What's next

LeasePlan Pillar 3 Report 2020

Contents

1 Introduction

1.1 KEY METRICS

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

Ref[1]	in millions of euros	Dec-20	Sep-20	Jun-20	Mar-20	Dec-19
	Available capital (own funds)					
1	Common Equity Tier 1 (CET1)	3,301	3,240	3,205	3,148	3,143
2	Tier 1 capital	3,624	3,557	3,529	3,506	3,500
3	Total capital	3,704	3,634	3,606	3,558	3,550
	Risk-weighted assets					
4	Total risk-weighted assets (RWA)	19,735	18,908	19,032	19,232	18,384
	Capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)[2]	16.7%	17.1%	16.8%	16.4%	17.1%
6	Tier 1 capital ratio (%)	18.4%	18.8%	18.5%	18.2%	19.0%
7	Total capital ratio (%)[2]	18.8%	19.2%	18.9%	18.5%	19.3%
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer (2.5% from 2019) (%)	2.50%	2.50%	2.50%	2.50%	2.50%
9	Institution specific countercyclical capital buffer (%)	0.05%	0.04%	0.05%	0.25%	0.33%
10	Global Systemically Important Institution buffer (%)	–	–	–	–	–
11	Total of bank CET1 specific buffer requirements (%)	2.55%	2.54%	2.55%	2.75%	2.83%
12	CET1 available after meeting the bank's minimum capital requirements (%)[3]	3.2%	3.7%	3.4%	2.8%	3.0%
	Leverage ratio					
13	Leverage ratio total exposure measure	33,678	34,084	34,427	33,391	33,757
14	Leverage ratio (%)	10.8%	10.4%	10.3%	10.5%	10.4%
	Liquidity Coverage Ratio (%)					
15	Total high-quality liquid assets (HQLA) (Weighted value – average)	5,721	6,602	5,574	4,600	4,753
16	Total net cash outflows (adjusted value)	1,352	1,229	1,086	1,470	1,329
17	Liquidity coverage ratio (LCR) (%)	423.0%	537.0%	513.0%	313.0%	358.0%

Table 1: EU KM1 – Key metrics

1 The references in this table and the subsequent tables are as prescribed in the relevant EBA template where applicable.

2 LeasePlan will follow the ECB's recommendation to exercise prudence and will continue to refrain from making any dividend distribution until 30 September 2021. The Managing Board proposes to the general meeting of shareholders to add part of the net profit 2020 in the amount EUR 171.5 million to the retained earnings and to postpone a resolution as to the allocation of the net profit 2020 in the amount of EUR 28.2 million, and hence not to resolve on the distribution or allocation of this part of the net profit at this point in time. This amount of EUR 28.2 million is not included in CET1 capital, but will remain available for LeasePlan for either (i) future dividends once the ECB's recommendation has been revised or repealed, or (ii) inclusion in retained earnings.

3 The 'CET1 available after meeting the bank's minimum capital requirements (%)' for December 2019 is restated due to alignment with 2020 figures in accordance with 'Buffer to Maximum Distributable Amount (MDA) Trigger point' as in the publication of '2020 SREP capital requirement' on LeasePlan's website.

1 Introduction *continued*

1.2 GENERAL REQUIREMENTS FOR DISCLOSURES

The Capital Requirements Regulation (CRR) was 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 have been subject to it from 1 January 2014. The CRR is directly applicable within the European Union and is not transposed into national law.

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, through a set of minimum disclosure requirements.

LeasePlan's annual Pillar 3 Report comprises quantitative and qualitative information which has been prepared in accordance with CRR, eight 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 to frame compliance with the disclosure requirements.

This Pillar 3 Report is based on the European Banking Authority (EBA) guidelines: Final report on the guidelines on disclosure requirements under part eight of regulation (EU) 575/2013 (EBA/GL/2016/11).

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 eight of regulation (EU) 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. In addition to the disclosure in this document, other information on material risks can be found in LeasePlan's Annual Report 2020 (within this document LeasePlan's Annual Report 2020 is referred to as 'Annual Report').

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.

All tables are as per year end 31 December 2020 and in millions of euros, unless stated otherwise and with the exception of the tables included in the remuneration section where the tables are in thousands of euros. Due to rounding, numbers presented throughout this document may not add up precisely to the totals we provide, and percentages may not precisely reflect the absolute figures.

1 Introduction *continued*

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 Dutch Central Bank (DNB).

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

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 reference is made to ***Specific Note 2*** – Country by country reporting and ***Specific Note 21*** – Investments accounted for using the equity method under Financial Statements in the Annual Report.

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 2020		**Full consolidation**	**Proportional consolidation**	**Neither consolidated nor deducted**	**Deducted**	
NAFA Fleet Management Pty Ltd	Full consolidation	X				Financial corporations other than credit institutions
Accident Management Services SRL	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Italia SpA	Full consolidation	X				Financial corporations other than credit institutions
Lean Autovermietung GmbH	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Australia Limited	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Truck NV	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Rus Limited Liability Company	Full consolidation	X				Financial corporations other than credit institutions
CNext Marketplace PT Unipessoal Lda	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Global BV	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Romania SRL	Full consolidation	X				Financial corporations other than credit institutions
CarNext BV	Full consolidation	X				Financial corporations other than credit institutions
PowerD BV	Full consolidation	X				Financial corporations other than credit institutions
CarNext.com NO AS	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
LeasePlan Ceska Republika sro	Full consolidation	X				Financial corporations other than credit institutions

1 Introduction *continued*

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 2020		**Full consolidation**	**Proportional consolidation**	**Neither consolidated nor deducted**	**Deducted**	
Milex Australia Pty Ltd	Full consolidation	X				Financial corporations other than credit institutions
Administrative and Management Services	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan UK Limited	Full consolidation	X				Financial corporations other than credit institutions
Asset Management Australia Pty Ltd	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Service Center SRL	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan France SAS	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Deutschland GmbH	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Osterreich Fuhrp GmbH	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Sverige AB	Full consolidation	X				Financial corporations other than credit institutions
Fleet Cover Sociedad	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Services GmbH	Full consolidation	X				Financial corporations other than credit institutions
Lease Beheer Holding BV	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Corporation NV	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Digital BV	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Norge AS	Full consolidation	X				Financial corporations other than credit institutions
Bizz Nizz BVBA	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Finance Pty Ltd	Full consolidation	X				Financial corporations other than credit institutions
GLS Gestion Location Service SAS	Full consolidation	X				Financial corporations other than credit institutions
Inula Holding UK Ltd	Full consolidation	X				Financial corporations other than credit institutions
Fleet Insurance Plan sro	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Emirates LLC	Equity method			X		Financial corporations other than credit institutions
LeasePlan Portugal Comercio	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Versicherungsvermittlung GmbH	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Finance NV	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Partnerships & Alliances	Full consolidation	X				Financial corporations other than credit institutions
Internal Fleet Purchasing Limited	Full consolidation	X				Financial corporations other than credit institutions
Transport Plan BV	Full consolidation	X				Financial corporations other than credit institutions
Societe de Courtages d'Assurances	Full consolidation	X				Financial corporations other than credit institutions
Dial Vehicle Management Services Limited	Full consolidation	X				Financial corporations other than credit institutions

1 Introduction *continued*

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 2020		**Full consolidation**	**Proportional consolidation**	**Neither consolidated nor deducted**	**Deducted**	
LeasePlan Nederland NV	Full consolidation	X				Financial corporations other than credit institutions
Accident Management Services AB	Full consolidation	X				Financial corporations other than credit institutions
Fleet Accident Management Services Sp zoo	Full consolidation	X				Financial corporations other than credit institutions
Firenta BV	Full consolidation	X				Financial corporations other than credit institutions
RentalPlan NV	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan India Private Ltd	Full consolidation	X				Financial corporations other than credit institutions
Lease Plan USA OT	Full consolidation	X				Financial corporations other than credit institutions
Dial contracts Limited	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Fleet Management India Pvt Ltd	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Information Services Ltd	Full consolidation	X				Financial corporations other than credit institutions
all in AG	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Fleet Management Polska	Full consolidation	X				Financial corporations other than credit institutions
Lease Beheer Vastgoed BV	Full consolidation	X				Financial corporations other than credit institutions
Accident Management Services NV	Full consolidation	X				Financial corporations other than credit institutions
PLEASE SCS	Equity method			X		Financial corporations other than credit institutions
Lease Plan USA LT	Full consolidation	X				Financial corporations other than credit institutions
Lease Plan Fleet Man Services Ireland Ltd	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Finland Oy	Full consolidation	X				Financial corporations other than credit institutions
Automotive Leasing Ltd	Full consolidation	X				Financial corporations other than credit institutions
Euro Insurances DAC	Full consolidation	X				Insurance entity[4]
Lease Concept of Puerto Rico Inc	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Otomotiv Servis ve Ticaret AS Lira	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Schweiz AG	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan New Zealand Limited	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan USA Insurance LLC	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Hungaria Gepjarmupark	Full consolidation	X				Financial corporations other than credit institutions
Garanthia Plan SL	Full consolidation	X				Financial corporations other than credit institutions
Neville Leasing Inc	Full consolidation	X				Financial corporations other than credit institutions

4 LeasePlan has a waiver in place setting out specific conditions that allows LeasePlan to include Euro Insurances DAC in the Prudential Scope of Consolidation.

1 Introduction *continued*

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 2020		**Full consolidation**	**Proportional consolidation**	**Neither consolidated nor deducted**	**Deducted**	
InsurancePlan sro	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Arrendamento Mercantil SA	Full consolidation	X				Financial corporations other than credit institutions
Accident Management Services BV	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Fleet Management NV	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Acceptance Corp	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Hellas Commercial SA	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Servicios SA	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan USA Inc	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Slovakia sro	Full consolidation	X				Financial corporations other than credit institutions
DCS Fleet SAS	Full consolidation	X				Financial corporations other than credit institutions
LP Fleet Management Sdn Bhd	Full consolidation	X				Financial corporations other than credit institutions
Network Vehicles Limited	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Service Sverige AB	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Mexico SA de CV	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Global Procurement	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Luxembourg SA	Full consolidation	X				Financial corporations other than credit institutions
Elymus Holding Espana SL	Full consolidation	X				Financial corporations other than credit institutions
LeasePlan Danmark AS	Full consolidation	X				Financial corporations other than credit institutions
Wheelease Australia Pty Ltd	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 Introduction *continued*

1.4 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.

In this report LeasePlan covers its risks: Credit risk, operational risk and market risk. In addition, we provide additional details regarding interest rate risk in the banking book (IRRBB), capital and leverage ratios, capital buffers, asset encumbrance, remuneration report, human resource management (diversity, directorships held by Managing Board members) and securitisation transactions.

Pillar 3 disclosure requirements may be met by inclusion in Annual Report released by LeasePlan. Where we adopt this approach, references are provided to the relevant sections and pages of the Annual Report. Based upon our assessment we believe that our risk disclosures presented throughout this Pillar 3 Report in conjunction with the Annual Report appropriately and comprehensively convey our overall risk profile.

Frequency

LeasePlan publishes Pillar 3 Report annually and on an interim basis (semi-annual) on our website (www.leaseplan.com/corporate) concurrently with the release of our Annual Report and Accounts and Interim Reports.

Assurance

The Pillar 3 disclosures are governed by the Group's Pillar 3 Disclosure Policy as approved by the Managing Board on the advice of the Policy Committee. The Group's Pillar 3 Disclosure Policy is to ensure that our risk disclosures are in compliance with the applicable regulatory disclosure standards. The Pillar 3 Disclosure Policy defines the overall roles and responsibilities, and sets up the disclosure preparation process based upon a set of internally defined processes. In line with the Group's Pillar 3 Disclosure Policy, if the Group considers to omit certain disclosures due to these disclosures being classified as immaterial, proprietary or confidential, then it will be stated accordingly in the Pillar 3 Report in the related disclosures.

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 Introduction *continued*

Reference table

In the table below, the CRR articles have been mapped with the relevant sections in the Pillar 3 Report. References are made to the main Pillar 3 disclosures in the Annual Report:

CRR Article	Disclosure	Pillar 3 2020	Annual Report 2020
435	Risk management objectives and policies	Section 2 and 3	Risk Management Governance FRM: A. Risk Approach FRM: C. Risk management Framework
436	Scope of application	Section 1.3	SN: 1
437	Own funds	Section 5	FRM: B. Capital management
438	Capital requirements	Section 6	FRM: B. Capital management
439	Exposure to counterparty credit risk	Section 6.4	FRM: 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	FRM: D. Risk
443	Unencumbered assets	Section 7.1	FRM: D. Risk
444	Use of ECAIs	Section 6.3.6	FRM: D. Risk
445	Exposure to market risk	Section 6.6	FRM: D. Risk
446	Operational risk	Section 6.7	FRM: D. Risk
447	Exposures in equities not included in the trading book	Section 6.5	SN: 21, 36
448	Exposure to interest rate risk on positions not included in the trading book	Section 7.2	FRM: D. Risk
449	Exposure to securitisation positions	Section 7.3	SN: 13, 18, 19, 27; NCFS: 12 General Notes
450	Remuneration policy	Section 8	SN: 6, 25, 35 Remuneration Report
451	Leverage	Section 5.3	Not applicable
452	Use of the IRB Approach to credit risk	Section 6.3.7	FRM: D. Risk
453	Use of credit risk mitigation techniques	Section 6.3.5	FRM: D. Risk
454	Use of the Advanced Measurement Approaches to operational risk	Section 6.5	FRM: D. Risk
455	Use of Internal Market Risk Models	Section 6.6	FRM: D. Risk

Table 3: Reference table between CRR articles, Pillar 3 Report and Annual Report[5]

1.5 MEASURES IN CONTEXT OF COVID-19 PANDEMIC

Following the outbreak of the Covid-19 pandemic in 2020, LeasePlan received customer requests for payment relief measures which were assessed and granted on a case-by-case basis. The payment relief and measures[6] that have been taken in relation to the Covid-19 crisis are disclosed as part of our Annual Report (refer to the Risk Management section of the Annual Report, and ***Specific Note 1*** – Covid-19 impact under Financial Statements of the Annual Report).

5 Specific Notes in the Annual Report= SN; Financial Risk Management section of the Financial Statements in Annual Report = FRM.

6 As disclosed in the Financial statements, LeasePlan has been granting payment relief measures. These relief measures have been granted on both Operating lease and finance lease related contracts. Since the disclosure as required under EBA/GL/2020/11 does not include operating leases, hence the tables have not been provided as it would not give an accurate reflection of the LeasePlan situation on moratoria and other payment reliefs.

2 Risk management governance

2.1 GOVERNANCE ASPECTS

LeasePlan is governed by a two-tier board structure comprised of a Supervisory Board and a Managing Board. The core risk management responsibilities are embedded in the Managing Board. The Supervisory Board approves the risk strategy, risk appetite and monitors the risk profile and governance. All other decisions with respect to risk management are in the approval authority of the Managing Board, which has delegated certain decisions and reviews to the group risk management department and various risk committees (reference is made to section 3.3 Risk Committee of this report).

All key risks are managed through a risk framework, approved by the Managing Board. The risk framework consists of elements described in the Risk Management Cycle and the Risk Decision Framework.

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 compliance with these policies.

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

Disclosures regarding risk management objectives, strategies, processes, policies, organisation and committee structure, 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 MANAGMENT 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. Please refer to the Statement of the Managing Board under the Governance section of 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 2020	Supervisory Board positions	Other positions
Chief Executive Officer	3	2
Chief Financial Officer	–	–
Chief Risk Officer	1*	–

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

For details regarding recruitment process of the Managing Board members, reference is made to the Governance section in the Annual Report

Tex Gunning

Mr. Gunning (1950) was appointed as the Chief Executive Officer (CEO) 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 currently has three supervisory positions. He is a supervisory board member of Vereniging Erasmus Trustfonds (from 2014), Stichting Nexus Instituut (from 2015) and Stichting Het Wereld Natuur Fonds-Nederland (from 2016).

Mr. Gunning has also two other positions as chairman of the Board of Stichting Grachtenfestival (from 2017) and World Economic Forum Climate Sector Leader Automotive (from 2018).

Mr. Gunning is an Economics graduate of Erasmus University.

Toine van Doremalen

Mr. van Doremalen (1973) was appointed as Chief Financial Officer (CFO) and member of the Managing Board of LeasePlan in December 2020.

Mr. van Doremalen has a long career in senior finance roles across a variety of industries, including leasing, lighting and medical devices. Prior to joining LeasePlan's Managing Board, he served as Senior Vice President (SVP) & CFO of LeasePlan's Car-as-a-Service business and as Corporate Controller.

Previously, Mr. van Doremalen was SVP & CFO of the Patient Care & Monitoring Solutions business at Philips in the Boston USA area. He worked for nearly two decades at Philips in various senior finance positions in Europe, Asia and the USA. He holds an MSc. Degree in Business Economics from Tilburg University and an Executive MSc. Degree in Finance & Control from the University of Amsterdam.

Jochen Sutor

Mr. Sutor (1973) was appointed as Chief Risk Officer (CRO) in December 2020 and has been the member of the Managing Board of LeasePlan since October 2019. He was appointed as Chief Financial Officer in October 2019, and later also entrusted with the role of acting Chief Risk Officer for the period December 2019 until December 2020, pending the filling of the vacancy.

Mr. Sutor has a long career in banking and automotive finance. Before becoming Global Head of Finance at Commerzbank in 2012, he 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 organisations, harmonising systems, increasing efficiencies and introducing single finance architectures across jurisdictions. Until November 2020, Mr. Sutor was 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.

* *Until November 2020, Mr. Sutor was Chairman of the Supervisory Board at Comdirect Bank AG.*

3 Other governance arrangements *continued*

3.2 DIVERSITY AND INCLUSION

From 2020, the Global Diversity & Inclusion Policy is a part of the People & Performance strategy in all LeasePlan countries. We in LeasePlan are convinced that diversity and inclusion kindles innovation and helps us to take more balanced decisions. To support our inclusive culture where everybody gets an equal chance to be a successful and happy member of our organisation, we have set-up a community platform of representatives from each country/entity, to actively foster diversity and inclusion (D&I).

We have focused our activities on fostering a sense of belonging and engagement by:

- Following-up on the charter 'Talent to the Top' to monitor gender balance at all levels;
- Enrolling 12 employees in the mentoring programme for talent to the top, linking them with an external mentor to support their development as leaders;
- Pushing various LinkedIn Learnings on inclusion, unconscious bias and local activities for awareness and engagement on the D&I topic in all our countries;
- Including two D&I questions in the Global Engagement Survey and supporting the use of Pulse surveys in all entities to get regular updates on employees' needs and experiences to improve the employee experience;
- Promoting the obligation on managers to have the ongoing dialogue in the Performance Management cycle to support all employees in achieving their goals.

We have a clear policy for our Supervisory Board (SB) and Management Board (MB) on D&I. We aim for an inclusive culture for our entire organisation and have also implemented a global Diversity & Inclusion policy to support D&I in all our 32 countries.

The charter, Talent to the Top, enables us to track and trace our progress for gender diversity in succession to our top 3 layers of the organisation (i.e. 3 layers of leaders below the MB). Our Group-wide goal for the representation of women in our top 3 layers for over 30% has been achieved. We envision the diversity of the SB and MB broader than gender it includes but is not restricted to e.g. background, age, skills, knowledge and personality. LeasePlan's SB and MB are diverse in this perspective.

Via People Data Management we have the broadest insights into our people data which enables us to monitor promotions, succession and the diversity of all our management teams. Our Chief People & Performance structurally reviews the numbers to be able to track & trace diversity of talents.

In 2020, we were immensely proud to have been ranked No. 5 in the Banking and Financial Services and No. 21 overall in the Financial Times Diversity Leaders ranking of Europe's most inclusive companies. For 2021, we are committed to cultivating an inclusive culture and environment. We are formalising our strategy and pushing for results and improved awareness on all D&I elements within LeasePlan.

For further details regarding D&I reference is made to the 'Diversity & inclusion' and 'Governance & Leadership' sections of the Annual Report.

3.3 RISK COMMITTEE

LeasePlan is governed by a two-tier board structure comprised of a Supervisory Board and a Managing Board. The Supervisory Board has appointed a Risk Committee. In 2020, Risk Committee meetings were held three times during the year.

The Managing Board is supported by several committees: The Group Risk Committee (GRC), the Group Tactical Risk Committee (GTRC), the Group Model Risk Committee (GMRC) and the Asset and Liability Committee (ALCO). The GRC has delegated certain authorities to subcommittees, such as the Combined Risk & Pricing Committee (CRPC). The CRPC's main tasks are to take decisions on the credit proposals exceeding the authority of the underwriting team and deciding on pricing and profitability proposals.

The main task of the GRC is to enable controlled risk taking and ensure regulatory compliance. The key mandate and purpose of the GTRC is to monitor risk exposures and emerging risks in compliance with the risk appetite. The GMRC has a delegated authority to oversee the Group risk models in the domain of credit risk, asset risk, operational risk, strategic risk and stress testing. Next to the dedicated risk committees, the risk function also is represented in the ALCO. The ALCO has a delegated authority to take decisions in the field of funding strategy, liquidity management, capital allocation and structuring. The objective of the Regulatory Committee is to centralise regulatory discussions within the organisation and allow all relevant senior management to (i) align on regulatory topics and priorities so that there are no gaps in knowledge within the organisation, (ii) discuss the selection and prioritisation of regulatory projects and matters and (iii) communicate with/task their respective teams with specific regulatory goals.

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 2020, 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	5,169	5,169	5,169	–	–	–	–
Bonds and notes held	24	24	24	–	–	–	–
Receivables from financial institutions	671	671	628	43	–	–	–
Derivative financial instruments	171	171	–	171	–	–	–
Other receivables and prepayments	1,156	1,156	1,156	–	–	–	–
Inventories	616	616	616	–	–	–	–
Loans to investments accounted for using the equity method	176	176	176	–	–	–	–
Corporate income tax receivable	49	49	49	–	–	–	–
Lease receivables from clients	3,137	3,137	3,137	–	–	–	–
Property and equipment under operating lease & rental fleet	18,886	18,886	18,886	–	–	–	–
Other property and equipment	388	388	388	–	–	–	–
Investments accounted for using the equity method	32	32	16	–	–	–	16
Intangible assets	600	600	53	–	–	–	548
Deferred tax assets	289	289	154	–	–	–	132
Assets classified as held for sale	1	1	1	–	–	–	–
Total assets	**31,365**	**31,365**	**30,454**	**214**	**–**	**–**	**695**
Liabilities							
Trade and other payables and Deferred income	2,582	2,582	–	–	–	–	–
Borrowings from financial institutions	3,561	3,561	–	–	–	–	–
Derivative financial instruments	150	150	–	150	–	–	–
Funds entrusted	9,212	9,212	–	56	–	–	–
Debt securities issued	10,084	10,084	–	–	–	–	–
Provisions	562	562	–	–	–	–	–
Corporate income tax payable	39	39	–	–	–	–	–
Deferred tax liabilities	376	376	–	–	–	–	–
Lease liabilities	308	308	–	–	–	–	–
Total liabilities	**26,875**	**26,875**	**–**	**206**	**–**	**–**	**–**

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

4 Differences between accounting and regulatory scopes of consolidation *continued*

			Items subject to:			
Main sources of differences between regulatory exposure amounts and carrying values in financial statements as per 31 December 2020, 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)	31,365	30,454	214	–	–
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	–179	–	–179	–	–
3	**Total net amount under regulatory scope of consolidation**	**31,187**	**30,454**	**36**	**–**	**–**
4	Off-balance sheet amounts	3,120	3,120	–	–	–
5	Differences in valuations	86	23	63	–	–
6	Differences due to different netting rules, other that those already included in row 2	–19	–2	–17	–	–
7	Differences due to consideration of provisions	–	–	–	–	–
8	Differences due to prudential filters	–	–	–	–	–
9	Deduction of intangible assets	–563	–	–	–	–
10	Deduction of deferred tax assets	–132	–	–	–	–
11	**Exposure amounts considered for regulatory purposes**	**33,678**	**33,595**	**82**	**–**	**–**

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

5.1.1 Composition of capital and risk exposure amounts

As per 31 December, in millions of euros	2020	2019	Delta
Share capital and share premium	3,532	3,532	–
Other reserves	–122	–24	–98
Retained earnings from previous years	383	174	209
Net result current year	200	209	–9
Share capital and share premium	**3,992**	**3,891**	**101**
Holders of AT1 capital securities	498	498	0
Total IFRS equity	**4,490**	**4,389**	**101**
Deduction of net result for the year	–200	–374	174
Interim dividend paid out of retained earnings	0	165	–165
AT1 capital securities	–498	–498	0
Total IFRS equity excluding results, interim dividend paid and AT1 capital securities	**3,792**	**3,681**	**111**
Eligible results for year net of interim and foreseeable dividend	172	101	71
Regulatory adjustments	–663	–639	–24
Common Equity Tier 1 capital	**3,301**	**3,143**	**158**
Additional Tier 1 capital	323	357	–34
Tier 1 Capital	**3,624**	**3,500**	**124**
AT1 instrument eligible as Tier 2 capital	80	50	30
Total Capital	**3,704**	**3,550**	**154**
TREA/RWA	**19,735**	**18,384**	**1,351**
Common Equity Tier 1 ratio	**16.7%**	**17.1%**	**–0.4%**
Tier 1 Capital ratio	**18.4%**	**19.0%**	**–0.6%**
Total Capital ratio	**18.8%**	**19.3%**	**–0.5%**

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

Capital position

LeasePlan's capital position remains strong with a Total Capital and Common Equity Tier 1 (CET1) ratio of 18.8% and 16.7% respectively, excluding Q4 results[7].

The CET1 capital increased in 2020 by EUR 158 million to EUR 3,301 million resulting in a CET1 ratio at year-end of 16.7% mainly resulting from the inclusion of interim profits up until Q3 2020. In line with the ECB's recommendation no accrual for potential dividend has been taken into account. The Total capital increased in 2020 by EUR 154 million to EUR 3,704 million resulting in a Total capital ratio at year-end of 18.8%.

In 2020, the TREA (defined in section 6.1 Minimum Capital requirements) shows an increase of EUR 1,351 million to EUR 19,735 million. In 2020, the TREA on a net basis increased by 7.4% compared to 2019. This increase is mainly related to the change from AMA to STD approach for operational risk. Also, the TREA amount for lease contract portfolio increased due to a higher average risk weight of residual value exposures due to the ageing of the portfolio. For more details on the TREA, reference is made to sections 6.1 Minimum capital requirements and 6.3 Credit risk of this report.

LeasePlan continuously monitors and reviews the regulatory capital position under the applicable regulatory framework in light of its strategic objectives and risk identification. Based on the 2020 Internal Capital Adequacy Assessment Process (ICAAP), LeasePlan concluded that it is adequately capitalised and resilient to future plausible stress scenarios. This conclusion is based on LeasePlan's internal capital assessment methodologies.

7 LeasePlan will follow the ECB's recommendation to exercise prudence and will continue to refrain from making any dividend distribution until 30 September 2021. The Managing Board proposes to the general meeting of shareholders to add part of the net profit 2020 in the amount EUR 171.5 million to the retained earnings and to postpone a resolution as to the allocation of the net profit 2020 in the amount of EUR 28.2 million, and hence not to resolve on the distribution or allocation of this part of the net profit at this point in time. This amount of EUR 28.2 million is not included in CET1 capital, but will remain available for LeasePlan for either (i) future dividends once the ECB's recommendation has been revised or repealed, or (ii) inclusion in retained earnings.

5 Own funds, Leverage and Liquidity *continued*

5.1.2 Main features of issued capital instruments

Capital instruments' main features template as per 31 December 2020, in millions of euros

1	**Issuer**	**LeasePlan Corporation N.V.**	**LP Group B.V.**
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier)	XS2003473829	N/A
3	Governing law(s) of the instrument	Dutch law	Dutch law
	Regulatory treatment		
4	Transitional CRR rules	Additional Tier 1	Common Equity Tier 1
5	Post-transitional CRR rules	Additional Tier 1	Common Equity Tier 1
6	Eligible at solo/(sub-)consolidated/solo&(sub-)consolidated	Solo and Consolidated	Consolidated
7	Instrument type (types to be specified by each jurisdiction)	AT1 EU 575/2013 Art. 52	Ordinary shares
8	Amount recognised in regulatory capital[8]	EUR 403 mn	EUR 100 mn
9	Nominal amount of instrument	EUR 500 mn (as of most recent reporting date)	EUR 1
9a	Issue price	100%	N/A
9b	Redemption price	100%	N/A
10	Accounting classification	Equity	Equity
11	Original date of issuance	29-May-19	N/A
12	Perpetual or dated	Perpetual	N/A
13	Original maturity date	No maturity	N/A
14	Issuer call subject to prior supervisory approval	Yes	N/A
15	Optional call date, contingent call dates and redemption amount	29 May 2024, regulatory & tax call (prevailing principle amount)	N/A
16	Subsequent call dates, if applicable	Callable on each date which falls 5, or an integral multiple of 5, years after 29 May 2024	N/A
	Coupons/dividends		
17	Fixed or floating dividend/coupon	Fixed, subject to reset on the first call date and each reset date thereafter	N/A
18	Coupon rate and any related index	7.375% per annum	N/A
19	Existence of a dividend stopper	No	N/A
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	N/A
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	N/A
21	Existence of step up or other incentive to redeem	No	N/A
22	Noncumulative or cumulative	Non-cumulative	N/A
23	Convertible or non-convertible	Non-convertible	N/A
24	If convertible, conversion trigger(s)	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, conversion rate	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A
30	Write-down features	Yes	N/A
31	If write-down, write-down trigger(s)	5.125% CET1	N/A
32	If write-down, full or partial	Partial	N/A
33	If write-down, permanent or temporary	Temporary	N/A
34	If temporary write-down, description of write-up mechanism	Subject to profit MDA and maximum write-up amount	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Deeply subordinated, junior to Tier 2	N/A
36	Non-compliant transitioned features	No	N/A
37	If yes, specify non-compliant features	N/A	N/A

Table 8: Capital instruments' main features template

8 The Amount recognised in regulatory capital of EUR 403mn represents the amount included in Total Capital, taking into account the applicable minority interest deduction following article 87 CRR. The amount recognised in Tier 1 capital is EUR 323mn after taking into account the applicable minority interest deduction following article 85 CRR.

5 Own funds, Leverage and Liquidity *continued*

5.2 COMPOSITION OF REGULATORY CAPITAL

Composition of regulatory capital as per 31 December, in millions of euros		2020
	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	555
3	Accumulated other comprehensive income (and other reserves)	–122
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	3,964
	Common Equity Tier 1 capital: regulatory adjustments	
7	Prudent valuation adjustments	–
8	Goodwill (net of related tax liability)	292
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	231
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)	132
11	Cash flow hedge reserve	7
12	Shortfall of provisions to expected losses	–
28	**Total regulatory adjustments to Common Equity Tier 1**	**663**
29	**Common Equity Tier 1 capital (CET1)**	**3,301**
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)	323
44	**Additional Tier 1 capital (AT1)**	**323**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**3,624**
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)	80
58	**Tier 2 capital (T2)**	**80**
59	**Total regulatory capital (TC = T1 + T2)**	**3,704**
60	**Total risk-weighted assets**	**19,735**
61	**Common Equity Tier 1 (as a percentage of risk-weighted assets)**	**16.7%**
62	**Tier 1 (as a percentage of risk-weighted assets)**	**–**
63	**Total capital (as a percentage of risk-weighted assets)**	**–**
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)**	**2.55%**
65	Of which: capital conservation buffer requirement	2.50%
66	Of which: bank-specific countercyclical buffer requirement	0.05%
68	**Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirements**	**3.2%**
73	Significant investments in the common stock of financial entities	16
75	Deferred tax assets arising from temporary differences (net of related tax liability)	154
77	Cap on inclusion of provisions in Tier 2 under standardised approach	1,728
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	5,383

Table 9: Composition of regulatory capital

5 Own funds, Leverage and Liquidity *continued*

5.3 LEVERAGE RATIO

The leverage ratio is calculated based on the requirements of CRR/CRD IV. The leverage ratio as per 31 December 2020 is 10.8%, whereas the regulatory minimum level of the leverage ratio is 3.0%.

LeasePlan constantly monitors the development of the on- and off-balance sheet exposures and eligible CET1 capital, in order to comply with the minimum leverage ratio requirement of 3%.

In 2020, considering LeasePlan's buffer towards the 3% minimum requirement, LeasePlan decided not to avail the temporary relief as proposed in the circular 'Decision (EU) 2020/1306 of the European Central Bank' where temporary exclusion of certain exposures to central banks from the total exposure measure in view of the Covid-19 pandemic was allowed (ECB/2020/44).

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		2020	2019
1	Total consolidated assets as per published financial statements	31,365	31,652
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	–132	–83
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)	3,117	2,838
7	Other adjustments	–672	–650
Leverage ratio exposure measure		**33,678**	**33,757**

Table 10: EU LRSum – Summary reconciliation of accounting assets and leverage ratio exposures

5 Own funds, Leverage and Liquidity *continued*

Leverage ratio common disclosure

	As per 31 December, in millions of euros	2020	2019
	On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs) but including collateral)	31,175	31,489
2	(Asset amounts deducted in determining Tier 1 capital)	–695	–670
3	**Total on-balance sheet exposures (excluding derivatives and SFTs and) (sum of rows 1 and 2)**	**30,479**	**30,819**
	Derivative exposures		
4	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	19	24
5	Add-on amounts for PFE associated with all derivatives transactions	63	76
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**	**82**	**100**
	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	3,120	2,839
18	(Adjustments for conversion to credit equivalent amounts)	–3	–1
19	**Off-balance sheet items**	**3,117**	**2,838**
	Capital and total exposures		
20	**Tier 1 capital**	**3,624**	**3,500**
21	**Total exposures**	**33,678**	**33,757**
	Leverage ratio		
22	**Basel III leverage ratio**	**10.8%**	**10.4%**

Table 11: LRCom – Leverage ratio common disclosure

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

As per 31 December, in millions of euros	2020	2019
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	31,175	31,489
Trading book exposures	–	–
Banking book exposures, of which:	31,175	31,489
Covered bonds	–	–
Exposures treated as sovereigns	5,619	5,327
Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	90	79
Institutions	713	641
Secured by mortgages of immovable properties	–	–
Retail exposures	648	637
Corporate	7,595	8,019
Exposures in default	189	46
Other exposures (eg equity, securitisations, and other non-credit obligation assets)	16,320	16,739

Table 12: LRSpl – Split-up of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

5 Own funds, Leverage and Liquidity *continued*

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

The Liquidity Coverage Ratio (LCR) quarterly average as per 31 December 2020 is 423%, 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. The increase of the LCR during 2020 is mainly due to the increase of the liquidity buffer which is held in the form of deposits with the DNB.

The composition of HQLA is solely the central bank deposits. LCR is mainly driven by the level of HQLA due to the funding transactions performed as well as the funding redemption profile. We have built up liquidity buffers due to the Covid-19 crisis, which have partially decreased by the end of the reporting year.

The liquidity management is centralised within LPTY and incorporated in LeasePlan's monthly funding planning process. LeasePlan Corporation N.V. holds a revolving credit facility with a consortium of 12 banks (EUR 1.5 billion) maturing in November 2022. As per year-end 2020, no amounts were drawn under this facility.

5 Own funds, Leverage and Liquidity *continued*

The below table is in accordance with EBA Guidelines (EBA/GL/2017/01).

Consolidated Liquidity Coverage ratio common disclosure

	In millions of euros	Total unweighted value (average)				Total weighted value (average)			
	Quarter ending on:	31-Mar-20	30-Jun-20	30-Sep-20	31-Dec-20	31-Mar-20	30-Jun-20	30-Sep-20	31-Dec-20
	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**	4,600	5,574	6,602	5,721	4,600	5,574	6,602	5,721
	Cash outflows								
2	**Retail deposits and deposits from small business customers, of which:**	4,798	5,046	5,587	5,368	480	505	559	537
3	Stable deposits	–	–	–	–	–	–	–	–
4	Less stable deposits	4,798	5,046	5,587	5,368	480	505	559	537
5	**Unsecured wholesale funding, of which:**	579	308	392	502	578	307	390	501
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	–	–	–	–	–	–	–	–
7	Non-operational deposits (all counterparties)	280	212	223	317	279	211	221	315
8	Unsecured debt	299	96	169	185	299	96	169	185
9	**Secured wholesale funding**	53	168	51	48	53	168	51	48
10	**Additional requirements, of which:**	361	413	427	397	351	403	418	388
11	Outflows related to derivative exposures and other collateral requirements	350	402	416	387	350	402	416	387
12	Outflows related to loss of funding on debt products	–	–	–	–	–	–	–	–
13	Credit and liquidity facilities	11	11	11	10	1	1	1	1
14	**Other contractual funding obligations**	706	578	544	546	706	578	544	546
15	**Other contingent funding obligations**	–	–	–	–	–	–	–	–
16	**TOTAL CASH OUTFLOWS**	6,497	6,515	7,002	6,861	2,168	1,962	1,961	2,019
	Cash inflows								
17	Secured lending (eg reverse repos)	–	–	–	–	–	–	–	–
18	**Inflows from fully performing exposures**	–	–	–	–		–	–	–
19	Other cash inflows	839	1,000	849	765	697	875	733	668
20	**TOTAL CASH INFLOWS**	839	1,000	849	765	697	875	733	668
						Total adjusted value			
21	**Liquidity buffer**					4,600	5,574	6,602	5,721
22	**Total net cash outflows**					1,470	1,086	1,229	1,352
23	**Liquidity Coverage Ratio (%)**					313.0%	513.0%	537.0%	423.0%

Table 13: 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 (refer section 6.3.6 Standardised approach of this report) 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 be incurred at the moment of a default.
- Exposure at default – being the expected exposure amount when a client goes into default.
- Remaining maturity – being 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 applies the Standardised Approach (STD) since 2020 to determine the own funds requirement for operational risk.

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 any phase-in options.

6 Capital requirements *continued*

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

Overview of RWA as per 31 December, in millions of euros			RWA		Minimum capital requirements
			2020	2019	2020
Article 438(c)(d)	1	**Credit risk (excluding counterparty credit risk) (CRR)**	**16,319**	**15,974**	**1,306**
Article 438(c)(d)	2	Of which standardised approach (SA)	4,978	4,555	398
Article 438(c)(d)	3	Of which foundation IRB (FIRB) approach	–	–	–
Article 438(d)	4	Of which advanced IRB (AIRB) approach	11,341	11,419	907
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)**	**26**	**31**	**2**
Article 438(c)(d)	7	Of which mark to market	19	23	1
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	7	8	1
Article 438(e)	13	**Settlement risk**	–	–	–
Article 449(o)(i)	14	**Securitisation 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**	**423**	**499**	**34**
	20	Of which standardised approach (SA)	423	499	34
	21	Of which IMA	–	–	–
Article 438(e)	22	**Large exposures**	**–**	**–**	**–**
Article 438(f)	23	**Operational risk**	**2,541**	**1,515**	**203**
	24	Of which Basic Indicator Approach	–	–	–
	25	Of which Standardised Approach	2,541	–	203
	26	Of which Advanced Measurement Approach	–	1,515	–
Article 437(2), Article 48 and Article 60	27	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	**427**	**364**	**34.2**
Article 500	28	**Floor adjustment**			
	29	**Total**	**19,735**	**18,384**	**1,579**

Table 14: EU OV1 – Overview of risk weighted exposure amounts (RWA)

In 2020, the other non-credit obligation assets are EUR 13,742 million compared with 2019 EUR 14,201 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 DNB.

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

Summary of Other (non-credit) obligation assets as per 31 December, in millions of euros		Exposure value		RWA	
		2020	2019	2020	2019
1	Residual value related exposures	9,738	9,958	6,692	6,559
2	Property and equipment	440	393	440	393
3	Lease commitments	2,009	1815	576	545
4	Other assets	1,556	2,036	1,881	2,035
	Total other (non-credit) obligation assets	**13,742**	**14,201**	**9,590**	**9,531**

Table 15: Breakdown of the Other non-credit obligation assets (ONCOA)[9]

9 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 Capital requirements *continued*

6.2 CAPITAL BUFFERS

6.2.1 Countercyclical capital buffer

As per 31 December 2020 LeasePlan holds 0.05% (EUR 9 million) of its TREA (EUR 19,735 million) as countercyclical capital buffer (CCyB). The geographical distribution of LeasePlan's credit exposures, in accordance with CRR article 440, is presented in the table below.

As per 31 December 2020, in millions of euros	General credit exposures		Trading book exposures		Securitisation exposures		Own funds requirements					
Countries	SA	IR	Sum of long and short positions for SA	Internal Models	SA	IRB	of which: General credit exposures	of which: General trading book	of which: Securi-tisation exposures	Total	Own funds require-ments weights	Counter-cyclical capital buffer rate
Czech Republic	32	145	–	–	–	–	14	–	–	14	0.80%	0.00%
Norway	317	291	–	–	–	–	49	–	–	49	3.60%	0.04%
Slovakia	6	70	–	–	–	–	6	–	–	6	0.50%	0.01%
Luxembourg	54	46	–	–	–	–	8	–	–	8	0.70%	0.00%
Australia	74	369	–	–	–	–	35	–	–	35	1.59%	0.00%
Austria	41	130	–	–	–	–	14	–	–	14	0.75%	0.00%
Belgium	194	351	–	–	–	–	44	–	–	44	2.66%	0.00%
Brazil	5	31	–	–	–	–	3	–	–	3	0.13%	0.00%
Canada	1	–	–	–	–	–	–	–	–	–	0.01%	0.00%
Denmark	57	295	–	–	–	–	28	–	–	28	1.23%	0.00%
Finland	48	163	–	–	–	–	17	–	–	17	0.71%	0.00%
France	744	666	–	–	–	–	113	–	–	113	10.99%	0.00%
Germany	459	657	–	–	–	–	89	–	–	89	6.51%	0.00%
Greece	170	119	–	–	–	–	23	–	–	23	2.07%	0.00%
Hungary	39	59	–	–	–	–	8	–	–	8	0.67%	0.00%
India	4	77	–	–	–	–	6	–	–	6	0.31%	0.00%
Ireland	47	129	–	–	–	–	14	–	–	14	0.96%	0.00%
Italy	1,326	539	–	–	–	–	149	–	–	149	16.92%	0.00%
Japan	–	–	–	–	–	–	–	–	–	–	0.00%	0.00%
Mexico	4	52	–	–	–	–	4	–	–	4	0.26%	0.00%
Netherlands	1,067	1,180	–	–	–	–	180	–	–	180	13.53%	0.00%
New Zealand	19	72	–	–	–	–	7	–	–	7	0.58%	0.00%
Other	–	–	–	–	–	–	–	–	–	–	0.00%	0.00%
Poland	91	128	–	–	–	–	17	–	–	17	1.59%	0.00%
Portugal	319	434	–	–	–	–	60	–	–	60	3.96%	0.00%
Romania	16	69	–	–	–	–	7	–	–	7	0.39%	0.00%
Russia	1	19	–	–	–	–	2	–	–	2	0.06%	0.00%
Spain	488	382	–	–	–	–	70	–	–	70	7.19%	0.00%
Sweden	35	188	–	–	–	–	18	–	–	18	0.74%	0.00%
Switzerland	9	76	–	–	–	–	7	–	–	7	0.26%	0.00%
Turkey	84	91	–	–	–	–	14	–	–	14	1.16%	0.00%
United Arabic Emirates	–	15	–	–	–	–	1	–	–	1	0.57%	0.00%
United Kingdom	902	755	–	–	–	–	133	–	–	133	13.23%	0.00%
United States	55	1,474	–	–	–	–	122	–	–	122	5.44%	0.00%
Total	**6,707**	**9,070**	**–**	**–**	**–**	**–**	**1,262**	**–**	**–**	**1,262**	**100.00%**	**0.05%**

Table 16: Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

6 Capital requirements *continued*

The CCyB is part of a set of macroprudential instruments, designed to help counter pro-cyclicality in the financial system. Anticipating the impact of the Covid-19 pandemic several countries have decided to reduce the CCyB rates resulting in a decrease of the countercyclical buffer requirement of LeasePlan to 0.05% (2019: 0.33%).

The following table shows an overview of our countercyclical exposure and buffer requirements.

Institution-specific countercyclical capital buffer as per 31 December, in millions of euros	**2020**	**2019**
Total risk exposure amount	19,735	18,384
Institution specific countercyclical buffer rate	0.05%	0.33%
Institution specific countercyclical buffer requirement	9	61

Table 17: Amount of institution-specific countercyclical capital buffer

6.2.2 Capital conservation buffer

As per 31 December 2020, LeasePlan's capital conservation buffer consists of CET 1 capital equal to 2.5% (EUR 493 million; compared with 2019: EUR 460 million) of its TREA (EUR 19,735 million; compared with 2019: EUR 18,384 million), in accordance with CRR article 92 and 160.

6 Capital requirements *continued*

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 credit quality of exposures by exposure classes and instruments.

	Gross carrying values of						
Credit quality of exposures by exposure classes and instruments as per 31 December 2020, in millions of euros	**Defaulted exposures**	**Non-defaulted exposures**	**Specific credit risk adjustment**	**General credit risk adjustment**	**Accumulated write-offs**	**Credit risk adjustment charges of the period**	**Net values**
1 Central governments or central banks	–	–	–	–	–	–	–
2 Institutions	–	–	–	–	–	–	–
3 Corporates	50	6,327	66	–	–	–	6,311
4 Of which: Specialised lending	–	–	–	–	–	–	–
5 Of which: SMEs	3	322	1	–	–	–	323
6 Retail	2	256	12	–	–	–	246
7 Secured by real estate property	–	–	–	–	–	–	–
8 SMEs	–	–	–	–	–	–	–
9 Non-SMEs	–	–	–	–	–	–	–
10 Qualifying revolving	–	–	–	–	–	–	–
11 Other retail	2	256	12	–	–	–	246
12 SMEs	1	103	–	–	–	–	104
13 Non-SMEs	1	141	–	–	–	–	142
14 Equity	–	16	–	–	–	–	16
Other (non-credit) obligation assets	–	13,742	–	–	–	–	13,742
15 **Total IRB approach**	**52**	**20,342**	**78**	**–**	**–**	**–**	**20,315**
16 Central governments or central banks	–	5,774	–	–	–	–	5,774
17 Regional governments or local authorities	–	25	–	–	–	–	25
18 Public sector entities	–	65	–	–	–	–	65
19 Multilateral development banks	–	–	–	–	–	–	–
20 International organisations	–	–	–	–	–	–	–
21 Institutions	–	795	–	–	–	–	795
22 Corporates	–	1,384	–	–	–	–	1,384
23 Of which SMEs	–	6	–	–	–	–	6
24 Retail	–	405	–	–	–	–	405
25 Of which SMEs	–	175	–	–	–	–	175
26 Secured by mortgages on immovable property	–	–	–	–	–	–	–
27 Of which SMEs	–	–	–	–	–	–	–
28 Exposures in default	9	–	–	–	–	–	9
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	–	4,906	–	–	–	–	4,906
35 **Total standardised approach**	**9**	**13,353**	**–**	**–**	**–**	**–**	**13,363**
36 **Total**	**61**	**33,695**	**78**	**–**	**–**	**–**	**33,678**
37 Of which: Loans	61	3,759	78	–	–	–	3,742
38 Of which: Debt securities	–	24	–	–	–	–	24
39 Of which: Off-balance-sheet exposures	–	3,117	–	–	–	–	3,117

Table 18: EU CR1-A – Credit quality of exposures by exposure classes and instruments

6 Capital requirements *continued*

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

Credit quality of exposures by industry or counterparty types as per 31 December 2020, 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
1	Accommodation And Food Service Activities	0	20	0	–	–	–	20
2	Activities Of Households As Employers; Undifferentiated Goods- And Services- Producing Activities Of Households For Own Use	3	587	3	–	–	–	587
3	Administrative And Support Service Activities	20	1,635	26	–	–	–	1,630
4	Agriculture, Forestry And Fishing	0	89	0	–	–	–	89
5	Arts, Entertainment And Recreation	0	63	0	–	–	–	63
6	Construction	10	924	13	–	–	–	921
7	Education	0	33	0	–	–	–	33
8	Electricity, Gas, Steam And Air Conditioning	–	0	–	–	–	–	0
9	Financial And Insurance Activities	1	1,580	1	–	–	–	1,580
10	Human Health And Social Work Activities	0	197	1	–	–	–	197
11	Information And Communication	0	156	1	–	–	–	156
12	Manufacturing	5	3,023	6	–	–	–	3,022
13	Mining And Quarrying	0	122	0	–	–	–	122
14	Other Service Activities	1	226	2	–	–	–	225
15	Professional, Scientific And Technical Activities	2	323	2	–	–	–	322
16	Public Administration And Defence; Compulsory Social Security	1	6,066	1	–	–	–	6,066
17	Real Estate Activities	–	–	–	–	–	–	–
18	Transportation And Storage	9	763	12	–	–	–	760
19	Wholesale And Retail Trade; Repair Of Motor Vehicles And Motorcycles	8	3,450	10	–	–	–	3,448
20	**Total customer exposures**	**61**	**19,259**	**78**	**–**	**–**	**–**	**19,242**
21	Other (non-credit) obligation assets	–	13,742	–	–	–	–	13,742
22	Other non-customer exposures	–	694	–	–	–	–	694
23	**Total exposure**	**61**	**33,695**	**78**	**–**	**–**	**–**	**33,678**

Table 19: EU CR1-B – Credit quality of exposures by industry or counterparty types

6 Capital requirements *continued*

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

Credit quality of exposures by geography as per 31 December 2020, 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
1 Netherlands	6	8,788	9	–	–	–	8,782
2 United Kingdom	16	3,266	26	–	–	–	3,280
3 Italy	10	2,542	14	–	–	–	2,553
4 France	2	2,602	3	–	–	–	2,599
5 United States	2	2,170	4	–	–	–	2,148
6 Germany	1	2,226	2	–	–	–	2,216
7 Spain	7	1,590	5	–	–	–	1,601
8 Portugal	3	1,350	1	–	–	–	1,354
9 Belgium	1	1,280	1	–	–	–	1,277
10 Norway	0	1,149	0	–	–	–	1,145
11 Other geographical areas	13	6,732	13	–	–	–	6,723
12 **Total**	**61**	**33,695**	**78**	**–**	**–**	**–**	**33,678**

Table 20: 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 either unable to fulfil its obligations (irrespective of the amount involved or the number of days outstanding) or when customers are over 90 days in arrears unless local judgement determines that collection is probable, or local judgement determines that there is a reasonable chance that the amount will not be collected.

The local judgement is the result of an internal assessment with regard to arrears to establish whether the customer is unable to pay and will be phased out in January 2021. From 2021, a customer will be reported as a default as prescribed by the guidelines on the application of the definition of default. Based on this definition, a default of a customer shall be registered when either one or both of the following events occur:

- The LP entity considers the customer unlikely to pay ('UTP'); and/or
- The customer is past due more than 90 days on any material credit obligation

This new (stricter) definition of default will lead to an increase in defaulted customers. However, the impact on our provision level is expected to be limited given that the increase in defaults will be triggered by the second bullet. For these customers, provision levels are expected to be already in line with the current provisioning for customers that have material overdue amounts.

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 2020, in millions of euros	Gross carrying value defaulted exposures
1 Opening balance	28
2 Loans and debt securities that have defaulted or impaired since the last reporting period	69
3 Returned to non-defaulted status	–
4 Amounts written off	–36
5 Other changes	–
6 **Closing balance**	**61**

Table 21: EU CR2-B – Changes in stock of defaulted and impaired loans and debt securities[10]

10 *Please refer to the annual Financial Statements of LeasePlan Corporation N.V. Annual Report for further details under* ***Specific Note 18*** *– Lease receivables from clients (Impairment allowance).*

6 Capital requirements *continued*

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 of 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 the 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 Capital requirements *continued*

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'.

A 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.
- Other geographical areas: 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.

	Net value											
Geographical breakdown of exposures as per 31 December 2020, in millions of euros	**Nether-lands**	**United Kingdom**	**Italy**	**France**	**United States**	**Germany**	**Spain**	**Portugal**	**Belgium**	**Norway**	**Other geogra-phical areas**	**Total**
1 Central governments or central banks	–	–	–	–	–	–	–	–	–	–	–	–
2 Institutions	–	–	–	–	–	–	–	–	–	–	–	–
3 Corporates	744	447	290	350	1,293	534	239	156	289	209	1,759	6,311
4 Retail	65	181	–	–	–	–	–	–	–	–	–	246
5 Equity	–	–	–	1	–	–	–	–	–	–	15	16
Other (non-credit) obligation assets	1,479	1,472	848	1,332	760	1,198	742	856	731	554	3,771	13,742
6 **Total IRB approach**	**2,288**	**2,100**	**1,138**	**1,684**	**2,053**	**1,732**	**981**	**1,012**	**1,020**	**763**	**5,545**	**20,315**
7 Central governments or central banks	5,341	106	55	20	0	14	68	19	8	47	95	5,774
8 Regional governments or local authorities	1	1	13	1	–	1	0	0	1	–	7	25
9 Public sector entities	4	0	13	4	–	0	0	–	0	16	27	65
10 Multilateral development banks	–	–	–	–	–	–	–	–	–	–	–	–
11 International organisations	–	–	–	–	–	–	–	–	–	–	–	–
12 Institutions	81	171	9	149	40	10	64	4	54	0	213	795
13 Corporates	173	242	263	250	34	65	105	40	49	14	150	1,384
14 Retail	135	1	87	36	0	7	33	27	15	8	57	405
15 Secured by mortgages on immovable property	–	–	–	–	–	–	–	–	–	–	–	–
16 Exposures in default	0	0	4	1	0	0	2	1	0	–	0	9
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	758	659	972	456	21	388	348	252	130	295	628	4,906
23 **Total standardised approach**	**6,494**	**1,181**	**1,415**	**915**	**95**	**484**	**620**	**342**	**257**	**382**	**1,178**	**13,363**
24 **Total**	**8,782**	**3,280**	**2,553**	**2,599**	**2,148**	**2,216**	**1,601**	**1,354**	**1,277**	**1,145**	**6,723**	**33,678**

Table 22: EU CRB-C – Geographical breakdown of exposures

6 Capital requirements *continued*

Breakdown of exposure by industry

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

As per 31 December 2020, in millions of euros	Adminis-trative and support service activities	Const-ruction	Financial and insurance activities	Manu-facturing	Public adminis-tration and defence; compul-sory social security	Transpo-rtation and storage	Whole-sale and retail trade; repair of motor vehicles and motor-cycles	Other indus-tries	Total customer exposure	Other (non-credit) obliga-tions	Other non-customer expo-sures	Total
1 Central governments or central banks	–	–	–	–	–	–	–	–	–	–	–	–
2 Institutions	–	–	–	–	–	–	–	–	–	–	–	–
3 Corporates	31	17	11	71	1	17	73	23	246	–	–	246
4 Retail	816	337	113	415	8	54	587	3,981	6,311	–	–	6,311
5 Equity	–	–	–	–	–	–	–	–	–	–	16	16
Other (non-credit) obligation assets	–	–	–	–	–	–	–	–	–	13,742	–	13,742
6 **Total IRB approach**	**848**	**355**	**124**	**486**	**9**	**71**	**660**	**4,005**	**6,557**	**13,742**	**16**	**20,315**
7 Central governments or central banks	–	–	10	–	5,763	0	–	1	5,774	–	–	5,774
8 Regional governments or local authorities	–	–	–	–	25	–	–	–	25	–	–	25
9 Public sector entities	–	–	–	–	65	–	–	–	65	–	–	65
10 Multilateral development banks	–	–	–	–	–	–	–	–	–	–	–	–
11 International organisations	–	–	–	–	–	–	–	–	–	–	–	–
12 Institutions	–	–	795	–	–	–	–	–	795	–	–	795
13 Corporates	231	161	70	157	9	67	320	368	1,385	–	–	1,385
14 Retail	37	14	4	33	1	6	61	248	404	–	–	404
15 Secured by mortgages on immovable property	–	–	–	–	–	–	–	–	–	–	–	–
16 Exposures in default	6	3	0	1	0	3	2	2	18	–	–	18
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	–	–	–	–	–	–	–	–	–	–	4,897	4,897
23 **Total standardised approach**	**274**	**179**	**880**	**191**	**5,863**	**76**	**384**	**619**	**8,466**	**–**	**4,897**	**13,363**
24 **Total**	**1,121**	**534**	**1,004**	**677**	**5,872**	**147**	**1,044**	**4,623**	**15,022**	**13,742**	**4,914**	**33,678**

Table 23: EU CRB-D – Concentration of exposures by industry or counterparty types[11]

11 The industry classifications of this disclosure have been revised, where exposure to few industries have been included in 'Other Industries'. No impact on the total amount.

6 Capital requirements *continued*

Breakdown of exposures by residual maturity

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

Maturity of exposures as per 31 December 2020, in millions of euros	Net exposure value On demand	≤ 1 year	> 1 year ≤ 5 years	> 5 years	No stated maturity	Total
1 Central governments or central banks	–	–	–	–	–	–
2 Institutions	–	–	–	–	–	–
3 Corporates	–	804	5,447	60	–	6,311
4 Retail	–	32	213	1	–	246
5 Equity	–	–	–	–	16	16
Other (non-credit) obligation assets	–	3,750	7,561	8	2,423	13,742
6 **Total IRB approach**	**–**	**4,586**	**13,221**	**69**	**2,440**	**20,315**
7 Central governments or central banks	5,169	199	247	5	154	5,774
8 Regional governments or local authorities	–	5	19	1	–	25
9 Public sector entities	–	5	59	0		65
10 Multilateral development banks	–	–	–	–	–	–
11 International organisations	–	–	–	–	–	–
12 Institutions	180	397	64	4	150	795
13 Corporates	–	227	1,153	2	2	1,384
14 Retail	–	41	363	0	0	405
15 Secured by mortgages on immovable property	–	–	–	–	–	–
16 Exposures in default	–	7	3	–	0	9
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	–	1,794	3,110	1	0	4,906
23 **Total standardised approach**	**5,349**	**2,676**	**5,018**	**13**	**307**	**13,363**
24 **Total**	**5,349**	**7,262**	**18,239**	**82**	**2,746**	**33,678**

Table 24: EU CRB-E – Maturity of exposures

6 Capital requirements *continued*

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 specifies the ageing 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 2020, 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	166	34	12	18	94	22
2	Debt securities	0	0	0	0	0	0
3	**Total exposures**	**166**	**34**	**12**	**18**	**94**	**22**

Table 25: 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 2020, in millions of euros		**Perfor-ming**	**Of which perfor-ming but past due > 30 days and ≤ 90 days**	**Of which per-forming for-borne**	**Non-Per-forming**	**Of which de-faulted**	**Of which im-paired**	**Of which for-borne**	**Total accu-mu-lated impair-ment**	**On per-forming expo-sures**	**Of which for-borne**	**On non-per-forming expo-sures**	**Of which for-borne**	**On non-per-forming expo-sures**	**Of which for-borne expo-sures**
10 Debt securities	**24**	24	–	–	–	–	–	–	**–**	–	–	–	–	–	–
20 Loans and advances	**9,598**	9,439	28	11	159	30	159	7	**–85**	–17	0	–68	–1	–	–
30 Off-balance-sheet exposures	**2,903**	2,903	–	–	–	–	–	–	**–**	–	–	–	–	–	–

Table 26: EU CR1-E – Non-performing and forborne exposures

The following table identifies 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 2020, in millions of euros		**Accumulated specific credit risk adjustment**	**Accumulated general credit risk adjustment**
1	Opening balance	46	–
2	Increases due to amounts set aside for estimated loan losses during the period[12]	81	–
3	Decreases due to amounts reversed for estimated loan losses during the period[12]	–	–
4	Decreases due to amounts taken against accumulated credit risk adjustments	–30	–
5	Transfers between credit risk adjustments	–7	–
6	Impact of exchange rate differences	–2	–
7	Business combinations, including acquisitions and disposals of subsidiaries	–	–
8	Other adjustments	–	–
9	**Closing balance**	**89**	**–**
10	Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	1	–
11	Specific credit risk adjustments directly recorded to the statement of profit or loss	–	–

Table 27: EU CR2-A – Changes in stock of general and specific credit risk[13]

12 In row 2, the 'Accumulated specific credit risk adjustment' of EUR 81mn is the net amount of the 'Increases due to amounts set aside for estimated loan losses during the period' (row 2) and 'Decreases due to amounts reversed for estimated loan losses during the period' (row 3) based on the information as available in the internal reporting process.

*13 This table includes expected credit loss allowances recognised on a counterparty level under IFRS 9 and includes any other allowances for disputed invoices. Please refer to the financial statements of LeasePlan Corporation N.V. for further details under **Specific Note 18** – Lease receivables from clients.*

6 Capital requirements *continued*

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 2020, 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	1,142	2,558	2,558	–	–
2 Total debt securities	24	–	–	–	–
3 **Total exposures**	**1,167**	**2,558**	**2,558**	**–**	**–**
4 Of which defaulted	5	5	5	–	–

Table 28: 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 29: Mapping table LeasePlan's rating and external credit rating

Exposures under the standardised approach

As reported in 2019, LeasePlan does not use any other credit risk mitigation techniques which is required under disclosures for EU CR4 template 'Standardised approach – Credit risk exposure and CRM effects'. Please refer to section 6.3.5 Credit risk mitigation of this report for further information.

6 Capital requirements *continued*

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.

Standardised approach as per 31 December 2020, in millions of euros																Risk weight		Of which
Exposure Classes		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others	Deducted	Total	unrated
1	Central governments or central banks	5,540	–	–	–	6	–	60	–	–	13	–	154	–	–	–	–	5,774	–
2	Regional government or local authorities	12	–	–	–	0	–	12	–	–	2	–	–	–	–	–	–	25	
3	Public sector entities	–	–	–	–	50	–	13	–	–	2	–	–	–	–	–	–	65	
4	Multilateral development banks	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
5	International organisations	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
6	Institutions	–	46	–	–	567	–	134	–	–	48	0	–	–	–	–	–	795	15
7	Corporates	–	–	–	–	3	–	6	–	1	1,375	–	–	–	–	–	–	1,385	
8	Retail	–	–	–	–	–	–	–	–	404	–	–	–	–	–	–	–	404	
9	Secured by mortgages on immovable property	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
10	Exposures in default	–	–	–	–	–	–	–	–	–	7	2	–	–	–	9	–	18	–
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	–	–	–	–	–	–	–	–	–	–	–	–	–	–	4,897	–	4,897	
17	**Total**	**5,552**	**46**	**–**	**–**	**626**	**–**	**225**	**–**	**405**	**1,447**	**2**	**154**	**–**	**–**	**4,906**	**–**	**13,363**	**15**

Table 30: EU CR5 – Standardised approach

The credit risk exposure LeasePlan holds with financial institutions, 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 2020, in millions of euros	Exposure	RWA	Minimum capital requirement
Loans to banks	381	76	6
Call money – Cash at banks	248	74	6
Total	**628**	**150**	**12**

Table 31: Risk exposure, RWA and minimum capital requirements regarding other credit risk exposures to banks, excluding derivative positions

6 Capital requirements *continued*

6.3.7 Internal Ratings Based (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 PD 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 judgement 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 by an independent model validation department. The rating process for Corporate obligors is performed yearly, while for Retail models' obligors are rated every month.

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 2020 (28.2%) is stable compared with 31 December 2019 (28.1%).

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 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. The remaining maturity is the main driver for determining the risk weight applied to the exposures related to residual values (1/t).

6 Capital requirements *continued*

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 2020, 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	6,311	6,318
4	Of which: Specialised lending	–	–
5	Of which: SMEs	323	337
6	Retail	246	254
7	Secured by real estate property	–	–
8	SMEs	–	–
9	Non-SMEs	–	–
10	Qualifying revolving	–	–
11	Other retail	246	254
12	SMEs	104	107
13	Non-SMEs	142	147
14	Equity	16	19
	Other (non-credit) obligation assets	13,742	13,622
15	**Total IRB approach**	**20,315**	**20,213**
16	Central governments or central banks	5,774	6,333
17	Regional governments or local authorities	25	23
18	Public sector entities	65	61
19	Multilateral development banks	–	–
20	International organisations	–	–
21	Institutions	795	846
22	Corporates	1,384	1,358
23	Of which SMEs	6	8
24	Retail	405	375
25	Of which SMEs	175	178
26	Secured by mortgages on immovable property	–	–
27	Of which SMEs	–	–
28	Exposures in default	9	8
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	4,906	4,681
35	**Total standardised approach**	**13,363**	**13,685**
36	**Total**	**33,678**	**33,899**

Table 32: EU CRB-B: Total and average net amount of exposures

6 Capital requirements *continued*

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 2020, 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	177	–	1	177	0.1%	1,844	27.5%	1.88	18	10.3%	0	–
0.15 to <0.25	58	–	1	58	0.2%	532	27.4%	1.82	12	20.3%	0	–
0.25 to <0.50	49	–	1	49	0.4%	453	28.6%	2.28	18	35.7%	0	–
0.50 to <0.75	18	–	1	18	0.7%	283	30.9%	1.89	7	40.9%	0	–
0.75 to <2.50	13	–	1	13	1.6%	240	27.1%	1.76	7	48.5%	0	–
2.50 to <10.00	5	–	1	5	4.0%	50	22.3%	1.90	2	46.7%	0	–
10.00 to <100.00	–	–	1	–	13.6%	2	38.1%	1.72	–	124.6%	0	–
100.00 (Default)	2	–	1	2	100%	8	40.9%	0.34	3	143.0%	0	0
Sub-total	322	–	1	323	1.0%	3,412	27.8%	1.91	67	20.8%	0	0
Corporate – Other												
0.00 to <0.15	3,531	–	1	3,535	0.1%	14,297	27.5%	2.38	554	15.7%	1	–
0.15 to <0.25	844	–	1	845	0.2%	4,677	27.8%	2.07	226	26.7%	1	–
0.25 to <0.50	971	–	1	972	0.4%	4,095	28.3%	2.18	364	37.5%	1	–
0.50 to <0.75	299	–	1	299	0.7%	2,681	29.5%	1.99	142	47.5%	1	–
0.75 to <2.50	210	–	1	211	1.4%	2,685	30.9%	1.94	129	61.1%	1	–
2.50 to <10.00	29	–	1	29	4.1%	677	32.0%	1.71	24	81.7%	0	–
10.00 to <100.00	1	–	1	1	13.5%	37	43.7%	1.36	2	161.6%	0	–
100.00 (Default)	96	–	1	96	100%	1,761	38.8%	0.92	121	126.5%	0	29
Sub-total	5,982	–	1	5,988	1.9%	30,910	28.1%	2.24	1,561	26.1%	4	29
Retail – Other SME												
0.00 to <0.15	2	–	1	2	0.0%	70	30.5%	2.38	–	3.1%	0	–
0.15 to <0.25	–	–	–	–	–	–	–	–	–	–	0	–
0.25 to <0.50	3	–	1	3	0.5%	89	30.4%	2.37	1	21.1%	0	–
0.50 to <0.75	–	–	–	–	–	–	–	–	–	–	0	–
0.75 to <2.50	28	–	1	28	1.6%	702	30.6%	2.40	10	36.3%	0	–
2.50 to <10.00	38	–	1	38	5.4%	1,261	28.8%	2.34	16	43.2%	1	–
10.00 to <100.00	32	–	1	32	16.4%	2,854	24.8%	1.99	16	49.3%	1	–
100.00 (Default)	1	–	1	1	100%	41	28.9%	1.27	1	132.3%	0	0
Sub-total	104	–	1	104	8.3%	5,017	28.1%	2.24	44	42.7%	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	120	–	1	120	4.6%	31,805	23.3%	2.31	43	35.9%	1	–
10.00 to <100.00	20	–	1	20	17.2%	5,905	24.2%	2.02	10	48.4%	1	–
100.00 (Default)	1	–	1	1	100%	212	24.6%	1.97	2	187.3%	–	–
Sub-total	142	–	1	142	7.2%	37,922	23.4%	2.26	55	39.0%	2	0
Total (all portfolios)	**6,550**	**–**	**1**	**6,557**	**2.0%**	**77,261**	**28.0%**	**2.23**	**1,728**	**26.4%**	**9**	**30**
Equity IRB	**15**	**–**	**1**	**16**	**–**	**–**	**–**	**–**	**39**	**250%**	**–**	**–**
Other non-credit-obligation assets	**13,742**	**–**	**1**	**13,742**	**–**	**–**	**–**	**–**	**9,590**	**69.8%**	**–**	**–**
Total IRB approach	**20,307**	**–**	**–**	**20,315**	**–**	**–**	**–**	**–**	**11,357**	**55.9%**	**–**	**–**

Table 33: EU CR6 – IRB approach – Credit risk exposures by exposure class and PD range

6 Capital requirements *continued*

The following table shows the changes in risk weighted assets during 2020 for the assets under the IRB approach:

	RWA flow statements of credit risk exposure under IRB as per 31 December 2020, in millions of euros	RWA amounts	Capital requirements
1	**RWA as at end of previous reporting period**	**11,466**	**917**
2	Asset size	–229	–18
3	Asset quality	–16	–1
4	Model updates	–	–
5	Methodology and policy	74	6
6	Acquisitions and disposals	–	–
7	Foreign exchange movements	–263	–21
8	Other	325	26
9	**RWA as at end of reporting period**	**11,357**	**909**

Table 34: EU CR8 – RWA flow statements of credit risk exposures under the IRB approach

The Credit risk RWA in the IRB portfolio decreased to EUR 11,357 million in December 2020 from EUR 11,465 million in December 2019. The main drivers of the decrease are explained as follows:

- **Asset size:** The asset size of portfolio decreased due to the current economic circumstances;
- **Foreign exchange movement:** The decrease of RWA is mainly driven by the depreciation of Turkish Lira (TRY), Pound Sterling (GBP) and US dollar (USD);
- **Other:** This category includes mainly the reclassification of lease commitments within 'other non-credit obligation' from Standardised approach to IRB approach.

6 Capital requirements *continued*

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 2020, 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).

IRB approach – Back testing of PD per exposure class, as per 31 December 2020, 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 (Dec 2019)	End of the year (Dec 2020)	of which: new obligors (Dec 2020)	Average historical annual default rate (%)
Corporate – SME							
0.00 to <0.15	AAA/AA-/A+	0.1	0.1	2,084	1,607	78	0.2
0.15 to <0.25	BBB	0.2	0.2	741	503	34	0.4
0.25 to <0.50	BBB-	0.4	0.4	575	408	24	0.5
0.50 to <0.75	BB+	0.7	0.7	444	285	16	0.9
0.75 to <2.50	BB/BB-	1.6	1.5	502	254	19	1.3
2.50 to <10.00	B+/B/B-	4.0	4.2	154	69	12	3.0
10.00 to <100.00	CCC+/C	13.4	13.4	11	2	–	1.1
Corporate – Other							
0.00 to <0.15	AAA/AA-/A+	0.1	0.1	9,124	10,623	1,092	0.3
0.15 to <0.25	BBB	0.2	0.2	2,909	3,627	413	0.7
0.25 to <0.50	BBB-	0.4	0.4	2,371	3,229	360	0.8
0.50 to <0.75	BB+	0.7	0.7	1,674	2,414	290	1.1
0.75 to <2.50	BB/BB-	1.4	1.5	1,708	2,515	353	2.1
2.50 to <10.00	B+/B/B-	4.0	4.1	403	776	133	4.3
10.00 to <100.00	CCC+/C	13.4	13.4	25	61	22	7.5
Retail – SME							
0.00 to <0.15	N/A	0.0	0.0	170	73	–	0.1
0.25 to <0.50	N/A	0.5	0.5	135	84	3	0.1
0.75 to <2.50	N/A	1.5	1.5	818	682	24	0.4
2.50 to <10.00	N/A	5.5	5.9	1,497	1,244	179	1.4
10.00 to <100.00	N/A	16.6	17.6	4,016	3,168	157	4.1
Retail – Other*							
0.00 to <0.15	N/A	–	–	–	–	–	–
0.25 to <0.50	N/A	–	–	–	–	–	–
0.75 to <2.50	N/A	–	–	–	–	–	–
2.50 to <10.00	N/A	4.8	4.9	27,176	33,070	8,842	1.4
10.00 to <100.00	N/A	16.5	16.5	26,534	6,296	429	5.3

Table 35: EU CR9 – IRB approach – Back testing of PD per exposure class

* *Dec 2019 figures have been corrected for the exposure class Retail – Other*

6 Capital requirements *continued*

6.4 COUNTERPARTY CREDIT RISK

LeasePlan complies with the CRR requirements on contractual netting for most of the territories in which LeasePlan has 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, LeasePlan also complies with 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 uses the market value of the derivatives to establish counterparty credit 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) 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's 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 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 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 approval 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 the Asset and Liability Committee (ALCO). For all derivative trades, counterparty considerations are set by the Counterparty Credit Risk Policy.

To mitigate counterparty credit risk, LeasePlan concludes ISDA Master Agreements. Counterparty credit 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 credit 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 securitisation related financial instruments contain a rating trigger, for the required disclosures under CRR article 439 (d) (reference is made to section 7.3 Exposure to securitisation positions of this report).

6 Capital requirements *continued*

Quantitative disclosures counterparty credit risk and CVA

In the tables below LeasePlan provides insight in how counterparty credit risk is reduced with the risk mitigation techniques and details the RWA and minimum required capital in this context for 2020.

Based on the standardised approach LeasePlan holds EUR 1.5 million for counterparty credit risk and EUR 0.6 million capital for CVA charge under Pillar 1 as of 31 December 2020.

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

	Analysis of counterparty credit risk (CCR) exposure by approach as per 31 December 2020, in millions of euros	Notional	Replacement cost/ current market value	Potential future credit exposure	EEPE	Multiplier	EAD post-CRM	RWA
1	Mark to market		171	63			82	19
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**							**19**

Table 36: EU CCR1 – Analysis of CCR exposure by approach

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

	Credit valuation adjustment (CVA) capital charge as per 31 December 2020, 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	82	7
EU4	Based on the original exposure method	–	–
5	**Total subject to the CVA capital charge**	**82**	**7**

Table 37: EU CCR2 – CVA capital charge

6 Capital requirements *continued*

The following table presents information on the risk-weighting of CCR exposures under the standardised approach by regulatory portfolio

CCR exposures by regulatory portfolio and risk as per 31 December 2020, in millions of euros	Risk weight												Of which unrated
	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Other	Total	
1 Central governments and central banks	–	–	–	–	–	–	–	–	–	–	–	**–**	–
2 Regional governments or local authorities	–	–	–	–	–	–	–	–	–	–	–	**–**	–
3 Public sector entities	–	–	–	–	–	–	–	–	–	–	–	**–**	–
4 Multilateral developments banks	–	–	–	–	–	–	–	–	–	–	–	**–**	–
5 International organisations	–	–	–	–	–	–	–	–	–	–	–	**–**	–
6 Institutions	–	46	–	–	2	34	–	–	–	–	–	**82**	–
7 Corporates	–	–	–	–	–	–	–	–	–	–	–	**–**	–
8 Retail	–	–	–	–	–	–	–	–	–	–	–	**–**	–
9 Institutions and corporates with a short-term credit assessment	–	–	–	–	–	–	–	–	–	–	–	**–**	–
10 Other Items	–	–	–	–	–	–	–	–	–	–	–	**–**	–
11 **Total**	**–**	**46**	**–**	**–**	**2**	**34**	**–**	**–**	**–**	**–**	**–**	**82**	**–**

CCR exposures by regulatory portfolio and risk as per 31 December 2019, in millions of euros	Risk weight												Of which unrated
	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Other	Total	
1 Central governments and central banks	–	–	–	–	–	–	–	–	–	–	–	**–**	–
2 Regional governments or local authorities	–	–	–	–	–	–	–	–	–	–	–	**–**	–
3 Public sector entities	–	–	–	–	–	–	–	–	–	–	–	**–**	–
4 Multilateral developments banks	–	–	–	–	–	–	–	–	–	–	–	**–**	–
5 International organisations	–	–	–	–	–	–	–	–	–	–	–	**–**	–
6 Institutions	–	53	–	–	4	43	–	–	–	–	–	**100**	–
7 Corporates	–	–	–	–	–	–	–	–	–	–	–	**–**	–
8 Retail	–	–	–	–	–	–	–	–	–	–	–	**–**	–
9 Institutions and corporates with a short-term credit assessment	–	–	–	–	–	–	–	–	–	–	–	**–**	–
10 Other Items	–	–	–	–	–	–	–	–	–	–	–	**–**	–
11 **Total**	**–**	**53**	**–**	**–**	**4**	**43**	**–**	**–**	**–**	**–**	**–**	**100**	**0**

Table 38: EU CCR3 – Standardised approach – CCR exposures by regulatory portfolio and risk

6 Capital requirements *continued*

In the table below LeasePlan provides insight into exposures to CCPs.

	Exposure to central counterparties as per 31 December 2020, in millions of euros	EAD (post CRM)	RWAs
1	Exposure to QCCPs (total)	46	1
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions), of which	–	–
3	(i) OTC derivatives	29	1
4	(ii) Exchange-traded derivatives	–	–
5	(iii) SFTs	–	–
6	(iv) Netting sets where cross-product netting has been approved	–	–
7	Segregated initial margin	17	0
8	Non-segregated initial margin	–	–
9	Pre-funded default fund contributions	–	–
10	Alternative 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 39: EU CCR8 – Exposures to CCPs

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

	Impact of netting and collateral held on exposure values as per 31 December 2020, 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	171	150	21	43	64
2	**Total**	**171**	**150**	**21**	**43**	**64**

Table 40: EU CCR5-A – Impact of netting and collateral held on exposure values

In the table below LeasePlan provides insight into the composition of collateral for exposures to CCR.

Composition of collateral for CCR exposure as per 31 December 2020, 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	–	26	–	–
Initial margin	–	–	17	–	–	–
Variation margin	–	–	–	–	–	–
Total	**–**	**28**	**17**	**26**	**–**	**–**

Table 41: EU CCR5-B – Composition of collateral for exposures to CCR

6 Capital requirements *continued*

6.5 EQUITIES NOT INCLUDED IN THE TRADING BOOK

LeasePlan has three Joint Ventures: PLease S.C.S., LeasePlan Emirates LLC. and Flottenmanagement GmbH. In 2020, there is no material investment in Flottenmanagement GmbH by LeasePlan Austria.

The table below provides insight into 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 (reference is made to ***Specific Note 21*** – Investments accounted for using the equity method, and ***Note 36*** – Fair value of financial instruments).

	2020			2019		
Overview capital requirements Associates and Joint Ventures, as per 31 December, in millions of euros	**Exposure**	**RWA**	**Capital requirement**	**Exposure**	**RWA**	**Capital requirement**
Joint Ventures	16	41	3	19	47	4
Total	**16**	**41**	**3**	**19**	**47**	**4**

Table 42: Overview capital requirements Associates and Joint Ventures

6 Capital requirements *continued*

6.6 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 of the market risk under the standardised approach where LeasePlan has only foreign exchange risk:

	Market risk under standardised approach as per 31 December 2020, in millions of euros	RWAs	Capital requirements
1	Interest rate risk (general and specific)	–	–
2	Equity risk (general and specific)	–	–
3	Foreign exchange risk	423	34
4	Commodity risk	–	–
	Options	–	–
5	Simplified approach	–	–
6	Delta-plus method	–	–
7	Scenario approach	–	–
8	Securitisation (specific risk)	–	–
9	**Total**	**423**	**34**

Table 43: EU MR1 – Market risk under the standardised approach

6.6.1 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 should not be exposed to major FX risk.

In order to reduce FX risk LeasePlan deliberately takes long positions in foreign currencies, being net investments in subsidiaries, to protect capital ratios.

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

In short, LeasePlan has the following approach regarding FX risk:

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

As a result, LeasePlan's capital ratio is not (or in a limited way) 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.

6 Capital requirements *continued*

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 result 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 2020 results in a capital requirement of EUR 34 million (2019: EUR 40 million). For further details regarding FX risk management reference is made to the Financial Risk Management chapter, section D. Risks of the Annual Report.

6.6.2 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 739 million (1/t) as at the end of 2020.

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.

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 2020, in millions of euros	**Total asset risk exposure**
Future lease payments	8,582
Residual value	13,525
Total	**22,107**

Table 44: Residual value position total lease portfolio

6 Capital requirements *continued*

The tables below illustrate the distribution of total residual value 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 2020 amounts to 13.1% of LeasePlan's total exposure compared to 13.6% at the end of 2019. The degrees of concentration in terms of make can also be considered limited as the largest exposure amounts to 12.9 % of LeasePlan's total exposure (compared to 13.1% at the end of 2019).

Residual value risk exposure per lease entity, as per 31 December 2020, in millions of euros	Total Residual value risk exposure
LPUK	1,766
LPNL	1,678
LPIT	1,370
LPDE	1,246
LPFR	1,173
LPES	883
LPPT	756
LPBE	622
LPNO	611
LPAU	360
Other	3,061
Total	**13,525**

Table 45: Residual value risk exposure per leasing entity[14]

Residual value risk exposure per make, as per 31 December 2020, in millions of euros	Total Residual value risk exposure
Volkswagen	1,627
Ford	1,247
Mercedes Benz	1,193
BMW	1,013
Peugeot	995
Audi	928
Renault	899
Skoda	685
Volvo	669
Opel	551
Other	3,717
Total	**13,525**

Table 46: Residual value risk exposure per make

14 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.

6 Capital requirements *continued*

6.7 OPERATIONAL RISK

Operational risk definition

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.

Standardised Approach

Operational risk is included under the Pillar 1 capital and total risk exposure amount on the Standardised Approach (STD). In December 2019, LeasePlan formally requested approval from the DNB regarding the shift from AMA to the STD approach, which was approved by the DNB to be applied per 1 January 2020. The decision to move to the STD approach was also made knowing that AMA will be replaced by the STD approach in the near future for all institutions with a banking licence.

In 2020, under Pillar 1 the operational risk regulatory capital requirement is EUR 203 million (for 2019 based on AMA: EUR 121 million; based on STD: EUR 207 million).

Operational risk management structure and organisation

The Group's operational risk policy, as set by the Managing Board, states that local management is responsible for managing the operational risks in their local entity. In all local entities a formal operational risk management role is in place. This function is the driving force behind the increase in risk awareness and the improvement of operational risk management within the local entity. Group Risk management is responsible for monitoring the operational risk profile and the collation and validation of operational risk reporting. Group Risk management analyses the operational risk incidents reported by local entities and the performance against the risk appetite and reports subsequently to the Group Tactical Risk Committee on a monthly basis and on a quarterly basis to the Group Risk Committee and Risk Committee of the Supervisory Board. This report includes the operational risk position of the Group.

Operational risk loss reporting

To ensure that operational risk losses are consistently reported and monitored at Group level, the local entities are required to report all operational risk incidents above the amount of EUR 1,000 (gross impact). Reporting of incidents below this threshold is encouraged. The Group distinguishes between gross impact (the maximum estimated impact known at the moment of identification, irrespective of any potential recovery) and net impact (gross impact minus recovered amounts).

Risk mitigation

The overall impact of the mitigating activities is assessed by analysing the frequency and impact of operational losses prior to and after implementation of the additional controls. Once it is established that certain controls have a distinguishable effect on the impact or frequency of the identified operational risks, it is the task of the Group's Risk management department to communicate and advise Group companies with similar risks about the additional controls.

Based on LeasePlan's risk profile, experience and appetite, insurance coverage is in place for the main high impact, low likelihood events that are inherent to the environment LeasePlan is operating in. Current insurance policies consist of several separate programmes (e.g. General Liability and Property Damage) and participation is mandatory for all local entities.

Material risks for LeasePlan

Group Risk ensures the Managing Board and the Supervisory Board are made aware of all material risk developments. Within LeasePlan, the risk types as included in the Risk Type Universe are considered on an integrated basis. The Risk Function is responsible for aggregating these risk types and providing an integral view.

In accordance with the disclosure requirements of Regulation (EU) 575/2013 part eight section 4.3, paragraph 9 institutions should disclose information on their risk management objectives and policies for the following risks where material for the institution:

(a) Reputational risk;
(b) Any specific objectives and policies set out for the subcategory of operational risks that are related to conduct, including risks related to the mis-selling of products

As part of the Risk Management domain, Privacy & Compliance aims to support LeasePlan's strategy by enabling controlled risk taking. Privacy & Compliance safeguards LeasePlan's integrity and reputation and helps protect against financial loss and reputational damage. This is achieved by integrating privacy and compliance in daily business activities and strategic planning processes, as well as challenging and assisting the business and promoting awareness at all levels. For further details regarding reputational risk reference is made to the Privacy & Compliance Risk section in the Annual Report.

The Privacy & Compliance charter sets out the requirements within LeasePlan related to external conduct and employee conduct and internal culture. The overall objective is to provide all employees of LeasePlan with a clear and comprehensive overview of the elements of sound Privacy & Compliance risk management and applying it in our daily business approach.

6 Capital requirements *continued*

As such, the Privacy & Compliance Charter and Framework describes how the role of the Privacy Function and the Compliance Function is embedded in LeasePlan, to help the business understand its role in relation to privacy & compliance and to detail the approach LeasePlan uses to manage its compliance risk.

Furthermore, it is LeasePlan's objective to provide products and services which meet market demand, are compliant with the most relevant laws and regulations and duty of care will be applied. Given the nature of its business, LeasePlan uses a risk-based approach. To safeguard the development of (new) products and the systematic review of existing products in accordance with the Group's commercial strategy, the interest of the client, the Group's risk appetite, policies and applicable laws and regulations approval is required of a Product Approval and Review Committee that supervises correct compliance with regard to the rules regarding new products.

Operational risk measurement

During 2020, the Group recorded 2,259 operational risk incidents (1,203 incidents with a gross impact above EUR 1,000) with a total net impact of EUR 19 million in 2020 (EUR 107 million in 2019). The total net impact amount was higher in 2019 because it included a loss of EUR 92 million which related to the decision to stop further development of the Core Leasing System project.

The majority of the operational risk incidents recorded (83% from the total amount and 81% of the total number) are classified in the event category 'Execution: Delivery and Process Management'.

The distribution of the Group's operational risk incidents is as follows:

As per 31 December, in millions of euros	2020		2019	
Basel Category	**% total (EUR)**	**% total (nr)**	**% total (EUR)**	**% total (nr)**
Business Disruption and System Failures	3%	5%	1%	2%
Clients: Products and Business Practices	11%	9%	2%	11%
Damage to Physical Assets	0%	1%	0%	1%
Employment practices and workplace safety	0%	0%	0%	0%
Execution: Delivery and Process management	83%	81%	96%	82%
External Fraud	3%	4%	1%	4%
Internal Fraud	0%	0%	0%	0%
Total	**100%**	**100%**	**100%**	**100%**

Table 47: Distribution of the Group's operational risk incidents

For further details regarding operational risk management reference is made to the Financial Risk Management chapter 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 2020, EUR 3.5 billion (2019: EUR 3.7 billion) of LeasePlan's total assets were encumbered. The total asset encumbrance ratio per year-end 2020 was 11.2% (2019: 11.6%). The encumbered on-balance sheet items are mainly due to the collateralisation of derivative positions and funding related transactions, such as securitisations.

LeasePlan has assets which are encumbered following the securitisation of future receivables in its Bumper securitisation programme. LeasePlan has set the maximum asset encumbrance level at 30% of its balance sheet total, and encumbrance due to securitisation is currently only applied in the following jurisdictions: Australia (AU), Belgium (BE), Germany (DE), France (FR), Netherlands (NL) and United Kingdom (UK). The main purpose of the asset encumbrance is to ensure that investors in the senior notes in the Bumper programme would be protected against any future receivables and the assets underlying those receivables getting trapped in the bankrupt estate of an LP subsidiary.

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

	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
As per 31 December 2020, in millions of euros	**Total**	**of which notionally eligible EHQLA and HQLA**	**Total**	**of which notionally eligible EHQLA and HQLA**	**Total**	**of which EHQLA and HQLA**	**Total**	**of which EHQLA and HQLA**
Assets of the reporting institution	**3,527**	**–**	**–**	**–**	**27,837**	**–**	**–**	**–**
Equity instruments	–	–	–	–	–	–	–	–
Debt securities	–	–	–	–	24	–	–	–
Other assets	3,527	–	–	–	27,813	–	–	–

Table 48: Encumbered and unencumbered assets

	Fair value of encumbered collateral received or own debt securities issued		Unencumbered: Fair value of collateral received or own debt securities issued available for encumbrance	
	Total	**of which notionally eligible EHQLA and HQLA**	**Total**	**of which EHQLA and HQLA**
Collateral received by the reporting institution	**154**	**–**	**–**	**–**
Loans on demand	–	–	–	–
Equity instruments	–	–	–	–
Debt securities	–	–	–	–
Loans and advances other than loans on demand	–	–	–	–
Other collateral received	154	–	–	–
Own debt securities issued other than own covered bonds or asset-backed securities	**–**	**–**	**–**	**–**
Own covered bonds and asset-backed securities issued and not yet pledged	**–**	**–**	**–**	**–**
Total assets, collateral received and own debt securities issued	**154**	**–**	**–**	**–**

Table 49: Collateral received

Encumbered assets as per 31 December 2020	**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	2,608	3,527

Table 50: Sources of encumbrance

7 Other disclosures *continued*

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 the Bumper programme 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, and 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 2020, LeasePlan has seven asset-backed securitisation transactions outstanding: publicly placed Bumper 9 (2017, backed by assets domiciled in Netherlands), Bumper 10 (2018, backed by assets domiciled in France), Bumper UK 2019-I (2019) and Bumper DE 2019-I (2019) and privately placed Bumper AU (2017, fully drawn and increased in 2018), Bumper BE 2020 (2020), Bumper NL 2020-1 (2020). The Senior Notes of the latter transaction are publicly tradeable, in the same way as for the publicly placed transactions. The publicly tradeable transactions are rated by a combination of DBRS, Fitch, Moody's and/or S&P.

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

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 arranger/originator in securitisations and not as investor, hence LeasePlan is only exposed to counterparty credit risk, liquidity risk and operational risk.

7 Other disclosures *continued*

Counterparty credit risk is primarily linked to the interest rate swaps that are utilised in the Bumper transactions to structure the funds obtained to the desired interest profile. 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. These counterparties have a Credit Support Annexe (CSA) in place with the Bumper transaction and there are counterparty replacement triggers in place. Furthermore, the swap counterparty will enter 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, albeit that given the rated nature of the deal, the minimum rating of the account bank being single A and similar replacement triggers being in place as for the swap counterparties, the actual credit risk is mitigated.

Liquidity risk in securitisation transactions is limited to the funding of reserves and the application of a replenishment period. 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 determined by the rating agencies rating the transaction.

With the current rating of LeasePlan, the set-off reserve, commingling reserve and the maintenance reserve of Bumper UK 2019-I are fully funded, as well as the set-off reserve and the maintenance reserve of Bumper NL 2020-1. For the Bumper 9, Bumper 10, Bumper DE 2019-I, Bumper AU and Bumper BE 2020 transactions, the set-off reserve, the maintenance reserve and the commingling reserve for these transactions as well as the commingling reserve for Bumper NL 2020-1 remain unfunded subject to a downgrade of LeasePlan, leaving a liquidity risk. Per 31 December 2020, 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 229 million illustrated in the table below.

Transaction – LONG-TERM Rating Sensitivities (4), as per 31 December 2020, 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 9	2	Baa3/–/–/BBBL	–	–	40	40	42
Bumper 10	2	Baa3/–/–/BBBL	–	–	49	49	51
Bumper AU	4	Baa3/BBB–/BBB–/–	54	–	–	54	58
Bumper DE 2019	3	Baa3/BBB–/BBB–/BBBL	41	–	–	41	44
Bumper UK 2019	37	–/BBB/–/BBBL	–	–	–	–	37
Bumper BE 2020	3	Baa3/–/BBB–/–	–	33	–	33	35
Bumper NL 2020	15	Baa3/–/BBB– en F2/–	11	–	–	11	26
Total Incremental Deposits	**65**		**107**	**33**	**89**	**229**	**293**

Table 51: 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 obtained externally will stay constant. A severe deterioration of the performance of the securitised portfolio could trigger an early amortisation event. The redemption then required will always be in line with the redemption of the underlying portfolio. Through early warning indicator reporting LeasePlan monitors the potential liquidity risk from early amortisation triggers and breaches of reserve triggers.

Operational risk is related to the cooperation with third parties associated as the service providers on a 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 ***Specific Note 27*** – Debt securities issued under Financial Statements in 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 3 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

LeasePlan shall continue to ensure that its remuneration policies and practices (including its pension provision) are consistent with and promote sound and effective risk management, including compliance risk management, and in line with its business strategy, objectives, values and long-term interests. The basic principle of LeasePlan's remuneration policy is that it does not reward for failure.

The Group Remuneration Framework is designed to provide appropriate, restrained and sustainable remuneration for all employees in support of LeasePlan's long-term strategy, risk appetite, objectives and values. The framework takes into account LeasePlan's strategy and long-term interest with due observance of the international context in which LeasePlan operates together with public acceptance.

The framework applies globally to all entities, including entities over which LeasePlan effectively has control, and staff members within LeasePlan, including the Managing Board. It includes (i) 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 as well as Control Staff.

Design principles

Taking into account LeasePlan's strategy and risk appetite the following principles have amongst others been taken into account when designing the framework:

- Fixed and variable remuneration will be used to align individual performance with both short- and long-term corporate strategy and objectives;
- Remuneration will be set at a level to attract and retain talented and qualified employees within the Group;
- The remuneration structure and performance metrics should encourage a cohesive culture, encourage teamwork and establish a common approach to drive company success;
- The remuneration policy should support an ownership culture by providing for a remuneration package that is focused on achieving sustainable financial results, is aligned with the longer-term strategy and shall foster alignment of interests of management and other staff with shareholders; and
- The remuneration policy is consistent with and promotes sound and effective risk management and does not encourage risk-taking that exceeds the level considered acceptable to LeasePlan's risk appetite.

8.3 GENERAL REMUNERATION PRINCIPLES

The following remuneration requirements apply to all staff:

- Fixed and variable remuneration will, in general, be set at the median of the relevant market, assuming a comparable split between fixed and variable remuneration;
- Fixed remuneration will take into account skills, experience and individual performance and will be reviewed regularly, typically on an annual basis;
- Variable remuneration plans for all staff will be objective, measurable and linked to individual, company/entity and Group performance as appropriate. Plans will support both short and long-term objectives of LeasePlan as appropriate and consist of at most 50% financial and at least 50% non-financial performance objectives;
- 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. In specific situations for staff employed outside the EEU the cap could be raised to 200% but only after the appropriate governance was applied;
- 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 policymakers severance payments are capped at 100% of the annual fixed remuneration;
- Claw back and malus provisions are applicable to all variable remuneration awarded.

8 Remuneration *continued*

8.3.1 Remuneration of Identified Staff

Annually a review is conducted to ensure the correct jobs are identified as Identified Staff.

In addition to the remuneration requirements applicable to all staff, the following key elements of the variable remuneration apply to Identified Staff:

- Variable remuneration awards for Identified Staff positions will be reviewed by the Managing Board and subject to approval of the (Remuneration Committee of the) Supervisory Board;
- Performance indicators used for determining variable remuneration (both the financial and non-financial) have an 'on target' and 'maximum' score;
- 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 outperformance. In case of underperformance the variable remuneration is set at nil;
- Variable remuneration is capped at 50% for the following Identified Staff: heads of Risk Management, Compliance and Audit;
- The relationship between fixed and variable remuneration will be carefully considered, with a sufficiently high fixed component so as to avoid excessive risk taking in order to achieve the variable remuneration elements;
- Variable remuneration for Identified Staff consists of cash (at most 50%) and non-cash instruments (at least 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 four years whereby annual vesting is applied. The four year vesting period is in accordance with the business cycle, the nature of activities and the associated risks;
- After vesting, an additional holding period of one year applies to all vested PSUs, after which the PSUs are paid out in cash;
- 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:

- Variable remuneration plans for the Managing Board will be determined by the Remuneration Committee of the Supervisory Board in line with the remuneration policy of the Managing Board and the Remuneration Framework;
- Managing Board members are appointed for the duration of four years;
- For the Managing Board at least 60% of variable remuneration will be paid in the form of PSUs. The deferral period for the Managing Board is five years in line with CRD V requirements;
- 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.

Summary of terms and conditions of the Managing Board

In addition to the general remuneration principles applicable to the Managing Board the following terms and conditions apply:

- 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;
- Each Managing Board member has agreed to voluntarily cap their variable remuneration at 20% of their base salary;
- 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 Remuneration *continued*

8.3.3 Risk adjustment

The variable remuneration of Identified Staff is subject to a possible downward adjustment, which is risk related. Herewith LeasePlan ensures that variable remuneration is fully aligned with the risks undertaken. This is implemented through the ex-ante risk adjustment process and the ex-post risk adjustment process. The ex-ante risk adjustment takes place directly after the performance year, and ex-post risk adjustment takes place before the deferred payments are released to the Identified Staff in future years or earlier in case of a triggering event. In the risk adjustment processes, all relevant risk categories are covered in a balanced way. Depending on the character of the risk categories, the risk adjustment conclusions are based on quantitative risk indicators and/or judgment of the Risk Management based on experience and expertise.

8.4 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 (jointly referred to as the Control Functions).

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[15] 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;
- The nomination, structure and the level of all remuneration and performance assessment of the members of the Managing Board;
- Approving the Identified Staff group;
- Overseeing remuneration of Identified Staff including Heads of Control Functions;
- The principles underlying the remuneration framework in the Company and its group companies, as applicable, which includes provisions on retention, exit and welcome packages;
- Approving and overseeing the Remuneration Framework's design and operation, as well as a central and independent review of the remuneration policies and practices on an annual basis;
- Decide on items prepared by the Remuneration Committee of the Supervisory Board.

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

During the 2020 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

15 *For the review, the organisation is advised by Stibbe and by Willis Towers Watson to ensure that the latest regulatory developments as well as trends on remuneration are considered, and where necessary reflected in the remuneration framework. Annually the changes are discussed and the framework is updated and brought to the Supervisory Board for review and approval.*

8 Remuneration *continued*

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;
- Adopting the Remuneration Framework;
- Determining the criteria on the basis of which the Identified Staff are selected;
- Propose the Identified Staff group;
- Determine fixed and variable remuneration levels/payments including the application of ex-ante and ex-post risk measures for Identified Staff (excluding those of Managing Board members and Heads of Control Functions);
- Setting the financial, commercial and non-financial and personal targets (as applicable) for Identified Staff and Other Management, not being Identified Staff (excluding those of Managing Board members).

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).

8.5 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 2020:

Strategy in 2020	**In light of Covid-19 our goal was to maintain the strength and resilience of the business, while delivering portfolio growth**			
Key performance indicators in 2020		**Financial**		**Non-financial**
Target	Liquidity	Opex	Cost income ratio	Weighted fleet growth
All targets as % of variable remuneration for the management board[16]	8.3%	8.3%	16.7%	16.7%

Table 52: Overview of the global performance targets

LeasePlan acted quickly to mitigate the impact of Covid-19 on its business and clients. At an early stage it was decided to ensure prudency with regard to the allocation of variable remuneration, which is reflected as well in the amounts that have been granted.

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.

16 *Individual performance can reduce or increase the variable remuneration.*

8 Remuneration *continued*

8.6 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. The performance against the approved Risk Appetite Statement and/or policy considerations, such specified in the score card;
2. Overdue priority 1 audit findings in an area with red audit rating as concluded by Group Audit;
3. Adherence to Code of Conduct or related policies;
4. A fine/sanction/reprimand received from local regulators.

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).
7. In 2020 there was no claw back or hold back of variable remuneration previously allocated.

8.7 EXECUTION IN 2020

In 2020, LeasePlan's Remuneration Framework was updated to remain in alignment with the European Banking Authority Guidelines on sound remuneration policies, organisational changes and LeasePlan's corporate strategy.

For 2021, no material changes are expected to LeasePlan's Remuneration Framework. LeasePlan's Remuneration Framework will be updated in line with CRD V.

8 Remuneration *continued*

8.8 REMUNERATION OF IDENTIFIED STAFF 2020

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 2020.

	Managing Board		Corporate Senior Management		Other Identified Staff	
Remuneration awarded to Identified Staff relating to 2020, in thousands of euros	**Direct**	**Deferred and conditional**	**Direct**	**Deferred and conditional**	**Direct**	**Deferred and conditional**
Fixed remuneration						
Cash	2,504	–	4,369	–	8,169	–
Variable remuneration						
Cash	86	86	157	157	637	637
Non-cash instruments (PSUs)	102	102	187	187	637	637

No. of beneficiaries for Remuneration award in 2020	Managing Board	Corporate Senior Management	Other Identified Staff
Fixed remuneration	3	12	47
Variable remuneration	3	12	45

Table 53: Fixed and variable remuneration awarded to Identified Staff

Actual payments variable remuneration to Identified Staff in 2020, in thousands of euros	Managing Board	Corporate Senior Management	Other Identified Staff
Cash	140	827	1,786
Non-cash instruments (PSUs)	95	773	1,685
Reduced through performance adjustments	–	–	–

Table 54: Actual payments variable remuneration

	Managing Board		Corporate Senior Management		Other Identified Staff	
Total amount of outstanding (deferred) remuneration for Identified Staff in 2020, in thousands of euros	**Vested**	**Unvested**	**Vested**	**Unvested**	**Vested**	**Unvested**
Cash	–	121	–	836	–	1,893
Non-cash instruments (PSUs)	90	99	495	528	1,111	1,137

Table 55: Variable remuneration vested in 2020

8 Remuneration *continued*

Total number of Identified Staff remunerated 1 million euros or more in 2020	Aggregated number
1 million–1.5 million	1
1.5 million–2.0 million	1
2.0 million–2.5 million	–

Table 56: Total number of Identified Staff remunerated 1 million or more

Sign on awards in 2020, in thousands of euros	No of beneficiaries	Total amount
Managing Board/Corporate Senior Management	1	411
Other Identified Staff	–	–

Table 57: Overview 'sign-on' awards

Amount in thousands of euros	No of beneficiaries	Total amount
Severance payments awarded in 2020:		
Managing Board/Corporate Senior Management/Other Identified Staff	3	898
Highest paid amount		415
Severance payments paid out in 2020:		
Managing Board/Corporate Senior Management/Other Identified Staff	6	2,426
Highest paid amount		697

Table 58: Overview severance payments

More remuneration information can be found in:

- Remuneration Report section in the Annual Report – information about the remuneration policy and remuneration governance within LeasePlan;
- ***Specific Note 6*** of the consolidated Financial Statements as included in the Annual Report: Staff expenses;
- ***Specific Note 25*** of the consolidated Financial Statements as included in the Annual Report: Trade and other payables and deferred income;
- ***Specific Note 35*** of the consolidated Financial Statements as included in the Annual Report: Related parties.

LeasePlan Corporation
Gustav Mahlerlaan 360 1082 ME
Amsterdam
+31 (0)20 709 3000
www.leaseplan.com/corporate