LeasePlan Pillar 3 Report 2019

Contents

1 INTRODUCTION

1.1 Key Metrics

The following table contains an overview of LeasePlan's prudential regulatory metrics.

	Key Metrics as per 31 December, amounts in millions of euros	2019	2018
	Available capital (amounts)		
1	Common Equity Tier 1	3,143	2,926
	Tier 1 capital	3,500	2,926
4	Total capital	3,550	2,926
	Risk-weighted assets (amounts)		
5	Total risk-weighted assets (RWA)	18,384	16,573
	Risk-based capital ratios as a percentage of RWA		
8	Common Equity Tier 1 ratio (%) [1]	17.1%	17.7%
9	Tier 1 capital ratio (%)	19.0%	17.7%
10	Total capital ratio (%) [1]	19.3%	17.7%
11	**Additional CET1 buffer requirements as a percentage of RWA**		
12	Capital conservation buffer requirement (2.5% from 2019) (%)	2.5%	1.9%
	Countercyclical buffer requirement (%)	0.3%	0.2%
13	Bank G-SIB and/or D-SIB additional requirements (%)	-	-
14	Total of bank CET1 specific buffer requirements (%)	2.8%	2.1%
	CET1 available after meeting the bank's minimum capital requirements (%)	0.8%	3.3%
15	**Basel III leverage ratio**		
16	Total Basel III leverage ratio exposure measure	33,757	29,419
17	Basel III leverage ratio (%)	10.4%	9.9%
	Liquidity Coverage Ratio		
18	Total HQLA [1]	4,753	3,103
19	Total net cash outflow [1]	1,329	1,501
20	LCR ratio (%) [1]	358.0%	207.0%

Table 1: Key Metrics[1 2]

[1] Liquidity Coverage Ratio components under section 1.1 are based on ultimate year-end figures reported to the Dutch Central Bank. Liquidity Coverage Ratio components under section 5.4 are based on the quarter averages (EBA/GL/2017/01).

In respect to CET1 and Total capital ratios not take into account the Q4 2019 net results. These results will only formally be included as part of the CET1 capital upon approval of the 2019 financial statements. Including these results as stated in the financial statements, at the regulatory consolidated level, CET1 ratio is 17.7 % and the Total Capital ratio is 19.8 %.

[2] The prudential sub-consolidation of LeasePlan Corporation agrees to the accounting consolidation of LeasePlan Corporation N.V. The CET1 and TC ratios excluding Q4 results are respectively 17.2% and 19.9%. The CET1 and TC ratio including the Q4 2019 result are 17.7% and 20.4% respectively. Please refer to the financial statements of LeasePlan Corporation N.V. for further details.

1.2 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, 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 based on the EBA guidelines: Reference to Pillar 3 disclosure requirements (EBA guideline): final report on the guidelines on disclosure requirement under part 8 of regulation (EU) BO 575/2013.

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. There are no material deviations with the disclosure requirements under part 8 of regulation (EU) BO 575/2013.

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.

1.3 Scope of application

This Pillar 3 report is prepared on a consolidated basis as required for LeasePlan Corporation N.V. by Article 13 of the CRR. The prudential consolidated level includes LP Group B.V which holds 100% of the ordinary shares of LeasePlan Corporation N.V.. LP Group B.V. is a financial holding company as defined in Article 4 (20) of the CRR.

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 prudential consolidation perspective, all entities that are considered in the accounting basis of consolidation of LP Group B.V., which also includes all entities in scope of the accounting consolidation on LeasePlan Corporation N.V., are in scope of the prudential consolidation of LeasePlan Corporation N.V. and are hence in scope of supervision by the DNB.

The starting point of the CRR/Capital requirements directive (CRD IV) prudential scope of application is the consolidation scope of LeasePlan, according to the International Financial Reporting Standards (IFRS).

From a control and governance perspective, LeasePlan Corporation N.V., 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.

Whenever reference is made to "LeasePlan" or "the Group" reference is made to the same scope of consolidation as disclosed in the Annual Report of LP Group B.V. For an overview of the principal subsidiaries of LP Group B.V. reference is made to "Specific Notes", note 1 - Country to country reporting and "List of principal consolidated participating interests" of the Annual Report 2019.

The following table contains an outline of the differences in the scopes of consolidation – entity by entity of LeasePlan based on EBA template *EU LI3*

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
Outline of the differences in the scopes of consolidation – entity by entity as per 31 December 2019		**Full consolidation**	**Proportional consolidation**	**Neither consolidated nor deducted**	**Deducted**	
Dial Vehicle Management Services Ltd	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Romania SRL	Full consolidation	X				Financial corporations other than credit institutions
Firenta BV	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan USA Insurance LLC	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Shared Services Center	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Fleet Management India Pvt	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Emirates LLC	Equity method			X		Financial corporations other than credit institutions
PLEASE SCS	Equity method			X		Financial corporations other than credit institutions
Administrative and Management Services	Full consolidation	X				Financial corporations other than credit institutions
Fleet Cover Sociedad	Full consolidation	X				Financial corporations other than credit institutions
Euro Insurances DAC	Full consolidation	X				Insurance entity
LeasePlan Danmark AS	Full consolidation	X				Financial corporations other than credit institutions
Garanthia Plan SL	Full consolidation	X				Financial corporations other than credit institutions
Inula Holding UK Ltd	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan UK Limited	Full consolidation	X				Financial corporations other than credit institutions
Lease Beheer Vastgoed BV	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Acceptance Corp	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan India Private Ltd	Full consolidation	X				Financial corporations other than credit institutions
GLS Gestion Location Service SAS	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Portugal Comercio	Full consolidation	X				Financial corporations other than credit institutions
Lease Plan Fleet Man Ser Ireland Ltd	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Services GmbH	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Servicios SA	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Otomotiv Servis ve Ticaret AS	Full consolidation	X				Financial corporations other than credit institutions
Transport Plan BV	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Information Services Ltd	Full consolidation	X				Financial corporations other than credit institutions
Societe de Courtages d Assurances	Full consolidation	X				Financial corporations other than credit institutions
Fleet Accident Management Services Sp	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Hungaria Gepjarmupark	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Versicherungsvermittlung GmbH	Full consolidation	X				Financial corporations other than credit institutions
Elymus Holding Espana SL	Full consolidation	X				Financial corporations other than credit institutions

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
Outline of the differences in the scopes of consolidation – entity by entity as per 31 December 2019		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	
InsurancePlan, sro	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Mexico SA de CV	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan France SAS	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Fleet Management Polska	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Hellas Commercial SA	Full consolidation	X				Financial corporations other than credit institutions
Lean Autovermietung GmbH	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Slovakia sro	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Global BV	Full consolidation	X				Financial corporations other than credit institutions
all in AG	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Digital BV	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Finland Oy	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan New Zealand Limited	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Deutschland GmbH	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Service Sverige AB	Full consolidation	X				Financial corporations other than credit institutions
Lease Beheer Holding BV	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Nederland NV	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Schweiz AG	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Arrendamento Mercantil SA	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Osterreich Fuhrp GmbH	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan USA Inc	Full consolidation	X				Financial corporations other than credit institutions
CarNext BV	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Norge AS	Full consolidation	X				Financial corporations other than credit institutions
Accident Management Services BV	Full consolidation	X				Financial corporations other than credit institutions
Network Vehicles Limited	Full consolidation	X				Financial corporations other than credit institutions
Fleet Insurance Plan sro	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Sverige AB	Full consolidation	X				Financial corporations other than credit institutions
AALH Participaties BV	Full consolidation	X				Financial corporations other than credit institutions
Lease Plan Brasil Ltda	Full consolidation	X				Financial corporations other than credit institutions
LP Group BV	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Ceska Republika sro	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Rus Limited Liability Company	Full consolidation	X				Financial corporations other than credit institutions
Bizz Nizz BVBA	Full consolidation	X				Financial corporations other than credit institutions

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
Outline of the differences in the scopes of consolidation – entity by entity as per 31 December 2019		**Full consolidation**	**Proportional consolidation**	**Neither consolidated nor deducted**	**Deducted**	
LP Fleet Management Sdn Bhd	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Corporation NV	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Partnerships Alliances	Full consolidation	X				Financial corporations other than credit institutions
Dial Contracts Limited	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Finance NV	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Truck NV	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Global Procurement	Full consolidation	X				Financial corporations other than credit institutions
Automotive Leasing Ltd	Full consolidation	X				Financial corporations other than credit institutions
Accident Management Services S.R.L.	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Fleet Management NV	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Luxembourg SA	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Australia Limited	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Italia SpA	Full consolidation	X				Financial corporations other than credit institutions
Flottenmanagement GmbH	Equity method			X		Financial corporations other than credit institutions
Lease Plan USA OT	Full consolidation	X				Financial corporations other than credit institutions
Lease Plan USA LT	Full consolidation	X				Financial corporations other than credit institutions
Lease Concept of Puerto Rico Inc	Full consolidation	X				Financial corporations other than credit institutions
Neville Leasing Inc	Full consolidation	X				Financial corporations other than credit institutions

Table 2: EU LI3 Outline of the differences in the scopes of consolidation – entity by entity

1.4 *Frequency*

LeasePlan's Pillar 3 report is prepared 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.

1.5 *Assurance*

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

1.6 *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 1.7 of this report LeasePlan mapped the CRR articles 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. 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.

1.7 *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 2019	Annual Report 2019
435	Risk management objectives and policies	Section 2 and 3.1	Strategic report Governance report RM: A. Risk Approach RM: C. Risk management Framework
436	Scope of application	Section 1.3	SN: 1
437	Own funds	Section 5	RM: B. Capital management
438	Capital requirements	Section 6	RM: B. Capital management
439	Exposure to counterparty credit risk	Section 6.3.8	RM: D. Risk
440	Capital buffers	Section 6.2	RM: B. Capital management
441	Indicators of global systemic importance	Not applicable	Not applicable
442	Credit risk adjustments	Section 6.3.4	RM: D. Risk
443	Unencumbered assets	Section 7.1	RM: D. Risk
444	Use of ECAIs	Section 6.3.6	Not applicable
445	Exposure to market risk	Section 6.4	RM: D. Risk
446	Operational risk	Section 6.5	RM: D. Risk
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	RM: D. Risk
449	Exposure to securitisation positions	Section 7.3	SN: 12, 18, 25, 26 NCFS: 12
450	Remuneration policy	Section 8	SN: 24 Remuneration Report 2019
451	Leverage	Section 5.3	Not applicable
452	Use of the IRB Approach to credit risk	Section 6.3.7	RM: D. Risk
453	Use of credit risk mitigation techniques	Section 6.3.5	RM: D. Risk
454	Use of the Advanced Measurement Approaches to operational risk	Section 6.5	RM: D. Risk
455	Use of Internal Market Risk Models	Section 6.4	RM: D. Risk

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

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.

All key risks are managed through a risk framework, approved by the Managing Board. The risk 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 Group 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 policies. Risk management responsibilities in the different risk control phases are delegated by the Managing Board to the group risk management department, the Group Risk Committee (GRC) 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. References are made to the Strategic report, Governance report and Financial Risk Management chapter in the Annual Report.

2.2 Statement of the Management Board

The information provided by LeasePlan in the Pillar 3 report is subject to the same level of internal review and internal control processes as the information provided by LeasePlan in the Annual report. Reference is made to the statement of the Management Board within the annual report.

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 including underlying biographies and other directorship positions from the relevant members.

Number of directorships held by members of the Managing Board in 2019	Supervisory Board positions	Other positions
Chief Executive Officer	3	2
Chief Financial Officer	1	–

Table 4: Number of directorships held by members of the Managing Board:

Tex. Gunning

Mr. Gunning (1950) was appointed as chief executive officer and chairman of the Managing Board of LeasePlan in September 2016.

Previously, Mr. Gunning served as CEO of TNT Express between 2013 and 2016, guiding its merger with FedEx to create a global network for express parcel deliveries. Mr. Gunning served on the supervisory board of TNT Express from 2011 to 2013, prior to his appointment as CEO.

Mr. Gunning was also managing director of the Decorative Paints Division of AkzoNobel between 2008 and 2013, where he integrated ICI in AkzoNobel's decorative paints business with ICI.

Between 2007 and 2008, Mr. Gunning was CEO of Vedior, overseeing its acquisition by Randstad in 2008, which saw Randstad become the second largest recruitment company in the world.

Mr. Gunning also has 25 years of experience with Unilever, where his last role was business group president in Asia.

In addition, Mr. Gunning was supervisory board member of Stichting Nederlandse Vrienden der SOS Kinderdorpen from 2012 to 2013 and of Stichting dance4life from 2013 to 2017.

Mr. Gunning (CEO) currently has three supervisory positions. He is a supervisory board member of Vereniging Erasmus Trustfonds, Stichting Nexus Instituut and Stichting Het Wereld Natuur Fonds-Nederland.

Mr. Gunning has also 2 other positions as chairman of the Board of Stichting Grachtenfestival and World Economic Forum Climate Sector Leader Automotive.

Mr. Gunning is an Economics graduate of Erasmus University.

Jozchen Sutor [3]

Mr. Sutor (1973) was appointed as chief financial officer and member of the managing board of LeasePlan in 2019. Mr. Sutor has a long career in banking and automotive finance.

Before becoming Global Head of Finance at Commerzbank in 2012, Mr. Sutor spent more than ten years working for Mercedes-Benz Bank, a subsidiary of the Daimler Financial Services division, fulfilling various senior positions in finance and risk management.

Mr. Sutor brings a wealth of experience in corporate restructuring exercises and credit workouts and has managed accounts in complex global organizations, harmonizing systems, increasing efficiencies and introducing single finance architectures across jurisdictions.

Mr. Sutor also serves as Chairman of the Supervisory Board at Comdirect Bank AG. He holds an MSc. Degree in Finance from Texas A&M University and a doctorate in Mathematics from Ulm University.

3.2 Diversity and inclusion

In 2019, the Diversity & Inclusion policies is implemented in all LeasePlan countries. We have further built up our inclusive culture where everybody gets an equal chance to be a successful and happy member of our organisation.

We have expanded our activities to make sure our employees experience a feeling of the belonging by:

- Signing the Charter Talent to the Top for and participate in the monitor for female talent in the Top and sub top to stimulate good progress on diverse teams.
- Introducing a workshop approach for awareness and engagement on the Diversity & Inclusion topic and rolled this out to all our countries.
- Pushing the use of Pulse surveys in all entities to get regular updates on employees needs and experiences to improve their employee experience.
- Promoting the obligation for managers to have the ongoing dialogue in the Performance Management cycle to support all employees in achieving what they aim for.

For 2020, our prior focus is further broadening the knowledge and awareness within all LeasePlan countries.

[3] On December 4, Member of the managing board and Chief Risk Officer (CRO) Franca Vossen left the company by mutual agreement. For the time being, the responsibilities of the CRO have been entrusted to the Chief Financial Officer, until a CRO has been appointed.

4 DIFFERENCES BETWEEN ACCOUNTING AND REGULATORY SCOPES OF CONSOLIDATION

In the tables below LeasePlan provides the differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories.

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 sub-consolidated level (LeasePlan Corporation N.V).

			Carrying values of items:				
Linkages between financial statements and regulatory exposures as per 31 December 2019, in millions of euros	**Carrying values as reported in published financial statements**	**Carrying values under scope of regulatory consolidation**	**Subject to credit risk framework**	**Subject to counterparty credit risk framework**	**Subject to the securitisation framework**	**Subject to the market risk framework**	**Not subject to capital requirements or subject to deduction from capital**
Assets							
Cash and balances at central banks	4,828	4,828	4,828	-	-	-	-
Bonds and notes held	25	25	25	-	-	-	-
Receivables from financial institutions	639	639	559	80	-	-	-
Derivative financial instruments	103	103		103	-	-	-
Other receivables and prepayments	1,238	1,238	1,238	-	-	-	-
Inventories	645	645	645	-	-	-	-
Loans to investments accounted for using the equity method	164	164	164	-	-	-	-
Corporate income tax receivable	71	71	71	-	-	-	-
Lease receivables from clients	3,388	3,388	3,388	-	-	-	-
Property and equipment under ol & rental fleet	19,340	19,340	19,340	-	-	-	-
Other property and equipment	393	393	393	-	-	-	-
Investments accounted for using the equity method	35	35	19	-	-	-	16
Intangible assets	555	555		-	-	-	555
Deferred tax assets	229	229	127	-	-	-	99
Assets classified as held for sale	-	-	-	-	-	-	-
Total assets	**31,652**	**31,652**	**30,796**	**183**	**-**	**-**	**670**
Liabilities							
Trade and other payables and Deferred income	2,436	2,436	-	-	-	-	-
Borrowings from financial institutions	4,079	4,079	-	-	-	-	-
Derivative financial instruments	137	137	-	137	-	-	-
Funds entrusted	7,764	7,764	-	28	-	-	-
Debt securities issued	11,582	11,582	-	-	-	-	-
Provisions	522	522	-	-	-	-	-
Corporate income tax payable	65	65	-	-	-	-	-
Deferred tax liabilities	383	383	-	-	-	-	-
Lease liabilities	296	296	-	-	-	-	-
Total liabilities	**27,264**	**27,264**	**-**	**165**	**-**	**-**	**-**

Table 5: EU LI1 Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories

			Items subject to:			
	Main sources of differences between regulatory exposure amounts and carrying values in financial statements as per 31 December 2019, in millions of euros	**Total**	**Credit risk Framework**	**Counterparty credit risk framework**	**Securitisation framework**	**Market risk framework**
1	Asset carrying value amount under scope of regulatory consolidation (as per template LI1)	31,652	30,796	183	-	-
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	-165	-	-165	-	-
3	**Total net amount under regulatory scope of consolidation**	**31,487**	**30,796**	**18**	**-**	**-**
4	Off-balance sheet amounts	2,839	2,839		-	-
5	Differences in valuations	98	22	76	-	-
6	Differences due to different netting rules, other that those already included in row 2	3	-3	6	-	-
7	Differences due to consideration of provisions	-	-	-	-	-
8	Differences due to prudential filters	-	-	-	-	-
9	Deduction Intangible assets	-571	-	-	-	-
10	Deduction of deferred tax assets	-99	-	-	-	-
11	**Exposure amounts considered for regulatory purposes**	**33,757**	**33,654**	**100**	**-**	**-**

Table 6: EU LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

5 OWN FUNDS, LEVERAGE AND LIQUIDITY

5.1 Own funds

Composition of capital and risk exposure amounts

As per 31 December, in millions of euros	2019	2018	Delta
Share capital and share premium	3,532	3,532	0
Other reserves	-24	-49	25
Retained earnings	383	187	196
Equity of owners of the parent	**3,891**	**3,670**	**220**
Holders of AT1 capital securities	498	-	498
Total IFRS equity	**4,389**	**3,670**	**718**
Deduction of net result for the year	-374	-402	28
Interim dividend paid out of retained earnings	165	212	-46
AT1 capital securities	-498	-	-498
Total IFRS equity excluding results, interim dividend paid and AT1 capital securities	**3,681**	**3,479**	**202**
Eligible results for year net of interim and foreseeable dividend	101	94	7
Regulatory adjustments	-639	-648	9
Common Equity Tier 1 capital	**3,143**	**2,926**	**217**
Additional Tier 1 capital	357	-	357
Tier 1 Capital	**3,500**	**2,926**	**574**
AT1 instrument eligible as Tier 2 capital	**50**	**-**	**50**
Total Capital	**3,550**	**2,926**	**624**
TREA/RWA	**18,384**	**16,573**	**1,811**
Common Equity Tier 1 ratio	**17.1%**	**17.7%**	**-0.6%**
Tier 1 Capital ratio	**19.0%**	**17.7%**	**1.4%**
Total Capital ratio	**19.3%**	**17.7%**	**1.7%**

Table 7: Breakdown of LeasePlan's CET 1/ total capital and RWA/TREA

Capital position

LeasePlan's capital position both remains strong with a Total Capital and CET1 ratio of 19.3% and 17.1% respectively based on consolidation scope excluding Q4 results[4]. Interim results have been excluded up till the fourth quarter of 2019 from the capital ratios.

The Common Equity Tier 1 capital increased in 2019 by EUR 217 million to EUR 3,143 million resulting in a Common Equity Tier 1 ratio at year-end of 17.1%. mainly resulting from an increase of eligible profits prior year (retained earnings), under deduction of foreseeable dividends. The Total Capital increased in 2019 by EUR 624 million to EUR 3,550 million resulting in a Total Capital ratio at year-end of 19.3%.

In 2019 the TREA defined in section 6.1 showed a stable development and increased by EUR 1,811 million to EUR 18,384 million. The TREA, compared to 2018, on a net basis increased by 11.0% during 2019. 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 maturity of lease contracts. For more details on the TREA, reference is made to section 6.1 and 6.3.

In May 2019, LeasePlan Corporation N.V. issued EUR 500 million of AT1 capital securities which further strengthened LeasePlan's regulatory Tier 1 and total capital position. LeasePlan continuously monitoring and reviewing its regulatory capital position under the applicable regulatory framework in light of its strategic objectives and risk identification.

During 2019 LeasePlan continued the development of an advanced (Pillar 2) capital approach for residual value risk, further leveraging investments previously made in this respect. Based on the 2019 Internal Capital Adequacy Assessment Process (ICAAP), LeasePlan concludes that it is adequately capitalised and resilient to future plausible stress scenarios. This conclusion is based on LeasePlan's internal control framework and LeasePlan's capital assessment methodologies.

Prudent capital management and controls are in place to ensure compliance with regulatory requirements. Based on the 2019 Internal Capital Adequacy Assessment Process (ICAAP), LeasePlan is adequately capitalised.

[4] These CET1 and Total capital ratios not take into account the Q4 2019 net results. These results will only formally be included as part of the CET1 capital upon approval of the 2019 financial statements. Including these results as stated in the financial statements, at the regulatory consolidated level, CET1 ratio is 17.7 % and the Total Capital ratio is 19.8 %.

5.2 *Composition of regulatory capital*

	Composition of regulatory capital as per 31 December, in millions of euros	2019
	Common Equity Tier 1 capital: instruments and reserves	
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	3,532
2	Retained earnings	275
3	Accumulated other comprehensive income (and other reserves)	-24
4	Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)	-
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-
6	Common Equity Tier 1 capital before regulatory adjustments	3,782
	Common Equity Tier 1 capital: regulatory adjustments	**-**
7	Prudent valuation adjustments	0
8	Goodwill (net of related tax liability)	292
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	241
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)	99
11	Cash flow hedge reserve	5
12	Shortfall of provisions to expected losses	2
28	**Total regulatory adjustments to Common Equity Tier 1**	**639**
29	**Common Equity Tier 1 capital (CET1)**	**3,143**
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	357
44	**Additional Tier 1 capital (AT1)**	**357**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**3,500**
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	50
58	**Tier 2 capital (T2)**	**50**
59	**Total regulatory capital (TC = T1 + T2)**	**3,550**
60	**Total risk-weighted assets**	**18,384**
61	**Common Equity Tier 1 (as a percentage of risk-weighted assets)**	**17.1%**
62	**Tier 1 (as a percentage of risk-weighted assets)**	**19.0%**
63	**Total capital (as a percentage of risk-weighted assets)**	**19.3%**
64	**Institution-specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)**	**2.8%**
65	Of which: capital conservation buffer requirement	2.5%
66	Of which: bank-specific countercyclical buffer requirement	0.3%
68	**Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirements**	**-**
73	Significant investments in the common stock of financial entities	19
75	Deferred tax assets arising from temporary differences (net of related tax liability)	127
77	Cap on inclusion of provisions in Tier 2 under standardised approach	1,888
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	4,895

Table 8: Composition of regulatory capital

5.3 *Leverage ratio*

The leverage ratio is calculated based on the requirements of CRR/CRD IV. The fully loaded leverage ratio as per 31 December 2019 is 10.4%, 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

	As per 31 December, in millions of euros	2019	2018
1	Total consolidated assets as per published financial statements	31,652	27,662
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-	-
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-	-
4	Adjustments for derivative financial instruments	-83	-50
5	Adjustment for securities financing transactions (ie repos and similar secured lending)	-	-
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	2,838	2,507
7	Other adjustments	-650	-700
	Leverage ratio exposure measure	**33,757**	**29,419**

Table 9: Summary reconciliation of accounting assets and leverage ratio exposures –LRSum

Leverage ratio common disclosure

	As per 31 December, in millions of euros	2019	2018
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs) but including collateral)	31,489	27,507
2	(Asset amounts deducted in determining Tier 1 capital)	-670	-698
3	**Total on-balance sheet exposures (excluding derivatives and SFTs and) (sum of rows 1 and 2)**	**30,819**	**26,809**
Derivative exposures			
4	Replacement cost associated with *all* derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	24	29
5	Add-on amounts for PFE associated with *all* derivatives transactions	76	75
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative 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 derivative exposures**	**100**	**103**
Securities financing transaction exposures			
12	Gross SFT *assets* (with no recognition of netting), after adjusting for sale accounting transactions	-	-
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
14	CCR exposure for SFT assets	-	-
15	Agent transaction exposures	-	-
16	**Total securities financing transaction exposures (sum of rows 12 to 15)**	**-**	**-**
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	2,839	2,513
18	(Adjustments for conversion to credit equivalent amounts)	-1	-7
19	**Off-balance sheet items**	**2,838**	**2,507**
Capital and total exposures			
20	**Tier 1 capital**	**3,500**	**2,917**
21	**Total exposures**	**33,757**	**29,419**
Leverage ratio			
22	**Basel III leverage ratio**	**10.4%**	**9.9%**

Table 10: Leverage ratio common disclosure –LRCom

Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

As per 31 December, in millions of euros	2019	2018
1 Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	31,489	27,507
2 Trading book exposures	-	-
3 Banking book exposures, of which:	31,489	27,117
4 Covered bonds	-	-
5 Exposures treated as sovereigns	5,327	3,678
6 Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	79	
7 Institutions	641	655
8 Secured by mortgages of immovable properties	-	-
9 Retail exposures	637	542
10 Corporate	8,019	7,545
11 Exposures in default	46	25
12 Other exposures (eg equity, securitisations, and other non-credit obligation assets)	16,739	15,062

Table 11: Split-up of on balance sheet exposures – LRS

5.4 Liquidity

5.4.1 Liquidity risk management

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

5.4.2 Liquidity Coverage Ratio (LCR)

The Liquidity Coverage Ratio (LCR) quarterly average as per 31 December 2019 is 545,3%, whereas the regulatory minimum level of the leverage ratio is 100%. The monthly LCR average for the specific quarter has been considered when deriving the quarterly LCR average. Last year the yearly LCR average was determined. Below liquidity Coverage Ratio components and quarterly LCR average is based on EBA Guidelines (EBA/GL/2017/01).

Consolidated Liquidity Coverage ratio common disclosure

	As per 31 December, in millions of euros	**Total unweighted value (average)**				**Total weighted value (average)**			
	Quarter ending on:	**31-Mar-19**	**30-Jun-19**	**30-Sep-19**	**31-Dec-19**	**31-Mar-19**	**30-Jun-19**	**30-Sep-19**	**31-Dec-19**
	Number of data points used in the calculation of averages	3	3	3	3	3	3	3	3
	High-quality liquid assets								
1	**Total HQLA**	3,459	3,942	4,483	5,237	3,459	3,942	4,483	5,237
	Cash outflows								
2	**Retail deposits and deposits from small business customers, of which:**	4,449	4,614	4,694	4,693	445	461	469	469
3	Stable deposits	-	-	-	-	-	-	-	-
4	Less stable deposits	4,449	4,614	4,694	4,693	445	461	469	469
5	**Unsecured wholesale funding, of which:**	454	373	338	360	452	372	336	359
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-	-	-	-	-	-
7	Non-operational deposits (all counterparties)	230	267	334	360	229	265	333	359
8	Unsecured debt	223	106	3	-	223	106	3	0
9	**Secured wholesale funding**	51	60	59	50	51	60	59	50
10	**Additional requirements, of which:**	346	361	346	313	332	351	340	309
11	Outflows related to derivative exposures and other collateral requirements	331	349	339	308	331	349	339	308
12	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
13	Credit and liquidity facilities	15	12	7	5	1	1	1	1
14	**Other contractual funding obligations**	537	557	584	562	536	557	584	561
15	**Other contingent funding obligations**								
16	**TOTAL CASH OUTFLOWS**	5,836	5,965	6,021	5,978	1,816	1,801	1,789	1,748
	Cash inflows								
17	Secured lending (eg reverse repos)	-	-	-	-	-	-	-	-
18	**Inflows from fully performing exposures**								
19	Other cash inflows	755	777	871	917	614	785	697	787
20	**TOTAL CASH INFLOWS**	755	777	871	917	614	785	697	787
21	**Liquidity buffer**					3,459	3,942	4,483	5,237
22	**Total net cash outflows**					1,203	1,016	1,092	960
23	**Liquidity Coverage Ratio (%)**					287.6%	387.9%	410.6%	545.3%

Table 12: EU LIQ 1 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 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.

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

For government, bank and remaining retail 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 (if available). 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 has investigated less sophisticated approaches in 2019 and proposed to apply the Standardized Approach (STD) as of 2020 to determine the own funds requirement for operational risk. In December 2019, LeasePlan formally asked approval from DNB regarding the shift from AMA to the STD approach. The decision to move to the STD approach is also made knowing that AMA will be replaced by the STD in the near future for all institutions with a banking license.

The following table illustrates the breakdown of RWA/TREA and minimum capital requirements under Part Three, Title I, Chapter 1 of the CRR:

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.

			RWA		Minimum capital requirements
Overview of RWA as per 31 December 2019, in millions of euros			**2019**	**2018**	**2019**
Article 438(c)(d)	1	**Credit risk (excluding counterparty credit risk) (CRR)**	**15,974**	**14,357**	**1,278**
Article 438(c)(d)	2	Of which standardised approach (SA)	4,555	4,837	364
Article 438(c)(d)	3	Of which foundation IRB (FIRB) approach	-	-	-
Article 438(d)	4	Of which advanced IRB (AIRB) approach	11,419	9,520	914
Article 107, 438(c)(d)	5	Of which equity IRB under the simple risk-weighted approach or the IMA	-	-	-
Article 438(c)(d)	6	**Counterparty credit risk (CCR)**	**31**	**42**	**3**
Article 438(c)(d)	7	Of which mark to market	23	28	2
Article 438(c)(d)	8	Of which original exposure	-	-	-
	9	Of which standardised approach	-	-	-
Article 438(c)(d)	10	Of which internal model method (IMM)	-	-	-
Article 438(c)(d)	11	Of which risk exposure amount for contributions to the default fund of a CCP	-	-	-
Article 438(c)(d)	12	Of which CVA	8	14	1
Article 438(e)	13	**Settlement risk**	**-**	**-**	**-**
Article 449(o)(i)	14	**Securisation exposures in banking book (after the cap)**	**-**	**-**	**-**
	15	Of which IRB approach	-	-	-
	16	Of which IRB Supervisory Formula Approach (SFA)	-	-	-
	17	Of which internal assessment approach (IAA)	-	-	-
	18	Of which standardised approach	-	-	-
Article 438 (e)	19	**Market risk**	**499**	**398**	**40**
	20	Of which standardised approach (SA)	499	398	40
	21	Of which IMA	-	-	-
Article 438(e)	22	**Large exposures**	**-**	**-**	**-**
Article 438(f)	23	**Operational risk**	**1,515**	**1,515**	**121**
	24	Of which Basic Indicator Approach	-	-	-
	25	Of which Standardised Approach	-	-	-
	26	Of which Advanced Measurement Approach	1,515	1,515	121
Article 437(2), Article 48 and Article 60	27	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	**364**	**261**	**29**
Article 500	28	**Floor adjustment**			
	29	**Total**	**18,384**	**16,573**	**1,471**

Table 13: EU OV1: Overview of RWA

The following table illustrates the breakdown of LeasePlan's 'other non-credit obligation assets' (ONCOA).

In 2019, the other non-credit obligation assets are EUR 14,201 million compared with 2018 EUR 10,990 million.

In main EBA credit risk templates, the other non-credit obligation assets are reported under a specific line item under the total IRB approach.

LeasePlan included the other non-credit obligation assets to align with the Total RWA/TREA amount reported in the COREP reporting to the Dutch Central Bank (DNB).

		Exposure value		RWA	
	Summary of Other (non-credit) obligation assets as per 31 December, in millions of euros	**2019**	**2018**	**2019**	**2018**
1	Residual value related exposures	9,958	9,430	6,559	6,114
2	Property and equipment	393	103	393	103
3	Lease commitments	1,815	-	545	-
4	Other assets	2,036	1,457	2,035	1,457
	Total other (non-credit) obligation assets	**14,201**	**10,990**	**9,531**	**7,674**

Table 14: breakdown of the Other non-credit obligation assets[5]

6.2 *Capital buffers*

6.2.1 Countercyclical capital buffer

As per 31 December 2019 LeasePlan holds 0.331% (EUR 61 million) of its TREA (EUR 18,384 million) 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.

Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer as per 31 December 2019, in millions of euros		**Exposure values and/or risk-weighted assets used in the computation of the countercyclical capital buffer**			
Geographical breakdown	**Countercyclical capital buffer rate**	**Exposure values**	**Risk-weighted assets**	**Bank-specific countercyclical capital buffer rate**	**Countercyclical buffer amount**
Czech Republic	1.5%	196	66	0.015%	3
Norway	2.5%	599	227	0.086%	16
Slovakia	1.5%	78	31	0.007%	1
Sweden	2.5%	223	67	0.025%	5
United Kingdom	1.0%	1,838	952	0.144%	26
Denmark	1.0%	1,362	126	0.019%	3
France	0.3%	1,362	662	0.025%	5
Ireland	1.0%	182	68	0.010%	2
Sum		**5,842**	**2,199**	**0.331%**	**61**

Table 15: Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

6.2.2 Capital conservation buffer

As per 31 December 2019, LeasePlan's capital conservation buffer consists of CET 1 capital equal to 2.5% (EUR 459.6 million; compared with 2018: EUR 414.5 million) of its TREA (EUR 18,384 million); 2018: EUR 16,573 million), in accordance with CRR article 92 and 160.

[5] The residual value exposure related to Other non-credit obligation assets are only IRB approach related. In section asset risk, the residual value is IRB and standardised approach related.

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 exposures in credit quality of exposures by exposure classes and instruments.

	Credit quality of exposures by exposure classes and instruments as per 31 December 2019, in millions of euros	Gross carrying values of: Defaulted exposures	Gross carrying values of: Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values (a+b-c-d)
1	Central governments or central banks	-	-	-	-	-	-	-
2	Institutions	-	-	-	-	-	-	-
3	Corporates	22	6,697	31	-	-	-	6,687
4	Of which: Specialised lending	-	-	-	-	-	-	-
5	Of which: SMEs	1	370	1	-	-	-	370
6	Retail	1	301	9	-	-	-	294
7	Secured by real estate property	-	-	-	-	-	-	-
8	SMEs	-	-	-	-	-	-	-
9	Non-SMEs	-	-	-	-	-	-	-
10	Qualifying revolving	-	-	-	-	-	-	-
11	Other retail	1	301	9	-	-	-	294
12	SMEs	0	121	-	-	-	-	121
13	Non-SMEs	1	172	-	-	-	-	172
14	Equity	-	19	-	-	-	-	19
	Other (non-credit) obligation assets	-	14,201	-	-	-	-	14,201
15	**Total IRB approach**	**23**	**21,218**	**40**	**-**	**-**	**-**	**21,201**
16	Central governments or central banks	-	5,454	-	-	-	-	5,454
17	Regional governments or local authorities	-	20	-	-	-	-	20
18	Public sector entities	-	59	-	-	-	-	59
19	Multilateral development banks	-	-	-	-	-	-	-
20	International organisations	-	-	-	-	-	-	-
21	Institutions	-	742	-	-	-	-	742
22	Corporates	-	1,348	-	-	-	-	1,348
23	Of which SMEs	-	11	-	-	-	-	11
24	Retail	-	345	-	-	-	-	345
25	Of which SMEs	-	182	-	-	-	-	182
26	Secured by mortgages on immovable property	-	-	-	-	-	-	-
27	Of which SMEs	-	-	-	-	-	-	-
28	Exposures in default	5	-	-	-	-	-	5
29	Items associated with particularly high risk	-	-	-	-	-	-	-
30	Covered bonds	-	-	-	-	-	-	-
31	Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-
32	Collective investment undertakings	-	-	-	-	-	-	-
33	Equity exposures	-	-	-	-	-	-	-
34	Other exposures	-	4,583	-	-	-	-	4,583
35	**Total standardised approach**	**5**	**12,551**	**-**	**-**	**-**	**-**	**12,556**
36	**Total**	**28**	**33,769**	**40**	**-**	**-**	**-**	**33,757**
37	Of which: Loans	28	3,882	40	-	-	-	3,870
38	Of which: Debt securities	-	25	-	-	-	-	25
39	Of which: Off-balance-sheet exposures	-	2,838	-	-	-	-	2,838

Table 16: EU CR1-A: Credit quality of exposures by exposure classes and instruments

The following table shows the credit quality of exposures by industry or counterparty types.

	Credit quality of exposures by geography as per 31 December 2019, in millions of euros	Gross carrying values of Defaulted exposures	Gross carrying values of Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values (a+b-c-d)
1	Accomodation And Food Service Activities	0	19	0	-	-	-	19
2	Activities Of Households As Employers; Undifferentiated Goods- And Services-Producing Activities Of Households For Own Use	2	486	3	-	-	-	485
3	Administrative And Support Service Activities	4	1,622	6	-	-	-	1,620
4	Agriculture, Forestry And Fishing	0	82	0	-	-	-	82
5	Arts, Entertainment And Recreation	0	67	0	-	-	-	67
6	Construction	4	959	6	-	-	-	957
7	Education	0	32	0	-	-	-	32
8	Electricity, Gas, Steam And Air Conditioning	0	343	0	-	-	-	343
9	Financial And Insurance Activities	2	1,408	3	-	-	-	1,407
10	Human Health And Social Work Activities	0	158	0	-	-	-	158
11	Information And Communication	0	169	0	-	-	-	169
12	Manufacturing	3	3,217	5	-	-	-	3,215
13	Mining And Quarrying	0	109	0	-	-	-	109
14	Other Service Activities	1	267	1	-	-	-	266
15	Professional, Scientific And Technical Activities	1	359	1	-	-	-	359
16	Public Administration And Defence; Compulsory Social Security	0	5,691	0	-	-	-	5,691
17	Real Estate Activities	0	194	1	-	-	-	194
18	Transportation And Storage	4	654	6	-	-	-	652
19	Wholesale And Retail Trade; Repair Of Motor Vehicles And Motorcycles	5	3,071	7	-	-	-	3,069
20	**Total customer exposures**	**28**	**18,907**	**40**	**-**	**-**	**-**	**18,895**
21	Other (non-credit) obligation assets	-	14,201	-	-	-	-	14,201
22	Other non-customer exposures	-	661	-	-	-	-	661
23	**Total exposure**	**28**	**33,769**	**40**	**-**	**-**	**-**	**33,757**

Table 17: EU CR1-B: Credit quality of exposures by industry or counterparty types

The following table shows the credit quality of exposures by geography.

	Credit quality of exposures by geography, as per 31 December 2019, in millions of euros	Gross carrying values of Defaulted exposures	Gross carrying values of Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values (a+b-c-d)
1	Netherlands	2	8,441	4	-	-	-	8,438
2	United Kingdom	5	3,543	10	-	-	-	3,543
3	Italy	1	2,629	1	-	-	-	2,628
4	France	4	2,500	4	-	-	-	2,501
5	United States	0	2,220	1	-	-	-	2,213
6	Germany	1	2,017	1	-	-	-	2,016
7	Spain	7	1,552	9	-	-	-	1,557
8	Portugal	2	1,453	1	-	-	-	1,454
9	Belgium	1	1,232	1	-	-	-	1,231
10	Norway	1	1,094	2	-	-	-	1,093
11	Other geographical areas	4	7,089	7	-	-	-	7,082
12	**Total**	**28**	**33,769**	**40**	**-**	**-**	**-**	**33,757**

Table 18: EU CR1-C: Credit quality of exposures by geography

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.

In 2018, LeasePlan started a Definition of Default Project. The project objective is to align the Definition of Default applied by LeasePlan with the Capital Requirements Regulation (CRR) and with the European Banking Authority (EBA) guidelines and standards. The Project includes updating LeasePlan's Definition of Default and related policies, updating and enforcing processes and procedures for all Local LeasePlan entities, updating LeasePlan's AIRB models, updating where relevant IT-systems, and updating LeasePlan's IFRS 9 Expected Credit Loss Models.

This table shows only the credit loss allowances related to lease receivables from clients that are credit impaired, which is part of the impairment allowance (specific risk adjustment).

	Changes in stock of defaulted and impaired loans and debt securities as per 31 December 2019, in millions of euros	Gross carrying value defaulted exposures
1	**Opening balance**	**24**
2	Loans and debt securities that have defaulted or impaired since the last reporting period	0
3	Returned to non-defaulted status	0
4	Amounts written off	-6
5	Other changes	9
6	**Closing balance**	**28**

Table 19: EU CR2-B: Changes in stock of defaulted and impaired loans and debt securities[6]

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 that 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.

[6] Please refer to the financial statements of LeasePlan Corporation N.V. for further details under note 17 Lease receivables from clients (Impairment allowance).

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 is classified under Other (non-credit) obligations assets or 'other exposures'.

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.

	Geographical breakdown of exposures as per 31 December 2019, in millions of euros												**Net Value**
		Netherlands	**United Kingdom**	**Italy**	**France**	**United States**	**Germany**	**Spain**	**Portugal**	**Belgium**	**Norway**	**Other geographical areas**	**Total**
1	Central governments or central banks	-	-	-	-	-	-	-	-	-	-	-	-
2	Institutions	-	-	-	-	-	-	-	-	-	-	-	-
3	Corporates	806	486	246	344	1,515	429	264	168	289	235	1,906	6,687
4	Retail	72	222	-	-	-	-	-	-	-	-	-	294
5	Equity	-	-	-	1	-	-	-	-	-	-	18	19
	Other (non-credit) obligation assets	1,526	1,575	1,038	1,266	627	1,210	748	923	727	505	4,058	14,201
6	**Total IRB approach**	**2,403**	**2,283**	**1,284**	**1,611**	**2,142**	**1,639**	**1,012**	**1,091**	**1,015**	**739**	**5,981**	**21,201**
7	Central governments or central banks	4,971	117	60	28	-	11	66	34	9	48	110	5,454
8	Regional governments or local authorities	2	-	9	1	-	1	-	-	1	-	6	20
9	Public sector entities	4	-	13	3	-	-	-	-	-	13	26	59
10	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
11	International organisations	-	-	-	-	-	-	-	-	-	-	-	-
12	Institutions	89	192	15	135	28	11	47	9	41	-	173	742
13	Corporates	185	284	207	235	38	55	111	38	43	14	141	1,348
14	Retail	86	1	89	39	-	7	25	28	14	12	44	345
15	Secured by mortgages on immovable property	-	-	-	-	-	-	-	-	-	-	-	-
16	Exposures in default	-	-	-	1	-	-	2	1	-	-	-	5
17	Items associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-	-
18	Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-
19	Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
20	Collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-
21	Equity exposures	-	-	-	-	-	-	-	-	-	-	-	-
22	Other exposures	698	666	953	448	4	292	293	254	107	267	600	4,583
23	**Total standardised approach**	**6,035**	**1,260**	**1,345**	**890**	**71**	**377**	**545**	**363**	**216**	**354**	**1,101**	**12,556**
24	**Total**	**8,438**	**3,543**	**2,628**	**2,501**	**2,213**	**2,016**	**1,557**	**1,454**	**1,231**	**1,093**	**7,082**	**33,757**

Table 20: EU CRB-C: Geographical breakdown of exposures

Breakdown of exposure by industry

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

Concentration of exposures by industry or counterparty types as per 31 December 2019, in millions of euros	Accommodation And Food Service Activities	Activities Of Households As Employers; Undifferentiated Goods- And Services-Producing Activities Of House-holds For Own Use	Administrative And Support Service Activities	Agriculture, Forestry And Fishing	Arts, Entertainment And Recreation	Construction	Education	Electricity, Gas, Steam And Air Conditioning	Financial And Insurance Activities	Human Health And Social Work Activities	Information And Communication	Manufacturing	Mining And Quarrying	Other Service Activities	Professional, Scientific And Technical Activities	Public Administration And Defence; Compulsory Social Security	Real Estate Activities	Transportation And Storage	Wholesale And Retail Trade; Repair Of Motor Vehicles And Motorcycles	Total customer exposures	Other (non-credit) obligation assets	Other non-customer exposures	Total
1 Central governments or central banks	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2 Institutions	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3 Corporates	6	–	835	39	20	457	12	225	240	83	105	2,018	70	98	201	20	102	404	1,752	6,687	–	–	6,687
4 Retail	–	172	34	1	1	17	1	1	6	1	1	18	–	5	5	–	2	3	26	294	–	–	294
5 Equity	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	19	19
Other (non-credit) obligation assets	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	14,201	–	14,201
6 **Total IRB approach**	**6**	**172**	**869**	**40**	**21**	**474**	**13**	**226**	**245**	**84**	**106**	**2,036**	**70**	**103**	**206**	**20**	**104**	**407**	**1,778**	**6,981**	**14,201**	**19**	**21,201**
7 Central governments or central banks	–	–	–	–	–	–	–	–	10	–	–	–	–	14	–	5,429	–	–	–	5,454	–	–	5,454
8 Regional governments or local authorities	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	20	–	–	–	20	–	–	20
9 Public sector entities	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	59	–	–	–	59	–	–	59
10 Multilateral development banks	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
11 International organisations	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
12 Institutions	–	–	–	–	–	–	–	–	739	–	–	–	–	–	–	–	3	–	–	742	–	–	742
13 Corporates	6	3	220	16	24	176	8	9	66	23	10	155	5	227	39	11	24	41	286	1,350	–	–	1,350
14 Retail	1	161	35	1	1	15	1	2	4	2	2	34	–	7	3	1	3	7	62	343	–	–	343
15 Secured by mortgages on immovable property	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
16 Exposures in default	–	–	1	–	–	1	–	–	–	–	–	1	–	–	–	–	–	1	1	5	–	–	5
17 Items associated with particularly high risk	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
18 Covered bonds	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
19 Claims on institutions and corporates with a short-term credit assessment	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
20 Collective investment undertakings	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
21 Equity exposures	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
22 Other exposures	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	4,583	4,583
23 **Total standardised approach**	**7**	**164**	**256**	**17**	**25**	**191**	**9**	**11**	**820**	**25**	**12**	**190**	**5**	**248**	**43**	**5,520**	**30**	**49**	**348**	**7,973**	**–**	**4,583**	**12,556**
24 **Total**	**13**	**336**	**1,125**	**57**	**47**	**666**	**22**	**237**	**1,065**	**109**	**117**	**2,226**	**76**	**351**	**249**	**5,541**	**135**	**456**	**2,126**	**14,954**	**14,201**	**4,602**	**33,757**

Table 21: EU CRB-D: Concentration ofs exposures by industry or counterparty types

Breakdown of exposures by residual maturity

The table below shows the total exposure broken down by residual maturity and exposure classes:

		Net exposure value					
	Maturity of exposures as per 31 December 2019, in millions of euros	**On demand**	**≤ 1 year**	**> 1 year ≤ 5 years**	**> 5 years**	**No stated maturity**	**Total**
1	Central governments or central banks	-	-	-	-	-	-
2	Institutions	-	-	-	-	-	-
3	Corporates	-	755	5,668	265	-	6,687
4	Retail	-	28	265	1	-	294
5	Equity	-	-	-	-	19	19
	Other (non-credit) obligation assets	-	3,305	8,083	6	2,807	14,201
6	**Total IRB approach**	**-**	**4,088**	**14,015**	**271**	**2,826**	**21,201**
7	Central governments or central banks	4,828	262	235	2	127	5,454
8	Regional governments or local authorities	-	4	16	-	-	20
9	Public sector entities	-	4	54	1		59
10	Multilateral development banks	-	-	-	-	-	-
11	International organisations	-	-	-	-	-	-
12	Institutions	164	318	75	-	184	741
13	Corporates	-	225	1,122	2	-	1,348
14	Retail	-	38	306	-	-	345
15	Secured by mortgages on immovable property	-	-	-	-	-	-
16	Exposures in default	-	2	3	-	-	5
17	Items associated with particularly high risk	-	-	-	-	-	-
18	Covered bonds	-	-	-	-	-	-
19	Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
20	Collective investment undertakings	-	-	-	-	-	-
21	Equity exposures	-	-	-	-	-	-
22	Other exposures	-	1,586	2,995	2	-	4,583
23	**Total standardised approach**	**4,993**	**2,438**	**4,807**	**7**	**311**	**12,556**
24	**Total**	**4,993**	**6,527**	**18,822**	**278**	**3,137**	**33,757**

Table 22: EU CRB-E: Maturity of exposures

6.3.4 Credit risk adjustments

The following tables provide the required disclosures in accordance with CRR article 442. In this context LeasePlan applies the same definitions, of 'past due' and 'impairment' as used for accounting purposes in the Annual Report.

The table below further specify the aging analyses on the past-due exposures regardless of their impairment status disclosed in the Annual Report for the purpose of the Pillar 3 disclosure requirements.

		Gross carrying values					
	Ageing of past-due exposures as per 31 December 2019, in millions of euros	**≤ 30 days**	**> 30 days ≤ 60 days**	**> 60 days ≤ 90 days**	**90 days ≤ 180 days**	**> 180 days ≤ 1 year**	**> 1 year**
1	Loans	283	54	24	35	14	14
2	Debt securities	0	0	0	0	0	0
3	**Total exposures**	**283**	**54**	**24**	**35**	**14**	**14**

Table 23: EU CR1-D: Ageing of past-due exposures

The following table shows an overview of non-performing and forborne exposures in accordance with CRR article 442.

		Gross carrying values of performing and non-performing exposures							Accumulated impairment and provisions and negative fair value adjustments due to credit risk					Collaterals and financial guarantees received	
	Total	Performing			Non-Performing				Total	Performing exposures		Non-performing exposures			
Non-performing and forborne exposures as per 31 December 2019, in millions of euros		**Perf-orming**	**Of which perf-orming but past due > 30 days and ≤ 90 days**	**Of which perf-orming forborne**	**Non-Perf-orming**	**Of which de-faulted**	**Of which impaired**	**Of which forborne**	**Total Accumulated impair-ment**	**On Perf-orming exposures**	**Of which forborne**	**On Non-Perf-orming ex-posures**	**Of which forborne**	**On non-perf-orming ex-posures**	**Of which forborne ex-posures**
10 Debt securities	**25**	**25**	-	-	**-**	-	-	-	-0	-0	-	-	-	-	-
20 Loans and advances	**9,518**	**9,425**	70	2	**92**	28	72	3	-40	-12	-	-28	-	-	-
30 Off-balance-sheet exposures	**2,847**	**2,847**	-	-	**-**	-	-	-	-	-	-	-	-	-	-

Table 24: EU CR1-E: Non-performing and forborne exposures

The following table identify the changes in an institution's stock of general and specific credit risk adjustments held against loans and debt securities that are defaulted or impaired in accordance with CRR article 442.

	Changes in stock of general and specific credit risk as per 31 December 2019, in millions of euros	**Accumulated specific credit risk adjustment**	**Accumulated general credit risk adjustment**
1	**Opening balance**	**42**	**-**
2	Increases due to amounts set aside for estimated loan losses during the period	74	-
3	Decreases due to amounts reversed for estimated loan losses during the period	-42	-
4	Decreases due to amounts taken against accumulated credit risk adjustments	-23	-
5	Transfers between credit risk adjustments	-5	-
6	Impact of exchange rate differences	1	-
7	Business combinations, including acquisitions and disposals of subsidiaries	-	-
8	Other adjustments	0	-
9	**Closing balance**	**46**	**-**
10	Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	2	-
11	Specific credit risk adjustments directly recorded to the statement of profit or loss	-	-

Table 25: EU CR2-A: Changes in stock of general and specific credit risk [7]

[7] This table includes expected credit loss allowances recognized on a counterparty level under IFRS 9 and include any other allowances for disputed invoices. Please refer to the financial statements of LeasePlan Corporation N.V. for further details under note 17 Lease receivables from clients.

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. LeasePlan considers the lease object as collateral for the lease. The loans portfolio of LeasePlan, which predominantly consists of finance leases, is therefore considered to be collateralised.

Credit risk mitigation techniques – overview as per 31 December 2019, in millions of euros	Exposure unsecured: carrying amount	Exposures secured - Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1 Total loans	1,218	2,652	2,652	-	-
2 Total debt securities	25	-	-	-	-
3 **Total exposures**	**1,243**	**2,652**	**2,652**	**-**	**-**
4 Of which defaulted	2	2	2	-	-

Table 26: EU CR3: Credit risk mitigation techniques – overview

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 27: Mapping table LeasePlan's rating and external credit rating

Exposures under the standardised approach

In 2019, LeasePlan removed the template LeasePlan's exposures, RWA and risk weights (RWA density) under the standardised approach (EU CR4 – Standardised approach).

LeasePlan does not use any other credit risk mitigation techniques in 2019.

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 it is the rounded contractual remainder of the leased contract.

Template EU CR5: Standardised approach as per 31 December 2019, in millions of euros	**Risk Weight**																	
Exposure Classes	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others	Deducted	**Total**	**Of which unrated**
1 Central governments or central banks	5,242	-	-	-	7	-	72	-	-	6	-	127	-	-	-	-	5,454	-
2 Regional government or local authorities	10	-	-	-	-	-	8	-	-	1	-	-	-	-	-	-	20	-
3 Public sector entities	-	-	-	-	45	-	13	-	-	1	-	-	-	-	-	-	59	-
4 Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5 International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6 Institutions	-	53	-	-	482	-	172	-	-	33	1	-	-	-	-	-	742	6
7 Corporates	-	-	-	-	4	-	10	-	1	1,334	-	-	-	-	-	-	1,350	-
8 Retail	-	-	-	-	-	-	-	-	343	-	-	-	-	-	-	-	343	-
9 Secured by mortgages on immovable property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10 Exposures in default	-	-	-	-	-	-	-	-	-	3	2	-	-	-	-	-	5	-
11 Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12 Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13 Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14 Collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15 Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16 Other items	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,583	-	4,583	-
17 **Total**	**5,252**	**53**	**-**	**-**	**538**	**-**	**275**	**-**	**345**	**1,379**	**3**	**127**	**-**	**-**	**4,583**	**-**	**12,556**	**6**

Table 28:EU CR5 – Standardised approach

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

Risk exposure, RWA and minimum capital requirements regarding other credit risk exposures to banks, excluding derivative positions, as per 31 December 2019, in millions of euros	**Exposure**	**RWA**	**Minimum capital requirement**
Loans to banks	310	62	5
Call money - Cash at banks	248	78	6
Total	**558**	**140**	**11**

Table 29: Risk exposure, RWA and minimum capital requirements regarding other credit risk exposures to banks, excluding derivative positions

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 model governance framework. This includes monitoring on a quarterly basis whether the performance of the models meets internal and external requirements. All models are validated internally.

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 2019 (28.1%) is stable compared with 31 December 2018 (29.0%)

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 and approach

The total and average net amount of exposures are provided related to approach and underlying counterparty. These positions can be detailed as follows:

	Total and average net amount of exposures, as per 31 December 2019, in millions of euros	**Net value of exposures at the end of the period**	**Average net exposures over the period**
1	Central governments or central banks	-	-
2	Institutions	-	-
3	Corporates	6,687	6,592
4	Of which: Specialised lending	-	-
5	Of which: SMEs	370	389
6	Retail	294	272
7	Secured by real estate property	-	-
8	SMEs	-	-
9	Non-SMEs	-	-
10	Qualifying revolving	-	-
11	Other retail	294	272
12	SMEs	121	114
13	Non-SMEs	172	157
14	Equity	19	18
	Other (non-credit) obligation assets	14,201	12,908
15	**Total IRB approach**	**21,201**	**19,790**
16	Central governments or central banks	5,454	5,131
17	Regional governments or local authorities	20	20
18	Public sector entities	59	56
19	Multilateral development banks	-	-
20	International organisations	-	-
21	Institutions	742	785
22	Corporates	1,348	1,262
23	Of which SMEs	11	17
24	Retail	345	314
25	Of which SMEs	182	180
26	Secured by mortgages on immovable property	-	-
27	Of which SMEs	-	-
28	Exposures in default	5	5
29	Items associated with particularly high risk	-	-
30	Covered bonds	-	-
31	Claims on institutions and corporates with a short-term credit assessment	-	-
32	Collective investment undertakings	-	-
33	Equity exposures	-	-
34	Other exposures	4,583	5,129
35	**Total standardised approach**	**12,556**	**12,704**
36	**Total**	**33,757**	**32,493**

Table 30: EU CRB-B: Total and average net amount of exposures

Overview main parameters of portfolios under the IRB approach

The table below shows the IRB approach – Credit risk exposures by PD range and exposure class between Corporate and Retail Small-Medium-Enterprises and Other enterprises.

Credit risk exposure by portfolio and PD range as per 31 December 2019, in millions of euros

PD scale	Original on-balance sheet gross exposures	Off-balance sheet exposures pre CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	Average Maturity	RWAs	RWA density	EL	Value adjustments and provisions
Corporate - SME												
0.00 to <0.15	213	-	1	213	0.1	2,085	28.4	1.9	27	13%	0	
0.15 to <0.25	65	-	1	65	0.2	603	28.5	2.2	17	27%	0	
0.25 to <0.50	46	-	1	46	0.4	556	26.8	1.9	14	29%	0	
0.50 to <0.75	24	-	1	24	0.7	338	27.7	2	10	42%	0	
0.75 to <2.50	18	-	1	18	1.5	356	27.6	1.9	9	51%	0	
2.50 to <10.00	3	-	1	3	3.2	76	25.4	1.5	2	56%	0	
10.00 to <100.00	1	-	1	1	13.4	6	15.7	1.6	1	100%	0	
100.00 (Default)	0	-	1	0	100	17	72.5	1	0	203%	0	0
Sub-total	370	-	1	370	0.4	4,037	28.1	2	79	21%	0	0
Corporate - Other												
0.00 to <0.15	3,510	-	1	3,510	0.1	13,765	28.2	2.4	586	17%	1	
0.15 to <0.25	1,212	-	1	1,212	0.2	4,573	26.7	2.3	330	27%	1	
0.25 to <0.50	910	-	1	910	0.4	3,925	29.8	2.3	372	41%	1	
0.50 to <0.75	414	-	1	414	0.7	2,532	27.9	2.2	200	48%	1	
0.75 to <2.50	218	-	1	218	1.5	2,682	31.7	2.1	143	65%	1	
2.50 to <10.00	37	-	1	37	4.3	673	30	2.1	31	83%	0	
10.00 to <100.00	1	-	1	1	13.4	29	40.1	2.1	1	147%	0	
100.00 (Default)	16	-	1	16	100	957	37.1	1.9	30	189%	10	10
Sub-total	6,317	-	1	6,317	0.5	29,136	28.3	2.3	1,694	27%	15	10
Retail – Other SME												
0.00 to <0.15	3	-	1	3	0	129	30.5	2.1	0	3%	0	
0.15 to <0.25	-	-		-		-			-		-	
0.25 to <0.50	4	-	1	4	0.5	132	30.5	2.2	1	21%	0	
0.50 to <0.75	-	-		-		-			-		-	
0.75 to <2.50	33	-	1	33	1.6	861	30.8	2.3	12	36%	0	
2.50 to <10.00	44	-	1	44	5.5	1,494	27.7	2.2	18	42%	1	
10.00 to <100.00	37	-	1	37	16.6	3,429	23.7	1.9	17	48%	1	
100.00 (Default)	1	-	1	1	100	34	28.1	1.7	1	159%	0	0
Sub-total	121	-	1	121	8.2	6,079	27.5	2.1	50	41%	2	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	148	-	1	148	4.5	31,543	22.9	2.4	52.32	35%	1.55	
10.00 to <100.00	23	-	1	23	19.9	5,565	24	2.2	11.33	48%	1.14	
100.00 (Default)	0.4	-	1	0.4	100	78	24.4	2.3	1.12	269%	0.03	0
Sub-total	172	-	1	172	6.8	37,186	23.1	2.4	65	38%	3	0
Total (all portfolios)	**6,981**	**-**	**1**	**6,981**	**0.8**	**76,438**	**28.1**	**2.3**	**1,888**	**27%**	**21**	**11**
Equity IRB	**19**			**19**					**47**	**250%**		
Other non-credit-obligation assets	**14,201**			**14,201**					**9,531**	**67%**		
Total IRB approach	**21,201**			**21,201**					**11,466**	**51%**		

Table 31: EU CR6 – IRB approach – Credit risk exposures by exposure class and PD range

The following table shows the changes in risk weighted assets during 2019 for the assets under the IRB approach:

The category 'Other' can mainly be explained by reclassification of lease commitments within 'other non-credit obligation assets' from Standardised approach to IRB approach and IFRS 16 implementation.

	RWA flow statements of credit risk exposure under IRB as per 2019, in millions of euros	**RWA amounts**	**Capital requirements**
1	**RWA as at end of previous reporting period**	**9,560**	**765**
2	Asset size	205	16
3	Asset quality	9	1
4	Model updates	-	-
5	Methodology and policy	-	-
6	Acquisitions and disposals	-	-
7	Foreign exchange movements	69	5
8	Other	1,623	130
9	**RWA as at end of reporting period**	**11,466**	**917**

Table 32: EU CR8 – RWA flow statements of credit risk exposures under the IRB approach

Back testing of probability of default (PD) per portfolio

The table below shows the IRB approach – Back testing of PD per exposure class between Corporate and retail Small-Medium-Enterprises and other enterprises.

In 2019, the external rating equivalent is reported only for corporate counterparties. LeasePlan's internal rating system for corporate counterparties is segmented into internal- and external rating score. LeasePlan has internal scoring systems in place for retail portfolios only for the United Kingdom and the Netherlands. The external rating score is therefore not applicable for total retail portfolio within LeasePlan (consolidated).

Due to methodology change on determining the number of obligors, the 2018 figures are also restated.

IRB approach – Back testing of PD per exposure class, as per 31 December, in millions of euros

Exposure class				**Number of obligors**			
PD Range	**External rating equivalent**	**Weighted average PD**	**Arithmetic average PD by obligors**	**End of previous year (201812)**	**End of the year (201912)**	**of which: new obligors (201912)**	**Average historical annual default rate**
Corporate - SME							
0.00 to <0.15	AAA/AA-/A+	0.1	0.1	2,312	2,084	3	0.1
0.15 to <0.25	BBB	0.2	0.2	849	741	4	0.1
0.25 to <0.50	BBB-	0.4	0.4	684	575	6	0.2
0.50 to <0.75	BB+	0.7	0.7	526	444	6	0.1
0.75 to <2.50	BB/BB-	1.5	1.5	631	502	5	0.3
2.50 to <10.00	B+/B/B-	3.9	4.1	195	154	3	0.3
10.00 to <100.00	CCC+/C	13.4	13.4	14	11	0	2.9
Corporate - Other							
0.00 to <0.15	AAA/AA-/A+	0.1	0.1	9,876	9,124	31	0.1
0.15 to <0.25	BBB	0.2	0.2	3,213	2,909	14	0.1
0.25 to <0.50	BBB-	0.4	0.4	2,651	2,371	20	0.3
0.50 to <0.75	BB+	0.7	0.7	1,915	1,674	17	0.3
0.75 to <2.50	BB/BB-	1.4	1.5	2,000	1,708	23	0.5
2.50 to <10.00	B+/B/B-	5.0	4.0	492	403	12	1.7
10.00 to <100.00	CCC+/C	13.4	13.4	31	25	3	21.6
Retail - SME							
0.00 to <0.15	N/A	0.0	0.0	199	170	0	0.4
0.25 to <0.50	N/A	0.5	0.5	166	135	1	0.3
0.75 to <2.50	N/A	1.4	1.4	1,000	818	7	0.1
2.50 to <10.00	N/A	5.6	5.9	1,683	1,497	18	0.3
10.00 to <100.00	N/A	17.8	18.5	6,166	4,016	268	1.0
Retail - Other							
0.00 to <0.15	N/A	0.0	0.0	188	158	0	2.2
0.25 to <0.50	N/A	0.5	0.5	267	222	1	0
0.75 to <2.50	N/A	1.6	1.6	2,242	1,848	19	3.5
2.50 to <10.00	N/A	5.0	5.0	34,193	27,176	479	0.2
10.00 to <100.00	N/A	21.2	22.4	34,654	26,534	1898	5.4

Table 33: EU CR9 – IRB approach – Back testing of PD per exposure class

6.3.8 Counterparty credit risk

LeasePlan complies with the CRR requirements on contractual netting for most of the territories in which LeasePlan have derivative positions. The contractual netting is applied for all centrally cleared derivatives and the majority of the over-the-counter ('OTC') derivatives. As a consequence, the exposure and corresponding capital requirements for the qualifying contracts is on the counterparty level instead of on the individual contract level.

In addition to the netting requirements, we also comply the CRR requirements with respect to our positions with central counterparties, resulting in a lower capital requirement (alternative: TREA and CVA capital charge) for our centrally cleared derivatives.

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 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 requires specific approval by Assets and Liability committee (ALCO). 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 tables 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 for 2019:

Based on the standardised approach LeasePlan holds EUR 1.9 million for counterparty risk and EUR 0.6 million capital for CVA charge under Pillar 1 as of 31 December 2019.

In the table below LeasePlan provides insight in analysis of CCR exposure by approach

	Analysis of counterparty credit risk (CCR) exposure by approach as per 31 December 2019, in millions of euros	Notional	Replacement cost / Current market value	Potential future credit exposure	EEPE	Multiplier	EAD post-CRM	RWA
1	Mark to market		103	76			100	23
2	Original exposure	-					-	-
3	Standardised approach		-			-	-	-
4	IMM (for derivatives and SFTs)				-	-	-	-
5	*Of which securities financing transactions*				-	-	-	-
6	*Of which derivatives and long settlement transactions*				-	-	-	-
7	*Of which from contractual cross product netting*				-	-	-	-
8	Financial collateral simple method (for SFTs)						-	-
9	Financial collateral comprehensive method (for SFTs)						-	-
10	VaR for SFTs						-	-
11	**Total**							**23**

Table 34: EU CCR1 – Analysis of CCR exposure by approach

In the table below LeasePlan provides insight in CVA capital charge.

	CCR2 - Credit valuation adjustment (CVA) capital charge as per 31 December 2019, in millions of euros	Exposure Value	RWAs
1	Total portfolios subject to the advanced method	-	-
2	(i) VaR component (including the 3 x multiplier)		-
3	(ii) SVaR component (including the 3 x multiplier)		-
4	All portfolios subject to the standardised method	100	8
EU4	Based on the original exposure method	-	-
5	**Total subject to the CVA capital charge**	**100**	**8**

Table 35: EU CCR2 – CVA capital charge

In the table below LeasePlan provides insight in Exposures to CCPs.

	Exposure to central counterparties as per 31 December 2019, in millions of euros	EAD (post-CRM)	RWAs
1	**Exposure to QCCPs (total)**		**1**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions), of which	-	-
3	(i) OTC derivatives	31	1
4	(ii) Exchange-traded derivatives	-	-
5	(iii) SFTs	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	22	
8	Non-segregated initial margin	-	-
9	Pre-funded default fund contributions	-	-
10	Alernative calculation of own funds requirements for exposures		-
11	**Exposures to non-QCCPs (total)**		**-**
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
13	(i) OTC derivatives	-	-
14	(ii) Exchange-traded derivatives	-	-
15	(iii) SFTs	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	
18	Non-segregated initial margin	-	-
19	Pre-funded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

Table 36: EU CCR8 – Exposures to CCPs

In the table below LeasePlan provides insight on the Impact of netting and collateral held on exposure values.

	Impact of netting and collateral held on exposure values as per 31 December 2019, in millions of euros	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
1	Derivatives	103	137	-34	52	18
2	**Total**	**103**	**137**	**-34**	**52**	**18**

Table 37: EU CCR5-A – Impact of netting and collateral held on exposure values

In the table below LeasePlan provides insight on the Composition of collateral for exposures to CCR.

Composition of collateral for CCR exposure as per 31 December 2019, in millions of euros	Collateral used derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash collateral (CSA)	-	28	-	34	-	-
Initial margin	-	-	22	-	-	-
Variation margin	-	-	25	-	-	-
Total	**-**	**28**	**47**	**34**	**-**	**-**

Table 38: EU CCR5-B – Composition of collateral for exposures to CCR

6.3.9 Equities not included in the trading book

LeasePlan has three Joint Ventures: Please S.C.S., LeasePlan Emirates LLC. and Flottenmanagement GmbH. In 2019, there is no material investment in Flottenmanagement GmbH by LeasePlan Austria.

The table below provides insight in the book value, risk-weight and capital requirement of the Joint ventures. The equity positions are risk weighted against 250% in accordance with CRR requirements. For details regarding the fair value, impairments and (un) realised gains and losses regarding these positions reference is made to the Annual Report.

Overview capital requirements Associates and Joint Ventures, as per 31 December, in millions of euros	2019			2018		
	Exposure	RWA	Capital requirement	Exposure	RWA	Capital requirement
Joint Ventures	19	47	4	16	40	3
Total	**19**	**47**	**4**	**16**	**40**	**3**

Table 39: Overview capital requirements Associates and Joint Ventures

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.

In the table below LeasePlan provides insight the market risk under the standardised approach where LeasePlan has only Foreign exchange risk:

	Market risk under standardised approach as per 31 December 2019, in millions of euros	RWAs	Capital requirements
	Outright Products		
1	Interest rate risk (general and specific)	-	-
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	499	40
4	Commodity risk	-	-
	Options		
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
8	Securitisation (specific risk)	-	-
9	**Total**	**499**	**40**

Table 40: EU MR1 – Market risk under the standardised approach

6.4.1 Asset risk

Capital

Asset risk in the context of regulatory capital calculations, considers the residual value risk LeasePlan is exposed to on its leased assets.

Under Pillar 1 of the CRR/CRD IV regime, asset risk is considered part of credit risk with 1/t formula applied for risk-weighting of the residual value position of LeasePlan's risk-bearing leased assets. The regulatory capital related to residual values amounts to EUR 705 million (1/t) as at the end of 2019.

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 sold after 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) model. 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 leased assets 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 internally validated.

Nominal exposure value

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

Residual Value position total lease portfolio, as per 31 December 2019, in millions of euros	Total asset risk exposure
Future lease payments	8,898
Residual value	13,508
Total	**22,406**

Table 41: Residual Value position total lease portfolio

The tables below illustrate the distribution of total residual value risk exposure across the LeasePlan entities and across the makes currently in LeasePlan's portfolio (both per top 10 and Other). LeasePlan believes the concentration risk is limited due to its multi-national and make-independent strategy. In geographic terms the largest exposure per entity at the end of 2019 amounts to 13.6% of LeasePlan's total exposure compared to 12.5% at the end of 2018. The degrees of concentration in terms of make can also be considered limited as the largest exposure amounts to 13.1% of LeasePlan's total exposure (compared to 13.8% at the end of 2018).

Residual value risk exposure per lease entity, as per 31 December 2019, in millions of euros	**Total Residual value risk exposure**
LPUK	1,842
LPNL	1,627
LPIT	1,361
LPFR	1,104
LPDE	1,059
LPES	862
LPPT	758
LPNO	614
LPBE	613
LPAU	380
Other	3,289
Total	**13,508**

Table 42: Residual value risk exposure per lease entity[8]

Residual value risk exposure per make, as per 31 December 2019, in millions of euros	**Total Residual value risk exposure**
Volkswagen	1,774
Ford	1,386
Mercedes Benz	1,145
BMW	1,073
Audi	973
Renault	968
Peugeot	904
Skoda	689
Opel	594
Volvo	554
Other	3,448
Total	**13,508**

Table 43: Residual value risk exposure per make

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.

[8] In the asset risk section, the residual value is IRB and standardised approach related. In section 6.1, the residual value exposure within ONCOA exposures are only IRB approach related.

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, D. Risks 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. 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 2019 results in a capital requirement of EUR 40 million (2018: EUR 33 million). For further details regarding FX risk management reference is made to the Financial Risk Management chapter, section D. Risks of the Annual Report.

6.5 Operational risk

Operational risk involves the risk of a positive, negative or potential loss resulting from inadequate or failed internal processes, human behaviour and systems or from external incidents. Business Continuity Risk, Financial Reporting Risk, Model Risk and HR Risk are within the scope of LeasePlan's Operational Risk management. Legal, Compliance, Information Risk and Reputational Risks are covered, managed and investigated under individual separate frameworks.

Operational risk is included under the Pillar 1 capital and Total Risk Exposure Amount on the Advanced Measurement Approaches (AMA). We have used the Advanced Measurement Approach ("AMA") since 2008.

LeasePlan has further investigated less sophisticated approaches in 2019 and proposed to apply the Standardized Approach (STD) as of 2020 to determine the own funds requirement for operational risk. In December 2019, LeasePlan formally asked approval from DNB regarding the shift from AMA to the STD approach. The decision to move to the STD approach is also made knowing that AMA will be replaced by the STD in the near future for all institutions with a banking license.

For 2019, LeasePlan have used the AMA model to calculate the regulatory capital for operational risk.

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

Reference is made to the Financial Risk Management chapter, section A and D of the Annual Report.

LeasePlan applies several methods for risk identification and management in its operational risk framework: operational risk incident reporting and analysis, risk and control registers, action management, risk assessments, business control reviews and operational risk awareness training.

Based on LeasePlan's risk profile, experience and appetite, the current insurance policies consist of several separate programmes (e.g 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 Pillar 1 the operational risk regulatory capital requirement as at the end of 2019 remains stable at EUR 121 million (2018: EUR 121 million).

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 2019, EUR 3.7 billion (2018: EUR 4.0 billion) of LeasePlan's total assets were encumbered. The total asset encumbrance ratio per year-end 2019 was 11.6% (2018: 14.3%). 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:

Encumbered assets, as per 31 December 2019, in millions of euros	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Assets of the reporting institution	**3,683**	**-**	**27,969**	**-**
Equity instruments	-	-	-	-
Debt securities	-	-	25	-
Other assets	3,683	-	27,944	-

	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Collateral received by the reporting institution	**104**	**-**
Equity instruments	-	-
Debt securities	-	-
Other collateral received	104	-
Own debt securities issued other than own covered bonds or abs	-	-

	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	2,661	3,683

Table 44: Encumbered 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 based on matching and monitoring the interest typical run-off profile of interest-bearing assets and liabilities. This principle is supported with:

- Policies and procedures;
- Measurement;
- GRC 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 at least on a quarterly basis.

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 D. Risks 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 2019, LeasePlan has seven asset-backed securitisation transactions outstanding: publicly placed Bumper 8 (2017), Bumper 9 (2017) and Bumper 10 (2018), Bumper UK 2019-I (2019) and Bumper DE 2019-I (2019) and privately placed Bumper AU (2017, fully drawn and increased in 2018), Bumper NL 2018 (2018).

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 replacement triggers in place. The swap counterparty will also enter into a back to back swap with LPC, with a two-sided CSA. 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 depends 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 8 and Bumper UK 2019-I are fully funded. For the Bumper 9, Bumper 10, Bumper DE 2019-I, Bumper AU and Bumper NL 2018 transactions, the set-off reserve, commingling reserve and the maintenance reserve remain unfunded subject to a downgrade of LeasePlan, leaving a liquidity risk. Per 31 December 2019, 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 232 million illustrated in the table below.

Transaction – LONG TERM Rating Sensitivities (4), as per 31 December 2019, in millions of euros	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
Bumper 8	35	-/BBB/BBB/BBBL	-	-	-	-	35
Bumper 9	2	Baa3/-/-/BBBL	-	-	55	55	57
Bumper 10	2	Baa3/-/-/BBBL	-	-	60	60	62
Bumper AU	4	Baa3/BBB-/BBB-/-	53	-	-	53	57
Bumper NL 2018	2	Baa3/BBB-/BBB-/-	26	-	-	26	28
Bumper UK 2019-I	31	-/BBB/-/BBBL	-	-	-	-	31
Bumper DE 2019-I	3	Baa3/-/-/BBBL	-	-	38	38	41
Total Incremental Deposits	**78**		**79**	**0**	**152**	**232**	**310**

Table 45: 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 now no indications that these triggers will be breached.

Operational risk is related to the cooperation with third parties associated as the service providers 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* and reference is made to Note 26 Debt securities issued of the Annual Report.

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

8.1 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).

8.2 LeasePlan's Group Remuneration Framework

The Group Remuneration Framework is designed to provide appropriate, 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 and their governance applicable to all staff and (ii) specific details about the remuneration structure of the Identified Staff, i.e. staff considered to have a material impact on LeasePlan's risk profile.

8.3 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, and risk appetite and support robust and effective risk management;
- Fixed and variable remuneration will be used to align individual performance with 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 performance indicators are specific, measurable, attainable, relevant and time- bound;
- Variable remuneration cannot 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 market practice;
- Severance payments do not reward for failure or misconduct. For LeasePlan's daily policymaker's severance payments are capped at 100% of fixed remuneration;
- Claw back and malus provisions are applicable to all variable remuneration awarded;

8.3.1 Remuneration Identified Staff

Annually a review is conducted to ensure the correct jobs are identified as Identified Staff In addition to the general remuneration principles applicable to all staff, for Identified Staff the following principles apply:

- In principle the maximum total at-target level of Variable Remuneration for Identified Staff is set at 50% of the annual Fixed Remuneration with stretched levels per function level but in no case exceeding 100% of the annual Fixed Remuneration in case of material outperformance
- Variable remuneration is capped at 50% for the heads of Risk Management, Compliance and Audit (jointly referred to as Control Functions);
- Variable remuneration for Identified Staff consists of cash (50%) and non-cash instruments (50%). The non-cash element of variable remuneration consists of Phantom Share Units (PSUs). The value of the PSUs is set by the Supervisory Board after a recommendation is done by an external valuation expert;
- Fifty percent (50%) of the total annual variable remuneration will be granted upfront (both cash and PSUs) and fifty percent (50%) of the total Variable Remuneration will be deferred for a period of 3 years whereby annual Vesting is applied;
- After vesting, an additional holding period of 1 year applies to all vested PSUs
- For variable remuneration that deviates from the Framework, approval is required by the (Remuneration Committee of the) Supervisory Board.

8.3.2 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:

- Managing Board members are appointed for the duration of four years.
- A notice period of 3 months in case of voluntary resignation by a Managing Board member and 6 months in case of termination by the Employer applies;
- In line with the Dutch Banking Code the remuneration positioning of the Managing Board will, in general, be set just below the median of the relevant market;
- Managing Board members are entitled to a variable remuneration of 50% at target and 100% at maximum, except for the Chief Risk Officer, being a control function, who is subject to a 50% maximum;

- Each member Managing Board Member has agreed to voluntarily cap its variable remuneration at 20% of its base salary until a change of control, asset sale, winding-up or IPO ("Settlement") and to fully waive any possible rights under the relevant remuneration policies of the Company to a variable remuneration that would exceed such 20% cap for the period until Settlement, which waiver has been accepted by the Supervisory Board.
- For the Managing Board in principle 60% of Variable Remuneration will be paid in the form of Phantom Share Units (PSUs).
- Managing Board members in principle fully participate in LeasePlan's pension scheme. Where the applicable retirement age ('pensioengerechtigde leeftijd') is however reached during the appointment period, a fixed gross 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.
- Managing Board members are entitled to a company car as per the applicable car policy of LeasePlan Global B.V.
- Managing Board members who are expatriated to Netherlands are entitled to compensation of costs related to housing and other expatriate related expense reimbursement as per the applicable policy.

8.3.3 Remuneration governance

The remuneration governance within LeasePlan is as follows.

Corporate Governance

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

The following corporate bodies and functions within LeasePlan are involved in the remuneration governance: The Managing Board, the Supervisory Board, the Remuneration Committee, Human Resources ("HR"), and the Control Functions Risk Management, Compliance and Audit.

The Supervisory Board advised by the Remuneration Committee

The main responsibilities of the Supervisory Board advised by the Remuneration Committee as stated in the Remuneration 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 performance indicators and targets for Identified Staff;
- Reviewing and approving the award of any fixed and variable remuneration for Identified Staff;
- Reviewing and approving significant severance payments for Identified Staff.

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

During the 2019 Remuneration Committee meetings among other things, the following topics were discussed;

- Regulatory updates;
- Selected Identified Staff positions;
- Variable Remuneration Performance Indicators and Targets;
- Remuneration of the Managing Board;
- Ex-Ante Risk Assessment and Ex-Post Risk Assessment

The Managing Board

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

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

Control Functions

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

8.4 Performance indicators and targets

Global performance indicators are set by the (Remuneration Committee of the) Supervisory Board for the Identified Staff on an annual basis. The indicators 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 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 Committee of the) Supervisory Board. The extent to which the targets have been achieved by each individual Identified Staff member is ultimately determined and approved by the (Remuneration Committee of the) Supervisory Board after the end of each performance period.

The table below provides an overview of the global performance indicators that are derived from LeasePlan's business strategy for performance year 2019:

	Financial growth		Growth in volume, efficiency and customer satisfaction	
Strategy in 2019	**Financial**			**Non-Financial**
Target	Net Result	Return on Equity (MB only)	Weighted Fleet Growth	One LP + Trim
All Target % of variable remuneration for management board	11%	11%	11%	17%

Table 46: Overview of the global performance targets

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

The performance indicators for Control Functions may not 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 performance indicators relevant to their position.

8.5 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 Remuneration Score Card, specifically applicable to an entity or role. Both quantitative and qualitative areas are included in the Remuneration Score Card and based on the assessment, discounts on variable remuneration can be recommended to the (Remuneration Committee of the) Supervisory Board. General elements included in the Remuneration Score Card are:

1. Overdue priority 1 audit findings in an area with red audit rating as concluded by Group Audit;
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 Group Corporate Risk Committees or CEO Compliance meeting;
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);

In addition to these ex-ante and ex-post risk analyses, the (Remuneration Committee of the) Supervisory Board has a 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. a significant and clearly identifiable failure of Compliance Management in the department, Group company or group of Group companies for which the employee is (co-)responsible.
5. the employee participated in, or was responsible for, conduct which resulted in significant losses to the company.
6. 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).

8.6 Execution in 2019

In 2019, the LeasePlan's Remuneration Framework is updated to remain in alignment with the European Banking Authority Remuneration Guidelines, the organisational changes and corporate strategy.

For 2020, no material changes are expected to the LeasePlan's Remuneration Framework.

8.7 Remuneration Identified Staff 2019

The Identified Staff selection within LeasePlan is performed and approved by the (Remuneration 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 2019.

Remuneration awarded to Identified Staff relating to 2019, in thousands of euros	Managing Board		Corporate Senior Management		Other Identified Staff	
	Direct	Deferred and conditional	Direct	Deferred and conditional	Direct	Deferred and conditional
Fixed remuneration						
Cash	3,031	NA	3,895	NA	9,140	NA
Variable remuneration						
Cash	156	156	459	459	1,229	1,229
Non-cash instruments (PSUs)	156	156	459	459	1,229	1,229

Table 47: Fixed and variable remuneration awarded to Identified Staff

Actual payments variable remuneration to Identified Staff in 2019, in thousands of euros	Managing Board	Corporate Senior Management	Other Identified staff
Cash	220	1,225	2,406
Non-cash instruments (PSUs)	178	952	1,924
Reduced through performance adjustments	0	0	0

Table 48: Actual payments variable remuneration

Total amount of outstanding (deferred) remuneration for Identified Staff in 2019, in thousands of euros	Managing Board		Corporate Senior Management		Other Identified staff	
	Vested	Unvested	Vested	Unvested	Vested	Unvested
Cash	NA	175	NA	986	NA	1,896
Non-cash instruments (PSUs)	232	177	1,188	947	2,478	1,769

Table 49: Variable remuneration vested in 2019

Total number of Identified Staff remunerated 1 million euros or more in 2019	Aggregated number
1 million –1.5 million	-
1.5 million –2.0 million	1
2.0 million –2.5 million	-

Table 50: Total number of Identified Staff remunerated 1 million or more

Sign on awards in 2019, in thousands of euros	No of beneficiaries	Total amount
Managing Board / Corporate Senior Management	1	1,000
Other Identified Staff	-	-

Table 51: Overview 'sign-on' awards

Severance payments in 2019, in thousands of euros	No of beneficiaries	Total amount
Managing Board/Corporate Senior Management/Other Identified Staff	9	2,916
Highest paid amount		697

Table 52: Overview severance payments

More remuneration information can be found in:

- Remuneration Report 2019 –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 24 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.

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