75 to <2.50	1.4	1.5	808	674	12	-	1.4
	2.50 to <10.00	4.0	3.9	234	201	8	-	3.4
	10.00 to <100.00	13.4	13.4	14	13	-	-	5.0
	100.00 (Default)	100.0	100.0	27	27	-	-	
	Sub-total	**1.7**	**1.1**	**6,896**	**5,589**	**37**	**-**	**0.5**
Corporate - Other								
	0.00 to <0.15	0.1	0.1	9,301	8,954	20	-	0.2
	0.15 to <0.25	0.2	0.2	3,623	3,104	18	1	0.6
	0.25 to <0.50	0.4	0.4	3,095	2,658	23	8	0.8
	0.50 to <0.75	0.7	0.7	1,794	1,884	24	1	1.5
	0.75 to <2.50	1.4	1.4	2,003	1,992	35	2	1.6
	2.50 to <10.00	5.7	4.1	520	502	27	4	3.6
	10.00 to <100.00	13.4	13.4	45	23	3	-	4.4
	100.00 (Default)	100.0	100.0	90	936	-	-	
	Sub-total	**0.7**	**4.4**	**20,471**	**20,053**	**153**	**17**	**0.7**
Retail - Other SME								
	0.00 to <0.15	0.0	0.0	256	245	-	-	1.3
	0.15 to <0.25	-	-	-	-	-	-	-
	0.25 to <0.50	0.5	0.5	223	205	-	-	-
	0.50 to <0.75	-	-	-	-	-	-	-
	0.75 to <2.50	1.4	1.4	1,368	1,143	2	-	0.3
	2.50 to <10.00	5.5	5.8	3,460	1,804	45	-	1.2
	10.00 to <100.00	17.1	18.4	10,201	6,946	359	-	3.1
	100.00 (Default)	100.0	100.0	82	99	-	-	-
	Sub-total	**8.9**	**14.9**	**15,590**	**10,442**	**406**	**-**	**1.8**
Retail - Other non-SME								
	0.00 to <0.15	-	-	-	-	-	-	-
	0.15 to <0.25	-	-	-	-	-	-	-
	0.25 to <0.50	-	-	-	-	-	-	0.5
	0.50 to <0.75	-	-	-	-	-	-	-
	0.75 to <2.50	-	-	-	-	12	-	0.9
	2.50 to <10.00	4.7	5.0	24,538	21,696	390	3	1.1
	10.00 to <100.00	17.4	18.2	3,814	4,305	873	20	9.6
	100.00 (Default)	100.0	100	51	148	-	-	-
	Sub-total	**7.1**	**8.1**	**28,403**	**26,149**	**1,275**	**23**	**2.7**
Total (all portfolios)		**1.0**	**6.6**	**71,360**	**62,233**	**1,871**	**40**	**1.9**

Table 25: Overview of back testing of probability of default (PD) of portfolios under the IRB approach

6.3.8 Counterparty credit risk

The counterparty credit risk positions LeasePlan holds with banks, such as cash and deposits, are risk-weighted under the standardised approach as part of credit risk. These positions can be detailed as follows:

As per 31 December 2017, in millions of euros	**Exposure**	**RWA**	**Minimum capital requirement**
Loans to banks	471	174	14
Call money - Cash at banks	76	-	-
Total	**547**	**174**	**14**

Table 26: Risk exposure, RWA and minimum capital requirements regarding other credit risk exposures to banks, excluding derivative positions

Methodology

LeasePlan's TREA / RWA in relation to derivative exposures are split in the following categories:

- Counterparty credit risk;
- Credit valuation adjustment (CVA).

LeasePlan use the market value of the derivatives to establish counterparty risk on derivative positions. This position is adjusted with a 'potential future risk factor' and collateral. This position is risk-weighted, in accordance with the standardised approach, based on 'remaining maturity' and 'credit rating (S&P)'.

LeasePlan is required to hold additional capital due to CVA risk arising from these Over The Counter (OTC) derivatives. In order to calculate the CVA capital charge LeasePlan uses the standardised formula in line with Article 384 of Regulation (EU) No 575/2013. CVA means an adjustment to the mid-market valuation of the portfolio of transactions with a counterparty. That adjustment reflects the current market value of the credit risk of the counterparty to the institution, but does not reflect the current market value of the credit risk of the institution to the counterparty.

Policy and risk mitigation

It is LeasePlan policy to match the contract portfolio with funding to minimise liquidity, interest rate and FX risks. When an entity enters into a new lease contract with a counterparty they should immediately match the funding profile of the asset and liability to ensure the contract is matched from a liquidity, interest rate and currency perspective. The entity may enter into a funding contract with:

- LeasePlan Treasury (LPTY); or
- Local bank in accordance with the Local Funding policy.

LeasePlan entities are only permitted to use plain vanilla loans to match their assets. The use of derivatives to mitigate interest rate and/or currency risk (LeasePlan does not maintain a trading book) is done centrally at LPTY and is not allowed locally unless the entity has the approval to do so. Approval is only granted in restricted circumstances. If such an approval is given, it is preferred that derivatives are obtained via LPTY. LPTY is allowed to enter into the following plain vanilla derivatives without prior notice and with the aim to remain compliant with approved limits:

- Interest Rate Swaps;
- Forward Rate Agreements;
- Currency swaps; and
- Currency forwards.

The use of other derivatives require specific approval by the Funding & Treasury Risk Committee (FTRC). For all derivative trades counterparty considerations are set by the Counterparty Credit Risk Policy.

To mitigate counterparty risk, LeasePlan concludes ISDA Master Agreements. Counterparty risk mitigation is achieved by means of the Credit Support Annex (CSA) within the ISDA Master Agreement, pursuant to which LeasePlan determines the collateral required on a periodic basis, i.e. the net market value of the outstanding derivative transactions, which is subsequently received (or must be paid) pursuant to the CSA. Counterparty risk mitigating measures have the effect of reducing the exposure amount calculation according to the CRR/CRD IV rules. For disclosures regarding counterparty credit risk reference is made to the Financial Risk Management chapter, section D of the Annual Report.

Only LeasePlan's Bumper related financial instruments contain a rating trigger, for the required disclosures under CRR article 439 sub d reference is made to section 7.3 Exposure to securitisation positions.

Quantitative disclosures counterparty credit risk and CVA

In the table below LeasePlan provides insight in how counterparty risk is reduced with the risk mitigation techniques and details the RWA and minimum required capital in this context, comparing 2017 with 2016:

As per 31 December 2017, in millions of euros	**Market-to-market**	**Collateral**	**Potential Future Risk**	**Exposure**	**RWA**	**Minimum capital requirements**
Counterparty credit risk	104	38	143	209	98	8
CVA	104	38	143	209	38	3
Total	-	-	-	-	**136**	**11**

As per 31 December 2016, in millions of euros	**Market-to-market**	**Collateral**	**Potential Future Risk**	**Exposure**	**RWA**	**Minimum capital requirements**
Counterparty credit risk	225	71	154	308	118	10
CVA	225	71	154	308	66	5
Total	-	-	-	-	**184**	**15**

Table 27: Counterparty risk and CVA details

Based on the standardised approach LeasePlan holds EUR 8 million (2016: EUR 10 million) for counterparty risk and EUR 3 million (2016: EUR 5 million) capital for CVA charge under Pillar 1 as of 31 December 2017. Compared to 2016, the Market-to-market valuation decreased with 53.8% to EUR 104 million, resulting in a decreased risk exposure amount and related risk-weight as well as a lower minimum required capital.

6.3.9 Equities not included in the trading book

From a sub-consolidated point of view LeasePlan has five Associates and Joint Ventures outside the trading book. LeasePlan's associate is Terberg Leasing BV is divested in 2017. The joint ventures are Please S.C.S., Overlease S.r.L. (no book value), Flottenmanagement GmbH (no book value) and LeasePlan Emirates LLC. The table below provides insight in the book value of those Associates and Joint ventures their risk-weight and capital requirement. For details regarding the fair value, impairments and (un)realised gains and losses regarding these positions reference is made to the Annual Report.

	2017			2016		
As per 31 December, in millions of euros	**Exposure**	**RWA**	**Capital requirement**	**Exposure**	**RWA**	**Capital requirement**
Associates	-	-	-	12	30	2
Joint Ventures	13	32	3	15	38	3
Total	**13**	**32**	**3**	**27**	**68**	**5**

Table 28: Overview capital requirements Associates and Joint Ventures

The Joint Ventures in 2017 are the same entities as in 2016; the equity positions are risk weighted against 250% in accordance with CRR requirements.

6.4 Market risk

Due to LeasePlan's specific business model, market risk consists of two main risk areas: asset risk and FX risk. Within these risk areas exposures to developments in the second-hand car market and FX exposures due to LeasePlan's global footprint are managed. It should be noted that asset risk is considered a Pillar 2 risk.

6.4.1 Asset risk

Capital

Asset risk in the context of regulatory capital calculations, considers residual value risk regarding the leased assets.

As part of credit risk, under the CRR/CRD IV regime, the 1/t formula is applied for risk-weighting of the residual value of the portfolio for the majority of LeasePlan's assets. The regulatory capital related to residual values amounts to EUR 578 million (1/t) as at the end of 2017.

For residual value risk, under Pillar 2, LeasePlan calculates the required capital differently from the methodology applied under regulatory requirements for Pillar 1; required capital for residual value is calculated to cover for possible losses when the vehicles are returned at contract maturity. The capital calculated and held for residual value risk under Pillar 2 is determined by the internally developed Asset Risk Economic Capital (AREC). This model is based on the Value-at-Risk (VaR) principle.

LeasePlan defines the economic capital for residual risk as the capital required to cover the losses on residual value-risk bearing lease contracts in a 1-in-1000-year event, i.e. the 99.9 percentile. The methodology of this model, as well as the underlying statistical models and assumptions are externally validated.

Nominal exposure value

LeasePlan's residual position by relation to the total lease portfolio is illustrated in the table below and distinguishes between the future lease payments and the contractual residual values.

As per 31 December, in millions of euros	**2017** **Total asset risk exposure**
Future lease payments	7,766
Residual value	11,571
Total	**19,337**

Table 29: Residual Value position total lease portfolio

The tables below illustrate the distribution of total exposure across the LeasePlan entities and across the makes currently in LeasePlan's portfolio (both per top 10 and others). LeasePlan believes the concentration risk is limited in geographic terms as the largest exposure per entity at the end of 2017 amounts to 12.4% of LeasePlan's total exposure (compared to 14.6% at the end of 2016). The degrees of concentration in terms of make can also be considered limited as the largest exposure amounts to 13.8% of LeasePlan's total exposure (compared to 13.1% at the end of 2016).

As at 31 December, in millions of euros	**2017** **RV risk exposure**
LPUK	1,443
LPNL	1,172
LPDE	1,045
LPIT	985
LPFR	901
LPES	706
LPPT	633
LPBE	589
LPNO	510
LPTR	410
Others	3,176
Total	**11,571**

Table 30: Residual value risk exposure per lease entity

As at 31 December, in millions of euros	**2017 RV risk exposure**
Volkswagen	1,597
Ford	1,171
BMW	1,073
Audi	1,044
Mercedes Benz	938
Renault	806
Peugeot	587
Opel	545
Volvo	541
Skoda	442
Others	2,827
Total	**11,571**

Table 31: Residual value risk exposure per make

Historic results

The chart below illustrate the development of the historic results on the residual value component over time. It shows the effect of the events of 2008/09 on LeasePlan's residual value results, as well as the recovery following taken measures in combination with improved market circumstances. The capital retained by LeasePlan is considered adequate to cover losses from similar crises occurring.

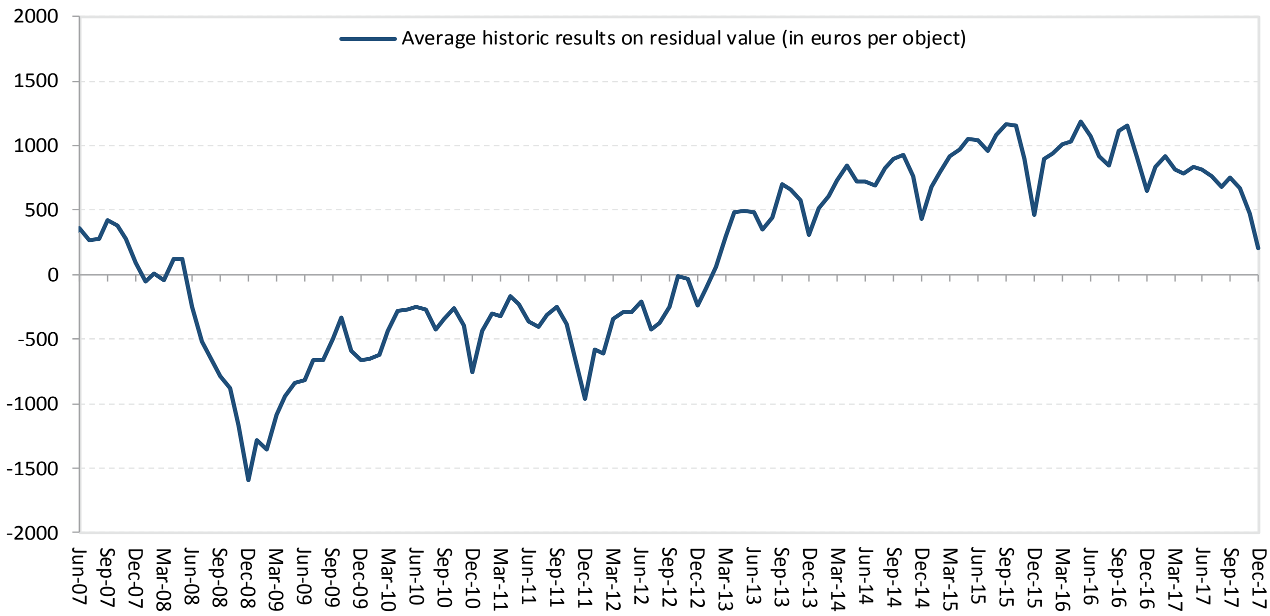

Figure 1: Average historic results on residual value

For further details regarding asset risk management reference is made to the Financial Risk Management chapter, section E of the Annual Report.

6.4.2 FX risk

Due to LeasePlan's global coverage, LeasePlan is exposed to several currencies besides its reporting currency (euro). The objective of LeasePlan's Currency Risk Management policy is that LeasePlan is not exposed to major FX risk. In order to reduce FX risk LeasePlan deliberately takes long positions in foreign currencies, being net investments in subsidiaries, to protect capital ratios.

The logic behind this is that if the relative assets / equity position in an entity is the same as for LeasePlan, both assets and equity allocated to the foreign currency will deviate but will not impact LeasePlan's CET 1 ratio. In other words, an FX shock will shift the Total TREA and CET 1 capital in the same direction.

In short, LeasePlan has the following approach regarding FX risk:
- **Ratio Protection**: Protect the capital ratios rather than the absolute amount of LeasePlan's equity. LeasePlan hedges against the adverse effect of foreign currencies on LeasePlan's capital adequacy ratio, by deliberately taking structural equity positions, to match the entities' capital ratios with LeasePlan's capital ratios;
- **Matched funding**: The assets on the entities' balance sheet should always be financed in the same currency in which the lease contracts are denominated; and
- **Structural positions**: The positions in non-euro currencies are of a non-trading and structural nature.

As a result, LeasePlan's capital ratio is not (or limited) affected by any changes in the exchange rates it is exposed to. LeasePlan is fully aware that a (relative) currency exposure exists, for business and practical reasons, and that the exposure is not fully mitigated. As LeasePlan invests equity in various countries' local currencies there is a risk that the equity invested and result for the year become less or more valuable due to currency exchange movements. Although LeasePlan consciously accepts this risk, adequate monitoring of absolute equity positions is in place, to control the risk exposure. For an overview of LeasePlan's FX positions, both structural and temporary, reference is made to the Financial Risk Management chapter, section E of the Annual Report. The table presented in that section shows that LeasePlan's FX positions mainly consist of equity investments in subsidiaries.

Since LeasePlan's currency risk management is built on ratio protection, residual risks arise from mismatches between the entities' CET 1 ratios compared to the consolidated CET 1 ratio. Residual risks are avoided as far as possible, but any residual risks arising from structural FX positions are quantified and capitalised in the ICAAP. The parameters used to calculate the residual risk are credit risk TREA and CET 1 capital on local and consolidated level.

Only the mismatches of entities with FX exposures are capitalised. The mismatch of entities with euro exposures is not capitalised, since the euro is LeasePlan's reporting currency.

Furthermore, LeasePlan does not hold a trading book. FX positions are deliberately taken to manage the CET 1 ratio, whereas related asset and liability positions are resulting from the LeasePlan business strategy to have a global footprint. In addition, the front-office employees' targets are aligned with this risk appetite; remuneration structures do not incentivise structural FX positions becoming a profit centre.

In the context of FX risk as part of Market Risk under Pillar I LeasePlan applies CRR article 352(2) for its structural FX positions, as per February 2017. This article allows LeasePlan to exclude, from its net open currency positions, any position that is deliberately taken to hedge against the adverse effect of the exchange rate on LeasePlan's ratios, in accordance with article 92(1).

The regulatory capital requirement is calculated by applying a 10% instantaneous presumed currency shock on all currencies against the euro; whereas TREA is calculated as the sum of all relative currency exposures, being the absolute mismatch between the entities' CET 1 ratios compared to the consolidated CET 1 ratio. Risks not captured under the ratio protection approach are for capital calculation purposes considered under article 92(1).

The Pillar 1 exposure as per 31 December 2017 results in a capital requirement of EUR 33 million (2016: EUR 38 million). For further details regarding FX risk management reference is made to the Financial Risk Management chapter, section E of the Annual Report.

6.5 Operational risk

LeasePlan applies several methods for risk identification and management in its operational risk framework: scenario analysis, risk and controls self-assessments, operational risk incidents analysis (internal and external loss data), the integration of outcomes from internal and external audits, as well as of relevant internal and external micro- and macro-economic developments. Based upon the risks identified and losses reported, LeasePlan's operational risk profile is assessed.

LeasePlan makes use of an advanced measurement approach (AMA) to calculate the regulatory capital for operational risk. For the capital calculation and allocation process, the risk scenarios internal loss data and external loss data are used. More precisely, the data collection process for the data sources is based on:

- The internal operational loss data consists of all events which are reported by the business and registered in the operational loss database by the operational risk managers in the entities.
- The risk scenarios are created by interviewing the board members, senior management and subject matter experts.
- The external operational loss data is used to amplify the number of extreme operational loss events.

This AMA model consists of a purely quantitative analysis of LeasePlan's internal and external operational risk incidents and a more qualitative analysis of its specific operational risk scenarios. The quantitative analysis is performed by modelling the severity and the frequency of operational risk events; using the internal data recorded by LeasePlan entities.

Based on LeasePlan's risk profile, experience and appetite, the current insurance policies consists of several separate programmes (like General Liability and Property Damage). Participation is mandatory and ensures that LeasePlan has adequate cover for the main high impact, low likelihood events that are inherent to the environment LeasePlan is operating in. Under the AMA requirements, insurance related loss recovery is recognised as an accepted risk mitigating instrument, but it is however capped at 20%. LeasePlan no longer considers insurance recoveries in its Pillar 2 capital calculations (gross amounts are decreased only by non-insurance related recoveries).

The two distributions for the severity and the frequency are combined into one overall loss distribution by means of Monte Carlo simulation. The resulting loss distribution determines the expected annual loss amount and the required capital at the 99.9th percentile confidence level.

The qualitative analysis (or operational risk scenario analysis) is a process by which LeasePlan considers the effect of extreme, but nonetheless possible operational risk scenarios on the organisation. Part of the scenario analysis activities is creating awareness for the possible effects of biases in the risk scenario process. During the analysis, the high impact, low frequency operational risk scenarios are supplemented with relevant internal and external incident data, a description of the business environment and internal control factors to support the expert based frequency and impact estimations for each scenario. For each single scenario the estimates are modelled to determine the regulatory capital required to be held by LeasePlan at the 99.9th percentile confidence level.

LeasePlan started modelling capital requirements under AMA in 2006. A model governance framework ensures an annual cycle of model monitoring, development, validation and implementation. Part of the model monitoring activities is the evaluation of the assumptions used in the capital modelling process. If the outcome of the model monitoring requires so, LeasePlan adjusts the assumptions and as a result will recalculate the corresponding capital requirements.

LeasePlan applies AMA for operational risk as per 1 December 2008. Over 2015 and 2016 LeasePlan 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 LeasePlan entity level. Additionally, LeasePlan's operational risk tool has been replaced in order to facilitate the governance alterations.

Under Pillar 1 the operational risk regulatory capital requirement as at the end of 2017 remains stable at EUR 121 million (2016: EUR 121 million), which is the sum of LeasePlan's operational risk incident model (EUR 39 million on calculation set 2005 - 2011) and scenario model (EUR 82 million).

For 2017 the Pillar 2 capital amounted to EUR 179 million. The stress test consists in adjusting model input parameters; a simulation is performed in which the expected frequency and the expected average severity are stressed. The expected maximum severity has not been stressed as the parameter estimate already applies to an extreme situation (the participants are asked to interpret the maximal net financial impact as the highest conceivable in a period of 1,000 years). Each simulation corresponds to a situation in which one of the input parameters (frequency or severity) is twice as high. As LeasePlan purposely does not take into account any diversification effects between the risk scenarios, LeasePlan ensures that in the most extreme situations (all risk scenarios occurring simultaneously) sufficient capital is available. LeasePlan is of the opinion that the Pillar II capital (EUR 179 million) adequately protects the organisation and its stakeholders from potential damage caused by unexpected operational events under stressed circumstances.

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.

For further details regarding operational risk management reference is made to the Financial Risk Management chapter, section D of the Annual Report.

7 Other disclosures

7.1 Asset encumbrance

The encumbrance of assets is a standard element of a bank's business. An asset is to be treated as 'encumbered' if it has been pledged or if it is subject to any form of arrangement to secure, collateralise or credit enhance any transaction from which it cannot be freely withdrawn. At 31 December 2017, EUR 2.3 billion (2016: EUR 2.5 billion) of LeasePlan's total assets were encumbered. The total asset encumbrance ratio per year-end 2017 was 10.8% (2016: 10.7%). The encumbered on-balance sheet items are mainly due to the clearing of derivatives positions and funding related transactions, such as securitisations and asset backed securities.

The table below provides further details on the encumbrance of assets:

As at 31 December 2017, in millions of euros		**Carrying amount of encumbered assets**	**Fair value of encumbered assets**	**Carrying amount of unencumbered assets**	**Fair value of unencumbered assets**
010	**Assets of the reporting institution**	2,345	Not applicable	22,797	Not applicable
030	Equity instruments	-	-	-	-
040	Debt securities	-	-	-	-
120	Other assets	2,345	Not applicable	22,797	Not applicable

		Fair value of encumbered collateral received or own debt securities issued	**Fair value of collateral received or own debt securities issued available for encumbrance**
130	Collateral received by the reporting institution	-	-
150	Equity instruments	-	-
160	Debt securities	-	-
230	Other collateral received	-	-
240	Own debt securities issued other than own covered bonds or ABSs	-	-

		Matching liabilities, contingent liabilities or securities lent	**Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered**
010	**Carrying amount of selected financial liabilities**	1,504	2,345

Table 32: Encumberred assets

7.2 Interest rate risk in the banking book (IRRBB)

LeasePlan's activities principally relate to vehicle leasing and fleet management. LeasePlan accepts and offers lease contracts to clients at both fixed and floating interest rates, for various periods and in various currencies. It is LeasePlan's policy to seek to match the interest rate risk profile of its contract portfolio of leases with a corresponding interest rate funding profile, to minimise its interest rate risks. Funding is concluded based on four funding levers (Retail deposits, Securitisation, Bank lines and Unsecured Debt Capital Market transactions), determining the run-off profile of LeasePlan as whole; inherently LeasePlan's interest rate risk management is built around repricing risk. LeasePlan concludes derivatives to minimise repricing risk.

As a result LeasePlan has interest bearing assets (mainly lease contracts) which are funded through interest bearing liabilities (mainly debt securities issued, funds entrusted and borrowings from financial institutions) and non-interest bearing liabilities (e.g. equity). A mismatch between these interest rates could expose LeasePlan to losses or reduced earnings or income.

LeasePlan has traditionally managed its interest rate risk in the banking book framework mainly on the basis of matching and monitoring the interest typical run-off profile of interest bearing assets and liabilities. This principle is supported with:

- Policies and procedures;
- Measurement;
- FTRC oversight and monitoring; and
- Managing Board / Supervisory Board reporting regarding the risk tolerance levels.

LeasePlan monitors mismatches between the interest typical run-off profile of interest bearing assets and liabilities on a monthly basis, based on limits defined in the risk appetite statement and interest rate risk policy. In addition, LeasePlan applies the Equity At Risk (EQAR) and Earnings At Risk (EAR) metrics in its IRRBB governance framework. The EQAR measure captures the impact on the solvency of LeasePlan, whereas EAR measures the loss in net interest earnings in a given time horizon. LeasePlan measures IRRBB based on the EQAR and EAR measures on a quarterly basis. As of 2017 LeasePlan further enhanced its model by including a range of substantial tilts and shifts in the shape of the yield curve (sudden and gradual) to assess yield curve risk.

Since LeasePlan is a financial performance driven organisation in principle the EAR is the key driver for LeasePlan's IRRBB management when considering both measures. By using the EQAR measure (which has a higher outcome compared to the EAR measure) for Pillar 2 capital calculation purposes, LeasePlan is applying a prudent approach.

For the determination of both EQAR and EAR LeasePlan uses the interest rate typical run-off profiles of all interest bearing assets and liabilities of LeasePlan's leasing entities, LeasePlan Treasury (LPTY) and LeasePlan Bank. The run-off profiles of LeasePlan Bank's flex savings are based on a static behavioural model. The total run-off is the sum of the interest typical run-off of the entities, LPTY, and LeasePlan Bank, as intercompany (I/C) assets and liabilities cancel out. The interest typical run-off, contains the book values and nominal value of an asset/liability for any future month-end, starting with the reporting month. The amount is equal to the nominal/ book value until the interest fixation date. The table below summarises the differences in perspectives and assumption underlying the interest rate risk metrics.

Perspective	EQAR	EAR
Measurement	Value	Repricing
Horizon	Long	Short (1 or 2 year)
Interest rate shock	Instantaneous	Gradually
Business	Run-off	Going concern

Table 33: Key assumption IRRBB metrics

For the purpose of EQAR measurement LeasePlan estimates cash flows as follows:
- The difference in book value/nominal amount between two consecutive periods of the assets and liabilities are considered as 'nominal' cash inflows respectively outflows:
  - The depreciation part of the lease instalment (cash inflow) is estimated by using the run-off profiles assuming that the depreciation income is equal to depreciation cost;
  - The investment value is estimated by using the difference between zero and the new book value at the beginning of the run-off of new objects already ordered starting in the future (comparing future orders in two consecutive months);
  - LeasePlan assumes that the car is sold against contractual RV – by deducting the book value at the end of the run-off by zero;
  - Cash flows resulting from redemptions and derivative transactions are estimated by taking the difference in book value/nominal amount between two consecutive periods.
- Interest cash flows are estimated by applying historical margins on the run-off profiles.

The cash flows following from these run-off profiles are then discounted using plain vanilla swap curves. Finally, the EQAR is calculated as the difference between the cash flows discounted using the plain vanilla swap curve and the cash flows discounted using a plain vanilla swap curve with a (plus and minus) 200 basis points (bps) sudden shock.

EAR assesses the amount that net income may change due to a change in interest rates over a specified period. For this purpose LeasePlan determines the net income change in the first, and first two years due to a gradual interest rate shock of plus and minus 200 bps. For the EAR, the interest typical run-off of the assets and liabilities are also used, but for the calculation of asset and funding renewals under the going concern assumption. Consequently, LeasePlan assumes that the balance sheet totals will not change over time, and that maturing assets and liabilities will be renewed with the floating interest rate. Subsequently, the earnings at risk are calculated by assessing the impact of a gradual 200 bps shock on the future cumulative gap between asset and liability renewal, representing the going concern assumption.

For quantitative disclosures regarding the LeasePlan entities' interest rate exposure as per reporting date (not including LeasePlan's central treasury and LPB positions), resulting from covering interest-bearing assets by (non-)interest bearing liabilities and disclosures regarding the impact of a gradual movement in interest rates on LeasePlan's profitability and the effect of a sudden parallel shift to the yield curve on the LeasePlan's capital, reference is made to the Financial Risk Management chapter, section E of the Annual Report.

7.3 Exposure to securitisation positions

7.3.1 General information

An important component in LeasePlan's funding diversification strategy is the ability to securitise leased assets. LeasePlan securitises under the Bumper programmes. The main objective of Bumper is to increase funding diversification allowing LeasePlan to tap an additional source of liquidity. The Bumper transactions are auto-ABS transactions backed by lease receivables and related residual value receivables originated by various LeasePlan entities. The transactions are not structured with an aim of obtaining off-balance sheet treatment, only the higher rated notes are sold to external investors and the subordinated notes (ca. 20-25%) are retained by LeasePlan.

As at 31 December 2017, LeasePlan has four asset-backed securitisation transactions outstanding: Bumper 6 (2014), Bumper 7 (2016), Bumper 8 (2017) and Bumper 9 (2017). In addition it has a committed securitisation warehouse facility in Australia, Bumper AU (2017) under which no funds have been drawn yet.

All securitisation transactions involve the sale of future lease instalment receivables and related residual value receivables originated by specific LeasePlan entities to special purpose companies. Debt securities are issued by these special purpose companies to finance the purchase of these receivables. The senior notes in each securitisation transaction are sold to external investors and the subordinated obligations in each securitisation transaction are retained by LeasePlan or the relevant LeasePlan entity.

Securitisation is important to LeasePlan because it offers access to liquidity, diversification of the investor base and it offers the opportunity to improve underlying business processes. LeasePlan only acts as originator in securitisations and not as investor, in this context LeasePlan is only exposed to counterparty credit risk, liquidity risk and operational risk.

Counterparty credit risk is related to the Interest Rate Swaps that are linked to the bumper transactions in order to structure the funds obtained to the desired interest profile and currency. The risks resulting from these transactions are considered limited in this context since swaps are concluded with counterparties / financial institutions with a minimum single A rating. Moreover, the counterparties have a CSA in place with the Bumper transaction and otherwise replacement triggers are breached. The swap counterparty will also enter into a back to back swap with LPC, with a two sided CSA in place. In addition, credit risk is related to the account bank of the Bumper entity, but given the rated nature of the deal, the minimum rating of the account bank is single A and replacement triggers are in place, limiting actual credit risk.

Liquidity risk is present due to the reserves and the replenishment period in the securitisation transactions. In relation to the Bumper securitisation transactions, several types of cash reserves are normally applicable within the structure (liquidity reserve, set-off reserve, commingling reserve and maintenance reserve). The liquidity reserve is typically funded on closing of a transaction and throughout the life of the transaction. The funding of the other reserves depend on the rating of LeasePlan as well as the rating agencies rating the transaction.

With the current rating of LeasePlan, the set-off reserve, commingling reserve and the maintenance reserve of Bumper 6, 7 and 8 are fully funded. For Bumper 7 a tax reserve remains unfunded and for the Bumper 9 transaction, the set-off reserve, commingling reserve and the maintenance reserve remain unfunded subject to a downgrade of LeasePlan, leaving a liquidity risk. The Bumper AU facility has not been drawn at year end 2017, hence no reserve obligations are effective. Per 31 December 2017, the exposure at risk is listed in the below table:

Credit rating downgrades of LeasePlan would result in a maximum additional total outflow of EUR 62 million illustrated in the table below.

Transaction - LONG TERM Rating Sensitivities (4)	**Current Deposits**	**Rating Triggers (M/S/F/D)**	**1 notch LT downgrade of LPC**	**2 notches LT downgrade of LPC**	**3 notches LT downgrade of LPC**	**Maximum Additional Deposits**	**Maximum Deposits**
As at 31 December 2017, in millions of euros							
Bumper France (5)	69	Baa2/BBB/BBB	7	-	-	7	76
Bumper 7	51	Baa3/BBB/-/BBBL		-	-	-	51
Bumper 6	3	Baa3/-/-/BBBL	-	-	55	55	58
Bumper NL (6)	56	-/BBB/BBB/BBBL	-	-	-	-	56
Total Incremental Deposits (7)	**186**	**-**	**7**	**-**	**55**	**62**	**241**

Table 34: Maximum additional total outflow in case of credit rating downgrades of LeasePlan

A typical Bumper transaction has a one year replenishment period during which the funding will stay constant. A severe deterioration of the performance of the securitised portfolio could trigger an early amortisation event. The redemption then required will however always be in line with the redemption of the underlying portfolio. Through early warning indicator reporting LeasePlan monitors potential liquidity risk from an early amortisation trigger or the breach of reserve triggers. There are at the moment no indications that these triggers will be breached.

Operational risk is related to the cooperation with third parties associated with the service providers within the bumper transaction.

LeasePlan does not have re-securitisation programmes, nor does it perform securitisation programmes for third parties. More information regarding LeasePlan's securitisation transactions can be found at: **www.bumperfinance.com**

7.3.2 Risk-weighted exposure

LeasePlan's securitisation transactions are only concluded to support the diversification of funding and do not serve the purpose of capital reduction. LeasePlan applies the so called "look through principle" with respect to its securitisations. This means that LeasePlan does not exclude its securitised assets from the calculation of its TREA amount; securitised assets are risk weighted as if they have never been securitised.

7.3.3 Accounting policy for securitisations

For details regarding LeasePlan's accounting principles in respect of securitisation transactions reference is made to the General notes, summary of significant accounting policies, of the Annual Report.

8 Remuneration

Introduction
In compliance with the requirements set out in the Pillar III remuneration disclosure requirements, this report provides further information on LeasePlan's remuneration policy and governance. In addition, this report contains specific qualitative and quantitative information on the remuneration for LeasePlan's staff members who have a material impact on the risk profile of LeasePlan Corporation (i.e. Identified Staff).

LeasePlan's Group Remuneration Framework
The Group Remuneration Framework (the "Framework') of LeasePlan 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 that is 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 targets are specific, measureable, attainable, relevant and time- bound;
- 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; and for variable remuneration that deviates from the Framework, approval of the (Remuneration and Nomination Committee of the) Supervisory Board is required.

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; and
- 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
The 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; and
- 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; and
- setting the financial and non-financial targets (as applicable) 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 Resource department (HR).

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 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:

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

Table 35: Overview of the global performance targets

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.

The ex ante & ex post risk analyses and malus & claw back

There are two processes that could lead to a downward adjustment of variable remuneration for Identified Staff: (i) the ex-ante & ex-post risk analyses and (ii) the malus & claw back.

The ex-ante and ex-post risk analyses are instigated by the Control Functions Risk Management and Compliance. This process assesses the performance against a pre-defined risk scorecard, specifically applicable for each role. Both quantitative and qualitative areas are included in the risk scorecard and based on the assessment, discounts on variable remuneration can be recommended to the (Remuneration and Nomination Committee of the) Supervisory Board. General elements included in the risk scorecard are:

1. red audit ratings as concluded by Group Audit and timely follow-up in the performance year of red audit ratings stemming from previous conducted audits;
2. the performance against the approved Risk Appetite Statement and/or policy considerations, such specified in the scorecard;
3. adherence to instructions set out by the Corporate Risk Committees, CEO Compliance meeting or Information Security Board;

4. compliance incidents with their origin in the performance year (i.e. the materiality of incidents, amount of losses, frequency and the corrective measures taken);
5. existence of Profit & Loss unadjusted misstatements as reported by external auditors as part of the reviews and audit of the Group IFRS Financial Statements.

In addition to these ex ante and ex post risk analyses, the (Remuneration and Nomination Committee of the) Supervisory Board has a more general discretionary power to adjust any variable remuneration to a suitable amount and/or reclaim variable remuneration back, in the following situations:

1. a subsequent significant downturn in financial performance, leading to a negative Net Result.
2. a significant reduction in the capital base of the Company, leading to a capital base that is below 90% of annual plan, in the year of Vesting other than as a reflection of dividends paid.
3. a significant and clearly identifiable failure of Risk Management in the department, Group company or group of Group companies for which the employee is (co-)responsible.
4. the employee participated in or was responsible for conduct which resulted in significant losses to the company.
5. the employee failed to meet appropriate standards of fitness and propriety (e.g. if the failure leads to regulatory sanctions and the conduct of the employee contributed to the sanction and/or in case of evidence of misconduct or serious error by the employee).

Execution LeasePlan's Remuneration Framework 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.

For 2018, the LeasePlan's Remuneration Framework is updated to remain in alignment with the European Banking Authority Remuneration Guidelines, the organisational changes and corporate strategy.

During 2017 the (Remuneration Committee of the) Supervisory Board was supported by external advisors on the peer group methodology used to position remuneration for the Managing Board an Senior Vice Presidents against the external market.The outcomes of these studies may lead to a revised peer group and benchmark in 2018. Such decision will be subject to the approval of the Supervisory Board.

2017 remuneration Identified Staff

In 2017 the Identified Staff population within LeasePlan increased from 72 to 74 positions, due to the increase of corporate staff positions. The selection is performed and approved by the (Remuneration and Nomination Committee of the) Supervisory Board on an annual basis. With respect to the newly Identified Staff, the tables below do not include deferred remuneration granted prior to the performance year 2017.

Table 36 shows the fixed and variable remuneration and its components (direct variable remuneration in cash and PSUs and deferred variable remuneration in cash and PSUs) awarded to Identified Staff relating to the financial year 2017.

Remuneration awarded to Identified Staff relating to 2017	**Managing Board**		**Corporate Senior Management**		**Other Identified Staff**	
In thousands of euros	Direct	Deferred and conditional	Direct	Deferred and conditional	Direct	Deferred and conditional
Fixed remuneration						
Cash	3,534	NA	3,635	NA	13,841	NA
Variable remuneration						
Cash	186	124	736	491	1,677	1,118
Non-cash instruments (PSUs)	186	124	736	491	1,677	1,118

Table 36: Fixed and variable remuneration awarded to Identified Staff

The awarded variable remuneration remains conditional until the final payment of the deferred amounts has taken place. After that, the claw back conditions remain applicable.

Table 37 shows the actual payments in 2017 of variable remuneration to Identified Staff.

Actual payments variable remuneration to Identified Staff in 2017	**Managing Board**	**Corporate Senior Management**	**Other Identified Staff**
In thousands of euros			
Cash	179	737	2,219
Non-cash instruments (PSUs)	186	624	2,437
Reduced through performance adjustments	-	-	-

Table 37: Actual payments variable remuneration

Table 38 shows the variable remuneration that vested in 2017 and the outstanding amounts of deferred remuneration for Identified Staff.

Total amount of outstanding (deferred) remuneration for Identified Staff in 2017	**Managing Board**		**Corporate Senior Management**		**Other Identified Staff**	
In thousands of euros	Vested	Unvested	Vested	Unvested	Vested	Unvested
Cash	Not applicable	208	Not applicable	654	Not applicable	2,196
Non-cash instruments (PSUs)	82	291	241	712	796	2,557

Table 38: Variable remuneration vested in 2017

Table 39 shows the number of individuals being remunerated (i.e. awarded) EUR 1 million or more per financial year, for remuneration between EUR 1 million and EUR 5 million broken down into pay bands of EUR 500,000. Remuneration comprises fixed and variable compensation awarded in relation to the financial year 2017.

Total number of Identified Staff remunerated 1 million or more	Aggregated number (#5)
1 million - 1.5 million	3
1.5 million - 2.0 million	1

Table 39: Total number of Identified Staff remunerated 1 million or more

Tables 40 and 41 show the following severance payments and 'sign-on' payments respectively were awarded in 2017.

Sign on awards	No of beneficiairies	Total amount
In thousands of euros		
Managing Board / Corporate Senior Management	4	1,100
Other Identified Staff	1	215

Table 40: Overview 'sign-on' awards

Severance payments	No of beneficiairies	Total amount
In thousands of euros		
Managing Board / Corporate Senior Management / Other Identified Staff	12	8,299

Table 41: Overview severance payments

The highest individual severance payment awarded in 2017 was EUR 1.59 million.

More remuneration information can be found in:
- Remuneration Report 2017 – information about the remuneration policy and remuneration governance within LeasePlan;
- 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.