

Listing circular  
Lincoln Finance Limited  
in connection with the acquisition of



**€1,250,000,000 6.875% Senior Secured Notes due 2021**

**\$400,000,000 7.375% Senior Secured Notes due 2021**

**Issue price for Euro Notes: 100.000% plus accrued interest, if any, from the Issue Date**

**Issue price for Dollar Notes: 100.000% plus accrued interest, if any, from the Issue Date**

Lincoln Finance Limited (the "Issuer"), a public limited liability company incorporated under the laws of Jersey, issued €1,250,000,000 aggregate principal amount of its 6.875% Senior Secured Notes due 2021 (the "Euro Notes") and \$400,000,000 aggregate principal amount of its 7.375% Senior Secured Notes due 2021 (the "Dollar Notes" and, together with the Euro Notes, the "Notes"). The Notes are being offered as part of the financing for the proposed acquisition (the "Acquisition") of LeasePlan Corporation N.V. ("LeasePlan") by LP Group B.V. ("LP Group"), an affiliate of the Issuer. The Issuer will pay interest on the Notes semi-annually on each April 15 and October 15, commencing on October 15, 2016. The Notes will mature on April 15, 2021.

The Issuer may redeem some or all of the Notes on or after April 15, 2018, at the applicable redemption prices set out in this listing circular, plus accrued and unpaid interest, if any. Prior to April 15, 2018, the Issuer may redeem some or all of the Notes at a price equal to 100% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, plus the applicable "make whole" premium, as described in this listing circular. In addition, prior to April 15, 2018, the Issuer may redeem up to 40% of the original aggregate principal amount of each of the Euro Notes and the Dollar Notes with the net cash proceeds from certain equity offerings at the applicable redemption prices specified in this listing circular, plus accrued and unpaid interest, if any, provided that at least 60% of the original aggregate principal amount of the Euro Notes or the Dollar Notes, as applicable, remains outstanding after the redemption.

Further, the Issuer may redeem all, but not part, of the Notes at a price equal to 100% of the principal amount plus accrued and unpaid interest, if any, upon the occurrence of certain changes in applicable tax law. Upon certain events defined as constituting a change of control, the Issuer may be required to offer to redeem the Notes at 101% of the principal amount redeemed, plus accrued and unpaid interest, if any.

Pending the consummation of the Acquisition, the Initial Purchasers (as defined herein) deposited the gross proceeds from the offering of the Notes into the Escrow Accounts (as defined herein). The escrowed proceeds were released on March 17, 2016 and the Acquisition was consummated on March 21, 2016.

The Notes are senior secured obligations of the Issuer and are guaranteed (the "Notes Guarantee") as of the Issue Date on a senior secured basis by Lincoln Financing Holdings Pte. Limited (the "Company" or the "Parent Guarantor"). The Notes are not guaranteed by LP Group, LeasePlan or any of their respective subsidiaries. As of the Issue Date, subject to the operation of the Agreed Security Principles (as defined herein), the Notes were secured by first-ranking charges over the funds credited to the Escrow Accounts (the "Escrow Charges"), and by first-ranking security interests (or security interests treated as such pursuant to the terms of the Intercreditor Agreement (as defined herein)) over shares of capital stock of the Company, LP Group and the Issuer, certain bank accounts of the Company (held through its Dutch Branch (as defined herein)) and the Issuer (including the Interest Reserve Account (as defined herein)) and the rights of the Issuer under the Proceeds Loan (as defined herein) (together, the "Collateral"). Enforcement of the Collateral is subject to certain limitations, including regulatory requirements. The Notes are not secured by assets or shares owned by LP Group, LeasePlan or any of their respective subsidiaries. Under the terms of the Intercreditor Agreement, counterparties to certain hedging obligations will receive proceeds from the enforcement of the Collateral in priority to holders of the Notes. See "Summary—The Offering—Security."

This listing circular includes information on the terms of the Notes and the Notes Guarantee, including redemption and repurchase prices, security, covenants and transfer restrictions. This listing circular constitutes a Prospectus for the purpose of Luxembourg law dated July 10, 2005 on Prospectuses for Securities, as amended and may be used only for the purposes for which it has been published. There is currently no public market for the Notes. Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes to trading on the Euro MTF market of the Luxembourg Stock Exchange (the "Euro MTF Market").

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See "Risk factors" beginning on page 32 for a discussion of certain risks that you should consider in connection with an investment in the Notes.

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The Notes and the Notes Guarantee have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"), or the securities laws of any state of the United States or any other jurisdiction. Accordingly, the Notes were offered and sold in the United States only to "qualified institutional buyers" in accordance with Rule 144A under the U.S. Securities Act and outside the United States to non-U.S. persons in accordance with Regulation S under the U.S. Securities Act. Prospective purchasers of the Notes that are qualified institutional buyers are hereby notified that the seller may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. For further details about eligible offerees and resale restrictions, see "Notice to investors" and "Transfer restrictions."

The Notes have been issued in the form of global notes in registered form. See "Book-entry, delivery and form." The Euro Notes and the Dollar Notes have been issued in denominations of €100,000 and \$200,000, respectively, and in integral multiples of €1,000 and \$1,000, respectively, in excess thereof. The Euro Notes were delivered to investors in book-entry form through Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream"), and the Dollar Notes were delivered to investors in book-entry form through The Depository Trust Company ("DTC"), in each case, on March 16, 2016.

*Joint global coordinators and physical bookrunners*

**J.P. Morgan      Goldman Sachs International      Credit Suisse      ING**

The date of this listing circular is April 15, 2016

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Lincoln Finance Limited (the “**Issuer**”) is incorporated as a limited liability company under the laws of Jersey. Its registered office is at 47 Esplanade, St. Helier, Jersey JE1 0BD and its telephone number at that address is +44 (0)1534 835 600. Lincoln Financing Holdings Pte. Limited (the “**Company**” or the “**Parent Guarantor**”) is incorporated as a private company under the laws of Singapore. Its registered office is at 10 Changi Business Park Central 2 #05-01 Hansapoint@CBP, Singapore 486030.

## **Important information about this listing circular**

Neither the Issuer nor the Parent Guarantor has authorized anyone to provide any information or to make any representations other than those contained in this listing circular. The Issuer and the Parent Guarantor take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. The information contained in this listing circular is current only as of its date. Our business, financial condition, results of operations and prospects may have changed since that date.

The Issuer and the Parent Guarantor have prepared this listing circular and are solely responsible for its contents. The Issuer and the Parent Guarantor have taken all reasonable care to ensure that the facts stated in this listing circular are true and accurate in all material respects, and that there are no other facts the omission of which would make misleading any statement in this listing circular, whether of facts or of opinion, and the Issuer and the Parent Guarantor accept responsibility accordingly. You are responsible for making your own examination of the Issuer and the Parent Guarantor and your own assessment of the merits and risks of investing in the Notes. In making your investment decision, you should not consider any information in this listing circular to be investment, legal or tax advice. You should consult your own counsel, accountant and other advisors for legal, tax, business, financial and related advice regarding purchasing the Notes. By purchasing the Notes, you will be deemed to have acknowledged that:

- you have reviewed this listing circular;
- you have had an opportunity to request, receive and review additional information that you need from the Issuer and the Parent Guarantor;
- you have made certain acknowledgements, representations and agreements as set forth under the captions “*Notice to investors*” and “*Transfer restrictions*”; and
- the Initial Purchasers are not responsible for, and are not making any representation to you concerning, our future performance or the accuracy or completeness of this listing circular.

None of the Initial Purchasers, the Trustee, the Paying Agents or the Transfer Agents undertakes to review the financial condition or affairs of the Issuer or the Parent Guarantor during the life of the Notes, nor to advise any investor or potential investor in the Notes of any information coming to the attention of any Initial Purchaser.

THE SECURITIES DESCRIBED HEREIN HAVE NOT BEEN RECOMMENDED BY ANY UNITED STATES FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The distribution of this listing circular and the Offering and sale of the Notes in certain jurisdictions may be restricted by law. The Issuer and the Initial Purchasers require persons into whose possession this listing circular comes to inform themselves about and to observe any such restrictions, and neither the Issuer nor the Initial Purchasers shall have any responsibility therefor. This listing circular does not constitute an offer of, or an invitation to purchase, the Notes in any jurisdiction in which such offer or invitation would be unlawful. For a description of certain

restrictions on offers, sales and resales of the Notes and distribution of this listing circular, see *"Notice to investors"* and *"Transfer restrictions."*

The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the U.S. Securities Act and all other applicable securities laws. See *"Plan of distribution"* and *"Transfer restrictions."* You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time.

The Issuer and the Parent Guarantor have prepared this listing circular solely for use in connection with the listing of the Notes.

This listing circular summarizes material documents and other information, and the Issuer and the Parent Guarantor refer you to them for a more complete understanding of what is discussed in this listing circular. In making an investment decision, you must rely on your own examination of us and the terms of the Offering and the Notes, including the merits and risks involved. See *"Where to find additional information."*

The Issuer reserves the right to withdraw the Offering of the Notes at any time, and the Initial Purchasers reserve the right to reject any commitment to subscribe for the Notes in whole or in part and to allot to any prospective purchaser less than the full amount of the Notes sought by such purchaser. The Initial Purchasers or certain of their respective affiliates may acquire for their own account a portion of the Notes.

Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes to trading on the Euro MTF Market.

A copy of this listing circular has been, or will be, delivered to the registrar of companies in Jersey (the **"Jersey Registrar"**) in accordance with the conditions of the consent given by the Jersey Registrar to its circulation, which consent has not been withdrawn, pursuant to Article 5 of the Companies (General Provisions) (Jersey) Order 2002. The Jersey Financial Services Commission (the **"Commission"**) has given, and has not withdrawn, its consent under Article 4 of the Control of Borrowing (Jersey) Order 1958 to the issue of the Notes. The Commission is protected by the Control of Borrowing (Jersey) Law 1947, as amended, against liability arising from the discharge of its functions under that law. It must be distinctly understood that, in giving these consents, neither the Jersey Registrar nor the Commission takes any responsibility for the financial soundness of the Issuer or for the correctness of any statements made, or opinions expressed, with regard to it.

If you are in any doubt about the contents of this listing circular you should consult your stockbroker, bank manager, solicitor, accountant or other financial advisor. It should be remembered that the price of securities and the income from them can go down as well as up.

See *"Risk factors"* for a description of some important risks related to an investment in the Notes described in this listing circular.

IN CONNECTION WITH THIS OFFERING, J.P. MORGAN SECURITIES PLC (IN RESPECT OF THE EURO NOTES) AND J.P. MORGAN SECURITIES LLC (IN RESPECT OF THE DOLLAR NOTES) (TOGETHER, THE **"STABILIZING MANAGERS"**) (OR ANY PERSON ACTING ON BEHALF OF THE STABILIZING MANAGERS) MAY OVER-ALLOT OR EFFECT TRANSACTIONS FOR A LIMITED PERIOD OF TIME WITH A VIEW TO SUPPORTING THE MARKET PRICES OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THE STABILIZING MANAGERS ARE NOT OBLIGATED TO DO THIS, AND THERE CAN BE NO ASSURANCE THAT THE STABILIZING MANAGERS (OR ANY PERSON ACTING ON BEHALF OF THE STABILIZING MANAGERS) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME, AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD.

# Notice to investors

## European Economic Area

This listing circular has been prepared on the basis that all offers of Notes will be made pursuant to an exemption under the Prospectus Directive, as amended, as implemented in member states of the European Economic Area (“**EEA**”), from the requirement to produce a prospectus for offers of the Notes. Accordingly, any person making or intending to make any offer within the EEA of the Notes which are the subject of the Offering contemplated in this listing circular must only do so in circumstances in which no obligation arises for the Issuer, the Parent Guarantor or any Initial Purchaser to produce a prospectus for such offer. None of the Issuer, the Parent Guarantor or the Initial Purchasers has authorized, nor do they authorize, the making of any offer of the Notes through any financial intermediary, other than offers made by the Initial Purchasers, which constitute the final placement of the Notes described in this listing circular. The expression “**Prospectus Directive**” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) of the European Parliament and of the Council of November 4, 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC, and includes any relevant implementing measure in the Relevant Member State (as defined below).

In relation to each Member State of the EEA which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”), no offer has been made and no offer will be made of the Notes to the public in that Relevant Member State, except that, with effect from and including the Relevant Implementation Date, an offer of the Notes may be made to the public in that Relevant Member State at any time to:

- “qualified investors,” as defined in the Prospectus Directive;
- fewer than 150 natural or legal persons (other than qualified investors, as defined in the Prospectus Directive) in any Relevant Member State subject to obtaining the prior consent of the Issuer and Initial Purchasers; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

*provided* that no such offer of Notes shall result in a requirement for the publication by the Issuer, the Parent Guarantor or any Initial Purchaser of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as such expression may be varied in the Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

Each subscriber for or purchaser of the Notes in the Offering located within a Relevant Member State will be deemed to have represented, acknowledged and agreed that it is a “qualified investor” within the meaning of Article 2(1)(e) of the Prospectus Directive. The Issuer, the Parent Guarantor, each Initial Purchaser and others will rely on the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified the Initial Purchasers of such fact in writing may, with the consent of the Initial Purchasers, be permitted to subscribe for or purchase the Notes in the Offering.

## Canada

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if the offering memorandum prepared in connection with the Offering (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 *Underwriting Conflicts (NI 33-105)*, the Initial Purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

## Netherlands

The Notes will only be offered in the Netherlands to qualified investors (*gekwalificeerde beleggers*) as defined in section 1:1 of the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*).

## United Kingdom

This listing circular is only being distributed to and is only directed at persons who (i) are investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) of the United Kingdom (the "**Order**"), (ii) are persons falling within Article 49(2)(a) to (d) of the Order or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 of the United Kingdom, or "**FSMA**") in connection with the issue or sale of any Notes may lawfully be communicated or caused to be communicated (all such persons together being referred to as "**relevant persons**"). Accordingly, by accepting delivery of this listing circular, the recipient warrants and acknowledges that it is such a relevant person. The Notes are available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Notes will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents. The Notes are not being offered or sold to any person in the United Kingdom, except in circumstances which will not result in an offer of securities to the public in the United Kingdom within the meaning of Part VI of the FSMA.

## Switzerland

Neither this listing circular nor any other offering or marketing material relating to the Offering, the Issuer or the Notes has been or will be filed with or approved by any Swiss regulatory authority. In particular, this listing circular will not be filed with, and the offer of Notes will not be supervised by, the Swiss Financial Market Supervisory Authority, and the offer of Notes has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes (the "**CISA**"). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of Notes.



## Forward-looking statements

This listing circular contains “forward-looking statements” within the meaning of the securities laws of certain jurisdictions, including statements under the captions “*Summary*,” “*Risk factors*,” “*Management’s discussion and analysis of financial condition and results of operations*,” “*Business*” and in other sections. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the words “believes,” “could,” “estimates,” “anticipates,” “expects,” “intends,” “may,” “will,” “plans,” “continue,” “ongoing,” “potential,” “predict,” “project,” “target,” “seek,” “should” or “would” or, in each case, their negative or other variations or comparable terminology or by discussions of strategies, plans, objectives, targets, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places in this listing circular and include statements regarding our and the Issuer’s intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and dividend policy and the industry in which we operate.

By their nature, forward-looking statements involve known and unknown risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. You should not place undue reliance on these forward-looking statements.

Many factors may cause our results of operations, financial condition, liquidity and the development of the industry in which we compete to differ materially from those expressed or implied by the forward-looking statements contained in this listing circular.

These factors include, among others:

- disruption in our funding sources or access to the capital markets;
- decreases in the residual values or sales proceeds of our leased vehicles;
- disruptions and declines in the global economy and financial markets;
- general business and economic conditions;
- the risk of customers defaulting on leasing and/or fleet management contracts and the risk that customer credit quality may deteriorate;
- credit risk from our counterparties on financial instruments and reinsurance contracts;
- our ability to retain contractual relationships with key customers;
- the availability and quality of third party services and the continuance of existing agreements with third party suppliers;
- our ability to execute our growth strategy;
- risks associated with acquisitions of businesses and with our joint ventures;
- our ability to compete successfully in the businesses in which we operate;
- changes in interest rates;
- changes in foreign currency exchange rates;
- political, economic, regulatory and legal risks in the countries in which we operate;
- tax laws and their interpretation in the Netherlands and other countries in which we operate;
- regulatory actions and changes in regulatory regimes in the jurisdictions in which we operate;
- increases in deposit insurance premiums or changes to the Dutch deposit guarantee scheme;

- risks arising from legal disputes and governmental and regulatory investigations or proceedings;
- risks related to our motor insurance business and local risk retention schemes;
- the sufficiency of our insurance coverage and stability of our insurance premiums;
- operational risks in connection with our activities such as informational technology security and data protection;
- reputational risk;
- our ability to adequately protect our intellectual property and know-how;
- the efficiency of our risk management policies and procedures;
- changes in financial accounting standards on lease accounting;
- risks related to the trend towards smaller vehicles and engines with lower engine capacity;
- our ability to attract and retain key management personnel and high-quality staff;
- risks related to our defined benefit pension obligations;
- risks related to the Acquisition, our significant indebtedness, the Notes and the Notes Guarantee, our structure, our ability to meet our debt service obligations and our ownership; and
- other factors discussed under "*Risk factors*."

These risks and others described under "*Risk factors*" are not exhaustive. Other sections of this listing circular describe additional factors that could adversely affect our results of operations, financial condition, liquidity and the development of the industry in which we operate. New risks can emerge from time to time, and it is not possible for us or the Issuer to predict all such risks, nor can we or the Issuer assess the impact of all such risks on our business or the extent to which any risks, or combination of risks and other factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, you should not rely on forward-looking statements as a prediction of actual results.

Any forward-looking statements are only made as at the date of this listing circular and the Issuer does not intend, and does not assume any obligation, to update forward-looking statements set forth in this listing circular. You should interpret all subsequent written or oral forward-looking statements attributable to us or the Issuer or to persons acting on our or the Issuer's behalf as being qualified by the cautionary statements in this listing circular. As a result, you should not place undue reliance on these forward-looking statements.

## Use of terms

In this listing circular, the following words and expressions have the following meanings unless the context otherwise requires or unless otherwise defined. In particular, capitalized terms set forth and used in the sections entitled "*Description of other indebtedness*" and "*Description of the Notes*" may have different meanings from the meanings given to such terms and used elsewhere in this listing circular. Unless indicated otherwise in this listing circular or the context requires otherwise, all references to:

- "**A\$**" are to the lawful currency of Australia;
- "**Acquisition**" are to the acquisition of LeasePlan Corporation N.V. by LP Group pursuant to the Acquisition Agreement;



- **“Acquisition Agreement”** are to the agreement for the sale and purchase of LeasePlan between Global Mobility Holding as seller and LP Group as purchaser, dated July 23, 2015 and as amended on December 15, 2015 and February 4, 2016, and as further amended from time to time;
- **“Agreed Security Principles”** are to the agreed security principles as set out in an annex to the Indenture as in effect on the Issue Date;
- **“Arbejdsmarkedets”** are to Arbejdsmarkedets Tillægspension and its affiliates or any trust, fund, company or partnership owned, managed or advised by Arbejdsmarkedets Tillægspension or any of its affiliates;
- **“Broad Street Investments”** are to Broad Street Investments Holding (Singapore) Pte. Ltd and its affiliates or any trust, fund, company or partnership owned, managed or advised by Broad Street Investments Holding (Singapore) Pte. Ltd or any of its affiliates;
- **“CHF”** are to the lawful currency of Switzerland;
- **“Clearstream”** are to Clearstream Banking, *société anonyme*;
- **“Collateral”** are to security on a first-ranking basis (or security interests treated as such pursuant to the terms of the Intercreditor Agreement), subject to the operation of the Agreed Security Principles, over shares of capital stock of the Company, LP Group and the Issuer, certain bank accounts of the Company (held through the Dutch Branch) and the Issuer (including the Interest Reserve Account) and the rights of the Issuer under the Proceeds Loan;
- **“Company”** are to Lincoln Financing Holdings Pte. Limited, a private company limited by shares incorporated under the laws of Singapore;
- **“Completion Date”** are to March 21, 2016;
- **“Consortium”** are to, collectively, TDR Capital, Hornbeam, Luxinva, PGGM Private Equity Funds and Arbejdsmarkedets;
- **“DNB”** are to the Dutch Central Bank (*De Nederlandsche Bank N.V.*);
- **“Dollar Notes”** are to the \$400.0 million in aggregate principal amount of 7.375% Senior Secured Notes due 2021 described herein;
- **“Dollar Notes Escrow Account”** are to the escrow account into which the gross proceeds from the offering of the Dollar Notes were deposited on the Issue Date pending consummation of the Acquisition;
- **“Dollar Notes Escrow Charge”** are to a first-ranking charge, subject to the operation of the Agreed Security Principles, over the funds credited to the Dollar Notes Escrow Account;
- **“DTC”** are to The Depository Trust Company;
- **“Dutch Branch”** are to Lincoln Financing Holdings Pte. Limited, Netherlands Branch;
- **“ECB”** are to the European Central Bank;
- **“EEA”** are to the European Economic Area;
- **“Equity Contribution”** are to the contribution to the Company on or about the Completion Date of (i) funds in an amount of €480 million in connection with the equity proceeds from a mandatory convertible instrument issued by an affiliate of the Company and (ii) shareholder funds in an amount which, together with the proceeds of the Notes and the funds described in the preceding clause (i), is sufficient to fund the Transactions;
- **“Escrow Accounts”** are to, collectively, the Euro Notes Escrow Account and the Dollar Notes Escrow Account;

- **“Escrow Agent”** are to Elavon Financial Services Limited, UK Branch, as Escrow Agent under the Escrow Agreement;
- **“Escrow Agreement”** are to the agreement to be dated the Issue Date among, *inter alios*, the Issuer, the Trustee and the Escrow Agent relating to the Escrow Accounts;
- **“Escrow Charges”** are to, collectively, the Euro Notes Escrow Charge and the Dollar Notes Escrow Charge;
- **“EU”** are to the European Union;
- **“euro”** or **“€”** are to the lawful currency of the European Monetary Union;
- **“Euro MTF Market”** are to the Euro MTF market of the Luxembourg Stock Exchange;
- **“Euro Notes”** are to the €1,250.0 million in aggregate principal amount of 6.875% Senior Secured Notes due 2021 described herein;
- **“Euro Notes Escrow Account”** are to the escrow account into which the gross proceeds from the offering of the Euro Notes were deposited on the Issue Date pending consummation of the Acquisition;
- **“Euro Notes Escrow Charge”** are to a first-ranking charge, subject to the operation of the Agreed Security Principles, over the funds credited to the Euro Notes Escrow Account;
- **“Euroclear”** are to Euroclear Bank SA/NV;
- **“First Revolving Credit Facility Agreement”** are to the revolving credit facility agreement dated June 8, 2015, as may be amended or supplemented from time to time, among, *inter alios*, LeasePlan as borrower, ABN AMRO Bank N.V. and ING Bank N.V., as mandated lead arrangers, and ING Bank N.V., as facility agent, and the €1,250 million revolving credit facility made available thereunder is referred to as the **“First Revolving Credit Facility”**;
- **“FMSA”** means the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*), as amended;
- **“Global Mobility Holding”** are to Global Mobility Holding B.V., a private company with limited liability incorporated under the laws of the Netherlands;
- **“Hornbeam”** are to Hornbeam Investment Pte. Ltd and its affiliates or any trust, fund, company or partnership owned, managed or advised by Hornbeam Investment Pte. Ltd or any of its affiliates;
- **“IFRS”** are to International Financial Reporting Standards, as adopted by the EU;
- **“Indenture”** are to the indenture governing the terms of the Notes among, *inter alios*, the Issuer, the Company, Midco and the Trustee, dated the Issue Date;
- **“Initial Purchasers”** are to, collectively, J.P. Morgan Securities plc, Goldman Sachs International, Credit Suisse Securities (Europe) Limited and ING Bank N.V., London Branch in respect of the Euro Notes, and J.P. Morgan Securities LLC, Goldman Sachs International, Credit Suisse Securities (Europe) Limited and ING Bank N.V., London Branch in respect of the Dollar Notes;
- **“Intercreditor Agreement”** are to the intercreditor agreement among, *inter alios*, Midco, the Company, the Issuer and the Security Agent, dated July 22, 2015, as amended and restated on March 10, 2016 and as further amended from time to time, to which the Trustee acceded on the Issue Date;
- **“Interest Coverage Account”** are to the accounts as described under *“Description of the Notes”*;
- **“Interest Reserve Account”** are to the accounts held by the Company through the Dutch Branch with Citco Bank Netherlands N.V. as described under *“Description of the Notes”*;

- **“Issue Date”** are to the date on which the Notes were issued, which was March 16, 2016;
- **“Issuer”** are to Lincoln Finance Limited, a wholly owned subsidiary of the Company incorporated under the laws of Jersey as a limited liability company;
- **“LeasePlan”** are to LeasePlan Corporation N.V., a public limited liability company (*naamloze vennootschap*) incorporated under the laws of the Netherlands;
- **“LP Group”** are to LP Group B.V., a private company with limited liability incorporated under the laws of the Netherlands and a direct subsidiary of the Company, which will allocate this investment for accounting purposes to the Dutch Branch;
- **“Luxinva”** are to Luxinva S.A. and its affiliates or any trust, fund, company or partnership owned, managed or advised by Luxinva S.A. or any of its affiliates;
- **“Managing Board”** are to the managing board of LeasePlan;
- **“Midco”** are to Lincoln Midco Pte. Limited, a private company limited by shares incorporated under the laws of Singapore;
- **“Noteholders”** are to the holders of the Notes;
- **“Notes”** are to, collectively, the Euro Notes and the Dollar Notes;
- **“Notes Guarantee”** are to the senior secured guarantee of the Notes provided by the Parent Guarantor pursuant to the Indenture;
- **“Offering”** are to the offering of the Notes described herein;
- **“Parent Guarantor”** are to the Company in its capacity as guarantor of the Notes;
- **“PGGM Private Equity Funds”** are to Stichting Depository PGGM Private Equity Funds in its capacity as title holder of PGGM Private Equity Fund 2015, in this represented by PGGM Vermogensbeheer B.V. (“**PGGM**”) and its affiliates or any trust, fund, company or partnership owned, managed or advised by PGGM or any of its affiliates;
- **“Proceeds Loan”** are to the on-loan of proceeds of the Notes by the Issuer to the Dutch Branch pursuant to one or more proceeds loans;
- **“Regulated Group”** are to LeasePlan and its direct and indirect subsidiaries prior to the completion of the Acquisition, and to LP Group and its direct and indirect subsidiaries following the completion of the Acquisition;
- **“Restricted Group”** are to the Company and its majority owned subsidiaries, including, following the Acquisition, LeasePlan and its majority owned subsidiaries;
- **“Revolving Credit Facility Agreements”** are to, collectively, (i) the First Revolving Credit Facility Agreement, (ii) prior to its cancellation and termination in connection with the Acquisition, the Volkswagen Revolving Credit Facility Agreement and (iii) following the replacement of LP Group by LeasePlan as borrower thereunder in connection with the Acquisition, the Second Revolving Credit Facility; and the facilities made available thereunder are referred to collectively as the **“Revolving Credit Facilities”**;
- **“SEC”** are to the U.S. Securities and Exchange Commission;
- **“Second Revolving Credit Facility Agreement”** are to the revolving credit facility agreement dated July 22, 2015, as may be amended or supplemented from time to time, among, *inter alios*, LP Group, as borrower, J.P. Morgan Limited, Goldman Sachs Bank USA, Credit Suisse AG, London Branch and ING Bank N.V., as mandated lead arrangers, and ING Bank N.V., as facility agent, and the €1,250 million revolving credit facility made available thereunder is referred to as the **“Second Revolving Credit Facility”**;

- **“Security Agent”** are to U.S. Bank Trustees Limited, as security agent under the Indenture, the Security Documents (other than the Escrow Charges) and the Intercreditor Agreement;
- **“Security Documents”** are to the agreements creating security interests over the Collateral as described under *“Description of the Notes—Security”*;
- **“Shareholders”** are to the members of the Consortium, together with Broad Street Investments;
- **“Supervisory Board”** are to the supervisory board of LeasePlan;
- **“TDR Capital”** are to investment funds or limited partnerships managed or advised by TDR Capital LLP or, when the context otherwise requires or as otherwise indicated, TDR Capital LLP in its own right;
- **“Transactions”** are to the Acquisition and the transactions associated with it and the financing thereof, including the Equity Contribution and the Offering and the use of proceeds therefrom as set forth under *“Use of proceeds”*;
- **“Term Loan”** are to the €1.0 billion Term Bridge Facility dated March 23, 2015, as may be amended or supplemented from time to time, among, *inter alios*, LeasePlan as borrower and ABN AMRO Bank N.V. and Mizuho Bank, Ltd. as arrangers and original lenders;
- **“Trustee”** are to U.S. Bank Trustees Limited, as trustee under the Indenture;
- **“U.S. dollar”** or **“\$”** are to the lawful currency of the United States;
- **“U.S. Exchange Act”** are to the U.S. Securities Exchange Act of 1934, as amended;
- **“U.S. Securities Act”** are to the U.S. Securities Act of 1933, as amended;
- **“Volkswagen Revolving Credit Facility Agreement”** are to the committed revolving credit facility agreement originally dated December 6, 2012 and amended on March 25, 2015, as may be amended or supplemented from time to time, among, *inter alios*, LeasePlan as borrower and Volkswagen International Luxemburg S.A. as lender, and the €1,250 million revolving credit facility made available thereunder is referred to as the **“Volkswagen Revolving Credit Facility”**; and
- **“Yearly Default Rate”** are to the number of defaults over the previous four quarters at quarter end divided by the number of performing counterparties at quarter end one year prior, expressed as a percentage.

In this listing circular, the terms “Group,” “we,” “us” and “our” refer collectively to LeasePlan and its direct and indirect subsidiaries prior to the completion of the Acquisition, and to the Company and its direct and indirect subsidiaries following completion of the Acquisition. Unless otherwise specified, financial and operating data and key performance indicators of the Group refer to the historical consolidated information of LeasePlan and its consolidated subsidiaries.

## Industry and market data

This listing circular contains information regarding the vehicle leasing and related industries, and to LeasePlan’s competitive position in the sectors in which it competes. This information has been obtained from various third party sources and/or LeasePlan’s own internal estimates. Although we and the Issuer believe that such third party sources are reliable, neither we nor the Issuer have independently verified third party information, and we, the Issuer and the Initial Purchasers make no representation as to its accuracy or completeness.

In particular, in many cases, we have made statements in this listing circular regarding the leasing and fleet management market, our position in the market, our market share and the market

share of various industry participants based on our internal estimates, our experience, our own investigation of market conditions and our review of industry publications, including information made available to the public by our competitors. We and the Issuer cannot assure you that any of the assumptions underlying these statements are accurate or correctly reflect our position in the industry and none of our internal surveys or information has been verified by any independent third party. Neither we, nor the Issuer, the Parent Guarantor or any Initial Purchaser makes any representation or warranty as to the accuracy or completeness of this information.

Similarly, although we and the Issuer believe that the market data cited in this listing circular is useful in understanding LeasePlan's market position relative to its competitors, the nature of LeasePlan's industries often makes it difficult to obtain precise, up-to-date and accurate market data, and undue reliance should not be placed on these figures.

## Presentation of financial and other information

The financial information and financial statements included in this listing circular are presented in euros. Rounding adjustments have been made in calculating some of the financial and other information included in this listing circular. As a result, figures shown as totals in some tables and charts may not be exact arithmetic aggregations of the figures that precede them.

### Historical audited and unaudited financial data

The Issuer was incorporated under the laws of Jersey on March 4, 2015 and the Company was incorporated under the laws of Singapore on March 3, 2015, in each case for the purpose of facilitating the Transactions, including the Offering and the use of proceeds therefrom. Until the consummation of the Transactions, neither the Issuer nor the Company had any material assets or liabilities and neither has engaged in any activities other than those related to their incorporation in preparation for the Transactions and the consummation of the Transactions. Consequently, no historical financial information relating to the Issuer or the Company is available.

Unless otherwise indicated, all historical financial information presented in this listing circular is of LeasePlan and its subsidiaries; accordingly, all references to “we,” “us,” “our” or the “Group” in respect of historical financial information in this listing circular are to LeasePlan and its subsidiaries on a consolidated basis unless otherwise indicated. In particular, this listing circular includes audited consolidated financial statements and accompanying notes of LeasePlan and its subsidiaries as of and for the years ended December 31, 2013, 2014 and 2015 prepared in accordance with IFRS and audited financial statements and accompanying notes of LeasePlan on a stand-alone basis as of and for the years ended December 31, 2013, 2014 and 2015 prepared in accordance with Dutch law.

This listing circular also presents certain summary unaudited adjusted financial data, which has been prepared to give effect to the Transactions. The unaudited adjusted financial data is for informational purposes only and does not purport to present what our results of operations and financial condition would have been had the Transactions actually occurred on the dates specified, nor does it project our results of operations for any future period or our financial condition at any future date. The unaudited adjusted financial data set out in this listing circular is based on available information and certain assumptions and estimates that we believe are reasonable but may differ materially from the actual amounts.

The consolidated and stand-alone financial statements of LeasePlan and its subsidiaries included in this listing circular have not been adjusted to reflect the impact of any changes to the income statements, balance sheet or cash flow statements that might occur as a result of purchase accounting adjustments to be applied as a result of the Acquisition. The Company will, in its consolidated financial statements, account for the Acquisition using the acquisition method of accounting under IFRS, which will affect the comparability of the Company’s audited consolidated financial statements with the financial information contained in this listing circular. Under IFRS 3 (Business Combinations) the consideration transferred is measured as the fair value of the assets transferred, liabilities incurred and the equity interests issued by the acquirer, including the fair value of any contingent consideration. Acquisition-related costs are expensed as incurred. As of the Completion Date, the Company will recognize in its consolidated financial statements, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in LeasePlan and its subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair market values at the date of the Acquisition. The excess of the consideration transferred over the fair value of the acquirer’s share of the identifiable net assets acquired is recorded as goodwill. In accordance with IFRS, we have up to twelve months from the date of the Acquisition to finalize the allocation of the purchase price.



## Other financial and operating measures

This listing circular presents certain financial measures and adjustments that are not presented in accordance with IFRS or any other internationally accepted accounting principles, including Total Leased Assets, Total interest-bearing assets, Total interest-bearing liabilities, Interest income as a % of average Total interest-bearing assets, Interest expense as a % of average Total interest-bearing liabilities, Net interest margin, Cost to income ratio, Return on average assets, Return on average equity, LeasePlan announced dividends, LeasePlan announced dividend payout ratio and Core operating income, as well as certain ratios derived from these financial measures.

The Issuer has defined each of the following non-IFRS financial measures as follows:

- **“Total Leased Assets”** means the sum of Receivables from clients under finance lease contracts plus Property and equipment under operating lease and rental fleet.
- **“Total interest-bearing assets”** means the sum of Receivables from clients under finance lease contracts plus Property and equipment under operating lease and rental fleet plus Cash and balances at central banks plus Receivables from financial institutions.
- **“Total interest-bearing liabilities”** means the sum of Debt securities issued and Funds entrusted plus Borrowings from financial institutions.
- **“Interest income as a % of average Total interest-bearing assets”** means, for any period, Interest and similar income for that period divided by the arithmetic average of Total interest-bearing assets at the beginning and end of the period, expressed as a percentage.
- **“Interest expense as a % of average Total interest-bearing liabilities”** means, for any period, Interest expenses and similar charges for that period divided by the arithmetic average of Total interest-bearing liabilities at the beginning and end of the period, expressed as a percentage.
- **“Net interest margin”** means, for any period, Net interest income before impairment charges on loans and receivables for that period divided by the arithmetic average of Total interest-bearing assets at the beginning and end of the period, expressed as a percentage.
- **“Cost to income ratio”** means Total operating expenses divided by the sum of Gross profit plus Net interest income before impairment charges on loans and receivables.
- **“Return on average assets”** or **“RoAA”** means, for any period, Profit for the financial period divided by the arithmetic average of Total assets at the beginning and end of the period.
- **“Return on average equity”** or **“RoAE”** means, for any period, Profit for the financial period divided by the arithmetic average of shareholders’ equity (before minority interests) at the beginning and end of the period.
- **“LeasePlan announced dividends”** means, for any period, dividends relating to the period that are announced and paid by LeasePlan during the period or a subsequent period.
- **“LeasePlan announced dividend payout ratio”** means, for any period, LeasePlan announced dividends during the period as a percentage of Profit for the financial period.
- **“Core operating income”** means, for any period, the sum of Gross profit plus Net interest income before impairment charges on loans and receivables, less Results of vehicles sold.

These financial measures are presented (i) as they are used by the Company to monitor our financial results and (ii) to represent similar measures that are often used by certain investors, securities analysts and other interested parties as supplemental measures of financial position and financial performance. We believe these measures enhance the investor’s understanding of our indebtedness and LeasePlan’s current ability to fund its ongoing operations. Adjusted debt is

also presented in this listing circular, as we believe it more appropriately reflects to investors the financial position of the Company in light of the Transactions.

However, these non-IFRS financial measures are not measures determined based on IFRS or any other internationally accepted accounting principles, and you should not consider such items as an alternative to the historical financial results or other indicators of our cash flow based on IFRS, nor are such measures meant to be predictive of our future results. The non-IFRS financial measures, as defined by the Issuer, may not be comparable to similarly titled measures as presented by other companies due to differences in the way our non-IFRS financial measures are calculated. The non-IFRS financial information contained in this listing circular is not intended to comply with the reporting requirements of the SEC and will not be subject to review by the SEC. Even though the non-IFRS financial measures are used to assess our financial position and financial results, and these types of measures are commonly used by investors, they have important limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of our financial position or results of operations as reported under IFRS.

## Exchange rates

The following table sets forth, for the periods indicated, the high, low, average and period end Bloomberg Composite Rate (New York) expressed as U.S. dollars per euro. The Bloomberg Composite Rate is a “best market” calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate. Neither the Issuer nor the Initial Purchasers make any representation that the euro or U.S. dollar amounts referred to in this listing circular have been, could have been or could in the future be converted into the other currencies referred to herein, as the case may be, at any particular rate, if at all.

(expressed as U.S. dollars per euro)	Period end	Average <sup>(1)</sup>	High	Low
<b>Year</b>				
2011 .....	1.2959	1.3926	1.4830	1.2907
2012 .....	1.3192	1.2860	1.3458	1.2061
2013 .....	1.3743	1.3285	1.3804	1.2780
2014 .....	1.2098	1.3285	1.3932	1.2098
2015 .....	1.0856	1.1102	1.2103	1.0497
(expressed as U.S. dollars per euro)	Period end	Average <sup>(2)</sup>	High	Low
<b>Month</b>				
September 2015 .....	1.1177	1.1237	1.1439	1.1120
October 2015 .....	1.1007	1.1220	1.1474	1.0923
November 2015 .....	1.0565	1.0729	1.1016	1.0565
December 2015 .....	1.0856	1.0899	1.1025	1.0614
January 2016 .....	1.0832	1.0867	1.0940	1.0747
February 2016 .....	1.0873	1.1104	1.1324	1.0873
March 2016 .....	1.1380	1.1142	1.1380	1.0868
April 2016 (through April 11, 2016) .....	1.1407	1.1392	1.1407	1.1378

(1) The average of the Bloomberg Composite Rates (New York) on the last business day of each month during the relevant period.

(2) The average of the Bloomberg Composite Rates (New York) for each business day during the relevant period.

On April 11, 2016, the Bloomberg Composite Rate (New York) between the euro and the U.S. dollar was \$1.1407 per €1.00.

The above rates may differ from the actual rates used in the preparation of the financial statements and other financial information appearing in this listing circular.

## Summary

*This summary highlights information contained elsewhere in this listing circular but does not contain all the information that may be important to prospective investors, and it is qualified in its entirety by the remainder of this listing circular. Prospective investors should carefully read this listing circular in its entirety, including the consolidated and stand-alone financial statements included elsewhere in this listing circular, as well as the "Description of the Notes" and the other considerations outlined under "Risk factors" and "Forward-looking statements."*

*In this listing circular, the terms "Group," "we," "us" and "our" refer collectively to LeasePlan and its direct and indirect subsidiaries prior to the completion of the Acquisition, and to the Company and its direct and indirect subsidiaries following completion of the Acquisition. Unless otherwise specified, financial and operating data and key performance indicators of the Group refer to the historical consolidated information of LeasePlan and its consolidated subsidiaries.*

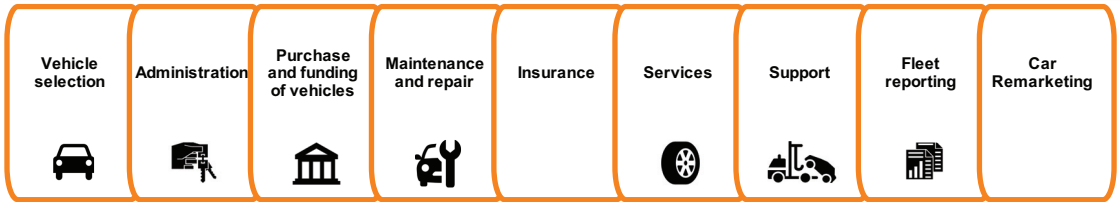
### Overview

LeasePlan is a global fleet management and driver mobility provider originally founded in the Netherlands in 1963. In the 1970s, we began our international expansion into the Belgian, UK, French and German markets, and we currently operate in 32 countries across Europe, North and South America and the Asia-Pacific region. We hold a leading market position in the majority of the markets in which we operate based on total fleet size, and with an aggregate fleet of approximately 1.6 million vehicles as of December 31, 2015, we believe that we are the largest fleet and vehicle management provider in the world by total fleet size.

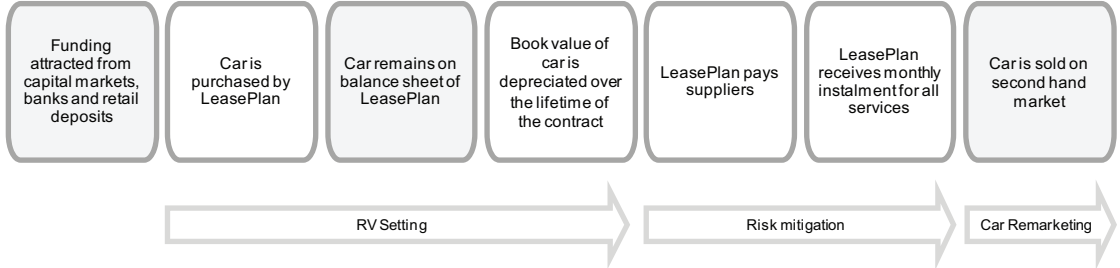
We offer a comprehensive portfolio of fleet management solutions covering vehicle acquisition, leasing, insurance, full-service fleet management, strategic fleet selection and management advice, fleet funding, ancillary fleet and driver services and car remarketing. We aim to deliver expertise, savings and opportunities to meet the needs of the largest and most prestigious vehicle fleets in our markets of operation. We manage mainly passenger cars (representing 65% of our fleet by volume as of December 31, 2015) and light commercial vehicles (representing 31% of our fleet by volume as of December 31, 2015) across numerous sectors of the economy and across various client types, including large and multinational companies, small and medium-sized enterprises ("**SMEs**"), public sector entities and, in selected countries, retail clients and private individuals. As of December 31, 2015, 68.0% of our lease contract counterparties by Total Leased Assets were investment grade rated and our largest client accounted for 1.3% of our Total Leased Assets.

We operate across the automotive value chain by providing a variety of vertically integrated and stand-alone services. We are independent of vehicle brands and provide services for vehicles of a wide variety of makes and models in line with the specific needs of our customers. See "*Business—Our fleet*" for information on the brand distribution of our fleet. The graphic below illustrates our activities across the automotive value chain.

**Business cycle customer after set up of master agreement**



**Financial impact on balance sheet and P&L**



As of December 31, 2015, our Total Leased Assets were €17.0 billion (excluding non-consolidated entities). We recorded operating and net finance income of €1,506.8 million and net profit of €442.5 million for the year ended December 31, 2015.

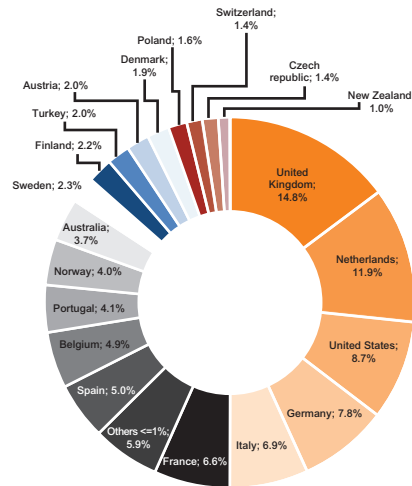
We have held a banking license since 1993 and are regulated as a financial institution by the Dutch Central Bank (*De Nederlandsche Bank N.V.*, “**DNB**”) and the Netherlands Authority for the Financial Markets. Since 2010, we have operated LeasePlan Bank, an organically developed internet-based savings bank which accepts retail savings deposits in the Netherlands and, since September 2015, Germany, as part of our funding diversification strategy. Our common equity Tier 1 ratio (CET1 ratio), calculated under the CRD IV regime, was 17.0% at the end of December 2015. LeasePlan management also sets an internal CET1 ratio target (which is calculated to include certain retained earnings that are otherwise excluded from the CET1 ratio under CRD IV pending finalization of LeasePlan’s accounts for a given year) taking into account minimum requirements set by DNB as communicated through the annual supervisory review and evaluation process (SREP). The CET1 ratio target set by LeasePlan management for 2016 is at least 17.5%.

## Our strengths

Our key strengths are:

### Worldwide market leader with global footprint

With an aggregate fleet of approximately 1.6 million vehicles as of December 31, 2015, we believe that we are the largest fleet and vehicle management provider in the world by total fleet size, and we have a global presence spanning Europe, the Americas and the Asia-Pacific region. We have operations in 32 countries, with leading market positions based on total fleet size in the majority of our markets. The following chart shows the geographical distribution of our total funded fleet book value (excluding non-consolidated entities) as of December 31, 2015:

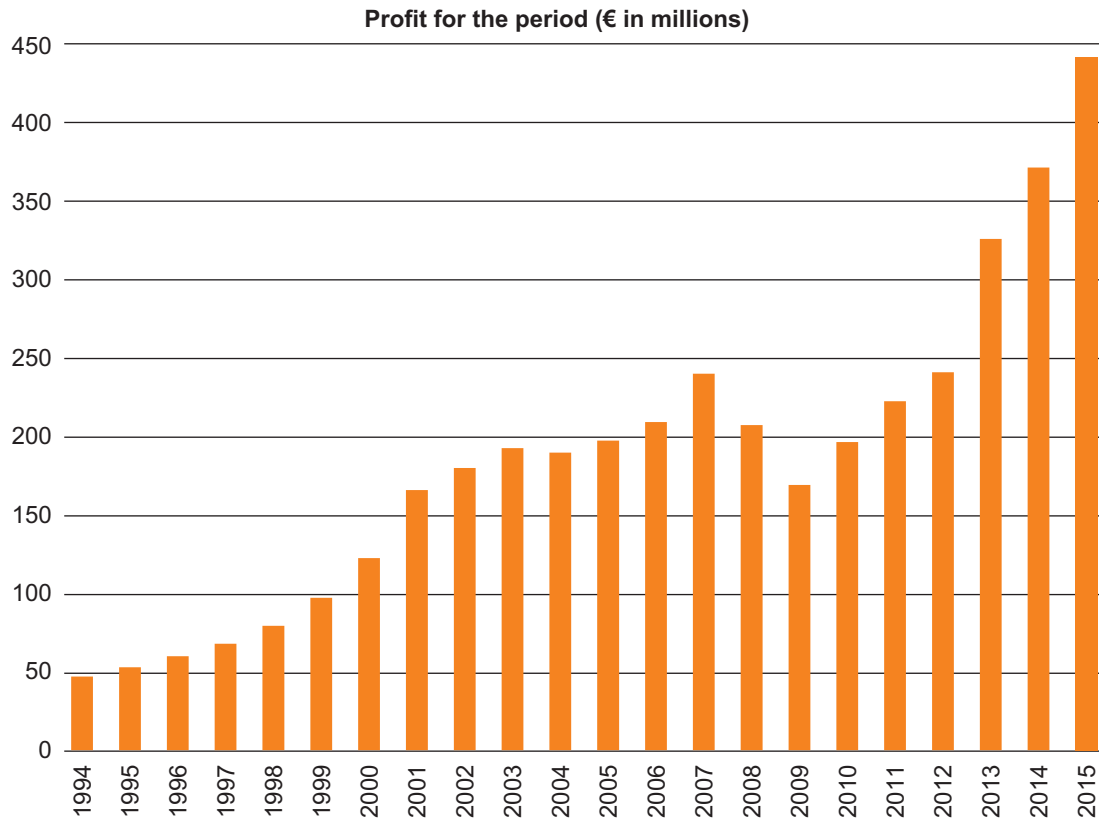


*Unaudited. Geographical distribution based on the locations of the LeasePlan legal entities to which assets are assigned. Geographical designation "Other" includes: Russia (0.1%), Mexico (0.4%), Brazil (0.5%), India (0.5%), Romania (0.5%), Slovakia (0.5%), Hungary (0.6%), Ireland (0.9%), Luxembourg (0.9%) and Greece (1.0%).*

We believe that our size and scope allow us to negotiate favorable pricing structures with our preferred network of suppliers, resulting in savings for us and our customers. Our central procurement company, LeasePlan Supply Services, aims to turn our size and international presence into an advantage for our local subsidiaries and our clients by managing international agreements with preferred suppliers, and we seek to ensure that our multinational clients benefit from our economies of scale by centrally coordinating the management of their fleet through LeasePlan International, a dedicated entity focused on selling and marketing international fleet management services and managing the accounts of large international clients worldwide. Our unique global presence allows us to offer these multinational clients coordinated and harmonized service offerings across multiple geographic regions.

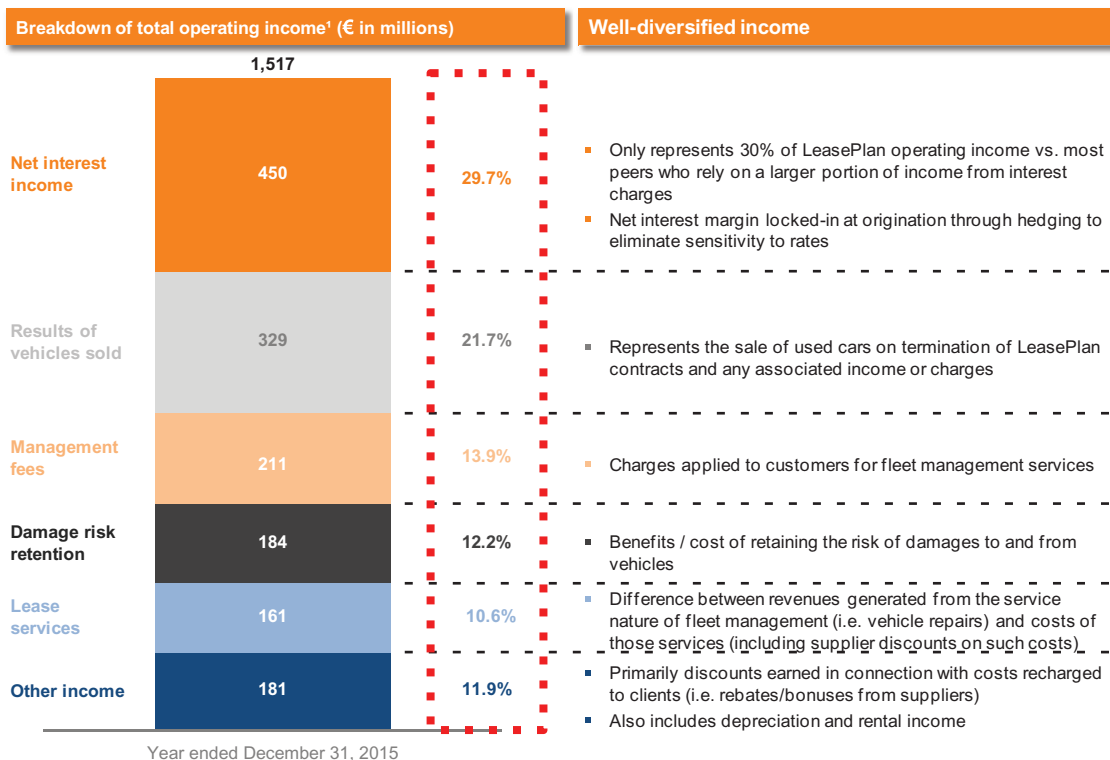
### Long track record of delivering profitable growth

We have delivered more than 20 consecutive years of profitability. The graph below shows our annual profit since 1994. Our consistent profitability has been driven by a number of factors, including resilient revenue streams, low and stable credit losses over time, careful management of the financial risks inherent to our business and the long-term and repeat nature of many of our customer relationships.



Our profitability has also been supported by the diverse revenue streams we are able to generate from our asset base. We have a diversified income profile as illustrated by the chart below showing the breakdown of our operating and net finance income by source for the year ended December 31, 2015. While net interest income accounted for 29.7% of our total operating and net interest income (excluding unrealized gains/(losses) on financial instruments and before impairments on loans and receivables) over this period, income from lease services, damage risk retention and management fees together represented 36.7%. This diversified fleet management model allows us to generate multiple revenue streams from our vehicle assets, creating a higher effective return on our asset base than a business model dependent solely on net interest income on leased vehicles.





Source: Company information

<sup>1</sup> Excluding unrealized gains/(losses) on financial instruments and before impairment charges on loans and receivables

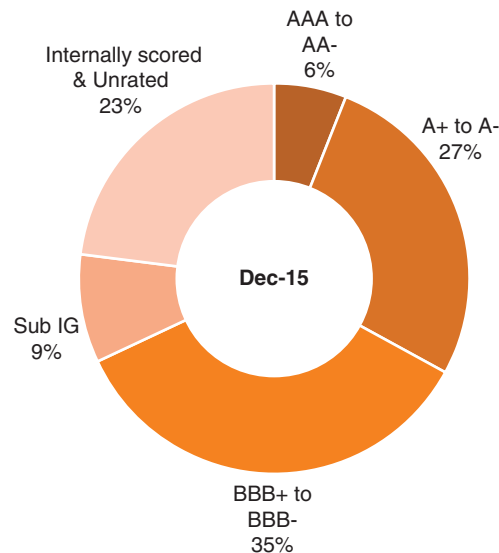
### Diversified lease portfolio with broad customer base and prudent risk management

We have a broad customer base with sound credit ratings, diversified across multiple industries and geographies. We believe this diversification, the low and stable default rates of our customers and our strong record in managing the credit risks inherent in our business have contributed to our low and stable credit losses over time.

Our customers include public sector entities and a number of large, well-known multinational corporations. Our largest client and our top 10 clients accounted for approximately 1.3% and 8.6%, respectively, of our Total Leased Assets as of December 31, 2015, and we do not have a material concentration in any particular industry. See *"Business—Sales and marketing"* for information on the industry distribution of our client base. We are also well diversified across geographies, with no single market accounting for more than 14.8% of our total funded fleet book value as of December 31, 2015. Our diversified geographic presence helps to limit our exposure to regional economic cycles that may impact us or our clients.

The Yearly Default Rate for our corporate customers was 0.6% as at December 31, 2015, compared with 0.8% and 1.0% as at December 31, 2014 and 2013, respectively. Of the Total Leased Assets attributable to our top 100 clients, 65.4% were attributable to investment grade entities as of December 31, 2015, and investment grade counterparties accounted for 68.0% of our Total Leased Assets as of that date. The following chart shows the distribution of our Total Leased Assets by counterparty credit rating (generated by LeasePlan and mapped to S&P ratings) as of December 31, 2015:

**Distribution of lease contract portfolio by counterparty credit rating**



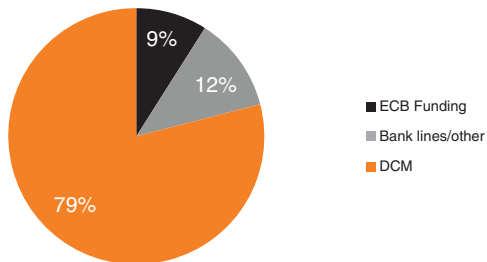
In addition to the strong credit rating profile of our client base, we believe our low credit losses are also reflective of our commitment to a high standard of credit risk management across the business. Our custom built web-based global credit risk management system allows for advanced credit risk assessment and clear risk appetite setting for group companies. We also manage credit risk and other risks via the development of proprietary risk management models and other risk mitigation techniques. With respect to asset risk, we continue to harmonize our management of asset-related exposures through investments in systems, sharing of best practices across the Group, training of staff and further development of statistical techniques and algorithms so as to remain best-in-class in controlling residual value risk (or our exposure to potential loss at contract end due to the resale values of assets declining below the estimates made at lease inception). For example, we introduced more conservative residual values in lease contracts we entered into during the financial crisis in 2008 and 2009; this, and our continued focus on risk mitigation during the term of such lease contracts have resulted in improved results. The risk and control focus advanced during the recent economic crisis remains a core part of our overall approach. We also manage our liquidity risk by seeking to conclude funding that substantially matches the estimated run-off profile of our leased assets, and by further pursuing our funding diversification strategy to reduce our historical reliance on unsecured debt capital markets funding in favor of other funding sources such as secured, retail and bank funding.

**Strong balance sheet with increasingly diversified access to deep pools of capital and a large liquidity buffer**

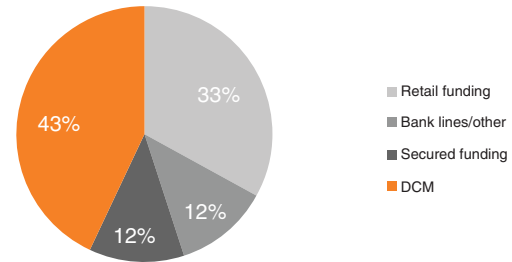
We have developed a highly diversified funding base, which includes retail deposits through LeasePlan Bank, debt capital markets instruments, securitizations and bank facilities. As of December 31, 2015, we held €5.0 billion of retail deposits (with 97% of our retail deposit volume being covered by the Dutch deposit guarantee scheme) and we had €6.5 billion of outstanding debt securities by carrying value (excluding securities originated from securitization transactions),

€1.9 billion of asset-backed securitization funding (including asset-backed securitization warehouse facilities) and €1.9 billion of bank and other borrowings. As illustrated in the charts below showing our funding mix as of December 31, 2009 and as of December 31, 2015, our funding mix has become significantly more diversified in recent years as we have tapped new sources of funding, including retail deposits and securitizations. The contribution of debt capital markets instruments to our overall funding mix has in turn diminished from 79% as of December 2009 to 43% as of December 2015.

**Funding mix as of December 31, 2009**



**Funding mix as of December 31, 2015**



We seek to fund the substantial majority of our vehicle leasing activities on a matched funding principle whereby we aim to match the maturity of the funding obligation used to finance each leased vehicle with the term of the corresponding lease. Our access to a diverse and flexible range of funding sources facilitates this objective and reduces our reliance on any single funding source. While we benefit from a natural hedge against foreign currency risk due to the fact that we raise funds in a number of countries and currencies, we also use foreign currency derivatives and interest rate hedging to further match our assets and liabilities.

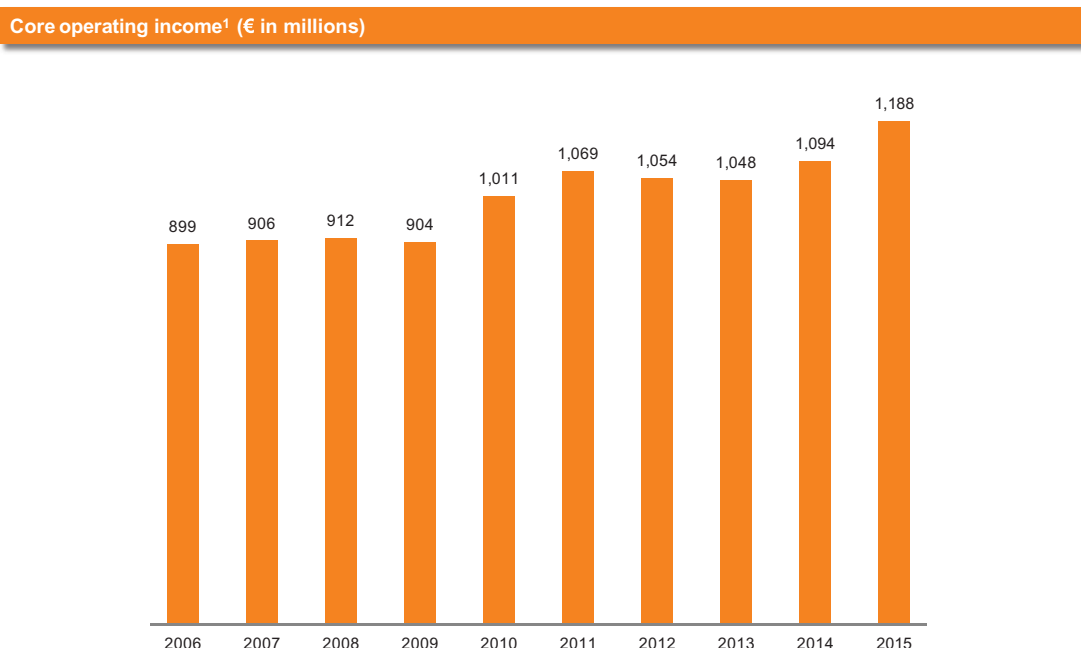
In addition, we maintain a prudent liquidity buffer consisting primarily of cash, cash equivalents and undrawn amounts under committed credit facilities in an aggregate amount of €4.4 billion at December 31, 2015 to ensure that we are able to continue writing new business and meet our financial obligations during a period of continuing stress (including, among other things, limited access to traditional funding sources and increased outflows of retail deposits) lasting at least nine months. For more information about our liquidity buffer, see *"Management's discussion and analysis of financial condition and results of operations—Other contingent liabilities—Financing arrangements and funding—Liquidity."*

#### **High level of visibility over future revenue streams from multi-year contracts and long-term customer relationships**

Our more than 20 consecutive years of profitability have been underpinned by locked-in revenues from multi-year contracts and strong relationships with a large portfolio of low credit risk customers. Our leasing contracts typically range between three and four years in duration, and we generally hedge the interest rate and currency exposures associated with the funding of our lease contracts, locking in our interest margins and providing us with a high level of visibility over future interest revenues. Revenues from management fees, lease services and risk retention are also relatively stable and consistent, though revenues from the sale of vehicles at the end of the service contract have historically been more sensitive to cyclical changes in the market for used cars. However, we believe that our significant expertise in vehicle remarketing, our broad geographic reach and our prudent use of mitigation measures provide us with significant competitive advantages which enable us to consistently capture the residual value of a vehicle under management and moderate the impact of local market cycles and seasonal variations. Our contractual residual value at lease inception for terminated vehicles decreased from 41.1% of the manufacturer's list price in 2013 to 40.8% in 2015, and our risk mitigation measures remained relatively stable at approximately 5.3% of the manufacturer's list price in 2015 (6.1% in 2013).

The long-term and repeat nature of many of our customer relationships has also contributed to the relative stability of our revenues over time, including during cyclical downturns. Our service-led proposition drives high levels of customer satisfaction and retention, evidenced by overall client and driver satisfaction rates of 92% and 91%, respectively, in our annual global surveys in 2015 (supported by TNS NIPO). Our approach to fleet management is to be our clients' preferred long-term partner. We aim to achieve this by understanding the needs of our clients, providing expert advice and adding value with a choice of tailored products and services covering the entire fleet management value chain, including "full service" leasing offerings, as well as management-only and financing-only solutions. We also organize Client Advisory Boards in many countries in order to understand how our clients work with their fleet and what we can do in order to help them with our products and services. The information from these discussions is used as input in future product development processes. Additionally, our proactive partnering approach means that we work in close consultation with our clients on a regular basis.

The chart below illustrates our Core operating income for the years from 2006 to 2015.



Source: Company information

<sup>1</sup> Calculated as the sum of Gross profit plus Net interest income before impairment charges on loans and receivables, less Results of vehicles sold. Results of vehicles sold represents sales result and settlements from returned objects for the period of 2006-2007 and the difference between proceeds of cars and trucks sold and carrying amount of cars and trucks sold for the period of 2008-2015

### **Established global brand supported by high barriers to entry**

Our competitive position is supported by high barriers to entry to the vehicle leasing, fleet management and driver mobility industries. We believe we have a competitive advantage as an established global player in these industries, which are capital intensive and require continuous access to different funding sources at attractive terms in order to maintain adequate margins. In addition, we have a recognized global brand which attracts a variety of large, multinational customers across a broad range of international geographies. We have also developed the infrastructure and expertise to serve large, multinational corporate customers, which requires substantial investment, time and scale. Our operations are supported by our long-standing and comprehensive supplier network that we use to generate procurement value and to provide high quality customer services. Based on these factors, we believe that it would be difficult for new entrants to enter our markets or for small scale operators to compete with our established brand on a global basis.

## **Highly committed management team with proven track record**

We have a highly experienced executive management team with in-depth global and local industry knowledge and a strong track record of delivering profitable growth. On average, our executive management team has over 19 years of experience at LeasePlan. In the past five years, our executive management team has been responsible for successfully overseeing various projects, including commencing internet retail banking operations in the Netherlands and accepting savings deposits as part of our funding diversification strategy, as well as successfully integrating a number of acquisitions as part of our selective international expansion. We also believe management's focus on investment in growing market segments such as SMEs and developing enhanced services and insurance offerings, as well as its commitment to meeting our customers' mobility needs with new and innovative solutions such as flexible leasing and telematics, have further contributed to our strong record of profitable growth.

## **Our strategies**

Our key strategies are:

### **Growth**

As a Group, we take a global approach to our business. Central to our decision making with regard to further growth plans is the potential to connect clients, both prospective and current, to leasing and mobility opportunities wherever they may be based. We consider the regions where we are currently active and then evaluate the options and opportunities for expanding into new geographies. We, therefore, take a selective approach to both expansion and foreign acquisitions. We also seek to deliver further market penetration through country-specific acquisitions, or organically by strengthening our offerings to customers with differentiated products and services. In 2016, we intend to continue our efforts to establish new operations in Asia, beginning with the expansion of our operations to Malaysia.

### **Operational excellence**

In connecting our clients to our leasing and driver services, there is a growing demand for data and analytics that provide efficient leasing solutions and enhance customer experience. The size of our fleet under management requires maintenance and replenishment with significant procurement of fleet services and commodities. By continuing to leverage the size and scale of our business, we seek to negotiate favorable pricing structures with our preferred network of suppliers which then translate into savings for clients. We are, therefore, continuously looking at alternative ways to optimize our size and scale by maturing our procurement activities across the entire value chain. We also have significant expertise in vehicle remarketing, which enables us to capture the residual value of a vehicle under management at the end of the service contract.

### **Customer-centric innovation**

We invest in products, platforms and consultancy services that are designed to work in many markets around the world, taking the best products and ideas from one market and introducing these into new markets. Central to our client promise is connecting customers to leasing and mobility opportunities that make their lives easier. We also look for ways to become more efficient, for example, by building a product once and then deploying it many times over in different markets. In this way, our business becomes more scalable and cost-efficient. It also means we can build standardized products and services on which our clients can rely, enabling them to make more consistent decisions wherever they operate around the world. We are investing in the way we use data and telematics intelligently to improve services to clients and drivers.

## **Right people and culture**

Our plans for further growth and the constant demand for new, innovative services require us to be agile enough to develop, move, adapt and recruit the right talent that fits our culture. We are meeting this challenge by actively training our employees through development plans for the company and individuals. We are also empowering line managers to lead their people. Through global projects, cross-functional business initiatives and international job opportunities, we are actively encouraging our people to move around our global business. We are continuously looking at ways to share best practices through internal initiatives to create efficiencies and alignment across the business.

## **Our history**

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

In 1992, we became part of ABN AMRO Bank and in the following year we obtained a full banking license from the DNB following the introduction of Basel I. During this period, we started to access the inter-bank funding market independently. During the 1990s, we also established two specialized subsidiaries: our Irish non-life insurance subsidiary supervised by the Central Bank of Ireland, Euro Insurances Limited (“**Euro Insurances**”), to bolster our ability to offer integrated fleet service solutions; and LeasePlan International to enable us to offer coordinated fleet management services to large international clients across our markets of operation.

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

In 2004, LeasePlan was acquired by Global Mobility Holding, a consortium comprising the Volkswagen Group (50%), Mubadala Development Company (25%) and the Olayan Group (25%). In 2005, the Volkswagen Group sold the Italian, Portuguese and Spanish subsidiaries of EuropCar Fleet Management Services to LeasePlan. Our international expansion continued in 2007 with the acquisition in Turkey of a 51% share in vdf Holding A.Ş. from the Volkswagen Group, and in 2008 with the acquisition of Daimler Chrysler Fleet Management France S.A.S. from Mercedes-Benz Financial Services France S.A. and the commencement of our greenfield operations in Romania and Mexico.

As a result of the strategy adopted in 2000, we achieved a broad client reach and operational improvements which led to profitable growth and enabled us to become a global market leader by the mid-2000s. The global financial crisis which began in 2008 changed the fleet market environment and put pressure on the industry. In response, we adopted a selective growth strategy that struck a balance between maintaining profitability and seizing upon attractive growth opportunities.



Following a series of transactions, the shareholder structure of Global Mobility Holding changed in 2010, with the Volkswagen Group and Fleet Investments B.V., an investment company owned by the German banker Mr. Friedrich von Metzler, each holding a 50% stake, and Volkswagen Group retaining overall strategic control. In 2010, we commenced internet retail banking operations in the Netherlands and began accepting savings deposits as part of our funding diversification strategy. In 2011, we expanded our Portuguese operations through the acquisition of the operational leasing and fleet management company Multirent from Santander Consumer Iber-Rent, S.L. In 2012, we incorporated an operating legal entity in Russia and in 2013 we became fully operational in the Russian fleet and vehicle management market. In 2013, we also expanded both our Italian and Austrian operations through the acquisition of BBVA (Auto) Renting and BAWAG P.S.K. Fuhrparkleasing, respectively. In January 2014, we expanded our North American service offering to include Canada. LeasePlan and the Canadian fleet management company Foss National Leasing Ltd. ("FNL") have entered into a licensing agreement whereby FNL operates a newly formed subsidiary of FNL, LeasePlan Canada. With the launch of LeasePlan Canada, we now have complete North American coverage, with locations in the United States, Mexico and Canada. In February 2015, we took full ownership of LeasePlan Turkey by acquiring the remaining 49% stake held by Döğuş Group, who had been our local joint venture partner since we entered the Turkish market in 2007. At the end of 2015, LeasePlan became the sole owner of its Excelease business in Belgium after acquiring Inchcape's 49% minority share. The business was originally co-founded by LeasePlan Belgium in 1994.

## **The Acquisition**

On July 23, 2015, Global Mobility Holding and LP Group entered into the Acquisition Agreement, pursuant to which LP Group agreed to acquire 100% of LeasePlan's share capital. LP Group is a newly incorporated company indirectly owned and controlled by the Shareholders and is a direct subsidiary of the Company. The purchase price for the LeasePlan shares is approximately €3.5 billion, subject to customary adjustments. The total consideration for the Transactions is expected to be financed with the proceeds from the Notes described herein and the Equity Contribution.

On January 29, 2016, the ECB (in consultation with the DNB) issued declarations of no-objection for the Acquisition. All other competition authority and financial regulatory approvals required under the Acquisition Agreement have been obtained.

Pending the consummation of the Acquisition, the Initial Purchasers deposited the gross proceeds from the offering of the Notes into the Escrow Accounts. The Acquisition was consummated on March 21, 2016, and the proceeds have been released from escrow in connection therewith.

In July 2015, LP Group entered the Second Revolving Credit Facility Agreement providing for the Second Revolving Credit Facility in the amount of €1,250 million, which will become available upon completion of the Acquisition and is due to mature on December 15, 2018. In connection with the Acquisition and as part of the Transactions, LeasePlan replaced LP Group as a party to the Second Revolving Credit Facility Agreement and became a borrower under the Second Revolving Credit Facility, which facility serves to replace the Volkswagen Revolving Credit Facility. The Volkswagen Revolving Credit Facility has been cancelled and terminated in connection with the Acquisition.

## **About the Consortium**

The Consortium consists of TDR Capital, Hornbeam, Luxinva, PGGM Private Equity Funds and Arbejdsmarkedets.

TDR Capital was founded in 2002 by Manjit Dale and Stephen Robertson. Across its three European buyout funds it has over €4.8 billion of committed capital. TDR Capital has a proven

value-based and operationally focused investment strategy, which is delivered by a dedicated team of 25 investing and operating professionals from its single office in London. TDR Capital focuses on mid-market buyout investments headquartered in or with significant operations in Europe, generally with an enterprise value of €300 million to €1.5 billion.

Hornbeam is a private limited company organized and existing under the laws of Singapore. It is an investment vehicle managed by GIC's private equity & infrastructure group. GIC is a leading global investment firm with well over \$100 billion in assets under management. Established in 1981 to secure the financial future of Singapore, the firm manages Singapore's foreign reserves. A disciplined long-term value investor, GIC is uniquely positioned for investments across a wide range of asset classes, including real estate, private equity, equities and fixed income. GIC has investments in over 40 countries and has been investing in emerging markets for more than two decades. Headquartered in Singapore, GIC employs over 1,200 people across 10 offices in key financial cities worldwide.

Luxinva is a wholly owned subsidiary of the Abu Dhabi Investment Authority ("ADIA"). Since 1976, ADIA has been prudently investing funds on behalf of the Government of Abu Dhabi, with a focus on long-term value creation. ADIA manages a global investment portfolio that is diversified across more than two dozen asset classes and sub categories, including quoted equities, fixed income, real estate, private equity, alternatives and infrastructure. With a long tradition of prudent investing, ADIA's decisions are based solely on its economic objectives of delivering sustained, long-term financial returns.

PGGM Private Equity Funds is part of PGGM, a cooperative Dutch pension fund service provider. Institutional clients are offered asset management, pension fund management, policy advice and management support. On December 31, 2015, PGGM had €182.6 billion in assets under management. The PGGM cooperative has approximately 700,000 members and is helping them to realize a valuable future. Either alone or together with strategic partners, PGGM develops innovative solutions by linking together pension, care, housing and work.

Arbejdsmarkedets was established in 1964 and is Denmark's largest pension fund and one of Europe's largest pension funds. As of March 31, 2015 Arbejdsmarkedets had €103.7 billion in assets under management. Arbejdsmarkedets has 4.9 million members, and Arbejdsmarkedets currently pays ATP Livslang Pension to more than 940,000 pensioners. Arbejdsmarkedets is known for its innovative investment strategies and sound risk management.

## **About Broad Street Investments**

Broad Street Investments is an investing entity of the Merchant Banking Division of Goldman Sachs ("MBD"). MBD is the primary center for Goldman Sachs' long-term principal investing activity, and Goldman Sachs has operated this business as an integral part of the firm for more than 25 years. The group invests in equity and credit across corporate, real estate and infrastructure strategies and has raised over \$145 billion of levered fund capital to invest across a number of geographies, industries and transaction types since 1986. With nine offices in seven countries around the world, MBD is one of the largest managers of private capital globally, offering deep expertise and long-standing relationships with companies, investors, entrepreneurs and financial intermediaries around the globe.

## **Recent developments**

### **LeasePlan ratings**

Following the announcement of the proposed Acquisition in July 2015, each of S&P, Moody's and Fitch placed LeasePlan's long-term ratings on review, and S&P downgraded LeasePlan's long-term rating to BBB. At the beginning of February 2016, each of the three rating agencies downgraded LeasePlan's long-term ratings by one notch and revised the outlook to stable. Specifically, on

February 3, 2016, S&P further downgraded LeasePlan's long-term rating to BBB- (with a stable outlook) and removed LeasePlan's ratings from Credit Watch, on February 4, 2016, Moody's downgraded LeasePlan's long-term ratings to Baa1 (with a stable outlook) from A3, and on February 8, 2016, Fitch downgraded LeasePlan's long-term ratings to BBB+ (with a stable outlook) from A- and removed them from Rating Watch Negative. For more information, see *"Risk factors—Risks related to the Acquisition—The Acquisition could negatively impact LeasePlan's financial position or prospects and there can be no assurance that the credit ratings assigned to LeasePlan and its existing debt securities will remain investment grade in the future."*

As a result of the downgrades of LeasePlan's credit ratings in February 2016, LeasePlan was required to fund certain reserves in some of its securitization structures, including Bumper DE, Bumper 6 and Bumper NL, in a total amount of €153.1 million. See *"Risk management—Risk management areas—Liquidity risk—Liquidity risk mitigation."*

### **Vehicle emissions developments**

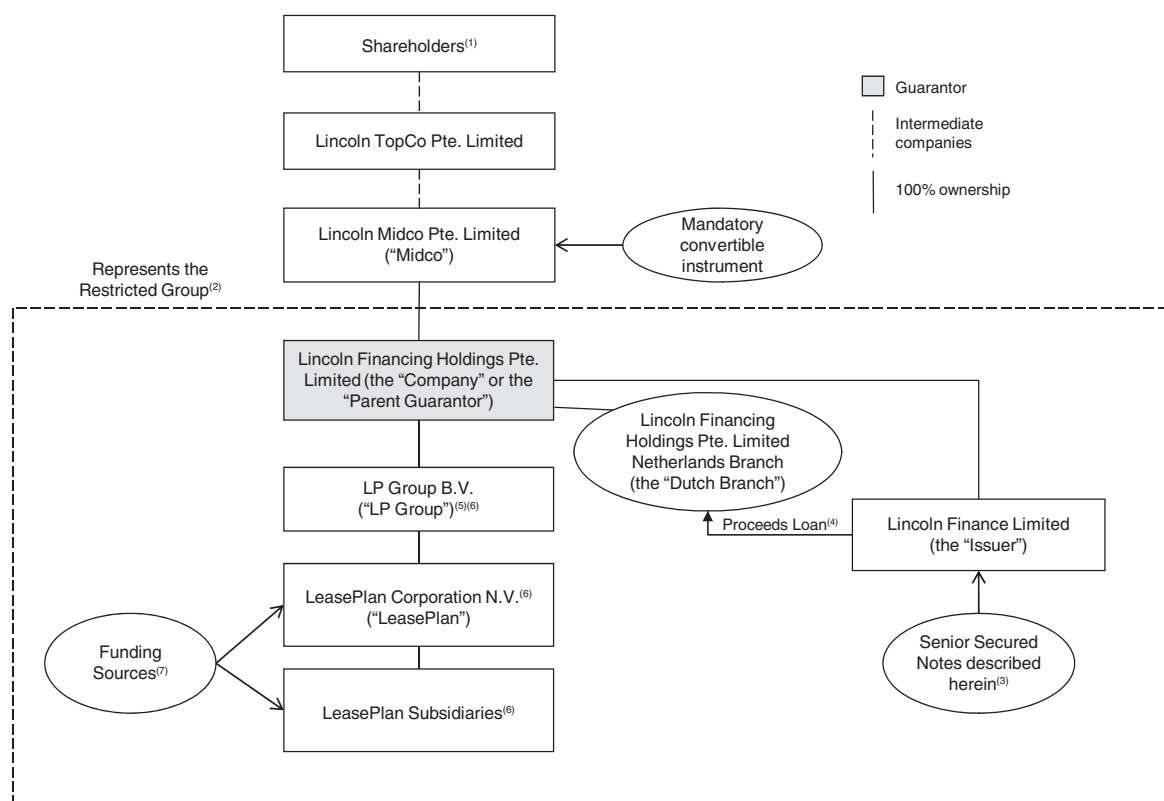
In respect of the widely-publicized vehicle emissions controversy affecting Volkswagen AG (an indirect 50% owner of LeasePlan prior to the consummation of the Acquisition), to date we have not seen any significant impact on the residual values of our vehicles or on the demand for certain types of our vehicles in the second-hand vehicle market. In addition, we expect that any costs incurred with respect to the affected vehicles will be fully borne by Volkswagen AG. As at August 31, 2015, approximately 10% of our fleet consisted of vehicle models affected by this controversy. As this is a developing issue, the full scope of any impact on the residual values of our vehicles might not yet be fully apparent. Accordingly, we continue to monitor closely all developments with respect to this issue. See *"Management's discussion and analysis of financial condition and results of operations—Significant factors affecting our financial condition and results of operations—Residual values—Vehicle emissions developments"* for further information.

### **Funding activities**

Since January 1, 2016, LeasePlan has concluded three private placements of notes in an aggregate principal amount of €71 million, and concluded a fourth private placement of notes in an aggregate principal amount of €15.9 million on March 16, 2016.

## Corporate and financing structure

The following diagram summarizes the Group's corporate structure and principal outstanding financing arrangements after giving effect to the Transactions. The chart does not include all entities in the Group, nor all of the debt obligations thereof. See "Description of the Notes," "Description of other indebtedness" and "Capitalization" for more information.



(1) TDR Capital, Hornbeam, Luxinva, PGGM Private Equity Funds, Arbejdsmarkedets and Broad Street Investments indirectly own 100% of LeasePlan's issued and outstanding share capital. For more information, see "Principal shareholders."

(2) The entities in the Restricted Group are subject to the covenants in the Indenture. The Restricted Group comprises the Company and its majority owned subsidiaries. The Restricted Group does not include Terberg Leasing B.V., LeasePlan Emirates Fleet Management—LeasePlan Emirates LLC and Flottenmanagement GmbH; accordingly these entities are subject to the covenants in the Indenture that apply to the Restricted Group.

(3) The Issuer issued €1,250.0 million aggregate principal amount of Euro Notes and \$400.0 million aggregate principal amount of Dollar Notes. The Notes are senior secured obligations of the Issuer and are guaranteed on a senior secured basis by the Company. The Notes Guarantee is subject to certain limitations under applicable law, as described under "Risk factors—Risks related to the Notes, the Notes Guarantee and our structure—The Notes Guarantee and the Collateral are subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability." The Notes are not guaranteed by LP Group, LeasePlan or any of their respective subsidiaries. Subject to the operation of the Agreed Security Principles, the Notes are secured by first-ranking security interests (or security interests treated as such pursuant to the terms of the Intercreditor Agreement) over shares of capital stock of the Company, LP Group and the Issuer, certain bank accounts of the Company (held through the Dutch Branch), the Company and the Issuer (including the Interest Reserve Account) and the rights of the Issuer under the Proceeds Loan (together, the "Collateral"). Enforcement of the Collateral is subject to certain limitations, including regulatory requirements. In particular, enforcement of the security interests over shares of capital stock of the Company and/or LP Group may be subject to the requirement to seek a declaration of no-objection from the ECB (in consultation with the DNB). See "Risk factors—Risks related to the Notes, the Notes Guarantee and our structure—The Collateral is subject to certain regulatory limitations upon the occurrence of an acceleration event and enforcement, and the events leading to such an acceleration event may result in other supervisory measures that may have a material adverse effect on the value of the Collateral." The Notes are not secured by assets or shares owned by LP Group, LeasePlan or any of their respective subsidiaries. See "Description of the Notes—Security." Under the terms of the Intercreditor Agreement, counterparties to certain hedging obligations will receive proceeds from the enforcement of the Collateral in priority to holders of the Notes. See "Description of other indebtedness—Intercreditor Agreement."

(4) A Proceeds Loan in respect of the gross proceeds of the Notes was made by the Issuer to the Dutch Branch following the release of such proceeds from the Escrow Accounts. The proceeds of the Proceeds Loan were used to finance a portion of the Acquisition and certain expenses relating to the Transactions, including the Offering, as set forth under "Use of proceeds." The Issuer's rights under the Proceeds Loan were pledged in favor of the Security Agent and comprise part of the Collateral. See "Description of the Notes—Security."

(5) LP Group is a direct subsidiary of the Company. The Company will allocate its investment in LP Group to the Dutch Branch for accounting purposes.

(6) The Notes are not guaranteed by LP Group, LeasePlan or any of their respective subsidiaries. As at December 31, 2015, LP Group, LeasePlan and their respective subsidiaries collectively had €15,302.5 million in outstanding financial debt.

(7) Following the Acquisition, the funding sources of LeasePlan and its subsidiaries comprised:

- the First Revolving Credit Facility Agreement, which provides for the First Revolving Credit Facility in the amount of €1,250 million. The borrower under the First Revolving Credit Facility Agreement is LeasePlan. No amounts were drawn under the First Revolving Credit Facility on the Issue Date;
- the Second Revolving Credit Facility Agreement, which provides for the Second Revolving Credit Facility in the amount of €1,250 million. LeasePlan replaced LP Group as a party to the Second Revolving Credit Facility Agreement and became a borrower under the Second Revolving Credit Facility following the Acquisition. No amounts were drawn under the Second Revolving Credit Facility on the Issue Date;
- borrowings from financial institutions, which include asset-backed securitization facilities;
- funds entrusted to LeasePlan, which include retail deposits with our internet banking operations; and
- debt securities issued, comprised of negotiable, interest-bearing securities, other than those of a subordinated nature.

See "*Capitalization*," "*Description of other indebtedness*," "*Management's discussion and analysis of financial condition and results of operations—Other contingent liabilities—Financing arrangements and funding—Funding diversification*" and "*Management's discussion and analysis of financial condition and results of operations—Financial position—Liabilities*" for further information.

## The Offering

The summary below describes the principal terms of the Notes and the Notes Guarantee. It is not intended to be complete and certain of the terms and conditions described below are subject to important exceptions. For additional information regarding the Notes and the Notes Guarantee, see "Description of the Notes" and "Description of other indebtedness—Intercreditor Agreement."

**Issuer** ..... Lincoln Finance Limited (the "Issuer").

**Parent Guarantor** ..... Lincoln Financing Holdings Pte. Limited (the "Company").

### Notes offered

**Euro Notes** ..... €1,250.0 million aggregate principal amount of 6.875% Senior Secured Notes due 2021 (the "Euro Notes").

**Dollar Notes** ..... \$400.0 million aggregate principal amount of 7.375% Senior Secured Notes due 2021 (the "Dollar Notes" and, together with the Euro Notes, the "Notes").

**Issue date** ..... March 16, 2016.

**Maturity date** ..... April 15, 2021.

### Interest

**Euro Notes** ..... 6.875% per annum.

**Dollar Notes** ..... 7.375% per annum.

### Interest payment

**dates** ..... Semi-annually in arrears on each April 15 and October 15, commencing on October 15, 2016. Interest will accrue from the Issue Date.

### Issue prices

**Euro Notes** ..... 100.000% plus accrued interest, if any, from the Issue Date.

**Dollar Notes** ..... 100.000% plus accrued interest, if any, from the Issue Date.

**Denominations** ..... The Euro Notes have a minimum denomination of €100,000 and any integral multiple of €1,000 in excess thereof. The Dollar Notes have a minimum denomination of \$200,000 and any integral multiple of \$1,000 in excess thereof.

**Ranking of the Notes** ... The Notes:

- are senior secured obligations of the Issuer, secured by first-ranking security interests (or security interests treated as such pursuant to the terms of the Intercreditor Agreement) over certain assets as set forth below under "—Security";
- rank equally in right of payment with all the Issuer's existing and future indebtedness that is not subordinated in right of payment to the Notes;
- rank senior in right of payment to all the Issuer's existing and future indebtedness that is subordinated in right of payment to the Notes;



- are effectively senior to all the Issuer's existing and future unsecured indebtedness to the extent of the value of the property or assets securing the Notes;
- are effectively subordinated to all the Issuer's existing and future secured indebtedness that is secured by property or assets that do not secure the Notes to the extent of the value of the property or assets securing such indebtedness; and
- are effectively subordinated to any existing and future indebtedness of the subsidiaries of the Company (other than the Issuer) that do not guarantee the Notes, including all existing and future debt of LeasePlan and its subsidiaries.

The Euro Notes and the Dollar Notes constitute separate series of Notes, but shall be treated as a single class for all purposes under the Indenture, including in respect of any amendment, waiver or other modification of the Indenture or any other action by the holders of the Notes thereunder, except as otherwise provided in the Indenture.

**Interest Reserve  
Account and Interest  
Coverage Account . . . . .**

The Interest Reserve Account is held by the Dutch Branch. Following the release of the proceeds of the Offering from the Escrow Accounts, the Interest Reserve Account was initially funded with a portion of the proceeds from the Offering and the Equity Contribution in an amount equal to at least 2.5 years of interest expense with respect to the Notes (taking into account the impact of any hedging arrangements). The terms of the Indenture prohibit the Parent Guarantor or any member of the Restricted Group from making certain restricted payments at any time at which the balance of the Interest Reserve Account is less than an amount (the "**Interest Reserve Amount**") equal to 2.5 years of interest expense on the then-outstanding Notes (taking into account the impact of any hedging arrangements). See "*Description of the Notes—Certain covenants—Limitation on Restricted Payments*" for more information. Funds may be withdrawn from the Interest Reserve Account (i) to service interest payments on the Notes and (ii) to fund payments in connection with hedging arrangements in respect of the Notes, but in each case, if the balance of the Interest Reserve Account is less than the Interest Reserve Amount, only to the extent that no other funds are available for such payments. Funds in the Interest Reserve Account will also be available to be applied toward repayment of the Notes. Under the terms of the Intercreditor Agreement, counterparties under certain hedging obligations will receive proceeds from the enforcement of the Collateral over the Interest Reserve Account in priority to the Noteholders. See "*Description of other indebtedness—Intercreditor Agreement.*"

In addition, we maintain a separate Interest Coverage Account which is held by the Dutch Branch and into which we will deposit the proceeds from the 2015 LeasePlan announced dividend (after payment of certain Transaction costs in an amount not expected to exceed €65 million and which, in any event, will not exceed €70

million). Funds deposited into the Interest Coverage Account may not be withdrawn except to make payments of principal, premium, interest or additional amounts (if any), on any debt of the Company or the Issuer, including the Notes, and to fund payments or provide collateral in connection with hedging arrangements in respect of the Notes. Funds deposited into the Interest Coverage Account may be counted as Consolidated EBITDA (as defined under *"Description of the Notes—Certain definitions"*) for the purposes of incurring indebtedness under the Fixed Charge Coverage Ratio (as defined under *"Description of the Notes—Certain definitions"*) of the Company. See *"Description of the Notes—Certain covenants—Limitation on Indebtedness"* for more information. Subject to the operation of the Agreed Security Principles, the Interest Coverage Account has been pledged in favor of the Security Agent and comprises part of the Collateral.

**Notes Guarantee . . . . .** The Notes are unconditionally guaranteed on a senior secured basis by the Company.

The Notes Guarantee is subject to contractual and legal limitations, and may be released under certain circumstances. See *"Description of the Notes—Notes Guarantees"* and *"Risk factors—Risks related to the Notes, the Notes Guarantee and our structure."*

The Notes are not guaranteed by LP Group, LeasePlan or any of their respective subsidiaries.

**Ranking of the Notes**

**Guarantee . . . . .** The Notes Guarantee:

- is a senior secured obligation of the Company, secured by first-ranking security interests (or security interests treated as such pursuant to the terms of the Intercreditor Agreement) as set forth below under *"—Security"*;
- rank equally in right of payment with the Company's existing and future indebtedness that is not subordinated in right of payment to the Notes Guarantee;
- rank senior in right of payment to the Company's existing and future indebtedness that is subordinated in right of payment to the Notes Guarantee;
- is effectively senior to the Company's existing and future unsecured indebtedness to the extent of the value of the property or assets securing the Notes Guarantee; and
- is effectively subordinated to all the Company's existing and future secured indebtedness that is secured by property or assets that do not secure the Notes Guarantee to the extent of the value of the property or assets securing such indebtedness.

The Notes Guarantee is subject to release under certain circumstances. See *"Risk factors—Risks related to the Notes, the Notes Guarantee and our structure"* and *"Description of the Notes—Notes Guarantees."*

**Security** ..... As of the Issue Date, subject to the operation of the Agreed Security Principles and certain perfection requirements, the Notes were secured by first-ranking charges over the funds credited to the Escrow Accounts (the "**Escrow Charges**"), and by first-ranking security interests (or security interests treated as such pursuant to the terms of the Intercreditor Agreement) over shares of capital stock of the Company, LP Group and the Issuer, certain bank accounts of the Company (held through the Dutch Branch) and the Issuer (including the Interest Reserve Account) and the rights of the Issuer under the Proceeds Loan (together, the "**Collateral**"). The Notes are not secured by assets or shares owned by LP Group, LeasePlan or any of their respective subsidiaries. See "*Description of the Notes—Security.*"

The security interests created under the Security Documents entered into on the Issue Date (other than the Escrow Charges) are junior and subject to the security interests created over the same Collateral pursuant to the Security Documents entered into prior to the Issue Date, which prior security interests have also been granted in favor of the Security Agent for the benefit of the secured parties (which includes the Trustee on behalf of the Noteholders). However, under the terms of the Intercreditor Agreement, such junior security interests are treated as pari passu security interests with such prior security interests. See "*Description of the Notes—Security*" and "*Description of other indebtedness—Intercreditor Agreement.*"

Enforcement of the Collateral is subject to certain limitations, including regulatory requirements. In particular, enforcement of the security interests over shares of capital stock of the Company and/or LP Group may be subject to the requirement to seek a declaration of no-objection from the ECB (in consultation with the DNB). See "*Risk factors—Risks related to the Notes, the Notes Guarantee and our structure—The Collateral is subject to certain regulatory limitations upon the occurrence of an acceleration event and enforcement, and the events leading to such an acceleration event may result in other supervisory measures that may have a material adverse effect on the value of the Collateral.*"

Under the terms of the Intercreditor Agreement, counterparties to certain hedging obligations will receive proceeds from the enforcement of the Collateral in priority to holders of the Notes. See "*Description of other indebtedness—Intercreditor Agreement.*"

The Collateral is, in each case, limited and subject to certain statutory preferences under the laws of Jersey, the Netherlands, England and Wales and Singapore, as applicable, as described under "*Risk factors—Risks related to the Notes, the Notes Guarantee and our structure—The Notes Guarantee and the Collateral are subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability*" and "*Limitations on validity and enforceability of the Notes Guarantee and security interests.*"

The Collateral may be released under certain circumstances. See "*Risk factors—Risks related to the Notes, the Notes Guarantee and our*

*structure," "Description of other indebtedness—Intercreditor Agreement" and "Description of the Notes—Security—Release of Liens."*

**Additional amounts . . . .** Any payments made by the Issuer or the Company with respect to the Notes will be made without withholding or deduction for taxes in any relevant taxing jurisdiction unless required by law. If either of the Issuer or the Company is required by law to withhold or deduct for such taxes with respect to a payment to the holders of Notes, the Issuer or the Company, as applicable, will pay the additional amounts necessary so that the net amount received by the Noteholders after the withholding is not less than the amount that they would have received in the absence of the withholding, subject to certain exceptions. See *"Description of the Notes—Additional Amounts."*

**Optional redemption of the Notes . . . . .** Prior to April 15, 2018, the Issuer will be entitled at its option to redeem all or a portion of the Notes at a redemption price equal to 100% of the principal amount of such Notes redeemed plus the applicable "make whole" premium described in this listing circular and accrued and unpaid interest and additional amounts, if any, to, but excluding, the redemption date.

On or after April 15, 2018, the Issuer will be entitled at its option to redeem all or a portion of the Notes at the applicable redemption prices set forth under the caption *"Description of the Notes—Optional redemption,"* plus accrued and unpaid interest and additional amounts, if any, to, but excluding, the redemption date.

Prior to April 15, 2018, the Issuer will be entitled at its option, on one or more occasions, to redeem Euro Notes in an aggregate principal amount not to exceed 40% of the original aggregate principal amount of the Euro Notes with the net cash proceeds from certain equity offerings at a redemption price equal to 106.875% of the principal amount outstanding in respect of the Euro Notes, plus accrued and unpaid interest, if any, to, but excluding, the redemption date, provided that at least 60% of the original aggregate principal amount of Euro Notes remains outstanding immediately after each such redemption.

Prior to April 15, 2018, the Issuer will be entitled at its option, on one or more occasions, to redeem Dollar Notes in an aggregate principal amount not to exceed 40% of the original aggregate principal amount of the Dollar Notes with the net cash proceeds from certain equity offerings at a redemption price equal to 107.375% of the principal amount outstanding in respect of the Dollar Notes, plus accrued and unpaid interest, if any, to, but excluding, the redemption date, provided that at least 60% of the original aggregate principal amount of Dollar Notes remains outstanding immediately after each such redemption.

**Optional redemption for tax reasons . . . . .** In the event of certain developments affecting taxation or certain other circumstances, the Issuer may redeem each series of Notes in whole, but not in part, at any time, at a redemption price of 100% of

the principal amount, plus accrued and unpaid interest, if any, and additional amounts, if any, to the date of redemption. See *"Description of the Notes—Redemption for taxation reasons."*

**Escrow of proceeds** . . . . Pending the consummation of the Acquisition, the Initial Purchasers deposited the gross proceeds from the offering of the Euro Notes into the Euro Notes Escrow Account, and the gross proceeds from the offering of the Dollar Notes into the Dollar Notes Escrow Account.

The Acquisition was consummated on March 21, 2016, and the proceeds have been released from escrow in connection therewith.

**Change of Control** . . . . Upon the occurrence of certain events defined as constituting a change of control, the Issuer may be required to offer to repurchase all outstanding Notes at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase plus accrued and unpaid interest to the date of purchase. See *"Description of the Notes—Change of Control."*

**Certain covenants** . . . . The Indenture relating to the Notes, among other things, restricts the ability of the Company and its restricted subsidiaries to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- create or incur certain liens;
- make certain payments, including dividends or other distributions, with respect to the shares of the Company;
- prepay or redeem subordinated debt or equity;
- make certain investments;

- create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to and on the transfer of assets to the Company or its restricted subsidiaries;
- sell, lease or transfer certain assets including stock of restricted subsidiaries;
- engage in certain transactions with affiliates;
- with respect to the Issuer and Midco, engage in prohibited activities;
- consolidate or merge with other entities;
- impair the security interests for the benefit of the holders of the Notes; and
- amend certain documents.

Each of these covenants is subject to significant exceptions and qualifications. See *"Description of the Notes—Certain covenants."*

<b>Transfer restrictions . . . . .</b>	The Notes and the Notes Guarantee have not been registered under the U.S. Securities Act. You may only offer or sell the Notes in transactions that are exempt from, or not subject to, the registration requirements of the U.S. Securities Act, or pursuant to an effective registration statement. See <i>"Transfer restrictions."</i> The Issuer has not agreed to, or otherwise undertaken, to register the Notes under the U.S. Securities Act.
<b>No prior market . . . . .</b>	The Notes are new securities for which there was, prior to the Issue Date, no established trading market. Although the Initial Purchasers have advised the Issuer that they intend to make a market in the Notes, they are not obligated to do so and they may discontinue market making at any time without notice. Accordingly, there can be no assurance that an active trading market will develop for the Notes.
<b>Listing . . . . .</b>	Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes to trading on the Euro MTF Market.
<b>Use of proceeds . . . . .</b>	The Issuer has used the proceeds from this Offering to indirectly finance a portion of the Acquisition and certain expenses relating to the Transactions, including the Offering, as set forth under <i>"Use of proceeds."</i>
<b>Governing law . . . . .</b>	The Indenture, the Notes and the Notes Guarantee are governed by the laws of the State of New York.  The Intercreditor Agreement is governed by the laws of England and Wales.  The Escrow Agreement and the Escrow Charges were governed by the laws of England and Wales.  The Security Documents are governed by the laws of Jersey, the Netherlands, England and Wales and Singapore.
<b>Security Agent . . . . .</b>	U.S. Bank Trustees Limited.
<b>Trustee . . . . .</b>	U.S. Bank Trustees Limited.



<b>Escrow Agent</b> . . . . .	Elavon Financial Services Limited, UK Branch.
<b>Principal Paying Agent and Transfer Agent</b> . . . .	Elavon Financial Services Limited, UK Branch.
<b>U.S. Paying Agent and Transfer Agent</b> . . . . .	U.S. Bank National Association.
<b>Registrar</b> . . . . .	Elavon Financial Services Limited.
<b>Luxembourg Listing Agent</b> . . . . .	Lucid Issuer Services Limited.
<b>Risk factors</b> . . . . .	Investing in the Notes involves a high degree of risk. See the " <i>Risk factors</i> " section for a description of certain of the risks you should carefully consider before investing in the Notes.

## Summary consolidated financial data

The following tables summarize our historical consolidated financial data as of the dates and for the periods indicated.

The Issuer was incorporated under the laws of Jersey on March 4, 2015 and the Company was incorporated under the laws of Singapore on March 3, 2015, in each case for the purpose of facilitating the Transactions, including the Offering and the use of proceeds therefrom. Until the consummation of the Transactions, neither the Issuer nor the Company had any material assets or liabilities and neither has engaged in any activities other than those related to their incorporation in preparation for the Transactions and the consummation of the Transactions. Consequently, no historical financial information relating to the Issuer or the Company is available.

Unless otherwise indicated, all historical financial information presented in this listing circular is of LeasePlan and its subsidiaries; accordingly, all references to “we,” “us,” “our” or the “Group” in respect of historical financial information in this listing circular are to LeasePlan and its subsidiaries on a consolidated basis unless otherwise indicated. In particular, this listing circular includes audited consolidated financial statements and accompanying notes of LeasePlan and its subsidiaries as of and for the years ended December 31, 2013, 2014 and 2015 prepared in accordance with IFRS and audited financial statements and accompanying notes of LeasePlan on a stand-alone basis as of and for the years ended December 31, 2013, 2014 and 2015 prepared in accordance with Dutch law.

This listing circular also presents certain summary unaudited adjusted financial data, which has been prepared to give effect to the Transactions. The unaudited adjusted financial data is for informational purposes only and does not purport to present what our results of operations and financial condition would have been had the Transactions actually occurred on the dates specified, nor does it project our results of operations for any future period or our financial condition at any future date. The unaudited adjusted financial data set out in this listing circular is based on available information and certain assumptions and estimates that we believe are reasonable but may differ materially from the actual amounts.

The consolidated and stand-alone financial statements of LeasePlan and its subsidiaries included in this listing circular have not been adjusted to reflect the impact of any changes to the income statements, balance sheet or cash flow statements that might occur as a result of purchase accounting adjustments to be applied as a result of the Acquisition. The Company will, in its consolidated financial statements, account for the Acquisition using the acquisition method of accounting under IFRS, which will affect the comparability of the Company’s audited consolidated financial statements with the financial information contained in this listing circular. Under IFRS 3 (Business Combinations) the consideration transferred is measured as the fair value of the assets transferred, liabilities incurred and the equity interests issued by the acquirer, including the fair value of any contingent consideration. Acquisition-related costs are expensed as incurred. As of the Completion Date, the Company will recognize in its consolidated financial statements, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in LeasePlan and its subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair market values at the date of the Acquisition. The excess of the consideration transferred over the fair value of the acquirer’s share of the identifiable net assets acquired is recorded as goodwill. In accordance with IFRS, we have up to twelve months from the date of the Acquisition to finalize the allocation of the purchase price.

The following tables should be read in conjunction with, and are qualified in their entirety by reference to, our financial statements and the accompanying notes included elsewhere in this listing circular. The tables below should also be read together with the sections entitled

"Presentation of financial and other information," "Use of proceeds," "Capitalization," "Selected historical financial information" and "Management's discussion and analysis of financial condition and results of operations." The results of operations for prior years are not necessarily indicative of the results to be expected for any future period.

Rounding adjustments have been made in calculating some of the financial and other information included in this listing circular. As a result, figures shown as totals in some tables and charts may not be exact arithmetic aggregations of the figures that precede them.

### Consolidated income statement

(€ in millions)	Year ended December 31,		
	2013	2014	2015
Depreciation <sup>(1)</sup> . . . . .	47.7	43.3	42.6
Lease services <sup>(2)</sup> . . . . .	143.3	152.0	161.4
Damage risk retention <sup>(3)</sup> . . . . .	167.0	174.3	184.4
Rental <sup>(4)</sup> . . . . .	17.1	15.1	18.4
Management fees <sup>(5)</sup> . . . . .	199.8	202.2	211.0
Results of vehicles sold <sup>(6)</sup> . . . . .	153.9	246.3	328.7
Other <sup>(7)</sup> . . . . .	92.9	90.8	120.0
<b>Gross profit</b> . . . . .	<b>821.7</b>	<b>924.2</b>	<b>1,066.6</b>
Interest and similar income . . . . .	859.3	794.2	780.0
Interest expenses and similar charges . . . . .	479.7	377.7	330.0
<b>Net interest income</b> . . . . .	<b>379.7</b>	<b>416.5</b>	<b>450.0</b>
Impairment charges on loans and receivables . . . . .	25.1	20.1	23.2
<b>Net interest income after impairment charges on loans and receivables</b> . . . . .	<b>354.6</b>	<b>396.4</b>	<b>426.7</b>
Unrealized gains/(losses) on financial instruments . . . . .	25.7	(12.1)	13.5
Other financial gains/(losses) . . . . .	(4.0)	—	—
<b>Net finance income</b> . . . . .	<b>376.3</b>	<b>384.3</b>	<b>440.2</b>
<b>Total operating and net finance income</b> . . . . .	<b>1,198.0</b>	<b>1,308.5</b>	<b>1,506.8</b>
Staff expenses . . . . .	472.3	498.6	558.0
General and administrative expenses . . . . .	256.8	263.4	290.6
Depreciation and amortization . . . . .	48.7	54.0	56.2
<b>Total operating expenses</b> . . . . .	<b>777.7</b>	<b>816.0</b>	<b>904.7</b>
Share of profit of associates and jointly controlled entities . . . . .	7.5	6.6	5.9
<b>Profit before tax</b> . . . . .	<b>427.8</b>	<b>499.0</b>	<b>607.9</b>
Income tax expenses . . . . .	101.3	127.0	165.5
<b>Profit for the financial period</b> . . . . .	<b>326.5</b>	<b>372.0</b>	<b>442.5</b>

(1) We depreciate leased vehicles on a straight-line basis over the lease term, which we recognize as depreciation cost of revenues. We invoice customers for depreciation as part of their lease installment payment, which we recognize as depreciation revenues. Our depreciation margin is the difference between the depreciation revenues and depreciation cost of revenues.

(2) Lease services margin is the difference between lease services revenues received from the service nature of fleet management, such as vehicle repair, maintenance and tire replacement, and the related costs of revenues for the provision of those services. The margin on lease services is principally the total of (i) any discounts on the lease services costs we purchase which we are able to achieve due to our scale and (ii) any premiums on the lease services costs when charging the lease services to our customers.

(3) Damage risk retention margin is the difference between our damage risk retention revenues and our damage risk retention costs. We retain a portion of the long-tail risks (motor third-party liability and legal defense) and short-tail risks (motor material damage and passenger indemnity) of our fleet. We receive compensation for these risks which we receive from customers under their lease contracts, which are our damage risk retention revenues. Our damage risk retention cost is for the cost we incur for such damage risk up to final settlement.

(4) Rental includes the result from rental activities, including the provision of replacement vehicles.

(5) Management fees are the charges applied to customers for the fleet management services we provide.

(6) Results of vehicles sold represents the result with respect to the termination of lease contracts. This result largely relates to the sales results of vehicles sold at the end of the lease contract which is the difference between the contracted residual value of the vehicle and the sales proceeds from the vehicle. Furthermore, this termination result relates to certain other components connected to lease contract terminations, such as results stemming from termination fees, invoiced excessive wear and tear, releases of repair, maintenance, tire accruals and disposal costs.

(7) Other revenues consists primarily of discounts earned in connection with costs recharged to clients, as well as the revenues and cost of revenues that relate to regular business operations but cannot be categorized as any of the components of revenues and cost of revenues specified above.

Our cost of revenues comprise the costs associated with providing the above-mentioned service components of the lease installments. Any (volume related) discounts related to these expenses, except those earned on the purchase of leased objects, are credited directly to expenses. Discounts received on purchases of objects for operating lease contracts are deducted from the purchase consideration and as such, result in lower depreciation. Discounts received on purchases of objects for finance lease contracts are recognized immediately in the income statement.

Other revenues and cost of revenues also reflects the correction for straight-line recognition of interest income for operating leased assets. Such correction relates to the fact that we present interest income from operating lease installment payments based on the effective interest rate method, which uses the interest rate included in the lease contract and based on the net investment value of the leased asset. In order to arrive at a total straight-line recognition of the interest income for operating lease contracts, a correction is required. Typically, during the first half of an operating lease contract the required correction to the interest income using the effective interest rate method is negative. During the second half this correction turns positive, effectively reversing the corrections made during the first half of the operating lease contract.

Cost of revenues also includes the carrying amount of the sold vehicles and the costs associated with rental activities.

## Consolidated balance sheet

(€ in millions)	As of December 31,		
	2013	2014	2015
<b>Assets</b>			
Cash and balances at central banks .....	978.8	958.0	1,605.4
Receivables from financial institutions .....	1,439.1	1,222.8	368.9
Derivative financial instruments .....	120.4	183.0	166.1
Other receivables and prepayments .....	586.8	668.5	837.4
Inventories .....	202.0	205.3	261.3
Receivables from clients .....	2,829.9	2,952.1	3,309.5
Property and equipment under operating lease and rental fleet ..	12,226.6	12,681.3	14,261.5
Other property and equipment .....	82.7	82.9	90.7
Loans to associates and jointly controlled entities .....	258.4	290.1	103.3
Investments in associates and jointly controlled entities .....	55.2	57.1	24.2
Intangible assets .....	163.8	162.9	171.3
Corporate income tax receivable .....	30.9	20.5	37.4
Deferred tax assets .....	154.8	161.8	141.4
Assets classified as held-for-sale and discontinued operations ....	—	9.4	36.8
<b>Total assets</b> .....	<b>19,129.4</b>	<b>19,655.7</b>	<b>21,415.2</b>
<b>Liabilities</b>			
Trade and other payables and deferred income .....	1,945.4	2,062.0	2,255.3
Borrowings from financial institutions .....	2,523.3	1,991.4	2,073.1
Derivative financial instruments .....	197.5	130.3	88.4
Funds entrusted .....	4,320.2	4,378.9	5,087.0
Debt securities issued .....	6,988.7	7,638.0	8,142.4
Provisions .....	331.2	355.3	378.3
Corporate income tax payable .....	43.9	23.4	37.3
Deferred tax liabilities .....	197.6	233.6	253.9
Liabilities classified as held-for-sale .....	—	—	28.1
<b>Total liabilities</b> .....	<b>16,547.8</b>	<b>16,812.8</b>	<b>18,343.8</b>
<b>Equity</b>			
Share capital .....	71.6	71.6	71.6
Share premium .....	506.4	506.4	506.4
Other reserves and other comprehensive income .....	2,003.6	2,264.9	2,493.5
Equity attributable to the owners of the parent .....	2,581.6	2,842.9	3,071.5
<b>Total equity</b> .....	<b>2,581.6</b>	<b>2,842.9</b>	<b>3,071.5</b>
<b>Total equity and liabilities</b> .....	<b>19,129.4</b>	<b>19,655.7</b>	<b>21,415.2</b>

## Consolidated statement of cash flows

(€ in millions)	Year ended December 31,		
	2013	2014	2015
Net cash inflow/(outflow) from operating activities .....	1,087.4	(129.0)	(1,025.7)
Net cash inflow/(outflow) from investing activities .....	(102.7)	(79.2)	101.8
Net cash inflow/(outflow) from financing activities .....	(1,172.2)	133.2	1,588.3
Net movement in cash and balances with banks .....	(187.4)	(75.0)	664.4

## Composition of capital and risk-weighted assets

(€ in millions) Eligible Capital	As at December 31,		
	2013	2014	2015
	(unaudited, except as otherwise indicated)		
Share capital and share premium .....	578.0	578.0	578.0
Other reserves .....	(42.6)*	(13.2)*	3.1*
Retained earnings .....	2,046.1*	2,278.1*	2,490.4*
<b>Total IFRS Equity .....</b>	<b>2,581.6*</b>	<b>2,842.9*</b>	<b>3,071.5*</b>
Excluded profit for the year .....	—	(372.0)*	(442.5)*
Foreseeable dividend .....	(140.0)*	—	—
Interim dividend paid out of retained earnings .....	6.0*	6.0*	0.0*
Prudential filter m-t-m derivatives .....	15.3	6.9	7.5
Deduction of deferred tax assets .....	—	(50.6)	(42.8)
Deduction of intangible assets (including goodwill) .....	(114.9)	(167.9)	(171.9)
AIRB provision shortfall .....	(10.3)	(37.6)	(42.8)
Prudential valuation adjustment .....	—	(0.2)	(0.1)
<b>Common Equity Tier 1 Capital .....</b>	<b>2,337.6*</b>	<b>2,227.6*</b>	<b>2,378.8*</b>
<b>Total assets on balance sheet .....</b>	<b>19,129.4*</b>	<b>19,655.7*</b>	<b>21,415.2*</b>
Impact of risk-weighting lease portfolio .....	(6,232.6)	(7,658.6)	(8,555.7)
Impact of risk-weighting other assets .....	(2,495.7)	(2,273.0)	(2,374.6)
<b>On balance risk-weighted assets .....</b>	<b>10,401.1</b>	<b>9,724.2</b>	<b>10,484.9</b>
Off-balance sheet commitments .....	285.9	828.5	949.9
Currency risk .....	744.2	831.5	981.3
Operational risk (AMA) .....	1,515.0	1,515.0	1,515.0
CVA Capital charge .....	—	62.3	52.5
Capital floor .....	898.7	—	—
<b>Risk-weighted assets Basel II resp. Basel III .....</b>	<b>13,845.0*</b>	<b>12,961.5*</b>	<b>13,983.6*</b>
<b>CET 1 ratio .....</b>	<b>16.9%*</b>	<b>17.2%*</b>	<b>17.0%*</b>

\* Indicates audited figure.

## Non-IFRS financial data of LeasePlan

(€ in millions)	As of and for the year ended December 31,		
	2013	2014	2015
	(unaudited, except as otherwise indicated)		
Total Leased Assets <sup>(1)</sup> .....	14,534.9*	15,111.6	17,048.7
Total interest-bearing assets <sup>(2)</sup> .....	16,952.7	17,292.4	19,023.0
Total interest-bearing liabilities <sup>(3)</sup> .....	13,832.2	14,008.3	15,302.5
Total operating and net finance income excluding Results of vehicles sold .....	1,044.2	1,062.1	1,178.1
Interest income as a % of average Total interest-bearing assets <sup>(4)</sup> .....	5.0%	4.6%	4.3%
Interest expense as a % of average Total interest-bearing liabilities <sup>(5)</sup> .....	3.4%	2.7%	2.3%
Net interest margin <sup>(6)</sup> .....	2.2%	2.4%	2.5%
Cost to income ratio <sup>(7)</sup> .....	64.7%	60.9%	59.7%
Cost to income ratio (excluding Results of vehicles sold) <sup>(8)</sup> .....	74.2%	74.6%	76.2%
Return on average assets <sup>(9)</sup> .....	1.7%	1.9%	2.2%
Return on average equity <sup>(9)</sup> .....	13.1%	13.7%	15.0%
LeasePlan announced dividends <sup>(10)</sup> .....	140.0	236.0	265.5
LeasePlan announced dividend payout ratio <sup>(11)</sup> .....	42.9%	63.4%	60.0%

\* Indicates audited figure.

(1) Consists of Receivables from clients under finance lease contracts and Property and equipment under operating lease and rental fleet.

(2) Consists of Receivables from clients under finance lease contracts, Property and equipment under operating lease and rental fleet, Cash and balances at central banks and Receivables from financial institutions.

(3) Consists of Debt securities issued, Funds entrusted and Borrowings from financial institutions.

(4) Calculated as Interest and similar income for the period divided by the arithmetic average of Total interest-bearing assets at the beginning and end of the period, expressed as a percentage.

(5) Calculated as Interest expenses and similar charges for the period divided by the arithmetic average of Total interest-bearing liabilities at the beginning and end of the period, expressed as a percentage.

(6) Calculated as Net interest income before impairment charges on loans and receivables for the period divided by the arithmetic average of Total interest-bearing assets at the beginning and end of the period, expressed as a percentage.

(7) Calculated as Total operating expenses divided by the sum of Gross profit plus Net interest income before impairment charges on loans and receivables.

(8) Calculated as Total operating expenses divided by the sum of Gross profit minus Results of vehicles sold plus Net interest income before impairment charges on loans and receivables.

(9) Return on average assets ("RoAA") is calculated as Profit for the financial period divided by the arithmetic average of Total assets at the beginning and end of the period. Return on Average Equity ("RoAE") is calculated as Profit for the financial period divided by the arithmetic average of shareholders' equity (before minority interests) at the beginning and end of the period.

(10) Represents dividends relating to the period that are announced and paid by LeasePlan during the period or a subsequent period. LeasePlan has previously followed a practice of paying a relatively small interim dividend (€6.0 million in December 2014, attributable to 2014) and paying the majority of the annual dividend as a final dividend early in the subsequent calendar year (€230.0 million in February 2015 attributable to 2014). However, with respect to 2015, LeasePlan declared its full annual dividend (€265.5 million) in March 2016 and such dividend is expected to be paid following the Completion Date. Future dividend distributions from equity by LeasePlan are subject to approval by the Shareholders and finalization of LeasePlan's accounts for such year. The payment of future dividends will also be subject to certain regulatory requirements and restrictions. In addition, the DNB may have powers in certain situations to prohibit or restrict distributions by LeasePlan given its status as a regulated entity. See "Management's discussion and analysis of financial condition and results of operations—Significant factors affecting our financial condition and results of operations—LeasePlan dividends."

(11) Represents LeasePlan announced dividends during the period as a percentage of Profit for the financial period.



## Key operating data of LeasePlan

(€ in millions, except as otherwise indicated)	As of and for the year ended December 31,		
	2013	2014	2015
	(unaudited, except as otherwise indicated)		
Receivables from clients under finance leases	2,308.2*	2,430.3*	2,787.1*
Property and equipment under operating lease and rental fleet	12,226.6*	12,681.3*	14,261.5*
Total fleet ('000 of vehicles)	1,370.1	1,422.7	1,552.8
Total funded fleet ('000 of vehicles) <sup>(1)</sup>	1,010.8	1,033.4	1,109.6
Total serviced fleet ('000 of vehicles) <sup>(2)</sup>	1,343.5	1,401.4	1,533.0
Residual value <sup>(3)</sup>	8,092.3	8,403.4	9,602.8
Operating income per average number of cars (€) <sup>(4)</sup>	883.9	960.1	1,019.3
Operating expense per average number of cars (€)	572.2	584.3	608.1
Net income per average number of cars (€)	240.2	266.4	297.4
Contracted residual value at lease inception for lease terminations (as a % of list price) <sup>(5)</sup>	41.1%	40.7%	40.8%
Residual value risk mitigation (as a % of list price) <sup>(5)</sup>	6.1%	5.6%	5.3%
Net book value (as a % of list price) <sup>(5)</sup>	35.0%	35.1%	35.6%
Sales proceeds (as a % of list price) <sup>(5)</sup>	36.7%	38.2%	39.5%
Sales result (as a % of list price) <sup>(5)</sup>	1.7%	3.2%	3.9%

\* Indicates audited figure.

(1) Includes Funded with services and Funded without services fleets, which together comprise the total fleet for which LeasePlan has provided financing. See "Business—Contractual framework and pricing—Tailored client offerings" for further information regarding our contract mix.

(2) Includes Funded with services, Funded without services and Services only fleets. See "Business—Contractual framework and pricing—Tailored client offerings" for further information regarding our contract mix.

(3) Consists of contracted residual values of unsold vehicles on our balance sheet and contracted residual values of leased vehicles held off-balance sheet.

(4) Operating income calculated as the sum of Gross profit and Net interest income before impairment charges on loans and receivables.

(5) For passenger cars sold during the period following normal lease terminations, excluding equipment and trucks as well as any adjustments stemming from prior periods.

## Adjusted Financial Data for the Company on a consolidated basis giving effect to the Transactions<sup>(1)</sup>

(€ in millions, except as otherwise indicated)	As of and for the year ended December 31,
	2015
	(unaudited)
Gross debt relating to the Notes <sup>(2)</sup>	1,613.6
Interest Reserve Account <sup>(3)</sup>	279.0
Interest Reserve Account as a % of Gross debt relating to the Notes	17.3%
2015 LeasePlan announced dividend	265.5
Annual cash interest expense on the Notes <sup>(4)</sup>	112.8
Ratio of 2015 LeasePlan announced dividend to Annual cash interest expense on the Notes	2.4x
Ratio of 2015 LeasePlan announced dividend, net of excess Transaction costs plus Interest Reserve Account to Annual cash interest expense on the Notes <sup>(5)</sup>	4.3x

(1) The unaudited adjusted financial data presented herein has been derived from or developed by applying adjustments to the Company's financial information as of and for the year ended December 31, 2015 to give effect to the Transactions, including the Offering and the use of proceeds as described in "Use of proceeds," as well as to the payment of the 2015 LeasePlan announced dividend and the application of the proceeds therefrom. The unaudited adjusted financial data is based upon available information and certain assumptions that we believe are reasonable under the circumstances. The unaudited adjusted financial

data is presented for informational purposes only and does not purport to represent what our results of operations or financial condition would have been had the Transactions actually occurred on the date indicated, and they do not purport to project the results of operations or financial condition for any future period or as of any future date. The unaudited adjusted condensed consolidated financial data should be read in conjunction with the information contained in "Selected historical financial information," "Management's discussion and analysis of financial condition and results of operations" and the financial statements and related notes thereto appearing elsewhere in this listing circular. The unaudited adjusted financial data is not intended to represent *pro forma* financial information prepared in accordance with the requirements of Regulation S-X promulgated under the U.S. Securities Act or other SEC requirements or IFRS or any other generally accepted accounting principles.

(2) Represents €1,250 million principal amount of Euro Notes and \$400 million principal amount of Dollar Notes, translated at an exchange rate of \$1.1000 = €1.00, which represents the rate of exchange as of March 9, 2016, as published by Bloomberg Composite Rate (New York).

(3) The Interest Reserve Account is held by the Dutch Branch. Following the release of the proceeds of the Offering from the Escrow Accounts, the Interest Reserve Account was initially funded with a portion of the proceeds from the Offering and the Equity Contribution in an amount equal to at least 2.5 years of interest expense with respect to the Notes (taking into account the impact of hedging arrangements). The actual amount deposited in the Interest Reserve Account in connection with the Transactions was determined taking into account the impact of hedging arrangements with respect to the Notes in place at the time of deposit. The terms of the Indenture prohibit the Parent Guarantor or any member of the Restricted Group from making certain restricted payments at any time at which the balance of the Interest Reserve Account is less than the Interest Reserve Amount, which is equal to 2.5 years of interest expense on the then-outstanding Notes (taking into account the impact of any hedging arrangements). See "Description of the Notes—Certain covenants—Limitation on Restricted Payments" for more information. Funds may be withdrawn from the Interest Reserve Account (i) to service interest payments on the Notes and (ii) to fund payments in connection with hedging arrangements in respect of the Notes, but in each case, if the balance of the Interest Reserve Account is less than the Interest Reserve Amount, only to the extent that no other funds are available for such payments. Funds in the Interest Reserve Account will also be available to be applied toward repayment of the Notes. Under the terms of the Intercreditor Agreement, counterparties under certain hedging obligations will receive proceeds from the enforcement of the Collateral over the Interest Reserve Account in priority to the Noteholders. See "Description of other indebtedness—Intercreditor Agreement."

In addition, we maintain a separate Interest Coverage Account which is held by the Dutch Branch and into which we will deposit the proceeds from the 2015 LeasePlan announced dividend (after payment of certain Transaction costs in an amount not expected to exceed €65 million and which, in any event, will not exceed €70 million). Funds deposited into the Interest Coverage Account may not be withdrawn except to make payments of principal, premium, interest or additional amounts (if any), on any debt of the Company or the Issuer, including the Notes, and to fund payments or provide collateral in connection with hedging arrangements in respect of the Notes. Funds deposited into the Interest Coverage Account may be counted as Consolidated EBITDA (as defined under "Description of the Notes—Certain definitions") for the purposes of incurring indebtedness under the Fixed Charge Coverage Ratio (as defined under "Description of the Notes—Certain definitions") of the Company. See "Description of the Notes—Certain covenants—Limitation on Indebtedness" for more information. Subject to the operation of the Agreed Security Principles, the Interest Coverage Account has been pledged in favor of the Security Agent and will comprise part of the Collateral.

(4) Based on an aggregate of €1,614 million (equivalent) of Notes (translated, in the case of the Dollar Notes, at an exchange rate of \$1.1000 = €1.00, which represents the rate of exchange as of March 9, 2016, as published by Bloomberg Composite Rate (New York)) yielding interest at a weighted average rate of 6.99% per year, without taking into account the impact of any hedging arrangements with respect to the Notes.

(5) 2015 LeasePlan announced dividend, net of excess Transaction costs represents the 2015 LeasePlan announced dividend of €265.5 million, less certain Transaction costs in an amount of €65 million, which Transaction costs are expected to be funded following the Completion Date using a portion of the proceeds from the 2015 LeasePlan announced dividend. Such Transaction costs are in addition to the estimated Transaction expenses to be paid using a portion of the proceeds from the Offering and/or the Equity Contribution as set forth under "Use of proceeds" and are not expected to exceed €65 million and, in any event, will not exceed €70 million.

## Risk factors

*An investment in the Notes involves a high degree of risk. You should carefully consider the following risks, together with the other information provided to you in this listing circular, in deciding whether to invest in the Notes. The occurrence of any of the events discussed below could be detrimental to our financial performance. If these events occur, the trading price of the Notes could decline, the Issuer may not be able to pay all or part of the interest or principal on the Notes, and you may lose all or part of your investment. Additional risks not currently known to us or the Issuer or which are presently deemed immaterial may also harm us or the Issuer and affect your investment.*

*This listing circular contains “forward-looking” statements that involve risks and uncertainties. Our actual results may differ significantly from the results discussed in such forward-looking statements. Factors that might cause such differences include those discussed below. See “Forward-looking statements.”*

*In these “Risk factors,” the terms “Group,” “we,” “us” and “our” refer collectively to the Company and its direct and indirect subsidiaries following completion of the Acquisition, including LeasePlan and its direct and indirect subsidiaries, unless otherwise indicated or the context so requires.*

### **Risks related to our business**

***Our business requires substantial funding and liquidity, and disruption in our funding sources or access to the capital markets could have a material adverse effect on our business, liquidity, cash flows, financial condition and results of operations.***

Our continued operations and expansion require access to significant amounts of funding. We want to increase our vehicle fleet under our current growth strategy to strengthen our presence in current markets and expand geographically. We intend to meet a substantial portion of our funding needs with debt. Historically, we have satisfied our funding requirements principally through the issuance of long- and short-term debt securities, bank loans, operating cash flows and the securitization of lease receivables, including residual values, and we are therefore dependent on continued access to these funding sources. We have also relied on retail deposits to meet part of our funding needs since 2010 and have thereby further diversified our funding sources. However, this diversification may be limited in the future by potential market or regulatory changes in the banking sector in the Netherlands, particularly developments with respect to capital and liquidity requirements (including net stable funding ratio) and the loss-absorbing capacity of liabilities in the context of resolvability (including requirements to maintain a sufficient minimum amount of own funds and eligible liabilities (MREL)). Due to our ongoing funding needs, we are exposed to liquidity risk in the event of prolonged closure of debt or credit markets or limited credit availability. Liquidity risk is the risk that we will have insufficient liquidity to finance new vehicle purchases for lease contracts and to meet our obligations as they fall due. If we cannot access existing or new sources of funds, insufficient liquidity would have a material adverse effect on our business, liquidity, cash flows, financial condition and results of operations.

In addition, we are significantly affected by the policies of national governments and EU institutions, such as the ECB, which regulates the money and credit supply in the eurozone. For example, during the global economic crisis we used securitizations of our lease receivables as collateral for loans from the ECB and we were able to access the 2008 Credit Guarantee Scheme of the State of the Netherlands for the issuance of medium-term debt. These funding options may or may not be available in the event of any similarly adverse economic conditions in the future. Changes in such policies, including as to the types of collateral available for ECB funding or special legislation by national governments, are beyond our control, may be difficult to predict and could adversely affect our liquidity, financial condition and results of operations.

There can be no assurance that our current financing arrangements will provide us with sufficient liquidity under various market and economic scenarios. Retail deposits are subject to fluctuation due to certain factors, such as a loss of confidence, increasing competitive pressures or the encouraged or mandated repatriation of deposits, which could result in a significant outflow of deposits within a short period of time. Even if our assets and available funding arrangements provide us with sufficient liquidity, our costs of funding could increase, including as a result of utilization of such funding arrangements. LeasePlan has historically benefited from an investment grade credit rating and any negative change in our or LeasePlan's current ratings could reduce our access to and increase the cost of future funding from our funding arrangements. Additionally, any changes to LeasePlan's credit rating or the credit ratings of our significant corporate customers, the lease receivables from which we have used and may use to fund our securitization program, could affect our securitization program's rating and the costs of any new issuances. To the extent that we are unable to pass on any increased borrowing costs to customers, our financial condition, results of operations and potentially our ability to raise funds, could be materially adversely affected.

***A decrease in the residual values or the sales proceeds of our leased vehicles could have a material adverse effect on our business, financial condition and results of operations.***

The risk of a decrease in our sales proceeds from previously leased vehicles and of such sales proceeds being less than the estimated residual values of such vehicles is mainly affected by external factors, including, among others, changes in economic conditions, consumer confidence, consumer preferences, exchange rates, government policies, new vehicle pricing, new vehicle sales, new vehicle brand images or marketing programs, the actual or perceived quality, safety or reliability of vehicles, the mix of used vehicle supply, the closure of manufacturers, the levels of current used vehicle values and fuel prices. For example, the onset of the global economic crisis in 2008 caused a significant decrease in our sales proceeds from previously leased vehicles in 2008 and 2009. After 2009, although substantially improved, such sales proceeds remained below our residual value estimates made at lease inception. At the end of 2011, our sales proceeds from previously leased vehicles declined further primarily due to deteriorating economic conditions and reduced consumer confidence. Secondary market prices for vehicles remained low through 2012 but were, on average, more stable, and prices increased in 2013, 2014 and 2015.

We are exposed to potential loss from the resale values of our vehicles declining below the estimates we make at lease inception and have a number of off-balance sheet residual value commitments. However, we do not retain residual value risk for all of our funded vehicles. We do not run residual value risk on vehicles that are classified as finance leases in the annual accounts, which represented 16% of our lease contract portfolio as at December 31, 2015. A decrease in the estimated residual values of our operating lease vehicles could increase our prospective depreciation costs while the vehicle is leased and reduce our sales proceeds upon the disposal of the vehicle at or after lease termination. We charge customers for depreciation of the leased vehicles during the life of the lease on a straight line basis based on our estimates at lease inception of the resale value of the leased vehicle at lease termination. However, we reassess our depreciation costs on leased vehicles throughout the life of the lease to reflect any changes to the estimated residual values of the leased vehicles. As a result, reductions in today's sales proceeds not only cause losses for vehicles associated with leases terminated now, but also increase the risk of having to take additional (prospective) depreciation charges into the current accounting period. Further, even if we are able to successfully pass the increased depreciation costs on to customers in a timely manner, these additional costs could make our services less attractive to customers, which could have a material adverse effect on our business, financial condition and results of operations. In addition, there can be no assurance that the adjustments we make to our depreciation costs during the life of the lease contract reflect the full decline of the residual value of the leased vehicle based on the actual sales proceeds from such vehicle.

Our ability to efficiently process and effectively market off-lease vehicles affects the disposal costs and proceeds realized from vehicle sales. Any of the factors that reduce the actual sales proceeds of leased vehicles could force us to reduce concurrently the estimated residual values of the leased vehicles in our fleet and cause a loss from increased prospective depreciation expenses or cause a loss on the sale of the vehicle on lease termination, which could have a material adverse effect on our business, financial condition and results of operations.

Since January 2014, the strong recovery of the second-hand car market has led us to increase residual values we set at contract inception, which could increase our exposure to the risks described above. To the extent that market prices of second-hand vehicles fail to develop as anticipated over the life of these contracts, our results of vehicles sold could be negatively affected and we could suffer losses from increased prospective depreciation expenses or on the resale of these vehicles at lease termination.

***Disruptions and declines in the global economy and financial markets, including the European economy and financial markets, have had, and may continue to have, an adverse effect on our business, liquidity, financial condition and results of operations.***

Economic and financial conditions in Europe and in the other principal markets in which we operate have a material effect on our business, liquidity, financial condition and results of operations. The global economy and financial markets have experienced severe disruptions in recent years. Financial markets continue to be highly volatile, in large part due to concerns regarding the ability of certain countries in the eurozone to refinance their debt obligations. While we operate in 32 countries globally, approximately 53% of the vehicles in our lease portfolio as at December 31, 2015 were in countries that use the euro as a functional currency and as a result, continued market and economic volatility in Europe could have a material adverse effect on our business, liquidity, financial condition and results of operations.

Continued market disruption and volatility could have a negative effect on our ability to access the funding markets. Quantitative easing programs by the ECB may result in increased financing costs, especially as compared to historically low rates. Additionally, there is a risk that we would be able to receive less funding through flexible deposits given low interest rates. Refinancing of our outstanding indebtedness could become more costly or could be unavailable. If our cost of funding were to increase significantly, we would have to seek to pass the cost on to our customers, which could harm our competitive position and financial condition. If we were unable to pass on these costs, our results of operations would be adversely affected. If refinancing was unavailable or significantly limited for an extended period, we would not be able to provide the same volume of new leases and it would have a material adverse effect on our business, liquidity, financial condition and results of operations.

***General business and economic conditions may have a material adverse effect on our business, financial condition and results of operations.***

Our business, financial condition and results of operations are sensitive to general business and economic conditions in the markets in which we operate. A downturn in economic conditions resulting in increased short- or long-term interest rates, high inflation, fluctuations in the availability or cost of funding, high unemployment rates, a weakened automotive industry, increased bankruptcy filings or a decline in the strength of national and local economies in which we operate and other factors that negatively affect corporate balance sheets could decrease demand for vehicle leasing, fleet management and driver mobility services and increase payment delinquency and credit losses in our operations. Further, a significant and sustained increase in fuel prices could lead to diminished new and used vehicle purchases and negatively affect our business.

If the rates of inflation in the markets in which we operate increase, or if the funding markets or the economies in which we operate weaken, or if used or new vehicle purchases decline, we



could be significantly and adversely affected, and it could become more expensive for us to conduct our business. For example, business and economic conditions that negatively affect corporate balance sheets and customer behavior related to our businesses could lead to a decrease in demand for our vehicle leases as well as the residual values of the vehicles we own or lease to customers. In addition, the rate of customer defaults, delinquencies and impairments on our receivables could be higher, particularly if the rate of economic activity were to decrease or decelerate.

Any sustained period of increased defaults, delinquencies or credit losses also could harm our proceeds from securitizations, which could harm our financial condition and results of operations. Continued adverse business and economic conditions could affect demand for new and used vehicles and other related factors that could harm our business.

Since the onset of the global economic crisis in 2008, many businesses have had to reduce operating costs and implement cost control measures. This has included reductions in corporate travel and related corporate expenses. For a number of businesses, running a vehicle fleet is often one of the business expense categories targeted for cost reduction. Furthermore, because cash flow and the management of cash are important business drivers, a number of businesses are reducing their outright purchase of vehicles and their exposure to owning depreciating assets. In certain cases, business cost reduction initiatives have resulted in corporate clients choosing less expensive vehicles for their leases which, because of the lower cost of such vehicles (and even assuming constant margins), could have a material adverse effect on our business, financial condition and results of operations.

***We are exposed to the risk that our customers may default on leasing and/or fleet management contracts or that the credit quality of our customers may deteriorate.***

Credit risk, which is the risk of loss arising from the failure of our customers or contractual counterparties to fulfill their financial obligations under the terms of a contract with us, has a significant effect on our business. This includes the risk of a default on lease payments and accounts receivable due to us.

Our credit risk is heavily dependent upon our client concentration, the geographic and industry segmentation of our credit exposures, the nature of our credit exposures, used vehicle prices, overall demand for new and used vehicles and the quality of our portfolio of leased vehicles, as well as economic factors that may influence the ability of customers to make scheduled payments, including business failures, corporate debt levels and debt service burdens and demand for the products and services of our customers. As a result of negative effects on some of these factors during the global economic crisis, we experienced higher default rates with our corporate and small and medium sized enterprises, especially in 2008 and 2009. In addition, many governments are experiencing budgetary constraints as a result of the lingering effects of the global economic crisis. Governments as a class, including local and central governments and government bodies, but excluding government-owned corporate clients, represented 3.2% of our Total Leased Assets as at December 31, 2015.

While we generally have the ability to recover and resell the leased vehicle(s) following a customer default, the resale value of the recovered vehicle(s) may not be adequate to cover our loss as a result of a default. Although we estimate impairment charges in our audited consolidated financial statements for possible losses on our existing debtors based on our past experience and general economic conditions, there can be no assurance that our impairment charges will be sufficient to cover actual losses resulting from customer defaults, particularly if the rate of customer default increases significantly.

As at December 31, 2015, we had receivables from clients of €3,309.5 million, of which €495.5 million were past due but not impaired and €95.8 million were impaired. At this same date, we had €90.9 million in allowances for impairment.

For our corporate counterparties, as well as our retail counterparties in the United Kingdom and the Netherlands, we assess and monitor the probability of default of individual counterparties using internal rating models that combine statistical and analytical methods with in-house judgment, which are benchmarked when possible by comparison with externally available data. Although our local credit acceptance policies, which are reviewed on a regular basis, take into account market conditions, an increase in credit risk could increase our provisions for credit losses. We have also implemented procedures to contact delinquent customers for payment, arrange for the repossession of vehicles under defaulted contracts and sell repossessed vehicles. However, there can be no assurance that our origination procedures, monitoring of credit risk, payment servicing activities, maintenance of customer account records or repossession policies are or will be sufficient to prevent a material adverse effect on our business, liquidity, financial condition and results of operations.

***We are exposed to credit risk from our counterparties on financial instruments and reinsurance contracts.***

We manage our interest rate risk, our currency risk and our balance sheet as a whole by entering into derivative transactions with financial institutions and through short-term placements of cash and current account balances with financial institutions. We also enter into reinsurance agreements with various reinsurers with respect to third-party liability and catastrophic events. Our ability to engage in derivatives transactions could be adversely affected by the actions and commercial soundness of financial institutions who are our hedge counterparties. Our derivative contracts, reinsurance agreements and deposit arrangements expose us to credit risk in the event of a default by our counterparty. It is possible that we could suffer losses as a result of our counterparty exposures and such losses could have a material adverse effect on our financial condition and results of operations.

Our counterparty credit risks increased as a result of the global economic crisis, and as a result we increased the precautions necessary to manage counterparty credit risk. See "*Risk management.*" If the macroeconomic environment were to deteriorate in the future, this could result in the need to increase our credit risk provisioning. Defaults by or deterioration in the credit standing of our contractual counterparties could have a material adverse effect on our financial condition and results of operations.

***Our business relies significantly on contractual relationships with key customers.***

We have a number of significant corporate customer accounts in our vehicle leasing and fleet management businesses. As at December 31, 2015, our ten, twenty and 100 largest customers (by Total Leased Assets) accounted for approximately 8.6%, 13.7%, and 31.5% of our Total Leased Assets, respectively, with the largest customer accounting for 1.3% of our Total Leased Assets. Our leasing contracts may be terminated by our counterparties early. Although early termination charges typically apply on the early termination of a lease contract, there can be no assurance such charges would fully cover the losses associated with all such early terminations. If any of our significant customer contracts were to be terminated, not renewed, renewed with a competitor or renewed on less advantageous terms, it could have a material adverse effect on our business, financial condition and results of operations.

***We rely on the services of third parties, the availability and quality of which cannot be assured, and existing agreements with these third party suppliers may be discontinued or renegotiated.***

We rely on third parties (such as vehicle manufacturers and vehicle repair businesses) to supply vehicles for our fleet and to carry out the service and repair of our vehicles, including, if necessary, the supply of parts for any service or repair. For example, the repair and maintenance of and tire replacement for our leased vehicles is carried out by external contractors. We also rely on external contractors and suppliers to provide insurance to our customers or damage repair outside of standard service repair. In addition, vehicles in our managed fleet may be subject to



safety or other recalls by their manufacturers. We could be adversely affected by a failure to supply, or delays in the supply of, vehicles, parts or services that meet our or our customers' quality requirements. In addition, the costs of these services may increase, leading to higher costs for our customers. There is no guarantee that we will be able to find adequate replacement services, if necessary, on a timely basis or at all.

Additionally, we have global and local volume-related discount arrangements with vehicle and other suppliers, whereby if our volume of vehicle purchases or services exceeds specified thresholds, we receive a discount. Such discounts are important to our financial condition and results of operations. As a result, the discontinuation or renegotiation of discount programs or an increase in the costs of or a reduction in the quality or timeliness of services provided by our external suppliers and contractors could have a material adverse effect on our business, financial condition and results of operations, reduce the residual value of the vehicles involved, create customer service problems and, more generally, harm our reputation.

***We may have difficulty in executing our growth strategy.***

An important element of our historical growth in both mature and developing vehicle fleet markets has been expanding our client base. We intend to grow our business through selective geographic expansion into new markets, an increased focus on our small fleet business and attracting international fleet customers that operate in multiple jurisdictions through our dedicated entity, LeasePlan International, which offers global fleet management and driver mobility services. However, any global economic downturn or future recession could have a material adverse effect on the execution of our growth strategy. In addition, if we are unable to expand into our selected geographic markets, if our current customers are not willing or able to expand their businesses with us internationally or if we experience problems in the expansion of LeasePlan International's business, this could have a material adverse effect on our business, financial condition and results of operations.

The international expansion of our business into new geographic areas or with new categories of customers may also place disproportionate demands on our management and on our operational and financial personnel and systems. If we are unable to effectively and successfully execute our growth strategy for this or any other reason, our business, financial condition and results of operations could be materially adversely affected.

***We are exposed to risks in connection with acquisitions of businesses or when entering into joint ventures.***

If appropriate opportunities arise, we will consider complementing our organic growth strategy with selective acquisitions or joint ventures. Although we perform due diligence with respect to acquisitions and joint ventures into which we enter, it may not be possible for these reviews to be comprehensive in all respects. Additionally, we could experience difficulty in financing acquisitions once a target has been determined. As a result, we may have to assume unanticipated liabilities, a joint venture may not perform as well as expected, the expected synergies may not be realized in whole or in part in a timely fashion or at all, we may suffer losses or reputational damage or the transaction may give rise to costs that are unexpected or higher than foreseen.

The integration of acquired businesses or the establishment of joint ventures also presents difficulties in adapting the business culture and risk management systems of an acquired business or a joint venture to our business culture and risk management systems and in appropriately staffing and managing the operations of newly created entities. Failure to integrate acquired businesses or joint ventures successfully into our current business could result in a write-down of goodwill or other assets and may materially adversely affect our financial condition and results of operations.

We have investments in associates and jointly controlled entities. Some of the investments in which we have a majority shareholding are treated as jointly controlled entities as we have contractually agreed to share control whereby the strategic and operating decisions relating to the entity require consent of our joint venture partners. See "*Business—Partnerships and joint ventures.*" If we fail to fulfill our obligations under these contracts, either in whole or in part, this may lead to claims for damages, contractual penalties or termination of the joint venture by the partner or by the joint venture.

Moreover, the successful implementation of a joint venture may be endangered or impaired through a breach of contract by a partner or through unforeseen events. In the event that we decide on divestment of or withdrawal from a joint venture, there is a risk that no buyer will be found for the joint venture interest or that there will be no other way to sell the interest for other reasons or that the partner will claim damages, which could have a material adverse effect on our business, financial condition and results of operations.

***If we are unable to compete successfully or if competition increases in the businesses in which we operate, our business, financial condition and results of operations could be adversely affected.***

We operate in a highly competitive environment characterized by a process of consolidation in a number of our core markets, particularly in the more mature European markets. This reflects the relatively limited opportunities for further penetration in the existing large-fleet segment and the increasing importance of the scale of the fleet management and driver mobility service provider. If we are unable to operate successfully in this competitive environment, this could have a material adverse effect on our business, financial condition and results of operations.

We believe that price is one of the primary competitive factors in the vehicle leasing and management markets and that increased price transparency available through the internet has increased price competition. Our competitors, some of whom are part of larger automotive manufacturing firms or banks that may have access to substantial funding at a lower cost, may seek to compete aggressively on the basis of pricing. Further, price transparency through the internet may further increase the prevalence and intensity of price competition in the future. If we are required by customers to match competitors' downward pricing either to maintain or gain market share, this could have a material adverse effect on our business, financial condition and results of operations. If we do not match or remain within a reasonable competitive distance from our competitors' pricing, it could also have a material adverse effect on our market share, business, financial condition and results of operations, as we may lose customers and/or business volume.

***Changes in interest rates may have a material adverse effect on our financial condition and results of operations.***

Our activities principally relate to vehicle leasing, fleet management and driver mobility services. We accept and offer lease contracts to clients at both fixed and floating interest rates, for various periods and in various currencies. It is our policy to seek to match the interest rate risk profile of our contract portfolio of leases with a corresponding interest rate funding profile to seek to minimize our interest rate risks at the Group level. Group companies carry interest-bearing assets (mainly lease contracts) on their balance sheet funded by interest-bearing liabilities (loans and other indebtedness). Where interest-bearing liabilities fall short to cover interest-bearing assets, non-interest-sensitive working capital and subsidiary's equity are allowed to cover interest-bearing assets as part of our matched funding policy. Due to the accounting treatment of lease contracts, this does not lead to gains or losses in our income statement or on shareholder's equity. Our interest rate exposure resulting from covering interest-bearing assets by both interest-bearing liabilities and non-interest-bearing working capital and equity was €3.4 billion as at December 31, 2015. We enter into derivative financial instruments to mitigate the interest rate

risk at the central treasury or to reduce interest rate exposures and not for trading purposes. Due to the accounting treatment of derivative financial instruments, we are exposed to volatility in our income statement caused by interest rate fluctuations.

Interest rates are highly sensitive to many factors beyond our control, including monetary policies and domestic and international economic and political conditions. Changes in market interest rates could affect our net interest income, which is a significant source of our profits.

In the context of our risk management policies, we use various non-derivative and derivative financial instruments to manage our exposure to interest rates. Since some timing differences are unavoidable in this process, unhedged interest rate risk exposures are inherent to the treasury management process.

Stress testing takes place regularly on central treasury exposures during the year by analyzing the profit and loss effect of an unexpected 200 basis point parallel yield curve shift in all currencies. As at December 31, 2015, the effect of such a 200 basis point parallel yield curve shift (converted into its euro equivalent) on our profit before tax would be €5.0 million for the central treasury organization, which is equal to approximately 0.8% of the profit before tax for 2015.

In addition, there is no guarantee that our hedges will cover completely our exposure to an increase in interest rates, whether because of an increase in market interest rates or an increase in our own cost of borrowing, and any such increase could have a material adverse effect on our interest expense and our financial condition and results of operations.

***Changes in foreign currency exchange rates may adversely affect our financial condition and results of operations.***

Our functional currency and our reporting currency for our consolidated financial statements is the euro. However, because of our presence in 32 countries, most of which are outside the eurozone, we have substantial assets, liabilities, revenues and costs denominated in currencies other than the euro. The global nature of our operations therefore exposes us to exchange rate volatility as a result of potential mismatches between the currencies in which assets and liabilities are denominated and as a result of the translation effect on our reported earnings, cash flow and financial condition.

For the year ended December 31, 2015, approximately 62% of our assets were denominated in euro, approximately 13% in pound sterling, approximately 8% in U.S. dollars, approximately 3% in Australian dollars and approximately 14% in other currencies, while approximately 69% of our indebtedness was denominated in euro, approximately 2% in pound sterling, approximately 14% in U.S. dollars, approximately 1% in Australian dollars and approximately 14% was denominated in other currencies. As a result, we are exposed to movements in the exchange rates among these currencies. The percentages indicated do not include the impact of derivatives we use in managing our currency exposure. See "*Risk management—Risk management areas—Other risk management areas—Currency risk.*"

We are exposed to transactional foreign exchange rate risk when a subsidiary enters into a transaction in a currency other than the subsidiary's functional currency. We seek to manage our transactional foreign exchange rate risk by attempting to limit our exposure to the effects of fluctuations in currencies on our financial condition and cash flows through funding our debt directly or through derivatives in the currency in which assets are originated and allocating our capital in the currencies in which assets are denominated. There can be no assurance that our efforts to mitigate the effects of currency exchange rate fluctuations will be successful, and our failure to do so could have a material adverse effect on our business, financial condition and results of operations.

In addition, we plan to continue to access the international capital markets by borrowing in a variety of available currencies, which subjects us to risks inherent in borrowing funds in

currencies other than euro and then using such funds to transact business predominantly in euro. Although we seek to minimize such risks by buying foreign currency spot contracts and selling currency forward contracts at the same time, there is no guarantee that these measures will be effectively implemented or that they will be available to us going forward, in which case fluctuations in exchange rates could have a material adverse effect on our business, financial condition and results of operations.

We are also subject to translation risk, which is the risk associated with consolidating the financial statements of subsidiaries that conduct business in currencies other than the euro or have a functional currency other than the euro. As at December 31, 2015, approximately 28% of our equity capital was denominated in currencies other than the euro. As we do not hedge our equity positions, fluctuations in the value of the euro relative to currencies in which we conduct operations will affect our consolidated financial statements as a result of translation exposure and may adversely affect our financial condition and results of operations. Fluctuations in exchange rates could also significantly affect the comparability of our results of operations between periods.

***Due to the international focus of our business activities, we are exposed to political, economic, regulatory and legal risks in a number of countries.***

As we operate in 32 countries, we are subject to risks associated with doing business internationally. Such risks include compliance with different legal and regulatory requirements, volatility in gross domestic product, economic, political and social instability, payment collection difficulties, financial disruptions, inflation, currency fluctuations and devaluations, capital and currency exchange controls, changes in laws, governmental policies or policies of central banks and other regulators, expropriation, nationalization, confiscation of assets, and restrictions on repatriation of funds. Our future results may be adversely affected by any of these factors. Furthermore, changes in the pricing and regulatory policies affecting our business in particular countries may have a material adverse effect on our business, reputation, liquidity, financial condition and results of operations.

In addition, demand for vehicles may be influenced by regulatory, foreign-trade and other government interventions in markets in which we do business. For example, countries such as the United States and Germany, among others, introduced various car scrapping subsidy programs in 2009 and 2010 to increase consumer purchases of new vehicles which concurrently reduced demand for our remarketed vehicles and had a material adverse effect on the sales proceeds and residual values of our vehicles in these particular countries. A planned expansion of our business may be made more difficult by these and other similar measures. To the extent governments were to renew such new vehicle subsidy programs or we are unable to obtain access to markets, or can do so only on restrictive terms owing to the protectionist trade policies of individual countries or regions, this may have a material adverse effect on our business, financial condition and results of operations.

***Tax laws and their interpretation in the Netherlands and in the other countries in which we operate may adversely affect our financial condition and results of operations.***

We are subject to tax legislation in a number of countries. Modifications to the tax regime (including, but not limited to, changes in applicable tax rates and requirements relating to withholding taxes on remittances and other payments by subsidiaries, associates and joint ventures) by the competent authorities in those countries may have a significant effect on our financial condition and results of operations. The structures of intra-group transactions and of our international operations, as well as judgments we make or positions we take relating to tax matters, are based on our own interpretations of applicable tax laws and regulations, generally relying on rulings or specific guidance from competent tax authorities. There can be no assurance that the tax authorities will not seek to challenge or dispute such interpretations, and the current political climate and recent political/media focus on tax optimization schemes and austerity

generally increases the risk of discussions or disputes with tax authorities. To the extent that we become subject to tax audits, investigations or challenges that render decisions that are unfavorable to us, we may become subject to new or revised tax claims or liabilities and may be required to pay settlement amounts, fees or penalties, which may adversely impact our financial position. In addition, regardless of the outcome of any such investigations or challenges, such proceedings could result in substantial costs and may require that we devote substantial time and resources to defend ourselves.

Any changes in the tax or other laws of jurisdictions in which we operate (including, but not limited to, changes in applicable tax rates) could have a material adverse effect on our financial condition and results of operations.

***We are subject to a bank supervisory regime in the Netherlands and other regulatory regimes and regulatory actions in the jurisdictions in which we operate, including the Netherlands, and changes in these regulatory regimes could adversely affect our business, financial condition, results of operations and liquidity.***

We are required by regulators in the Netherlands and in other jurisdictions in which we undertake certain regulated activities to maintain adequate capital resources. Furthermore, legislation in various countries in which we operate has been enacted or proposed with a view to increasing financial and credit provision regulations to avoid a recurrence of the global economic crisis and to provide consumers with increased protection. This includes more stringent capital requirements and the creation of new and strengthened regulatory bodies. In many countries in which we operate, these new regulatory developments have not yet been finalized and implemented in national law. Even in countries in which comprehensive legislation has been adopted such as the United States, numerous regulations must be adopted by government agencies and the potential impact of those regulations is subject to significant uncertainty. It is not possible to predict which new measures will ultimately be adopted, what their final form will be or what impact they will have on our operations. We may also be materially and adversely affected by changes in interpretation of existing rules, for example as a result of court judgments, or developing or changing views of regulators and other authorities on the application of rules.

#### *Basel and CRD IV*

On December 16, 2010, the Basel Committee on Banking Supervision published its final standards on the revised capital adequacy and liquidity framework, known as Basel III, with a revised version published on June 1, 2011 ("**Basel III**"), which are significantly more stringent than the prior requirements under Basel II. Basel III most notably increased the required quality and quantity of capital to be held against risk weighted assets and introduced a new leverage ratio and liquidity framework (incorporating a liquidity coverage ratio and a net stable funding ratio).

On June 26, 2013 the Council and the European Parliament adopted the package known as "CRD IV." CRD IV has replaced the former Capital Requirements Directives (2006/48 and 2006/49) with a directive ("**CRD IV Directive**") and a regulation ("**CRR**") which aim to create a sounder and safer financial system. The CRD IV Directive governs, among other things, the access to deposit-taking activities, while the CRR establishes the majority of prudential requirements institutions need to respect. The CRR is effective as at January 1, 2014, and has direct effect in the Netherlands. The CRD IV Directive was implemented in Dutch law as at August 1, 2014. A number of the requirements introduced under CRD IV are further supplemented through the Regulatory and Implementing Technical Standards proposed by the European Banking Authority (the "**EBA**") and adopted by the European Commission, many of which are not yet finalized. CRD IV, in implementing Basel III, increased the quality and quantity of capital to be held against risk weighted assets, increased capital required to be held against derivative positions, introduced a combined buffer requirement consisting of a capital conservation buffer and, as applicable, a



counter-cyclical capital buffer, systemic risk buffer and global or other systemically important institutions buffer, as well as a new leverage ratio and liquidity framework, including a liquidity coverage ratio (“LCR”) and net stable funding ratio (“NSFR”).

As at December 31, 2015, our LCR calculated under Basel III as at that date would be above the prescribed minimum requirement. The NSFR calculated under Basel III as at that date (following the standard on the NSFR as published in October 2014) would be slightly above the prescribed minimum thresholds. Continued compliance with those ratio requirements may have an adverse effect on, among other things, the composition of the assets the Regulated Group holds for liquidity purposes and its ability to declare dividends. We believe that the current calculation of the NSFR under Basel III does not conceptually work for our specific business profile of relatively short term lease contracts and relatively large amounts of working capital. We have a matched funding policy and believe that with this policy, for short and medium term liquidity, liquidity risk is reduced and the specific classification of certain assets and liabilities may, in the case of enforced compliance with a 100% target level, adversely impact our existing business model. Depending on the final standards as they will be implemented by the CRR, the application of the NSFR requirements might lead to a fundamental change in the Regulated Group’s funding strategy and could have a significant negative effect on its risk profile.

These and other future changes to capital adequacy and liquidity requirements in the jurisdictions in which we operate may require the Regulated Group to raise additional Common Equity Tier 1, Additional Tier 1 and/or Tier 2 capital. If the Regulated Group is required to strengthen its capital by issuing Additional Tier 1 and/or Tier 2 capital instruments, the net profit available for dividend payments may be materially and adversely affected. In addition, the law implementing the CRD IV Directive and the CRR allows the competent supervisory authorities to restrict or prohibit dividend payments if in its view this measure is needed to strengthen the Regulated Group’s capital in view of prudential requirements. The Regulated Group may also be restricted with respect to the payment of dividends or may not be able to pay dividends if it has insufficient distributable amounts or if it does not meet the capital or combined capital buffer requirements. This could have a material adverse effect on the Issuer’s ability to meet its payment and other obligations on the Notes. See “—Risks related to the Notes, the Notes Guarantee and our structure—The Issuer is a finance subsidiary and has no material assets or any revenue generating operations of its own and will depend on cash received under the Proceeds Loan in order to be able to make payments on the Notes.” Furthermore, if the Regulated Group is unable to raise the requisite capital, the Regulated Group may be required to reduce the amount of its risk-weighted assets and engage in the disposition of businesses or assets, which may not occur on a timely basis or achieve prices which would otherwise be attractive to us. Any change that limits the Regulated Group’s ability to manage effectively its balance sheet and capital resources going forward (including, for example, reductions in profits and retained earnings as a result of write-downs or otherwise, increases in risk-weighted assets, delays in the disposal of certain assets, a growth in unfunded pension exposures or otherwise) or to access funding sources, may have a material adverse effect on its business, financial condition, regulatory capital position and liquidity.

At the end of 2014 and 2015, the Basel Committee published for public consultation revisions to the standardized approaches for credit, operational and market risk, and the introduction of capital floors based on standardized approaches. Of these proposals, the introduction of the standardized credit risk Risk Weighted Assets (“RWA”) floor would have the most significant impact on LeasePlan. The proposals for the new standardized credit risk RWA calculation rules include (i) introduction of new risk drivers; (ii) introduction of higher risk weights; and (iii) a less mechanistic reliance on external ratings. In addition, the revisions are likely to require that banks which apply advanced approaches to risk categories, apply the higher of (i) the RWA floor based on (new) standardized approaches and (ii) the RWA based on advanced approaches in the denominator of their ratios.

Although timing for adoption, content and impact of these proposals remain subject to considerable uncertainty, the implementation of the standardized RWA floors would have a significant impact on the calculation of the Regulated Group's RWA. The new market risk framework, adopted by the Basel Committee in January 2016, may similarly have a significant impact on the calculation of the Regulated Group's RWA, although its exact implementation through European Union regulation and impact also remains subject to uncertainty.

There can be no assurance that the Basel Committee will not further amend the package of reforms described above.

#### *Dutch Intervention Act and the BRRD*

The Dutch government adopted legislation dealing with ailing banks which entered into force on June 13, 2012 (Special Measures Financial Institutions Act, (*Wet Bijzondere maatregelen financiële ondernemingen*) (the "**Dutch Intervention Act**"). The Dutch Intervention Act entered into force with retroactive effect from January 20, 2012. Pursuant to this act, substantial new powers were granted to the DNB and the Dutch Minister of Finance enabling them to deal with, *inter alia*, ailing Dutch banks prior to insolvency. The Dutch Intervention Act empowered the DNB or the Dutch Minister of Finance, as applicable, to commence proceedings leading to:

- (i) a transfer of all or part of the business (including deposits) of the relevant bank to a private sector purchaser;
- (ii) the temporary transfer of all or part of the business of the relevant bank to a "bridge bank";
- (iii) a transfer of shares in the relevant bank to the "bridge bank"; and
- (iv) public ownership (nationalization) of the relevant bank and expropriation of debt securities.

The national framework for intervention by the DNB has been amended by the law implementing the resolution framework set out in the BRRD (see below). The scope of the DNB's intervention measure to transfer shares, assets or liabilities on the basis of a transfer plan is now limited to insurance companies (and thus no longer applies to banks). However, the powers granted to the Dutch Minister of Finance under the Dutch Intervention Act have remained in place. The Dutch Minister of Finance may, with immediate effect, take measures or expropriate assets or securities issued by or with the consent of a financial firm (*financiële onderneming*) or its parent, in each case if it has its corporate seat in the Netherlands and if, in the Minister of Finance's opinion, the stability of the financial system is in serious and immediate danger as a result of the situation in which the firm finds itself. The Dutch Intervention Act may also lead to additional measures. For example, in connection with the nationalization of SNS REAAL N.V. pursuant to the Dutch Intervention Act, a one-off resolution levy for all banks was proposed by the Minister of Finance (the "**Resolution Levy**"). Such a levy or other measures could be imposed on LeasePlan in the future.

Subject to certain exceptions, as soon as the Dutch Minister of Finance exercises his authority to take any of the actions described above, the relevant counterparties of the bank (or of a financial holding company, mixed financial holding company or mixed holding company of the bank, or any of the bank's group companies if the agreement includes cross-default provisions) are no longer entitled to exercise, among others, any termination, suspension, modification, netting or set-off rights against the bank or against any such group company in relation to such agreement. Any of the aforementioned actions taken by the Dutch Minister of Finance could adversely affect the Issuer's ability to meet its payment and other obligations under the Notes and enforcement thereof by the Noteholders.



On June 12, 2014, a directive providing for the establishment of a European-wide framework for the recovery and resolution of credit institutions and investment firms (2014/59/EU, “**BRRD**”) was published in the Official Journal of the European Union. The BRRD entered into force on January 1, 2015 and EU Member States had to adopt and publish the laws, regulations and administrative provisions necessary to comply with the BRRD by December 31, 2014. The majority of the measures set out in the BRRD should have been implemented in national law with effect from January 1, 2015, with the bail-in power for the other eligible liabilities to apply from January 1, 2016 at the latest. In the Netherlands, the implementing act of the BRRD was adopted by the Dutch legislature on November 10, 2015 and entered into force on November 26, 2015.

The BRRD sets out a common European recovery and resolution framework for credit institutions and investment firms (such as LeasePlan). The BRRD is applicable to the Regulated Group and is composed of three pillars: preparation (by requiring banks to draw up recovery plans and resolution authorities to draw up resolution plans), early intervention powers and resolution powers. The stated aim of BRRD is to provide relevant authorities with common tools and powers to address banking crises preemptively in order to safeguard financial stability and minimize taxpayers’ exposure to losses. Under the BRRD, the Regulated Group is also required at all times to meet a minimum requirement for own funds and eligible liabilities (MREL), expressed as a percentage of its total liabilities and own funds. This may result in higher capital and funding costs. There is a risk that exercise of powers under the BRRD could adversely affect the Issuer’s ability to meet its payment and other obligations under the Notes and enforcement thereof by the Noteholders.

If the Regulated Group were to infringe or, due to a rapidly deteriorating financial condition, be likely to infringe capital or liquidity requirements in the near future, the supervisory authorities would have the power to impose early intervention measures. A rapidly deteriorating financial condition could, for example, occur in case of a deterioration of the Regulated Group’s liquidity situation, or an increase in the level of leverage and non-performing loans. Intervention measures include requiring changes to LeasePlan’s legal or operational structure or its business strategy and requiring its managing board to convene a general meeting of shareholders, setting the agenda and requiring certain decisions to be considered for adoption by the general meeting.

If the Regulated Group were to reach a point of non-viability, the relevant resolution authority could take pre-resolution measures. These measures include the write-down and cancellation of shares, and the conversion of capital instruments into shares. A write-down or conversion of capital instruments into shares could adversely affect the Issuer’s ability to meet its payment and other obligations under the Notes and enforcement thereof by the Noteholders.

The BRRD provides resolution authorities with broader powers to implement resolution measures with respect to banks which reach non-viability, which may include (without limitation) the sale of the bank’s business, the separation of assets, the replacement or substitution of the bank as obligor in respect of debt instruments, modifications to the terms of debt instruments and discontinuing the listing and admission to trading of financial instruments.

Subject to certain exceptions, the taking of one or more of the aforementioned measures under the BRRD has the consequence that the relevant counterparties of the bank (or of a financial holding company, mixed financial holding company or mixed holding company of the bank, or any of the bank’s group companies if the agreement includes cross-default provisions) are no longer entitled to exercise, among others, any termination, suspension, modification, netting or set-off rights, against the bank or against any such group company in relation to such agreement. The taking of any of the aforementioned measures under the BRRD could adversely affect the Issuer’s ability to meet its payment and other obligations under the Notes and enforcement thereof by the Noteholders.

### *Consumer Credit Directive*

Further, several entities within the Regulated Group must comply with consumer credit regulations pursuant to the 2008 European Union Consumer Credit Directive. The Consumer Credit Directive and other consumer protection legislation regulates matters such as advertising to consumers, information to borrowers regarding interest rates and loan conditions, pre-financing credit checks and the ability to cancel financing contracts and prepay loans. The costs of complying with these laws and regulations, as well as with any additional regulation, could have a material adverse effect on our business, financial condition and results of operations.

### *State Aid*

On July 10, 2013, the European Commission announced the adoption of its temporary state aid rules for assessing public support to financial institutions during the crisis (the “**Revised State Aid Guidelines**”). The Revised State Aid Guidelines impose stricter burden-sharing requirements, which require banks with capital needs to obtain additional contributions from equity holders and capital instrument holders before resorting to public recapitalizations or asset protection measures. The European Commission has applied the principles set out in the Revised State Aid Guidelines from August 1, 2013. Therefore, in the case of a capital shortfall, the Regulated Group would first be required to carry out all possible capital raising measures by private means before it would be eligible for any kind of restructuring state aid.

The Dutch Intervention Act, the BRRD, and the Revised State Aid Guidelines may increase the Regulated Group’s cost of funding and thereby have an adverse impact on the Regulated Group’s funding ability, financial position and results of operations. Moreover, there is a risk that the exercise of powers under the Dutch Intervention Act, the BRRD or the Revised State Aid Guidelines could adversely affect the Issuer’s ability to meet its payment and other obligations under the Notes and enforcement thereof by the Noteholders.

### ***Increases in deposit insurance premiums or changes to the Dutch deposit guarantee scheme could have a material adverse effect on our financial condition and results of operations.***

All licensed Dutch banks, including LeasePlan, are covered by the Dutch Deposit Guarantee Scheme (“**DGS**”). The DGS protects private individuals and businesses that have deposits with a bank that is under the supervision of the DNB. If such a bank were to come into financial difficulties, the deposit guarantee scheme ensures a minimum level of protection for deposits that private individuals and businesses hold with banks. Holders of the Notes will not benefit from the DGS.

On April 16, 2014, the European Parliament and the Council adopted a new Directive (2014/49/EU) (the “**DGSD**”) on deposit guarantee schemes. The DGSD provided for a broadening of the scope of clients for whom the deposit guarantee scheme would be available to include both consumers and businesses (previously, only companies which published abridged annual accounts (generally smaller companies that met certain conditions) benefitted from the DGS), information requirements to customers and the shortening of the period for making payments under the DGS from 20 working days to seven working days in 2024. In the Netherlands, the provisions of the DGSD have been implemented by the implementing decree on the deposit guarantee scheme that entered into force on November 26, 2015. As a result, the funding of the DGS has been amended from an ex-post funded system to a partially ex-ante funded system. This means that participating financial institutions have to contribute to the scheme on a periodic basis rather than facing charges only when an actual insolvency event requiring them to compensate the clients of the affected financial institutions occurs. In 2024, the available means in the DGS system will in principle need to be 0.8% of the amount of covered deposits held with the participating banks. Contributions are based on the covered deposits of the bank and risk-based contributions but Member States (including the Netherlands) may also impose minimum contributions. The ex-ante funding system is expected to increase LeasePlan’s expenses in connection with the DGS. In addition, if the available financial means of the DGS is insufficient to

repay depositors when deposits become unavailable, an additional contribution may be required, which will in principle not exceed 0.5% of the covered deposits held by LeasePlan per calendar year.

Moreover, a legislative proposal for a European Deposit Insurance Scheme (“EDIS”) was published by the European Commission on November 24, 2015 and is currently being debated in the European Parliament and the Council. The EDIS proposal envisages the gradual build up of a common scheme for the SSM participating Member States through risk-sharing by the current national deposit guarantee schemes in three progressive stages: re-insurance, co-insurance and full insurance. Although the Commission has indicated that EDIS will not impose extra costs on the banking sector, the final form and consequences of EDIS are still uncertain.

If LeasePlan’s expenses in connection with the DGS increase, either due to increased funding requirements or other legislative changes, including those recently implementing the DGSD and the EDIS proposal, it could have a material adverse effect on our financial condition and results of operations.

***We are subject to risks arising from legal disputes and may become the subject of governmental or regulatory investigations or proceedings.***

In connection with our general business activities, we are currently the subject of legal disputes, government investigations and actual and potential claims in a number of the countries in which we operate, and may continue to be so in the future. In connection with these matters, the entities concerned may be required to pay fines or penalties, take certain actions or refrain from taking other actions. Complaints brought by suppliers, customers or other third parties (such as legal and regulatory authorities, contractors, competitors and current and/or former employees) may result in significant costs, risks or damages. It is also possible that there may be investigations by governmental or regulatory authorities into circumstances of which we are currently not aware, or which have already arisen or will arise in the future including, among others, possible financial regulatory, data protection, consumer protection, money-laundering, anti-bribery, anti-trust, sanctions and competition law or state aid issues.

In particular, on July 29, 2015, the Italian competition authority, Autorità Garante della Concorrenza e del Mercato (“AGCM”), carried out an inspection at LeasePlan Italy as part of an investigation relating to the alleged coordination of commercial strategies in the long-term leasing market in Italy among a number of companies active in this industry and the associated trade association, Associazione Nazionale Industria dell’Autonoleggio e Servizi Automobilistici (“Aniasa”). On December 24, 2015, AGCM widened the scope of its investigation and extended it to include activities in the fleet management sector. As a result, additional long-term rental (leasing) companies, including several entities which have been merged into LeasePlan Italy’s operations (BBVA Renting S.p.A., BBVA Autorenting S.p.A. and Nolauto Genova System (NGS) S.r.l.), became subject to this second investigation. The investigations relate to allegations of anti-competitive behavior as a result of exchanges of commercially sensitive information between the companies under investigation with other members of the trade association active in the long-term leasing market and the fleet management sector. The AGCM has alleged that anti-competitive behavior in the fleet management sector dates back to at least 2011, but has made no specific allegations regarding the relevant time-frame with respect to the long-term leasing market. LeasePlan is currently assessing the validity of the allegations. Hearings to collect further information for the purposes of the investigations are expected to commence in the first quarter of 2016 and a final outcome is expected during the course of 2016. Any finding by the AGCM of anti-competitive or other illegal behavior by LeasePlan Italy could result in the imposition of fines, the amount of which may be significant, and could lead to other adverse consequences, including third party claims.

In certain cases, we have purchased insurance coverage to protect against the risks described above or have made provisions in respect of specific matters. However, as a number of risks

cannot be estimated or can be estimated only with difficulty, we cannot rule out that damages will nevertheless occur that are not covered by the insured amounts or amounts set aside as provisions. We have made provisions to cover legal, regulatory and administrative claims and proceedings, including those that arise in the ordinary course of business. However, adverse developments in connection with legal disputes or governmental or regulatory investigations or proceedings could have a material adverse effect on our business, reputation, financial condition and results of operations.

***We face risks related to our motor insurance business and local risk retention schemes.***

We are exposed to claims for third-party liability (which includes personal injury, death and property damage), motor material damage, passenger indemnity and legal assistance. These claims are retained by our wholly owned specialist motor insurance company, Euro Insurances or, for motor material damages, locally by Group companies under local risk retention schemes. Euro Insurances is active in 23 countries and it provides insurance coverage to Group companies and their customers in most of these markets. Euro Insurances is based in Dublin, Ireland and is regulated by the Central Bank of Ireland. Euro Insurances provides insurance to customers for third-party liability, passenger indemnity and legal assistance risks, among others, in relation to vehicle leasing and fleet management. However, we as a Group are still exposed to these risks as Euro Insurances is a consolidated subsidiary of our Group. We purchase reinsurance cover on an excess loss basis for two principal risks, motor third-party liability and catastrophic events, to seek to minimize the financial impact of a single large accident or event. The reinsurance of Euro Insurances lies with external reinsurance providers. Nevertheless, our exposure to significant claims, insufficient premiums to cover our risk exposure, insufficient reinsurance coverage for our insurance business, delays in the recovery of funds owed under reinsurance policies, regulatory sanctions (including loss of our insurance license) or any combination of the above risks could have a material adverse effect on our business, financial condition and results of operations.

Furthermore, we may have difficulty reinsuring our motor third-party liability exposure, or may be able to reinsure such exposure only on less favorable terms, which could adversely affect our business, financial condition and results of operations. With respect to insured risks, there can be no assurance that liabilities in respect of existing or future claims will not exceed the levels of the insurance or reinsurance policies we have taken out. The occurrence of any such event could materially adversely affect our business, financial condition and results of operations.

Some of our subsidiaries provide a service to their clients to repair and pay for the damages that occur to the leased vehicles during the lease contract. The clients pay a fee for this service as part of the leasing product, which is called a local risk retention scheme and under which damage risk, which is the risk that the cost of vehicle repair exceeds the fee paid by the client, is borne by us and is not transferred to an internal or external insurer. Local pricing managers set the price for local risk retention schemes based on strict procedures and based on a risk and return analysis that is required to comply with our risk appetite. However, we are exposed to the risk under the local risk retention schemes of the damages to the leased vehicles being higher than the service fees received, resulting in losses.

In addition, we bear the risk of damage to and theft of our own vehicle fleet. We have chosen not to purchase insurance coverage against these risks based on our risk assessment and risk appetite. However, there can be no assurance that we will not be exposed to uninsured liability for fleet damage or theft at levels in excess of historical or expected levels.

Euro Insurances has made substantial investments to comply with Solvency II, the new regulatory framework applicable to insurance and reinsurance companies that operate in the EU, which became effective from January 1, 2016. Solvency II reforms capital requirements for insurance and reinsurance companies by requiring them to adopt a more dynamic risk-based approach to assessment of solvency needs. Solvency II takes the form of a European directive and is transposed into Irish law through local regulations. The additional capital requirements set forth

in Solvency II may adversely affect our motor insurance business by increasing the costs of and decreasing the returns of that business, which could have a material adverse effect on our business, financial condition and results of operations.

***Our insurance coverage may not be sufficient to cover the costs caused by events of loss and our insurance premiums may increase.***

We have taken out insurance policies in relation to a number of risks associated with our business activities that are subject to terms, conditions, deductibles, limitations and exclusions, and in certain cases, coverage may not be available at all. For example, certain of our insurance policies have exclusions for terrorist acts, environmental pollution and intentional wrongdoing. In addition, insurance is not or may not be cost effective for all insurable risks. In order to cover risks that we consider to be material on reasonable terms, we decide on the nature and scope of our insurance coverage based on a commercial cost-benefit analysis. We cannot guarantee that we will not incur material losses, that we are sufficiently and effectively insured against all contingencies or that no claims will be brought that exceed the type and scope of our existing insurance coverage.

Following multiple claims or after one major claim, insurance premiums may be increased or the terms and conditions of available insurance coverage may otherwise change for the worse. This may also occur following a general change in the insurance markets. There is no guarantee that we will continue to be able to obtain sufficient levels of insurance for the risks incurred in connection with our business operations on terms and conditions we believe are economically justifiable. If we sustain damages for which there is no, or insufficient, insurance coverage, or if, particularly due to the aforementioned reasons, we experience higher insurance premiums and/or restrictions on insurance coverage, this may have a material adverse effect on our business, financial condition and results of operations.

***We are exposed to operational risks in connection with our activities, including information technology, information technology security and data protection risks.***

After leasing a vehicle to a customer we service the lease receivables. Any disruption of our servicing activity, due to inability to access or accurately maintain our customer account records or data or otherwise, could have a material adverse effect on our ability to collect on those receivables and/or satisfy our customers.

We rely on internal and external information and technological systems to manage our operations and are exposed to risk of loss resulting from breaches of security, system or control failures, inadequate or failed processes, human error, business interruptions and external events. Any of these events could have a material adverse effect on our ability to conduct our business operations, increase our risk of loss resulting from disruptions of normal operating procedures, cause us to incur considerable information retrieval and verification costs, and potentially result in financial losses or other damage to us, including damage to our reputation.

***We could be adversely affected by reputational risk.***

Various issues may give rise to reputational risk and cause harm to us. These issues include non-compliance with legal and regulatory requirements, antitrust and competition law issues, ethical issues, non-compliance with money laundering and anti-bribery laws, data protection laws, information security policies, problems with vehicles we lease or services provided by us or by third parties on our behalf, and vehicle recalls. Failure to address these issues appropriately could also give rise to additional legal risk, which could adversely affect existing litigation claims against us and the amount of damages asserted against us or subject us to additional litigation claims or regulatory sanctions. The imposition of regulatory sanctions could affect our ability to do business in the relevant jurisdictions. In addition, clients are entitled to withdraw their flexible savings deposits and any material adverse effect on our reputation could cause withdrawals to accelerate over a short period of time.



On July 1, 2012, legislation regulating bonus payments came into force in the Netherlands for financial institutions, including LeasePlan (the "**Bonus Prohibition Bill**"). The Bonus Prohibition Bill limits variable remuneration for financial institutions which received state aid such as LeasePlan. Although LeasePlan no longer receives state aid, the issue of remuneration more generally remains in the public spotlight and any pay increases or variable remuneration paid to management could be met with negative publicity. Any of the above factors could have a material adverse effect on our brand, reputation, business, financial condition and results of operations.

As we operate in many different countries, different cultures and jurisdictions may respond differently to the same issues we face and the way in which we choose to address them. Therefore, there can be no assurance that certain issues which may be positively received in certain jurisdictions would be positively received in other jurisdictions and we may suffer reputational loss as a result of such decisions, which could adversely affect our business, financial condition and results of operations.

***We may not be able to adequately protect our intellectual property and know-how, which could harm the value of our brand and adversely affect our business.***

We depend on our brand and believe it is important to our business. We rely primarily on trademarks and similar intellectual property rights to protect our brand. The success of our business depends on our continued ability to use our existing trademarks in order to increase brand awareness and further develop our presence and activity in our markets. We may not be able to adequately protect our trademarks and similar intellectual property rights. Any material infringement on our intellectual property could have a material adverse effect on our business, financial condition and results of operations.

***Our risk management policies and procedures may be ineffective or may fail.***

Our business activities expose us to a wide variety of risks, including asset risk (including residual value risk), credit risk, liquidity risk, interest rate risk, currency risk, motor insurance risk, operational risk, reputational risk and legal and compliance risk, among others. See "*Risk management.*" For many of these risks we have established risk management policies, some of which are set by or require approval from regulatory bodies. However, our strategies and procedures for managing such risks may prove insufficient or fail. Some of our methods for managing risk are based on observations of historical market behavior and we apply statistical techniques to observations to arrive at quantifications of our risk exposures. However, these methods may not comply with regulations or accurately quantify our risk exposures, especially in situations that do not have historical precedent, such as new lines of business and the enhanced capital requirements and financial ratio reporting requirements under Basel III. See "*Supervision and regulation.*"

It is also possible that the global economic crisis in 2008 and 2009 may have impaired our ability to accurately quantify and assess credit exposure and asset values if the models and techniques used become less predictive of future conditions, behaviors and valuations. If circumstances arise in which we do not identify, anticipate or correctly evaluate certain risks in developing our statistical models, we may need to make additional provisions and losses could be greater than the maximum losses envisaged under our risk management system. Further, we operate our risk management system on a decentralized basis and there can be no guarantee that our policies or procedures will be effective in the oversight of our local subsidiaries or that our employees will not violate legal or regulatory requirements or internal policies and procedures.

The occurrence of one or more of the specified risks may result in a reputational loss, in legal consequences such as the imposition of fines and penalties on us or our employees, in the assertion of damages claims by third parties or in other detrimental legal consequences. These risks are increased as a result of the size, scope and complexity of our global business activities.

In addition, if any of the instruments and strategies that we use to hedge or mitigate our exposure to various types of risk is not effective, we may incur losses. Unexpected market developments also may adversely affect the effectiveness of our hedging or mitigation strategies, and we may choose not to hedge all of our risk exposures in all market environments or against all types of risk. Further, the methodology by which gains and losses resulting from certain ineffective hedges are recorded could result in additional volatility in our reported results of operations.

Any material deficiency in our risk management or internal control policies or procedures, including the measures, instruments or strategies we use to assess, hedge and mitigate risk, could have a material adverse effect on our business, liquidity, financial condition, results of operations, capital base, prospects and reputation.

***Changes in financial accounting standards on lease accounting may adversely affect our business, financial condition and results of operations.***

In May 2013, the International Accounting Standards Board (“IASB”) and the Financial Accounting Standards Board (“FASB”) issued a joint (re)exposure draft on leases. However, the two bodies did not reach an agreement on a joint final standard, and therefore produced separate standards. Under both of the new standards released by IASB in January 2016 and FASB in February 2016 (both of which take effect in 2019), companies will be required to adopt a “right-of-use” approach in accounting for their lease contracts. Under this approach, a lessee is seen as acquiring a right to use an asset under a lease contract, and paying for that right in the form of lease installments. Lessees will be required to state their rights and obligations arising from lease contracts on their balance sheets. Lease assets and liabilities will need to be recorded at the net present value of the future lease payments. There are no changes proposed to the accounting applied by lessors. As a result of these changes, a lessee would recognize assets and liabilities for leases of more than twelve months. In addition, the new standard released by FASB retains a dual model for income statement purposes, requiring leases to be classified as either operating or finance leases. Under the FASB standard, operating leases will result in straight line expensing while finance leases will result in a front loaded treatment.

As a global vehicle leasing, fleet management and driver mobility company, we generate most of our revenues and profits from our leasing operations. Many of our customers will have to recognize obligations under operating leases from us on their balance sheet as a result of the new standards. This will effectively eliminate the difference between operational and financial leases and may decrease the attractiveness to customers of our product portfolio relative to certain alternatives, such as the direct purchase of vehicles. Should any changes to the current rules adversely affect the benefits of operating leases for our customers or ourselves, increase the prevalence of finance leases in our industry, decrease the prevalence of vehicle leasing generally or alter certain reporting requirements for our business, it could have a material adverse effect on our business, financial condition and results of operations.

***The trend towards smaller vehicles and engines with lower engine capacity could intensify and have a material adverse effect on our financial condition and results of operations.***

For the last several years, Western European markets in particular have seen a general trend in demand towards combustion engines (diesel and petrol engines) with a smaller capacity that utilize new technology to maintain or improve performance and also use less fuel and emit fewer harmful emissions (so-called downsizing). For example, numerous employers now set requirements relating to engine performance and harmful emissions for employees selecting a company vehicle. Some reasons for this trend include increasing fuel prices, increasing government regulation with respect to carbon dioxide and other harmful emissions, higher taxes on certain types of vehicles such as sport utility vehicles and luxury cars, traffic density in large cities, and environmental protection concerns. As a result, the residual value of leased vehicles and the sale proceeds from leased vehicles depend among other things, on the size,



performance, accessories and features of the vehicle. When leasing vehicles or reselling vehicles at the end of their lease, our profitability depends, among other things, on the price of the vehicle sold. As a rule, larger vehicles in higher vehicle categories will generate a greater contribution towards earnings than smaller vehicles in lower vehicle categories with (relatively) lower engine power. If the trend towards smaller vehicles or vehicles equipped with smaller engines continues, this may have a material adverse effect on our business, financial condition and results of operations.

***Our operations are dependent to a significant extent on our ability to attract and retain key management personnel and high-quality staff.***

We rely on members of our senior management who are highly qualified in their respective fields. We also believe that the growth and success of our business depends on our ability to attract highly skilled and qualified personnel with specialized know-how in the vehicle leasing, fleet management and driver mobility industries. The sustainability of our business comes directly from the talents and efforts of our people and as a result we have ongoing development and training programs across our operations for our employees. While we place emphasis on attracting and retaining talented personnel and invest in extensive training and development, there can be no assurance that we will be able to hire or retain such personnel or prevent such personnel from joining a competitor. Further, several applicable remuneration regulations, such as CRD IV and the Dutch Act on Remuneration Policies of Financial Enterprises, limit variable remuneration for financial institutions, which reduces our remuneration options and could reduce the attractiveness for high-quality staff in certain of our management positions. Should we encounter any difficulty in attracting and retaining sufficient staff, this may have a material adverse effect on our business, financial condition and results of operations.

***We are exposed to risks from our defined benefit pension obligations.***

We operate a number of pension plans around the world. Most of these pension plans are defined contribution plans. As at December 31, 2015, we had defined benefit pension plans in four countries, the majority of which are not open to new participants. The total number of participants of these pension plans as at December 31, 2015 was 414. In addition, as at December 31, 2015, we operated other post-employment benefit plans in five countries which relate to legally required termination indemnities, which are payable at either the retirement date or the date the employee leaves. The total number of participants of other post-employment benefit plans as at December 31, 2015 was 1,272. We recorded aggregate provision for liabilities under the defined benefit plans and post-employment benefits as at December 31, 2015 of €33.9 million.

The level of our post-employment benefits provision was determined on the assumption of continuity of the legal framework that existed as at December 31, 2015, using certain actuarial and other assumptions such as discount rates, demographic probabilities (such as life expectancy), inflation rates, pension progression rates and future salary trends. If actual developments vary from these assumptions, this may lead to a substantial increase in balance sheet and/or actual post-retirement obligations, along with a need to increase post-retirement provisions.

Existing post-retirement obligations are not fully covered by plan assets. If the market value of plan assets should fall (for example due to the negative effects of changes in legal, economic or financial market conditions) this may also require a substantial increase of balance sheet provisions or net periodic pension expenses.

If any of the assumptions in the determination of our post-retirement obligations were to change, this could have a material adverse effect on our financial condition and results of operations.

## Risks related to the Acquisition

### ***The Company does not control LeasePlan and its subsidiaries following completion of the Acquisition.***

The Issuer is a special purpose finance subsidiary of the Company, and the Company indirectly owns LeasePlan following. However, since LeasePlan is regulated as a bank under the FMSA and falls under the Dutch large company regime, the operations of LeasePlan and its subsidiaries are effectively controlled by the Managing Board and supervised by the Supervisory Board. Therefore there can be no assurance that LeasePlan's business will be operated in the same way as the Company and the Shareholders would operate it if they had full operational control over LeasePlan and its subsidiaries.

The information contained in this listing circular has been derived from public sources and, in the case of historical information relating to LeasePlan and its subsidiaries, has been provided to the Company and the Issuer by LeasePlan and its subsidiaries, and the Company and the Issuer have relied on such information supplied to them in its preparation. Further, the Transactions have required, and will likely continue to require, substantial amounts of LeasePlan's management's time and focus, which could adversely affect their ability to operate the business.

### ***LP Group may not be able to enforce claims with respect to the representations and warranties that Global Mobility Holding has provided to it under the Acquisition Agreement.***

In connection with the Acquisition, Global Mobility Holding has given certain customary representations and warranties related to the shares of LeasePlan, the LeasePlan group and the business and operations of the LeasePlan group under the Acquisition Agreement. There can be no assurance that LP Group will be able to enforce any claims against Global Mobility Holding relating to breaches of such representations and warranties. The liability of Global Mobility Holding with respect to breaches of its representations and warranties under the Acquisition Agreement is very limited. Moreover, even if LP Group ultimately succeeds in recovering any amounts from Global Mobility Holding or its insurance provider, LP Group may be required to temporarily bear these losses, which could have an adverse effect on the financial condition of the Group.

### ***LeasePlan may have liabilities that are not known to the Company, and the indemnities negotiated in the Acquisition Agreement may not adequately protect us.***

LeasePlan and its subsidiaries have been acquired with certain liabilities, including certain pension liabilities and certain tax liabilities. There may be liabilities that were not discovered in the course of the due diligence investigations into LeasePlan and its subsidiaries that were performed by the Shareholders and their representatives in connection with the Acquisition. Any such undiscovered liabilities, individually or in the aggregate, could have a material adverse effect on the business, financial condition and results of operations of the Group. In addition, such liabilities may not be recoverable, in full or at all, against the representations, warranties and indemnities given by Global Mobility Holding under the Acquisition Agreement. In the future, we may discover additional information about LeasePlan and its subsidiaries that adversely affects the Group, such as unknown or contingent liabilities and issues relating to compliance with applicable laws.

### ***Certain of the Group's contracts contain change of control provisions, which may allow our counterparties to terminate these contracts under circumstances such as the Acquisition.***

An analysis of certain of the Group's material customer contracts indicates that some of these contracts may contain "change of control" provisions that require the Group to notify the counterparty of a potential change of control, or contain language that could be interpreted as allowing the counterparty to terminate the contract under certain circumstances. However, the Group has not sent notices of the Acquisition to all of its contractual counterparties, nor has the Group sought formal consent from every counterparty that has been identified as having a

potential termination right under a change of control provision. Even for those counterparties identified as having a potential termination right under a change of control provision, and to which notices have been or will be sent, there can be no assurance that any such counterparty will not seek to exercise their termination rights in the future. If a substantial number of these contracts were terminated as a result of the Acquisition, the Group could be forced to enter into new contracts. The counterparties to such new contracts may have stronger bargaining positions than when the Group's existing contracts were originally negotiated. As a result, the Group may only be able to secure replacement contracts on less favorable terms. Any of these events could have a material adverse effect on our business, financial condition and results of operation following the Acquisition.

***The Acquisition could negatively impact LeasePlan's financial position or prospects and there can be no assurance that the credit ratings assigned to LeasePlan and its existing debt securities will remain investment grade in the future.***

The impact of the Acquisition and the other Transactions on the financial position or prospects of LeasePlan and its subsidiaries remains uncertain. On July 28, 2015, following the announcement of the proposed Acquisition, S&P downgraded LeasePlan's long-term rating to BBB due to their consideration that Volkswagen would be less likely to offer LeasePlan extraordinary support in the event of financial need. Furthermore, S&P placed LeasePlan's ratings on Credit Watch with negative implications. On July 28, 2015, Moody's placed LeasePlan's long-term rating on review for downgrade, and on July 31, 2015, Fitch placed LeasePlan's long-term rating on Rating Watch Negative. At the beginning of February 2016, each of the three rating agencies downgraded LeasePlan's long-term ratings by one notch and revised the outlook to stable. Specifically, on February 3, 2016, S&P further downgraded LeasePlan's long-term rating to BBB- (with a stable outlook) and removed LeasePlan's ratings from Credit Watch, on February 4, 2016, Moody's downgraded LeasePlan's long-term ratings to Baa1 (with a stable outlook) from A3, and on February 8, 2016, Fitch downgraded LeasePlan's long-term ratings to BBB+ (with a stable outlook) from A- and removed them from Rating Watch Negative. No assurance can be given that the credit ratings assigned to LeasePlan and its existing debt securities will remain investment grade in the future. Any failure to maintain investment grade ratings could reduce LeasePlan's access to and increase the cost of its future funding. To the extent that we are unable to pass on any increased borrowing costs to customers, our financial condition, results of operations and potentially our ability to raise funds, could be materially adversely affected.

## **Risks related to our financial profile**

***We have significant indebtedness and may incur significant additional indebtedness, which could adversely affect our financial condition and results of operations, our ability to obtain financing in the future and our ability to react to changes in our business.***

We are highly leveraged. As at December 31, 2015, on an as adjusted basis after giving effect to the Transactions, we would have had an aggregate principal amount of financial debt outstanding of €16,916.2 million, consisting of borrowings from financial institutions, funds entrusted and debt securities issued. We recorded interest expense on our indebtedness of €330.0 million for the year ended December 31, 2015. As at December 31, 2015, we had €6,545.7 million of indebtedness maturing in 2016, including flexible deposits in connection with our banking operations in the Netherlands and Germany. The terms of the Indenture permit the Company and its subsidiaries to incur substantial additional indebtedness, including in respect of borrowings of up to €2.5 billion under the Revolving Credit Facilities.

Our substantial debt could have important consequences for investors in the Notes. For example, it could:

- limit the amounts available to LeasePlan to make dividend payments or other distributions to the Issuer or otherwise make it difficult for the Issuer to satisfy its obligations with respect to the Notes;

- require us to dedicate a substantial portion of our cash flows from operations to make payments on our debt, which would reduce the availability of our cash flows from operations to fund working capital or to finance new vehicle purchases for lease contracts, to make capital expenditures or for other general corporate purposes;
- increase our vulnerability to general adverse economic and industry conditions, including interest rate fluctuations, because a portion of our borrowings and our deposits are at variable rates of interest and our hedging arrangements in respect of such borrowings and deposits may prove inadequate;
- place us at a competitive disadvantage to our competitors with proportionately less debt or comparable debt at more favorable interest rates;
- limit our ability to refinance our existing indebtedness or borrow additional funds in the future;
- limit our flexibility in planning for, or reacting to, changing conditions in our business and industry; and
- limit our ability to react to competitive pressures, or make it difficult for us to carry out capital spending that is necessary or important to our growth strategy and our efforts to improve operating margins.

Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our debt obligations, including the Notes.

Certain instruments governing our indebtedness contain cross-default or cross-acceleration provisions that may cause the indebtedness issued under such instruments to become due and payable as a result of a default under an unrelated debt instrument. Should any of these provisions be triggered, this could have a significant adverse effect on our matched funding policy and maturity schedule and we could be unable to meet our payment obligations as they come due.

***Despite our current level of indebtedness, we may still be able to incur substantially more debt in the future, which may make it difficult for us to service our debt, including the Notes, and impair our ability to operate our businesses.***

We may incur substantial additional debt in the future. Any debt that our subsidiaries (other than the Issuer) incur will be structurally senior to the Notes, and other debt could be secured by property or assets that do not secure the Notes or could mature prior to the Notes. In addition, certain hedging obligations will be permitted to share in proceeds from enforcement of the Collateral on a super priority basis. Although the Indenture contains restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances the amount of indebtedness that could be incurred in compliance with these restrictions, including by our subsidiaries that do not guarantee the Notes, could be substantial. If new debt is added to our and our subsidiaries' existing debt levels, the related risks that we now face would increase. Increases in our total indebtedness could also lead to a downgrade of the ratings assigned to the Group or the Notes, which could negatively affect their trading price. In addition, the Indenture does not prevent us from incurring obligations or entering other arrangements that do not constitute indebtedness under those agreements, such as receivables securitization financings.

***We are subject to restrictive debt covenants that may limit our ability to finance our future operations and capital needs and to pursue business opportunities and activities.***

The Indenture restricts, among other things, our ability to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- create or incur certain liens;

- make certain payments, including dividends or other distributions, with respect to the shares of the Company;
- prepay or redeem subordinated debt or equity;
- make certain investments;
- create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to and on the transfer of assets to the members of the Restricted Group;
- sell, lease or transfer certain assets including stock of restricted subsidiaries;
- engage in certain transactions with affiliates;
- with respect to the Issuer and Midco, engage in prohibited activities;
- consolidate or merge with other entities;
- impair the security interests for the benefit of the holders of the Notes; and
- amend certain documents.

All these limitations are subject to significant exceptions and qualifications. See “*Description of the Notes—Certain covenants.*” The covenants to which we are subject could limit our ability to finance our future operations and capital needs and our ability to pursue business opportunities and activities that may be in our interest.

***We will require a significant amount of cash to meet our obligations under our indebtedness and to sustain our operations, which we may not be able to generate or raise.***

Our ability to make principal or interest payments when due on our indebtedness, including the Issuer’s obligations under the Notes, and to fund our ongoing operations will depend on our future performance and our ability to generate cash, which, to a certain extent, is subject to general economic, financial, competitive, legislative, legal, regulatory and other factors, as well as other factors discussed in these “*Risk factors,*” many of which are beyond our control.

The Notes will mature in 2021. At the maturity of the Notes and our existing and any future indebtedness, if we do not have sufficient cash flows from operations and other capital resources to pay our debt obligations or to fund our other liquidity needs, or we are otherwise restricted from doing so due to corporate, tax or contractual limitations, we may be required to refinance our indebtedness. The type, timing and terms of any future financing will depend on our cash needs and the conditions prevailing in the financial markets. If we are unable to refinance all or a portion of our indebtedness or obtain such refinancing on terms acceptable to us, we may be forced to reduce or delay our business activities or capital expenditures or sell assets or raise additional debt or equity financing in amounts that could be substantial. There can be no assurance that we will be able to accomplish any of these measures in a timely manner or on commercially reasonable terms, if at all. In addition, the terms of the Indenture and our existing and any future indebtedness may limit our ability to pursue some or all of these measures.

***Our hedging and other derivative arrangements may not effectively or sufficiently offset the negative impact of interest rate or foreign currency fluctuations.***

We may use a combination of natural hedging techniques and financial derivatives to protect against certain interest rate and foreign currency risks. We have made and will continue to make use of hedging arrangements to protect our business against interest rate and foreign currency fluctuations with respect to existing financing arrangements. In addition, the Issuer has entered into foreign currency hedging arrangements with respect to the Notes. Such hedging activities may be ineffective or may not offset more than a portion of the adverse financial impact resulting from foreign currency variations. Gains or losses associated with hedging activities may also negatively impact operating results. Moreover, in light of current economic uncertainty and

the potential for financial institution failures, we may be exposed to the risk that our counterparty in a derivative transaction may be unable to perform its obligations as a result of being placed in receivership or otherwise. In the event that a counterparty to a material derivative transaction is unable to perform its obligations thereunder, we may experience losses that could materially adversely affect our financial condition, financial returns and results of operations.

## **Risks related to the Notes, the Notes Guarantee and our structure**

***None of the Company's subsidiaries guarantee the Notes, and the Notes and the Notes Guarantee are structurally subordinated to the liabilities and preference shares (if any) of our subsidiaries.***

None of the Company's subsidiaries, including, following the Acquisition, LeasePlan and its subsidiaries, guarantee the Notes. Generally, claims of creditors of a non-guarantor subsidiary, including trade creditors, and claims of preference shareholders (if any) of the subsidiary will have priority with respect to the assets and earnings of the subsidiary over the claims of creditors of its parent entity, including claims under any intercompany loans and claims by holders of the Notes under the Notes Guarantee.

In the event that any non-guarantor subsidiary becomes insolvent, enters examinership, is liquidated, reorganized, or dissolved or is otherwise wound up other than as part of a solvent transaction:

- the creditors of the Issuer (including the holders of the Notes) and the Parent Guarantor will have no right to proceed against the assets of such company; and
- creditors of such non-guarantor company, including trade creditors, will generally be entitled to payment in full from the sale or other disposal of the assets of such company before the Parent Guarantor, as a direct or indirect shareholder, will be entitled to receive any distributions from such subsidiary.

As such, the Notes and the Notes Guarantee are structurally subordinated to the creditors (including trade creditors) and preference shareholders (if any) of our subsidiaries, including LeasePlan and its subsidiaries. As of December 31, 2015, LeasePlan and its subsidiaries, none of which guarantee the Notes, had €15,302.5 million in outstanding financial debt on a consolidated basis.

***The Issuer is a finance subsidiary and has no material assets or any revenue generating operations of its own and will depend on cash received under the Proceeds Loan in order to be able to make payments on the Notes.***

The Issuer is a finance subsidiary of the Company and was formed in order to offer and issue debt securities. The Issuer conducts no business operations of its own, and has not engaged in, and will not engage in, any activities other than those relating to its finance activities. As the Issuer has no material assets other than its rights under the Proceeds Loan pursuant to which it has lent the proceeds of the Notes to the Dutch Branch, the Issuer is dependent upon payments from other members of the Group to meet its obligations, including its obligations under the Notes. We intend to provide funds to the Issuer in order for it to meet its obligations under the Notes through interest payments on the Proceeds Loan. If the Dutch Branch does not fulfill its obligations under the Proceeds Loan, the Issuer will not have any other source of funds that would allow it to make payments to the holders of the Notes. The amounts available to the Dutch Branch and the Issuer from the other relevant members of the Group will depend on the profitability and cash flows of such other members and the ability of such other members to make payments or distributions under applicable law or regulation or the terms of any financing agreements or other contracts that may limit or restrict their ability to pay or distribute such amounts.



In particular, as a regulated entity, the ability of LeasePlan to make distributions is subject to various limitations under applicable banking regulations (which, after consummation of the Acquisition, are applied to LeasePlan on the basis of the consolidated financial position of LP Group) and Dutch corporate law. LeasePlan can make discretionary distributions (such as dividend payments) from distributable items if it exceeds the combined buffer requirement under CRD IV (including the capital conservation buffer and, as applicable, the counter-cyclical capital buffer, the capital buffer for global or other systemically important institutions and the systemic risk buffer), provided that such distribution does not reduce its Common Equity Tier 1 capital to a level where the combined buffer requirement is no longer met. If LeasePlan does not exceed the combined buffer requirement, discretionary payments are only permitted up to the Maximum Distributable Amount (“MDA”). The MDA is calculated by multiplying a scaling factor by LeasePlan’s profits since the last distribution or other discretionary payment, insofar as not included in Common Equity Tier 1 capital and minus taxes which would be payable if the profits were to be retained. If the Common Equity Tier 1 capital maintained by LeasePlan and not used to meet its own funds requirements is in the bottom quartile of the combined buffer requirement, the scaling factor is zero and all discretionary payments are prohibited. If such amount is in the second quartile of the combined buffer requirement, the scaling factor is 0.2; in the third quartile the scaling factor is 0.4; and in the top quartile the scaling factor is 0.6. Any dividend by LeasePlan must also comply with the relevant requirements of Dutch corporate law, which specify that Dutch companies may make distributions only to the extent that shareholders’ equity exceeds the sum of the paid and called-up part of the share capital and the reserves which must be maintained by law. In any event, even where the combined buffer requirement is exceeded, the DNB may withhold approval or prevent LeasePlan from making dividends, particularly if the capital ratio falls below the Signaling Ratio as defined in LeasePlan’s most recent Supervisory Review and Evaluation Process letter issued as part of the recurring process by which the DNB evaluates LeasePlan’s capital adequacy. The Signaling Ratio set forth in the Supervisory Review and Evaluation Process letter is an early warning trigger designed to reveal if LeasePlan’s capital position deteriorates.

Furthermore, the DNB and the ECB expect banks that satisfy the applicable capital requirements to only distribute their net profits as dividends in a conservative manner so as to enable them to continue to fulfil all requirements, even in the case of deteriorated economic and financial conditions. In addition, insofar as banks have not yet reached their “fully loaded” ratios (the required capital ratios by the applicable full phase-in dates), banks should in principle only pay out dividends to the extent that, at a minimum, a linear path towards the required fully loaded capital ratios is secured. Banks that do not satisfy the applicable capital requirements should in principle not distribute any dividend.

The DNB also has broad powers to prohibit or restrict distributions by LeasePlan if there are adverse developments in relation to LeasePlan’s own funds, solvability and liquidity. Such instructions can also relate to actions which LeasePlan is required to take in respect of its subsidiaries in order to counter such developments, and may involve restrictions on the payment of dividends or other distributions by a subsidiary. If LeasePlan’s subsidiaries themselves are regulated, they could also be subject to distribution restrictions pursuant to applicable rules.

If the ability of LeasePlan or any of its subsidiaries to issue dividends is prohibited or restricted, or if we are otherwise restricted from moving cash around the Restricted Group, the Dutch Branch may not have adequate funds to make required payments to the Issuer under the Proceeds Loan, and any amounts held in the Interest Reserve Account by the Dutch Branch may be inadequate to cover any shortfall. If the Dutch Branch has insufficient funds, or is otherwise restricted from making payments to the Issuer under the Proceeds Loan, the Issuer may be unable to make payments to the holders of the Notes.



***The Notes Guarantee and the Collateral are subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability.***

The Issuer's obligations under the Notes are guaranteed on a senior secured basis by the Company as Parent Guarantor (which will provide the holders of the Notes with a direct claim against the Company) and are secured by certain assets of Midco and the Company, each of which is organized under the laws of Singapore, and the Issuer, which is incorporated under the laws of Jersey. However, the Indenture includes language to the effect that the Notes Guarantee and each security interest granted, as well as any other obligation under the Security Documents, is limited so as to ensure compliance with local law. The Notes Guarantee, security interests and other obligations will also be subject to applicable corporate and other laws. In general, these laws may prohibit companies from providing financial assistance to anyone for the purpose of acquiring their shares and may limit the circumstances in which companies can transfer economic benefits to their shareholders outside the payment of properly declared dividends. They also provide for limitations that affect the rights of creditors generally in case an entity becomes insolvent. Although laws differ among the applicable jurisdictions, in general, applicable fraudulent transfer and conveyance laws, equitable principles and insolvency laws and limitations on the enforceability of judgments obtained in New York courts in such jurisdictions could also limit the enforceability of the Notes Guarantee and the Collateral against the Parent Guarantor or a security provider. Courts may also avoid the Collateral or the Notes Guarantee in certain circumstances where the security provider or the Parent Guarantor is close to or in the vicinity of insolvency.

The following discussion of fraudulent transfer, conveyance and insolvency law, although an overview, describes generally applicable terms and principles, which are defined under the relevant jurisdiction's fraudulent transfer and insolvency statutes. See "*Limitations on validity and enforceability of the Notes Guarantee and security interests*" for more details regarding limitations on the Notes Guarantee and security interests under the laws of Jersey, England and Wales, the Netherlands and Singapore.

In insolvency proceedings, it is possible that creditors of the Parent Guarantor, the security providers or the appointed insolvency administrator may challenge the Notes Guarantee and Collateral, and intercompany obligations generally, as fraudulent transfers or conveyances or on other grounds. If so, such laws may permit a court, if it makes certain findings, to:

- avoid or invalidate all or a portion of the Parent Guarantor's obligations under the Notes Guarantee or the Collateral provided by Midco, the Company or the Issuer;
- direct that the Issuer and/or the holders of the Notes return any amounts paid under the Notes Guarantee or any Security Document to the Parent Guarantor or to the respective security provider or to a fund for the benefit of the Parent Guarantor's creditors or the security provider; and
- take other action that is detrimental to holders of the Notes.

There can be no assurance as to which standard a court would apply in determining whether the Parent Guarantor or a security provider was "insolvent" as of the date the Notes Guarantee was issued or Collateral was created or that, regardless of the method of valuation, a court would not determine that the Issuer or the Parent Guarantor was insolvent on that date, or that a court would not determine, regardless of whether or not the Parent Guarantor or a security provider was insolvent on the date the Notes Guarantee was issued or security was created, that payments to holders of the Notes constituted fraudulent transfers on other grounds.

If the Issuer cannot satisfy its obligations under the Notes, and the Notes Guarantee or Collateral is found to be a fraudulent transfer or conveyance or is otherwise set aside, the Issuer cannot assure the holders of the Notes that it can ever repay in full any amounts outstanding under the

Notes. In addition, the liability of the Parent Guarantor under the Notes Guarantee and the liability of each security provider is limited to the amount that will result in such guarantee or security not constituting a fraudulent conveyance or improper corporate distribution or otherwise being set aside. The amount recoverable from the Parent Guarantor or a security provider under the Security Documents will also be limited. However, there can be no assurance as to what methodology a court would apply in making a determination of the maximum liability of the Parent Guarantor or each security provider and whether a court would give effect to such attempted limitation. Also, there is a possibility that the entire Notes Guarantee or security may be set aside, in which case the Parent Guarantor's or applicable security provider's entire liability may be extinguished and, in the case of the Notes Guarantee, you may cease to have any claim in respect of the Parent Guarantor and would be a creditor solely of the Issuer.

Moreover, certain transaction documents are governed by U.S. law, and judgments rendered by a U.S. court will generally not be directly enforceable in the jurisdictions in which the assets by which the Notes are secured are located. Instead, in many of these jurisdictions, as a pre-condition to enforcing a U.S. judgment, a local court will subject the judgment to a multi-factor test. See "*Enforcement of civil liabilities.*" Several of the factors the court will consider involve a considerable amount of discretion, and even if the court ultimately finds that the judgment is enforceable, the process may take a significant amount of time to complete. If any of these risks materializes, your ability to collect payments of principal and interest under the Notes may be materially adversely affected.

***The Collateral is subject to certain regulatory limitations upon the occurrence of an acceleration event and enforcement, and the events leading to such an acceleration event may result in other supervisory measures that may have a material adverse effect on the value of the Collateral.***

Under Dutch regulation, a person is permitted to hold, acquire or increase a qualified holding in a Dutch bank such as LeasePlan, or to exercise any voting power in connection with such holding, only after such person has obtained a declaration of no-objection from the ECB (in consultation with the DNB). A qualified holding means a direct or indirect holding in a bank which represents 10% or more of the capital or of the voting rights, or which makes it possible to exercise a significant influence over the management of the bank. The Security Agent (or any other third party, including a Noteholder) would therefore be required to obtain a declaration of no-objection prior to acquiring or exercising any voting rights over the shares of capital stock of the Company or LP Group following an acceleration event if the acquisition of such voting rights would constitute an acquisition of a qualified holding in LeasePlan. The Security Agent would be entitled, however, to acquire other rights with respect to the shares upon the occurrence of an acceleration event, such as the right to receive dividends paid on the shares, without first obtaining a declaration of no-objection so long as those rights would not constitute a qualified holding in LeasePlan. The Security Documents creating the security interests over the shares of capital stock of the Company and LP Group provide that the Security Agent may elect to receive any dividends paid with respect to the shares following an acceleration event.

Under the relevant Security Documents, voting rights with respect to the shares of capital stock of the Company and LP Group transfer from the relevant pledgor to the Security Agent upon the occurrence of an acceleration event and delivery of written notice by the Security Agent to the relevant pledgor. The Security Agent would require a declaration of no-objection from the ECB (in consultation with the DNB) prior to delivery of such written notice to the relevant pledgor. The ECB may make the declaration of no-objection subject to certain conditions or may refuse to grant the declaration of no-objection. The process of obtaining a declaration of no-objection may be lengthy and may delay or preclude the exercise of voting rights with respect to the shares by the Security Agent or the sale of the shares, or adversely affect the price at which the shares are sold. In addition, any prospective buyer obtaining a qualified holding in LeasePlan will also be required to obtain a declaration of no-objection from the ECB (in consultation with the DNB) before acquiring the relevant shares, which may reduce the availability of buyers. These factors

may significantly limit the amount recovered with respect to the shares of capital stock of the Company and LP Group in the event of a sale of the shares following an acceleration event.

In addition, the events leading up to, or the occurrence of, an acceleration event may result in the DNB or ECB, as applicable, exercising its supervisory powers with respect to LeasePlan and, in some instances, LP Group, including the right to (i) request information, (ii) give instructions, (iii) appoint a trustee to manage the affairs of LeasePlan, (iv) impose a fine and (v) withdraw LeasePlan's banking license. The imposition of any of these measures may require significant additional resources or otherwise result in a material adverse effect on our business, liquidity, cash flows, financial condition and results of operations prior to any sale of the shares of capital stock of the Company or LP Group in an enforcement action, which could further reduce the value realizable on a sale of such shares.

Accordingly, the security interests granted over the shares of capital stock of the Company and LP Group in favor of the Noteholders afford significantly less protection to the Noteholders than would be the case if LeasePlan were an unregulated business. The amount and nature of the Collateral may not be sufficient to satisfy the obligations under the Notes and the Notes Guarantee.

***Counterparties to certain hedging obligations are entitled to be repaid with the proceeds of the Collateral in priority to the Notes.***

The Collateral may also secure certain hedging obligations and certain future indebtedness. Under the terms of the Intercreditor Agreement, proceeds from the enforcement of the Collateral will be applied to repay claims of counterparties of certain hedging obligations in priority to the holders of the Notes and other secured obligations. Holders of the Notes may therefore receive less from the proceeds of the Collateral in an enforcement or insolvency scenario than if they were not required to share the proceeds.

***The Notes are secured only to the extent of the value of the Collateral that has been granted as security for the Notes and the Notes Guarantee, and such security may not be sufficient to satisfy the obligations under the Notes and the Notes Guarantee. No appraisals of any of the Collateral have been prepared by us or on our behalf in connection with the issuance of the Notes.***

The Notes are secured only by the Collateral described in this listing circular. In particular, the Notes are not secured by assets or shares owned by LP Group, LeasePlan or any of their respective subsidiaries. If there is an event of default with respect to the Notes, the holders of the Notes will be secured only to the extent of the value of the Collateral underlying their security interest. The Indenture allows for the incurrence of certain additional indebtedness in the future that is secured by the Collateral on a priority or *pari passu* basis. The incurrence of any such additional indebtedness secured by the Collateral would reduce amounts payable to you from the proceeds of any sale of the Collateral. Your rights to the Collateral may also be diluted by a reduction of the Collateral. If the value of the Collateral is less than the value of the claims of the holders of the Notes together with the claims of any other secured creditors, the claims of the holders of the Notes may not be satisfied in full.

No appraisals of any of the Collateral have been prepared by us or on our behalf in connection with the issuance of the Notes, and the book value of the Collateral should not be relied on as a measure of the realizable value of the Collateral. There is no guarantee that the value of the Collateral will be sufficient to enable the Issuer to perform its obligations under the Notes. There is no requirement to provide funds to enhance the value of the Collateral if it is insufficient. The proceeds of any sale of the Collateral following an event of default with respect to the Notes may not be sufficient to satisfy, and may be substantially less than, amounts due on the Notes.

***It may be difficult to realize the value of the Collateral.***

The amount of proceeds realized upon the enforcement of the Collateral or in the event of liquidation will depend upon many factors, including, among others, general market and economic conditions, the condition of the market for the Collateral, the ability to sell Collateral in an orderly sale, the fair value of the Collateral, the timing and manner of the sale, whether or not our business is sold as a going concern, the ability to readily liquidate the Collateral, the availability of buyers and exchange rates. By its nature, some or all of the Collateral may not have a readily ascertainable market value or may not be saleable or, if saleable, there may be substantial delays in its disposal. Further, there may not be any buyer willing and able to purchase our business as a going concern, or willing to buy a significant portion of its assets in the event of an enforcement action.

The Collateral securing the Notes will be subject to exceptions, defects, encumbrances, liens and other imperfections permitted under the Indenture and the Intercreditor Agreement. The existence of any such exception, defect, encumbrance, lien or other imperfection could adversely affect the value of the Collateral securing the Notes, as well as the ability of the Security Agent to realize or foreclose on such Collateral. Furthermore, the ranking of security interests can be affected by a variety of factors, including, among others, the timely satisfaction of perfection requirements, statutory liens or re-characterization under the laws of certain jurisdictions. There can be no assurance that the assets comprising the Collateral are, or will be, free and clear from third-party prior ranking security rights or other interests, such as security interests arising under standard contract terms or by operation of law. Any such rights or interests would adversely affect the value of the Collateral and the ability of the Security Agent to realize or foreclose on the Collateral.

In addition, the shares and ownership interests of an entity may be of no value if that entity is subject to an insolvency or bankruptcy proceeding because all or part of the obligations of the entity must first be satisfied, leaving little or no remaining assets in the entity.

The security interests of the Security Agent will be subject to practical problems generally associated with the realization of security interests over personal property such as the Collateral. For example, the Security Agent may need to obtain the consent of a third party to enforce a security interest. There can be no assurance that the Security Agent will be able to obtain any such consents. In particular, enforcement of the security interests over shares of capital stock of the Company and/or LP Group will be subject to the requirement to seek a declaration of no-objection from the ECB (in consultation with the DNB), and there can be no assurance that such a declaration of no-objection in favor of the Security Agent or the Noteholders will be granted. See "*—The Collateral is subject to certain regulatory limitations upon the occurrence of an acceleration event and enforcement, and the events leading to such an acceleration event may result in other supervisory measures that may have a material adverse effect on the value of the Collateral.*" We also cannot assure you that the consents of any third parties will be given when required to facilitate a foreclosure on such assets. Accordingly, the Security Agent may not have the ability to foreclose upon those assets, and the value of the Collateral may decline significantly.

Each of these factors or any challenge to the validity of the Collateral or the Intercreditor Agreement governing our creditors' rights could reduce the proceeds realized upon enforcement of the Collateral. If the proceeds of any sale of Collateral are not sufficient to repay all amounts due on the Notes and the Notes Guarantee, Noteholders (to the extent not repaid from the proceeds of the sale of the Collateral) would have only an unsecured claim against the Issuer's and the Parent Guarantor's remaining assets.

***Noteholders may not control certain decisions regarding the Collateral.***

The holders of the Notes will have no separate right to enforce the Collateral and will not be able to instruct the Security Agent, force a sale of the Collateral or otherwise independently

pursue the remedies of a secured creditor under the relevant Security Documents unless they comprise an “instructing group” (as described below) which is entitled to give such instructions.

The Security Agent may act upon the instructions of an “instructing group,” which may constitute either, more than 50% of a combined class of the holders of the aggregate principal amount of the Notes then outstanding and other *pari passu* indebtedness, or creditors of more than 66<sup>2</sup>/<sub>3</sub>% of the aggregate principal amount of “super senior” indebtedness (which includes certain hedging obligations). The Intercreditor Agreement does not require a consultation period prior to the issuance of enforcement instructions. If a creditor group considers that the Security Agent is enforcing the security in a manner inconsistent with the security enforcement principles, it can serve notice on the other creditor groups, which will trigger a consultation period for up to 10 days. To the extent there are conflicting instructions, those instructions given on behalf of the requisite majority of a combined class of holders of the Notes and other *pari passu* indebtedness will prevail. However, in certain circumstances “super senior” creditors (which includes counterparties to certain hedging arrangements) will have control over enforcement of the Collateral, including if (i) such creditors have not been fully repaid within six months of the initial enforcement notice or (ii) the majority of a combined class of holders of the Notes and other *pari passu* indebtedness have not determined the method of enforcement they wish to instruct the Security Agent to pursue nor appointed a financial advisor to assist in making such determination within three months of the initial enforcement notice. See “*Description of other indebtedness—Intercreditor Agreement.*”

The foregoing arrangements could result in the enforcement of the Collateral in a manner that results in lower recoveries by holders of the Notes.

Disputes may arise between the holders of the Notes and the counterparties to certain super senior indebtedness as to the appropriate manner of pursuing enforcement remedies and strategies with respect to the Collateral securing such obligations. In such an event, the holders of the Notes will be bound by any decisions of the relevant instructing group, which may result in enforcement action in respect of the relevant Collateral, whether or not such action is approved by the holders of the Notes or may be adverse to such Noteholders. The counterparties to certain super senior indebtedness may have interests that are different from the interests of holders of the Notes and they may elect to pursue their remedies under the relevant Security Documents at a time when it would otherwise be disadvantageous for the holders of the Notes to do so.

Furthermore, other creditors not subject to the Intercreditor Agreement could commence enforcement action against the Company or any of its subsidiaries during such period, and the Company or one or more of its subsidiaries could seek protection under applicable bankruptcy laws, or the value of certain Collateral could otherwise be impaired or reduced in value.

In addition, if the Security Agent sells Collateral comprising the shares of the Company, the Issuer or LP Group as a result of an enforcement action in accordance with the Intercreditor Agreement, claims under the Notes and the Notes Guarantee and the liens over any other assets securing the Notes and the Notes Guarantee may be released. See “*Description of other indebtedness—Intercreditor Agreement,*” “*Description of the Notes—Security—Release of Liens*” and “*Description of the Notes—Notes Guarantees.*”

***The Issuer, the Parent Guarantor and Midco have control over the Collateral securing the Notes.***

The Security Documents allow the Issuer, the Parent Guarantor and Midco to remain in possession of, retain control over, freely operate, and collect, invest and dispose of any income from, the Collateral securing the Notes. So long as no default or event of default under the Indenture is occurring or would result therefrom, the Issuer, Midco and the Parent Guarantor may, among other things, without any release or consent by the Trustee or the Security Agent, conduct ordinary course activities with respect to the Collateral. Such activities could reduce the value of the Collateral, which could reduce the amounts payable to you from the proceeds of any sale of the Collateral in the case of an enforcement of the Collateral securing the Notes.



***There are circumstances other than repayment or discharge of the Notes under which the Notes Guarantee or the Collateral securing the Notes and the Notes Guarantee will be released automatically, without your consent or the consent of the Trustee.***

Under various circumstances, the Notes Guarantee and the Collateral securing the Notes will be released automatically. See “*Description of the Notes—Notes Guarantees*” and “*Description of the Notes—Security—Release of Liens*.” In addition, if the Security Agent sells Collateral comprising shares of capital stock of the Company, the Issuer or LP Group as a result of an enforcement action in accordance with the Intercreditor Agreement, then claims under the Notes and the Notes Guarantee may be released or transferred. See “*Description of other indebtedness—Intercreditor Agreement*” and “*Description of the Notes—Security—Release of Liens*.” Your ability to recover on the Notes could be materially impaired in such circumstances.

The Intercreditor Agreement and Indenture also provide that the Collateral may be released and retaken in certain circumstances, including in connection with the incurrence of additional indebtedness, if the Security Agent has received from the Company a solvency opinion, opinion of counsel or officer’s certificate as specified in the Intercreditor Agreement and the Indenture, respectively. In certain jurisdictions, such a release and retaking of Collateral may give rise to the start of a new “hardening period” in respect of such Collateral. Under certain circumstances, other creditors, insolvency administrators or representatives or courts could challenge the validity and enforceability of the grant of such Collateral. Any such challenge, if successful, could potentially limit your recovery in respect of such Collateral and thus reduce your recovery under the Notes. See “*Description of other indebtedness—Intercreditor Agreement*” and “*Description of the Notes—Certain covenants—Impairment of security interest*.”

***Your rights in the Collateral may be adversely affected by the delay in or failure to grant or perfect security interests in the Collateral or by being junior security interests.***

Under applicable law, a security interest in certain assets can only be properly perfected, and its priority retained, through certain actions undertaken by the secured party and the grantor of the security. The liens on the Collateral securing the Notes may not be perfected with respect to the claims of the Notes if the relevant security provider (or the Security Agent, as applicable) fails or is unable to take the actions required to perfect any of these liens or if it has been agreed that such perfection steps shall not be taken on the basis that such steps have undesirable effects. For the avoidance of doubt, subject to applicable law, neither the Security Agent nor the Trustee will have any obligation to monitor the acquisition of additional property or rights by us or take any steps or actions necessary to perfect any liens.

Absent perfection, the holder of the security interest may have difficulty enforcing such holder’s rights in the Collateral with regard to third parties, including a trustee in bankruptcy and other creditors who claim a security interest in the same Collateral. In addition, a debtor may discharge its obligation by paying the security provider until, but not after, the debtor receives a notification of the existence of the security interest granted by the security provider in favor of the security taker over the claims the security taker (as creditor) has against the debtor and there has occurred an event of default under the Indenture. Finally, since the ranking of pledges is typically determined by the date on which they became enforceable against third parties, a security interest created on a later date over the same Collateral, but which came into force for third parties earlier (by way of registration in the appropriate register or by notification or as otherwise provided under applicable law) may have priority.

The security interests in the Collateral created under the Security Documents entered into on the Issue Date are junior and subject to the security interests created over the same Collateral pursuant to the Security Documents entered into prior to the Issue Date, which prior security interests have also been granted in favor of the Security Agent for the benefit of the secured parties (which includes the Trustee on behalf of the Noteholders). The Intercreditor Agreement provides that such junior security interests will be treated as security interests ranking *pari passu* with such prior security interests. However, if the Intercreditor Agreement or the relevant

provisions thereof were avoided or held to be unenforceable for any reason, Noteholders would not benefit from such first-ranking treatment and would be subordinated, with respect to such security interests, to the prior security interests over the same Collateral.

***The security interests in the Collateral have been granted to the Security Agent rather than directly to the holders of the Notes. The ability of the Security Agent to enforce certain of the Collateral may be restricted by local law.***

The security interests in the Collateral that secure the obligations of the Issuer under the Notes and the obligations of the Parent Guarantor under the Notes Guarantee have not been granted directly to the holders of the Notes but granted only in favor of the Security Agent. The Indenture and the Intercreditor Agreement provide that only the Security Agent has the right to enforce the Security Documents. As a consequence, holders of the Notes do not have direct security interests and will not be entitled to take enforcement action in respect of the Collateral securing the Notes, except through the Trustee, who will (subject to the provisions of the Indenture) provide instructions to the Security Agent in respect of the Collateral.

***Enforcement of the Collateral across multiple jurisdictions may be difficult.***

The Collateral is governed by the laws of Jersey, England and Wales, the Netherlands and Singapore. In the event of bankruptcy, insolvency or a similar event, proceedings could be initiated in any of these jurisdictions. The rights under the Collateral will thus be subject to the laws of the respective jurisdiction, and it may be difficult to effectively enforce such rights in multiple bankruptcies, insolvency and other similar proceedings. Moreover, such multi-jurisdictional proceedings are typically complex and costly for creditors and often result in substantial uncertainty and delay in the enforcement of creditors' rights. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdiction's law should apply and could adversely affect the ability to enforce the Collateral and to realize any recovery under the Notes and the Notes Guarantee. See also "*Enforcement of civil liabilities.*"

***The insolvency laws of Jersey, Singapore and the Netherlands may not be as favorable to you as the U.S. bankruptcy laws and may preclude holders of the Notes from recovering payments due on the Notes.***

The Issuer is incorporated under the laws of Jersey, the Parent Guarantor is incorporated under the laws of Singapore and the Dutch Branch may be subject to insolvency proceedings under the laws of the Netherlands. Accordingly, insolvency proceedings with respect to these entities would be likely to proceed under, and be governed by, Jersey, Singapore or Dutch insolvency law, as applicable. Jersey, Singapore or Dutch insolvency law may not be as favorable to investors as the laws of the United States or other jurisdictions with which investors are familiar. See "*Limitations on validity and enforceability of the Notes Guarantee and security interests.*"

In the event that the Issuer, the Parent Guarantor (including the Dutch Branch) or any other of our subsidiaries experienced financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings. The insolvency and other laws of each of these jurisdictions may be materially different from, or in conflict with, each other, including in the areas of rights of secured and other creditors, the ability to void preferential transfer, priority of governmental and other creditors, ability to obtain post-petition interest and duration of the proceeding. The application of these laws, or any conflict among them, could call into question whether any particular jurisdiction's laws should apply, adversely affect your ability to enforce your rights under the Notes Guarantee or the Collateral in these jurisdictions and limit any amounts that you may receive. See "*—The Notes Guarantee and the Collateral are subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability.*"



***Investors may not be able to recover in civil proceedings for U.S. securities law violations.***

The Issuer and the Parent Guarantor are organized or incorporated outside the United States, and their business is conducted entirely outside the United States. The directors and executive officers of the Issuer and the Parent Guarantor are not residents of the United States. Although the Issuer and the Parent Guarantor have submitted to the jurisdiction of certain New York courts in connection with any action under U.S. securities laws or under the Indenture, you may be unable to effect service of process within the United States on the directors and executive officers of the Issuer and the Parent Guarantor. In addition, because all the direct assets of the Issuer and the Parent Guarantor and all or a majority of the assets of their directors and executive officers are located outside of the United States, you may be unable to enforce judgments obtained in U.S. courts against them. Moreover, in light of recent decisions of the U.S. Supreme Court, actions of the Issuer and the Parent Guarantor may not be subject to the civil liability provisions of the federal securities laws of the United States.

The United States is not currently bound by a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards, rendered in civil and commercial matters with Jersey. Consequently, a final judgment for payment rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon United States federal securities laws, would not automatically be recognized or enforceable in Jersey. The enforcement in Jersey of any judgment obtained in any federal or state court in the United States based (whether in whole or in part) on the civil liability provisions of United States federal securities laws would be subject to certain conditions. In addition, it is questionable whether a Jersey court would accept jurisdiction and impose civil liability if the original action was commenced in Jersey, instead of the United States, and predicated solely upon United States federal securities laws. See "*Enforcement of civil liabilities.*"

The United States is not currently bound by a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards, rendered in civil and commercial matters with Singapore. There is, therefore, doubt as to the enforceability in Singapore of civil liability provisions based upon U.S. federal securities laws. In addition, the enforcement in Singapore of any judgment obtained in a U.S. court based (whether in whole or in part) on the civil liability provisions of U.S. federal securities laws will be subject to certain conditions. There is also doubt that a Singapore court will enter judgments or grant remedies sought in an original action brought in Singapore based on the civil liability provisions of U.S. federal securities laws. See "*Enforcement of civil liabilities.*"

***Investors may face foreign exchange risks by investing in the Notes.***

The Euro Notes are denominated and payable in euros and the Dollar Notes are denominated and payable in U.S. dollars. If investors measure their investment returns by reference to a currency other than the euro or the U.S. dollar, as applicable, an investment in the Notes will entail foreign exchange related risks due to, among other factors, possible significant changes in the value of the euro or U.S. dollar relative to the currency by reference to which such investors measure the return on their investments. These changes may be due to economic, political and other factors over which we have no control. Depreciation of the euro or U.S. dollar, as applicable, against the currency by reference to which such investors measure the return on their investments could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss to investors when the return on the Notes is translated into the currency by reference to which such investors measure the return on their investments. Investments in the Euro Notes by U.S. investors may also have important tax consequences as a result of foreign exchange gains or losses, if any. See "*Tax considerations—Certain United States federal income tax consequences.*"

***Continuing uncertainties and challenging conditions in the eurozone may adversely affect the value and trading of the Notes.***

Recent developments in the eurozone have exacerbated volatility in global markets. Financial markets and the supply of credit may continue to be negatively impacted by ongoing fears surrounding the sovereign debts and/or fiscal deficits of several countries in Europe (particularly in Greece), the possibility of further downgrading of, or defaults on, sovereign debt, concerns about a slowdown in growth in certain economies and uncertainties regarding the overall stability of the euro and the sustainability of the euro as a single currency given the diverse economic and political circumstances in individual member states. Governments and regulators have implemented austerity programs and other remedial measures to respond to the eurozone debt crisis and stabilize the financial system, but the actual impact of such programs and measures are difficult to predict. For example, after Greece's parliamentary elections in September 2015, the Greek government and the member states of the European Monetary Union agreed to renewed terms relating to the repayment of Greece's national debt supported by additional financial assistance from the European Monetary Union member states, subject to the application of a substantial number of measures by the Greek government within a short timeframe. While the recent agreement temporarily reduces concerns about Greece's exit from the eurozone, the substantial uncertainty regarding Greece's ability to fulfill the terms of the agreement, as well as concerns relating to the financial stability of Greece and certain other European countries, may lead to increased volatility in the markets, particularly in the eurozone, which could, in turn, adversely affect the value and trading of the Notes.

***There may not be an active trading market for the Notes, in which case your ability to sell the Notes may be limited.***

We cannot assure you as to:

- the liquidity of any market in the Notes;
- your ability to sell your Notes; or
- the prices at which you would be able to sell your Notes.

Future trading prices for the Notes will depend on many factors, including, among other things, prevailing interest rates, our operating results and the market for similar securities. Historically, the market for non-investment grade securities has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Notes. The liquidity of a trading market for the Notes may be adversely affected by a general decline in the market for similar securities and is subject to disruptions that may cause volatility in prices. The trading market for the Notes may attract different investors and this may affect the extent to which the Notes may trade. It is possible that the market for the Notes will be subject to disruptions. Any such disruption may have a negative effect on you, as a holder of the Notes, regardless of our prospects and financial performance. As a result, there can be no assurance that there will be an active trading market for the Notes. If no active trading market develops, you may not be able to resell your holding of the Notes at a fair value, if at all.

Although an application has been made for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and to be admitted to trading on the Euro MTF Market, we cannot assure you that the Notes will remain listed. Although no assurance is made as to the liquidity of the Notes as a result of the admission to trading on the Euro MTF Market, the delisting (whether or not for an alternative admission to listing on another stock exchange) of the Notes from the Official List of the Luxembourg Stock Exchange may have a material effect on a holder's ability to resell the relevant Notes, as applicable, in the secondary market.

In addition, the Indenture allows the Issuer to issue additional Notes in the future, which could adversely impact the liquidity of the Notes.

***The Issuer may not be able to obtain the funds required to repurchase the Notes upon a change of control and the change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events.***

The Indenture contains provisions relating to certain events constituting a “change of control.” Upon the occurrence of a change of control, the Issuer will be required to offer to repurchase all outstanding Notes at a price equal to 101% of their principal amount, plus accrued and unpaid interest and additional amounts, if any, to the date of repurchase. If a change of control were to occur, we cannot assure you that the Issuer would have sufficient funds available at such time, or that we would have sufficient funds to provide to the Issuer to pay the purchase price of the outstanding Notes or that the restrictions in our other then-existing contractual obligations would allow us to make such required repurchases. A change of control may result in an event of default under, or acceleration of our other indebtedness. The repurchase of the Notes pursuant to such an offer could cause a default under such indebtedness, even if the change of control itself does not. The ability of the Issuer to receive cash from the Restricted Group to allow it to pay cash to the holders of the Notes following the occurrence of a change of control may be limited by our then existing financial resources and by applicable corporate law and regulatory restrictions. Sufficient funds may not be available when necessary to make any required repurchases. If an event constituting a change of control occurs at a time when we are prohibited from providing funds to the Issuer for the purpose of repurchasing the Notes, we may seek the consent of the relevant regulatory authorities and/or lenders under such indebtedness for the purchase of the Notes or may attempt to refinance the borrowings that contain such prohibition. If such consent to repay such borrowings is not obtained, the Issuer will remain prohibited from repurchasing any Notes. In addition, we expect that we would require third-party financing to make an offer to repurchase the Notes upon occurrence of a change of control. There can be no assurance that we would be able to obtain such financing.

The change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events, including a reorganization, restructuring, merger or other similar transaction involving us that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a “change of control” as defined in the Indenture. Except as described under “*Description of the Notes—Change of Control*,” the Indenture does not contain provisions that would require the Issuer to offer to repurchase or redeem the Notes in the event of a reorganization, restructuring, merger, recapitalization or similar transaction.

The definition of “Change of Control” in the Indenture includes a disposition of all or substantially all of the assets of the Company and its Restricted Subsidiaries, taken as a whole, to any person. Although there is a limited body of case law interpreting the phrase “all or substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances, there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of “all or substantially all” of the Company’s assets and its Restricted Subsidiaries taken as a whole. As a result, it may be unclear as to whether a change of control has occurred and whether the Issuer is required to make an offer to repurchase the Notes.

***Credit ratings may not reflect all risks, are not recommendations to buy or hold securities and may be subject to revision, suspension or withdrawal at any time.***

One or more independent credit rating agencies may assign credit ratings to the Notes. The credit ratings address the Issuer’s ability to perform its obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. No assurance can be

given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency if, in its judgment, circumstances in the future so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to the Notes by one or more of the credit rating agencies may adversely affect the cost and terms and conditions of our financing and could adversely affect the value and trading of the Notes.

***The Notes are held in book-entry form and therefore investors must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.***

The Notes have initially only been issued in global certificated form and are being held through Euroclear and Clearstream (with respect to the Euro Notes) and DTC (with respect to the Dollar Notes). Interests in the global notes trade in book-entry form only, and Notes in definitive registered form, or definitive registered Notes, will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book-entry interests will not be considered owners or holders of Notes. The common depository, or its nominee, for Euroclear and Clearstream is the sole registered holder of the global notes representing the Euro Notes and the nominee for DTC is the sole registered holder of the global notes representing the Dollar Notes. Payments of principal, interest and other amounts owing on or in respect of the global notes representing the Notes will be made to the relevant paying agent, which will make payments to Euroclear and Clearstream or DTC, as applicable. Thereafter, these payments will be credited to participants' accounts that hold book-entry interests in the global notes representing the Notes and credited by such participants to indirect participants. After payment to the common depository for Euroclear and Clearstream and the nominee for DTC, as applicable, the Issuer will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if investors own a book-entry interest, they must rely on the procedures of Euroclear and Clearstream or DTC, as applicable, and if investors are not participants in Euroclear and Clearstream or DTC, as applicable, they must rely on the procedures of the participant through which they own their interest, to exercise any rights and obligations of a holder of Notes under the Indenture.

Unlike the holders of the Notes themselves, owners of book-entry interests will not have the direct right to act upon the Issuer's solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if an investor owns a book-entry interest, it will be permitted to act only to the extent it has received appropriate proxies to do so from Euroclear and Clearstream or DTC, as applicable. The procedures implemented for the granting of such proxies may not be sufficient to enable such investor to vote on a timely basis.

Similarly, upon the occurrence of an event of default under the Indenture, unless and until definitive registered Notes are issued in respect of all book-entry interests, if investors own book-entry interests, they will be restricted to acting through Euroclear and Clearstream or DTC, as applicable. The procedures to be implemented through Euroclear and Clearstream or DTC, as applicable, may not be adequate to ensure the timely exercise of rights under the Notes. See "*Book-entry, delivery and form.*"

***Noteholders are restricted in their ability to transfer or resell the Notes without registration under applicable securities laws.***

The Notes were offered and sold pursuant to an exemption from registration under the U.S. Securities Act and applicable state securities laws of the United States. Therefore, investors may transfer or sell the Notes in the United States only in a transaction registered under or exempted from the registration requirements of the U.S. Securities Act and applicable state securities laws, and you may be required to bear the risk of your investment for an indefinite period of time. See "*Transfer restrictions.*" The Issuer has not agreed to grant registration rights to the Notes under the U.S. Securities Act or conduct an exchange offer for registered notes.

## Risks related to our ownership

### *The interests of the Shareholders may conflict with your interests.*

The Company will indirectly own LeasePlan, but as LeasePlan is regulated as a bank under the FMSA and falls under the Dutch large company, it is expected that the operations of LeasePlan and its subsidiaries will effectively be controlled by the Managing Board and supervised by the Supervisory Board.

Following the Acquisition, the Dutch large company regime fully applies to LeasePlan and the Supervisory Board has the power to appoint, suspend and dismiss members of the Managing Board. Under the large company regime, the general meeting of shareholders appoints the members of the Supervisory Board pursuant to a binding nomination by the Supervisory Board, taking into account any recommendation rights held by the Company and the strengthened recommendation rights of the Dutch works councils of LeasePlan.

The Supervisory Board consists of seven members, two of whom are nominated by the Consortium, and two of whom (who are considered independent) are individuals who sit on the Supervisory Board on the recommendation of LeasePlan's Dutch works councils. The remaining three Supervisory Board members are independent, and one of these members chairs the Supervisory Board. The Supervisory Board has the power to review key strategic decisions of LeasePlan's management and aims to pass all of its resolutions on the basis of a unanimous vote.

The interests of the Shareholders, in certain circumstances, may conflict with your interests as Noteholders. For example, the Shareholders could vote to cause LeasePlan to incur additional indebtedness or to sell certain material assets, in each case, as permitted under the Indenture. Incurring additional indebtedness would increase our debt service obligations and selling assets could reduce our ability to generate revenues, each of which could affect you adversely.

In addition, if the Shareholders (or their respective shareholders or affiliates) were unable to reach agreement on one or more matters that require the approval of all Shareholders or all members of the Consortium, or if the relationship between any of the Shareholders were to deteriorate materially, the lack of an ability of the Shareholders to agree to approve resolutions, appoint directors or make other key decisions could have a material adverse effect on LeasePlan's liquidity, financial condition, results of operations, business and prospects.

Funds advised by the Shareholders or affiliates of the Shareholders also hold other investments. While the Indenture sets forth certain limitations on transactions with our affiliates, it does not prohibit such affiliate transactions, and such limitations are subject to significant exceptions.

## The Acquisition

On July 23, 2015, Global Mobility Holding and LP Group entered into the Acquisition Agreement, pursuant to which LP Group agreed to acquire 100% of LeasePlan's share capital. LP Group is a newly incorporated company indirectly owned and controlled by the Shareholders and is a direct subsidiary of the Company. The purchase price for the LeasePlan shares is approximately €3.5 billion, subject to customary adjustments. The total consideration for the Transactions is expected to be financed with the proceeds from the Notes described herein and the Equity Contribution.

On January 29, 2016, the ECB (in consultation with the DNB) issued declarations of no-objection for the Acquisition. All other competition authority and financial regulatory approvals required under the Acquisition Agreement have been obtained.

Pending the consummation of the Acquisition, the Initial Purchasers deposited the gross proceeds from the offering of the Notes into the Escrow Accounts. The Acquisition was consummated on March 21, 2016, and the proceeds have been released from escrow in connection therewith.

In July 2015, LP Group entered the Second Revolving Credit Facility Agreement providing for the Second Revolving Credit Facility in the amount of €1,250 million, which became available upon completion of the Acquisition and is due to mature on December 15, 2018. In connection with the Acquisition and as part of the Transactions, LeasePlan replaced LP Group as a party to the Second Revolving Credit Facility Agreement and became a borrower under the Second Revolving Credit Facility, which facility serves to replace the Volkswagen Revolving Credit Facility. The Volkswagen Revolving Credit Facility has been cancelled and terminated in connection with the Acquisition.



## Use of proceeds

The gross proceeds of the Notes were approximately €1,614 million equivalent and, together with the Equity Contribution, were used to finance the purchase price of the Acquisition, to fund the Interest Reserve Account with an amount representing at least 2.5 years of interest expense with respect to the Notes (taking into account the impact of any hedging arrangements), to finance certain potential expenses in connection with the commitment of liquidity facilities to LeasePlan and to pay various fees, expenses and costs related to the Transactions.

Pending the consummation of the Acquisition, the Initial Purchasers deposited the gross proceeds from the offering of the Notes into the Escrow Accounts. The Acquisition was consummated on March 21, 2016, and the proceeds have been released in connection therewith.

The estimated sources and uses of the funds in connection with the Transactions are shown in the table below. Actual amounts are subject to adjustments and may vary from estimated amounts depending on several factors, including actual fees and expenses and currency exchange rate movements, as well as any hedging arrangements entered into with respect to the funds deposited into the Interest Reserve Account.

Sources	€ in millions	Uses	€ in millions
The Notes <sup>(1)</sup>	1,614	Acquisition purchase price	3,532
Equity Contribution <sup>(2)</sup>	2,333	Interest Reserve Account <sup>(3)</sup>	279
		Transaction expenses <sup>(4)</sup>	100
		Cash Overfund <sup>(5)</sup>	36
<b>Total sources</b>	<b>3,947</b>	<b>Total uses</b>	<b>3,947</b>

(1) Represents €1,250 million principal amount of Euro Notes and \$400 million principal amount of Dollar Notes, translated at an exchange rate of \$1.1000 = €1.00, which represents the rate of exchange as of March 9, 2016, as published by Bloomberg Composite Rate (New York).

(2) Represents the €2,333 million Equity Contribution to the Company in the form of common equity, comprising (i) an indirect cash equity contribution in an amount of €1,828 million provided by the Consortium, (ii) an indirect cash equity contribution in an amount of €25 million provided by Broad Street Investments and (iii) a contribution of €480 million in connection with the equity proceeds from the mandatory convertible instrument issued by an affiliate of the Company.

(3) The Interest Reserve Account is held by the Dutch Branch. Following the release of the proceeds of the Offering from the Escrow Accounts, the Interest Reserve Account was initially be funded with a portion of the proceeds from the Offering and the Equity Contribution in an amount equal to at least 2.5 years of interest expense with respect to the Notes (taking into account the impact of hedging arrangements). The actual amount deposited in the Interest Reserve Account was determined taking into account the impact of hedging arrangements with respect to the Notes in place at the time of deposit.

(4) Reflects our estimate of certain fees and expenses associated with the Transactions to be paid using the sources set forth in the table above, including discounts, fees and other commissions, advisory and other professional fees and other transaction costs in connection with the Transactions. Additional fees and expenses associated with the Transactions (in an amount not expected to exceed €65 million and which, in any event, will not exceed €70 million) are expected to be funded following the Completion Date using a portion of the proceeds from the LeasePlan announced dividend for the year ended December 31, 2015. See "Summary—Summary consolidated financial data—Adjusted Financial Data for the Company on a consolidated basis giving effect to the Transactions."

(5) Represents cash to be retained by TopCo in order to finance certain potential expenses in connection with the commitment of liquidity facilities to LeasePlan.



## Capitalization

The following table sets forth the consolidated cash and balances at central banks and consolidated capitalization of:

- LeasePlan, on an actual basis as of December 31, 2015, derived from LeasePlan's audited consolidated balance sheet as of December 31, 2015, which is included elsewhere in this listing circular; and
- the Company, as adjusted to give effect to the Transactions (including the Acquisition (but excluding any related purchase accounting adjustments), the Equity Contribution, the issuance of the Notes and the use of proceeds therefrom), as if each had occurred on December 31, 2015.

You should read this table together with the sections of this listing circular entitled "Use of proceeds," "Selected historical financial information," "Management's discussion and analysis of financial condition and results of operations" and "Description of other indebtedness" and our financial statements and related notes included elsewhere in this listing circular.

The adjusted information below is illustrative only and does not purport to be indicative of the consolidated capitalization of the Company following the completion of the Transactions.

The figures in the following table do not reflect changes to financial debt subsequent to December 31, 2015, including debt issued as part of LeasePlan's ordinary course funding activities.

( <b>€ in millions</b> )	<b>December 31, 2015</b>	
	<b>LeasePlan actual</b>	<b>Company as adjusted</b>
<b>Cash, balances at central banks and receivables from financial institutions<sup>(1)</sup></b> .....	<b>1,974.3</b>	<b>2,253.3</b>
<b>Financial debt:</b>		
The Notes <sup>(2)</sup> .....	—	1,613.6
LeasePlan borrowings from financial institutions .....	2,073.1	2,073.1
Funds entrusted to LeasePlan .....	5,087.0	5,087.0
LeasePlan debt securities issued <sup>(3)</sup> .....	8,142.4	8,142.4
<b>Total financial debt</b> .....	<b>15,302.5</b>	<b>16,916.2</b>
<b>Equity<sup>(4)</sup></b> .....	<b>3,071.5</b>	<b>5,404.3</b>
<b>Capitalization</b> .....	<b>18,374.0</b>	<b>22,320.5</b>

(1) The as adjusted amount reflects our cash as adjusted to give effect to the Transactions, and includes €279.0 million retained from the proceeds of the Offering and the Equity Contribution and deposited in the Interest Reserve Account. The actual amount deposited in the Interest Reserve Account was determined taking into account the impact of any hedging arrangements with respect to the Notes in place at the time of deposit.

(2) Represents €1,250 million principal amount of Euro Notes and \$400 million principal amount of Dollar Notes, translated at an exchange rate of \$1.1000=€1.00, which represents the rate of exchange as of March 9, 2016, as published by Bloomberg Composite Rate (New York), in each case excluding debt issuance costs.

(3) These amounts do not reflect changes to financial debt subsequent to December 31, 2015, including three private placements of notes in an aggregate principal amount of €71 million issued as part of LeasePlan's ordinary course funding activities, and a fourth private placement of notes in an aggregate principal amount of €15.9 million that LeasePlan concluded March 16, 2016 as part of its ordinary course funding activities.

(4) The as adjusted amount reflects the €2,332.9 million Equity Contribution to the Company in the form of common equity, comprised of (i) an indirect cash equity contribution in an amount of €1,827.9 million provided by the Consortium, (ii) an indirect cash equity contribution in an amount of €25.0 million provided by Broad Street Investments and (iii) a contribution of €480.0 million in connection with the equity proceeds from the mandatory convertible instrument issued by an affiliate of the Company.

## Selected historical financial information

The following tables summarize our historical consolidated financial data as of the dates and for the periods indicated.

The Issuer was incorporated under the laws of Jersey on March 4, 2015 and the Company was incorporated under the laws of Singapore on March 3, 2015, in each case for the purpose of facilitating the Transactions, including the Offering and the use of proceeds therefrom. Until the consummation of the Transactions, neither the Issuer nor the Company had any material assets or liabilities and neither has engaged in any activities other than those related to their incorporation in preparation for the Transactions and the consummation of the Transactions. Consequently, no historical financial information relating to the Issuer or the Company is available.

Unless otherwise indicated, all historical financial information presented in this listing circular is of LeasePlan and its subsidiaries; accordingly, all references to "we," "us," "our" or the "Group" in respect of historical financial information in this listing circular are to LeasePlan and its subsidiaries on a consolidated basis unless otherwise indicated. In particular, this listing circular includes audited consolidated financial statements and accompanying notes of LeasePlan and its subsidiaries as of and for the years ended December 31, 2013, 2014 and 2015 prepared in accordance with IFRS and audited financial statements and accompanying notes of LeasePlan on a stand-alone basis as of and for the years ended December 31, 2013, 2014 and 2015 prepared in accordance with Dutch law.

The consolidated and stand-alone financial statements of LeasePlan and its subsidiaries included in this listing circular have not been adjusted to reflect the impact of any changes to the income statements, balance sheet or cash flow statements that might occur as a result of purchase accounting adjustments to be applied as a result of the Acquisition. The Company will, in its consolidated financial statements, account for the Acquisition using the acquisition method of accounting under IFRS, which will affect the comparability of the Company's audited consolidated financial statements with the financial information contained in this listing circular. Under IFRS 3 (Business Combinations) the consideration transferred is measured as the fair value of the assets transferred, liabilities incurred and the equity interests issued by the acquirer, including the fair value of any contingent consideration. Acquisition-related costs are expensed as incurred. As of the Completion Date, the Company will recognize in its consolidated financial statements, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in LeasePlan and its subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair market values at the date of the Acquisition. The excess of the consideration transferred over the fair value of the acquirer's share of the identifiable net assets acquired is recorded as goodwill. In accordance with IFRS, we have up to twelve months from the date of the Acquisition to finalize the allocation of the purchase price.

Rounding adjustments have been made in calculating some of the financial and other information included in this listing circular. As a result, figures shown as totals in some tables and charts may not be exact arithmetic aggregations of the figures that precede them.

## Consolidated income statement

(€ in millions)	Year ended December 31,		
	2013	2014	2015
Depreciation <sup>(1)</sup>	47.7	43.3	42.6
Lease services <sup>(2)</sup>	143.3	152.0	161.4
Damage risk retention <sup>(3)</sup>	167.0	174.3	184.4
Rental <sup>(4)</sup>	17.1	15.1	18.4
Management fees <sup>(5)</sup>	199.8	202.2	211.0
Results of vehicles sold <sup>(6)</sup>	153.9	246.3	328.7
Other <sup>(7)</sup>	92.9	90.8	120.0
<b>Gross profit</b>	<b>821.7</b>	<b>924.2</b>	<b>1,066.6</b>
Interest and similar income	859.3	794.2	780.0
Interest expenses and similar charges	479.7	377.7	330.0
<b>Net interest income</b>	<b>379.7</b>	<b>416.5</b>	<b>450.0</b>
Impairment charges on loans and receivables	25.1	20.1	23.2
<b>Net interest income after impairment charges on loans and receivables</b>	<b>354.6</b>	<b>396.4</b>	<b>426.7</b>
Unrealized gains/(losses) on financial instruments	25.7	(12.1)	13.5
Other financial gains/(losses)	(4.0)	—	—
<b>Net finance income</b>	<b>376.3</b>	<b>384.3</b>	<b>440.2</b>
<b>Total operating and net finance income</b>	<b>1,198.0</b>	<b>1,308.5</b>	<b>1,506.8</b>
Staff expenses	472.3	498.6	558.0
General and administrative expenses	256.8	263.4	290.6
Depreciation and amortization	48.7	54.0	56.2
<b>Total operating expenses</b>	<b>777.7</b>	<b>816.0</b>	<b>904.7</b>
Share of profit of associates and jointly controlled entities	7.5	6.6	5.9
<b>Profit before tax</b>	<b>427.8</b>	<b>499.0</b>	<b>607.9</b>
Income tax expenses	101.3	127.0	165.5
<b>Profit for the financial period</b>	<b>326.5</b>	<b>372.0</b>	<b>442.5</b>

(1) We depreciate leased vehicles on a straight-line basis over the lease term, which we recognize as depreciation cost of revenues. We invoice customers for depreciation as part of their lease installment payment, which we recognize as depreciation revenues. Our depreciation margin is the difference between the depreciation revenues and depreciation cost of revenues.

(2) Lease services margin is the difference between lease services revenues received from the service nature of fleet management, such as vehicle repair, maintenance and tire replacement, and the related costs of revenues for the provision of those services. The margin on lease services is principally the total of (i) any discounts on the lease services costs we purchase which we are able to achieve due to our scale and (ii) any premiums on the lease services costs when charging the lease services to our customers.

(3) Damage risk retention margin is the difference between our damage risk retention revenues and our damage risk retention costs. We retain a portion of the long-tail risks (motor third-party liability and legal defense) and short-tail risks (motor material damage and passenger indemnity) of our fleet. We receive compensation for these risks which we receive from customers under their lease contracts, which are our damage risk retention revenues. Our damage risk retention cost is for the cost we incur for such damage risk up to final settlement.

(4) Rental includes the result from rental activities, including the provision of replacement vehicles.

(5) Management fees are the charges applied to customers for the fleet management services we provide.

(6) Results of vehicles sold represents the result with respect to the termination of lease contracts. This result largely relates to the sales results of vehicles sold at the end of the lease contract which is the difference between the contracted residual value of the vehicle and the sales proceeds from the vehicle. Furthermore, this termination result relates to certain other components connected to lease contract terminations, such as results stemming from termination fees, invoiced excessive wear and tear, releases of repair, maintenance, tire accruals and disposal costs.

(7) Other revenues consists primarily of discounts earned in connection with costs recharged to clients, as well as the revenues and cost of revenues that relate to regular business operations but cannot be categorized as any of the components of revenues and cost of revenues specified above.

Our cost of revenues comprise the costs associated with providing the above-mentioned service components of the lease installments. Any (volume related) discounts related to these expenses, except those earned on the purchase of leased objects, are credited directly to expenses. Discounts received on purchases of objects for operating lease contracts are deducted from the purchase consideration and as such, result in lower depreciation. Discounts received on purchases of objects for finance lease contracts are recognized immediately in the income statement.

Other revenues and cost of revenues also reflects the correction for straight-line recognition of interest income for operating leased assets. Such correction relates to the fact that we present interest income from operating lease installment payments based on the effective interest rate method, which uses the interest rate included in the lease contract and based on the net investment value of the leased asset. In order to arrive at a total straight-line recognition of the interest income for operating lease contracts, a correction is required. Typically, during the first half of an operating lease contract the required correction to the interest income using the effective interest rate method is negative. During the second half this correction turns positive, effectively reversing the corrections made during the first half of the operating lease contract.

Cost of revenues also includes the carrying amount of the sold vehicles and the costs associated with rental activities.

## Consolidated balance sheet

(€ in millions)	As of December 31,		
	2013	2014	2015
<b>Assets</b>			
Cash and balances at central banks	978.8	958.0	1,605.4
Receivables from financial institutions	1,439.1	1,222.8	368.9
Derivative financial instruments	120.4	183.0	166.1
Other receivables and prepayments	586.8	668.5	837.4
Inventories	202.0	205.3	261.3
Receivables from clients	2,829.9	2,952.1	3,309.5
Property and equipment under operating lease and rental fleet	12,226.6	12,681.3	14,261.5
Other property and equipment	82.7	82.9	90.7
Loans to associates and jointly controlled entities	258.4	290.1	103.3
Investments in associates and jointly controlled entities	55.2	57.1	24.2
Intangible assets	163.8	162.9	171.3
Corporate income tax receivable	30.9	20.5	37.4
Deferred tax assets	154.8	161.8	141.4
Assets classified as held-for-sale and discontinued operations	—	9.4	36.8
<b>Total assets</b>	<b>19,129.4</b>	<b>19,655.7</b>	<b>21,415.2</b>
<b>Liabilities</b>			
Trade and other payables and deferred income	1,945.4	2,062.0	2,255.3
Borrowings from financial institutions	2,523.3	1,991.4	2,073.1
Derivative financial instruments	197.5	130.3	88.4
Funds entrusted	4,320.2	4,378.9	5,087.0
Debt securities issued	6,988.7	7,638.0	8,142.4
Provisions	331.2	355.3	378.3
Corporate income tax payable	43.9	23.4	37.3
Deferred tax liabilities	197.6	233.6	253.9
Liabilities classified as held-for-sale	—	—	28.1
<b>Total liabilities</b>	<b>16,547.8</b>	<b>16,812.8</b>	<b>18,343.8</b>
<b>Equity</b>			
Share capital	71.6	71.6	71.6
Share premium	506.4	506.4	506.4
Other reserves and other comprehensive income	2,003.6	2,264.9	2,493.5
Equity attributable to the owners of the parent	2,581.6	2,842.9	3,071.5
<b>Total equity</b>	<b>2,581.6</b>	<b>2,842.9</b>	<b>3,071.5</b>
<b>Total equity and liabilities</b>	<b>19,129.4</b>	<b>19,655.7</b>	<b>21,415.2</b>

## Consolidated statement of cash flows

(€ in millions)	Year ended December 31,		
	2013	2014	2015
Net cash inflow/(outflow) from operating activities	1,087.4	(129.0)	(1,025.7)
Net cash inflow/(outflow) from investing activities	(102.7)	(79.2)	101.8
Net cash inflow/(outflow) from financing activities	(1,172.2)	133.2	1,588.3
Net movement in cash and balances with banks	(187.4)	(75.0)	664.4

## Management's discussion and analysis of financial condition and results of operations

*The Issuer was incorporated under the laws of Jersey on March 4, 2015 and the Company was incorporated under the laws of Singapore on March 3, 2015, in each case for the purpose of facilitating the Transactions, including the Offering and the use of proceeds therefrom. Until the consummation of the Transactions, neither the Issuer nor the Company had any material assets or liabilities and neither has engaged in any activities other than those related to their incorporation in preparation for the Transactions and the consummation of the Transactions. Consequently, no historical financial information relating to the Issuer or the Company is available.*

*Unless otherwise indicated, all historical financial information presented in this listing circular is of LeasePlan and its subsidiaries; accordingly, all references to "we," "us," "our" or the "Group" in respect of historical financial information in this listing circular are to LeasePlan and its subsidiaries on a consolidated basis unless otherwise indicated.*

*You should read the following discussion in conjunction with our audited consolidated and stand-alone financial statements as of and for the years ended December 31, 2013, 2014 and 2015, and in each case, the related notes thereto included elsewhere in this listing circular, as well as "Selected consolidated financial information," "Risk factors," and "Business."*

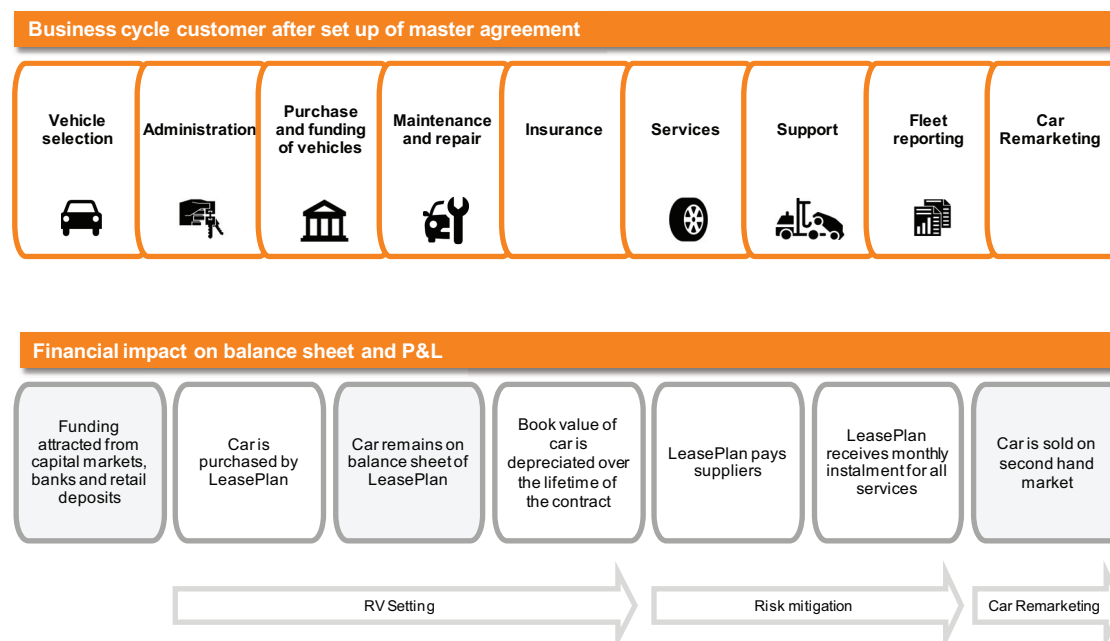
*The statements in this discussion regarding industry outlook, our expectations regarding our future performance, liquidity and capital resources and other non-historical statements in this discussion are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described in the "Risk factors" and "Forward-looking statements" sections of this listing circular. Our actual results may differ materially from those contained in, or implied by, any forward-looking statements.*

### Overview

LeasePlan is a global fleet management and driver mobility provider originally founded in the Netherlands in 1963. In the 1970s, we began our international expansion into the Belgian, UK, French and German markets, and we currently operate in 32 countries across Europe, North and South America and the Asia-Pacific region. We hold a leading market position in the majority of the markets in which we operate based on total fleet size, and with an aggregate fleet of approximately 1.6 million vehicles as of December 31, 2015, we believe that we are the largest fleet and vehicle management provider in the world by total fleet size.

We offer a comprehensive portfolio of fleet management solutions covering vehicle acquisition, leasing, insurance, full-service fleet management, strategic fleet selection and management advice, fleet funding, ancillary fleet and driver services and car remarketing. We aim to deliver expertise, savings and opportunities to meet the needs of the largest and most prestigious vehicle fleets in our markets of operation. We manage mainly passenger cars (representing 65% of our fleet by volume as of December 31, 2015) and light commercial vehicles (representing 31% of our fleet by volume as of December 31, 2015) across numerous sectors of the economy and across various client types, including large and multinational companies, small and medium-sized enterprises ("SMEs"), public sector entities and, in selected countries, retail clients and private individuals. As of December 31, 2015, 68.0% of our lease contract counterparties by Total Leased Assets were investment grade rated and our largest client accounted for 1.3% of our Total Leased Assets.

We operate across the automotive value chain by providing a variety of vertically integrated and stand-alone services. We are independent of vehicle brands and provide services for vehicles of a wide variety of makes and models in line with the specific needs of our customers. See *"Business—Our fleet"* for information on the brand distribution of our fleet. The graphic below illustrates our activities across the automotive value chain.



As of December 31, 2015, our Total Leased Assets were €17.0 billion (excluding non-consolidated entities). We recorded operating and net finance income of €1,506.8 million and net profit of €442.5 million for the year ended December 31, 2015.

We have held a banking license since 1993 and are regulated as a financial institution by the Dutch Central Bank (*De Nederlandsche Bank N.V.*, "DNB") and the Netherlands Authority for the Financial Markets. Since 2010, we have operated LeasePlan Bank, an organically developed internet-based savings bank which accepts retail savings deposits in the Netherlands and, since September 2015, Germany, as part of our funding diversification strategy. Our common equity Tier 1 ratio (CET1 ratio), calculated under the CRD IV regime, was 17.0% at the end of December 2015. LeasePlan management also sets an internal CET1 ratio target (which is calculated to include certain retained earnings that are otherwise excluded from the CET1 ratio under CRD IV pending finalization of LeasePlan's accounts for a given year) taking into account minimum requirements set by DNB as communicated through the annual supervisory review and evaluation process (SREP). The CET1 ratio target set by LeasePlan management for 2016 is at least 17.5%.

## Significant factors affecting our financial condition and results of operations

### General market conditions and customer demand

We are active in the vehicle leasing, fleet management and driver mobility markets and we focus primarily on serving large and multinational companies, small and medium-sized businesses and public sector entities. Due to the nature of our customers, demand for our services is correlated with general macroeconomic conditions. Weak or weakening macroeconomic conditions can cause our customers to experience less demand for the products and services they provide, which in turn can negatively affect their fleet size requirements and fleet utilization. The negative effect of weak macroeconomic conditions on customer demand for our products and services is partially offset by the increased attractiveness of vehicle leasing relative to outright purchases of vehicles due to customers having less available cash. Because we have operations on five



continents, different regions can experience varying challenges, with results being largely dependent on the overriding economic climate in each area. As such, whereas certain countries were subject to rather subdued business activity in 2013, others experienced positive market growth and we were able to increase our market share accordingly. Broadly speaking, financial markets were largely stable during 2014 but the fragile recovery since the financial crisis in 2008 and 2009 led to only a small rise in business and consumer confidence during the year. In 2015, our results of operations continued to be affected by global economic conditions as well as specific economic conditions in the markets in which we operate. In particular, the European economy was impacted by an unpredictable political landscape, decreasing interest rates and oil prices and strong currency fluctuations. Meanwhile, the vehicle leasing industry continued to be impacted by a number of key trends that included consolidation, competitive pricing and increased regulation, as well as unexpected developments, including the widely-publicized vehicle emissions controversy affecting Volkswagen AG. Longer-term, stable growth depends on stable regulation and effective decisions by governments and policymakers. While the changing global regulatory landscape remains a work in progress, the operating environment will continue to be unpredictable. We have, however, demonstrated that we can perform in uncertain economic environments and have been further encouraged by recovering markets during 2015. Our fleet increased by 53 thousand vehicles, or 3.9%, from 1,370 thousand vehicles as at December 31, 2013 to 1,423 thousand vehicles as at December 31, 2014. As at December 31, 2015, our fleet was comprised of 1,553 thousand vehicles, representing an increase of 130 thousand vehicles, or 9.1%, compared to December 31, 2014.

The ongoing global economic uncertainty, including in the eurozone, which comprises the majority of our operations, makes it difficult to predict future demand for vehicle leasing, fleet management and driver mobility services and increases the likelihood that our actual results of operations could differ materially from our expectations. See *"Risk factors—Risks related to our business—Disruptions and declines in the global economy and financial markets, including the European economy and financial markets, have had, and may continue to have, an adverse effect on our business, liquidity, financial condition and results of operations," "Risk factors—Risks related to our business—General business and economic conditions may have a material adverse effect on our business, financial condition and results of operations" and "Risk factors—Risks related to our business—We are exposed to the risk that our customers may default on leasing and/or fleet management contracts or that the credit quality of our customers may deteriorate."*

### **Access to funding**

Our vehicle leasing activities are capital intensive. We seek to fund the substantial majority of our vehicle leasing activities on a matched funding principle whereby we aim to match the maturity of the funding obligation used to finance the leased vehicles with the terms of the leases. As a result, we require ongoing access to funding in order to originate new leases. We rely on funding from various sources, including debt capital markets, securitization transactions and bank credit lines. In February 2010, we diversified our funding sources further by launching our internet savings bank operations in the Netherlands. In September 2015, we expanded our internet savings bank operations into Germany.

The disruptions in the credit markets that began in the summer of 2007 intensified in 2008 and led to a dramatically changed credit and liquidity landscape in the fourth quarter of 2008. A number of governments worldwide intervened to rescue banks and other financial institutions through share capital injections, government guarantees, acquisitions of troubled assets and nationalizations. As a result of such turmoil in the financial markets, we were unable to attract sufficient funding in the fourth quarter of 2008 and, in order to be able to maintain our lease portfolio and originate new leases, we filed an application for a guarantee from the State of the Netherlands under its €200 billion 2008 Credit Guarantee Scheme. This application was granted in December 2008 and allowed us to issue a state-guaranteed bond with a two-year maturity. We made further bond issuances under the 2008 Credit Guarantee Scheme in February 2009,

May 2009 and June 2009. The annual fee we paid to the Dutch government in respect of the 2008 Credit Guarantee Scheme was €12.2 million for the year ended December 31, 2013 and €3.6 million for the year ended December 31, 2014. By May 2014, we had repaid the final outstanding tranche of our government funding under the 2008 Credit Guarantee Scheme.

We resumed our access to the debt capital markets on an unguaranteed basis in October 2009, which was followed by additional issuances in each year thereafter, with our latest bond transaction in October 2015. In March 2015, we renewed the Volkswagen Revolving Credit Facility amounting to €1,250 million (which facility was canceled and terminated in connection with the Acquisition and replaced by the Second Revolving Credit Facility amounting to €1,250 million). In June 2015, we renewed the First Revolving Credit Facility with a consortium of banks amounting to €1,250 million. The First Revolving Credit Facility and the Second Revolving Credit Facility are due to mature on December 15, 2018.

### **Residual values**

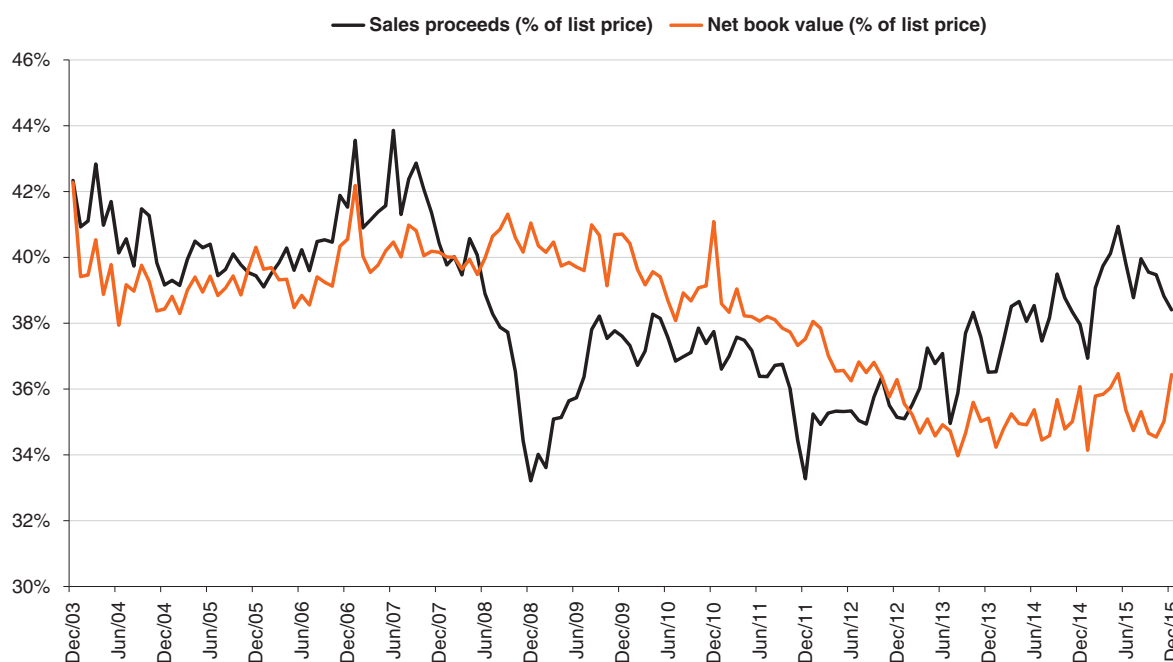
The majority of our vehicle leasing, fleet management and driver mobility operations are from operating leases for vehicles and a key element of operational leasing is that the lessor retains the residual value risk related to the leased vehicle. The residual value of a vehicle is the resale value of such vehicle at lease contract termination. Residual value risk is our exposure to potential loss from the resale values of our vehicles declining below the estimates made at lease inception. As a result of the onset of the global economic crisis, the market prices of used vehicles decreased significantly in the second half of 2008. Market prices for used vehicles began recovering in 2009, and as at December 31, 2015, they had almost returned to pre-crisis levels. See *“—Overview of principal income statement items—Gross profit—Results of vehicles sold”* and *“Risk management—Risk management areas—Primary risk management areas—Asset risk.”* We do not retain residual value risk on vehicles that are classified as finance leases in the annual accounts, which represented 16% of our lease contract portfolio as at December 31, 2015.

A decrease in market prices for used vehicles affects us in several ways. We are exposed to a potential loss on the resale of vehicles returned to us at the end of leases, equaling the difference between the actual sales proceeds and the estimated residual value at which we carried such vehicles on our balance sheet at lease termination. The average result from such resale of vehicles relating to lease contracts terminated at their original lease end date was a profit of €333 per vehicle for the year ended December 31, 2013, a profit of €741 per vehicle for the year ended December 31, 2014 and a profit of €952 per vehicle for the year ended December 31, 2015. The improvement in the average result per vehicle sold over these periods was due to a combination of declining average book values driven by lower residual value settings at contract inception and risk mitigation measures beginning in 2008, as well as increasing sales proceeds due to a strong recovery of the second-hand car market, which recovery was a result of, among other things, improved consumer confidence and a shortage of supply of attractive second hand vehicles due to a reduction in new vehicle registrations immediately after the financial crisis. In 2013, market prices for our used vehicles increased to an average level of 37% of the manufacturer's list price of the vehicle, and in 2014 market prices for our vehicles increased further to 38% of the manufacturer's list price, which in combination with our decreased book values improved our results of vehicles sold compared to previous years. During 2015, market prices for used vehicles continued to increase to 39% of the manufacturer's list price, driven by a further improvement of the second hand car market, while our average book values increased as a result of slightly higher residual value settings at contract inception as well as a slight reduction in effects from risk mitigation measures taken during the contract period.

Since January 2014, the strong recovery of the second-hand car market has led us to increase residual values we set at contract inception. This reflects our expectation that the sales proceeds from the resale of these vehicles at contract termination will remain stable as compared to current levels. To the extent that market prices of second-hand vehicles fail to develop as

anticipated over the life of these contracts, our results of vehicles sold could be negatively affected and we could suffer losses from increased prospective depreciation expenses or on the resale of these vehicles at lease termination.

The graph below shows, for the periods indicated, the development of the average book value and the average sales proceeds at the time of the sale of the vehicles from normal terminations, in each case as a percentage of the manufacturer's list price and excluding equipment and trucks as well as any adjustments stemming from prior months. The net book value at termination reflects the risk mitigation techniques we have applied to the initial contracted residual value during the lifetime of the lease contract, such as recalculations, mileage variation adjustments, informal extensions and charging for end of contract damages. See "*Risk management—Risk management areas—Primary risk management areas—Asset risk—Asset risk exposure.*"



Furthermore, decreasing market prices for used vehicles can lead to prospective depreciation charges and valuation allowances for vehicles in stock. Decreases in used vehicle prices affect the carrying value of vehicles with terminated lease contracts but which as at that date we have not sold. If applicable, we adjust for such changes through charges and releases of valuation allowance for vehicles in stock. The average duration of our vehicle lease contracts is between three and four years. On a quarterly basis, all of our subsidiaries assess the exposures in their existing fleet portfolios for future years and compare contracted residual values to the latest expectations of what market prices will be on the contract termination dates. The consolidated outcome of these assessments of our leased vehicle portfolio determines whether or not prospective depreciation charges should be recorded in our consolidated results. As at January 1, 2013, the balance of prospective depreciation adjustments was nil and valuation allowances for vehicles in stock was €11.8 million (as indicated in the table below). We decreased the balance of valuation allowances for vehicles in stock by €10.0 million in the year ended December 31, 2013, by €0.2 million in the year ended December 31, 2014 and by €0.3 million in the year ended December 31, 2015. The development of used vehicle prices during 2015 did not provide us any reason to change our position as at December 31, 2015 not to account for anticipated future sales results on terminated lease contracts. As a consequence, the balance of prospective depreciation remained nil as at December 31, 2015. Furthermore, driven by the improved termination results, we have released €0.3 million from the valuation allowance for vehicles in stock, as a consequence of which the valuation allowance for vehicles in stock amounted to €1.3 million as at December 31, 2015. Please refer to the table below for details.

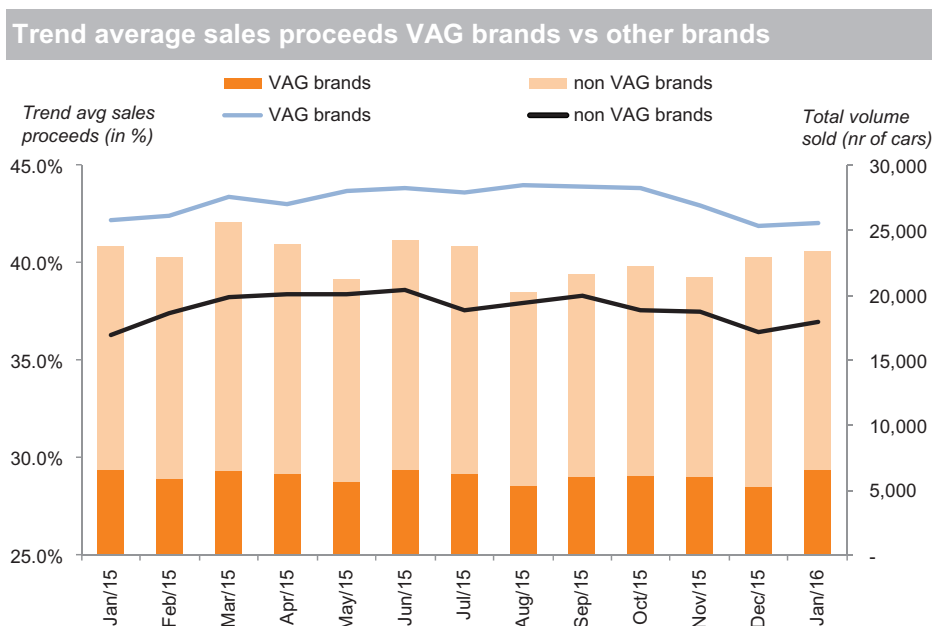
	Balance as at January 1, 2013	2013 charges/ (releases)	2014 charges/ (releases)	2015 charges/ (releases)	Balance as at December 31, 2015
<b>Prospective depreciation adjustments<sup>(1)</sup></b> . . . . .	—				—
Charge . . . . .		—	—	—	
(Release) . . . . .		—	—	—	
<b>Valuation allowance vehicles in stock<sup>(2)</sup></b> . . . . .	<b>11.8</b>				<b>1.3</b>
Charge/(Release) . . . . .		(10.0)	(0.2)	(0.3)	
<b>Total</b> . . . . .	<b>11.8</b>	<b>(10.0)</b>	<b>(0.2)</b>	<b>(0.3)</b>	<b>1.3</b>

(1) Prospective depreciation adjustments are accounted for in the income statement in the gross profit component "Depreciation."

(2) Charges and releases relating to the valuation allowance for vehicles in stock are accounted for in the income statement in the gross profit component "Other revenues and cost of revenues."

### Vehicle emissions developments

In respect of the widely-publicized vehicle emissions controversy affecting Volkswagen AG (an indirect 50% owner of LeasePlan prior to the consummation of the Acquisition), to date we have not seen any significant impact on the residual values of our vehicles or on the demand for certain types of our vehicles in the second-hand vehicle market. As illustrated in the chart below, the volume of Volkswagen branded vehicles sold remained relatively stable through January 2016 and the average sales proceeds for Volkswagen branded vehicles consistently exceeded those for other branded vehicles during that period.



In addition, we expect that any costs incurred with respect to the affected vehicles will be fully borne by Volkswagen AG. As at August 31, 2015, approximately 10% of our fleet consisted of vehicle models affected by this controversy. As this is a developing issue, the full scope of any impact on the residual values of our vehicles might not yet be fully apparent. Accordingly, we continue to monitor closely all developments with respect to this issue.

See "Risk factors—Risks related to our business—A decrease in the residual values or the sales proceeds of our leased vehicles could have a material adverse effect on our business, financial condition and results of operations," "—Overview of principal income statement items—Gross profit—Depreciation" and "—Overview of principal income statement items—Gross profit—Other revenues and cost of revenues."

## **Impairment charges on receivables**

In 2014, we changed the definition of the Yearly Default Rate to reflect calculation of the Yearly Default Rate by dividing the number of defaults over the previous four quarters at quarter end by the number of performing counterparties at quarter end one year prior. In 2013, calculation of the Yearly Default Rate was equal to the number of defaults over the previous four quarters at quarter end divided by the average number of clients for the same period. The change in definition was made to align with the definition as included in the Basel III (CRR/CRD IV) framework.

Despite the ongoing global economic uncertainty, we experienced fewer defaults in 2014 and 2015 compared to 2013. The Yearly Default Rate for our retail counterparties, with all periods calculated using the 2014 definition, improved to 2.0% as at December 31, 2015, after improving to 2.3% as at December 31, 2014 from 2.7% as at December 31, 2013. The number of defaults among corporate counterparties has been declining, with a Yearly Default Rate of 0.6% as at December 31, 2015, compared to 0.8% and 1.0% as at December 31, 2014 and 2013, respectively. See *"Risk management—Risk management areas—Primary risk management areas—Credit risk—Credit risk measurement."*

Receivables from clients are individually assessed for indications of impairment. Furthermore, we recognize a provision for losses incurred but not reported based on an expected loss calculation, determined in accordance with our credit risk models, which are based on CRR/CRD IV requirements. See *"Risk management—Risk management areas—Primary risk management areas—Credit risk."* On our income statement, consolidated impairment charges and releases are included in the item "impairment charges on loans and receivables." Our net impairment charges of €25.1 million for the year ended December 31, 2013 decreased to €20.1 million for the year ended December 31, 2014, and increased to €23.2 million for the year ended December 31, 2015. As at December 31, 2015, our total allowance for impairment was €90.9 million, compared to €89.2 million and €86.3 million as at December 31, 2014 and 2013, respectively. See *"—Results of operations—Year ended December 31, 2015 compared with year ended December 31, 2014—Impairment charges on loans and receivables"* and *"—Results of operations—Year ended December 31, 2014 compared with year ended December 31, 2013—Impairment charges on loans and receivables."*

## **Fluctuations in interest rates, currency exchange rates and the valuation of derivatives**

As a result of our business activities, we are sensitive to fluctuations in interest rates and currency exchange rates. We offer and accept lease contracts from clients at both fixed and floating interest rates, for various periods and in various currencies. We seek to balance the spread between interest rates charged to clients in lease contracts and the interest rates paid on our various borrowings. We also use various derivative financial instruments to seek to control our exposure to future movements in interest rates and currency exchange rates such as interest rate swaps, currency swaps and cross-currency interest rate swaps. In particular, we seek to use interest rate swaps to cover the interest rate positions between lease contracts and borrowed funds. As a consequence, with respect to lease contracts concluded, we have been able to maintain a stable interest margin over the years ended December 31, 2013, 2014 and 2015. Volatility is, however, created due to the compulsory mark-to-market valuations (in line with IFRS) of the derivatives used, as described below. Due to our strategy of seeking to match our assets and liabilities, we enter into currency swaps to cover mismatches between the currency structure of the lease contracts and borrowed funds, as a result of which mismatches are effectively limited. We are also exposed to translation effects arising from the consolidation of the results of our operations in non-euro denominated markets, though we do not generally hedge translational currency risk. For instance, for the year ended December 31, 2015, €29 million of the €198 million increase in Total operating and net finance income compared to the year ended December 31, 2014 was caused by foreign currency exchange differences, particularly the



depreciation of the euro. Similarly, €20 million of the €89 million increase in Total operating expenses during the same period compared to the year ended December 31, 2014 was caused by foreign currency exchange differences. For further information on our exposure to currency risk and our use of derivatives, see "*Risk management—Risk management areas—Other risk management areas—Currency risk.*"

The effective portion of changes in the fair value of derivatives designated as hedging instruments in a cash flow hedge is recognized directly in "other comprehensive income" as a separate component of equity (hedging reserve). As a consequence of market developments and the resulting fair value changes of cash flow hedges, our hedging reserves have increased by €8.4 million from a balance of negative €15.3 million as at December 31, 2013 to a balance of negative €6.9 million as at December 31, 2014, and since December 31, 2014 they have decreased by €0.5 million, to a balance of negative €7.5 million as at December 31, 2015.

We apply fair value hedge accounting to eliminate the income statement volatility arising from measurement principles applied by IAS 39 to issued fixed rate notes, structured notes and related derivatives. The fixed leg of the swaps (the hedging instrument), which we apply to change the interest profile of the notes, will typically match the notes in an equal and opposite way, thus creating an effective hedge. The change in the fair value of the notes is in principle the same as the change in fair value of the swap in the case of a fully effective hedge. Both changes in fair value are recognized in the income statement in the caption "unrealized gains/(losses) on financial instruments." A combined result relating to fair value changes of nil has been recorded for the year ended December 31, 2015, reflecting no significant differences in the interest structures of the hedged terms and the hedging instruments during the year. As at December 31, 2015 the cumulative balance of fair value losses on the hedged items and hedging instruments amounted to €0.1 million.

Certain derivatives do not qualify for hedge accounting and create volatility in our income statement. This volatility is a function of the volatility of market interest rates and currency exchange rates. The cumulative balance of fair value losses recognized through the income statement on outstanding derivatives not designated as hedges was €14.7 million, €28.7 million and €15.3 million, as at December 31, 2013, 2014 and 2015, respectively. Changes in the fair value of such derivatives are recognized on the income statement during the period in which they occur under the caption "unrealized gains/(losses) on financial instruments." During the years ended December 31, 2013, 2014 and 2015, a relatively large part of our derivatives did not qualify for hedge accounting and, as a result, our income statements for these periods were exposed to fair value changes of derivatives. For the year ended December 31, 2013 we recognized a profit of €28.8 million and for the year ended December 31, 2014 we recognized a loss of €14.0 million, relating to the fair value change on derivatives not designated as a hedge. For the year ended December 31, 2015, we recognized a profit of €13.5 million relating to the fair value change on derivatives not designated as a hedge.

We adopted IFRS 13 "Fair value adjustment" effective January 1, 2013, which aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements, which are largely aligned between IFRS and U.S. GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS or U.S. GAAP. There has been no material impact on our results.

### **Perspective on gross profit margins**

We are a global vehicle leasing, fleet management and driver mobility company. The major components of our revenues comprise the on-charging of related costs of revenues in relation to vehicle leases. These components are:

- depreciation;



- lease services (such as vehicle repair, maintenance and tire replacement);
- damage risk retention;
- rental;
- management fees; and
- results of vehicles sold.

See “—Overview of principal income statement items.” Our gross profit substantially depends on our ability to realize positive margins on these components, principally by exploiting scale advantages. When reviewing and analyzing our business, we specifically focus on the development of these margins from one period to another and to a lesser extent on the changes to revenues and cost of revenues independent of each other, except for management fees for which there is no directly corresponding cost. As a result, we specifically discuss and analyze the gross profit margin developments for the components of revenues and cost of revenues in the discussion of our results of operations under the captions “—Results of operations—Year ended December 31, 2015 compared with year ended December 31, 2014” and “—Results of operations—Year ended December 31, 2014 compared with year ended December 31, 2013.” However, our gross profit margins may not be directly comparable to the gross profit margins of other companies, which may be calculated on a different basis.

#### **LeasePlan dividends**

Dividend payments by the Regulated Group are subject to strict rules and conditions. On the basis of the CRD IV Directive and the CRR, the Regulated Group may distribute dividends when paid out of distributable items (profits at the end of the latest financial year plus any profits brought forward and reserves available for that purpose, less any losses brought forward and profits or reserves which are non-distributable on the basis of legislation, statutes or by-laws). These dividends must be paid in the form of cash or an own-funds instrument. If LeasePlan exceeds the combined buffer requirement under the CRD IV Directive, it may make these discretionary distributions provided that such distributions do not reduce its Common Equity Tier 1 capital to a level where the combined buffer requirement is no longer met. If LeasePlan does not exceed the combined buffer requirement, discretionary payments are only permitted up to the Maximum Distributable Amount (“MDA”).

Furthermore, the DNB and the ECB expect banks that satisfy the applicable capital requirements to only distribute their net profits as dividends in a conservative manner so as to enable them to continue to fulfil all requirements, even in the case of deteriorated economic and financial conditions. In addition, insofar as banks have not yet reached their “fully loaded” ratios (the required capital ratios by the applicable full phase-in dates), banks should in principle only pay out dividends to the extent that, at a minimum, a linear path towards the required fully loaded capital ratios is secured. Banks that do not satisfy the applicable capital requirements should in principle not distribute any dividend.

Irrespective of the above, in certain situations the DNB may have powers to prohibit or restrict distributions by LeasePlan. See “Risk factors—We are subject to a bank supervisory regime in the Netherlands and other regulatory regimes and regulatory actions in the jurisdictions in which we operate, including the Netherlands, and changes in these regulatory regimes could adversely affect our business, financial condition, results of operations and liquidity” and “Risk factors—The Issuer is a finance subsidiary and has no material assets or any revenue generating operations of its own and will depend on cash received under the Proceeds Loan in order to be able to make payments on the Notes.”

In 2014, LeasePlan proposed paying its equity owners a dividend of €236.0 million, or 63.4% of its profit (as defined in accordance with IFRS), which was approved by the DNB and subsequently paid by LeasePlan. LeasePlan has previously followed a practice of paying a relatively small interim dividend (€6.0 million in 2014) and paying the majority of the annual dividend as a final dividend. However, with respect to the year ended December 31, 2015, LeasePlan declared its full annual dividend in the amount of €265.5 million, or 60.0% of its profit (as defined in accordance with IFRS), in March 2016. This announced dividend for the year ended December 31, 2015 is expected to be paid following the Completion Date, and we will deposit the proceeds from such dividend (after payment of certain Transaction costs in an amount not expected to exceed €65 million and which, in any event, will not exceed €70 million) into the Interest Coverage Account. Following the Acquisition, we currently expect LeasePlan to declare dividends in more even amounts corresponding to the timing for semi-annual interest payments on the Notes. Any future dividends following the Completion Date is subject to approval by the Shareholders and finalization of LeasePlan's accounts for such year.

## Recent developments

Set forth below are the principal recent developments in our business:

### LeasePlan ratings

Following the announcement of the proposed Acquisition in July 2015, each of S&P, Moody's and Fitch placed LeasePlan's long-term ratings on review, and S&P downgraded LeasePlan's long-term rating to BBB. At the beginning of February 2016, each of the three rating agencies downgraded LeasePlan's long-term ratings by one notch and revised the outlook to stable. Specifically, on February 3, 2016, S&P further downgraded LeasePlan's long-term rating to BBB- (with a stable outlook) and removed LeasePlan's ratings from Credit Watch, on February 4, 2016, Moody's downgraded LeasePlan's long-term ratings to Baa1 (with a stable outlook) from A3, and on February 8, 2016, Fitch downgraded LeasePlan's long-term ratings to BBB+ (with a stable outlook) from A- and removed them from Rating Watch Negative. For more information, see *"Risk factors—Risks related to the Acquisition—The Acquisition could negatively impact LeasePlan's financial position or prospects and there can be no assurance that the credit ratings assigned to LeasePlan and its existing debt securities will remain investment grade in the future."*

As a result of the downgrades of LeasePlan's credit ratings in February 2016, LeasePlan was required to fund certain reserves in some of its securitization structures, including Bumper DE, Bumper 6 and Bumper NL, in a total amount of €153.1 million. See *"Risk management—Risk management areas—Liquidity risk—Liquidity risk mitigation."*

### Vehicle emissions developments

In respect of the widely-publicized vehicle emissions controversy affecting Volkswagen AG (an indirect 50% owner of LeasePlan prior to the consummation of the Acquisition), to date we have not seen any significant impact on the residual values of our vehicles or on the demand for certain types of our vehicles in the second-hand vehicle market. In addition, we expect that any costs incurred with respect to the affected vehicles will be fully borne by Volkswagen AG. As at August 31, 2015, approximately 10% of our fleet consisted of vehicle models affected by this controversy. As this is a developing issue, the full scope of any impact on the residual values of our vehicles might not yet be fully apparent. Accordingly, we continue to monitor closely all developments with respect to this issue. See *"—Significant factors affecting our financial condition and results of operations—Residual values—Vehicle emissions developments"* for further information.

### Funding activities

Since January 1, 2016, LeasePlan has concluded three private placements of notes in an aggregate principal amount of €71 million, and concluded a fourth private placement of notes in an aggregate principal amount of €15.9 million on March 16, 2016.

## Overview of principal income statement items

### Gross profit

Gross profit is revenues less cost of revenues.

### Revenues

Revenues comprise the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of our activities.

Our revenues include the various components of the lease installment, such as repair, maintenance and tires, damage risk retention, depreciation and management fees. The lease installments may include passed on costs such as fuel, road taxes and other taxes, which do not represent the inflow of economic benefits and/or are collected on behalf of third parties and are therefore not presented as revenues.

Revenues from operating lease installments are presented straight-line over the lease term. For closed calculation contracts, income related to lease services is recognized over the term of the contract based on historical statistics and expected service costs. For open calculation contracts, income related to lease services that we will earn is not certain until final settlement takes place and accordingly is not recognized until that time and is recognized in the sales result settlements. Expected losses are recognized as an expense immediately when it is probable that total contract costs will exceed total contract revenues.

The interest portion of the lease installment is classified under the caption "Net interest income" (discussed below), using the effective interest rate method. As the total revenues from the lease installments from operating lease contracts are recognized and presented straight-line, the adjustment required to present the interest portion income on the effective interest method is included within revenues in the category "Other." For finance lease contracts, the effective interest rate method is applied without any adjustment.

Revenues also include the proceeds of the sale of vehicles from terminated lease contracts and rental revenues from renting out the rental fleet portfolio. The proceeds from the sale of vehicles are recognized when the objects are sold. The rental revenues are recognized on a straight-line basis over the term of the rental agreement.

Other revenues that cannot be categorized as any of the revenues specified above, but are income categories of regular business operations such as (volume related) discounts earned in connection with pass-on costs, are included in the category "Other." Other revenues are generally recognized when services are rendered.

Our revenues comprise the on-charging of related costs of the following revenues in relation to vehicle leases:

### Depreciation

Leased vehicles are depreciated on a straight-line basis over the lease term, which we recognize as depreciation cost of revenues. Depreciation expenses are invoiced to customers as part of their lease installment payment, which we recognize as depreciation revenues. Our depreciation margin is the difference between the depreciation revenues and depreciation cost of revenues, and such difference is affected by the result of volume-related discounts earned from vehicle suppliers on the purchase of vehicles for lease as well as the depreciation of capitalized lease origination costs, which are both depreciated over the lease term. Additionally, depreciation margin can be influenced by certain accounting specific items such as prospective depreciation adjustments. Such adjustments have not been made during the years ended December 31, 2013, 2014 or 2015.

### *Lease services*

Lease services margin is the difference between lease services revenues received from the service nature of fleet management, such as vehicle repair, maintenance and tire replacement, and the related costs of revenues for the provision of those services. The margin on lease services is principally the total of (i) any discounts on the lease services costs we purchase which we are able to achieve due to our scale and (ii) any premiums on the lease services costs when charging the lease services to our customers.

### *Damage risk retention*

Due to the combination of our global scale and the total size of our fleet we have been able to benefit from retaining the risk of damages to and from our vehicles rather than insuring such risks with third parties. Damage risk is our exposure to potential loss from costs incurred in relation to damages to or from a vehicle which exceed the compensation included in lease installment payments received from customers for such risks. This risk consists of long-tail risks (motor third-party liability and legal defense) and short-tail risks (motor material damage and passenger indemnity). As a result, our damage risk retention revenues comprise the compensation for this risk received from customers under their lease contracts, while our damage risk retention cost is for the cost we incur for such damage risk up to final settlement. The gross profit margin on damage risk retention reflects the scale advantage we are able to exploit by retaining risk on damages for part of our fleet. See "*Risk management—Risk management areas—Other risk management areas—Motor insurance risk.*"

### *Rental*

Rental includes the result from rental activities, including the provision of replacement vehicles.

### *Management fees*

Management fees are the charges applied to customers for the fleet management services we provide.

### *Results of vehicles sold*

Results of vehicles sold represents the result with respect to the termination of lease contracts. This result largely relates to the sales results of vehicles sold at the end of the lease contract which is the difference between the contracted residual value of the vehicle and the sales proceeds from the vehicle. Furthermore, this termination result relates to certain other components connected to lease contract terminations, such as results stemming from termination fees, invoiced excessive wear and tear, releases of repair, maintenance, tire accruals and disposal costs.

### *Other revenues and cost of revenues*

Other revenues and cost of revenues consists primarily of discounts earned in connection with costs recharged to clients as well as the revenues and cost of revenues that relate to regular business operations but cannot be categorized as any of the components of revenues and cost of revenues specified above.

Our cost of revenues comprise the costs associated with providing the above-mentioned service components of the lease installments. Any (volume related) discounts related to these expenses, except those earned on the purchase of leased objects, are credited directly to expenses. Discounts received on purchases of objects for operating lease contracts are deducted from the purchase consideration and as such, result in lower depreciation. Discounts received on purchases of objects for finance lease contracts are recognized immediately in the income statement.

Other revenues and cost of revenues also reflects the correction for straight-line recognition of interest income for operating leased assets. Such correction relates to the fact that we present interest income from operating lease installment payments based on the effective interest rate method, which uses the interest rate included in the lease contract and based on the net investment value of the leased asset. In order to arrive at a total straight-line recognition of the interest income for operating lease contracts, a correction is required. Typically, during the first half of an operating lease contract the required correction to the interest income using the effective interest rate method is negative. During the second half this correction turns positive, effectively reversing the corrections made during the first half of the operating lease contract.

Cost of revenues also includes the carrying amount of the sold vehicles and the costs associated with rental activities.

### **Net interest income**

Interest and similar income and interest expenses and similar charges for all interest-bearing assets and liabilities are recognized in the income statement on an accrual basis, using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability to the carrying amount of the financial asset or liability.

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

The interest income component in operating lease installments, which is charged on a straight-line basis to the client, is presented based on the effective interest method in interest income using the interest rate included in the lease contract and based on the net investment value of the leased asset. The correction required to arrive at a total straight-line recognition for operating lease contracts is part of revenues.

Interest income on finance lease contracts is recognized in the income statement on the basis of accruing interest income on the net investment (using the effective interest rate method). The receipts under the lease are allocated by the lessor between reducing the net investment and recognizing interest income, so as to produce a constant rate of return on the net investment.

### **Impairment charges on loans and receivables**

Receivables from clients are individually assessed for indications of impairment. The sources for such indications can be internal, such as internal credit ratings, payment behavior and receivable aging, or external, such as external credit ratings and solvency information. Impairment is recognized when collection of receivables is at risk and when the recoverable amount is lower than the carrying amount of the receivable, also taking into account any security collateral. Receivables from clients less than 90 days past due are not considered to be impaired, unless other information is available to indicate the contrary. In addition to this individual assessment, we also recognized an incurred but not reported loss provision, based on the probability of default (PD) and the loss given default (LGD), as determined under the Basel II regime.

We recognize at the local subsidiary level specific impairment allowances for loans and receivables as well as an expected loss provision at the Group level. For a description of the criteria used to determine whether receivables from clients are impaired, see "*Risk management—Risk management areas—Primary risk management areas—Credit risk.*"

### **Unrealized gains/(losses) on financial instruments**

We use derivatives to hedge our exposure to fluctuations in interest rates and foreign exchange rates arising from operational, financing and investment activities. Where practicable, cash flow hedge accounting or fair value hedge accounting is applied; in addition there are certain derivative exposures which do not qualify for hedge accounting. In line with IFRS, changes in the fair value of such derivatives that do not qualify for hedge accounting are recognized immediately in the income statement.

Changes in the fair value of derivatives that are not designated as a hedging instrument in a cash flow or fair value hedge are recognized immediately in the income statement in the caption "Unrealized gains/(losses) on financial instruments." Changes in the fair value of hedging instruments designated as fair value hedges are recognized in the income statements adjusted for gains and losses on the hedged risk. Furthermore, gains and losses relating to the ineffective portion of cash flow hedges are recognized immediately in the income statement.

As a result of changed debt capital market conditions since the credit crisis in 2008, the majority of our funding has shifted from floating interest rates to fixed interest rates. Interest rate derivatives are put in place to hedge the non-trading interest rate risk that arises due to timing differences between the fixing of these liabilities and our assets (i.e., lease contracts containing fixed interest rates). IFRS, however, does not recognize a hedge accounting method to cover this interest rate matching practice. As a consequence, a substantial portion of our interest rate swaps is classified as "Derivatives not designated as hedges," which are measured at fair value through the income statement. We generally hold interest rate swaps to maturity, in which case the fair value gains/losses remain unrealized until maturity, when the fair values return to zero. It should be noted that while we mitigate interest rate risk and currency risk from an economic perspective, these derivatives do not always qualify for hedge accounting from an accounting perspective and in such cases the unrealized gains and losses are recognized in the income statement.

### **Staff expenses**

Staff expenses consist mainly of wages and salaries, social security charges and pension costs (under defined contribution and defined benefit plans).

### **General and administrative expenses**

General and administrative expenses include items such as office overhead, automation costs, advertising costs, professional fees and other general expenses.

### **Depreciation and amortization**

The cost of other property and equipment is depreciated to its estimated residual value and recognized in the income statement on a straight-line basis over the estimated useful life of each part of an item of property and equipment.

Intangible assets are amortized and recognized in the income statement on a straight-line basis over the estimated useful lives of the intangible assets from the date they are available for use.

### **Share of profit of associates and jointly controlled entities**

Share of profit of associates and jointly controlled entities reflects the net result with respect to the joint ventures and associates for which we own less than 100% of the shares.

Principal jointly controlled entities and associates that are accounted for under the net equity accounting method in the audited consolidated financial statements and included in the "share of profit of associates and jointly controlled entities" are listed in "*Business—Partnerships and joint ventures.*"



## Results of operations

The following table sets forth certain selected income statement information and the percentage change from period to period for each of the periods indicated:

	For the year ended December 31,			Percentage change	
	2013	2014	2015	2013/ 2014	2014/ 2015
	€ in millions			%	
<b>Income statement</b>					
Depreciation .....	47.7	43.3	42.6	(9.2)	(1.6)
Lease services .....	143.3	152.0	161.4	6.1	6.2
Damage risk retention .....	167.0	174.3	184.4	4.4	5.8
Rental .....	17.1	15.1	18.4	(11.7)	21.9
Management fees .....	199.8	202.2	211.0	1.2	4.4
Results of vehicles sold .....	153.9	246.3	328.7	60.1	33.5
Other .....	92.9	90.8	120.0	(2.3)	32.2
<b>Gross profit</b> .....	<b>821.7</b>	<b>924.2</b>	<b>1,066.6</b>	<b>12.5</b>	<b>15.4</b>
Interest and similar income .....	859.3	794.2	780.0	(7.6)	(1.8)
Interest expenses and similar charges .....	479.7	377.7	330.0	(21.3)	(12.6)
<b>Net interest income</b> .....	<b>379.7</b>	<b>416.5</b>	<b>450.0</b>	<b>9.7</b>	<b>8.0</b>
Impairment charges on loans and receivables .....	25.1	20.1	23.2	(19.7)	15.4
<b>Net interest income after impairment charges on loans and receivables</b> .....	<b>354.6</b>	<b>396.4</b>	<b>426.7</b>	<b>11.8</b>	<b>7.6</b>
Unrealized gains/(losses) on financial instruments .....	25.7	(12.1)	13.5	(146.9)	211.7
Other financial gains/(losses) .....	(4.0)	—	—	(100.0)	—
<b>Net finance income</b> .....	<b>376.3</b>	<b>384.3</b>	<b>440.2</b>	<b>2.1</b>	<b>14.5</b>
<b>Total operating and net finance income</b> .....	<b>1,198.0</b>	<b>1,308.4</b>	<b>1,506.8</b>	<b>9.2</b>	<b>15.2</b>
Staff expenses .....	472.3	498.6	558.0	5.6	11.9
General and administrative expenses .....	256.8	263.5	290.6	2.6	10.3
Depreciation and amortization .....	48.7	54.0	56.2	10.9	4.1
<b>Total operating expenses</b> .....	<b>777.7</b>	<b>816.0</b>	<b>904.7</b>	<b>4.9</b>	<b>10.9</b>
Share of profit of associates and jointly controlled entities .....	7.5	6.6	5.9	(12.0)	(10.6)
<b>Profit before tax</b> .....	<b>427.8</b>	<b>499.0</b>	<b>607.9</b>	<b>16.7</b>	<b>21.8</b>
Income tax expenses .....	101.3	127.1	165.5	25.5	30.2
<b>Profit for the financial period</b> .....	<b>326.5</b>	<b>372.0</b>	<b>442.5</b>	<b>13.9</b>	<b>19.0</b>

## Year ended December 31, 2015 compared with year ended December 31, 2014

### Gross profit

The table set forth below presents a comparison of the changes in the gross profit components for the years ended December 31, 2014 and 2015:

	Year ended December 31,		Change	Percentage change
	2014	2015		
	(€ in millions)			(%)
Depreciation .....	43.3	42.6	(0.7)	(1.6)
Lease services .....	152.0	161.4	9.4	6.2
Damage risk retention .....	174.3	184.4	10.1	5.8
Rental .....	15.1	18.4	3.3	21.9
Management fees .....	202.2	211.0	8.8	4.4
Results of vehicles sold .....	246.3	328.7	82.4	33.5
Other .....	90.8	120.0	29.2	32.2
<b>Total gross profit .....</b>	<b>924.2</b>	<b>1,066.6</b>	<b>142.4</b>	<b>15.4</b>

### Depreciation

Our gross profit for depreciation decreased by €0.7 million, or 1.6%, from €43.3 million for the year ended December 31, 2014 to €42.6 million for the year ended December 31, 2015. This decrease was primarily driven by higher depreciation on lease originating costs, partly offset by higher results from bonuses on purchases of new vehicles, which have been allocated to depreciation as a reduction on cost of revenues.

### Lease services

Our gross profit for lease services increased by €9.4 million, or 6.2%, from €152.0 million for the year ended December 31, 2014 to €161.4 million for the year ended December 31, 2015. This increase was mainly the result of higher rebates and bonuses on maintenance and tires we received from our suppliers, based on higher maintenance spend and increased purchase volumes on tires.

### Damage risk retention

Our gross profit on damage risk retention increased by €10.1 million, or 5.8%, from €174.3 million for the year ended December 31, 2014 to €184.4 million for the year ended December 31, 2015. The following table sets forth the composition of the changes in the gross profit for damage risk retention for each of the periods indicated:

	For the year ended December 31,		Change	Percentage change
	2014	2015		
	(€ in millions)			(%)
Margins on damage risk retention serviced fleet . . . .	118.6	123.8	5.2	4.4
Damage repair related discounts .....	55.8	60.6	4.8	8.6
<b>Total .....</b>	<b>174.3</b>	<b>184.4</b>	<b>10.1</b>	<b>5.8</b>

Most of our gross profit on damage risk retention is realized on the retention of damage risks for vehicles for which we have the mandate to organize insurance. This part of the result increased by €5.2 million or 4.4%, from €118.6 million in the year ended December 31, 2014 to €123.8 million in the year ended December 31, 2015. This gross profit increase was largely driven by a higher average fleet for which we retained damage risk compared to the year ended

December 31, 2014. However, a change in our reinsurance protection layers for larger (third party liability) claims in 2014 did partly offset this positive volume impact. Historically, our reinsurance subsidiary, Globalines Reinsurance, sought to reinsure the third party liability and catastrophic events liability of Euro Insurances up to certain defined limits of coverage. External reinsurance providers were used for any coverage required outside of Globalines Reinsurance's coverage limits, in order to minimize the financial impact of a single large accident and/or event. In April 2014, we stopped separately reinsuring through Globalines Reinsurance and the outstanding claims were transferred to Euro Insurances, which resulted in a provision release of €3.7 million.

The damage repair-related discounts increased by €4.8 million, or 8.6%, from €55.8 million in the year ended December 31, 2014 to €60.6 million in the year ended December 31, 2015, due to a combination of more volume and higher spend per object.

### ***Rental***

The gross profit on rental increased by €3.3 million, or 21.9%, from €15.1 million for the year ended December 31, 2014 to €18.4 million for the year ended December 31, 2015. This was partly due to more revenues from rental, driven by a higher rental volume. Furthermore, increased rental volume and spend also resulted in more rebates and bonuses which were obtained from our rental suppliers.

### ***Management fees***

Our revenues from management fees increased by €8.8 million, or 4.4%, from €202.2 million for the year ended December 31, 2014 to €211.0 million for the year ended December 31, 2015, primarily owing to a larger average fee-generating fleet, partly offset by a slightly lower fee per car compared to the year ended December 31, 2014.

### ***Results of vehicles sold***

Our gross result of vehicles sold increased by €82.4 million, or 33.5%, from €246.3 million for the year ended December 31, 2014 to €328.7 million for the year ended December 31, 2015, due to prudent estimation of residual values at inception of contracts in prior years in combination with improving market conditions in most countries, our risk mitigation actions and improvements in our disposal process and remarketing channels.

The sales result of vehicles returned at the agreed end date of their respective lease contracts ("**normal terminations**") increased by €54.5 million, from a profit of €143.6 million for the year ended December 31, 2014 to a profit of €198.1 million for the year ended December 31, 2015. In addition to a positive volume impact, this increase was largely driven by higher average sales proceeds due to a continued improvement in the second hand car market, especially in comparison to previous years, which improvement was a result of, among other things, improved consumer confidence as well as a shortage of supply of attractive second hand vehicles due to a reduction in new vehicle registrations immediately after the financial crisis. These higher sales proceeds were partly offset by increased average net book values. The average sales result per vehicle returned at the agreed end date of its respective lease contract increased from a profit of €741 for the year ended December 31, 2014 to €952 for the year ended December 31, 2015. Furthermore, higher buffer results and our risk mitigation actions and improvements in our disposal process and remarketing channels also contributed to the increased result of vehicles sold in normal terminations.

Results attributable to lease contracts terminated before the agreed end date of the lease contract ("**early terminations**") increased by €11.0 million for the year ended December 31, 2015 compared to the year ended December 31, 2014, mainly caused by higher results on repair,

maintenance and tire buffers and higher sales proceeds achieved. See “—Significant factors affecting our financial condition and results of operations—Residual values.”

### **Other revenues and cost of revenues**

Our gross profit for other revenues and cost of revenues increased by €29.2 million, or 32.2%, from €90.8 million for the year ended December 31, 2014 to €120.0 million for the year ended December 31, 2015. This gross profit increase was largely attributable to a “bargain purchase” gain of €7.4 million realized in the year ended December 31, 2015 as a result of the fair value of assets acquired and liabilities assumed exceeding the total consideration paid in connection with our acquisitions of the remaining 49% of the share capital of LPD Holding A.Ş., the holding company of LeasePlan Turkey (which resulted in a bargain purchase gain of €4.7 million), and the remaining 49% of the shares of Excelease N.V. (“Excelease”), based in Brussels, Belgium (which resulted in a bargain purchase gain of €2.7 million), as well as to a one-time release of a provision for a large customer claim of €8.4 million. Further, in the year ended December 31, 2014, the other cost of revenues included a charge of €8.5 million in relation to the Resolution Levy imposed by the State of the Netherlands (year ended December 31, 2015: nil).

The increase in gross profit on other revenues and cost of revenues was also partly attributable to the correction for straight-line recognition of interest income for operating leased assets, which increased by €4.8 million in the year ended December 31, 2015 compared to the year ended December 31, 2014.

### **Net interest income**

The following table sets forth our net interest income for the periods indicated.

	For the year ended December 31,		Change	Percentage change
	2014	2015		
	(€ in millions)			(%)
Total interest income and similar income . . . . .	794.2	780.0	(14.2)	(1.8)
Interest expenses and similar charges . . . . .	377.7	330.0	(47.7)	(12.6)
<b>Net interest income (excluding unrealized gains/ losses) . . . . .</b>	<b>416.5</b>	<b>450.0</b>	<b>33.5</b>	<b>8.0</b>

Net interest income increased by €33.5 million, or 8.0%, from €416.5 million for the year ended December 31, 2014 to €450.0 million for the year ended December 31, 2015. This increase in net interest income was largely the result of growth of our funded fleet as well as a higher net interest income amount per vehicle. In the year ended December 31, 2015, we benefitted from a further reduction in interest rates, resulting in higher margins.

### **Impairment charges on loans and receivables**

Impairment charges on loans and receivables increased by €3.1 million, or 15.4%, from €20.1 million for the year ended December 31, 2014 to €23.2 million for the year ended December 31, 2015. The net impairment charge for 2014 consisted of a net addition to the specific impairment allowances of €20.7 million and a decrease of the expected loss provision of €0.6 million compared to a net addition to the specific impairment allowances of €22.6 million and an increase of the expected loss provision of €0.6 million in 2015.

The following table sets forth the changes in impairment charges on loans and receivables for each of the periods indicated:

	For the year ended December 31,		Change	Percentage change (%)
	2014	2015		
	(€ in millions) (unaudited)			
Net movement in specific impairment allowances . . . . .	20.7	22.6	1.8	8.7
Net movement in expected loss provision . . . . .	(0.6)	0.6	1.3	216.7
<b>Total net impairment charges . . . . .</b>	<b>20.1</b>	<b>23.2</b>	<b>3.1</b>	<b>15.4</b>

### Unrealized gains/(losses) on financial instruments

Unrealized gains on financial instruments increased by €25.6 million, from a loss of €12.1 million for the year ended December 31, 2014 to a gain of €13.5 million for the year ended December 31, 2015. This increase was mainly driven by increases in euro and pound sterling swap rates for certain months in the year ended December 31, 2015, as compared to a decline in euro swap rates for certain months in the year ended December 31, 2014. An upward shift in yield curves typically results in fair value gains, as the major part of our derivatives are 'pay fixed' interest rate swaps, offset to some degree by widening intra-tenor spreads and their impact on deals in fair value hedge relationships.

The following table sets forth the components reported as unrealized gains or losses on financial instruments for each of the periods indicated:

	For the year ended December 31,		Change	Percentage change (%)
	2014	2015		
	(€ in millions)			
Derivatives not designated as hedges . . . . .	(14.0)	13.5	27.5	196.1
Derivatives at cash flow hedges (imperfectness) . . . . .	(0.0)	0.0	0.0	—
Derivatives at fair value hedges . . . . .	56.8	(16.5)	(73.3)	(129.0)
Bonds and notes used in fair value hedges . . . . .	(54.8)	16.5	71.3	130.1
<b>Unrealized gains/(losses) on financial instruments . . . . .</b>	<b>(12.1)</b>	<b>13.5</b>	<b>25.6</b>	<b>211.7</b>

The change between December 31, 2014 and December 31, 2015 in the total fair value gains/(losses) recognized through the income statement on outstanding derivatives and basis adjustments for bonds and notes used in fair value hedges was €25.6 million (of which €27.5 million relates to the cumulative balance of fair value gains/(losses) on outstanding derivatives not designated as hedges).

### Staff expenses

The following table sets forth a breakdown of staff expenses for each of the periods indicated:

	For the year ended December 31,		Change	Percentage change (%)
	2014	2015		
	(€ in millions)			
Wages and salaries . . . . .	373.9	421.5	47.6	12.7
Social security contributions . . . . .	57.7	62.6	4.9	8.5
Defined contribution pension costs . . . . .	22.5	22.6	0.1	0.5
Defined benefit post-employment costs . . . . .	4.1	4.3	0.2	4.4
Other staff costs . . . . .	40.3	46.9	6.6	16.4
<b>Total staff expenses . . . . .</b>	<b>498.6</b>	<b>558.0</b>	<b>59.4</b>	<b>11.9</b>

Staff expenses increased by €59.4 million, or 11.9%, from €498.6 million for the year ended December 31, 2014 to €558.0 million for the year ended December 31, 2015. This increase was primarily caused by an increase in wages and salaries, mainly driven by a larger workforce and higher average wages and salaries per full time employee.

The number of full time employees (including temporary staff) amounted to 6,988 as at December 31, 2015 compared to 6,537 as at December 31, 2014. The main reasons for our increased workforce are the fleet growth and the consolidation of LeasePlan Turkey as from February 2015 following our acquisition of the remaining 49% of the share capital of LPD Holding A.Ş., the holding company of LeasePlan Turkey.

### General and administrative expenses

General and administrative expenses increased by €27.1 million, or 10.3%, from €263.5 million for the year ended December 31, 2014 to €290.6 million for the year ended December 31, 2015. Higher office expenses, professional services expenses, marketing expenses and miscellaneous expenses, in combination with the consolidation of LeasePlan Turkey from February 2015, are the primary causes of the increased expenses.

### Depreciation and amortization

The following table sets forth information about depreciation and amortization for each of the periods indicated:

	For the year ended December 31,		Change	Percentage change
	2014	2015		
	(€ in millions)			(%)
Depreciation of other property and equipment . . . . .	25.4	24.5	(0.9)	(3.5)
Amortization of intangible fixed assets . . . . .	28.5	31.7	3.1	10.9
<b>Depreciation and amortization . . . . .</b>	<b>54.0</b>	<b>56.2</b>	<b>2.2</b>	<b>4.1</b>

Depreciation and amortization (other than that related to vehicles) increased by €2.2 million, or 4.1%, from €54.0 million for the year ended December 31, 2014 to €56.2 million for the year ended December 31, 2015. This increase was largely due to the depreciation of intangible assets stemming from our acquisition of full ownership of LeasePlan Turkey in February 2015.

### Share of profit of associates and jointly controlled entities

Share of profit of associates and jointly controlled entities decreased by €0.7 million, from €6.6 million for the year ended December 31, 2014 to €5.9 million for the year ended December 31, 2015. This decrease was largely driven by our acquisitions of the remaining minority stakes in LeasePlan Turkey and Exelease, which became our wholly owned subsidiaries following these transactions in 2015.

The contribution to Share of profit of associates and jointly controlled entities of LeasePlan Turkey changed from €4.2 million positive in 2014 to €0.5 million negative in 2015. This decline in 2015 was primarily due to recording results for LeasePlan Turkey under other line items of our income statement (rather than under Share of profit of associates and jointly controlled entities) following our acquisition of the remaining 49% stake in such entity in February 2015, as a result of which it became our wholly owned subsidiary. In addition, we recognized a loss of €1.0 million in 2015 as a result of re-measuring our 51% equity interest in LeasePlan Turkey (held before the acquisition) to its fair value at the time of such acquisition.

The contribution to Share of profit of associates and jointly controlled entities of Exelease changed from €2.8 million negative in 2014 to €0.9 million positive in 2015. This was mainly as a result of a one-off impairment charge of €2.2 million in 2014 that we recorded in anticipation of discontinuing Exelease as a joint venture. In addition, we recognized a gain of €0.9 million in



2015 as a result of re-measuring our 51% equity interest in Excelease (held before our acquisition of the remaining 49% stake in such entity in November 2015) to its fair value at the time of such acquisition.

### Income tax expenses

Income tax expenses increased by €38.4 million, or 30.2%, from €127.1 million for the year ended December 31, 2014 to €165.5 million for the year ended December 31, 2015 mainly due to higher taxable results, but also due to an increase in the average effective tax rate from 25.5% in the year ended December 31, 2014 to 27.2% in the year ended December 31, 2015. This increase in effective tax rate is the result of the fact that, on average, the Group realized relatively more taxable profits in jurisdictions with a higher tax rate in the year ended December 31, 2015. In addition, one-off tax adjustments in the year ended December 31, 2014 (tax gain of €11.9 million primarily due to a repayment of VAT in the United Kingdom which was treated as non-taxable income, and the realization of tax losses in Italy as a result of an acquisition) also decreased the effective tax rate significantly during 2014.

## Year ended December 31, 2014 compared with year ended December 31, 2013

### Gross profit

The table set forth below presents a comparison of the changes in the gross profit components for the years ended December 31, 2013 and 2014:

	Year ended December 31,		Change	Percentage change
	2013	2014		
	(€ in millions)			(%)
Depreciation . . . . .	47.7	43.3	(4.4)	(9.2)
Lease services . . . . .	143.3	152.0	8.7	6.1
Damage risk retention . . . . .	167.0	174.3	7.3	4.4
Rental . . . . .	17.1	15.1	(2.0)	(11.7)
Management fees . . . . .	199.8	202.2	2.4	1.2
Results of vehicles sold . . . . .	153.9	246.3	92.5	60.1
Other . . . . .	92.9	90.8	(2.1)	(2.3)
<b>Total gross profit . . . . .</b>	<b>821.7</b>	<b>924.2</b>	<b>102.5</b>	<b>12.5</b>

### Depreciation

Our gross profit for depreciation decreased by €4.4 million, or 9.2%, from €47.7 million for the year ended December 31, 2013 to €43.3 million for the year ended December 31, 2014, largely driven by higher depreciation on lease originating costs due to increased payments to small fleet intermediaries and a number of corporate customers.

### Lease services

In our financial statements for the year ended December 31, 2014, a reclassification of €10.6 million has been made for the discounts relating to “windows/glass repair” from Lease services to Damage risk retention. This reclassification has also been applied to the figures for the year ended December 31, 2013 in the financial statements for the year ended December 31, 2014. Our gross profit for lease services increased by €8.7 million, or 6.1%, from €143.3 million for the year ended December 31, 2013 to €152.0 million for the year ended December 31, 2014. This gross profit increase was mainly the result of higher rebates and bonuses on maintenance and tires we received because of our higher spend on maintenance and an increased number of tires purchased.

### **Damage risk retention**

In our financial statements for the year ended December 31, 2014, a reclassification of €10.6 million has been made for the discounts relating to “windows/glass repair” from Lease services to Damage risk retention. This reclassification has also been applied to the figures for the year ended December 31, 2013 in the financial statements for the year ended December 31, 2014. Our gross profit on damage risk retention increased by €7.3 million, or 4.4%, from €167.0 million for the year ended December 31, 2013 to €174.3 million for the year ended December 31, 2014. The following table sets forth the composition of the changes in the gross profit for damage risk retention for each of the periods indicated:

	For the year ended December 31,			Percentage change (%)
	2013	2014	Change	
	(€ in millions)			
Margins on damage risk retention serviced fleet . . . . .	113.6	118.5	4.9	4.3
Damage repair related discounts . . . . .	53.4	55.8	2.4	4.5
<b>Total</b> . . . . .	<b>167.0</b>	<b>174.3</b>	<b>7.3</b>	<b>4.4</b>

Most of our gross profit on damage risk retention is realized on the retention of damage risks for vehicles for which we have the mandate to organize insurance. This part of the result increased by €4.9 million, or 4.3%, from €113.6 million in 2013 to €118.5 million in 2014, mainly because of a change in our reinsurance protection layers for larger (third party liability) claims from April 2014. Historically, our reinsurance subsidiary, Globalines Reinsurance sought to reinsure the third party liability and catastrophic events liability of Euro Insurances up to certain defined limits of coverage. External reinsurance providers were used for any coverage required outside of Globalines Reinsurance’s coverage limits, to minimize the financial impact of a single large accident and/or event. However, in April 2014, we stopped separately reinsuring through Globalines Reinsurance and the outstanding claims were transferred to Euro Insurances which resulted in a provision release of €3.7 million. Our fleet for which damage risk is retained increased by 3% in 2014. The damage repair related discounts increased by €2.4 million, or 4.5%, from €53.4 million in 2013 to €55.8 million in 2014.

### **Rental**

The gross profit on rental decreased by €2.0 million, or 11.7%, from €17.1 million for the year ended December 31, 2013 to €15.1 million for the year ended December 31, 2014. This was primarily due to an increase in rental costs, which could not be fully passed on to rental customers.

### **Management fees**

Our revenues from management fees increased by €2.4 million, or 1.2%, from €199.8 million for the year ended December 31, 2013 to €202.2 million for the year ended December 31, 2014. The average number of vehicles with RMT services increased by 1.3% from 2013 to 2014, which was partially offset by changes in the amount of fees per vehicle.

### **Results of vehicles sold**

Our gross result of vehicles sold increased by €92.5 million, from €153.9 million for the year ended December 31, 2013 to €246.3 million for the year ended December 31, 2014. The sales result of vehicles returned at the agreed end date of their respective lease contracts increased by €83.1 million, from a profit of €60.5 million for the year ended December 31, 2013 to a profit of €143.6 million for the year ended December 31, 2014. This improvement was largely driven by higher average sales proceeds due to a strong recovery of the second-hand car market, as well as a continued trend of lower book values per car at contract end, especially when compared to

previous years. The average sales result per vehicle returned at the agreed end date of its respective lease contract improved from a profit of €333 in 2013 to a profit of €741 in 2014. See “—Significant factors affecting our financial condition and results of operations—Residual values.”

Results attributable to lease contracts terminated before the agreed end date of the lease contract increased by €18.6 million for the year ended December 31, 2014 compared to the year ended December 31, 2013, mainly due to higher results on repair, maintenance and tire buffers and higher sales proceeds achieved. Repair, maintenance and tire buffers are amounts collected from customers during the term of a lease contract in respect of those items and held in buffer accounts on the balance sheet; upon lease termination the aggregate difference in collections versus expenditures in respect of such items is recognized on the income statement. The other results stemming from lease contract terminations decreased by €9.3 million for the year ended December 31, 2014 compared to the year ended December 31, 2013, mainly due to higher open calculation contract settlements and external disposal costs, partly offset by higher results on repair, maintenance and tire buffers.

#### **Other revenues and cost of revenues**

Our gross profit for other revenues and cost of revenues decreased by €2.1 million, or 2.3%, from €92.9 million for the year ended December 31, 2013 to €90.8 million for the year ended December 31, 2014. In 2013 the result on other revenues was positively impacted by a “bargain purchase” gain of €4.0 million, related to the acquisition of the Italian fleet and vehicle leasing activities from Banco Bilbao Vizcaya Argentaria S.A. Additionally, in 2014, the result on other revenues included a charge of €8.5 million (2013: nil) in relation to the Resolution Levy imposed by the State of the Netherlands.

The gross profit for other revenues and cost of revenues decrease was partly offset by the correction for straight-line recognition of interest income for operating leased assets, for which we recognized a positive correction of €14.2 million in the year ended December 31, 2014 compared to a correction of €7.9 million in the year ended December 31, 2013.

#### **Net interest income**

The following table sets forth our net interest income for the periods indicated:

	For the year ended December 31,		Change	Percentage change
	2013	2014		
	(€ in millions)			(%)
Interest and similar income . . . . .	859.3	794.2	(65.1)	(7.6)
Interest expenses and similar charges . . . . .	479.7	377.7	(102.0)	(21.3)
<b>Net interest income (excluding unrealized gains/losses) . . . . .</b>	<b>379.7</b>	<b>416.5</b>	<b>36.8</b>	<b>9.7</b>

Net interest income increased by €36.8 million, or 9.7%, from €379.7 million for the year ended December 31, 2013 to €416.5 million for the year ended December 31, 2014. This increase was partly caused by the growth in funded fleet, but mainly by a higher net interest income amount per vehicle. In 2014, we further benefitted from reduced interest rates with respect to our interest expenses, resulting in these higher margins.

#### **Impairment charges on loans and receivables**

Impairment charges on loans and receivables decreased by €5.0 million, or 19.7%, from €25.1 million for the year ended December 31, 2013 to €20.1 million for the year ended December 31, 2014. This decrease is a reflection of a general improvement in the economic environment in certain countries in which we conducted our business.

The following table sets forth the changes in impairment charges on loans and receivables for each of the periods indicated.

	For the year ended December 31,		Change	Percentage change
	2013	2014		
	(€ in millions)			(%)
Net movement in specific impairment allowances . . .	25.6	20.7	(4.9)	(19.1)
Net movement in expected loss provision . . . . .	(0.5)	(0.6)	(0.1)	(20.0)
<b>Total net impairment charges . . . . .</b>	<b>25.1</b>	<b>20.1</b>	<b>(5.0)</b>	<b>(19.7)</b>

The net impairment charge for 2014 of €20.1 million consisted primarily of a net addition to the specific impairment allowances of €20.7 million compared to a net addition for 2013 of €25.6 million.

#### Unrealized gains/(losses) on financial instruments

Unrealized gains on financial instruments decreased by €37.8 million, from a gain of €25.7 million for the year ended December 31, 2013 to a loss of €12.1 million for the year ended December 31, 2014. In 2014, certain euro fixed-pay interest rate swap derivatives that were part of a cash flow hedge were re-designated following changes in the pricing policy of certain savings products we offer to our banking customers (which, following the change, were no longer directly linked to the Euribor hedged rate). This re-designation in qualifying for hedge accounting treatment was the main reason for the unrealized loss in "Derivatives not designated as hedges."

As at December 31, 2014 the total cumulative balance of fair value losses recognized through the income statement on outstanding derivatives and basis adjustments for bonds and notes used in fair value hedges was €27.7 million (of which €28.7 million relates to the cumulative balance of fair value losses on outstanding derivatives not designated as hedges).

The following table sets forth the components reported as unrealized gains or losses on financial instruments for each of the periods indicated:

	For the year ended December 31,		Change	Percentage change
	2013	2014		
	(€ in millions)			(%)
Derivatives not designated as hedges . . . . .	28.8	(14.0)	(42.8)	(148.6)
Derivatives at cash flow hedges (imperfectness) . . . . .	0.0	0.0	0.0	0.0
Derivatives at fair value hedges . . . . .	(68.2)	56.8	125.0	(183.3)
Bonds and notes used in fair value hedges . . . . .	65.1	(54.8)	(119.9)	(184.2)
<b>Unrealized gains/(losses) on financial instruments . . . . .</b>	<b>25.7</b>	<b>(12.1)</b>	<b>(37.8)</b>	<b>(146.9)</b>

#### Other financial gains/(losses)

In September 2013, we repurchased in full the \$0.5 billion bond issued by us under the 2008 Credit Guarantee Scheme and due to mature in June 2014, resulting in a loss of €4.0 million.

## Staff expenses

The following table sets forth a breakdown of staff expenses for each of the periods indicated:

	For the year ended December 31,			Percentage change
	2013	2014	Change	
	(€ in millions)			(%)
Wages and salaries .....	357.9	373.9	16.0	4.5
Social security contributions .....	54.8	57.7	2.9	5.3
Defined contribution pension costs .....	22.7	22.5	(0.2)	(0.9)
Defined benefit post-employment costs .....	3.5	4.1	0.6	17.1
Other staff costs .....	33.4	40.3	6.9	20.7
<b>Total staff expenses .....</b>	<b>472.3</b>	<b>498.6</b>	<b>26.2</b>	<b>5.6</b>

Staff expenses increased by €26.2 million, or 5.6%, from €472.3 million for the year ended December 31, 2013 to €498.6 million for the year ended December 31, 2014. This increase was largely caused by an increase in wages and salaries, primarily driven by a larger workforce. The number of full-time employees (including temporary staff) increased by 283, or 4.5%, during 2014 from 6,254 as at December 31, 2013 to 6,537 as at December 31, 2014. The main reason for an increase in staff was growth in our fleet.

## General and administrative expenses

General and administrative expenses increased by €6.7 million, or 2.6%, from €256.8 million for the year ended December 31, 2013 to €263.5 million for the year ended December 31, 2014. This increase was primarily due to higher fees for professional services and higher expenses for marketing.

## Depreciation and amortization

The following table sets forth information about depreciation and amortization for each of the periods indicated:

	For the year ended December 31,			Percentage change
	2013	2014	Change	
	(€ in millions)			(%)
Depreciation of other property and equipment .....	24.1	25.4	1.3	5.4
Amortization of intangible fixed assets .....	24.6	28.5	3.9	15.9
<b>Depreciation and amortization .....</b>	<b>48.7</b>	<b>54.0</b>	<b>5.3</b>	<b>10.9</b>

Depreciation and amortization (other than that related to vehicles) increased by €5.3 million, or 10.9%, from €48.7 million for the year ended December 31, 2013 to €54.0 million for the year ended December 31, 2014. This increase was mainly due to higher amortization on intangible fixed assets due to the two acquisitions completed in 2013, of which the full depreciation charge was applicable in 2014.

## Share of profit of associates and jointly controlled entities

Share of profit of associates and jointly controlled entities accounted for using the equity method decreased by €0.9 million, or 12.0%, from €7.5 million for the year ended December 31, 2013 to €6.6 million for the year ended December 31, 2014. This was primarily due to our expectation at the time that we would discontinue our Exelease joint venture, resulting in a charge of €2.2 million, partly offset by the increased net result of LeasePlan Emirates Fleet Management—LeasePlan Emirates LLC (United Arab Emirates), which performed better during the year ended December 31, 2014 compared to the year ended December 31, 2013.

## Income tax expenses

Income tax expenses increased by €25.8 million, or 25.5%, from €101.3 million for the year ended December 31, 2013 to €127.1 million for the year ended December 31, 2014 mainly due to higher taxable results but also due to an increase in the average effective tax rate from 23.7% in 2013 to 25.5% in 2014. Such increase in the average effective tax rate was partly due to the Resolution Levy imposed by the State of the Netherlands, amounting to €8.5 million (2013: nil) which was not deductible.

## Financial position

### Assets

The following table sets forth certain summary financial information about our assets as at each of the dates indicated:

	As at December 31,			Percentage Change	
	2013	2014	2015	2013/14	2014/15
	(€ in millions)			(%)	
Cash and balances at central banks	978.8	958.0	1,605.4	(2.1)	67.6
Receivables from financial institutions	1,439.1	1,222.8	368.9	(15.0)	(69.8)
Derivative financial instruments	120.4	183.0	166.1	52.0	(9.2)
Other receivables and prepayments	586.8	668.5	837.4	13.9	25.3
Inventories	202.0	205.3	261.3	1.6	27.3
Receivables from clients	2,829.9	2,952.1	3,309.5	4.3	12.1
Property and equipment under operating lease and rental fleet	12,226.6	12,681.3	14,261.5	3.7	12.5
Other property and equipment	82.7	82.9	90.7	0.2	9.4
Loans to associates and jointly controlled entities	258.4	290.1	103.3	12.3	(64.4)
Investments in associates and jointly controlled entities	55.2	57.1	24.2	3.4	(57.6)
Intangible assets	163.8	162.9	171.3	(0.6)	5.2
Corporate income tax receivable	30.9	20.5	37.4	(33.7)	82.9
Deferred tax assets	154.8	161.8	141.4	4.5	(12.6)
Assets classified as held-for-sale and discontinued operations	—	9.4	36.8	—	291.5
<b>Total assets</b>	<b>19,129.4</b>	<b>19,655.7</b>	<b>21,415.2</b>	<b>2.8</b>	<b>9.0</b>

### Cash and balances at central banks

Cash and balances at central banks increased by €647.5 million, or 67.6%, from €958.0 million as at December 31, 2014 to €1,605.4 million as at December 31, 2015, and decreased by €20.8 million, or 2.1%, from €978.8 million as at December 31, 2013 to €958.0 million as at December 31, 2014. The placement of cash balances at central banks is a reflection of our liquidity risk management.

### Receivables from financial institutions

Receivables from financial institutions includes call money and bank current account balances from Dutch and foreign credit institutions under central bank supervision. In addition to these items, as at December 31, 2015, €16 million (2014: €131 million and 2013: €196 million) was deposited as cash collateral for the Bumper securitization transactions and €20 million as at December 31, 2015 (2014: €38 million and 2013: €69 million) was deposited as cash collateral for derivative financial instruments. See “—Liquidity and capital resources” and “Risk management—Risk management areas—Liquidity risk.”

Receivables from financial institutions decreased by €853.9 million, or 69.8%, from €1,222.8 million as at December 31, 2014 to €368.9 million as at December 31, 2015 and decreased by €216.3 million, or 15.0%, from €1,439.1 million as at December 31, 2013 to €1,222.8 million as at December 31, 2014. The decreases in 2015 and 2014 were primarily a result



of our liquidity management, as partly reflected in the most recent period in higher cash balances placed at central banks. See "*Risk management—Risk management areas—Liquidity risk.*"

As at December 31, 2015, €331 million of receivables from financial institutions matured in three months or less compared to €1,049 million as at December 31, 2014 and €1,171 million as at December 31, 2013. As at December 31, 2015, €2 million of receivables from financial institutions matured in more than three months, but less than one year compared to nil as at December 31, 2014 and 2013. As at December 31, 2015, €48 million of receivables from financial institutions matured in more than one year, but less than five years compared to €174 million as at December 31, 2014 and €268 million as at December 31, 2013.

### **Receivables from clients**

Receivables from clients include receivables under finance lease contracts and trade receivables. Finance lease contracts are mainly non-euro denominated and predominantly concluded in the United States, the United Kingdom, Denmark and Australia. As the majority of the finance lease contracts are concluded in a non-euro currency, the impact of changes in foreign exchange rates is significant. Trade receivables primarily consist of invoiced but unpaid lease installments.

The following table sets forth certain information about receivables from clients as at each of the dates indicated.

	As at December 31,			Change		Percentage change	
	2013	2014	2015	2013/14	2014/15	2013/14	2014/15
	(€ in millions)						(%)
Amounts receivable under							
finance lease contracts . . . .	2,308.2	2,430.3	2,787.1	122.1	356.8	5.3	14.7
Trade receivables . . . . .	521.7	521.8	522.4	0.1	0.6	0.0	0.1
<b>Balance . . . . .</b>	<b>2,829.9</b>	<b>2,952.1</b>	<b>3,309.5</b>	<b>122.2</b>	<b>357.4</b>	<b>4.3</b>	<b>12.1</b>

Receivables from clients increased by €357.4 million, or 12.1%, from €2,952.1 million as at December 31, 2014 to €3,309.5 million as at December 31, 2015. As at December 31, 2015, €2,322.0 million, representing 83.3% of the total amounts receivable under finance lease contracts, were related to non-euro denominated finance lease contracts concluded. As at December 31, 2014, the share of non-euro denominated finance lease contracts was 81.5%, representing a total value of €1,979.9 million. As a result of foreign exchange effects, from December 31, 2014 to December 31, 2015, we recognized a positive foreign exchange impact of €154.0 million on our finance lease portfolio. Excluding these foreign exchange effects, the amounts receivable under finance lease contracts increased by €202.8 million.

Receivables from clients increased by €122.2 million, or 4.3%, from €2,829.9 million as at December 31, 2013 to €2,952.1 million as at December 31, 2014. As at December 31, 2014, €1,979.9 million, representing 81.5% of the total amounts receivable under finance lease contracts, were related to non-euro denominated finance lease contracts concluded, of which €1,073.8 million was denominated in U.S. dollars. As at December 31, 2013, the share of non-euro denominated finance lease contracts was 77.1%, representing a total value of €1,778.9 million. As a result of foreign exchange effects, from December 31, 2013 to December 31, 2014, we recognized a positive foreign exchange impact of €154.3 million on our finance lease portfolio. Excluding these foreign exchange effects, the amounts receivable under finance lease contracts decreased by €22.8 million.

A part of our financial leased assets is securitized as a result of our asset backed securitization transactions. The total value of the securitized financial leased assets amounted to €54.9 million as at December 31, 2015, compared to €135.5 million as at December 31, 2014, and €157.6 million as at December 31, 2013.

We recognize impairment allowances for our receivables, of which the balance is included in the trade receivables presented above. Our policy is set out in “*Risk management—Risk management areas—Credit risk.*” The following table sets forth information about the changes in impairments on receivables for each of the periods indicated.

	2015			Change		Percentage change	
	2013	2014	2015	2013/14	2014/15	2013/14	2014/15
	(€ in millions)					(% )	
Balance as at January 1, .....	79.9	86.3	89.2	6.4	2.9	8.0	3.4
Net impairment charges .....	23.8	19.7	23.1	(4.1)	3.4	(17.2)	17.3
Receivables written off during the year .....	(16.7)	(16.9)	(20.7)	(0.2)	(3.8)	1.2	22.5
Exchange rate differences .....	(0.7)	0.1	(0.3)	0.8	(0.4)	(114.3)	(400.0)
Reclassification to assets-held-for-sale .....	—	—	(0.4)	—	(0.4)	—	—
<b>Balance as at December 31, .....</b>	<b>86.3</b>	<b>89.2</b>	<b>90.9</b>	<b>2.9</b>	<b>1.8</b>	<b>3.4</b>	<b>2.0</b>

Net impairment charges increased by €3.4 million, or 17.3%, from €19.7 million in the year ended December 31, 2014 to €23.1 million in the year ended December 31, 2015. Net impairment charges decreased by €4.1 million, or 17.2%, from €23.8 million in 2013 to €19.7 million in 2014. For details regarding the increase in net impairment charges in 2015 compared to 2014, see “—*Results of operations—Year ended December 31, 2015 compared with year ended December 31, 2014—Impairment charges on loans and receivables.*”

#### **Property and equipment under operating lease and rental fleet**

The following table sets forth an overview of the total property and equipment under operating lease and rental fleet and changes therein for each of the periods indicated.

	Operating lease	Rental fleet	Total
	(€ in millions)		
<b>Carrying amount as at January 1, 2013 .....</b>	<b>12,357.5</b>	<b>62.1</b>	<b>12,419.6</b>
Purchases .....	4,506.3	36.3	4,542.6
Transfer from inventories .....	20.5	—	20.5
Acquisition of subsidiary .....	300.8	—	300.8
Transfer to inventories .....	(185.7)	—	(185.7)
Disposals .....	(1,724.0)	(25.1)	(1,749.1)
Depreciation .....	(2,802.7)	(11.3)	(2,814.0)
Exchange rate differences .....	(308.0)	(0.1)	(308.1)
<b>Carrying amount as at December 31, 2013 .....</b>	<b>12,164.7</b>	<b>61.9</b>	<b>12,226.6</b>
Purchases .....	5,151.1	52.3	5,203.4
Transfer from inventories .....	18.1	—	18.1
Transfer to inventories .....	(181.5)	—	(181.5)
Disposals .....	(1,828.9)	(33.0)	(1,861.9)
Depreciation .....	(2,795.6)	(12.6)	(2,808.2)
Exchange rate differences .....	84.9	(0.1)	84.8
<b>Carrying amount as at December 31, 2014 .....</b>	<b>12,612.8</b>	<b>68.5</b>	<b>12,681.3</b>
Purchases .....	6,398.0	77.7	6,475.7
Transfer from inventories .....	25.4	—	25.4
Acquisition of subsidiary .....	305.3	—	305.3
Transfer to inventories .....	(227.1)	—	(227.1)
Disposals .....	(2,074.3)	(39.7)	(2,114.0)
Depreciation .....	(2,958.5)	(15.4)	(2,973.8)
Exchange rate differences .....	88.8	(0.1)	88.7
<b>Carrying amount as at December 31, 2015 .....</b>	<b>14,170.5</b>	<b>91.0</b>	<b>14,261.5</b>

Property and equipment under operating lease and rental fleet increased by €1,580.2 million, or 12.5%, from €12,681.3 million as at December 31, 2014 to €14,261.5 million as at December 31, 2015. This increase was driven by an increase in volume, a higher average book value per vehicle, a positive impact from exchange rate differences and our acquisitions of LPD Holding A.Ş. in Turkey and Excelease in Belgium (which are reflected under the line item “Acquisition of subsidiary”).

Property and equipment under operating lease and rental fleet increased by €454.7 million, or 3.7%, from €12,226.6 million as at December 31, 2013 to €12,681.3 million as at December 31, 2014. This increase was primarily a result of an increase in the average book value per vehicle.

Property and equipment under operating lease and rental fleet decreased by €193.0 million, or 1.6%, from €12,419.6 million as at January 1, 2013 to €12,226.6 million as at December 31, 2013. This decrease was primarily a result of negative exchange rate differences and an increase in the average age of our operating lease portfolio, partly offset by our acquisitions of BBVA in Italy and BAWAG in Austria (the effect of these acquisitions is included in the above table in the line item “Acquisition of subsidiary”).

Unlike receivables from finance lease contracts, the majority of our property and equipment under operating lease and rental fleet is euro denominated. As at December 31, 2015, €9,285.6 million, or 65.1%, of our property and equipment under operating lease and rental fleet was euro denominated compared to €8,180 million, or 64.5%, as at December 31, 2014 and €8,008 million, or 65.5%, as at December 31, 2013.

A part of our operating lease assets is securitized as a result of our asset backed securitization transactions. The total value of the securitized operating lease assets amounted to €2,473.8 million as at December 31, 2015, compared to €2,917.8 million and €2,942.8 million as at December 31, 2014 and 2013, respectively.

## Liabilities

The following table sets forth certain summary financial information about our liabilities as at each of the dates indicated.

	As at December 31,			Change		Percentage change	
	2013	2014	2015	2013/14	2014/15	2013/14	2014/15
	(€ in millions)					(%)	
Trade and other payables and deferred income .....	1,945.4	2,062.0	2,255.3	116.6	193.3	6.0	9.4
Borrowings from financial institutions .....	2,523.3	1,991.4	2,073.1	(532.0)	81.8	(21.1)	4.1
Derivative financial instruments .....	197.5	130.3	88.4	(67.2)	(41.9)	(34.0)	(32.2)
Funds entrusted .....	4,320.2	4,378.9	5,087.0	58.7	708.1	1.4	16.2
Debt securities issued .....	6,988.7	7,638.0	8,142.4	649.3	504.4	9.3	6.6
Provisions .....	331.2	355.3	378.3	24.1	23.1	7.3	6.5
Corporate income tax payable .....	43.9	23.4	37.3	(20.5)	13.9	(46.7)	59.6
Deferred tax liabilities .....	197.6	233.6	253.9	36.0	20.2	18.2	8.7
Liabilities classified as held-for-sale and discontinued operations .....	—	—	28.1	—	28.1	—	—
<b>Total liabilities .....</b>	<b>16,547.8</b>	<b>16,812.8</b>	<b>18,343.8</b>	<b>265.0</b>	<b>1,531.0</b>	<b>1.6</b>	<b>9.1</b>

## Borrowings from financial institutions

Borrowings from financial institutions include amounts owed to credit institutions under central bank supervision.

Borrowings from financial institutions increased by €81.8 million, or 4.1%, from €1,991.4 million as at December 31, 2014 to €2,073.1 million as at December 31, 2015.

In March 2015, we concluded the Term Loan. As of December 31, 2015 we had €250 million outstanding and €750 million available under this facility. The Term Loan was initially due to

mature in March 2016 but was extended in July 2015 and now matures in September 2017 (with 25% of the outstanding amount maturing in March 2017 and 25% in June 2017).

In March 2015, we renewed the Volkswagen Revolving Credit Facility amounting to €1,250 million, maturing in December 2018 (which facility was canceled and terminated in connection with the Acquisition and replaced by the Second Revolving Credit Facility amounting to €1,250 million and maturing in December 2018). In June 2015, we renewed the First Revolving Credit Facility with a consortium of 12 banks for €1,250 million, maturing in December 2018. No amounts have been drawn under our revolving credit facilities during the years ended December 31, 2013, 2014 or 2015.

Borrowings from financial institutions decreased by €532.0 million, or 21.1%, from €2,523.3 million as at December 31, 2013 to €1,991.4 million as at December 31, 2014. In December 2012, Bumper CARS NL concluded an asset backed securitization warehousing facility of €500 million with two banks, which was fully repaid in November 2014.

In December 2014, Bumper NL concluded an asset backed securitization warehousing facility of €250 million with a bank. This facility is committed for two years. At December 31, 2015 the facility was fully drawn.

An outstanding amount of €1,005 million as at December 31, 2015 was non-euro denominated, compared to €1,234 million and €1,532 million as at December 31, 2014 and 2013, respectively.

#### ***Funds entrusted***

Funds entrusted include all non-subordinated loans not included in the caption "Borrowings from financial institutions" or "Debt securities issued."

Funds entrusted increased by €708.1 million, or 16.2%, from €4,378.9 million as at December 31, 2014 to €5,087.0 million as at December 31, 2015. This increase was primarily a result of our internet retail banking operations which caused saving deposits to increase by €713.0 million from €4,281.1 million as at December 31, 2014 to €4,994.1 million as at December 31, 2015.

Funds entrusted increased by €58.7 million, or 1.4%, from €4,320.2 million as at December 31, 2013 to €4,378.9 million as at December 31, 2014. This increase was primarily a result of further growth of our internet retail banking operations which caused saving deposits to increase by €117 million from €4,164 million as at December 31, 2013 to €4,281 million as at December 31, 2014.

#### ***Debt securities issued***

Debt securities issued includes negotiable, interest-bearing securities, other than those of a subordinated nature.

Debt securities issued increased by €504.4 million from €7,638.0 million as at December 31, 2014 to €8,142.4 million as at December 31, 2015. This increase was primarily due to two public senior unsecured bond issuances, as well as a number of private senior unsecured bond issuances, partly offset by certain bond redemptions.

Debt securities issued increased by €649.3 million, or 9.3%, from €6,988.7 million as at December 31, 2013 to €7,638.0 million as at December 31, 2014. This increase was primarily a result of various note issuances as well as the issuance of Bumper DE and Bumper 6 notes under the asset-backed securitization transaction concluded in April 2012.

The following table further details information about the securities issued as well as the outstanding balances as at each of the dates indicated.

	As at December 31,			Percentage change	
	2013	2014	2015	2013/ 2014/	2014/ 2015
	€ in millions)			(% )	
Bonds and notes—originated from securitization transactions . . . . .	1,455.9	1,730.1	1,610.8	18.8	(6.9)
Bonds and notes—other . . . . .	5,452.9	5,843.8	6,484.0	7.2	11.0
Bonds and notes—fair value adjustment on hedged risk . . . .	9.3	64.1	47.6	589.2	(25.7)
Commercial Paper . . . . .	70.6	—	—	(100.0)	—
Certificates of Deposit . . . . .	—	—	—	—	—
<b>Debt securities issued . . . . .</b>	<b>6,988.7</b>	<b>7,638.0</b>	<b>8,142.4</b>	<b>9.3</b>	<b>6.6</b>

As at December 31, 2015, debt securities issued included €1,610.8 million of “Bonds and notes—originated from securitization transactions,” €595.4 million of which are outstanding B-notes arising from the Bumper France securitization transaction, €499.8 million of which are outstanding A-notes from the Bumper DE securitization transaction and €515.6 million of which are outstanding A- and B-notes from the Bumper 6 securitization transaction.

As at December 31, 2014, debt securities issued included €1,730.1 million of “Bonds and notes—originated from securitization transactions,” €128.4 million of which are outstanding A- and B-notes arising from the Bumper 2 securitization transaction, €26.5 million of which are outstanding A- and B-notes arising from the Bumper 5 securitization transaction, €604.5 million of which are outstanding A-notes arising from the Bumper France securitization transaction, €435.7 million of which are outstanding A-notes from the Bumper DE securitization transaction and €534.9 million of which are outstanding A- and B-notes from the Bumper 6 securitization transaction.

As at December 31, 2013, debt securities issued included €1,455.9 million of “Bonds and notes—originated from securitization transactions,” €385.6 million of which are outstanding A- and B-notes arising from the Bumper 2 securitization transaction, €171.8 million of which are outstanding A- and B-notes arising from the Bumper 4 securitization transaction, €366.9 million of which are outstanding A- and B-notes arising from the Bumper 5 securitization transaction and €531.6 million of which are outstanding A-notes arising from the Bumper France securitization transaction.

“Bonds and notes—other”: In December 2010, we redeemed the first series of notes issued by us pursuant to the 2008 Credit Guarantee Scheme of the State of the Netherlands amounting to €1.45 billion. In February 2012 and May 2012, we redeemed the second and third series of notes issued by us under the 2008 Credit Guarantee Scheme with notional amounts of €1.25 billion and \$2.5 billion respectively. In December 2012, we repurchased €0.5 billion of bonds issued by us under the 2008 Credit Guarantee Scheme with maturity date May 2014.

In September 2013, we repurchased in full the \$0.5 billion bond issued by us under the 2008 Credit Guarantee Scheme with a maturity date of June 2014. In May 2014 the remaining outstanding bond issued under the 2008 Credit Guarantee Scheme of the State of the Netherlands was repaid. For the year ended December 31, 2014 we paid the State of the Netherlands an annual fee of €3.6 million compared to an annual fee of €12.2 million for the year ended December 31, 2013.

### **Trade and other payables and deferred income**

Deferred leasing income is amounts received in advance, as part of the monthly lease installment, to cover lease expenses, such as vehicle repair, maintenance and tires replacement, in a subsequent period.

Trade and other payables and deferred income increased by €193.3 million, or 9.4%, from €2,062.0 million as at December 31, 2014 to €2,255.3 million as at December 31, 2015.

The most significant components of "Trade and other payables and deferred income" relate to trade payables of €764.4 million as at December 31, 2015, compared to €641.4 million as at December 31, 2014, and deferred leasing income of €580.1 million as at December 31, 2015 compared to €598.2 million as at December 31, 2014.

Trade and other payables and deferred income increased by €116.6 million, or 6.0%, from €1,945.4 million as at December 31, 2013 to €2,062.0 million as at December 31, 2014.

The most significant components of "Trade and other payables and deferred income" relate to trade payables of €641.4 million as at December 31, 2014, compared to €582.1 million as at December 31, 2013 and deferred leasing income of €598.2 million as at December 31, 2014, compared to €580.5 million as at December 31, 2013.

### **Liquidity and capital resources**

Our principal sources of liquidity used to finance our capital requirements are cash flows from operations, funds entrusted, capital markets financing activities and amounts available under our bank credit facilities. As a key principle, we seek to match the duration of our assets and liabilities. We seek to manage liquidity risk by concluding funding that substantially matches the run-off profile of the leased assets and maintain cash balances as a cover for fluctuations in our liquidity needs. See "*Risk management—Risk management areas—Primary risk management areas—Liquidity risk.*"

#### **Contractual obligations**

The following table shows the contractual undiscounted cash flows of our financial liabilities payable in the relevant contractual maturity groupings as at December 31, 2015. The cash flows do not reconcile to the balance sheet because the balance sheet amounts are presented on an amortized cost basis. The following table does not reflect trade payables or the Notes.

	0-3 months	3-12 months	1-5 years	>5 years	Total
	(€ in millions)				
<b>Financial Liabilities</b>					
Borrowings from financial institutions . . . . .	353.7	519.0	1,189.1	11.4	<b>2,073.1</b>
Funds entrusted . . . . .	3,013.3	1,167.2	906.3	0.2	<b>5,087.0</b>
Debt securities issued . . . . .	102.0	1,403.0	6,254.5	383.0	<b>8,142.4</b>
<b>Total as at December 31, 2015 . . . . .</b>	<b>3,469.0</b>	<b>3,089.1</b>	<b>8,349.8</b>	<b>394.6</b>	<b>15,302.5</b>

#### **Other contingent liabilities**

As at December 31, 2015, we had provided guarantees on behalf of our consolidated subsidiaries in respect of commitments entered into by these companies with an equivalent value of €2.3 billion.

We also have certain post-employment benefit obligations for employees, which were €33.9 million as at December 31, 2015. For further information, please refer to note 32(ii) in our audited consolidated financial statements for the year ended December 31, 2015.



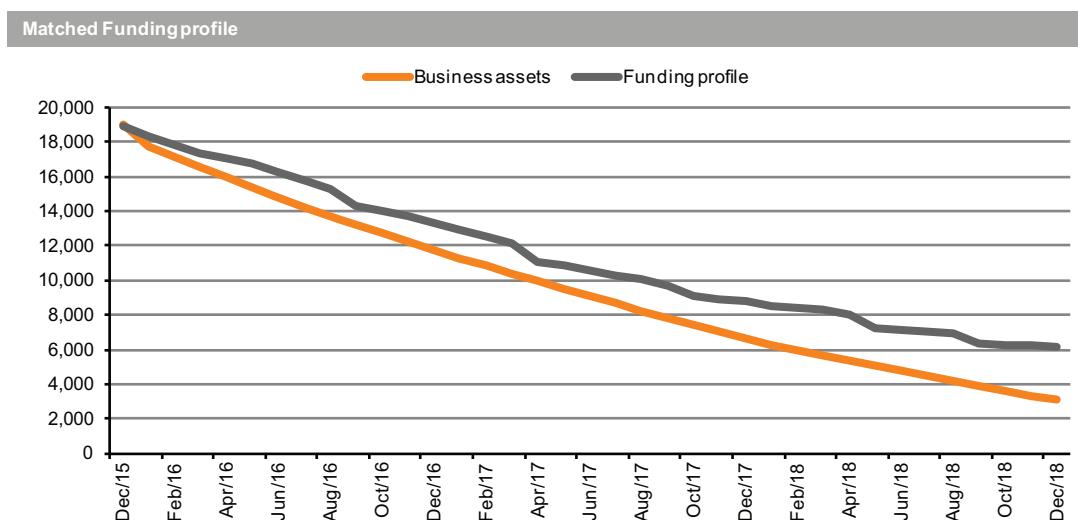
## Off-balance sheet arrangements

We have entered into commitments in connection with the forward purchase of property and equipment under operating lease and rental fleet of €1.9 billion as at December 31, 2015. These commitments are entered into in the ordinary course of business and are matched back-to-back with lease contracts entered into with customers. Furthermore, we have entered into commitments in connection with long-term rental and lease contracts of €164 million as at December 31, 2015. We have given residual value guarantees to a number of clients, which totaled €346 million as at December 31, 2015. We are the lender under credit facilities with associates and jointly controlled entities of €155 million, of which €103 million was drawn as at December 31, 2015 by such associates and jointly controlled entities (not reflecting an impairment charge).

## Financing arrangements and funding

### Funding policy

We aim to match the duration of our assets and liabilities. We apply this matched funding principle at both the Group and subsidiary level. We seek to minimize liquidity risk on existing assets by concluding funding that substantially matches the run-off profile of the leased assets. Moreover, we aim for a balanced redemption profile to avoid peaks in redemptions. From a going-concern perspective, the continuous (re)financing of new lease contracts is a major factor in our management of liquidity risk. The relatively high turnover of new funding is due to the relatively short weighted average lifetime of our assets. Under the matched funding policy, we seek to limit liquidity risk to the funding of new vehicles. The chart below shows the redemption profile of our business assets and related funding as at December 31, 2015 in thousands of euro. The more rapid decrease in Business assets relative to Funding profile illustrates how, in the aggregate, assets mature more quickly than the associated funding.



Note: Business assets consist of (i) all lease contracts, (ii) the on-balance sheet part of the liquidity buffer, and (iii) specific reserves relating to our securitization structures, in each case as at December 31, 2015 with maturities calculated as at each asset's contractual termination date, except that no maturity date is assigned to a €500 million component of the on-balance sheet liquidity buffer, which component has been assumed to be permanent. This chart does not account for any new lease contracts. Funding profile consists of (i) borrowings from financial institutions, (ii) funds entrusted, (iii) debt securities issued, (iv) equity and (v) working capital (together with fixed assets), in each case as of December 31, 2015, with maturities calculated as at each funding element's contractual end date, except that (a) on demand savings (as part of funds entrusted) are assumed to run off at 8% per month (based on an internal study of the average duration of demand deposit savings) and (b) both equity and working capital (together with fixed assets) are considered permanent funding.

Our funding has historically been conducted primarily on a centralized basis through LeasePlan Treasury with its back office in Dublin, Ireland. Bilateral funding mainly takes place at the local level if a country's fiscal regulations prohibit the local subsidiary from obtaining funds through intercompany funding or make it commercially disadvantageous. Local subsidiaries do hold limited overdraft facilities to facilitate the day to day running of their businesses.

### ***Funding diversification***

Our reliance on unsecured debt capital markets funding made us vulnerable to disruptions in the debt capital markets during the credit crisis and we implemented a new funding strategy in 2009 focused on a broader diversification of funding sources aimed at better meeting our ongoing liquidity needs.

The key elements of our funding diversification strategy include:

- an aim for an independent funding profile, sourcing debt funding on a stand-alone basis and independent of our shareholders or state-guaranteed schemes;
- reduced reliance on unsecured debt capital markets funding and greater emphasis on other funding sources such as secured, retail and bank funding, each of which is expected to increase in importance going forward;
- achieving broad diversification while creating a balanced debt redemption profile without material peaks in redemption amounts; and
- diversification of our investor base through the offering of different products, currencies and maturities.

### ***Unsecured debt capital market funding***

We have established an independent funding platform in the debt capital markets. As at December 31, 2015, we have issued in multiple currencies and formats utilizing our €15 billion euro medium-term note ("**EMTN**") program, attracting a variety of investors from numerous jurisdictions in both public and private format. This has enabled us to match our diversified global funding needs, which created a natural demand for the proceeds of the majority of these foreign currency bonds and allows us to provide inter-company funding directly to our subsidiaries. In addition to our €15 billion EMTN program, we have further diversified our investor base in 2012 by introducing a \$5 billion U.S. medium term notes ("**MTN**") (Rule 144A) program in the United States. In addition to these programs, we have a number of alternative unsecured funding sources including an A\$2 billion "Kangaroo" program, German promissory notes (*Schuldscheine*) and a short term funding mix that incorporates a €3 billion euro commercial paper program and a €2 billion Belgian CD program.

### ***Secured funding***

Since 2006, we have implemented securitization transactions in the Netherlands, Germany, the United Kingdom and France which are managed by special purpose vehicles with the name "Bumper." The ability to securitize our leased assets including residual values allows us to create liquidity from our portfolio of assets that can be placed with external investors. This source of liquidity also supports our objective of reducing reliance on senior unsecured funding. Initially several transactions during the period from 2006 to 2009 were not placed with external investors but used as collateral with the ECB. Thereafter, we focused our efforts on placing these bonds externally with institutional investors. See "*Risk management—Risk management areas—Primary risk management areas—Liquidity risk.*" Subsequent placement efforts with institutional investors have resulted in all Class-A and Class-B notes with a total principal amount of €1.9 billion being placed with external investors as at December 31, 2015. We intend to have recurring securitization transactions in place in the abovementioned countries.

### *Retail funding*

In February 2010, we launched in the Netherlands our internet retail banking operations as a division within LeasePlan Corporation N.V. under the brand LeasePlan Bank. It offers straight-forward savings products to private clients. As we hold a Dutch banking license, our banking operations are included under the Dutch Deposit Guarantee scheme which guarantees the repayment of funds of up to €100,000 per retail depositor. The interest rates we pay on our demand deposits are set on a monthly basis. We aim to fund a maximum of 30-35% of our balance sheet through retail deposits. On September 1, 2015, LeasePlan began its cross-border offering of savings products in Germany.

### *Bank funding/other*

This funding source is a combination of bank funding (overdraft and term funding) and other funding such as euro commercial paper certificates of deposit and loans from clients. Bank funding is attracted predominantly at the local subsidiary level with central supervision and a parent guarantee. Bank funding has proven to be a stable funding source for us over the years. Local bank funding is generally concentrated in India, Czech Republic, the United Kingdom and Australia. Fiscal restrictions on intercompany lending are the main reason for local bank funding.

In March 2015, we concluded the Term Loan. As of December 31, 2015 we had €250 million outstanding under this facility and €750 million available to be drawn on or prior to August 31, 2016. The Term Loan was initially due to mature in March 2016 but was extended in July 2015 and now matures in September 2017 (with 25% of the outstanding amount maturing in March 2017 and 25% in June 2017).

### *Funds flow*

LeasePlan Treasury plays the central role in all of our external funding, cash management and hedging activities, while also acting as an internal bank providing funding to local subsidiaries. LeasePlan Treasury has historically raised funding for the Group in both short-term money markets and longer-term debt capital markets through the use of a number of specific wholesale funding programs.

The LeasePlan Bank brand acts as a funding channel in the Dutch, and, since September 2015, the German retail savings markets for us. All retail funds obtained are deposited centrally with LeasePlan Treasury.

The guiding principle for funding local subsidiaries is that they will be funded by LeasePlan Treasury, which uses the legal entity LeasePlan Corporation N.V. when lending to local subsidiaries in the form of intercompany loans, unless local fiscal regulations dictate otherwise. LeasePlan Treasury also oversees local funded facilities used by local subsidiaries.

### *Liquidity*

We have access to several resources intended to serve as liquidity buffers. Our first such resource is our cash position which is a combination of call money and loans to banks. In addition, we also have access to two committed credit facilities:

In June 2015, we renewed the First Revolving Credit Facility with a consortium of banks amounting to €1,250 million. This facility matures in December 2018. Drawings under this facility can be used for general corporate purposes, liquidity management requirements and standby purposes. Since its inception in December 2010 to the date hereof, this facility has not been drawn.

In March 2015, we renewed the Volkswagen Revolving Credit Facility amounting to €1,250 million. This facility matures in December 2018. Since its inception in December 2010 to the date hereof, this facility has not been drawn. The Volkswagen Revolving Credit Facility was canceled and terminated in connection with the Acquisition and replaced by the Second Revolving Credit Facility amounting to €1,250 million and maturing in December 2018.

As at December 31, 2015, our liquidity buffer (in the form of cash and cash equivalents and undrawn amounts under the above two committed credit facilities) was €4.4 billion (€4.5 billion as at December 31, 2014 and €4.7 billion as at December 31, 2013).

### **Hedging**

In the ordinary course of our business, we routinely enter into interest rate and foreign currency derivatives. See "*Risk management—Risk management areas—Other risk management areas—Interest rate risk*" and "*Risk management—Risk management areas—Other risk management areas—Currency risk*."

## **Capital adequacy**

### **Capital resources**

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

From January 1, 2014, capital metrics and risk exposures are reported under the Basel III (CRR/CRD IV) framework. Comparative figures for 2013 are reported according to Basel II.

To monitor the adequacy of our available capital, we use ratios from the Basel III (CRR/CRD IV) framework. These ratios measure capital adequacy by comparing our eligible capital, which consisted only of Common Equity Tier 1 capital as at December 31, 2013, 2014 and 2015, with our balance sheet assets and off-balance sheet commitments, both at weighted amounts to reflect their relative credit risk and operational risk profile. Common Equity Tier 1 capital is derived from our total equity position. In order to arrive at Common Equity Tier 1 capital, adjustments to the total equity are required for the IFRS prudential filters as implemented in the Decree on Prudential Rules pursuant to the Dutch Financial Markets Supervision Act (*Wft*). For the calculation of risk-weights of on-balance sheet and off-balance sheet exposures the approaches as described in the CRR/CRD IV framework are used. Our eligible capital as at December 31, 2013, 2014 and 2015 is shown in the following table:

<b>Eligible capital</b>	<b>As at December 31,</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
	(€ in millions)		
Share capital and share premium .....	578.0	578.0	578.0
Other reserves .....	(42.6)	(13.2)	3.1
Retained earnings .....	2,046.1	2,278.1	2,490.4
<b>Total IFRS Equity</b> .....	<b>2,581.6</b>	<b>2,842.9</b>	<b>3,071.5</b>
Excluded profit for the year .....	—	(372.0)	(442.5)
Foreseeable dividend .....	(140.0)	—	—
Interim dividend paid out of retained earnings .....	6.0	6.0	—
Prudential filter m-t-m derivatives .....	15.3	6.9	7.5
Deduction of deferred tax assets .....	—	(50.6)	(42.8)
Deduction of intangible assets (including goodwill) .....	(114.9)	(167.9)	(171.9)
AIRB provision shortfall .....	(10.3)	(37.6)	(42.8)
Prudential valuation adjustment .....	—	(0.2)	(0.1)
<b>Common Equity Tier 1 Capital</b> .....	<b>2,337.6</b>	<b>2,227.6</b>	<b>2,378.8</b>

Common Equity Tier 1 capital decreased in 2014 as a result of additional deductions under the CRR/CRD IV regime such as deferred tax assets and intangible assets. Common Equity Tier 1 capital increased in 2015 as compared to 2014 due to the inclusion of the 2014 net result under

deduction of dividends paid. Additionally, the depreciating value of the euro had an increasing effect on our Common Equity Tier 1 capital due to our internal allocation of capital over various currency jurisdictions. Finally, allocation of the purchase price of the acquisition of the remaining 49% stake in LeasePlan Turkey led to higher intangible assets which had a negative impact on Common Equity Tier 1 capital. Following the CRR/CRD IV requirements, the full year profits of 2014 and 2015 are not to be included in Common Equity Tier 1 capital as at December 31, 2014 and December 31, 2015, respectively, until approval is obtained from the DNB.

### ***Capital requirements under Pillar 1***

Under the CRR/CRD IV regime, we are required to calculate capital for credit, foreign currency, market and operational risk. However, we are not exposed to market risk according to the Basel definition of market risk under Pillar 1, as, unlike most other banks, we have no activities in the trading book.

Credit risk, mainly in the form of leases to counterparties, is risk-weighted for our corporate lease portfolio and retail portfolios in the United Kingdom and the Netherlands based on the outcome of models developed by us. We use the Advanced Internal Rating Based Approach (“**AIRB**”), for which we received approval from the DNB in November 2008, for our corporate lease portfolio and in June 2013, for our retail portfolio in the United Kingdom and the Netherlands. The AIRB approach for the retail portfolios in the United Kingdom and the Netherlands has been used since January 1, 2014.

In respect of operational risk, we use the Advanced Measurement Approach (“**AMA**”). The required capital for operational risk is obtained from the outcome of models that track historic losses and anticipate potential low frequency, high risk events. The models predict the capital that is required to cover the operational loss we could incur under extreme circumstances.

We have developed the capital models in use based on the requirements set out by the Basel Committee. We regularly monitor the performance of all models against predetermined limits. In the case of underperformance, the models are redeveloped and require external validation prior to implementation.

The following table set forth below illustrates the reconciliation between the total assets on the balance sheet and the risk weighted assets.

	As at December 31,								
	2013			2014			2015		
	Nominal	Risk-weighted	Risk-weight	Nominal	Risk-weighted	Risk-weight	Nominal	Risk-weighted	Risk-weight
(€ in millions, except percentages)									
AIRB method									
applied	11,110.1	5,365.8	48.3%	12,756.2	5,880.9	46.1%	14,053.0	6,498.7	46.2%
Corporates	11,110.1	5,365.8	48.3%	11,420.3	5,138.1	45.0%	12,469.0	5,579.6	44.7%
Retail	—	—	—	1,336.0	742.8	55.6%	1,584.0	919.1	58.0%
Standard method									
applied	3,424.7	2,936.5	85.7%	2,364.8	1,581.6	66.9%	3,008.7	2,007.3	66.7%
Corporates	238.8	178.1	74.6%	253.3.0	187.7	74.1%	334.0	248.9	74.5%
Retail	2,092.1	1,914.7	91.5%	1,132.1	777.0	68.6%	1,431.3	912.5	63.8%
Government	565.6	353.9	62.6%	497.1	232.6	46.8%	547.0	245.8	44.9%
Banks	201.3	163.0	80.9%	205.1	108.0	52.6%	254.1	160.2	63.1%
Other	326.8	326.8	100.0%	277.1	276.2	99.7%	442.3	439.8	99.4%
<b>Lease contract portfolio</b>	<b>14,534.9</b>	<b>8,302.3</b>	<b>57.1%</b>	<b>15,121.1</b>	<b>7,462.5</b>	<b>49.4%</b>	<b>17,061.7</b>	<b>8,506.0</b>	<b>49.9%</b>
Cash and balances at central banks	978.8	—	0.0%	958.0	—	0.0%	1,605.4	—	0.0%
Receivables from financial institutions	1,439.1	339.6	23.6%	1,222.8	295.3	24.1%	368.9	145.6	54.3%
Derivative financial instruments	120.4	35.1	29.2%	183.0	123.9	67.7%	166.1	90.0	54.2%
Other assets	2,056.3	1,724.1	83.8%	2,170.9	1,842.4	84.9%	2,213.1	1,743.3	79.2%
<b>Total assets</b>	<b>19,129.4</b>	<b>10,401.1</b>	<b>54.4%</b>	<b>19,655.7</b>	<b>9,724.2</b>	<b>49.5%</b>	<b>21,415.2</b>	<b>10,484.9</b>	<b>49.0%</b>
Off-balance sheet									
commitments		285.9			828.5			949.9	
Currency risk		744.2			831.5			981.3	
Operational risk (AMA)		1,515.0			1,515.0			1,515.0	
CVA Capital charge					62.3			52.5	
Capital floor		898.7							
<b>Risk-weighted assets</b>									
Basel II resp. Basel III		<b>13,845.0</b>	<b>72.4%</b>		<b>12,961.5</b>	<b>65.9%</b>		<b>13,983.6</b>	<b>65.3%</b>
Capital floor		(898.7)							
<b>Risk-weighted assets excluding capital floor</b>		<b>12,946.3</b>	<b>67.7%</b>		<b>12,961.5</b>	<b>65.9%</b>		<b>13,983.6</b>	<b>65.3%</b>

In monitoring the adequacy of our capital, we constantly review the development in risk-weighted exposures on the one hand and the development in eligible capital on the other hand. Developments in risk-weighted exposures typically represent movements in the opportunities for growth of our core business. The eligible capital will normally grow with profits realized and retained to enhance our capital position.



The following table analyzes actual capital and the minimum required capital, which are based on Basel II resp. Basel III, as at December 31, 2013, 2014 and 2015:

	As at December 31,					
	2013		2014		2015	
	Minimum required	Actual	Minimum required	Actual	Minimum required	Actual
	(€ in millions)					
Risk-weighted assets Basel II resp.						
Basel III		13,845.0		12,961.5		13,983.6
Risk-weighted assets excluding capital floor		12,946.3		12,961.5		13,983.6
Common Equity Tier 1 capital	1,107.6	2,337.6	1,036.9	2,227.6	1,118.7	2,378.8
Common Equity Tier 1 ratio	8.0%	16.9%	8.0%	17.2%	8.0%	17.0%
Common Equity Tier 1 ratio excluding capital floor		18.1%		17.2%		17.0%

The Common Equity Tier 1 ratio is fully loaded (meaning the possibility of using transitional requirements is not applied).

The table below reconciles the various capital requirement components per risk category with the consolidated minimum capital amount. The individual risk areas are further described in the respective risk sections.

	As at December 31,					
	2014			2015		
	Minimum required			Minimum required		
	Future lease payments	Residual value	Total	Future lease payments	Residual value	Total
	(€ in millions)					
Risk weighted assets Basel II resp. Basel III			12,961.5			13,983.6
<b>Regulatory capital:</b>						
Credit risk leased assets						
AIRB	121.1	349.4	470.5	128.5	391.4	519.9
Credit risk leased assets Standardized	62.1	64.4	126.5	86.0	74.6	160.6
Sub-total Leasing portfolio	183.2	413.8	597.0	214.4	466.1	680.5
Credit risk other assets						
Standardized			180.9			158.3
Sub-total Credit risk			777.9			838.8
Off-balance sheet						
commitments			66.3			76.0
Currency risk			66.5			78.5
Operational risk AMA			121.2			121.2
CVA capital charge			5.0			4.2
Capital floor						
<b>Total Capital</b>			<b>1,036.9</b>	<b>2,227.6</b>		<b>1,118.7</b>
						<b>2,378.8</b>

On January 1, 2014 the CRR/CRD IV regime became applicable. With the adoption of this regime and as available capital is largely above the minimum threshold as determined by regulation, the capital floor ceases to have an impact on our capital ratios. In addition, we processed a number of other changes prior to January 1, 2014 that impacted the risk-weighted assets such as (i) implementation of updated models for PD and LGD, (ii) implementation of AIRB models for a

large part of the retail portfolio and accounts trade receivables, (iii) application of the 1/t formula for risk-weighting of the residual value of the portfolio for which the standardized method is applied, and (iv) inclusion of commitments in connection with the forward purchase of property and equipment under operating lease.

#### ***Capital requirements following the Internal Capital Adequacy Assessment Process (ICAAP)***

A banking institution is expected to enhance the link between its risk profile, risk management and risk mitigation systems and its capital. The main principle is that a banking institution assesses the adequacy of its available capital in view of the risks to which it is exposed. The periodic process in achieving this objective is referred to as the Internal Capital Adequacy Assessment Process (“ICAAP”), whereby the assessment of risks goes beyond the minimum requirements as determined under Pillar 1. This process addresses broadly (1) risks considered under Pillar 1 that are not fully covered under the Pillar 1 process; (2) risks not taken into account by the Pillar 1 process; and (3) risks external to the bank (business cycle effects).

#### ***Risks considered under Pillar 1 that are not fully covered under the Pillar 1 process***

For operational risk, outcomes of the Pillar 1 AMA calculation fully reflect the capital required for this risk type. For credit risk, however, the outcome of the Pillar 1 calculations is used as a basis for the calculation of internal capital requirements under Pillar 2.

With regards to credit risk under Pillar 1, a clear split is required to be made between the contractual amounts due from a client during the contract period (lease receivables) and the residual value as set in that contract at contract end. Lease receivables (credit risk) and residual value (residual value risk) have different risk weights in accordance with applicable regulations. Under Pillar 2, during the lease contract period, we consider the total investment for the purchase of the vehicle as credit risk for the following two reasons:

- the total investment of the vehicle is funded by us to our clients; and
- the residual value risk (for example, in case of a termination of the contract by the client before the original expiry date) is (partly or totally) contractually transferred to the client.

In addition to credit risk, under Pillar 2, we calculate internally required capital for asset risk, covering residual value and RMT exposure at contract termination. We are currently reviewing this calculation methodology.

#### ***Risks not taken into account by the Pillar 1 process***

Risk types that are not addressed under Pillar 1 and for which additional capital is maintained under Pillar 2 are:

- Concentration risk: the risk related to the degree of granularity in the lease portfolio, i.e. the exposure to an uneven distribution of business with customers, industries and/or geographical regions. Similar risk is assessed with respect to granularity of (large) treasury exposures (for example, deposits, call money, and derivatives).
- Motor insurance risk: the possibility that damages incurred for our account exceed the compensation received in lease rentals for these risks.
- Interest rate risk: the risk that our profitability or capital is affected by movements in interest rates.
- Pension obligation risk: the risk that our profitability or capital is affected by the contractual or other liabilities to, or with respect to, a pension scheme.

#### ***Risks external to the bank (Business cycle effects)***

We employ stress testing in order to address the risks external to the bank and the business cycle effects and to obtain additional insight into our vulnerabilities. These tests are also further used to determine the potential effect on capital and test the effectiveness of the risk measures.

As part of our capital policy, stress tests are performed for our main financial and operational risk management areas. In addition, we also perform reverse stress testing to define which extreme situations will impact asset risk, credit risk and operational risk such that our available capital will no longer be sufficient to sustain normal business.

The final outcome of the ICAAP, including the outcomes of internal capital calculations by risk type and stress tests, is annually reviewed by the DNB through the Supervisory Review and Evaluation Process.

### **Critical accounting estimates, assumptions and judgments**

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

The main estimates and underlying assumptions relate to the residual values at the end of the contract period, the assessment of the impairment of the lease portfolio, the defined benefit pensions obligations, the fair value of derivatives, the assessment of the income tax position and damage risk provision, the impairment of intangibles and goodwill and revenue recognition.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in any future periods affected if the revision affects both current and future periods.

The critical accounting policies, estimates, assumptions and judgments summarized below are a selection from those disclosed in our 2015 annual report and are based on our accounting practices in effect during the year ended December 31, 2015:

#### **Impairment of goodwill and intangible assets**

Determining whether goodwill or intangible assets are impaired requires an estimation of the value in use of the groups of cash generating units to which the goodwill and intangible assets have been allocated. The key assumptions calculating the value in use are those regarding discount rates, growth rates and other expected changes in cash flows.

#### **Review of depreciable amount and depreciation period of leased assets**

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

Statistical models and calculations (for example, regression analysis) are used to calculate a vehicle's future value as accurately as possible. We have an advanced management information system that closely monitors changes in the contractual residual values used in lease contracts. The existing residual value risks are also periodically assessed at a portfolio level.

#### **Impairment of (leased) assets**

In the annual assessment of whether there is any indication that an asset may be impaired, we consider both external as well as internal sources of information. If such indication for impairment exists, an analysis is performed to assess whether the carrying value of the asset or

cash generating unit under an operating lease exceeds the recoverable amount, being the higher of the fair value less costs to sell and the value in use. The value in use is determined as the present value of the future cash flows expected to be derived from the object or cash generating unit.

The vehicle's future value forms a significant part of the future cash flows and statistical models and calculations (regression analysis) are used to calculate this future value as accurately as possible. We have an advanced management information system that closely monitors changes in the contractual residual values used in lease contracts. The existing residual value risks are also periodically assessed at a portfolio level.

#### **Impairment losses on lease receivables**

We review the outstanding receivables in our lease portfolio to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, we make judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows of a lease portfolio before the decrease can be identified with an individual lease contract in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or in national or local economic conditions that correlate with defaults on our assets.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. This method makes use of the probability of default ("PD"), the loss given default ("LGD") and the exposure at default calculations ("EAD"). The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

#### **Post-employment benefits**

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

We adopted the amended IAS 19 "Employee benefits" effective January 1, 2013. As a result, we eliminated the corridor approach and recognition of all actuarial gains and losses in other comprehensive income as they occur, immediately recognized all past service costs and replaced interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset).

#### **Income taxes**

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

#### **Derivative financial instruments and hedge accounting**

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

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

We use derivatives to hedge our exposure to interest rate and foreign exchange rate risks arising from operational, financing and investing activities. In accordance with our treasury policy, we do not hold derivatives for trading purposes. We apply cash flow hedge accounting and fair value hedge accounting.

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

Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

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

(i) Cash flow hedging

When derivatives are designated as a hedging instrument in a cash flow hedge, the effective portion of changes in the fair value of derivatives is recognized directly in other comprehensive income as a separate component of equity. The gain or loss relating to the ineffective portion is recognized immediately in the income statement in the caption "Unrealized gains/(losses) on financial instruments."

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

In case ineffectiveness arises because insufficient cash flows are available but forecasted cash flows are still likely to occur or hedge ineffectiveness lies beyond a certain range, then hedge accounting ceases prospectively. This implies that the entire change in the net present value of the swap in the period is recognized in the income statement, whereas the gain or loss previously recorded in equity is amortized to the income statement over the average remaining term of the swaps.

(ii) Fair value hedging

We apply fair value hedge accounting to eliminate the income statement volatility arising from different measurement principles applied by IAS 39 to some issued fixed rate notes and all structured notes (hedged items both measured at amortized cost) and related derivatives (hedging instruments measured at fair value through the income statement).

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

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

(iii) Derivatives

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

**Damage and insurance risk provision**

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

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

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

**Revenue recognition**

Income related to lease services (closed calculation) is recognized over the term of the contract based on historical statistics and on assumptions regarding expected service costs. The assumptions may differ from the actual data as a result of changes in economic and market conditions.



# Risk management

## Risk management approach

LeasePlan is a global fleet management, driver mobility and vehicle leasing company with specialized Dutch banking operations regulated under the FMSA and supervised by the DNB. Our risk profile differs from most other banks due to the nature of our business. The largest part of our portfolio consists of operational leasing of vehicles, in which we bear the residual value risk. Residual value risk is the difference between the estimated residual values of vehicles estimated at lease inception and the actual sales proceeds of those vehicles at contract termination and this risk constitutes the main difference between our risk profile and most other banks' risk profiles.

## Risk management framework

The Committee of Sponsoring Organizations of the Treadway Commission ("**COSO**") is a joint initiative of five private sector organizations to provide guidance on enterprise risk management, internal control and fraud deterrence for the development of risk frameworks. The COSO definition of Enterprise Risk Management ("**ERM**") is "a process affected by an entity's board of directors, management, and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within the risk appetite, to provide reasonable assurance regarding the achievement of entity objectives." In other words, ERM is about managing risks while supporting the realization of the companies' targets. LeasePlan uses COSO and ERM principles as a basis and reference model for the risk management framework.

Our Managing Board has implemented corporate risk policies for all Group companies pursuant to our risk management strategy. The policies describe the minimum activities, controls and tools that must be in place within all Group companies. It is the responsibility of local management to ensure personnel are kept informed of strategy and policies relevant to them and to comply with these corporate policies.

Risk management responsibilities are delegated in the different risk control phases between the corporate risk management department, the corporate risk committees and local (risk) management. Our group audit department regularly audits corporate and local risk management processes. See "*—Risk management strategy and objective.*"

We believe our primary risks are:

- **Asset Risk**—We view asset risk as a combination of residual value risks and risks on repair and maintenance and tire replacement. We are exposed to potential loss from the sales proceeds of our vehicles declining below the estimates made at lease inception, which is our residual value risk. The risk related to vehicle repair, maintenance and tire replacement is our exposure to potential loss due to the actual costs of the services for repair and maintenance and tires (over the entire contractual period) exceeding the estimates made at lease inception. We consider both elements under asset risk as inextricably linked and manage asset risk accordingly.
- **Credit Risk**—Credit risk is the risk that a counterparty will be unable to fulfill its financial obligations to us when due. We are exposed to credit risk for vehicles leased to counterparties through both receivables due under the lease and the book value of vehicles. The credit risk of the book value of vehicles is partly mitigated by the sales proceeds of vehicles returned to us. In addition to the credit risk arising from the lease portfolio, there is also credit exposure originating from our banking and treasury activities, (re-)insurance activities, rebates and bonuses.

- **Liquidity Risk**—Liquidity risk is the risk that we are not able to meet our obligations as they fall due. Our liquidity risk (which is managed as a part of treasury risk) mainly relates to funding liquidity risk, which is the risk that we are not able to meet both expected and unexpected current and future cash flows without affecting either daily operations or our financial condition.

Our policies with respect to, measurements of, exposures to and mitigation of these three risk areas are disclosed in further detail in “—Primary risk management areas—Asset risk,” “—Primary risk management areas—Credit risk” and “—Primary risk management areas—Liquidity risk” below. We are also exposed to strategic risk, interest rate risk, currency risk, reputational risk, operational risk, motor insurance risk, legal and compliance risk, ICT risk and pension obligation risk, which are described in more detail in “—Risk management areas—Capital requirements—Other risk management areas.”

## **Risk management strategy and objective**

Risk, which is the chance of occurrence of an event that will have a negative impact on the objectives of the organization, is inherent to our business operations. Our risk strategy is to support the business in achieving all strategic aims, such as profitable growth ambitions in fleet and vehicle management for mainly corporate and small fleet customers while adhering to our risk appetite commitments.

A risk management framework aims at reducing the frequency and/or the consequences of risk events, and enabling management to evaluate and balance the risks and returns related to business operations. As a result, a high quality risk management framework is also considered to offer opportunities. We seek to accurately assess the relevant inherent risks that we consider part of our overall risk profile at the inception of each lease and manage and control these risks thereafter to attempt to maintain a balance between risk and return.

## **Risk appetite**

Our risk appetite or the amount and type of risk we are willing to accept in pursuit of our business objectives is set at two levels. First, our overall risk appetite is defined in terms of a long-term debt credit rating, supported by the financial return on risk adjusted capital (i.e. economic return) and the diversified share of funding layers. Secondly, risk appetite is set for the underlying key risks that we are facing by using key risk indicators customary to measure these exposures. At least once a year the Managing Board is required to submit our risk appetite and risk tolerance to the Supervisory Board for its approval.

We review and discuss potential corrective measures should any of the risk tolerance levels be exceeded. We have identified and implemented a set of key risk indicators in order to monitor our performance versus our risk appetite. The key risk indicators report, across all risk areas, is provided to the Supervisory Board on a quarterly basis where deviations and potential breaches of the set risk tolerance levels are disclosed and, if required, (mitigating) actions are discussed.

## **Risk management structure**

### **Supervisory board**

The Supervisory Board supervises the policy pursued by the Managing Board and the general course of affairs of LeasePlan. The Supervisory Board consists of seven members, two of whom were nominated by the Consortium, and two of whom (who are considered independent) are individuals who sit on the Supervisory Board on the recommendation of LeasePlan’s Dutch works councils. The remaining three Supervisory Board members are independent, and one of these members chairs the Supervisory Board. The Supervisory Board meets at least four times a year to review and discuss, among other matters, financial and commercial results, developments in the

market and developments relating to our treasury and risk management. The risk strategy, risk appetite and risk policy for the medium- and long-term are discussed once a year, and the Supervisory Board approves any material changes to the risk strategy, risk appetite and risk policy. The Credit Committee of the Supervisory Board is authorized to decide on credit acceptance and renewal within and above limits as set in the Regulations for the Supervisory Board of LeasePlan.

## Managing board

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

## Risk committees

The Managing Board installed six separate risk committees, consisting of the Credit Risk Committee, the Asset Risk Committee, the Motor Insurance Risk Committee, the Operational Risk Committee, the Funding and Treasury Risk Committee and the Information Security Board. The Supervisory Board has a Remuneration Committee, an Audit Committee and a Credit Committee but does not have a separate risk committee since the relevant risk management areas are reviewed and discussed by all members of the Supervisory Board.

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

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

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

- The Credit Risk Committee meets on a quarterly basis to assist the Managing Board in its oversight responsibilities with regard to our credit risk. Further, the committee reviews on a yearly basis our credit risk appetite and credit risk management framework and makes recommendations to the Managing Board for approval. Also, the Credit Risk Committee monitors and decides upon Advanced Internal Rating Based ("**AIRB**") matters. Separately and on an as-needed basis, the Credit Risk Committee meets and decides on credit proposals that exceed the local authority levels of Group companies and prepares for credit proposals that require approval of the (Credit Committee of the) Supervisory Board.

- The Asset Risk Committee meets on a quarterly basis to assist the Managing Board in its oversight responsibilities with regard to our asset risk. Further, the committee reviews on a yearly basis our asset risk appetite and asset risk management framework and makes recommendations to the Managing Board for approval.
- The Motor Insurance Risk Committee meets on a quarterly basis to assist the Managing Board in its oversight responsibilities with regard to our motor insurance risk including insurance risk exposure from Euro Insurances. Further, the committee reviews on a yearly basis our motor insurance risk appetite and motor insurance risk management framework and makes recommendations to the Managing Board for approval.
- The Operational Risk Committee meets on a quarterly basis to assist the Managing Board in its oversight responsibilities with regard to our operational risks. Further, the committee reviews on a yearly basis our operational risk appetite and operational risk management framework and makes recommendations to the Managing Board for approval. Finally, all developments with respect to our Advanced Measurement Approach status are reviewed and recommended to the Managing Board.
- The Funding and Treasury Risk Committee monitors risks and sets the treasury policies related to liquidity, currency and interest rate risks. Furthermore, the committee assesses and steers the development of our funding and liquidity position as well as our overall treasury risk profile. The Funding and Treasury Risk Committee is the natural owner of the Internal Liquidity Adequacy Assessment Process (“**ILAAP**”), Internal Capital Adequacy Assessment Process (“**ICAAP**”) and Recovery Plan (including a capital contingency plan, liquidity contingency plan and business continuity plan). New treasury related regulation is monitored and implemented by this committee, including Basel III (Capital Requirements Directive IV and Capital Requirements Regulation) and other liquidity and capital related guidelines and regulations issued by the BIS, EBA and the DNB.
- The Information Security Board is responsible for ensuring thorough review of our ICT risk profile, whether Group companies and third parties meet the expectations of legal, regulatory and compliance requirements, and that information security initiatives and strategy align to the expectations of the business, directors and shareholders. In addition, the board confirms our Group information security strategy and our objectives, agrees the budget and the priorities, and reviews any major incidents as well as ensures our response to incidents takes into account any lessons learned.

## **Economic capital and return within LeasePlan**

Economic capital is LeasePlan’s internal quantification of risk capital associated with its business activities. The level and the composition of economic capital are fully aligned with the annual ICAAP at LeasePlan’s corporation level. Economic capital is considered the cushion that provides protection against the various risks inherent in our business in order to maintain our financial integrity and remain a going concern even in the event of a near-catastrophic ‘worst-case’ scenario. It is calculated in such a way that we can absorb unexpected losses up to a level of confidence in line with the requirements of our firm’s various stakeholders.

Economic capital for Group companies involved in leasing covers credit risk, asset risk, motor insurance risk and operational risk whereby, economic capital for credit risk is calculated using AIRB and standardized approaches, economic capital for operational risks is derived from AMA, economic capital for motor insurance risk uses a non-regulatory factor model and a non-regulatory Value at Risk model for asset risk is used for asset risk. The models are amended where deemed appropriate to better fit the risk profile of the company.

In addition to the risks mentioned for Group companies involved in leasing, various other risks are recognized at the LeasePlan level, including credit risks in non-leasing activities, stress tests

for motor insurance, credit and operational risk. We use economic capital as the basis for economic return measurements within our Group, which is the leading risk-based performance measure in recent years.

## **Risk and remuneration**

The Remuneration Framework applicable within the LeasePlan group reflects an overview of the general principles and the various policies that are applied to LeasePlan in the context of the applicable legal framework to ensure that risks associated with remuneration of its employees are adequately managed. The Remuneration Committee of the Supervisory Board is responsible for approving and maintaining the Remuneration Framework and overseeing its implementation.

The Remuneration Framework contains details about the remuneration structure of "Identified Staff." Identified Staff members are those members that have a material impact on our risk profile. The Remuneration Committee of the Supervisory Board reviews the decision-making processes that relate to the execution of the Remuneration Framework with regard to Identified Staff, including the selection of Identified Staff, supervision of fixed and variable remuneration, target setting and target achievement determination, application of any risk adjustment and the award of any variable remuneration in its various components. All variable remuneration of Identified Staff is subject to risk assessments at collective and individual performance levels. This means that the remuneration structure will reward according to performance on a group, company and individual level, as appropriate.

For additional information, see *"Supervision and regulation—Remuneration"* and *"Risk factors—Our operations are dependent to a significant extent on our ability to attract and retain key management personnel and high-quality staff."*

## **Risk management lines of defense**

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

- (i) local, regional and corporate management heads of our businesses that have ownership, responsibility and accountability for assessing, controlling and mitigating risks;
- (ii) corporate control functions, acting independently from risk originators who coordinate, oversee and objectively challenge the execution, management, control and reporting of risks; and
- (iii) internal audit, which through a risk-based approach, provides independent and objective assurance to our Managing Board and the Audit Committee of the Supervisory Board, on how effectively we assess and manage risks, including the manner in which the first and second lines operate.

We operate a decentralized governance model with support coming from a central corporate center. LeasePlan entities report to the corporate risk management functions on a regular basis regarding key issues and developments. The following overview outlines the composition and responsibilities of the main parties involved in executing the three lines of defense for risk management within LeasePlan.

### **First line of defense**

#### ***Local and regional compliance and risk management***

Local management is considered a first line of defense in our risk management. Local management is responsible for complying with all corporate policies as set by the Managing

Board and for the initial management of risks encountered while performing the regular tasks for the relevant Group company. These risk management activities comprise identifying potential risks, assessing potential risks and taking adequate measures in accordance with the relevant risk policies to mitigate any negative influences on realizing the risk appetite limits and risk tolerance levels for the Group company. Finally, it is the responsibility of local management to timely and completely report all potential incidents and threats. As a result, local management is required to maintain comprehensive risk management systems that cover all risks inherent to the business, including setting up and maintaining local risk management and compliance functions. Regional management supervises all risk and compliance related activities of local management. The risk committees of local entities are responsible for discussing on at least a quarterly basis all the relevant risks for that entity as prescribed by corporate policies or identified by that entity.

### ***Strategic Finance***

The Strategic Finance (“SF”) department is responsible for overall liquidity management and funding strategy within the Group. SF is the overarching department at the corporate level, encompassing LeasePlan Treasury, LeasePlan Bank, SF Almere and the Structured Finance and Securitization departments.

With diversification of funding sources as an underlying strategy, SF ensures the availability of funding to meet our ongoing liquidity needs. SF strives to create a stable, diversified and independent funding profile with cost of funding on a level playing field with industry competitors. It is the responsibility of SF to maintain our funding sources by tapping from them on a regular basis and keeping existing as well as potential investors in the relevant markets updated in order to ensure future market access to the best extent possible.

SF maintains a funding plan in line with the funding strategy and redemption limits in place. Furthermore, stress testing is performed on a monthly basis to ensure we are able to continue meeting our financial obligations (while writing new business) during a period of continuing stress (including, among other things, limited access to traditional funding sources and increased outflows of retail deposits) lasting at least nine months. SF updates the Fund Transfer Pricing calculation on a monthly basis, which is a pricing mechanism that allocates liquidity costs, benefits and risks to the LeasePlan entities.

### **Second line of defense**

#### ***Corporate risk management***

The corporate risk management department is responsible for coordinating and maintaining the (overall) risk management framework set by the Managing Board and creating awareness and understanding of risks at all levels. The corporate risk management department is also responsible for measuring and reporting on our risk positions to the relevant risk committee of the Managing Board. It acts as a second line of defense in our risk management framework by monitoring adherence by Group companies to the risk management policies and risk appetite. The corporate risk management department is responsible for ensuring that the Managing Board and, as the case may be, the Supervisory Board, is made aware of business initiatives which affect our risk management framework, risk appetite or risk tolerance levels. The corporate risk management department is headed by the SCVP Risk Management, who reports to our Chief Financial Officer.

#### ***Corporate information security and governance***

Our Information Security & Governance department (headed by our Group Information Security Officer) in conjunction with the Information Security Board is responsible for coordinating and overseeing Group wide compliance with our information security policy and standards regarding confidentiality, integrity and availability of the information assets. The Information Security Board acts as a second line of defense committee by deciding on our Group Information Security



Strategy, objectives, budget, priorities and responses to incidents. The Information Security & Governance department acts as a second line of defense in the ICT Risk Framework by monitoring adherence by our Group companies to our information security policies and risk appetite. Both the Group Information Security & Governance function and the local information security function support management of each entity on information security issues. This includes identifying and enhancing awareness of information security risks and advising on whether or not to accept certain risks, on which mitigating measures to take and on information security matters in general. Measures are in place that maintain the independence of the information security function. The Group Information Security Officer reports to the Chief Operating Officer on information security matters.

As at October 1, 2014, the Information Security model has been established in line with the organizational models for the other risk components. With an ever more complex external landscape, in terms of technologies, threats, regulations and requirements, this organizational model change for information security is the response to that changing landscape. A clear separation of Information Security from technology has been made and is an opportunity to raise the profile of Information Security further by having it report directly at the Managing Board level.

### ***Corporate Legal and Compliance***

The corporate Legal and Compliance department is headed by the SCVP Legal and Compliance and is responsible for maintaining our legal and compliance risk management framework, which, among other things, translates external compliance obligations into internal obligations for the Group and gives further guidance on compliance matters to local lawyers, compliance officers and privacy officers. As such, the corporate Legal and Compliance department acts as a second line of defense through the review of the Managing Board's risk policies for conformance to external legal and compliance requirements in order to mitigate legal and compliance risks. Both our Group compliance function and the local compliance function support management of each entity on compliance issues. This includes identifying and enhancing awareness of compliance risks and advising on whether or not to accept certain risks, on what mitigating measures to take and on general compliance matters. Furthermore, the department also monitors and reports on compliance risks and enforces rules. Measures are in place that maintain the independence of the compliance function. The LeasePlan Compliance Charter and the Compliance Risk Management Framework are the base documents to control the risks of non-compliance. The compliance function also coordinates issues raised under the whistle blowing policy. The SCVP Legal and Compliance reports to the Chief Executive Officer on compliance matters and reports to the Chief Financial Officer on legal matters.

### **Third line of defense**

#### ***Internal audit***

Our Group Audit Department ("**GAD**") provides internal audit services and is recognized as the third line of defense for our risk management. The internal audit activity is guided by the international standards for the professional practice of internal auditing. The scope of GAD includes all entities within LeasePlan, Group services entities, LeasePlan Bank as well as the LeasePlan headquarters functions and responsibilities. Our Group Audit Department conducts independent audits of our activities and is responsible for providing professional and independent assurance by evaluating the organization's network of risk management, control, and governance processes, as designed and represented by management. This includes but is not limited to assessing the effectiveness of governance, risk management and internal control processes. The Group Audit Department reports its findings to the Managing Board and provides quarterly updates to the Supervisory Board Audit Committee. The Group Audit Department is headed by the SCVP Audit, who reports directly to the Chief Executive Officer. Regular internal audit meetings are scheduled between the Managing Board and the SCVP Audit in order to

ensure sufficient attention and follow-up is given to the outcome of the audits. Measures are in place that are designed to maintain the independence of the audit function, including the right to directly approach the chairman of the Supervisory Board Audit Committee if circumstances so require.

### **External control functions**

In addition to the internal lines of defense, we also consider the below external parties as components of our overall risk management defense framework.

#### ***External auditors***

While the Managing Board is ultimately responsible for the preparation of our financial statements, our external auditors provide an opinion on the fair presentation of our financial statements in accordance with International Finance Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code. As part of the financial statements audit, the external auditor conducts an evaluation of the internal control system in order to assess the extent to which they can rely on the system in determining the nature, timing and scope of their own audit procedures. On a yearly basis, the overall scope of the external audit including identified risk areas and any additional agreed-upon procedures is discussed and agreed with the Audit Committee of the Supervisory Board.

#### ***Regulatory bodies***

In the context of our banking license held since 1993, our main regulators are DNB (indirectly the ECB as at November 2014), which is the prudential supervisor and the Netherlands Authority for the Financial Markets, which supervises financial markets behavior. In addition, our Group companies are subject to external regulation from national governments, tax authorities or industry specific regulators, such as Euro Insurances, which is regulated by the Central Bank of Ireland. Regulators are responsible for developing and maintaining a thorough understanding of the operations of individual banks, insurance companies and banking groups by collecting, reviewing and analyzing prudential reports and analysis, conducting on-site and off-site supervision and conducting research into behavior and culture at banks. Regular contact is maintained with our senior management. The Basel Committee's Core Principles for Effective Banking Supervision (and specifically the Dutch Financial Markets Supervision Act for the Netherlands) outline the areas at attention and powers of the regulatory authorities. As a part of this process we communicate all relevant developments and initiatives with regard to our capital, liquidity, solvency and governance to DNB.

### **Risk management areas**

Our ten risk management areas are strategic risk, asset risk, credit risk, treasury risk (which includes interest rate, currency and liquidity risks), reputational risk, operational risk, motor insurance risk, legal and compliance risk, ICT risk and pension obligation risk. Of our ten risk management areas, we consider asset risk (which includes residual value risk), credit risk and liquidity risk (which is part of treasury risk) to be our primary risks.

#### **Primary risk management areas**

##### ***Asset risk***

LeasePlan defines asset risk as a combination of residual value risk and risk from vehicle repair, maintenance and tire replacement, whereby residual value risk is considered the more prominent risk. Residual value risk is defined as our exposure to potential loss at contract end due to the resale values of assets declining below the estimates made at lease inception. The risk related to vehicle repair, maintenance and tire replacement is our exposure to potential loss due to the actual costs of the services for vehicle repair, maintenance and tire replacement (over the entire contractual period) exceeding the estimates made at lease inception. We consider both elements under asset risk as being inextricably linked and manage asset risk accordingly.

### *Asset risk policy*

We have a robust policy in place with respect to asset risk management, based on principles developed under our risk management framework. The policy describes, *inter alia*, the roles and responsibilities within our organization for asset risk management, the main principles regarding asset risk pricing, the minimum standards for asset risk mitigation and the mandatory frequency of asset risk measurement and reporting. The policy applies to all Group companies bearing residual value risk and/or risk on repair, maintenance and tire replacement. Furthermore, as a part of the asset value risk policy, all Group companies must establish a local Asset Risk Management committee, chaired by either the Managing Director or the Finance Director and in which all relevant disciplines involved in the asset risk management process must be represented. This committee is required to convene at least once every quarter with the primary responsibility of overseeing the adequate management of asset risks on behalf of the local management team. This includes but is not limited to reporting on asset risk measurements and trends in risk mitigation, residual values and vehicle repair, maintenance and tire replacement results. The local Asset Risk Management Committees assess asset risk exposure by taking into account both internal influences and external influences. Based on their assessment, the local Asset Risk Management committee decides on the appropriate residual value estimates, vehicle repair, maintenance and tire placement estimates, and risk mitigating measures to be applied. The committees are responsible for informing the management team of their respective Group company on all relevant asset risk issues. The policy also establishes minimum standards with respect to asset risk mitigating techniques that the Group companies are expected to have in place, and the reporting that must be provided to the corporate center.

### *Asset Risk Measurement*

We analyze asset risk throughout the term of our lease contracts: starting at lease inception and through to lease termination. Measuring asset risk at all three stages of our lease contracts assists us in tracking developments with respect to asset risk elements and identifying adverse trends.

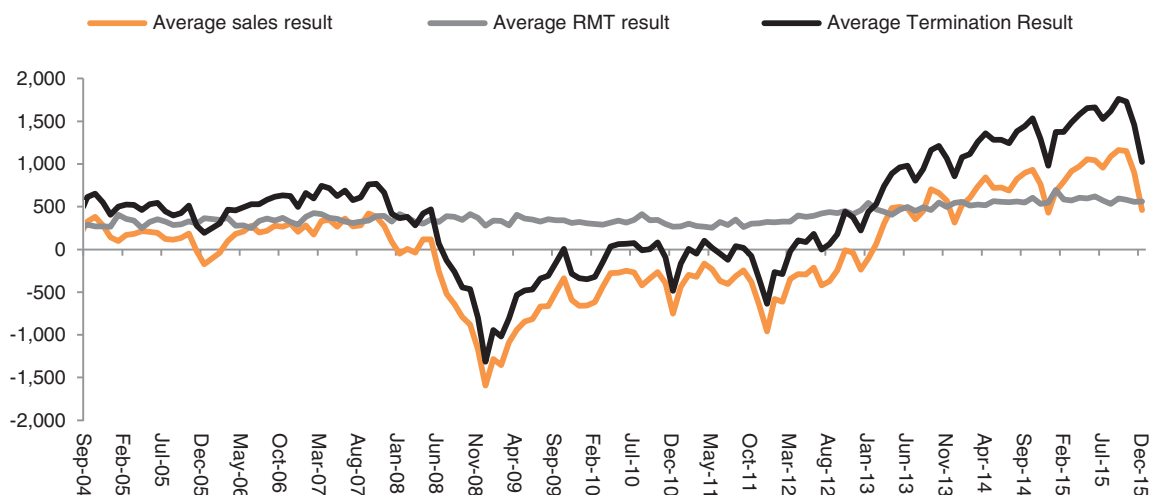
- *Contract Inception*—We review on a monthly and quarterly basis the contractual residual values and the pricing applied for vehicle repair, maintenance and tire replacement by the Group companies. Any developments arising from the pricing reviews are then discussed with local and regional management.
- *During Contract Life*—Our Group companies measure the residual value risk and repair, maintenance and tire replacement risk on vehicles under lease contract and report the estimated results of these exposures at lease termination to the corporate center on a quarterly basis. We refer to these measurements as fleet risk assessments. In many cases these measurements are calculated by means of statistical analysis (such as generalized linear models or regressions) based on our Group companies' own historical vehicle sales proceeds. Estimates in respect of sales results and results from vehicle repair, maintenance and tire replacement are made at an individual vehicle level and aggregated to the portfolio level. The outcomes of these measurements are reviewed and discussed within local Asset Risk Management committees. The outcomes can also serve as a basis for the determination of any prospective depreciation adjustments for the consolidated portfolio.
- *Contract Termination*—For vehicle leases terminated within the relevant monthly or quarterly reporting period, we monitor and review the termination result. Termination result is the combination of the difference between the realized sales proceeds from the sold vehicle and the net book value of the vehicle at termination plus the difference between the estimates made and the actual costs from vehicle repair, maintenance and tire replacement. The resulting two components, sales result and result on vehicle repair, maintenance and tire replacement, are the main drivers behind termination income in our financial statements.

- On a quarterly basis, reports summarizing the residual value pricing at lease inception, developments in the estimated sales result and vehicle repair, maintenance and tire replacement results of the unsold vehicles in our portfolio (consisting of both vehicles still under lease contract and vehicles after lease termination but prior to disposal), and the actual sales results and vehicle repair, maintenance and tire replacement results are provided for discussion at the meetings of the Group's Asset Risk Committee and are then provided to the Supervisory Board, the DNB and our external auditor.

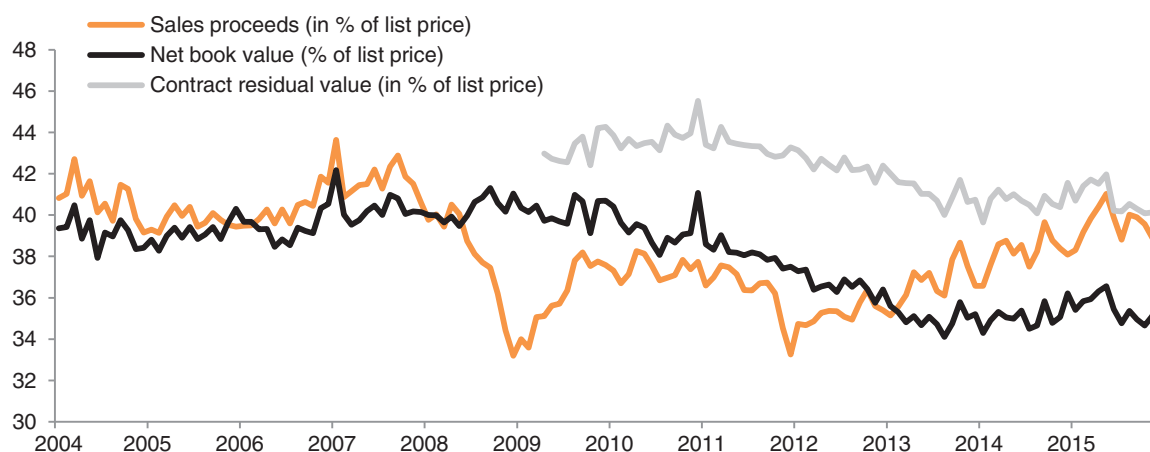
### Asset risk exposure

Our asset risk exposure, and particularly our residual value exposure, is affected by many factors including, but not limited to, changes in economic conditions, consumer confidence, consumer preferences, exchange rates, government policies, new vehicle pricing, new vehicle sales, new vehicle brand images or marketing programs, the actual or perceived quality, safety or reliability of vehicles, the mix of used vehicle supply, the closure of manufacturers, the levels of current used vehicle values and fuel prices. The adverse developments in the used vehicle markets worldwide that started in 2008 continued to have an impact in a limited number of countries in which we operate. Although many markets started recovering after the low level of sales results at the end of 2008, the Group's sales results remained below the estimates made at lease inception up to and including the year 2012. As this risk was embedded in our product offering we had to absorb losses on sales during those years. In 2013, sales results became positive again as a result of improved market circumstances, a reduction in the residual values we ascribed to our vehicles at lease inception (during the crisis referred to above) and a slight improvement in risk mitigation. During 2014, sales results further improved due to higher sales proceeds achieved and, to a lesser extent, the continued effect of the reduction in the residual values we ascribed to our vehicles at lease inception and our continued focus on risk mitigation. The higher sales proceeds achieved were due to a strong recovery of the second-hand car market, which recovery was a result of, among other things, improved consumer confidence and a shortage of supply of attractive second hand vehicles due to a reduction in new vehicle registrations immediately after the financial crisis. The improvement in used vehicle prices has continued through 2015. See *"Risk factors—Risk related to our business—A decrease in the residual values or the sales proceeds of our leased vehicles could have a material adverse effect on our business, financial condition and results of operations."*

The chart below presents, in euro per vehicle, a historical overview of the development of sales results (which is the difference between the net book value at termination and the actual vehicle sales proceeds), vehicle repair, maintenance and tire replacement ("**RMT**") results and termination results (which is the combination of sales results and RMT results) from September 2004 to December 2015.



The graph below shows, for the periods indicated, the development of the average book value and the average sales proceeds at the time of the sale of the vehicles from normal terminations and the contract residual value at lease inception, in each case as a percentage of the manufacturer's list price and excluding equipment and trucks as well as any adjustments stemming from prior months. The difference between the contracted residual value at lease inception and the net book value at termination reflects the risk mitigation techniques we have applied during the lifetime of the lease contract, such as recalculations, mileage variation adjustments, informal extensions and charging for end of contract damages.



Our exposure to residual value risk as at December 31, 2015 was €9,949 million, which consisted of the contracted residual values of unsold vehicles on our balance sheet of €9,603 million and contracted residual values of leased vehicles held off-balance sheet of €346 million. A one percentage point movement in the sales proceeds as at December 31, 2015, expressed in terms of original list price and holding all other variables constant, would lead to a €56.9 million movement in estimated termination results for 2016.

The table below shows the amount of our residual value risk for vehicles on our balance sheet as at December 31, 2013, 2014 and 2015, respectively.

Residual value exposure	As at December 31,		
	2013	2014	2015
	(€ in millions)		
Residual value .....	8,092.3	8,403.4	9,602.8

#### Asset risk mitigation

We have the ability to adapt pricing of residual values and vehicle repair, maintenance and tire replacement to changed market circumstances for newly and to be concluded contracts. This limits our exposure to the remaining contract duration of the active portfolio. In addition, there are other ways to mitigate asset risk. Each Group company is expected to pro-actively use the mitigating measures listed below, which are reflected in contracts with customers.

- **Early termination charging:** in most cases, we charge for losses resulting from an early termination of a contract (i.e. the difference between net book values at lease termination and actual sales proceeds). Any vehicle repair, maintenance and tire replacement result in relation to the lease contract generally may not be offset with the early termination charge.
- **Charging for end of contract damage:** We assess the wear and tear of the vehicle at the end of the contract and if such wear and tear is beyond the standards as set we generally invoice the customer for the excessive damages.
- **Mileage variation adjustments:** Lease contracts typically set mileage variation limits within which we charge mileage variation adjustments based on the mileage driven. If the mileage

driven exceeds the mileage variation limits, then a mileage variation adjustment is in principle not permitted and a recalculation is normally performed on the lease contract. See "*—Recalculation.*" Our policy for our Group companies recommends separate mileage variation adjustment limits for different cost components (such as depreciation, repair and maintenance, tires and replacement vehicle service) as well as a prudent approach in case of under mileage.

- *Recalculation*: Lease contracts typically allow for the recalculation during the life of the lease contract of the contractual terms and mileage when the actual mileage of a vehicle exceeds the contractually agreed mileage variation limits.
- *Informal contract extensions*: Extensions are typically informal when a vehicle exceeds the contractually agreed duration and/or mileage without formal notice or lease contract extension. Informal extensions are to be applied only when additional income on the sale of vehicles outweighs the additional costs related to RMT.
- *Minimum settlement account*: Under some of our contracts with customers, if the settlement result (which is the sum of sale results and results on services for vehicle repair, maintenance and tire replacement) is positive, we share the difference with the customer. However, if this settlement result is negative, the customer is not charged for the difference. Since under these contracts we are only exposed to downside risk, in general we require a minimum of 10 vehicles in final settlement per year so that any possible negative settlement result on individual vehicle level can be offset against any possible positive settlement result on vehicle level for that customer, if appropriate.
- *Governmental policy changes*: We negotiate our contracts such that we are entitled to pass on any costs resulting from certain governmental policy changes.

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

### ***Credit risk***

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

### ***Credit risk policy***

Our credit risk policy seeks to regulate the credit risk management limits for our subsidiaries. While credit risk appetite is defined on a consolidated level, under our credit risk policy, our subsidiaries define their risk appetite and their risk tolerance levels for counterparty and concentration credit risk, which is then monitored at our Group level. Our subsidiaries have a local credit committee and a local credit risk management function with authority to accept exposures from counterparties up to a certain level of exposure, whereby the authorized level of risk taking depends on the size of the local portfolio, the characteristics of the local portfolio and the proven track record of the members of the local credit committee and local credit risk management organization.

We distinguish in our policies and portfolio between corporate clients, retail clients, governments, banks and others. In this respect, retail clients are defined as clients with a vehicle fleet with an investment value not exceeding €1 million with which there is no active commercial relationship.



Except for retail customers, which are assessed whenever a credit application is received, the credit risk of all our counterparties is assessed at least once a year. If the credit risk of an approved counterparty exceeds the local credit risk authorization level, then credit approvals for such a counterparty are sent to the corporate head office for a final decision. All of our Group companies use the same global credit risk management systems.

Each Group company is required to maintain a special attention list and a watch list for corporate customers, which are based on our internal rating grades and other available information. These lists are reviewed in regular meetings by the credit committees. Credit risk exposures on companies included in these lists are monitored on a regular basis by the respective risk management teams on both the local level and at our Group level. With regard to retail customers, who in general pay by direct debit and, depending on the credit quality, are required to pay upfront deposits, strict payment monitoring is in place. In case of arrears, measures are taken to mitigate potential credit losses. A qualitative analysis of our total credit exposures, defaults and losses is reported on a quarterly basis to the Credit Risk Committee.

For the credit risks inherent to our treasury operations, LeasePlan has established specific policies defining counterparties with which transactions can be concluded and limits for counterparties. The limits for a single counterparty are divided into a number of sub-limits based on the type of transaction such as deposits, financial instruments or other types of transactions. The limits and their usage are regularly reviewed by the Credit Risk Committee. Furthermore, amounts outstanding are closely monitored seeking to ensure that deposited funds can be transferred as soon as possible in case of an increase in counterparty risk. LeasePlan also has put in place acceptance criteria for reinsurance of motor insurance risks.

#### *Credit risk measurement*

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

- *probability of default*—the likelihood of the default of a client in the next twelve months;
- *loss given default*—the loss we expect to incur at the moment of a default;
- *exposure at default*—the total exposure to a client if a client defaults; and
- *remaining maturity*—the contractual remainder of the lease contract.

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

Exposure Class (€ in millions)	2013		2014		As at December 31, 2015				
	AIRB	Standardized	Total	AIRB	Standardized	Total	AIRB	Standardized	Total
Corporates	11,110.1	238.8	11,348.9	11,420.3	253.3	11,673.6	12,469.0	334.0	12,803.0
<i>of which SME</i>	<i>1,386.8</i>	<i>13.7</i>	<i>1,400.5</i>	<i>1,325.2</i>	<i>6.0</i>	<i>1,331.1</i>	<i>1,278.2</i>	<i>5.8</i>	<i>1,284.0</i>
Retail	—	2,092.1	2,092.1	1,336.0	1,132.1	2,468.1	1,584.0	1,431.3	3,015.3
<i>of which SME</i>	<i>—</i>	<i>331.5</i>	<i>331.5</i>	<i>123.9</i>	<i>166.5</i>	<i>290.5</i>	<i>118.6</i>	<i>158.1</i>	<i>276.7</i>
Governments	—	565.6	565.6	—	497.1	497.1	—	547.0	547.0
<i>of which Central   Governments and   Central Banks</i>	<i>—</i>	<i>200.9</i>	<i>200.9</i>	<i>—</i>	<i>208.0</i>	<i>208.0</i>	<i>—</i>	<i>226.0</i>	<i>226.0</i>
Banks	—	201.3	201.3	—	205.1	205.1	—	254.1	254.1
Other <sup>(1)</sup>	—	326.8	326.8	—	277.1	277.1	—	442.3	442.3
<b>Total</b>	<b>11,110.1</b>	<b>3,424.7</b>	<b>14,534.9</b>	<b>12,756.2</b>	<b>2,364.8</b>	<b>15,121.1</b>	<b>14,053.0</b>	<b>3,008.7</b>	<b>17,061.7</b>
<i>of which SME</i>	<i>1,386.8</i>	<i>345.1</i>	<i>1,731.9</i>	<i>1,449.1</i>	<i>172.5</i>	<i>1,621.6</i>	<i>1,396.8</i>	<i>163.9</i>	<i>1,560.7</i>

(1) The exposure class "Other" represents for 2013 amongst others the acquired portfolios in Italy and Austria for an amount of €309.2 million. In 2014, the exposure class "Other" includes differences between local source and reporting data with regard to, amongst other data, accounting and timing. For 2015, the exposure class "Other" represents amongst others the acquired portfolio in Belgium for an amount of €45.4 million.

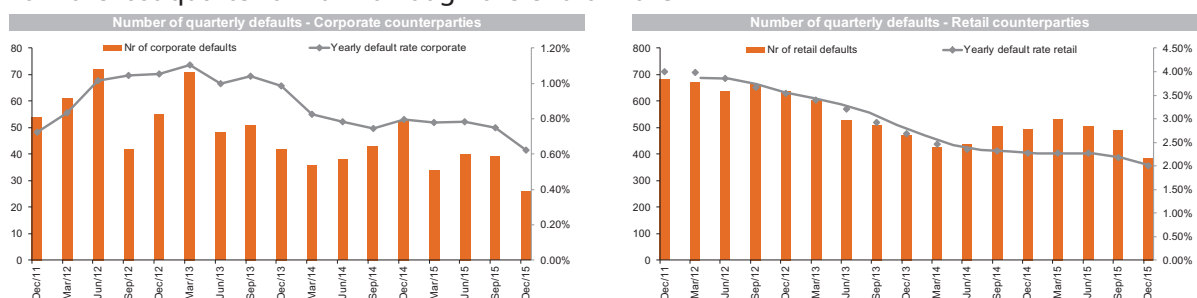
We use an internally developed risk measurement system to measure the probability of default and our exposure to potential defaults for our portfolio under the AIRB approach. We use this measurement system to be able to report on such credit risk to internal and external supervisors.

For purposes of assessing, recognizing and reporting defaults, we define a default as:

- any customer that is unable to fulfill its obligations (irrespective of the amount involved or the number of days outstanding); or
- when customers are over 90 days in arrears and local judgment so determines that there is a reasonable chance that the amount will not be collected.

The local judgment criterion is the result of an internal assessment with regard to arrears in order to establish whether the customer is unable to pay. The local judgment criterion is used to avoid disputes with counterparties being reported as defaults.

We monitor defaults on an ongoing basis with reports generated for the Credit Risk Committee and the Supervisory Board on a quarterly basis. As at December 31, 2014, the number of corporate defaults for 2014 declined compared to 2013. In 2014, we amended the calculation methodology for the Yearly Default Rate, which is calculated by dividing the number of defaults over the previous four quarters at quarter end by the number of performing counterparties at quarter end one year ago. In 2013, the yearly default rate was calculated as the number of defaults over the previous four quarters at quarter end divided by the average number of clients for the same period. The change in definition was made to align to the definition as included in the Basel II (CRR-CRD) Framework. Based on the 2014 definition, the Yearly Default Rate for 2014 was 0.8% for the corporate fleet as at December 31, 2014 (1.0% as at December 31, 2013). The Yearly Default Rate for 2014 was 2.3% for the retail fleet as at December 31, 2014 (2.7% as at December 31, 2013). The Yearly Default Rate as at December 31, 2015 was 0.6% for the corporate fleet and 2.0% for the retail fleet. The graphs below show the number of defaults by quarter (at quarter end) and the Yearly Default Rate for our corporate and retail customers for the period from the last quarter of 2011 through the end of 2015.



Note: Yearly Default Rate in these graphs is calculated for all years using the Basel II (CRR-CRD) Framework definition adopted in 2014.

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

### Probability of default ("PD")

We assess the probability of default of AIRB counterparties using internal rating tools tailored to the various categories of such counterparties. Our internal rating system for corporate counterparties is segmented into fourteen non-default rating classes. Our rating scale reflects the

range of default probabilities defined for each rating class. As the assessment of the corporate counterparties' probability of default changes we may adjust our exposure between classes. These internally developed tools combine statistical analysis with in-house judgment and are compared with externally available data when possible. We have 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 our governance framework. This includes monitoring on a quarterly basis whether the performance of the models meets internal and external requirements. All models are validated by an external audit firm other than the firm that audits our annual accounts. A table showing our internal ratings scale compared with external ratings is below.

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

The ratings of Standard & Poor's shown in the table above are mapped to our rating classes based on the long-term average default rates for each external rating. Observed defaults by rating category vary year on year, especially over an economic cycle. External rating agencies, their rating framework and as a consequence their assessment of institutions could be subject to change which may impact any of our models, risk appetite, risk tolerance levels or internal ratings, which reflect such external ratings.

We assign a default probability to each rating grade and score based on historical default data. The table below summarizes the probability of default ranges of our credit risk exposure in our lease contract portfolio:

PD Range	As at December 31,		
	2013	2014	2015
	Credit risk exposure		
0.00 to <0.15	6,070.9	6,789.9	7,410.6
0.15 to <0.25	1,278.6	1,770.4	2,068.1
0.25 to <0.35	1,240.6	—	—
0.35 to <0.50	1,008.1	1,475.4	1,503.6
0.50 to <0.75	847.0	742.8	813.2
0.75 to <1.35	—	440.4	518.4
1.35 to <2.50	400.7	206.7	235.7
2.50 to <5.50	120.2	521.6	508.1
5.50 to <10.00	51.9	272.8	283.5
10.00 to <20.00	56.4	348.5	454.6
20.00 to <100.00	4.9	170.9	240.6

PD Range	As at December 31,		
	2013	2014	2015
	<b>Credit risk exposure</b>		
100.00 (Default) .....	30.8	16.9	16.4
<b>AIRB Approach .....</b>	<b>11,110.1</b>	<b>12,756.2</b>	<b>14,053.0</b>
Externally rated .....	497.9	637.7	728.5
Unrated <sup>(1)</sup> .....	2,926.8	1,727.1	2,280.3
<b>Standardized Approach .....</b>	<b>3,424.7</b>	<b>2,364.8</b>	<b>3,008.7</b>
<b>Total .....</b>	<b>14,534.9</b>	<b>15,121.1</b>	<b>17,061.7</b>

(1) Unrated consists mainly out of retail portfolios under the Standardized Approach.

The average exposure weighted PD estimate as at December 31, 2015, is 1.45% (end 2014: 1.30%; end 2013: 0.92%) for the lease contract portfolio. The increase from the end of 2013 can be attributed to the inclusion of the retail portfolios in the United Kingdom and the Netherlands which in general have higher PD values. The actual default rates for the exposure classes Corporate and Retail in 2015 have been significantly lower. The increase in the total credit risk exposure in 2015 compared to 2014 was largely driven by an increase in the retail portfolio in both the United Kingdom and the Netherlands and the implementation of a new PD model for the retail portfolio in the Netherlands.

We use ratings from external rating agencies for calculating the risk weight of the exposure classes governments and banks, which comprise 4.7% of the total credit risk exposure.

The overview below shows the split of counterparty exposures between future lease payments and residual values in the contracts and their risk weights under Pillar 1. As reflected above, the calculation of risk weight for residual values is based on the remaining maturity of the underlying lease contract, whereby a shorter remaining maturity results in a higher risk weight. Since the average remaining maturity of lease contracts is approximately two years, residual values have a relatively high risk weight when compared with the risk weight of future lease payments.

	As at December 31,								
	2013			2014			2015		
(€ in millions, except percentages)	Credit risk exposure	Risk weight	Risk weighted assets	Credit risk exposure	Risk weight	Risk weighted assets	Credit risk exposure	Risk weight	Risk weighted assets
Future lease									
payments .....	6,442.6	37.36%	2,407.2	6,810.6	32.15%	2,189.5	7,458.9	31.72%	2,366.2
Residual value .....	8,092.3	72.85%	5,895.1	8,310.5	63.45%	5,273.0	9,602.8	63.94%	6,139.8
<b>Total .....</b>	<b>14,534.9</b>	<b>57.12%</b>	<b>8,302.3</b>	<b>15,121.1</b>	<b>49.35%</b>	<b>7,462.5</b>	<b>17,061.7</b>	<b>49.85%</b>	<b>8,506.0</b>

#### Loss given default ("LGD")

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

Loss given default expectations are arrived at by using historical default data gathered by our subsidiaries in a global default database. These loss given default expectations are calculated separately for each collateral type (cars and vans, trucks and equipment) and for each country in which we are active. The table below sets forth our average exposure weighted loss given default at the end of 2013, 2014 and 2015.

These figures include clients classified as retail, government and banks for which there are no approved internal ratings models. Therefore, the table below discloses only effective loss given defaults for the AIRB portfolio in 2013. As from 2014, the effective LGD for the Retail portfolio is based on the portfolios in the United Kingdom and the Netherlands. As part of the standardized approach, most clients are rated by external rating agencies and are benchmarked against ratings provided by those agencies.

(€ in millions, except percentages)	As at December 31, 2013				As at December 31, 2014				As at December 31, 2015			
	Credit Risk Exposure				Credit Risk Exposure				Credit Risk Exposure			
	AIRB	Standardized	Total	Effective LGD <sup>(1)</sup>	AIRB	Standardized	Total	Effective LGD <sup>(1)</sup>	AIRB	Standardized	Total	Effective LGD <sup>(1)</sup>
Corporates . . . . .	11,110.1	238.8	11,348.9	29.59%	11,420.3	253.3	11,673.1	28.50%	12,469.0	334.0	12,803.0	27.58%
Retail . . . . .	—	2,092.1	2,092.1	—	1,336.0	1,132.1	2,468.1	24.42%	1,584.0	1,431.3	3,015.3	23.88%
Governments . . . . .	—	565.6	565.6	—	—	497.1	497.1	—	—	547.0	547.0	—
Banks . . . . .	—	201.3	201.3	—	—	205.1	205.1	—	—	254.1	254.1	—
Other <sup>(2)</sup> . . . . .	—	326.8	326.8	—	—	277.1	277.1	—	—	442.3	442.3	—
<b>Total . . . . .</b>	<b>11,110.1</b>	<b>3,424.7</b>	<b>14,534.9</b>	<b>29.59%</b>	<b>12,756.2</b>	<b>2,364.8</b>	<b>15,121.1</b>	<b>28.08%</b>	<b>14,053.0</b>	<b>3,008.7</b>	<b>17,061.7</b>	<b>27.16%</b>

(1) Effective LGD is the exposure-weighted estimated LGD of the corporate portfolio and as from 2014 for the AIRB retail portfolio.

(2) The exposure class "Other" represents for 2013 amongst other items the acquired portfolios in Italy and Austria for an amount of €309.2 million. In 2014, the exposure class "Other" includes differences between local source and reporting data with regard to amongst others accounting and timing. For 2015, the exposure class "Other" represents amongst others the acquired portfolio in Belgium for an amount of €45.4 million.

### Exposure at default ("EAD")

The conversion factor for the EAD is 1.0 of the original credit risk exposure. The main driver for this conversion factor is that in general we have no obligation towards counterparties to execute new orders at any time. The original risk exposure is derived from the remaining amortizing book value of lease contracts and arrears. Our main default criteria are (i) payments that are overdue past 90 days and (ii) management's judgment of a counterparty's inability to fulfill its financial obligations. The latter criterion is used to avoid disputes with counterparties being reported as defaults.

### Remaining maturity

The exposure weighted remaining maturity as shown below is based upon residual contractual maturity which is calculated per vehicle and aggregated on a total consolidated level:

(€ in millions, except percentages)	As at December 31, 2013				As at December 31, 2014				As at December 31, 2015			
	Credit Risk Exposure				Credit Risk Exposure				Credit Risk Exposure			
	AIRB	Standardized	Total	Maturity (in years)	AIRB	Standardized	Total	Maturity (in years)	AIRB	Standardized	Total	Maturity (in years)
Corporates . . . . .	11,110.1	238.8	11,348.9	1.96	11,420.3	253.3	11,673.1	1.92	12,469.0	334.0	12,803.0	1.98
Retail . . . . .	—	2,092.1	2,092.1	1.98	1,336.0	1,132.1	2,468.1	1.99	1,584.0	1,431.3	3,015.3	2.07
Governments . . . . .	—	565.6	565.6	2.11	—	497.1	497.1	2.02	—	547.0	547.0	2.27
Banks . . . . .	—	201.3	201.3	1.97	—	205.1	205.1	1.80	—	254.1	254.1	1.99
Other <sup>(1)</sup> . . . . .	—	326.8	326.8	—	—	277.1	277.1	—	—	442.3	442.3	—
<b>Total . . . . .</b>	<b>11,110.1</b>	<b>3,424.7</b>	<b>14,534.9</b>	<b>1.97</b>	<b>12,756.2</b>	<b>2,364.8</b>	<b>15,121.1</b>	<b>1.94</b>	<b>14,053.0</b>	<b>3,008.7</b>	<b>17,061.7</b>	<b>2.01</b>

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

### Credit risk exposure

In accordance with the CRR/CRD IV regime, we measure our credit risk items in the following categories: exposure classes, geographic segmentation, industry segmentation, and client concentration (single customers and groups of customers).

Our credit risk exposure presented below differs in some areas from the credit risk exposure as presented in our audited consolidated financial statements due to certain accounting principles.

The credit risk exposure presented below is divided by exposure classes, while in the audited consolidated financial statements our credit risk exposure is reflected in two separate items based on the accounting classification of the lease, as either a financial or operating lease. The two balance sheet items reflecting the credit risk exposure related to leasing exposures in the audited consolidated financial statements are: "Amounts receivable under finance lease contracts" and "Trade receivables" (both under "Receivables from clients") and "Property and equipment under operating lease and rental fleet." The total credit risk exposure with regard to the leasing portfolio as distributed in the audited consolidated financial statements is shown in the following table:

(€ in millions)	As at December 31,		
	2013	2014	2015
<b>Credit risk exposure</b>			
Amounts receivable under finance lease contracts . . . . .	2,308.2	2,439.7 <sup>(1)</sup>	2,800.2 <sup>(2)</sup>
Property and equipment under operating lease and rental fleet . .	12,226.6	12,681.3	14,261.5
<b>Total lease portfolio . . . . .</b>	<b>14,534.9</b>	<b>15,121.1</b>	<b>17,061.7</b>
Trade receivables . . . . .	—	521.8	529.3 <sup>(2)</sup>
<b>Total credit risk exposure</b>	<b>14,534.9</b>	<b>15,642.9</b>	<b>17,591.1</b>

(1) Includes assets classified as held-for-sale.

(2) Includes financial assets classified as held-for-sale.

The Trade receivables under the AIRB approach amounted to €392 million (74.0% of total) as at December 31, 2015. Considering the relative low amount of Trade receivables, all tables and amounts mentioned in this chapter are related to the Total lease portfolio amount only.

The amounts above represent our total on-balance sheet exposure to counterparties with respect to lease contracts as at the specified dates. In the remainder of this section, we will provide further information on these credit risk exposures.

#### Credit risk exposure by exposure classes

We apply the AIRB models for credit risk to all corporate counterparty exposures and retail exposures in the United Kingdom and the Netherlands. For government, bank and remaining retail customers' counterparty exposure, we apply the standardized approach which prescribes fixed percentages for risk weighting depending on characteristics and conditions of the exposure, since development of internal models for these exposure classes is not cost effective based on our relatively low exposures to those counterparties.

The table below summarizes the credit rating of our relevant financial assets as at December 31, 2013, 2014 and 2015, except for the lease contract portfolio which includes both financial assets (finance leases) and nonfinancial assets (operating leases) as credit rating is performed on the total lease contract portfolio. The credit rating of the finance lease portfolio is, however, not substantially different from the credit rating of the total lease contract portfolio. With regard to counterparties included in the lease contract portfolio that are subject to the AIRB models and for which no external rating is available, the 'external' rating is based on our internal rating equivalent. The unrated part mainly includes the lease contract portfolio to retail clients for which there is not an internal ratings model.



As at December 31, 2013	As at December 31, 2013			As at December 31, 2014			As at December 31, 2015		
	Lease Contract Portfolio	Derivative Financial Instruments	Receivables from Financial Institutions	Lease Contract Portfolio	Derivative Financial Instruments	Receivables from Financial Institutions	Lease Contract Portfolio	Derivative Financial Instruments	Receivables from Financial Institutions
(€ in millions)									
<b>External Rating</b>									
AAA to AA- .....	968.8	36.8	181.0	938.9	69.2	375.9	952.4	51.3	24.0
A+ to A- .....	3,810.9	79.7	1,218.3	4,241.8	110.1	825.0	4,682.8	67.3	278.2
BBB+ to BBB- .....	4,493.9	4.0	24.7	5,438.2	3.7	9.6	5,972.5	47.5	58.9
BB+ to BB- .....	2,281.0	—	5.4	1,306.6	—	0.2	1,480.0	—	2.2
B+ to B- .....	228.5	—	5.5	166.4	—	6.1	99.1	—	—
CCC+ to C .....	5.2	—	0.2	9.5	—	0.6	2.9	—	—
Default .....	65.5	—	—	12.6	—	—	7.9	—	—
Internally scored <sup>(1)</sup> ..	—	—	—	1,336.0	—	—	1,584.0	—	—
Unrated <sup>(2)</sup> .....	2,681.1	—	4.0	1,671.1	—	5.4	2,280.3	—	5.5
<b>Total .....</b>	<b>14,534.9</b>	<b>120.4</b>	<b>1,439.1</b>	<b>15,121.1</b>	<b>183.0</b>	<b>1,222.8</b>	<b>17,061.7</b>	<b>166.1</b>	<b>368.9</b>
<b>Total credit risk exposure .....</b>			<b>16,094.3</b>			<b>16,526.9</b>			<b>17,596.7</b>

(1) Internally scored relates to AIRB retail counterparties in the United Kingdom and the Netherlands

(2) Unrated consists mainly of retail portfolios under the Standardized Approach.

In addition to our exposure to credit risk in the leasing of vehicles, we are also exposed to credit risk due to the use of derivative financial instruments and cash deposited with other banks. Both credit risks arising from our central treasury organization are controlled by setting specific nominal limits for the limited number of financial institutions that such transactions may be concluded with and the requirement of minimum external credit ratings that must be assigned to such counterparties.

#### Credit risk exposure by exposure class and geography

The following table shows the credit risk exposure distribution by exposure class and by geography of our lease contract portfolio based on the geographical location of the assets as at December 31, 2015. Distinction is made among the European Union's eurozone, the European Union's non-eurozone and the rest of the world:

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

(€ in millions, except percentages)	European Union (eurozone)	European Union (non-eurozone)	Rest of the World	Total	Percent of Total
<b>Exposure class</b>					
Corporates .....	7,127.6	2,284.3	3,391.2	12,803.0	75%
Retail .....	1,584.4	1,353.3	77.6	3,015.3	18%
Governments .....	188.2	149.9	208.8	547.0	3%
Banks .....	169.4	47.9	36.8	254.1	1%
Other <sup>(1)</sup> .....	253.9	97.5	90.8	442.3	3%
<b>Total as at December 31, 2015 .....</b>	<b>9,323.5</b>	<b>3,932.9</b>	<b>3,805.3</b>	<b>17,061.7</b>	<b>100%</b>
Percentage of total as at December 31, 2015 ...	55%	23%	22%	100%	100%
<b>Total as at December 31, 2014 .....</b>	<b>8,551.9</b>	<b>3,253.9</b>	<b>3,315.3</b>	<b>15,121.1</b>	
Percentage of total as at December 31, 2014 ...	57%	22%	22%	100%	100%
<b>Total as at December 31, 2013 .....</b>	<b>8,472.2</b>	<b>2,882.3</b>	<b>3,180.3</b>	<b>14,534.9</b>	
Percentage of total as at December 31, 2013 ...	58%	20%	22%	100%	100%

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

The largest credit risk exposure is in the United Kingdom (14.8%).

### Credit risk exposure by industry

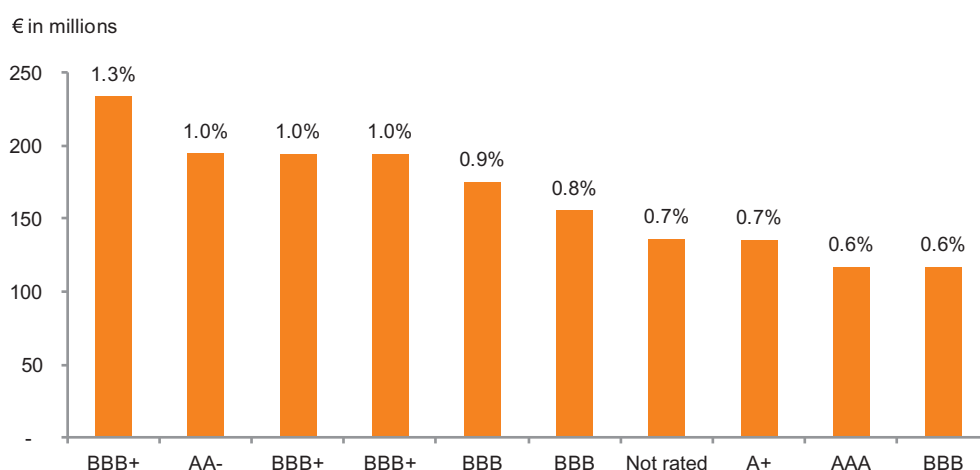
Credit risk exposure is broken down according to the industry segment in which the counterparties have their major business activity and by the type of counterparty (corporate, retail, governments, banks and other). The table below shows the breakdowns as at December 31, 2015.

Distribution by exposure class and industry type	Corporates	of which SME	Retail	of which SME	Governments	Banks	Other	Total
(€ in millions, except percentages)								
Services	2,139.3	335.0	708.6	74.0	—	—	—	2,847.9
Consumer Durables	2,144.8	273.9	357.0	64.5	—	—	—	2,501.8
Capital Goods	1,903.3	252.1	240.0	47.1	—	—	—	2,143.3
Construction and								
Infrastructure	952.0	59.2	307.8	17.6	—	—	—	1,259.8
Chemicals	996.3	47.2	38.0	8.0	—	—	—	1,034.3
Technology	824.8	68.6	73.4	13.8	—	—	—	898.2
Transport & Logistics	532.4	25.5	85.7	5.9	—	—	—	618.1
Banks and financial								
intermediation	290.0	45.3	66.5	7.3	—	254.1	—	610.6
Other	1.6	—	151.2	1.0	—	—	442.3	595.1
Food, Beverages and								
Tobacco	565.1	26.2	29.9	4.3	—	—	—	595.0
Public Administration	—	—	—	—	547.0	—	—	547.0
Private Individuals	2.9	—	491.7	—	—	—	—	494.6
Utilities	446.1	12.5	16.6	1.2	—	—	—	462.7
Retail	284.3	28.6	89.8	4.7	—	—	—	374.0
Health Care	237.8	20.9	56.2	2.9	—	—	—	293.9
Telecom	260.9	9.9	14.7	1.7	—	—	—	275.6
Insurance and Pension funds	244.3	5.7	27.6	1.0	—	—	—	271.9
Natural Resources	184.7	6.9	24.4	3.2	—	—	—	209.1
Real Estate	158.0	29.7	49.3	4.5	—	—	—	207.2
Automotive	187.5	6.8	17.3	2.6	—	—	—	204.8
Diversified-Others	121.5	13.7	77.1	4.7	—	—	—	198.6
Oil & Gas	123.1	0.8	5.3	0.2	—	—	—	128.4
Media	79.5	7.3	22.6	2.4	—	—	—	102.2
Leisure and tourism	40.1	3.8	36.6	2.3	—	—	—	76.8
Agriculture Forestry and								
Fishing	53.0	2.3	21.9	1.4	—	—	—	74.8
Building Materials	29.9	2.2	6.1	0.2	—	—	—	36.0
<b>Total as at December 31,</b>								
<b>2015</b>	<b>12,803.0</b>	<b>1,284.0</b>	<b>3,015.3</b>	<b>276.7</b>	<b>547.0</b>	<b>254.1</b>	<b>442.3</b>	<b>17,061.7</b>
<b>Total as at December 31,</b>								
<b>2014</b>	<b>11,673.6</b>	<b>1,331.1</b>	<b>2,468.1</b>	<b>290.5</b>	<b>497.1</b>	<b>205.1</b>	<b>277.1</b>	<b>15,121.1</b>
<b>Total as at December 31,</b>								
<b>2013</b>	<b>11,348.9</b>	<b>1,400.5</b>	<b>2,092.1</b>	<b>331.5</b>	<b>565.6</b>	<b>201.3</b>	<b>326.8</b>	<b>14,534.9</b>

## Counterparty concentration

Our 100 largest leasing counterparties or groups of counterparties represented 31% (2014: 32% and 2013: 34%) of our Total Leased Assets as at December 31, 2015. We believe the concentration risk in the consolidated client portfolio for lease contracts is limited as the largest leasing counterparty represented 1.3% (2014: 1.2% and 2013: 1.1%) of our Total Leased Assets or 1.6% (2014: 1.4% and 2013: 1.3%) of our risk-weighted assets as at December 31, 2015.

Information on our 10 largest on-balance sheet credit risk exposures as at December 31, 2015, including both our financial counterparties (none of which was among our 10 largest credit risk exposures as of December 31, 2015) and lease counterparties, is shown in the bar chart below in millions of euro and as a percentage of total on-balance sheet credit risk exposures. The label below each bar sets forth that counterparty's external S&P credit rating.



## Due, provisions and impairment

The amount due as at the dates indicated below were as follows:

(€ in millions)	As at December 31,		
	2013	2014	2015
Three months or less	780.1	689.6	704.2
Longer than three months, less than a year	414.9	369.3	387.2
Longer than a year, less than five years	1,565.0	1,816.9	2,137.1
Longer than five years	70.0	76.4	81.0
<b>Total</b>	<b>2,830.0</b>	<b>2,952.1</b>	<b>3,309.5</b>

Receivables from clients are individually assessed on indications for impairment. The sources for such indications can be internal, such as internal credit ratings / scores, payment behavior and receivable ageing or external, such as external credit ratings and solvency information. Impairment is recognized when collection of receivables is at risk and when the recoverable amount is lower than the carrying amount of the receivable, also taking into account cash collateral and the fact that we retain 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, we calculate our exposure to such client by aggregating the outstanding invoices for that client and the book value of the vehicles currently under lease contracts for such client. The estimated sales proceeds of the vehicles under lease at the time of the default, instead of at the originally scheduled lease termination, are then

deducted from the exposure at default to arrive at a provision amount. In general such exposure at default is intended to fully cover the expected loss. We individually assess receivables from clients (mainly lease rentals that have become payable) for indications of impairment.

(€ in millions)	As at December 31,		
	2013	2014	2015
Impaired loans and receivables from clients	87.4	92.0	95.8
Provision on clients provided for	80.2	83.8	84.9
Expected loss provision	6.0	5.4	6.0
<b>Total allowance for impairment</b>	<b>86.3</b>	<b>89.2</b>	<b>90.9</b>

The movement in impairment on receivables is as follows:

(€ in millions)	2013	2014	2015
Balance as at January 1,	79.9	86.3	89.2
Net impairment charge	23.8	19.7	23.1
Receivables written off during the year as uncollectable	(16.7)	(16.9)	(20.7)
Foreign exchange	(0.7)	0.1	(0.3)
Reclassification to assets held-for-sale	—	—	(0.4)
<b>Balance as at December 31,</b>	<b>86.3</b>	<b>89.2</b>	<b>90.9</b>

We also assessed the levels of forbearance activities. Considering the asset backed nature and relatively short duration of the lease contracts, we do not believe the level of forbearance activities to be material, which is further supported by the limited levels of credit losses we experience.

*Loans to associates and jointly controlled entities:* Credit risk for us also arises on lending to associates and jointly controlled companies. The underlying business of the respective associates and jointly controlled companies is very similar to our core activities conducted through wholly owned companies. In shareholder agreements we have agreed with our respective partners on the ability to provide debt funding under specific credit documentation. Such provision of credit is committed and established limits are reviewed regularly. In the control of our investments in associates and jointly controlled companies, we also monitor and manage our credit exposures to such entities. As at December 31, 2015, 2014 and 2013 the following exposures existed on associates and jointly controlled activities:

(€ in millions)	As at December 31,		
	2013 Outstanding notional	2014 Outstanding notional	2015 Outstanding notional
<b>Counterparty</b>			
LPD Holding A.Ş., Turkey <sup>(1)</sup>	150.0	144.5	—
Please S.C.S., France	86.0	96.5	102.8
Excelease N.V., Belgium <sup>(2)</sup>	—	22.0	—
LeasePlan Emirates Fleet Management—LeasePlan Emirates LL, United Arab Emirates	20.1	25.3	—
Overlease S.r.L., Italy	2.3	1.8	0.5
<b>Total</b>	<b>258.4</b>	<b>290.1</b>	<b>103.3</b>

(1) On February 16, 2015, we completed the acquisition of the 49% stake in LPD Holding A.Ş., the holding company of LeasePlan Turkey, from Döguş Group. Following this transaction, LeasePlan has full ownership of LPD Holding A.Ş. and its results are consolidated.

(2) In November 2015, we completed the acquisition of the 49% stake in Excelease from Inchcape. Following this transaction, LeasePlan has full ownership of Excelease and its results are consolidated.

### 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 of the applicable counterparty. The table below shows the distribution of the protected exposure:

(€ in thousands)	As at December 31, 2015		
	Financial guarantees	Other	Total
Corporates .....	2,248,856	378,835	2,627,691
Retail .....	6,417	331	6,748
Banks .....	32	751	783
<b>Total .....</b>	<b>2,255,305</b>	<b>379,917</b>	<b>2,635,222</b>

The capital impact of this credit risk mitigation was approximately €39 million as at December 31, 2015.

We are exposed to credit risk for vehicles leased to counterparties through both receivables due under the lease and the book value of vehicles. The credit risk of the book value of vehicles is partly mitigated by the sales proceeds of these vehicles. Depending on the size and the quality of the client, additional risk mitigating measures are taken such as the requirement of parent company guarantees, bank guarantees, down payments or deposits or similar risk mitigation instruments. Furthermore, the majority of our clients are paying by direct debit. If a direct debit payment is denied, it is often an early indicator of a possible increase in credit risk. In such cases additional risk mitigating measures may be taken. In addition to these measures, each Group company also maintains a watch list and a special attention list of corporate customers compiled based on the internal risk indicators specific to the Group company's portfolio profile and geographical location. We monitor developments in the companies placed on such lists. The credit risks inherent in our treasury activities, and corresponding exposures to banks with which we place deposits or arrange derivative financial instruments, are mitigated by internal policies, rules and guidelines that set limits on the banks with which transactions can be concluded and the maximum amount of business that can be concluded with a single bank. The limits for a single bank are split into a number of sub-limits based on the type of business, such as deposits, financial instruments or other types of transactions. These limits are regularly reviewed by the Credit Risk Committee. Furthermore, actual outstanding amounts are closely monitored to seek to ensure that deposited funds can be transferred to other parties as soon as possible in case of increases in counterparty risk.

## Capital requirements

The regulatory capital requirement is calculated according to the CRR/CRD IV regime using the following formula: Total risk exposure x Risk weight x 8%. The following table shows the minimum capital requirement for our credit risk exposure of leased assets:

Exposure class (€ in millions, except percentages)	As at December 31,							
	2013				2014			
	Credit Risk Exposure				Credit Risk Exposure			
	Exposure	Average risk weight	Risk weighted Assets	Regulatory capital Requirement	Exposure	Average risk weight	Risk weighted Assets	Regulatory capital Requirement
<b>AIRB approach</b>								
Corporates . . . . .	11,110.1	48.3%	5,365.8	429.3	11,420.3	45.0%	5,138.1	411.1
Retail . . . . .					1,336.0	55.6%	742.8	59.4
Subtotal . . . . .					12,756.2	46.1%	5,880.9	470.5
<b>Standardized Approach</b>								
Corporates . . . . .	238.8	74.6%	178.1	14.2	253.3	74.1%	187.7	15.0
Retail . . . . .	2,092.1	91.5%	1,914.7	153.2	1,132.1	68.6%	777.0	62.2
Governments . . . . .	565.6	62.6%	353.9	28.3	497.1	46.8%	232.6	18.6
Banks . . . . .	201.3	80.9%	163.0	13.0	205.1	52.6%	108.0	8.6
Other <sup>(1)</sup> . . . . .	326.8	100.0%	326.8	26.1	277.1	99.7%	276.2	22.1
Subtotal . . . . .	3,424.7	85.7%	2,936.5	234.9	2,364.8	66.9%	1,581.6	126.5
<b>Total . . . . .</b>	<b>14,534.9</b>	<b>57.1%</b>	<b>8,302.3</b>	<b>664.2</b>	<b>15,121.1</b>	<b>49.4%</b>	<b>7,462.5</b>	<b>597.0</b>

Exposure class (€ in millions, except percentages)	As at December 31, 2015			
	Exposure	Average risk weight	Risk weighted assets	Regulatory capital requirement
<b>AIRB approach</b>				
Corporates . . . . .	12,469.0	44.7%	5,579.6	446.4
Retail . . . . .	1,584.0	58.0%	919.1	73.5
Subtotal . . . . .	14,053.0	46.2%	6,498.7	519.9
<b>Standardized Approach</b>				
Corporates . . . . .	334.0	74.5%	248.9	19.9
Retail . . . . .	1,431.3	63.8%	912.5	73.0
Governments . . . . .	547.0	44.9%	245.8	19.7
Banks . . . . .	254.1	63.1%	160.2	12.8
Other <sup>(1)</sup> . . . . .	442.3	99.4%	439.8	35.2
Subtotal . . . . .	3,008.7	66.7%	2,007.3	160.6
<b>Total . . . . .</b>	<b>17,061.7</b>	<b>49.9%</b>	<b>8,506.0</b>	<b>680.5</b>

(1) The exposure class "Other" represents for 2013 amongst other items, the acquired portfolios in Italy and Austria for an amount of €309.2 million. In 2014, the exposure class "Other" includes differences between local source and reporting data with regard to amongst others accounting and timing. In 2015, the exposure class "Other" represents amongst others the acquired portfolio in Belgium for an amount of €45.4 million.

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

## Liquidity risk

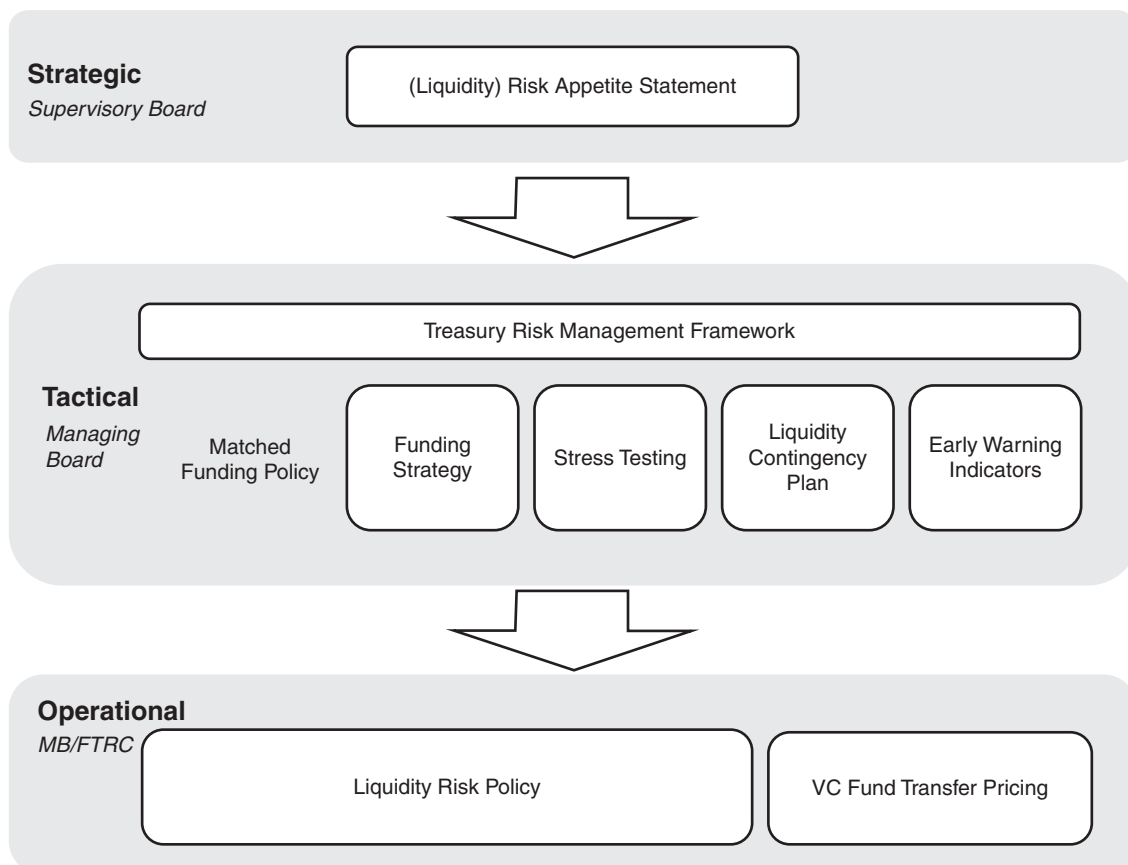
Liquidity risk is the risk that we are not able to meet our obligations as they fall due. Our liquidity risk mainly relates to funding liquidity risk, which is the risk that we will not be able to



refinance maturing funding contracts in order to finance the ongoing obligations in our lease operations. Given the reliance on funding, limiting funding liquidity risk is a key element in the execution of our strategy.

### *Liquidity risk policy*

We do not maintain trading and investment books. Furthermore our standing practice is not to commit to any undrawn leasing facilities which could significantly impact our liquidity position. We consider our liquidity risks due to hedging activities resulting in margin calls for interest rate and foreign currency hedging to be limited.



In line with DNB guidelines we conducted our annual ILAAP in 2015. The ILAAP includes an assessment on governance, our policy framework and liquidity position, both from a going-concern perspective and different stressed environments.

Our liquidity risk appetite and tolerance levels are based on the following key principles:

- Compliance with minimum regulatory liquidity requirements at all times; and
- Maintaining access to liquidity buffers and developing a set of possible management actions to meet financial obligations (while continuing to write new business) during a period of continuing stress for at least nine months.

Our Managing Board sets the risk appetite, which is discussed and annually approved by our Supervisory Board. The risk appetite and limits are reviewed periodically and updated as a result of changes in market conditions and the impact on our liquidity and funding profile. The limits are differentiated between regulatory limits, liquidity mismatch limits, redemption limits, counterparty limits and settlement limits.

Liquidity risk is not perceived as a profit driver and our policy is aimed at matched funding and diversification of funding sources. We manage liquidity risk by seeking to conclude funding that substantially matches the estimated run-off profile of the leased assets. The matched funding principle is applied both at a consolidated level and at a subsidiary level, taking into account specific mismatch tolerance levels. The management of Group companies is responsible for adhering to the Matched Funding and Interest Rate Risk Management Policy and attracting funding at the central treasury organization, for which a fund transfer price is set, or directly through external banks. The fund transfer price for funds obtained at our central treasury is based on a full cost price calculation, adjusted monthly and approved by our Managing Board. A key instrument in our liquidity risk management is the funding planning maintained at the Group level and is a recurring item on the agenda of our Funding and Treasury Risk Committee (“FTRC”). The funding planning forecasts issuances and redemptions for each funding source, resulting in a multiyear projection of our liquidity position. Apart from the actual forecast, a stressed forecast is also calculated based on stress assumptions.

Our stress testing program in 2015 included alignment of stress scenarios with integrated capital stress testing and further documentation of the stress testing assumptions and tool in use. We maintain a number of stress scenarios addressing idiosyncratic and market wide risk drivers in both specific and combined scenarios. On a monthly basis a stressed funding planning is sent to our FTRC, thereby using identical parameters as the most severe scenario of the full quarterly stress tests conducted. Stress testing results are used both for contingency and going-concern funding planning and risk activities. For instance, they are used to set the target level for the liquidity buffer to meet a period of severe stress.

Both the compliance of the Group and of all of our individual Group companies (including the central treasury organization) are monitored on at least a monthly basis by our Treasury Risk Management (“TRM”) function. The TRM function is part of the (corporate) Risk Management department. Positions of the central treasury are monitored daily by TRM. The members of our FTRC are informed of the liquidity risk positions on at least a monthly basis. TRM has the responsibility to monitor liquidity risk limits and to report and investigate limit breaches, inadequacy of processes and unexpected events.

We maintain management information systems that are intended to provide reliable up to date information for the identification, measurement and monitoring of liquidity risk. Identification and measurement for liquidity risk positions takes place for:

- future cash flows of assets and liabilities (from lease contracts and financial liabilities);
- sources of contingent liquidity demand and related triggers associated with off-balance sheet positions (including early amortization triggers, such as defaults, in securitization transactions and collateral requirements resulting from derivative transactions); and
- currencies in which we own assets that are funded in a currency different from the currency in which the assets are denominated.

We measure and forecast prospective cash flows for assets, liabilities, off-balance sheet commitments and derivatives over a variety of time horizons, under normal conditions and a range of stress scenarios, including scenarios of severe stress. Part of this involves creating cash-flow projections which cover expected cash inflows, expected cash outflows, and expected counterbalancing capacity, which is a combination of expected liquidity buffers and our expected ability to reduce or dispose of assets.

#### *Liquidity risk exposure*

The DNB sets out minimum regulatory liquidity level requirements for one week and one month periods and requires that available liquidity exceeds required liquidity, according to their definitions, at all times. Liquidity weights are prescribed for all asset and liability categories, resulting in

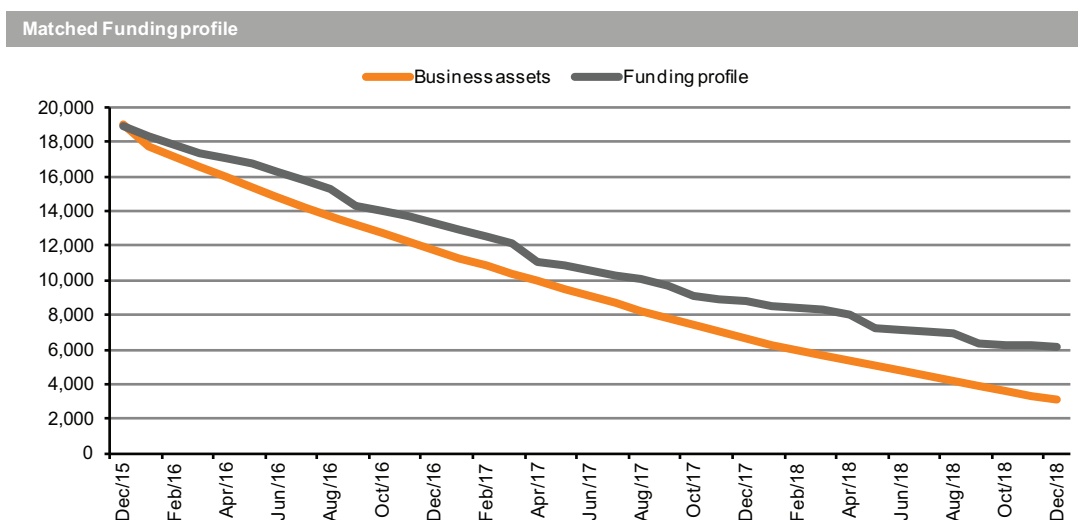
available and required liquidity levels for a one week and one month period. The following table sets forth our liquidity position as reported to the DNB as at the dates indicated below.

(€ in millions)	As at December 31,					
	2013		2014		2015	
	One week	One month	One week	One month	One week	One month
Available liquidity . . . . .	1,438.4	3,249.9	1,385.5	4,416.3	2,128.3	4,387.4
Required liquidity . . . . .	656.0	2,604.5	794.0	4,031.3	860.6	3,628.3
<b>Surplus (minimum requirement is above nil) . . . . .</b>	<b>782.5</b>	<b>645.4</b>	<b>591.4</b>	<b>385.1</b>	<b>1,267.8</b>	<b>759.1</b>

These figures show a liquidity surplus as at December 31, 2015, both for a one week and one month period. During 2015 the surplus showed some variation due to redemptions, but remained at a comfortable level at all times during the period. The DNB regulatory liquidity limits are embedded in our liquidity and cash management processes. Apart from end of month reporting we monitor the development of the DNB liquidity levels on an ongoing basis as part of the funding planning process. DNB liquidity forecasts are discussed in our FTFC and are part of the funding planning.

### Liquidity risk mitigation

The first level of liquidity risk mitigation is our Matched Funding Policy, whereby the maturity profile of concluded funding is matched with the maturity profile of our business assets. The continuous financing and refinancing of new lease contracts is a major factor in managing liquidity risk. Pursuant to our Matched Funding Policy liquidity risk is primarily limited to the funding of new vehicles. Our matched funding principle applies at both consolidated and subsidiary level. We seek to minimize liquidity risk on existing leased assets by concluding funding that substantially matches the run-off profile of the leased assets. The relatively high turnover of new funding, compared to most banks, is due to the relatively short weighted average duration of our assets. The graph below shows the redemption profile of business assets and related funding as at December 31, 2015 in millions of euro.



Note: Business assets consist of (i) all lease contracts, (ii) the on-balance sheet part of the liquidity buffer and (iii) specific reserves relating to our securitization structures, in each case as at December 31, 2015 with maturities calculated as at each asset's contractual termination date, except a €500 million permanent component of the on-balance sheet liquidity buffer is assumed. This chart does not account for any new lease contracts. Funding profile consists of (i) borrowings from financial institutions, (ii) funds entrusted, (iii) debt securities issued, (iv) equity and (v) working capital (together with fixed assets), in each case as of December 31, 2015 with maturities calculated as at each funding element's contractual end date, except (a) on demand savings (as part of funds entrusted) are assumed to run off at 8% per month (based on an internal study of the average duration of demand deposit savings) and (b) both equity and working capital (together with fixed assets) are considered permanent funding.

The second level of our liquidity risk mitigation is our funding diversification strategy, in place since 2009. As can be seen in the table below, our funding profile is diversified across various funding sources. If one of the sources is not available, we seek to ensure access to alternative funding sources or markets. Since the launch of the Dutch-based internet savings bank LeasePlan Bank in February 2010, we have been able to further diversify our funding profile by attracting funding through straight-forward flexible and term savings products mainly aimed at retail customers. We aim to collect up to 30-35% of our funding through LeasePlan Bank.

	2013		2014		As at December 31, 2015	
	(€ in millions)	(%)	(€ in millions)	(%)	(€ in millions)	(%)
<b>Funding sources by volume</b>						
Bonds and notes—originated from						
securitization transactions . . . . .	1,455.9	11	1,730.1	12	1,610.8	11
Bonds and notes—other <sup>(1)</sup> . . . . .	5,462.2	39	5,907.9	43	6,531.6	43
Funds entrusted—term deposits . . . . .	2,278.5	16	2,572.0	18	2,548.7	17
Funds entrusted—flexible savings . . . . .	1,886.0	14	1,709.1	12	2,445.4	16
Funds entrusted—other . . . . .	155.7	1	97.8	1	92.9	1
Borrowings from financial institutions . . . . .	2,523.3	18	1,991.4	14	2,073.1	14
Commercial paper . . . . .	70.6	1	—	—	—	—
Certificates of deposit . . . . .	—	—	—	—	—	—
<b>Balance at December 31, . . . . .</b>	<b>13,832.2</b>	<b>100</b>	<b>14,008.3</b>	<b>100</b>	<b>15,302.5</b>	<b>100</b>

(1) Bonds and notes—other includes fair value adjustments on hedged risks.

Another major component in our funding diversification strategy is the ability to securitize leased assets. As at December 31, 2015, we have four outstanding asset backed securitization transactions: Bumper France (renewed in 2015), Bumper 6 (2014), Bumper DE (2014) and Bumper NL (2014). The latter two are warehouse transactions in Germany and the Netherlands, respectively. As at December 31, 2015, the committed warehouse lines in Bumper DE and Bumper NL were fully drawn. Bumper France and the two warehouse transactions (Bumper DE and Bumper NL) are private transactions. All securitization transactions involve the sale of future lease installment receivables and related residual value receivables originated by specific Group companies to special purpose companies. Debt securities were issued by these special purpose companies (or, in the case of Bumper NL, a loan was incurred) to finance the purchase of these receivables. The senior notes in each securitization transaction (or, in the case of Bumper NL, the loan) were sold to external investors and the subordinated obligations in each securitization transaction were retained by LeasePlan or the relevant Group company. Each special purpose company is required to maintain reserves to mitigate certain perceived risks, including reserves for liquidity, set off, maintenance, commingling and tax risks. Certain reserves were funded immediately when the relevant securitization transaction was consummated, while others remained unfunded at the outset, and LeasePlan is required to fund them only upon the occurrence of certain triggering events related to LeasePlan's credit ratings. The special purpose companies are responsible for making interest and principal payments to the holders of these securities. The holders of these securities do not have recourse to LeasePlan or any other Group company in case of non-performance or default by the relevant special purpose company, and LeasePlan has no obligations in respect of these securitizations apart from the reserve requirements described above.

The table below shows an overview of committed guarantees for the reserves described above as of December 31, 2015 and the potential liquidity impact the Bumper transactions can have on us in the event the relevant triggering events occur.

(€ in millions)	Country	Maximum guaranteed amount	Drawn as cash	Potential exposure for LeasePlan on stand-alone basis
<b>Transaction</b>				
Bumper France .....	France	82.5	4.8	77.7
Bumper DE .....	Germany	66.3	5.0	61.3
Bumper 6 .....	Netherlands	74.8	4.0	70.7
Bumper NL .....	Netherlands	38.2	2.0	36.3
<b>Total .....</b>		<b>261.8</b>	<b>15.8</b>	<b>246.0</b>

As a result of the downgrades of LeasePlan's credit ratings in February 2016, LeasePlan was required to fund certain reserves in some of its securitization structures, including Bumper DE, Bumper 6 and Bumper NL, in a total amount of €153.1 million. Our current maximum guaranteed amount is €251.3 million, the amount drawn down as cash is €168.6 million and the outstanding exposure is €82.8 million. See "Summary—Recent developments—LeasePlan ratings."

In the last quarter of 2008 and in the first half of 2009 we issued debt under the 2008 Credit Guarantee Scheme. In 2014, the last tranche of €1 billion was repaid of the notes issued under the 2008 Credit Guarantee Scheme.

The third level of our liquidity risk mitigation is our liquidity buffer, which consists of unencumbered liquid assets and amounts available under committed credit facilities. The buffer is maintained as a precaution in the event of disruption of continued access to funding sources. The overall liquidity buffer is intended to always be sufficient to ensure we are able to continue writing new business and meet our financial obligations during a period of continuing stress (including, among other things, limited access to traditional funding sources and increased outflows of retail deposits) lasting at least nine months. Over time, the composition of the liquidity buffer will change in order to be aligned with the definition of the Liquidity Coverage Ratio, as endorsed by the European Banking Authority. Historically, the DNB has required us to maintain a certain proportion of funds entrusted to us in high-quality liquid assets. The following table sets forth our liquidity as of the dates indicated below:

(€ in millions)	As at December 31,		
	2013	2014	2015
<b>Liquidity Buffer</b>			
Liquid assets .....	2,099.4	1,959.8	1,889.4
First Revolving Credit Facility .....	1,250.0	1,250.0	1,250.0
Volkswagen Revolving Credit Facility <sup>(1)</sup> .....	1,250.0	1,250.0	1,250.0
Other facilities <sup>(2)</sup> .....	145.4	63.0	—
<b>Total liquidity buffer .....</b>	<b>4,744.8</b>	<b>4,522.8</b>	<b>4,389.4</b>

(1) The Volkswagen Revolving Credit Facility was canceled and terminated in connection with the Acquisition and replaced by the Second Revolving Credit Facility amounting to €1,250 million.

(2) Other facilities include liquidity available in the form of undrawn commitments, if any, in our securitization transactions. These commitments were fully drawn as at December 31, 2015.

The fourth level of our liquidity risk mitigation is our granular redemption pattern. As part of managing our funding planning, we maintain limits to ensure that our repayment obligations to our funding sources are not unduly concentrated within any single period.

#### Collateral management

The treasury risk related counterparty credit risks are governed by our Credit Committee. We maintain and accept cash as eligible collateral for derivative contracts. Whenever possible, use is

made of Credit Support Annexes (“CSAs”) in addition to ISDA-contracts, setting the bi-lateral collateral arrangements for OTC derivatives. In terms of notional amounts as at December 31, 2014 all derivatives were governed by ISDAs, of which 86% had CSAs; as at December 31, 2015, 93% had CSAs. In addition to the current practice, we monitor the developments and prepare for central clearing, as defined by the European Market Infrastructure Regulation.

#### *Capital requirements*

In respect of liquidity risk, we believe that its current measures are sufficient to cover for this risk and that holding capital for liquidity risk is unnecessary. Furthermore, due to the nature of the risks involved with securitization (operational and legal risks) any capital for the complexity of the funding structure is considered to be part of the capital calculations for operational risk (project risk).

### **Other risk management areas**

#### ***Strategic risk***

We define strategic risk as the current or prospective risk to earnings and capital arising from changes in the business environment and from adverse business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment. Strategic risk is reviewed along two dimensions—strategy definition and strategy execution. In line with our strategy, we maintain a mono-line business model with diversified income streams. Within our mono-line business model we have the ambition to moderately grow our core business in the coming years while also increasing our efforts to expand our position in the SME sized fleet segment and execute further geographical expansion and enhance our profitability. Our Corporate Strategy and Development department supports the Managing Board in determining our strategic direction. Our structured strategy planning cycle facilitates a dialogue on the strategy of the Group between relevant management layers. Strategy sessions are organized in a structured way to identify challenges and opportunities, strategic options and to define ambitions of the company. Annually, our short- and long-term vision, strategy and objectives are subject to approval of our Supervisory Board. In addition to approving our overall vision, strategy and objectives, the Supervisory Board is also requested to approve strategic decisions outside the agreed risk appetite framework. Equally, as a part of their planning cycle, Group companies are required to perform a yearly top down assessment, where the strategy is assessed by the management team and potential risks threatening the realization of the strategy are identified and assessed and required mitigating actions are discussed. These assessments are part of LeasePlan’s Operational Risk Management Policy and the output of Group companies is used in economic capital distribution within the Group. The implementation of our strategy depends on the impact and size of a strategic project. Strategic directions that have an impact on multiple Group companies are managed through a global projects approach for which we have established a Corporate Program Management department allowing for managing and monitoring risks related to these global projects. To further address the occurrence of risks within the strategy implementation processes, for example, in global projects and regional strategy sessions, we involve the relevant lines of defense during the development and implementation of strategic choices. In case of execution of strategic global projects, governed by project boards, risks are reported and monitored on a periodic basis using the Prince II methodology.

#### *Capital requirements*

Under Pillar 1 no specific capital requirements for strategic risks need to be calculated for regulatory purposes. Losses following the execution of our strategy are considered to be operational losses and as such these events and their impact on LeasePlan’s result are to be reported in the operational loss database. Consequently, the reporting of these losses results in capital requirements under the internal loss data model as described under “—Operational risk” below. Furthermore, in the determination of low frequency-high impact operational loss scenarios, execution of strategy is also considered.



### ***Interest rate risk***

We accept and offer lease contracts to clients at both fixed and floating interest rates, for various durations and in various currencies. Interest rate risk within LeasePlan is managed separately for:

- I. Group companies and joint ventures, carrying interest-bearing assets (mainly lease contracts), and funding on their balance sheet, which mainly is intercompany funding supplied by our central treasury,
- II. Our central treasury, concluding external funding, external derivatives and granting intercompany loans to Group companies.

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

Our central treasury provides loans to Group companies and attracts funds from the market in conjunction with interest rate derivatives entered into for hedging purposes. Derivative financial instruments are concluded by our central treasury as an end user only. Due to the accounting treatment of derivative financial instruments, we are exposed to volatility in our income statement due to interest rate fluctuations.

To enable our central treasury to achieve economies of scale, smaller inter-company assets are grouped into larger size external funding transactions. Some timing differences are unavoidable in this process and interest rate risk exposures are inherent to the central treasury process. To manage this risk, limits are set for the level of mismatch of interest rate repricing that may be undertaken by currency and time period. Derivative financial instruments are thereby entered into to mitigate or reduce interest rate exposures and are not used for trading purposes.

Stress testing takes place regularly on our central treasury exposures during the year by analyzing the profit and loss effect of an unexpected increase of 200 basis points parallel yield curve shift in all currencies. The results on the interest positions are due to the fact that our central treasury leaves interest exposures partly open by not fully hedging our inter-company funding.

These limited interest rate positions are held in different currencies but mainly in euro, U.S. dollars, pounds sterling and CHF, for which limits have been approved as part of our risk appetite. The analysis is performed by calculating the impact of an increase in rates on the future cash flows of all transactions (including the off-balance transactions) categorized as open interest rate position. Based on this analysis, an increase in interest rates of 200 basis points would result in the open interest positions increase by approximately €5.0 million of profit before tax for the year ended December 31, 2015 (decrease of €11.5 million for the year ending December 31, 2014, and decrease of €6.9 million for the year ending December 31, 2013). The calculation is based on a blended yield curve of cash rates and swap rates derived from Bloomberg. The 200 basis points parallel yield curve shift in all currencies is also used within the Pillar 2 capital calculation.

### ***Currency risk***

Currency risk is our risk that a business's operations or an investment's value will be affected by changes in exchange rates. It arises from the change in price of one currency against another, where positions are not hedged.

Due to our activities in 32 countries, we are exposed to currency exchange rates. We apply the euro as our functional currency. We use natural hedges, by matching assets to liabilities in the same currency, as well as traditional hedging products, including foreign currency exchange swaps and financial derivatives, in order to manage our transactional currency risk.

It is our standing practice to avoid any unnecessary currency risks. In order to facilitate funding requirements for Group companies in their local currencies, our central treasury organization is permitted to run currency risk which allows minimal exposure per currency. Our TRM reviews positions on a monthly basis and reports to our SCVP Risk Management. Periodically, our FTRC discusses the currency risk positions for our whole Group and considers potential measures to further mitigate such exposures, if necessary. Nearly all of our debt funding, directly or through derivatives, is concluded in the currency in which our assets are originated, thereby protecting balance sheet ratios against currency fluctuations. This principle is applied both at our Group level and at the level of Group companies. This is required both when obtaining funds at local banks or at our central treasury. In order to facilitate this, our central treasury organization seeks to follow limits per currency in line with the risk appetite.

We are exposed to currency risk on equity holdings of subsidiaries, including annual results, reflecting the global footprint. While we do not generally hedge translational currency risk, we keep open the possibility of hedging translation risk when operations are denominated in highly volatile currencies or when there is a high inflation environment.

Although we are aware that a (relative) currency exposure exists, for business and practical reasons, the exposure is not fully mitigated. In view of the limited exposure to effects of fluctuations in currencies on our financial position we have not performed a sensitivity analysis on the impact of such fluctuations.

The following table summarizes our exposure to currency risk as at the dates indicated below.

(€ in millions)	EUR	GBP	USD	AUD	Other	Total
			(unaudited)			
<b>As at December 31, 2015</b>						
<b>FINANCIAL ASSETS</b>						
Cash and balances at central banks . . . .	1,605.4	—	—	—	0.0	1,605.4
Receivables from financial institutions . . . . .	297.7	1.3	14.6	5.7	49.7	368.9
Derivatives (long) <sup>(1)</sup> . . . . .	2,771.8	1.4	842.4	1.9	723.7	4,341.2
Rebates and bonuses and commissions receivable . . . . .	191.4	11.9	6.0	2.1	24.1	235.4
Reclaimable damages . . . . .	17.4	—	—	—	2.2	19.7
Interest to be received . . . . .	0.2	—	—	—	0.0	0.2
Receivables from clients . . . . .	747.1	447.8	1,316.8	266.3	531.5	3,309.5
Loans to other parties . . . . .	—	0.0	—	—	12.5	12.5
Loans to associates and jointly controlled entities . . . . .	103.3	—	—	—	—	103.3
Assets held-for-sale . . . . .	—	—	13.1	—	—	13.1
Non-financial assets . . . . .	10,146.1	2,198.8	336.5	475.8	2,424.0	15,581.2
<b>Total</b> . . . . .	<b>15,880.3</b>	<b>2,661.2</b>	<b>2,529.3</b>	<b>751.9</b>	<b>3,767.6</b>	<b>25,590.4</b>
<b>FINANCIAL LIABILITIES</b>						
Trade payables . . . . .	522.3	31.7	22.2	30.1	158.1	764.4
Interest payable . . . . .	64.8	0.5	7.6	1.6	16.2	90.7
Derivatives (short) <sup>(1)</sup> . . . . .	1,355.4	1,886.6	31.0	349.0	641.5	4,263.5
Borrowings from financial institutions . . . . .	1,067.7	277.0	36.8	8.7	682.9	2,073.1
Funds entrusted . . . . .	5,085.4	—	—	—	1.6	5,087.0
Debt securities issued . . . . .	4,337.2	—	2,217.2	117.6	1,470.4	8,142.4
Non-financial liabilities . . . . .	1,317.3	236.3	80.3	114.8	349.2	2,097.8
<b>Total</b> . . . . .	<b>13,750.1</b>	<b>2,432.0</b>	<b>2,395.1</b>	<b>621.8</b>	<b>3,319.8</b>	<b>22,518.9</b>
<b>Net position</b> . . . . .	<b>2,130.3</b>	<b>229.1</b>	<b>134.2</b>	<b>130.1</b>	<b>447.8</b>	<b>3,071.5</b>
<b>CURRENCY POSITION</b>						
Net investment subsidiaries . . . . .	—	229.1	134.2	130.1	447.8	—
Other . . . . .	—	(0.7)	21.8	2.3	49.7	—
<b>As at December 31, 2014</b>						
Financial assets . . . . .	3,262.6	375.3	1,169.9	270.6	582.8	5,661.2
Financial liabilities . . . . .	10,520.2	481.9	1,683.9	227.8	1,848.4	14,762.1
Non-financial assets and liabilities . . . . .	7,767.8	1,632.1	190.9	390.9	1,909.5	11,891.2
Derivatives position . . . . .	1,512.0	(1,290.0)	420.9	(312.7)	(277.4)	52.7
<b>Net position</b> . . . . .	<b>2,022.1</b>	<b>235.4</b>	<b>97.8</b>	<b>121.0</b>	<b>366.5</b>	<b>2,842.9</b>
<b>CURRENCY POSITION</b>						
Net investment subsidiaries . . . . .	—	235.4	97.8	121.0	366.5	—
Other . . . . .	—	(3.3)	0.2	0.8	3.5	—
<b>As at December 31, 2013</b>						
Financial assets . . . . .	3,503.3	349.2	1,034.0	296.1	523.5	5,706.1
Financial liabilities . . . . .	10,221.1	606.9	1,469.6	607.3	1,634.9	14,539.8
Non-financial assets and liabilities . . . . .	7,627.1	1,379.7	171.7	438.0	1,875.9	11,492.2
Derivatives position . . . . .	922.1	(920.5)	337.9	(1.1)	(415.4)	(77.1)
<b>Net position</b> . . . . .	<b>1,831.3</b>	<b>201.5</b>	<b>74.0</b>	<b>125.7</b>	<b>349.1</b>	<b>2,581.6</b>
<b>CURRENCY POSITION</b>						
Net investment subsidiaries . . . . .	—	201.5	74.0	125.7	349.1	—
Other . . . . .	—	7.3	(3.4)	(0.9)	6.2	—

(1) Derivative exposures are presented here on a gross basis, which differs from the net presentation used in the LeasePlan audited financial statements.

Based on the table above, the currency risk exposures as at December 31, 2015 mainly relate to net investments in subsidiaries.

### Capital requirements

Our capital requirement under Pillar 1 reflects the investments in non-euro denominated Group companies. This is shown in the following table:

(€ in millions)	As at December 31,					
	2013		2014		2015	
	Position	Minimum required capital	Position	Minimum required capital	Position	Minimum required capital
GBP .....	201.5	16.1	238.8	19.1	229.8	18.4
USD .....	73.9	5.9	97.5	7.8	112.4	9.0
AUD .....	125.7	10.1	120.2	9.6	127.7	10.2
Other .....	343.0	27.4	363.1	29.0	398.1	31.8
<b>Total .....</b>	<b>741.0</b>	<b>59.5</b>	<b>819.6</b>	<b>65.6</b>	<b>868.0</b>	<b>69.4</b>

At December 31, 2015, we have assessed the difference between assets and equity at the Group level and for individual currency areas, as the relative currency exposure. The logic behind this is that if the relative assets / equity position is the same as for the Group, both assets and equity allocated to the non-functional currency will deviate but will not impact our capital ratio. A 10% increase or decrease of all relevant non-euro currencies against the euro would have an impact on our capital of €20.8 million. This amount is also used for our Pillar 2 capital calculation.

### Reputational risk

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

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

We also have a reputation risk framework in place in which we make sure sufficient measures are in place to keep us in line with the "low" tolerance level for reputational risk, including the coordination and implementation of mitigating activities. By bringing our reputational risk within the tolerance level of low risk we have reviewed current mitigating activities and proposed additional activities.

Integrity is our key focus. Our Code of Conduct was initially adopted in 2010 and a revised Code of Conduct was subsequently approved by the Managing Board on December 14, 2015 and became effective in January 2016. In 2013, a global e-learning training on the Code of Conduct was rolled out. There is a robust compliance awareness program in place, which helps govern our reputation. Also, the annual global Integrity Survey is a convincing tool to stress the importance of our integrity as a measure to safeguard our reputation among our employees.

### *Capital requirements*

Under Pillar 1, no specific capital requirements for reputational risk must be calculated for regulatory purposes. The effects from incidents which may affect our reputation are considered to be operational losses within the definition of an operational loss and as such these events and their impact on our result are to be reported in the operational loss database. Consequently, the reporting of these losses results in capital requirements under the internal loss data model. Furthermore, in the determination of low frequency-high impact operational loss scenarios, incidents affecting our reputation are also considered.

We address capital requirements for reputational risk as part of the scenario approach as presented under the operational risk section. Therefore, reputational risk is not a separate risk under Pillar 2.

### ***Operational risk***

Operational risk is the risk of losses resulting from inadequate or failed internal processes, human behavior and systems or from external events. An operational loss is the financial impact that arises from the occurrence of an operational risk event. Our operational risk policy, as set by the Managing Board, includes requirements on creating awareness, sufficient staffing and governance (including the existence of a local risk committee), loss identification and reporting, risk assessment and the definition of operational risk appetite. This policy prescribes the requirements for the organization of the operational risk management activities in each Group company. Local management is responsible for managing the operational risks in their Group company.

In all our Group companies a formal operational risk management role is in place. This function is the driving force behind the increase in risk awareness and the improvement of operational risk management within the Group company. Our corporate operational risk management department is responsible for establishing and maintaining the operational risk framework, monitoring the operational risk profile and the collation and validation of operational risk reporting at our Group level. This department prepares analysis of the operational losses reported by our Group companies for our Operational Risk Committee and assesses operational risks in our Group as a basis for the annual ICAAP.

We apply the Advanced Measurement Approach ("**AMA**") in our operational risk framework. Methods deployed for risk identification are the operational risk scenario analysis, top-down assessments, operational risk self-assessments, operational loss data analysis, the integration of outcomes from internal and external audits as well as at relevant internal and external micro/macro economic developments. Based upon the risks identified and losses reported, our operational risk profile is assessed. Operational loss data reported is analyzed on a weekly basis. Operational losses with a net impact exceeding €10,000 are communicated to and discussed with regional management on a monthly basis, while operational losses with a net impact exceeding €100,000 are reported on a monthly basis to the Managing Board and quarterly to the Operational Risk Committee and the Supervisory Board. The overall impact of the mitigating activities is assessed by analyzing 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 our operational risk management department to communicate and advise our Group companies with similar risks about the additional controls. The Group companies are required to report all operational losses above the amount of €5,000. Reporting of losses below this threshold is encouraged. We distinguish between gross operational losses (the maximum estimated loss amount known at the moment of identification, irrespective of any potential recovery) and net operational losses (gross loss amount minus recovered amounts).

During the year ended December 31, 2015, we recorded 1,862 operational loss incidents, compared with 1,437 losses recorded for the year ended December 31, 2014. After relatively stable levels recorded since 2010, the number of reported incidents increased starting in 2014 as a result of greater visibility with respect to occurrences at the local and corporate levels. We believe that the number of underlying incidents has remained relatively stable while more of these incidents have come to be reported. This trend has continued during the year ended December 31, 2015. The majority of the incidents reported (85%) remain below the threshold of €5,000. In total, 270 operational losses were reported with an impact above €5,000. The 1,862 losses recorded amounted to a total net loss of €13.7 million in the year ended December 31, 2015; whereas losses of €6.3 million net were reported in the year ended December 31, 2014. The increase is mostly due to a few incidents reported over 2015 that had a more significant impact as compared to prior periods. We do not believe that these incidents are indicative of structural failures of controls as they concern very specific circumstances. The majority of the operational losses recorded (74% by value, 78% by number of incidents) continue to be classified in the event category "Execution: Delivery and Process Management."

The distribution of our operational losses is as follows:

	Year Ended December 31,					
	2013		2014		2015	
	% total	% total	% total	% total	% total	% total
Basel II Category	(nr)	(euro)	(nr)	(euro)	(nr)	(euro)
Business Disruption and System Failures	7	12	4	9	5	7
Clients: Products and Business Practices	9	18	7	5	3	8
Damage to Physical Assets	5	2	5	1	5	1
Employment practices and workplace safety	3	1	2	2	1	6
Execution: Delivery and Process Management	71	62	77	72	78	74
External Fraud	5	5	4	7	8	4
Internal Fraud	0	0	0	4	0	0
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

We use a hybrid model to determine the required level of operational risk capital for regulatory purposes. This hybrid model consists of a purely quantitative analysis of our internal operational loss data and a more qualitative analysis of our specific operational risk scenarios. The quantitative analysis is performed by modelling the severity and the frequency of loss events and using the internal operational loss data recorded by us. Under the AMA requirements, insurance related loss recovery is recognized as an accepted risk mitigating instrument. The impact on the reduction of regulatory capital, however, is capped at 20%. We monitor the 20% level by measuring the insurance related recoveries reported in the loss database. The total insurance related recovery for operational losses amounts to 1.87% of the total loss recoveries, as most operational risk events (such as human error) are not covered by insurance. The two distributions for the severity and the frequency are combined into one overall loss distribution by means of Monte Carlo simulation. The resulting loss distribution determines the expected annual loss amount and the required capital at the 99.9th percentile confidence level.

The qualitative analysis, or operational risk scenario analysis, is a process by which we consider the effect of extreme, but nonetheless possible operational risk scenarios on the organization. During the analysis, the high impact, low frequency operational risk scenarios are supplemented with relevant internal and external loss data, a description of the business environment and internal control factors to support the expert based frequency and impact estimations for each scenario. For each single scenario, the estimates are modelled to determine the regulatory capital required to be held by us at the 99.9th percentile confidence level. We started modelling capital requirements under AMA in 2006. Since then, a model governance structure has been developed and implemented that ensures an annual cycle of model monitoring, development, validation



and implementation. Part of the model monitoring activities is the evaluation of the assumptions used in the capital modelling process. If the outcome of the model monitoring requires so, we adjust the assumptions and as a result will recalculate the corresponding capital requirements. This way we ensure that the capital continuously reflects our operational risk profile even after significant organizational changes or unexpected external developments. Under Pillar 1, the operational risk regulatory capital requirement is reviewed yearly and as at the end of 2015 remained stable compared to 2014 at €121.2 million, which is the sum of our operational loss data model (€38.7 million) and scenario model (€82.5 million). LeasePlan is in the process of revalidating its AMA model and framework with the DNB and submission is expected during the second half of 2017.

The AMA model in itself already incorporates stress scenarios. These scenarios are explicitly identified and quantified (the operational risk scenarios). This stress testing is performed by our corporate operational risk management department on a quarterly basis as part of the model governance cycle. The outcome is discussed in our Operational Risk Committee. To further assess the sensitivity of the models, our corporate operational risk management department performs additional tests including a sensitivity analysis of the scenario model by changing the original estimated severities and original estimated frequency median scores. We have assessed the impact of doubling the estimated average severity of all scenarios and increasing the median of the frequency estimation by one step. This simulates the effects on our minimal capital requirements for operational risk as result of underestimating both the impact and likelihood of the assessed scenarios by our expert group. Even if assuming that all operational risk scenarios occur at the same time and the frequency and the average financial impact of all scenarios have been underestimated, the additional capital required amounting to €32 million would be easily available (measured stand-alone for operational risk).

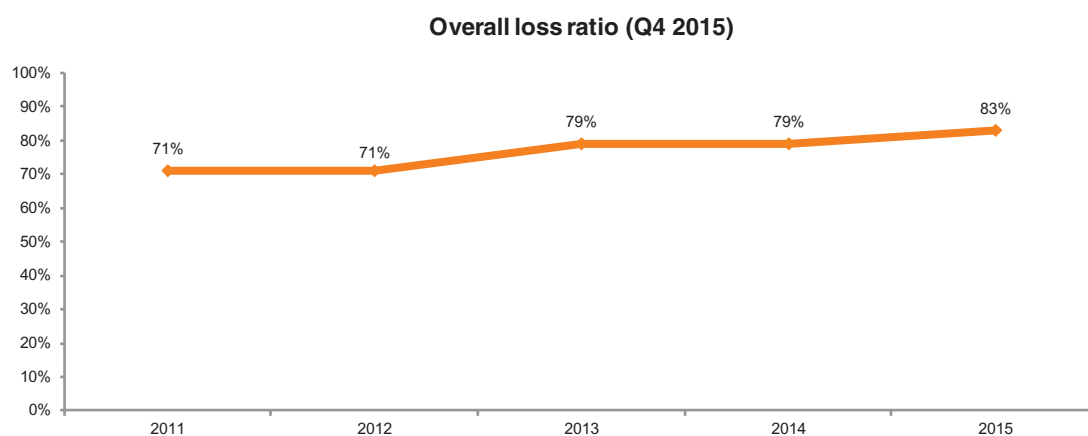
### ***Motor insurance risk***

Motor insurance risk is the exposure to potential loss due to costs related to damages incurred by the Group exceeding the compensations included in lease rental payments. This risk consists of long-tail risks (motor third-party liability and legal defense) and short-tail risks (motor material damage and passenger indemnity). These risks are retained by our insurance subsidiary, Euro Insurances. In addition, some of the Group companies have a local risk retention scheme for motor material damages and retain the damage risk, while also offering insurance coverage through either Euro Insurances or external providers. Euro Insurances provides motor third party liabilities insurance to operational vehicle leasing subsidiaries' customers. As a result, we have insurance risk on the insurance sold to customers through Euro Insurances for their vehicle lease rentals. However, once certain insurance risk limits are reached, it is our policy that the related risks be reinsured to the extent they exceed such limits.

Euro Insurances reinsures certain of its motor third party liability and catastrophic events liability with an external reinsurance panel. Reinsurers are selected on the basis of their financial strength, price, capacity and service and are monitored, including with regard to credit ratings, on a quarterly basis.

Our motor insurance risk policy seeks to regulate the motor insurance risk management activities for Euro Insurances and Group companies. Under the motor insurance risk policy, Group companies measure and monitor their motor insurance risk exposure by performing a yearly damage and insurance risk self-assessment. The main other requirements are the existence of a motor insurance risk function in all Group companies which are independent from the insurance (pricing) department. Furthermore, local motor insurance risk committees are in place and are required to monitor exposures and discuss trends and developments therein. Clear authorization structures are in place for intended launches of and changes in insurance structures and programs. Furthermore, on a quarterly basis Euro Insurances and Group companies measure and report their risk exposures by means of premium developments and loss ratios to central management. These loss ratios are consolidated on a Group level and monitored against the risk

appetite. The following chart displays our consolidated loss ratio measured as at December 31, 2015 for the underwriting years 2010 to 2015 which has been calculated as the consolidated claim costs for the year divided by the consolidated net premiums for the year of all our motor material damages for local risk retention schemes, motor material damages, third motor party liability and other programs for Euro Insurances.



*This chart depicts only projected claim costs as a percentage of premium income per underwriting year. However, our gross profit on damage risk retention also incorporates price and volume components of vehicles insured for all underwriting years together.*

### **Capital requirements**

No specific capital requirements are applicable to our insurance risk activities under the Pillar 1 framework of Basel III. However, as Euro Insurances is regulated by the Central Bank of Ireland, capital for those activities is currently held in line with European Directive 2009/138/EC (“**Solvency II**”). Under Pillar 2, the Group calculates internally required capital for all insurance risk activities. As at 2015, the methodology used is a factor based approach. The main factors are based on, amongst other damages, catastrophic events and counterparty risk. Besides the aforementioned factor based approach, the Group employs stress testing using scenarios in line with Solvency II principles in respect of motor insurance risk. The outcome of aforementioned stress testing, although not material (€10.2 million as at December 31, 2014, €9.2 million as of December 31, 2015), forms part of the calculated internal capital under Pillar 2.

### **Legal and compliance risk**

Legal risk covers the financial and other losses we may suffer as a result of negligence in respect of, and/or failure to comply with, applicable laws and regulations. Compliance risk is defined as the risk of legal or regulatory sanctions, financial loss, or loss to reputation we may suffer as a result of the non-conformance with the integrity, expertise and professionalism requirements of applicable laws, regulations, codes of conduct, good management practices and internal policies. The management of legal and compliance risks is assigned to the corporate Legal & Compliance department, which is headed by the SCVP Legal & Compliance. This role also acts as the Group Compliance Officer reporting directly to the Chief Executive Officer and has direct access to the Chairman of the Supervisory Board in specific circumstances. In each Group company a local compliance function is in place. The corporate compliance function cooperates closely with the local compliance functions and the local privacy functions.

Our Compliance Charter and Compliance Risk Management Framework form the basis for the governance of the function and compliance cycle. The charter introduces a clear allocation of tasks and responsibilities of management and staff involved in compliance within the Group. We follow a risk based approach along the lines of the compliance cycle, i.e. identifying risks,

assessing risks and making, explaining, monitoring and enforcing rules. The independence of our compliance officers is embedded in the charter as well as their reporting lines. The Group Compliance Officer provides updates on general compliance matters to the meeting of our Managing Board twice per year and provides quarterly updates on key legal and compliance risks. Annually, compliance topics are discussed with all Managing Directors of Group companies during regionally held meetings. In addition to the information reporting to senior management within LeasePlan, major risks and incidents related to compliance are discussed with our Chief Executive Officer on a quarterly basis and, if required, on an incidental basis. On an annual basis, the Group Compliance Officer presents a report regarding compliance to the Audit Committee of our Supervisory Board.

The basis for mitigating compliance risk is formed by our compliance charter and Compliance Risk Management Framework, as well as our compliance risk policy, which are applicable to all LeasePlan group companies. The Code of Conduct reflects our values and behaviors that apply within the organization. The Code of Conduct adds to the aforementioned basis by requiring ethical behavior in the broadest sense, including corporate responsibility in doing business and customer focus. Furthermore, our corporate compliance function ensures that developments in regulations are captured in new or existing Group policies if necessary. After formal approval by our Managing Board, these policies are announced to the Group companies and their compliance officers. Each of our Group companies performs an annual compliance risk assessment. All our Group companies report on this assessment in their yearly compliance reports to our Group Compliance Officer. Those local compliance risk assessments also contribute the insight into the adequacy of the legal and compliance risk management organization. Furthermore, identified risks are taken into consideration for inclusion in our Compliance Annual Plan.

The Compliance Risk Management Framework is intended to further guide our Group companies in performing these risk self-assessments. In addition, an annual global Integrity Survey was introduced in 2011. This global survey helps us in measuring the perceived level of integrity that exists in all parts of our business. Its outcome supports us to further steer values and integrity and to enhance awareness of our compliance risks.

### *Capital requirements*

Under Pillar 1, no specific capital requirements for legal and compliance risk need to be calculated for regulatory purposes. The effects from legal and compliance incidents are considered to be operational losses within our definition of an operational loss and as such these events and their impact on our results are to be reported in the operational loss database. Consequently, the reporting of these losses results in capital requirements under the internal loss data model. Furthermore, in the determination of low frequency-high impact operational loss scenarios, legal and compliance incidents are also considered. We address capital requirements for legal and compliance risk as part of the scenario approach as presented under the operational risk section. Therefore, legal and compliance risk is not a separate risk under Pillar 2.

### *ICT risk*

We define ICT risk as any risk which is related to information and communication technology. As there is substantial overlap with (processes related to) operational risk such as self-assessments, loss reporting and business continuity (including disaster recovery), ICT risk mainly focuses on information security. Our Information Security Policy, as set by the Managing Board, includes requirements on creating awareness, sufficient staffing and governance, security incident reporting and risk assessment. This policy prescribes the information security requirements for each of our Group companies. Local management is responsible for managing information security in their Group company. Each of our Group companies must have an information security officer (“ISO”) role assigned. The ISO role reports to senior management or is assigned to a member of the senior management and cooperates closely with the Information Security & Governance department at

the corporate center. The corporate Information Security & Governance department is responsible for establishing and maintaining the ICT Risk Framework, monitoring the ICT risk profile and the collation and validation of ICT risk reporting at our Group level. This department prepares on a bi-monthly basis a consolidated ICT risk report (based upon the ICT risk reports reported by our Group companies) for our Information Security Board. Similar to operational risk, all our Group companies, including LeasePlan, structurally identify, assess, and report their ICT risks. On a day-to-day basis, ICT issues and risks are typically identified and established through the information technology infrastructure library ("ITIL") ICT management processes (especially incident management and problem management), upon which the ICT management processes are based. Risk analysis activities are incorporated within ITIL processes. Under Pillar 1 no specific capital requirements for ICT risk need to be calculated for regulatory purposes.

### *Capital requirements*

Within LeasePlan the financial impacts resulting from ICT risk incidents (also system unavailability, network communications failure and information security) are classified as operational losses. These events and their impact on our results are therefore to be captured in the operational loss database. Consequently, the reporting of these losses results in capital requirements under the internal operational loss data model. Furthermore, in the determination of low frequency high impact operational loss scenarios, ICT risks are also considered. We address capital requirements for ICT risk as part of the scenario approach as presented under the operational risk section. Therefore, ICT risk is not a separate risk under Pillar 2.

### *Pension obligation risk*

Pension obligation risk is the risk that our profitability or capital is affected by the contractual or other liabilities to, or with respect to, a pension scheme. We operate a number of pension plans around the world. Most of these pension plans are defined contribution plans. As at December 31, 2015, we had defined benefit pension plans in four countries, the majority of which are not open to new participants. The total number of participants of these pension plans as at December 31, 2015 was 414. In addition, as at December 31, 2015, we operated other post-employment benefit plans in five countries which relate to legally required termination indemnities, which are payable at either the retirement date or the date the employee leaves. The total number of participants of other post-employment benefit plans as at December 31, 2015 was 1,272. We recorded aggregate provision for liabilities under the defined benefit plans and post-employment benefits as at December 31, 2015 of €33.9 million.

In addition to this net liability in the consolidated balance sheet, the Other reserves in equity contain as at December 31, 2015 a balance for a post-employment benefit reserve of €9.8 million (2014: €9.8 million) to reflect the cumulative actuarial gains and losses recognized on defined benefit post-employment plans.

The level of our post-employment benefits provision was determined on the assumption of continuity of the legal framework that existed as at December 31, 2015, using certain actuarial and other assumptions such as discount rates, demographic probabilities (such as life expectancy), inflation rates, pension progression rates and future salary trends. If actual developments vary from these assumptions, this may lead to a substantial increase in balance sheet and/or actual post-retirement obligations, along with a need to increase post-retirement provisions.

Existing post-retirement obligations are not fully covered by plan assets. If the market value of plan assets should fall (for example due to the negative effects of changes in legal, economic or financial market conditions) this may also require a substantial increase of balance sheet provisions or net periodic pension expenses.

It is difficult to foresee the extent to which individual pension plans (and in particular the trusts or legal entities incorporating these plans), can call upon the relevant LeasePlan subsidiaries for contributions in excess of the amounts taken into account under IFRS valuation principles. We have no recent experience of such calls for extra contributions, but we cannot guarantee that such calls will not occur in the future, or to the extent they occur, that they would not exceed the amounts taken into account for IFRS valuation purposes.

#### *Capital requirements*

Under Pillar 1, no specific capital requirements for pension obligation risks need to be calculated for regulatory purposes. However, for purposes of Pillar 2, pension risk is addressed as a separate risk.

# Industry

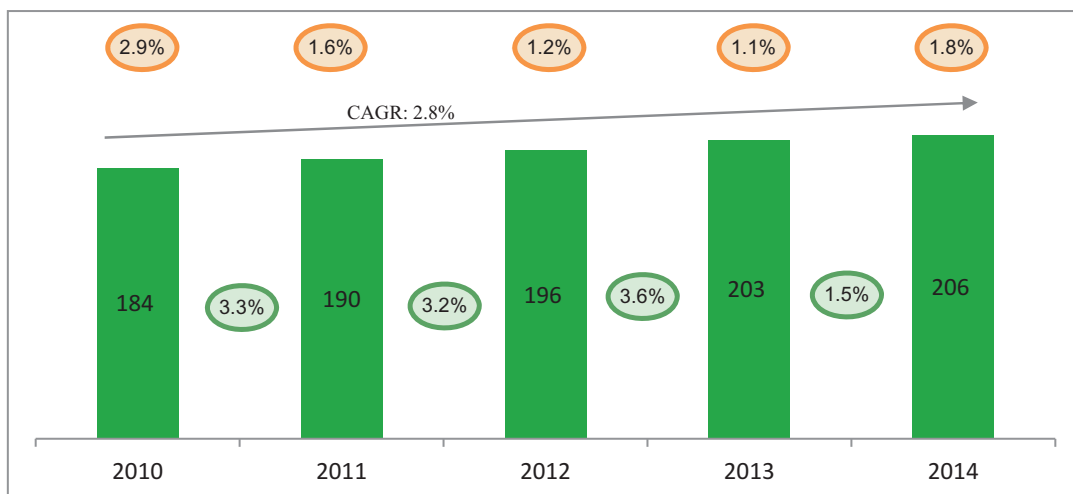
The market information presented in this section is taken or derived from the cited sources. Forecasts of market data are inherently forward-looking and all market data are subject to uncertainty and do not necessarily reflect actual market conditions. They are based on market research, which itself is based on sampling and subjective judgments by both the researchers and respondents, including judgments about what types of products and competitors should be included in the relevant market. In addition, certain statements below are based on internal information, insights, subjective opinions or internal estimates, and not on any third-party or independent source; these statements contain words such as “we estimate,” “we expect,” “we believe” or “in our view” and as such do not purport to cite to or summarize any third-party or independent source and should not be so read. See “Industry and market data” for additional information.

## Leasing and fleet management market overview

The global car and light commercial vehicle (“LCV”) leasing and fleet management market has seen steady growth following the financial crisis, expanding since 2010 at a faster rate than real GDP of the global advanced economies (which, as classified by the IMF, comprise 34 countries, including Canada and the United States, most countries in Europe, Australia, New Zealand, Japan, Singapore, Hong Kong and South Korea). In the markets for passenger cars and LCVs (of less than 3.5 tonnes) in which LeasePlan operates (except for Luxemburg, the UAE and New Zealand), total corporate leasing and fleet management expenditure totaled over €200 billion in 2014, having expanded since 2010 at an average annual growth rate of 2.8%, compared to 1.4% average annual growth in real GDP of the global advanced economies over the same period.

The chart below illustrates the growth of the relevant market in the countries in which LeasePlan operates.

Size of corporate leasing and fleet management market (€ in billions)



Source: Leaseurope, McKinsey analysis, IHS Global Insight

% year-on-year market growth (%)  
% GDP growth rate (%)

Overall growth of the leasing and fleet management market has been driven primarily by the steady rise in customer acceptance of the product, as both corporate and retail customers become increasingly aware of the financial and service benefits of leasing arrangements as compared to a typical purchase or bank financing.

### Types of lease services

Within the leasing and fleet management industry there are three primary types of services offered to corporate customers: operating leases, finance leases and fleet management.



### Operating leases

An operating lease provides the lessee with the right to use a vehicle for a specified term, usually three to five years. The monthly installments paid by the customer cover all aspects of maintaining and managing the vehicle, including financing, depreciation, maintenance and repair costs. To generate additional revenue on a per vehicle basis, leasing companies are increasingly bundling other ancillary services into their operating lease offerings. Such services typically include tire management, fuel cards, insurance, replacement vehicles and traffic fine management.

At the conclusion of an operating lease, the lessee returns the vehicle to the lessor and the lessor subsequently sells the vehicle on the used car market.

In the case of an operating lease, the lessor retains the risk associated with the resale value of the vehicle throughout the term of the contract. Upon termination of the contract, if the achieved sale price is above the recorded book value of the vehicle, the lessor records a gain. If the achieved sale price is below the recorded book value, the lessor records a loss.

### Financial leases

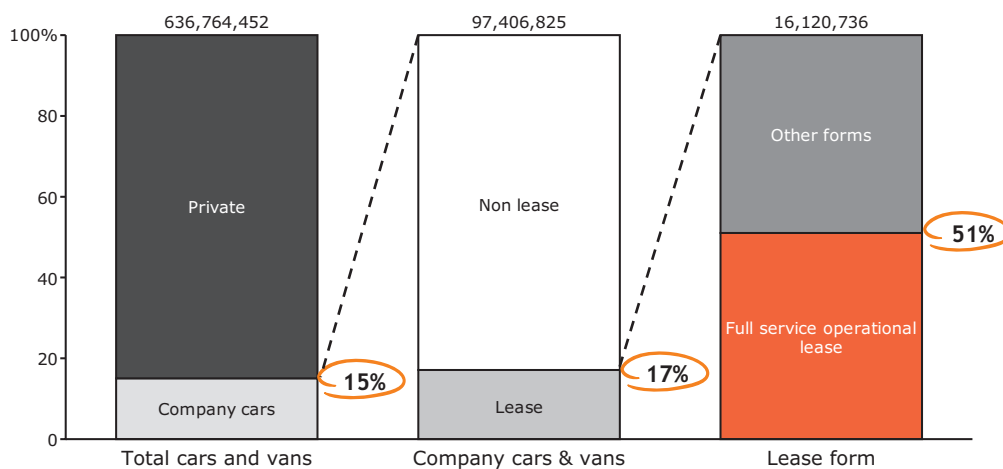
A financial lease contract requires the lessee to pay fixed monthly installments over a determined period of time. However, at the end of the leasing period, the lessee is able to obtain outright ownership of the vehicle through a final "balloon" payment as determined in the lease agreement. Unlike in the case of an operating lease, the risk associated with the resale value of the vehicle lies with the lessee in the case of a financial lease.

### Fleet management

Fleet management services are comprehensive solutions for clients who already have an existing fleet of cars. The services provided are similar to those typically offered in the context of an operating lease but do not include any arrangement of financing for the initial purchase of the vehicles.

### Total addressable market and current penetration

In the 32 markets in which LeasePlan operates, there are collectively over 636 million cars and LCVs, of which approximately 15% (97.4 million) are company-owned, which represents the overall total addressable market for LeasePlan. Approximately 17% (16.1 million) of these 97.4 million company cars and LCVs are leased, of which 51% are on full service or operating lease forms.



Source: LeasePlan Consolidated Annual Plan schedules for 2016-2020, based on 2014 data for countries where LeasePlan is active, excluding Canada

## Competition

### Competitive landscape

On a global scale, the fleet management, driver mobility and vehicle leasing market remains relatively fragmented, with no single player holding a dominant leadership position in the market. Companies have traditionally focused on their home market and region, so while there tends to be a clear regional and/or national market leader in each region/country, with the exception of LeasePlan, there is no truly global operator. The lack of a global presence among LeasePlan's largest competitors is driven in part by the different approaches taken with respect to residual values across international markets. In the United States, leases are primarily open-ended, with the lessor not retaining the residual value risk. Conversely, in Europe, the vast majority of underwritten business is closed-ended, with the lessor retaining the residual value risk on its balance sheet.

The following table sets out information about our global position by fleet size with respect to our key competitors as at June 30, 2015, the most recent date for which information is available:

Company Name	Total Fleet Size (vehicles, in thousands)	Independent/ Captive	Areas of Operation
LeasePlan	1,492	Independent	Europe, North America, South America, Asia-Pacific
ARI	1,174	Independent	Europe, North America,
ALD Automotive	1,122	Independent	Europe, North America, South America, Asia-Pacific, Africa
VW Leasing	1,110	Captive	Europe
ORIX	1,080	Independent	Asia-Pacific
Element Financial <sup>(1)</sup>	1,000	Independent	North America, Asia-Pacific
Arval <sup>(2)</sup>	930	Independent	Europe, South America, Asia-Pacific, Africa
Sumitomo Mitsui	620	Independent	Asia-Pacific
RCI Banque	590	Captive	Europe, South America, Asia-Pacific, Africa
Alphabet	583	Independent	Europe, Asia-Pacific
Century Tokyo Leasing	540	Independent	Asia-Pacific
PSA	412	Captive	Europe, South America, Asia-Pacific
Wheels	338	Independent	North America
Daimler Fleet Management	305	Captive	Europe, North America, South America, Asia-Pacific, Africa
Lex Autolease	289	Independent	Europe
Athlon Car Lease	250	Independent	Europe
Donlen	188	Independent	North America
Sixt Leasing	155	Captive	Europe
FCA Bank	120	Captive	Europe

Sources: *Fleet Europe #77 June 2015, Annual reports, Corporate websites, Press releases, and LeasePlan analysis*

(1) Adjusted to give effect to Element's acquisition of GE Capital's fleet operations in the United States, Mexico, Australia, and New Zealand, which was announced on June 29, 2015 and completed on September 30, 2015.

(2) Adjusted to give effect to Arval's acquisition of GE Capital's European fleet management business, which was announced on June 29, 2015 and completed on November 2, 2015.

We believe we hold leading market positions by fleet size in most of the countries in which we operate.

### **Types of competitors**

Across our areas of operation and products and service markets, we compete with other international fleet management companies, including both vertically integrated companies offering full-service operational leasing, as well as finance or management-only fleet management companies. In certain of our geographic markets, we also compete with strong local players offering operational leasing, such as Lex Autolease in the United Kingdom.

We also face competition in specific areas of the vehicle leasing value chain. We compete with the captive finance subsidiaries of large automobile manufacturers in the financing area of the value chain. We also compete with third-party service providers that occupy the part of the value chain involving fleet consultation, bidding solutions and procurement.

Competitors in the global leasing services market generally fall into three broad categories based on their ownership structure, namely bank captives, car manufacturers' captives and independent operators. The ownership structure of a given competitor is often a key driver in the nature of its operations.

#### ***Bank captives***

Bank captives include entities that are part of a larger financial group, mostly subsidiaries of banks. In many cases, vehicle leasing started as an extended offering to conventional banking products to satisfy the needs of their corporate customers, but now many banks have developed semi-autonomous leasing units with their own brands.

These captives often have access to the parent bank's distribution network, which serves as an important and cost effective sales channel for their own leasing products. The captives also generally have access to cost-effective financing from their parents and/or affiliates and are often reliant on these funding lines to support their business operations. However, in times of tightened liquidity when the parent or affiliate is less willing or able to fund such operations, these captives may face challenges in accessing alternative, cost-effective third party funding.

#### ***Car manufacturers' captives***

Car manufacturers' captives include entities that are owned by car manufacturers and generally focus on increasing sales of their own vehicle brands. These entities benefit from brand synergies and access to the dealership network of their manufacturer parent or affiliate, but the growth of the business is tied to the underlying demand for the manufacturer's specific vehicle brands.

The importance of captive operating lease and fleet management companies, such as Volkswagen Leasing, BMW (Alphabet) and PSA Finance, is rapidly increasing as their parent companies seek to present themselves as all-round providers of mobility solutions who are able to capture a greater share of the market for acquiring and operating vehicles, rather than solely car manufacturers.

Given the funding advantages enjoyed by leasing businesses owned by financial institutions, the majority of larger car manufacturers have also established specific banking subsidiaries to oversee their leasing businesses and, in some cases, to simultaneously assist in raising funds for their manufacturing businesses.

#### ***Independent operators***

Independent operators such as LeasePlan include entities that are not directly related to, nor financially dependent on, either parent banking institutions or car manufacturers. Due to their standalone operating model, the entities in this group tend to have a full range of vehicles

available to clients while also maintaining a more diverse funding profile. Securing external financing on attractive terms and accessing third party distribution networks such as dealerships are the key challenges faced by such entities.

Affiliation	Selected examples
Bank captives	   
Car manufacturers' captives	    
Independent operators	   

### Consolidation trends in the sector

In the aftermath of the global financial crisis and the European sovereign debt crisis, many financial institutions have reconsidered their strategy in the vehicle leasing sector and have reclassified their vehicle leasing subsidiaries as non-core components of their business. This shift in strategy has been driven primarily by a lack of available funding for these businesses in light of the needs of more traditional and core banking operations, significant residual value losses due to falling prices of second hand cars and increased pressures on required regulatory capital levels.

Consequently, there has been a wave of acquisition activity among leasing companies in recent years, including Arval's acquisition of Commerzbank Autolease (2010), Alphabet's acquisition of ING Car lease (2012), LeasePlan's acquisitions of BBVA Renting/AutoRenting (2012) and Bawag PSK Fuhrparkleasing (2013), GE's sale of its entire fleet leasing operations to Element Financial and Arval (2015) and, most recently, ALD Automotive's announced acquisition of Parcour's Group. Large players such as LeasePlan and Arval have utilized their strong financial positions to capitalize on this consolidation trend, strategically making acquisitions to strengthen their market positions across various countries.

### Barriers to entry

Consolidation in the fleet management, driver mobility and vehicle leasing industry has resulted in an increase in concentration at the national and regional levels. There are currently limited acquisition opportunities of significant size, and relying solely on organic growth would make it difficult for the smaller players to increase scale at the national and/or regional levels. LeasePlan believes such industry dynamics could also make it less attractive for new companies to enter the market and service large international customers.

LeasePlan also believes that the following additional obstacles exist for leasing companies that wish to enter the market of servicing large international customers:

#### **Capital and funding**

Fleet leasing is a capital intensive business and requires continuous access to different funding sources at attractive terms in order to maintain adequate margins. Without a successful track record and scaled operations, it could be difficult for a new entrant to obtain cost-effective and flexible funding to finance vehicle purchases at competitive pricing.

#### **Geographical footprint**

Large, multinational customers demand broad international coverage and a one-stop-shop for their leasing requirements in all regions in which they operate. Serving a large, multinational corporate customer requires substantial investment, time and scale.

***Supplier network***

An established and comprehensive supplier network is required for a company to generate procurement value and provide high quality customer services. It is difficult for smaller players to achieve a global network with sufficient scale.

***Economies of scale***

Large fleet leasing players can spread their fixed costs, including infrastructure and information technology costs, across their large book of leased assets. This scale provides a cost advantage to an established fleet leasing player when pricing a new contract, as well as lower unit costs through bulk contract efficiencies. A fleet leasing company needs a high volume of leased vehicles to amortize its investment in infrastructure and information technology costs to make its business model feasible.

***Technology***

Information technology has become increasingly important as a means of improving efficiency and providing customer services and products. Information technology is of particular importance as scale and coverage capabilities are critical to the success of leasing companies.

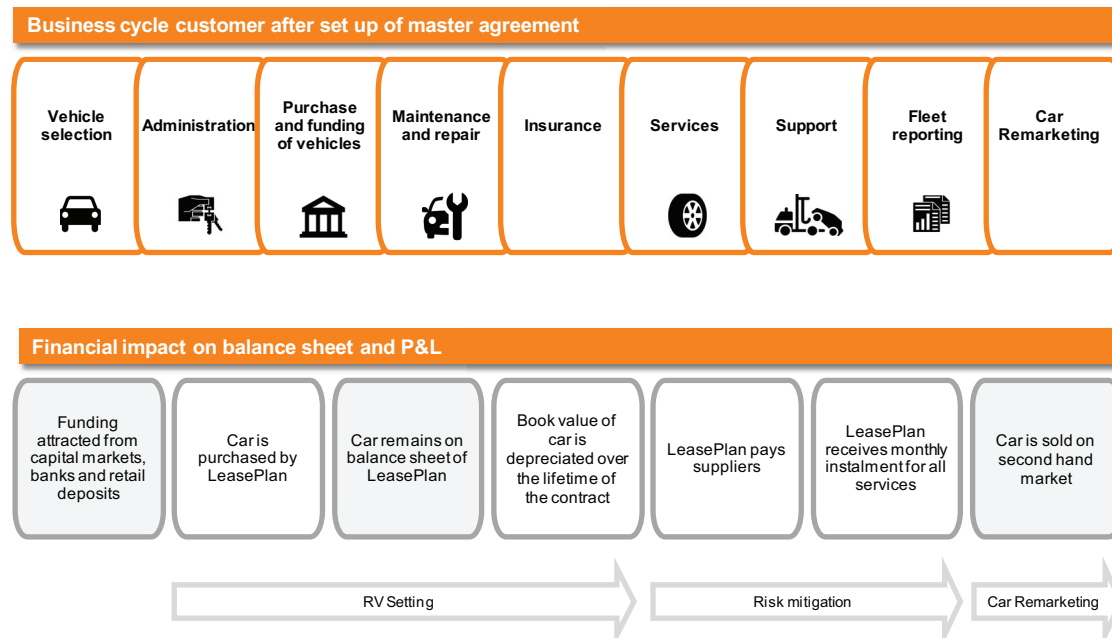
# Business

## Overview

LeasePlan is a global fleet management and driver mobility provider originally founded in the Netherlands in 1963. In the 1970s, we began our international expansion into the Belgian, UK, French and German markets, and we currently operate in 32 countries across Europe, North and South America and the Asia-Pacific region. We hold a leading market position in the majority of the markets in which we operate based on total fleet size, and with an aggregate fleet of approximately 1.6 million vehicles as of December 31, 2015, we believe that we are the largest fleet and vehicle management provider in the world by total fleet size.

We offer a comprehensive portfolio of fleet management solutions covering vehicle acquisition, leasing, insurance, full-service fleet management, strategic fleet selection and management advice, fleet funding, ancillary fleet and driver services and car remarketing. We aim to deliver expertise, savings and opportunities to meet the needs of the largest and most prestigious vehicle fleets in our markets of operation. We manage mainly passenger cars (representing 65% of our fleet by volume as of December 31, 2015) and light commercial vehicles (representing 31% of our fleet by volume as of December 31, 2015) across numerous sectors of the economy and across various client types, including large and multinational companies, small and medium-sized enterprises (“SMEs”), public sector entities and, in selected countries, retail clients and private individuals. As of December 31, 2015, 68.0% of our lease contract counterparties by Total Leased Assets were investment grade rated and our largest client accounted for 1.3% of our Total Leased Assets.

We operate across the automotive value chain by providing a variety of vertically integrated and stand-alone services. We are independent of vehicle brands and provide services for vehicles of a wide variety of makes and models in line with the specific needs of our customers. See “—Our fleet” for information on the brand distribution of our fleet. The graphic below illustrates our activities across the automotive value chain.



As of December 31, 2015, our Total Leased Assets were €17.0 billion (excluding non-consolidated entities). We recorded operating and net finance income of €1,506.8 million and net profit of €442.5 million for the year ended December 31, 2015.



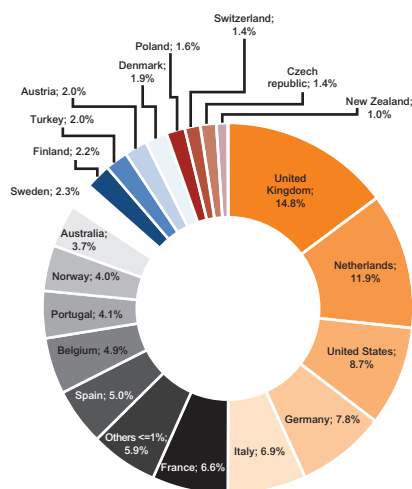
We have held a banking license since 1993 and are regulated as a financial institution by the Dutch Central Bank (*De Nederlandsche Bank N.V.*, “**DNB**”) and the Netherlands Authority for the Financial Markets. Since 2010, we have operated LeasePlan Bank, an organically developed internet-based savings bank which accepts retail savings deposits in the Netherlands and, since September 2015, Germany, as part of our funding diversification strategy. Our common equity Tier 1 ratio (CET1 ratio), calculated under the CRD IV regime, was 17.0% at the end of December 2015. LeasePlan management also sets an internal CET1 ratio target (which is calculated to include certain retained earnings that are otherwise excluded from the CET1 ratio under CRD IV pending finalization of LeasePlan’s accounts for a given year) taking into account minimum requirements set by DNB as communicated through the annual supervisory review and evaluation process (SREP). The CET1 ratio target set by LeasePlan management for 2016 is at least 17.5%.

## Our strengths

Our key strengths are:

### Worldwide market leader with global footprint

With an aggregate fleet of approximately 1.6 million vehicles as of December 31, 2015, we believe that we are the largest fleet and vehicle management provider in the world by total fleet size, and we have a global presence spanning Europe, the Americas and the Asia-Pacific region. We have operations in 32 countries, with leading market positions based on total fleet size in the majority of our markets. The following chart shows the geographical distribution of our total funded fleet book value (excluding non-consolidated entities) as of December 31, 2015:

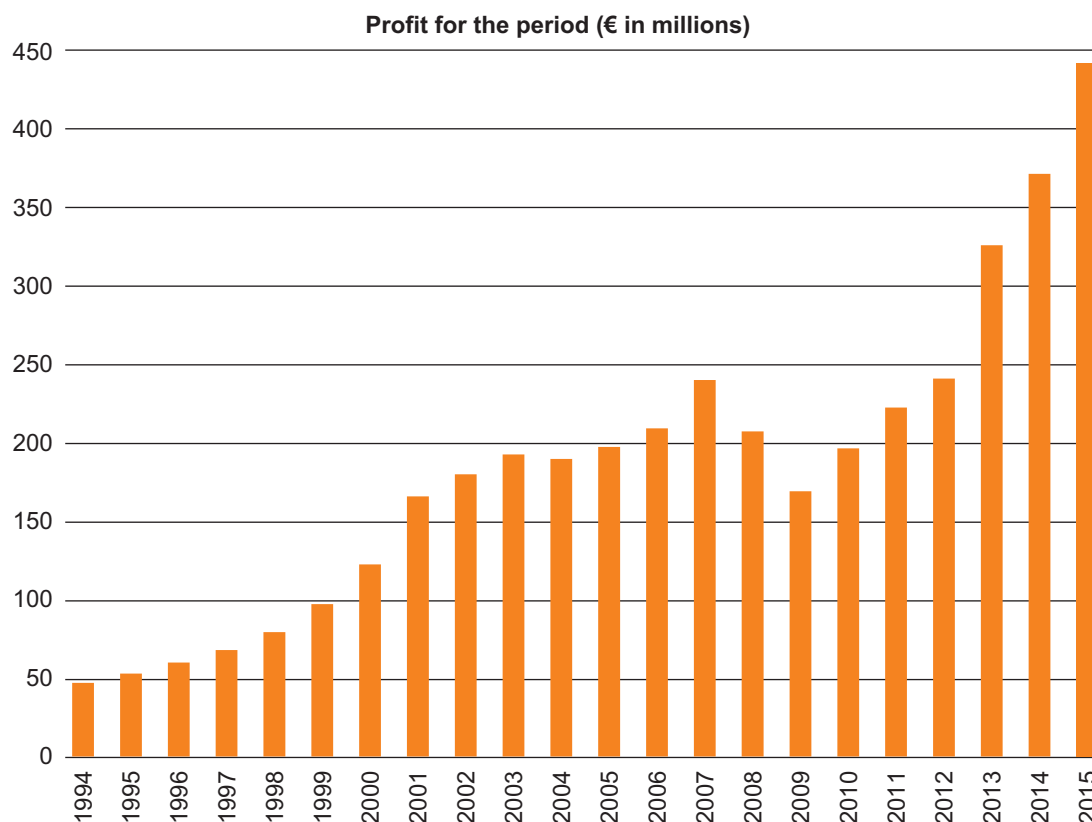


*Unaudited. Geographical distribution based on the locations of the LeasePlan legal entities to which assets are assigned. Geographical designation “Other” includes: Russia (0.1%), Mexico (0.4%), Brazil (0.5%), India (0.5%), Romania (0.5%), Slovakia (0.5%), Hungary (0.6%), Ireland (0.9%), Luxembourg (0.9%) and Greece (1.0%).*

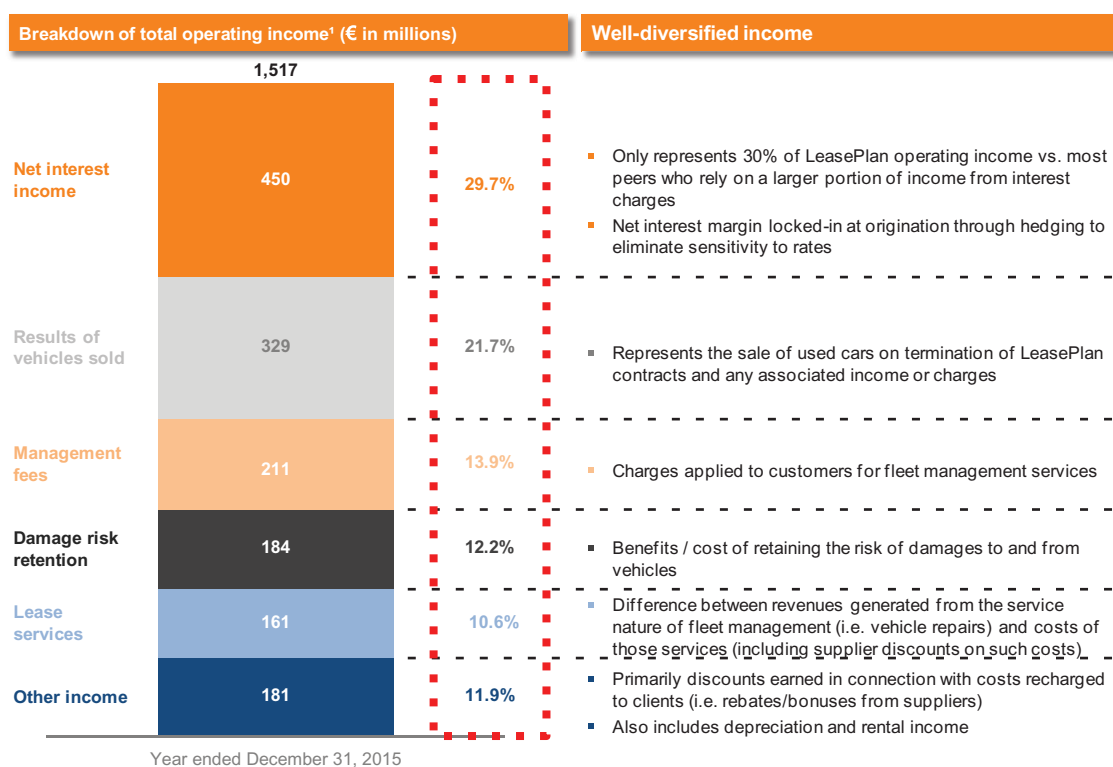
We believe that our size and scope allow us to negotiate favorable pricing structures with our preferred network of suppliers, resulting in savings for us and our customers. Our central procurement company, LeasePlan Supply Services, aims to turn our size and international presence into an advantage for our local subsidiaries and our clients by managing international agreements with preferred suppliers, and we seek to ensure that our multinational clients benefit from our economies of scale by centrally coordinating the management of their fleet through LeasePlan International, a dedicated entity focused on selling and marketing international fleet management services and managing the accounts of large international clients worldwide. Our unique global presence allows us to offer these multinational clients coordinated and harmonized service offerings across multiple geographic regions.

## Long track record of delivering profitable growth

We have delivered more than 20 consecutive years of profitability. The graph below shows our annual profit since 1994. Our consistent profitability has been driven by a number of factors, including resilient revenue streams, low and stable credit losses over time, careful management of the financial risks inherent to our business and the long-term and repeat nature of many of our customer relationships.



Our profitability has also been supported by the diverse revenue streams we are able to generate from our asset base. We have a diversified income profile as illustrated by the chart below showing the breakdown of our operating and net finance income by source for the year ended December 31, 2015. While net interest income accounted for 29.7% of our total operating and net interest income (excluding unrealized gains/(losses) on financial instruments and before impairments on loans and receivables) over this period, income from lease services, damage risk retention and management fees together represented 36.7%. This diversified fleet management model allows us to generate multiple revenue streams from our vehicle assets, creating a higher effective return on our asset base than a business model dependent solely on net interest income on leased vehicles.



Source: Company information

<sup>1</sup> Excluding unrealized gains/(losses) on financial instruments and before impairment charges on loans and receivables

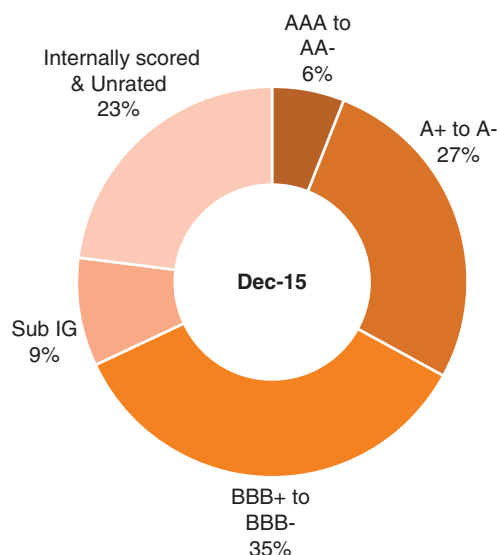
### Diversified lease portfolio with broad customer base and prudent risk management

We have a broad customer base with sound credit ratings, diversified across multiple industries and geographies. We believe this diversification, the low and stable default rates of our customers and our strong record in managing the credit risks inherent in our business have contributed to our low and stable credit losses over time.

Our customers include public sector entities and a number of large, well-known multinational corporations. Our largest client and our top 10 clients accounted for approximately 1.3% and 8.6%, respectively, of our Total Leased Assets as of December 31, 2015, and we do not have a material concentration in any particular industry. See “—Sales and marketing” for information on the industry distribution of our client base. We are also well diversified across geographies, with no single market accounting for more than 14.8% of our total funded fleet book value as of December 31, 2015. Our diversified geographic presence helps to limit our exposure to regional economic cycles that may impact us or our clients.

The Yearly Default Rate for our corporate customers was 0.6% as at December 31, 2015, compared with 0.8% and 1.0% as at December 31, 2014 and 2013, respectively. Of the Total Leased Assets attributable to our top 100 clients, 65.4% were attributable to investment grade entities as of December 31, 2015, and investment grade counterparties accounted for 68.0% of our Total Leased Assets as of that date. The following chart shows the distribution of our Total Leased Assets by counterparty credit rating (generated by LeasePlan and mapped to S&P ratings) as of December 31, 2015:

**Distribution of lease contract portfolio by counterparty credit rating**



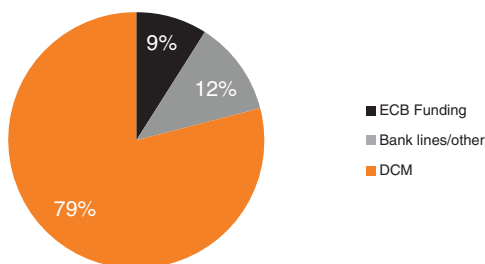
In addition to the strong credit rating profile of our client base, we believe our low credit losses are also reflective of our commitment to a high standard of credit risk management across the business. Our custom built web-based global credit risk management system allows for advanced credit risk assessment and clear risk appetite setting for group companies. We also manage credit risk and other risks via the development of proprietary risk management models and other risk mitigation techniques. With respect to asset risk, we continue to harmonize our management of asset-related exposures through investments in systems, sharing of best practices across the Group, training of staff and further development of statistical techniques and algorithms so as to remain best-in-class in controlling residual value risk (or our exposure to potential loss at contract end due to the resale values of assets declining below the estimates made at lease inception). For example, we introduced more conservative residual values in lease contracts we entered into during the financial crisis in 2008 and 2009; this, and our continued focus on risk mitigation during the term of such lease contracts have resulted in improved results. The risk and control focus advanced during the recent economic crisis remains a core part of our overall approach. We also manage our liquidity risk by seeking to conclude funding that substantially matches the estimated run-off profile of our leased assets, and by further pursuing our funding diversification strategy to reduce our historical reliance on unsecured debt capital markets funding in favor of other funding sources such as secured, retail and bank funding.

**Strong balance sheet with increasingly diversified access to deep pools of capital and a large liquidity buffer**

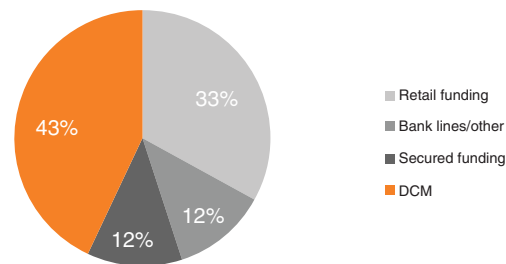
We have developed a highly diversified funding base, which includes retail deposits through LeasePlan Bank, debt capital markets instruments, securitizations and bank facilities. As of December 31, 2015, we held €5.0 billion of retail deposits (with 97% of our retail deposit volume being covered by the Dutch deposit guarantee scheme) and we had €6.5 billion of outstanding debt securities by carrying value (excluding securities originated from securitization transactions),

€1.9 billion of asset-backed securitization funding (including asset-backed securitization warehouse facilities) and €1.9 billion of bank and other borrowings. As illustrated in the charts below showing our funding mix as of December 31, 2009 and as of December 31, 2015, our funding mix has become significantly more diversified in recent years as we have tapped new sources of funding, including retail deposits and securitizations. The contribution of debt capital markets instruments to our overall funding mix has in turn diminished from 79% as of December 2009 to 43% as of December 2015.

**Funding mix as of December 31, 2009**



**Funding mix as of December 31, 2015**



We seek to fund the substantial majority of our vehicle leasing activities on a matched funding principle whereby we aim to match the maturity of the funding obligation used to finance each leased vehicle with the term of the corresponding lease. Our access to a diverse and flexible range of funding sources facilitates this objective and reduces our reliance on any single funding source. While we benefit from a natural hedge against foreign currency risk due to the fact that we raise funds in a number of countries and currencies, we also use foreign currency derivatives and interest rate hedging to further match our assets and liabilities.

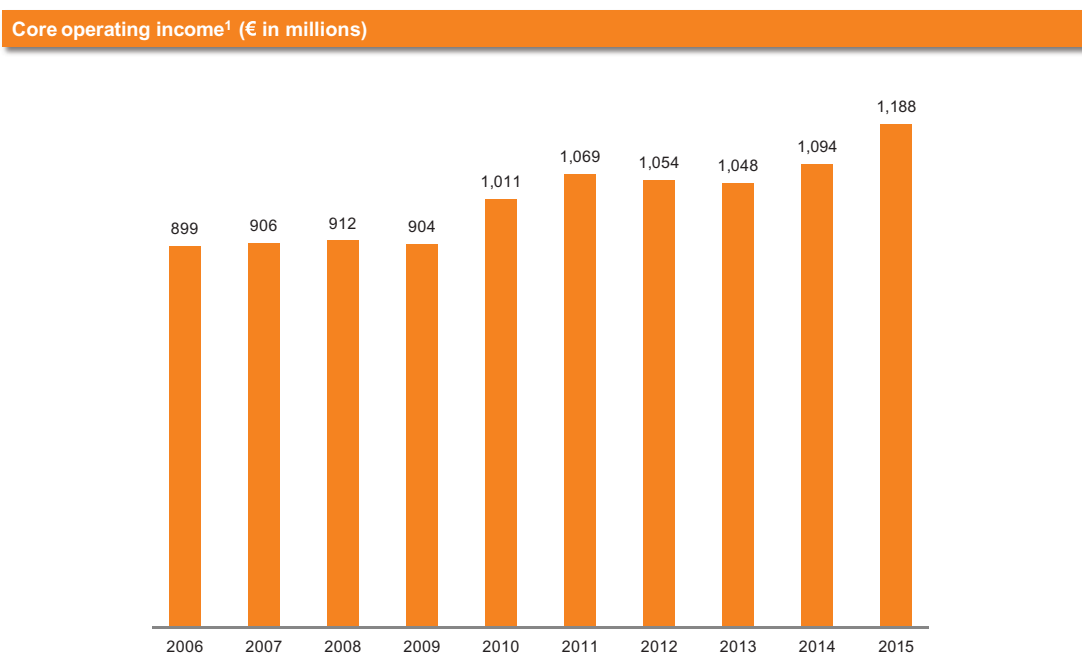
In addition, we maintain a prudent liquidity buffer consisting primarily of cash, cash equivalents and undrawn amounts under committed credit facilities in an aggregate amount of €4.4 billion at December 31, 2015 to ensure that we are able to continue writing new business and meet our financial obligations during a period of continuing stress (including, among other things, limited access to traditional funding sources and increased outflows of retail deposits) lasting at least nine months. For more information about our liquidity buffer, see *"Management's discussion and analysis of financial condition and results of operations—Other contingent liabilities—Financing arrangements and funding—Liquidity."*

### **High level of visibility over future revenue streams from multi-year contracts and long-term customer relationships**

Our more than 20 consecutive years of profitability have been underpinned by locked-in revenues from multi-year contracts and strong relationships with a large portfolio of low credit risk customers. Our leasing contracts typically range between three and four years in duration, and we generally hedge the interest rate and currency exposures associated with the funding of our lease contracts, locking in our interest margins and providing us with a high level of visibility over future interest revenues. Revenues from management fees, lease services and risk retention are also relatively stable and consistent, though revenues from the sale of vehicles at the end of the service contract have historically been more sensitive to cyclical changes in the market for used cars. However, we believe that our significant expertise in vehicle remarketing, our broad geographic reach and our prudent use of mitigation measures provide us with significant competitive advantages which enable us to consistently capture the residual value of a vehicle under management and moderate the impact of local market cycles and seasonal variations. Our contractual residual value at lease inception for terminated vehicles decreased from 41.1% of the manufacturer's list price in 2013 to 40.8% in 2015, and our risk mitigation measures remained relatively stable at approximately 5.3% of the manufacturer's list price in 2015 (6.1% in 2013).

The long-term and repeat nature of many of our customer relationships has also contributed to the relative stability of our revenues over time, including during cyclical downturns. Our service-led proposition drives high levels of customer satisfaction and retention, evidenced by overall client and driver satisfaction rates of 92% and 91%, respectively, in our annual global surveys in 2015 (supported by TNS NIPO). Our approach to fleet management is to be our clients' preferred long-term partner. We aim to achieve this by understanding the needs of our clients, providing expert advice and adding value with a choice of tailored products and services covering the entire fleet management value chain, including "full service" leasing offerings, as well as management-only and financing-only solutions. We also organize Client Advisory Boards in many countries in order to understand how our clients work with their fleet and what we can do in order to help them with our products and services. The information from these discussions is used as input in future product development processes. Additionally, our proactive partnering approach means that we work in close consultation with our clients on a regular basis.

The chart below illustrates our Core operating income for the years from 2006 to 2015.



Source: Company information

<sup>1</sup> Calculated as the sum of Gross profit plus Net interest income before impairment charges on loans and receivables, less Results of vehicles sold. Results of vehicles sold represents sales result and settlements from returned objects for the period of 2006-2007 and the difference between proceeds of cars and trucks sold and carrying amount of cars and trucks sold for the period of 2008-2015

### Established global brand supported by high barriers to entry

Our competitive position is supported by high barriers to entry to the vehicle leasing, fleet management and driver mobility industries. We believe we have a competitive advantage as an established global player in these industries, which are capital intensive and require continuous access to different funding sources at attractive terms in order to maintain adequate margins. In addition, we have a recognized global brand which attracts a variety of large, multinational customers across a broad range of international geographies. We have also developed the infrastructure and expertise to serve large, multinational corporate customers, which requires substantial investment, time and scale. Our operations are supported by our long-standing and comprehensive supplier network that we use to generate procurement value and to provide high quality customer services. Based on these factors, we believe that it would be difficult for new entrants to enter our markets or for small scale operators to compete with our established brand on a global basis.



## **Highly committed management team with proven track record**

We have a highly experienced executive management team with in-depth global and local industry knowledge and a strong track record of delivering profitable growth. On average, our executive management team has over 19 years of experience at LeasePlan. In the past five years, our executive management team has been responsible for successfully overseeing various projects, including commencing internet retail banking operations in the Netherlands and accepting savings deposits as part of our funding diversification strategy, as well as successfully integrating a number of acquisitions as part of our selective international expansion. We also believe management's focus on investment in growing market segments such as SMEs and developing enhanced services and insurance offerings, as well as its commitment to meeting our customers' mobility needs with new and innovative solutions such as flexible leasing and telematics, have further contributed to our strong record of profitable growth.

## **Our strategies**

Our key strategies are:

### **Growth**

As a Group, we take a global approach to our business. Central to our decision making with regard to further growth plans is the potential to connect clients, both prospective and current, to leasing and mobility opportunities wherever they may be based. We consider the regions where we are currently active and then evaluate the options and opportunities for expanding into new geographies. We, therefore, take a selective approach to both expansion and foreign acquisitions. We also seek to deliver further market penetration through country-specific acquisitions, or organically by strengthening our offerings to customers with differentiated products and services. In 2016, we intend to continue our efforts to establish new operations in Asia, beginning with the expansion of our operations to Malaysia.

### **Operational excellence**

In connecting our clients to our leasing and driver services, there is a growing demand for data and analytics that provide efficient leasing solutions and enhance customer experience. The size of our fleet under management requires maintenance and replenishment with significant procurement of fleet services and commodities. By continuing to leverage the size and scale of our business, we seek to negotiate favorable pricing structures with our preferred network of suppliers which then translate into savings for clients. We are, therefore, continuously looking at alternative ways to optimize our size and scale by maturing our procurement activities across the entire value chain. We also have significant expertise in vehicle remarketing, which enables us to capture the residual value of a vehicle under management at the end of the service contract.

### **Customer-centric innovation**

We invest in products, platforms and consultancy services that are designed to work in many markets around the world, taking the best products and ideas from one market and introducing these into new markets. Central to our client promise is connecting customers to leasing and mobility opportunities that make their lives easier. We also look for ways to become more efficient, for example, by building a product once and then deploying it many times over in different markets. In this way, our business becomes more scalable and cost-efficient. It also means we can build standardized products and services on which our clients can rely, enabling them to make more consistent decisions wherever they operate around the world. We are investing in the way we use data and telematics intelligently to improve services to clients and drivers.

## Right people and culture

Our plans for further growth and the constant demand for new, innovative services require us to be agile enough to develop, move, adapt and recruit the right talent that fits our culture. We are meeting this challenge by actively training our employees through development plans for the company and individuals. We are also empowering line managers to lead their people. Through global projects, cross-functional business initiatives and international job opportunities, we are actively encouraging our people to move around our global business. We are continuously looking at ways to share best practices through internal initiatives to create efficiencies and alignment across the business.

## Our history

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

In 1992, we became part of ABN AMRO Bank and in the following year we obtained a full banking license from the DNB following the introduction of Basel I. During this period, we started to access the inter-bank funding market independently. During the 1990s, we also established two specialized subsidiaries: our Irish non-life insurance subsidiary supervised by the Central Bank of Ireland, Euro Insurances Limited ("**Euro Insurances**"), to bolster our ability to offer integrated fleet service solutions; and LeasePlan International to enable us to offer coordinated fleet management services to large international clients across our markets of operation.

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

In 2004, LeasePlan was acquired by Global Mobility Holding, a consortium comprising the Volkswagen Group (50%), Mubadala Development Company (25%) and the Olayan Group (25%). In 2005, the Volkswagen Group sold the Italian, Portuguese and Spanish subsidiaries of EuropCar Fleet Management Services to LeasePlan. Our international expansion continued in 2007 with the acquisition in Turkey of a 51% share in vdf Holding A.Ş. from the Volkswagen Group, and in 2008 with the acquisition of Daimler Chrysler Fleet Management France S.A.S. from Mercedes-Benz Financial Services France S.A. and the commencement of our greenfield operations in Romania and Mexico.

As a result of the strategy adopted in 2000, we achieved a broad client reach and operational improvements which led to profitable growth and enabled us to become a global market leader by the mid-2000s. The global financial crisis which began in 2008 changed the fleet market environment and put pressure on the industry. In response, we adopted a selective growth strategy that struck a balance between maintaining profitability and seizing upon attractive growth opportunities.

Following a series of transactions, the shareholder structure of Global Mobility Holding changed in 2010, with the Volkswagen Group and Fleet Investments B.V., an investment company owned by the German banker Mr. Friedrich von Metzler, each holding a 50% stake, and Volkswagen Group retaining overall strategic control. In 2010, we commenced internet retail banking operations in the Netherlands and began accepting savings deposits as part of our funding diversification strategy. In 2011, we expanded our Portuguese operations through the acquisition of the operational leasing and fleet management company Multirent from Santander Consumer Iber-Rent, S.L. In 2012, we incorporated an operating legal entity in Russia and in 2013 we became fully operational in the Russian fleet and vehicle management market. In 2013, we also expanded both our Italian and Austrian operations through the acquisition of BBVA (Auto) Renting and BAWAG P.S.K. Fuhrparkleasing, respectively. In January 2014, we expanded our North American service offering to include Canada. LeasePlan and the Canadian fleet management company Foss National Leasing Ltd. ("FNL") have entered into a licensing agreement whereby FNL operates a newly formed subsidiary of FNL, LeasePlan Canada. With the launch of LeasePlan Canada, we now have complete North American coverage, with locations in the United States, Mexico and Canada. In February 2015, we took full ownership of LeasePlan Turkey by acquiring the remaining 49% stake held by Döğuş Group, who had been our local joint venture partner since we entered the Turkish market in 2007. At the end of 2015, LeasePlan became the sole owner of its Excelease business in Belgium after acquiring Inchcape's 49% minority share. The business was originally co-founded by LeasePlan Belgium in 1994.

## Our business model

### Overview of our activities and services

We operate across the automotive value chain. As a service integrator, we manage a wide variety of business activities in the automotive value chain. We perform all activities needed for clients to operate a vehicle fleet, either independently or through outsourced partners, from purchasing the vehicles to remarketing those vehicles at the end of the contract.

The following diagram illustrates the automotive value chain and the activities that we perform:



We are involved in all of these areas except for vehicle manufacturing and distribution. We receive a fixed monthly amount under our lease contracts and our customers are not charged on the basis of, or aware of our allocation among, income categories. Our business is independent of vehicle brands and we provide services for vehicles of a wide variety of makes and models in line with the specific needs of our clients.

Our services are coordinated across our markets of operation and include:

- purchasing and procurement of vehicles;
- financing of vehicles;
- comprehensive vehicle insurance services;
- vehicle maintenance management and pick-up and delivery service;
- cost control systems and fuel purchase cards;

- accident management and claim handling services;
- rental management and temporary or short-term rental of vehicles;
- fixed-fee fleet outsourcing services by handling all fleet-related matters for clients;
- fleet consulting services; and
- vehicle remarketing by selling used vehicles to drivers, traders and private persons.

In addition to providing the services described above, we focus on continuous innovation in order to keep up with customer developments and industry trends. As a result, we have developed additional services and modified existing services in response to evolving client needs and concerns, such as a greater environmental focus, cost-savings initiatives and driver-focused fleet management platforms. For example, our fuel efficiency management system, "GreenPlan," provides clients with a comparison of their fuel efficiency against market benchmarks and seeks to empower them to reduce their fuel costs while benefiting the environment.

### **Our subsidiaries and divisions**

Our local operating companies provide front-line fleet management services to diverse client segments in 32 countries. The country subsidiaries offer comprehensive fleet solutions covering strategic fleet advice, funding options, full service leasing and ancillary fleet and driver services to large corporate clients, public sector entities, SMEs and, in selected countries, retail clients and private individuals.

We also use a number of subsidiaries and divisions to provide our products and services, as described below:

- *Euro Insurances* is our wholly owned specialist motor insurance company. It is active in 23 countries, including countries in the EEA, Australia and New Zealand. LeasePlan is the main customer of Euro Insurances. Euro Insurances is based in Dublin, Ireland and is regulated by the Central Bank of Ireland.
- *LeasePlan Bank* is our internet savings bank brand and a division within LeasePlan. It offers straight-forward flexible savings products and term deposits to private clients in the Netherlands and, as of September 2015, Germany. We established our internet retail banking activities in 2010 to provide an additional source of funding for our core business.
- *LeasePlan Information Services* is our shared data center, which was established in 2003. It helps to harmonize our various IT applications and platforms in a robust IT network for our entire business operations, clients and drivers. The company is based in Dublin, Ireland.
- *LeasePlan International* is a dedicated entity within LeasePlan focused on selling and marketing international fleet management services and manages the accounts of large international clients worldwide. It was formed in 1996 in order to offer coordinated fleet management solutions at a global level. The company is based in Almere, the Netherlands, and as of December 31, 2015, had 423,000 vehicles under management.
- *LeasePlan Supply Services* seeks to leverage our scale and purchasing power in the area of global procurement of fleet management services and international car remarketing. LeasePlan Supply Services is based in Rotkreuz, Switzerland.
- *LeasePlan Treasury* arranges and manages our funding programs and concludes our funding and financing transactions with all entities and external counterparts in the financial markets. LeasePlan Treasury is based in Dublin, Ireland.

- *Travelcard Nederland* is our fuel card innovation company offering ease of use, fuel monitoring and additional innovative mobility services to fleet managers and business drivers in the Netherlands.

## Contractual framework and pricing

### Financial and operating leases

Based on the accounting treatment under IFRS, the two major forms of vehicle leases are financial and operating leases. The major difference between financial and operating leases lies in the economic ownership of the vehicle. Under a financial lease, the economic risk of ownership is borne by the customer and the vehicle is usually carried on the customer's balance sheet. Under an operating lease, the economic risk of ownership is borne by the lessor (i.e., LeasePlan) and the vehicle is carried on the lessor's balance sheet. While we are active in both forms of leasing, the majority of our leases are classified as operating leases. The accounting classification of the LeasePlan lease categories discussed below is determined based on the specific characteristics of the lease contract. As at December 31, 2015, 84% of our Total Leased Assets were classified as operating leases for accounting purposes.

### Tailored client offerings

Our leasing offerings comprise a variety of bundled and stand-alone services tailored to the specific needs of our customers. Our full service offerings include a mixture of in-sourced and outsourced solutions and are based on two pricing models, open calculation and closed calculation. We also offer management-only as well as financing-only solutions. Recently, we have started offering private leases to individuals.

The following table provides an overview of our contract mix (as further described below) for each of the periods indicated:

(vehicles, in thousands)	As at December 31,		
	2013	2014	2015
Funded with services	930	944	1,009
Services only	333	368	423
Funded without services	81	90	101
Other	27	21	20
<b>Total fleet<sup>(1)</sup></b>	<b>1,370</b>	<b>1,423</b>	<b>1,553</b>
<b>Total funded fleet<sup>(2)</sup></b>	<b>1,011</b>	<b>1,033</b>	<b>1,110</b>
<b>Total serviced fleet<sup>(3)</sup></b>	<b>1,344</b>	<b>1,401</b>	<b>1,533</b>

(1) "Total fleet" includes each of the sub-categories listed above. In limited cases, we provide leasing of trucks and equipment as a service to selected clients, and these are included in the overall numbers presented in this listing circular. Trucks and equipment represent 1.7% of the book value of our funded fleet. These types of assets tend to be leased out for longer durations and are subject to risk mitigation such as prudent residual value setting and buy-back agreements with suppliers or customers.

(2) "Total funded fleet" includes Funded with services and Funded without services fleets.

(3) "Total serviced fleet" includes Funded with services, Funded without services and Services only fleets.

The contracting models associated with our principal product and service offerings are described below.

### ***Funded with services—open calculation***

The goal of the open calculation model is to partner with our customers to help them in reducing their total cost of vehicle ownership. This pricing model may be offered to customers who have a substantial number of vehicles managed by us and entails the payment of a fixed monthly management fee. As part of the partnership approach, customers are provided with information about the total costs of their fleet. In collaboration with our customers, we endeavor to keep

costs as low as possible. By engaging our customer, we often manage to run their fleet at lower cost, due to active control from their side.

A typical open calculation contract includes certain baseline services (for example, purchase, maintenance and damage repair), certain optional services (for example, insurance or provision of replacement vehicles) and only a limited number of services that are settled at actual cost (for example, fuel), though included in the fixed price. The optionality that is built into the open calculation model allows us to provide tailored customer solutions.

During the life of an open calculation contract, services are provided by our subsidiaries and third party vendors. Vendors set their own costs which are monitored by us. We build up a repair, maintenance and tires (“RMT”) provision based on the fixed portion of the monthly fee, which is released over time as RMT is required (in effect, funding for RMT required in later years is built up in earlier years of a leasing contract). In certain cases, we benefit from our scale which enables us to pass on the savings to our customers at the end of the contract.

At the end of an open calculation contract, we prepare a final statement comparing the costs budgeted at the inception of a contract with the actual costs incurred during the life of the contract. If the difference is positive, it will be refunded to the customer according to the percentage agreed in the contract, thereby allowing them to benefit from the cost savings. If the difference is negative, it is absorbed by LeasePlan. In principle, open calculation contracts with clients are settled in any year in which ten or more lease contracts expire. Positive differences are returned to the client and any remaining losses are borne by LeasePlan. In principle, if less than ten lease contracts expire in a year, no settlement is done and LeasePlan retains any remaining positive differences.

#### ***Funded with services—closed calculation***

Under the closed calculation model, customers pay fixed fees for the services they use. We do not provide closed calculation customers with a breakdown of the actual costs of the services and absorb both positive and negative differences from the budgeted costs. No settlement of the difference between actual and fixed costs occurs at the end of the contract.

#### ***Services-only***

The services-only model includes situations where another company, such as a bank, provides financing, while we only provide the management of the fleet.

#### ***Funded without services***

Under the funded without services model, we provide financing but do not provide any management services.

#### ***Other***

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

#### **Coordinated global offerings**

As a worldwide company, we realize that the fleet and vehicle management needs of customers differ from market to market, and we therefore offer customers the possibility to choose a fleet management and driver mobility solution that meets their needs locally. At the same time, to maintain quality and ensure efficiency, we have standardized a set of core products and services globally.



The following table provides an indicative overview of some of the standardized products and services we offer across our markets of operation:

Brand Name	Contract Type	Description
Easy Plan . . . . .	Closed Calculation	A product for SME customers that offers a basic service package at a fixed cost.
Comfort Plan . . . . .	Closed Calculation	A product that offers mid-size customers access to a full service range at a fixed cost.
Open Calculation . . . . .	Open Calculation	A full service product meant for mid-size and larger companies, which offers a high level of customization with profit sharing at the end of the contract if cost savings have been realized.
Owner Plan . . . . .	Services-only	If customers wish to keep purchasing their fleet, LeasePlan can manage their operational services.
Transition Plan . . . . .	Varies	If a customer moves their fleet to LeasePlan, we can offer to manage the transition phase.
Global Solutions . . . . .	Varies	If a client operates a fleet across several countries, LeasePlan International will provide support to deliver a harmonized range of products and services wherever needed.
FleetPlan . . . . .	Closed Calculation	LeasePlan will provide full fleet management, which includes total management over outsourcing for a fixed all-in fee per contract, with a single contact point and one simple monthly invoice in arrears and a lower Total Cost of Ownership.

### **New mobility services**

In 2015, LeasePlan launched several new mobility-based products and services, including SwopCar, a new car sharing service. SwopCar allows companies to share vehicles among employees on demand.

In addition, LeasePlan developed a partnership with GoMore in 2015, a platform in Denmark for private car rental and car pooling. GoMore platforms are available in Denmark, Sweden, Norway, Spain and France. GoMore also offers services through LeasePlan.

LeasePlan also introduced a new flexible leasing product in 2015, whereby contract duration and mileage may be adjusted without penalty when a client's mobility needs change.

## Geographic coverage

We have operations in 32 countries on five continents. The orange shading on the following map provides an overview of the countries in which we operated as at December 31, 2015:



We manage our worldwide operations through three regional clusters: Central Europe & Asia, Northern Europe & Americas and Southern Europe & Pacific. Countries are grouped in regional clusters on the basis of geography, maturity and other common characteristics of the underlying markets.

## Our fleet

### Geographic distribution of our fleet

The following table sets out the geographic distribution of our total fleet as at each of the dates indicated. Geographic distribution is based on the location of the LeasePlan legal entity to which the assets are assigned:

(vehicles, in thousands)	As at December 31,		
	2013	2014	2015
Asia .....	22	13	13
Australia and New Zealand .....	96	99	117
Europe .....	1,015	1,052	1,154
North America .....	230	250	260
South America .....	7	8	9
<b>Total Fleet</b> .....	<b>1,370</b>	<b>1,423</b>	<b>1,553</b>

The following table sets out information about the number of vehicles in our total fleet by country of operation as at December 31, 2015:

Fleet Size/Number of Vehicles (Range)	Countries of Operation (Start of Operations)
100,000-250,000 .....	Netherlands (1963); France (1978); United Kingdom (1979); United States (1983); Italy (1991)
50,000-100,000 .....	Belgium (1972); Germany (1974); Spain (1985); Australia (1988); Portugal (1993)
25,000-50,000 .....	Austria (1982); Norway (1985); Denmark (1993); Sweden (1995); Poland (2001)

Fleet Size/Number of Vehicles (Range)	Countries of Operation (Start of Operations)
Fewer than 25,000	Switzerland (1986); Luxembourg (1989); New Zealand (1993); Hungary (1994); Czech Republic (1996); Finland (1997); Ireland (1997); Brazil (1999); India (1999); Slovakia (1999); Greece (2003); United Arab Emirates (2006); Romania (2007); Turkey (2007); Mexico (2009); Russia (2013)

The following table sets out the geographic distribution of our total funded fleet by book value as at each of the dates indicated. Geographic distribution is based on the location of the LeasePlan legal entity to which the assets are assigned:

€ in millions)	As at December 31,		
	2013	2014	2015
Asia	63	73	87
Australia and New Zealand	821	826	811
Europe	12,386	12,787	14,524
North America	1,182	1,337	1,553
South America	83	97	87
<b>Total Fleet</b>	<b>14,535</b>	<b>15,121</b>	<b>17,062</b>

Approximately 74% of our total fleet, by number of vehicles, is located in European markets (primarily in Western Europe). Growth in developing countries in Latin America, Eastern Europe and Asia is expected to lead to increased demand for full service operational leasing in the future.

#### Brand distribution of our fleet

Our fleet portfolio comprises a variety of vehicle brands, which establishes us as a truly manufacturer-independent fleet and vehicle management company. Depending on the country, vehicles can comprise passenger cars, light commercial vehicles, trucks and motorbikes. The following table sets forth the distribution of total funded fleet book value by vehicle brand as at December 31, 2015 (excluding vehicles that are part of the fleet of Excelease, our Arab Emirates joint venture and LeasePlan Canada):

Vehicle Brand	Fleet Book Value Distribution by Vehicle Brand (%)
Volkswagen	13.6
Ford	13.0
Audi	9.3
BMW	8.8
Mercedes-Benz	6.7
Renault	5.7
Peugeot	4.7
Opel	4.6
Volvo	4.3
Toyota	3.9
Skoda	3.5
Nissan	2.8
Citroën	2.7
Fiat	2.5
Chevrolet	2.2

Vehicle Brand	Fleet Book Value Distribution by Vehicle Brand (%)
Seat	1.1
Land Rover	1.1
Mitsubishi	1.1
Mazda	0.9
Hyundai	0.8
Holden	0.4
Honda	0.4
Alfa Romeo	0.2
Others	5.8
<b>Total</b>	<b>100.0</b>

## Sales and marketing

We are active in the business-to-business market and have a customer base that is diversified in terms of client size, geography and industry. Our main client segments include:

- *Global clients*: clients acquired or managed by LeasePlan International, having an international agreement with LeasePlan. In general, these are clients present in more than three countries with a fleet potential of over 1,500 vehicles and a European or global approach towards fleet management.
- *International clients*: large international clients with a fleet potential of over 500 vehicles that are present in more than one country. These clients are served by our local operating companies based on a coordinated international framework.
- *Corporate clients*: either corporate or public entities who receive dedicated sales and account management by our local operating companies. These clients are present in one country or require a fully local solution.
- *LeasePlan owned SME clients*: smaller clients acquired by our local operating companies through bank, dealer, broker, telesales or online sales channels. These clients are not managed by a dedicated LeasePlan account manager, but by local SME account teams (often with the help of telephonic service lines or internet) or by the indirect channel partners (such as banks, dealers or brokers). This category excludes fleet counted under partner owned clients.
- *Partner owned SME clients*: clients acquired or led by a third party, such as a bank or broker. In this segment, LeasePlan manages (with or without funding) the vehicle for a third party who in return has a leasing or rental contract with the end client. The end client has no leasing or rental contract with LeasePlan. Sales and account management is generally handled by the third party while LeasePlan provides some operational services.

The following table sets out information about our total serviced fleet across our main client segments as at the dates indicated:

(vehicles, in thousands)	As at December 31,		
	2013	2014	2015
Global clients	277	301	332
International clients	82	86	90
Corporate clients <sup>(1)</sup>	769	780	847
LeasePlan owned SME clients	153	167	196
Partner owned SME clients	63	68	68
<b>Total Serviced Fleet</b>	<b>1,344</b>	<b>1,401</b>	<b>1,533</b>

(1) Banks, insurance companies and governmental clients are included within the Corporate clients segment.

In 2015, the SME segment was LeasePlan's fastest-growing client segment, seeing growth of over 12% in the number of vehicles attributable to this segment. As of December 31, 2015, LeasePlan operations in 22 countries were serving SMEs and LeasePlan operations in four more countries were in the process of setting up local dedicated SME activities. Several new initiatives for private leasing to individuals were also launched in 2015, including through retail channels in Belgium (following the approach established in the Netherlands in 2014), as well as in Italy, Norway and the United Kingdom.

Our client base is also diversified across sectors. The following table sets out information regarding our total funded fleet book value by client sector as at December 31, 2015:

Sector	Share of Total Funded Fleet Book Value (in %)
Services .....	17
Consumer Durables .....	15
Capital Goods .....	13
Construction and Infrastructure .....	7
Chemicals .....	6
Technology .....	5
Transport and Logistics .....	4
Banks and Financial Intermediaries .....	4
Food, Beverages and Tobacco .....	3
Public Administration .....	3
Private Individuals .....	3
Utilities .....	3
Other .....	17
<b>Total</b> .....	<b>100</b>

## Partnerships and joint ventures

We have entered into the following partnerships and joint ventures which we consider most significant:

- In the United Arab Emirates, we are active in the vehicle leasing market through our 49% stake in LeasePlan Emirates Fleet Management—LeasePlan Emirates LLC. The company was established in 2006, with Mubadala Development Company PJSC holding the remaining 51% of the shares. We hold two of the five seats on the board of management of this entity.
- Overlease S.r.L. is a joint venture between LeasePlan Italia S.p.A. and RCI Banque. We hold a 51% stake in the company, although it is currently in liquidation.
- Please S.C.S. is a joint venture with the car dealer PGA Motors S.A.S. in France. We hold a 99.3% stake and Prophi S.A.S. (a 100% subsidiary of PGA Motors S.A.S.) holds the remaining shares. While we hold a majority of the shares, various agreements are in place such that the distribution of profits and the exercise of voting rights are divided 50-50%.
- We hold a 5% stake in E Lease S.A.S., France. The remaining shares are held by Sodetrel (70%), Arval (15%), Overlease (5%) and ALD (5%).
- Flottenmanagement GmbH is a joint venture between LeasePlan Österreich Fuhrparkmanagement GmbH and EBV Leasing Gesellschaft m.b.h. & Co. KG. We hold a 49% stake in the company.
- We hold a 24% minority stake in Terberg Leasing B.V. The company is a significant player in the Dutch vehicle leasing market and is one of the ten largest vehicle leasing companies in the

Netherlands with over 20,000 leasing contracts. Terberg Leasing B.V. is brand-independent and has its roots in the family owned Terberg Groep N.V., which holds the remaining 76% of the shares.

- LeasePlan Canada is a partnership between LeasePlan and Foss National Leasing Ltd. through a licensing agreement, whereby Foss National Leasing Ltd. operates LeasePlan Canada.

In addition, Excelease was originally a joint venture created in 1994 between LeasePlan and Toyota Belgium, a subsidiary of Inchcape Plc., aimed at the Belgian leasing market. We previously held a 51% stake in the company, but in November 2015 we acquired the remaining 49% stake and now have full ownership of Excelease. This acquisition involved a purchase consideration of €5.5 million.

## Employees

As at December 31, 2015, we had a total of 7,275 employees (or 6,988 full-time equivalents), excluding employees of our joint venture partners, compared to 6,838 employees (or 6,537 full-time equivalents) as at December 31, 2014.

We believe that we have good relationships with our employees. In a number of countries, employee councils and unions exist, and we believe we have constructive and effective relationships with these entities. Among other employee councils, we have two works councils in our operations in the Netherlands. Their primary role is to act as a consultative body concerned with general employment matters, working conditions and the organization of the workplace. These two councils have the right to receive specified information and to be consulted on certain matters, and they have a strengthened right to recommend one third of our Supervisory Board members. See "*Management—Large company regime.*" Terms and conditions of employment, including working hours, safety, disputes, termination of employment, vacation and benefits are governed in accordance with a variety of collective bargaining agreements and individual agreements.

## Property

We do not own any material real estate property. LeasePlan's corporate headquarters are located at P.J. Oudweg 41 in Almere, the Netherlands.

## Commitments

We have entered into commitments in connection with the forward purchase of property and equipment under operating lease and rental fleet amounting to €1.9 billion as at December 31, 2015 (December 31, 2014: €1.6 billion and December 31, 2013: €1.2 billion). These commitments are entered into in the ordinary course of business and are back-to-back matched with lease contracts entered into with customers.

Furthermore, we have entered into commitments in connection with long-term rental and lease contracts. The future aggregate minimum lease payments under these contracts are as follows:

(€ in millions)	As at December 31,		
	2013	2014	2015
No longer than a year	32.1	32.6	32.0
Longer than a year, less than five years	85.1	82.9	79.4
Longer than five years	49.3	55.2	52.9
<b>Total</b>	<b>166.5</b>	<b>170.7</b>	<b>164.3</b>

For a number of clients, residual value guarantees have been given which amounted to €346 million at December 31, 2015 compared to €308 million as at December 31, 2014 and €270 million as at December 31, 2013.



## **Legal proceedings**

We have worldwide operations and are required to comply with applicable national and local laws and regulations which vary from one country to another. As part of our normal business operations, we are, from time to time, subject to claims or legal proceedings. We do not believe that such claims are likely, in the aggregate, to have a material adverse effect on our financial condition as a whole.

### **Investigation of LeasePlan Italy by Competition Authority**

On July 29, 2015, the Italian competition authority, AGCM, carried out an inspection at LeasePlan Italy as part of an investigation relating to the alleged coordination of commercial strategies in the long-term leasing market in Italy among a number of companies active in this industry and the associated trade association, Aniasa. On December 24, 2015, AGCM widened the scope of its investigation and extended it to include activities in the fleet management sector. As a result, additional long-term rental (leasing) companies, including several entities which have been merged into LeasePlan Italy's operations (BBVA Renting S.p.A., BBVA Autorenting S.p.A. and Nolauto Genova System (NGS) S.r.l.), became subject to this second investigation. The investigations relate to allegations of anti-competitive behavior as a result of exchanges of commercially sensitive information between the companies under investigation with other members of the trade association active in the long-term leasing market and the fleet management sector. The AGCM has alleged that anti-competitive behavior in the fleet management sector dates back to at least 2011, but has made no specific allegations regarding the relevant time-frame with respect to the long-term leasing market. LeasePlan is currently assessing the validity of the allegations. Hearings to collect further information for the purposes of the investigations are expected to commence in the first quarter of 2016 and a final outcome is expected during the course of 2016. Any finding by the AGCM of anti-competitive or other illegal behavior by LeasePlan Italy could result in the imposition of fines, the amount of which may be significant, and could lead to other adverse consequences, including third party claims.

## Supervision and regulation

*This section is intended as general information only. It describes in summary form a selection of laws and regulations to which the Regulated Group is subject. However, it does not purport to present a comprehensive or complete description of all laws and regulations applicable to the Regulated Group which could be of relevance to Noteholders.*

*This section is mainly based on the supervisory laws and regulations of the Netherlands and the European Union as published and in effect on the date hereof, without prejudice to any amendments introduced at a later date and implemented with or without retroactive effect. The Regulated Group is also subject to supervisory laws and regulations of other jurisdictions in which it operates. See “Risk factors—Risks related to our business—We are subject to a bank supervisory regime in the Netherlands and other regulatory regimes and regulatory actions in the jurisdictions in which we operate, including the Netherlands, and changes in these regulatory regimes could adversely affect our business, financial condition, results of operations and liquidity.”*

LeasePlan is a bank incorporated under the laws of the Netherlands. The principal Dutch law on supervision applicable to LeasePlan is the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*, the “**FMSA**”) which entered into force on January 1, 2007 and under which LeasePlan is supervised by the Dutch Central Bank (*De Nederlandsche Bank N.V.*, “**DNB**”) and the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*, “**AFM**”). The Regulated Group is also subject to certain EU legislation and to regulation and supervision by local supervisory authorities in the various countries in which it does business. Following the consummation of the Acquisition, supervision of compliance by LeasePlan with certain prudential requirements, including capital requirements, is exercised on the basis of the consolidated financial position of LP Group.

### Basel Standards

The Basel Committee on Banking Supervision of the Bank for International Settlements (the “**Basel Committee**”) develops international capital adequacy guidelines primarily based on the relationship between a bank’s capital and its credit risks. In this context, on July 15, 1988, the Basel Committee adopted risk-based capital guidelines (the “**Basel guidelines**”), which were implemented by banking regulators in the countries that have endorsed them. The Basel guidelines are intended to strengthen the soundness and stability of the international banking system. The Basel guidelines are also intended to reduce competitive inequality among international banks by harmonizing the definition of capital and the rules for the evaluation of asset risks and by establishing a uniform target capital base ratio (capital to risk-weighted assets). Supervisory authorities in each jurisdiction have, however, some discretion in determining whether to include particular instruments as capital under the Basel guidelines and to assign different risk weights, within a prescribed range, to various categories of assets. The Basel guidelines were adopted by the European Economic Community and applied to all banks in its member states, and on January 1, 1991, the DNB implemented them and they were made part of Dutch regulations.

In June 1999, the Basel Committee proposed a review of the Basel guidelines of 1988. A new accord (“**Basel II**”—the previous Basel guidelines being referred to as “**Basel I**”) was published in June 2004. Basel II was structured as a flexible framework that was more closely in line with internal risk control and that results in a more sophisticated credit risk weighting. The Basel II framework, consisting of three “pillars,” reinforced these risk sensitive requirements by laying out principles for banks to assess the adequacy of their capital (“**Pillar 1**”) and for supervisors to review such assessments to ensure banks had adequate capital to support their risks (“**Pillar 2**”). It also sought to strengthen market discipline by enhancing transparency in banks’ financial reporting (“**Pillar 3**”).

Basel II provided a range of options for determining the capital requirements for credit risk and also operational risk. In comparison to Basel I, Pillar 1 of the Basel II capital framework aligned the minimum capital requirements more closely to each bank's actual risk of economic loss. Pursuant to Pillar 2, effective supervisory review of banks' internal assessments of their overall risks was exercised to ensure that bank management was exercising sound judgments and had reserved adequate capital for these risks. Pillar 3 used market discipline to motivate prudent management by increasing transparency in banks' public reporting.

Instead of the previous "one size fits all" approach, under Basel II banks had the option to choose between various approaches, each with a different level of sophistication in risk management, ranging from simple through intermediate to advanced, giving banks the possibility to select approaches that were most appropriate for their operations and their financial market infrastructure.

For credit risk, banks could choose between the "Standardized Approach," the "Foundation Internal Ratings Based Approach" and the "Advanced Internal Ratings Based Approach." The Standardized Approach was based on external credit ratings and was the least complex. The two Internal Ratings Based Approaches allowed banks to use internal credit rating systems to assess the adequacy of their capital. The Foundation Internal Ratings Based Approach allowed banks to use their own credit rating systems with respect to the "Probability of Default." In addition to this component of credit risk, the Advanced Internal Ratings Based Approach allows banks to use their own credit rating systems with respect to the "Exposure at Default" and the "Loss Given Default." As at the date hereof, we use an Advanced Internal Ratings Based Approach with respect to our corporate credit risk exposures, and the Standardized Approach with respect to our government, bank and retail credit risk exposure.

On July 13, 2009, the Basel Committee issued proposals to enhance Basel II (the "**Basel II Enhancements**"). The Basel II Enhancements have introduced, among other things: (i) a strengthened definition of hybrid capital, (ii) higher risk weights for re-securitization exposures (including collateralized debt obligations) to better reflect their inherent risks, (iii) supplementary guidance to Pillar 2 by addressing the flaws in risk management practices, by raising standards for firm-wide governance and risk management, capturing the risk of off-balance sheet exposure and securitization activities, managing risk concentrations, and providing incentive for banks to better manage risk and returns over the long term, and (iv) enhancements to Pillar 3 (market discipline) by strengthening disclosure requirements for, among other things, securitizations, off-balance sheet exposures and trading activities.

On December 17, 2009, the Basel Committee proposed a number of fundamental reforms to the regulatory capital framework in its consultative document entitled "Strengthening the resilience of the banking sector." The Basel Committee published its economic impact assessment on August 18, 2010 and, on September 12, 2010, the Group of Governors and Heads of Supervision, the oversight body of the Basel Committee, announced further details of the proposed substantial strengthening of existing capital requirements. On December 16, 2010 the Basel Committee issued its final view on the new regulatory capital framework ("**Basel III**"), with a revised version published on June 1, 2011. The framework sets out rules for higher and better quality capital, better risk coverage, the introduction of a leverage ratio as a backstop to the risk-based requirements, measures to promote the build-up of capital that can be drawn down in periods of stress, and the introduction of two liquidity standards.

The Basel Committee's package of reforms includes increasing the minimum common equity (or equivalent) requirement from 2% (before the application of regulatory adjustments) to 4.5% (after the application of stricter regulatory adjustments which are in the process of being gradually phased in, the most important of which are to become fully effective by January 1, 2018). The total minimum Tier 1 capital requirement has increased from 4% to 6%. The total minimum own funds requirement remained at 8% but with stricter criteria for qualifying

instruments. In addition, banks are now required to maintain, in the form of common equity (or equivalent), a capital conservation buffer of 2.5% to withstand future periods of stress, bringing the total common equity (or equivalent) requirements to 7%. If there is excess credit growth in any given country resulting in a system-wide build up of risk, a countercyclical buffer of up to 2.5% of common equity (or other fully loss absorbing capital) may be applied as an extension of the conservation buffer. Furthermore, banks considered to have systemic importance are required to have loss absorbing capacity beyond these standards. The capital requirements are supplemented by a leverage ratio. The leverage ratio, which is calculated as Tier 1 capital against all of a bank's assets (unadjusted for risk weighting) and certain off-balance sheet exposures, will have a minimum level of 3%. The implementation of the reforms began in 2013, although certain requirements are subject to a series of transitional arrangements and will be phased in over a period of time, with the most important of such requirements to become fully effective by January 1, 2018 or January 1, 2019.

The Basel Committee's reforms have introduced two international minimum standards for liquidity risk supervision with the aim of ensuring that banks have an adequate liquidity buffer to absorb liquidity shocks. The first one is the LCR and is a test to promote the short-term resilience of a bank's liquidity risk profile by ensuring that it has sufficient high-quality liquid assets to survive a significant stress scenario lasting for 30 days. The second one is a NSFR, which is a test to promote resilience over a longer period by creating additional incentives for banks to fund their activities with more stable funding on an ongoing basis.

As part of the transition to the Basel III regime, Dutch banks have been requested to take part in semi-annual monitoring of their capital buffers, leverage ratios, LCR and NSFR since 2011.

We believe that LeasePlan and its subsidiaries taken on a consolidated basis are well capitalized for the implementation of Basel III. As at December 31, 2015, our capital base consists solely of Common Equity Tier 1 capital instruments, and our Common Equity Tier 1 ratio (CET1 ratio), calculated under the CRD IV regime (see below), was 17.0%. The impact on RWA would be limited and all capital adequacy ratios as at December 31, 2015 were above the 2019 minimum levels as currently proposed. LeasePlan management also sets an internal CET1 ratio target (which is calculated to include certain retained earnings that are otherwise excluded from the CET1 ratio under CRD IV pending finalization of LeasePlan's accounts for a given year) taking into account minimum requirements set by the DNB as communicated in LeasePlan's most recent Supervisory Review and Evaluation Process letter issued as part of the annual process by which the DNB evaluates LeasePlan's capital adequacy. The CET1 ratio target set by LeasePlan management for 2016 is at least 17.5%. However, as of the date of this listing circular, LeasePlan's Supervisory Review and Evaluation Process for 2015 is ongoing, and management may adjust the internal CET1 ratio target to maintain an appropriate buffer over the minimum capital requirement set by the DNB, which minimum requirement may reflect, for example, the introduction of a countercyclical capital buffer as described above.

The difference between nominal assets and RWA has less of an impact on us compared to other banks and as a result as at December 31, 2015, we met the new Basel III leverage ratio minimum required level of 3%.

As at December 31, 2015, we had sufficient high-quality liquid assets available under Basel III to comply with the LCR requirement.

As at December 31, 2015, our NSFR calculated under Basel III as at that date would be slightly above the prescribed minimum threshold and continued compliance with its ratio requirements may have an adverse effect on, among other things, the composition of the assets we hold for liquidity purposes. We believe that the current calculation of the NSFR under Basel III does not conceptually work for our specific business profile of relatively short term lease contracts and relatively large amounts of working capital. We have a matched funding policy and believe that

with this policy, for short and medium term liquidity, liquidity risk is reduced and the specific classification of certain assets and liabilities might, in the case of enforced compliance with a 100% target level, adversely impact our existing business model. Possible solutions could include extending the duration of our wholesale funding, which would cause funding mismatches with additional spread risks and increased volatility on our income statement. Another measure would be to increase the level of capital and/or funding through retail deposits. Depending on the final standards as they will be implemented by the CRR (defined below), the application of the NSFR requirements might lead to a fundamental change of the Regulated Group's funding strategy and could have a significant negative effect on its risk profile.

At the end of 2014 and 2015, the Basel Committee published for public consultation revisions to the standardized approaches for credit, operational and market risk, and the introduction of capital floors based on standardized approaches. Of these proposals, the introduction of the standardized credit risk RWA floor would have the most significant impact on LeasePlan. The proposals for the new standardized credit risk RWA calculation rules include (i) introduction of new risk drivers; (ii) introduction of higher risk weights; and (iii) a less mechanistic reliance on external ratings. In addition, the revisions are likely to require that banks which apply advanced approaches to risk categories apply the higher of (i) the RWA floor based on (new) standardized approaches and (ii) the RWA based on advanced approaches in the denominator of their ratios. Although timing for adoption, content and impact of these proposals remain subject to considerable uncertainty, the implementation of the standardized RWA floors would have a significant impact on the calculation of the Regulated Group's RWA. The new market risk framework, adopted by the Basel Committee in January 2016, may similarly have a significant impact on the calculation of the Regulated Group's RWA, although its exact implementation through European Union regulation and impact also remains subject to uncertainty.

*See "Risk factors—Risks related to our business—We are subject to a bank supervisory regime in the Netherlands and other regulatory regimes and regulatory actions in the jurisdictions in which we operate, including the Netherlands, and changes in these regulatory regimes could adversely affect our business, financial condition, results of operations and liquidity."*

## European Union Regulation

The European Economic Community had adopted capital adequacy regulations for banks in all its member states based on the Basel I guidelines. In 1989, the EEC adopted the Council Directive of April 17, 1989 on the "own funds" of banks (the "**Own Funds Directive**"), defining qualifying capital ("**own funds**"), and the Council Directive of December 18, 1989 on a capital base ratio for banks (the "**Capital Base Ratio Directive**" and, together with the Own Funds Directive, the "**Capital Directives**"), setting forth the required ratio of own funds to risk-adjusted assets and off-balance sheet items. The Capital Directives required member states to implement their provisions into national law directly binding on banks operating in the member states. The Capital Directives permitted member states, when implementing them into national law, to establish more stringent, but not more lenient requirements. In 1993, the EEC adopted the Directive of March 15, 1993 on the capital adequacy of investment firms and banks ("**EEC Directive 1993/6**") and in 2000 the European Community adopted the Directive of March 20, 2000 on the taking up and pursuit of the Business of Credit Institutions ("**EC Directive 2000/12**"), which directive consolidated various previous directives, including the Capital Directives.

EC Directive 2000/12 and EEC Directive 1993/6 have been recast by EC Directives 2006/48 and 2006/49 (the "**Capital Requirements Directives**"), respectively, which also introduced the capital requirements framework agreed by the Basel Committee under Basel II. These rules on capital requirements reflect the flexible structure and the major components of Basel II, tailored to the specific features of the EU market. The simple and intermediate approaches of Basel II have been available from January 2007 and the most advanced approaches since January 2008.



Since the adoption of the Capital Requirements Directives in June 2006 (CRD I), the European Commission has proposed a series of amendments to repair shortcomings identified in the original Capital Requirements Directives, which resulted in three packages of amendments: CRD II, CRD III and CRD IV. CRD IV implements at the European Union level the capital requirements framework agreed by the Basel Committee under Basel III.

On June 26, 2013 the Council and the European Parliament adopted the package known as “**CRD IV**.” CRD IV has replaced the former Capital Requirements Directives (2006/48 and 2006/49) with a directive (“**CRD IV Directive**”) and a regulation (“**CRR**”) which aim to create a sounder and safer financial system. The CRD IV Directive governs amongst other things the access to deposit-taking activities while the CRR establishes the majority of prudential requirements institutions need to respect. The CRR became effective at January 1, 2014, and has direct effect in the Netherlands. The CRD IV Directive was implemented in Dutch law as per August 1, 2014. A number of the requirements introduced under CRD IV are further supplemented through delegated and implementing acts, including the LCR Regulation (2015/61) and the Regulatory and Implementing Technical Standards proposed by the European Banking Authority (the “**EBA**”) and adopted by the European Commission, many of which are not yet finalized.

The key changes brought about by the CRD IV Directive are: (i) an increase in the proportion of capital held by banks and investment firms required to be held in the form of common equity; (ii) introduction of EU liquidity reporting and minimum requirements for banks, consisting of the LCR, with a binding minimum of 100% (when fully phased in), and the NSFR, whose binding minimum has yet to be introduced; (iii) introduction of a requirement to report the leverage ratio and providing for the future introduction of requirements on banks to maintain a specific leverage ratio (which would require further measures); (iv) introduction of a combined buffer requirement, consisting of a capital conservation buffer, and, as applicable, a countercyclical capital buffer, a systemic risk capital buffer and a global or other systemically important institutions buffer; and (v) implementation of a cap on bankers’ bonuses at 100% of the fixed component of their remuneration (which may be increased to 200% with the approval of a majority of shareholders).

If the regulatory capital requirements, liquidity restrictions or ratios applied to the Regulated Group are increased in the future, any failure of the Regulated Group to maintain such increased regulatory capital or other ratios could result in administrative actions or sanctions, which may have an adverse effect on our business, financial condition, results of operations or prospects.

In 2010, agreement was reached at EU level on the introduction of a new supervisory structure for the financial sector. The new European architecture consists of the existing national authorities and the newly created European Systemic Risk Board (“**ESRB**”) and the three European Supervisory Authorities: the European Banking Authority (“**EBA**”), the European Insurance and Occupational Pensions Authority (“**EIOPA**”) and the European Securities and Markets Authority (“**ESMA**”). These agencies have been in place since January 1, 2011. Operational day-to-day bank supervision lies with national supervisors and the ECB.

One of the EU’s further responses to correct the shortcomings perceived in the regulation and supervision of bank activities in the EU, and especially in the eurozone, during the financial crisis was the establishment of a Banking Union. The Banking Union consists of three pillars, the first of which is the Single Supervisory Mechanism (“**SSM**”), conferring powers on the ECB to directly supervise “significant” eurozone banks. The second pillar is the Single Resolution Mechanism (“**SRM**”), which provides for uniform rules and a uniform procedure for the resolution of banks by the Single Resolution Board and establishes a Single Resolution Fund for banks established within the SSM participating Member States. The Single Resolution Board cooperates with the European Commission and the resolution authorities of the participating Member States. Within the SRM context, for entities and groups established only within the SSM participating Member States, the SRM replaces the resolution colleges provided for in the Bank Recovery and Resolution Directive (2014/59/EU). Instead, representatives from national resolution authorities are involved



in the Single Resolution Board. The envisaged third pillar, a common deposit insurance scheme, is not currently in place. However, a legislative proposal for an EDIS was published by the European Commission on November 24, 2015 and is currently being debated in the European Parliament and the Council. The EDIS proposal envisages the gradual introduction of a common scheme for the SSM participating Member States through risk-sharing by the current national deposit guarantee schemes in three progressive stages: re-insurance, co-insurance and full insurance. The Banking Union is strengthened by the Single Rulebook, which aims to provide a single set of harmonized prudential rules with which banks throughout the EU must comply.

On July 2, 2014, a new Directive 2014/49/EU on deposit guarantee schemes (the “**DGSD**”) entered into force. The DGSD replaces Directive 94/19/EC and regulates amongst others the harmonization of the ex ante financing of the deposit guarantee schemes, the harmonization of the maximum payment of €100,000 under a deposit guarantee scheme, the cross-border cooperation of (foreign) deposit guarantee schemes, more transparency for depositors, the verification of claims by the deposit guarantee schemes and the reimbursement in the event of a bank failure. The DGSD should have been, for the most part, implemented and effective before July 3, 2015. In the Netherlands, a decree implementing the DGSD entered into force on November 26, 2015. See *“Risk factors—Risks related to our business—Increases in deposit insurance premiums or changes to the Dutch deposit guarantee scheme could have a material adverse effect on our financial condition and results of operations.”*

A new solvency framework and prudential regime for insurers, Solvency II, took effect on January 1, 2016. Solvency II is driven by the Directive 2009/138/EC, supplemented by Commission Regulation 2015/35 and a number of technical standards and guidelines issued by EIOPA. Solvency II aims further to rationalize, harmonize and modernize insurance regulation in the EU through a principles-based and risk-sensitive solvency regime.

Solvency II’s primary objective is to strengthen policyholder protection by aligning capital requirements more closely with the risk profile of the insurer. It seeks to instill risk awareness into the governance, operations and decision-making of the business. Solvency II forms part of the drive towards a European single market for insurance, with more open competition and greater policyholder and investor security.

Solvency II is similar to Basel II in its three pillar structure. Pillar 1 consists of the quantitative requirements (for example, the amount of capital an insurer should hold). Pillar 2 sets out requirements for the governance and risk management of insurers, as well as for the effective supervision of insurers. Pillar 3 focuses on disclosure and transparency requirements.

## **Dutch regulation**

### **General**

Banking supervision in the Netherlands is divided into prudential supervision, carried out by the DNB (and, since November 4, 2014, with respect to significant banks, primarily the ECB), and conduct of business supervision, carried out by the AFM.

Pursuant to authority granted to it under the FMSA, the DNB supervises and regulates LeasePlan’s activities. The AFM supervises primarily the conduct of business. Set forth below is a brief summary of the principal aspects of the FMSA.

### **Licensing**

Under the Single Supervisory Mechanism Regulation (1024/2013) (the “**SSM Regulation**”), as from November 4, 2014 a bank established in the Netherlands is required to obtain a license from the ECB before engaging in any banking activities. For both “significant banks” and “less significant banks” (such as LeasePlan), the DNB acts as the “single point of entry,” which means that the

license application shall be submitted to the DNB. The DNB shall assess compliance with the license requirements and will advise the ECB about the decision to be taken on the license application. If the DNB is of the view that the license requirements are not satisfied, it may reject the license application without further interference by the ECB. The requirements that must be satisfied in order to obtain a license, among others, are as follows: (i) the day-to-day policy of the bank must be determined by at least two persons; (ii) a bank that has the legal form of an N.V. company (such as LeasePlan) or a B.V. company must have a board of supervisory directors of at least three members; and (iii) the bank must have minimum own funds (*eigen vermogen*) of €5,000,000. The license requirements further include that (i) the persons who determine the day-to-day policy of the bank must be suitable to engage in the business of the bank; and (ii) the trustworthiness of the persons who determine or co-determine the policy of the bank must be beyond doubt. In addition to certain other grounds, the license may be revoked, at the initiative of the DNB or the ECB, if a bank fails to comply with the requirements for maintaining it. LeasePlan has held a Dutch banking license since 1993.

### **Reporting**

A bank is required to file with the DNB its annual financial statements in a form approved by the DNB, which includes a statement of financial position and a statement of income that have been certified by an appropriately qualified auditor. In addition, a bank is required to file quarterly (and some monthly) statements, on a basis established by the DNB, which also has the power to demand more frequent reports.

The Regulated Group must file quarterly (and some monthly) reports as well as annual reports that provide a true and fair view of its financial position and results with the DNB. LeasePlan's solvency report (COREP) and financial report (FINREP) are audited on an annual basis by an external auditor.

Under the FMSA, LeasePlan is required to make its annual financial statements and semi-annual financial statements generally available to the public within four months and two months, respectively, of the end of the period to which the financial information relates. The annual and semi-annual financial statements must be filed with the AFM simultaneously with their publication.

### **Supervision**

The DNB exercises supervision of banks with respect to their solvency and liquidity, compliance with sound and prudent business operations requirements (including with respect to administrative organization and internal control systems) and structure. To this end, among others, the following general regulations apply under the FMSA and implementing regulations issued by the DNB:

#### ***Liquidity supervision***

CRR requires banks to report on their LCR and NSFR and to maintain a liquidity buffer (in such an amount to adhere to an LCR of 60% from October 1, 2015, 70% from January 1, 2016, 80% from January 1, 2017, and 100% from January 1, 2018). In addition to the LCR liquidity requirement of CRR, the DNB applies a National LCR ("**NLCR**") with a required ratio of 100% from October 1, 2015. The NLCR corresponds to the LCR with the exception that under the NLCR the netting of inflows and outflows for cash pooling products is allowed under certain conditions. Banks that do not have a bank as a subsidiary and that comply with a NLCR of 100% at a consolidated level only have to comply with a NLCR of 80% until January 1, 2017. The NLCR is meant as a temporary measure and will be applicable until either the full phase in of the LCR on January 1, 2018, or an earlier date as determined by the DNB, depending on the progress of adoption of the more detailed LCR rules and reporting standards, at which point it will be replaced by the LCR requirement of 100%.

Furthermore, banks must, until the end of 2016, continue to report on the basis of the previous Dutch national liquidity regulation of the DNB (the "**Liquidity Regulation**"). Under the Liquidity Regulation, banks are in principle required to report their liquidity position on an individual and a consolidated level to the DNB on a monthly basis. The Liquidity Regulation seeks to ensure, *inter alia*, that banks are able to meet their payment requirements on an ongoing basis, on the assumption that banks would remain solvent. The regulatory report also takes into consideration the liquidity effects of derivatives and the potential drawings under committed facilities. The Liquidity Regulation places emphasis on the short term by testing the liquidity position over a period of up to one month with a separate test of the liquidity position in the first week. For observational purposes, several additional maturity bands are included in the liquidity supervision standard (for example, one to three months, three to six months, six months to one year and beyond one year). Available liquidity must always exceed required liquidity. Available liquidity and required liquidity are calculated by applying weighting factors to the relevant on- and off balance sheet items. The liquidity test includes all currencies. The Liquidity Regulation allows the DNB to impose additional liquidity requirements on a bank based on periodic reviews by the DNB of the strategies and procedures for risk management, which include the strategies and procedures of banks aimed at liquidity risk management. See "*Risk management—Risk management areas—Primary risk management areas—Liquidity risk.*"

### **Structure supervision**

Third parties that acquire or increase a qualified holding in a Dutch bank must apply for a declaration of no-objection (*verklaring van geen bezwaar*) ("**DNO**") from the ECB (in consultation with the DNB). A qualified holding means a direct or indirect holding in a bank which represents 10% or more of the capital or of the voting rights of the bank, or which makes it possible to exercise a significant influence over the management of the bank. The DNO may be issued by the ECB if the relevant criteria are satisfied. Again, the DNB acts as the "single point of entry," which means that the application for the DNO shall be submitted to the DNB. The DNB shall assess compliance with the relevant requirements and will advise the ECB about the decision to be taken.

Aside from the DNO requirement for qualified holdings in banks, banks themselves may also be required to obtain a DNO. Such is the case, for example, if a bank intends to acquire a qualifying holding in another bank whose balance sheet exceeds 1% of the consolidated balance sheet of the acquiring bank. In addition, banks require a DNO from the DNB for certain specific acts, such as proceeding with a financial or corporate reorganization.

### **Supervision of compliance with requirements with respect to sound and prudent business operations**

Banks must have robust governance arrangements, which include (i) a clear organizational structure with well-defined, transparent and consistent lines of responsibility, (ii) effective processes to identify, manage, monitor and report the risks to which they are or might be exposed, (iii) adequate internal control mechanisms, including sound administration and accounting procedures, and (iv) remuneration policies and practices that are consistent with and promote sound and effective risk management. The robust governance arrangements shall be comprehensive and proportionate to the nature, scale and complexity of the risks inherent in the business models and business activities of banks.

With respect to dividend distribution policies, the DNB and the ECB expect banks that satisfy the applicable capital requirements to only distribute their net profits as dividends in a conservative manner so as to enable them to continue to fulfil all requirements, even in the case of deteriorated economic and financial conditions. In addition, insofar as banks have not yet reached their "fully loaded" ratios (the required capital ratios by the applicable full phase-in dates), banks should in principle only pay out dividends to the extent that, at a minimum, a linear path towards the required fully loaded capital ratios is secured. Banks that do not satisfy the applicable capital requirements should in principle not distribute any dividend.

The DNB also supervises the administrative organization of individual banks, their financial accounting system and their internal controls. The administrative organization must be such as to ensure that a bank has at all times a reliable and up-to-date overview of its rights and obligations. Furthermore, the electronic data processing systems, which form the core of the accounting system, must be secured in such a way as to ensure optimum continuity, reliability and security against fraud. As part of the supervision of the administrative organization, this system must be able to prevent conflicts of interests.

If, in the opinion of the DNB, a bank fails to comply with the rules and regulations regarding the above mentioned (or other) supervisory subjects, the DNB will notify the bank and may instruct the bank to follow a certain course of action. If the bank does not respond to any such instructions to the satisfaction of the DNB, the DNB is allowed to exercise additional supervisory measures that may include the imposition of fines.

### **The Dutch Intervention Act and BRRD**

The Dutch Act on special measures regarding financial undertakings entered into force on June 13, 2012 (the “**Dutch Intervention Act**”). The Dutch Intervention Act entered force with retroactive effect as from January 20, 2012. Under the Dutch Intervention Act, substantial new powers were granted to the DNB and the Dutch Minister of Finance enabling them to deal with, *inter alia*, ailing Dutch banks with the aim to avoid their insolvency. The Dutch Intervention Act aimed to empower the DNB or the Minister of Finance, as applicable, to commence proceedings leading to: (i) the transfer of all or part of the business (including deposits) of the relevant bank to a private sector purchaser; (ii) the transfer of all or part of the business of the relevant bank to a ‘bridge bank’; (iii) the transfer of the shares of the relevant bank to a ‘bridge bank’; and (iv) public ownership (nationalization) of all or part of the relevant bank or of all or part of the shares of or other securities issued by the relevant bank. The Minister of Finance may, after consultation with the DNB, take immediate measures which may deviate from statutory provisions or from the articles of association of the institution concerned. Within the context of the resolution tools provided by the Dutch Intervention Act, holders of debt securities of a bank subject to resolution could be affected by issuer substitution or replacement, transfer of debt, expropriation, modification of terms and/or suspension or termination of listings. The Dutch Intervention Act has been amended by the law implementing the BRRD (as defined below). The scope of the DNB’s intervention measure to transfer shares, assets or liabilities on the basis of a transfer plan is now limited to insurance companies (and thus no longer applies to banks). However, the scope of the powers granted to the Minister of Finance under the Dutch Intervention Act remained as is. In addition, subject to certain exceptions, the relevant counterparties of the bank (or of a financial holding company, mixed financial holding company or mixed holding company of the bank, or any of the bank’s group companies if the agreement includes cross-default provisions) are no longer entitled to exercise, among others, any termination, suspension, modification, netting or set-off rights against the bank or against any such group company in relation to such agreement, as soon as the Minister of Finance exercises his powers under the Dutch Intervention Act. There is a risk that exercise of these powers by the Minister of Finance could adversely affect the Issuer’s ability to meet its payment and other obligations under the Notes and enforcement thereof by the Noteholders.

The Bank Recovery and Resolution Directive (2014/59/EU) (“**BRRD**”) sets out a common European recovery and resolution framework which is composed of three pillars: (i) preparation (by requiring banks to draw up recovery plans and resolution authorities to draw up resolution plans), (ii) early intervention powers and (iii) resolution powers. The BRRD contains similar provisions to the rules outlined in the SRM (see above). The BRRD has largely been applicable from January 1, 2015 and is fully applicable from January 1, 2016. The Dutch legislature adopted the Dutch Implementing Act for the European Framework for the Recovery and Resolution of Banks and Investment Firms on November 10, 2015 and this legislation came into force on November 26, 2015.

The BRRD gives regulators resolution powers, *inter alia*, to write-down debt of failing banks and certain investment firms (or to convert such debt into equity) to strengthen their financial position and allow such undertakings to continue as a going concern subject to appropriate restructuring measures being taken. This power to write-down debt (or convert debt to equity) while an institution remains open is known as the “Bail-in Tool.” In addition to the Bail-in Tool, the BRRD provides the resolution authorities with broader powers to implement other resolution measures with respect to banks which reach non-viability, which may include (without limitation) the sale of a bank’s business, the separation of assets, the replacement or substitution of the bank as obligor in respect of debt instruments, modifications to the terms of debt instruments and discontinuing the listing and admission to trading of financial instruments. Under the BRRD, the Regulated Group is also required at all times to meet a minimum requirement for own funds and eligible liabilities (MREL), expressed as a percentage of its total liabilities and own funds. This may result in higher capital and funding costs. There is a risk that exercise of powers under the BRRD could adversely affect the Issuer’s ability to meet its payment and other obligations under the Notes and enforcement thereof by the Noteholders.

Subject to certain exceptions, the above-mentioned measures under the BRRD have as a consequence that the relevant counterparties of the bank (or of a financial holding company, mixed financial holding company or mixed holding company of the bank, or any of the bank’s group companies if the agreement includes cross-default provisions) are no longer entitled to exercise, among others, any termination, suspension, modification, netting or set-off rights against the bank or against any such group companies in relation to such agreement. The taking of any of the aforementioned measures under the BRRD could adversely affect the Issuer’s ability to meet its payment and other obligations under the Notes and enforcement thereof by the Noteholders.

#### **Dutch Banking Code, Corporate Code of Conduct and the Banker’s Oath**

The Dutch Banking Association (*Nederlandse Vereniging van Banken*) has revised the Dutch Banking Code 2010. The new Dutch Banking Code 2015 (*Code Banken*) entered into force on January 1, 2015 and is designed to make a contribution to public trust in banks and their role in the community. The Dutch Banking Code formulates principles for banks relating to, for instance, the bankers’ oath, remuneration, internal supervision, risk management and audits. Banks report on compliance with the Dutch Banking Code 2015 according to the “comply or explain” principle on the basis of self-regulation.

LeasePlan complies with all of the principles of the Dutch Banking Code, with one exception where, in its 2014 annual report, it chose to explain: LeasePlan has not established a separate risk committee within the Supervisory Board. In view of the importance of risk management and taking into account the size of the Supervisory Board, the Supervisory Board has determined that instead of a separate risk committee, all of its members will retain full responsibility for overseeing decisions concerning the risk management framework of the Regulated Group.

Our Code of Conduct was initially adopted in 2010 and a revised Code of Conduct was subsequently approved by the Managing Board on December 14, 2015 and became effective in January 2016. It provides guidance on the principles that govern the way we conduct our business and includes our values and principles. The Code of Conduct is also aligned with the principles of the Dutch Banking Code with respect to moral ethical conduct. In 2011 and 2012, our Managing Board and all members of our Corporate Management Team signed the moral ethical statement as required by the Dutch Banking Code 2010. This requirement no longer exists under the revised Dutch Banking Code 2015 and was replaced by the requirement to take the banker’s oath under the Regulation Oath or Promise Financial Sector (as further described below).

On January 1, 2013, the “Regulation Oath or Promise Financial Sector” (*Regeling eed of belofte financiële sector*) entered into force requiring that Managing Board and Supervisory Board members take the banker’s oath or declare the banker’s promise (the “Oath”). The wording of the aforesaid moral ethical statement and the Oath are similar. All members of the Managing Board and the Supervisory Board have taken the Oath.



As of April 1, 2015, the Regulation Oath or Promise Financial Sector was expanded, as consequence of which all bank employees must take the Oath. As a consequence of the FMSA and the Dutch Banking Code, LeasePlan introduced the Oath for all applicable staff in 2015 and, in addition, requests that relevant persons to whom the Oath applies submit to the related disciplinary regime.

## Remuneration

On August 1, 2014, the remuneration rules provided for in the CRD IV Directive came into force in the Netherlands. The remuneration provisions of CRD IV have been implemented in the FMSA and the amended Regulation on Sound Remuneration Policies (*Regeling beheerst beloningsbeleid Wft 2014*, issued by the DNB). The bonus cap of 100% of fixed pay – or, when certain conditions are met, 200% of fixed pay—provided for by CRD IV was implemented in the FMSA. The Regulation on Sound Remuneration Policies provides for, amongst other things, the obligation to pay bonuses partially in equity or equity-linked instruments, defer bonus payments and apply retention periods, malus and claw back.

On February 7, 2015, the Dutch Act on Remuneration Policies of Financial Enterprises (*Wet beloningsbeleid financiële ondernemingen*) entered into force. This act provides for a bonus cap of 20% of fixed pay. For the Dutch operating entities with personnel, the bonus cap is set at 20% on average for all employees collectively. There are a number of exceptions to this Dutch bonus cap, which—subject to specific circumstances and conditions to be met—could lead to a bonus cap of 100% or 200% of fixed pay. For LeasePlan, this act means that it and its foreign subsidiaries have to comply with a bonus cap of 100%. The Dutch Act on Remuneration Policies of Financial Enterprises also provides for other pay constraints such as on retention bonuses and severance payments. LeasePlan has implemented these remuneration rules in its remuneration policy.

Apart from the above, there are also a number of other codes and regulations that LeasePlan takes into account in determining the remuneration policy, such as the Dutch Banking Code.

Finally, amendments to the Dutch Civil Code allowing for the adjustment or recovery (“**clawback**”) of excessive bonuses awarded to executives became effective on January 1, 2014. Pursuant to the FMSA, and as introduced by the Dutch Act on Remuneration Policies of Financial Enterprises, the scope of the provisions regarding the clawback of bonuses of the Dutch Civil Code has been extended to all group employees of financial undertakings. For banks, the rules apply in respect of bonuses (i.e. the “non-fixed” part of the remuneration, which becomes unconditional only upon the occurrence of performance-related or other events) (to be) paid to any person working under the responsibility of the bank. Adjustment of unreasonable bonuses may be initiated by the body which has powers to establish the remuneration of directors. Any recovery or clawback could be claimed by the company itself.

## Regulation and supervision of Euro Insurances

Our insurance subsidiary, Euro Insurances, is based in Dublin, Ireland and is subject to supervision by the Central Bank of Ireland, the designated EU insurance supervisory authority of Ireland. The Central Bank of Ireland is tasked with the prudential supervision of insurance companies with head offices in Ireland. Euro Insurances is subject to the Irish Insurance Acts 1909 to 2015; certain provisions of the Irish Central Bank Acts 1942 to 2015; regulations made under those Acts and regulations relevant to non-life insurance undertakings made under the European Communities Act 1972, including the European Union (Insurance and Reinsurance) Regulations 2015 (the “**2015 Regulations**”), together with guidelines and codes of conduct issued by the Central Bank of Ireland.

A new European solvency framework and prudential regime for insurers, Solvency II, took effect in full on January 1, 2016. Solvency II is driven by Directive 2009/138/EC, supplemented by



European Commission Regulation 2015/35 and a number of technical standards and guidelines issued by EIOPA. The 2015 Regulations give effect in Irish law to Solvency II and, among other things, regulate the process for authorization of non-life insurers such as Euro Insurances, require Euro Insurances to provide certain statistical and other information to the Central Bank of Ireland to enable the Central Bank of Ireland to effect supervision and prescribe the types of business that Euro Insurances may carry out. In addition, Euro Insurances is required to meet risk-based solvency requirements imposed under Solvency II, which sets out classification and eligibility requirements, including the features that capital must display in order to qualify as regulatory capital.

### **Act on Management and Supervision**

The Act on Management and Supervision entered into force in the Netherlands on January 1, 2013. Some features of this act which are relevant for us are (i) a limitation of the number of external supervisory board positions of board members, (ii) gender diversity in board composition and (iii) rules regarding conflicts of interest of board members. On January 1, 2016, the legal requirement with respect to diversity expired. The legislator is expected to extend the requirement until 2020 and to announce new rules for large listed companies with respect to gender diversity.

# Management

## Supervisory Board and Managing Board

LeasePlan is governed by a two-tiered board structure comprised of a Supervisory Board and a Managing Board. The Supervisory Board is responsible for supervising the policy of the Managing Board and the general course of affairs of LeasePlan and its subsidiaries. The Supervisory Board advises the Managing Board in determining LeasePlan's strategic direction, and certain resolutions of the Managing Board are subject to approval by the Supervisory Board. The Managing Board conducts the business of LeasePlan in accordance with the applicable laws and regulations, the guidelines and policies established by the DNB, LeasePlan's Articles of Association and the Managing Board regulations.

The Company indirectly owns LeasePlan, but as LeasePlan is regulated as a bank under the FMMSA and falls under the Dutch full large company regime, it is expected that the operations of LeasePlan and its subsidiaries will effectively be controlled by the Managing Board and supervised by the Supervisory Board.

The Dutch large company regime fully applies to LP Group and its subsidiaries and the Supervisory Board has the power to appoint, suspend and dismiss members of the Managing Board. Under the large company regime, the general meeting of shareholders appoints the members of the Supervisory Board pursuant to a binding nomination by the Supervisory Board, taking into account any recommendation rights held by the Company and the strengthened recommendation rights of the Dutch works councils of LeasePlan.

The Supervisory Board consists of seven members, two of whom are nominated by the Consortium, and two of whom (who are considered independent) are individuals who sit on the Supervisory Board on the recommendation of LeasePlan's Dutch works councils. The remaining three Supervisory Board members are independent, and one of these members chairs the Supervisory Board.

The Supervisory Board meets, on average, at least four times a year. The Supervisory Board has the power to review key strategic decisions of our management and aims to pass all of its resolutions on the basis of a unanimous vote.

The Managing Board is made up of four members and comprises the Chairman and Chief Executive Officer, the Chief Financial Officer, the Chief Commercial Officer and the Chief Operating Officer of LeasePlan. The Managing Board is responsible for the overall management of the Group and meets every other week.

The address of the Supervisory and Managing Boards is the registered office of LeasePlan: P.J. Oudweg 41, 1314 CJ Almere, the Netherlands.

## Supervisory Board

The following table lists the members of the Supervisory Board as of the Completion Date:

Name	Born	Title	Member of Supervisory Board Since	Term expires
Jos Streppel	1949	Chairman (nominated)	*	**
Ada van der Veer-Vergeer	1959	Member	2010	2018
Herta von Stiegel	1957	Member	2015	2018
Eric-Jan Vink	1971	Member	*	**
Manjit Dale	1965	Member	*	**
Steven van Schilfgaarde	1964	Member	*	**
Stefan Orłowski	1966	Member	*	**

\* This member of the Supervisory Board was appointed on the Completion Date.

\*\* The term of these members of the Supervisory Board is expected to be three to four years, with the split to be determined to achieve an appropriate balance of rotation and continuity.

Summarized below is a brief description of the experience of the individuals serve as members of LeasePlan's Supervisory Board following the Acquisition.

**Jos Streppel** is Chairman of the Supervisory Board and a member of the credit committee.

Mr. Streppel has over 40 years' experience in the financial services industry, with a particular focus in the areas of commercial real estate and insurance, retirement and workplace services. His previous positions include Chief Financial Officer of AEGON N.V., and Chief Financial Officer of FGH Bank. He has also previously served as Chairman of the Management Board of Labouchère, a merchant bank; as interim Chairman of the Management Board of FGH Bank; and as a member of AEGON's Management Board. Until 2015, Mr. Streppel was Chairman of the Supervisory Board of KPN, a Dutch telecommunications company, and a member of the State Commission on Insurance. He has previously served in various roles in connection with the Dutch Corporate Governance Code, ECOFIN and the International Accounting Standards Board, among others. His current responsibilities and activities include his roles as Deputy Chairman of the Supervisory Board of Lanschot NV, a bank holding company; non-executive director of RSA Insurance Group plc; deputy councillor of the Enterprise Chamber of the Amsterdam Court of Appeals; and member of the Supervisory Board of Stichting Arq, a mental hospital.

**Ada van der Veer-Vergeer** was appointed as a member of the Supervisory Board on December 10, 2010 and was reappointed on October 22, 2014. She chairs the remuneration committee.

Ms. van der Veer-Vergeer has over 25 years' experience in the financial services industry including a strong background in the banking sector. Her previous positions include Chief Executive Officer of Currence Holding, Chairperson of the Board of Staal Bankiers and member of the Executive Board of Achmea Bank Holding. Since 2007 she has been a Director of Stranergy, a company specializing in independent boardroom consultancy in the areas of strategy and corporate governance. She is currently member of the Supervisory Board of Alliander N.V. Furthermore, Ms. van der Veer-Vergeer is a board member of Stichting Preferente Aandelen Nedap N.V., advisor to the National Register of Directors and Supervisors, member of the Advisory Board of Litifund, Chair of the Dutch Monitoring Committee Accountancy and Visiting Lecturer at the Erasmus University and Nyenrode Business University.

**Herta von Stiegel** was appointed as a member of the Supervisory Board on March 25, 2015, and is a member of the audit committee.

Dr. von Stiegel has over 25 years' experience in international management, finance and board level positions in highly regulated financial services businesses. She has specific expertise in banking, clean energy and cross-border risk management in Europe, North America, emerging and frontier markets. During her 17 years in the banking sector, she held senior positions at Citibank, JP Morgan and AIG in London and New York. Until 2005, she was Managing Director at AIG Financial Products. She is the founder and former chairperson of the Prince's Trust Women's Leadership Group, the UK's leading youth charity. Dr. von Stiegel currently serves on several corporate and non-profit boards, including the first independent chairperson of CHAPS Clearing Company Ltd., UK, and the Kenya Chapter of Women Corporate Directors. Furthermore she is the founder and executive chairperson of Ariya Capital Group Ltd., a financial services and project development firm focusing on clean energy and infrastructure investments in Africa. Dr. Von Stiegel is based in Nairobi, Kenya and is a citizen of the United Kingdom and the United States.

**Eric-Jan Vink** is a member of the Supervisory Board and a member of the audit committee.

Mr. Vink has over 18 years' experience in the private equity industry. He has been head of Private Equity at PGGM since 2012. His previous positions include Senior Investment Manager—Private Equity at PGGM and Partner at Gilde Buy Out Partners. Mr. Vink graduated from the Erasmus Universiteit in Rotterdam with a degree in business administration.

**Manjit Dale** is a member of the Supervisory Board and chairs the credit committee and is a member of the remuneration committee.

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

**Steven van Schilfgaarde** is a member of the Supervisory Board and chairs the audit committee and is a member of the credit committee.

Mr. van Schilfgaarde has over 25 years' experience in general management, strategy, corporate finance and business finance. He began his career in 1990 within the finance function at KPN, a Dutch telecommunications company, and held various roles at KPN affiliates until 2014, most recently serving as interim Chief Financial Officer and a member of the Management Board of Royal KPN N.V. He is currently Treasurer/Secretary of the Van Schilfgaarde Stichting (a family foundation) and director of two private companies. Previously, Mr. van Schilfgaarde was a member of the board of the KPN Company Pension Fund and a member of the Supervisory Board of each of SNT Deutschland AG, Eplus Mobilfunk GmbH & Co. KG, and Digtente Holding B.V. Mr. van Schilfgaarde also has experience as a Supervisory Board member at KPMG N.V.

**Stefan Orlowski** is a member of the Supervisory Board and a member of the remuneration committee.

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

Mr. Orlowski currently serves as a member of the Supervisory Board of Żywiec S.A. (a Polish brewer controlled by Heineken), where he was previously employed as a vice president and as a member of the Supervisory Board of Brauw Holding International GmbH & Co KgaA. Prior board positions include roles as vice-chairman of Compania Cervecería Costa Rica, director of Compania Cervecería de Colombia and chairman of the Marketplace Committee for Business in the Community, a charity under the patronage of the Prince of Wales.

## Managing Board

The following table lists the members of the Managing Board as of the Completion Date:

Name	Born	Title	Member of Managing Board Since
Vahid Daemi . . . . .	1956	Chairman and Chief Executive Officer	1998
Guus Stoelinga . . . . .	1963	Chief Financial Officer	2007
Sven-Torsten Huster . . . . .	1958	Chief Operating Officer	2011
Nick Salkeld . . . . .	1959	Chief Commercial Officer	2014

There are not set terms for members of the Managing Board.

Summarized below is a brief description of the experience of the individuals who serve as members of LeasePlan's Managing Board following the Acquisition.

**Vahid Daemi** is the Chairman of the Managing Board and Chief Executive Officer. He has over 20 years of LeasePlan experience. Mr. Daemi started as Finance Director in the UK in 1993 and became Managing Director of LeasePlan UK in 1995 before moving on to become COO in 1998 and later CEO and Chairman of the Managing Board of LeasePlan in 2006. Prior to LeasePlan, he held various financial, strategy and commercial positions at DIAGEO and Pepsico. Mr. Daemi is

also Vice Chairman of the board of Leaseurope, the trade body that represents the leasing and automotive rental industry in Europe. Mr. Daemi holds a first class honors degree in Economics from the London School of Economics and is a UK Chartered Accountant.

**Guus Stoelinga** is a member of the Managing Board and Chief Financial Officer. He has over 20 years of LeasePlan experience. He started as the Finance Director in LeasePlan Netherlands and of Auto Lease Holland before becoming Senior Vice-President Business Process Management of LeasePlan in 2000, followed by the position of Senior Vice-President Business Integrations and Senior Vice-President Corporate Strategy and Development. He was appointed to his current position in 2007. Mr. Stoelinga previously held various audit positions at KPMG and financial positions at Banque Paribas, Netherlands. Mr Stoelinga is a Dutch Chartered Accountant (NBA).

**Sven-Torsten Huster** is a member of the Managing Board and Chief Operating Officer. He has over 25 years of automotive industry experience. He started at Volkswagen AG as Assistant to the CEO and moved on to Information Systems and Business Process management as division manager before becoming COO in 2003 and CIO of Volkswagen Financial Services AG in 2005. Mr. Huster was appointed to his current position in 2011. Mr. Huster holds a degree in Industrial Engineering from Hamburg University and an MPA in Business and Public Administration from Harvard and MIT.

**Nick Salkeld** is a member of the Managing Board and Chief Commercial Officer. He has over 30 years of automotive business experience. He started at Ford Motor Credit Company as zone manager and Nissan UK as Fleet sales manager before becoming Operations Director at Automotive Leasing and Commercial Director at LeasePlan UK. Mr. Salkeld held the position of Managing Director of LeasePlan International and was appointed Regional Senior Vice-President in 2004. He was appointed to the new position of Chief Commercial Officer and Member of the Managing Board in 2014. Mr. Salkeld holds a Bachelor of Arts degree in Economics from the University of Manchester.

## **Senior management**

We have a strong entrepreneurial culture which combined with our dedicated and professional management team, is an important basis of our success and continues to be one of our competitive advantages. We believe our senior management team has an intimate knowledge of the industry and shares a common vision for the future.

The following table lists the members of our senior management team as of the Completion Date.

Name	Born	Title	Member of Management Team Since
Flora Hennekes-van Rosmalen ..	1961	Corporate Secretary	1988
Kevin McNally .....	1958	Regional Senior Vice-President of Northern Europe and the Americas	2006
Javier Contreras Garcia .....	1959	Regional Senior Vice-President of Southern Europe and Pacific Region	2006
Ignacio Barbadillo .....	1966	Regional Senior Vice-President Central Europe and Asia Region	2015
Tricia Desnos .....	1960	Senior Corporate Vice-President of Human Resources	2009
Yolanda Paulissen .....	1969	Senior Corporate Vice-President of Strategic Finance	2010
Marja Gorter .....	1957	Senior Corporate Vice-President of Legal & Compliance	2010
Theo Kuipers .....	1967	Senior Corporate Vice-President of Control, Reporting & Tax	2006
Paul Lejeune .....	1963	Senior Corporate Vice-President of Risk Management	2015
John Boon .....	1962	Senior Corporate Vice-President of Corporate Strategy and Development	2008
Leo Walraven .....	1958	Senior Corporate Vice-President of Audit	2003
Jaime Requeijo Gutiérrez .....	1965	Senior Vice-President of Business Development	2006
Wolfgang Reinhold .....	1957	Senior Vice-President of Car Remarketing, Operations and Procurement	2006
Phil Parker .....	1960	Senior Vice-President of Information & Communication Technology	2015

Summarized below is a brief description of the experience of the individuals who serve as members of our senior management team following the Acquisition.

**Flora Hennekes-van Rosmalen** is the Corporate Secretary. She has over 30 years of LeasePlan experience. She started as Executive Secretary at LeasePlan in 1983 and was appointed Corporate Secretary in 1988. Ms. Hennekes holds a Bachelor of Education and a Certificate in Business Law.

**Kevin McNally** is the Regional Senior Vice- President of Northern Europe and the Americas. He has over 25 years of automotive business experience. He started at Rover Cars as a Business Car and Fleet Manager before becoming a Fleet Sales Director at Nissan Motor GB, followed by the position of Commercial Director and Managing Director of LeasePlan UK. Mr. McNally has held his current position since 2006. Mr. McNally holds a Bachelor of Science Honors degree from the University of Newcastle upon Tyne.

**Javier Contreras Garcia** is the Regional Senior Vice President of Southern Europe and Pacific Region. He has over 25 years of automotive experience. He started at BMW Ibérica as market analyst and Marketing Manager before becoming the Commercial General Director and later the CEO of Grupo Alto Gestion. He held the position of Managing Director of LeasePlan Spain before being appointed as Regional Senior Vice-President at LeasePlan in 2006. Mr. Contreras Garcia holds a degree in Economics from Madrid University.

**Ignacio Barbadillo** is the Regional Senior Vice President of Central Europe and Asia region. He has over 12 years of LeasePlan experience. He started as Finance Director in Spain in 2002, became



Managing Director of LeasePlan Spain in 2006 and Senior Vice-President of the Central Europe and Asia Region of LeasePlan as from January 2015. Mr. Barbadillo previously held various sales, operations and finance positions with Procter & Gamble Spain, Hilti Group Spain and Grupo Prisa Spain. He holds a degree in Business Administration from Universidad Complutense de Madrid, Spain, with extension in Wooster College, Ohio, USA. He also finished a Management Development Program (PDD) at IESE Business School in Spain.

**Tricia Desnos** is the Senior Corporate Vice President of Human Resources. She has over 25 years of experience in various HR roles at Iveco Ford Truck, Telewest Communications, Vodafone UK, and Dunn and Bradstreet. At Dunn and Bradstreet, Ms. Desnos was European HR Director for sales and then was appointed to work directly for the European President in 2002. In 2006 she was appointed to the position of Director Human Resources at LeasePlan UK. Ms. Desnos has held her current position since 2009. Ms. Desnos holds a Bachelor Degree in Education from Durham University and is a member of the Chartered Institute of Personnel and Development.

**Yolanda Paulissen** is the Senior Corporate Vice President of Strategic Finance. She has over 20 years of experience in finance. She started at LeasePlan to become an international funding manager in 1993. She then left LeasePlan to become Senior Consultant Corporate Finance at Van den Boom Groep and NIBC before returning to LeasePlan as a senior manager in corporate strategy and development, followed by a position of Director of Mergers and Acquisition. She has held her current position since 2010. Ms. Paulissen holds a Master's degree in Business Economics from Maastricht University.

**Marja Gorter** is the Senior Corporate Vice President of Legal & Compliance. She has over 20 years of corporate legal experience. She started as an attorney at law at NautaDutilh for a period of 10 years, initially in Rotterdam and subsequently in New York. Thereafter she started working as Senior Company Lawyer at Royal Ahold, and then became the Director Legal and Corporate Secretary at Atradius, Credit Insurers. Ms. Gorter joined LeasePlan in 2006 and has held her current position since 2010. Ms. Gorter holds Master's degrees in Law from Nijmegen University and the University of the Netherlands Antilles. She is also a graduate of the compliance program from Vrije Universiteit Amsterdam.

**Theo Kuipers** is the Senior Corporate Vice President of Control, Reporting & Tax. He has over 20 years of experience in finance with LeasePlan. He started as international Funding Manager and later became Treasurer for LeasePlan Australia before becoming Managing Director of Euro Insurances based in Dublin, Ireland. He has held his current position since 2006. Mr. Kuipers holds a Master's degree in economics from Groningen University.

**Paul Lejeune** is the Senior Corporate Vice President of Risk Management. He has over 20 years of LeasePlan experience. He started as Finance Manager of Auto Lease Holland in 1990 and became Finance Director of Auto Lease Holland in 2000. After the merger of the three Dutch entities, Mr. Lejeune was appointed Manager Risk Management and Control of LeasePlan Netherlands. He was appointed Regional Finance Director of the Northern Europe and Americas Region in 2010 and took up the post of Senior Corporate Vice-President Risk Management at the beginning of 2015. Mr. Lejeune holds a Master of Business Administration from Groningen University.

**John Boon** is the Senior Corporate Vice President of Corporate Strategy and Development. He has more than 30 years of commercial and finance experience. Mr. Boon trained and qualified as a UK Chartered Accountant with Arthur Andersen. He held financial positions at Rosehaugh and Grand Met before joining LeasePlan UK in 1993 as Finance Planning and Admin Manager. Subsequently, he was promoted to Finance Controller and then Finance Director. He has held his current position since 2008. Mr. Boon holds a Bachelors of Arts Honors degree in Economics and Politics from Warwick University.

**Leo Walraven** is the Senior Corporate Vice President of Audit. He has over 30 years of audit experience. He started his career with NMB bank (now ING) and Arthur Andersen before becoming Audit Manager at LeasePlan and later on Head of Audit and Control. He has held his

current position since 2003. Mr. Walraven holds a Master’s degree in Economics from Amsterdam University and is a Dutch Chartered Accountant (NBA).

**Jaime Requeijo Gutiérrez** is the Senior Vice President of Business Development. He has more than 20 years of experience in sales, marketing and business analytics. He has worked for Peugeot, McKinsey, Deutsche Bank, Citibank and Royal and Sun Alliance. Mr. Requeijo joined LeasePlan Spain as Marketing and CRM Director and later on became Director in charge of new markets. He has held his current position since 2006. Mr. Requeijo holds a Master of Business Administration from J.L. Kellogg Graduate School of Management.

**Wolfgang Reinhold** is the Senior Vice President of Car Remarketing, Operations and Procurement. He has over 30 years of automotive experience. He started his career as Regional Sales Manager for Hertz in Germany after which he became Branch Director for ALD Autoleasing. He joined LeasePlan Germany as Managing Director before assuming his current position in 2006. Mr. Reinhold holds a commercial certificate from a commercial school.

**Phil Parker** is the Senior Vice President of Information & Communication Technology. He has over 20 years of LeasePlan experience. Mr. Parker started as Information Technology (IT) Director in LeasePlan UK in 1994. In 1998 he was appointed Group IT Director for LeasePlan. Following an external role within GMAC, Mr. Parker rejoined LeasePlan UK in 2002 before taking the role of Managing Director of LeasePlan’s shared technology services center, LeasePlan Information Services in 2007. In January 2015 he was appointed as Senior Vice-President, Information & Communication Technology. Mr. Parker holds a Bachelor of Science Honors degree in Electrical & Electronic Engineering from University of Manchester and a Master of Business Administration from Warwick Business School.

## Board of directors of the Issuer

The following table lists the members of the board of directors of the Issuer as of the Completion Date:

Name	Born
Ana Kekovska .....	1972
Fiona Wilson .....	1971

There are not set terms for members of the board of directors of the Issuer.

The address of the board of directors of the Issuer is the registered office of the Issuer: 47 Esplanade, St. Helier, Jersey JE1 0BD.

Summarized below is a brief description of the experience of the individuals who serve as members of the board of directors of the Issuer.

**Ana Kekovska** is a Chartered Accountant with over 20 years of experience in the financial services sector. With a strong background in regulated markets, Ana brings a depth of knowledge of financial control, corporate governance and risk management. Ana qualified with the Institute of Chartered Accountants in Australia and also holds a qualification with the Institute of Chartered Accountants in England and Wales. Prior to her current role, Ana held a leadership role with Deloitte working with blue chip financial services clients operating across multiple jurisdictions. Ana is a director of Crestbridge Corporate Services Limited which acts as company secretary and provides company administration services to the Issuer.

**Fiona Wilson** is a full-time professional director. Fiona qualified as a lawyer in Australia, England and Wales and Jersey but is currently non-practising. She has 17 years’ experience as a lawyer in both private practice and as in-house counsel principally in the areas of corporate law, funds, capital markets, trusts, corporate governance and company secretarial. Fiona is a director of Crestbridge Corporate Services Limited which acts as company secretary and provides company administration services to the Issuer.

Affiliates of the directors of the Issuer provide on-going administrative services to the Issuer at commercial rates. No director has any other conflict of interest and/or any potential conflict of interest between any of his duties to the Issuer and his private interests and/or other duties.

## Board of directors of the Company

The following table lists the members of the board of directors of the Company as of the Completion Date:

Name	Born
Justin Ngoo	1965
Thibaut Large	1976

There are not set terms for members of the board of directors of the Company.

The address of the Board of Directors of the Company is the registered office of the Company: 10 Changi Business Park Central 2 #05-01 Hansapoint@CBP, Singapore 486030.

Summarized below is a brief description of the experience of the individuals who will serve as members of the board of directors of the Company following the Acquisition.

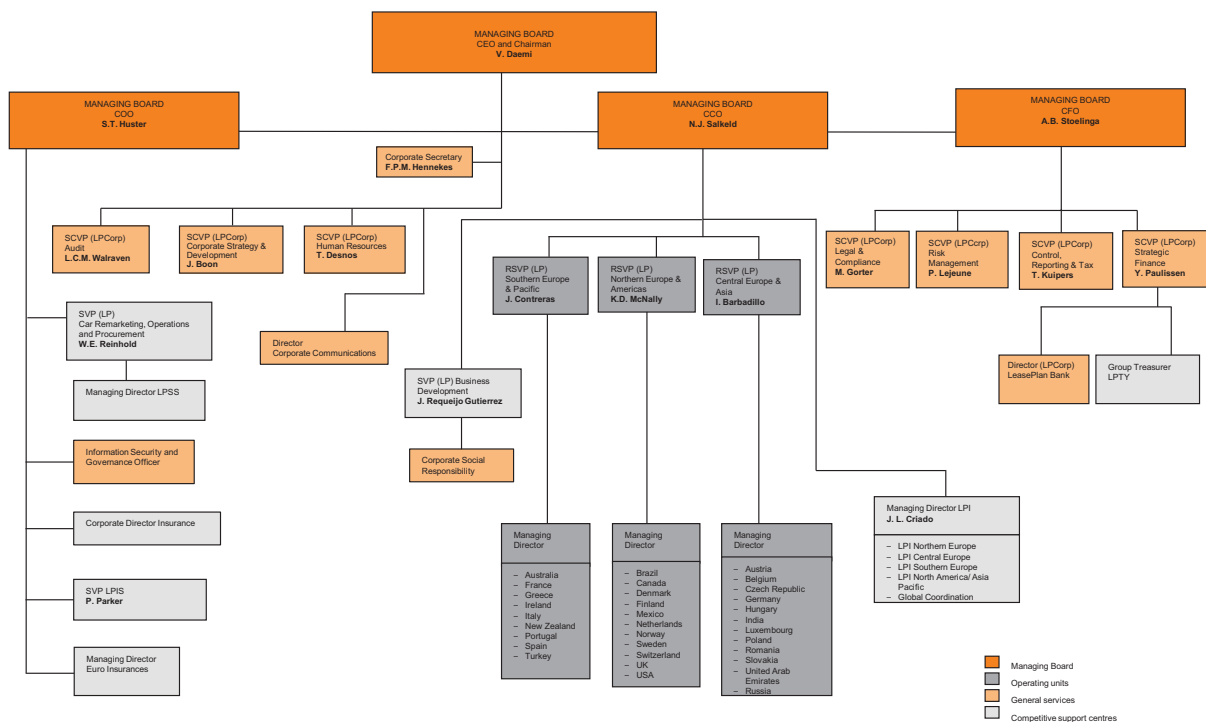
**Justin Ngoo** is a full-time professional nominee director. He was appointed as a Director of the Company in March 2015. Mr Ngoo is a Singapore Chartered Accountant with 25 years' experience in accounting, corporate financial management, Singapore company law and Singapore taxation.

**Thibaut Large** is a partner at TDR Capital. Mr. Large joined TDR Capital in 2009. Prior to that, he worked at Apax Partners, a private equity firm, where he sat on the boards of a number of companies. Mr. Large holds an MBA from Harvard Business School and a Master of Engineering Degree in Aeronautical Engineering from Imperial College, London.

## Organizational model

Our organizational model is decentralized whereby the local management team in each operating company has the ultimate responsibility for its profit and loss. The Managing Directors of the operating companies report to the Regional Senior Vice-Presidents.

The following chart sets forth a summary of our organizational model as at the date hereof:



## **Corporate governance and responsibility**

Good corporate governance is at the core of our business model and our systems of governance have been designed to provide the necessary checks and balances between management and employees, as well as between management, the Supervisory Board and our shareholders.

### **Large company regime**

The Dutch large company regime (art. 2:153 Dutch Civil Code) applies to LeasePlan. The large company regime grants specific powers to the Supervisory Board. The Supervisory Board, for example, has the power to appoint, suspend and dismiss members of the Managing Board. Under the large company regime, the Supervisory Board members are appointed by the shareholders on a binding nomination from the Supervisory Board. However, with respect to one third of the persons to be appointed to the Supervisory Board, the relevant Dutch works councils have a strengthened right of recommendation for a person to be nominated by the Supervisory Board. The Supervisory Board may object against such nomination in case it is expected that the person who was recommended will not be apt for the position or that the composition of the Supervisory Board will not be adequate. Two out of our seven supervisory directors are individuals who sit on the Supervisory Board on the recommendation of LeasePlan's Dutch works councils.

### **Responsibility**

The Managing Board is responsible for the management of LeasePlan's operations, subject to the supervision of the Supervisory Board. The Managing Board's responsibilities include, among other things, defining and attaining LeasePlan's corporate objectives, determining the corporate strategy and risk appetite, and day-to-day management of operations. The Managing Board is responsible for the implementation of governance arrangements that ensure effective and prudent management of the bank, including segregation of duties in the organization and the prevention of conflicts of interest. The Managing Board must ensure the integrity of the accounting and financial reporting systems, including financial and operational controls and compliance with relevant applicable laws and standings, including taking reasonable steps to prevent and detect fraud and other irregularities. It is responsible for selecting suitable accounting policies and applying them on a consistent basis, making judgments and estimates that are prudent and responsible. It is also responsible for establishing and maintaining internal procedures that ensure that all major financial information is known to the Managing Board, so that timeliness, completeness and accuracy of external financial reporting are assured.

### **Internal controls**

The Managing Board is responsible for the systems of internal control that are designed in such a way as to safeguard controlled and sound business operations and to ensure the quality of internal and external reporting and compliance with applicable laws, regulations and codes of conduct. In devising internal controls, LeasePlan has given regard to the nature and extent of the risks that may affect the soundness of the entire enterprise, the likelihood of risks occurring and the cost of control.

### **Governance and compliance**

Effective April 1, 2010, the Senior Corporate Vice-President Legal & Compliance assumed the role of Group Compliance Officer reporting directly to the Chief Executive Officer and with direct access to the Chairman of the Supervisory Board in specific circumstances. Compliance risk covers the risk of legal or regulatory sanctions, financial loss, or loss to reputation we may suffer as a result of non-conformance with the integrity, expertise and professionalism requirements of applicable laws, regulations, codes of conduct, good management practices and internal policies. Compliance risk management is considered to be most effective when a high level of awareness exists within the entire organization. Therefore, compliance risk management aims to constantly

contribute to the advancement of compliance with external and internal regulation. Our compliance risk management practices are important to the way we conduct business. The basis for mitigating compliance risk is provided by our compliance risk management framework. The Chief Executive Officer has assigned the task for identifying, assessing, advising, monitoring and reporting compliance risks to the independent Group Compliance Officer. A local compliance function exists within each LeasePlan entity.

## Procedures with respect to conflicts of interest

### Managing Board

There are no conflicts of interest between any duties to us and the private interests and/or other duties of the Managing Board members of LeasePlan. The Managing Board members avoid any form of conflicting interest in the performance of their duties. The Articles of Association of LeasePlan provide that where a Managing Board member has a direct or indirect personal conflict of interests with LeasePlan or the enterprise connected with it, he will not participate in deliberations and the decision making process with respect to such matter. The other Managing Board members will deliberate and take the decision. If the Managing Board would be incapable of adopting a resolution the decision shall be referred to and adopted by the Supervisory Board. Further rules with respect to conflicts of interests have been adopted separately in the Managing Board regulations.

### Supervisory Board

The Supervisory Board members avoid any form of conflicting interest in the performance of their duties. Our Articles of Association provide that where a Supervisory Board member has a direct or indirect personal conflict of interests with LeasePlan or the enterprise connected with it, the Supervisory Board member will not participate in the deliberations and the decision making process and the other Supervisory Board members will deliberate and take the decision. If the Supervisory Board would be incapable of adopting a resolution the decision shall be referred to and adopted by the general meeting of shareholders. Further rules with respect to conflict of interests have been adopted separately in the Supervisory Board Regulations.

### Compensation

The compensation of the Managing Board was as follows:

(€ in millions)	For the year ended December 31,		
	2013	2014	2015
Managing Board .....	2.8	4.1	7.0

The total remuneration is included in our audited consolidated financial statements under the caption "staff expenses."

In 2011, a phantom share scheme was established for certain key personnel including the Managing Board. Any awards granted under this scheme will be cash settled.

As at December 31, 2015, we had not granted any loans or provided any guarantees or advances to the Managing Board.

### Remuneration of the members of the Supervisory Board

The two independent members of the Supervisory Board are compensated by LeasePlan for their tasks and responsibilities as members of the Supervisory Board. The total expense for the Group amounted to €205,000 for 2015, which included certain one-off compensation in relation to the previous calendar year, as well as compensation for services of one Supervisory Board member prior to such member's formal appointment, including in relation to calendar year 2014. The other four members are not compensated by LeasePlan for their tasks and responsibilities as members of the Supervisory Board.

## Principal shareholders

The table below presents the (indirect) voting rights of the Shareholders in the Company and LeasePlan immediately following the completion of the Acquisition:

	Voting rights (%)
TDR Capital .....	42
Luxinva .....	20
Hornbeam .....	20
Arbejdsmarkedets .....	9
PGGM Private Equity Funds .....	8
Broad Street Investments .....	1
<b>Total</b> .....	<b>100</b>

While the Shareholders indirectly own 100% of LeasePlan and LP Group, as LeasePlan is regulated as a bank under the FMSA and falls under the Dutch large company regime, it is expected that the operations of LeasePlan and its subsidiaries will effectively be controlled by the Managing Board and the Supervisory Board. The Shareholders' direct influence is limited to certain negative control rights of LP Group including, *inter alia*, approval rights over (1) any material amendment of LeasePlan's business plan, (2) any change to the core business of the Group, and (3) the payment of any dividends by LeasePlan or any member of the Group to any person other than a wholly-owned subsidiary of LeasePlan or LeasePlan itself. LP Group has the right to recommend to the Supervisory Board two candidates for nomination as members of the Supervisory Board.

### About the Consortium

The Consortium consists of TDR Capital, Hornbeam, Luxinva, PGGM Private Equity Funds and Arbejdsmarkedets.

TDR Capital was founded in 2002 by Manjit Dale and Stephen Robertson. Across its three European buyout funds it has over €4.8 billion of committed capital. TDR Capital has a proven value-based and operationally focused investment strategy, which is delivered by a dedicated team of 25 investing and operating professionals from its single office in London. TDR Capital focuses on mid-market buyout investments headquartered in or with significant operations in Europe, generally with an enterprise value of €300 million to €1.5 billion.

Hornbeam is a private limited company organized and existing under the laws of Singapore. It is an investment vehicle managed by GIC's private equity & infrastructure group. GIC is a leading global investment firm with well over \$100 billion in assets under management. Established in 1981 to secure the financial future of Singapore, the firm manages Singapore's foreign reserves. A disciplined long-term value investor, GIC is uniquely positioned for investments across a wide range of asset classes, including real estate, private equity, equities and fixed income. GIC has investments in over 40 countries and has been investing in emerging markets for more than two decades. Headquartered in Singapore, GIC employs over 1,200 people across 10 offices in key financial cities worldwide.

Luxinva is a wholly owned subsidiary of the Abu Dhabi Investment Authority ("ADIA"). Since 1976, ADIA has been prudently investing funds on behalf of the Government of Abu Dhabi, with a focus on long-term value creation. ADIA manages a global investment portfolio that is diversified across more than two dozen asset classes and sub categories, including quoted equities, fixed income, real estate, private equity, alternatives and infrastructure. With a long tradition of prudent investing, ADIA's decisions are based solely on its economic objectives of delivering sustained, long-term financial returns.



PGGM Private Equity Funds is part of PGGM, a cooperative Dutch pension fund service provider. Institutional clients are offered asset management, pension fund management, policy advice and management support. On December 31, 2015, PGGM had €182.6 billion in assets under management. The PGGM cooperative has approximately 700,000 members and is helping them to realize a valuable future. Either alone or together with strategic partners, PGGM develops innovative solutions by linking together pension, care, housing and work.

Arbejdsmarkedets was established in 1964 and is Denmark's largest pension fund and one of Europe's largest pension funds. As of March 31, 2015 Arbejdsmarkedets had €103.7 billion in assets under management. Arbejdsmarkedets has 4.9 million members, and Arbejdsmarkedets currently pays ATP Livslang Pension to more than 940,000 pensioners. Arbejdsmarkedets is known for its innovative investment strategies and sound risk management.

## **About Broad Street Investments**

Broad Street Investments is an investing entity of the Merchant Banking Division of Goldman Sachs ("MBD"). MBD is the primary center for Goldman Sachs' long-term principal investing activity, and Goldman Sachs has operated this business as an integral part of the firm for more than 25 years. The group invests in equity and credit across corporate, real estate and infrastructure strategies and has raised over \$145 billion of levered fund capital to invest across a number of geographies, industries and transaction types since 1986. With nine offices in seven countries around the world, MBD is one of the largest managers of private capital globally, offering deep expertise and long-standing relationships with companies, investors, entrepreneurs and financial intermediaries around the globe.

## **Certain relationships and related party transactions**

We enter into transactions with certain related parties or our affiliates from time to time and in the ordinary course of business. Set forth below is a list of our material related party transactions.

### **Loans to associates and jointly controlled entities**

We provide loans to associates and jointly controlled entities. As of December 31, 2015, we had an aggregate amount of €110.7 million of loans outstanding to associates and jointly controlled entities.

## Description of other indebtedness

*The following contains a summary of the terms of the Group's indebtedness and certain financial arrangements to which members of the Group are or will be a party following the Transactions. It does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents. Terms not otherwise defined in this section shall, unless the context otherwise requires, have the same meanings set out in the Intercreditor Agreement.*

### Revolving Credit Facility Agreements

#### First Revolving Credit Facility

LeasePlan is party to a revolving credit facility agreement dated June 8, 2015 (the "**First Revolving Credit Facility Agreement**") pursuant to which a syndicate of banks and financial institutions have made available to LeasePlan a committed revolving credit facility of €1,250 million to be used (i) to refinance the €1,250 million revolving credit facility agreement dated December 6, 2012 between, amongst others, LeasePlan and a syndicate of banks and financial institutions and (ii) for the general corporate purposes of LeasePlan and its subsidiaries (the "**First Revolving Credit Facility**"). The facility agent under the First Revolving Credit Facility Agreement is ING Bank N.V. (the "**First Revolving Credit Facility Agent**").

LeasePlan is the initial borrower under the First Revolving Credit Facility Agreement and subsidiaries of LeasePlan may, subject to certain conditions, accede as additional borrowers. If a subsidiary of LeasePlan incorporated in the Netherlands accedes as an additional borrower (a "**Dutch Borrower**"), LeasePlan is required to make and maintain at all times a declaration of joint and several liability in respect of the debt obligations of such Dutch Borrower under the First Revolving Credit Facility Agreement in accordance with article 403, paragraph 1, subsection f of Book 2 of the Dutch Civil Code (a "**403 Declaration**").

#### **Repayments and prepayments**

The First Revolving Credit Facility will terminate on December 15, 2018. All amounts outstanding under the First Revolving Credit Facility Agreement at that time will be immediately due and payable.

LeasePlan may voluntarily prepay utilizations in whole or in part and/or permanently cancel in whole or in part undrawn commitments by giving not less than five business days' prior notice to the First Revolving Credit Facility Agent. Amounts voluntarily prepaid may (subject to the terms of the First Revolving Credit Facility Agreement) be reborrowed.

In addition, mandatory cancellation of undrawn commitments and, if applicable, prepayment in whole or in part is required in the following circumstances:

- (1) with respect to any lender, if it becomes unlawful for that lender to perform its obligations under the First Revolving Credit Facility Agreement;
- (2) if LeasePlan ceases to be a credit institution operating under and in accordance with the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*) dated September 28, 2006; or
- (3) by any Dutch Borrower (other than LeasePlan), if LeasePlan has provided notice to the First Revolving Credit Facility Agent to amend or revoke the 403 Declaration unless at that time LeasePlan has guaranteed the obligations of that Dutch Borrower in a form acceptable to each lender.

#### **Interest and fees**

The First Revolving Credit Facility bears interest at a rate per annum equal to the aggregate of EURIBOR and a margin determined by reference to the credit rating of LeasePlan by Moody's,

Fitch and Standard & Poor's as follows: 0.25% per annum (if the credit rating is A/A2 or higher), 0.35% per annum (if the credit rating is A-/A3), 0.45% per annum (if the credit rating is BBB+/Baa1), 0.55% per annum (if the credit rating is BBB/Baa2), 0.70% per annum (if the credit rating is BBB-/Baa3) or 1.30% per annum (if the credit rating is BB+/Ba1 or below). If there is no credit rating for LeasePlan, the margin will be the highest percentage.

LeasePlan is required to pay a commitment fee quarterly in arrears on the undrawn, uncanceled amount of the commitments at a rate of 35% of the then applicable margin.

In addition, LeasePlan is required to pay a quarterly utilization fee at the rate of 0.40% per annum on the amount of outstanding loans.

### ***Representations and general covenants***

The First Revolving Credit Facility Agreement contains representations and general covenants, subject to certain exceptions, customary for a facility of this nature.

### ***Events of default***

The First Revolving Credit Facility Agreement contains events of default (subject in certain cases to agreed grace periods, thresholds and other qualifications), customary for a facility of this nature including a cross default with respect to an event of default under other indebtedness of LeasePlan and its subsidiaries. The occurrence of an event of default that is outstanding would allow the lenders to accelerate all or part of the outstanding utilizations and/or terminate their commitments and/or declare all or part of their utilizations payable on demand.

### ***Governing law***

The First Revolving Credit Facility Agreement and any non-contractual obligation arising out of or in connection with it will be governed by and construed and enforced in accordance with English law.

### **Second Revolving Credit Facility**

LP Group was initially party to a revolving credit facility agreement dated July 22, 2015 (the "**Second Revolving Credit Facility Agreement**") pursuant to which a syndicate of banks and financial institutions have made available a committed revolving credit facility of €1,250 million to be used (i) to refinance the €1,250 million revolving credit facility agreement dated December 6, 2012 between, amongst others, LeasePlan and Volkswagen International Luxembourg S.A., and (ii) for the general corporate purposes of LeasePlan and its subsidiaries (the "**Second Revolving Credit Facility**"). The facility agent under the Second Revolving Credit Facility Agreement is ING Bank N.V.

Following completion of the Acquisition, LeasePlan acceded to the Second Revolving Credit Facility Agreement and replaced LP Group as a party thereto. LeasePlan is the initial borrower and subsidiaries of LeasePlan may, subject to certain conditions, accede as additional borrowers.

Other than as set out below, the Second Revolving Credit Facility Agreement is based on and reflects, in all material respects, the terms and provisions of the First Revolving Credit Facility Agreement, save that the lenders under the Second Revolving Credit Facility Agreement benefit from certain security over cash in an amount not exceeding €17,250,000 in respect of certain fees and interest payable by an entity outside of the Restricted Group.

There is a further mandatory prepayment event under the Second Revolving Credit Facility Agreement relating to excess revolving credit liquidity. If the commitments under the First Revolving Credit Facility Agreement are increased so that the aggregate commitments under the

First Revolving Credit Facility Agreement and the Second Revolving Credit Facility Agreement exceeds €2,500 million, there will be a mandatory cancellation of undrawn commitments and, if applicable, prepayment of amounts under the Second Revolving Credit Facility Agreement so that (following such cancellation and/or prepayment) the aggregate amount available to LeasePlan and its subsidiaries under the First Revolving Credit Facility Agreement and the Second Revolving Credit Facility Agreement is not more than €2,500 million.

## Intercreditor Agreement

The following summary of the Intercreditor Agreement refers to the Notes and the Indenture as they are defined in this listing circular.

In connection with entering into the Indenture, Midco, the Company and the Issuer entered into an Intercreditor Agreement on July 22, 2015 which has been amended and restated on March 10, 2016, and to which the Trustee acceded on the Issue Date.

The Intercreditor Agreement governs the relationships and relative priorities among (i) upon its accession to the Intercreditor Agreement on the Issue Date pursuant to an intercreditor accession undertaking, the Trustee on behalf of itself and the holders of the Notes; (ii) future hedge counterparties under certain hedging agreements (the "**Hedge Counterparties**"); (iii) certain future creditors of the Restricted Group; (iv) certain intra-group creditors and debtors; (v) various creditor representatives; and (vi) U.S. Bank Trustees Limited as the original Security Agent.

The Company and each of its subsidiaries that becomes a party to the Intercreditor Agreement (other than LP Group and its subsidiaries (the "**Regulated Group**")) and incurs any liability or provides any guarantee under the Indenture or any Pari Passu Debt documentation are collectively referred to in this description as "Debtors."

The Intercreditor Agreement sets out:

- the relative ranking of certain indebtedness of the Debtors;
- the relative ranking of certain security granted by the Debtors;
- when payments can be made in respect of certain indebtedness of the Debtors;
- when enforcement actions can be taken in respect of certain indebtedness;
- when enforcement action can be taken in respect of Collateral;
- the terms pursuant to which certain indebtedness will be subordinated upon the occurrence of certain insolvency events;
- turnover provisions; and
- when security and guarantees will be released to permit a sale of the Collateral.

The Intercreditor Agreement contains provisions relating to future indebtedness that may be incurred by the Debtors, provided that it is permitted by the terms of the Indenture, which may rank *pari passu* to the Notes and be secured by the Collateral (the "**Pari Passu Debt**"), subject to the terms of the Intercreditor Agreement. The Creditors of the Pari Passu Debt (the "**Pari Passu Creditors**") have rights under the Intercreditor Agreement, which are summarized below.

By accepting a Note, the relevant holder thereof shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement.

The following description is a summary of certain provisions contained in the Intercreditor Agreement. It does not restate the Intercreditor Agreement in its entirety nor does it describe

provisions relating to the rights and obligations of holders of other classes of our debt. As such, we urge you to read the Intercreditor Agreement because it, and not the discussion that follows, defines the rights of the holders of the Notes. Copies of the Intercreditor Agreement are available to holders of the Notes upon request. See *"Where to find additional information."*

### **Ranking and priority**

The Intercreditor Agreement provides, subject to the provisions regarding permitted payments and application of proceeds below, that the right and priority of payment of all present and future liabilities and obligations under the hedging agreements entered into by the Hedge Counterparties (the **"Hedging Liabilities"**), the Notes (the **"Notes Liabilities"**) and the Pari Passu Debt rank *pari passu* in right and priority of payment without any preference or payment between them.

These liabilities rank ahead of any liabilities of the Debtors to the Issuer and its subsidiaries (the **"Intra-Group Liabilities"**) or any debt to a holding company (the **"Structural Liabilities"** and together with the Intra-Group Liabilities, the **"Subordinated Liabilities"**). The Intercreditor Agreement does not rank the Subordinated Liabilities as between themselves.

### **Collateral**

The Hedge Counterparties, the holders of the Notes and the Pari Passu Creditors benefit from a common guarantee and security package and no such secured creditor may take the benefit of any guarantee or security from the Restricted Group or the Company unless such guarantee or security is also offered (to the extent legally possible and consistent with the Agreed Security Principles) for the benefit of the other secured creditors or such security constitutes Hedging Collateral (as defined below) or guarantees under the hedging documents. The Collateral shall rank and secure the liabilities owed to the Hedge Counterparties, the holders of the Notes and the Pari Passu Creditors *pari passu* and without any preference between them.

In addition, the Intercreditor Agreement provides that the guarantees and Collateral will be released in certain circumstances described further below in *"—Release of security and guarantees—Non-distressed disposals"* and *"—Release of security and guarantees—Distressed disposals."*

To the extent not funded with cash from time to time standing to the credit of the Interest Reserve Account or any Pari Passu Debt Account (as defined below), the Debtors may cash collateralize, or grant security over cash with respect to, any Hedging Liabilities (**"Hedging Collateral"**). Such Hedging Collateral shall only be granted for the benefit of the relevant Hedge Counterparties and will not form part of the Collateral.

### **Permitted payments**

Prior to an acceleration event or enforcement of the Collateral, the Intercreditor Agreement will permit payments to be made by the Debtors under the Indenture and any Pari Passu Debt documentation (provided that such payments are permitted under such documents). The Intercreditor Agreement also permits payments to lenders of Intra-Group Liabilities, provided that there has been no acceleration. Payments may be made in respect of Structural Liabilities to the extent not expressly prohibited by the Indenture and the Pari Passu Debt documentation. There are also restrictions on payments to Hedge Counterparties except for certain specified permitted payments.

The Debtors may not make payments in respect of the Hedging Liabilities, the Notes Liabilities or the Pari Passu Debt after an acceleration event unless in accordance with the enforcement proceeds waterfall described below under *"—Application of proceeds."* Such restriction does not apply to payments in respect of the Hedging Liabilities to the extent that such payments can be funded with cash which constitutes Hedging Collateral.



An acceleration event includes the relevant creditor representative exercising any or all of its rights under the acceleration provisions of the Indenture or the Pari Passu Debt documentation.

### **Enforcement of Collateral**

For the purposes of enforcement of the Collateral and enforcement instructions:

- (a) **“Majority Super Senior Creditors”** are those Hedge Counterparties whose Super Senior Credit Participations aggregate more than  $66\frac{2}{3}\%$  of the total Super Senior Credit Participations;
- (b) **“Super Senior Credit Participation”** means, in relation to a Hedge Counterparty, the aggregate of (i) in respect of any hedging transaction that has, as of the date the calculation is made, been terminated or closed out in accordance with the terms of the Intercreditor Agreement, the amount, if any, payable to a Hedge Counterparty in respect of that termination or close out as of the date of termination or close out to the extent that amount is unpaid, and (ii) in respect of any hedging transaction of that has, as of the date the calculation is made, not been terminated or closed out (A) if the relevant hedging document is based on an ISDA Master Agreement the amount, if any, which would be payable to it under that hedging document in respect of that hedging transaction, if the date on which the calculation is made was deemed to be an Early Termination Date (as defined in the relevant ISDA Master Agreement) for which the relevant Debtor is the defaulting party, or (B) if the relevant hedging document is not based on an ISDA Master Agreement, the amount, if any, which would be payable to it under that hedging document in respect of that hedging transaction, if the date on which the calculation is made was deemed to be the date on which an event similar in meaning and effect (under that hedging document) to an event similar in meaning and effect (under that hedging document) to an Early Termination Date (as defined in any ISDA Master Agreement) occurred under that hedging document for which the relevant Debtor is in a position similar in meaning and effect (under that hedging document) to that of a defaulting party;
- (c) **“Senior Secured Credit Participation”** is, in relation to holders of the Notes or a Pari Passu Creditor, the aggregate of (i) the aggregate outstanding principal amount (including capitalised interest, if any) of the Notes, and (ii) the aggregate outstanding principal amount (including capitalised interest, if any), the amount of any participation in any guarantee and any ancillary facility exposure, in each case, in respect of any Pari Passu Debt in respect of which it is the creditor (if any) and its undrawn commitments under any loan, credit or guarantee facility agreement providing for Pari Passu Debt (or, if such undrawn commitments have been cancelled in full by the relevant Pari Passu Creditors by reason of default (howsoever described), the amount of such undrawn commitments immediately prior to such cancellation); and
- (d) **“Senior Secured Required Holders”** are (i) if there are no Pari Passu Creditors, it will be holders of the Notes holding at least a majority of the principal amount of the then outstanding Notes, and (ii) if there are any Pari Passu Creditors, (A) holders of the Notes, and (B) the Pari Passu Creditors (provided that the Pari Passu Creditors with aggregate pari passu liabilities owed to them and/or undrawn commitments of less than €25 million (or its equivalent) shall not be entitled to vote in such class), together as one class whose Senior Secured Credit Participations at that time aggregate more than 50 per cent. of the total Senior Secured Credit Participations at that time.

If any of the Hedge Counterparties, the holders of the Notes or the Pari Passu Creditors wish to enforce the Collateral, either (a) the Majority Super Senior Creditors or (b) the Senior Secured Required Holders must give the proposed enforcement instructions to the Security Agent and the Security Agent shall promptly forward a copy of such instructions to the other creditor representatives for each of the creditor classes.

The voting requirements set out above, and the provisions as to enforcement instructions and application of proceeds described below under “—*Enforcement instructions*” and “—*Application of proceeds*,” do not apply to the enforcement of the Hedging Collateral and the relevant Hedge Counterparties will be entitled to exercise their rights with respect to, and retain the proceeds of, any such Hedging Collateral independently.

### **Enforcement instructions**

Subject to the Collateral becoming enforceable in accordance with its terms, the Instructing Group (as defined below) may give instructions to the Security Agent as to the enforcement of the Collateral provided that such instructions are consistent with the security enforcement principles (as defined below).

If the Majority Super Senior Creditors or the Senior Secured Required Holders consider that the Security Agent is enforcing the Security in a manner which is not consistent with the security enforcement principles (as defined below), the relevant creditor representative shall give notice to the other creditor representatives following which they shall consult with the Security Agent for a period of 10 days (or such lesser period as the relevant creditor representatives may agree) with a view to agreeing the manner of enforcement provided that such creditor representatives shall not be obliged to so consult more than once in relation to each enforcement action

The Security Agent must act on the instructions of the Instructing Group. The “**Instructing Group**” consists of (i) the Majority Super Senior Creditors and/or (ii) the Senior Secured Required Holders.

If there are conflicting enforcement instructions given to the Security Agent by the different classes of creditors who can constitute the Instructing Group, then provided such instructions are consistent with the security enforcement principles (see further below), the enforcement instructions from the Senior Secured Required Holders will prevail and the Senior Secured Required Holders will constitute the Instructing Group. Failure by a class of creditors to give instructions will not be deemed to be an instruction that conflicts with any other enforcement instructions. After the Security Agent has commenced enforcement over the Collateral, it will not accept any subsequent instructions from anyone other than the Instructing Group that instructed it to take such action, except as described in the paragraph below.

If the Instructing Group is the Senior Secured Required Holders and (a) they have not within three months of the date of the initial enforcement instructions to the Security Agent either (i) made a determination as to the method of enforcement they wish the Security Agent to pursue, or (ii) appointed a financial advisor to assist them in making such a determination; or (b) the Super Senior Creditors have not been repaid in full within six months of the date of the initial enforcement instructions to the Security Agent, any enforcement instructions given by the Majority Super Senior Creditors will prevail provided that they are consistent with the security enforcement principles.

Any enforcement instructions given must comply with certain security enforcement principles including the following:

- the primary and over-riding aim of any enforcement is to achieve the security enforcement objective, namely to maximize, so far as consistent with prompt and expeditious realization of value from enforcement of the Collateral, the recovery of all of the secured parties (provided that the security enforcement objective shall cease to be operative six months after the date of the first enforcement instructions unless the Majority Super Senior Creditors agree);
- all enforcement proceeds will be received in cash by the Security Agent for distribution in accordance with “—*Application of proceeds*” below, or sufficient enforcement proceeds will be received in cash by the Security Agent to ensure that when the proceeds are applied in accordance with “—*Application of proceeds*” below, the Hedging Liabilities, the unpaid costs,

expenses and liabilities of the Trustee and the credit representatives of the Pari Passu Creditors will be repaid in full (unless the Majority Super Senior Creditors agree otherwise);

- to the extent that the enforcement is over Collateral with an aggregate book value exceeding €2.5 million (or its equivalent) or over shares in any member of the “Restricted Group,” the Security Agent shall obtain an opinion from a recognized independent investment bank or other reputable independent third-party professional firm that is regularly engaged in providing valuations of the relevant type and size of assets, that the consideration from such enforcement is fair from a financial point of view taking into account all relevant circumstances (the “**Financial Advisor Opinion**”);
- the Financial Advisor’s Opinion will be conclusive evidence that the security enforcement principles have been met; and
- if any enforcement action is conducted by way of public auction in any jurisdiction, no Financial Advisor needs to be appointed in respect of such enforcement action.

### **Turnover**

Subject to certain exclusions, if any holders of the Notes, Pari Passu Creditor, Hedge Counterparty (or any of their respective creditor representatives) receives or recovers the proceeds of any enforcement of any Collateral except in accordance with “—*Application of proceeds*” below, that person must:

- in relation to amounts not received or recovered by way of set-off, hold that amount on trust for the Security Agent and promptly pay an amount equal to that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and
- in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

The Trustee shall only have an obligation to turn over or repay amounts received or recovered by it as described above (i) if it had actual knowledge that the receipt or recovery is an amount received in breach of a provision of the Intercreditor Agreement; and (ii) to the extent that, prior to receiving that knowledge, it has not distributed the amount of that receipt to the holders of the Notes in accordance with the Indenture. A similar protection exists for any trustees of Pari Passu Debt.

No Hedge Counterparty will be required to turn over or repay amounts received or recovered to the extent that such amounts constitute payments from, or the proceeds of, Hedging Collateral to which that Hedge Counterparty is entitled.

There is also a general turnover obligation on the subordinated creditors to turn over all amounts not received in accordance with the Intercreditor Agreement.

### **Application of proceeds**

For the purposes of application of proceeds:

- (a) “**IRA Recoveries**” means all amounts from time to time recovered by the Security Agent in connection with the realization or enforcement of all or any part of the Collateral constituted by security over the Interest Reserve Account;
- (b) “**Pari Passu Debt Account**” means, with respect to any particular Pari Passu Creditors, any account held by a Debtor from time to time which is established for the purposes of servicing payments to be made with respect to the Pari Passu Debt of such Pari Passu Creditors; and

(c) “**PPDA Recoveries**” means all amounts from time to time recovered by the Security Agent in connection with the realization or enforcement of all or any part of the Collateral constituted by security over a Pari Passu Debt Account.

All amounts from time to time recovered by the Security Agent in connection with the realization or enforcement of all or any part of the Collateral or Distressed Disposal shall be held by the Security Agent on trust and applied in the following order:

- **first**, *pari passu* and *pro rata*, in payment of all unpaid costs, expenses and liabilities owing to the Trustee, the creditor representative for the Pari Passu Creditors, the Security Agent, each other creditor representative and any receiver or delegate;
- **second**, other than to the extent constituting PPDA Recoveries, *pari passu* and *pro rata*, in payment of all costs and expenses incurred by the Hedge Counterparties in connection with the enforcement of the Collateral or any action taken at the request of the Security Agent;
- **third**, other than to the extent constituting PPDA Recoveries, *pari passu* and *pro rata*, in payment to the Hedge Counterparties for application towards the discharge of the Hedging Liabilities;
- **fourth**, (i) other than to the extent constituting IRA Recoveries or PPDA Recoveries, *pari passu* and *pro rata*, in payment of all costs and expenses incurred by the holders of the Notes and the Pari Passu Creditors in connection with the enforcement of the Collateral or any action taken at the request of the Security Agent, (ii) to the extent constituting IRA Recoveries, *pari passu* and *pro rata*, in payment of all costs and expenses incurred by the holders of Notes in connection with the enforcement of the Collateral or any action taken at the request of the Security Agent, and (iii) to the extent constituting PPDA Recoveries, *pari passu* and *pro rata*, in payment of all costs and expenses incurred by the Pari Passu Creditors;
- **fifth**, to the extent constituting IRA Recoveries, *pari passu* and *pro rata*, in payment to the Trustee on behalf of the holders of the Notes for application towards the discharge of the Notes Liabilities in accordance with the Indenture;
- **sixth**, to the extent constituting PPDA Recoveries, *pari passu* and *pro rata*, in payment to the creditor representatives of the Pari Passu Creditors for application towards the discharge of the Pari Passu Debt; and
- **seventh**, *pari passu* and *pro rata*, in payment to (i) the Trustee on behalf of the holders of the Notes for application towards the discharge of the Notes Liabilities in accordance with the Indenture and (ii) the creditor representatives of the Pari Passu Creditors for application towards the discharge of the Pari Passu Debt; and
- **eighth**, after all the secured creditors have been repaid in full, in payment of the surplus (if any) to the relevant Debtor or other person entitled to it.

### **Option to purchase**

The holders of the Notes and Pari Passu Creditors, which are holders of certain issued debt securities, may, subject to various conditions set out in the Intercreditor Agreement (including the grant of an acceptable indemnity against clawback to the relevant Hedge Counterparties), exercise an option to purchase the Hedging Liabilities.

### **Release of security and guarantees**

#### ***Non-distressed disposals***

In circumstances where a disposal is not a distressed disposal (and is otherwise permitted by the terms of the Indenture and any Pari Passu Debt documentation), the Intercreditor Agreement provides that the Security Agent is authorized:

- (a) to release the Collateral or any other claim over the relevant asset; and
- (b) if the relevant asset consists of shares in the capital of a Debtor or a holding company of a Debtor, to release the Collateral or any other claim over that holding company's or Debtor's assets and the assets of any of their subsidiaries,

*provided* that in the case of a disposal to another member of the Restricted Group, any required replacement security is granted by the transferee before or at the same time as the release.

If required by the terms of the Indenture or Pari Passu Documents, any proceeds from a disposal that does not constitute a distressed disposal shall be applied in mandatory prepayment of the relevant debt.

### ***Distressed disposals***

In circumstances where a distressed disposal is being effected, the Intercreditor Agreement provides that the Security Agent is authorized:

- (a) to release the Collateral or any other claim over the relevant asset;
- (b) if the asset which is disposed of consists of shares in the capital of a Debtor, to release (i) that Debtor and any subsidiary of that Debtor from all or any part of its borrowing liabilities, guaranteeing liabilities (including in relation to the Notes) and certain other liabilities; (ii) any Collateral granted over that Debtor's assets and the assets of any of its subsidiaries; and (iii) any other claim of a Debtor or intra-group lender over that Debtor's assets or over the assets of any subsidiary of that Debtor;
- (c) if the asset which is disposed of consists of shares in the capital of any holding company of a Debtor, to release (i) that holding company and any subsidiary of that holding company from all or any part of its borrowing liabilities, guaranteeing liabilities (including in relation to the Notes) and certain other liabilities; (ii) any Collateral granted over the assets of any subsidiary of that holding company; and (iii) any other claim of a Debtor or intra-group lender over the assets of any subsidiary of that holding company;
- (d) if the asset which is disposed of consists of shares in the capital of a Debtor or any holding company of a Debtor, to dispose of all or any part of that Debtor's or the holding company that Debtor's borrowing liabilities, guaranteeing liabilities (including in relation to the Notes) and certain other liabilities; and
- (e) if the asset which is disposed of consists of shares in the capital of a Debtor or any holding company of a Debtor, to transfer Intra-Group Liabilities and debtor liabilities owed by that Debtor or holding company of a Debtor to another Debtor.

Any net proceeds of the disposal must be applied in accordance with the enforcement proceeds waterfall described above under "*—Application of proceeds.*"

### **Amendment**

The Intercreditor Agreement may be amended with the consent of only the Majority Super Senior Creditors, the required percentage of the holders of the Notes (as set out in the Indenture), the required percentage of Pari Passu Creditors (as set out in the relevant Pari Passu Debt documentation), the Company and the Security Agent unless it relates to certain specified matters such as ranking, priority, subordination, turnover, enforcement, disposal proceeds, amendments or the payment waterfall. Such amendments require consent from the required percentage of holders of the Notes (as set out in the Indenture), the required percentage of Pari Passu Creditors (as set out in the relevant Pari Passu Debt documentation), and each Hedge Counterparty (to the extent such amendments adversely affect it), the Company and the Security Agent.

No amendment or waiver of the Intercreditor Agreement may impose new or additional obligations on, or withdraw or reduce the rights of, any party (other than in a way which affects creditors of that party's class generally) to the Intercreditor Agreement without the prior consent of that party.

The Intercreditor Agreement may be amended without the consent of the holders of the Notes in certain circumstances set out further in "*Description of the Notes—Amendments to the Intercreditor Agreement and Additional Intercreditor Agreements*" below.

To the extent the Debtors wish to enter into additional or replacement indebtedness ("**Additional Indebtedness**") which is permitted to share in the Collateral pursuant to Indenture and existing Pari Passu Debt documentation, then the parties to the Intercreditor Agreement may be required to enter into a replacement intercreditor agreement as set out further in "*Description of the Notes—Amendments to the Intercreditor Agreement and Additional Intercreditor Agreements*" below on substantially the same terms as the Intercreditor Agreement.

The Intercreditor Agreement also permits the Security Agent to enter into new or supplemental security and/or release and retake Transaction Security if certain conditions are met, set out further in "*Description of the Notes—Certain covenants—Impairment of security interest*" below.

The Intercreditor Agreement contains parallel debt provisions under which an independent debt in an amount equal to the total amount of the liabilities secured by the Collateral is created in favor of the Security Agent which is intended to enable a changing class of beneficiaries (being the Hedge Counterparties, the holders of the Notes and the Pari Passu Creditors) to benefit from security under the law of any jurisdiction which does not recognize the legal effect of a trust.

## **Other LeasePlan Debt**

### **Existing LeasePlan bonds and notes**

In 2006, LeasePlan launched its Australian dollar debt issuance program, which provides for the issuance of up to A\$2 billion short-term and medium-term notes in the Australian domestic market. As at December 31, 2015, LeasePlan had a A\$175 million aggregate principal amount of fixed rate notes due 2017 that were outstanding under this program.

In 2010, LeasePlan established a €15 billion equivalent euro medium-term note ("**EMTN**") program to issue notes to professional investors in the European market in a variety of currencies. This program is our largest and most widely used debt issuance program. As at December 31, 2015, the following public notes were outstanding under this program: CHF 150 million aggregate principal amount of fixed rate notes due 2016, €500 million aggregate principal amount of fixed rate notes due 2016, €750 million aggregate principal amount of floating rate notes due 2017, €500 million aggregate principal amount of fixed rate notes due 2018, €500 million aggregate principal amount of fixed rate notes due 2019 and CHF 125 million aggregate principal amount of fixed rate notes due 2020. In addition, LeasePlan has entered into several German-law-governed promissory notes (*Schuldscheine*). As of December 31, 2015, €330.5 million was outstanding under these promissory notes, with a weighted average remaining maturity of 1.94 years (based on maturity or nearest call date, if applicable). LeasePlan has established a German registered bond program (*Namenschuldverschreibung*) but no issuances are outstanding under it as of the date of this listing circular.

In addition, since the announcement of the Acquisition in July 2015, LeasePlan has issued a number of new private placements under its EMTN program (in Norwegian krone, Swedish krona and Czech koruna) and through *Schuldscheine* in U.S. dollars. Notes issued in private placements between July and December 2015 under the EMTN program amounted to approximately €240 million, and approximately €14.7 million of German-law-governed promissory notes were issued during the same period.



In 2012, LeasePlan launched its \$5 billion medium-term notes (“MTN”) (Rule 144A) program in the U.S. market. As at December 31, 2015, LeasePlan had \$500 million aggregate principal amount of fixed rate notes due 2017, \$750 million aggregate principal amount of fixed rate notes due 2018 and \$500 million aggregate principal amount of fixed rate notes due 2019, in each case outstanding under this program.

As at December 31, 2015, €6.5 billion (equivalent) of borrowings were outstanding under the EMTN program, the MTN program, and the German promissory notes issuances. A €48 million fair value adjustment for hedged risk is associated with these borrowings.

### Term Loan

In March 2015, we concluded the Term Loan. As of December 31, 2015 we had €250 million outstanding under this facility and €750 million available to be drawn on or prior to August 31, 2016. The Term Loan was initially due to mature in March 2016 but was extended in July 2015 and now matures in September 2017 (with 25% of the outstanding amount maturing in March 2017 and 25% in June 2017).

### Securitization program

The following securitization transactions initiated by the Group were outstanding as of December 31, 2015:

Program Name	Originator	Special Purpose Company	Amount of Receivables Financed (€ in millions)
Bumper			
France . . . . .	LeasePlan France S.A.S.	Bumper France FCT	799.2
Bumper DE . . . .	LeasePlan Deutschland GmbH	Bumper DE S.A.	714.3
Bumper 6 . . . . .	LeasePlan Nederland N.V.	Bumper 6 (NL) Finance B.V.	715.0
Bumper NL . . . .	LeasePlan Nederland N.V.	Bumper NL B.V.	333.0

These transactions involve the sale of future lease installment receivables and related residual value receivables originated by each relevant Group company to the relevant special purpose company. Debt securities were issued by these special purpose companies (or, in the case of Bumper NL, a loan was incurred) to finance the purchase of these receivables. The senior notes in each securitization transaction (or, in the case of Bumper NL, the loan) were sold to external investors and the subordinated obligations in each securitization transaction were retained by LeasePlan or the relevant Group company.

Each special purpose company is required to maintain reserves to mitigate certain perceived risks, including reserves for one or more of: liquidity, set off, maintenance, commingling and tax risks. Certain reserves were funded immediately when the relevant securitization transaction was consummated, while others remained unfunded at the outset, and LeasePlan is required to fund them only upon the occurrence of certain triggering events related to LeasePlan’s credit ratings. The special purpose companies are responsible for making interest and principal payments to the holders of these securities. The holders of these securities do not have recourse to LeasePlan or any other Group company in case of non-performance or default by the relevant special purpose company, and LeasePlan has no further funding obligations in respect of these securitizations apart from the reserve requirements described above and the contingent liability to fund collateral for certain interest rate swaps following a breach of certain ratings-based and market-value triggers contained in such swaps. For more information about our securitization reserve requirements, see “Risk management—Risk management areas—Primary risk management areas—Liquidity risk—Liquidity risk mitigation.”

### ***Bumper France***

In March 2013, €799.2 million of future lease installment receivables and associated residual value receivables originated by LeasePlan France S.A.S. were sold to Bumper France FCT. Debt securities were issued by Bumper France FCT in U.S. dollars and euros to finance this transaction. To hedge the currency risk arising from purchasing receivables in euros and issuing U.S. dollar Class A notes, Bumper France FCT concluded a currency swap. Title to the underlying vehicles is retained by LeasePlan France S.A.S.

The notes issued under this securitization transaction mature in May 2023 and have an initial revolving period of one year, which in 2014 was extended for an additional year and which in 2015 was extended to June 2016. During this revolving period, Bumper France FCT may use available funds, including cash flows from receivables, to purchase new receivables.

The notes are divided into Class A notes (\$733 million) and Class B notes (€232 million). The Class A notes were sold to an external investor and the Class B notes are held by LeasePlan France S.A.S. The interest payable on the notes on a monthly basis is equal to one month Libor plus a margin for the U.S. dollar notes and a fixed rate for the euro notes. The Class B notes are subordinated to the Class A notes. The U.S. dollar to euro exchange rate was reset upon the extension of the revolving period in 2015, resulting in a payout under the currency swap and a redemption of a portion of the Class A notes then outstanding. After this redemption, the face amount of the Class A notes which remained outstanding was \$648 million.

Bumper France FCT is a limited liability company incorporated under the laws of France for the purpose of this securitization transaction and is included in LeasePlan's consolidated financial statements.

### ***Bumper DE***

The Bumper DE transaction is a private securitization transaction under German law which closed in April 2014. At closing, Bumper DE S.A. issued €305 million Class A senior notes which were purchased by one bank and €131 million Class B junior notes, which were purchased by LeasePlan. The notes have a revolving period of two years and mature in September 2023. During the revolving period, Bumper DE S.A. may use available funds, including cash flows from receivables, to purchase new receivables. As at December 31, 2015, LeasePlan Deutschland GmbH had sold a portfolio of future discounted cash flows, including installment receivables and associated residual value receivables, of €714.3 million to Bumper DE S.A.

In connection with this transaction, Bumper DE S.A. concluded a €500 million asset backed securitization warehousing facility with one bank. This facility was fully drawn as of August 30, 2015.

Bumper DE S.A. is a special purpose limited liability company incorporated under the laws of Luxembourg for this transaction and is included in LeasePlan's consolidated financial statements.

### ***Bumper 6***

In November 2014, €715.0 million of lease receivables and associated residual value receivables originated by LeasePlan Nederland N.V. were sold to Bumper 6 (NL) Finance B.V. Debt securities issued by Bumper 6 (NL) Finance B.V. and a subordinated loan from LeasePlan were used to finance this transaction. Title to the underlying vehicles is retained by LeasePlan Nederland N.V.

The notes issued under this securitization transaction mature in March 2029 and have a revolving period of one year. During this revolving period, Bumper 6 (NL) Finance B.V. may use available funds, including cash flows from receivables, to purchase new receivables. The notes are divided into Class A notes (€501 million) and Class B notes (€36 million). The notes are listed on Euronext Amsterdam. The Class A notes and Class B notes were sold to external investors. The interest payable on the notes on a monthly basis is equal to one-month Euribor plus a margin. The Class B

notes are subordinated to the Class A notes. The €178 million subordinated loan provided to Bumper 6 (NL) Finance B.V. is subordinated to the Class A notes and the Class B notes.

Bumper 6 (NL) Finance B.V. is a special purpose limited liability company incorporated under the laws of the Netherlands for the purpose of securitization transactions and is included in LeasePlan's consolidated financial statements.

### ***Bumper NL***

In December 2014, €333.0 million of future discounted cash flows, including installment receivables and associated residual value receivables, were sold by LeasePlan Nederland N.V. to Bumper NL B.V. As part of this transaction, Bumper NL B.V. concluded a senior asset-backed securitization warehousing facility of €250 million with one bank; as at December 31, 2015, the facility was fully drawn. Subordinated financing was provided by LeasePlan Nederland N.V. This securitization matures in October 2030 and has a revolving period of two years.

Bumper NL B.V. is a special purpose limited liability company incorporated under the laws of the Netherlands for the purpose of this transaction and is included in LeasePlan's consolidated financial statements.

### **ECP and CD program**

In 2008, LeasePlan updated its €3 billion euro commercial paper program and its €2 billion Belgian CD program. As at December 31, 2015, LeasePlan had no amounts outstanding under either of these programs.

### **LeasePlan local facilities**

As of December 31, 2015, LeasePlan subsidiaries maintained local facilities with a term longer than three months (excluding all indebtedness described above under "*—Revolving Credit Facility Agreements,*" "*—Other LeasePlan Debt—Existing LeasePlan bonds and notes,*" "*—Other LeasePlan Debt—Term Loan,*" and "*—Other LeasePlan Debt—Securitization program*") in an aggregate amount of €1,682 million, of which €339 million was undrawn and available.

## Description of the Notes

The Issuer issued and Lincoln Financing Holdings Pte. Limited (the "*Company*") guaranteed €1,250,000,000 aggregate principal amount of 6.875% senior secured notes due 2021 (the "*Euro Notes*") and \$400,000,000 aggregate principal amount of 7.375% senior secured notes due 2021 (the "*Dollar Notes*" and, together with the Euro Notes, the "*Notes*") in this Offering. The Notes were issued by Lincoln Finance Limited (the "*Issuer*"), a public limited liability company incorporated under the laws of Jersey, which has been organized as a special purpose finance subsidiary to facilitate the offering of debt securities and which has no operations and no assets other than its rights under the on-loans of proceeds to the Company, acting through its Netherlands Branch (the "*Dutch Branch*"), pursuant to the Proceeds Loan Agreement (as defined herein). The Issuer is dependent on payments by the Dutch Branch on the Proceeds Loan (as defined herein) in order to service the Notes.

The proceeds of the Notes issued on the Issue Date have been used by the Issuer, together with proceeds of the Equity Contribution, to fund, directly or indirectly, (i) the purchase price for the Acquisition, (ii) an interest reserve account with an amount representing at least 2.5 years of interest expense with respect to the Notes, subject to any hedging arrangements in the case of the Dollar Notes, (iii) cash retained by Lincoln TopCo Pte. Limited ("*TopCo*") in order to finance certain potential expenses in connection with the commitment of liquidity facilities to LeasePlan Corporation N.V. ("*LeasePlan*") and (iv) fees, costs and expenses incurred in connection with the Transactions, as set forth under "*Use of proceeds.*"

Pending consummation of the Acquisition and the satisfaction of certain other conditions as described below, the initial purchasers, concurrently with the closing of the Offering on the Issue Date, deposited (i) the gross proceeds of this offering of the Euro Notes into a euro-denominated escrow account (the "*Euro Notes Escrow Account*") and (ii) the gross proceeds of this offering of the Dollar Notes into a dollar-denominated escrow account (the "*Dollar Notes Escrow Account*" and, together with the Euro Notes Escrow Account, the "*Escrow Accounts*") pursuant to the terms of an escrow agreement (the "*Escrow Agreement*") dated as of the Issue Date among, *inter alios*, the Issuer, U.S. Bank Trustees Limited, as trustee (the "*Trustee*"), and Elavon Financial Services Limited, UK Branch, as Escrow Agent (the "*Escrow Agent*"). The escrowed proceeds were released on March 17, 2016 and the Acquisition was consummated on March 21, 2016.

The Notes are obligations of the Issuer and are guaranteed by the Company (the "*Parent Guarantee*"). The Notes will not be guaranteed by LP Group B.V. ("*LP Group*"), LeasePlan or any of their respective Subsidiaries.

The Issuer issued the Notes under an indenture dated as of the Issue Date (the "*Indenture*") among, *inter alios*, the Issuer, the Company, Lincoln Midco Pte. Limited ("*Midco*"), U.S. Bank Trustees Limited, as trustee (the "*Trustee*"), and U.S. Bank Trustees Limited, as security agent (the "*Security Agent*"). The Notes were issued in private transactions that were not subject to the registration requirements of the Securities Act. See "*Transfer restrictions.*" The terms of the Notes include those stated in the Indenture. The Indenture will not be qualified under, incorporate provisions by reference to, or otherwise be subject to, the Trust Indenture Act of 1939, as amended.

The Indenture, the Notes and the Notes Guarantees (as defined herein) are subject to the terms of the Intercreditor Agreement (as defined herein) and any Additional Intercreditor Agreement (as defined herein) entered into in the future pursuant to "*—Amendments to the Intercreditor Agreement and Additional Intercreditor Agreements.*" The terms of the Intercreditor Agreement are important to understanding the terms and ranking of the Liens on the Collateral securing the Notes and the Notes Guarantees. Please see "*Description of other indebtedness—Intercreditor Agreement*" for a description of the material terms of the Intercreditor Agreement.

The following description is a summary of the material provisions of the Indenture, the Notes, the Notes Guarantees, the Escrow Agreement and the Proceeds Loan Agreement, and refers to the Intercreditor Agreement. This description does not restate those agreements in their entirety. We urge you to read the Indenture, the Notes and the Intercreditor Agreement because they, and not this description, define your rights as holders of the Notes. Copies of the Indenture, the form of Notes and the Intercreditor Agreement are available as set forth below under *"Where to find additional information."*

You can find the definitions of certain terms used in this description under the subheading *"—Certain definitions."* Defined terms used in this description but not defined under *"—Certain definitions"* have the meanings assigned to them in the Indenture. In this *"Description of the Notes,"* the *"Company"* refers only to Lincoln Financing Holdings Pte. Limited (including the Dutch Branch) and any successor obligor to Lincoln Financing Holdings Pte. Limited on the Parent Guarantee and not to any of its subsidiaries, and the *"Issuer"* refers only to Lincoln Finance Limited and any successor obligor to Lincoln Finance Limited on the Notes and not to any of its subsidiaries. The Issuer is a wholly owned subsidiary of the Company.

The registered Holder of a Note will be treated as the owner of it for all purposes. Only registered Holders will have rights under the Indenture.

## **Summary description of the Notes**

### **The Notes**

- are senior obligations of the Issuer and rank equal in right of payment with any existing or future Indebtedness of the Issuer that is not expressly subordinated to the Notes;
- are secured by the Collateral described below (although any liabilities in respect of obligations under certain Hedging Obligations that are secured by the Collateral will receive priority over the Holders with respect to any proceeds received upon any enforcement action over the Collateral);
- are senior in right of payment to any future Subordinated Indebtedness (as defined herein) of the Issuer;
- are effectively senior in right of payment to any existing or future unsecured obligations of the Issuer to the extent of the value of the Collateral that is available to satisfy the obligations under the Notes; and
- are unconditionally guaranteed on a senior secured basis by the Company, which Parent Guarantee is subject to the guarantee limitations described in this listing circular Memorandum.

### **Principal and maturity**

On the Issue Date, the Issuer issued €1,250,000,000 aggregate principal amount of Euro Notes and \$400,000,000 aggregate principal amount of Dollar Notes. The Notes will mature on April 15, 2021. The Euro Notes were issued in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof and the Dollar Notes were issued in minimum denominations of \$200,000 and in integral multiples of \$1,000 in excess thereof. The rights of holders of beneficial interests in the Notes to receive the payments on such Notes are subject to applicable procedures of Euroclear and Clearstream (in the case of the Euro Notes) or DTC (in the case of the Dollar Notes). If the due date for any payment in respect of any Notes is not a Business Day at the place at which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

## Interest

Interest on the Euro Notes will accrue at the rate of 6.875% per annum and interest on the Dollar Notes will accrue at the rate of 7.375% per annum. Interest on the Notes is payable in cash, semi-annually in arrears on April 15 and October 15 of each year, commencing on October 15, 2016, to Holders of record on the immediately preceding April 1 and October 1, respectively. Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of original issuance. Interest on the Notes will be computed on the basis of a 360-day year comprised of twelve 30-day months. Each interest period shall end on (but not include) the relevant interest payment date.

## Additional Notes

The Indenture is unlimited in aggregate principal amount, but this issuance of Notes is limited to €1,250,000,000 aggregate principal amount of Euro Notes (the "*Initial Euro Notes*") and \$400,000,000 aggregate principal amount of Dollar Notes (the "*Initial Dollar Notes*" and, together with the Initial Euro Notes, the "*Initial Notes*").

From time to time, subject to the Company's compliance with the covenants contained in the Indenture, including the covenants restricting the incurrence of Indebtedness (as described below under the heading "*—Certain covenants—Limitation on Indebtedness*"), the Issuer is permitted to issue additional Euro Notes, which shall have terms substantially identical to the Initial Euro Notes (the "*Additional Euro Notes*"), additional Dollar Notes, which shall have terms substantially identical to the Initial Dollar Notes (the "*Additional Dollar Notes*"), or additional Notes, which shall have terms substantially identical to the Initial Notes except in respect of any of the following terms which shall be set forth in an Officer's Certificate of the Issuer supplied to the Trustee (collectively, together with the Additional Euro Notes and the Additional Dollar Notes, the "*Additional Notes*"):

- (1) the title of such Additional Notes;
- (2) the aggregate principal amount of such Additional Notes;
- (3) the date or dates on which such Additional Notes will be issued;
- (4) the rate or rates (which may be fixed or floating) at which such Additional Notes shall bear interest and, if applicable, the interest rate basis, formula or other method of determining such interest rate or rates, the date or dates from which such interest shall accrue, the interest payment dates on which such interest shall be payable or the method by which such dates will be determined, the record dates for the determination of Holders thereof to whom such interest is payable and the basis upon which such interest will be calculated;
- (5) the currency or currencies in which such Additional Notes shall be denominated and the currency in which cash or government obligations in connection with such series of Additional Notes may be payable;
- (6) the date or dates and price or prices at which, the period or periods within which, and the terms and conditions upon which, such Additional Notes may be redeemed, in whole or in part;
- (7) if other than denominations of €100,000 and in integral multiples of €1,000 in excess thereof in the case of Additional Notes denominated in euro, or denominations of \$200,000 and in integral multiples of \$1,000 in excess thereof in the case of Additional Notes denominated in U.S. dollars, the denominations in which such Additional Notes shall be issued and redeemed; and
- (8) the ISIN, Common Code, CUSIP or other securities identification numbers with respect to such Additional Notes.



Such Additional Notes will be treated, along with all other series of Notes, as a single class for the purposes of the Indenture with respect to waivers, amendments and all other matters which are not specifically distinguished for such series. Unless the context otherwise requires, for all purposes of the Indenture and this "*Description of the Notes*," references to "*Notes*" shall be deemed to include references to the Initial Notes as well as any Additional Notes. For all purposes other than U.S. federal income tax purposes, the Initial Euro Notes and any Additional Euro Notes shall be deemed to form one series, and the Initial Dollar Notes and any Additional Dollar Notes shall be deemed to form one series. In the event that any Additional Notes are not fungible with any Notes previously issued for U.S. federal income tax purposes, such non-fungible Additional Notes shall be issued with a separate ISIN, Common Code, CUSIP or other securities identification number, as applicable, so that they are distinguishable from such previously issued Notes.

For purposes of voting (or any other matter requiring a determination based on a percentage of principal amount of Notes outstanding), the aggregate principal amount of outstanding Dollar Notes and any other Notes not denominated in euro will be calculated using the Euro Equivalent of such aggregate principal amount outstanding as of the relevant Pricing Date.

#### **Methods of receiving payments on the Notes**

Principal, premium, if any, interest and Additional Amounts (as defined under "*—Additional Amounts*"), if any, on the Global Notes (as defined under "*—Transfer and exchange*") is payable at the specified office or agency of one or more Paying Agents (as defined under "*—Paying Agent, Registrar and Transfer Agent for the Notes*"); provided that all such payments with respect to Notes represented by one or more Global Notes registered in the name of or held by the common depository for DTC, Euroclear or Clearstream or its nominee will be made by wire transfer of immediately available funds to the account specified by the Holder or Holders thereof.

Principal, premium, if any, interest and Additional Amounts, if any, on any certificated securities ("*Definitive Registered Notes*") will be payable at the specified office or agency of one or more Paying Agents in the City of London or the City of New York maintained for such purposes. In addition, interest on the Definitive Registered Notes may be paid by check mailed to the Person entitled thereto as shown on the register for the Definitive Registered Notes. See "*—Paying Agent, Registrar and Transfer Agent for the Notes.*"

#### **Paying Agent, Registrar and Transfer Agent for the Notes**

The Issuer will maintain one or more paying agents (each, a "*Paying Agent*") for the Notes in each of (i) the City of London (the "*Principal Paying Agent*") and (ii) the Borough of Manhattan, City of New York (the "*U.S. Paying Agent*"). The initial Paying Agents for the Notes are Elavon Financial Services Limited, UK Branch (as Principal Paying Agent) and U.S. Bank National Association (as U.S. Paying Agent).

The Issuer will also maintain (i) one or more registrars (each, a "*Registrar*") with offices in Dublin, Ireland and (ii) one or more transfer agents in the City of London and the Borough of Manhattan, City of New York (each, a "*Transfer Agent*"). The initial Registrar is Elavon Financial Services Limited. The initial Transfer Agents are Elavon Financial Services Limited, UK Branch and U.S. Bank National Association. The Registrar, the Paying Agents and the Transfer Agents, as applicable, will maintain a register reflecting ownership of Definitive Registered Notes outstanding from time to time, if any, and will make payments on and facilitate transfers of Definitive Registered Notes on behalf of the Issuer. The Transfer Agents shall perform the functions of a transfer agent.

The Issuer may change any Paying Agent, Registrar or Transfer Agent for the Notes without prior notice to the Holders. However, for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange (the "*LxSE*") and admitted for trading on the Euro MTF of the LxSE and the rules of such exchange so require, the Issuer will publish a notice of any change of Paying

Agent, Registrar or Transfer Agent in accordance with the requirements of such rules. The Company or any of its Subsidiaries may act as Paying Agent or Registrar in respect of the Notes.

### **Transfer and exchange**

The Notes were issued in the form of one or more registered notes in global form without interest coupons, as follows:

- The Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act are represented by one or more global notes in registered form without interest coupons attached (the "*144A Global Notes*").
- The 144A Global Notes representing the Euro Notes were, on the Issue Date, deposited with and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream. The 144A Global Notes representing the Dollar Notes were, on the Issue Date, deposited with a custodian for DTC and registered in the name of Cede & Co., as nominee of DTC.
- The Notes sold outside the United States to non-U.S. persons pursuant to Regulation S under the Securities Act are represented by one or more global notes in registered form without interest coupons attached (the "*Regulation S Global Notes*" and, together with the 144A Global Notes, the "*Global Notes*").
- The Regulation S Global Notes representing the Euro Notes were, on the Issue Date, deposited with and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream. The Regulation S Global Notes representing the Dollar Notes were, on the Issue Date, deposited with a custodian for DTC and registered in the name of Cede & Co., as nominee of DTC.

Ownership of interests in the Global Notes ("*Book-entry interests*") is limited to Persons that have accounts with Euroclear or Clearstream (in the case of the Euro Notes) or DTC (in the case of the Dollar Notes) or Persons that may hold interests through such participants. Ownership of interests in the Book-Entry Interests and transfers thereof is subject to the restrictions on transfer and certification requirements summarized below and described more fully under "*Transfer restrictions.*" In addition, transfers of Book-Entry Interests between participants in Euroclear or participants in Clearstream (in the case of the Euro Notes) or participants in DTC (in the case of the Dollar Notes) will be effected by Euroclear or Clearstream, as applicable (in the case of the Euro Notes), or DTC (in the case of the Dollar Notes), pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream, as applicable (in the case of the Euro Notes), or DTC (in the case of the Dollar Notes), and their respective participants.

Book-Entry Interests in the 144A Global Notes may be transferred to a Person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Notes denominated in the same currency only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

Prior to 40 days after the date of initial issuance of the Notes, ownership of Book-Entry Interests in Regulation S Global Notes is limited to Persons that have accounts with Euroclear or Clearstream (in the case of the Euro Notes) or DTC (in the case of the Dollar Notes) or Persons who hold interests through such participants, and any sale or transfer of such interest to U.S. persons shall not be permitted during such period unless such resale or transfer is made pursuant to Rule 144A under the Securities Act. Subject to the foregoing, Regulation S Book-Entry Interests may be transferred to a Person who takes delivery in the form of 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a Person who the transferor reasonably believes

is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "*Transfer restrictions*" and in accordance with any applicable securities law of any other jurisdiction.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of €100,000 principal amount and integral multiples of €1,000 in excess thereof (in the case of the Euro Notes) and \$200,000 principal amount and integral multiples of \$1,000 in excess thereof (in the case of the Dollar Notes), in each case upon receipt by the Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by DTC, Euroclear or Clearstream, as applicable, from the participant that owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Board of Directors or an Officer of the Company or the Issuer to be in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under "*Transfer restrictions*."

Subject to the restrictions on transfer referred to above, Notes issued as Definitive Registered Notes may be transferred or exchanged in whole or in part, in minimum denominations of €100,000 in principal amount and integral multiples of €1,000 in excess thereof (in the case of the Euro Notes) and \$200,000 principal amount and integral multiples of \$1,000 in excess thereof (in the case of the Dollar Notes). In connection with any such transfer or exchange, the Indenture requires the transferring or exchanging Holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at DTC, Euroclear or Clearstream, as applicable, to furnish certain certificates and opinions, and to pay any Taxes in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the Holder, other than any Taxes payable in connection with such transfer.

Notwithstanding the foregoing, the Issuer is not required to register the transfer or exchange of any Notes:

- (1) for a period of 15 days prior to any date fixed for the redemption of such Notes;
- (2) for a period of 15 days immediately prior to the date fixed for selection of such Notes to be redeemed in part;
- (3) for a period of 15 days prior to the record date with respect to any interest payment date applicable to such Notes;
- (4) which the Holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer (as defined under "*—Change of Control*") or an Asset Disposition Offer (as defined under "*—Certain covenants—Limitation on sales of assets and subsidiary stock*"); or
- (5) between a record date and the next succeeding interest payment date.

The Issuer, the Trustee, any Paying Agent, the Registrar and any Transfer Agent will be entitled to treat the Holder of a Note as the owner of it for all purposes.

## Restricted Subsidiaries and Unrestricted Subsidiaries

Immediately after the issuance of the Notes and upon the date of consummation of the Acquisition (the "*Completion Date*"), all the Company's Subsidiaries were Restricted Subsidiaries. In the circumstances described below under the definition of "*Unrestricted Subsidiary*," the Company is permitted to designate Restricted Subsidiaries as Unrestricted Subsidiaries. Unrestricted Subsidiaries will not be subject to any of the restrictive covenants contained in the Indenture.

## Escrow of proceeds

Concurrently with the closing of the Offering on the Issue Date, the Issuer entered into the Escrow Agreement with, *inter alios*, the Trustee and the Escrow Agent, pursuant to which the initial purchasers deposited with the Escrow Agent an amount equal to the gross proceeds of the Notes sold on the Issue Date into the relevant Escrow Account. Each of the Escrow Accounts was controlled by the Escrow Agent. The Escrowed Property (as defined below) was charged on a first-ranking basis in favor of the Trustee for the benefit of the Holders pursuant to escrow charges dated the Issue Date between the Issuer, the Escrow Agent and the Trustee (each such escrow charge, an "*Escrow Charge*" and, together, the "*Escrow Charges*"). The initial funds deposited in the Escrow Accounts, and all other funds, securities, interest, dividends, distributions and other property and payments credited to the Escrow Accounts (less any property and/or funds paid in accordance with the Escrow Agreement) are referred to, collectively, as the "*Escrowed Property*."

In order to cause the Escrow Agent to release the Escrowed Property to the Issuer or to such account as may be designated by the Issuer (the "*Release*"), the Escrow Agent and the Trustee shall have received from the Issuer, on or before March 31, 2016 (the "*Escrow Longstop Date*"), an Officer's Certificate, upon which both the Escrow Agent and the Trustee shall rely, without further investigation, to the effect that:

- (1) (i) the Acquisition will be consummated on the terms set forth in the Acquisition Agreement, promptly following the release of the Escrowed Property and (ii) no material term or condition of the Acquisition Agreement has been amended or waived in a manner or to an extent that would be materially adverse to the interests of Holders, other than any amendment or waiver made with the consent of Holders of a majority of the outstanding Notes;
- (2) immediately after consummation of the Acquisition, the Company will own, directly or indirectly, the entire share capital of LeasePlan; and
- (3) as of the Release Date (as defined below), there are no events of bankruptcy, insolvency or court protection (as set out in the bankruptcy provisions of the Indenture) with respect to the Company, LP Group or the Issuer.

The Release took place on March 17, 2016 and the Acquisition was consummated on March 21, 2016.

## Notes Guarantees

On the Issue Date, and subject to the Agreed Security Principles, the obligations of the Issuer pursuant to the Notes were guaranteed on a senior secured basis by the Company (in such capacity, the "*Parent Guarantor*"). The Notes will not be guaranteed by LP Group, LeasePlan or any of their respective Subsidiaries. See "*Risk factors—Risks related to the Notes, the Notes Guarantee and our structure—None of the Company's subsidiaries guarantee the Notes, and the Notes and the Notes Guarantee are structurally subordinated to the liabilities and preference shares (if any) of our subsidiaries.*"

In addition, subject to the Agreed Security Principles, if, after the Issue Date:

- (1) any Restricted Subsidiary that is not the Issuer or a Guarantor, directly or indirectly, Guarantees or otherwise becomes liable for any Indebtedness of the Issuer or a Guarantor; or
- (2) LP Group (if LP Group is not a Guarantor) or any LeasePlan Group Restricted Subsidiary that is not a Guarantor, directly or indirectly, Guarantees or otherwise becomes liable for any Material Indebtedness of any Restricted Subsidiary (other than LP Group or any LeasePlan Group Restricted Subsidiary);

the Company will cause such Subsidiary (a "*Subsidiary Guarantor*," and collectively, together with the Parent Guarantor, the "*Guarantors*") to provide a guarantee of the Notes (a "*Subsidiary Guarantee*," and collectively, together with the Parent Guarantee, the "*Notes Guarantees*"). In addition, if the Guarantee or other liability that gave rise to the obligation to provide the additional Notes Guarantees is secured by a Lien over assets, subject to the Agreed Security Principles, the Intercreditor Agreement and any Additional Intercreditor Agreement, any such Guarantor will grant security interests over those same assets to secure its Notes Guarantee on a first priority basis.

The Agreed Security Principles apply to the granting of Notes Guarantees and security in favor of obligations under the Notes. The Agreed Security Principles include restrictions on the granting of Notes Guarantees where, among other things, such grant would be restricted by general statutory limitations, financial assistance, corporate benefit, fraudulent preference, "thin capitalization" rules, retention of title claims and similar matters.

Each Notes Guarantee is limited to the maximum amount that would not render the Guarantor's obligations subject to avoidance under applicable fraudulent conveyance provisions of the United States Bankruptcy Code or any comparable provision of foreign or state law, or as otherwise required under the Agreed Security Principles to comply with corporate benefit, financial assistance and other laws. By virtue of this limitation, a Guarantor's obligation under its Notes Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Notes Guarantee. See "*Risk factors—Risks related to the Notes, the Notes Guarantee and our structure—The Notes Guarantee and the Collateral are subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability.*"

The Notes Guarantee of a Guarantor will terminate and release upon:

- (1) except in respect of the Parent Guarantee, a sale or other disposition (including by way of consolidation or merger) of Capital Stock of the relevant Guarantor or of a parent thereof, such that such Guarantor ceases to be a Restricted Subsidiary, or the sale or disposition of all or substantially all the assets of the relevant Guarantor (other than to the Company, a Successor Company or a Restricted Subsidiary), in each case in a transaction otherwise permitted by the Indenture;
- (2) except in respect of the Parent Guarantee, the designation in accordance with the Indenture of the relevant Guarantor as an Unrestricted Subsidiary;
- (3) defeasance or discharge of the Notes, as provided in "*—Defeasance*" and "*—Satisfaction and discharge*";
- (4) as described under "*—Amendments and waivers*";
- (5) full payment of all obligations of the Issuer and the Guarantors under the Indenture and the Notes; or
- (6) in connection with certain enforcement actions taken by the creditors under certain of our Secured Indebtedness as provided under the Intercreditor Agreement.



Substantially all the operations of the Company are conducted through its Subsidiaries. Claims of creditors of non-Guarantor Subsidiaries (including, following the Completion Date, LeasePlan and its Subsidiaries), including trade creditors, secured creditors and creditors holding debt and guarantees issued by those Subsidiaries, and claims of preferred and minority stockholders (if any) of those Subsidiaries will have priority with respect to the assets and earnings of those Subsidiaries over the claims of creditors of the Company or Issuer, including Holders or the claims made under the Proceeds Loan. The Notes, each Notes Guarantee and the Proceeds Loan therefore are effectively subordinated to creditors (including trade creditors) and preferred and minority stockholders (if any) of any present or future Subsidiaries of the Company that do not become Guarantors.

Although the Indenture limits the incurrence of Indebtedness, Disqualified Stock and Preferred Stock of Restricted Subsidiaries, the limitation is subject to a number of significant exceptions. Moreover, the Indenture does not impose any limitation on the incurrence by the Company or Restricted Subsidiaries of liabilities that are not considered Indebtedness, Disqualified Stock or Preferred Stock under the Indenture and does not impose any limitation on the issuance by the Company of any Preferred Stock. See "*—Certain covenants—Limitation on Indebtedness.*"

## Security

### *The Collateral*

On the Issue Date, subject to the operation of the Agreed Security Principles and certain perfection requirements, the Company and the Issuer granted in favor of the Security Agent, for the benefit of the secured parties (which includes the Trustee on behalf of the Holders), first-ranking security interests (or security interests treated as such pursuant to the terms of the Intercreditor Agreement) in substantially all of the assets of the Company and the Issuer, including: shares of capital stock of the Issuer; shares of capital stock of LP Group; certain bank accounts of the Company (held through the Dutch Branch) and the Issuer (including the Interest Reserve Account); and the rights of the Issuer under the Proceeds Loan, and Midco granted in favor of the Security Agent, for the benefit of the secured parties (which includes the Trustee on behalf of the Holders), first-ranking security interests (or security interests treated as such pursuant to the terms of the Intercreditor Agreement) in the shares of capital stock of the Company (collectively, the "*Collateral*"). The Notes will not be secured by assets or shares owned by LP Group, LeasePlan or any of their respective Subsidiaries.

The Liens created pursuant to the Security Documents entered into on the Issue Date are junior and subject to the Liens created over the same Collateral pursuant to the Security Documents entered into prior to the Issue Date, which prior Liens have also been granted in favor of the Security Agent for the benefit of the secured parties (which includes the Trustee on behalf of the Holders). Under the terms of the Intercreditor Agreement, all amounts received or recovered by the Security Agent in connection with the realization or enforcement of such junior Liens will be applied alongside amounts received or recovered by the Security Agent in connection with the realization or enforcement of the prior Liens in accordance with the waterfall provisions included in the Intercreditor Agreement. See "*—Intercreditor Agreement*" below.

The Security Documents are governed by Dutch, Singapore, Jersey and English law, as applicable.

Notwithstanding the foregoing, certain assets may not be secured or such security may not be perfected in accordance with the Agreed Security Principles, including:

- if the cost of providing security is not proportionate to the benefit accruing to the Holders and the other secured parties;
- if the asset is subject to a third party arrangement, which is not prohibited by the Indenture or the Intercreditor Agreement, that prevents such security from being taken; *provided* that reasonable endeavors are taken to obtain consent for taking such security;



- if providing such security would be prohibited by general statutory limitations, financial assistance, corporate benefit, capital maintenance rules, fraudulent preference, “thin capitalization” rules or similar matters or entering into the Security Documents would conflict with fiduciary duties of directors, contravene any legal or regulatory prohibition or result in a risk of personal or criminal liability on the part of directors or officers;
- if perfecting such security would have an unreasonable adverse effect on the ability of such Subsidiary to conduct its operations and business in the ordinary course as otherwise permitted by the Indenture (in which case, security will not be perfected prior to an acceleration event);
- if in certain jurisdictions it may not be possible to create security over certain assets, security will not be taken over such assets; and
- in the case of bank accounts, notices to the banks with whom the accounts are maintained will only be served after a “*Relevant Acceleration Event*” (as defined in the Agreed Security Principles).

#### ***Administration and enforcement of security***

The Security Documents and the Collateral are administered by a Security Agent (or in certain circumstances a receiver or delegate) pursuant to the Intercreditor Agreement for the benefit of all the secured parties. For a description of the Intercreditor Agreement, see “*Description of other indebtedness—Intercreditor Agreement.*”

The ability of Holders to realize the Collateral will be subject to various insolvency law limitations in the event of the Company’s insolvency and various contractual limitations set out in the Intercreditor Agreement. See “*Risk factors—Risks related to the Notes, the Notes Guarantee and our structure—The insolvency laws of Jersey and Singapore may not be as favorable to you as the U.S. bankruptcy laws and may preclude holders of the Notes from recovering payments due on the Notes.*” and “*Risk factors—Risks related to the Notes, the Notes Guarantee and our structure—The Notes Guarantee and the Collateral are subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability.*”

The Security Documents provide that the rights of the Holders with respect to the Collateral must be exercised by the Security Agent. Since the Holders are not a party to the Security Documents, Holders may not, individually or collectively, take any direct action to enforce any rights in their favor under the Security Documents. Under the Note Documents, the Holders may only act through the Trustee or the Security Agent, as applicable. The Security Agent will agree to release a security interest created by the Security Documents that is in accordance with the Indenture and the Intercreditor Agreement without requiring any consent of the Holders. Subject to the terms of the Intercreditor Agreement and the Indenture, the Holders will, in certain circumstances, be entitled to direct the Trustee to direct the Security Agent to commence enforcement action under the Security Documents. Please see “*Description of other indebtedness—Intercreditor Agreement.*”

Subject to the terms of the Security Documents, the Issuer, the Guarantors and Midco have the right to remain in possession and retain control of the Collateral securing the Notes (other than as set forth in the Security Documents), to freely operate the Collateral and to collect, invest and dispose of any income therefrom.

No appraisals of any of the Collateral have been prepared by or on behalf of the Company or the Issuer in connection with the issuance of the Notes. There can be no assurance that the proceeds from the sale of the Collateral remaining after the payment of any super priority obligations would be sufficient to satisfy the obligations owed to the Holders as well as any other obligations secured on a *pari passu* basis. By its nature, some or all the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that

the Collateral can be sold in a short period of time or at all. See *“Risk factors—Risks related to the Notes, the Notes Guarantee and our structure—The Notes are secured only to the extent of the value of the Collateral that has been granted as security for the Notes and the Notes Guarantee, and such security may not be sufficient to satisfy the obligations under the Notes and the Notes Guarantee. No appraisals of any of the Collateral have been prepared by us or on our behalf in connection with the issuance of the Notes.”* Enforcement of the Collateral will also be subject to certain limitations, including regulatory requirements. In particular, enforcement of the security interests over shares of capital stock of the Company and LP Group may be subject to the requirement to seek a declaration of no-objection from the ECB (in consultation with the DNB). See *“Risk factors—Risks related to the Notes, the Notes Guarantee and our structure—The Collateral is subject to certain regulatory limitations upon the occurrence of an acceleration event and enforcement, and the events leading to such an acceleration event may result in other supervisory measures that may have a material adverse effect on the value of the Collateral.”*

By accepting a Note, each Holder will be deemed to have:

- irrevocably appointed U.S. Bank Trustees Limited, as Security Agent, in each case to act as its security agent under the Intercreditor Agreement and the other relevant documents to which the security agent is a party (including, without limitation, the Security Documents);
- irrevocably authorized the Security Agent and the Trustee to (i) perform the duties and exercise the rights, powers and discretions that are specifically given to each of them under the Intercreditor Agreement or other documents to which the Security Agent and/or the Trustee is a party, together with any other incidental rights, power and discretions; and (ii) execute each document expressed to be executed by the Security Agent and/or the Trustee on its behalf; and
- accepted the terms and conditions of the Intercreditor Agreement and any Additional Intercreditor Agreement and each Holder will also be deemed to have authorized the Security Agent and the Trustee to enter into any such Additional Intercreditor Agreement.

In addition, the terms of the Security Documents or the nature of the security interest granted may provide for (or result in) certain assets originally the subject of a security interest being released from that security without the need for a formal release. Further, assets which may not be validly secured or assets which are already subject to certain types of Permitted Liens may be excluded from the security created by certain Security Documents.

### ***Release of Liens***

The Security Agent will, in addition to the circumstances described above, take any action reasonably required to effectuate any release of Collateral required by a Security Document, and the Trustee (as applicable) shall release and, if so requested, direct the Security Agent to release, without the need for consent of the Holders, Liens on the Collateral securing the Notes:

- (1) upon payment in full of principal, interest and all other obligations on the Notes issued under the Indenture or discharge or defeasance thereof;
- (2) upon release of a Notes Guarantee (with respect to the Liens securing such Notes Guarantee granted by such Guarantor);
- (3) in connection with any disposition of Collateral to any Person (but excluding any transaction subject to *“—Certain covenants—Merger and consolidation—The Issuer and the Company”*); provided that if the Collateral is disposed of to the Company or a Restricted Subsidiary, the relevant Collateral becomes immediately subject to a substantially equivalent Lien in favor of the Security Agent securing the Notes and the covenant described under *“—Certain covenants—Impairment of security interest”* is otherwise complied with; provided, further, that, in each case, such disposition is permitted by the Indenture;

- (4) if the Company designates any Subsidiary Guarantor to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture, the release of the property, assets and Capital Stock of such Unrestricted Subsidiary;
- (5) in connection with certain enforcement actions taken by the creditors under certain of our Secured Indebtedness as provided under the Intercreditor Agreement, or otherwise in compliance with the Intercreditor Agreement;
- (6) as may be permitted by the covenant described under "*Certain covenants—Impairment of security interest*"; and
- (7) in order to effectuate a merger, consolidation, conveyance, transfer or other business combination conducted in compliance with the covenant described under "*Certain covenants—Merger and consolidation*."

Each of these releases shall be effected by the Security Agent without the consent of the Holders or any action on the part of the Trustee.

### ***Intercreditor Agreement***

On the Issue Date, the Trustee acceded to the Intercreditor Agreement. Pursuant to the terms of the Intercreditor Agreement, any liabilities in respect of obligations under certain Hedging Obligations that are secured by Collateral that also secures our obligations under the Notes and the Notes Guarantees will receive priority with respect to any proceeds received upon any enforcement action over any such assets. Any remaining proceeds received upon any enforcement action over any Collateral, after all obligations under certain Hedging Obligations have been repaid from such recoveries, will be applied *pro rata* in repayment of all obligations under the Indenture and the Notes and any other indebtedness of the Issuer and the Guarantors permitted to be Incurred and secured by the Collateral pursuant to the Indenture and the Intercreditor Agreement; *provided* that any remaining proceeds of enforcement attributable to the Interest Reserve Account will be applied in repayment of all obligations under the Indenture and the Notes.

### ***Amendments to the Intercreditor Agreement and Additional Intercreditor Agreements***

The Indenture provides that, at the request of the Company, in connection with the Incurrence or refinancing by the Issuer, the Company or its Restricted Subsidiaries of any Indebtedness secured or permitted to be secured on the Collateral, the Issuer, the Company, Midco, the relevant Restricted Subsidiaries, the Trustee and the Security Agent, as applicable, shall enter into an intercreditor or similar agreement or a restatement, amendment or other modification of the existing Intercreditor Agreement (an "*Additional Intercreditor Agreement*") with the holders of such Indebtedness (or their duly authorized representatives) on substantially the same terms as the Intercreditor Agreement (or on terms that in the good faith judgment of the Board of Directors or an Officer of the Company or the Issuer are not materially less favorable to the Holders), including containing substantially the same terms with respect to the application of the proceeds of the collateral held thereunder and the means of enforcement, it being understood that an increase in the amount of Indebtedness being subject to the terms of the Intercreditor Agreement or Additional Intercreditor Agreement will not be deemed to be less favorable to the Holders and will be permitted by this covenant if the Incurrence of such Indebtedness and any Lien in its favor is permitted by the "*Certain covenants—Limitation on Indebtedness*" and "*Certain covenants—Limitation on Liens*" covenants; *provided* that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or the Security Agent or, in the opinion of the Trustee or the Security Agent, adversely affect the rights, duties, liabilities or immunities of the Trustee or the Security Agent under the Indenture or the Intercreditor Agreement. As used herein, the term "*Intercreditor Agreement*" shall include references to any Additional Intercreditor Agreement that supplements or replaces the Intercreditor Agreement, unless the context otherwise requires.

The Indenture provides that, at the written direction of the Issuer and without the consent of the Holders, the Trustee or the Security Agent shall from time to time enter into one or more amendments to any Intercreditor Agreement to: (i) cure any ambiguity, omission, defect or inconsistency of any such agreement, (ii) increase the amount or types of Indebtedness covered by any such agreement that may be Incurred by the Issuer that is subject to any such agreement (*provided* that such Indebtedness is Incurred in compliance with the Indenture), (iii) add Restricted Subsidiaries to the Intercreditor Agreement, (iv) further secure the Notes (including Additional Notes Incurred in compliance with the Indenture), (v) make provision for equal and ratable pledges of the Collateral to secure Additional Notes Incurred in compliance with the Indenture or to implement any Permitted Collateral Liens or (vi) make any other change to any such agreement that does not adversely affect the Holders in any material respect. The Issuer shall not otherwise direct the Trustee or the Security Agent to enter into any amendment to any Intercreditor Agreement without the consent of the Holders of a majority in aggregate principal amount of the Notes then outstanding, except as otherwise permitted below under "*—Amendments and waivers*" or as permitted by the terms of such Intercreditor Agreement, and the Issuer may only direct the Trustee or the Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or the Security Agent or, in the opinion of the Trustee or the Security Agent, adversely affect the rights, duties, liabilities or immunities of the Trustee or the Security Agent under the Indenture relating to the Notes or any Intercreditor Agreement.

The Indenture provides that each Holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of any Intercreditor Agreement and any Additional Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein), and to have authorized the Trustee and the Security Agent to enter into any one or more amendments to any Intercreditor Agreement or any Additional Intercreditor Agreement as contemplated above.

### **The Proceeds Loan**

On the Issue Date, the Issuer, as lender, and the Dutch Branch, as borrower, entered into the Proceeds Loan Agreement pursuant to which the Issuer loaned to the Dutch Branch an amount equal to the proceeds from the Offering upon the release of such proceeds from the Escrow Accounts. See "*Use of proceeds.*"

The Proceeds Loan bears interest at a rate at least equal to the interest rates of the Notes. Interest on the Proceeds Loan is payable semi-annually in arrears on or prior to the corresponding date for the payment of interest on the Notes.

The Proceeds Loan Agreement provides that the Dutch Branch will pay the Issuer interest and principal due and payable on the Notes and any Additional Amounts due thereunder. All amounts payable under the Proceeds Loan are payable to such account or accounts with such Person or Persons as the Issuer may designate. The maturity date of the Proceeds Loan is at such times as will allow the Issuer to redeem, repay or repurchase the proportion of the Notes to be redeemed, repaid or repurchased by the Issuer, pursuant to the terms of the Indenture, up to the principal amount of the Proceeds Loan. Except as otherwise required by law, all payments under the Proceeds Loan Agreement will be made without deductions or withholding for, or on account of, any applicable tax. In the event that the Dutch Branch is required to make any such deduction or withholding, the Dutch Branch shall gross up each payment to the Issuer to ensure that the Issuer receives and retains a net payment equal to the payment which it would have received had no such deduction or withholding been made.

The Proceeds Loan Agreement provides that the Dutch Branch will make all payments pursuant thereto, up to the principal amount of the Proceeds Loan, on a timely basis in order to ensure that the Issuer can satisfy its payment obligations under the Notes and the Indenture, taking into

account the administrative and timing requirements under the Indenture with respect to amounts payable on the Notes.

The Issuer's rights under the Proceeds Loan Agreement have been assigned by way of security to the Security Agent and comprise part of the Collateral, as described above under "*—Security—The Collateral.*"

### Optional redemption

Except as set forth herein and under "*—Redemption for taxation reasons,*" the Notes are not redeemable at the option of the Issuer.

At any time and from time to time on or after April 15, 2018, the Issuer may redeem the Notes, in whole or in part, at its option, upon not less than 10 nor more than 60 days' prior notice at a redemption price equal to the applicable percentage of principal amount set forth below plus accrued and unpaid interest to, but excluding, the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Period commencing	Euro Notes Percentage	Dollar Notes Percentage
April 15, 2018 .....	103.43750%	103.68750%
April 15, 2019 .....	101.71875%	101.84375%
April 15, 2020 and thereafter .....	100.00000%	100.00000%

At any time and from time to time prior to April 15, 2018, upon not less than 10 nor more than 60 days' prior notice, the Issuer may redeem up to 40% of the original aggregate principal amount of the Euro Notes (including Additional Euro Notes) at a redemption price equal to (i) 106.875% of the aggregate principal amount thereof, with an amount equal to or less than the net cash proceeds of one or more Equity Offerings, plus (ii) accrued and unpaid interest thereon, if any, to, but excluding, the applicable redemption date (subject to the right of Holders of record of Euro Notes on the relevant record date to receive interest due on the relevant interest payment date); *provided that*:

- (1) in each case the redemption takes place not later than 120 days after the closing of the related Equity Offering, and
- (2) not less than 60% of the original aggregate principal amount of the Euro Notes (including the principal amount of any Additional Euro Notes) remains outstanding immediately thereafter.

At any time and from time to time prior to April 15, 2018, upon not less than 10 nor more than 60 days' prior notice, the Issuer may redeem up to 40% of the original aggregate principal amount of the Dollar Notes (including Additional Dollar Notes) at a redemption price equal to (i) 107.375% of the aggregate principal amount thereof, with an amount equal to or less than the net cash proceeds of one or more Equity Offerings, plus (ii) accrued and unpaid interest thereon, if any, to, but excluding, the applicable redemption date (subject to the right of Holders of record of Dollar Notes on the relevant record date to receive interest due on the relevant interest payment date); *provided that*:

- (1) in each case the redemption takes place not later than 120 days after the closing of the related Equity Offering, and
- (2) not less than 60% of the original aggregate principal amount of the Dollar Notes (including the principal amount of any Additional Dollar Notes) remains outstanding immediately thereafter.

At any time prior to April 15, 2018, the Issuer may redeem the Notes in whole or in part, at its option, upon not less than 10 nor more than 60 days' prior notice at a redemption price equal to 100% of the principal amount of such Notes plus the relevant Applicable Premium as of, and accrued and unpaid interest and Additional Amounts, if any, to, but excluding, the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

### **General**

Notice of redemption will be provided as set forth under "*—Selection and notice*" below. If the Issuer effects an optional redemption of Notes of a series, it will, for so long as the Notes are listed on the Euro MTF of the LxSE, inform the LxSE of such optional redemption and confirm the aggregate principal amount of the Notes of that series that will remain outstanding immediately after such redemption.

Any redemption and notice of redemption may, at the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent (including, in the case of a redemption related to an Equity Offering, the consummation of such Equity Offering).

If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest will be paid to the Person in whose name the Note is registered at the close of business on such record date, and no additional interest will be payable to Holders whose Notes will be subject to redemption by the Issuer.

### **Sinking fund**

The Issuer is not required to make mandatory redemption payments or sinking fund payments with respect to the Notes.

### **Selection and notice**

If less than all the Notes of a series are to be redeemed at any time, the Trustee or the Registrar will select the Notes for redemption in compliance with the requirements of the principal securities exchange, if any, on which the applicable Notes are listed, as certified to the Trustee by the Issuer, and in compliance with the requirements of Euroclear and Clearstream (in the case of the Euro Notes) and DTC (in the case of the Dollar Notes), or if the applicable Notes are not so listed, or such exchange prescribes no method of selection and the Notes are not held through Euroclear and Clearstream (in the case of the Euro Notes) or DTC (in the case of the Dollar Notes) or Euroclear and Clearstream (in the case of the Euro Notes) or DTC (in the case of the Dollar Notes) prescribes no method of selection, on a pro rata basis; *provided, however*, that no Note of €100,000 in aggregate principal amount or less (in the case of the Euro Notes) or \$200,000 in aggregate principal amount or less (in the case of the Dollar Notes) shall be redeemed in part. None of the Trustee, the Paying Agents or the Registrar shall be liable for selections made under this paragraph.

For so long as the Notes are listed on the Euro MTF of the LxSE and the rules of such exchange so require, the Issuer shall publish notice of redemption on the official website of the LxSE or in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) and in addition to such publication, not less than 10 nor more than 60 days prior to the redemption date, mail such notice to Holders by first-class mail, postage prepaid, at their respective addresses as they appear on the registration books of the Registrar; *provided* that, for so long as any Notes are represented by Global Notes, notices of redemption to Holders will be delivered to Euroclear and Clearstream (in the case of the Euro Notes) and DTC (in the case of the Dollar Notes) (and such delivery will be deemed to satisfy the requirements of this paragraph), each of which shall give notices to the holders of the Book-Entry Interests.



If any Note is to be redeemed in part only, the notice of redemption that relates to that Note shall state the portion of the principal amount thereof to be redeemed, in which case a portion of the original Note will be issued in the name of the Holder thereof upon cancellation of the original Note. In the case of a Global Note, an appropriate notation will be made on such Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable redemption notice (including any conditions contained therein), Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of them called for redemption, unless the redemption price is not paid on the redemption date.

## **Redemption for taxation reasons**

The Issuer or Successor Company (as defined herein) may redeem, and a Guarantor may cause the Issuer or Successor Company to redeem, the Notes in whole, but not in part, at any time upon giving not less than 10 nor more than 60 days' notice to the Holders (which notice will be irrevocable) at a redemption price equal to 100% of the outstanding principal amount thereof, together with accrued and unpaid interest, if any, to, but excluding, the date fixed for redemption (a "*Tax Redemption Date*") (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) and all Additional Amounts (see "*—Additional Amounts*"), if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if any, if as a result of:

(1) any change in, or amendment to, the laws or treaties (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined under "*—Additional Amounts*") affecting taxation; or

(2) any change in, or amendment to, the application, administration or interpretation of such laws, treaties, regulations or rulings (including pursuant to a holding, judgment or order by a court of competent jurisdiction or a change in published practice) of a Relevant Taxing Jurisdiction (each of the foregoing in clauses (1) and (2), a "*Change in Tax Law*"),

the Issuer, Successor Company or Guarantor are, or on the next interest payment date in respect of the Notes or any Notes Guarantee would be, required to pay any Additional Amounts, and such obligation cannot be avoided by taking reasonable measures available to the Issuer, Successor Company or Guarantor (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable and, in the case of a payment by a Guarantor, having the Issuer or another Guarantor make the payment, but not including assignment of the obligation to make payments with respect to the Notes). In the case of redemption due to withholding as a result of a Change in Tax Law in a jurisdiction that was a Relevant Taxing Jurisdiction at the date of the Offering Memorandum, such Change in Tax Law must become effective on or after the date of the Offering Memorandum. In the case of redemption due to withholding as a result of a Change in Tax Law in a jurisdiction that becomes a Relevant Taxing Jurisdiction after the date of the Offering Memorandum, such Change in Tax Law must become effective on or after the date the jurisdiction becomes a Relevant Taxing Jurisdiction (or, in the case of a Successor Company, on or after the date of assumption by the Successor Company of the Issuer's obligations hereunder). Notice of redemption for taxation reasons will be published in accordance with the procedures described under "*—Selection and notice.*" Notwithstanding the foregoing, no such notice of redemption will be given (a) earlier than 90 days prior to the earliest date on which the Payor (as defined under "*—Additional Amounts*") would be obliged to make such payment of Additional Amounts and (b) unless at the time such notice is given, such obligation to pay such Additional Amounts remains in effect. Prior to the publication or mailing of any notice of redemption of the Notes pursuant to the foregoing, the Issuer, Successor Company or Guarantor will deliver to the Trustee (i) an Officer's Certificate stating that it is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right so to redeem have been satisfied and that it would not be able

to avoid the obligation to pay Additional Amounts by taking reasonable measures available to it and (ii) an opinion of an independent tax counsel of recognized standing to the effect that the Issuer, Successor Company or Guarantor has or have been or will become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Trustee will accept such Officer's Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, without further inquiry, in which event it will be conclusive and binding on the Holders.

The foregoing provisions of this "*Redemption for taxation reasons*" section will apply *mutatis mutandis* to any jurisdiction in which any successor to the Issuer, Successor Company or any Guarantor is organized or any political subdivision or taxing authority or agency thereof or therein.

## **Additional Amounts**

All payments made by or on behalf of the Issuer or a Successor Company under or with respect to the Notes, or any Guarantor (each of the Issuer, Successor Company and Guarantor, a "*Payor*") with respect to any Notes Guarantee, will be made free and clear of and without withholding or deduction for, or on account of, any Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

- (1) Jersey, Singapore or any political subdivision or Governmental Authority thereof or therein having the power to tax;
- (2) any jurisdiction from or through which payment on any such Note or Notes Guarantee is made by the Issuer, Successor Company, Guarantor or their agents (including the jurisdiction in which the Escrow Accounts are located), or any political subdivision or Governmental Authority thereof or therein having the power to tax; or
- (3) any other jurisdiction in which the Payor is incorporated or organized, engaged in business for tax purposes, resident for tax purposes, or any political subdivision or Governmental Authority thereof or therein having the power to tax (each of clauses (1), (2) and (3), a "*Relevant Taxing Jurisdiction*"),

will at any time be required from any payments made with respect to any Note or Notes Guarantee, including payments of principal, redemption price, premium, if any, or interest, the Payor will pay (together with such payments) such additional amounts (the "*Additional Amounts*") as may be necessary in order that the net amounts received in respect of such payments by the Holders or the Trustee, as the case may be, after such withholding or deduction (including any such deduction or withholding from such Additional Amounts), will not be less than the amounts which would have been received in respect of such payments on any such Note or Notes Guarantee in the absence of such withholding or deduction; *provided, however*, that no such Additional Amounts will be payable for or on account of:

- (1) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant Holder or the beneficial owner of a Note (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of power over the relevant Holder or beneficial owner, if the relevant Holder or beneficial owner is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction (including, but not limited to, being a citizen or resident or national or domiciliary of, or the existence of a business, a permanent establishment, a dependent agent, a place of business or a place of management present or deemed present in the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising solely from the acquisition, ownership or holding of such Note or Notes Guarantee, the enforcement of rights hereunder or under a Notes Guarantee or the receipt of any payment in respect thereof;

(2) any Taxes that are imposed, withheld or deducted by reason of the failure by the Holder or the beneficial owner of the Note to comply with a written request of the Payor addressed to the Holder or the beneficial owner, after reasonable notice at least 30 days before any such Taxes would be imposed, withheld or deducted, to provide certification, information, documents or other evidence concerning the nationality, residence, identity or connection with the Relevant Taxing Jurisdiction of the Holder or such beneficial owners or to make any declaration or similar claim or satisfy any certification, identification, information or other reporting requirement relating to such matters, required by applicable law, regulation, treaty or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from all or part of such Tax; *provided* in each case the Holder or beneficial owner is legally eligible to do so;

(3) any Taxes that are payable otherwise than by deduction or withholding from a payment under or with respect to the Notes or any Notes Guarantee;

(4) any estate, inheritance, gift, value added, sales, transfer, personal property or similar Taxes;

(5) any Taxes imposed in connection with a Note presented for payment (where presentation is permitted or required for payment) by or on behalf of a Holder or beneficial owner who would have been able to avoid such Tax by presenting the relevant Note to, or otherwise accepting payment from, another Paying Agent in a member state of the European Union;

(6) any Taxes which would not have been imposed if the Holder had presented the Note for payment (where presentation is permitted or required for payment) within 30 days after the relevant payment was first made available for payment to the Holder (except for Additional Amounts with respect to Taxes that would have been imposed had the Holder presented the Note for payment within such 30-day period);

(7) any Taxes imposed on or with respect to a payment to a Holder that is a fiduciary or partnership or any Person other than the sole beneficial owner of such payment or Note, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such partnership or the beneficial owner of such payment or Note would not have been entitled to the Additional Amounts had such beneficiary, settlor, member or beneficial owner been the actual Holder of such Note;

(8) any Taxes imposed on or with respect to a Note pursuant to Sections 1471 to 1474 of the Code, any successor law or regulation implementing or complying with, or introduced in order to conform to, such sections of the Code or any intergovernmental agreement or any agreement entered into pursuant to Section 1471(b)(1) of the Code; or

(9) any combination of the above.

The Payor will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will use all reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes, in such form as provided in the ordinary course by the Relevant Taxing Jurisdiction and as is reasonably available to the Issuer, and will provide such certified copies to the Trustee. Such copies shall be made available to the Holders upon request and will be made available at the offices of the Registrar if the Notes are then listed on the Euro MTF of the LxSE. The Payor will attach to each certified copy a certificate stating (x) that the amount of withholding Taxes evidenced by the certified copy was paid in connection with payments in respect of the principal amount of Notes then outstanding and (y) the amount of such withholding Taxes paid per €1,000 principal amount (in the case of the Euro Notes) or \$1,000 principal amount (in the case of the Dollar Notes) of the Notes.

If any Payor becomes aware that it will be obligated to pay Additional Amounts under or with respect to any payment made on any Note or Notes Guarantee, at least 30 days prior to the date

of such payment, the Payor will deliver to the Trustee an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount so payable and such other information necessary to enable the relevant Paying Agent to pay Additional Amounts to Holders on the relevant payment date (unless such obligation to pay Additional Amounts arises, or the Payor becomes aware of such obligation, less than 45 days prior to the relevant payment date, in which case the Payor may deliver such Officer's Certificate as promptly as practicable after the date that is 30 days prior to the payment date). The Trustee shall be entitled to rely solely on such Officer's Certificate without further inquiry, as conclusive proof that such payments are necessary.

Wherever in the Indenture, the Notes Guarantees or this "*Description of the Notes*" there are mentioned, in any context:

- (1) the payment of principal;
- (2) purchase or redemption prices in connection with a purchase or redemption of Notes;
- (3) interest; or
- (4) any other amount payable on or with respect to any of the Notes or Notes Guarantees,

such reference shall be deemed to include payment of Additional Amounts as described under this heading to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Payor will pay any present or future stamp, court or documentary Taxes, or any other excise, property or similar Taxes that arise in any jurisdiction from the execution, delivery, registration or enforcement of any Notes, any Notes Guarantee, the Indenture, the Proceeds Loan Agreement, the Security Documents or any other document or instrument in relation thereto (other than a transfer or exchange of the Notes) excluding any such Taxes, charges or similar levies imposed by any jurisdiction that is not a Relevant Taxing Jurisdiction.

The foregoing obligations of this "*Additional Amounts*" section will survive any termination, defeasance or discharge of the Indenture and will apply *mutatis mutandis* to any jurisdiction in which any successor to the Issuer or any Guarantor is organized or any political subdivision or taxing authority or agency thereof or therein.

## **Change of Control**

If a Change of Control occurs, subject to the terms hereof, each Holder will have the right to require the Issuer to repurchase all or part (equal to €100,000 principal amount and integral multiples of €1,000 in excess thereof, in the case of the Euro Notes, or \$200,000 principal amount and integral multiples of \$1,000 in excess thereof, in the case of the Dollar Notes) of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of the Notes, plus accrued and unpaid interest and Additional Amounts, if any, to, but excluding, the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided, however*, that the Issuer shall not be obliged to repurchase Notes as described under this "*Change of Control*" section in the event and to the extent that it has unconditionally exercised its right to redeem all of the Notes as described under "*—Optional redemption*" or all conditions to such redemption have been satisfied or waived.

Unless the Issuer has unconditionally exercised its right to redeem all of the Notes as described under "*—Optional redemption*" or all conditions to such redemption have been satisfied or waived, no later than the date that is 60 days after any Change of Control, the Issuer will send a notice (the "*Change of Control Offer*") to each Holder of any such Notes, by mail or otherwise in accordance with the procedures set forth in the Indenture, with a copy to the Trustee:

(1) stating that a Change of Control has occurred or may occur and that such Holder has the right to require the Issuer to purchase all or any part of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of such Notes plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of purchase (subject to the right of Holders of record on a record date to receive interest on the relevant interest payment date) (the "Change of Control Payment");

(2) stating the repurchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is sent) (the "Change of Control Payment Date");

(3) describing the circumstances and relevant facts regarding the transaction or transactions that constitute the Change of Control;

(4) describing the procedures determined by the Issuer, consistent with the Indenture, that a Holder must follow in order to have its Notes repurchased; and

(5) if such notice is mailed or otherwise transmitted prior to the occurrence of a Change of Control, stating that the Change of Control Offer is conditional on the occurrence of such Change of Control.

On the Change of Control Payment Date, if the Change of Control shall have occurred, the Issuer will, to the extent lawful:

(1) accept for payment all Notes or portions thereof properly tendered pursuant to the Change of Control Offer;

(2) deposit with the relevant Paying Agent an amount equal to the Change of Control Payment in respect of all Notes so tendered;

(3) deliver or cause to be delivered to the Trustee an Officer's Certificate stating the aggregate principal amount of Notes or portions thereof being purchased by the Issuer in the Change of Control Offer;

(4) in the case of Global Notes, deliver, or cause to be delivered, to the relevant Paying Agent the Global Notes in order to reflect thereon the portion of such Notes or portions thereof that have been tendered to and purchased by the Issuer; and

(5) in the case of Definitive Registered Notes, deliver, or cause to be delivered, to the relevant Registrar for cancellation all Definitive Registered Notes accepted for purchase by the Issuer.

If any Definitive Registered Notes have been issued, the relevant Paying Agent will promptly mail or otherwise transmit to each Holder of Definitive Registered Notes so tendered the Change of Control Payment for such Notes, and the Trustee or an authentication agent appointed by the Trustee will promptly authenticate (or cause to be authenticated) and mail (or cause to be transferred by book-entry) to each Holder of Definitive Registered Notes a new Definitive Registered Note equal in principal amount to the aggregate unpurchased portion of the Notes surrendered, if any; *provided* that each such new Note will be in a principal amount that is at least €100,000 or an integral multiple of €1,000 in excess thereof (in the case of the Euro Notes) or \$200,000 or an integral multiple of \$1,000 in excess thereof (in the case of the Dollar Notes).

If and for so long as the Notes are listed on the Official List of the LxSE and admitted for trading on the Euro MTF and the rules of such exchange so require, the Issuer will publish a public announcement with respect to the results of the Change of Control Offer as soon as practicable after the Change of Control Payment Date in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*), or, to the extent and in the manner permitted by such rules, post such notices on the official website of the LxSE.

Notwithstanding anything to the contrary herein, a Change of Control Offer may be made in advance of a Change of Control, conditional upon such Change of Control; *provided* that the



purchase date will be no earlier than 30 days from the date a notice of such Change of Control Offer is mailed or otherwise transmitted.

The Change of Control provisions described above will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the Holders to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction. The existence of a Holder's right to require the Issuer to repurchase such Holder's Notes upon the occurrence of a Change of Control may deter a third party from seeking to acquire the Company or its Subsidiaries in a transaction that would constitute a Change of Control.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations (or rules of any exchange on which the Notes are then listed) in connection with the repurchase of Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations (or exchange rules) conflict with provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations (or exchange rules) and will not be deemed to have breached its obligations under the Change of Control provisions of the Indenture by virtue of the conflict.

Future debt of the Company or its Subsidiaries, including the Issuer, may prohibit the Issuer from purchasing Notes in the event of a Change of Control or provide that a Change of Control is a default or may require repurchase upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Issuer to purchase the Notes could cause a default under, or require a repurchase of, other debt, even if the Change of Control itself does not, due to the financial effect of the purchase on the Company or the Issuer.

Finally, the Issuer's ability to pay cash to the Holders following the occurrence of a Change of Control may be limited by the Issuer's and the Company's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See *"Risk factors—Risks related to the Notes, the Notes Guarantee and our structure—The Issuer may not be able to obtain the funds required to repurchase the Notes upon a change of control and the change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events."*

The definition of "Change of Control" includes a disposition of all or substantially all of the property and assets of the Company and its Restricted Subsidiaries taken as a whole. Although there is limited case law interpreting the phrase "substantially all," there is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the property or assets of a Person. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder may require the Issuer to make an offer to repurchase the Notes as described above.

The provisions of the Indenture relating to the Issuer's obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified with the written consent of Holders of a majority in outstanding aggregate principal amount of the Notes under the Indenture.



## Certain covenants

### Limitation on Indebtedness

The Company will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness); *provided, however*, that:

- (1) any LeasePlan Group Restricted Subsidiary may Incur Indebtedness if on the date of such Incurrence and after giving *pro forma* effect thereto (including *pro forma* application of the proceeds thereof), the LeasePlan Group Equity Ratio would have been at least 14.0%;
- (2) the Company and the Issuer may Incur Indebtedness if on the date of such Incurrence, and after giving *pro forma* effect thereto (including *pro forma* application of the proceeds thereof), the Fixed Charge Coverage Ratio of the Company for the most recently ended four full fiscal quarters for which internal financial statements of the Company are available immediately preceding the date on which such additional Indebtedness is Incurred would have been at least 2.0 to 1.0; and
- (3) any Acquired Restricted Subsidiary may Incur Indebtedness if on the date of such Incurrence, and after giving *pro forma* effect thereto (including *pro forma* application of the proceeds thereof), the Fixed Charge Coverage Ratio of the Acquired Restricted Subsidiaries for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is Incurred would have been at least 2.0 to 1.0.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness:

- (1) (a) Guarantees by the Company or any Restricted Subsidiary of Indebtedness of the Company or any Restricted Subsidiary (other than any Guarantee by the Company or the Issuer of any Indebtedness of any LeasePlan Group Restricted Subsidiary or any Acquired Restricted Subsidiary), in each case, so long as the Incurrence of such Indebtedness being guaranteed is permitted under the terms of the Indenture (other than pursuant to this clause (1)); *provided that*, if Indebtedness being guaranteed is subordinated to or *pari passu* with the Notes or a Notes Guarantee, then the guarantee must be subordinated to or *pari passu* with the Notes or a Notes Guarantee, as applicable, to the same extent as the Indebtedness guaranteed; or
- (b) without limiting the covenant described under “—*Limitation on Liens*,” Indebtedness arising by reason of any Lien granted by or applicable to such Person securing Indebtedness of the Company or any Restricted Subsidiary, in each case so long as the Incurrence of such Indebtedness is permitted under the terms of the Indenture;
- (2) Indebtedness of the Company owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Company or any Restricted Subsidiary; *provided, however*, that:
  - (a) other than in respect of intercompany current liabilities Incurred in connection with credit management, cash management, cash pooling, netting, setting off or similar arrangements in the ordinary course of business of the Company and its Restricted Subsidiaries, if the Issuer or any Guarantor is the obligor on such Indebtedness and the payee is not the Issuer or a Guarantor, such Indebtedness must be unsecured and expressly subordinated to the prior payment in full in cash of all obligations then due (x) in the case of the Issuer, with respect to the Notes, or (y) in the case of a Guarantor, with respect to its Notes Guarantee, in each case in the manner and to the extent provided for in the Intercreditor Agreement; and
  - (b) (i) any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being beneficially held by a Person other than the Company or a Restricted Subsidiary; and (ii) any sale or other transfer of any such Indebtedness to a Person

other than the Company or a Restricted Subsidiary, shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (2) by the Company or such Restricted Subsidiary, as the case may be;

(3) Indebtedness represented by (a) the Notes (other than any Additional Notes) and the Notes Guarantees, (b) any Indebtedness (other than Indebtedness described in clauses (2), (3)(a) and (6) of this paragraph) of (i) the Company, the Issuer or LP Group entered into or outstanding on the Issue Date or (ii) any Restricted Subsidiary (including any LeasePlan Group Restricted Subsidiary) entered into or outstanding on the Completion Date after giving effect to the Transactions, (c) Refinancing Indebtedness that is Incurred in respect of any Indebtedness described in this clause (3) or clause (4) of this paragraph or Incurred pursuant to the first paragraph of this covenant, (d) Management Advances and (e) the Proceeds Loan;

(4) Indebtedness (i) of any Person Incurred and outstanding on the date on which such Person becomes a Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Company or any Restricted Subsidiary or (ii) Incurred to provide or refinance all or any portion of the funds utilized to consummate a transaction or series of related transactions pursuant to which a Person became a Restricted Subsidiary or was otherwise acquired by the Company or a Restricted Subsidiary or otherwise in connection with or contemplation of such acquisition; *provided, however*, with respect to subclauses (4)(i) and (4)(ii), that at the time of such acquisition or other transaction:

(x) if such Indebtedness will be Incurred or held by any LeasePlan Group Restricted Subsidiary, (A) such LeasePlan Group Restricted Subsidiary would have been permitted to Incur €1.00 of additional Indebtedness pursuant to clause (1) of the first paragraph of this covenant after giving *pro forma* effect to the relevant acquisition and Incurrence of such Indebtedness pursuant to this clause (4) or (B) the LeasePlan Group Equity Ratio would not be lower than it was immediately prior to giving effect to such acquisition or other transaction;

(y) if such Indebtedness will be Incurred or held by the Company or the Issuer, (A) the Company or the Issuer would have been permitted to Incur €1.00 of additional Indebtedness pursuant to clause (2) of the first paragraph of this covenant after giving *pro forma* effect to the relevant acquisition and Incurrence of such Indebtedness pursuant to this clause (4) or (B) the Fixed Charge Coverage Ratio of the Company after giving *pro forma* effect to the relevant acquisition and Incurrence of such Indebtedness pursuant to this clause (4) would not be lower than it was immediately prior to giving effect to such acquisition or other transaction; and

(z) if such Indebtedness will be Incurred or held by any Acquired Restricted Subsidiary, (A) such Acquired Restricted Subsidiary would have been permitted to Incur €1.00 of additional Indebtedness pursuant to clause (3) of the first paragraph of this covenant after giving *pro forma* effect to the relevant acquisition and Incurrence of such Indebtedness pursuant to this clause (4) or (B) the Fixed Charge Coverage Ratio of the Acquired Restricted Subsidiaries after giving *pro forma* effect to the relevant acquisition and Incurrence of such Indebtedness pursuant to this clause (4) would not be lower than it was immediately prior to giving effect to such acquisition or other transaction;

(5) Indebtedness under Hedging Agreements entered into for *bona fide* hedging purposes of the Company or its Restricted Subsidiaries and not for speculative purposes (as determined in good faith by the Board of Directors or an Officer of the Company);

(6) Indebtedness of any LeasePlan Group Restricted Subsidiary or any Acquired Restricted Subsidiary consisting of (A) Capitalized Lease Obligations, mortgage financings, Purchase Money Obligations or other financings, in each case Incurred for the purpose of financing all or any part

of the purchase price or cost of construction or improvement of property, plant or equipment used in a Similar Business, (B) Indebtedness otherwise Incurred to finance the purchase, lease, rental or cost of design, construction, installation or improvement of property (real or personal) or equipment that is used or useful in a Similar Business, whether through the direct purchase of assets or the Capital Stock of any Person owning such assets, and (C) any Refinancing Indebtedness and Guarantees in respect of subclauses (A) or (B), in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (6) then outstanding, will not exceed the greater of (x) €100.0 million and (y) 0.52% of Total Assets;

(7) Indebtedness in respect of (a) workers' compensation claims, self-insurance obligations, performance, indemnity, surety, judgment, appeal, advance payment, customs, VAT or other tax or other guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by the Company or a Restricted Subsidiary or relating to liabilities, obligations, indemnities or guarantees Incurred in the ordinary course of business or for governmental or regulatory requirements, (b) letters of credit, bankers' acceptances, guarantees or other similar instruments or obligations issued or relating to liabilities or obligations Incurred in the ordinary course of business; *provided, however*, that upon the drawing of such letters of credit or other instrument, such obligations are reimbursed within 30 days following such drawing, (c) the financing of insurance premiums in the ordinary course of business and (d) any credit management, cash management, cash pooling, netting, setting off or similar arrangements in the ordinary course of business of the Company and its Restricted Subsidiaries;

(8) Indebtedness arising from agreements providing for customary guarantees, indemnification, obligations in respect of earn-outs or other adjustments of purchase price or, in each case, similar obligations, in each case, Incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary (other than Guarantees of Indebtedness Incurred by any Person acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition); *provided* that, in the case of a disposition, the maximum liability of the Company and its Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the fair market value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Company and its Restricted Subsidiaries in connection with any such disposition;

(9) (A) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided, however*, that such Indebtedness is extinguished within 60 Business Days of Incurrence;

(B) Indebtedness owed on a short-term basis of no longer than 60 days to banks and other financial institutions Incurred in the ordinary course of business of the Company and its Restricted Subsidiaries with such banks or financial institutions that arises in connection with ordinary banking arrangements to manage cash balances of the Company and its Restricted Subsidiaries; and

(C) Indebtedness Incurred by a Restricted Subsidiary in connection with bankers' acceptances, discounted bills of exchange or the discounting or factoring of receivables for credit management purposes, in each case Incurred or undertaken in the ordinary course of business;

(10) Indebtedness of any LeasePlan Group Restricted Subsidiary or any Acquired Restricted Subsidiary in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness and Guarantees by any LeasePlan Group Restricted Subsidiary or any Acquired Restricted Subsidiary in respect thereof and the aggregate principal amount of all other Indebtedness Incurred pursuant to this clause (10) then outstanding, will not exceed (i) with

respect to any such Indebtedness of the LeasePlan Group Restricted Subsidiaries, the greater of (x) €2,500.0 million and (y) 12.91% of Total Assets, and (ii) with respect to any such Indebtedness of the Acquired Restricted Subsidiaries, €50.0 million;

(11) Indebtedness (including any Refinancing Indebtedness and Guarantees in respect thereof) of any LeasePlan Group Restricted Subsidiary or any Acquired Restricted Subsidiary in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (11) and then outstanding, will not exceed 100% of the Net Cash Proceeds received by the Company from the issuance or sale (other than to a Restricted Subsidiary) of its Subordinated Shareholder Funding or its Capital Stock (other than Disqualified Stock, Designated Preference Shares, the Equity Contribution or an Excluded Contribution) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares, the Equity Contribution or an Excluded Contribution) of the Company, in each case, subsequent to the Completion Date; *provided, however,* that (i) any such Net Cash Proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under the first paragraph and clauses (1), (6), (10) and (14) of the third paragraph of the covenant described below under "*—Limitation on Restricted Payments*" to the extent any LeasePlan Group Restricted Subsidiary or any Acquired Restricted Subsidiary Incurs Indebtedness in reliance thereon and (ii) any Net Cash Proceeds that are so received or contributed shall be excluded for purposes of Incurring Indebtedness pursuant to this clause (11) to the extent the Company or any of its Restricted Subsidiaries makes a Restricted Payment under the first paragraph or clauses (1), (6), (10) or (14) of the third paragraph of the covenant described below under "*—Limitation on Restricted Payments*" in reliance thereon;

(12) Indebtedness Incurred by a Receivables Subsidiary in a Qualified Receivables Financing; and

(13) Indebtedness required to be Incurred by LP Group or any LeasePlan Group Restricted Subsidiary in order to comply with any rule, regulation or order issued in accordance with applicable law or otherwise issued by a Governmental Authority that has jurisdiction over LP Group or the relevant LeasePlan Group Restricted Subsidiary.

For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this covenant:

(i) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, the Company, in its sole discretion, will classify, and may from time to time reclassify, such item of Indebtedness and only be required to include the amount and type of such Indebtedness in one of the clauses of the first paragraph or one of the clauses of the second paragraph of this covenant; *provided* that Indebtedness incurred under the First Revolving Credit Facility or the Second Revolving Credit Facility and any Refinancing Indebtedness in respect thereof may only be Incurred in reliance on the exception provided in subclause (10)(i) of the second paragraph of this covenant and may not be reclassified;

(ii) Guarantees of, or obligations in respect of, letters of credit, bankers' acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;

(iii) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to clauses (6) or (10) of the second paragraph of this covenant or pursuant to the first paragraph of this covenant, and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;

(iv) the principal amount of any Disqualified Stock of the Company or a Restricted Subsidiary, or Preferred Stock of a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;

(v) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness; and

(vi) the amount of any Indebtedness outstanding as of any date shall be calculated as described under the definition of "Indebtedness," *provided* that the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined on the basis of IFRS.

Accrual of interest, accrual of dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest in the form of additional Indebtedness, the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock or the reclassification of commitments or obligations not treated as Indebtedness due to a change in IFRS will not be deemed to be an Incurrence of Indebtedness for purposes of this covenant.

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary as of such date.

For purposes of determining compliance with any euro-denominated restriction on the Incurrence of Indebtedness, the Euro Equivalent of the aggregate principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or, at the option of the Company, first committed, in the case of Indebtedness Incurred under a revolving credit facility; *provided* that (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than euro, and such refinancing would cause the applicable euro-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the aggregate principal amount of such Indebtedness being refinanced; (b) the Euro Equivalent of the aggregate principal amount of any such Indebtedness outstanding on the Issue Date or the Completion Date, as applicable, shall be calculated based on the relevant currency exchange rate in effect on the Issue Date or the Completion Date, as applicable; and (c) if and for so long as any such Indebtedness is subject to a Currency Agreement with respect to the currency in which such Indebtedness is denominated covering principal amounts payable on such Indebtedness, the amount of such Indebtedness, if denominated in euro, will be the amount of the principal payment required to be made under such Currency Agreement and, otherwise, the Euro Equivalent of such amount plus the Euro Equivalent of any premium which is at such time due and payable but is not covered by such Currency Agreement.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Company or a Restricted Subsidiary may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

Notwithstanding any other provision of this covenant, LP Group and any Intermediate Holding Company shall not be entitled to Incur any Indebtedness other than Indebtedness Incurred



pursuant to clauses (2), (3)(b)(i) (and any Refinancing Indebtedness that is Incurred in respect thereof pursuant to clause 3(c)), (7), (8) and (13) of the second paragraph of this covenant.

***Limitation on Restricted Payments***

The Company will not, and will not permit any of its Restricted Subsidiaries, directly or indirectly, to:

(1) declare or pay any dividend or make any other distribution on or in respect of the Company's or any Restricted Subsidiary's Capital Stock (including any payment in connection with any merger or consolidation involving the Company or any of its Restricted Subsidiaries) except:

(a) dividends or distributions payable in Capital Stock of the Company (other than Disqualified Stock) or in options, warrants or other rights to purchase such Capital Stock of the Company or in Subordinated Shareholder Funding; and

(b) dividends or distributions payable to the Company or a Restricted Subsidiary (and, in the case of any such Restricted Subsidiary making such dividend or distribution, to holders of its Capital Stock other than the Company or a Restricted Subsidiary on no more than a pro rata basis, measured by value);

(2) purchase, redeem, retire or otherwise acquire for value any Capital Stock of the Company or any direct or indirect Parent, in each case held by Persons other than the Company or a Restricted Subsidiary (other than in exchange for Capital Stock of the Company (other than Disqualified Stock));

(3) make any principal payment on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Indebtedness (other than (a) any such payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement and (b) any Indebtedness Incurred pursuant to clause (2) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*");

(4) make any payment (other than by capitalization of interest) on or with respect to, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value any Subordinated Shareholder Funding; or

(5) make any Restricted Investment in any Person;

(any such dividend, distribution, payment, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (1) through (5) above are referred to herein as a "*Restricted Payment*"), if at the time the Company or such Restricted Subsidiary makes such Restricted Payment:

(a) a Default shall have occurred and be continuing (or would result immediately thereafter therefrom);

(b) the LeasePlan Group Restricted Subsidiaries are not permitted to Incur an additional €1.00 of Indebtedness pursuant to clause (1) of the first paragraph of the covenant described under "*—Limitation on Indebtedness*" after giving effect, on a *pro forma* basis, to such Restricted Payment;

(c) the Interest Reserve Account contains cash or Cash Equivalents in an amount less than the Interest Reserve Amount; or

(d) the aggregate amount of such Restricted Payment and all other Restricted Payments made subsequent to the Issue Date (and not returned or rescinded) (including Permitted



Payments permitted below by clauses (5) (without duplication of amounts paid pursuant to any other clause of the second succeeding paragraph), (6), (10), (11) and (12) of the second succeeding paragraph, but excluding all other Restricted Payments permitted by the second succeeding paragraph) would exceed the sum of (without duplication):

(i) 50% of Consolidated Net Income of the Company for the period (treated as one accounting period) from the first day of the last fiscal quarter commencing prior to the Issue Date to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which internal consolidated financial statements of the Company are available (or, in the case such Consolidated Net Income is a deficit, minus 100% of such deficit);

(ii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Company from the issue or sale of its Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding subsequent to the Completion Date or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Company subsequent to the Completion Date (other than (w) Net Cash Proceeds or property or assets or marketable securities received from an issuance or sale of such Capital Stock to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary, (x) Net Cash Proceeds or property or assets or marketable securities to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (6) of the second succeeding paragraph, (y) the Equity Contribution and (z) Excluded Contributions);

(iii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Company or any Restricted Subsidiary from the issuance or sale (other than to the Company or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary) by the Company or any Restricted Subsidiary subsequent to the Completion Date of any Indebtedness that has been converted into or exchanged for Capital Stock of the Company (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding (plus the amount of any cash, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Company or any Restricted Subsidiary upon such conversion or exchange) but excluding (x) Net Cash Proceeds to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (6) of the second succeeding paragraph and (y) Excluded Contributions;

(iv) the amount equal to the net reduction in Restricted Investments made by the Company or any of its Restricted Subsidiaries resulting from:

(A) repurchases, redemptions or other acquisitions or retirements of any such Restricted Investment, proceeds realized upon the sale or other disposition to a Person other than the Company or a Restricted Subsidiary of any such Restricted Investment, repayments of loans or advances or other transfers of assets (including by way of dividend, distribution, interest payments or returns of capital) to the Company or any Restricted Subsidiary; or

(B) the redesignation of Unrestricted Subsidiaries as Restricted Subsidiaries (valued, in each case, as provided in the definition of "Investment") not to exceed, in the

case of any Unrestricted Subsidiary, the amount of Investments previously made by the Company or any Restricted Subsidiary in such Unrestricted Subsidiary, which amount, in each case under this clause (iv), was included in the calculation of the amount of Restricted Payments referred to in the first sentence of this clause (d),

*provided, however*, that no amount will be included in Consolidated Net Income of the Company for purposes of the preceding clause (i) to the extent that it is (at the Company's option) included under this clause (iv); and

(v) the amount of the cash and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or of marketable securities received by the Company or any of its Restricted Subsidiaries in connection with:

(A) the sale or other disposition (other than to the Company or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary) of Capital Stock of an Unrestricted Subsidiary of the Company; and

(B) any dividend or distribution made by an Unrestricted Subsidiary or Affiliate to the Company or a Restricted Subsidiary,

*provided, however*, that no amount will be included in Consolidated Net Income of the Company for purposes of the preceding clause (i) to the extent that it is (at the Company's option) included under this clause (v); *provided further, however*, that such amount under this clause (v) shall not exceed the amount included in the calculation of the amount of Restricted Payments referred to in the first sentence of this clause (d).

The fair market value of property or assets other than cash covered by the preceding paragraph shall be the fair market value thereof as determined in good faith by the Board of Directors or an Officer of the Company.

The foregoing provisions will not prohibit any of the following (collectively, "*Permitted Payments*"):

(1) any Restricted Payment made in exchange (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares) for, or out of the proceeds of the substantially concurrent sale of, Capital Stock of the Company (other than Disqualified Stock or Designated Preference Shares), Subordinated Shareholder Funding or a substantially concurrent contribution to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares, the Equity Contribution or through an Excluded Contribution) of the Company subsequent to the Completion Date; *provided, however*, that to the extent so applied, the Net Cash Proceeds, or fair market value (as determined in accordance with the immediately preceding paragraph) of property or assets or of marketable securities, from such sale of Capital Stock, Subordinated Shareholder Funding or such contribution will be excluded from clause (d)(ii) of the first paragraph of this covenant;

(2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness made in exchange for, or out of the proceeds of the substantially concurrent Incurrence of Refinancing Indebtedness permitted to be Incurred pursuant to the covenant described under "*—Limitation on Indebtedness*";

(3) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Preferred Stock of the Company or a Restricted Subsidiary made in exchange for or out of the proceeds of the substantially concurrent sale of Preferred Stock of the Company or a Restricted Subsidiary, as the case may be, that, in each case, is permitted to be Incurred pursuant to the covenant described under "*—Limitation on Indebtedness*," and that in each case, constitutes Refinancing Indebtedness;

(4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness:

(a) from Net Available Cash to the extent permitted by the covenant described under "*—Limitation on sales of assets and subsidiary stock,*" but only if (i) the Issuer shall have first complied with the covenant described under "*—Limitation on sales of assets and subsidiary stock,*" and purchased all Notes tendered pursuant to any offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest;

(b) to the extent required by the agreement governing such Subordinated Indebtedness, following the occurrence of a Change of Control (or other similar event described therein as a "change of control"), but only (i) if the Issuer shall have first complied with the terms of the covenant described under "*—Change of Control,*" and purchased all Notes tendered pursuant to the offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 101% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest; or

(c) (i) consisting of Acquired Indebtedness and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest and any premium required by the terms of such Acquired Indebtedness;

(5) any dividends paid within 60 days after the date of declaration if at such date of declaration such dividend would have complied with this covenant;

(6) the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of Capital Stock of the Company, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof) and loans, advances, dividends or distributions by the Company to any Parent or any entity formed for the purpose of investing in Capital Stock of the Company or any Parent to permit any Parent or such entity to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Company, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof), or payments to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Company, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof), in each case from Management Investors; *provided* that such payments, loans, advances, dividends or distributions do not exceed an amount (net of repayments of any such loans or advances) equal to (A) €7.5 million plus (B) €2.5 million multiplied by the number of calendar years that have commenced subsequent to the Issue Date plus (C) the Net Cash Proceeds received by the Company or its Restricted Subsidiaries subsequent to the Completion Date (including through receipt of proceeds from the issuance or sale of its Capital Stock or Subordinated Shareholder Funding to a Parent) from, or as a contribution to the equity (in each case under this clause (C), other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Company from, the issuance or sale to Management Investors of Capital Stock (including any options, warrants or other rights in respect thereof), to the extent such Net Cash Proceeds are not included in any calculation under clause (d)(ii) of the first paragraph of this covenant;

(7) the declaration and payment of dividends to holders of any class or series of Disqualified Stock, or of any Preferred Stock of a Restricted Subsidiary, Incurred in accordance with the terms of the covenant described under "*—Limitation on Indebtedness*";

(8) purchases, repurchases, redemptions, defeasances or other acquisitions or retirements of Capital Stock deemed to occur upon the exercise of stock options, warrants or other rights in respect thereof if such Capital Stock represents a portion of the exercise price thereof;

(9) dividends, loans, advances or distributions to any Parent or any Affiliate thereof or other payments by the Company or any Restricted Subsidiary in amounts equal to (without duplication):

(a) the amounts required for any Parent to pay any Parent Expenses or any Related Taxes; or

(b) amounts constituting or to be used for purposes of making payments (i) of fees, expenses and other payments in relation to the Transactions or (ii) to the extent described in clauses (2), (3), (5), (7), (11), (12) and (13) of the second paragraph of the covenant described under “—*Limitation on Affiliate Transactions*”;

(10) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), the declaration and payment by the Company of, or loans, advances, dividends or distributions to any Parent to pay, dividends on the common stock or common equity interests of the Company or any Parent following a Public Offering of such common stock or common equity interests, in an amount not to exceed in any fiscal year the greater of (a) 6% of the Net Cash Proceeds received by the Company from such Public Offering or contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of the Company or loaned or contributed as Subordinated Shareholder Funding to the Company, and (b) following the Initial Public Offering, an amount equal to the greater of (x) 6% of the Market Capitalization and (y) 6% of the IPO Market Capitalization; *provided that*, in the case of this subclause (b), after giving *pro forma* effect to such loans, advances, dividends or distributions, the LeasePlan Group Equity Ratio shall be at least 14.0%;

(11) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), Restricted Payments (including loans or advances) in an aggregate amount outstanding at any time not to exceed €25.0 million;

(12) payments by the Company, or loans, advances, dividends or distributions to any Parent to make payments, to holders of Capital Stock of the Company or any Parent in lieu of the issuance of fractional shares of such Capital Stock; *provided, however*, that any such payment, loan, advance, dividend or distribution shall not be for the purpose of evading any limitation of this covenant or otherwise to facilitate any dividend or other return of capital to the holders of such Capital Stock (as determined in good faith by the Board of Directors or an Officer of the Company);

(13) Restricted Payments in an aggregate amount outstanding at any time not to exceed the aggregate cash amount of Excluded Contributions, or consisting of non-cash Excluded Contributions, or Investments to the extent made in exchange for or using as consideration Investments previously made under this clause (13);

(14) (i) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of the Company issued after the Completion Date; and (ii) the declaration and payment of dividends to any Parent or any Affiliate thereof, the proceeds of which will be used to fund the payment of dividends to holders of any class or series of Designated Preference Shares of such Parent or Affiliate issued after the Completion Date; *provided, however*, that, in the case of clauses (i) and (ii), the amount of all dividends declared or paid pursuant to this clause (14) shall not exceed the Net Cash Proceeds received by the Company or the aggregate amount contributed in cash to the equity (other than through the issuance of Disqualified Stock or an Excluded Contribution or, in the case of Designated Preference Shares by a Parent or an Affiliate, the issuance of Designated Preference Shares) of the Company or loaned or contributed as Subordinated Shareholder Funding to the Company, from the issuance or sale of such Designated Preference Shares;

(15) dividends or other distributions of Capital Stock, Indebtedness or other securities of Unrestricted Subsidiaries; and

(16) payment of any Receivables Fees and purchases of Receivables Assets pursuant to a Receivables Repurchase Obligation in connection with a Qualified Receivables Financing.

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by the Company or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount, and the fair market value of any non-cash Restricted Payment shall be determined conclusively by the Board of Directors or an Officer of the Company acting in good faith.

#### ***Limitation on Liens***

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, incur or suffer to exist any Lien upon any of its property or assets (including Capital Stock of a Restricted Subsidiary), whether owned on the Issue Date or acquired after that date, or any interest therein or any income or profits therefrom, which Lien is securing any Indebtedness (such Lien, the "*Initial Lien*"), except (a) in the case of any property or asset that does not constitute Collateral, (1) Permitted Liens or (2) Liens on property or assets that are not Permitted Liens if the Notes and the Indenture (or a Notes Guarantee in the case of Liens of a Guarantor) are secured equally and ratably with, or prior to, in the case of Liens with respect to Subordinated Indebtedness, the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured (*provided* that a Lien to secure Indebtedness Incurred pursuant to clause (5) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*" for the purposes of hedging any interest rate or foreign exchange exposures arising under or in respect of the Notes may have priority in respect of the application of proceeds from any realization or enforcement of the Collateral on terms not materially less favorable to the Holders than that accorded to the counterparties under super priority Hedging Obligations pursuant to the Intercreditor Agreement as in effect on the Issue Date), and (b) in the case of any property or assets that constitute Collateral, Permitted Collateral Liens.

Any such Lien created in favor of the Notes pursuant to clause (a)(2) of the preceding paragraph will be automatically and unconditionally released and discharged (i) upon the release and discharge of the Initial Lien to which it relates and (ii) otherwise as set forth under "*—Security—Release of Liens.*"

#### ***Limitation on restrictions on distributions from Restricted Subsidiaries***

The Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

- (A) pay dividends or make any other distributions in cash or otherwise on its Capital Stock to the Company or the Issuer or pay any Indebtedness or other obligations owed to the Company or the Issuer;
- (B) make any loans or advances to the Company or the Issuer; or
- (C) sell, lease or transfer any of its property or assets to the Company or the Issuer;

*provided* that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill requirements to) loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness Incurred by the Company or any Restricted Subsidiary shall not be deemed to constitute such an encumbrance or restriction.



The provisions of the preceding paragraph will not prohibit:

(1) any encumbrance or restriction pursuant to (a) the Indenture, the Notes, the Notes Guarantees, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents or (b) any other agreement or instrument in effect at or entered into (i) on the Issue Date, in the case of the Company, the Issuer or LP Group or (ii) on the Completion Date, in the case of any LeasePlan Group Restricted Subsidiary, including, in each case, any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings, *provided* that the amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in those agreements referred to in subclauses (a) and (b), as applicable (as determined in good faith by the Board of Directors or an Officer of the Company);

(2) any encumbrance or restriction pursuant to an agreement or instrument of a Person or relating to any Capital Stock or Indebtedness of a Person, entered into on or before the date on which such Person was acquired by or merged, consolidated or otherwise combined with or into the Company or any Restricted Subsidiary, or was designated as a Restricted Subsidiary, or on which such agreement or instrument is assumed by the Company or any Restricted Subsidiary in connection with an acquisition of assets (other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was acquired by the Company or was merged, consolidated or otherwise combined with or into the Company or any Restricted Subsidiary entered into or in connection with such transaction) and outstanding on such date; *provided* that, for the purposes of this clause (2), if another Person is the Successor Company, any Subsidiary thereof or agreement or instrument of such Person or any such Subsidiary shall be deemed acquired or assumed by the Company or any Restricted Subsidiary when such Person becomes the Successor Company;

(3) any encumbrance or restriction pursuant to an agreement or instrument effecting a refinancing of Indebtedness Incurred pursuant to, or that otherwise refinances, an agreement or instrument referred to in clause (1) or (2) of this paragraph or this clause (3) (an "*Initial Agreement*") or contained in any amendment, supplement or other modification to an agreement referred to in clause (1) or (2) of this paragraph or this clause (3); *provided, however*, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or instrument are no less favorable in any material respect to the Holders than the encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such refinancing or amendment, supplement or other modification relates (as determined in good faith by the Board of Directors or an Officer of the Company);

(4) any encumbrance or restriction:

(a) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any lease, license or other contract;

(b) contained in mortgages, pledges, charges or other security agreements permitted under the Indenture or securing Indebtedness of the Company or a Restricted Subsidiary permitted under the Indenture to the extent such encumbrances or restrictions restrict the transfer of the property or assets subject to such mortgages, pledges, charges or other security agreements; or

(c) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Company or any Restricted Subsidiary;

(5) any encumbrance or restriction pursuant to Purchase Money Obligations and Capitalized Lease Obligations permitted under the Indenture, in each case, that impose encumbrances or



restrictions on the property so acquired or any encumbrance or restriction pursuant to a joint venture agreement that imposes restrictions on the transfer of the assets of the joint venture;

(6) any encumbrance or restriction with respect to a Restricted Subsidiary that is not the Issuer (or any of its property or assets) imposed pursuant to an agreement entered into for the direct or indirect sale or disposition to a Person of all or substantially all the Capital Stock or assets of such Restricted Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;

(7) customary provisions in leases, licenses, joint venture agreements and other similar agreements and instruments entered into in the ordinary course of business;

(8) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order (including encumbrances or restrictions on making distributions in cash or Cash Equivalents as a dividend or otherwise that arise or exist by reason of applicable law or any applicable rule, regulation or order) or encumbrances or restrictions required by any regulatory authority;

(9) any encumbrance or restriction on cash or other deposits or net worth imposed by customers under agreements entered into in the ordinary course of business;

(10) any encumbrance or restriction pursuant to Hedging Agreements;

(11) any encumbrance or restriction arising pursuant to an agreement or instrument relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under "*—Limitation on Indebtedness*" if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders than (i) the encumbrances and restrictions contained in the Indenture, together with the Security Documents associated therewith as in effect on the Issue Date or (ii) in comparable financings (as determined in good faith by the Board of Directors or an Officer of the Company) and where, in the case of clause (ii), the Company determines at the time such Indebtedness is Incurred that such encumbrances or restrictions will not adversely affect, in any material respect, the Issuer's ability to make principal or interest payments on the Notes or the ability of the Company to make principal or interest payments on the Proceeds Loan;

(12) any encumbrance or restriction existing by reason of any Lien permitted by the covenant described under "*—Limitation on Liens*"; or

(13) restrictions effected in connection with a Qualified Receivables Financing that, in the good faith determination of the Board of Directors or an Officer of the Company, are necessary or advisable to effect such Qualified Receivables Financing.

***Limitation on sales of assets and subsidiary stock***

The Company will not, and will not permit any of its Restricted Subsidiaries to, make any Asset Disposition unless:

(1) the Company or such Restricted Subsidiary, as the case may be, receives consideration (including by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise) at least equal to the fair market value (such fair market value to be determined on the date of contractually agreeing to such Asset Disposition), as determined in good faith by the Board of Directors or an Officer of the Company, of the shares and assets subject to such Asset Disposition (including, for the avoidance of doubt, if such Asset Disposition is a Permitted Asset Swap); and

(2) in any such Asset Disposition, or series of related Asset Dispositions (except to the extent the Asset Disposition is a Permitted Asset Swap), at least 75% of the consideration from such Asset Disposition (excluding any consideration by way of relief from, or by any other Person assuming

responsibility for, any liabilities, contingent or otherwise, other than Indebtedness) received by the Company or such Restricted Subsidiary, as the case may be, is in the form of cash, Cash Equivalents or Temporary Cash Investments.

Within 365 days from the later of (A) the date of such Asset Disposition and (B) the receipt of such Net Available Cash from an Asset Disposition, the Company or such Restricted Subsidiary, as the case may be, may apply an amount equal to such Net Available Cash at the option of the Company or such Restricted Subsidiary:

(a) (i) to prepay, repay, purchase or redeem any Indebtedness of a Restricted Subsidiary of the Company (other than the Issuer or a Guarantor) (in each case, other than Subordinated Indebtedness of such Restricted Subsidiary or Indebtedness owed to the Company or any Restricted Subsidiary); (ii) to purchase the Notes pursuant to an offer to all Holders of Notes at a purchase price in cash equal to at least 100% of the principal amount thereof, plus accrued and unpaid interest to, but not including, the date of repayment or purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); or (iii) to prepay, repay, purchase or redeem Pari Passu Indebtedness at a price of no more than 100% of the principal amount of such Pari Passu Indebtedness plus accrued and unpaid interest to the date of such prepayment, repayment, purchase or redemption; *provided* that the Company shall redeem, repay or repurchase Pari Passu Indebtedness pursuant to this subclause (iii) only if the Company makes (at such time or subsequently in compliance with this covenant) an offer to the Holders to purchase their Notes in accordance with the provisions set forth below for an Asset Disposition Offer for an aggregate principal amount of Notes at least equal to the proportion that (x) the total aggregate principal amount of Notes outstanding bears to (y) the sum of the total aggregate principal amount of Notes outstanding plus the total aggregate principal amount outstanding of such Pari Passu Indebtedness;

(b) to the extent the Company or such Restricted Subsidiary elects, to invest in or commit to invest in Additional Assets (including by means of an investment in Additional Assets by a Restricted Subsidiary with Net Available Cash received by the Company or another Restricted Subsidiary) within 365 days from the later of (i) the date of such Asset Disposition and (ii) the receipt of such Net Available Cash; *provided, however*, that any such reinvestment in Additional Assets made pursuant to a definitive binding agreement or a commitment approved by the Board of Directors or an Officer of the Company that is executed or approved within such time will satisfy this requirement, so long as such investment is consummated within 180 days of such 365th day; *provided further*, that if the assets (including Capital Stock) sold constitute Collateral, subject to the Agreed Security Principles, the Company shall pledge or shall cause the applicable Restricted Subsidiary to pledge any acquired Additional Assets (to the extent such assets (including Capital Stock) were of a category of assets included in the Collateral) in favor of the Security Agent, for the benefit of the Trustee and the Holders, on a first-ranking basis (subject to pre-existing Liens and Permitted Collateral Liens);

(c) to make a capital expenditure pursuant to a definitive binding agreement or a commitment approved by the Board of Directors or an Officer of the Company; *provided, however*, that any such capital expenditure made that is executed or approved within such time will only satisfy this requirement so long as such investment is consummated within 180 days of such 365th day; or

(d) any combination of the foregoing;

*provided* that, pending the final application of any such Net Available Cash in accordance with clause (a), (b), (c) or (d) above, the Company and its Restricted Subsidiaries may temporarily reduce Indebtedness or otherwise invest such Net Available Cash in any manner not prohibited by the Indenture.

If an amount less than the Net Available Cash from Asset Dispositions is applied or invested or committed to be applied or invested, or offered to be applied or invested, as provided in the preceding paragraph, an amount equal to the difference will be deemed to constitute "Excess Proceeds" under the Indenture. On the 366th day (or the 546th day, in the case of any Net Available Cash committed to be used pursuant to a definitive binding agreement or commitment approved by the Board of Directors or an Officer of the Company pursuant to clause (b) or (c) of the preceding paragraph) after the later of (A) the date of such Asset Disposition and (B) the receipt of such Net Available Cash from an Asset Disposition, or at such earlier date that the Issuer elects, if the aggregate amount of "Excess Proceeds" under the Indenture exceeds €100.0 million, the Issuer will be required to make an offer (or procure an offer is made) ("Asset Disposition Offer") to all Holders of Notes issued under the Indenture and, to the extent the Company so elects, to all holders of other outstanding Pari Passu Indebtedness, to purchase the maximum aggregate principal amount of Notes and any such Pari Passu Indebtedness to which the Asset Disposition Offer applies that may be purchased out of the "Excess Proceeds" at an offer price in respect of the Notes in an amount equal to (and, in the case of any Pari Passu Indebtedness, an offer price of no more than) 100% of the principal amount of such Notes and 100% of the principal amount of such Pari Passu Indebtedness, in each case, plus accrued and unpaid interest, if any, to, but excluding, the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), in accordance with the procedures set forth in the Indenture or the agreements governing the Pari Passu Indebtedness, as applicable. For the avoidance of doubt, a transaction that constitutes a Change of Control shall not constitute an Asset Disposition.

To the extent that the aggregate principal amount of Notes and Pari Passu Indebtedness repaid or purchased pursuant to an Asset Disposition Offer is less than the "Excess Proceeds," the Company may use any remaining "Excess Proceeds" for general corporate purposes, subject to the other covenants contained in the Indenture. If the aggregate principal amount of the Notes surrendered in any Asset Disposition Offer by Holders and the other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of "Excess Proceeds," the "Excess Proceeds" shall be allocated among the Notes and the Pari Passu Indebtedness to be repaid or purchased on a *pro rata* basis on the basis of the aggregate principal amount of surrendered Notes and Pari Passu Indebtedness, or by such other method required by applicable legal, depository and exchange requirements. For the purposes of calculating the aggregate principal amount of any such Indebtedness not denominated in euro, such Indebtedness shall be calculated by converting any such aggregate principal amounts into their Euro Equivalent determined as of a date selected by the Company that is within the Asset Disposition Offer Period (as defined herein). Upon completion of any Asset Disposition Offer, the amount of "Excess Proceeds" shall be reset at zero.

To the extent that any portion of Net Available Cash payable in respect of the Notes is denominated in a currency other than the currency in which the relevant Notes are denominated, the amount thereof payable in respect of such Notes shall not exceed the net amount of funds in the currency in which the relevant Notes are denominated that is actually received upon converting such portion of Net Available Cash into such currency.

The Asset Disposition Offer, insofar as it relates to the Notes, will remain open for a period of not less than 20 Business Days following its commencement (the "Asset Disposition Offer Period"). No later than five Business Days after the termination of the Asset Disposition Offer Period (the "Asset Disposition Purchase Date"), the Issuer will purchase (or procure the purchase of) the aggregate principal amount of Notes and, to the extent it so elects, any Pari Passu Indebtedness required to be purchased pursuant to this covenant (the "Asset Disposition Offer Amount") or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Notes and Pari Passu Indebtedness validly surrendered in response to the Asset Disposition Offer.

On or before the Asset Disposition Purchase Date, the Issuer will, to the extent lawful, accept for payment, on a *pro rata* basis to the extent necessary, the Asset Disposition Offer Amount of Notes and Pari Passu Indebtedness or portions of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn and, in the case of the Euro Notes, in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof and, in the case of the Dollar Notes, in minimum denominations of \$200,000 and in integral multiples of \$1,000 in excess thereof. The Issuer will deliver to the Trustee an Officer's Certificate stating that such Notes or portions thereof were accepted for payment in accordance with the terms of this covenant. The Issuer or, at the request and expense of the Issuer, the relevant Paying Agent, as the case may be, will promptly (but in any case not later than five Business Days after termination of the Asset Disposition Offer Period) mail or deliver (or procure the mailing or delivery) to each tendering Holder an amount equal to the purchase price of the Notes so validly tendered and not properly withdrawn by such Holder, and accepted for purchase, and the Issuer will promptly issue a new Note (or amend the Global Note), and the Trustee, upon delivery of an Officer's Certificate from the Issuer, will (via an authenticating agent) authenticate and mail or deliver (or cause to be transferred by book-entry) such new Note to such Holder, in an aggregate principal amount equal to any unpurchased portion of the Note surrendered; *provided* that each such new Note will be in an aggregate principal amount with a minimum denomination of €100,000 or in integral multiples of €1,000 in excess thereof (in the case of the Euro Notes) or \$200,000 or in integral multiples of \$1,000 in excess thereof (in the case of the Dollar Notes). Any Note not so accepted will be promptly mailed or delivered (or transferred by book-entry) by the Issuer to the Holder thereof.

For the purposes of clause (2) of the first paragraph of this covenant, the following will be deemed to be cash:

- (1) the assumption by the transferee of Indebtedness of the Company or a Restricted Subsidiary (other than Subordinated Indebtedness of the Issuer or a Guarantor) and the release of the Company or such Restricted Subsidiary from all liability on such Indebtedness in connection with such Asset Disposition;
- (2) securities, notes or other obligations received by the Company or any Restricted Subsidiary from the transferee that are converted by the Company or such Restricted Subsidiary into cash or Cash Equivalents within 180 days following the closing of such Asset Disposition;
- (3) Indebtedness of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Disposition, to the extent that the Company and each other Restricted Subsidiary are released from any Guarantee of payment of such Indebtedness in connection with such Asset Disposition;
- (4) consideration consisting of Indebtedness of the Company or any Restricted Subsidiary (other than Subordinated Indebtedness of the Issuer or a Guarantor) received after the Issue Date from Persons who are not the Company or any Restricted Subsidiary; and
- (5) any Designated Non-Cash Consideration received by the Company or any Restricted Subsidiary in such Asset Dispositions having an aggregate fair market value, taken together with all other Designated Non-Cash Consideration received pursuant to this covenant that is at that time outstanding, not to exceed the greater of €25.0 million and 0.13% of Total Assets (with the fair market value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value).

The Issuer will comply (or procure compliance), to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to the Indenture. To the extent that the provisions of any

securities laws or regulations (or exchange rules) conflict with provisions of this covenant, the Issuer will comply (or procure compliance) with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of any conflict.

### ***Maintenance of listing***

The Issuer will use its commercially reasonable efforts to obtain and maintain the listing of the Notes on the Official List of the LxSE for so long as such Notes are outstanding; *provided* that if the Issuer is unable to obtain admission to such listing or if at any time the Issuer determines that it will not maintain such listing, it will obtain (where the Notes are initially so listed, prior to the delisting of the Notes from the Official List of the LxSE), and thereafter use its best efforts to maintain, a listing of such Notes on another recognized stock exchange.

### ***Limitation on Affiliate Transactions***

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or conduct any transaction or series of related transactions (including the purchase, sale, lease or exchange of any property or the rendering of any service) with or for the benefit of any Affiliate of the Company (such transaction or series of related transactions being an "*Affiliate Transaction*") involving aggregate value in excess of €5.0 million unless:

(1) the terms of such Affiliate Transaction taken as a whole are not materially less favorable to the Company or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction or the execution of the agreement providing for such transaction in arm's length dealings with a Person who is not such an Affiliate;

(2) in the event such Affiliate Transaction involves an aggregate value in excess of €25.0 million, the terms of such transaction or series of related transactions have been approved by a majority of the members of the Board of Directors of the Company resolving that such transaction complies with clause (1) above; and

(3) in the event such Affiliate Transaction involves an aggregate consideration in excess of €50.0 million, the Company has received a written opinion from an Independent Financial Advisor that such Affiliate Transaction is fair, from a financial standpoint, to the Company and its Restricted Subsidiaries or that the terms are not materially less favorable than those that could reasonably have been obtained in a comparable transaction at such time on an arm's length basis from a Person that is not an Affiliate.

The provisions of the preceding paragraph will not apply to:

(1) any Restricted Payment permitted to be made pursuant to the covenant described under "*Limitation on Restricted Payments*," any Permitted Payments (other than pursuant to subclause (9)(b)(ii) of the third paragraph of the covenant described under "*Limitation on Restricted Payments*") or any Permitted Investment (other than Permitted Investments as defined in clauses (1)(b), (2), (11), (15) and (18) of the definition thereof);

(2) any issuance or sale of Capital Stock, options, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of the Company, any Restricted Subsidiary or any Parent, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultants' plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees, directors or consultants approved by the Board of Directors of the Company, in each case in the ordinary course of business;



- (3) any Management Advances and any waiver or transaction with respect thereto;
- (4) any transaction between or among the Company and any Restricted Subsidiary (or entity that becomes a Restricted Subsidiary as a result of such transaction), or between or among Restricted Subsidiaries or any Receivables Subsidiary;
- (5) the payment of reasonable fees and reimbursement of expenses to, and customary indemnities (including under customary insurance policies) and employee benefit and pension expenses provided on behalf of, directors, officers, consultants or employees of the Company, any Restricted Subsidiary or any Parent (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees);
- (6) the Transactions and the entry into and performance of obligations of the Company or any of its Restricted Subsidiaries under the terms of any transaction arising out of, and any payments pursuant to or for purposes of funding, any agreement or instrument in effect as of or on the Issue Date, as these agreements and instruments may be amended, modified, supplemented, extended, renewed or refinanced from time to time in accordance with the other terms of this covenant or to the extent not more disadvantageous to the Holders in any material respect in the good faith judgment of the Board of Directors or an Officer of the Company and the entry into and performance of any registration rights or other listing agreement in connection with any Public Offering;
- (7) the execution, delivery and performance of any Tax Sharing Agreement and the formation and maintenance of any consolidated group for tax, accounting or cash pooling or management purposes in the ordinary course of business;
- (8) transactions with customers, clients, landlords and suppliers or purchasers or sellers of goods or services, which, in each case, are in the ordinary course of business and are either fair to the Company or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors or an Officer of the Company or the relevant Restricted Subsidiary or are on terms no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party;
- (9) any transaction in the ordinary course of business between or among the Company or any Restricted Subsidiary and any Affiliate of the Company or an Associate or similar entity that would constitute an Affiliate Transaction solely because the Company or a Restricted Subsidiary or any Affiliate of the Company or a Restricted Subsidiary or any Affiliate of any Permitted Holder owns an equity interest in or otherwise controls such Affiliate, Associate or similar entity;
- (10) (a) issuances or sales of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Company or options, warrants or other rights to acquire such Capital Stock or Subordinated Shareholder Funding; *provided* that the interest rate and other financial terms of such Subordinated Shareholder Funding are approved by a majority of the members of the Board of Directors or an Officer of the Company in their reasonable determination and (b) any amendment, waiver or other transaction with respect to any Subordinated Shareholder Funding in compliance with the other provisions of the Indenture, the Intercreditor Agreement and any Additional Intercreditor Agreement, as applicable;
- (11) without duplication in respect of payments made pursuant to clause (12) hereof, (a) payments by the Company or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) of annual management, consulting, monitoring or advisory fees and related expenses to an aggregate amount not to exceed €10.0 million in each twelve month period commencing on the Issue Date and (b) customary payments by the Company or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) for financial advisory, financing, underwriting, placement or hedging services or in respect of other investment banking activities, including in



connection with acquisitions or divestitures, which payments in respect of this subclause (b) are approved by a majority of the Board of Directors or an Officer of the Company in good faith;

(12) payment to any Permitted Holder of all reasonable out of pocket expenses Incurred by such Permitted Holder in connection with its direct or indirect investment in the Company and its Subsidiaries; and

(13) any transaction effected as part of a Qualified Receivables Financing.

### **Reports**

For so long as any Notes are outstanding, the Company will provide to the Trustee the following reports:

(1) within 120 days after the end of each fiscal year of the Company beginning with the fiscal year ended December 31, 2016, annual reports containing, to the extent applicable, the following information: (a) audited consolidated balance sheets of the Company or its predecessor as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of the Company or its predecessor for the two most recent fiscal years, including complete footnotes to such financial statements and the report of the independent auditors on the financial statements; *provided* that in the event of any change in the Company's fiscal year, the first annual report that is prepared in respect of such new fiscal year shall also include an unaudited consolidated balance sheet and an unaudited consolidated income statement and statement of cash flow of the Company as of and for the comparable prior period; (b) unaudited *pro forma* income statement information and balance sheet information of the Company (which, for the avoidance of doubt, shall not include the provision of a full income statement or balance sheet to the extent not reasonably available), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year; (c) an operating and financial review of the audited financial statements, including a discussion of the results of operations, financial condition and liquidity and capital resources of the Company, and a discussion of material commitments and contingencies and critical accounting policies; (d) a description of the business, management and shareholders of the Company, all material affiliate transactions and a description of all material contractual arrangements, including material debt instruments; and (e) a description of material risk factors and material recent developments;

(2) within 75 days (or, in the case of the first two applicable fiscal quarters ending after the Issue Date, beginning with the fiscal quarter ending March 31, 2016, 90 days) following the end of the first three fiscal quarters in each fiscal year of the Company, all quarterly reports of the Company containing the following information: (a) an unaudited condensed consolidated balance sheet as of the end of such fiscal quarter and unaudited condensed statements of income and cash flow for the most recent fiscal quarter year-to-date period ending on the unaudited condensed balance sheet date, and the comparable prior year periods, together with condensed footnote disclosure; (b) unaudited *pro forma* income statement information and balance sheet information of the Company (which, for the avoidance of doubt, shall not include the provision of a full income statement or balance sheet to the extent not reasonably available), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the relevant fiscal quarter; (c) an operating and financial review of the unaudited financial statements, including a discussion of the results of operations, financial condition and material changes in liquidity and capital resources of the Company, and a discussion of material changes not in the ordinary course of business in commitments and contingencies since the most recent report; and (d) material recent developments; and

(3) promptly after the occurrence of any material acquisition, disposition or restructuring, merger or similar transaction, or any senior executive officer changes at the Company or change in auditors of the Company or any other material event that the Company or any of its Restricted Subsidiaries announces publicly, a report containing a description of such event.

All financial statements and *pro forma* financial information shall be prepared in accordance with IFRS as in effect on the date of such report or financial statement and on a consistent basis for the periods presented; *provided, however*, that with respect to the reports set forth in clauses (1), (2) and (3) above, in the event of a change in IFRS, earlier periods may be presented on a basis that applied to such periods. Except as provided for below, no report need include separate financial statements for any Subsidiaries of the Company. At the Company's election it may also include financial statements of a Parent or LeasePlan in lieu of those for the Company; *provided that*, if the financial statements of a Parent or LeasePlan are included in such report, a reasonably detailed description of the material differences between the financial statements of the Parent or LeasePlan, as the case may be, and the Company shall be included for any such period. Following an Initial Public Offering of the Capital Stock of an IPO Entity or the listing of such Capital Stock on a recognized stock exchange, the requirements of clauses (1), (2) and (3) above shall be considered to have been fulfilled if the IPO Entity complies with the reporting requirements of such stock exchange; *provided that* (x) the IPO Entity shall, in any case, provide financial statements consistent with the requirements of clause (2)(a) above for any applicable quarterly period pursuant to clause (2) above after the Issue Date and (y) to the extent such IPO Entity relies on such stock exchange reporting requirements to fulfill the requirements of clauses (1), (2) and (3) above, a reasonably detailed description of material differences between the financial statements of such IPO Entity and the financial statements of the Company shall be included for any period after the Issue Date.

At any time that any of the Company's Subsidiaries are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or group of Unrestricted Subsidiaries, if taken together as one Subsidiary, constitutes a Significant Subsidiary of the Company, then the annual and quarterly financial information required by clauses (1) and (2) of the first paragraph of this covenant shall include either (i) a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Company and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Company or (ii) stand-alone audited or unaudited financial statements, as the case may be, of such Unrestricted Subsidiary or Unrestricted Subsidiaries (as a group or otherwise) together with an unaudited reconciliation to the financial information of the Company and its Subsidiaries, which reconciliation shall include the following items: revenues, net income, cash, total assets, total debt, shareholders equity, capital expenditures and interest expense.

Substantially concurrently with the issuance to the Trustee of the reports specified in clauses (1), (2) and (3) of the first paragraph of this covenant, the Company shall also (a) use its commercially reasonable efforts (i) to post copies of such reports on such password protected website as may be then maintained by the Company and its Subsidiaries or (ii) otherwise to provide substantially comparable public availability of such reports (as determined by the Board of Directors or an Officer of the Company in good faith) or (b) to the extent the Board of Directors or an Officer of the Company determines in good faith that it cannot make such reports available in the manner described in the preceding clause (a) owing to applicable law or after the use of its commercially reasonable efforts, furnish such reports to the Holders and, upon their request, prospective purchasers of the Notes.

Beginning with the fiscal quarter ending June 30, 2016, so long as any Notes are outstanding, no later than 15 Business Days after the delivery of each annual and quarterly report required by this covenant, the Issuer shall, or the Company shall cause LeasePlan to, use commercially reasonable efforts to hold a live quarterly conference call to present such report and the results of operations for the relevant reporting period for the benefit of Holders or prospective Holders; *provided that* no more than one conference call will be required in relation to any quarterly period.

The Issuer will also make available copies of all reports required by clauses (1) through (3) of the first paragraph of this covenant, if and so long as the Notes are listed on the Official List of the LxSE and admitted for trading on the Euro MTF of the LxSE and the rules of such exchange so require, at the offices of the Registrar or, to the extent and in the manner permitted by such rules, post such reports on the official website of the LxSE.

In addition, so long as the Notes remain outstanding and during any period during which the Issuer is not subject to Section 13 or 15(d) of the Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b), the Issuer shall furnish to the Holders and, upon their request, prospective purchasers of the Notes, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Delivery of any information, documents and reports to the Trustee pursuant to this “—Reports” covenant is for information purposes only and the Trustee’s receipt of such shall not constitute constructive notice of any information contained therein, including the Issuer’s compliance with any of its covenants under the Indenture.

### ***Merger and consolidation***

#### ***The Issuer and the Company***

Neither the Issuer nor the Company will consolidate with or merge with or into, or convey, transfer or lease all or substantially all its assets to, any Person, unless (and subject to the other terms of the Indenture):

(1) the Successor Company (if not the Company or the Issuer, as applicable) will be a Person organized and existing under the laws of any Permissible Jurisdiction and the Successor Company (if not the Company or the Issuer, as applicable) will expressly assume, (a) by supplemental indenture, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of the Company or the Issuer, as applicable, under the Notes or the Parent Guarantee, as applicable, and the Indenture and (b) to the extent required by applicable law to effect such assumption, all obligations of the Company or the Issuer, as applicable, under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents and all rights and claims under any Proceeds Loan Agreement, subject in each case to any limitation contemplated by the Agreed Security Principles;

(2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any Subsidiary of the Successor Company as a result of such transaction as having been Incurred by the Successor Company or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction, either (a) the Successor Company would be permitted to incur at least an additional €1.00 of Indebtedness pursuant to clause (2) of the first paragraph of the covenant described under “—Limitation on Indebtedness” or (b) the Fixed Charge Coverage Ratio of the Company would not be lower than it was immediately prior to giving effect to such transaction; and

(4) the Company or the Issuer, as applicable, shall have delivered to the Trustee an Officer’s Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer comply with the Indenture, and that all conditions precedent therein provided for relating to such transaction have been complied with and an Opinion of Counsel to the effect that such supplemental indenture (if any) has been duly authorized, executed and delivered and is a legal, valid and binding agreement enforceable against the Successor Company and the Notes or the Parent Guarantee, as applicable, constitute legal, valid and binding obligations of the Successor Company, enforceable in accordance with their terms (in each case, in form and substance reasonably satisfactory to the Trustee); *provided* that in giving an Opinion of Counsel, counsel may rely on an Officer’s Certificate as to any matters of fact, including as to satisfaction of clauses (2) and (3) above.

Any Indebtedness that becomes an obligation of the Company or any Restricted Subsidiary (or that is deemed to be Incurred by any Restricted Subsidiary that becomes a Restricted Subsidiary) as a result of any such transaction undertaken in compliance with this covenant, and any Refinancing Indebtedness with respect thereto, shall be deemed to have been Incurred in compliance with the covenant described under "*—Limitation on Indebtedness.*"

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Company, which properties and assets, if held by the Company instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Company on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Company, as the case may be.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Company or the Issuer, as applicable, under the Indenture and the Notes or the Parent Guarantee, as applicable, but in the case of a lease of all or substantially all its assets, the predecessor company will not be released from its obligations under the Indenture or the Notes or the Parent Guarantee, as applicable.

Notwithstanding the preceding clauses (2), (3) and (4) of the first paragraph of this covenant (which do not apply to transactions referred to in this sentence), (a) any Restricted Subsidiary (including, for the avoidance of doubt, the Issuer) may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to the Company or the Issuer and (b) any Restricted Subsidiary that is not a Guarantor may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Restricted Subsidiary; *provided* that such Restricted Subsidiary is a Restricted Subsidiary immediately following such transaction.

Notwithstanding the preceding clauses (2) and (3) of the first paragraph of this covenant (which do not apply to the transactions referred to in this sentence), the Company or the Issuer may consolidate or otherwise combine with or merge into, or, in the case of the Company, transfer all or substantially all of its assets to, an Affiliate incorporated or organized for the purpose of changing the legal domicile of the Company or the Issuer, as applicable, reincorporating the Company or the Issuer, as applicable, in another jurisdiction, or changing the legal form of the Company or the Issuer, as applicable.

The foregoing provisions (other than the requirements of clause (2) of the first paragraph of this covenant) will not apply to the creation of a new subsidiary as a Restricted Subsidiary of the Company.

#### *The Subsidiary Guarantors*

No Subsidiary Guarantor (other than a Subsidiary Guarantor whose guarantee is to be released in accordance with the terms of the Indenture, the Intercreditor Agreement and any Additional Intercreditor Agreement) may:

- (1) consolidate with or merge with or into any Person, or
- (2) sell, convey, transfer or dispose of, all or substantially all its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions, to any Person, or
- (3) permit any Person to merge with or into such Subsidiary Guarantor,

unless:

- (A) the other Person is the Issuer, the Company or any Restricted Subsidiary that is a Guarantor or becomes a Guarantor;

(B) (1) either (x) a Guarantor is the continuing Person or (y) the resulting, surviving or transferee Person expressly assumes (a) all of the obligations of the Guarantor under its Notes Guarantee and (b) to the extent required by applicable law to effect such assumption, the obligations under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents to which it is a party, in each case subject to any limitation contemplated by the Agreed Security Principles; and

(2) immediately after giving effect to the transaction, no Default has occurred and is continuing; or

(C) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of the Guarantor or the sale or disposition of all or substantially all the assets of the Guarantor (in each case other than to the Company or a Restricted Subsidiary) otherwise permitted by the Indenture.

Notwithstanding the preceding clause (B) and the provisions described under "*—The Issuer and the Company*" (which do not apply to transactions referred to in this sentence), (a) any Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any Subsidiary Guarantor and (b) any Subsidiary Guarantor may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Subsidiary Guarantor. Notwithstanding the preceding subclause (B)(2) (which does not apply to the transactions referred to in this sentence), any Subsidiary Guarantor may consolidate or otherwise combine with or merge into an Affiliate incorporated or organized for the purpose of changing the legal domicile of such Subsidiary Guarantor, reincorporating such Subsidiary Guarantor in another jurisdiction, or changing the legal form of such Subsidiary Guarantor.

There is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

#### ***Suspension of covenants on achievement of Investment Grade Status***

If on any date following the Issue Date, the Notes have achieved Investment Grade Status and no Default or Event of Default has occurred and is continuing (a "*Suspension Event*"), then, beginning on that day and continuing until the Reversion Date, the provisions of the Indenture summarized under the following captions will not apply to such Notes: "*—Limitation on Indebtedness*," "*—Limitation on Restricted Payments*," "*—Limitation on restrictions on distributions from Restricted Subsidiaries*," "*—Limitation on sales of assets and subsidiary stock*," "*—Limitation on Affiliate Transactions*," "*—Additional Notes Guarantees and Collateral*" and the provisions of clause (3) of the first paragraph of the covenant described under "*—Merger and consolidation—The Issuer and the Company*," and, in each case, any related default provision of the Indenture will cease to be effective and will not be applicable to the Company and its Restricted Subsidiaries.

Such covenants and any related default provisions will again apply according to their terms from the first day on which a Suspension Event ceases to be in effect. Such covenants and related default provisions will not, however, be of any effect with regard to actions of the Issuer, the Company or any Restricted Subsidiary properly taken during the continuance of the Suspension Event, and the covenant described under "*—Limitation on Restricted Payments*" will be interpreted as if it has been in effect since the date of the Indenture except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended.

On the Reversion Date, all Indebtedness Incurred during the continuance of the Suspension Event will be classified, at the Company's option, as having been Incurred pursuant to the first



paragraph of the covenant described under “—*Limitation on Indebtedness*” or one of the clauses set forth in the second paragraph of such covenant (to the extent such Indebtedness would be permitted to be Incurred thereunder as of the Reversion Date and after giving effect to Indebtedness Incurred prior to the Suspension Event and outstanding on the Reversion Date). To the extent such Indebtedness would not be so permitted to be Incurred under the first two paragraphs of the covenant described under “—*Limitation on Indebtedness*,” such Indebtedness will be deemed to have been outstanding on the Issue Date or the Completion Date, as applicable, so that it is classified as permitted under clause (3)(b) of the second paragraph of the covenant described under “—*Limitation on Indebtedness*.”

The Company shall notify the Trustee that the conditions under this covenant have been satisfied, although such notification shall not be a condition for the suspension of the covenants set forth above to be effective. The Trustee shall not be obliged to notify Holders of such event.

#### ***Additional Notes Guarantees and Collateral***

Subject to the Agreed Security Principles, the Intercreditor Agreement and any Additional Intercreditor Agreement, the Company will not cause or permit, in whole or in part:

(1) any Restricted Subsidiary that is not the Issuer or a Guarantor, directly or indirectly, to Guarantee or otherwise become liable for any Indebtedness of the Issuer or a Guarantor; or

(2) LP Group (if LP Group is not a Guarantor) or any LeasePlan Group Restricted Subsidiary that is not a Guarantor, directly or indirectly, to Guarantee or otherwise become liable for any Material Indebtedness of any Restricted Subsidiary (other than LP Group or any LeasePlan Group Restricted Subsidiary);

unless in each case, such Restricted Subsidiary becomes a Guarantor on the date on which such other Guarantee or obligation is Incurred and, if applicable, executes and delivers to the Trustee a supplemental indenture in the form attached to the Indenture or other appropriate agreement pursuant to which such Restricted Subsidiary will provide a Notes Guarantee on the same terms and conditions as those set forth in the Indenture, which Notes Guarantee will be senior to or *pari passu* with such Restricted Subsidiary's Guarantee of, or obligation with respect to, such other Indebtedness; provided that if the Indebtedness Guaranteed by such other Guarantee is subordinated in right of payment to the Notes or a Notes Guarantee, then such other Guarantee must be subordinated to such Restricted Subsidiary's Notes Guarantee to at least the same extent as such other Indebtedness is subordinated to the Notes or the Notes Guarantee, as the case may be.

A Restricted Subsidiary that is not a Guarantor may become a Guarantor if it executes and delivers to the Trustee a supplemental indenture in the form attached to the Indenture pursuant to which such Restricted Subsidiary will provide a Notes Guarantee.

Following the provision of any additional Notes Guarantees as described above, if the Guarantee or other liability that gave rise to the obligation to provide the additional Notes Guarantees is secured by a Lien over assets (the “*Pledged Assets*”), subject to the Agreed Security Principles, the Intercreditor Agreement and any Additional Intercreditor Agreement, any such Guarantor will grant security interests over the Pledged Assets to secure its Notes Guarantee on a first priority basis.

Each additional Notes Guarantee or security will be limited as necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, thin capitalization, distributable reserves, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.



Notwithstanding the foregoing paragraphs, the Company shall not be obligated to cause any Restricted Subsidiary to Guarantee the Notes or provide security to the extent and for so long as the Incurrence of such Guarantee or the grant of such security would be inconsistent with the Intercreditor Agreement or the Agreed Security Principles.

***Impairment of security interest***

Midco shall not, the Company shall not, and the Company shall not permit any Restricted Subsidiary to, take or omit to take any action, which action or omission would have the result of materially impairing the security interest with respect to the Collateral (it being understood that the Incurrence of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the security interest with respect to the Collateral) for the benefit of the Trustee and the Holders, and Midco shall not, the Company shall not, and the Company shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Agent, for the benefit of the Trustee and the Holders and the other beneficiaries described in the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement, any Lien over any of the Collateral that is prohibited by the covenant described under "*—Limitation on Liens*"; *provided* that Midco, the Company and its Restricted Subsidiaries may Incur any Lien over any of the Collateral that is not prohibited by the covenant described under "*—Limitation on Liens*," including Permitted Collateral Liens, and the Collateral may be discharged or released in accordance with the Indenture, the applicable Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement.

Notwithstanding the above, nothing in this covenant shall restrict the discharge and release of any Lien in accordance with the Indenture, the applicable Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement.

Subject to the foregoing, the Security Documents may be amended, extended, renewed, restated or otherwise modified or released to (i) cure any ambiguity, omission, defect or inconsistency therein; (ii) provide for Permitted Collateral Liens; (iii) add to the Collateral; or (iv) make any other change thereto that does not adversely affect the Holders in any material respect; *provided, however*, that (except where permitted by the Indenture or the Intercreditor Agreement or to effect or facilitate the creation of Permitted Collateral Liens for the benefit of the Security Agent and holders of other Indebtedness Incurred in accordance with the Indenture) no Security Document may be amended, extended, renewed, restated or otherwise modified or released, unless contemporaneously with such amendment, extension, renewal, restatement or modification or release (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets), the Company delivers to the Security Agent and the Trustee, either (1) a solvency opinion, in form and substance reasonably satisfactory to the Security Agent and the Trustee, from an Independent Financial Advisor or appraiser or investment bank which confirms the solvency of the Company and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, modification or release, (2) a certificate from an Officer of the relevant Person which confirms the solvency of the Person granting such Lien after giving effect to any transactions related to such amendment, extension, renewal, restatement, modification or release (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets), or (3) an Opinion of Counsel (subject to any qualifications customary for this type of opinion of counsel), in form and substance reasonably satisfactory to the Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, modification or release (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets), the Lien or Liens created under the Security Document, so amended, extended, renewed, restated, modified or released and retaken are valid and perfected Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, modification or release and retake and to which the new Indebtedness secured by

the Permitted Collateral Lien is not subject. In the event that Midco, the Company and its Restricted Subsidiaries comply with the requirements of this covenant, the Trustee and the Security Agent shall (subject to customary protections and indemnifications) consent to such amendments without the need for instructions from the Holders.

***Further assurances***

Subject to the Agreed Security Principles, the Company and its Restricted Subsidiaries will, at their own expense, execute and do all such acts and things and provide such assurances as the Security Agent may reasonably require (i) for registering any Security Documents in any required register and for perfecting or protecting the security intended to be afforded by such Security Documents and (ii) if such Security Documents have become enforceable, for facilitating the realization of all or any part of the assets which are subject to such Security Documents and for facilitating the exercise of all powers, authorities and discretions vested in the Security Agent or in any receiver of all or any part of those assets. Subject to the Agreed Security Principles, the Company and its Restricted Subsidiaries will execute all transfers, conveyances, assignments and releases of that property whether to the Security Agent or to its nominees and give all notices, orders and directions which the Security Agent may reasonably request.

***Limitations on amendments to the Proceeds Loan***

For so long as the Notes are outstanding, the Company and the Issuer will not, except as expressly permitted by the Indenture, (a) change the Stated Maturity of the principal of, or any installment of interest on any Proceeds Loan; (b) reduce the rate of interest on any Proceeds Loan; (c) change the currency for payment of any amount under any Proceeds Loan other than to euro, U.S. dollars or another currency in which Notes are denominated; (d) prepay or otherwise reduce or permit the prepayment or reduction of any Proceeds Loan (except to facilitate a payment of principal, premium or interest on the Notes); (e) assign or novate any Proceeds Loan or any rights or obligations under any Proceeds Loan Agreement (other than to grant any Permitted Collateral Lien or in connection with a transaction that is subject to the covenant described under "*—Merger and consolidation*" and is completed in compliance therewith); or (f) amend, modify or alter any Proceeds Loan or any Proceeds Loan Agreement and the terms of the Intercreditor Agreement related to the Proceeds Loans in any manner materially adverse to the rights of the Holders.

Notwithstanding the foregoing, (i) the Proceeds Loan may be prepaid or reduced to facilitate or otherwise accommodate or reflect a repayment, redemption or repurchase of Indebtedness outstanding under the Notes and (ii) to the extent not having a materially adverse effect on the rights of the Holders, the Proceeds Loan may be novated and/or assigned to any Guarantor or Successor Company of a Guarantor.

***Limitation on Issuer activities***

The Issuer will not engage in any business or undertake any other activity, except any activity (a) subject to compliance with the terms of the Indenture, related to the Offering, sale or issuance of the Notes or the incurrence of Indebtedness by the Issuer, (b) undertaken with the purpose of, and directly related to, fulfilling its obligations under the Indenture, the Notes and any other document relating to the Notes (including the Proceeds Loan Agreement), the Security Documents, the Intercreditor Agreement or any document relating to any other Indebtedness, (c) related to reorganizations for bona fide corporate purposes in compliance the covenant described under "*—Merger and consolidation*"; *provided that any successor entity resulting from any such reorganization is subject to this covenant*, (d) related to the granting of security interests, indemnities and payment of overhead costs or taxes and the entry into any Security Document to which it is a party, (e) related to the establishment and maintenance of the Issuer's corporate existence, (f) related to using amounts received by the Issuer to make investments in cash or Cash Equivalents in a manner not otherwise prohibited by the Indenture or (g) reasonably related to the foregoing. The Issuer will not (i) incur any indebtedness (except to the Company or

a Wholly Owned Subsidiary) other than subject to compliance with the terms of the Indenture, the Notes or any other Indebtedness, (ii) issue any Capital Stock (other than to the Company or a Wholly Owned Subsidiary) or (iii) undertake any transaction that will require the Issuer to register as an "investment company" or an entity "controlled by an investment company" as defined in the U.S. Investment Company Act of 1940, as amended, and the rules and regulations thereunder.

The Issuer will not, and the Company will not permit the Issuer to, use the proceeds from the Notes other than (i) to pay fees and expenses related to the Notes and (ii) to subscribe for the Proceeds Loan issued by the Company promptly upon the receipt of proceeds of the Notes.

#### ***Limitation on Midco activities***

At any time prior to an Initial Public Offering, Midco will not engage in any business or undertake any other activity, own any material assets or incur any material liabilities other than: (a) ownership of the Capital Stock of the Company and of minimal credit and cash balances in bank accounts and related Investments in Cash Equivalents, Temporary Cash Investments or Investment Grade Securities; (b) the provision of administration services and management services to its Subsidiaries of a type customarily provided by a holding company to the Company and its Subsidiaries and the ownership of assets necessary to provide such services; (c) the entry into and performance of its obligations under (x) the Indenture, the Security Documents, the preference shares issued by Midco to Lincoln PIK Finance Limited, the Intercreditor Agreement and any Additional Intercreditor Agreement and (y) any Hedging Obligations or other Indebtedness (including any Additional Notes and any Refinancing Indebtedness in respect of the foregoing) of the Company or any of its Restricted Subsidiaries, in each case permitted by the Indenture, any Security Document to which Midco is a party and the Intercreditor Agreement; (d) the granting of security interests (i) in Collateral securing Indebtedness of the Company and its Subsidiaries permitted by the Indenture and the Intercreditor Agreement and (ii) of the type set forth in clauses (2), (3), (4), (9), (11) or (25) of the definition of "Permitted Liens"; (e) professional fees and administration costs, indemnities, overhead costs or taxes in the ordinary course of business as a holding company; (f) related or reasonably incidental to the establishment or maintenance of its or its Subsidiaries' corporate existence; (g) any liabilities under any purchase agreement or any other document entered into in connection with the issuance of the Notes or any other Indebtedness of the Company or any of the Restricted Subsidiaries permitted under the Indenture; (h) pursuant to or in connection with the Transactions or the conversion into equity of the loan made available under the ME Facility, and under any management, advisory, monitoring or similar agreement; (i) related to being or becoming an IPO Entity; (j) pursuant to or in connection with the creation and maintenance of any management equity plan; and (k) any other activities which are not specifically listed above and (x) which are ancillary to or related to those listed above or (y) which are *de minimis* in nature. Following an Initial Public Offering, the provisions of this covenant will cease to apply or have any effect.

#### ***Payments for consent***

The Indenture provides that the Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any Holder for or as an inducement to any consent, waiver or amendment of any of the terms of the provisions of the Indenture or the Notes unless such consideration is offered to all Holders and is paid to all Holders that so consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement.

Notwithstanding the foregoing, the Issuer, the Company and its Restricted Subsidiaries shall be permitted, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes, to exclude Holders in any jurisdiction where (i) the solicitation of such consent, waiver or amendment, including in connection with an exchange offer or an offer to purchase for cash, or (ii) the

payment of the consideration therefor would (A) require the Issuer, the Company or any of its Restricted Subsidiaries to file a registration statement, prospectus or similar document under any applicable securities laws (including, but not limited to, the United States federal securities laws and the laws of the European Union or its member states), which the Company in its sole discretion determines (acting in good faith) would be materially burdensome; or (B) otherwise not be permitted under applicable law in such jurisdiction.

### ***Events of Default***

Each of the following is an "*Event of Default*" under the Indenture:

- (1) default in any payment of interest or Additional Amounts, if any, on any Note when due and payable, continued for 30 days;
- (2) default in the payment of any principal amount of or premium, if any, on any Note issued under the Indenture when due and payable at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;
- (3) failure by Midco, the Company or any of its Restricted Subsidiaries to comply for 30 days after written notice by the Trustee on behalf of the Holders or by the Holders of at least 30% in aggregate principal amount of the outstanding Notes with any of the Issuer's obligations under the covenants described under "*—Change of Control*" above or the obligations of Midco, the Company and its Restricted Subsidiaries under the covenants described under "*—Certain covenants*" above, as applicable (in each case, other than a failure to purchase Notes which will constitute an Event of Default under clause (2) above);
- (4) failure by the Company or any of its Restricted Subsidiaries to comply for 60 days after written notice by the Trustee on behalf of the Holders or by the Holders of at least 30% in aggregate principal amount of the outstanding Notes with the Issuer's or the Guarantors' other agreements contained in the Indenture;
- (5) default under any mortgage, indenture or instrument under which there may be issued, or by which there may be secured or evidenced, any Indebtedness for money borrowed by Midco, the Company or any of its Restricted Subsidiaries, or the payment of which is Guaranteed by Midco, the Company or any of its Restricted Subsidiaries, other than Indebtedness owed to Midco, the Company or a Restricted Subsidiary whether such Indebtedness or Guarantee now exists, or is created after the Issue Date, which default:
  - (a) is caused by a failure to pay principal at Stated Maturity on such Indebtedness, immediately upon the expiration of the grace period provided in such Indebtedness ("*payment default*"); or
  - (b) results in the acceleration of such Indebtedness prior to its maturity (the "*cross acceleration provision*");and, in each case, the aggregate principal amount of any such Indebtedness, together with the aggregate principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates €50.0 million or more;
- (6) certain events of bankruptcy, insolvency or court protection of Midco, the Company, the Issuer or a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Company), would constitute a Significant Subsidiary (the "*bankruptcy provisions*");
- (7) failure by the Company, the Issuer or any Significant Subsidiary or any group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for

the Company), would constitute a Significant Subsidiary, to pay final judgments aggregating in excess of €50.0 million (exclusive of any amounts that a solvent insurance company has acknowledged liability for), which judgments are not paid, discharged or stayed for a period of 60 days after the judgment becomes final and due (the "*judgment default provision*");

(8) any security interest under the Security Documents on any material Collateral shall, at any time, cease to be in full force and effect (other than in accordance with the terms of the relevant Security Document, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Indenture) for any reason other than the satisfaction in full of all obligations under the Indenture or the release or amendment of any such security interest in accordance with the terms of the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or such Security Document or any such security interest created thereunder shall be declared invalid or unenforceable in a judicial proceeding or Midco, the Issuer, the Company or any Restricted Subsidiary shall assert in writing that any such security interest is invalid or unenforceable and any such Default continues for 10 days (the "*security default provision*");

(9) any Notes Guarantee ceases to be in full force and effect (other than in accordance with the terms of the Intercreditor Agreement, any Additional Intercreditor Agreement and the Indenture), or is declared invalid or unenforceable in a judicial proceeding or a Guarantor denies or disaffirms its obligations under its Notes Guarantee in writing, other than in accordance with the terms thereof or upon release of the Notes Guarantee in accordance with the Indenture (the "*guarantee default provision*");

(10) any action is taken by a Governmental Authority against the Company, LP Group or any member of the LeasePlan Group pursuant to Chapter 3.5.4(a) of the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*) (as amended from time to time);

(11) any resolution action (as defined in Article 3(10) of the Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund (as amended from time to time)) is taken against the Company, LP Group or any member of the LeasePlan Group; and

(12) there is an application of resolution tools or the exercise resolution powers (as defined in Articles 1(19) and 1(20), respectively of Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (as amended from time to time)) against the Company, LP Group or any member of the LeasePlan Group.

However, a default under clause (3), (4), (5) or (7) of this paragraph will not constitute an Event of Default until the Trustee or the Holders of at least 30% in aggregate principal amount of the outstanding Notes notify the Company of the default and, with respect to clauses (3), (4) and (7) the Company does not cure such default (or arranges that such Default has been cured) within the time specified in clause (3), (4) or (7), as applicable, of this paragraph after receipt of such notice.

If an Event of Default (other than an Event of Default described in clause (6) above) occurs and is continuing, the Trustee by notice to the Company or the Holders of at least 30% in aggregate principal amount of the outstanding Notes may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest, including Additional Amounts, if any, on all the Notes to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest, including Additional Amounts, if any, will be due and payable immediately. In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (5) of this "Events of Default" section has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to



clause (5) shall be remedied or cured, or waived by the holders of the Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (i) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (ii) all existing Events of Default, except nonpayment of principal, premium or interest, including Additional Amounts, if any, on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

If an Event of Default described in clause (6) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest, including Additional Amounts, if any, on all the Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders.

The Holders of a majority in aggregate principal amount of the outstanding Notes under the Indenture may waive all past or existing Defaults or Events of Default (except with respect to (i) nonpayment of principal, premium or interest, or Additional Amounts, if any and (ii) a covenant or provision which under the Indenture cannot be modified or amended without the consent of the Holders of at least 90% of the principal amount of the Notes then outstanding, each of which may only be waived with the consent of the Holders of at least 90% of the principal amount of the Notes then outstanding) and rescind any such acceleration with respect to such Notes and its consequences if rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Subject to the provisions of the Indenture relating to the duties of the Trustee, if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee indemnity and/or security (including by way of pre-funding) satisfactory to it in its sole discretion against any loss, liability or expense. Except to enforce the right to receive payment of principal or interest when due, no Holder may pursue any remedy with respect to the Indenture or the Notes unless:

- (1) such Holder has previously given the Trustee written notice that an Event of Default is continuing;
- (2) Holders of at least 30% in aggregate principal amount of the outstanding Notes have requested in writing the Trustee to pursue the remedy;
- (3) such Holders have offered in writing the Trustee indemnity and/or security (including by way of pre-funding) satisfactory to it in its sole discretion against any loss, liability or expense;
- (4) the Trustee has not complied with such request within 60 days after the receipt of the written request and the offer of security and/or indemnity; and
- (5) the Holders of a majority in aggregate principal amount of the outstanding Notes have not given the Trustee a written direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the Holders of a majority in aggregate principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. The Indenture provides that, in the event an Event of Default, of which a responsible officer of the Trustee has received written notice, has occurred and is continuing, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee will be entitled to indemnification and/



or security (including by way of pre-funding) satisfactory to it in its sole discretion against all losses, liabilities and expenses caused by taking or not taking such action.

The Indenture provides that if a Default occurs and is continuing and a responsible officer of the Trustee is informed in writing of such occurrence by the Company, the Trustee must give notice of the Default to the Holders within 90 days after being notified by the Company. Except in the case of a Default in the payment of principal of, or premium, if any, or interest on any Note, the Trustee may withhold notice if and so long as a committee of trust officers of the Trustee in good faith determines that withholding notice is in the interests of the Holders. The Company is required to deliver to the Trustee, within 120 days after the end of each fiscal year (and within 14 days upon request at any time after the 120 days), an Officer's Certificate indicating whether the signers thereof know of any Default that occurred during the previous year. The Company is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events of which it is aware which would constitute a Default or an Event of Default, their status and what action the Company is taking or proposes to take in respect thereof.

The Notes provide for the Trustee to take action on behalf of the Holders in certain circumstances, but only if the Trustee is indemnified and/or secured (including by way of pre-funding) to its satisfaction in its sole discretion. It may not be possible for the Trustee to take certain actions in relation to the Notes and, accordingly, in such circumstances the Trustee will be unable to take action, notwithstanding the provision of an indemnity to it, and it will be for Holders to take action directly.

Holders may not enforce the Indenture or the Notes except as provided in the Indenture and may not enforce the Security Documents except as provided in such Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement.

#### **Amendments and waivers**

Subject to certain exceptions, the Note Documents may be amended, supplemented or otherwise modified with the consent of the Holders of a majority in aggregate principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, such Notes) and, subject to certain exceptions, any default or compliance with any provision thereof may be waived with the consent of the Holders of a majority in aggregate principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, such Notes); *provided* that if any amendment, waiver or other modification will only amend, waive or modify one series of the Notes, only the consent of a majority in aggregate principal amount of the then outstanding Notes of such series so amended, waived or modified shall be required. However, without the consent of Holders holding not less than 90% of the then outstanding aggregate principal amount of Notes (including consents obtained in connection with a purchase of, or tender offer or exchange offer for the Notes), or if any amendment, waiver or other modification will only amend, waive or modify one series of the Notes, without the consent of Holders holding not less than 90% of the then outstanding aggregate principal amount of Notes of such series so amended, waived or modified, an amendment or waiver may not, with respect to any Notes held by a non-consenting Holder:

- (1) reduce the principal amount of such Notes whose Holders must consent to an amendment, waiver or modification;
- (2) reduce the stated rate of or extend the stated time for payment of interest on any such Note;
- (3) reduce the principal of or extend the Stated Maturity of any such Note;
- (4) reduce the premium payable upon the redemption of any such Note or change the time at which any such Note may be redeemed, in each case as described above under "*Optional redemption*," "*Redemption for taxation reasons*" or "*Escrow of proceeds*";

- (5) make any such Note payable in money other than that stated in such Note;
- (6) impair the right of any Holder to receive payment of principal of and interest or Additional Amounts, if any, on such Holder's Notes on or after the due dates therefor or to institute suit for the enforcement of any such payment on or with respect to such Holder's Notes;
- (7) make any change in the provision of the Indenture described under "*—Additional Amounts*" that adversely affects the right of any Holder of such Notes in any material respect or amends the terms of such Notes in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the Payor agrees to pay Additional Amounts, if any, in respect thereof;
- (8) release all or substantially all the Guarantors from their obligations under their respective Notes Guarantees or the Indenture, except in accordance with the terms of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement;
- (9) release the security interest granted for the benefit of the Holders in the material Collateral, other than pursuant to the terms of the Security Documents, the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement;
- (10) waive a Default or Event of Default with respect to the nonpayment of principal, premium, interest or Additional Amounts, if any, on the Notes (except pursuant to a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of such Notes and a waiver of the payment default that resulted from such acceleration); or
- (11) make any change in the amendment or waiver provisions which require the Holders' consent described in this sentence.

Notwithstanding the foregoing, without the consent of any Holder, the Issuer, the Guarantors, the Trustee and the other parties thereto, as applicable, may amend or supplement any Note Document to:

- (1) cure any ambiguity, omission, defect, error or inconsistency, or change the minimum denominations for the Notes;
- (2) provide for the assumption by a successor Person of the obligations of the Issuer or any Guarantor under any Note Document;
- (3) provide for uncertificated Notes in addition to or in place of certificated Notes (*provided* that the uncertificated Notes are issued in registered form for purposes of Section 163(f) of the Code, or in a manner such that the uncertificated Notes are described in Section 4701(b)(1)(B) of the Code);
- (4) add to the covenants or provide for a Notes Guarantee for the benefit of the Holders or surrender any right or power conferred upon the Issuer, the Company or any Restricted Subsidiary;
- (5) make any change that would provide additional rights or benefits to the Trustee or the Holders or does not adversely affect the rights of or benefits to the Trustee or any Holder in any material respect;
- (6) make such provisions as necessary (as determined in good faith by the Board of Directors or an Officer of the Company or the Issuer) for the issuance of Additional Notes;
- (7) provide for any Restricted Subsidiary to provide a Notes Guarantee in accordance with the covenant described under "*—Certain covenants—Limitation on Indebtedness*" and "*—Certain covenants—Additional Notes Guarantees and Collateral*," to add Notes Guarantees, to add security to or for the benefit of the Notes, or to confirm and evidence the release, termination,

discharge or retaking of any Notes Guarantee or Lien (including the Collateral and the Security Documents) or any amendment in respect thereof with respect to or securing the Notes when such release, termination, discharge or retaking or amendment is permitted under the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents;

(8) conform the text of the Indenture, the Notes Guarantees, the Security Documents or the Notes to any provision of this Description of the Notes to the extent that such provision in this Description of the Notes was intended to be a verbatim recitation of a provision of the Indenture, a Notes Guarantee, the Security Documents or the Notes;

(9) evidence and provide for the acceptance and appointment under the Indenture of a successor Trustee pursuant to the requirements thereof or to provide for the accession by the Trustee to any Note Document; or

(10) in the case of the Security Documents, mortgage, pledge, hypothecate or grant a security interest in favor of the Security Agent in any property in which a security interest is required to be granted to the Security Agent, or to the extent necessary to grant a security interest for the benefit of any Person; *provided* that the granting of such security interest is not prohibited by the Indenture and the covenant described under "*Certain covenants—Impairment of security interest*" is complied with.

The Trustee shall be entitled to rely on such evidence as it deems appropriate, including Officer's Certificates and Opinions of Counsel.

The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment of any Note Document. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Indenture by any Holder given in connection with a tender of such Holder's Notes will not be rendered invalid by such tender.

Notwithstanding anything to the contrary in the paragraphs above, in order to effect the amendments authorized by clauses (2), (4) and (7) of the second paragraph of this covenant in respect of providing a Notes Guarantee for the benefit of the Holders, it shall only be necessary for the supplemental indenture providing for the accession of such additional Guarantor to be duly authorized and executed by (i) the Issuer, (ii) such additional Guarantor and (iii) the Trustee.

For so long as the Notes are listed on the Euro MTF of the LxSE and the rules of such exchange so require, the Issuer will publish notice of any amendment, supplement and waiver on the official website of the LxSE or in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*).

## **Acts by Holders**

In determining whether the Holders of the required aggregate principal amount of the Notes have concurred in any direction, waiver or consent, any Notes owned by the Company or by any Person directly or indirectly controlled, or controlled by, or under direct or indirect common control with, the Company will be disregarded and deemed not to be outstanding.

## **Defeasance**

The Issuer at any time may terminate all its and each Guarantor's obligations under the Notes of a series and the Indenture with respect to the Holders of such series in their capacity as such ("*legal defeasance*") and cure all then existing Defaults and Events of Default with respect to such series, except for certain obligations, including those respecting the defeasance trust, the rights, powers, trusts, duties, immunities and indemnities of the Trustee and the obligations of the Issuer in connection therewith and obligations concerning issuing temporary Notes of such

series, registrations of Notes of such series, mutilated, destroyed, lost or stolen Notes of such series and the maintenance of an office or agency for payment and money for security payments held in trust. Subject to the foregoing, if the Issuer exercises its legal defeasance option, the Security Documents in effect at such time will terminate with respect to the Notes of the applicable series (other than with respect to the defeasance trust).

The Issuer at any time may terminate all its and each Guarantor's obligations under the covenants described under "*Certain covenants*" (other than with respect to clauses (1) and (2) of the covenant described under "*Merger and consolidation—The Issuer and the Company*" and clauses (A), (B) and (C) of the covenant described under "*Merger and consolidation—The Subsidiary Guarantors*") and "*Change of Control*" and the default provisions relating to such covenants described under "*Events of Default*" above, the operation of the cross default upon a payment default, the cross acceleration provision, the bankruptcy provisions (other than with respect to the Issuer and the Company), the judgment default provision, the guarantee default provision and the security default provision described under "*Events of Default*" above ("*covenant defeasance*"), in each case for the benefit of the Holders of the Notes of a series.

The Issuer at its option at any time may exercise its legal defeasance option notwithstanding its prior exercise of the covenant defeasance option. If the Issuer exercises its legal defeasance option with respect to a series of Notes, payment of such Notes may not be accelerated because of an Event of Default with respect to such Notes. If the Issuer exercises its covenant defeasance option with respect to a series of Notes, payment of such Notes may not be accelerated because of an Event of Default specified in clause (3) (other than with respect to clauses (1) and (2) of the covenant described under "*Certain covenants—Merger and consolidation—The Issuer and the Company*"), (4), (5), (6) (other than with respect to the Issuer and the Company), (7), (8) or (9) under "*Events of Default*" above.

In order to exercise either defeasance option with respect to one or more series of Notes, the Issuer must irrevocably deposit in trust (the "*defeasance trust*") with the Trustee (or such other entity designated or appointed as agent by the Trustee for this purpose) cash in euro, euro-denominated European Government Obligations or a combination of cash in euro and euro-denominated European Government Obligations (with respect to the Euro Notes and any other Notes denominated in euro), cash in U.S. dollars, U.S. dollar-denominated U.S. Government Obligations or a combination of cash in U.S. dollars and U.S. dollar-denominated U.S. Government Obligations (with respect to the Dollar Notes and any other Notes denominated in U.S. dollars) and cash, Other Government Obligations or a combination thereof in the currency or currencies in which any other Notes are denominated (with respect to any Notes denominated in any currency other than euro or U.S. dollars), as applicable, in such amounts as will be sufficient, in the good faith determination of the Board of Directors or an Officer of the Company or the Issuer, for the payment of principal, premium, if any, and interest on the applicable Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of:

- (1) an Opinion of Counsel in the United States to the effect that Holders of the applicable Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and in the case of legal defeasance only, such Opinion of Counsel in the United States must be based on a ruling of the U.S. Internal Revenue Service or other change in applicable U.S. federal income tax law since the Issue Date);
- (2) an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Issuer;
- (3) an Officer's Certificate and an Opinion of Counsel (which Opinion of Counsel may be subject to customary assumptions and exclusions), each stating that all conditions precedent provided for

or relating to legal defeasance or covenant defeasance, as the case may be, have been complied with;

(4) an Opinion of Counsel to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the U.S. Investment Company Act of 1940; and

(5) all other documents or other information that the Trustee may reasonably require in connection with either defeasance option.

### **Satisfaction and discharge**

The Indenture, and the rights of the Trustee and the Holders under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents will be discharged and cease to be of further effect (except as to surviving rights of conversion or transfer or exchange of the Notes, as expressly provided for in the Indenture) as to all outstanding Notes when (1) either (a) all the Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Notes and certain Notes for which provision for payment was previously made and thereafter the funds have been released to the Issuer) have been delivered to the Trustee for cancellation; or (b) all Notes not previously delivered to the Trustee for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) are to be called for redemption within one year under arrangements reasonably satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Issuer; (2) the Issuer has deposited or caused to be deposited with the Trustee (or such other entity designated or appointed as agent by the Trustee for this purpose), cash in euro, euro-denominated European Government Obligations or a combination of cash in euro and euro-denominated European Government Obligations (with respect to the Euro Notes and any other Notes denominated in euro), cash in U.S. dollars, U.S. dollar-denominated U.S. Government Obligations or a combination of cash in U.S. dollars and U.S. dollar-denominated U.S. Government Obligations (with respect to the Dollar Notes and any other Notes denominated in U.S. dollars) and cash, Other Government Obligations or a combination thereof in the currency or currencies in which any other Notes are denominated (with respect to any Notes denominated in any currency other than euro or U.S. dollars), as applicable, in an amount sufficient, in the good faith determination of the Board of Directors or an Officer of the Company or the Issuer, to pay and discharge the outstanding aggregate principal amount of indebtedness on the Notes not previously delivered to the Trustee for cancellation, for principal, premium, if any, and interest to the date of deposit (in the case of Notes that have become due and payable), or to the Stated Maturity or redemption date, as the case may be; (3) the Issuer has paid or caused to be paid all other sums payable under the Indenture; (4) the Issuer has delivered irrevocable instructions to the Trustee to apply the funds deposited towards the payment of the Notes at maturity or on the redemption date, as the case may be; and (5) the Issuer has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel each to the effect that all conditions precedent under the "—Satisfaction and discharge" section of the Indenture relating to the satisfaction and discharge of the Indenture have been complied with; provided that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)).

### **No personal liability of directors, officers, employees and shareholders**

No director, officer, employee, incorporator or shareholder of the Company, any of the Company's Subsidiaries or any of their respective Affiliates, as such, shall have any liability for any obligations of the Issuer or the Guarantors under the Note Documents, or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws and it is the view of the SEC that such a waiver is against public policy.



## Concerning the Trustee and certain agents

U.S. Bank Trustees Limited has been appointed as Trustee under the Indenture. The Indenture provides that, except during the continuance of an Event of Default of which a responsible officer of the Trustee has received written notice, the Trustee will perform only such duties as are set forth specifically in the Indenture. During the existence of an Event of Default of which a responsible officer of the Trustee has received written notice, the Trustee will exercise such of the rights and powers vested in it under the Indenture and use the same degree of care that a prudent Person would use in conducting its own affairs. The permissive rights of the Trustee to take or refrain from taking any action enumerated in the Indenture will not be construed as an obligation or duty.

The Trustee is permitted to engage in other transactions with the Company and its Affiliates and Subsidiaries.

The Indenture sets out the terms under which the Trustee may retire or be removed, and replaced. Such terms include, among others, (1) that the Trustee may be removed at any time by the Holders of a majority in principal amount of the then outstanding Notes, or may resign at any time by giving written notice to the Issuer and (2) that if the Trustee at any time (a) has or acquires a conflict of interest in its capacity as Trustee that is not eliminated, (b) fails to meet certain eligibility requirements or (c) becomes incapable of acting as Trustee or becomes insolvent or bankrupt, then the Issuer may remove the Trustee, or any Holder who has been a *bona fide* Holder for not less than six months may petition any court for removal of the Trustee and appointment of a successor Trustee.

Any removal or resignation of the Trustee shall not become effective until the acceptance of appointment by the successor Trustee.

The Indenture contains provisions for the indemnification of the Trustee for any loss, liability, taxes and expenses Incurred without gross negligence or willful misconduct on its part, arising out of or in connection with the acceptance or administration of the Indenture.

## Notices

All notices to Holders will be validly given if mailed to them at their respective addresses in the register of the Holders, if any, maintained by the Registrar. In addition, for so long as any of the Notes are listed on the LxSE and admitted for trading on the Euro MTF of the LxSE and the rules of the LxSE so require, notices with respect to the Notes listed on the Euro MTF will be published in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, posted on the official website of the LxSE. For so long as any Notes are represented by Global Notes, all notices to Holders will be delivered to DTC, Euroclear and Clearstream, delivery of which shall be deemed to satisfy the requirements of this paragraph, each of which will give such notices to the holders of Book-Entry Interests.

Each such notice shall be deemed to have been given on the date of such publication or, if published more than once on different dates, on the first date on which publication is made; *provided that*, if notices are mailed, such notice shall be deemed to have been given on the later of such publication and the seventh day after being so mailed. Any notice or communication mailed to a Holder shall be mailed to such Holder by first-class mail or other equivalent means and shall be sufficiently given to such Holder if so mailed within the time prescribed. Failure to mail, cause to be delivered or otherwise transmit a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it.



## **Prescription**

Claims against the Issuer or any Guarantor for the payment of principal, or premium, if any, on the Notes or any Notes Guarantee will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer or any Guarantor for the payment of interest on the Notes will be prescribed six years after the applicable due date for payment of interest.

## **Currency indemnity**

The euro is the sole currency of account and payment for all sums payable by the Issuer and the Guarantors under or in connection with the Euro Notes and the relevant Notes Guarantees, as the case may be, including damages, and the U.S. dollar is the sole currency of account and payment for all sums payable by the Issuer and the Guarantors under or in connection with the Dollar Notes and the relevant Notes Guarantees, as the case may be, including damages (each, a "*Required Currency*"). Any amount received or recovered in a currency other than the Required Currency, whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding up or dissolution of the Issuer, any Guarantor or otherwise by any Holder or by the Trustee, in respect of any sum expressed to be due to it from the Issuer or a Guarantor will only constitute a discharge to the Issuer or such Guarantor, as applicable, to the extent of the amount of the Required Currency which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If that amount of Required Currency is less than the amount of the Required Currency expressed to be due to the recipient or the Trustee under any Note, the Issuer and the Guarantors will indemnify them against any loss sustained by such recipient or the Trustee as a result. In any event, the Issuer and the Guarantors will indemnify the recipient or the Trustee on a joint and several basis against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be *prima facie* evidence of the matter stated therein for the Holder or the Trustee to certify in a manner reasonably satisfactory to the Issuer (indicating the sources of information used) the loss it incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantors' other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Holder or the Trustee (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or to the Trustee.

Except as otherwise specifically set forth herein, for purposes of determining compliance with any euro denominated restriction herein, the Euro Equivalent amount for purposes hereof that is denominated in a currency other than euro shall be calculated based on the relevant currency exchange rate in effect on the date such non-euro amount is incurred or made, as the case may be.

## **Enforceability of judgments**

Since substantially all the assets of the Issuer and the Guarantor are held or located outside the United States, any judgment obtained in the United States against the Issuer or the Guarantor, including judgments with respect to the payment of principal, premium, if any, interest, Additional Amounts, if any, and any redemption price and any purchase price with respect to the Notes or the Notes Guarantees, may not be collectable within the United States.

## **Consent to jurisdiction and service**

In relation to any legal action or proceedings arising out of or in connection with the Indenture and the Notes and the Notes Guarantees, the Issuer, Midco and each Guarantor in the Indenture

irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States.

## **Governing law**

The Indenture and the Notes, including any Notes Guarantees, and the rights and duties of the parties thereunder are governed by and construed in accordance with the laws of the State of New York.

## **Certain definitions**

Set forth below are certain defined terms used in the Indenture. Reference is made to the Indenture for a full disclosure of all defined terms used therein, as well as any other capitalized terms used herein for which no definition is provided.

*"Acquired Indebtedness"* means Indebtedness (1) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary, or (2) assumed in connection with the acquisition of assets from such Person, in each case whether or not Incurred by such Person in connection with such Person becoming a Restricted Subsidiary or such acquisition or (3) of a Person at the time such Person merges with or into or consolidates or otherwise combines with the Company or any Restricted Subsidiary. Acquired Indebtedness shall be deemed to have been Incurred, with respect to clause (1) of the preceding sentence, on the date such Person becomes a Restricted Subsidiary, with respect to clause (2) of the preceding sentence, on the date of consummation of such acquisition of assets and, with respect to clause (3) of the preceding sentence, on the date of the relevant merger, consolidation or other combination.

*"Acquired Restricted Subsidiary"* means any Restricted Subsidiary (other than the Issuer, LP Group, any Intermediate Holding Company and any LeasePlan Group Restricted Subsidiary) which is engaged in a Similar Business and which is either acquired from any Person or formed with the purpose of directly acquiring any assets of a Similar Business, in each case, after the Issue Date.

*"Acquisition"* means the acquisition of 100% of the shares of LeasePlan by LP Group pursuant to the Acquisition Agreement.

*"Acquisition Agreement"* means the agreement for the sale and purchase of LeasePlan between Global Mobility Holding B.V. as seller and LP Group as purchaser, dated July 23, 2015 and amended on December 15, 2015 and February 4, 2016, as further amended from time to time.

*"Additional Assets"* means:

(1) any property or assets (other than Indebtedness and Capital Stock) used or to be used by the Company, a Restricted Subsidiary or otherwise useful in a Similar Business (it being understood that capital expenditures on property or assets already used in a Similar Business or to replace any property or assets that are the subject of such Asset Disposition shall be deemed an investment in Additional Assets);

(2) the Capital Stock of a Person that is engaged in a Similar Business and becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Company or a Restricted Subsidiary; or

(3) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary.

*"Affiliate"* of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, *"control,"* when used with respect to any Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms *"controlling"* and *"controlled"* have meanings correlative to the foregoing.

*"Agreed Security Principles"* means the agreed security principles as set out in an annex to the Indenture as in effect on the Issue Date, as applied reasonably and in good faith by the Board of Directors or an Officer of the Company or the Issuer.

*"Applicable Premium"* means, with respect to any Note on any redemption date, the greater of:

(1) 1.0% of the principal amount of such Note; and

(2) (a) in the case of a Euro Note, the excess of:

(i) the present value at such redemption date of (x) the redemption price of such Euro Note at April 15, 2018 (such redemption price being set forth in the table appearing under the caption "*—Optional redemption*"), plus (y) all required interest payments due on such Euro Note through April 15, 2018 (excluding accrued but unpaid interest), computed using a discount rate equal to the Bund Rate as of such redemption date plus 50 basis points; over

(ii) the outstanding principal amount of such Euro Note; or

(b) in the case of a Dollar Note, the excess of:

(i) the present value at such redemption date of (x) the redemption price of such Dollar Note at April 15, 2018 (such redemption price being set forth in the table appearing under the caption "*—Optional redemption*"), plus (y) all required interest payments due on such Dollar Note through April 15, 2018 (excluding accrued but unpaid interest), computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points; over

(ii) the outstanding principal amount of such Dollar Note;

in each case, as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate. For the avoidance of doubt, the calculation of the Applicable Premium shall not be an obligation or duty of the Trustee, any Registrar, any Paying Agent or any Transfer Agent.

*"Asset Disposition"* means any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business), transfer, issuance or other disposition, or a series of related sales, leases (other than operating leases entered into in the ordinary course of business), transfers, issuances or dispositions that are part of a common plan, of shares of Capital Stock of a Subsidiary (other than directors' qualifying shares), property or other assets (each referred to for the purposes of this definition as a *"disposition"*) by the Company or any of its Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction; *provided* that the sale, lease, conveyance or other disposition of all or substantially all the assets of the Company and its Restricted Subsidiaries taken as a whole will be governed by the provisions of the Indenture described above under the caption "*—Change of Control*" and the provisions described above under the caption "*—Certain covenants—Merger and consolidation*" and not by the provisions of the covenant described above under the caption "*—Certain covenants—Limitation on sales of assets and subsidiary stock.*" Notwithstanding the preceding provisions of this definition, the following items shall not be deemed to be Asset Dispositions:

(1) a disposition by a Restricted Subsidiary to the Company or by the Company or a Restricted Subsidiary to a Restricted Subsidiary;

- (2) a disposition of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;
- (3) a disposition of inventory or other assets in the ordinary course of business;
- (4) a disposition of obsolete, surplus or worn out equipment or other assets, or equipment or other property that is no longer useful in the conduct of the business of the Company and its Restricted Subsidiaries;
- (5) transactions permitted under "*Certain covenants—Merger and consolidation—The Issuer and the Company*" or a transaction that constitutes a Change of Control;
- (6) an issuance of Capital Stock by a Restricted Subsidiary to the Company or to another Restricted Subsidiary or as part of or pursuant to an equity incentive or compensation plan approved by the Board of Directors of the Company;
- (7) any dispositions of Capital Stock, properties or assets in a single transaction or series of related transactions with a fair market value (as determined in good faith by the Board of Directors or an Officer of the Company) of less than the greater of (x) €20.0 million and (y) 0.10% of Total Assets;
- (8) any Restricted Payment that is permitted to be made, and is made, under the covenant described above under "*Certain covenants—Limitation on Restricted Payments*" and the making of any Permitted Payments or Permitted Investments or, solely for purposes of the second paragraph under "*Certain covenants—Limitation on sales of assets and subsidiary stock*," asset sales, in respect of which (and only to the extent that) the proceeds of which are used to make such Restricted Payments or Permitted Investments;
- (9) dispositions in connection with Permitted Liens;
- (10) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;
- (11) the licensing or sub-licensing of intellectual property or other general intangibles and licenses, sub-licenses, leases or subleases of other property, in each case, in the ordinary course of business;
- (12) foreclosure, condemnation or any similar action with respect to any property or other assets;
- (13) the sale or discount (with or without recourse, and on customary or commercially reasonable terms and for credit management purposes) of accounts receivable or notes receivable arising in the ordinary course of business, or the conversion or exchange of accounts receivable for notes receivable;
- (14) any disposition of Capital Stock, Indebtedness or other securities or assets of an Unrestricted Subsidiary;
- (15) any disposition of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Company or a Restricted Subsidiary) from whom such Restricted Subsidiary was acquired, or from whom such Restricted Subsidiary acquired its business and assets (having been newly formed in connection with such acquisition), made as part of such acquisition and in each case comprising all or a portion of the consideration in respect of such sale or acquisition;
- (16) any surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;
- (17) any disposition of assets to a Person who is providing services related to such assets, the provision of which have been or are to be outsourced by the Company or any Restricted

Subsidiary to such Person; *provided, however*, that the Board of Directors or an Officer of the Company shall certify to the Trustee in an Officer's Certificate that in the opinion of the Board of Directors or such Officer, the outsourcing transaction will be economically beneficial to the Company and its Restricted Subsidiaries (considered as a whole); *provided, further*, that in the case of a disposition of assets by the Company or any Restricted Subsidiary (other than any LeasePlan Group Restricted Subsidiary) in reliance on this clause (17), the fair market value of the assets disposed of, when taken together with all other dispositions made pursuant to this clause (17) by such Persons, does not exceed €15.0 million;

(18) any disposition with respect to property built, owned or otherwise acquired by any Restricted Subsidiary pursuant to customary sale and lease-back transactions, asset securitizations and other similar financings permitted by the Indenture; *provided that*, in the case of a disposition of assets by any Restricted Subsidiary (other than any LeasePlan Group Restricted Subsidiary) in reliance on this clause (18), the fair market value of assets disposed of, when taken together with all other dispositions made pursuant to this clause (18) by such Persons, does not exceed €15.0 million;

(19) sales or dispositions of receivables in connection with any Qualified Receivables Financing or any factoring transaction or in the ordinary course of business;

(20) subject to clause (18) above in relation to a sale and leaseback transaction, any dispositions in connection with the entry into a Capitalized Lease Obligation; and

(21) any disposition required to be made by LP Group or any LeasePlan Group Restricted Subsidiary in order to comply with any rule, regulation or order issued in accordance with applicable law or otherwise issued by a Governmental Authority that has jurisdiction over LP Group or the relevant LeasePlan Group Restricted Subsidiary.

*"Associate"* means (i) any Person engaged in a Similar Business of which the Company or its Restricted Subsidiaries are the legal and beneficial owners of between 20% and 50% of all outstanding Voting Stock and (ii) any joint venture engaged in a Similar Business entered into by the Company or any Restricted Subsidiary.

*"Board of Directors"* means (1) with respect to the Company, the Issuer or any corporation, the board of directors or managers, as applicable, of the corporation, or any duly authorized committee thereof; (2) with respect to any partnership, the board of directors or other governing body of the general partner of the partnership or any duly authorized committee thereof; and (3) with respect to any other Person, the board or any duly authorized committee of such Person serving a similar function. Whenever any provision of the Indenture requires any action or determination to be made by, or any approval of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved by a majority of the directors (excluding employee representatives, if any) on any such Board of Directors (whether or not such action or approval is taken as part of a formal board meeting or as a formal board approval).

*"Bund Rate"* means the yield to maturity at the time of computation of direct obligations of the Federal Republic of Germany (*Bunds or Bundesanleihen*) with a constant maturity (as officially compiled and published in the most recent financial statistics that has become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected by the Issuer in good faith)) most nearly equal to the period from the redemption date to April 15, 2018; *provided, however*, that if the period from the redemption date to April 15, 2018 is not equal to the constant maturity of a direct obligation of the Federal Republic of Germany for which a weekly average yield is given, the Bund Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of direct obligations of the Federal Republic of Germany for which such

yields are given, except that if the period from such redemption date to April 15, 2018 is less than one year, the weekly average yield on actually traded direct obligations of the Federal Republic of Germany adjusted to a constant maturity of one year shall be used.

*"Business Day"* means each day that is not a Saturday, Sunday or other day on which banking institutions in (i) Jersey, (ii) Luxembourg, (iii) Amsterdam, the Netherlands, (iv) London, United Kingdom, (v) New York, New York, United States or (vi) any other place of payment under the Indenture, are authorized or required by law to close; *provided, however*, that for any payments to be made in euro under the Indenture, such day shall also be a day on which the TARGET2 payment system is open for the settlement of payments.

*"Capital Stock"* of any Person means any and all shares of, rights to purchase, warrants or options for, or other equivalents of or partnership or other interests in (however designated), equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

*"Capitalized Lease Obligation"* means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes on the basis of IFRS. The amount of Indebtedness represented by such obligation will be the capitalized amount of such obligation at the time any determination thereof is to be made as determined on the basis of IFRS, and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

*"Cash Equivalents"* means:

(1) securities issued or directly and fully Guaranteed or insured by a Permissible Jurisdiction or, in each case, any agency or instrumentality thereof (*provided* that the full faith and credit of such country or such member state is pledged in support thereof), having maturities of not more than two years from the date of acquisition;

(2) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers' acceptances (in each case, including any such deposits made pursuant to any sinking fund established by the Company or any Restricted Subsidiary) having maturities of not more than one year from the date of acquisition thereof issued by any lender party to a Credit Facility or by any bank or trust company (a) whose commercial paper is rated at least "A-1" or the equivalent thereof by S&P or at least "P-1" or the equivalent thereof by Moody's (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) or (b) (in the event that the bank or trust company does not have commercial paper which is rated) having combined capital and surplus in excess of €500 million;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) entered into with any bank meeting the qualifications specified in clause (2) above;

(4) commercial paper rated at the time of acquisition thereof at least "A-2" or the equivalent thereof by S&P or "P-2" or the equivalent thereof by Moody's or carrying an equivalent rating by a Nationally Recognized Statistical Rating Organization, if both of the two named rating agencies cease publishing ratings of investments or, if no rating is available in respect of the commercial paper, the issuer of which has an equivalent rating in respect of its long-term debt, and in any case maturing within one year after the date of acquisition thereof;

(5) readily marketable direct obligations issued by a Permissible Jurisdiction having one of the two highest rating categories obtainable from either Moody's or S&P (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of not more than two years from the date of acquisition;



(6) Indebtedness or Preferred Stock issued by Persons with a rating of "BBB-" or higher from S&P or "Baa3" or higher from Moody's (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of 12 months or less from the date of acquisition;

(7) bills of exchange issued in a Permissible Jurisdiction eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent); and

(8) interests in any investment company, money market or enhanced high yield fund which invests 95% or more of its assets in instruments of the type specified in clauses (1) through (7) above.

*"Change of Control"* means:

(1) the Company becomes aware that (by way of a report or any other filing pursuant to any regulatory filing, proxy, vote, written notice or otherwise) any "person" or "group" of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act as in effect on the Issue Date), other than one or more Permitted Holders, is or has become the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act as in effect on the Issue Date), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Company; *provided* that for the purposes of this clause, (x) any holding company whose only material assets relate to the ownership of the Capital Stock of the Company will not itself be considered a "person" or "group"; and (y) any Voting Stock of which any Permitted Holder is the "beneficial owner" (as so defined) prior to giving effect to the formation of a group shall not be included in any Voting Stock of which any such person or group is the "beneficial owner" (as so defined), unless that person or group (i) is not an affiliate of a Permitted Holder and (ii) has greater voting power with respect to that Voting Stock than any other Permitted Holder;

(2) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all the assets of the Company and its Restricted Subsidiaries taken as a whole to a Person, other than a Restricted Subsidiary or one or more Permitted Holders;

(3) the Company ceases to own directly or indirectly 100% of the issued and outstanding Voting Stock of LP Group (or a Successor Company of LP Group), other than treasury shares and directors' qualifying shares; or

(4) from and after the Completion Date, LP Group ceases to own directly or indirectly 100% of the issued and outstanding Voting Stock of LeasePlan (or a Successor Company of LeasePlan), other than treasury shares and directors' qualifying shares.

*"Clearstream"* means Clearstream Banking, *société anonyme*, or any successor securities clearing agency.

*"Code"* means the United States Internal Revenue Code of 1986, as amended.

*"Collateral"* means all property and assets, whether now owned or hereafter acquired, in which Liens are, from time to time, purported to be granted to secure the Notes and the Notes Guarantees pursuant to the Security Documents.

*"Commodity Hedging Agreement"* means, in respect of a Person, any commodity purchase contract, commodity futures or forward contract, commodities option contract or other similar contract (including commodities derivative agreements or arrangements), to which such Person is a party or a beneficiary.

*"Completion Date"* means March 21, 2016.

*"Consolidated EBITDA"* means, with respect to any specified Person or Persons for any period, without duplication, the Consolidated Net Income of such Person or Persons for such period, *plus*

the following to the extent deducted in calculating such Consolidated Net Income or consisting of the release of provisions specified in clause (8) hereof:

- (1) Consolidated Interest Expense and Receivables Fees;
- (2) Consolidated Income Taxes;
- (3) consolidated depreciation expense (other than depreciation expense that constitutes a cost associated with providing the service component of any lease installments and related charges associated with leasing activities);
- (4) consolidated amortization or impairment expense;
- (5) any expenses, charges or other costs related to any Equity Offering, Investment, acquisition (including amounts paid in connection with the acquisition or retention of one or more individuals comprising part of a management team retained to manage the acquired business; *provided* that such payments are made in connection with such acquisition and are consistent with the customary practice in the industry at the time of such acquisition), disposition, recapitalization or the Incurrence of any Indebtedness permitted by the Indenture (in each case whether or not successful) (including any such fees, expenses or charges related to the Transactions), in each case, as determined in good faith by the Board of Directors or an Officer of the Company;
- (6) any minority interest expense (whether paid or not) consisting of income attributable to minority equity interests of third parties in such period or any prior period or any net earnings, income or share of profit of any Associates, associated company or undertaking;
- (7) the amount of management, monitoring, consulting, employment and advisory fees and related expenses paid in such period to the Permitted Holders to the extent permitted by the covenant described under "*—Certain covenants—Limitation on Affiliate Transactions—*"; and
- (8) other non-cash charges, write-downs or items reducing Consolidated Net Income (excluding any such non-cash charge, write-down or item to the extent it represents an accrual of or reserve for cash charges in any future period) or items classified by the Company as extraordinary, exceptional, unusual or nonrecurring items plus the release of provisions, less other non-cash items of income increasing Consolidated Net Income (excluding any such non-cash item of income to the extent it represents a receipt of cash in any future period).

Notwithstanding the foregoing,

(i) for purposes of calculating the Fixed Charge Coverage Ratio of the Company, Consolidated EBITDA of the Company shall consist of the sum of:

(A) the aggregate amount of cash and Cash Equivalents actually distributed, directly or indirectly, by the LeasePlan Group Restricted Subsidiaries during such period to the Company as a dividend or other distribution or return on investment or as a Qualified Loan; *plus*

(B) (x) the aggregate amount of cash and Cash Equivalents actually distributed, directly or indirectly, by the Acquired Restricted Subsidiaries during such period to the Company as a dividend or other distribution or return on investment or as a Qualified Loan, less (y) an amount equal to the Consolidated EBITDA of the Acquired Restricted Subsidiaries that (i) has been actually distributed, directly or indirectly, by the Acquired Restricted Subsidiaries to the Company during such period and (ii) was relied upon in incurring Indebtedness pursuant to clause (3) of the first paragraph of the covenant described under "*—Certain covenants—Limitation on Indebtedness—*"; *provided* that, in no event shall the amount calculated pursuant to this subclause (B) be less than zero; *minus*

(C) the aggregate amount of cash and Cash Equivalents that has been deposited in the Interest Reserve Account during such period directly or indirectly from proceeds of the types described in clauses (A) and (B) above, without duplication; and

(ii) for purposes of calculating the Fixed Charge Coverage Ratio of the Acquired Restricted Subsidiaries, (A) only Consolidated EBITDA of the Acquired Restricted Subsidiaries shall be taken into account and (B) the Consolidated EBITDA of the Acquired Restricted Subsidiaries shall be reduced by the amount of cash and Cash Equivalents actually distributed by the Acquired Restricted Subsidiaries, directly or indirectly, to the Company during such period.

Any cash and Cash Equivalents actually distributed, directly or indirectly, by the LeasePlan Group Restricted Subsidiaries or the Acquired Restricted Subsidiaries to the Company as specified in clauses (i)(A) or (i)(B) above, as applicable, shall only be taken into account in the calculation of Consolidated EBITDA of the Company for purposes of determining the Fixed Charge Coverage Ratio of the Company to the extent that such cash and Cash Equivalents have been deposited during such period into the Interest Coverage Account; *provided, however*, that any such amounts deposited into the Interest Coverage Account and subsequently withdrawn during such period to provide collateral in connection with any interest rate and/or foreign exchange hedging exposures arising under or in respect of the Notes will not be so taken into account unless such amounts have been re-deposited into the Interest Coverage Account during such period following their release as collateral.

*"Consolidated Financial Interest Expense"* means, for any period (in each case, determined on the basis of IFRS), the sum of:

(1) consolidated net interest income/expense of the Company and its Restricted Subsidiaries (including (a) amortization of debt discount or premium, (b) all commissions, discounts and other fees and charges owed with respect to letters of credit or bankers' acceptances, (c) the interest component of Capitalized Lease Obligations, and (d) net payments, if any, pursuant to interest rate Hedging Obligations with respect to Indebtedness) but not including any Pension Items, debt issuance costs and premiums, commissions, discounts and other fees and charges owed or paid with respect to financings, interest charges relating to revaluations or currency movements or costs associated with Hedging Obligations (other than those described in (d));

(2) dividends or other distributions in respect of all Disqualified Stock of the Company and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than the Company or a subsidiary of the Company; and

(3) any interest on Indebtedness of another Person that is guaranteed by the Company or any of its Restricted Subsidiaries or secured by a Lien on assets of the Company or any of its Restricted Subsidiaries, to the extent such interest is actually paid by the Company or any of its Restricted Subsidiaries.

Notwithstanding the foregoing, (i) for purposes of calculating the Fixed Charge Coverage Ratio of the Company, only Consolidated Financial Interest Expense relating to Indebtedness of the Company or the Issuer shall be included (it being understood that item (1) of this definition of Consolidated Financial Interest Expense with respect to the Company or the Issuer only relates to the Company's Consolidated Net Leverage) and any interest income earned by the Company or the Issuer shall not be included, (ii) for purposes of calculating the Fixed Charge Coverage Ratio of the Acquired Restricted Subsidiaries, only Consolidated Financial Interest Expense relating to Indebtedness and Preferred Stock of any Acquired Restricted Subsidiary shall be included and (iii) interest income of the Company or any of its Restricted Subsidiaries shall not include the interest portion of any lease installments or similar income from leasing activities recognized by the Company or any of its Restricted Subsidiaries.

*"Consolidated Income Taxes"* means Taxes or other payments, including deferred Taxes, based on income, profits or capital (including, without limitation, withholding Taxes) and corporation Tax and franchise Taxes of any of the Company and its Restricted Subsidiaries whether or not paid, estimated, accrued or required to be remitted to any Governmental Authority.

*"Consolidated Interest Expense"* means, for any period (in each case, determined on the basis of IFRS), the consolidated net interest income/expense of the Company and its Restricted Subsidiaries, whether paid or accrued, plus or including (without duplication) any interest, costs and charges consisting of:

- (1) interest expense attributable to Capitalized Lease Obligations and the interest component of deferred payment obligations;
- (2) amortization of debt discount or premium, amortization of debt issuance costs, fees, premium and expenses and the expensing of any financing fees;
- (3) non-cash interest expense;
- (4) the net payments (if any) of Hedging Agreements (excluding amortization of fees and discounts and unrealized gains and losses, costs associated with Hedging Obligations (including termination payments), foreign currency losses and any Receivables Fees);
- (5) dividends or other distributions in respect of all Disqualified Stock of the Company and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than the Company or a Subsidiary of the Company;
- (6) the consolidated interest expense that was capitalized during such period;
- (7) any interest on Indebtedness of another Person that is guaranteed by the Company or any of its Restricted Subsidiaries or secured by a Lien on assets of the Company or any of its Restricted Subsidiaries; and
- (8) Pension Items.

Notwithstanding the foregoing, interest income of the Company or any of its Restricted Subsidiaries shall not include the interest portion of any lease installments or similar income from leasing activities recognized by the Company or any of its Restricted Subsidiaries.

*"Consolidated Net Income"* means, with respect to any specified Person or Persons (collectively, the *"Specified Person"*) for any period, the profit/(loss) for the financial period of the Specified Person and its or their Restricted Subsidiaries determined on a consolidated basis on the basis of IFRS; *provided, however*, that there will not be included in such Consolidated Net Income:

- (1) subject to the limitations contained in clause (3) below, any profit/(loss) for the financial period of any Person if such Person is not a Restricted Subsidiary, except that the Specified Person's equity in the profit/(loss) for the financial period of any such Person will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents (x) actually distributed by such Person during such period to the Specified Person or a Restricted Subsidiary of the Specified Person as a dividend or other distribution or return on investment or (y) only for the purpose of determining the amount available for Restricted Payments under clause (d)(i) of the first paragraph of the covenant described under "*Certain covenants—Limitation on Restricted Payments*," that could have been distributed, as reasonably determined by an Officer of the Company (subject, in the case of a dividend or other distribution or return on investment to a Restricted Subsidiary, to the limitations contained in clause (2) below);
- (2) solely for the purpose of determining the amount available for Restricted Payments under clause (d)(i) of the first paragraph of the covenant described under "*Certain covenants—Limitation on Restricted Payments*," any profit/(loss) for the financial period of any Restricted Subsidiary (other than a Guarantor or the Issuer) if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Company, the Issuer or a Guarantor by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted

Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to or permitted under the Notes or the Indenture, and (c) restrictions not prohibited by the covenant described under "*Certain covenants—Limitation on restrictions on distributions from Restricted Subsidiaries*"), except that the Company's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Company or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary (other than to any Guarantor or the Issuer), to the limitation contained in this clause) even if encumbrances or restrictions to make distributions in cash or Cash Equivalents arise or exist by reason of applicable law or applicable rules, regulation or order;

(3) any net gain (or loss) realized upon the sale or other disposition of any asset or disposed operations of the Company or any Restricted Subsidiaries (including pursuant to any sale/ leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by the Board of Directors or an Officer of the Company);

(4) any extraordinary, exceptional, unusual or nonrecurring gain, loss, charge or expense (as determined in good faith by the Board of Directors or an Officer of the Company), or any charges, expenses or reserves in respect of any restructuring, disposal, closing, redundancy or severance;

(5) the cumulative effect of a change in accounting principles;

(6) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards and any non-cash deemed finance charges in respect of any Pension Items or other provisions;

(7) all deferred financing costs written off and premiums paid or other expenses incurred directly in connection with any early extinguishment of Indebtedness and any net gain (loss) from any write-off or forgiveness of Indebtedness;

(8) any unrealized gains or losses in respect of Hedging Obligations or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value of changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations;

(9) any unrealized foreign currency transaction gains or losses in respect of Indebtedness of any Person denominated in a currency other than the functional currency of such Person and any unrealized foreign exchange gains or losses relating to translation of assets and liabilities denominated in foreign currencies;

(10) any unrealized foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of the Company or any Restricted Subsidiary owing to the Company or any Restricted Subsidiary;

(11) any purchase accounting effects including, but not limited to, adjustments to inventory, stock, property and equipment, software and other intangible assets and deferred revenue in component amounts required or permitted by IFRS and related authoritative pronouncements (including the effects of such adjustments pushed down to the Company and its Restricted Subsidiaries), as a result of any consummated acquisition, or the amortization or write-off of any amounts thereof;

(12) any goodwill or other intangible asset impairment, charge, amortization or write-off, including debt issuance costs (as determined in good faith by Senior Management);

(13) the impact of capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding;



(14) Consolidated Income Taxes to the extent in excess of cash payments made in respect of such Consolidated Income Taxes; and

(15) to the extent covered by insurance and actually reimbursed, or, so long as the Company has made a determination that there exists reasonable evidence that such amount will in fact be reimbursed by the insurer and only to the extent that such amount is (a) not denied by the applicable insurer in writing within 180 days and (b) in fact reimbursed within 365 days of the date of such evidence (with a deduction for any amount so added back to the extent not so reimbursed within 365 days), losses with respect to business interruption.

*"Consolidated Net Leverage"* means the sum of the aggregate outstanding Indebtedness (excluding Hedging Obligations) of the Company and its Restricted Subsidiaries (other than the LeasePlan Group Restricted Subsidiaries and the Acquired Restricted Subsidiaries); *provided* that the aggregate outstanding amount of Notes shall be calculated to exclude any cash and Cash Equivalents contained in the Interest Reserve Account.

*"Contingent Obligations"* means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that does not constitute Indebtedness (*"primary obligations"*) of any other Person (the *"primary obligor"*), including any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds:

(a) for the purchase or payment of any such primary obligation; or

(b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

*"Credit Facility"* means, with respect to the Company or any of its Subsidiaries, one or more debt facilities, indentures or other arrangements (including the First Revolving Credit Facility, the Second Revolving Credit Facility or commercial paper facilities and overdraft facilities) with banks, other institutions or investors providing for revolving credit loans, term loans, notes, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended from time to time (whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or banks, other institutions or investors and whether provided under the First Revolving Credit Facility Agreement, the Second Revolving Credit Facility Agreement or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term *"Credit Facility"* shall include any agreement or instrument (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Company as additional borrowers or guarantors



thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

*"Currency Agreement"* means, in respect of a Person, any foreign exchange contract, currency swap agreement, currency futures contract, currency option contract, currency derivative or other similar agreement to which such Person is a party or beneficiary.

*"Default"* means any event which is, or after notice or passage of time or both would be, an Event of Default.

*"Designated Non-Cash Consideration"* means the fair market value (as determined in good faith by the Board of Directors or an Officer of the Company) of non-cash consideration received by the Company or one of its Restricted Subsidiaries in connection with an Asset Disposition that is so designated as Designated Non-Cash Consideration pursuant to an Officer's Certificate, setting forth the basis of such valuation, less the amount of cash, Cash Equivalents or Temporary Cash Investments received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the covenant described under "*—Certain covenants—Limitation on sales of assets and subsidiary stock.*"

*"Designated Preference Shares"* means, with respect to the Company or any Parent, Preferred Stock (other than Disqualified Stock) (a) that is issued for cash (other than to the Company or a Subsidiary of the Company or an employee stock ownership plan or trust established by the Company or any such Subsidiary for the benefit of their employees to the extent funded by the Company or such Subsidiary) and (b) that is designated as "Designated Preference Shares" pursuant to an Officer's Certificate of the Company at or prior to the issuance thereof, the Net Cash Proceeds of which are excluded from the calculation set forth in clause (d)(ii) of the first paragraph of the covenant described under "*—Certain covenants—Limitation on Restricted Payments.*"

*"Disqualified Stock"* means, with respect to any Person, any Capital Stock of such Person which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or upon the happening of any event:

- (1) matures or is mandatorily redeemable for cash or in exchange for Indebtedness pursuant to a sinking fund obligation or otherwise;
- (2) is convertible or exchangeable for Indebtedness or Disqualified Stock (excluding Capital Stock which is convertible or exchangeable solely at the option of the Company or a Restricted Subsidiary); or
- (3) is or may become (in accordance with its terms) upon the occurrence of certain events or otherwise redeemable or repurchasable for cash or in exchange for Indebtedness at the option of the holder of the Capital Stock in whole or in part,

in each case on or prior to the earlier of (a) the latest Stated Maturity of any of the Notes or (b) the date on which there are no Notes outstanding; *provided, however*, that (i) only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock and (ii) any Capital Stock that would constitute Disqualified Stock solely because the holders thereof have the right to require the Company to repurchase such Capital Stock upon the occurrence of a change of control or asset sale (howsoever defined or referred to) shall not constitute Disqualified Stock if any such redemption or repurchase obligation is subject to compliance by the relevant Person with the covenant described under "*—Certain covenants—Limitation on Restricted Payments.*"

*"DTC"* means The Depository Trust Company or any successor securities clearing agency.

*"Dutch Branch"* means Lincoln Financing Holdings Pte. Limited, Netherlands Branch, a branch of the Company, established under the laws of the Netherlands with registration number 62861735 and its office at Kingsfordweg 151, 1043 GR Amsterdam, The Netherlands.

*"Equity Contribution"* means the contribution (via a Parent) to the Company on or about the Completion Date of (i) funds in an amount of €480 million in connection with the equity proceeds under the ME Facility and (ii) shareholder funds in an amount, which together with the proceeds of the Notes and the funds described in the preceding clause (i), is sufficient to fund the Transactions.

*"Equity Investors"* means (i) TDR Capital LLP and its successors and assigns, funds managed by them or any of their respective Affiliates, or any co-investment vehicle managed by them or any of their respective Affiliates, (ii) Luxinva S.A. and its successors and assigns, funds managed by them or any of their respective Affiliates, or any co-investment vehicle managed by them or any of their respective Affiliates, (iii) Hornbeam Investment Pte. Ltd and its successors and assigns, funds managed by them or any of their respective Affiliates, or any co-investment vehicle managed by them or any of their respective Affiliates, (iv) PGGM Vermogensbeheer B.V. and its successors and assigns, funds managed by them or any of their respective Affiliates, or any co-investment vehicle managed by them or any of their respective Affiliates, (v) Arbejdsmarkedets Tillægspension and its successors and assigns, funds managed by them or any of their respective Affiliates, or any co-investment vehicle managed by them or any of their respective Affiliates and (vi) Goldman Sachs Principal Investment and its successors and assigns, funds managed by them or any of their respective Affiliates, or any co-investment vehicle managed by them or any of their respective Affiliates.

*"Equity Offering"* means a sale by the IPO Entity of (x) Capital Stock of such Person (other than Disqualified Stock) other than offerings registered on Form S-8 (or any successor form) under the Securities Act or any similar offering in other jurisdictions, or (y) other securities of such Person, in each case the proceeds of which are contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of, or as Subordinated Shareholder Funding to, the Company or any of its Restricted Subsidiaries.

*"Euro Equivalent"* means, with respect to any monetary amount in a currency other than euro, at any time of determination thereof by the Company, the amount of euro obtained by converting such currency other than euro involved in such computation into euro at the spot rate for the purchase of euro with the applicable currency other than euro as published in The Financial Times in the "Currency Rates" section (or, if The Financial Times is no longer published, or if such information is no longer available in The Financial Times, such source as may be selected in good faith by the Board of Directors or an Officer of the Company) on the date of such determination.

*"Euroclear"* means Euroclear Bank SA/NV or any successor securities clearing agency.

*"European Government Obligations"* means any security that is a direct obligation of, or obligations guaranteed by, a country that is a member of the European Monetary Union on the date of the Indenture (other than Greece, Portugal, Italy or Cyprus), and the payment for which such country pledges its full faith and credit.

*"European Union"* means all members of the European Union as of January 1, 2004 and the Czech Republic.

*"Exchange Act"* means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

*"Excluded Contribution"* means Net Cash Proceeds or property or assets received by the Company as capital contributions to the equity (other than through the issuance of Disqualified Stock or

Designated Preference Shares) of the Company after the Completion Date or from the issuance or sale (other than to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Company (other than the Equity Contribution), in each case, to the extent designated as an Excluded Contribution pursuant to an Officer's Certificate of the Company.

"*fair market value*" may be conclusively established by means of an Officer's Certificate or a resolution of the Board of Directors of the Company setting out such fair market value as determined by such Officer or the Board of Directors of the Company in good faith.

"*First Revolving Credit Facility*" means the €1,250 million revolving credit facility made available under the First Revolving Credit Facility Agreement.

"*First Revolving Credit Facility Agreement*" means the revolving credit facility agreement dated June 8, 2015 between, among others, LeasePlan Corporation N.V. as borrower, ING Bank N.V. as facility agent and the lenders from time to time party thereto, as amended, supplemented or otherwise modified from time to time.

"*Fixed Charge Coverage Ratio*" means, for any period, the ratio of:

- (a) Consolidated EBITDA of the Company or the Acquired Restricted Subsidiaries, as applicable; to
- (b) Consolidated Financial Interest Expense of the Company or the Acquired Restricted Subsidiaries, as applicable;

*provided* that in calculating the Fixed Charge Coverage Ratio or any element thereof for any period, *pro forma* calculations will be made in good faith by the Board of Directors or an Officer of the Company (including, in the case of Acquired Restricted Subsidiaries, any *pro forma* synergies and expenses and cost savings that have occurred or are reasonably expected to occur within the next twelve months following the date of such calculation, including, without limitation, as a result of, or that would result from, any actions taken by any Acquired Restricted Subsidiary including, without limitation, in connection with any cost reduction or cost savings plan or program or in connection with any transaction, investment, acquisition, disposition, restructuring, corporate reorganization or otherwise, in the good faith judgment of the Board of Directors or an Officer of the Company (regardless of whether these synergies and expenses and cost savings could then be reflected in *pro forma* financial statements to the extent prepared)); *provided, further*, without limiting the application of the previous proviso, that for the purposes of calculating Consolidated EBITDA of the Company or the Acquired Restricted Subsidiaries, as applicable, or Consolidated Financial Interest Expense of the Company or the Acquired Restricted Subsidiaries, as applicable, for such period, if, as of such date of determination (the "*Fixed Charge Coverage Ratio Calculation Date*"):

(1) since the beginning of such period, the Company or any Restricted Subsidiary has closed or disposed of any company, any business or site, or any group of assets constituting an operating unit of a business or site (any such disposition, a "*Sale*") or if the transaction giving rise to the need to calculate the Fixed Charge Coverage Ratio is such a Sale, (i) only with respect to the Acquired Restricted Subsidiaries, Consolidated EBITDA of the Acquired Restricted Subsidiaries for such period will be reduced by an amount equal to the Consolidated EBITDA (if positive) attributable to the company, business, site or group of assets which are the subject of such Sale for such period or increased by an amount equal to the Consolidated EBITDA (if negative) attributable thereto after giving *pro forma* effect to such Sale as if such Sale occurred on the first day of such period; *provided* that if any such Sale constitutes "discontinued operations" in accordance with IFRS, Consolidated Net Income of the Acquired Restricted Subsidiaries shall be reduced by an amount equal to the Consolidated Net Income of the Acquired Restricted

Subsidiaries (if positive) attributable to the company, business, site or group of assets which are the subject of such Sale for such period or increased by an amount equal to the Consolidated Net Income of the Acquired Restricted Subsidiaries (if negative) attributable thereto after giving *pro forma* effect to such Sale as if such Sale occurred on the first day of such period; and (ii) the Consolidated Financial Interest Expense of the Company or the Acquired Restricted Subsidiaries, as applicable, for such period shall be reduced by an amount equal to the Consolidated Financial Interest Expense directly attributable to any Indebtedness of the Company or of any Acquired Restricted Subsidiary, as applicable, repaid, repurchased, defeased or otherwise discharged with respect to the Company or the continuing Acquired Restricted Subsidiaries, as applicable, in connection with such Sale for such same period (or, if the Capital Stock of any Acquired Restricted Subsidiary is sold, the Consolidated Financial Interest Expense of the Acquired Restricted Subsidiaries for such period directly attributable to the Indebtedness of such Acquired Restricted Subsidiary to the extent the Company and the continuing Acquired Restricted Subsidiaries are no longer liable for such Indebtedness after such Sale);

(2) since the beginning of such period, the Company or any Acquired Restricted Subsidiary, as applicable, (by merger or otherwise) has made an Investment in any Person that thereby becomes a Restricted Subsidiary (other than a LeasePlan Group Restricted Subsidiary), or otherwise has acquired any company, any business or site, or any group of assets constituting an operating unit of a business or site (any such Investment or acquisition, a "*Purchase*"), including any such Purchase occurring in connection with a transaction causing a calculation to be made hereunder, Consolidated EBITDA of the Company or the Acquired Restricted Subsidiaries, as applicable, and Consolidated Financial Interest Expense of the Company or the Acquired Restricted Subsidiaries, as applicable, for such period will be calculated after giving *pro forma* effect thereto, including anticipated synergies and expenses and cost savings, as if such Purchase occurred on the first day of such period; *provided, however*, that, for any *pro forma* calculation of the Fixed Charge Coverage Ratio of the Company following a Purchase, only the amount of cash and Cash Equivalents actually distributed by such Restricted Subsidiary, company, business, site or operating unit during such period to the Company shall be included; and

(3) since the beginning of such period, any Person (that became an Acquired Restricted Subsidiary or was merged or otherwise combined with or into the Company or any Acquired Restricted Subsidiary since the beginning of such period) will have made any Sale or any Purchase that would have required an adjustment pursuant to clause (1) or (2) above if made by the Company or an Acquired Restricted Subsidiary since the beginning of such period, Consolidated EBITDA and Consolidated Financial Interest Expense for such period will be calculated after giving *pro forma* effect thereto as if such Sale or Purchase occurred on the first day of such period;

*provided, further* that the *pro forma* calculation of Fixed Charge Coverage Ratio (other than for the purposes of the calculation of Fixed Charge Coverage Ratio under clause (4) of the second paragraph under "*—Certain covenants—Limitation on Indebtedness*") shall not give effect to (i) any Indebtedness Incurred on the Fixed Charge Coverage Ratio Calculation Date pursuant to the provisions described in the second paragraph under "*—Certain covenants—Limitation on Indebtedness*" or (ii) the discharge on the Fixed Charge Coverage Ratio Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds of Indebtedness Incurred pursuant to the provisions described in the second paragraph under "*—Certain covenants—Limitation on Indebtedness.*"

If any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest expense on such Indebtedness will be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness for a period equal to the remaining term of such Indebtedness).

For the purposes of this definition, (a) calculations will be as determined in good faith by a responsible financial or accounting officer of the Company (including in respect of anticipated

expense and cost reductions and synergies, and as though the full effect of synergies and cost savings were realized on the first day of the relevant period) and (b) in determining the amount of Indebtedness outstanding on any date of determination, *pro forma* effect shall be given to any Incurrence, repayment, repurchase, defeasance or other acquisition, retirement or discharge of Indebtedness as if such transaction had occurred on the first day of the relevant period.

*"Governmental Authority"* means any nation, sovereign or government, any state, province, territory or other political subdivision thereof, and any entity or authority exercising executive, legislative, judicial, regulatory, self-regulatory or administrative functions of or pertaining to government, including a central bank (including the Dutch Central Bank) or stock exchange.

*"Guarantee "* means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or

(2) entered into primarily for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part),

*provided, however*, that the term *"Guarantee"* will not include endorsements for collection or deposit in the ordinary course of business. The term *"Guarantee"* used as a verb has a corresponding meaning.

*"Guarantor"* means the Company and any Restricted Subsidiary that Guarantees the Notes pursuant to a supplemental indenture.

*"Hedging Agreement"* means any Interest Rate Agreement, Currency Agreement, Commodity Hedging Agreement or other agreement entered into by the Company or any of its Subsidiaries to offset, balance or manage risks related to any businesses, services or activities engaged in by the Company or any of its Subsidiaries or any Associates in the ordinary course.

*"Hedging Obligations"* of any Person means the obligations of such Person pursuant to any Hedging Agreement.

*"Holder"* means each Person in whose name the Notes are registered on the Registrar's books, which shall initially be the nominee of Euroclear or Clearstream (in the case of the Euro Notes) and Cede & Co. as nominee of DTC (in the case of the Dollar Notes).

*"IFRS"* means the International Financial Reporting Standards (formerly, International Accounting Standards) endorsed from time to time by the European Union or any variation thereof with which the Company or its Restricted Subsidiaries are, or may be, required to comply; *provided* that at any date after the Issue Date, the Company may make an irrevocable election to establish that *"IFRS"* shall mean IFRS as in effect on a date that is on or prior to the date of such election. The Company shall give notice of any such election to the Trustee.

*"Incur"* means issue, create, assume, enter into any Guarantee of, incur, extend or otherwise become liable for; *provided, however*, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and the terms *"Incurred"* and *"Incurrence"* have meanings correlative to the foregoing and any Indebtedness pursuant to any revolving credit or similar facility shall only be *"Incurred"* at the time any funds are borrowed thereunder.



*"Indebtedness "* means, with respect to any Person on any date of determination (without duplication):

- (1) the principal of indebtedness of such Person for borrowed money;
- (2) the principal of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all reimbursement obligations of such Person in respect of letters of credit, bankers' acceptances, performance, completion, surety or appeal bonds or similar instruments (the amount of such obligations being equal at any time to the aggregate then undrawn and unexpired amount of such letters of credit or other instruments plus the aggregate amount of drawings thereunder that have been reimbursed) (except to the extent such reimbursement obligations are Incurred in the ordinary course of business and such obligations are satisfied or reimbursed within 30 days of Incurrence), in each case only to the extent that the underlying obligation in respect of which the instrument was issued would be treated as Indebtedness;
- (4) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of property outside of the ordinary course of business, where the deferred payment is arranged primarily as a means of raising finance, which purchase price is due more than one year after the date of placing such property in service or taking final delivery and title thereto;
- (5) Capitalized Lease Obligations of such Person;
- (6) the principal component of all obligations, or liquidation preference, of such Person with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends);
- (7) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided, however*, that the amount of such Indebtedness will be the lesser of (a) the fair market value of such asset at such date of determination (as determined in good faith by the Board of Directors or an Officer of the Company) and (b) the amount of such Indebtedness of such other Persons;
- (8) Guarantees by such Person of the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person; and
- (9) to the extent not otherwise included in this definition, net obligations of such Person under Hedging Agreements (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time).

The term "Indebtedness" shall not include Subordinated Shareholder Funding or any lease, concession or license of property (or guarantee thereof) which would be considered an operating lease under IFRS as in effect on the Issue Date or any deposit made in relation thereto, any asset retirement obligations, prepayments or deposits received from clients or customers, in each case, in the ordinary course of business, any income tax or other payables, any social security or tax obligations, any obligations with regard to Pension Items or any bonds in relation thereto, or obligations under any profit sharing agreement, license, permit or other approval (or Guarantees given in respect of such obligations) Incurred prior to the Issue Date or in the ordinary course of business.

The amount of Indebtedness of any Person at any time in the case of a revolving credit or similar facility shall be the total amounts of funds borrowed and then outstanding. The amount of Indebtedness of any Person at any date shall be determined as set forth above or otherwise provided in the Indenture, and (other than with respect to letters of credit or Guarantees or Indebtedness specified in clause (6), (7) or (8) above) shall be (a) in the case of any Indebtedness



issued with original issue discount, the amount in respect thereof that would appear on the balance sheet (excluding any notes thereto) of such Person in accordance with IFRS and (b) the principal amount of the Indebtedness, in the case of any other Indebtedness.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

(i) Contingent Obligations Incurred in the ordinary course of business and obligations under or in respect of Qualified Receivables Financing;

(ii) in connection with the purchase by the Company or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided, however,* that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 30 days thereafter; or

(iii) for the avoidance of doubt, any obligations in respect of workers' compensation claims, early retirement or termination obligations, Pension Items or similar claims, obligations or contributions or social security or wage Taxes.

*"Independent Financial Advisor"* means an investment banking or accounting firm or any third-party appraiser; *provided, however,* that such firm or appraiser is not an Affiliate of the Company.

*"Initial Public Offering"* means an Equity Offering of the Capital Stock of the IPO Entity following which there is a Public Market and, as a result of which, the Capital Stock of the IPO Entity in such offering is listed on an internationally recognized exchange or traded on an internationally recognized market.

*"Intercreditor Agreement"* means the intercreditor agreement dated July 22, 2015 and amended on March 10, 2016 among Midco, the Company, the Issuer, the Security Agent and the other parties named therein, and to which the Trustee acceded on the Issue Date, as amended, restated or otherwise modified or varied from time to time.

*"Interest Coverage Account"* means, collectively, (i) the account held by the Company through the Dutch Branch with Citco Bank Netherlands N.V. having account number EUR 078.61.45.188 as the same may be redesignated, substituted or replaced from time to time and (ii) a U.S dollar account held by the Company through the Dutch Branch with a bank or trust company meeting the requirements of clause (2) of the definition of "Cash Equivalents" and identified in an Officer's Certificate of the Company delivered to the Trustee as the U.S. dollar Interest Coverage Account, in each case from which no withdrawals may be made by the Company, the Issuer or any Restricted Subsidiary except to (i) make payments of principal amounts of, premium, interest or additional amounts, if any, on any Indebtedness of the Company or the Issuer, (ii) make payments in connection with any interest rate and/or foreign exchange hedging exposures arising under or in respect of the Notes or (iii) provide collateral in connection with any interest rate and/or foreign exchange hedging exposures arising under or in respect of the Notes (other than, in the case of this clause (iii), withdrawals of amounts that were relied upon in Incurring Indebtedness pursuant to clause (2) of the first paragraph of the covenant described under "*Certain covenants—Limitation on Indebtedness*"), which Interest Coverage Account shall constitute part of the Collateral.

*"Interest Rate Agreement"* means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement to which such Person is party or a beneficiary.

*"Interest Reserve Account"* means, collectively, (i) the account held by the Company through the Dutch Branch with Citco Bank Netherlands N.V. having account number EUR 63.59.98.696 as the same may be redesignated, substituted or replaced from time to time and (ii) the U.S. dollar account held by the Company through the Dutch Branch with Citco Bank Netherlands N.V. having account number USD 78.61.45.056 as the same may be redesignated, substituted or replaced from time to time.

*"Interest Reserve Amount"* means from time to time an amount equal to the sum of (i) the aggregate principal amount of Euro Notes then outstanding multiplied by 6.875%, further multiplied by 2.50, plus (ii) the euro equivalent of the aggregate principal amount of Dollar Notes then outstanding multiplied by 7.375%, further multiplied by 2.50, taking into account the impact of any hedging arrangements, plus (iii) the euro equivalent of the aggregate principal amount of any other Notes then outstanding multiplied by the annual interest rate applicable to such Notes, further multiplied by 2.50, taking into account the impact of any hedging arrangements.

*"Intermediate Holding Company"* means any Restricted Subsidiary (other than the Issuer or LP Group) of which at any time the LeasePlan Group or any Acquired Restricted Subsidiary is or becomes a Subsidiary or which consolidates with, is merged with or into, or conveys, transfers, leases or acquires all or substantially all the assets of the LeasePlan Group or any Acquired Restricted Subsidiary, in each case after the Issue Date and any holding companies (other than the Issuer or LP Group) established by the Company for purposes of holding its investment in any Intermediate Holding Company.

*"Investment"* means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any direct or indirect advance, loan or other extensions of credit (other than advances or extensions of credit to customers, suppliers, directors, officers or employees of any Person in the ordinary course of business, and excluding any debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or the Incurrence of a Guarantee of any obligation of, or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such other Persons and all other items that are or would be classified as investments on a balance sheet prepared on the basis of IFRS; *provided, however*, that endorsements of negotiable instruments and documents in the ordinary course of business will not be deemed to be an Investment. If the Company or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by the Company or any Restricted Subsidiary in such Person remaining after giving effect thereto will be deemed to be a new Investment at such time equal to the fair market value of the Capital Stock of such Subsidiary not sold or disposed of in an amount determined as provided in the last paragraph of the covenant described under "*—Certain covenants—Limitation on Restricted Payments.*"

For purposes of the covenant described under "*—Certain covenants—Limitation on Restricted Payments*":

(1) *"Investment"* will include the portion (proportionate to the Company's equity interest in a Restricted Subsidiary (other than the Issuer) to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; *provided, however*, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Company will be deemed to continue to have a permanent *"Investment"* in an Unrestricted Subsidiary in an amount (if positive) equal to (a) the Company's *"Investment"* in such Subsidiary at the time of such redesignation less (b) the portion (proportionate to the Company's equity interest in such Subsidiary) of the fair market value of the net assets (as conclusively determined in good faith by

the Board of Directors or an Officer of the Company) of such Subsidiary at the time that such Subsidiary is so re-designated a Restricted Subsidiary; and

(2) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer, in each case as determined in good faith by the Board of Directors or an Officer of the Company.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Company's option) by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

*"Investment Grade Securities"* means:

(1) securities issued or directly and fully guaranteed or insured by a Permissible Jurisdiction (other than Cash Equivalents);

(2) debt securities or debt instruments with a rating of "A-" or higher from S&P or "A3" or higher by Moody's or the equivalent of such rating by such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization, but excluding any debt securities or instruments constituting loans or advances among the Company and its Subsidiaries; and

(3) investments in any fund that invests exclusively in investments of the type described in clauses (1) and (2) above, which fund may also hold cash and Cash Equivalents pending investment or distribution.

*"Investment Grade Status"* shall occur when the Notes receive both of the following:

(1) a rating of "BBB-" or higher from S&P; and

(2) a rating of "Baa3" or higher from Moody's;

or the equivalent of such rating by either such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization.

*"IPO Entity"* means the Company, any Parent or any Successor Company of the Company or any Parent.

*"IPO Market Capitalization"* means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity at the time of closing of the Initial Public Offering multiplied by (ii) the price per share at which such shares of common stock or common equity interest are sold in such Initial Public Offering.

*"Issue Date"* means March 16, 2016.

*"LeasePlan"* means LeasePlan Corporation N.V., and its successors and assigns.

*"LeasePlan Group"* means LeasePlan together with its Subsidiaries.

*"LeasePlan Group Equity Ratio"* means the percentage, as of any date of determination, derived by dividing (x) the sum of the LeasePlan Group's Own Funds at such date, by (y) the LeasePlan Group's risk-weighted assets at such date (as determined on the basis of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) no 648/2012, as in effect on the Completion Date); *provided* that at any date after the Completion Date the Company may make an irrevocable election to calculate the LeasePlan Group's Own Funds and risk-weighted assets under the applicable regulatory rules and guidance as in effect from time to time. The Company shall give notice of any such election to the Trustee.

*"LeasePlan Group Restricted Subsidiary"* means any member of the LeasePlan Group that is a Restricted Subsidiary.

*"LeasePlan Group's Own Funds"* means the amount of all tier 1 and tier 2 items and instruments (as determined on the basis of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) no 648/2012, as in effect on the Completion Date) which are specified in the regulatory capital ratios agreed with the regulator (De Nederlandsche Bank) for the purposes of evaluating the LeasePlan Group's capital position at the Completion Date; *provided* that at any date after the Completion Date the Company may make an irrevocable election to calculate the LeasePlan Group's Own Funds under the applicable regulatory rules and guidance as in effect from time to time. The Company shall give notice of any such election to the Trustee.

*"Lien"* means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

*"LP Group"* means LP Group B.V., and its successors and assigns.

*"Management Advances"* means loans or advances made to, or Guarantees with respect to loans or advances made to any Management Investors:

(1) in respect of travel, entertainment or moving related expenses Incurred in the ordinary course of business;

(2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or

(3) not exceeding €25.0 million in the aggregate outstanding at any time.

*"Management Investors"* means the officers, directors, employees and other members of the management of or consultants to any Parent, the Company, the Issuer or any of their respective Subsidiaries, or spouses, family members or relatives thereof, or any trust, partnership or other entity for the benefit of or the beneficial owner of which (directly or indirectly) is any of the foregoing, or any of their heirs, executors, successors and legal representatives, who at any date beneficially own or have the right to acquire, directly or indirectly, Capital Stock of the Company, any Restricted Subsidiary or any Parent.

*"Market Capitalization"* means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity on the date of the declaration of the relevant dividend multiplied by (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

*"Material Indebtedness"* means any Indebtedness in excess of €50 million.

*"ME Facility"* means the mandatorily exchangeable loan facility of €528,000,000 made available under the ME Facility Agreement.

*"ME Facility Agreement"* means the mandatorily exchangeable facility agreement dated July 22, 2015 and made between, amongst others, Lincoln PIK Finance Limited as borrower of the ME Facility and the persons named therein as lenders, as amended from time to time.

*"Midco"* means Lincoln Midco Pte. Limited and its successors and assigns.

*"Moody's"* means Moody's Investors Service, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

*"Nationally Recognized Statistical Rating Organization"* means a nationally recognized statistical rating organization within the meaning of Section 3(a)(62) of the Exchange Act.

*"Net Available Cash"* from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring Person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

(1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all Taxes paid or required to be paid or accrued as a liability under IFRS (after taking into account any available tax credits or deductions and any Tax Sharing Agreements), as a consequence of such Asset Disposition;

(2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which are required by applicable law to be repaid out of the proceeds from such Asset Disposition;

(3) all distributions and other payments required to be made to minority interest holders (other than any Parent, the Company or any of their respective Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Disposition; and

(4) the deduction of appropriate amounts required to be provided by the seller as a reserve, on the basis of IFRS, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Company or any Restricted Subsidiary after such Asset Disposition.

*"Net Cash Proceeds,"* with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding, means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any Tax Sharing Agreements).

*"Note Documents"* means the Notes (including Additional Notes), the Indenture, the Intercreditor Agreement and the Security Documents.

*"Offering"* means the offering of the Notes on the Issue Date.

*"Offering Memorandum,"* means the offering memorandum dated March 10, 2016 in related to the Notes.

*"Officer"* means, with respect to any Person, (1) any member of the Board of Directors, the chief executive officer, the president, the chief financial officer, any vice president, the treasurer or the secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an "Officer" for the purposes of the Indenture by the Board of Directors of such Person.

*"Officer's Certificate"* means, with respect to any Person, a certificate signed by one Officer of such Person.

*"Opinion of Counsel"* means a written opinion from legal counsel, in form and substance reasonably satisfactory to the Trustee. The counsel may be an employee of or counsel to the Company or its Subsidiaries.

*"Other Government Obligations"* of a given currency means any security that is a direct obligation of, or obligations guaranteed by, a country the official currency of which is the relevant currency, and the payment for which such country pledges its full faith and credit (in each case other than European Government Obligations and U.S. Government Obligations).



*"Parent"* means any Person of which the Company at any time is or becomes a Subsidiary after the Issue Date and any holding companies established by any Permitted Holder for purposes of holding its investment in any Parent.

*"Parent Expenses"* means:

(1) costs (including all professional fees and expenses) Incurred by any Parent in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Indenture or any other agreement or instrument relating to Indebtedness of the Company or any Restricted Subsidiary, including in respect of any reports filed with respect to the Securities Act, Exchange Act or the respective rules and regulations promulgated thereunder;

(2) customary indemnification obligations of any Parent owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person to the extent relating to the Company and its Subsidiaries;

(3) obligations of any Parent in respect of director and officer insurance (including premiums therefor) to the extent relating to the Company and its Subsidiaries;

(4) fees and expenses payable by any Parent;

(5) (a) general corporate overhead expenses, including professional fees and expenses and other operational expenses of any Parent or any Equity Investor or any of its Affiliates related to the ownership or operation of the business of the Company or any of its Restricted Subsidiaries (including, without limitation, accounting, legal, corporate reporting, and administrative expenses as well as payments made pursuant to operating partner arrangements or secondment, employment or similar agreements entered into between the Company and/or any of its Restricted Subsidiaries and/or any Parent and any Equity Investor or any of its Affiliates or any employee thereof) or (b) costs and expenses with respect to any litigation or other dispute relating to the Transactions or the ownership, directly or indirectly, of the Company by any Parent;

(6) other fees, expenses and costs relating directly or indirectly to activities of the Company and its Subsidiaries in an amount not to exceed €2.5 million in any fiscal year; and

(7) expenses Incurred by any Parent in connection with any Public Offering or other sale of Capital Stock or Indebtedness:

(x) where the net proceeds of such offering or sale are intended to be received by or contributed to the Company or a Restricted Subsidiary,

(y) in a pro-rated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed, or

(z) otherwise on an interim basis prior to completion of such offering so long as any Parent shall cause the amount of such expenses to be repaid to the Company or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed.

*"Pari Passu Indebtedness"* means Indebtedness of the Company, the Issuer or any Guarantor if such Indebtedness or Guarantee, as the case may be, ranks equally in right of payment to the Notes or the Notes Guarantees, as the case may be, and which, in each case, is secured by Liens on the Collateral.

*"Paying Agent"* means any Person authorized by the Issuer to pay the principal of (and premium, if any) or interest on any Note on behalf of the Issuer.

*"Pension Items"* means any costs, charges or liabilities, including contributions, made in respect of any pension funds or post-retirement benefit schemes, other than administration costs.



*"Permissible Jurisdiction"* means any state, commonwealth or territory of the United States or the District of Columbia, Canada or any province of Canada, Japan, any member state of the European Union, Switzerland, Norway or Australia or any political subdivision, taxing authority agency or instrumentality of any such state, commonwealth, territory, union, country or member state.

*"Permitted Asset Swap"* means the concurrent purchase and sale or exchange of assets used or useful in a Similar Business or a combination of such assets and cash, Cash Equivalents or Temporary Cash Investments between the Company or any of its Restricted Subsidiaries and another Person; *provided* that any cash or Cash Equivalents received in excess of the value of any cash or Cash Equivalents sold or exchanged must be applied in accordance with the covenant described under "*—Certain covenants—Limitation on sales of assets and subsidiary stock.*"

*"Permitted Collateral Liens"* means (A) Liens on the Collateral described in one or more of clauses (2), (3), (4), (5), (6), (8), (9), (10), (11), (12), (13), (14), (18), (19), (22), (23), (24), (27) and (29) of the definition of "Permitted Liens," (B) Liens on the Collateral to secure Indebtedness of the Company or the Issuer that is permitted to be Incurred under clauses (1) (in the case of (1), to the extent such Guarantee is in respect of Indebtedness otherwise permitted to be secured and specified in this definition of Permitted Collateral Liens), (3)(a), (3)(c) (if the original Indebtedness was so secured), (4)(ii) or (5) of the second paragraph of the covenant described under "*—Certain covenants—Limitation on Indebtedness*"; *provided, however* that, in the case of Indebtedness of the Company or the Issuer that is permitted to be Incurred under clause (4)(ii) of the second paragraph of the covenant described under "*—Certain covenants—Limitation on Indebtedness*," after giving *pro forma* effect to such transaction and the use of proceeds thereof, the Fixed Charge Coverage Ratio of the Company would have been at least 2.0 to 1.0; (C) Liens on the Collateral securing Indebtedness Incurred under clause (2) of the first paragraph of the covenant described under "*—Certain covenants—Limitation on Indebtedness*," *provided* that, in the case of this clause (C), after giving *pro forma* effect to such Incurrence and the use of proceeds therefrom, the Fixed Charge Coverage Ratio of the Company would have been at least 2.0 to 1.0; and (D) Liens on Collateral securing Refinancing Indebtedness in respect of any Indebtedness secured pursuant to the foregoing clauses (A), (B) or (C); *provided, however*, that such Liens securing Indebtedness pursuant to the foregoing clauses (B), (C) and (D) rank equal (with respect to the application of proceeds from any realization or enforcement of the Collateral in accordance with the Intercreditor Agreement) or junior to the Liens on the Collateral securing the Notes or the Notes Guarantees (except that (x) a Lien in favor of Indebtedness Incurred under clause (5) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*" for the purposes of hedging any interest rate or foreign exchange exposures arising under or in respect of the Notes may have priority in respect of the application of proceeds from any realization or enforcement of the Collateral on terms not materially less favorable to the Holders than that accorded to the counterparties under super priority Hedging Obligations pursuant to the Intercreditor Agreement as in effect on the Issue Date and (y) a Lien on any account which is established for the purposes of servicing payments solely with respect to particular Indebtedness permitted to be Incurred by the covenant described under "*—Limitation on Indebtedness*" that is *pari passu* with the Notes and the Notes Guarantees may have priority in respect of the application of proceeds from any realization or enforcement of the Collateral over such account on terms not materially less favorable to the Holders than that accorded to the creditors of certain *pari passu* Indebtedness pursuant to the Intercreditor Agreement as in effect on the Issue Date).

*"Permitted Holders"* means, collectively, (1) the Equity Investors and any Affiliate or Related Person of any of them, (2) any one or more Persons whose beneficial ownership constitutes or results in a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Indenture, (3) Senior Management and (4) any Person who is acting as an underwriter in connection with a public or private offering of Capital Stock of any Parent or the Company, acting in such capacity. Any Person or group that includes a Permitted Holder shall also be deemed to be a Permitted Holder, *provided* that the Permitted

Holders (before giving effect to this sentence) shall control at least 50% of the voting power of the Voting Stock of the Company owned by such Person or group.

*"Permitted Investment"* means (in each case, by the Company or any of its Restricted Subsidiaries):

(1) Investments in (a) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary) or the Company or (b) a Person (including the Capital Stock of any such Person) that is engaged in any Similar Business and such Person will, upon the making of such Investment, become a Restricted Subsidiary;

(2) Investments in another Person if such Person is engaged in any Similar Business and as a result of such Investment such other Person is merged, consolidated or otherwise combined with or into, or transfers or conveys all or substantially all its assets to, the Company or a Restricted Subsidiary;

(3) Investments in cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(4) Investments in receivables owing to the Company or any Restricted Subsidiary created or acquired in the ordinary course of business, including without limitation deferred receivables representing work in progress created in the ordinary course of business;

(5) Investments in payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(6) Management Advances;

(7) Investments in Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Company or any Restricted Subsidiary, or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement including upon the bankruptcy or insolvency of a debtor;

(8) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including an Asset Disposition, in each case, that was made in compliance with "*—Certain covenants—Limitation on sales of assets and subsidiary stock*";

(9) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date;

(10) Hedging Agreements and related Hedging Obligations, which transactions or obligations are Incurred in compliance with "*—Certain covenants—Limitation on Indebtedness*";

(11) Investments, taken together with all other Investments made pursuant to this clause (11) and then outstanding, in an aggregate amount at the time of such Investment not to exceed the greater of (x) €25.0 million and (y) 0.13% of Total Assets; *provided* that, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described under "*—Certain covenants—Limitation on Restricted Payments*," such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of "Permitted Investment" and not this clause;

(12) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or Liens otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the covenant described under "*—Certain covenants—Limitation on Liens*";

(13) any Investment to the extent made using Capital Stock of the Company (other than Disqualified Stock) or Subordinated Shareholder Funding or Capital Stock of any Parent as consideration;

(14) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of the second paragraph of the covenant described under "*Certain covenants—Limitation on Affiliate Transactions*" (except those described in clauses (1), (3), (6), (8), (9) and (12) of that paragraph);

(15) Investments consisting of purchases and acquisitions of inventory, supplies, materials and equipment or licenses or leases of intellectual property, in any case, in the ordinary course of business and in accordance with the Indenture;

(16) Guarantees not prohibited by the covenant described under "*Certain covenants—Limitation on Indebtedness*" and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business;

(17) Investments by any LeasePlan Group Restricted Subsidiary in Associates in the ordinary course of business and consistent with past practice;

(18) Investments by any Acquired Restricted Subsidiary in Associates or Unrestricted Subsidiaries in an aggregate amount when taken together with all other Investments made pursuant to this clause (18) that are at the time outstanding not to exceed the greater of (x) €40.0 million and (y) 0.21% of Total Assets; and

(19) Investments in the Notes and any Additional Notes and Investments pursuant to the Proceeds Loan Agreement.

"*Permitted Liens*" means, with respect to any Person:

(1) Liens on assets or property of a Restricted Subsidiary that is not the Issuer or a Guarantor securing Indebtedness of any Restricted Subsidiary that is not the Issuer or a Guarantor;

(2) pledges, deposits or Liens under workmen's compensation laws, unemployment insurance laws, social security laws or similar legislation, or insurance related obligations (including pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements), or in connection with bids, tenders, completion guarantees, contracts (other than for borrowed money) or leases, or to secure utilities, licenses, public or statutory obligations, or to secure surety, indemnity, judgment, appeal or performance bonds, guarantees of government contracts (or other similar bonds, instruments or obligations), or as security for contested Taxes or import or customs duties or for the payment of rent, or other obligations of like nature, in each case Incurred in the ordinary course of business;

(3) Liens imposed by law, including carriers', warehousemen's, mechanics', landlords', materialmen's and repairmen's or other like Liens, in each case for sums not yet overdue for a period of more than 60 days or that are bonded or being contested in good faith by appropriate proceedings;

(4) Liens for Taxes not yet delinquent or which are being contested in good faith by appropriate proceedings; *provided* that appropriate reserves required pursuant to IFRS have been made in respect thereof;

(5) Liens in favor of issuers of surety, performance or other bonds, guarantees or letters of credit or bankers' acceptances (not issued to support Indebtedness for borrowed money) issued pursuant to the request of, and for the account of, the Company or any Restricted Subsidiary in the ordinary course of its business;

(6) encumbrances, ground leases, easements (including reciprocal easement agreements), survey exceptions, or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines,

telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Company and its Restricted Subsidiaries or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the Company and its Restricted Subsidiaries;

(7) Liens on assets or property of the Company or any Restricted Subsidiary securing Hedging Obligations permitted under the Indenture;

(8) leases, licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business;

(9) Liens arising out of judgments, decrees, orders or awards not giving rise to an Event of Default so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree, order or award have not been finally terminated or the period within which such proceedings may be initiated has not expired;

(10) Liens on assets or property of the Company or any Restricted Subsidiary for the purpose of securing Capitalized Lease Obligations or Purchase Money Obligations, or securing the payment of all or a part of the purchase price of, or securing other Indebtedness Incurred to finance or refinance the acquisition, improvement or construction of, assets or property; *provided* that (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under the Indenture and (b) any such Lien may not extend to any assets or property of the Company or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Indebtedness and any improvements or accessions to such assets and property or proceeds of such property (including rents);

(11) Liens arising by virtue of any statutory or common law provisions or standard terms and procedures relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts, securities accounts or other funds maintained with a depository or financial institution;

(12) Liens arising from Uniform Commercial Code financing statement filings (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Company and its Restricted Subsidiaries in the ordinary course of business;

(13) Liens existing on, or provided for or required to be granted under written agreements existing on, the Issue Date;

(14) Liens on property, other assets or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary (or at the time the Company or a Restricted Subsidiary acquires such property, other assets or shares of stock, including any acquisition by means of a merger, consolidation or other business combination transaction with or into the Company or any Restricted Subsidiary); *provided, however*, that such Liens are not created, Incurred or assumed in anticipation of or in connection with such other Person becoming a Restricted Subsidiary (or such acquisition of such property, other assets or stock); *provided, further*, that such Liens do not extend to or cover any property, other assets or stock of the Company and its Restricted Subsidiaries other than (A) the property, other assets or stock acquired or (B) the property, other assets or stock (plus improvements, accessions, proceeds or dividends or distributions in connection with the original property, other assets or stock) of the Person acquired, merged with or into or consolidated or combined with the Company or a Restricted Subsidiary;

(15) Liens on assets or property of the Company or any Restricted Subsidiary securing Indebtedness or other obligations of the Company or such Restricted Subsidiary owing to the Company or another Restricted Subsidiary, or Liens in favor of the Company or any Restricted Subsidiary;

- (16) Liens securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, and permitted to be secured under the Indenture; *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is or could be the security for or subject to a Permitted Lien hereunder;
- (17) any interest or title of a lessor under any Capitalized Lease Obligation or operating lease;
- (18) (a) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which the Company or any Restricted Subsidiary has easement rights or on any leased property and subordination or similar arrangements relating thereto and (b) any condemnation or eminent domain proceedings affecting any real property;
- (19) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of any joint venture or similar arrangement pursuant to any joint venture or similar agreement;
- (20) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;
- (21) Liens on cash accounts securing Indebtedness Incurred under clause (9)(C) of the second paragraph of the covenant described under "*—Certain covenants—Limitation on Indebtedness*";
- (22) Liens on cash set aside at the time of the Incurrence of any Indebtedness or government securities purchased with such cash, in either case to the extent such cash or government securities pre-fund the payment of interest on such Indebtedness and are held in an escrow account or similar arrangement to be applied for such purpose;
- (23) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities, or liens over cash accounts securing cash pooling arrangements;
- (24) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;
- (25) Liens Incurred with respect to obligations which do not exceed €10.0 million at any one time outstanding;
- (26) Liens on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;
- (27) Liens on Receivables Assets Incurred in connection with a Qualified Receivables Financing;
- (28) any cash collateral arrangement securing the obligations of an ancillary lender, landlord, hedging counterparty or regulator in respect of ancillary facilities, leases, Hedging Obligations or capital, surety or other guarantee requirements under applicable regulations of the Company or its Restricted Subsidiaries; and
- (29) Liens arising under articles 24 or 25 of the General Terms and Conditions (*Algemene Bankvoorwaarden*) of any member of the Dutch Bankers' association (*Nederlandse Vereniging van Banken*) or any similar term applied by a financial institution pursuant to general terms and conditions.



*"Person"* means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

*"Preferred Stock,"* as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

*"Pricing Date"* means, with respect to the Initial Notes, March 10, 2016, and with respect to any Additional Notes, the date of the final offering memorandum relating to the offering of such Additional Notes.

*"Proceeds Loan"* means the loan of the proceeds of the Initial Notes pursuant to the Proceeds Loan Agreement and all loans directly or indirectly replacing or refinancing such loan or a portion thereof and any loan of a portion of the proceeds of Additional Notes pursuant to the Proceeds Loan Agreement.

*"Proceeds Loan Agreement"* means one or more loan agreements relating to the proceeds of the Initial Notes or the proceeds of Additional Notes, by and among the Dutch Branch, as borrower, and the Issuer, as lender, as may be amended or supplemented from time to time.

*"Public Market"* means any time after:

(1) an Equity Offering has been consummated; and

(2) shares of common stock or other common equity interests of the IPO Entity having a market value in excess of €75.0 million on the date of such Equity Offering have been distributed pursuant to such Equity Offering.

*"Public Offering"* means any offering, including an Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A and/or Regulation S under the Securities Act to professional market investors or similar Persons).

*"Purchase Money Obligations"* means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

*"Qualified Loan"* means any Indebtedness of the Company owing to and held by any Restricted Subsidiary, which Indebtedness satisfies the requirements set forth in clauses (1), (2), (3), (4) and (5) of the definition of "Subordinated Shareholder Funding."

*"Qualified Receivables Financing"* means any Receivables Financing of a Receivables Subsidiary that meets the following conditions: (1) the Board of Directors or an Officer of the Company shall have determined in good faith that such Qualified Receivables Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to the Company and the Receivables Subsidiary, (2) all sales of accounts receivable and related assets to the Receivables Subsidiary are made at fair market value (as determined in good faith by the Board of Directors or an Officer of the Company), and (3) the financing terms, covenants, termination events and other provisions thereof shall be on market terms (as determined in good faith by the Board of Directors or an Officer of the Company) and may include Standard Securitization Undertakings.

The grant of a security interest in any accounts receivable of the Company or any of its Restricted Subsidiaries (other than a Receivables Subsidiary) to secure Indebtedness under a Credit Facility or Indebtedness in respect of the Notes shall not be deemed a Qualified Receivables Financing.



*"Receivables Assets"* means any assets that are or will be the subject of a Qualified Receivables Financing.

*"Receivables Fees"* means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Restricted Subsidiary in connection with, any Receivables Financing.

*"Receivables Financing"* means any transaction or series of transactions that may be entered into by the Company or any of its Subsidiaries pursuant to which the Company or any of its Subsidiaries may sell, convey or otherwise transfer to (a) a Receivables Subsidiary (in the case of a transfer by the Company or any of its Subsidiaries), or (b) any other Person (in the case of a transfer by a Receivables Subsidiary), or may grant a security interest in, any accounts receivable (whether now existing or arising in the future) of the Company or any of its Subsidiaries, and any assets related thereto, including all collateral securing such accounts receivable, all contracts and all guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable and other assets which are customarily transferred or in respect of which security interest are customarily granted in connection with asset securitization transactions involving accounts receivable and any Hedging Obligations entered into by the Company or any such Subsidiary in connection with such accounts receivable.

*"Receivables Repurchase Obligation"* means any obligation of a seller of receivables in a Qualified Receivables Financing to repurchase receivables arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

*"Receivables Subsidiary"* means a Wholly Owned Subsidiary, other than the Issuer, (or another Person formed for the purposes of engaging in a Qualified Receivables Financing with the Company in which the Company or any Subsidiary of the Company makes an Investment and to which the Company or any Subsidiary of the Company transfers accounts receivable and related assets) which engages in no activities other than in connection with the financing of accounts receivable of the Company and its Subsidiaries, all proceeds thereof and all rights (contractual or other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and which is designated by the Board of Directors of the Company (as provided below) as a Receivables Subsidiary and:

(1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (i) is guaranteed by the Company or any of its Restricted Subsidiaries (other than such Receivables Subsidiary) (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (ii) is subject to terms that are substantially equivalent in effect to a guarantee of any losses on securitized or sold receivables by the Company or any of its Restricted Subsidiaries (other than such Receivables Subsidiary), (iii) is recourse to or obligates the Company or any of its Restricted Subsidiaries (other than such Receivables Subsidiary) in any way other than pursuant to Standard Securitization Undertakings, or (iv) subjects any property or asset of the Company or any of its Restricted Subsidiaries, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;

(2) with which neither the Company nor any of its Restricted Subsidiaries (other than such Receivables Subsidiary) has any contract, agreement, arrangement or understanding other than on terms which the Company reasonably believes to be no less favorable to the Company or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Company; and

(3) to which neither the Company nor any of its Restricted Subsidiaries (other than such Receivables Subsidiary) has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

Any such designation by the Board of Directors of the Company shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of the Company giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing conditions.

*"refinance"* means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge mechanism) and the terms *"refinances," "refinanced"* and *"refinancing"* as used for any purpose in the Indenture shall have a correlative meaning.

*"Refinancing Indebtedness"* means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness existing on the date of the Indenture or Incurred in compliance with the Indenture (including Indebtedness of the Company that refinances Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of the Company or another Restricted Subsidiary) including Indebtedness that refinances Refinancing Indebtedness; *provided, however*, that:

(1) if the Indebtedness being refinanced constitutes Subordinated Indebtedness, the Refinancing Indebtedness has a final Stated Maturity at the time such Refinancing Indebtedness is Incurred that is the same as or later than the final Stated Maturity of the Indebtedness being refinanced or, if shorter, of the Notes;

(2) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and costs, expenses and fees Incurred in connection therewith); and

(3) if the Indebtedness being refinanced is expressly subordinated to the Notes or the Notes Guarantees, as applicable, such Refinancing Indebtedness is subordinated to the Notes or the Notes Guarantees, as applicable, on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced,

*provided, however*, that Refinancing Indebtedness shall not include (i) Indebtedness of the Company or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary, or (ii) Indebtedness of a Restricted Subsidiary that is not the Issuer or a Guarantor that refinances Indebtedness of the Company, the Issuer or a Guarantor, and *provided*, further, that the provisions of clause (3) above would not operate to preclude the refinancing of indebtedness with Indebtedness that is secured with a super priority status (or other preferential security status) if such security is otherwise permitted pursuant to the Indenture.

Refinancing Indebtedness in respect of any Credit Facility or any other Indebtedness may be Incurred within 180 days after the termination, discharge or repayment of any such Credit Facility or other Indebtedness.

*"Related Person"* with respect to any Equity Investor, means:

(1) any controlling equity holder or Subsidiary of such Person;

(2) in the case of an individual, any spouse, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, family member or relative, or the estate, executor, administrator, committee or beneficiaries of any thereof;

(3) any trust, corporation, partnership or other Person for which one or more of the Permitted Holders and other Related Persons of any thereof constitute the beneficiaries, stockholders, partners or owners thereof, or Persons beneficially holding in the aggregate a majority (or more) controlling interest therein; or

(4) any investment fund or vehicle managed, sponsored or advised by such Person or any successor thereto, or by any Affiliate of such Person or any such successor.

*"Related Taxes"* means:

(1) any Taxes (other than (x) Taxes measured by gross or net income, receipts or profits and (y) withholding Taxes), required to be paid (provided such Taxes are in fact paid) by any Parent by virtue of its:

(a) being organized or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, the Company or any of the Company's Subsidiaries);

(b) issuing or holding Subordinated Shareholder Funding;

(c) being a Parent, directly or indirectly, of the Company or any of the Company's Subsidiaries;

(d) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Company or any of the Company's Subsidiaries; or

(e) having made any payment in respect of any of the items for which the Company is permitted to make payments to any Parent pursuant to the covenant described under *"—Certain covenants—Limitation on Restricted Payments"*; or

(2) if and for so long as the Company is a member of a group filing a consolidated or combined tax return with any Parent or party to a Tax Sharing Agreement, any consolidated or combined Taxes measured by income for which such Parent is liable up to an amount not to exceed the amount of any such Taxes that the Company and its Subsidiaries would have been required to pay on a separate company basis or on a consolidated basis if the Company and its Subsidiaries had paid Tax on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group consisting only of the Company and its Subsidiaries; *provided* that distributions shall be permitted in respect of the income of an Unrestricted Subsidiary only to the extent such Unrestricted Subsidiary distributed cash for such purpose to the Company or its Restricted Subsidiaries.

*"Restricted Investment"* means any Investment other than a Permitted Investment.

*"Restricted Subsidiary"* means any Subsidiary of the Company other than an Unrestricted Subsidiary.

*"Reversion Date"* means, after the Notes have achieved Investment Grade Status, the date, if any, that such Notes shall cease to have such Investment Grade Status.

*"S&P"* means Standard & Poor's Investors Ratings Services or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

*"SEC"* means the U.S. Securities and Exchange Commission.

*"Second Revolving Credit Facility"* means the €1,250 million revolving credit facility made available under the Second Revolving Credit Facility Agreement.

*"Second Revolving Credit Facility Agreement"* means the revolving credit facility agreement, dated July 22, 2015, between, among others, LP Group as original company and ING Bank N.V. as facility agent, as amended, supplemented or otherwise modified from time to time.

*"Secured Indebtedness"* means any Indebtedness secured by a Lien.

*"Securities Act"* means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

*"Security Agent"* means U.S. Bank Trustees Limited, acting as security agent pursuant to the Intercreditor Agreement or such successor Security Agent or any delegate thereof as may be appointed thereunder or any such security agent, delegate or successor thereof pursuant to an Additional Intercreditor Agreement.

*"Security Documents"* means, collectively, the security agreements, pledge agreements, charge agreements, collateral assignments, security interest agreements and any other instrument and document executed and delivered pursuant to the Indenture or otherwise or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time, creating the security interests in the Collateral as contemplated by the Indenture.

*"Senior Management"* means the officers, directors, and other current or former members of senior management of the Company or any of its Subsidiaries, who at any date beneficially own or have the right to acquire, directly or indirectly, Capital Stock of the Company or any Parent.

*"Significant Subsidiary"* means any Restricted Subsidiary that meets any of the following conditions:

- (1) the Company's and its Restricted Subsidiaries' investments in and advances to the Restricted Subsidiary exceed 10% of the Total Assets of the Company and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year;
- (2) the Company's and its Restricted Subsidiaries' proportionate share of the Total Assets (after intercompany eliminations) of the Restricted Subsidiary exceeds 10% of the Total Assets of the Company and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year; or
- (3) the Consolidated EBITDA of the Restricted Subsidiary exceeds 10% of the Consolidated EBITDA of the Company and its Restricted Subsidiaries on a consolidated basis for the most recently completed fiscal year.

*"Similar Business"* means (a) any businesses, services or activities engaged in by the Company, LeasePlan or any of their respective Subsidiaries or Associates on the Issue Date and (b) any businesses, services and activities engaged in by the Company, LeasePlan or any of their respective Subsidiaries or Associates that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

*"Standard Securitization Undertakings"* means representations, warranties, covenants, indemnities and guarantees of performance entered into by the Company or any Subsidiary of the Company which the Board of Directors or an Officer of the Company has determined in good faith to be customary in a Receivables Financing, including those relating to the servicing of the assets of a Receivables Subsidiary, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

*"Stated Maturity"* means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any Contingent Obligations to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

*"Subordinated Indebtedness"* means, with respect to any Person, any Indebtedness (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinated in right of payment to the Notes and any Notes Guarantee pursuant to a written agreement (which, for the avoidance of doubt, will not include the Notes, any Pari Passu Indebtedness or any Indebtedness of the LeasePlan Group).

*"Subordinated Shareholder Funding"* means, collectively, any funds provided to the Company by any Parent, any Affiliate of any Parent or any Permitted Holder or any Affiliate thereof, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by a Parent or a Permitted Holder, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; *provided, however,* that such Subordinated Shareholder Funding:

(1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the first anniversary of the latest Stated Maturity of any of the Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Company or any funding meeting the requirements of this definition) or the making of any such payment prior to the date that is six months following the latest Stated Maturity of any of the Notes is restricted by the provisions of the Indenture as a "Restricted Payment,"

(2) does not require, prior to the first anniversary of the latest Stated Maturity of any of the Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts;

(3) contains no change of control or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the date that is six months following the latest Stated Maturity of any of the Notes;

(4) does not provide for or require any security interest or encumbrance over any asset of the Company or any of its Subsidiaries; and

(5) pursuant to the Intercreditor Agreement, any Additional Intercreditor Agreement or any other intercreditor agreement is fully subordinated and junior in right of payment to the Notes pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding,

*provided, further, however,* that upon the occurrence of any event or circumstance that results in such Indebtedness ceasing to qualify as Subordinated Shareholder Funding, such Indebtedness shall constitute an Incurrence of such Indebtedness by the Company, and any and all Restricted Payments made through the use of the net proceeds from the Incurrence of such Indebtedness since the date of the original issuance of such Subordinated Shareholder Funding shall constitute new Restricted Payments that are deemed to have been made after the date of the original issuance of such Subordinated Shareholder Funding.

*"Subsidiary"* means, with respect to any Person:

(1) any corporation, association, or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof; or

(2) any partnership, joint venture, limited liability company or similar entity of which:

(a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof whether in the form of membership, general, special or limited partnership interests or otherwise; and

(b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

*"Subsidiary Guarantor"* means a Guarantor that is a Subsidiary of the Company.

*"Successor Company"* means, with respect to any Person (other than a Parent), the resulting, surviving or transferee Person and, with respect to a Parent, means a Successor Parent.

*"Successor Parent"* means, with respect to a Parent, any other Person of which more than 50% of the total voting power of the Voting Stock, at the time such Parent becomes a Subsidiary of such other Person, is "beneficially owned" (as such term is defined in Rules 13d-3 and 13d-5 under the Exchange Act (as in effect on the Issue Date)) by one or more other Persons that, immediately prior to such Parent becoming a Subsidiary of such other Person, "beneficially owned" more than 50% of the total voting power of the Voting Stock of such Parent.

*"TARGET2"* means the second generation trans-European automated real time gross settlement express transfer payment system.

*"Tax Sharing Agreement"* means any tax sharing or profit and loss pooling or similar agreement with customary or arm's length terms or any arrangement to purchase tax losses or share group relief entered into with any Parent or Unrestricted Subsidiary, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof.

*"Taxes"* means all present and future taxes, levies, imposts, deductions, charges, duties and withholdings and any charges of a similar nature (including interest, penalties and other liabilities with respect thereto) that are imposed by any government or other taxing authority.

*"Temporary Cash Investments"* means any of the following:

(1) any investment in:

(a) direct obligations of, or obligations Guaranteed by, (i) any Permissible Jurisdiction or (ii) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by the Company or a Restricted Subsidiary in that country with such funds, or

(b) direct obligations of any country recognized by the United States of America rated at least "A" by S&P or "A1" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(2) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers' acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof issued by:

(a) any institution authorized to operate as a bank in any of the countries or member states referred to in clause (1)(a) above, or

(b) any bank or trust company organized under the laws of any such country or member state or any political subdivision thereof,



in each case, having capital and surplus aggregating in excess of €250 million (or the foreign currency equivalent thereof) and whose long-term debt is rated at least "A" by S&P or "A2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) or (2) above entered into with a Person meeting the qualifications described in clause (2) above;

(4) Investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a Person (other than the Company or any of its Subsidiaries), with a rating at the time as of which any Investment therein is made of "P-2" (or higher) according to Moody's or "A-2" (or higher) according to S&P (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(5) Investments in securities maturing not more than one year after the date of acquisition issued or fully Guaranteed by any Permissible Jurisdiction, and rated at least "BBB" by S&P or "Baa3" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(6) bills of exchange issued in any Permissible Jurisdiction eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(7) any money market deposit accounts issued or offered by a commercial bank organized under the laws of a country that is a member of the Organization for Economic Co-operation and Development, in each case, having capital and surplus in excess of €250 million (or the foreign currency equivalent thereof) or whose long term debt is rated at least "A" by S&P or "A2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(8) investment funds investing at least 95% of their assets in securities of the type described in clauses (1) through (7) above (which funds may also hold reasonable amounts of cash pending investment and/or distribution); and

(9) investments in money market funds complying with the risk limiting conditions of Rule 2a-7 (or any successor rule) of the SEC under the U.S. Investment Company Act of 1940, as amended.

*"Total Assets"* means the consolidated total assets of the Company and its Subsidiaries in accordance with IFRS as shown on the most recent balance sheet of such Person.

*"Transactions"* means the Acquisition and the transactions associated with it, the Equity Contribution, the borrowing under the ME Facility, the payment of consideration under the Acquisition Agreement, the entry into the Acquisition Agreement, the issuance of the Notes, the entry into associated documentation including the Indenture, the Security Documents, the Proceeds Loan Agreement, the use of proceeds of the various financing steps and the payment or incurrence of any fees, expenses or charges associated with any of the foregoing.

*"Treasury Rate"* means the yield to maturity at the time of computation of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such statistical release is not so published or available, any publicly available source of similar market data selected by the Issuer in good faith)) most nearly equal to the period from the redemption

date to April 15, 2018; *provided, however*, that if the period from the redemption date to April 15, 2018 is not equal to the constant maturity of a United States Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the period from such redemption date to April 15, 2018 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used.

"Trustee" means U.S. Bank Trustees Limited, as trustee under the Indenture.

"U.S. Government Obligations" means any security that is a direct obligation of, or obligations guaranteed by, the United States of America, and the payment for which the United States of America pledges its full faith and credit.

"Uniform Commercial Code" means the New York Uniform Commercial Code.

"Unrestricted Subsidiary" means:

(1) any Subsidiary of the Company (other than the Issuer) that at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors of the Company in the manner provided below); and

(2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Company may designate any Subsidiary of the Company (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation or other business combination transaction, or Investment therein), other than the Issuer, to be an Unrestricted Subsidiary only if:

(1) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of, or own or hold any Lien on any property of, the Company, the Issuer or any other Subsidiary of the Company or the Issuer which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary; and

(2) such designation and the Investment of the Company in such Subsidiary complies with the covenant described under "*—Certain covenants—Limitation on Restricted Payments.*"

Any such designation by the Board of Directors of the Company shall be evidenced to the Trustee by filing with the Trustee a resolution of the Board of Directors of the Company giving effect to such designation and an Officer's Certificate certifying that such designation complies with the foregoing conditions.

The Board of Directors of the Company may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided*, that immediately after giving effect to such designation (1) no Default or Event of Default would result therefrom and (2) if the designated entity is a LeasePlan Group Restricted Subsidiary or an Acquired Restricted Subsidiary, (x) the LeasePlan Group Restricted Subsidiaries or the Acquired Restricted Subsidiaries, as applicable, could Incur at least €1.00 of additional Indebtedness under clause (1) or clause (3), as applicable, of the first paragraph of "*—Certain covenants—Limitation on Indebtedness*" or (y) the LeasePlan Group Equity Ratio or the Fixed Charge Coverage Ratio of the Acquired Restricted Subsidiaries, as applicable, would not be less than it was immediately prior to giving effect to such designation, in each case, on a *pro forma* basis taking into account such designation. Any such designation by the Board of Directors of the Company shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of the Board of Directors of the Company giving effect to such designation or an Officer's Certificate certifying that such designation complied with the foregoing provisions.

*"Voting Stock"* of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors.

*"Wholly Owned Subsidiary"* means a subsidiary of the Company, all the Voting Stock of which (other than directors' qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Company or another Wholly Owned Subsidiary) is owned by the Company or another Wholly Owned Subsidiary.

# Book-entry, delivery and form

## General

Each series of Notes sold outside the United States pursuant to Regulation S is represented by one or more global notes in registered form without interest coupons attached (collectively, the “**Regulation S Global Notes**”). The Regulation S Global Notes representing the Euro Notes (the “**Euro Regulation S Global Notes**”) were deposited upon issuance with a common depository and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream. The Regulation S Global Note representing the Dollar Notes (the “**Dollar Regulation S Global Note**”) were deposited upon issuance with the custodian for The Depository Trust Company (“**DTC**”) and registered in the name of Cede & Co., as nominee of DTC.

Each series of Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A is represented by one or more global notes in registered form without interest coupons attached (collectively, the “**Rule 144A Global Notes**” and, together with the Regulation S Global Notes, the “**Global Notes**”). The Rule 144A Global Notes representing the Euro Notes (the “**Euro 144A Global Notes**” and, together with the Euro Regulation S Global Notes, the “**Euro Global Notes**”), were deposited upon issuance with a common depository and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream. The Rule 144A Global Note representing the Dollar Notes (the “**Dollar 144A Global Note**” and, together with the Dollar Regulation S Global Note, the “**Dollar Global Notes**”) were deposited upon issuance with the custodian for DTC and registered in the name of Cede & Co., as nominee of DTC.

Ownership of interests in the Euro Global Notes (the “**Euro Book-Entry Interests**”) and ownership of interests in the Dollar Global Notes (the “**Dollar Book-Entry Interests**,” and, together with the Euro Book-Entry Interests, the “**Book-Entry Interests**”) is limited to persons that have accounts with Euroclear and/or Clearstream or DTC, respectively, or persons that hold interests through such participants. Book-Entry Interests are shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream or DTC, as applicable, and their participants. Clearstream and Euroclear are direct and indirect participants, respectively, in DTC and, accordingly, persons who have accounts with Clearstream or Euroclear (or with participants in Clearstream or Euroclear) may own Book-Entry Interests. The Book-Entry Interests in the Euro Global Notes are issued only in denominations of €100,000 and in integral multiples of €1,000 in excess thereof. The Book-Entry Interests in the Dollar Global Notes are issued only in denominations of \$200,000 and integral multiples of \$1,000 in excess thereof.

The Book-Entry Interests will not be held in definitive form. Instead, Euroclear and Clearstream or DTC, as applicable, credit on their respective book-entry registration and transfer systems the account of a participant with the interest beneficially owned by such participant. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, holders of Book-Entry Interests will not have the Notes registered in their names, will not receive physical delivery of the Notes in certificated form and will not be considered the registered owners or “holders” of Notes for any purpose.

So long as the Notes are held in global form, Euroclear, Clearstream or DTC, as applicable (or their respective nominees), will be considered the sole holders of the Global Notes for all purposes under the Indenture. As such, participants must rely on the procedures of Euroclear, Clearstream or DTC, as applicable, and indirect participants must rely on the procedures of Euroclear, Clearstream or DTC, as applicable, and the participants through which they own Book-Entry Interests, in order to transfer their interests or to exercise any rights of holders under the Indenture.

None of the Issuer, the Trustee, the Paying Agents, the Transfer Agents or the Registrar under the Indenture or any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

### **Issuance of Definitive Registered Notes**

Under the terms of the Indenture, owners of Book-Entry Interests will receive definitive Notes in registered form (the "**Definitive Registered Notes**"):

- if Euroclear, Clearstream or DTC, as applicable, notifies the Issuer that it is unwilling or unable to continue to act as depository and a successor depository is not appointed by the Issuer within 120 days; or
- if the owner of a Book-Entry Interest requests such exchange in writing delivered through Euroclear, Clearstream or DTC following an event of default under the Indenture.

In such an event, the registrar will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear and Clearstream or DTC, as applicable, or the Issuer, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend referred to in "*Transfer restrictions*," unless that legend is not required by the Indenture or applicable law.

The Issuer will not be required to register the transfer or exchange of Definitive Registered Notes for a period of 15 calendar days preceding (i) the record date for any payment of interest on the Notes, (ii) any date fixed for redemption of the Notes or (iii) the date fixed for selection of the Notes to be redeemed in part. Also, the Issuer is not required to register the transfer or exchange of any Notes selected for redemption. In the event of the transfer of any Definitive Registered Note, the Trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents as described in the Indenture. The Issuer may require a holder to pay any taxes and fees required by law and permitted by the Indenture and the Notes.

If Definitive Registered Notes are issued and a holder thereof claims that any such Definitive Registered Note has been lost, destroyed or wrongfully taken, or if any such Definitive Registered Note is mutilated and is surrendered to the Registrar, the Trustee or the Issuer, the Issuer will issue and the Trustee will authenticate a replacement Definitive Registered Note if the Trustee's and the Issuer's requirements are met. The Issuer or the Trustee may require a holder requesting replacement of a Definitive Registered Note to furnish an indemnity bond sufficient in the judgment of both to protect the Issuer, the Trustee or the paying agents appointed pursuant to the Indenture from any loss which any of them may suffer if a Definitive Registered Note is replaced. The Issuer may charge for any expenses incurred by it in replacing a Definitive Registered Note.

In case any such mutilated, destroyed, lost or stolen Definitive Registered Note has become or is about to become due and payable, or is about to be redeemed or purchased by the Issuer pursuant to the provisions of the Indenture, the Issuer, in its discretion, may, instead of issuing a new Definitive Registered Note, pay, redeem or purchase such Definitive Registered Note, as the case may be.

Definitive Registered Notes may be transferred and exchanged only after the transferor first delivers to the Trustee a written certification (in the form provided in the Indenture) to the effect that such transfer will comply with the transfer restrictions applicable to such Notes. See "*Transfer restrictions*."

## Redemption of Global Notes

In the event any Global Note, or any portion thereof, is redeemed, Euroclear, Clearstream or DTC (or their respective nominees), as applicable, will distribute the same amount received by it in respect of the Global Note so redeemed to the holders of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear, Clearstream or DTC, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that under existing practices of Euroclear, Clearstream and DTC, if fewer than all the Notes are to be redeemed at any time, Euroclear, Clearstream and DTC will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; provided, however, that no Book-Entry Interest of less than €100,000 principal amount in the case of a Euro Book-Entry Interest, or \$200,000 principal amount in the case of a Dollar Book-Entry Interest, may be redeemed in part.

## Payments on Global Notes

The Issuer will make payments of amounts owing in respect of the Global Notes (including principal, premium, if any, interest, additional interest and additional amounts) to the relevant paying agent. The relevant paying agent will, in turn, make such payments to the common depository for Euroclear and Clearstream (in the case of the Euro Global Notes) and to DTC or its nominee (in the case of the Dollar Global Notes), which will distribute such payments to participants in accordance with their respective procedures. The Issuer will make payments of all such amounts without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under "*Description of the Notes—Additional Amounts.*" If any such deduction or withholding is required to be made by applicable law or regulation or otherwise as described under "*Description of the Notes—Additional Amounts,*" then, to the extent described under "*Description of the Notes—Additional Amounts,*" the Issuer will pay additional amounts as may be necessary in order that the net amounts received by any holder of the Global Notes or owner of Book-Entry Interests after such deduction or withholding will equal the net amounts that such holder or owner would have otherwise received in respect of such Global Note or Book-Entry Interest, as the case may be, absent such withholding or deduction. The Issuer expects that standing customer instructions and customary practices will govern payments by participants to owners of Book-Entry Interests held through such participants.

Under the terms of the Indenture, the Issuer and the Trustee will treat the registered holders of the Global Notes (i.e., Euroclear, Clearstream or DTC or their respective nominees) as the owners thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Trustee or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or DTC, or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest, for any such payments made by Euroclear, Clearstream or DTC, or any participant or indirect participant, or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or DTC, or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest; or
- Euroclear, Clearstream or DTC or any participant or indirect participant.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants, as is now the case with securities held for the accounts of customers registered in "street name."



## Currency and payment for the Global Notes

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Euro Global Notes will be paid to holders of interests in such Notes through Euroclear and/or Clearstream in euro. The principal of, premium, if any, and interest on, and all other amounts payable in respect of the Dollar Global Notes will be paid to holders of interests in such Notes through DTC in U.S. dollars.

Payments will be subject in all cases to any fiscal or other laws and regulations (including any regulations of the applicable clearing system) applicable thereto. None of the Issuer, the Trustee, the Initial Purchasers or any of their respective agents will be liable to any holder of a Global Note or any other person for any commissions, costs, losses or expenses in relation to or resulting from any currency conversion or rounding effected in connection with any such payment. Holders may be subject to foreign exchange risks that may have economic and tax consequences to them.

## Action by owners of Book-Entry Interests

Euroclear, Clearstream and DTC have advised the Issuer that they will take any action permitted to be taken by a holder of Notes only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear, Clearstream and DTC will not exercise any discretion in the granting of consents or waivers or the taking of any other action in respect of the Global Notes. Nevertheless, if there is an event of default under the Notes, each of Euroclear, Clearstream and DTC reserves the right to exchange the Global Notes for Definitive Registered Notes in certificated form and to distribute such Definitive Registered Notes to their respective participants.

## Transfers

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream rules and will be settled in immediately available funds. Transfers between participants in DTC will be done in accordance with DTC rules and will be settled in immediately available funds. If a holder requires physical delivery of Definitive Registered Notes for any reason, including to sell the Notes to persons in states which require physical delivery of such securities or to pledge such securities, such holder must transfer its interest in the Global Notes in accordance with the normal procedures of Euroclear, Clearstream or DTC, as applicable, and in accordance with the provisions of the Indenture.

The Rule 144A Global Notes bear a legend to the effect set forth in "*Transfer restrictions.*" Book-Entry Interests in the Global Notes are be subject to the restrictions on transfer discussed in "*Transfer restrictions.*"

Beneficial interests in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of a beneficial interest in the Regulation S Global Note denominated in the same currency only upon receipt by the Trustee of a written certification (in the form provided in the Indenture) from the transferor to the effect that such transfer is being made in accordance with Regulation S or any other exemption (if available under the U.S. Securities Act).

Prior to 40 days after the date of initial issuance of the Notes, ownership interests in Regulation S Global Notes will be limited to persons that have accounts with DTC, Euroclear or Clearstream or persons who hold interests through DTC, Euroclear or Clearstream and any sale or transfer of interests to U.S. persons will not be permitted unless the resale or transfer is made pursuant to Rule 144A.

Beneficial interests in a Regulation S Global Note may be transferred to a person who takes delivery in the form of a beneficial interests in the Rule 144A Global Note denominated in the same currency only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that the transfer is being made to a person who the transferor reasonably believes is a qualified institutional buyer within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

This paragraph refers to transfers and exchanges with respect to the Dollar Global Notes only. Transfers involving an exchange of a Dollar Book-Entry Interest in a Regulation S Global Note for a Dollar Book-Entry Interest in a 144A Global Note will be done by DTC by means of an instruction originating from the Trustee through the DTC Deposit/Withdrawal at Custodian system. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the relevant Regulation S Global Note and a corresponding increase in the principal amount of the corresponding 144A Global Note. The policies and practices of DTC may prohibit transfers of unrestricted Book-Entry Interests in a Regulation S Global Note prior to the expiration of the 40 days after the date of issuance of the Notes. Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in such other Global Note, and accordingly will thereafter be subject to all applicable transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

Subject to the foregoing, and as set forth in "*Transfer restrictions*," Book-Entry Interests may be transferred and exchanged as described under "*Description of the Notes—Transfer and exchange*." Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in the other Global Note of the same denomination will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in the other Global Note, and accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book Entry Interest.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as described under "*Description of the Notes—Transfer and exchange*" and, if required, only if the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See "*Transfer restrictions*."

### **Information concerning Euroclear, Clearstream and DTC**

All Book-Entry Interests are subject to the operations and procedures of Euroclear, Clearstream or DTC, as applicable. The Issuer provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. Neither the Issuer nor the Initial Purchasers are responsible for those operations or procedures.

Euroclear and Clearstream hold securities for participating organizations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants

are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

DTC advised the Issuer that it is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the U.S. Exchange Act. DTC holds and provides asset servicing for issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (that DTC’s direct participants deposit with DTC). DTC also facilitates the post-trade settlement among direct participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between direct participants’ accounts. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a direct participant, either directly or indirectly.

Because Euroclear, Clearstream and DTC can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear, Clearstream or DTC systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definite certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such persons may be limited. In addition, owners of beneficial interests through the Euroclear, Clearstream or DTC systems will receive distributions attributable to the 144A Global Notes only through Euroclear, Clearstream or DTC participants.

### **Global clearance and settlement under the book-entry system**

Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes to trading on the Euro MTF Market. The Issuer expects that the book-entry interests will trade through participants of Euroclear, Clearstream and DTC, as applicable, and will settle in same-day funds. Since the sale determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where the purchaser’s and the seller’s accounts are located to ensure that settlement can be made on the desired value date. The Issuer expects that secondary trading in any certificated Notes will also be settled in immediately available funds. Euroclear participants and Clearstream participants may not deliver instructions directly to the common depository.

Although Euroclear, Clearstream and DTC are expected to follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear, Clearstream or DTC, as the case may be, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, the Company, the Trustee, the Paying Agents, the Transfer Agents or the Registrar will have any responsibility for the performance by Euroclear, Clearstream or DTC, or their respective participants or indirect participants, of their respective obligations under the rules and procedures governing their operations.

## Tax considerations

If you are a prospective investor, you should consult your tax advisor as to the possible tax consequences of buying, holding or selling any Notes under the laws of your country of citizenship, residence or domicile, including the effect of any local taxes applicable to you. The discussions that follow do not purport to be a comprehensive description of all tax considerations that may be relevant to a decision to purchase, hold or sell Notes. In particular, these discussions do not consider any specific facts or circumstances that may apply to you. The discussions that follow for each jurisdiction are based upon the applicable laws and interpretations thereof as in effect as at the date of this listing circular. These tax laws and interpretations are subject to change, possibly with retroactive or retrospective effect.

### Certain United States federal income tax consequences

The following is a summary of certain United States federal income tax consequences of the purchase, ownership and disposition of Notes as of the date hereof. Except where noted, this summary deals only with Notes that are held as capital assets by a U.S. holder (as defined below) who acquired the Notes upon original issuance at their initial offering price.

A "U.S. holder" means a person that is for United States federal income tax purposes any of the following:

- an individual citizen or resident of the United States;
- a corporation (or any other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

This summary is based upon provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and regulations, rulings and judicial decisions as of the date hereof. Those authorities may be changed, perhaps retroactively, so as to result in United States federal income tax consequences different from those summarized below. This summary does not address all aspects of United States federal income taxes and does not address the effects of the Medicare contribution tax on net investment income or foreign, state, local or other tax considerations that may be relevant to U.S. holders in light of their particular circumstances. In addition, it does not represent a detailed description of the United States federal income tax consequences applicable to you if you are subject to special treatment under the United States federal income tax laws. For example, this summary does not address:

- tax consequences to holders who may be subject to special tax treatment, such as dealers in securities or currencies, traders in securities that elect to use the mark-to-market method of accounting for their securities, financial institutions, regulated investment companies, real estate investment trusts, partnerships or other pass-through entities for United States federal income tax purposes, tax-exempt entities or insurance companies;
- tax consequences to persons holding the Notes as part of a hedging, integrated, constructive sale or conversion transaction or a straddle;
- tax consequences to holders of the Notes whose "functional currency" is not the U.S. dollar; or
- alternative minimum tax consequences, if any.

If a partnership holds the Notes, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding the Notes, you should consult your tax advisors.

**If you are considering the purchase of Notes, you should consult your own tax advisors concerning the particular United States federal income tax consequences to you of the purchase, ownership and disposition of the Notes, as well as the consequences to you arising under the laws of any other taxing jurisdiction.**

### Payments of interest

Interest on a Note will generally be taxable to you as ordinary income at the time it is paid or accrued in accordance with your method of accounting for tax purposes. In addition to interest on the Notes (which includes any foreign tax withheld from the interest payments you receive), you will be required to include in income any additional amounts paid in respect of such foreign tax withheld. You may be entitled to deduct or credit this tax, subject to certain limitations (including that the election to deduct or credit foreign taxes applies to all of your foreign taxes for a particular tax year). Interest income (including any additional amounts) on a Note generally will be considered foreign source income and, for purposes of the United States foreign tax credit, generally will be considered passive category income. You will generally be denied a foreign tax credit for foreign taxes imposed with respect to the Notes where you do not meet a minimum holding period requirement during which you are not protected from risk of loss. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisors regarding the availability of the foreign tax credit under your particular circumstances.

Interest on the Euro Notes is payable in euros. A U.S. holder of Euro Notes that uses the cash basis method of accounting will be required to include in income the U.S. dollar value of the amount of interest received on the Euro Notes, determined by translating the euros received at the spot rate for euros on the date such payment is received regardless of whether the payment is in fact converted into U.S. dollars. A U.S. holder of Euro Notes will not recognize exchange gain or loss with respect to the receipt of such payment (other than exchange gain or loss realized on the disposition of the euros so received).

A U.S. holder of Euro Notes that uses the accrual method of accounting may determine the amount of income recognized with respect to such interest (including any additional amounts) in accordance with either of two methods. Under the first method, such a U.S. holder will be required to include in income for each taxable year the U.S. dollar value of the interest that has accrued on the Euro Notes held during such year, determined by translating such interest at the average rate of exchange for the period or periods during which such interest accrued. Under the second method, such a U.S. holder may elect to translate interest income at the spot rate on:

- the last day of the accrual period;
- the last day of the taxable year if the accrual period straddles such U.S. holder's taxable year;  
or
- the date the interest payment is received if such date is within five business days of the end of the accrual period.

If the U.S. holder elects to use the second method, the election must be consistently applied by the U.S. holder to all debt instruments from year to year and can be changed only with the consent of the Internal Revenue Service ("IRS"). In addition, if a U.S. holder of a Euro Note uses the accrual method of accounting, upon receipt of an interest payment on a Euro Note (including, upon the sale of a Euro Note, the receipt of proceeds which include amounts attributable to accrued interest previously included in income), such a U.S. holder will recognize ordinary gain or loss in an amount equal to the difference between the U.S. dollar value of such

payment (determined by translating the euros received at the spot rate for euros on the date such payment is received) and the U.S. dollar value of the interest income such U.S. holder previously included in income with respect to such payment.

### **Sale, exchange, retirement or other disposition of Notes**

Upon the sale, exchange, retirement, redemption or other taxable disposition of a Note (except as noted below with respect to exchange gain or loss), you will recognize gain or loss equal to the difference between the amount realized upon the sale, exchange, retirement, redemption or other disposition (less an amount equal to any accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income) and your adjusted tax basis of the Note.

A U.S. holder of a Euro Note's initial tax basis in a Euro Note generally will be such U.S. holder's U.S. dollar cost. If such U.S. holder purchased a Euro Note with foreign currency (for example, euros), such U.S. holder's cost generally will be the U.S. dollar value of the foreign currency paid for such Euro Note determined using the spot rate at the time of such purchase. If such U.S. holder's Euro Note is sold, exchanged, retired, redeemed or disposed of for an amount denominated in foreign currency, then such U.S. holder's amount realized generally will be based on the spot rate of the foreign currency on the date of sale, exchange, retirement, redemption or other disposition. If such U.S. holder is a cash method taxpayer and the Euro Note is traded on an established securities market, foreign currency paid or received is translated into U.S. dollars at the spot rate on the settlement date of the purchase or sale. If such U.S. holder is an accrual method taxpayer, such U.S. holder may elect the same treatment with respect to the purchase and sale of a Euro Note that is traded on an established securities market, provided that the election is applied consistently.

Subject to the discussion below of exchange gain or loss with respect to a Euro Note, gain or loss upon the sale, exchange, retirement, redemption or other taxable disposition of a Note will be capital gain or loss and will generally be treated as United States source gain or loss. Consequently, you may not be able to claim a credit for any foreign tax imposed upon a disposition of a Note unless such credit can be applied (subject to applicable limitation) against tax due on other income treated as derived from foreign sources. Capital gains of non-corporate U.S. holders (including individuals) derived in respect of capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

A portion of a U.S. holder of a Euro Note's gain or loss with respect to the principal amount of a Euro Note may be treated as exchange gain or loss. Exchange gain or loss will be treated as ordinary income or loss and generally will be U.S. source gain or loss. For these purposes, the principal amount of the Euro Note is such U.S. holder's purchase price for the Euro Note calculated in euros on the date of purchase, and the amount of exchange gain or loss is equal to the difference between (i) the U.S. dollar value of the principal amount determined on the date the Euro Note is disposed of or deemed disposed of (or on the settlement date, if applicable) and (ii) the U.S. dollar value of the principal amount determined on the date such U.S. holder acquired the Euro Note or was deemed to acquire the Euro Note. In addition, if a U.S. holder of a Euro Note uses the accrual method of accounting (and has not elected to translate euro amounts at the spot rate of exchange on the settlement date of the purchase or sale), upon receipt of a payment upon the disposition of a Euro Note, such U.S. holder will recognize ordinary gain or loss in an amount equal to the difference between the U.S. dollar value of such payment (determined by translating the euros received at the spot rate for euros on the date such payment is received) and the U.S. dollar value of such payment calculated at the spot rate of exchange on the date the Note was disposed of. The amount of exchange gain or loss will be limited to the amount of overall gain or loss realized on the disposition of the Euro Note.



### ***Exchange gain or loss with respect to foreign currency***

A U.S. holder of a Euro Note's tax basis in the euros received as interest on a Euro Note or on the sale, exchange, retirement, redemption or other taxable disposition of a Euro Note for foreign currency will be the U.S. dollar value thereof at the spot rate in effect on the date the foreign currency is received. Any gain or loss recognized by such a U.S. holder on a sale, exchange or other disposition of the foreign currency will be ordinary income or loss and generally will be United States source gain or loss.

### ***Reportable transactions***

Treasury regulations issued under the Code meant to require the reporting of certain tax shelter transactions could be interpreted to cover transactions generally not regarded as tax shelters, including certain foreign currency transactions. Under the Treasury regulations, certain transactions are required to be reported to the IRS, including, in certain circumstances, a sale, exchange, retirement, redemption or other taxable disposition of a foreign currency Note, such as a Euro Note, or foreign currency received in respect of a foreign currency Note to the extent that such sale, exchange, retirement, redemption or other taxable disposition results in a tax loss in excess of a threshold amount. If you are considering the purchase of a Euro Note, you should consult with your own tax advisors to determine the tax return obligations, if any, with respect to an investment in the Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

### ***Backup withholding and information reporting***

Generally, information reporting requirements will apply to all payments the Issuer makes to you and the proceeds from a sale of a Note paid to you, unless you are an exempt recipient. Additionally, if you fail to provide your taxpayer identification number, or in the case of interest payments, fail either to report in full dividend and interest income or to make certain certifications, you may be subject to backup withholding.

Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your United States federal income tax liability provided the required information is timely furnished to the IRS.

Certain U.S. holders are required to report information relating to an interest in the Notes, subject to certain exceptions (including an exception for Notes held in accounts maintained by certain financial institutions), by attaching a complete IRS Form 8938, Statement of Specified Foreign Financial Assets, with their tax return for each year in which they hold an interest in the Notes. You are urged to consult your own tax advisors regarding information reporting requirements relating to your ownership of the Notes.

## **Jersey tax considerations**

The following summary of the anticipated treatment of the Issuer and holders of Notes (other than residents of Jersey) is based on Jersey taxation law and practice as they are understood to apply at the date of this listing circular and is subject to changes in such taxation law and practice. It does not constitute legal or tax advice and does not address all aspects of Jersey tax law and practice (including such tax law and practice as they apply to any land or building situated in Jersey). Prospective investors in the Notes should consult their professional advisers on the implications of acquiring, buying, selling or otherwise disposing of the Notes under the laws of any jurisdiction in which they may be liable to taxation.

### ***Taxation of the Issuer***

The Issuer is regarded as resident for tax purposes in Jersey and on the basis that the Issuer is neither a financial services company nor a utility company for the purposes of the Income Tax (Jersey) Law 1961, as amended, the Issuer is subject to income tax in Jersey at a rate of zero per cent. Payments in respect of the Notes may be paid by the Issuer without withholding or

deduction for or on account of Jersey income tax and holders of Notes (other than residents of Jersey) will not be subject to any tax in Jersey in respect of the holding, sale or other disposition of such Notes.

***Stamp duty***

In Jersey, no stamp duty is levied on the issue or transfer of the Notes except that stamp duty is payable on Jersey grants of probate and letters of administration, which will generally be required to transfer the Notes on the death of a holder of such Notes where such Notes are situated in Jersey. In the case of a grant of probate or letters of administration, stamp duty is levied according to the size of the estate (wherever situated in respect of a holder of Notes domiciled in Jersey, or situated in Jersey in respect of a holder of Notes domiciled outside Jersey) and is payable on a sliding scale at a rate of up to 0.75% of such estate and such duty is capped at £100,000. Where the Notes are in registered form and the register is not maintained in Jersey such Notes should not be considered to be situated in Jersey for these purposes.

Jersey does not otherwise levy taxes upon capital, inheritances, capital gains or gifts nor are there other estate duties.

If you are in any doubt as to your tax position you should consult your professional tax adviser.

## Certain ERISA and other considerations

The U.S. Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”) imposes certain requirements on “employee benefit plans” (as defined in ERISA) subject to Title I of ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, “**ERISA Plans**”) and on those persons who are fiduciaries with respect to ERISA Plans.

Section 406 of ERISA and Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”) prohibit certain transactions involving the assets of an ERISA Plan (Section 4975 of the Code also imposes prohibitions for certain plans that are not subject to Title I of ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (such plans, together with ERISA Plans, collectively referred to as “**Plans**”) and certain persons (referred to as “**parties in interest**” or “**disqualified persons**”) having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engaged in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under Section 406 of ERISA and/or Section 4975 of the Code. In addition, the fiduciary of the Plan that engaged in such a non-exempt prohibited transaction may be subject to penalties and liabilities under ERISA and/or the Code.

The acquisition and/or holding of Notes by a Plan with respect to which the Issuer, the Company or an Initial Purchaser is considered a party in interest or a disqualified person may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless the investment is acquired and is held in accordance with an applicable statutory, class or individual prohibited transaction exemption. In this regard, the U.S. Department of Labor has issued prohibited transaction class exemptions, or “**PTCEs**,” that may apply to the acquisition and holding of the Notes. These class exemptions include, without limitation, PTCE 84-14 respecting transactions determined by independent qualified professional asset managers, PTCE 90-1 respecting insurance company pooled separate accounts, PTCE 91-38 respecting bank collective investment funds, PTCE 95-60 respecting life insurance company general accounts and PTCE 96-23 respecting transactions determined by in-house asset managers. In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provide relief from the prohibited transaction provisions of ERISA and Section 4975 of the Code for certain transactions, provided that neither the issuer of the securities nor any of its affiliates (directly or indirectly) have or exercise any discretionary authority or control or render any investment advice with respect to the assets of any Plan involved in the transaction and provided further that the Plan pays no more than adequate consideration in connection with the transaction. Each of the above-noted exemptions contains conditions and limitations on its application. Fiduciaries of Plans considering acquiring and/or holding the Notes in reliance on these or any other exemption should carefully review the exemption to assure it is applicable. There can be no assurance that all of the conditions of any such exemptions will be satisfied.

Certain U.S. governmental plans, U.S. church plans and non-United States plans (each, a “**Non-ERISA Plan**”), while not subject to the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code, may nevertheless be subject to other local, state, federal, non-U.S. or other laws or regulations that are substantially similar to the foregoing provisions of ERISA or the Code (collectively, “**Similar Laws**”). Fiduciaries of any such plans should consult with their counsel before purchasing any Notes.

Subject to the requirements discussed herein, the Notes (or any interests therein) may be purchased and held by Plans. Accordingly each original purchaser and transferee of a Note (or any interest therein) will be deemed to have represented and agreed that either (i) no portion of the assets used by such purchaser or subsequent transferee to acquire or hold a Note (or any interest therein) constitutes the assets of a Plan or a Non-ERISA Plan, or (ii) its purchase, holding

and disposition of such Note (or any interest therein) will not result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a similar violation of any applicable Similar Law.

THE PRECEDING DISCUSSION IS ONLY A SUMMARY OF CERTAIN ERISA AND OTHER U.S. IMPLICATIONS OF AN INVESTMENT IN THE NOTES AND DOES NOT PURPORT TO BE COMPLETE. PROSPECTIVE INVESTORS SHOULD CONSULT WITH THEIR OWN LEGAL, TAX, FINANCIAL AND OTHER ADVISORS PRIOR TO INVESTING TO REVIEW THESE IMPLICATIONS IN LIGHT OF SUCH INVESTOR'S PARTICULAR CIRCUMSTANCES.

# Limitations on validity and enforceability of the Notes

## Guarantee and security interests

### Jersey

#### *Insolvency*

The Issuer is incorporated under the laws of Jersey. Consequently, in the event of an insolvency of the Issuer insolvency proceedings may be initiated in Jersey. There are two principal regimes for corporate insolvency in Jersey: *désastre* and winding up (including just and equitable winding up and creditors' winding up). The principal type of insolvency procedure available to creditors under Jersey law is the application for an Act of the Royal Court of Jersey under the Bankruptcy (Désastre) (Jersey) Law 1990, as amended (the "**Jersey Bankruptcy Law**") declaring the property of a debtor to be "*en désastre*" (a "**declaration**"). On a declaration of *désastre*, title and possession of the property of the debtor vest automatically in the Viscount, an official of the Royal Court (the "**Viscount**"). With effect from the date of declaration, a creditor has no other remedy against the property or person of the debtor, and may not commence or, except with the consent of the Viscount or the Royal Court, continue any legal proceedings to recover the debt. With effect from the date of declaration, a secured party may, however, without the consent of the Viscount and without an order of the court, exercise any power of enforcement it may have under Part 7 (Enforcement of Security Interests) of the Security Interests (Jersey) Law 2012 (the "**2012 Law**"). To the extent that the proceeds of such enforcement are insufficient to discharge liabilities owed, that secured party has no other remedy against the property or person of the debtor, and may not commence any legal proceedings or, except with the consent of the Viscount or the Royal Court, continue any legal proceedings to recover the balance of the debt.

Additionally, the shareholders of a Jersey company (but not its creditors) can instigate a winding-up of an insolvent company, which is known as a "creditors' winding up" pursuant to Chapter 4 of Part 21 of the Companies (Jersey) Law 1991, as amended (the "**Jersey Companies Law**"). On a creditors' winding up, a liquidator is nominated by the shareholders. The creditors may approve such a liquidator or apply to appoint a different liquidator. The liquidator will stand in the shoes of the directors and administer the winding up, gather assets, make appropriate disposals of assets, settle claims and distribute assets as appropriate. After the commencement of the winding up, no action can be taken or continued against the company except with the leave of court. The shareholders must give creditors 14 days' notice of the meeting to commence the creditors' winding up. After the commencement of the creditors' winding up, a secured party may, however, without the sanction of a liquidator and without an order of the court, exercise any power of enforcement it may have under Part 7 (Enforcement of Security Interests) of the 2012 Law. To the extent that the proceeds of such enforcement are insufficient to discharge liabilities owed, that secured party has no other remedy against the company without the leave of the court. The corporate state and capacity of the company continues until the end of the winding up procedure, when the company is dissolved. The Jersey Companies Law requires a creditor of a company (subject to appeal) to be bound by an arrangement entered into by the company and its creditors immediately before or in the course of its winding up if (*inter alia*) three quarters in number and value of the creditors acceded to the arrangement.

#### *Transactions at an undervalue*

Under Article 17 of the Jersey Bankruptcy Law and Article 176 of the Jersey Companies Law, the court may, on the application of the Viscount (in the case of a company whose property has been declared "*en désastre*") or liquidator (in the case of a creditors' winding up, a procedure which is instigated by shareholders not creditors), set aside a transaction (including any guarantee or security interest) entered into by a company with any person (the "other party") at an undervalue. There is a five-year look-back period from the date of commencement of the

winding up or declaration of "*désastre*" during which transactions are susceptible to examination pursuant to this rule (the "relevant time"). The Jersey Bankruptcy Law and Jersey Companies Law contain detailed provisions, including (without limitation) those that define what constitutes a transaction at an undervalue, the operation of the relevant time and the effect of entering into such a transaction with a person connected with the company or with an associate of the company.

### **Preferences**

Under Article 17A of the Jersey Bankruptcy Law and Article 176A of the Jersey Companies Law, the court may, on the application of the Viscount (in the case of a company whose property has been declared "*en désastre*") or liquidator (in the case of a creditors' winding up), set aside a preference (including any guarantee or security interest) given by the company to any person (the "other party"). There is a 12-month look-back period from the date of commencement of the winding up or declaration of "*désastre*" during which transactions are susceptible to examination pursuant to this rule (the "relevant time"). The Jersey Bankruptcy Law and Jersey Companies Law contain detailed provisions, including (without limitation) those that define what constitutes a preference, the operation of the relevant time and the effect of entering into a preference with a person connected with the company or with an associate of the company.

### **Extortionate transactions, onerous property, disclaimer and customary law fraudulent dispositions**

Under Article 17C of the Jersey Bankruptcy Law and Article 179 of the Jersey Companies Law, the court may, on the application of the Viscount (in the case of a company whose property has been declared "*en désastre*") or liquidator (in the case of a creditors' winding up), set aside a transaction providing credit to the debtor company which is or was extortionate. There is a three-year look-back period from the date of commencement of the winding up or declaration of "*désastre*" during which transactions are susceptible to examination pursuant to this rule. The Jersey Bankruptcy Law and Jersey Companies Law contain detailed provisions, including (without limitation) those that define what constitutes a transaction which is extortionate.

Under Article 15 of the Jersey Bankruptcy Law, the Viscount may within six months following the date of the declaration of "*désastre*" and under Article 171 of the Jersey Companies Law, a liquidator may within six months following the commencement of a creditors' winding up, disclaim any onerous property of the company. "Onerous property" is defined to include any moveable property, a contract lease or other immovable property if it is situated outside of Jersey that is unsaleable or not readily saleable or is such that it might give rise to a liability to pay money or perform any other onerous act, and includes an unprofitable contract.

A disclaimer operates to determine, as of the date it is made, the "rights, interests and liabilities of the company in or in respect of the property disclaimed" but "does not, except so far as is necessary for the purpose of releasing the company from liability, affect the rights or liabilities of any other person." A person sustaining loss or damage as a result of a disclaimer is deemed to be a creditor of the company to the extent of the loss or damage and shall have standing as a creditor in the *désastre* or creditors' winding up. The Jersey Bankruptcy Law and Jersey Companies Law contain detailed provisions, including (without limitation) in relation to the power to disclaim onerous property.

In addition to the Jersey statutory provisions referred to above, there are certain principles of Jersey customary law (for example, a Pauline action) under which dispositions of assets with the intention of defeating creditors' claims may be set aside.

### **Enforcement of security and security in insolvency**

Under the laws of Jersey, a person incorporated, resident or domiciled in Jersey is deemed to have capacity to grant security governed by foreign law over property situated outside Jersey,



but to the extent that any floating charge is expressed to apply to any asset, property and undertaking of a person incorporated, resident or domiciled in Jersey such floating charge is not likely to be held valid and enforceable by the Courts of Jersey in respect of Jersey situs assets.

The Insolvency Act 1986 (either as originally enacted or as amended, including by the provisions of the Enterprise Act 2002) does not apply in Jersey and receivers, administrative receivers and administrators are not part of the laws of Jersey. Accordingly, the Courts of Jersey may not recognize the powers of an administrator, administrative receiver or other receiver appointed in respect of Jersey situs assets.

However, the Jersey court may, under Article 49(1) of the Jersey Bankruptcy Law assist the courts of prescribed countries and territories and, applying general principles of comity, assist the courts in other jurisdictions, in all matters relating to the insolvency of any person to the extent that the Jersey court thinks fit. Further, in doing so, the Royal Court may have regard to the UNCITRAL model law, even though the model law has not been (and is unlikely to be) implemented as a separate law in Jersey.

If insolvency proceedings have been commenced in another jurisdiction in relation to the company, the nature and extent of the cooperation from Jersey is likely to depend on the nature of the requesting country's insolvency regime.

In the case of both statutory and non-statutory requests for assistance, it should be noted that the UNCITRAL provisions will not automatically be followed, as this is a matter for the discretion of the Royal Court. The court's position may also not be in accordance with EU Insolvency Regulation. Jersey does not form part of the European Community for the purposes of implementation of its directions. Accordingly, the EU Insolvency Regulation does not apply as a matter of Jersey domestic law, and thus the automatic test of center of main interests does not apply.

Enforcement of a security interest against a Jersey company may be further limited by bankruptcy, insolvency, liquidation, dissolution, re-organization or other laws of general application relating to or affecting the rights of creditors, and laws in relation to transactions at an undervalue, preference, extortionate credit transactions, disclaimer of onerous property and fraudulent dispositions also apply in Jersey.

Under Jersey law, security over Jersey situs assets is created in accordance with the provisions of Jersey law. The Jersey situs assets of the Issuer and the Parent Guarantor are secured pursuant to Jersey law governed security interest agreements. The 2012 Law provides that a secured party may enforce security over intangible movable assets by way of sale or appropriation of the collateral or proceeds. In addition, a secured party may take certain ancillary actions, including any bespoke enforcement powers included in a security agreement, to the extent not in conflict with the 2012 Law. More than one enforcement option can be taken, and taking one or more of the enforcement options specified above does not preclude the exercise of other rights of a secured party. The power of enforcement is exercisable once an event of default has occurred and written notice specifying the event of default has been served on the grantor by the secured party. If enforcement is by way of sale or appropriation, the secured party must give the grantor 14 days' prior written notice. Importantly, the grantor may agree in writing to waive its right to notice of appropriation or sale and it is usual to include such a waiver in the security agreement. The secured party is obliged on sale or appropriation, to give at least 14 days' prior written notice to (i) any person who, 21 days before the sale or appropriation, has a registered security interest in the collateral, and (ii) any person other than the grantor who has an interest in the collateral unless the secured party and such person have otherwise agreed in writing. There are specific carve-outs from the obligation to give notice of sale. On exercising the power of enforcement by appropriation or sale, the secured party must: (i) take all commercially reasonable steps to determine or, in the case of a sale, obtain the fair market value of the collateral, as at the time of the relevant appropriation or sale; (ii) act in a commercially

reasonable manner in relation to the appropriation or sale; and (iii) (in the case of a sale only) enter into any agreement for or in relation to the sale only on commercially reasonable terms. The duty of the secured party is owed to the grantor and also to any other person to whom the secured party was required to give notice of sale or appropriation. If, in exercising its powers of enforcement, a secured party appropriates or sells collateral, it must, within 14 days after the day on which the collateral is appropriated or sold, give certain persons (being the grantor (subject to it having waived this requirement), any person with a registered subordinate security interest and certain persons claiming an interest in the collateral) a written statement of account setting out certain information in relation to that appropriation or sale. If a secured party has sold or appropriated the collateral and the net value or proceeds of appropriation or sale (as appropriate) of the collateral exceeds the amount of the debt owed to the secured party, the secured party shall pay the amount of any resulting surplus in the following order: (i) in payment, in due order of priority, to any person who has a subordinate security interest in the collateral and has registered a financing statement over that security interest (where the registration remained effective immediately before the appropriation or sale);(ii) in payment to any other person (other than the grantor) who has given the secured party notice that that person claims an interest in the collateral and in respect of which the secured party is satisfied that that person has a legally enforceable interest in the collateral; and (iii) as to the balance (if any) in payment to the relevant debtor grantor. Alternatively, the secured party may discharge its obligation above with respect to any surplus by paying that amount into the Royal Court. The surplus may then only be paid out on the order of the court on application by a person entitled to the surplus.

## **England and Wales**

### ***Fixed and floating charges***

Fixed charge security has a number of advantages over floating charge security: (a) an insolvency officeholder may sell assets which are subject to a floating charge without permission from the court or from secured creditors, whereas a court order would usually be required for an insolvency officeholder to sell a fixed charge asset; (b) a fixed charge, even if created after the date of a floating charge, will have priority as against the floating charge over the charged assets; (c) costs and expenses (including the office holder's remuneration) properly incurred in a winding up or administration are generally payable out of floating charge assets to the extent the assets of the company available for unsecured creditors generally are otherwise insufficient to meet them in priority to floating charge claims; (d) until the floating charge security crystallizes, a company is entitled to deal with assets that are subject to floating charge security in the ordinary course of its business, meaning that such assets can be effectively disposed of by the charging company so as to give a third party good title to the assets free of the floating charge; (e) floating charge security is subject to certain challenges under English insolvency law; and (f) floating charge security is subject to the claims of preferential creditors (such as occupational pension scheme contributions and salaries owed to employees (subject to a cap per employee) and holiday pay owed to employees) and, where the floating charge is not a security financial collateral arrangement, to the claims of unsecured creditors in respect of a ring fenced amount of the proceeds. An administrator, receiver (including administrative receiver) or liquidator of the company will be required to ring fence a certain percentage of the proceeds of enforcement of floating charge security for the benefit of unsecured creditors. Under current law, this applies to 50% of the first £10,000 of floating charge realizations and 20% of the remainder over £10,000, with a maximum aggregate cap of £600,000. The obligation on such insolvency officeholder to set aside the prescribed part for unsecured parties does not apply if the net floating charge realizations are less than £10,000 and the officeholder is of the view that the costs of making a distribution to unsecured parties would be disproportionate to the benefits. The prescribed part will apply to all floating charges created on or after September 15, 2003 regardless of whether or not they fall within one of the exceptions.

Therefore floating charge realizations could be reduced by the amount of expenses, preferential creditors and the Prescribed Part.

Under English law there is a possibility that a court could recharacterize as floating charges any security interests expressed to be created by a security document as fixed charges where the chargee does not have the requisite degree of control over the relevant chargor's ability to deal with the relevant assets and the proceeds thereof or does not exercise such control in practice, as the description given to the charges in the relevant security document as fixed charges is not determinative. Where the chargor is free to deal with the secured assets without the consent of the chargee, the court is likely to hold that the security interest in question constitutes a floating charge, notwithstanding that it may be described as a fixed charge. It is possible that a court may give a similar treatment to an assignment of debt by way of security and unless and until the rights of an assignor to collect and deal with the proceeds under such assigned debt are fully terminated, the security may be recharacterized as a floating charge.

### ***Transactions defrauding creditors***

Under English insolvency law, a liquidator or an administrator of a company, or a person who is a "victim" of the relevant transaction can apply to the court pursuant to Section 423 of the Insolvency Act 1986, as amended, for an order to set aside a security interest or guarantee granted by that company on the grounds that the security interest or guarantee was a transaction defrauding creditors.

A transaction will constitute a transaction defrauding creditors if it is a transaction at an undervalue and the court is satisfied that the substantial purpose of a party to the transaction was to put assets beyond the reach of actual potential claims against it or to prejudice the interest of such persons.

If the court determines that the transaction was a transaction defrauding creditors, then it may make such order as it may deem fit to restore the position to what it was prior to the transaction or to protect the victims of the transaction (including reducing payments under the guarantee or setting aside the security interest or guarantees), though there is protection for a third party acting in good faith and for value without notice of the relevant circumstances. Any "victim" of the transaction (with the permission of the court if the company is in liquidation or administration) may apply to the court under this provision, not merely liquidators or administrators. There is no time limit in the English insolvency legislation within which the company must enter insolvency proceedings, and the relevant company does not need to have been unable to pay its debts at the time of the transaction.

## **The Netherlands**

### ***Insolvency***

The Parent Guarantor has a branch in the Netherlands, the Dutch Branch. From a Dutch corporate law perspective, the Dutch Branch is not considered to have legal personality (*rechtspersoonlijkheid*) and is therefore deemed to be part of the Parent Guarantor. However, from a Dutch insolvency law perspective, a branch of a legal entity which is not incorporated in the Netherlands nor in any other member state of the European Union can be subjected to Dutch law insolvency proceedings in the event that such branch has an establishment (*kantoor*) in the Netherlands, notwithstanding the fact that the relevant legal entity may have its center of main interest outside the Netherlands (unless it has its center of main interest in another member state of the European Union). If such branch is subjected to Dutch law insolvency proceedings, such proceedings will, in principle, govern the realization of its assets, distribution of proceeds to its creditors and its winding up. Consequently, if the Dutch Branch is subjected to Dutch law insolvency proceedings, assets of the Parent Guarantor (including assets located in the Netherlands, whereby shares held in a Dutch company (such as LP Group) are deemed to be located in the Netherlands from a Dutch conflict of laws perspective) may be subject to Dutch law insolvency rules.

The following is a brief description of certain aspects of Dutch insolvency law.

There are two primary insolvency regimes under Dutch law in relation to debtors (excluding natural persons). The first, moratorium of payments (*surséance van betaling*), is intended to facilitate the reorganization of a debtor's indebtedness and enable the debtor to continue as a going concern. The second, bankruptcy (*faillissement*), is primarily designed to liquidate and distribute the proceeds of the assets of a debtor to its creditors. Both insolvency regimes are set forth in the Dutch Bankruptcy Act. In practice, bankruptcy proceedings may also be used to sell the business, or parts of the business, as a going concern. As such, a bankruptcy could function as a restructuring procedure as well as a liquidation procedure. A general description of the principles of both insolvency regimes is set out below.

An application for a moratorium of payments can only be made by the debtor itself. Once the request for a moratorium of payments is filed, the court will immediately (*dadelijk*) grant a provisional moratorium and appoint an administrator (*bewindvoerder*). A meeting of creditors is required to decide on the definitive moratorium. If a draft composition (*ontwerp akkoord*) is filed simultaneously with the application for a moratorium of payments, the court can order that the composition be processed before a decision about a definitive moratorium is made. If the composition is accepted and subsequently confirmed by the court (*gehomologeerd*), the provisional moratorium ends. The definitive moratorium will generally be granted unless a qualified minority (more than one-quarter in amount of claims held by creditors represented at the creditors' meeting or more than one-third in number of creditors represented at such creditors' meeting) of the unsecured non-preferential creditors withholds its consent. The moratorium of payments is only effective with regard to unsecured non-preferential creditors. Unlike Chapter 11 proceedings under U.S. bankruptcy law, during which both secured and unsecured creditors are generally barred from seeking to recover on their claims during a moratorium of payments, under Dutch law, secured and preferential creditors (including tax and social security authorities) may enforce their rights against assets of the debtor in moratorium of payments to satisfy their claims as if there were no moratorium of payments. A recovery under Dutch law could, therefore, involve a sale of assets that does not reflect the going concern value of the debtor. However, the court may order a "cooling down period" for a maximum period of four months during which enforcement actions by secured or preferential creditors are barred. Further, in a definitive moratorium of payments, a composition (*akkoord*) may be offered to creditors. A composition will be binding on all unsecured and non-preferential creditors if it is (i) approved by a simple majority of the creditors being present or represented at the creditors' meeting, representing at least 50% of the amount of the claims that are admitted for voting purposes, and (ii) subsequently ratified (*gehomologeerd*) by the court. Consequently, Dutch insolvency laws could preclude or inhibit the ability of the holders of the Notes to effect a restructuring and could reduce the recovery of a holder of Notes in Dutch moratorium of payments proceedings to the extent that the proceeds of the Dutch law security created for the benefit of the holders of the Notes are insufficient to satisfy their claims. Interest payments that fall due after the date on which a moratorium of payments is granted cannot be claimed in a composition.

Under Dutch law, a debtor can be declared bankrupt when it is no longer able to pay its debts when due. The bankruptcy can be requested by the debtor itself or a creditor whose claim is due and payable but left unpaid, provided that there is at least one other eligible creditor or, in exceptional circumstances (e.g., for reasons of public interest), by the public prosecutor.

If the court declares a debtor bankrupt, it will appoint a receiver (*curator*) (or several receivers, depending on the complexity of the proceedings) and a judge to supervise the insolvency proceedings. The receiver will realize the debtor's assets and distribute the proceeds to the debtor's creditors in accordance with the statutory order of payment. The general principle of Dutch bankruptcy law is the so-called *paritas creditorum* (principle of equal treatment), which means that all creditors have an equal right to payment and that the proceeds of bankruptcy

proceedings shall be distributed in proportion to the size of their claims. However, certain creditors (such as secured creditors and preferential creditors, including tax and social security authorities) will have special rights that take priority over the rights of other creditors. As a general rule, claims of unsecured and non-preferential creditors will have to be submitted to the receiver in bankruptcy to be verified. Any remaining funds will be distributed to the debtor's shareholders. Creditors of secured claims, such as the holders of the Notes, and preferential creditors with respect to certain assets of a debtor, who expect that the proceeds of a future enforcement against the assets subject to the security or their preferred rights, as the case may be, will be insufficient to satisfy their claim in full, may request to receive the same rights as unsecured and non-preferential creditors with respect to the expected remainder of their claim, with preservation of their rights as a secured or preferential creditor in respect of the secured asset or the asset to which the relevant preferential right relates. If a secured creditor enforces its security rights prior to the expiry of the period for submitting claims for verification, and the proceeds of such enforcement are insufficient to satisfy its claim in full, the remainder of that claim may be submitted to the receiver in bankruptcy in order to be verified. "Verification" under Dutch law means that the receiver in bankruptcy determines the value of the claim and whether and to what extent it will be admitted in the bankruptcy proceedings for the purpose of distribution of the proceeds. A claim with an uncertain due date or which entitles the creditor to periodic payments shall be admitted for its value at the date of the bankruptcy order. Claims which become payable within one year after the day the debtor is declared bankrupt shall be considered matured. Claims which become payable one year after the commencement of bankruptcy proceedings shall be admitted for their value one year from the date of the commencement of the bankruptcy. Claims having an indeterminate or uncertain value, or whose value is not expressed in Dutch currency or not expressed in monetary terms at all, shall be admitted for their estimated value in Dutch currency. Interest payments on claims existing at the time of the bankruptcy order that fall due after such time cannot be verified, unless secured by a pledge or mortgage. In such a case, interest will be admitted *pro memoria*. To the extent that the interest is not covered by the proceeds of the security, the creditor may not derive any rights from the admission. The existence, value and ranking of any claims submitted by the holders of the Notes may be challenged in the Dutch bankruptcy proceedings. Generally, in a creditors' meeting (*verificatievergadering*), the receiver in bankruptcy, the insolvent debtor and all verified creditors may dispute the verification of any other claim that has been submitted for verification. Creditors whose claims or value thereof are disputed in the creditors' meeting may be referred to separate court proceedings (*renvooi procedure*). As in moratorium of payments proceedings, in a bankruptcy a composition may be offered to creditors, which shall be binding on unsecured non-preferential creditors if (i) it is approved by a simple majority of the creditors being present or represented at the creditors' meeting, representing at least 50% of the amount of the claims that are admitted for voting purposes, and (ii) subsequently ratified (*gehomologeerd*) by the court. The Dutch Bankruptcy Act does not in itself recognize the concept of classes of creditors. Remaining amounts, if any, after satisfaction of the secured and the preferential creditors are distributed among the unsecured non-preferential creditors on a pro rata basis. Contractual subordination may, to a certain extent, be given effect in Dutch insolvency proceedings. However, the actual effect depends largely on the way such subordination is construed.

Secured creditors, such as the holders of the Notes, may enforce their rights against assets of the debtor that are subject to the security to satisfy their claims during a Dutch bankruptcy as if there is no bankruptcy. As in moratorium of payments proceedings, the court may order a "cooling down period" for a maximum of four months during which all recourse actions (including action to enforce security) by secured creditors (other than estate creditors (*boedelschuldeisers*)), are prohibited unless such creditors have obtained leave from the supervisory judge. Further, a receiver in bankruptcy can force a secured creditor to enforce its security interest within a reasonable period of time, failing which the receiver will be entitled to sell the secured assets. Failing enforcement before such deadline, the receiver is permitted to sell the secured asset. After such a sale, the former holder of the security right remains entitled to a prioritized claim,



but the underlying assets are no longer available for immediate recourse and the secured creditor will need to contribute to the general costs of the bankruptcy to be paid out of the proceeds realized by such a sale by the liquidator. If the proceeds of sale are insufficient to repay the debt owed to the secured creditor, the secured creditor will be treated as an unsecured creditor for the balance of its residual claims. Excess proceeds of enforcement must be returned to the bankruptcy estate; they may not be set-off against an unsecured claim of the secured creditor in the bankruptcy. Such set-off is allowed prior to the bankruptcy although a set-off prior to bankruptcy may be subject to claw-back in the case of fraudulent conveyance or bad faith in obtaining the claim used for set-off.

Under Dutch law, as soon as a debtor is declared bankrupt, all pending executions of judgments against such debtor, as well as all attachments on the debtor's assets, will be terminated by operation of law. Litigation pending on the date of the bankruptcy order is automatically stayed.

### **Limitation on enforcement**

Security governed by Dutch law may be voided by a court if the relevant security document was executed or the security was otherwise provided through undue influence (*misbruik van omstandigheden*), fraud (*bedrog*), duress (*bedreiging*) or mistake (*dwaling*) of a party to the agreement contained in that document. Additionally, enforcement of the security interests over shares of capital stock of the Company and/or LP Group may be subject to the requirement to seek a declaration of no-objection from the ECB (in consultation with the DNB). See "*Risk factors—Risks related to the Notes, the Notes Guarantee and our structure—The Collateral is subject to certain regulatory limitations upon the occurrence of an acceleration event and enforcement, and the events leading to such an acceleration event may result in other supervisory measures that may have a material adverse effect on the value of the Collateral.*"

Payment under a security document governed by Dutch law may be withheld, and the exercise of rights in respect of the security or the enforcement of the security interest may be limited, under the doctrines of reasonableness and fairness (*redelijkheid en billijkheid*), force majeure and unforeseen circumstances (*onvoorziene omstandigheden*).

### **Parallel debt**

Under Dutch law, it is uncertain whether "accessory" security interests such as pledges require that the pledgee and the creditor of the obligations to be secured be the same person. It is often assumed that such security interests cannot be held on behalf of third parties who do not hold the secured claim. The beneficial holders of the Notes from time to time will not be party to the security documents. In order to permit the holders of the Notes from time to time to have the benefit of a secured claim, the security documents will provide for the creation of a "parallel debt." Pursuant to the parallel debt, the security agent becomes the holder of a claim equal to each amount payable by an obligor under the Notes. The pledges governed by Dutch law will directly secure the parallel debt. The parallel debt procedure has not been tested under Dutch law, and there is no certainty that it will eliminate or mitigate the risk of unenforceability posed by Dutch law.

### **Hardening periods and fraudulent conveyance**

To the extent that Dutch law applies, a legal act performed by a debtor (including, without limitation, an agreement pursuant to which it agrees to provide or provides security for any of its or a third party's obligations, enters into additional agreements benefiting from existing security and any other legal act having a similar effect) can be challenged in an insolvency proceeding or otherwise and may be nullified by any of its creditors or its receiver in bankruptcy, if (i) it performed such acts without an obligation to do so (*onverplicht*), (ii) generally the creditor concerned or, in the case of its bankruptcy, any creditor was prejudiced as a consequence of the



act, and (iii) at the time the act was performed both it and (unless the act was for no consideration (*om niet*)) the party with or towards which it acted, knew or should have known that one or more of its creditors (existing or future) would be prejudiced. In addition, in the case of such a bankruptcy, their receiver in bankruptcy may nullify its performance of any due and payable obligation (including, without limitation, an obligation to provide security for any of its or a third party's obligations) if (i) the payee (*hij die betaling ontving*) knew that a request for bankruptcy had been filed at the moment of payment, or (ii) the performance of the obligation was the result of concerted efforts by the debtor and the payee with a view to giving preference to the latter over the debtor's other creditors.

For certain types of transactions that are entered into within one year before (a) the declaration of the bankruptcy, or (b) the moment the transaction is challenged by a creditor, the debtor and the counterparty to the transaction are legally presumed to have knowledge of the fact that the transaction will prejudice the debtor's creditors (subject to evidence of the contrary).

## **Singapore**

### **Corporate authorization and capacity**

A company incorporated in Singapore (the "**Singapore Company**") must have the requisite capacity and power to grant a guarantee and to create security interests within the parameters of its constitutional documents. This includes ensuring that the Singapore Company has taken all corporate action, including the passing of corporate resolutions required under its constitutional documents, to authorize the execution by it of the guarantee or security documents and the exercise by it of its rights and the performance by it of its obligations under such guarantee or security documents.

### **Stamp duty**

Under Singapore law, stamp duty of up to a maximum of S\$500 is imposed by the Inland Revenue Authority of Singapore in connection with the execution and delivery of any one of the stampable security documents.

### **Registration requirements**

It is necessary under the laws of Singapore in order to ensure the validity, effectiveness, performance and/or enforceability of the security interests created by certain of the security documents registrable under Section 131 of the Companies Act, Chapter 50 of Singapore (the "**Singapore Companies Act**") that the obligations created thereunder be registered as a charge with the Accounting and Corporate Regulatory Authority in Singapore.

### **Unfair preferences and undervalue and fraudulent transactions**

The guarantee and/or the securities given by a Singapore Company might be subject to challenges by a liquidator or a judicial manager under Singapore laws relating to transactions at an undervalue or preferential transactions.

On the application of a liquidator or judicial manager, the Singapore courts may make such an order as they think fit for restoring the position to what it would have been if the Singapore Company subject to the application had not entered into, *inter alia*, any of the following types of transactions:

- (i) a transaction with any person at an undervalue which took place at any time within the period of five years ending on the date of the commencement of the winding up;
- (ii) a transaction under which an unfair preference is given by the Singapore Company to a person who is an associate of the Singapore Company (otherwise than by reason only of being its employee), and which is not a transaction at an undervalue, at any time within the period of two years ending on the date of the commencement of the winding up; or

- (iii) in any other case of a transaction under which an unfair preference is given by the Singapore Company, and which is not a transaction at an undervalue, at any time within the period of six months ending on the date of the commencement of the winding up,

**provided that** the Singapore Company was insolvent when it entered into the transaction or became insolvent as a result of the transaction. Where the transaction was entered into with a person who is an associate of the Singapore Company (otherwise than by reason only of being its employee), the requirement that the Singapore Company was insolvent at the time of the transaction or became insolvent as a result of the transaction shall be presumed to be satisfied unless the contrary is shown.

A Singapore Company will be treated as having entered into a transaction with a person at an undervalue if:

- (i) it enters into a transaction with that person on terms that provide for it to receive no consideration; or
- (ii) it enters into a transaction with that person for a consideration the value of which, in money or money's worth, is significantly less than the value, in money or money's worth, of the consideration provided by the Singapore Company.

The Singapore courts will not make any order in respect of a transaction at an undervalue if it is satisfied that the Singapore Company entered into the transaction in good faith for the purpose of carrying on its business and that, at the time it entered into the transaction, there were reasonable grounds for believing that the transaction would be of benefit to the Singapore Company.

The Singapore Company will be treated as having given an unfair preference to another person if:

- (i) that person is a creditor of the Singapore Company or a surety provider or guarantor for a debt or other liability of the Singapore Company; and
- (ii) the Singapore Company does anything or suffers anything to be done that (in either case) has the effect of putting the person into a position which, in the event of the winding up of the Singapore Company, will be better than the position such person would have been in if that thing had not been done.

The Singapore courts will not make an order in respect of an unfair preference given to any person unless the Singapore Company, when giving the unfair preference, was influenced in deciding to give the unfair preference by a desire to produce in relation to that person the effect referred to in sub-paragraph (ii) above. If the Singapore Company gave an unfair preference to a person who was, at the time the unfair preference was given, an associate of the Singapore Company (otherwise than by reason only of being its employee), the Singapore Company shall be presumed, unless the contrary is shown, to have been influenced in deciding to give the unfair preference by the desire referred to above.

In addition, section 73B of the Conveyancing and Law of Property Act, Chapter 61 of Singapore, applies in respect of transactions to defraud creditors. Any transaction that is impugned pursuant to this section, upon proof of the intention to defraud creditors, is voidable at the instance of a person who has been prejudiced by such transaction. This provision applies to "every conveyance of property," and not only to transactions at an undervalue.

#### *Difference in insolvency law*

Any insolvency proceedings applicable to a Singapore Company should be governed by Singapore insolvency laws. Singapore insolvency laws differ from the insolvency laws of other jurisdictions, including the State of New York. Singapore has also not adopted the UNCITRAL Model Law on Cross-Border Insolvency.

### *Priority of secured creditors*

Singapore insolvency laws generally recognize the priority of secured creditors over unsecured creditors. A guarantee is a contractual undertaking and does not confer any priority in the event of insolvency.

### *Preferential creditors*

Under Section 328 of the Singapore Companies Act, in a winding-up of a Singapore Company, preferential debts are required to be paid in priority to all other debts other than those secured by a fixed charge. Certain preferential debts therefore have priority over debts secured by a floating charge (those listed in paragraphs (a) to (c) and (e) to (f) below) if the assets of the chargor company are insufficient to satisfy such preferential debts.

The preferential debts covered by Section 328 of the Singapore Companies Act are described briefly below:

- (a) costs and expenses of the winding up;
- (b) employees' wages and salaries (including any gratuity payable to an employee on termination of his services);
- (c) retrenchment benefits under employment contracts;
- (d) work injury compensation under the Work Injury Compensation Act (Cap 354) of Singapore;
- (e) certain amounts due under employees' superannuation or provident funds or under any scheme of superannuation which is an approved scheme under Singapore income tax laws;
- (f) other remuneration payable in respect of employees' vacation leave; and
- (g) taxes assessed and goods and services tax.

### *Disclaimer of onerous contracts*

Section 332 of the Singapore Companies Act provides that where any property of a company consists of either an estate or interest in land that is burdened with onerous covenants, shares in corporations, unprofitable contracts or any other property that is unsaleable, or not readily saleable, by reason of its binding the company to any onerous act or payment of any sum, the liquidator may apply to disclaim such property within twelve months of (i) commencement of winding-up or, (ii) where any such property has not come to the knowledge of the liquidator within one month after the commencement of winding-up, such powers of disclaiming may be exercised at any time within twelve months after the liquidator has become aware of such property or such extended period as is allowed by the court.

## Plan of distribution

The Issuer agreed to sell to the Initial Purchasers, and the Initial Purchasers agreed to purchase from us, the entire principal amount of the Euro Notes and the Dollar Notes. The sale has been made pursuant to a Purchase Agreement (the "**Purchase Agreement**") between the Issuer, the Company, J.P. Morgan Securities plc as representative of the several Initial Purchasers of the Euro Notes (the "**Euro Representative**") and J.P. Morgan Securities LLC as representative of the several Initial Purchasers of the Dollar Notes (the "**Dollar Representative**" and, together with the Euro Representative, the "**Representatives**"). The Initial Purchasers of the Euro Notes are J.P. Morgan Securities plc, Goldman Sachs International, Credit Suisse Securities (Europe) Limited and ING Bank N.V., London Branch, and the Initial Purchasers of the Dollar Notes are J.P. Morgan Securities LLC, Goldman Sachs International, Credit Suisse Securities (Europe) Limited and ING Bank N.V., London Branch.

The obligations of the Initial Purchasers under the Purchase Agreement, including their agreement to purchase Notes from the Issuer, are several and not joint. The Purchase Agreement provides that the Initial Purchasers will purchase all the Notes if they purchase any of them.

The Initial Purchasers initially propose to offer each series of Notes for resale at the respective issue price that appears on the cover of this listing circular. The Initial Purchasers may change the price at which a series of Notes is offered and any other selling terms at any time without notice. The Initial Purchasers may offer and sell Notes through certain of their affiliates. The Initial Purchasers have advised the Issuer that any offer of the Notes by any of them in the United States will be made through their respective U.S. broker-dealer affiliates, if any. J.P. Morgan Securities plc, Goldman Sachs International, ING Bank N.V., London Branch and Credit Suisse Securities (Europe) Limited are not U.S. registered broker-dealers, and will not effect any offers or sales of any Notes in the United States unless it is through one or more U.S. registered broker-dealers as permitted by the regulations of the Financial Industry Regulatory Authority, Inc.

The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Notes are subject to, among other conditions, the delivery of certain legal opinions by their counsel and the Issuer's counsel. The Purchase Agreement also provides that, if an Initial Purchaser defaults, the purchase commitments of the non-defaulting Initial Purchasers may be increased or, in some cases, the Offering may be terminated.

The Purchase Agreement provides that the Issuer will indemnify and hold harmless the Initial Purchasers against certain liabilities, including liabilities under the U.S. Securities Act, and will contribute to payments that the Initial Purchasers may be required to make in respect thereof. During the period from March 10, 2016 through and including the date that is 90 days thereafter, neither the Company nor any of its subsidiaries or other controlled affiliates nor (from and after the Completion Date until the date that is 90 days after March 10, 2016) LeasePlan nor any of its subsidiaries or other controlled affiliates will, without the prior written consent of the Representatives, offer, sell, contract to sell, issue or otherwise dispose of any debt securities, issued or guaranteed by the Issuer or the Company and having a tenor of more than one year (other than the Notes and the Notes Guarantee).

The Notes and the Notes Guarantee have not been, and will not be, registered under the U.S. Securities Act and may not be offered or sold within the United States except to qualified institutional buyers in reliance on Rule 144A and to non-U.S. persons outside the United States in reliance on Regulation S. Terms used in this paragraph have the meanings given to them by Regulation S. Resales of the Notes are restricted as described under "*Transfer restrictions.*"

Each Initial Purchaser has represented, warranted and agreed that it:

- has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the

meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Company; and

- has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

No action has been taken in any jurisdiction, including the United States, by the Issuer or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this listing circular or any other material relating to the Issuer or the Notes in any jurisdiction where action for this purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this listing circular nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This listing circular does not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this listing circular comes are advised to inform themselves about and to observe any restrictions relating to the Offering of the Notes, the distribution of this listing circular and resale of the Notes. See "*Notice to investors*" and "*Transfer restrictions*."

The Issuer and the Company have also agreed that neither will at any time offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances in which such offer, sale, pledge, contract or disposition would cause the exemption afforded by Section 4(a)(2) of the U.S. Securities Act or the safe harbors of Rule 144A and Regulation S to cease to be applicable to the offer and sale of the Notes.

The Notes are a new issue of securities for which there currently is no market. The Issuer has applied, through the listing agent, to list the Notes on the Official List of the Luxembourg Stock Exchange and trade the Notes on the Euro MTF Market.

The Initial Purchasers have advised the Issuer that they intend to make a market in the Notes as permitted by applicable law. The Initial Purchasers are not obligated, however, to make a market in the Notes, and any market making activity may be discontinued at any time at the sole discretion of the Initial Purchasers without notice. In addition, any such market making activity is subject to the limits imposed by the U.S. Securities Act and the U.S. Exchange Act.

Accordingly, the Issuer cannot assure you that any market for the Notes will develop, that it will be liquid if it does develop or that you will be able to sell any Notes at a particular time or at a price that will be favorable to you.

The Initial Purchasers may engage in overallotment, stabilizing transactions, covering transactions and penalty bids in accordance with applicable laws and regulations. Overallotment involves sales in excess of the offering size, which creates a short position for the relevant Initial Purchaser. Stabilizing transactions permit bidders to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the Initial Purchasers to reclaim a selling concession from a broker or dealer when the Notes originally sold by that broker or dealer are purchased in a stabilizing or covering transaction to cover short positions.

In connection with the Offering, J.P. Morgan Securities plc (in respect of the Euro Notes) and J.P. Morgan Securities LLC (in respect of the Dollar Notes) (together, the "**Stabilizing Managers**"), or any person acting on their behalf, may engage in transactions that stabilize, maintain or otherwise affect the price of the Euro Notes or the Dollar Notes, as applicable. Specifically, the

Stabilizing Managers may bid for and purchase Euro Notes or Dollar Notes, as applicable, in the open markets for the purpose of pegging, fixing or maintaining the price of the applicable Notes. The Stabilizing Managers may also overallocate the Offering, creating a syndicate short position, and may bid for and purchase Euro Notes or Dollar Notes, as applicable, in the open market to cover the syndicate short position. In addition, the Stabilizing Managers may bid for and purchase Euro Notes or Dollar Notes, as applicable, in market making transactions as permitted by applicable laws and regulations and impose penalty bids. These activities may stabilize or maintain the market price of the Euro Notes or the Dollar Notes, as applicable, above market levels that may otherwise prevail. The Stabilizing Managers are not required to engage in these activities, and may end these activities at any time. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Notes. See *"Risk factors—Risks related to the Notes, the Notes Guarantee and our structure—There may not be an active trading market for the Notes, in which case your ability to sell the Notes may be limited."*

These stabilizing transactions, covering transactions and penalty bids may cause the prices of the Euro Notes or the Dollar Notes to be higher than they would otherwise be in the absence of these transactions. These transactions may begin on or after the date on which adequate public disclosure of the terms of the Offering of the Notes is made and, if commenced, may be discontinued at any time at the sole discretion of the Initial Purchasers. If these activities are commenced, they must end no later than the earlier of 30 days after the date of issuance of the Notes and 60 days after the date of the allotment of the Notes. These transactions may be effected in the over-the-counter market or otherwise.

The Initial Purchasers or their respective affiliates have from time to time in the past provided, and may provide in the future, investment banking, financial advisory and commercial banking services to us and our affiliates, and may have from time to time in the past held, and may in the future hold, positions in our securities or enter into hedging or general derivative transactions with us or our affiliates, in each case in the ordinary course of business for which they have received or may receive customary fees and commissions. On July 22, 2015, the Initial Purchasers or their respective affiliates entered into a senior bridge facility, each as a mandated lead arranger, bookrunner and original lender, in connection with the financing of the Acquisition. In addition, ING Bank N.V. is a lender, arranger and facility agent under the First Revolving Credit Facility and the Second Revolving Credit Facility. J.P. Morgan Securities plc and J.P. Morgan Securities LLC are also lenders under the First Revolving Credit Facility and certain affiliates of J.P. Morgan Securities plc, J.P. Morgan Securities LLC, Goldman Sachs International and Credit Suisse Securities (Europe) Limited are arrangers and lenders under the Second Revolving Credit Facility. Furthermore, ING Bank N.V. provides a number of bilateral credit facilities and transaction banking services to LeasePlan and/or its international affiliates, has arranged several public and private bond transactions for LeasePlan and acts as counterparty in the hedging arrangements executed in the ordinary course of business and/or in relation to the aforementioned facilities. In connection therewith, such entities receive customary fees and commissions. Broad Street Investments, one of the Shareholders, is an affiliate of Goldman Sachs International. See *"Principal shareholders"* and *"The Acquisition."* The Initial Purchasers or their affiliates may also receive allocations of the Notes.

Delivery of the Notes was made against payment therefor on March 16, 2016, which was the fourth business day following the date of pricing of the Notes (such settlement cycle being herein referred to as "T+4"). Under Rule 15c6-1 under the U.S. Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wished to trade Notes on the date of pricing were required, by virtue of the fact that the Notes initially settled T+4, to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of Notes who wished to trade Notes on the date of pricing were advised to consult their advisors.



## Transfer restrictions

Each prospective purchaser of the Notes is advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the Notes. The Notes have not been, and will not be, registered under the U.S. Securities Act or any state securities laws and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. Accordingly, the Notes are being offered and sold only to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act and to non-U.S. persons outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

In addition, until 40 days after the later of the commencement of the Offering and the Issue Date, an offer or sale of the Notes within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than pursuant to Rule 144A.

Each purchaser of the Notes, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with the Issuer and the Initial Purchasers as follows:

- (1) It understands and acknowledges that the Notes have not been registered under the U.S. Securities Act or any applicable state securities law; are being offered for resale in transactions not requiring registration under the U.S. Securities Act or any state securities law, including sales pursuant to Rule 144A; and may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the U.S. Securities Act or any applicable state securities law, pursuant to an exemption therefrom or in any transaction not subject thereto and in each case in compliance with the conditions for transfer set forth in paragraph (5) below.
- (2) It is not an "affiliate" (as defined in Rule 144 under the U.S. Securities Act) of the Issuer or acting on behalf of the Issuer and it is either:
  - (i) a qualified institutional buyer and is aware that any sale of the Notes to it will be made in reliance on Rule 144A and the acquisition of the Notes will be for its own account or for the account of another qualified institutional buyer; or
  - (ii) a non-U.S. person purchasing the Notes outside the United States in an offshore transaction in accordance with Regulation S.
- (3) It acknowledges that neither the Issuer nor the Initial Purchasers, nor any person representing the Issuer or the Initial Purchasers, has made any representation to it with respect to the Offering or sale of any Notes, other than the information contained in the offering memorandum prepared in connection with the Offering, which offering memorandum has been delivered to it and upon which it is relying in making its investment decision with respect to the Notes. It acknowledges that neither the Initial Purchasers nor any person representing the Initial Purchasers makes any representation or warranty as to the accuracy or completeness of the information contained in that offering memorandum or this listing circular. It also acknowledges that it has had access to such financial and other information concerning us and the Notes as it has deemed necessary in connection with its decision to purchase any of the Notes.
- (4) It is purchasing the Notes for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the U.S. Securities Act or any state securities laws, subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and subject to its or their ability to resell such Notes pursuant to Rule 144A, Regulation S or any other exemption from registration available under the U.S. Securities Act.

- (5) Each Noteholder agrees on its own behalf and on behalf of any investor account for which it is purchasing the Notes, and each subsequent Noteholder by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Notes prior to the date (the “**Resale Restriction Termination Date**”) that is one year (in the case of Rule 144A Notes) or 40 days (in the case of Regulation S Notes) after the later of the date of the original issue and the last date on which the Issuer or any of its affiliates was the owner of such Notes (or any predecessor thereto) only (i) to the Issuer; (ii) pursuant to a registration statement that has been declared effective under the U.S. Securities Act; (iii) for so long as the Notes are eligible pursuant to Rule 144A under the U.S. Securities Act, to a person it reasonably believes is a qualified institutional buyer that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that the transfer is being made in reliance on Rule 144A under the U.S. Securities Act; (iv) pursuant to offers and sales to non-U.S. persons that occur outside the United States in compliance with Regulation S under the U.S. Securities Act or (v) pursuant to any other available exemption from the registration requirements of the U.S. Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and to compliance with any applicable state securities laws and any applicable local laws and regulations, and further subject to the Issuer’s and the Trustee’s rights prior to any such offer, sale or transfer (I) pursuant to clause (iv) or (v) to require the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them and (II) in each of the foregoing cases, to require that a certificate of transfer in the form appearing on the reverse side of the security is completed and delivered by the transferor to the Trustee. Each purchaser acknowledges that each note contains a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “U.S. SECURITIES ACT”), OR SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND, ACCORDINGLY, NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT (A) IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT) OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE U.S. SECURITIES ACT, (2) AGREES THAT IT WILL NOT PRIOR TO THE DATE THAT IS, IN THE CASE OF NOTES ISSUED IN RELIANCE ON RULE 144A, ONE YEAR, AND IN THE CASE OF NOTES ISSUED UNDER REGULATION S, 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUANCE OF THIS SECURITY AND THE LAST DATE ON WHICH THE COMPANY OR ANY OF ITS AFFILIATES WAS THE OWNER OF THIS SECURITY, OFFER, RESELL OR OTHERWISE TRANSFER THIS SECURITY EXCEPT (A) TO THE COMPANY OR ANY SUBSIDIARY BUYER THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A “QUALIFIED INSTITUTIONAL BUYER” AS DEFINED IN RULE 144A AND TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) TO NON-U.S. PERSONS OUTSIDE THE U.S. IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND TO COMPLIANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE U.S. OR

OTHER JURISDICTION, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE COMPANY'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE REVERSE OF THIS NOTE IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "U.S.," AND "U.S. PERSON" HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE U.S. SECURITIES ACT.

- (6) It acknowledges that it and any subsequent transferee of any Note (or any interest therein) will be deemed by their purchase or acquisition of any such Note (or any interest therein) to have represented and warranted, either that (i) no portion of the assets used by such purchaser or transferee to acquire or hold the Note (or any interest therein) constitutes the assets of any Plan or Non-ERISA Plan, or (ii) its acquisition, holding and disposition of such Note (or any interest therein) will not result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code, or a similar violation under any applicable Similar Law.
- (7) It agrees that it will give to each person to whom it transfers the Notes notice of any restrictions on transfer of such Notes.
- (8) It acknowledges that the transfer agent will not be required to accept for registration of transfer any Notes except upon presentation of evidence satisfactory to the Issuer and the Trustee that the restrictions set forth therein have been complied with.

It acknowledges that the Issuer, the Initial Purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations, warranties and agreements and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by its purchase of the Notes are no longer accurate, it will promptly notify the Initial Purchasers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such investor account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account.

## Legal matters

Certain legal matters relating to the validity of the Notes and the Notes Guarantee described herein have been passed upon for the Issuer and the Company by Simpson Thacher & Bartlett LLP, with respect to U.S. federal, New York State and English law; Linklaters LLP with respect to Dutch law; Linklaters Singapore Pte. Ltd. with respect to Singapore law; and Carey Olsen with respect to Jersey law. Certain legal matters in connection with the Offering have been passed upon for the Initial Purchasers by Cravath, Swaine & Moore LLP with respect to U.S. federal and New York State law; Clifford Chance LLP with respect to English and Dutch law; Clifford Chance Pte. Ltd. with respect to Singapore law; and Mourant Ozannes with respect to Jersey law.

## Independent auditors

The audited consolidated and stand-alone financial statements of LeasePlan for the years ended December 31, 2013, 2014 and 2015 contained herein have been audited by PricewaterhouseCoopers Accountants N.V. ("**PwC**"), independent auditors, as set forth in their reports appearing herein. The partners of PwC who signed the auditors' reports are members of The Netherlands Institute of Chartered Accountants (*Nederlandse Beroepsorganisatie van Accountants*).

KPMG N.V. has been appointed as independent auditor for LeasePlan from January 1, 2016.

KPMG Channel Islands Limited has been appointed as independent auditor for the Issuer.

We expect to appoint KPMG LLP as independent auditor for the Company.

## Where to find additional information

Each purchaser of the Notes from the Initial Purchasers will be furnished with a copy of the offering memorandum prepared in connection with the Offering and, to the extent provided to the Initial Purchasers by the Issuer for such purpose, any related amendments or supplements to such offering memorandum. Each person receiving this listing circular and any related amendments or supplements to this listing circular acknowledges that:

- (1) such person has been afforded an opportunity to request from the Issuer, and to review and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;
- (2) such person has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and
- (3) except as provided pursuant to (1) above, no person has been authorized to give any information or to make any representation concerning the Notes described herein other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by the Issuer or the Initial Purchasers.

Each person receiving this listing circular and any related amendments or supplements to this listing circular may make a written request to receive a copy of the Intercreditor Agreement.

Moreover, for so long as any of the Notes remain outstanding and are “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Act, the Issuer will, during any period in which the Issuer is not subject to Section 13 or 15(d) under the U.S. Exchange Act, nor exempt from reporting thereunder pursuant to Rule 12g3-2(b) of the U.S. Exchange Act, make available to any holder or beneficial holder of a Note, or to any prospective purchaser of a Note designated by such holder or beneficial holder, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the U.S. Securities Act upon the written request of any such holder or beneficial owner. Any such request should be directed to the Registrar. All the above documents will be available at the offices of the Registrar.

The Issuer is not currently subject to the periodic reporting and other information requirements of the U.S. Exchange Act. Pursuant to the Indenture and so long as the Notes are outstanding, the Issuer will furnish periodic information to Noteholders. See “*Description of the Notes—Certain covenants—Reports.*”

For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and are admitted to trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, copies of the organizational documents of each of the Issuer and the Parent Guarantor, financial statements published by us, the Indenture and the Intercreditor Agreement will be available in Luxembourg during normal business hours on any weekday at the registered office of Greenhit Consultancy S.à.r.l., 2, Rue Belle Vue, L-7214 Bereldange, Luxembourg.



## Enforcement of civil liabilities

The Issuer is a public limited liability company incorporated under the laws of Jersey, and its registered office is in Jersey. The Company is incorporated as a private company with limited liability under the laws of Singapore, and its registered office is in Singapore. The directors and executive officers of the Issuer and the Company are not residents of the United States, and all of the direct assets of the Issuer and the Company and all or a majority of the assets of such persons are located outside the United States. It may not be possible for investors to effect service of process within the United States upon the Issuer, the Company or such persons or to enforce against any of the judgments obtained in U.S. courts predicated upon the civil liability provisions of the federal securities laws of the United States, and there is doubt as to the enforceability in Jersey, Singapore and the Netherlands of civil liabilities predicated upon the federal securities laws of the United States, either in original actions or in actions for enforcement of judgments of U.S. courts.

### Jersey

The Issuer is incorporated in Jersey. The United States and Jersey currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments (as opposed to arbitration awards) in civil and commercial matters. Consequently, a final judgment for payment rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities laws, would not automatically be recognized or enforceable in Jersey. In order to enforce any such U.S. judgment in Jersey, proceedings must first be initiated before a court of competent jurisdiction in Jersey. In such an action, a Jersey court would not generally reinvestigate the merits of the original matter decided by the U.S. court (subject to what is said below) and it would usually be possible to obtain summary judgment on such a claim (assuming that there is no good defense to it). Recognition and enforcement of a U.S. judgment by a Jersey court in such an action is conditional upon (among other things) the following:

- the U.S. court having had jurisdiction over the original proceedings according to Jersey conflicts of laws principles;
- the U.S. judgment being final and conclusive on the merits in the sense of being final and unalterable in the court which pronounced it and being for a debt or definite sum of money (although there are circumstances where non-money judgments can also be recognized);
- the recognition or enforcement of the U.S. judgment not contravening Jersey public policy;
- the U.S. judgment not being for a sum payable in respect of taxes, or other charges of a like nature, or in respect of a penalty or fine;
- the U.S. judgment not having been arrived at by doubling, trebling or otherwise multiplying a sum assessed as compensation for the loss or damages sustained and not being otherwise in breach of Section 5 of the United Kingdom Protection of Trading Interests Act 1980 (as extended to Jersey by the Protection of Trading Interests Act 1980 (Jersey) Order 1983);
- the U.S. judgment not having been obtained by fraud or in breach of Jersey principles of natural justice or rights under the European Convention on Human Rights; and
- there not having been a prior inconsistent decision of a Jersey court in respect of the same matter.

Subject to the foregoing, investors may be able to enforce in Jersey judgments in civil and commercial matters that have been obtained from U.S. federal or state courts. However, there can be no assurance that those judgments will be recognized or enforceable in Jersey. In

addition, it is questionable whether a Jersey court would accept jurisdiction and impose civil liability if the original action was commenced in Jersey, instead of the United States, and predicated solely upon U.S. federal securities laws.

## **Singapore**

The Notes, the Notes Guarantee and the Indenture are governed by the laws of the State of New York.

The Company is incorporated as a private company with limited liability under the laws of Singapore. The Company's director resides in Singapore. Judgments of United States courts obtained against the Company or its directors and executive officers predicated upon the civil liability provisions of the United States federal or state securities laws are not enforceable in Singapore and there is doubt as to whether Singapore courts will enter judgments in original actions brought in Singapore against the Company or its directors executive and officers, based only upon the civil liability provisions of the United States federal and state securities laws. As a result, it may be difficult for a person to enforce judgments obtained in United States courts against the Company's assets located outside the United States, and it may be difficult for a person to enforce judgments obtained in United States courts against the Company or its directors and executive officers.

Under Singapore law foreign court judgments are not automatically enforceable as if they were judgments of the Singapore court unless that foreign country and Singapore are parties to a treaty providing for reciprocal recognition and enforcement of judgments, and an application is made to register the foreign court judgment in the Singapore court. As the United States and Singapore do not currently have a treaty providing for reciprocal recognition and enforcement of judgments in civil and commercial matters, a final and conclusive judgment for the payment of money rendered by any courts in the United States based on civil liability cannot be registered in Singapore and enforced as if it was a judgment of the Singapore court. However, if the party in whose favor such final and conclusive judgment is rendered brings a new suit in a court of competent jurisdiction in Singapore, such party may submit to the Singapore court the final and conclusive judgment that has been rendered in the United States as evidence of fact in relation to the claim for the money judgment. If and to the extent the Singapore court finds that the jurisdiction of the court in the United States is an in personam final and conclusive judgment, which is also judgment for a definite sum of money, the Singapore court will, in principle, grant a Singapore judgment for the sum under the foreign judgment, without substantive re-examination or re-litigation on the merits of the subject matter thereof, unless such judgment was procured by fraud or its enforcement would be contrary to public policy in Singapore or that the proceedings in which it was obtained were contrary to natural justice.

# Listing and general information

## Listing

Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and for trading on the Euro MTF Market.

So long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and are admitted to trading on the Euro MTF Market and the rules and regulations of the Luxembourg Stock Exchange so require, the Issuer will publish or make available any notices (including financial notices) to the public in written form at the places indicated by announcements to be published in a leading newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) or by any other means considered equivalent by the Luxembourg Stock Exchange.

For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and are admitted to trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, copies of the following documents will be available in Luxembourg during normal business hours on any weekday at the registered office of Greenlit Consultancy S.à.r.l., 2, Rue Belle Vue, L - 7214 Bereldange, Luxembourg:

- the organizational documents of each of the Issuer and the Parent Guarantor;
- the financial statements included in this listing circular;
- the Company's most recent audited consolidated financial information, any unaudited interim financial information published by the Company (which we expect to provide after the first, second and third financial quarters of each financial year as set forth in the Indenture) and the most recent audited annual unconsolidated financial information published by the Issuer (the Issuer does not prepare any interim financial statements);
- the Indenture (which includes the Notes Guarantee and the form of the Notes);
- the Intercreditor Agreement; and
- the Security Documents.

The Issuer has appointed Lucid Issuer Services Limited as Luxembourg Listing Agent, Elavon Financial Services Limited, UK Branch as paying agent and transfer agent, and Elavon Financial Services Limited as Registrar, *inter alia*, to make payments on, when applicable, and register transfers of the Notes. The Issuer reserves the right to change this appointment in accordance with the terms of the relevant Indenture. Application may also be made to the Euro MTF Market to have the Notes removed from listing on the Euro MTF Market, including if necessary to avoid any new withholding taxes in connection with the listing.

The Issuer accepts responsibility for the information contained in this listing circular. The Issuer declares that, having taken all reasonable care to ensure that such is the case, to the best of its knowledge, the information contained in this listing circular is in accordance with the facts and does not omit anything likely to affect its import. This listing circular may only be used for the purposes for which it has been published.

## Clearing information

The Euro Notes sold pursuant to Regulation S under the U.S. Securities Act and the Euro Notes sold pursuant to Rule 144A under the U.S. Securities Act have been accepted for clearance and settlement through the facilities of Euroclear and Clearstream under common codes 131981805

and 131982127, respectively. The international securities identification number for the Euro Notes sold pursuant to Regulation S under the U.S. Securities Act is XS1319818057 and the international securities identification number for the Euro Notes sold pursuant to Rule 144A under the U.S. Securities Act is XS1319821275.

The Dollar Notes sold pursuant to Regulation S under the U.S. Securities Act and the Dollar Notes sold pursuant to Rule 144A under the U.S. Securities Act have been accepted for clearance and settlement through the facilities of DTC under CUSIPs G5500W AA4 and 53359P AA8, respectively. The international securities identification number for the Dollar Notes sold pursuant to Regulation S under the U.S. Securities Act is USG5500WAA48 and the international securities identification number for the Dollar Notes sold pursuant to Rule 144A under the U.S. Securities Act is US53359PAA84. The Dollar Notes sold pursuant to Regulation S under the U.S. Securities Act and the Dollar Notes sold pursuant to Rule 144A under the U.S. Securities Act have been accepted for clearance and settlement through the facilities of Euroclear and Clearstream under common codes 132279942 and 132281424, respectively.

## **Legal information**

### ***Issuer***

The Issuer is a limited liability company incorporated under the laws of Jersey on March 4, 2015. The Issuer is a wholly-owned subsidiary of the Company. The authorized share capital of the Issuer is €10,000 divided into 10,000 shares of €1.00 each, of which 2,500 shares are issued fully-paid and held by the Company. The Issuer's registered office is at 47 Esplanade, St. Helier, Jersey JE1 0BD and its telephone number at that address is +44 (0)1534 835 600. The Issuer is registered under registration number 117937. The secretary of the Issuer is Crestbridge Corporate Services Limited of 47 Esplanade, St. Helier, Jersey JE1 0BD. The Issuer is a finance subsidiary of the Company and has no operations, activities or subsidiaries of its own. The Issuer has no debt outstanding other than the outstanding Notes.

The Issuer has obtained all necessary consents, approvals and authorizations in the jurisdiction of its incorporation in connection with the issuance and performance of the Notes. The creation and issuance of the Notes was authorized by the Issuer's board of directors on January 21, 2016, February 11, 2016, March 3, 2016 and March 10, 2016.

The accounts of the Issuer will be audited by KPMG Channel Islands Limited of 37 Esplanade, St. Helier, Jersey, JE4 8WQ.

### ***The Company***

Lincoln Financing Holdings Pte. Limited is incorporated as a private company under the laws of Singapore with limited liability on March 3, 2015 and will guarantee the Notes. The Company had a fully paid-up share capital of €2,329 million. The Company is registered with the Accounting and Corporate Regulatory Authority of Singapore under the Unique Entity Number 201505585M. The registered office of the Company is at 10 Changi Business Park Central 2 #05-01 Hansapoint@CBP, Singapore 486030. The Company is a holding company operating in the fleet management, driver mobility and automobile leasing sectors. The Company has no debt outstanding other than the Proceeds Loan in respect of the Notes.

The Company has obtained all necessary consents, approvals and authorizations in the jurisdiction of its incorporation in connection with the issuance and performance of the Notes Guarantee. The creation and issuance of the Notes Guarantee was authorized by the Company's board of directors on January 22, 2016.

The accounts of the Company will be audited by KPMG LLP of 16 Raffles Quay #22-00, Hong Leong Building, Singapore 048581.

### ***General information***

Except as disclosed in this listing circular:

- there has been no material adverse change in the prospects of LeasePlan since December 31, 2015, the date of its last audited consolidated financial information;
- there has been no material adverse change in the Company's and Issuer's financial positions since their respective dates of incorporation; and
- neither the Company nor any of its direct or indirect subsidiaries has been involved in any litigation, administrative proceeding or arbitration relating to claims or amounts which are material in the context of the issuance of the Notes, and, so far as we are aware, no such litigation, administrative proceeding or arbitration is pending or threatened.

For the avoidance of doubt, any website referred to in the listing circular and the information on the referenced website does not form part of this listing circular prepared in connection with the listing of the Notes.

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# Independent auditor's report



## Independent auditor's report

To: the Annual General Meeting and the Supervisory Board of LeasePlan Corporation N.V.

## Report on the financial statements 2015

### *Our opinion*

In our opinion:

- the accompanying consolidated financial statements give a true and fair view of the financial position of LeasePlan Corporation N.V. as at 31 December 2015 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;
- the accompanying company financial statements give a true and fair view of the financial position of LeasePlan Corporation N.V. as at 31 December 2015 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

### *What we have audited*

We have audited the accompanying financial statements 2015 of LeasePlan Corporation N.V., Amsterdam ('the Company'). The financial statements include the consolidated financial statements of LeasePlan Corporation N.V. and its subsidiaries (together: 'the Group') and the company financial statements.

The consolidated financial statements comprise:

- the consolidated balance sheet as at 31 December 2015;
- the following statements for 2015: the consolidated income statement and the consolidated statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising a summary of significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company balance sheet as at 31 December 2015;
- the company income statement for the year then ended; and
- the notes, comprising a summary of the accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the company financial statements.

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### ***The basis for our opinion***

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of LeasePlan Corporation N.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

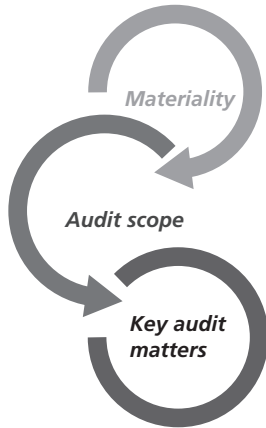
### ***Our audit approach***

#### *Overview and context*

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the Managing Board made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Managing Board that may represent a risk of material misstatement due to fraud.

We ensured that the audit teams both at group and at component levels included the appropriate skills and competences which are needed for the audit of a Company engaged in fleet and vehicle management services, holding a banking license in The Netherlands and an insurance license in Ireland. We therefore included specialists in the areas of leasing, banking, insurance, financial instruments, IT, regulatory, valuation, tax and employee benefits in our teams.

Because of the importance of the IT environment for the audit of the financial statements our IT auditors assessed the IT environment. We addressed information technology general controls ('ITGCs') that are the policies and procedures used by the company to ensure information technology ('IT') operates as intended and provides reliable data for financial reporting purposes. The IT environment of LeasePlan Information Services, LeasePlan Corporation, LeasePlan Bank and local LeasePlan entities has been assessed in the context of the audit of the financial statements.



**Materiality**

- Overall materiality: €20 million which represents 3.3% of profit before tax.

**Audit scope**

- Audit work for consolidation purposes is conducted for all countries where the Company operates.
- The group engagement team is also responsible for the audit of the leasing activities in the Netherlands and the banking activities
- Given the importance of the treasury and insurance activities located in Ireland we visited local management and the component auditor.
- We also visited local management and the component auditors of the LeasePlan entities located in Germany and Turkey.
- Audit coverage: 98.8% of consolidated revenue, 99.9% of consolidated total assets and 99.6% of consolidated profit before tax.

**Key audit matters**

- Change of ownership
- Valuation of vehicles leased out under operating lease contracts
- Revenue recognition lease contracts
- Risk of management override of controls

**Materiality**

The scope of our audit is influenced by the application of materiality which is further explained in the section ‘Our responsibilities for the audit of the financial statements’.

We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements on our opinion.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

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<b>Overall group materiality</b>	€20 million (2014: €16.5 million).
<b>How we determined it</b>	3.3% of profit before tax (2014: 3.3%)
<b>Rationale for benchmark applied</b>	We have applied this benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements. On this basis we believe that profit before tax is an important metric for the financial performance of the Company. The Company is a public interest entity and has various stakeholders. Consistent with 2014 we therefore applied a percentage lower than the commonly used 5%. We consider this appropriate as the business activities and risks have not significantly changed.
<b>Component materiality</b>	To each component in our audit scope, we, based on our judgement, allocate materiality that is less than our overall group materiality. The range of materiality allocated across components varies between €0.7 million and €9 million.

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We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the Supervisory Board and the Managing Board that we would report to them misstatements identified during our audit above €500,000 (2014: €500,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

#### *The scope of our group audit*

LeasePlan Corporation N.V. is the head of a group of entities engaged in fleet and vehicle management services, mainly through operating lease and is active in 32 countries. The financial information of this Group is included in the consolidated financial statements of LeasePlan Corporation N.V. The Company is managed on a decentralised basis with corporate functions located in the head office in Almere, the Netherlands, supporting the local operations. The Company has a banking license in the Netherlands and operates a retail savings bank, LeasePlan Bank, which is active in the Netherlands and Germany. The Company is supervised by the Dutch Central Bank and the Authority Financial Markets. The insurance activities of the Company are centralised in its subsidiary Euro Insurances Limited in Ireland which is supervised by the Irish Central Bank.

We performed a full scope audit on significant components. Besides we performed, on request of the Supervisory Board, also full scope audits on non-significant components. Hence, a full scope audit for consolidation purposes is performed for all countries where the Company is active and as such we achieve appropriate coverage on financial line items in the consolidated financial statements.

In total, in performing these procedures, we achieved the following coverage on the consolidated financial line items:

Revenue .....	<u>98.8%</u>
Total assets .....	<u>99.9%</u>
Profit before tax .....	<u>99.6%</u>

Group entities located in the Netherlands are audited by the group engagement team. For group entities located abroad we used component auditors from the PwC network firms, except for LeasePlan India Private Limited which is audited by another firm. The component auditors are familiar with the local laws and regulations to perform the audit work.

Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the group financial statements as a whole. In this respect we performed, amongst others, the following procedures:

- we have issued detailed audit instructions to the component auditors prescribing the scope of work to be performed, our risk assessment, the key audit areas, materiality to be applied and the reporting requirements to the group engagement team;
- on the November 2015 financial reporting (hard close) audit procedures have been performed for all group entities followed by year-end audit procedures (roll forward);

- the reports of the component auditors (hard close and roll forward) are assessed by the group engagement team and observations are discussed with the component auditors and with group management; and
- the group engagement team visits management of local operations and component teams on a rotational basis. Members of the group engagement team visited Germany and Turkey as well as the treasury and insurance functions of the group located in Ireland.

The group consolidation, financial statements disclosures and various complex items are audited by the group engagement team at the head office in Almere, where central functions, such as financial reporting & controlling, tax department, risk management, strategic finance and group audit department are located. Items audited by the group engagement team, amongst others, are:

- assessment of the necessity of a prospective depreciation adjustment on the carrying value of the vehicles leased out under operating lease;
- impairment testing of goodwill;
- purchase price allocation as a result of the acquisition of the shares in LPD Holding A.S. (holding company of LeasePlan Turkey) and Excelease S.A. in 2015;
- provision on cars in stock;
- valuation of deferred tax asset positions and provisions for tax exposures; and
- incurred but not reported credit risk provision.

We liaise with the group audit department which performs on a rotational basis audits at corporate level and on local levels. Observations of the group audit department are periodically discussed and their findings are shared with the component auditors.

We have performed review engagements on the condensed consolidated interim financial information for the quarterly reporting for the periods ended 31 March 2015, 30 June 2015 and 30 September 2015 and issued unqualified review reports dated 8 June 2015, 21 August 2015, 30 November 2015 respectively.

By performing the procedures above at components, combined with the procedures at group level, we have obtained sufficient and appropriate audit evidence regarding the financial information of the group as a whole to provide a basis for our opinion on the consolidated financial statements.

#### *Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the Supervisory Board, but they are not a comprehensive reflection of all matters that were identified by our audit and that we discussed. We described the key audit matters and included a summary of the audit procedures we performed on those matters.

The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters or on specific elements of the financial statements. Any comments we make on the results of our procedures should be read in this context.

In deviation from prior year we have identified the envisaged change of ownership given the potential impact on the consolidated financial statements as a key audit matter. As the uncertainties surrounding the valuation of deferred income tax assets has decreased compared to previous year we have not longer marked this area as a key audit matter.

Key audit matter	How our audit addressed the matter
<p><b>Change of ownership</b></p> <p>On 23 July 2015 the Company announced that its 100% shareholder Global Mobility Holding B.V. has reached an agreement with a consortium of long term investors to acquire full ownership of the Company. All necessary competition authority and financial regulatory approvals, required under the agreement to close the acquisition, were obtained by January 2016. Given the importance of the envisaged change in ownership of the Company in relation to its future strategy, activities, valuation of assets, liquidity and funding, we consider this a key audit matter.</p> <p>For more information on the Change of ownership reference is made to the report of the Managing Board, general note 1 and specific note 36 to the consolidated financial statements as well as the subsequent events disclosure in the Other information.</p>	<p>Our audit procedures included, amongst others, assessing and discussing with the Managing Board the impact of a potential change of ownership on the future activities of the Company. We assessed the consequences on the liquidity and funding of the Company to finance its operations and on the valuation of assets, such as deferred tax assets. We instructed the component auditors to assess the impact on the financial reporting on local level and communicate their findings, if any. We assessed the adequacy of the disclosure in the notes to the consolidated financial statements. Furthermore we examined if the report of the Managing Board included relevant and consistent information on this matter. We also examined the adequacy of the subsequent events disclosure as included in the Other Information.</p>
<p><b>Valuation of vehicles leased out under operating lease contracts</b></p> <p>The Company has recorded on the balance sheet €14.2 billion (2014: €12.6 billion) of vehicles leased out under operating lease contracts. These vehicles represent 66% of the group's total assets and are valued against cost less straight-line depreciation over the expected lease term and taking into consideration their estimated residual value. IAS 16, Property, Plant and Equipment, requires that the residual value and the useful life of an asset must be reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate. A change in the estimated residual value results in a change of the prospective depreciation expense and consequently impacts the carrying value of the vehicles.</p> <p>The Company's asset risk management department located in Almere is responsible for establishing and maintaining the asset risk management framework, monitoring the group's asset risk profile and reviewing the fleet risk assessments of the LeasePlan entities. Asset risk of the Group is also monitored and discussed by the asset risk committee. On a quarterly basis all group entities compare the current estimated residual values of their vehicles leased out under operating lease to the most recent market information via the so called 'fleet risk assessment'.</p>	<p>Our audit procedures included, amongst others, obtaining an understanding of the asset risk management framework, the policies in place regarding managing asset risk and the way the asset risk profile of the Group is monitored by management. We determined if the policy for testing the carrying value of the vehicles is adequately applied by management. The following detailed procedures were performed regarding the fleet risk assessment per country such as:</p> <ul style="list-style-type: none"> <li>● procedures and controls in place have been assessed and tested to ensure the reliability of the fleet risk assessment including the input of data and underlying assumptions, such as sales ratio, sales fees, trader fees and the impact of risk mitigation measures;</li> <li>● reasonableness of assumptions such as the sales ratio have been assessed with actual market information;</li> <li>● main developments and trends noted in the fleet risk assessment have been analysed;</li> <li>● validation that all lease contracts recorded in the leasing operating system are included in the fleet risk assessment;</li> <li>● the duration of lease contracts and the residual value in the fleet risk assessment have been reconciled to the leasing operating system for a selection of lease contracts;</li> </ul>



Key audit matter	How our audit addressed the matter
<p>The fleet risk assessment requires a high degree of judgement and expertise and the applied assumptions (such as the estimated residual value), are highly sensitive to volatile macro-economic and local developments. In particular the widely-publicized Volkswagen emission controversy might impact the residual values. Taking into account the complexity and volatility surrounding the estimations there is a risk that the depreciation expense, and as such the carrying value of the vehicles, could be materially misstated. Given the magnitude for the balance sheet and the income statement as well as the degree of judgment we have addressed the valuation of these vehicles as a key audit matter.</p> <p>For more information on the Valuation of vehicles leased out under operating lease contracts reference is made to general note 2 (iii), general note 3 E,P,S and X, note D of the financial risk management paragraph, specific note 17 and specific note 34 to the consolidated financial statements.</p>	<ul style="list-style-type: none"> <li>● the expected sales prices estimated in the fleet risk assessment have been compared to the actual sales prices of the last period for a selection of lease contracts and identified unusual or large differences have been analysed.</li> </ul> <p>In view of the widely-publicized Volkswagen emission controversy we have discussed and assessed the activities initiated by management to determine if there is any significant impact on the residual values of Volkswagen vehicles leased out under operating lease by the Company. Furthermore, we have assessed the adequacy of the disclosure in the specific note 34 to the consolidated financial statements in respect of this matter.</p>

***Revenue recognition lease contracts***

The Company offers lease contracts that comprise a variety of bundled and stand-alone services tailored to the specific needs of clients. A lease contract typically contains multiple components such as, purchasing and selling of vehicles, financing of vehicles, vehicle maintenance and accident management in a single arrangement and insurance. The revenue and cost of revenue of these various elements need to be recognized and considered on a separate basis. The outcome of the net result at the end of the lease contract depends on the type of contract (closed calculation versus open calculation contracts) as well as the benefits and expenses that will occur during the contract. Vendor bonuses related to the service components of the lease instalment are deducted from cost of revenues. As such estimating the revenue and cost of revenue during the term of the contract is complex and requires judgement. We have therefore addressed revenue recognition as a key audit matter.

For more information on the Revenue recognition of the lease contracts reference is made to general note 2 (iii), general note 3 H and X and specific note 3 to the consolidated financial statements.

Our audit procedures included, amongst others, obtaining an understanding of, and validating the internal controls surrounding the various revenue streams to ensure the correct recording of revenue from lease contracts. We validated the adequacy and consistency of the accounting policies applied. We paid particular attention to the appropriateness of revenue recognition of the lease services (repair, maintenance & tyres) during the term of the lease contract by challenging management estimates. Cut-off of results on terminated contracts has been tested by us. We performed substantive audit procedures on the year-end accruals (refunds to clients) of open calculation contracts. We tested management's controls surrounding the vendor bonus processes. Additionally we tested a selection of bonus calculations based upon purchase volumes and vendor allowance agreements and we evaluated collections related to the prior year balances to verify the reliability of management's estimates.

Key audit matter	How our audit addressed the matter
<p><b><i>Risk of management override of controls</i></b></p> <p>The Company operates in multiple jurisdictions and is, due to its geographical footprint and decentralised structure, subject to the risk of (local) management override of controls and fraud. Furthermore, the Company is subject to supervision by the Dutch Central Bank and the Authority Financial Markets due to its banking license and its various funding programmes which implies that the Company has to comply with significant ethical and compliance requirements. These ethical and compliance requirements are rigorous, thus impacting the control environment, tone at the top, culture and behaviour of the Company's management and employees. In order to address this risk, the Company has established a comprehensive governance structure as detailed in the corporate governance section of the annual report and has defined a compliance risk appetite to manage compliance risks divided into counterparty conduct, employee conduct, services conduct and organizational conduct. In view of the considerations outlined above, we addressed the risk of management override of controls as a key audit matter.</p>	<p>In our audit, we performed procedures which allow us to rely, to the extent possible, on management's governance structure. We performed audit procedures designed to identify the risk of management override of controls. These procedures included, amongst others, an assessment of the 'tone-at-the-top' and the compliance with LeasePlan's policies, laws and regulations also in view of its banking license. Internal audit findings, budget to actual analysis, bonus schemes and key internal controls have been assessed. Furthermore, we assessed the follow up on whistle blower allegations and integrity incidents, business ethics, revenue recognition principles, cost cut off procedures and year-end estimates of accruals. We tested a selection of manual journal entries. Where necessary we extended our audit procedures and we included unpredictability as part of our audit. We made specific enquiries at different levels in the organisation.</p>

***Responsibilities of the Managing Board and the Supervisory Board***

The Managing Board is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the Report of the Managing Board in accordance with Part 9 of Book 2 of the Dutch Civil Code, and for
- such internal control as the Managing Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Managing Board is responsible for assessing the company's ability to continue as a going-concern. Based on the financial reporting frameworks mentioned, the Managing Board should prepare the financial statements using the going-concern basis of accounting unless the Managing Board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Managing Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

### ***Our responsibilities for the audit of the financial statements***

Our responsibility is to plan and perform an audit engagement to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A more detailed description of our responsibilities is set out in the appendix to our report.

### **Report on other legal and regulatory requirements**

#### ***Our report on the Report of the Managing Board and the other information***

Pursuant to the legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the Report of the Managing Board and other information):

- We have no deficiencies to report as a result of our examination whether the Report of the Managing Board, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed.
- We report that the Report of the Managing Board, to the extent we can assess, is consistent with the financial statements.

#### ***Our appointment***

We were appointed as auditors of LeasePlan Corporation N.V. as from the audit of the financial statements 2006 by the Supervisory Board following the passing of a resolution by the shareholders and has been renewed annually by the shareholders representing a total period of uninterrupted engagement appointment of 10 years. As from financial year 2016, the financial statements of LeasePlan Corporation N.V. will be audited by another audit firm.

Amsterdam, 7 March 2016  
PricewaterhouseCoopers Accountants N.V.

Original has been signed by drs. R. Dekkers RA

## **Appendix to our auditor's report on the financial statements 2015 of LeasePlan Corporation N.V.**

In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

### **The auditor's responsibilities for the audit of the financial statements**

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among others of:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Managing Board.
- Concluding on the appropriateness of the Managing Board's use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the company's consolidated financial statements we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

*The above auditor's report is the original auditor's report that was issued on 7 March 2016 with respect to the financial statements for the period ending 31 December 2015. These financial statements also contained the management report. For purposes of the Offering Memorandum the management report has been omitted. The financial statements are set forth on pages F-13 to F-120 in this Offering Memorandum.*

## Consolidated financial statements

### Consolidated income statement for the year ended 31 December

In thousands of euros	Note	2015	2014
Revenues .....	3	8,297,646	7,619,371
Cost of revenues .....	3	7,231,056	6,695,206
<b>Gross profit</b> .....		<b>1,066,590</b>	<b>924,165</b>
Interest and similar income .....	4	780,009	794,226
Interest expenses and similar charges .....	5	330,035	377,727
<b>Net interest income</b> .....		<b>449,974</b>	<b>416,499</b>
Impairment charges on loans and receivables .....	6	23,245	20,143
<b>Net interest income after impairment charges on loans and receivables</b> .....		<b>426,729</b>	<b>396,356</b>
Unrealised gains/(losses) on financial instruments .....	13	13,480	(12,072)
<b>Net finance income</b> .....		<b>440,209</b>	<b>384,284</b>
<b>Total operating and net finance income</b> .....		<b>1,506,799</b>	<b>1,308,449</b>
Staff expenses .....	7	557,986	498,562
General and administrative expenses .....	8	290,570	263,453
Depreciation and amortisation .....	9	56,178	53,950
<b>Total operating expenses</b> .....		<b>904,734</b>	<b>815,965</b>
Share of profit of investments accounted for using the equity method .....	20	5,870	6,565
<b>Profit before tax</b> .....		<b>607,935</b>	<b>499,049</b>
Income tax expenses .....	10	165,460	127,078
<b>Profit for the year</b> .....		<b>442,475</b>	<b>371,971</b>
Profit attributable to Owners of the parent .....		442,475	371,971

The notes to the consolidated financial statements are an integral part of these statements.



## Consolidated statement of comprehensive income for the year ended 31 December

In thousands of euros	Note	2015	2014
<b>Profit for the year</b> .....		<b>442,475</b>	<b>371,971</b>
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurement of post-employment benefit reserve, before tax .....	26	(218)	(5,524)
Income tax on post-employment benefit reserve .....	10	162	1,840
<b>Subtotal changes post-employment benefit reserve, net of income tax</b> .....		<b>(56)</b>	<b>(3,684)</b>
Share of other comprehensive income in investments accounted for using the equity method .....	26	—	(104)
<i>Items that may be subsequently reclassified to profit or loss</i>			
Changes in cash flow hedges, before tax .....		6,851	31,315
Cash flow hedges recycled from equity to profit and loss, before tax .....		(7,565)	(20,123)
Income tax on cash flow hedges .....	10	178	(2,798)
<b>Subtotal changes in cash flow hedges, net of income tax</b> .....	<b>10</b>	<b>(536)</b>	<b>8,394</b>
Exchange rate differences .....	26	16,655	24,794
<b>Other comprehensive income, net of income tax</b> .....		<b>16,063</b>	<b>29,400</b>
<b>Total comprehensive income for the year</b> .....		<b>458,538</b>	<b>401,371</b>
<b>Comprehensive income attributable to Owners of the parent</b> .....		<b>458,538</b>	<b>401,371</b>

The notes to the consolidated financial statements are an integral part of these statements.

## Consolidated balance sheet as at 31 December

In thousands of euros	Note	2015	2014
<b>Assets</b>			
Cash and balances at central banks .....	11	1,605,437	957,951
Receivables from financial institutions .....	12	368,930	1,222,829
Derivative financial instruments .....	13	166,085	183,023
Other receivables and prepayments .....	14	837,361	668,526
Inventories .....	15	261,325	205,314
Receivables from clients .....	16	3,309,512	2,952,126
Property and equipment under operating lease and rental fleet .....	17	14,261,517	12,681,312
Other property and equipment .....	18	90,673	82,888
Loans to investments accounted for using the equity method .....	19	103,325	290,130
Investments accounted for using the equity method .....	20	24,211	57,064
Intangible assets .....	21	171,267	162,846
Corporate income tax receivable .....		37,441	20,475
Deferred tax assets .....	22	141,372	161,828
		<b>21,378,456</b>	<b>19,646,312</b>
Assets classified as held-for-sale .....	23	36,790	9,437
<b>Total assets</b> .....		<b>21,415,246</b>	<b>19,655,749</b>
<b>Equity</b>			
Share capital .....	25	71,586	71,586
Share premium .....	25	506,398	506,398
Other reserves .....	26	3,101	(13,178)
Retained earnings .....	27	2,490,379	2,278,120
<b>Total equity</b> .....		<b>3,071,464</b>	<b>2,842,926</b>
<b>Liabilities</b>			
Trade and other payables and deferred income .....	28	2,255,271	2,061,974
Borrowings from financial institutions .....	29	2,073,118	1,991,356
Derivative financial instruments .....	13	88,379	130,284
Funds entrusted .....	30	5,086,974	4,378,891
Debt securities issued .....	31	8,142,443	7,638,038
Provisions .....	32	378,333	355,267
Corporate income tax payable .....		37,315	23,386
Deferred tax liabilities .....	22	253,860	233,627
		<b>18,315,693</b>	<b>16,812,823</b>
Liabilities classified as held-for-sale .....	23	28,089	—
<b>Total liabilities</b> .....		<b>18,343,782</b>	<b>16,812,823</b>
<b>Total equity and liabilities</b> .....		<b>21,415,246</b>	<b>19,655,749</b>

The notes to the consolidated financial statements are an integral part of these statements.

## Consolidated statement of changes in equity

In thousands of euros	Attributable to the owners of the parent				
	Share capital	Share premium	Other reserves	Retained earnings	Total equity
Note	25	25	26	27	
<b>Balance as at 1 January 2014</b> .....	<b>71,586</b>	<b>506,398</b>	<b>(42,578)</b>	<b>2,046,149</b>	<b>2,581,555</b>
Profit for the year .....				371,971	371,971
Other comprehensive income .....			29,400		29,400
<b>Total comprehensive income</b> .....			<b>29,400</b>	<b>371,971</b>	<b>401,371</b>
Dividend relating to 2013 .....				(134,000)	(134,000)
Dividend relating to 2014 .....				(6,000)	(6,000)
<b>Total transactions with owners of the parent</b> .....				<b>(140,000)</b>	<b>(140,000)</b>
<b>Balance as at 31 December 2014</b> .....	<b>71,586</b>	<b>506,398</b>	<b>(13,178)</b>	<b>2,278,120</b>	<b>2,842,926</b>
Profit for the year .....				442,475	442,475
Other comprehensive income .....			16,279	(216)	16,063
<b>Total comprehensive income</b> .....			<b>16,279</b>	<b>442,259</b>	<b>458,538</b>
Dividend relating to 2014 .....				(230,000)	(230,000)
<b>Balance as at 31 December 2015</b> .....	<b>71,586</b>	<b>506,398</b>	<b>3,101</b>	<b>2,490,379</b>	<b>3,071,464</b>

The notes to the consolidated financial statements are an integral part of these statements.

## Consolidated statement of cash flows for the year ended 31 December

In thousands of euros	Note	2015	2014
<b>Operating activities</b>			
Profit before tax .....	10	607,935	499,049
Adjustments			
Interest income .....	4	(780,009)	(794,226)
Interest expense .....	5	330,035	377,727
Impairment on receivables .....	6	23,245	20,143
Bargain purchase gain .....	24	(7,357)	—
Valuation allowance on inventory .....	15	(336)	(200)
Depreciation operating lease portfolio and rental fleet .....	17	2,973,848	2,808,162
Depreciation other property and equipment .....	18	24,507	25,403
Amortisation and impairment intangible assets .....	21	31,671	28,547
Share of profit of investments accounted for using the equity method .....	20	(5,870)	(6,565)
Financial instruments at fair value through profit and loss .....	13	(13,480)	12,072
Changes in			
Provisions .....		21,446	24,013
Derivative financial instruments .....		(12,022)	(133,469)
Trade and other payables and other receivables .....		40,988	21,673
Inventories .....	15	164,705	160,302
Amounts received for disposal of objects under operating lease .....	17	2,114,007	1,861,964
Amounts paid for acquisition of objects under operating lease .....	17	(6,475,708)	(5,203,404)
Acquired new finance leases and other increases of receivables from clients .....		(1,178,514)	(1,162,719)
Repayment finance leases .....		818,052	1,031,201
<b>Cash generated from operating activities .....</b>		<b>(1,322,857)</b>	<b>(430,327)</b>
Interest paid .....		(351,850)	(390,727)
Interest received .....		779,943	795,592
Income taxes paid .....		(150,781)	(138,064)
Income taxes received .....		19,847	34,494
<b>Net cash flows from operating activities .....</b>		<b>(1,025,698)</b>	<b>(129,032)</b>
<b>Investing activities</b>			
Acquisition of subsidiary, net of cash acquired .....	24	(36,125)	—
Proceeds from sale of other property and equipment .....	18	15,635	13,566
Purchases of other property and equipment .....	18	(45,574)	(38,061)
Purchases of intangible assets .....	21	(23,284)	(24,810)
Divestments of intangible assets .....	21	2,382	115
Capital movement in investments accounted for using the equity method .....		775	—
Loans provided to investments accounted for using the equity method .....	19	(364,516)	(199,316)
Redemption on loans to investments accounted for using the equity method .....	19	551,322	167,555
Dividend received from investments accounted for using the equity method .....	20	1,224	1,740
<b>Net cash flows from investing activities .....</b>		<b>101,839</b>	<b>(79,211)</b>

In thousands of euros	Note	2015	2014
<b>Financing activities</b>			
Receipt of receivables from financial institutions .....		3,593,192	6,340,508
Balances deposited to financial institutions .....		(2,705,585)	(6,184,175)
Receipt of borrowings from financial institutions .....		7,975,232	6,442,045
Repayment of borrowings from financial institutions .....		(8,257,058)	(7,033,194)
Receipt of funds entrusted .....		2,353,168	141,012
Repayment of funds entrusted .....		(1,645,085)	(82,277)
Receipt of debt securities .....		2,477,152	3,174,375
Repayment of debt securities .....		(1,972,746)	(2,525,077)
Dividends paid to Company's shareholders .....		(230,000)	(140,000)
<b>Net cash flows from financing activities .....</b>		<b>1,588,270</b>	<b>133,217</b>
<b>Cash and balances with banks as at 1 January .....</b>		<b>919,688</b>	<b>994,196</b>
Net movement in cash and balances with banks .....		664,411	(75,026)
Exchange gains/(losses) on cash and balances with banks .....		(726)	518
<b>Cash and balances with banks as at 31 December .....</b>	<b>11</b>	<b>1,583,373</b>	<b>919,688</b>

*The notes to the consolidated financial statements are an integral part of these statements.*

# General notes

## 1. General information

### **LeasePlan Corporation N.V.**

LeasePlan Corporation N.V. (the "Company") is a company domiciled in and operating from Almere, the Netherlands and having its statutory seat in Amsterdam, the Netherlands. The address of its registered office is P.J. Oudweg 41, 1314 CJ Almere. The consolidated financial statements of the Company as at and for the year ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in investments accounted for using the equity method. The Group consists of a growing international network of companies engaged in fleet and vehicle management services, mainly through operating leasing. At the end of 2015, the Group employed just over 7,200 people worldwide and had offices in 32 countries. A list of the principal consolidated subsidiaries is included on page F-106.

The Company has held a banking licence in the Netherlands since 1993 and is regulated by the Dutch central bank. Therefore, specific additional (IFRS) disclosures are included that focus on the Company's liquidity and solvency and on the risks associated with the assets and liabilities recognised on its balance sheet and with its off-balance sheet exposures.

The income statement in the Company's financial statements has been presented in abridged form pursuant to the provisions of Article 402, Part 9, Book 2, of the Dutch Civil Code.

### **Global Mobility Holding B.V.**

Global Mobility Holding B.V. holds 100% of the Company's shares. Global Mobility Holding B.V. is a limited liability company established in the Netherlands and jointly owned by Volkswagen Group headed by Volkswagen AG (50%) and Fleet Investments B.V. (50%).

### **Volkswagen Group**

The Volkswagen Group with its headquarters in Wolfsburg is one of the world's leading automobile manufacturers and the largest carmaker in Europe. The group is made up of twelve brands from seven European countries: Volkswagen, Audi, SEAT, ŠKODA, Bentley, Bugatti, Lamborghini, Porsche, Ducati, Volkswagen Commercial Vehicles, Scania and MAN. The Volkswagen Group operates 119 production plants in 20 European countries and a further 11 countries in the Americas, Asia and Africa.

### **Fleet investments B.V.**

Fleet Investments B.V. is an investment company of the German banker Friedrich von Metzler. The heart of the Metzler group is the Frankfurt based bank B. Metzler seel. Sohn & Co. KGaA. Founded more than 340 years ago, it is the oldest private bank in Germany with an unbroken tradition of family ownership. Main group activities focus on asset management, corporate finance, capital markets and private banking. In addition to the head office in Frankfurt, Metzler has offices in Munich, Stuttgart, Cologne/Düsseldorf, Hamburg, Atlanta, Los Angeles, Seattle, Tokyo, Dublin and Beijing.

The aforementioned activities of Volkswagen Group and Metzler operate independently from the business and banking activities of LeasePlan.

### **Ownership of the Company**

On 23 July 2015 LeasePlan announced that its 100% shareholder Global Mobility Holding B.V. had reached an agreement with a consortium of long-term investors to acquire full ownership of LeasePlan. All necessary competition authority and financial regulatory approvals required under the agreement to close the acquisition were obtained by January 2016. At the time of publishing the annual report, we expect the transaction to close in the first quarter of 2016.



## 2. Basis of preparation

### (i) Statement of compliance

The consolidated financial statements for the year ended 31 December 2015 were authorised for issue by the Managing Board on 7 March 2016. The Managing Board may decide to amend the financial statements as long as these are not adopted by the General Meeting of Shareholders. The General Meeting of Shareholders may decide not to adopt the financial statements, but may not amend these. In accordance with Article 362 paragraph 6, Book 2 of the Dutch Civil Code the Managing Board can, after adoption, at any time disclose facts which seriously affect the adopted financial statements. Such disclosure has to be filed at the Chamber of Commerce.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and its interpretations as adopted by the European Union (EU).

#### *New and amended standards adopted by the Group*

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2015 that have a material impact on the Group.

The following new standards, amendments and interpretations to published standards are mandatory for the first time for the financial year beginning 1 January 2015 and are relevant for the Group:

- Amendment to IAS 19 'Employee benefits' (effective 1 July 2014). The amendment applies to defined benefit plans. Where the contributions from employees or third parties are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment has no material impact on the Group.
- Annual Improvements 2010-2012 Cycle (effective 1 July 2014)
  - Amendment to IFRS 2 'Share-based payment' clarifying the definition of 'vesting condition' and separately defining 'performance condition' and 'service condition'. This amendment has no material impact on the Group.
  - Amendment to IFRS 3 'Business Combinations' clarifying that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39. This amendment has no material impact on the Group.
  - Amendment to IFRS 8 'Operating Segments' requiring the disclosure of the judgements made by management in applying aggregation criteria. The Group has not applied aggregation criteria.
  - Amendment to IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets', clarifying that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amount of the asset. This amendment did not have any impact to the revaluation adjustments recorded by the Group during the current period.
  - Amendment to IAS 24 'Related Party Disclosures' clarifying that a management entity (an entity that provides key management personnel services) is a related party subject to the

## 2. Basis of preparation (continued)

related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Group as it does not receive any management services from other entities.

- Annual Improvements 2011-2013 Cycle (effective 1 July 2014)
  - Amendment to IFRS 13 'Fair Value Measurement' clarifying that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39. The Group does not apply the portfolio exception in IFRS 13.
  - Amendment to IAS 40 'Investment Property' clarifying that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if a transaction is the purchase of an asset or a business combination. This amendment does not impact the accounting policy of the Group.

*New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2015 and not early adopted*

The following new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2015 and have not been early adopted in preparing these consolidated financial statements.

- IFRS 9 (2014) 'Financial instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is a new expected credit losses model that replaces the incurred impairment model used in IAS 39. For financial liabilities there are no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 eases the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018 and early adoption is permitted. The Group has yet to assess the full impact of IFRS 9 and has not yet decided on the date of adoption. IFRS 9 has not yet been adopted by the EU.
- IFRS 14 'Regulatory deferral accounts' permits first-time adopters of IFRS to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. The standard is effective for accounting periods beginning on or after 1 January 2016. There is no material impact on the Group.
- IFRS 15 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's control of a good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The effective date of the standard is deferred from

## 2. Basis of preparation (continued)

annual periods beginning on or after 1 January 2017 to annual periods beginning on or after 1 January 2018, whereby earlier adoption is still permitted. The Group will assess the impact of IFRS 15.

- IFRS 16 'Leases', issued in January 2016, includes a new approach to lease accounting that requires a lessee to recognise assets and liabilities for the rights and obligations created by leases. The model reflects that, at the start of a lease, the lessee obtains a right to use the underlying asset for a period of time, and the lessor has provided or delivered that right. Both the asset and the liability are initially measured at the present value of lease payments. A lessee presents amortisation of the right-of-use asset in the same line item as other similar expenses (for example, depreciation of property, plant, and equipment) and interest on the lease liability in the same line item as interest on other, similar financial liabilities. For lessors, the accounting stays almost the same. However, the definition of a lease, as well as the guidance on the combination and separation of contracts, have been updated. IFRS 16 is effective for periods beginning on or after 1 January 2019, with earlier adoption permitted if IFRS 15 Revenue from contracts with customers has also been applied. The Group has yet to assess the full impact of IFRS 16. Furthermore, the Group is investigating how it can support its lessees in calculating the right of use asset and corresponding liability.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

### *Basis of measurement*

The consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instruments which are measured at fair value.

### **(ii) Functional and presentation currency**

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

### **(iii) Use of estimates, assumptions and judgements**

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

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

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

### 3. Summary of significant accounting policies

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

#### **Note A - Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries all of which prepare financial statements up to 31 December.

#### **(i) Subsidiaries**

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

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

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

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

#### **(ii) Transactions with non-controlling interests and disposals**

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

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

### **3. Summary of significant accounting policies (continued)**

#### **Note A - Basis of consolidation (continued)**

##### ***(iii) Associates***

Associates are those companies over which the Group has significant influence but not control, generally accompanying a shareholding between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

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

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses exceeds its interest in an equity accounted associate, including any other unsecured receivables, the Group does not recognise further losses, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate. The accounting policies applied for the associates are in line with the policies adopted by the Group.

For the impairment of non-financial assets, reference is made to note S - Impairments.

##### ***(iv) Joint arrangements***

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

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

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

##### ***(v) Special purpose companies***

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

### 3. Summary of significant accounting policies (continued)

#### Note B - Foreign currency

##### (i) Foreign currency transactions

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

##### (ii) Foreign subsidiaries

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

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

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

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

#### Note C - Financial assets and liabilities

##### (i) Classification

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

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

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

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



### 3. Summary of significant accounting policies (continued)

#### Note C - Financial assets and liabilities (continued)

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

#### *Loans and receivables*

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

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

#### *Financial liabilities measured at amortised cost*

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

#### **(ii) Recognition**

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

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

#### **(iii) Derecognition**

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

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

#### **(iv) Offsetting**

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

Income and expenses are presented on a net basis only when permitted by IFRSs.

### 3. Summary of significant accounting policies (continued)

#### Note D - Derivative financial instruments and hedge accounting

Derivative financial instruments (derivatives) are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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

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

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

Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

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

#### **(i) Cash flow hedging**

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

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

In case ineffectiveness arises because insufficient cash flows are available but forecasted cash flows are still likely to occur or hedge ineffectiveness lies beyond a certain range, then hedge accounting ceases prospectively. This implies that the entire change in the net present value of the swaps in the period is recognised in the income statement, whereas the gain or loss previously recorded in equity is amortised to the income statement over the average remaining term of the swaps.

### **3. Summary of significant accounting policies (continued)**

#### **Note D - Derivative financial instruments and hedge accounting (continued)**

##### ***(ii) Fair value hedging***

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

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

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

##### ***(iii) Derivatives***

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

#### **Note E - Lease contracts**

##### ***(i) Lease classification***

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

Various criteria are used to determine the lease classification of which the two most important are:

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

##### ***(ii) Finance lease portfolio***

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

The finance lease instalments can comprise various components each having its own revenue recognition. The instalments are classified and presented in the following categories in the income statement: (i) interest income (the difference between the gross receivable and the

### 3. Summary of significant accounting policies (continued)

#### Note E - Lease contracts (continued)

present value of the receivable is unearned finance income and is recognised over the term of the lease using the effective interest method); and (ii) revenues (to the extent that services are included in the lease).

#### *(iii) Operating lease portfolio*

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

The operating lease instalments are recognised in the financial statements in their entirety on a straight-line basis over the lease term. The instalments are classified and presented in the following categories in the income statement: (i) revenues; and (ii) interest income (effective interest method).

#### *(iv) Lease products*

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

#### *(a) Closed calculation contracts*

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

#### *(b) Open calculation contracts*

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

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

#### Note F - General and presentation format

The Group considers the presentation model for banks as the most appropriate format. Within the banking model interest income and interest expenses are separately shown on the face of the income statement whereas the operating expenses are presented under the categorical method. For its main activity—leasing—the related revenues and costs are shown separately based on the functional method taking into account IFRSs presentation requirements. As IFRSs do not define an income statement for leasing business within the banking industry, the Group makes this distinction to give the reader a better understanding of the performance of the business. Revenues only include the gross inflow of economic benefits received and receivable by the Group on its own account; amounts collected on behalf of third parties are therefore excluded.

### 3. Summary of significant accounting policies (continued)

#### Note G - Net interest income

Interest and similar income and interest expenses and similar charges for all interest-bearing assets and liabilities are recognised in the income statement on an accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability to the carrying amount of the financial asset or liability.

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

The interest income component in operating lease instalments, which is charged on a straight-line basis to the client, is presented based on the effective interest method in interest income using the interest rate included in the lease contract and based on the net investment value of the leased asset. The correction required to arrive at a total straight-line recognition for operating lease contracts is part of revenues.

Interest income on finance lease contracts is recognised in the income statement on the basis of accruing interest income on the net investment (using the effective interest method). The receipts under the lease are allocated by the lessor between reducing the net investment and recognising interest income, so as to produce a constant rate of return on the net investment.

#### Note H - Revenues and cost of revenues

##### (i) Revenues

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

Revenues include the various components of the lease instalment, such as repair, maintenance and tyres (RMT), damage risk retention, depreciation and management fees. The lease instalments may include passed on costs such as fuel, road taxes and other taxes which do not represent the inflow of economic benefits and/or are collected on behalf of third parties and are therefore not presented as revenues.

Revenues from operating lease instalments are presented straight-line over the lease term. For closed calculation income related to lease services is recognised over the term of the contract based on historical statistics and expected service costs. For open calculation contracts the income related to lease services that will be earned by the Group is not certain until final settlement takes place and accordingly is not recognised until that time and is recognised in the sales result settlements. Expected losses are recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenues.

The interest portion of the lease instalment is classified under the caption 'Net interest income' (see note G), using the effective interest method. As the total revenues from the lease instalments are presented straight-line the adjustment required to present the interest portion income on the effective interest method is included in the category 'Other'.

Revenues also include the proceeds of the sale of vehicles from terminated lease contracts and rental revenues from renting out the rental fleet portfolio. The proceeds from the sale of vehicles are recognised when the objects are sold. The rental revenues are recognised on a straight-line basis over the term of the rental agreement.

### 3. Summary of significant accounting policies (continued)

#### Note H - Revenues and cost of revenues (continued)

Other revenues that cannot be categorised as any of the revenues specified above, but are income categories of regular business operations such as (volume related) bonuses earned in connection with pass-on costs, are included in the category 'Other'. Other revenues are generally recognised when services are rendered.

##### *(ii) Cost of revenues*

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

Cost of revenues also includes the carrying amount of the sold vehicles and the costs associated with the rental activities.

#### Note I - Employee benefits

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

##### *(i) Pension obligations*

###### *(a) Defined contribution plans*

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

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

###### *(b) Defined benefit plans*

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

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

A qualified independent actuary performs the calculation of the present value of the defined benefit obligation annually using the projected unit credit method. When the benefits of a plan



### 3. Summary of significant accounting policies (continued)

#### Note I - Employee benefits (continued)

are improved and the changes to the pension plan are conditional on the employees remaining in service for a specific period of time (the vesting period), the portion of the increased benefit relating to past services by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expenses are recognised immediately in the income statement.

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

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

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

#### (c) *Other post-employment services*

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

#### (ii) *Other post-employment obligations*

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

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

#### (iii) *Termination benefits*

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

### 3. Summary of significant accounting policies (continued)

#### Note I - Employee benefits (continued)

##### *(iv) Bonus plans*

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

The variable remuneration award for the Identified Staff consists of a direct payment in cash and a deferred payment in cash and Phantom Share Units (PSUs). The PSUs represent the underlying value of the company shares which entitle the participant to a payment in cash after a specified period and is recognised as a cash-settled share based payment arrangement. The PSU part of the deferred award is revalued annually by estimating the Company's equity value for determining the fair value of the outstanding PSU awards. Liabilities recognised for PSUs are measured at the estimated fair value. This fair value is established once a year by the (Remuneration Committee of the) Supervisory Board and is based on comparing financial performance of the Company to publicly available valuation and financial performance of a selected peer group of comparable companies. All changes to the PSUs liabilities are recognised in the income statement under staff expenses.

#### Note J - Income tax

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

##### *(i) Current income tax*

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

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

##### *(ii) Deferred income tax*

Deferred income tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes and providing for available income tax losses and tax credits.

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

A deferred income tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences and available income tax losses and tax credits can be utilised. Deferred income tax assets are reviewed annually and reduced to the extent that it is no longer probable that the related income tax benefit will be realised.

### 3. Summary of significant accounting policies (continued)

#### Note J - Income tax (continued)

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

#### Note K - Receivables from financial institutions

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

#### Note L - Receivables from clients

This caption includes lease instalments receivable from the finance and operating lease portfolio, from the rental portfolio and receivables arising from other business activities. These receivable balances are shown after any accumulated impairment losses and are initially measured at fair value and subsequently at amortised cost using the effective interest method.

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

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

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

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

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

#### Note N - Intangible assets

##### (i) Goodwill

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

Goodwill is allocated to cash generating units and is tested for impairment annually and whenever there is an indication that the unit may be impaired. An impairment loss is recognised

### **3. Summary of significant accounting policies (continued)**

#### **Note N - Intangible assets (continued)**

for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Impairment losses are charged to the income statement and are not subsequently reversed. Gains and losses on the disposal of a company include the carrying amount of goodwill relating to the company sold.

#### **(ii) Software**

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

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

#### **(iii) Other intangible assets**

Other intangible assets include customer relationship intangible assets and customer contract intangible assets acquired as part of business combinations and recognised separately from goodwill. Customer relationship intangible assets are amortised over 10 years and customer contract intangible assets are amortised over the remaining contract period (on average three to four years). Other intangible assets that are acquired by the Group have finite useful lives and are measured at cost less accumulated amortisation and impairment.

#### **(iv) Amortisation**

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

#### **Note O - Other property and equipment**

#### **(i) Measurement**

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

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

### 3. Summary of significant accounting policies (continued)

#### Note O - Other property and equipment (continued)

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

#### (ii) Depreciation

The cost of other property and equipment is depreciated to its estimated residual value and recognised in the income statement on a straight-line basis over the estimated useful life of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. The residual value and the useful life of the leased assets are reviewed at least at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for as a change in accounting estimate. Land is not depreciated.

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

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

#### Note P - Property and equipment under operating lease and rental fleet

Property and equipment under operating lease and rental fleet are measured at cost less accumulated depreciation and impairment losses. The assets subject to operating leases are presented in the balance sheet according to the nature of the asset. The depreciation policy for depreciable leased assets is consistent with the Company's normal depreciation policy for similar assets. The leased assets are depreciated on a straight-line basis over its contract period to its residual value. The contract period ranges on average between three to four years. Upon termination of the lease or rental contract the relevant assets are reclassified to the caption 'Inventories' at their carrying amount. The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

#### Note Q - Inventories

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

#### Note R - Other receivables and prepayments

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

#### Note S - Impairment

#### (i) (Leased) assets and assets for own use

Assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually. Assets that are subject to amortisation or depreciation are reviewed for

### **3. Summary of significant accounting policies (continued)**

#### **Note 5 - Impairment (continued)**

impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

#### **(ii) (Lease) receivables**

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

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

Impairment loss on receivables is recognised in the income statement and is separately disclosed as part of net finance income.

#### **(iii) Non-financial assets**

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

#### **(iv) Assets carried at amortised cost**

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

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses these



### 3. Summary of significant accounting policies (continued)

#### Note S - Impairment (continued)

for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

##### *(v) Assets classified as available-for-sale*

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

If any such evidence exists for available-for-sale financial assets, the cumulative loss—measured as the difference between the acquisition costs and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement—is removed from equity and recognised in the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

##### *(vi) Reversal of impairment*

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

#### Note T - Capital and dividends

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

#### Note U - Provisions

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

##### *(i) Damage risk provision*

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

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

### **3. Summary of significant accounting policies (continued)**

#### **Note U - Provisions (continued)**

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

#### **(ii) Other provisions**

Other provisions include amounts for litigation and claims as well as onerous contracts. For litigation and claims the best estimate of the future outflow of resources has been recognised. Regarding onerous contracts, the present obligation under a contract that is onerous is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

#### **Note V - Statement of cash flows**

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

#### **(i) Operating cash flows**

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

#### **(ii) Investing cash flows**

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

#### **(iii) Finance cash flows**

Finance cash flows include cash flows relating to obtaining, servicing and redeeming sources of finance, but exclude interest received and interest paid as these are included in the operating

### **3. Summary of significant accounting policies (continued)**

#### **Note V - Statement of cash flows (continued)**

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

#### **(iv) Cash and balances with banks**

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

#### **Note W - Segment reporting**

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

Leasing activities comprise the main activity of the Group which is providing fleet management services including the purchase, financing, service and remarketing of vehicles. The Group offers a mono-line product through all of its LeasePlan subsidiaries allowing for some differentiation based on the maturity of local markets. As a result the subsidiaries are grouped in categories based on maturity of the market and to a lesser extent maturity of the subsidiary.

Group activities provide services in the area of treasury, damage risk retention, procurement and infrastructure to support the leasing activities.

#### **Note X - Critical accounting estimates, assumptions and judgements**

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

#### **(i) Impairment of goodwill and intangible assets**

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

#### **(ii) Review of depreciable amount and depreciation period of (leased) assets**

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

Statistical models and calculations (regression analysis) are used to calculate a vehicle's future value as accurately as possible. The Group has an advanced management information system that

### **3. Summary of significant accounting policies (continued)**

#### **Note X - Critical accounting estimates, assumptions and judgements (continued)**

closely monitors changes in the contractual residual values used in lease contracts. The existing residual value risks are also periodically assessed at a portfolio level. The sensitivity to estimates and assumptions used is disclosed in the financial risk section (Asset risk).

#### ***(iii) Impairment losses on (lease) receivables***

The Group reviews its outstanding receivables in its lease portfolio to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows of a lease portfolio before the decrease can be identified with an individual lease contract in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or in national or local economic conditions that correlate with defaults on assets in the Group.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. This method makes use of the probability of default (PD), the loss given default (LGD) and the exposure at default (EAD). The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. The sensitivity to estimates and assumptions used is disclosed in the financial risk section (Credit risk).

#### ***(iv) Post-employment benefits***

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

#### ***(v) Damage risk retention***

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

#### ***(vi) Income taxes***

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

#### ***(vii) Fair value of derivatives***

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

### **3. Summary of significant accounting policies (continued)**

#### **Note X - Critical accounting estimates, assumptions and judgements (continued)**

##### ***(viii) Revenue recognition***

Income related to lease services (closed calculation) is recognised over the term of the contract based on historical statistics and on assumptions regarding expected service costs. The assumptions may differ from the actual data as a result of changes in economic and market conditions.

#### **Note Y - Comparatives**

Where this is necessary, comparative figures have been adjusted to conform to changes in presentation in the current year. The adjustments made have neither an impact on profit for the year nor on total equity.

# Financial risk management

All amounts are in thousands of euros, unless stated otherwise

## Introduction

This section presents information about the Group's exposure to a number of financial risks. The Group's nine risk management areas are strategic risk, asset risk, credit risk, treasury risk (which includes interest rate, currency and liquidity risks), reputational risk, operational risk (including financial reporting risk), motor insurance risk, legal and compliance risk and ICT risk. Of the Group's nine risk management areas, asset risk (which includes residual value risk), credit risk and liquidity risk (which is part of treasury risk) are considered to be primary risks. This section of the financial statements describes the Group's strategy in using financial instruments, capital adequacy, and the Group's policy, appetite and measurement of credit risk, asset risk, treasury risk, financial reporting risk and motor insurance risk. In line with IFRS 7, various disclosures on the Group's financial assets and liabilities are included in this section. The fact that the Group is mainly transacting operating leases, which under IFRS do not qualify as financial assets, results in a significant difference between financial assets and financial liabilities.

As at 31 December	2015	2014
<b>Financial assets</b>		
Cash and balances at central banks	1,605,437	957,951
Receivables from financial institutions	368,930	1,222,829
Derivative financial instruments	166,085	183,023
Rebates and bonuses and commissions receivable	235,405	204,512
Reclaimable damages	19,656	24,111
Interest to be received	165	99
Receivables from clients	3,309,512	2,952,126
Loans to other third parties	12,482	—
Loans to investments accounted for using the equity method	103,325	290,130
Assets classified as held-for-sale*	13,065	9,437
<b>Total</b>	<b>5,834,062</b>	<b>5,844,218</b>
<b>Non-financial assets</b>	<b>15,581,184</b>	<b>13,811,531</b>
<b>Total assets</b>	<b>21,415,246</b>	<b>19,655,749</b>
<b>Financial liabilities</b>		
Trade payables	764,430	641,414
Interest payable	90,653	112,468
Borrowings from financial institutions	2,073,118	1,991,356
Derivative financial instruments	88,379	130,284
Funds entrusted	5,086,974	4,378,891
Debt securities issued	8,142,443	7,638,038
<b>Total</b>	<b>16,245,997</b>	<b>14,892,451</b>
<b>Non-financial liabilities</b>	<b>2,097,785</b>	<b>1,920,372</b>
<b>Total liabilities</b>	<b>18,343,782</b>	<b>16,812,823</b>

\* Relates to finance leases with the aim to sell onward to debt investors

## A. Strategy in using financial instruments

The Group's activities are principally related to vehicle leasing and fleet management. The Group accepts and offers lease contracts to clients at both fixed and floating interest rates, for various periods and in various currencies. The Group seeks to balance the spread between interest rates



## A. Strategy in using financial instruments (continued)

charged in lease contracts and the interest rates paid on various borrowings and at the same time needs to control its exposure towards future movements in interest rates and currency exchange rates. The risk control is important to continuously meet the solvency and liquidity requirements and targets as set by the Dutch Central Bank (De Nederlandsche Bank N.V., 'DNB') and as expected by external stakeholders. The Group uses various non-derivative and derivative financial instruments to achieve that goal.

Derivatives are financial instruments, of which the value changes in response to underlying variables. Derivatives require little to no initial investment and are settled at a future date. Under IFRS derivatives are initially and subsequently recognised on the balance sheet at fair value. Examples of derivatives used by the Group are interest rate swaps, currency swaps and currency interest rate swaps. Derivative transactions are contracted to hedge the interest rate and currency exposures associated with the funding of lease contracts. In particular, interest rate swaps cover the interest rate positions between lease contracts and borrowed funds and currency interest rate swaps cover the mismatch between the currency structure of lease contracts and borrowed funds.

The operating lease portfolio has not been designated to a fair value hedge following IAS 32 AG9. The Group has, where allowed under IFRS hedge accounting rules, applied cash flow and fair value hedges to the interest rate risk and other types of market risks on the issued debt securities and other borrowings, to mitigate both current and future income statement volatility arising from the variability of cash flows attributable to currency and interest rate movements, and due to the exposure to changes in fair values of recognised liabilities. It should be noted that while as a result of the above the Group mitigates interest rate risk and currency risk from an economic perspective, these derivatives do not always qualify for hedge accounting from an accounting perspective and in such cases, the unrealised gains and losses are recognised in the income statement.

The contracted notional amounts of all derivatives are listed below:

	2015			2014		
	Interest rate contracts	Currency contracts	Total	Interest rate contracts	Currency contracts	Total
Fair value hedge . . . .	4,057,309	85,948	4,143,257	3,271,599	126,303	3,397,902
Cash flow hedge . . . .	1,805,000	—	1,805,000	1,845,000	—	1,845,000
Not in hedge . . . . .	12,196,989	4,111,929	16,308,918	10,917,026	3,662,425	14,579,451
<b>Total . . . . .</b>	<b>18,059,298</b>	<b>4,197,877</b>	<b>22,257,175</b>	<b>16,033,625</b>	<b>3,788,728</b>	<b>19,822,353</b>

### (i) Cash flow hedges

The company hedges the exposure to variability in future interest payments on recognised floating rate bonds and notes issued and on highly probable forecast transactions (short-term rolling over liabilities) attributable to changes in underlying swap and money market rates. In cash flow hedging, the hedged risks are future changes in cash flows stemming from anticipated repricings and/or roll-overs of borrowings due to interest rate movements. To apply highly effective cash flow hedges the forecasted cash flows, which are subject to a hedge, must be 'highly probable'. Based on the business activity of the Group and the financial/operational ability of the Group to carry out the transactions, the likelihood that forecasted cash flows will take place is very high. These forecasted cash flows are expected to occur and to affect the income statement during 2016-2020.

The Group applies a cash flow hedge as an aggregate hedging of a similar Group of assets/liabilities. A Group of derivatives sharing the same characteristics is designated to the hedge with a Group of borrowings with the same characteristics. Any ineffectiveness resulting from these cash flow hedges is recognised in the income statement when incurred.

## **A. Strategy in using financial instruments (continued)**

### **(ii) Fair value hedges**

Fair value hedge accounting is applied in such a way that the changes in fair value of the recognised liability (issued note) attributable to the hedged risk fully offsets the changes in fair value of the receive leg of the derivative transaction (interest rate swap or currency interest rate swap). In other words, the cash flows on the note and the receive leg of the swap are equal and opposite.

Fair value hedge accounting entails that the hedged item (i.e. the note) that is measured at amortised cost is constantly being adjusted for gains/losses attributable to the risk being hedged. This adjustment is booked in the income statement, where it offsets the measurement of the fair value of the hedging instrument that is also recorded in the income statement.

### **(iii) Risk-weighting**

The notional amounts of the derivatives provide an indication of the size of the contracts but do not indicate the extent of the cash flows and risks attached hereto. In determining the capital adequacy requirement, both existing and potential future credit risk is taken into account. The current potential loss on derivatives, which is the fair value based on market conditions at the balance sheet date (positive replacement cost) is increased by a percentage of the relevant notional amounts, depending on the nature and remaining term of the contract (potential future credit risk). This credit risk is risk-weighted based on the credit rating of the counterparty and the remaining term.

The Group maintains control limits from a credit risk point of view and (for a significant part of the derivative portfolio) uses Credit Support Annexes (CSAs) to International Swaps and Derivatives Association (ISDA) master agreements to mitigate the risk through regular margin calls. This credit risk exposure is managed as part of the overall lending limits with financial institutions.

## **B. Capital adequacy**

As from 1 January 2014, capital metrics and risk exposures are reported under the EU endorsed Basel III framework (CRR/CRD IV). To monitor the adequacy of its capital the Group uses ratios from the Basel III framework. These ratios measure capital adequacy by comparing the Group's eligible regulatory capital with its risk-weighted assets for credit risk, operational risk and market risk (currency risk). In November 2008 the Company received approval from the DNB to use the Advanced Internal Ratings Based (AIRB) approach for credit risk of the corporate portfolio and the Advanced Measurement Approach (AMA) for operational risk, for determining the risk-weighting. In June 2013 the Company received approval from the DNB to use the AIRB approach for the trade receivables and the retail portfolios in the United Kingdom and the Netherlands and applies the AIRB approach as of 1 January 2014.

Credit risk, mainly due to leases with counterparties, is risk-weighted based on the outcome of models as developed by the Group. These models were developed based on defined rules as laid down in the CRR/CRD IV framework and are regularly monitored for their predictive quality. Regularly these models are being validated by external parties and approved by the DNB. The models for credit risk relate especially to the determination of:

- the probability of default (PD), being the likelihood of the default of a client in the next 12 months (expressed in %);
- the loss given default (LGD), being the loss the Group expects to incur at the moment of a default (expressed in %);

## B. Capital adequacy (continued)

- the exposure at default (EAD), being the total exposure to a client expressed as the expected amount if a client would go into default; and
- remaining maturity—the contractual remainder of the lease contract.

The models for credit risk are applied to all corporate client exposures and retail client exposures in the United Kingdom and the Netherlands. In the calculation of the related capital requirement a confidence level of 99.9% is used.

For the exposures related to governments, banks and retail clients in other entities the Group applies the Standardised Approach of the CRR/CRD IV framework which prescribes fixed percentages for risk weighting depending on characteristics and conditions of the exposure.

With regards to operational risk no on-balance sheet exposures exist. Therefore capital requirements for this risk are derived from the outcome of the models that track historic losses and anticipate low frequency—high-risk scenarios. These models predict with a 99.9% confidence level, the necessary capital to cover the maximum envisaged (operational) loss the Group can incur under extreme circumstances.

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

The following table illustrates the reconciliation between the total assets on the balance sheet and the risk weighted assets.

	2015			2014		
	Carrying amount	Risk-weighted	Risk-weight	Carrying amount	Risk-weighted	Risk-weight
Lease contract portfolio . . . . .	17,061,719	8,506,018	50%	15,121,053	7,462,490	49%
Other assets . . . . .	4,353,527	1,978,886	45%	4,534,696	2,261,675	50%
<b>Total assets . . . . .</b>	<b>21,415,246</b>	<b>10,484,904</b>	<b>49%</b>	<b>19,655,749</b>	<b>9,724,165</b>	<b>49%</b>
Off-balance sheet exposures and other capital requirements . . . . .		3,498,659			3,237,299	
<b>Total risk weighted exposure amount . . . . .</b>		<b>13,983,563</b>	<b>65%</b>		<b>12,961,464</b>	<b>66%</b>

On 1 January 2014 the EU's adoption of the third Basel capital accord (Basel III) was implemented, by means of the amended Capital Requirements Directive (Directive 2013/36/EU) and the Capital Requirements Regulation (Regulation No 575/2013). With the adoption of this regime and as available capital is largely above the minimum threshold as determined by regulation, the capital floor ceases to have an impact on the Group's capital ratios. In addition, the Group processed a number of other changes as per 1 January 2014, that impacted on risk-weighted assets such as (i) the implementation of updated models for PD and LGD; (ii) the implementation of AIRB models for a large part of the retail portfolio and trade receivables; (iii) the application of the 1/t formula for risk-weighting of the residual value of the portfolio for which the standardised method was applied; and (iv) inclusion of commitments in connection with the forward purchase of property and equipment under operating lease.

The eligible regulatory capital that is compared against the risk-weighted exposures of the Group only consists of Common Equity Tier 1 capital. The Common Equity Tier 1 capital is derived from the Group's total equity position. In order to arrive at the Common Equity Tier 1 capital, adjustments to the total equity are required for the IFRS prudential filters as defined by the CRR/CRD IV framework.

## B. Capital adequacy (continued)

The following table illustrates the reconciliation between Group equity and Common Equity Tier 1 capital.

As at 31 December	2015	2014
<b>Total equity</b> .....	<b>3,071,464</b>	<b>2,842,926</b>
Exclude profit for the year .....	(442,475)	(371,971)
Interim dividend paid out of retained earnings .....	—	6,000
Regulatory adjustments .....	(250,141)	(249,365)
<b>Common Equity Tier 1 capital</b> .....	<b>2,378,848</b>	<b>2,227,590</b>

Based on EU endorsed frameworks for Basel III (CRR/CRD IV) the solvency ratio as at 31 December is as follows:

As at 31 December	2015	2014
Total risk exposure amount .....	13,983,563	12,961,464
Common Equity Tier 1 capital .....	2,378,848	2,227,590
<b>Common Equity Tier 1 ratio</b> .....	<b>17.0%</b>	<b>17.2%</b>

The regulatory scope of consolidation for the above mentioned Common Equity Tier 1 ratio comprises LeasePlan Corporation N.V. and its subsidiaries (the "Group") and is in regulatory reporting terms referred to as sub-consolidated level. The Group also submits regulatory reporting on a consolidated level (including parent company Global Mobility Holding B.V.) and on a solo level (LeasePlan Corporation N.V. stand-alone). The sub-consolidated level of consolidation is equal to the IFRS scope of consolidation as applied in these consolidated financial statements. In calculating the Common Equity Tier 1 capital the possibility of phasing in certain capital deductions is not applied. The Common Equity Tier 1 ratio is equal to the Total Capital Ratio.

In monitoring the adequacy of its capital the Group is constantly reviewing the development in (risk-weighted) exposures on the one hand and in eligible capital on the other. Stress testing forms a part of the aforementioned monitoring. Developments in (risk-weighted) exposures typically represent relative movements in the portfolio of the Group's core business. The eligible capital normally will grow with retained profits after dividend distribution. The Company has a dividend policy that supports the maintenance of adequate capital ratios.

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

## C. Credit risk

### Credit risk definition

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

## C. Credit risk (continued)

### Credit risk management structure and organisation

LeasePlan's Managing Board sets authority levels for all Group companies, based on which each is allowed to decide on counterparty acceptance and renewal. The authority levels are granted based on the relative size of the Group company and the perceived quality of credit risk management and are reviewed by the Group's Credit Committee in its quarterly meetings. Above a Group company's authority, the Group's credit risk management department, the Group's Credit Committee, the Credit Committee of the Supervisory Board or the Supervisory Board is authorised to decide on credit acceptance and renewal thereof depending on the size of the counterparty limit requested by the Group company. The Group has a custom built web-based global credit risk management system in place that enables it to efficiently, and in accordance with granted authorities, handle and monitor credit requests and defaults.

The Group's credit risk management department advises the Group's Credit Committee in quarterly meetings on items concerning adjustments of delegated authorities, development of credit risk in local portfolios, internal credit risk models performance, stress testing, development of trade receivables and doubtful debtors, watch accounts and provisions, and introduction and adjustment of credit risk management policies and guidelines. Furthermore, the Group's credit risk management department initiates the introduction and review of counterparty rating models and score cards.

Quantitative specialists within the Company are responsible for monitoring and analysing performance of the internal risk models and underlying risk components. In the model development phase, this function performs an internal pre-validation of the model and advises on the expected performance of the models to be validated and implemented. The quantitative specialists work in consultation with several corporate risk management disciplines and are supported by external parties, among others, for validation of the models.

The tasks of credit risk management organisations within the Group companies, including the local credit committee comprise, among others, the following:

- define a clear internal credit acceptance policy;
- decisions on credit requests;
- regular reviews of overdue trade receivables and the doubtful debtors; and
- regular reviews of the local watch account list, containing all counterparties that need special attention with regards to credit risk management.

In principle, the Managing Director and the Finance Director of a Group company form part of the local credit risk committee. The local credit risk committees act independently from the commercial business area. The Group's (internal) audit department pays, during the audits, specific attention to the way credit risk management has been organised and embedded in the organisation. For this purpose, the Group audit department has defined specific activities in its working programme.

The Group does not maintain trading or investment books. The policy for counterparty credit risk for banking and treasury counterparties in the banking book which applies to all Group companies (including the Group's central Treasury operations) is set by the Group's Credit Committee. The Group's treasury risk management department reviews adherence to limits on a daily basis. On a daily basis, the treasury risk management department reviews the current spread on Credit Default Swaps (CDS) of all relevant banking counterparties and sovereigns. The spread of a CDS, securing debt holders against a counterparty or sovereign defaulting on its debt, highlights the market participants perceived credit risk on such a counterparty. For credit risk in reinsurance, a reference is made to the section on motor insurance risk.

## **C. Credit risk (continued)**

Each year, the Group's risk management department prepares the risk appetite, which includes all risk areas and is subject to approval by the Managing Board and Supervisory Board. On a quarterly basis, the risk management department reports on actual performance against the risk appetite to the Supervisory Board. This report includes the credit risk position of the Group. Furthermore, the credit risk position is discussed in the Group's Credit Committee and is shared with the Managing Board.

### **Credit risk management policy**

The Group has issued policies to its Group companies, which regulate the governance of the local credit risk management organisation and set limits to industry sectors with which Group companies can do business. Group companies are required to define their risk appetite and set their limits on counterparty and concentration risks, as well as the types of business and conditions thereof in local policies. The Group distinguishes policies and portfolio between corporate clients, retail clients, governments, banks and others. In this respect, retail clients are defined as clients with a vehicle fleet with an investment value not exceeding EUR 1 million with which there is no active commercial relationship. Except for retail customers, which are assessed whenever a credit application is received, the credit risk of all counterparties is assessed at least once a year.

Each Group company is required to maintain a special attention list and a watch list which are based on the internal rating grades and other available information. These lists are reviewed in regular meetings by the credit committees. Credit risk exposures on companies included in these lists are monitored on a daily basis by the respective risk management teams on both local level and Group level. A qualitative analysis of total credit exposures, defaults and losses is reported on a quarterly basis to the Group's Credit Committee.

As per above, credit risk arising from the use of the relationship with banking and treasury counterparties is laid down in a specific counterparty policy. Limits are set on a single-name basis and are aligned with the Group's risk appetite. Key criteria used in setting limits are, among others, long-term debt ratings, credit risk assessments on the related banks and participations in the revolving credit facility. The Group, equally, puts in place acceptance criteria for reinsurance of motor insurance risks.

### **Credit risk measurement**

The Group uses an internally developed risk measurement system to measure the probability of default and the exposure to potential defaults for the corporate lease portfolio. The Group uses this measurement system to be able to report on such credit risk to external regulators.



## C. Credit risk (continued)

A summary of the approximation of the concentration of the financial assets in geographical sectors as at 31 December can be shown as follows:

	Member states of the European Union		Rest of the world	Total
	(euro)	(non-euro)		
<b>Financial assets</b>				
Cash and balances at central banks .....	1,605,423	13	1	1,605,437
Receivables from financial institutions .....	331,746	6,683	30,501	368,930
Derivative financial instruments .....	166,085	—	—	166,085
Rebates and bonuses and commissions receivable .....	197,021	22,995	15,389	235,405
Reclaimable damages .....	17,754	750	1,152	19,656
Interest to be received .....	161	—	4	165
Receivables from clients .....	763,232	853,626	1,692,654	3,309,512
Loans to other 3rd parties .....	—	9	12,473	12,482
Loans to investments accounted for using the equity method .....	103,325	—	—	103,325
Assets held-for-sale .....	—	—	13,065	13,065
<b>Total as at 31 December 2015 .....</b>	<b>3,184,747</b>	<b>884,076</b>	<b>1,765,239</b>	<b>5,834,062</b>
<b>Total as at 31 December 2014 .....</b>	<b>3,550,300</b>	<b>773,584</b>	<b>1,520,334</b>	<b>5,844,218</b>

A summary of the approximation of the concentration of the financial assets per industry as at 31 December can be shown as follows:

	Financial institutions	Manufacturing	Wholesale trade	Transport and public utilities	Public sector	Other industries	Total
<b>Financial Assets</b>							
Cash and balances at central banks .....	1,605,437	—	—	—	—	—	1,605,437
Receivables from financial institutions .....	368,930	—	—	—	—	—	368,930
Derivative financial instruments .....	166,085	—	—	—	—	—	166,085
Rebates and bonuses and commissions receivable .....	—	235,405	—	—	—	—	235,405
Reclaimable damages .....	—	—	—	—	—	19,656	19,656
Interest to be received .....	165	—	—	—	—	—	165
Receivables from clients .....	227,709	834,210	578,892	272,983	106,536	1,289,182	3,309,512
Loans to other 3rd parties .....	—	—	—	—	—	12,482	12,482
Loans to investments accounted for using the equity method .....	—	—	—	—	—	103,325	103,325
Assets held-for-sale ...	—	—	—	—	—	13,065	13,065
<b>Total as at 31 December 2015 .....</b>	<b>2,368,326</b>	<b>1,069,615</b>	<b>578,892</b>	<b>272,983</b>	<b>106,536</b>	<b>1,437,710</b>	<b>5,834,062</b>
<b>Total as at 31 December 2014 .</b>	<b>2,562,387</b>	<b>974,049</b>	<b>523,422</b>	<b>249,972</b>	<b>97,830</b>	<b>1,436,558</b>	<b>5,844,218</b>

## C. Credit risk (continued)

Information on past due and/or impaired financial assets as at 31 December can be shown as follows:

	Carrying amount	Neither past due nor impaired	Past due but not impaired	Impaired	Allowance for impairment
<b>Financial assets</b>					
Cash and balances at central banks . . . . .	1,605,437	1,605,437			
Receivables from financial institutions . . . . .	368,930	368,930			
Derivative financial instruments . . . . .	166,085	166,085			
Rebates and bonuses and commissions receivable . . . . .	235,405	235,405		1,008	(1,008)
Reclaimable damages . . . . .	19,656	19,656		6,354	(6,354)
Interest to be received . . . . .	165	165			
Receivables from clients . . . . .	3,309,512	2,809,175	495,462	95,786	(90,911)
Loans to other 3rd parties . . . . .	12,482	12,482			
Loans to investments accounted for using the equity method . . . . .	103,325	103,325		7,325	(7,325)
Assets held-for-sale . . . . .	13,065	13,065			
<b>Total as at 31 December 2015 . . . . .</b>	<b>5,834,062</b>	<b>5,333,725</b>	<b>495,462</b>	<b>110,473</b>	<b>(105,598)</b>
<b>Financial assets</b>					
Cash and balances at central banks . . . . .	957,951	957,951			
Receivables from financial institutions . . . . .	1,222,829	1,222,829			
Derivative financial instruments . . . . .	183,023	183,023			
Rebates and bonuses and commissions receivable . . . . .	204,512	204,512		1,269	(1,269)
Reclaimable damages . . . . .	24,111	24,111		6,331	(6,331)
Interest to be received . . . . .	99	99			
Receivables from clients . . . . .	2,952,126	2,472,433	476,880	91,973	(89,160)
Loans to investments accounted for using the equity method . . . . .	290,130	290,130		7,325	(7,325)
Assets held-for-sale . . . . .	9,437	9,437			
<b>Total as at 31 December 2014 . . . . .</b>	<b>5,844,218</b>	<b>5,364,525</b>	<b>476,880</b>	<b>106,898</b>	<b>(104,085)</b>

### Cash and balances at central banks/receivables from financial institutions

The Group maintains liquid assets at central banks and a diversified Group of solid commercial banks.

### Derivative financial instruments

In addition to its natural exposure to credit risk in the leasing of vehicles, the Group is also exposed to credit risk because of its use of derivative financial instruments and because of excess cash being deposited with banks. Both credit risks arising from the Group's central Treasury operations are controlled by setting specific nominal limits for the limited number of financial institutions that such transactions are being concluded with and the requirement of minimal external rating grades that such counterparties are assigned. Exposures on derivative financial instruments are mitigated by using CSAs (reference is made to paragraph 'Strategy in using financial instruments'). At year-end 2015, the Group received EUR 63 million cash collateral under these CSAs (2014: EUR 49 million).

### Receivables from clients

Receivables from clients are individually assessed on indications for impairment. The sources for such indications can be internal, such as internal credit rating, payment behaviour and receivable ageing or external, such as external credit ratings and solvency information. Impairment is recognised when collection of receivables is at risk and when the recoverable amount is lower

## C. Credit risk (continued)

than the carrying amount of the receivable, also taking into account cash collateral amounting to EUR 53.8 million at year-end 2015 (2014: EUR 42.9 million) and the fact the Group retains legal ownership of the leased asset until transfer of such ownership at the end of the lease contract.

Receivables from clients less than 90 days past due are not considered to be impaired, unless other information is available to indicate the contrary. Gross amounts of receivables from clients that were past due but not impaired were as follows:

As at 31 December	2015	2014
<b>Receivables from clients past due, but not impaired</b>		
Past due up to 90 days	436,128	430,801
Past due between 90 - 180 days	43,677	25,798
Past due between 180 days - 1 year	10,292	12,861
Past due 1 - 2 years	3,092	3,247
Past due over 2 years	2,273	4,173
<b>Total</b>	<b>495,462</b>	<b>476,880</b>

When invoiced lease instalments for finance leases are past due, the remaining not-yet-invoiced finance lease receivables (relating to the remaining contract duration) also become past due, and are included in the above balance of receivables from clients past due but not impaired. This balance of not-yet-invoiced finance lease receivables amounts to EUR 348 million (2014: EUR 309 million).

Receivables from clients impaired and the allowance for impairment were as follows:

As at 31 December	2015	2014
<b>Impaired loans and receivables from clients</b>	<b>95,786</b>	<b>91,973</b>
Provision on clients provided for	84,911	83,805
Incurred but not reported loss provision	6,000	5,355
<b>Total allowance for impairment</b>	<b>90,911</b>	<b>89,160</b>

The total impairment allowance for loans and receivables is EUR 90.9 million (2014: EUR 89.2 million) of which EUR 84.9 million (2014: EUR 83.8 million) represents the impaired receivables and the remaining amount of EUR 6.0 million (2014: EUR 5.4 million) represents the incurred but not reported loss provision. Reference is made to note 16 to the consolidated balance sheet.

The Group assessed the levels of forbearance activities. The financial impact of forbearance is not significant.

### Loans to investments accounted for using the equity method

Credit risk for the Group also arises on lending to associates and jointly controlled companies. The underlying business of the respective associates and jointly controlled companies is very similar to the core activities conducted through wholly owned Group companies. In shareholder agreements the Group has agreed with its respective partners the ability to provide debt funding under specific credit documentation. Such provision of credit is committed and established limits are reviewed regularly. In the control of its investments in associates and jointly controlled entities, the Group also monitors and manages its credit exposure to such entities. The impairment in the table on past due and/or impaired financial assets relates to loans to Overlease, a jointly controlled entity in Italy. In June 2009 the shareholders of Overlease decided to enter into a liquidation scenario for this company. As a result, it is expected that Overlease will not be able to fully repay loans received from the Group. This is an ongoing situation.

## C. Credit risk (continued)

### Credit risk measurement including non-financial assets

Corporate counterparties of the Group (the lease contract portfolio) are segmented into 14 non-default rating classes. The Group's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The governance framework built around models ensures that the rating tools are kept under constant review and are renewed when necessary. For this purpose the Group monitors on a quarterly basis whether the performance of the models meets internal and external requirements. Annually, all models are validated by an external party. The Group's internal ratings scale and mapping of external ratings are:

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

The ratings of Standard & Poor's shown in the table above are mapped to the Group's rating classes based on the long-term average default rates for each external grade. The Group uses the external ratings where available to benchmark its internal credit risk assessment. Observed defaults per rating category vary year on year, especially over an economic cycle.

## C. Credit risk (continued)

All balances included under the heading central banks are deposited at the DNB. The table below summarises the credit rating of the other most relevant financial assets of the Group, except for the lease contract portfolio which includes both financial assets (finance leases) and non-financial assets (operating leases) as credit rating is performed on the total lease contract portfolio. The credit rating of the finance lease portfolio is, however, not substantially different from the credit rating of the total lease contract portfolio. For counterparties included in the lease contract portfolio that are subject to the AIRB models, and for which no external rating is available, the 'external' rating is based on the internal Group's rating equivalent as mentioned in the mapping table above. Internally scored relates to AIRB retail counterparties in the United Kingdom and the Netherlands. The unrated part mainly includes the lease contract portfolio to retail clients for which the Standardised Approach is applied. There are no defaults included in the unrated part of the lease contract portfolio.

External rating	2015			2014		
	Lease contract portfolio	Derivative financial instruments	Receivables from financial institutions	Lease contract portfolio	Derivative financial instruments	Receivables from financial institutions
AAA to AA- . . . . .	952,360	51,252	24,015	938,862	69,228	375,918
A+ to A- . . . . .	4,682,827	67,294	278,218	4,241,804	110,053	825,031
BBB+ to BBB- . . . . .	5,972,454	47,539	58,942	5,438,171	3,742	9,556
BB+ to BB- . . . . .	1,480,016	—	2,245	1,306,605	—	155
B+ to B- . . . . .	99,099	—	—	166,437	—	6,148
CCC+ to C . . . . .	2,883	—	—	9,537	—	606
At default . . . . .	7,861	—	—	12,580	—	—
Internally scored . . . . .	1,583,961	—	—	1,335,990	—	—
Unrated . . . . .	2,280,258	—	5,510	1,671,067	—	5,415
<b>Total . . . . .</b>	<b>17,061,719</b>	<b>166,085</b>	<b>368,930</b>	<b>15,121,053</b>	<b>183,023</b>	<b>1,222,829</b>

In addition to the (financial) assets included in the table above the Group recognises other unrated financial assets such as (i) rebates and bonuses and commissions receivable and (ii) loans to investments accounted for using the equity method. The receivables are due from counterparties that are contracted for purchasing goods and rendering services.

The Company applies a local judgement criterion in its default definition. As a consequence of this local judgement criterion, the probability of default of AIRB counterparties is somewhat lower than when applying a default definition solely based on a definition of default as being over 90 days past due (as per the CRR/CRD IV definition), whereas the loss-given default is somewhat higher. The local judgement criterion is used to avoid disputes with counterparties being reported as defaults and reflects the automotive service nature

Loss-given default or loss severity represents the Group's expectation of the extent of a loss should default occur. It is expressed as percentage loss of the exposure at the time a counterparty is declared in default and typically varies by country and transactional features like the leased object. The average credit risk exposure-weighted estimated loss given default percentage of the AIRB portfolio, and applicable to the capital calculation of the Group in 2015, amounted to 27% (2014: 28% for the AIRB corporate portfolio). The remaining maturity of the lease portfolio on average amounts to 2.01 years (2014: 1.93 years).

On a quarterly basis the Group's credit risk management department performs stress testing on the AIRB lease portfolio by assuming deterioration in counterparties' scores and ratings in combination with a deterioration of LGDs. The worst case scenario calculated under these stress tests assumes the following: (i) for all counterparties in countries with a Standard & Poor's rating equal to or higher than BBB a decrease of 1 notch of the counterparties' rating and in countries with a Standard & Poor's rating below BBB a decrease of 2 notches of the counterparties' rating,

## **C. Credit risk (continued)**

and (ii) in all countries a deterioration of the average LGD by 5% for corporate counterparties and 10% for retail counterparties. Such a scenario would, for the Group, result in an increase of required capital amounting to approximately EUR 99 million which includes an additional AIRB provision shortfall of EUR 20 million.

## **D. Asset risk**

### **Asset risk definition**

Within the Group, asset risk is split into two main underlying risk components; residual value risk and risk related to the services repair, maintenance and tyre replacement. The residual value risk is defined by the Group as the exposure to potential loss at contract end date due to the resale values of assets declining below the estimates made at lease inception. The risk related to repair, maintenance and tyre replacement is considered the Group's exposure to potential loss due to the actual costs of the services repair, maintenance and tyre replacement exceeding the estimates made at lease inception.

### **Asset risk management structure and organisation**

The Managing Board is the highest governing authority on asset risk management within the Group. The Managing Board decides on the content and potential changes of policies and is informed about all relevant and significant developments with regard to the Group's asset risk profile. Trends in relevant asset risk related elements are monitored by and discussed in the Group's Asset Risk Committee. This committee also discusses changes to Group policies regarding asset risk and the Group's asset risk position. The Group's asset risk management department is responsible for establishing and maintaining the asset risk management framework and monitoring the Group's asset risk profile.

The Group's risk management department prepares the risk appetite annually, which includes all risk areas and is subject to approval by the Managing Board and Supervisory Board. On a quarterly basis the Group's asset risk management department reports on actual performance against the risk appetite to the Supervisory Board. The report includes the asset risk position of the Group. The asset risk position is furthermore discussed in the Group's Asset Risk Committee and shared with the Managing Board.

A Group company's management is responsible for the adequate management (risk identification, risk assessment and response, risk control, monitoring and communication) of asset risks in their respective lease portfolios. All Group companies have an asset risk management position in place. The Group's audit department, during their audits, pays specific attention to the way asset risk management has been organised and embedded. This department also verifies compliance with the Group policies. For these purposes the Group audit department has defined specific activities in its working programme.

### **Asset risk management policy**

The Group has a robust policy in place with respect to asset risk management that applies to the whole Group. The policy, among others, outlines a limit structure which is based on the Group's defined residual value risk appetite, whereby the level of risk taking is determined for three echelons within the Group (i.e. country, region and Group). Furthermore, the policy describes that due to the complexity involved all Group companies should establish an asset risk committee including the Managing Director and/or the Finance Director. This committee convenes at least once every quarter and its primary task is to oversee the adequate management of asset risks on behalf of the local management team. Equally, the committee ensures that the management team of a Group company is informed on all relevant issues. The local asset risk committee assesses influences on asset risk exposure (both internal as well as external) and, based on its



## D. Asset risk (continued)

assessment, decides on the level of pricing and risk mitigating measures. The Group companies have internal reporting in place regarding asset risk management. The internal reporting should include, but is not limited to, the trends in termination results, trends in risk mitigation and asset risk measurements. The policy also describes the minimum standard with respect to risk mitigating techniques. The purpose of these risk mitigating techniques is to ensure that Group companies are placed in a position where asset risks can be managed. Examples of risk mitigation are charging end-of-contract damages and charging the costs related to premature terminations. Additionally, the Group in many cases is allowed to recalculate the asset risk parameters in a contract in case of deviations of actual mileage versus contractually agreed mileage.

### Asset risk measurement

Asset risk is analysed throughout the term of the lease contracts: starting at lease inception, following it through its term up to lease termination. Measuring asset risk at all three stages of the lease contracts assists in tracing developments in asset risk elements and identifying adverse trends.

- Contract Inception; on a monthly and quarterly basis the contractual residual values and the pricing applied for vehicle repair, maintenance and tyre replacement risk of the Group companies are reviewed. Adverse developments arising from the pricing reviews are then discussed with local and regional management.
- During Contract Life; the Group companies measure the residual value risk and repair, maintenance and tyre replacement risk on vehicles under lease contracts and report the estimated results of these exposures at lease termination to the corporate centre on a quarterly basis. These measurements are referred to as fleet risk assessments. These measurements are calculated through statistical analysis (such as multiplicative models or linear regressions) based on the Group companies' historical vehicle sales proceeds. Estimates in respect of residual values and results from vehicle repair, maintenance and tyre replacement are made at an individual vehicle level and aggregated to portfolio level. The outcomes of these measurements are reviewed and discussed within local asset risk management committees and reported to the corporate centre. The outcomes can also serve as a basis for the determination of any prospective depreciation of the Group's consolidated portfolio.
- Contract Termination; for vehicle leases terminated within the relevant monthly or quarterly reporting period, the actual sales proceeds from the vehicle and the result from vehicle repair, maintenance and tyre replacement are monitored and reviewed in comparison to the estimates made at lease inception and adjusted during the term of the lease.

On a quarterly basis, all Group companies assess the exposures in the existing lease portfolios for future years and, inter alia, compare contracted residual values to the latest expectations of market prices. With a view to the consolidated Group outcome of the assessment of expected residual value results in future years, no additional depreciation charge was taken in 2015 (2014: nil). Reference is made to note 3 and note 17 to the consolidated financial statements.

In determining additional depreciation charges not only the outcome of the comparison between residual value and expected market price is relevant, but also the risk mitigating measures which the Group actively pursues to manage residual value risk during and at the end of a lease contract, are of importance. Examples of such measures are forward looking with regards to estimated numbers of early terminations, mileage variation adjustments to lease rentals and amounts of end of contract damages invoiced at contract termination. Additional management actions and compensating elements as well as other risk bearing elements of the product (i.e. maintenance, tyre replacement and repair), are included in the Group's exposure.

## D. Asset risk (continued)

The Group monitors this exposure on a continuous basis and adjusts its residual values for new leases accordingly. New leases are originated in general for original terms of three to four years, but are in practice also regularly adjusted during the term of the lease (either extended or early terminated).

The Group's residual position in relation to the total lease portfolio can be illustrated as follows:

	2015	2014
Future lease payments .....	7,458,874	6,717,669
Residual value .....	9,602,845	8,403,384
<b>Total .....</b>	<b>17,061,719</b>	<b>15,121,053</b>

The above table includes both operating and finance leases. The Group is therefore not effectively exposed to the entire residual value, since part of this represents its finance lease portfolio. On the remaining amount that the Group is exposed to, risk mitigating measures as described above have an important (reducing) impact. Taking also into account the geographical and make/model diversification of the Group's portfolio of vehicles, it is appropriate to conclude that the Group is well set up for managing volatility in used vehicle prices.

The Group performs stress testing as part of the above-mentioned quarterly assessment. A one percentage point movement in the latest expectation of future (used car) market prices would lead to a EUR 57 million movement in estimated termination results for the year 2016.

## E. Treasury risk

### Treasury risk definitions

Treasury risk in this respect entails a combination of three individual risks, being liquidity risk, interest rate risk and currency risk. Liquidity risk is the risk that the Group is not able to meet its obligations for (re)payments, due to a mismatch between the (re)financing of its assets and liabilities. Interest rate risk is the risk that the profitability and shareholders' equity of the Group is affected by movements in interest rates. Currency risk entails the risk that currency fluctuations have an adverse impact on the Group's result and shareholders' equity.

### Treasury risk management structure and organisation

Annually, the Group's risk management department prepares the risk appetite statement, which includes all risk areas and is subject to approval by the Managing Board and Supervisory Board. On a quarterly basis the Group's risk management department reports on actual performance against the risk appetite to the Supervisory Board. This report includes the treasury risk positions of the Group, including liquidity, interest rate risk and currency risk. The treasury risk positions are furthermore discussed in the Group's Funding and Treasury Risk Committee (FTRC) and shared with the Managing Board.

Whereas risk committees like the FTRC are meant for going-concern situations, an Executive Crisis Management Team (ECMT) exists at Group level to manage liquidity and capital levels in a crisis scenario. LeasePlan has developed a trigger and early warning indicator framework. In case a certain trigger level is breached, the ECMT should decide whether to activate the Alarm Phase 'amber' or Recovery Phase 'red' depending on the breached level. The ECMT includes among others all Managing Board members (voting), all regional senior vice-presidents and members representing Risk Management, Strategic Finance, Control, Reporting & Tax, Corporate Strategy & Development, Legal and Compliance and Corporate Communications (non-voting), as well as several additional non-voting need-based consultant roles. The activation, role and mandate of the ECMT is governed by the Liquidity Contingency Plan (LCP) and Capital Contingency Plan (CCP). These are integrated with ongoing liquidity and capital risk management and the Recovery plan. As of 2013 the DNB has required all Dutch banks to have a

## **E. Treasury risk (continued)**

Recovery plan in place, for the hypothetical situation the Group approaches critical levels for survival. Although not limited to such a case, this scenario would presumably materialise via the liquidity or capital position of the Group.

The compliance with the risk appetite statement of the Group and Group companies (including the Group's central Treasury and LeasePlan Bank) is monitored on, at least, a monthly basis by the Group's treasury risk management (TRM) department, whereas treasury risk positions of the Group's central Treasury are monitored daily. The TRM department, part of Corporate Risk Management, is physically present at the Group's central Treasury and has the responsibility to monitor treasury risk limits, achievement of liquidity targets, and to identify control breakdowns, inadequacy of processes and unexpected events. Non-compliance and follow-up measures are discussed within the FTRC.

### **Treasury risk management policy**

#### ***Liquidity risk policy***

The liquidity risk appetite and tolerance levels are based on the following key principles:

1. the primary (overarching) objective in managing funding & liquidity risk is to accommodate the going concern business objectives without incurring unduly exposure to liquidity or refinancing risk;
2. LeasePlan aims to be matched or longer funded with reasonable (relative) funding costs;
3. primary objective of the funding strategy is to maintain good market access at all times; and
4. compliance with minimum regulatory liquidity requirements at all times.

Liquidity risk is not perceived by the Group as a driver for profit, hence the policy is aimed at matched funding and diversification of funding sources. Liquidity risk is managed by seeking to conclude funding that matches the estimated run-off profile of the leased assets. This matched funding principle is applied both at a consolidated Group and at subsidiary level taking into account specific mismatch tolerance levels depending on the total of interest bearing assets of the subsidiary. Group companies' local management is responsible to adhere to the matched funding policy and has the possibility to attract funding directly via external banks or to attract funding at the Group's central Treasury. For the latter situation, a fund transfer pricing policy is applied to ensure proper pricing. The fund transfer price is determined monthly and approved by the Managing Board.

A key instrument in the liquidity risk management is the funding planning maintained at Group level and is a recurring item on the FTRC agenda. The funding planning forecasts issuances and redemptions for each funding source, resulting in a multi-year projection of the liquidity position. Apart from the actual forecast, a stress-tested forecast is calculated based on stress assumptions. The governance of the liquidity stress testing process is outlined in the Liquidity Stress Testing Policy.

The Group maintains a number of stress scenarios addressing idiosyncratic and market wide risk drivers in both specific and combined scenarios. On a monthly basis, a high-level stress test is performed based on fixed parameterisation of cash flow forecasting, in addition to the quarterly stress testing cycle.

Stress testing results are used both for contingency planning as for going-concern funding and risk activities, for instance, to set the target level for the liquidity buffer to meet financial obligations during a period of severe stress. Stress testing is also input for periodic recalibration of the risk appetite for liquidity risk.

## E. Treasury risk (continued)

Liquid assets are maintained to meet regulatory liquidity requirements at all times. In addition to liquid assets to meet a longer term stress period of at least nine months, the Group has established several committed credit facilities from solid financial institutions, diversified across countries inside and outside the European Monetary Union and from Volkswagen Group.

In addition to the Group's own internal policies and controls, liquidity risk is also supervised by and reported to the DNB on a monthly basis. The liquidity supervision by the DNB is focused on identifying available sources of liquidity and required liquidity for weekly and monthly periods. Furthermore, on the 1st of October 2015, a Liquidity Coverage Ratio (LCR) of 100% has been introduced as a binding regulatory requirement. These regulatory liquidity limits are embedded in the Group's liquidity and cash management processes. Apart from end-of-month reporting, the Group monitors the development of DNB liquidity levels as part of the funding planning process.

### *Interest rate risk policy*

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

- Group companies and jointly controlled entities, carrying interest-bearing assets (mainly lease contracts) and funding on their balance sheet, which mainly is inter-company funding supplied by the Group's central treasury;
- the Group's central treasury, concluding external funding, external derivatives and granting inter-company loans to Group companies.

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

The Group's central Treasury provides loans to Group companies and attracts funds from the market in conjunction with interest rate derivatives entered into for hedging purposes. Derivative financial instruments are concluded by the Group's central Treasury as an end-user only. Due to the required, IFRS compliant, accounting treatment of derivative financial instruments, the Group is exposed to some volatility in the Group's income statement, particularly for those derivatives that do not qualify for hedge accounting.

To enable the Group's central Treasury to achieve economies of scale, smaller inter-company assets are grouped into larger- sized external funding transactions. Some timing differences are unavoidable in this process and interest rate risk exposures are inherent to the central treasury process. To manage this risk, limits are set for the level of mismatch of interest rate re-pricing that may be undertaken by currency and time period.

During 2015, the Group implemented a model to measure the liquidity and interest typical duration of LeasePlan Bank's flexible savings from a behavioural perspective. LeasePlan Bank invests the flexible savings funds received by placing deposits with the Group's central Treasury in line with the analysed interest profile of flexible savings, thereby replicating the flexible savings' maturity profile.

## E. Treasury risk (continued)

### *Currency risk policy*

Due to its activities in countries worldwide, the Group is exposed to currency exchange rates and uses the euro as its functional currency. Whenever reasonably possible, hedging is applied by means of matching assets and liabilities or by means of financial derivatives.

Nearly all debt funding, directly or via derivatives, is concluded in the currency in which assets are originated, thereby protecting balance sheets ratios against currency fluctuations. This principle is applied both at Group level, and at the local Group company level. This is required both when obtaining funds at local banks or at the Group's central Treasury. In order to facilitate this, the Group's central Treasury works with limits per currency, in line with the Group's approved risk appetite.

The Group is exposed to the currency risk on its equity holdings of its subsidiaries, including annual results. The Company has in general the policy not to hedge translation risk, but keeps open the possibility to do so when operations are denominated in highly volatile currencies or in a high inflation environment.

### **Treasury risk measurement**

#### *Liquidity risk measurement*

The table below presents the contractual undiscounted cash flows payable of the financial liabilities of the Group in the relevant contractual maturity groupings. The cash flows do not reconcile to the balance sheet because the balance sheet amounts are presented on an amortised cost basis. In 2015, as a result of the diversified funding strategy, both funds entrusted and funding in the debt capital markets increased.

	0-3 months	3-12 months	1-5 years	> 5 years	Total
<b>Financial liabilities</b>					
Trade payables	764,430	—	—	—	764,430
Borrowings from financial institutions	353,713	518,971	1,189,054	11,380	2,073,118
Funds entrusted	3,013,292	1,167,209	906,300	173	5,086,974
Debt securities issued	102,010	1,402,959	6,254,451	383,023	8,142,443
Future payments (interest and commitment fees)	51,319	187,897	309,438	160,116	708,770
<b>Total as at 31 December 2015</b>	<b>4,284,764</b>	<b>3,277,036</b>	<b>8,659,243</b>	<b>554,692</b>	<b>16,775,735</b>
<b>Financial liabilities</b>					
Trade payables	641,414	—	—	—	641,414
Borrowings from financial institutions	376,504	893,281	721,571	—	1,991,356
Funds entrusted	2,491,409	1,225,931	661,104	447	4,378,891
Debt securities issued	647,373	1,116,571	5,424,237	449,857	7,638,038
Future payments (interest and commitment fees)	92,304	164,798	309,854	167,572	734,528
<b>Total as at 31 December 2014</b>	<b>4,249,004</b>	<b>3,400,581</b>	<b>7,116,766</b>	<b>617,876</b>	<b>15,384,227</b>

## E. Treasury risk (continued)

### Treasury risk measurement (continued)

In the table below for interest rate swaps the undiscounted cash inflows and outflows are presented on a net basis into the relevant maturity Groupings, whereas the undiscounted cash flows on currency swaps are presented on a gross basis.

	0-3 months	3-12 months	1-5 years	> 5 years	Total
Interest rate swaps/forward rate agreements, netted cash flow . . . . .	(428)	2,739	63,875	134,733	200,919
Currency swaps cash inflow . . . . .	2,761,186	564,425	1,000,780	—	4,326,391
Currency swaps cash outflow . . . . .	(2,746,799)	(549,285)	(981,979)	—	(4,278,063)
<b>Total as at 31 December 2015 . . . . .</b>	<b>13,959</b>	<b>17,879</b>	<b>82,676</b>	<b>134,733</b>	<b>249,247</b>
Interest rate swaps/forward rate agreements, netted cash flow . . . . .	715	1,287	58,199	134,466	194,667
Currency swaps cash inflow . . . . .	2,668,821	893,220	834,225	—	4,396,266
Currency swaps cash outflow . . . . .	(2,652,618)	(914,622)	(838,515)	—	(4,405,755)
<b>Total as at 31 December 2014 . . . . .</b>	<b>16,918</b>	<b>(20,115)</b>	<b>53,909</b>	<b>134,466</b>	<b>185,178</b>

As a precaution to the risk of not having continued access to financial markets for funding, the Company maintains a liquidity buffer. This buffer includes cash and committed (standby) credit facilities to safeguard the Group's ability to continue to write new business also when temporarily no new funding could be obtained and hence to reduce the liquidity risk for the Group.

The following two facilities are included in the liquidity buffer. A three-year committed revolving credit facility renewed in June 2015 with a consortium of 12 banks (EUR 1.25 billion) maturing in December 2018. Furthermore, a three-year credit facility with Volkswagen A.G., through its subsidiary Volkswagen International Luxemburg S.A., (EUR 1.25 billion) maturing December 2018 renewed in March 2015. None of these facilities include material adverse change clauses. During 2015, 2014 and 2013 no withdrawals were made on the above-mentioned facilities.

The DNB sets out minimum liquidity level requirements demanding that available liquidity exceeds required liquidity at all times. Furthermore, on the 1st of October 2015, a Liquidity Coverage Ratio (LCR) of 100% has been introduced as a binding regulatory requirement. The Group is in compliance with these minimum liquidity requirements.

The Group's liquidity stress testing program includes the integration of risk drivers and review of stress scenarios, governance, tools used and documentation of the stress testing process. The Group maintains a number of stress scenarios addressing idiosyncratic and market-wide risk drivers in both specific and combined scenarios. On a monthly basis, a high-level stress test is performed based on fixed parameterisation of cash flow forecasting, in addition to the quarterly stress testing cycle. Stress testing results are used both for contingency and going-concern activities, for instance, to measure against the target level for the liquidity buffer under severe stress, which is a minimum of 9 months.

#### **Interest rate risk measurement**

Interest rate risk within LeasePlan is managed separately for:

- Group companies and jointly controlled entities, carrying interest-bearing assets (mainly lease contracts), on their balance sheet,
- the Group's central Treasury, concluding external funding, external derivatives and granting inter-company loans to Group companies.



## **E. Treasury risk (continued)**

### **Treasury risk measurement (continued)**

Group companies' interest rate exposure resulting from covering interest-bearing assets by both interest-bearing liabilities and non-interest bearing working capital and equity is EUR 3.4 billion (2014: EUR 2.9 billion). Due to accounting treatment of lease contracts, this does not lead to gains or losses in the Group's income statement or in shareholder's equity.

LeasePlan applies stress testing on the level of exposure related to consolidated Leasing companies. Where interest-bearing sensitive liabilities fall short to cover interest bearing assets, non-interest-bearing working capital and subsidiary's equity are allowed to cover interest-bearing assets as part of LeasePlan's Matched Funding Policy. Every quarter the duration and convexity of LeasePlan's shareholder's equity is estimated and multiplied by 200 basis points. For December 2015, an impact of EUR 178.8 million (2014: EUR 162.0 million) has been calculated. This methodology has also been used within the Pillar 2 capital calculation.

Stress testing also took place regularly on central treasury exposures during the year by analysing the profit and loss effect of an unexpected increase of 200 basis points parallel yield curve shift in all currencies. The results on the interest positions are due to the fact that the Group's central Treasury leaves interest exposures open by not fully hedging the inter-company funding. These interest rate positions are held in different currencies yet mainly in EUR, USD, GBP and CHF, for which limits have been approved as part of risk appetite. The Managing Board has approved absolute limits for all these currencies. The open interest positions are sensitive to a change in interest rates. The analysis is performed by calculating the impact of an increase in rates on the future cash flows of all transactions (including the off-balance transactions) categorised as open interest rate position. Based on this analysis it can be concluded that with an increase in interest rates of 200 basis points the results on the open interest positions will decrease the profit before tax for the year ending 31 December 2015 by approximately EUR 5.0 million (2014: EUR 11.5 million). The calculation is based on a blended yield curve of cash rates and swap rates derived from Bloomberg. This methodology is also used within the Pillar 2 capital calculation.

### ***Currency risk measurement***

The Group has a limited exposure to effects of fluctuations in currencies on its financial position and cash flows. The main cause for this limited exposure is that nearly all debt funding, directly or via derivatives, is concluded in the currency in which assets are originated. Also the Group's equity is allocated to the currencies in which assets are denominated. The Group monitors the relative currency exposure, by comparing the Group's RWA and regulatory capital per currency. The Group's aim is to neutralise the Group's capital ratio due to currency exchange rate fluctuations.

Being active largely in the Eurozone, the Group is exposed to the possible exit of one or more individual member states.

## E. Treasury risk (continued)

### Treasury risk measurement (continued)

The table below summarises the Group's exposure to currency risk as at 31 December:

	EUR	GBP	USD	AUD	Other	Total
<b>As at 31 December 2015</b>						
<b>Financial assets</b>						
Cash and balances at central banks	1,605,422				15	1,605,437
Receivables from financial institutions	297,650	1,330	14,565	5,672	49,713	368,930
Derivatives (long)	2,771,793	1,400	842,414	1,930	723,660	4,341,197
Rebates and bonuses and commissions receivable	191,408	11,857	5,959	2,116	24,065	235,405
Reclaimable damages	17,431				2,225	19,656
Interest to be received	161				4	165
Receivables from clients	747,103	447,798	1,316,814	266,332	531,465	3,309,512
Loans to other 3rd parties		9			12,473	12,482
Loans to investments accounted for using the equity method	103,325					103,325
Assets held-for-sale			13,065			13,065
<b>Non- financial assets</b>	<b>10,146,056</b>	<b>2,198,770</b>	<b>336,517</b>	<b>475,848</b>	<b>2,423,993</b>	<b>15,581,184</b>
<b>Total</b>	<b>15,880,349</b>	<b>2,661,164</b>	<b>2,529,334</b>	<b>751,898</b>	<b>3,767,613</b>	<b>25,590,358</b>
<b>Financial liabilities</b>						
Trade payables	522,337	31,665	22,225	30,145	158,058	764,430
Interest payable	64,811	471	7,583	1,601	16,187	90,653
Derivatives (short)	1,355,397	1,886,637	30,976	348,962	641,519	4,263,491
Borrowings from financial institutions	1,067,675	276,996	36,826	8,741	682,880	2,073,118
Funds entrusted	5,085,382				1,592	5,086,974
Debt securities issued	4,337,186		2,217,214	117,645	1,470,398	8,142,443
<b>Non- financial liabilities</b>	<b>1,317,288</b>	<b>236,279</b>	<b>80,300</b>	<b>114,752</b>	<b>349,166</b>	<b>2,097,785</b>
<b>Total</b>	<b>13,750,076</b>	<b>2,432,048</b>	<b>2,395,124</b>	<b>621,846</b>	<b>3,319,800</b>	<b>22,518,894</b>
<b>Net position</b>	<b>2,130,273</b>	<b>229,116</b>	<b>134,210</b>	<b>130,052</b>	<b>447,813</b>	<b>3,071,464</b>
<b>Currency position</b>		<b>229,116</b>	<b>134,210</b>	<b>130,052</b>	<b>447,813</b>	
Net investment subsidiaries		229,778	112,423	127,716	398,111	
Other		(662)	21,787	2,336	49,702	
<b>As at 31 December 2014</b>						
Financial assets	3,262,617	375,266	1,169,903	270,522	582,887	5,661,195
Derivatives (long)	2,726,105	1,016	609,998	1,748	543,571	3,882,438
Non-financial assets	8,979,165	1,837,583	256,781	495,636	2,242,366	13,811,531
Financial liabilities	10,520,248	481,896	1,683,868	227,792	1,848,363	14,762,167
Derivatives (short)	1,214,136	1,291,049	189,125	314,408	820,981	3,829,699
Non-financial liabilities	1,211,365	205,475	65,922	104,668	332,942	1,920,372
<b>Net position</b>	<b>2,022,138</b>	<b>235,445</b>	<b>97,767</b>	<b>121,038</b>	<b>366,538</b>	<b>2,842,926</b>
<b>Currency position</b>		<b>235,445</b>	<b>97,767</b>	<b>121,038</b>	<b>366,538</b>	
Net investment subsidiaries		238,766	97,529	120,241	363,056	
Other		(3,321)	238	797	3,482	

## **E. Treasury risk (continued)**

### **Treasury risk measurement (continued)**

At 31 December the Group has assessed the difference between assets and equity at Group level and for individual currency areas, as the relative currency exposure. The logic behind this is that if the relative assets/equity position is the same as for the Group, both assets and equity allocated to the non-functional currency will deviate, but will not impact the Group's capital ratio. Taking a 10% presumed currency shock on all currencies against the euro, an instantaneous impact on the Group's capital would be EUR 20.8 million (2014: EUR 13.7 million).

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

## **F. Financial reporting risk**

Like other companies, LeasePlan faces financial reporting risks resulting from operational failures or external events, such as changes in regulations, acts from personnel and system issues. The finance systems and processes are designed to support the accounting and reporting of products and transactions and to avoid issues as non compliance with regulations and the LeasePlan accounting and reporting policy, system failures and human errors. LeasePlan has processes in place to update and improve these finance systems and processes when required.

## **G. Motor insurance risk**

### **Motor insurance risk definition**

As a result of its normal business activities the Group is exposed to motor insurance risk. Motor insurance risk is the exposure to potential loss due to costs related to damages incurred for the Group's account exceeding the compensations included in lease rental payments. This risk consists of long-tail risks (a.o. motor third party liability and legal defence) and short-tail risks (a.o. motor material damage and passenger indemnity).

### **Motor insurance risk management structure and organisation**

The Managing Board is the highest ruling authority with respect to motor insurance risk management within the Group. The Managing Board decides on the content of policies as well as amendments to these policies. Parts of the responsibilities of the Managing Board are delegated to the Group's Motor Insurance Risk Committee. The Group's motor insurance risk management department is responsible for establishing and maintaining the motor insurance risk framework and monitoring Group's motor insurance risk profile. Motor insurance risks are underwritten by the Group's insurance subsidiary, Euro Insurances based in Dublin, Ireland, (these risks are referred to as insurance risk). In addition, some LeasePlan subsidiaries have a local risk retention scheme for motor material damages and retain the damage risk, while also offering insurance coverage through either Euro Insurances or external providers. Euro Insurances is regulated by the Central Bank of Ireland and its 'European passport' enables it to support Group companies in all EU countries. Euro Insurances is capitalised in accordance with standardised approach of Solvency II. Euro Insurances maintains external reinsurance cover on an excess loss basis for motor third party liability and catastrophic events. Euro Insurances reinsures these risks up to prescribed coverage limits with an external reinsurance panel in order to minimise the financial impact of a single large accident and/or event.

Annually, the Group's risk management department prepares the risk appetite, which includes all risk areas and requires approval by the Managing Board and the Supervisory Board. On a quarterly basis, the Group's risk management department prepares reporting to the Supervisory Board on performance against the risk appetite, including developments within motor insurance within the Group. The motor insurance position is furthermore discussed in the Group's Motor Insurance Risk Committee and shared with the Managing Board.

## **G. Motor insurance risk (continued)**

### **Motor insurance risk management policy**

The overall approach is to selectively accept damage and insurance risk in LeasePlan subsidiaries and Euro Insurances. The Group's objective is to identify and develop the motor insurance risk profile and to continuously monitor and manage these risks in line with Group's risk appetite for motor insurance risk. In principal the Group only accepts damage and insurance risk positions arising from its own operating and (to a lesser extent) finance lease portfolio. Damage and insurance specialists in each Group company accept damage or insurance risks in accordance with the strict risk selection and pricing procedures issued by Euro Insurances. These procedures set out the scope and nature of the risks to be accepted (or not) as well as the authority rules.

Settlement of damages is outsourced to specialised independent damage handling companies in accordance with service level agreements. Settlement of damages is done by specialised damage handling teams when a local risk retention scheme is in place.

In order to clearly identify, monitor, manage and limit the risks, principles are laid down in a motor insurance risk policy that must be adhered to by all Group companies. Main requirements are the existence of motor insurance risk function within all Group Companies which is independent from the insurance (pricing) department and a local motor insurance risk committee which is required to monitor exposure and discuss trends and developments thereof. Clear authorisation structures are in place for intended launches of and changes in insurance structures and programmes. (Re)insurers are selected on the basis of their financial strength, price, capacity and service and are monitored, also in respect of credit ratings, on a quarterly basis.

### **Motor insurance risk measurement**

The Group monitors the damage and insurance risk acceptance process and the financial performance using actuarial and statistical methods for estimating liabilities and determining adequate pricing levels. Regular analysis of damage and loss ratio statistics, strict compliance with damage handling procedures and policies and when necessary, reviews of damage and insurance risk pricing, ensure a healthy balance between revenues and damages at both an aggregate level and an individual fleet level. The provision for damages is regularly assessed and periodically verified by (external) actuaries.

The price for acceptance of damage and insurance risk is set in each market based on prevailing local market conditions after determining appropriate levels of (re)insurance cover and the expected costs of managing and settling damages. Regular external actuarial assessments support internal actuary assessments of the individual programme loss ratios, which are influenced by statistical evidence of accident frequency in the local market and the cost per large damage. These support the Incurred But Not Reported (IBNR) and Incurred But Not Enough Reported (IBNER) factors used to determine appropriate reserve levels necessary to meet projected short-tail and long-tail damages.

Under the motor insurance risk policy, Group companies measure and monitor their motor insurance risk exposure by performing a yearly damage and insurance risk self-assessment. On a quarterly basis Euro Insurances and Group companies measure and report their risk exposures by means of premium developments and loss ratios to central management. These loss ratios are consolidated on Group level and monitored against our defined risk appetite.

## H. Fair value of financial instruments

The table below summarises the Group's financial assets and financial liabilities of which the derivatives are measured at fair value and the other financial assets and other financial liabilities are measured at amortised costs on the balance sheet as at 31 December.

	Carrying value		Fair value	
	2015	2014	2015	2014
<b>Level 1</b>				
<b>Financial assets</b>				
Loans and receivables				
Cash and balances at central banks . . . . .	1,605,437	957,951	1,605,437	957,951
<b>Total</b> . . . . .	<b>1,605,437</b>	<b>957,951</b>	<b>1,605,437</b>	<b>957,951</b>
<b>Level 2</b>				
<b>Financial assets</b>				
Derivative financial instruments in hedge . . . . .	83,799	95,853	83,799	95,853
Financial assets at fair value through the income statement				
Derivative financial instruments not in hedge . . . . .	82,286	87,170	82,286	87,170
Loans and receivables . . . . .				
To financial institutions . . . . .	368,930	1,222,829	369,212	1,222,805
To other 3rd parties . . . . .	12,482	—	12,482	—
Rebates and bonuses and commissions receivable . . . . .	235,405	204,512	235,405	204,512
Reclaimable damages . . . . .	19,656	24,111	19,656	24,111
Interest to be received . . . . .	165	99	165	99
To investments accounted for using the equity method . . . . .	103,325	290,130	106,401	300,949
<b>Total</b> . . . . .	<b>906,048</b>	<b>1,924,704</b>	<b>909,406</b>	<b>1,935,499</b>
<b>Financial liabilities</b>				
Derivative financial instruments in hedge . . . . .	29,184	37,490	29,184	37,490
Financial liabilities at fair value through the income statement				
Derivative financial instruments not in hedge . . . . .	59,195	92,794	59,195	92,794
Other liabilities measured at amortised cost				
Trade payables . . . . .	764,430	641,414	764,430	641,414
Interest payable . . . . .	90,653	112,468	90,653	112,468
Borrowings from financial institutions . . . . .	2,073,118	1,991,356	2,099,092	2,025,433
Funds entrusted . . . . .	5,086,974	4,378,891	5,184,833	4,460,713
Debt securities issued . . . . .	8,142,443	7,638,038	8,235,543	7,841,730
<b>Total</b> . . . . .	<b>16,245,997</b>	<b>14,892,451</b>	<b>16,462,930</b>	<b>15,212,042</b>
<b>Level 3</b>				
<b>Financial assets</b>				
Loans and receivables				
To clients . . . . .	3,309,512	2,952,126	3,354,887	2,994,807
Assets held-for-sale . . . . .	13,065	9,437	13,274	9,542
<b>Total</b> . . . . .	<b>3,322,577</b>	<b>2,961,563</b>	<b>3,368,161</b>	<b>3,004,349</b>

## H. Fair value of financial instruments (continued)

There were no transfers between levels 1, 2 and 3 during the year. There were also no changes in valuation techniques during the year.

### Financial instruments in level 1

The fair value of financial instruments that are traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry, Group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. Cash and balances with central banks are the only financial instruments held by the Group that are included in level 1.

### Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques that maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of the interest rate swaps and cross currency swaps calculated as the present value of the estimated future cash flows based on observable yield curves at commonly quoted intervals, while taking into account the current creditworthiness of the counterparties.
- The yield curve for all collateralised derivatives is based on the overnight index swap (OIS) rate (the vast majority of the Group's derivatives is collateralised).
- The valuation methodology of the cross currency swaps includes a liquidity premium (which swaps less liquid currencies into those that are considered more liquid in the market and vice versa).
- The counterparty's probability of default is estimated using market CDS spreads resulting in credit valuation adjustments.
- The Group's own creditworthiness and probability of default is estimated using input such as secondary spreads and cost of funding curve as well as information from counterparties resulting in a debit valuation adjustment.
- Other techniques such as discounted cash flow analysis based on observable yield curves at commonly quoted intervals, are used to determine the fair value for the remaining financial instruments.
- For certain other receivables (Rebates and bonuses and commissions receivable, Reclaimable damages and Interest to be received) and payables (Trade payables and Interest payable) with a remaining term well below one year, the carrying value is deemed to reflect the fair value.

The derivative financial instruments not in hedge are, derivatives that mitigate interest rate risk and currency risk from an economic perspective but do not qualify for hedge accounting from an accounting perspective. The Group is not involved in active trading of derivatives.

### Financial instruments in level 3

If one or more of the significant inputs is not based on observable market data, the financial instrument is included in level 3. Receivables from clients are included in level 3 as well as the finance leases included in Assets classified as held-for-sale as the pricing is not based on observable market data. The fair value of the receivables to clients and the finance leases included in Assets classified as held-for-sale are calculated as the present value of the (estimated)



## H. Fair value of financial instruments (continued)

future cash flows based on yield curves that next to observable market data also include client specific pricing considerations, while also taking into account the current creditworthiness of the client.

## I. Offsetting financial assets and financial liabilities

The following financial assets and financial liabilities are subject to offsetting, enforceable master netting agreements and similar agreements.

	Gross amounts of recognised financial instruments	Gross amounts of recognised financial instruments offset in the balance sheet	Net amounts of financial instruments presented in the balance sheet	Related amounts not offset in the balance sheet			
				Financial instruments	Cash collateral received	Net amount	
<b>As at 31 December 2015</b>							
Derivative financial assets . . . .	166,085	—	166,085	(88,379)	(63,100)	14,606	
Derivative financial liabilities . . . . .	88,379	—	88,379	(88,379)	—	—	
<b>As at 31 December 2014</b>							
Derivative financial assets . . . .	183,023	—	183,023	(130,284)	(49,200)	3,539	
Derivative financial liabilities . . . . .	130,284	—	130,284	(130,284)	—	—	

For the financial assets and liabilities subject to enforceable master netting agreements or similar agreements above, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

Except for derivative financial instruments there are no other financial assets or liabilities subject to offsetting.

## J. Transfer of (financial) assets

The Group engages in various securitisation transactions (reference is made to note 12 and note 17 of the consolidated financial statements of the Company and note 4 of the Company financial statements). As a consequence of such transactions (financial) assets are transferred from the originating Group subsidiaries to special-purpose companies that are included in the consolidated financial statements of the Group. In view of this, the transferred (financial) assets are not de-recognised in their entirety from a Group perspective.

## J. Transfer of (financial) assets (continued)

The table below summarises the Group's transferred (financial) assets and financial liabilities that are not derecognised in their entirety at 31 December.

	Loans and receivables			Total
	Receivables from clients (finance leases)	Receivables from financial institutions (collateral deposited)	Property and equipment under operating lease	
<b>As at 31 December 2015</b>				
<i>Carrying amount</i>				
Assets .....	54,879	15,794	2,473,764	2,544,437
Associated liabilities				
Bonds and notes originated from securitisation transactions .....				1,610,820
Borrowings from financial institutions .....				249,750
<b>Net carrying amount position .....</b>				<b>683,867</b>
For those liabilities that have recourse only to the transferred assets				
<i>Fair value</i>				
Assets .....	55,120	16,537	2,484,699	2,556,356
Associated liabilities				
Bonds and notes originated from securitisation transactions .....				1,609,169
Borrowings from financial institutions .....				247,868
<b>Net fair value position .....</b>				<b>699,319</b>
<b>As at 31 December 2014</b>				
<i>Carrying amount</i>				
Assets .....	135,542	130,937	2,917,805	3,184,284
Associated liabilities				
Bonds and notes originated from securitisation transactions .....				1,730,099
Borrowings from financial institutions .....				249,750
<b>Net carrying amount position .....</b>				<b>1,204,435</b>
For those liabilities that have recourse only to the transferred assets				
<i>Fair value</i>				
Assets .....	137,499	131,512	2,952,401	3,221,412
Associated liabilities				
Bonds and notes originated from securitisation transactions .....				1,741,423
Borrowings from financial institutions .....				246,716
<b>Net fair value position .....</b>				<b>1,233,273</b>

## Specific notes

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## EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All amounts are in thousands of euros, unless stated otherwise

### NOTE 1 - Country by country reporting

This note is pursuant to the 'Besluit uitvoering publicatieverplichtingen richtlijn kapitaalvereisten' that implements articles 89 and 90 of the Capital Requirement Directive (CRD IV). The list of entities is equal to the 'List of principal consolidated participating interests' and 'Principal associates and jointly controlled entities that are accounted for under the equity method' as included on page F-106. The amount of Government subsidies is negligible and therefore not disclosed. The return on assets is 2.16% for the year 2015.

Country of activity	Principal subsidiary or participating interest	Main activity	FTEs (average)	Revenues	Profit/(loss) before tax	Income tax expenses
Netherlands	LeasePlan Corporation N.V. LeasePlan Finance N.V. LeasePlan International B.V. LeasePlan Nederland N.V. Mobility Mixx B.V. Travelcard Nederland B.V. Terberg Leasing B.V. <sup>1</sup>	Holding /Treasury/ Retail banking Treasury International client coordination Leasing Mobility services Fuel card services Leasing	970	1,164,513	44,368	15,486
United Kingdom	LeasePlan UK Limited	Leasing	556	1,017,353	65,181	12,841
Italy	LeasePlan Italia S.p.A. Overlease S.r.L. <sup>1</sup>	Leasing Leasing	517	740,650	58,438	26,570
France	LeasePlan France S.A.S. Please S.C.S. <sup>1</sup>	Leasing Leasing	438	613,028	49,031	20,830
Spain	LeasePlan Servicios S.A.	Leasing	456	551,885	56,575	16,452
Germany	LeasePlan Deutschland GmbH	Leasing	353	579,581	42,831	16,256
Australia	LeasePlan Australia Limited	Leasing	357	350,969	11,402	3,505
Belgium	LeasePlan Fleet Management N.V.	Leasing	232	424,943	54,872	15,457
Portugal	LeasePlan Portugal Comércio e Aluguer de Automóveis e Equipamentos Unipessoal Lda.	Leasing	370	407,800	18,927	3,278
Norway	LeasePlan Norge A/S	Leasing	114	279,415	14,132	1,493
United States	LeasePlan USA, Inc.	Leasing	541	394,692	26,177	9,733
Sweden	LeasePlan Sverige AB	Leasing	104	196,366	7,680	1,713
Finland	LeasePlan Finland Oy	Leasing	76	186,458	15,212	3,227
Austria	LeasePlan Österreich Fuhrparkmanagement GmbH Flottenmanagement GmbH <sup>1</sup>	Leasing Leasing	147	167,408	10,210	1,848
Switzerland	LeasePlan Supply Services AG LeasePlan (Schweiz) AG	Procurement Leasing	131	138,915	16,522	994
Denmark	LeasePlan Danmark A/S	Leasing	80	124,540	15,410	2,381
Poland	LeasePlan Fleet Management (Polska) Sp. z.o.o.	Leasing	123	120,465	10,922	2,417
Czech Republic	LeasePlan Česká republika s.r.o.	Leasing	121	102,145	11,789	2,382
New Zealand	LeasePlan New Zealand Limited	Leasing	93	75,081	5,697	1,611
Ireland	Euro Insurances Limited LeasePlan Information Services Limited LeasePlan Fleet Management Services (Ireland) Limited	Motor Insurance Information services Leasing	295	99,321	36,533	4,965
Luxembourg	LeasePlan Luxembourg S.A.	Leasing	70	71,699	4,009	(6,511)
Greece	LeasePlan Hellas S.A.	Leasing	85	69,774	10,617	3,507
Brazil	LeasePlan Brasil Ltda.	Leasing	83	57,691	5,966	3,369
Hungary	LeasePlan Hungária Gépjárműpark Kezelő és Finanszírozó Zártkörű Részvénytársaság	Leasing	74	49,522	2,017	352
Romania	LeasePlan Romania SRL	Leasing	70	44,173	5,909	1,176
Slovakia	LeasePlan Slovakia s.r.o.	Leasing	40	38,184	3,371	721
India	LeasePlan India Private Limited	Leasing	89	33,993	(2,346)	(797)
Mexico	LeasePlan México S.A. de C.V.	Leasing	127	43,407	(8,980)	(3,168)
Russia	LeasePlan Rus LLC	Leasing	24	3,418	(2,270)	(238)
Turkey	LeasePlan Otomotiv Servis ve Ticaret A.Ş	Leasing	94	150,257	14,674	3,610
United Arab Emirates	LeasePlan Emirates Fleet Management—LeasePlan Emirates LLC <sup>1</sup>	Leasing		—	3,059	—
<b>Total as at 31 December 2015</b>			<b>6,830</b>	<b>8,297,646</b>	<b>607,935</b>	<b>165,460</b>

<sup>1</sup> Associates and jointly controlled entities that are accounted for using the equity method

## **Note 2 - Segment information**

Operating segments are reported in accordance with the internal reporting provided to the Group's key management (the chief operating decision-maker). The Group's key management is responsible for allocating resources to the reportable segments and assesses its performance. Segment information is presented in the consolidated financial statements in respect of the Group's leasing activities (LeasePlan) and Group activities, which are the basis of segment reporting.

### **Leasing activities**

Leasing activities comprise the main activity of the Group which is providing fleet management services including the purchase, financing, maintenance and remarketing of vehicles. The Group offers a mono-line product through all of its LeasePlan subsidiaries allowing for some differentiation based on the maturity of local markets. As a result the subsidiaries are grouped in categories based on maturity of the market and to a lesser extent maturity of the subsidiary. Segmentation is presented as follows:

#### **- Mature**

The focus in this segment is on innovation of services and products as well as cost excellence by means of harmonisation and standardisation. Also expansion in the SME market is focused upon. Geographies in these segments are: Australia, Belgium, France, Germany, Italy, the Netherlands, Norway, Portugal, Spain, United Kingdom and United States.

#### **- Developing**

The focus in this segment is on a seamless and efficient organisational structure facilitating a further development of the business. Geographies in this segment are: Austria, Czech Republic, Denmark, Finland, Ireland, Luxembourg, New Zealand, Poland, Sweden and Switzerland.

#### **- Emerging**

The focus in this segment is on client segmentation and differentiation of services from competitors as well as on a high quality management and service excellence while investing in sales force. Geographies in this segment are: Brazil, Greece, Hungary, India, Mexico, Romania, Russia, Slovakia, Turkey and United Arab Emirates.

There were no changes made in the segmentation during 2015.

### **Group activities**

These activities provide services in the area of treasury, damage risk retention, procurement and infrastructure to support the leasing activities. Companies included are: LeasePlan Supply Services, LeasePlan Information Services, LeasePlan International, Euro Insurances as well as the Group's central Treasury (including LeasePlan Bank) and other support activities.

The segment reporting format reflects the Group's management and internal reporting structure and is based on the internal system of management accounting. The main purpose of the management accounting is to enable a comparison between leasing subsidiaries. This results in an allocation of income and expense from Group activities to the leasing activities as well as a zero equity assumption for the leasing activities in order to facilitate this comparison. There are no asymmetrical allocations as both the leasing activities and the Group activities are measured on the basis of the same internal system of management accounting. The Group activities allocate all relevant revenues and related costs to the leasing activities.

Segment revenues, operating income, operating expenses and operating result include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

## Note 2 - Segment information (continued)

Inter-segment pricing is determined on an arm's length basis. Internal segment revenues are not presented separately given their insignificance.

The segment information is presented in the table below as at 31 December.

Segment In millions of euros	Leasing activities								Total		
	Mature		Developing		Emerging		Group activities				
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	
<b>Volume</b>											
Total assets . . . . .	15,044	13,706	2,907	2,688	1,244	738	2,220	2,524	21,415	19,656	
Total equity and liabilities . . . . .	6,499	6,450	1,576	1,551	592	394	12,748	11,261	21,415	19,656	
<b>Profitability</b>											
Revenues . . . . .	6,475	6,127	1,261	1,177	490	300	72	15	8,298	7,619	
Cost of revenues . . . . .	5,644	5,390	1,083	1,021	430	258	74	26	7,231	6,695	
<b>Gross profit . . . . .</b>	<b>831</b>	<b>737</b>	<b>178</b>	<b>156</b>	<b>60</b>	<b>42</b>	<b>(2)</b>	<b>(11)</b>	<b>1,067</b>	<b>924</b>	
<b>Net finance income . . . . .</b>	<b>258</b>	<b>233</b>	<b>47</b>	<b>45</b>	<b>23</b>	<b>17</b>	<b>112</b>	<b>89</b>	<b>440</b>	<b>384</b>	
<b>Total operating and net finance income . . . . .</b>	<b>1,089</b>	<b>970</b>	<b>225</b>	<b>201</b>	<b>83</b>	<b>59</b>	<b>110</b>	<b>78</b>	<b>1,507</b>	<b>1,308</b>	
Staff expenses . . . . .	367	333	79	70	30	22	82	74	558	499	
General and administrative expenses . . . . .	251	233	53	45	29	19	(42)	(34)	291	263	
Depreciation and amortisation . . . . .	39	43	6	6	2	2	9	3	56	54	
<b>Total operating expenses . . . . .</b>	<b>657</b>	<b>609</b>	<b>138</b>	<b>121</b>	<b>61</b>	<b>43</b>	<b>49</b>	<b>43</b>	<b>905</b>	<b>816</b>	
Share of profit investments accounted for using equity method . . . . .	2	(2)	—	—	4	7	—	2	6	7	
<b>Profit before tax . . . . .</b>	<b>434</b>	<b>359</b>	<b>87</b>	<b>80</b>	<b>26</b>	<b>23</b>	<b>61</b>	<b>37</b>	<b>608</b>	<b>499</b>	
Income tax expenses . . . . .	132	109	17	17	4	4	13	(3)	166	127	
<b>Profit for the year . . . . .</b>	<b>302</b>	<b>250</b>	<b>70</b>	<b>63</b>	<b>22</b>	<b>19</b>	<b>48</b>	<b>40</b>	<b>442</b>	<b>372</b>	
<b>Net finance income details</b>											
Net interest income . . . . .	278	251	48	46	26	18	98	101	450	416	
Impairment charges . . . . .	39	44	2	2	4	2	—	—	45	48	
Reversal of impairment . . . . .	(19)	(26)	(1)	(1)	(1)	(1)	(1)	—	(22)	(28)	
<b>Net interest income after impairment charges . . . . .</b>	<b>258</b>	<b>233</b>	<b>47</b>	<b>45</b>	<b>23</b>	<b>17</b>	<b>99</b>	<b>101</b>	<b>427</b>	<b>396</b>	
Unrealised gains/(losses) on financial instruments . . . . .	—	—	—	—	—	—	13	(12)	13	(12)	
Other financial gains/(losses) . . . . .	—	—	—	—	—	—	—	—	—	—	
<b>Net finance income . . . . .</b>	<b>258</b>	<b>233</b>	<b>47</b>	<b>45</b>	<b>23</b>	<b>17</b>	<b>112</b>	<b>89</b>	<b>440</b>	<b>384</b>	

Revenues and other key figures of the subsidiaries are distributed relatively evenly over the segments and in principle there are no individual subsidiaries that contribute more than 10% to the overall revenues except for LeasePlan in the Netherlands and in the United Kingdom. The Netherlands is also the domicile country of the Group. Key figures for the Netherlands are:



## Note 2 - Segment information (continued)

Revenues EUR 1,007 million (2014: EUR 959 million) and Lease contracts EUR 2.0 billion (2014: EUR 1.9 billion). Key figures for the United Kingdom are: Revenues EUR 1,017 million (2014: EUR 934 million) and Lease contracts EUR 2.5 billion (2014: EUR 2.0 billion).

The Group is predominantly funded from the Group's central Treasury and therefore the majority of the Group's financial liabilities are included in the segment 'Group activities'.

The geographical information is presented in the following table:

In millions of euros	Revenues		Assets		Equity and liabilities	
	2015	2014	2015	2014	2015	2014
Europe (euro) . . . . .	5,311	4,826	12,991	12,498	18,330	16,570
Europe (non-euro) . . . . .	2,031	1,904	5,522	4,536	2,027	2,040
Rest of the world . . . . .	956	889	2,902	2,622	1,058	1,046
<b>Total</b> . . . . .	<b>8,298</b>	<b>7,619</b>	<b>21,415</b>	<b>19,656</b>	<b>21,415</b>	<b>19,656</b>

## Note 3 - Revenues and cost of revenues

Revenues and cost of revenues comprise the various service components as included in the lease instalment, such as repair, maintenance and tyres, damage risk retention and depreciation, as well as the proceeds and costs of the sale of vehicles sold.

### (i) Revenues

	2015	2014
Depreciation . . . . .	3,001,086	2,838,863
Lease services . . . . .	951,462	919,833
Damage risk retention . . . . .	563,796	548,220
Rental . . . . .	186,925	180,252
Management fees . . . . .	210,994	202,237
Results of vehicles sold (results terminated contracts) . . . . .	2,948,481	2,557,552
Other . . . . .	434,902	372,414
<b>Total</b> . . . . .	<b>8,297,646</b>	<b>7,619,371</b>

Damage risk retention includes EUR 86.6 million (2014: EUR 79.7 million) for third party liability risk retained by Euro Insurances, the Group's own internal insurance company.

The caption 'Other' mainly includes bonuses earned in connection with costs recharged to clients and income related to various non-leasing activities. In 2015 the caption 'Other' also includes bargain purchase gains of EUR 7.4 million arising from two acquisitions of the remaining share capital of LPD Holding A.Ş (Turkey) and Excelease S.A. (Belgium). Reference is made to note 24.

### (ii) Cost of revenues

	2015	2014
Depreciation . . . . .	2,958,464	2,795,576
Lease services . . . . .	790,046	767,800
Damage risk retention . . . . .	379,395	373,879
Rental . . . . .	168,512	165,138
Results of vehicles sold (results terminated contracts) . . . . .	2,619,763	2,311,216
Other . . . . .	314,876	281,597
<b>Total</b> . . . . .	<b>7,231,056</b>	<b>6,695,206</b>

### Note 3 - Revenues and cost of revenues (continued)

The caption 'Other' includes a charge of EUR 8.5 million in 2014 in relation to the Resolution Levy imposed by the State of the Netherlands where in 2015 this is not applicable.

The Group reviews whether as a result of changes in the estimated residual value and/or the useful life of the property and equipment under operating lease prospective adjustments to the depreciation charges are required. For 2015 this did not result in additional depreciation charges (2014: nil). Reference is made to note 17 and the financial risk section (Asset risk).

#### (iii) Gross profit

The gross profit (revenues -/- cost of revenues) can be shown as follows:

	2015	2014
Depreciation	42,622	43,287
Lease services	161,416	152,033
Damage risk retention	184,401	174,341
Rental	18,413	15,114
Management fees	210,994	202,237
Results of vehicles sold (results terminated contracts)	328,718	246,336
Other	120,026	90,817
<b>Total</b>	<b>1,066,590</b>	<b>924,165</b>

The results of vehicles sold increased by EUR 82.4 million. This positive development is mainly caused by improved prices on the second hand car markets.

### Note 4 - Interest and similar income

This caption mainly includes interest income from operating and finance leases and to a lesser extent also interest income on deposits placed by the Group with financial institutions amounting to EUR 4.1 million (2014: EUR 12.6 million).

### Note 5 - Interest expenses and similar charges

	2015	2014
Interest expense on debt securities issued	146,063	183,392
Interest expense on funds entrusted	89,692	88,373
Interest on borrowings with financial institutions	94,280	105,962
<b>Total</b>	<b>330,035</b>	<b>377,727</b>

### Note 6 - Impairment charges on loans and receivables

The net impairment charges can be detailed as follows:

	Note	2015	2014
<i>Trade receivables</i>			
Impairment		44,410	47,962
Reversal of impairment		(21,298)	(28,253)
	16	<b>23,112</b>	<b>19,709</b>
<i>Other</i>			
Reclaimable damages		66	199
Rebates and bonuses		67	235
<b>Total</b>		<b>23,245</b>	<b>20,143</b>

## Note 7 - Staff expenses

	2015	2014
Wages and salaries	421,512	373,894
Social security charges	62,631	57,744
Defined contribution pension costs	22,647	22,529
Defined benefit post-employment costs	4,285	4,106
Other staff costs	46,911	40,289
<b>Total</b>	<b>557,986</b>	<b>498,562</b>

The average number of staff (FTEs) employed (including temporary staff) by the Group during the year was 6,830 (2014: 6,408), of whom 970 (2014: 933) were employed in the Netherlands. At year-end the nominal number of staff employed by the Group was 7,275 (2014: 6,838).

The breakdown of post-employment costs is as follows:

	Note	2015	2014
Current service costs	32 (ii)	3,781	3,425
Interest expense/(income)	32 (ii)	603	780
Curtailments and settlements	32 (ii)	(99)	(99)
<b>Defined benefit post-employment costs</b>		<b>4,285</b>	<b>4,106</b>
Defined contribution pension costs		22,647	22,529
<b>Total post-employment costs</b>		<b>26,932</b>	<b>26,635</b>

## Note 8 - General and administrative expenses

This item includes office overheads, ICT costs, advertising costs, professional fees and other general expenses.

## Note 9 - Depreciation and amortisation

	Note	2015	2014
Depreciation other property and equipment	18	24,507	25,403
Amortisation intangible fixed assets	21	31,671	28,547
<b>Total</b>		<b>56,178</b>	<b>53,950</b>

## Note 10 - Income tax expenses

The income tax expenses in the income statement can be shown as follows:

	Note	2015	2014
<i>Current tax</i>			
Current tax on profits for the year		134,147	108,689
Adjustments in respect of prior years		2,549	(6,981)
<b>Total current tax</b>		<b>136,696</b>	<b>101,708</b>
<i>Deferred tax</i>			
Origination and reversal of temporary differences		32,336	31,375
Changes in tax rates		(2,539)	12,594
Adjustments in respect of prior years		(1,033)	(18,599)
<b>Total deferred tax</b>	22	<b>28,764</b>	<b>25,370</b>
<b>Total</b>		<b>165,460</b>	<b>127,078</b>

## Note 10 - Income tax expenses (continued)

The deferred tax adjustments in respect of prior years mainly include: (i) valuation allowances on deferred tax assets in relation to tax losses and tax credits resulting in a tax charge of EUR 6.6 million (2014: release of EUR 8.3 million), (ii) a tax charge of EUR 3.8 million for anticipated adjustments of prior years' tax returns (2014: release of EUR 2.9 million) and (iii) a tax credit of EUR 11.4 million mainly due to adjustments in respect of prior years. (2014: additional tax credits granted of EUR 5.9 million).

Further information on deferred income tax assets and liabilities is presented in note 22.

### Effective tax rate reconciliation

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the basic nominal tax rate of the domicile country (25.0%) of the parent and is as follows:

		2015		2014	
<b>Profit before tax</b> .....		<b>607,935</b>		<b>499,049</b>	
Tax calculated at domicile country nominal tax rate .....	25.0%	151,984	25.0%	124,762	
Effect of different tax rates in foreign countries .....		12,199		8,137	
<b>Weighted average taxation</b> .....	<b>27.0%</b>	<b>164,183</b>	<b>26.6%</b>	<b>132,899</b>	
Income not subject to tax .....		(4,557)		(2,852)	
Expenses not deductible for tax purposes .....		6,857		10,017	
Changes in tax rates .....		(2,539)		12,594	
Adjustments in respect of prior years					
Current tax .....		2,549		(6,981)	
Deferred tax .....		(1,033)		(18,599)	
<b>Total effective taxation</b> .....	<b>27.2%</b>	<b>165,460</b>	<b>25.5%</b>	<b>127,078</b>	

The weighted average of the local tax rates applicable to the Group for 2015 is 27.0% (2014: 26.6%) which is higher than the domicile country nominal tax rate of 25.0% predominantly as a result of the fact that the Group realises on average, relatively more profits in jurisdictions with a tax rate higher than 25.0%.

The tax (charge)/credit relating to components of other comprehensive income is as follows:

	2015			2014		
	Before tax	Tax (charge) /credit	After tax	Before tax	Tax (charge) /credit	After tax
Cash flow hedges .....	(714)	178	(536)	11,192	(2,798)	8,394
Post-employment benefit reserve .....	(218)	162	(56)	(5,524)	1,840	(3,684)
Exchange rate differences .....	16,655	—	16,655	24,794	—	24,794
Share of other comprehensive income of investments .....	—	—	—	(104)	—	(104)
<b>Total</b> .....	<b>15,723</b>	<b>340</b>	<b>16,063</b>	<b>30,358</b>	<b>(958)</b>	<b>29,400</b>

## Note 11 - Cash and balances at banks

	Note	2015	2014
Cash and balances at central banks .....		1,605,437	957,951
Call money, cash at banks included in Receivables from financial institutions .....	12	113,083	79,375
Call money and bank overdrafts included in Borrowings from financial institutions .....	29	(135,147)	(117,638)
<b>Balance as at 31 December for the purposes of the statement of cash flows .....</b>		<b>1,583,373</b>	<b>919,688</b>

All cash and balances at (central) banks are available at call except for the mandatory reserve deposits at the Dutch central bank. A monetary policy instrument of the European Central Bank is the minimum reserve requirement, whereby credit institutions in the euro area are obliged to maintain a specified average amount of cash reserves—the so-called minimum reserves—with their respective national banks for successive periods of four to five weeks. The cash reserve requirements serve to create a liquidity shortage in the euro area, so that banks depend on the European Central Bank's liquidity-providing mechanism for their liquidity needs. The mandatory reserve deposits amounting to EUR 46.7 million (2014: EUR 47.1 million) are not used in the Group's day-to-day operations and form part of the 'Cash and balances at central banks'.

The average interest rate on the outstanding cash and balances at central banks is -0.3% (2014: -0.2%).

## Note 12 - Receivables from financial institutions

This caption includes amounts receivable from Dutch and foreign banks. Amounts receivable from financial institutions includes call money and current account bank balances that form part of the cash and balances with banks in the cash flow statement.

	Note	2015	2014
Amounts receivable from banks .....		216,953	971,626
Call money, cash at banks .....	11	113,083	79,375
Cash collateral deposited for securitisation transactions .....		15,794	130,937
Cash collateral deposited for derivative financial instruments .....		19,606	38,230
Other cash collateral deposited .....		3,494	2,661
<b>Balance as at 31 December .....</b>		<b>368,930</b>	<b>1,222,829</b>

The cash collateral deposited for securitisation transactions relates to the Bumper securitisation transactions, reference is made to the financial risk section (Liquidity risk) and to note 4 of the Company financial statements. The cash collateral deposited for derivative financial instruments originates from Credit Support Annexes (CSAs) to International Swaps and Derivatives Association (ISDA) master agreements and reference is made to the financial risk section (Strategy in using financial instruments).

The average interest rate on the receivables from financial institutions is 0.0% (2014: 0.0%).

The maturity analysis is as follows:

	2015	2014
Three months or less .....	333,109	1,048,944
Longer than three months, less than a year .....	10,664	23
Longer than a year, less than five years .....	24,934	173,858
Longer than five years .....	223	4
<b>Balance as at 31 December .....</b>	<b>368,930</b>	<b>1,222,829</b>

## Note 13 - Derivative financial instruments

Derivative financial instruments are carried at fair value and are made up as follows:

	2015			2014		
	Notional amounts	Fair value		Notional amounts	Fair value	
		Assets	Liabilities		Assets	Liabilities
Fair value hedge						
Interest rate swaps . . . . .	4,057,309	80,456	15,953	3,271,599	94,599	14,690
Currency swaps . . . . .	85,948	3,343	1,053	126,303	1,254	8,404
Cash flow hedge						
Interest rate swaps . . . . .	1,805,000	—	12,178	1,845,000	—	14,396
<b>Total derivatives in hedge . . . . .</b>	<b>5,948,257</b>	<b>83,799</b>	<b>29,184</b>	<b>5,242,902</b>	<b>95,853</b>	<b>37,490</b>
Interest rate swaps . . . . .	12,196,989	13,022	38,939	10,917,026	15,255	52,352
Currency swaps/currency forwards . . . . .	4,111,929	69,264	20,256	3,662,425	71,915	40,442
<b>Total derivatives not in hedge . . . . .</b>	<b>16,308,918</b>	<b>82,286</b>	<b>59,195</b>	<b>14,579,451</b>	<b>87,170</b>	<b>92,794</b>
<b>Total . . . . .</b>	<b>22,257,175</b>	<b>166,085</b>	<b>88,379</b>	<b>19,822,353</b>	<b>183,023</b>	<b>130,284</b>

The fair value is based on the price including accrued interest (dirty price). Reconciliation between the fair value of the derivative financial instruments and the hedging reserve included in Group equity is as follows:

	2015	2014
Fair value cash flow hedges—assets . . . . .	—	—
Fair value cash flow hedges—liabilities . . . . .	(12,178)	(14,396)
Less: accrued interest on cash flow hedges . . . . .	2,244	5,156
<b>Total net position cash flow hedges . . . . .</b>	<b>(9,934)</b>	<b>(9,240)</b>
Less: cumulative fair value gains/(losses) through income statement (hedge ineffectiveness) . . . . .	(1)	20
Tax on cash flow hedges . . . . .	2,484	2,305
<b>Hedging reserve . . . . .</b>	<b>(7,451)</b>	<b>(6,915)</b>
<b>Movement hedging reserve 2015 . . . . .</b>	<b>(536)</b>	

The unrealised gains/(losses) on financial instruments recognised in the income statement break down as follows:

	2015	2014
Derivatives not in hedges . . . . .	13,468	(14,019)
Derivatives in fair value hedges . . . . .	(16,492)	56,774
Derivatives in cash flow hedges (ineffectiveness) . . . . .	21	(49)
	<b>(3,003)</b>	<b>42,706</b>
Financial liabilities used in fair value hedges . . . . .	16,483	(54,778)
<b>Unrealised gains/(losses) on financial instruments . . . . .</b>	<b>13,480</b>	<b>(12,072)</b>

A number of fixed rate bonds are included in fair value hedges whereby the bonds (the hedged items) are measured at amortised cost and are constantly being adjusted for gains/losses attributable to the risk being hedged. This adjustment is recognised in the income statement, where it offsets the re-measurement of the fair value of the hedging instruments that is also recognised in the income statement.



### Note 13 - Derivative financial instruments (continued)

Due to demand in the Debt Capital Markets, the bulk of our issuances are fixed rate in nature with the result that the majority of our economic hedges do not meet the requirements of hedge accounting under current IAS requirements, such that our hedges are deemed as not in hedge for said purposes. The impact of this is a degree of volatility in the income statement arising from the movements in fair values of our derivatives as borne out by the figure for derivatives not in hedge in 2015 when compared to 2014.

### Note 14 - Other receivables and prepayments

This item includes prepayments in respect of expenses attributable to a subsequent period and amounts still to be received, as well as to amounts that are not classified under any other asset.

	2015	2014
Rebates and bonuses and commissions receivable	235,405	204,512
Prepaid lease related expenses	289,324	121,548
VAT and other taxes	118,339	48,521
Reclaimable damages	19,656	24,111
Other prepayments and accrued income	128,789	101,885
Interest to be received	165	99
Reinsurance assets	10,825	20,225
Other receivables	34,858	147,625
<b>Balance as at 31 December</b>	<b>837,361</b>	<b>668,526</b>

The majority of the other receivables and prepayments has a remaining maturity of less than one year.

### Note 15 - Inventories

	Note	2015	2014
Cars and trucks from terminated lease contracts	17	227,104	181,480
Valuation allowance		(1,264)	(1,600)
<b>Carrying amount cars and trucks from terminated lease contracts</b>		<b>225,840</b>	<b>179,880</b>
New cars and trucks in stock	17	35,485	25,434
<b>Balance as at 31 December</b>		<b>261,325</b>	<b>205,314</b>

Inventories are stated at the lower of cost or net realisable value. The inventories are expected to be settled within 12 months after balance sheet date.

## Note 16 - Receivables from clients

This item includes amounts receivable under lease contracts and trade receivables, after deduction of allowances for impairment, where necessary.

	2015	2014
Amounts receivable under finance lease contracts	2,787,137	2,430,306
Trade receivables	522,375	521,820
<b>Balance as at 31 December</b>	<b>3,309,512</b>	<b>2,952,126</b>

The maturity analysis is as follows:

	2015	2014
Three months or less	704,191	689,569
Longer than three months, less than a year	387,175	369,268
Longer than a year, less than five years	2,137,148	1,816,933
Longer than five years	80,998	76,356
<b>Balance as at 31 December</b>	<b>3,309,512</b>	<b>2,952,126</b>

The fair value of the receivables does not significantly differ from the carrying amount, as a significant part of these receivables is contracted at a floating interest rate and due to the short-tail of the average remaining term. Reference is made to the financial risk section (Credit risk).

### (i) Impairment allowance

The movement in impairment allowance on trade receivables is as follows:

	Note	2015	2014
<b>Balance as at 1 January</b>		<b>89,160</b>	<b>86,262</b>
Net impairment charges	6	23,112	19,709
Receivables written off during the year as uncollectable		(20,687)	(16,924)
Exchange rate differences		(263)	113
Reclassification to assets-held-for-sale	23	(411)	—
<b>Balance as at 31 December</b>		<b>90,911</b>	<b>89,160</b>

For a description of the criteria used to determine whether receivables to clients are impaired reference is made to the financial risk section (Credit risk). The Group recognises, next to specific impairment allowances of EUR 84.9 million (2014: EUR 83.8 million), an incurred but not reported loss provision of EUR 6.0 million (2014: EUR 5.4 million) based on the probability of default (PD) and the loss given default (LGD).

## Note 16 - Receivables from clients (continued)

### (ii) Finance lease contracts

The amounts receivable from clients include finance lease receivables, which may be analysed as follows:

Gross investment in finance leases, with remaining maturities.

	2015	2014
Not longer than a year .....	613,103	602,984
Longer than a year, less than five years .....	2,278,905	1,938,062
Longer than five years .....	90,149	84,333
	<b>2,982,157</b>	<b>2,625,379</b>
Unearned finance income on finance leases .....	195,020	195,073
<b>Net investment in finance leases</b> .....	<b>2,787,137</b>	<b>2,430,306</b>

Net investment in finance leases, with remaining maturities.

	2015	2014
Not longer than a year .....	568,991	537,017
Longer than a year, less than five years .....	2,137,148	1,816,933
Longer than five years .....	80,998	76,356
<b>Balance as at 31 December</b> .....	<b>2,787,137</b>	<b>2,430,306</b>

The accumulated allowance for uncollectable minimum lease payments receivable amount to EUR 4.3 million (2014: EUR 6.2 million).

A part of the financial leased assets is encumbered (securitised) as a result of the asset backed securitisation transactions concluded by the Group. The total value of the securitised financial leased assets amounts to EUR 54.9 million (2014: EUR 135.5 million). For further details on the transactions reference is made to the financial risk section (Transfer of (financial) assets), note 17 of the consolidated financial statements and note 4 of the Company financial statements.

## Note 17 - Property and equipment under operating lease and rental fleet

	Note	Operating lease	Rental fleet	Total
Cost		17,506,295	75,795	17,582,090
Accumulated depreciation and impairment		(5,341,553)	(13,906)	(5,355,459)
<b>Carrying amount as at 1 January 2014</b>		<b>12,164,742</b>	<b>61,889</b>	<b>12,226,631</b>
<b>Carrying amount as at 1 January 2014</b>		<b>12,164,742</b>	<b>61,889</b>	<b>12,226,631</b>
Purchases		5,151,103	52,301	5,203,404
Transfer from inventories		18,064	—	18,064
Transfer to inventories	15	(181,480)	—	(181,480)
Disposals		(1,828,944)	(33,020)	(1,861,964)
Depreciation	3	(2,795,576)	(12,586)	(2,808,162)
Exchange rate differences		84,918	(99)	84,819
<b>Carrying amount as at 31 December 2014</b>		<b>12,612,827</b>	<b>68,485</b>	<b>12,681,312</b>
Cost		18,126,213	82,880	18,209,093
Accumulated depreciation and impairment		(5,513,386)	(14,395)	(5,527,781)
<b>Carrying amount as at 31 December 2014</b>		<b>12,612,827</b>	<b>68,485</b>	<b>12,681,312</b>
Purchases		6,398,022	77,686	6,475,708
Acquisition of subsidiary	24	305,327	—	305,327
Transfer from inventories	15	25,434	—	25,434
Transfer to inventories	15	(227,104)	—	(227,104)
Disposals		(2,074,293)	(39,715)	(2,114,008)
Depreciation	3	(2,958,464)	(15,385)	(2,973,849)
Exchange rate differences		88,764	(67)	88,697
<b>Carrying amount as at 31 December 2015</b>		<b>14,170,513</b>	<b>91,004</b>	<b>14,261,517</b>
Cost		19,673,152	106,389	19,779,541
Accumulated depreciation and impairment		(5,502,639)	(15,385)	(5,518,024)
<b>Carrying amount as at 31 December 2015</b>		<b>14,170,513</b>	<b>91,004</b>	<b>14,261,517</b>

The Group concluded a number of asset backed securitisation transactions under the names of Bumper 2 (2008/2011), Bumper 5 (2012), Bumper France (2013 extended to June 2016), Bumper DE (2014), Bumper 6 (2014) and Bumper NL (2014). These transactions involve the sale of future lease instalment receivables and related residual value receivables originated by various LeasePlan subsidiaries to special purpose companies (which are included in the consolidated financial statements of the Company). As a result of this sale this caption includes encumbered (securitised) operating lease assets amounting to EUR 2.5 billion (2014: EUR 2.9 billion), which can be detailed as follows:

	2015	2014
Bumper 2*	—	308,985
Bumper 5*	—	217,136
Bumper France	807,446	798,224
Bumper DE	664,888	575,165
Bumper 6	681,107	703,506
Bumper NL	320,323	314,789
<b>Total</b>	<b>2,473,764</b>	<b>2,917,805</b>

\* Unwound in 2015

For further details on the transactions reference is made to the financial risk section (Treasury risk) and note 4 of the Company financial statements.

## Note 17 - Property and equipment under operating lease and rental fleet (continued)

The Group reviews whether as a result of changes in the estimated residual value and/or the useful life of the property and equipment under operating lease prospective adjustments to the depreciation charges are required. For 2015 this did not result in additional depreciation charges (2014: nil). Reference is made to note 3 and the financial risk section (Asset risk). In 2015 and 2014 there were no impairments on leased assets.

An approximation of the future minimum lease payments under non-cancellable operating leases in aggregate and for each of the following periods can be summarised as follows:

	Nominal value	
	2015	2014
Not longer than a year	2,695,229	2,602,664
Longer than a year, less than five years	5,191,709	4,631,316
Longer than five years	37,911	25,336
<b>Total</b>	<b>7,924,849</b>	<b>7,259,316</b>

## Note 18 - Other property and equipment

	Note	Property	Equipment	Total
Cost		38,900	200,540	239,440
Accumulated depreciation and impairment		(24,598)	(132,146)	(156,744)
<b>Carrying amount as at 1 January 2014</b>		<b>14,302</b>	<b>68,394</b>	<b>82,696</b>
<b>Carrying amount as at 1 January 2014</b>		<b>14,302</b>	<b>68,394</b>	<b>82,696</b>
Purchases		1,641	36,420	38,061
Disposals		(9)	(13,557)	(13,566)
Depreciation	9	(1,284)	(24,119)	(25,403)
Exchange rate differences		325	775	1,100
<b>Carrying amount as at 31 December 2014</b>		<b>14,975</b>	<b>67,913</b>	<b>82,888</b>
Cost		40,952	215,951	256,903
Accumulated depreciation and impairment		(25,977)	(148,038)	(174,015)
<b>Carrying amount as at 31 December 2014</b>		<b>14,975</b>	<b>67,913</b>	<b>82,888</b>
Purchases		1,124	44,450	45,574
Acquisition of subsidiary	24	—	1,918	1,918
Disposals		(289)	(15,346)	(15,635)
Depreciation	9	(1,342)	(23,165)	(24,507)
Exchange rate differences		304	423	727
Reclassification to assets-held-sale	23	—	(292)	(292)
<b>Carrying amount as at 31 December 2015</b>		<b>14,772</b>	<b>75,901</b>	<b>90,673</b>
Cost		42,170	230,984	273,154
Accumulated depreciation and impairment		(27,398)	(155,083)	(182,481)
<b>Carrying amount as at 31 December 2015</b>		<b>14,772</b>	<b>75,901</b>	<b>90,673</b>

The title to the other property and equipment is not restricted and these assets are not pledged as security for liabilities.

## Note 19 - Loans to investments accounted for using the equity method

The loans to investments accounted for using the equity method are accounted for at amortised cost (less impairment) and the maturity analysis is as follows:

	2015	2014
Loans deposited	110,650	297,455
Impairment	(7,325)	(7,325)
<b>Carrying amount as at 31 December</b>	<b>103,325</b>	<b>290,130</b>

	2015	2014
Three months or less	11,025	68,000
Longer than three months, less than a year	36,750	90,089
Longer than a year, less than five years	55,550	132,041
<b>Balance as at 31 December</b>	<b>103,325</b>	<b>290,130</b>

## Note 20 - Investments accounted for using the equity method

Principal investments in the consolidated financial statements are:

	% of ownership interest		Country of incorporation	Activity	Measurement method
	2015	2014			
<b>Associates</b>					
Terberg Leasing B.V.	24.0%	24.0%	Netherlands	Leasing	Equity
<b>Jointly controlled entities</b>					
LeasePlan Emirates Fleet Management—LeasePlan					
Emirates LLC	49.0%	49.0%	United Arab Emirates	Leasing	Equity
LPD Holding A.Ş.	100.0%	51.0%	Turkey	Leasing	Equity
Exelease S.A.	100.0%	51.0%	Belgium	Leasing	Equity
Overlease S.r.L.	51.0%	51.0%	Italy	Leasing	Equity
Please S.C.S.	99.3%	99.3%	France	Leasing	Equity
Flottenmanagement GmbH	49.0%	49.0%	Austria	Leasing	Equity

All jointly controlled entities in the table are interests in joint ventures. In 2015, the remaining share capital of LPD Holding A.Ş. and Exelease S.A. has been acquired. Reference is made to note 24.

The equity method is applied in case the Group has joint control. In the situations where the Group has a majority shareholding in the companies listed above these companies still qualify as jointly controlled entities as the Group has contractually agreed to sharing of control whereby the strategic and operating decisions relating to the company require the unanimous consent of the parties sharing control. The accounting period of the principal investments accounted for using the equity method aligns with the accounting period of the Group.

### Please S.C.S

Please is a Société en Commandite Simple (SCS) under French law, whereby the Group is one of the partners. Please is governed by a steering committee and a strategic committee whereby the Group can nominate two of the four members of each committee. In the steering committee decisions require a majority of its member votes and in the strategic committee decisions can only be taken unanimously.



## Note 20 - Investments accounted for using the equity method (continued)

The amounts recognised in the balance sheet are as follows:

	2015	2014
Associates .....	10,911	10,715
Jointly controlled entities .....	13,300	46,349
<b>Balance as at 31 December</b>	<b>24,211</b>	<b>57,064</b>

The amounts recognised in the income statement are as follows:

	2015	2014
Associates .....	1,420	1,557
Jointly controlled entities .....	4,450	5,008
<b>Balance as at 31 December</b>	<b>5,870</b>	<b>6,565</b>

There are no material contingent liabilities of the investments accounted for using the equity method other than loan commitments (reference is made to note 33).

The summarised financial information below is not the entity's share but the actual amount included in the separate financial statements of the material interests in investments accounted for using the equity method.

	2015			2014		
	Associates	Jointly controlled entities	Total	Associates	Jointly controlled entities	Total
Cash and cash equivalents .....	13	1,413	1,426	109	253	362
Other current assets .....	31,352	25,475	56,827	21,046	74,720	95,766
<b>Total current assets</b> .....	<b>31,365</b>	<b>26,888</b>	<b>58,253</b>	<b>21,155</b>	<b>74,973</b>	<b>96,128</b>
<b>Total non-current assets</b> .....	<b>333,431</b>	<b>223,676</b>	<b>557,107</b>	<b>304,394</b>	<b>508,891</b>	<b>813,285</b>
Current financial liabilities .....	12,710	14,031	26,741	7,563	25,128	32,691
Other current liabilities .....	41,754	37,285	79,039	26,210	63,059	89,269
<b>Total current liabilities</b> .....	<b>54,464</b>	<b>51,316</b>	<b>105,780</b>	<b>33,773</b>	<b>88,187</b>	<b>121,960</b>
Non-current financial liabilities .....	264,024	170,865	434,889	246,339	407,393	653,732
Other non-current liabilities .....	847	1,827	2,674	786	2,861	3,647
<b>Total non-current liabilities</b> .....	<b>264,871</b>	<b>172,692</b>	<b>437,563</b>	<b>247,125</b>	<b>410,254</b>	<b>657,379</b>
<b>Net assets (100%)</b> .....	<b>45,461</b>	<b>26,556</b>	<b>72,017</b>	<b>44,651</b>	<b>85,423</b>	<b>130,074</b>

The summarised statement of comprehensive income for the material interests in investments accounted for using the equity method is as follows:

	2015			2014		
	Associates	Jointly controlled entities	Total	Associates	Jointly controlled entities	Total
Revenue .....	20,657	8,969	29,626	25,300	15,995	41,295
Depreciation and amortisation .....	834	312	1,146	1,068	816	1,884
Interest income .....	12,306	14,906	27,212	12,289	30,720	43,009
Interest expense .....	7,040	5,803	12,843	7,559	14,149	21,708
<b>Profit before tax</b> .....	<b>7,990</b>	<b>9,403</b>	<b>17,393</b>	<b>8,586</b>	<b>16,049</b>	<b>24,635</b>
Income tax expenses .....	2,074	223	2,297	2,097	1,627	3,724
<b>Profit/loss for the year</b> .....	<b>5,916</b>	<b>9,180</b>	<b>15,096</b>	<b>6,489</b>	<b>14,422</b>	<b>20,911</b>
Other comprehensive income .....	—	—	—	—	(426)	(426)
<b>Total comprehensive income for the year</b> .....	<b>5,916</b>	<b>9,180</b>	<b>15,096</b>	<b>6,489</b>	<b>13,996</b>	<b>20,485</b>
Dividends received .....	1,224	—	1,224	1,560	180	1,740

## Note 20 - Investments accounted for using the equity method (continued)

Reconciliation of summarised financial information is as follows:

	2015			2014		
	Associates	Jointly controlled entities	Total	Associates	Jointly controlled entities	Total
<b>Net assets (100%) as at</b>						
1 January	44,651	85,423	130,074	44,662	75,924	120,586
Transfer to subsidiaries	—	(68,310)	(68,310)	—	(3,993)	(3,993)
Profit/(loss) for the year	5,916	9,180	15,096	6,489	14,422	20,911
Other comprehensive income	—	—	—	—	(426)	(426)
Dividend paid	(5,100)	(1,579)	(6,679)	(6,500)	(2,317)	(8,817)
Exchange rate differences	—	1,842	1,842	—	1,591	1,591
Other equity changes	(6)	—	(6)	—	222	222
<b>Net assets (100%) as at</b>						
31 December	45,461	26,556	72,017	44,651	85,423	130,074
Percentage of interest	24%	various		24%	various	
Interest in associates/jointly controlled entities	10,911	13,300	24,211	10,715	41,266	51,981
Goodwill	—	—	—	—	5,083	5,083
<b>Carrying value</b>	<b>10,911</b>	<b>13,300</b>	<b>24,211</b>	<b>10,715</b>	<b>46,349</b>	<b>57,064</b>

## Note 21 - Intangible assets

	Note	Internally generated software development costs	Software licences	Customer relationship	Customer contract	Goodwill	Total
Cost .....		112,707	56,608	28,437	12,808	98,604	309,164
Accumulated amortisation and impairment .....		(72,985)	(47,457)	(20,777)	(4,193)	—	(145,412)
<b>Carrying amount as at 1 January 2014 .....</b>		<b>39,722</b>	<b>9,151</b>	<b>7,660</b>	<b>8,615</b>	<b>98,604</b>	<b>163,752</b>
<b>Carrying amount as at 1 January 2014 .....</b>		<b>39,722</b>	<b>9,151</b>	<b>7,660</b>	<b>8,615</b>	<b>98,604</b>	<b>163,752</b>
Purchases .....		21,096	3,714	—	—	—	24,810
Divestments .....		—	(115)	—	—	—	(115)
Amortisation .....	9	(18,434)	(5,050)	(2,140)	(2,923)	—	(28,547)
Exchange rate differences ...		2,837	109	—	—	—	2,946
<b>Carrying amount as at 31 December 2014 .....</b>		<b>45,221</b>	<b>7,809</b>	<b>5,520</b>	<b>5,692</b>	<b>98,604</b>	<b>162,846</b>
Cost .....		137,348	61,524	28,447	12,808	98,604	338,731
Accumulated amortisation and impairment .....		(92,127)	(53,715)	(22,927)	(7,116)	—	(175,885)
<b>Carrying amount as at 31 December 2014 .....</b>		<b>45,221</b>	<b>7,809</b>	<b>5,520</b>	<b>5,692</b>	<b>98,604</b>	<b>162,846</b>
Purchases .....		16,536	6,748	—	—	—	23,284
Acquisition of subsidiary ....	24	—	1,115	3,659	13,104	—	17,878
Divestments .....		(278)	(2,104)	—	—	—	(2,382)
Amortisation .....	9	(18,667)	(5,104)	(1,937)	(5,963)	—	(31,671)
Exchange rate differences ...		1,822	97	—	—	—	1,919
Reclassification to assets held-for-sale .....	23	—	(607)	—	—	—	(607)
<b>Carrying amount as at 31 December 2015 .....</b>		<b>44,634</b>	<b>7,954</b>	<b>7,242</b>	<b>12,833</b>	<b>98,604</b>	<b>171,267</b>
Cost .....		157,045	63,993	32,034	25,912	98,604	377,588
Accumulated amortisation and impairment .....		(112,411)	(56,039)	(24,792)	(13,079)	—	(206,321)
<b>Carrying amount as at 31 December 2015 .....</b>		<b>44,634</b>	<b>7,954</b>	<b>7,242</b>	<b>12,833</b>	<b>98,604</b>	<b>171,267</b>

The remaining amortisation period for the majority of the intangible assets with a finite life is approximately six years. The title to the intangible assets is not restricted and the intangible assets are not pledged as security for liabilities. In 2015 the Group recognised EUR 0.8 million (2014: EUR 2.8 million) of research and development expenditure as an expense.

In 2015 and 2014 no indications for impairment or reversal of impairment on intangibles with a finite life were identified and consequently no impairment charge was recognised or reversed.

The goodwill relates to the acquisition in 2005 of three companies of Europcar Fleet Services in Italy, Spain and Portugal, to the acquisition in 2008 of Daimler Chrysler Fleet Management France S.A.S., which operates under the brand name DCS fleet and to the acquisition in 2011 of Multirent—Aluguer e Comércio de Automóveis, S.A., which operates under the name of

## Note 21 - Intangible assets (continued)

Santander Consumer Multirent (Multirent). All acquired companies were engaged in providing leasing services. Goodwill is allocated to the Group's cash generating units which have incorporated the above mentioned acquisitions and can be presented as follows:

Cash generating unit	Acquisition	Year	Discount rate	Goodwill
LeasePlan Italy	Europcar	2005	11.35%	46,646
LeasePlan Spain	Europcar	2005	11.35%	14,413
LeasePlan Portugal	Europcar	2005	11.95%	14,799
LeasePlan France	DCS	2008	9.85%	10,313
LeasePlan Portugal	Multirent	2011	11.95%	12,433
<b>Total</b>				<b>98,604</b>

Annually, or more frequently if events or changes in circumstances indicate a potential impairment, goodwill is reviewed for impairment. There was no impairment recognised in 2015 (2014: nil). The impairment test is identical for all cash generating units and based on value in use. The value in use was determined by discounting future cash flows generated from the continuing use of the cash generating units in which the acquired operating companies were incorporated. Cash flows were projected on actual financial results and the 5-year business plans. The growth rates included in the business plans exceed the long-term average growth rate for this business as a reflection of the relative growth potential of the markets and to allow for an improvement in market position. In order to align the planned growth rate to the long-term growth rate, the cash flows were extrapolated for a further 10 years based on a gradually declining growth rate. A discount rate was applied which is built up of (i) a risk free rate (1%), (ii) a market premium (6.5%) multiplied by a market specific  $\beta$  (1.3) and (iii) a country specific risk premium (ranging between 0.4% and 2.5%). There are no cash generating units with relatively little headroom between the carrying amount and the value in use.

## Note 22 - Deferred tax assets and deferred tax liabilities

Deferred tax assets and liabilities as at 31 December are attributable to the following:

	Deferred tax assets		Deferred tax liabilities	
	2015	2014	2015	2014
Goodwill	9,315	11,412	—	—
Property and equipment under operating lease	22,912	21,580	318,516	321,799
Other property and equipment	6,419	6,300	7,349	7,347
Provisions	22,988	23,231	263	146
Deferred leasing income	65,887	61,251	1,717	8,162
Tax value of losses carried forward recognised	61,036	86,816	—	—
Tax credits and prepayments	7,115	5,971	—	—
Other receivables	20,308	63,769	7,410	3,395
Other payables	37,208	17,816	30,421	29,096
<b>Tax assets/liabilities</b>	<b>253,188</b>	<b>298,146</b>	<b>365,676</b>	<b>369,945</b>
Offset of deferred tax assets and liabilities	(111,816)	(136,318)	(111,816)	(136,318)
<b>Balance as at 31 December</b>	<b>141,372</b>	<b>161,828</b>	<b>253,860</b>	<b>233,627</b>
<b>Net tax position</b>			<b>112,488</b>	<b>71,799</b>
<b>Movement net tax position 2015</b>	<b>(40,689)</b>			

## Note 22 - Deferred tax assets and deferred tax liabilities (continued)

The movement in the net deferred tax position can be summarised as follows:

	Note	2015	2014
<b>Balance as at 1 January</b> .....		<b>(71,799)</b>	<b>(42,760)</b>
Acquisition of subsidiary .....	24	(5,930)	—
Income statement (charge)/credit .....	10	(28,764)	(25,370)
Tax (charge)/credit relating to components of other comprehensive income .....	10	340	-958
Exchange rate differences .....		(6,335)	(2,711)
<b>Balance as at 31 December</b> .....		<b>(112,488)</b>	<b>(71,799)</b>

The income statement (charge)/credit can be broken down as follows:

	Note	Deferred tax assets		Deferred tax liabilities	
		2015	2014	2015	2014
Goodwill .....		(2,197)	919	—	—
Property and equipment under operating lease .....		1,332	5,418	(8,630)	30,332
Other property and equipment .....		(118)	191	(4,189)	(3,665)
Provisions .....		(498)	4,329	118	92
Deferred leasing income .....		4,637	(611)	(7,308)	2,319
Tax value of losses carried forward recognised .....		(26,247)	(28,478)	(1,589)	(458)
Tax credits and prepayments .....		1,144	(1,690)	(322)	(253)
Other receivables .....		(43,639)	26,784	1,479	(5,256)
Other payables .....		17,706	821	1,325	9,942
<b>Movement in deferred tax</b> .....		<b>(47,880)</b>	<b>7,683</b>	<b>(19,116)</b>	<b>33,053</b>
Movement in deferred tax liabilities .....		19,116	(33,053)		
<b>Income statement (charge)/credit</b> .....	10	<b>(28,764)</b>	<b>(25,370)</b>		

The Group recognises deferred income tax assets for the tax value of losses and tax credits carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group has not recognised identifiable tax losses for an amount of EUR 52.0 million (2014: EUR 55.7 million) and has not recognised tax credits for an amount of EUR 15.9 million (2014: EUR 10.1 million) as the Group considers it not probable that future taxable profits will be available to offset these tax losses and to settle tax credits with current tax liabilities (also taking into account expiry dates when applicable).

The expiration profile of the losses carried forward can be illustrated as follows:

	2015	2014
Expire within a year .....	—	—
Expire after a year, less than five years .....	30,765	36,688
Expire after five years .....	84,365	70,974
No expiry date .....	91,696	188,058
<b>Total</b> .....	<b>206,826</b>	<b>295,720</b>
Tax value .....	61,036	86,816

The total tax value of losses carried forward is presented before offsetting the corresponding deferred tax liabilities (which are reflected in the offset of deferred tax assets and liabilities as shown in the first table of this note). The deferred tax liability relating to property and equipment under operating leases reverses over the remaining term of the operating lease contracts which ranges from three to four years.

## **Note 22 - Deferred tax assets and deferred tax liabilities (continued)**

Were the actual final outcome on the largest net deferred tax asset positions of expected cash flows to differ by 10% from expected financial results (forecasted period of seven years), the Group would need to:

- increase the income tax liability by EUR 0.5 million, if unfavourable; or
- decrease the income tax liability by EUR 0.4 million, if favourable.

## **Note 23 - Assets and liabilities classified as held-for-sale**

Assets and liabilities held-for-sale include parts of the business expected to be sold within a year whose carrying amount will be recovered principally through a sale transaction rather than through continuing operations.

The assets and liabilities of a subsidiary in the mature operating segment have been presented as held for sale following the approval of the Group's Managing Board and Supervisory Board in November 2015 to sell this part of the business. This includes lease related services which the Group no longer considers part of its core activities and for which a sale is highly probable at the balance sheet date, but for which the transaction has not yet been concluded. The fair value of the assets and liabilities is higher than the carrying value of the subsidiary and therefore the assets of EUR 30.0 million (including intercompany assets of EUR 6.3 million) and liabilities of EUR 28.1 million have not be revalued.

This category also includes finance leases that the Group entered into in the United States with the aim to sell onward to debt investors for an amount of EUR 13.1 million (2014 EUR 9.4 million).

## **Note 24 - Effect of acquisitions**

In 2015 the Group concluded two acquisitions of the remaining share capital of LPD Holding A.Ş. (Turkey) and Excelease S.A. (Belgium). These former jointly controlled entities have been consolidated in the Group figures from the moment of acquiring the remaining shares.



## Note 24 - Effect of acquisitions (continued)

The following table summarises the consideration paid, the fair value of assets acquired and liabilities assumed at acquisition date.

Consideration at:	Note	LPD Holding A.Ş.	Excelease S.A.	Total
Cash .....		30,625	5,500	36,125
Fair value of equity interest held before the acquisition .....		31,875	5,724	37,599
<b>Total consideration .....</b>		<b>62,500</b>	<b>11,224</b>	<b>73,724</b>
<b>Acquisition related expenses</b> (included in the general and administrative expenses in the consolidated income statement for the period ended 31 December 2015) .....		291	160	451
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>				
Cash and balances at central banks .....		—	2	2
Receivables from clients .....		6,052	14,576	20,628
Receivables from financial institutions .....		290	404	694
Corporate income tax receivable .....		—	149	149
Inventories .....		17,864	907	18,771
Other receivables and prepayments .....		24,101	373	24,474
Property and equipment under operating lease and rental fleet .....	17	269,147	36,180	305,327
Other property and equipment .....	18	1,529	389	1,918
Purchased software (included in intangible assets) ...	21	1,115	—	1,115
Customer relationship (included in intangible assets) .....	21	3,659	—	3,659
Customer contract (included in intangible assets) .....	21	13,104	—	13,104
Corporate income tax payable .....		(1,964)	—	(1,964)
Deferred tax asset .....	22	—	605	605
Borrowings from financial institutions .....		(237,330)	(33,882)	(271,212)
Trade and other payables and deferred income .....		(23,100)	(4,873)	(27,973)
Damage risk retention provision .....		(531)	(86)	(617)
Provision for post employment benefits .....	32	—	(782)	(782)
Other provisions .....		(232)	(50)	(282)
Deferred tax liabilities .....	22	(6,535)	—	(6,535)
<b>Total identifiable net assets .....</b>		<b>67,169</b>	<b>13,912</b>	<b>81,081</b>
Bargain purchase gain .....		(4,669)	(2,688)	(7,357)
<b>Total .....</b>		<b>62,500</b>	<b>11,224</b>	<b>73,724</b>

### LPD Holding A.Ş.

In November 2007 the Group acquired 51% of the share capital of LPD Holding A.Ş, the holding company of LeasePlan Turkey, for EUR 9.2 million. The remaining 49% of the share capital was acquired on 27 February 2015. From the moment control was obtained, the figures of LeasePlan Turkey were consolidated in the Group figures and also adding approximately 14,000 vehicles to the total lease portfolio of the Group.

The Group recognised a loss of EUR 1.1 million as a result of re-measuring its 51% equity interest in LeasePlan Turkey held before the acquisition to fair value. The loss is included in 2015 in *Share of profit of investments accounted for using the equity method*. As the fair value of assets acquired and liabilities assumed exceeded the total consideration paid, a bargain purchase gain of EUR 4.7 million has been included in the income statement.

## **Note 24 - Effect of acquisitions (continued)**

The fair value of acquired receivables from clients amounts to EUR 6.1 million. The gross contractual amount for receivables from clients due is EUR 7.8 million of which EUR 1.7 million is deemed to be uncollectible. No contingent liabilities were recognised.

If the acquisition had been consolidated from 1 January 2015 the net result would have been EUR 493 thousand higher. The 51% of the January 2015 net result of LeasePlan Turkey is presented as *Share of profit of investments accounted for using the equity method*. The revenue included in the consolidated income statement 2015 contributed by LeasePlan Turkey was EUR 150.3 million. If LeasePlan Turkey had been consolidated as from 1 January 2015, the consolidated statement of income would show a revenue of EUR 163.1 million.

### **Excelease S.A.**

On 12 November 2015 LeasePlan Belgium has acquired the remaining 49% of the shares of Excelease S.A. based in Brussels, Belgium. From the moment control was obtained, the figures of Excelease were consolidated in the LeasePlan Belgium figures and also adding approximately 3,000 vehicles to the total lease portfolio of the Group.

The Group recognised a gain of EUR 0.9 million as a result of re-measuring its 51% equity interest in Excelease S.A. held before the acquisition to fair value. The gain is included in 2015 in *Share of profit of investments accounted for using the equity method*. As the fair value of assets acquired and liabilities assumed exceeded the total consideration paid, a bargain purchase gain of EUR 2.7 million has been included in the income statement.

The fair value of receivables from clients of EUR 14.6 million includes acquired trades receivables amounting to EUR 3.0 million. The gross contractual amount for trade receivables is EUR 3.8 million of which EUR 0.8 million is deemed to be uncollectible. No contingent liabilities were recognised.

If the acquisition had been consolidated from 1 January 2015 the net result would have been EUR 94 thousand lower. The 51% of the October 2015 year-to-date net result of Excelease S.A. is presented as *Share of profit of investments accounted for using the equity method*. The revenue included in the consolidated income statement 2015 contributed by Excelease S.A. was EUR 0.9 million. If Excelease S.A. had been consolidated as from 1 January 2015, the consolidated statement of income would show a revenue of EUR 2.4 million.

## **Note 25 - Share capital and share premium**

At 31 December 2015, the authorised capital amounted to EUR 250 million (2014: EUR 250 million), divided into 250,000,000 ordinary shares with a nominal value of EUR 1.00 each, of which EUR 71.6 million is issued and paid up. The holders of the ordinary shares are entitled to receive dividend as declared from time to time and are entitled to vote per share at meetings of the Company. The share premium includes the amount paid in excess of the nominal value of the share capital.

## Note 26 - Other reserves

	Translation reserve	Post-employment benefit reserve	Hedging reserve	Other	Total
<b>Balance as at 1 January 2014</b> .....	<b>(21,055)</b>	<b>(6,102)</b>	<b>(15,309)</b>	<b>(112)</b>	<b>(42,578)</b>
Gains/(losses) arising during the year .....	24,794	(5,524)	11,192	(104)	30,358
Related income tax .....	—	1,840	(2,798)	—	(958)
<b>Balance as at 31 December 2014</b> .....	<b>3,739</b>	<b>(9,786)</b>	<b>(6,915)</b>	<b>(216)</b>	<b>(13,178)</b>
Gains/(losses) arising during the year .....	16,655	(218)	(714)	—	15,723
Related income tax .....	—	162	178	—	340
Transfer to retained earnings .....	—	—	—	216	216
<b>Balance as at 31 December 2015</b> .....	<b>20,394</b>	<b>(9,842)</b>	<b>(7,451)</b>	<b>—</b>	<b>3,101</b>

### Translation reserve

The translation reserve comprises all exchange rate differences arising from the translation of the financial statements of foreign operations that are not integral to the operations of the Company. In 2015 no translation differences related to discontinued operations were recycled to the income statement (2014: nil). The significant movement in 2015 and 2014 is mainly caused by depreciation of the euro against the Pound sterling and United States dollar.

### Post-employment benefit reserve

The post-employment benefit reserve comprises the actuarial gains and losses recognised on defined benefit post-employment plans.

### Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments where the hedged transaction has not yet occurred.

### Other

Other comprises the share of other comprehensive income in investments accounted for using the equity method.

## Note 27 - Retained earnings

### Dividend

In February 2015 a final dividend of EUR 230 million (EUR 0.92 cent per share) was paid relating to 2014, bringing the total dividend for the year to EUR 236 million (EUR 0.94 cent per share).

### Profit appropriation

Reference is made to the Company financial statements on the appropriation of profit for the year and the movements in the reserves.

## Note 28 - Trade and other payables and deferred income

	2015	2014
Trade payables .....	764,430	641,414
Deferred leasing income .....	580,111	598,222
Lease related accruals .....	501,113	341,038
Other accruals and other deferred amounts owed .....	197,234	257,598
Interest payable .....	90,653	112,468
Accrual for contract settlements .....	106,725	92,380
VAT and other taxes .....	15,005	18,854
<b>Balance as at 31 December</b> .....	<b>2,255,271</b>	<b>2,061,974</b>

## Note 28 - Trade and other payables and deferred income (continued)

The majority of the trade and other payables and deferred income, except for deferred leasing income, have a remaining maturity less than one year. Deferred leasing income relates to amounts received in advance, as part of the monthly lease instalments, to cover lease expenses in a subsequent period. Lease related accruals mainly consist of accruals for lease related service expenses.

Other accruals and other deferred amounts owed contain accruals for a number of different staff expenses, including for the variable remuneration. The accrual for variable remuneration contains also the liability for Phantom Share Units ('PSUs') measured at fair value, for an amount of EUR 3,891 thousand at the end of 2015 (EUR 2,844 thousand at the end of 2014).

The movements in the number of PSUs outstanding are as follows:

In number of PSUs	2015	2014
<b>Outstanding as at 1 January</b>	<b>55,123</b>	<b>43,306</b>
Granted	33,365	28,231
Settled during the year	16,938	16,414
<b>Outstanding as at 31 December</b>	<b>71,550</b>	<b>55,123</b>

The PSU related expenses recognised during 2015 amount to EUR 5,307 thousand. The intrinsic value of one vested PSU at the end of 2015 is EUR 54.38.

## Note 29 - Borrowings from financial institutions

This item includes amounts owed to banks under government supervision.

The maturity analysis of these loans is as follows:

	Note	2015	2014
On demand	11	135,147	117,638
Three months or less		218,566	258,866
Longer than three months, less than a year		518,971	893,281
Longer than a year, less than five years		1,189,054	721,571
Longer than five years		11,380	—
<b>Balance as at 31 December</b>		<b>2,073,118</b>	<b>1,991,356</b>

On demand amounts owed to financial institutions relating to call money and bank overdraft balances form part of the cash and balances with banks in the cash flow statement. Borrowings from financial institutions include an outstanding balance of EUR 1.0 billion (2014: EUR 1.2 billion) which is non-euro currency denominated as at 31 December. The remainder of the borrowings from financial institutions is denominated in euro. Reference is made to the financial risk section (Currency risk).

In June 2015 the Company renewed a committed revolving credit facility with a consortium of 12 banks (EUR 1.25 billion) maturing in December 2018. During 2015 and 2014 no amounts were drawn under this facility. In March 2015 the Company concluded a term loan of EUR 1.0 billion with two banks maturing in September 2017. As at 31 December 2015 EUR 250 million was drawn under this term loan. In addition to centrally arranged credit facilities at a Group level, the Group also has credit facilities in place at the level of some of its subsidiaries.

In December 2014 Bumper NL concluded an asset backed securitisation warehousing facility of EUR 250 million with a bank. This facility is committed for two years. At 31 December 2015 the facility is fully drawn (as at 31 December 2014). For further details on the Bumper NL transaction reference is made to note 4 of the Company financial statements.

### Note 30 - Funds entrusted

This item includes all non-subordinated loans not included in the caption 'Borrowings from financial institutions' or 'Debt securities issued'.

The maturity analysis of these loans is as follows:

	2015	2014
Three months or less . . . . .	3,013,292	2,491,409
Longer than three months, less than a year . . . . .	1,167,209	1,225,931
Longer than a year, less than five years . . . . .	906,300	661,104
Longer than five years . . . . .	173	447
<b>Balance as at 31 December . . . . .</b>	<b>5,086,974</b>	<b>4,378,891</b>

This caption includes savings deposits raised by LeasePlan Bank amounting to EUR 4.994 billion (2014: EUR 4.281 billion) of which 51.0% (2014: 60.1%) is deposited for a fixed term. LeasePlan Bank is the brand name under which savings deposits are raised by LeasePlan Corporation N.V. which holds a banking licence in the Netherlands. As of September 2015 LeasePlan Bank is also operating on the German banking market with a cross border offering from Almere office.

The average interest rates on the outstanding balances of the savings deposits in original maturity terms are as follows:

	2015	2014
On demand . . . . .	1.10%	1.60%
A year or less . . . . .	1.60%	2.03%
Longer than a year, less than or equal to two years . . . . .	2.05%	2.26%
Longer than two years . . . . .	2.93%	3.50%

The interest rate of the on demand accounts is set on a monthly basis.

The funds entrusted include an outstanding balance of EUR 1.6 million (2014: EUR 1.6 million) which is non-euro currency denominated as at 31 December. The remainder of the funds entrusted is denominated in euro. Reference is made to the financial risk section (Currency risk).

### Note 31 - Debt securities issued

This item includes negotiable, interest bearing securities.

	2015	2014
Bonds and notes—originated from securitisation transactions . . . . .	1,610,820	1,730,099
Bonds and notes—other . . . . .	6,483,993	5,843,826
Bonds and notes—fair value adjustment on hedged risk . . . . .	47,630	64,113
<b>Balance as at 31 December . . . . .</b>	<b>8,142,443</b>	<b>7,638,038</b>

There is no pledge or security for these debt securities except for the bonds and notes which are originated from asset backed securitisation transactions.

The debt securities issued include an outstanding balance of EUR 3.8 billion (2014: EUR 2.8 billion) which is non-euro currency denominated as at 31 December. The remainder of the debt securities is denominated in euro. The fair value adjustment is attributable to the hedged risk on bonds and notes in fair value hedges. This fair value hedging policy is commented on in the financial risk section (Strategy in using financial instruments).

## Note 31 - Debt securities issued (continued)

The average interest rates applicable to the outstanding balances can be summarised as follows:

	2015	2014
Bonds and notes	1.7%	2.2%
<b>Average interest rate</b>	<b>1.7%</b>	<b>2.2%</b>

The maturity analysis of these debt securities issued is as follows:

	2015	2014
Three months or less	102,010	647,373
Longer than three months, less than a year	1,402,959	1,116,571
Longer than a year, less than five years	6,254,451	5,424,237
Longer than five years	383,023	449,857
<b>Balance as at 31 December</b>	<b>8,142,443</b>	<b>7,638,038</b>

The caption 'Bonds and notes—originated from securitisation transactions' can be detailed as follows:

	2015	2014
Bumper 2*	—	128,408
Bumper 5*	—	26,533
Bumper France	595,420	604,538
Bumper DE	499,817	435,718
Bumper 6	515,583	534,902
<b>Total</b>	<b>1,610,820</b>	<b>1,730,099</b>

\* Fully redeemed and unwound in 2015

Further reference is made to the financial risk section (Treasury risk) and note 4 of the Company financial statements.

A number of fixed rate bonds are included in a fair value hedge whereby the bonds (hedged items) are measured at amortised cost and are constantly being adjusted for gains/losses attributable to the risk being hedged. This adjustment is recognised in the income statement, where it offsets (to a large extent) the remeasurement of the fair value of the hedging instruments that is also recognised in the income statement.

## Note 32 - Provisions

		2015	2014
Damage risk retention provision	(i)	300,744	289,621
Post-employment benefits	(ii)	33,947	32,264
Other provisions	(iii)	43,642	33,382
<b>Balance as at 31 December</b>		<b>378,333</b>	<b>355,267</b>

The majority of provisions is expected to be recovered or settled after more than 12 months.

### (i) Damage risk retention provision

		2015	2014
Provision for Third Party Liability (TPL)		109,966	130,483
Provision for damage claims		62,861	32,970
Incurred but not reported (IBNR)		127,917	126,168
<b>Balance as at 31 December</b>		<b>300,744</b>	<b>289,621</b>



## Note 32 - Provisions (continued)

The damage risk retention provision breaks down as follows:

			2015			2014
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Damages reported	172,827	(6,800)	166,027	163,453	(10,193)	153,260
Damages IBNR	127,917	(4,024)	123,893	126,168	(10,032)	116,136
<b>Total damage risk provisions</b>	<b>300,744</b>	<b>(10,824)</b>	<b>289,920</b>	<b>289,621</b>	<b>(20,225)</b>	<b>269,396</b>
Current	107,644	—	107,644	69,194	—	69,194
Non-current	193,100	(10,824)	182,276	220,427	(20,225)	200,202
<b>Total damage risk provisions</b>	<b>300,744</b>	<b>(10,824)</b>	<b>289,920</b>	<b>289,621</b>	<b>(20,225)</b>	<b>269,396</b>

The development of the third party liability (TPL) exposures provides a measure of the Group's ability to estimate the ultimate value of damages. The top half of the table below illustrates how the Group's estimate of total damages outstanding for each accident year has changed at successive year-ends. The bottom half of the table below reconciles the cumulative damages to the amounts appearing in the balance sheet for TPL. The accident year basis is considered the most appropriate for the business written by the Group.

Accident year	< 2010	2010	2011	2012	2013	2014	2015	Total
At end of accident year	384,846	45,753	64,201	71,744	70,452	55,854	70,170	
One year later	378,693	37,305	53,396	68,425	84,761	72,490		
Two years later	370,238	31,679	50,267	73,010	65,319			
Three years later	357,602	29,276	38,111	57,495				
Four years later	351,073	28,617	33,268					
Five years later	339,817	27,077						
More than five years later	315,391							
Estimate of cumulative claims	315,391	27,077	33,268	57,495	65,319	72,490	70,170	
Cumulative payments to date	(298,484)	(23,212)	(24,561)	(35,844)	(31,504)	(30,338)	(1,502)	
<b>Gross outstanding damage liabilities</b>	<b>16,907</b>	<b>3,865</b>	<b>8,707</b>	<b>21,651</b>	<b>33,815</b>	<b>42,152</b>	<b>68,668</b>	<b>195,765</b>
Less: IBNR	2,891	1,209	3,258	3,170	18,431	17,478	39,362	85,799
<b>Total provision for TPL, excluding IBNR</b>	<b>14,016</b>	<b>2,656</b>	<b>5,449</b>	<b>18,481</b>	<b>15,384</b>	<b>24,674</b>	<b>29,306</b>	<b>109,966</b>

The total provision for TPL, excluding IBNR for the year prior to 2010 can be detailed as follows:

	Gross outstanding damage liabilities	Less: IBNR	Total provision for TPL, excluding IBNR
2009	4,110	1,026	3,084
2008	2,702	802	1,900
2007	696	500	196
2006	196	115	81
2005	770	70	700
2004	1,514	55	1,459
2003	664	46	618
< 2002	6,255	277	5,978
<b>Total</b>	<b>16,907</b>	<b>2,891</b>	<b>14,016</b>

## Note 32 - Provisions (continued)

The expected maturity analysis of the gross outstanding damage liabilities is as follows:

	2015	2014
Not longer than a year	101,798	133,509
Between 1-2 years	25,449	26,702
Between 2-5 years	33,280	31,152
Longer than 5 years	35,238	31,151
<b>Total</b>	<b>195,765</b>	<b>222,514</b>

### (ii) Provision for post-employment benefits

The provision for post-employment benefits comprises both defined benefit pension plans and other post-employment benefits. The Group operates a number of pension plans around the world. Most of these pension plans are defined contribution plans. In four countries, the Group has defined benefit pension plans, which for the majority are not open to new participants. The total number of participants in these pension plans is 414 (2014: 409). The plans are final salary pension plans, which provide benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. In the plans, pensions generally do not receive inflationary increases once in payment. The benefit payments are from trustee administered funds. Plan assets held in trusts are governed by local regulations and practice, as is the nature of the relationship between the company and the trustees (or equivalent) and their composition. In addition, the Group operates other post-employment benefit plans in five countries for legally required termination indemnities, which are payable at either the retirement date or the date the employee leaves the Group. The amount of the benefit depends on the length of service of the employee at the dismissal or retirement date. The majority of these plans is unfunded where the company meets the benefit payment obligation as it falls due. The total number of participants of these other post-employment benefit plans is 1,272 (2014: 1,201).

The amounts recognised in the balance sheet are as follows:

	2015	2014
Present value of funded obligations	51,145	51,468
Fair value of plan assets	(32,638)	(33,709)
<b>Deficit of funded plans</b>	<b>18,507</b>	<b>17,759</b>
Present value of unfunded obligations	15,440	14,505
<b>Total deficit of defined benefit pension plans as per 31 December</b>	<b>33,947</b>	<b>32,264</b>

The impact of minimum funding requirement/asset ceiling is nil in 2015 (2014: nil).

## Note 32 - Provisions (continued)

The valuations of provisions for post-employment benefits are performed by independent qualified actuaries on an annual basis. The following tables summarise the impact on the balance sheet, payment obligations, assets and economic assumptions in respect of the main post-employment benefits in the various countries.

	Note	Present value of obligation	Fair value of plan assets	Total
<b>Balance as at 1 January 2014</b> .....		<b>57,918</b>	<b>(31,568)</b>	<b>26,350</b>
Current service cost .....	7	3,425	—	3,425
Interest expense/(income) .....	7	1,626	(846)	780
Past service cost and (gains) and losses on settlements ..	7	13	(112)	(99)
		<b>5,064</b>	<b>(958)</b>	<b>4,106</b>
Remeasurements				
Return on plan assets, excluding amounts included in interest expense/(income) .....		—	47	47
(Gain)/loss from changes in demographic assumptions .....		709	—	709
(Gain)/loss from changes in financial assumptions .....		6,239	—	6,239
Experience (gains)/losses .....		(1,280)	(91)	(1,371)
		<b>5,668</b>	<b>(44)</b>	<b>5,624</b>
Exchange differences .....		(90)	47	(43)
Contributions				
Employers .....		—	(3,033)	(3,033)
Plan participants .....		309	(309)	—
Payments from plans				
Benefit payments .....		(2,896)	2,156	(740)
<b>Balance as at 31 December 2014</b> .....		<b>65,973</b>	<b>(33,709)</b>	<b>32,264</b>
<b>Balance as at 1 January 2015</b> .....		<b>65,973</b>	<b>(33,709)</b>	<b>32,264</b>
Current service cost .....	7	3,781	—	3,781
Interest expense/(income) .....	7	1,133	(530)	603
Past service cost and (gains) and losses on settlements ..	7	16	(115)	(99)
		<b>4,930</b>	<b>(645)</b>	<b>4,285</b>
Remeasurements				
Return on plan assets, excluding amounts included in interest expense/(income) .....		(8)	277	269
(Gain)/loss from changes in demographic assumptions .....		149	—	149
(Gain)/loss from changes in financial assumptions .....		2,382	—	2,382
Experience (gains)/losses .....		(1,573)	(47)	(1,620)
		<b>950</b>	<b>230</b>	<b>1,180</b>
Exchange differences .....		1,603	(1,265)	338
Contributions				
Employers .....		—	(2,602)	(2,602)
Plan participants .....		334	(350)	(16)
Payments from plans				
Benefit payments .....		(9,018)	6,734	(2,284)
Acquired in a business combination .....	24	1,812	(1,030)	782
<b>Balance as at 31 December 2015</b> .....		<b>66,584</b>	<b>(32,637)</b>	<b>33,947</b>

## Note 32 - Provisions (continued)

In the course of 2015 the defined (benefit) pension plan in Norway was settled by means of a transfer of all obligations and plan assets to an insurance company. The balance sheet impact of this settlement is included in the table above.

Reference is made to note 7 for the details on the amounts recognised in the income statement in respect of the Group's post-employment defined benefit plans. Expected contributions to post-employment defined benefit plans are EUR 2.6 million for the year ending 31 December 2016.

There are no defined benefit pension plans that are wholly unfunded and none of the collective and individual pension plans in the various countries are fully funded.

The weighted averages of the main actuarial assumptions used to determine the value of the provision for post-employment defined benefits as at 31 December were as follows:

	2015	2014
Discount rate .....	2.4%	2.3%
Inflation .....	1.7%	1.4%
Salary growth rate .....	2.9%	2.5%
Pension growth rate .....	0.6%	0.1%

The rates used for interest discount factors, inflation, salary developments and future pension increases reflect country specific conditions. The expected return on plan assets is determined by considering the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk free premium associated with the respective asset classes and the expectations for future returns on each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets. The expected returns of the individual plans have been weighted on the basis of the fair value of the assets of the plans in order to determine the average expected return on plan assets. All other assumptions are weighted on the basis of the post-employment benefit obligations.

Assumptions regarding future mortality experience are set based on published statistics and actuarial advice. The average life expectancy is in years of a pensioner retiring at age 65 on the balance sheet date as follows:

	2015	2014
Male .....	20.1	21.5
Female .....	23.8	25.0

Plan assets are comprised as follows:

	2015			2014		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Equities .....	101	—	101	85	—	85
Debt instruments .....	1,594	—	1,594	1,386	—	1,386
Property .....	63	—	63	53	—	53
Investment funds .....	11,969	18,910	30,879	14,375	17,810	32,185
<b>Total .....</b>	<b>13,727</b>	<b>18,910</b>	<b>32,637</b>	<b>15,899</b>	<b>17,810</b>	<b>33,709</b>

The expected maturity analysis of undiscounted post-employment benefits is:

	Not longer than a year	Between 1-2 years	Between 2-5 years	Longer than 5 years	Total
Post-employment benefits .....	3,424	2,811	10,561	86,400	103,196

## Note 32 - Provisions (continued)

### (iii) Other provisions

	Other long-term employee benefits	Termination benefits	Litigation	Miscellaneous	Total
<b>Balance as at 1 January 2014</b> .....	<b>13,763</b>	<b>952</b>	<b>12,440</b>	<b>8,904</b>	<b>36,059</b>
Charge/(credit) to the income statement					
Additional provisions .....	4,649	2,826	7,225	2,735	17,435
Unused amounts reversal .....	(3,364)	—	(8,475)	(3,057)	(14,896)
Usage during the year .....	(3,273)	(354)	(130)	(2,668)	(6,425)
Exchange rate differences .....	484	—	279	446	1,209
<b>Balance as at 31 December 2014</b> .....	<b>12,259</b>	<b>3,424</b>	<b>11,339</b>	<b>6,360</b>	<b>33,382</b>
<b>Balance as at 1 January 2015</b> .....	<b>12,259</b>	<b>3,424</b>	<b>11,339</b>	<b>6,360</b>	<b>33,382</b>
Charge/(credit) to the income statement					
Additional provisions .....	2,684	5,706	1,851	18,569	28,810
Unused amounts reversal .....	(2,121)	(665)	(247)	(4,114)	(7,147)
Usage during the year .....	(1,421)	(3,337)	—	(6,835)	(11,593)
Exchange rate differences .....	(52)	11	(143)	435	251
Reclassification to liabilities held-for- sale .....	(61)	—	—	—	(61)
<b>Balance as at 31 December 2015</b> .....	<b>11,288</b>	<b>5,139</b>	<b>12,800</b>	<b>14,415</b>	<b>43,642</b>
Usage within a year .....	8,140	586	4,075	3,163	15,964
Usage after a year .....	3,148	4,553	8,725	11,252	27,678

#### (a) Other long-term employee benefits

Other long-term employee benefits include provisions for medium-term bonus schemes, jubilee payments and extra vacation entitlements.

#### (b) Termination benefits

The provision for termination benefits relates to expected payments in order to terminate the employment of an employee or group of employees before the normal termination date. The balance relates to a small number of employee related litigations and obligations of relatively small size.

#### (c) Litigation

Litigation provisions have been set up to cover legal and administrative proceedings that arise in the ordinary course of business. These provisions are not employee related.

#### (d) Miscellaneous

Miscellaneous provisions include items which cannot be classified under one of the other captions. The nature of the items is diverse and long-term and includes provisions for guarantee payments and onerous contracts.

## Note 33 - Commitments

The Group has entered into commitments in connection with the forward purchase of property and equipment under operating lease and rental fleet amounting to EUR 1.9 billion (2014: EUR 1.6 billion) as at the balance sheet date. These commitments are entered into in the ordinary course of business and the majority is back-to-back matched with lease contracts entered into with customers.

Furthermore, the Group has entered into commitments in connection with long-term rental and lease contracts. The future aggregate minimum lease payments under these contracts are as follows:

	2015	2014
Not longer than a year	32,012	32,546
Longer than a year, less than five years	79,395	82,939
Longer than five years	52,893	55,165
<b>Total</b>	<b>164,300</b>	<b>170,650</b>

For a number of clients, residual value guarantees have been given to a total of EUR 346 million (2014: EUR 308 million).

Credit facilities have been concluded with investments accounted for using the equity method amounting to EUR 155 million (2014: EUR 395 million) of which EUR 111 million (2014: EUR 297 million) is drawn.

## Note 34 - Related parties

### Identity of related parties

Related parties and enterprises, as defined by IAS 24, are parties and enterprises which can be influenced by the Company or which can influence the Company. Global Mobility Holding B.V. is shareholder of the Company. The business relations between the two companies and their indirect shareholders are handled on normal market terms. No transactions occurred in 2015 and 2014.

The Group purchases cars and trucks manufactured by the Volkswagen Group. These purchases are entered into in the ordinary course of business and are handled on normal market conditions. These cars and trucks are not directly obtained from the Volkswagen Group but indirectly through importers and dealers in these brands and are sold based on the price lists and terms that would be available to third parties.

In respect of the widely-publicized vehicle emissions controversy affecting our ultimate 50% shareholder Volkswagen A.G., to date the Group has not seen any significant impact on the residual values of our vehicles or on the demand for certain types of our vehicles in the second-hand vehicle market. As this is a developing issue, the full scope of any impact on the residual values of our vehicles might not yet be fully apparent. Accordingly, we continue to monitor closely all developments with respect to this issue.

In March 2015 the Company renewed a EUR 1.25 billion credit facility from Volkswagen A.G. through its subsidiary Volkswagen International Luxemburg S.A. maturing December 2018. No amounts were drawn under this facility during 2015 and 2014. This facility is included in the overall funding framework as approved by the Supervisory Board on a quarterly basis.

All business relations with investments accounted for using the equity method are in the ordinary course of business and handled on normal market terms. An amount of EUR 111 million (2014: EUR 297 million) is provided as loans to investments accounted for using the equity method (reference is made to note 19). The interest income recognised by the Group on these funding



## Note 34 - Related parties (continued)

transactions amounts to EUR 2.5 million (2014 EUR 10.3 million). Furthermore, the Group charged a service fee amounting to EUR 0.7 million (2014: EUR 1.0 million) to the investments accounted for using the equity method.

### Transactions with Managing Board

Key management personnel is the Managing Board. In addition to their salaries, the Group provides non-cash benefits to the Managing Board and contributes to post-employment defined contribution plans on their behalf. The Managing Board is also the statutory executive board of the Company.

The statutory board remuneration is as follows:

	2015	2014
Fixed remuneration	2,899	2,114
Other short-term employee benefits	2,209	651
Post-employment benefits	286	548
Other long-term employee benefits	1,653	747
<b>Total</b>	<b>7,047</b>	<b>4,060</b>

- a) The increase in fixed remuneration compared to 2014 is mainly caused by:
- (i) a partial conversion of variable remuneration into fixed remuneration in light of the Dutch Act on Remuneration Policies for Financial Enterprises; and
  - (ii) the fact that in 2014 one Managing Board member was only included on a pro rata basis.
- b) The increase in other short-term employee benefits compared to 2014 is mainly caused by:
- (i) the fact that variable remuneration has been awarded over the entire year (compared to only part of the year in 2014 because of the applicability of the Bonus Prohibition Act) although this effect is partly mitigated by the fact that the variable remuneration opportunity reduced due to the partial conversion of variable remuneration into fixed remuneration;
  - (ii) the fact that in 2014 one Managing Board member was only included on a pro rata basis;
  - (iii) a significant part of the former employer pension premiums (in 2014 captured under post-employment benefits) is paid in the form of a pension allowance in cash as of 2015 (i.e. this also explains the significant decrease in post-employment benefits); and
  - (iv) the inclusion of expenses of a one-off incentive plan award in the 2015 other employee benefits (please refer to the Remuneration Report).
- c) The increase in other long-term benefits is also mainly caused by (i), (ii) and (iv) as explained under b).

The Group has not granted any loans, guarantees or advances to members of the Managing Board. In both 2014 and 2015 there were no termination benefits.

For information on the remuneration policy of the Managing Board, please refer to the Remuneration Report.

## Note 34 - Related parties (continued)

### Remuneration of the members of the Supervisory Board

The two independent members of the Supervisory Board receive compensation from LeasePlan for their tasks and responsibilities as a member of the Supervisory Board. The following table summarises the income components for these two members of the Supervisory Board members for 2015.

In euros	2015	2014
Ms Ada van der Veer-Vergeer	70,000	60,000
Dr Herta von Stiegel (appointed as per 25 March 2015)	52,500	—

During 2015, Ms Ada van der Veer received EUR 40,000 as a one-off additional compensation for extraordinary activities performed in 2014. This was decided upon in view of various activities, additional meetings and conference calls during calendar year 2014 for which involvement of the Supervisory Board was required.

Prior to her formal appointment in March 2015, Dr Herta von Stiegel already attended various Supervisory Board meetings and calls as a guest and rendered related activities in 2014 and in 2015. For these services in relation to calendar year 2014, she received a compensation of EUR 25,000 in 2015. For her services in the first quarter of 2015 prior to her formal appointment she received EUR 17,500.

Neither the Company nor any of its Group companies has granted any loans, guarantees or advances to the members of the Supervisory Board.

### Note 35 - Contingent assets and liabilities

As at year-end 2015, guarantees had been provided on behalf of the consolidated subsidiaries in respect of commitments entered into by those companies with an equivalent value of EUR 2.3 billion (2014: EUR 2.5 billion). The Company charges a guarantee fee to the respective subsidiaries based on normal market terms.

The probability of any inflow of economic benefits arising from the contingent assets is difficult to estimate and remote. Accordingly no asset is recognised in the balance sheet.

In July 2015, the Italian competition authority AGCM started an investigation related to a possible infringement of the EU competition law by the biggest companies operating in the Italian rent car market, including LeasePlan Italy. At this stage, the investigation is ongoing and an assessment on the outcome is not yet possible. There can be no assurance that ultimately the outcome may not have a material adverse effect on LeasePlan's results of operations or financial position.

### Note 36 - Events occurring after balance sheet date

#### Ownership of the Company

On 23 July 2015 LeasePlan announced that its 100% shareholder Global Mobility Holding B.V. had reached an agreement with a consortium of long-term investors to acquire full ownership of LeasePlan. All necessary competition authority and financial regulatory approvals required under the agreement to close the acquisition were obtained by January 2016. At the time of publishing the annual report, we expect the transaction to close in the first quarter of 2016.

## List of principal consolidated participating interests

Pursuant to Article 379, Part 9, Book 2, of the Dutch Civil Code a full list of Group companies and investments accounted for using the equity method complying with the relevant statutory requirements has been filed with the Chamber of Commerce of Gooi-, Eem- en Flevoland. Unless stated otherwise, the percentage interest is 100% or nearly 100%.

All holdings are in the ordinary share capital of the undertaking concerned and are unchanged from 2014, except for the acquisition of the 49% remaining share capital of LPD Holding A.Ş. Reference is made to note 24 of the consolidated financial statements. In addition, Globalines Reinsurance Limited was liquidated in 2015 and is therefore no longer part of the list below.

Principal subsidiaries, which are fully included in the consolidated financial statements, are:

LeasePlan Australia Limited, Australia  
LeasePlan Brasil Ltda., Brazil  
LeasePlan Česká republika s.r.o., Czech Republic  
LeasePlan Danmark A/S, Denmark  
LeasePlan Deutschland GmbH, Germany  
LeasePlan Finland Oy, Finland  
LeasePlan Fleet Management N.V., Belgium  
LeasePlan Fleet Management (Polská) Sp. z.o.o., Poland  
LeasePlan Fleet Management Services Ireland Limited, Ireland  
LeasePlan France S.A.S., France  
LeasePlan Hellas S.A., Greece  
LeasePlan Hungária Gépjárműpark Kezelő és Finanszírozó Zártkörű Részvénytársaság, Hungary  
LeasePlan India Private Limited, India  
LeasePlan Italia S.p.A., Italy  
LeasePlan Luxembourg S.A., Luxembourg  
LeasePlan México S.A. de C.V., Mexico  
LeasePlan Nederland N.V., the Netherlands  
LeasePlan New Zealand Limited, New Zealand  
LeasePlan Norge A/S, Norway  
LeasePlan Österreich Fuhrparkmanagement GmbH, Austria  
LeasePlan Portugal Comércio e Aluguer de Automóveis e Equipamentos Unipessoal Lda., Portugal  
LeasePlan Romania S.R.L., Romania  
LeasePlan Rus LLC, Russia  
LeasePlan (Schweiz) AG, Switzerland  
LeasePlan Servicios S.A., Spain  
LeasePlan Slovakia s.r.o., Slovakia  
LeasePlan Sverige AB, Sweden  
LeasePlan Otomotive Servis ve Ticaret A.Ş. Turkey  
LeasePlan UK Limited, United Kingdom  
LeasePlan USA, Inc., USA

Euro Insurances Limited, Ireland  
LeasePlan Finance N.V., the Netherlands  
LeasePlan Information Services Limited., Ireland  
LeasePlan International B.V., the Netherlands  
LeasePlan Supply Services AG, Switzerland  
Mobility Mixx B.V., the Netherlands  
Travelcard Nederland B.V., the Netherlands

Special purpose companies with no shareholding by the Group are:

Bumper France FCT, France  
Bumper DE S.A., Luxembourg  
Bumper 2 S.A., Luxembourg  
Bumper 5 Finance Plc, United Kingdom  
Bumper 6 (NL) Finance B.V., the Netherlands  
Bumper NL B.V., the Netherlands

Principal investments accounted for using the equity method in the consolidated financial statements are:

LeasePlan Emirates Fleet Management—LeasePlan Emirates LLC, United Arab Emirates (49%)  
Overlease S.r.L., Italy (51%)  
Please S.C.S., France (99.3%)  
Flottenmanagement GmbH, Austria (49%)  
Terberg Leasing B.V., the Netherlands (24%)

The net equity accounting treatment is based on whether the company has significant influence or joint control. In the situations where the Group has a majority shareholding in the companies listed above, these companies still qualify as jointly controlled entities as the Group has contractually agreed to sharing of control whereby the strategic and operating decisions relating to the company require the unanimous consent of the parties sharing control.

Pursuant to the provisions of Article 403 f, Part 9, Book 2, of the Dutch Civil Code, a declaration of joint and several liability with respect to the financial obligations of the majority of the participating interests in the Netherlands is filed. Such declaration is filed for the following participating interests.

AALH Participaties B.V.  
Accident Management Services B.V.  
Energie LeasePlan B.V.  
Firenta B.V.  
Lease Beheer N.V.  
Lease Beheer Holding B.V.  
Lease Beheer Vastgoed B.V.  
LeasePlan Finance N.V.  
LeasePlan International B.V.  
LeasePlan Nederland N.V.  
LPC Auto Lease B.V.  
Mobility Mixx B.V.  
Transport Plan B.V.  
Travelcard Nederland B.V.

## Company financial statements

### Balance sheet of the company for the year ended 31 December (before profit appropriation)

In thousands of euros	Note	2015	2014
<b>Assets</b>			
Cash and balances with central banks .....	2	1,605,407	957,918
Amounts due from banks .....	3	22,845	812,850
Financial assets held-to-maturity .....	4	214,286	682,243
Loans to subsidiaries .....	5	11,346,977	9,024,848
Loans to jointly controlled entities .....	6	102,800	288,355
Investments in subsidiaries .....	5	2,690,746	2,454,659
Investments in jointly controlled entities .....	6	11,297	39,555
Other assets .....	7	311,181	309,392
Intangible assets .....	8	13,673	709
<b>Total assets</b> .....		<b>16,319,212</b>	<b>14,570,529</b>
<b>Equity</b>			
Share capital .....		71,586	71,586
Share premium .....		506,398	506,398
Legal reserves .....		417,920	440,810
Other reserves .....		3,101	(13,178)
Retained earnings .....		1,629,984	1,465,339
Profit for the year .....		442,475	371,971
<b>Shareholders' equity</b> .....	9	<b>3,071,464</b>	<b>2,842,926</b>
<b>Liabilities</b>			
Amounts due to banks .....	10	319,336	94,986
Funds entrusted .....	11	4,997,075	4,284,094
Debt securities issued .....	12	6,339,501	5,699,776
Other liabilities .....	13	1,583,679	1,648,747
Provisions .....	14	8,157	—
<b>Total liabilities</b> .....		<b>13,247,748</b>	<b>11,727,603</b>
<b>Total equity and liabilities</b> .....		<b>16,319,212</b>	<b>14,570,529</b>

### Income statement of the company

In thousands of euros	Note	2015	2014
Result from subsidiaries after taxation .....	5	421,401	374,289
Other results after taxation .....		21,074	(2,318)
<b>Profit for the year</b> .....		<b>442,475</b>	<b>371,971</b>

# Notes to the company financial statements

*All amounts are in thousands of euros, unless stated otherwise*

## Note 1 - General

For certain notes to the Company's balance sheet, reference is made to the notes to the consolidated financial statements.

The Company's financial statements are prepared pursuant to the provisions in Part 9, Book 2, of the Dutch Civil Code, by applying the accounting policies used in the consolidated financial statements under IFRSs pursuant to the provisions of Article 362 sub 8, Part 9, Book 2, of the Dutch Civil Code.

The income statement in the Company's financial statements has been presented in abridged form pursuant to the provisions of Article 402, Part 9, Book 2, of the Dutch Civil Code.

Under reference to Article 362 sub 8, Part 9, Book 2 of the Dutch Civil Code, the investments accounted for using the equity method are measured and valued in accordance with the same IFRSs accounting standards as adopted in the consolidated financial statements of the Company.

The accounting policies set out before in preparing the consolidated financial statements for the year ended 31 December 2015 and 2014 are also applied in the Company's financial statements, with the exception of the valuation of investments in subsidiaries.

### Investments in subsidiaries and in investments accounted for using the equity method

The investments in subsidiaries that are not classified as held-for-sale are accounted for in accordance with the net value of assets and liabilities, based upon accounting policies used in the consolidated financial statements.

If the valuation of a subsidiary, jointly controlled entity or associate, based on the net asset value is negative, it will be stated at nil. If and insofar as the Group can be held fully or partially liable for the debts of the subsidiary, or has the firm intention of enabling the subsidiary to settle its debts, a provision is recognised for this.

## Note 2 - Cash and balances with central banks

The majority of this amount is cash deposited at the Dutch central bank of which a part is the mandatory reserve deposit that amount to EUR 46.7 million (2014: EUR 47.1 million) which is not available for use in the Group's day-to-day operations.

## Note 3 - Amounts due from banks

A breakdown of this caption is as follows:

	2015	2014
Call money and cash at banks	3,239	143
Cash collateral derivative financial instruments	19,606	37,730
Deposits with banks	—	774,977
<b>Balance as at 31 December</b>	<b>22,845</b>	<b>812,850</b>



## Note 4 - Financial assets held-to-maturity

This caption includes investments in bonds resulting from securitisation programmes concluded by the Group. The following securitisation transactions were initiated by the Group and outstanding per December 31, 2015:

Programme	Originator	Special purpose company	Currency	Total transaction size
Bumper 2*	LeasePlan Deutschland GmbH	Bumper 2 S.A.	EUR	875,600
Bumper 5*	LeasePlan UK Ltd.	Bumper 5 Finance Plc	GBP	837,714
Bumper France	LeasePlan France S.A.S.	Bumper France FCT	EUR	799,215
Bumper DE	LeasePlan Deutschland GmbH	Bumper DE S.A.	EUR	714,286
Bumper 6	LeasePlan Nederland N.V.	Bumper 6 (NL) Finance B.V.	EUR	715,000
Bumper NL	LeasePlan Nederland N.V.	Bumper NL B.V.	EUR	333,000

\* Fully redeemed and unwound in 2015

These transactions involve the sale of future lease instalment receivables and related residual value receivables originated by various LeasePlan subsidiaries to special purpose companies. Debt securities were issued by most of these special purpose companies to finance these transactions. The special purpose companies are responsible for making interest and principal payments to the noteholders. The noteholders do not have recourse on the Company or other Group companies in case of non-performance or default by the special purpose companies. The Group has deposited cash collateral for these securitisation transactions, reference is made to note 12 of the consolidated financial statements of the Company. The higher rated notes are sold to external investors and the other (non-rated) notes are bought by the Company.

The Bumper notes bought by the Company are as follows:

	2015	2014
Bumper 2* .....	—	225,900
Bumper 5* .....	—	269,214
Bumper DE .....	214,286	187,129
<b>Total .....</b>	<b>214,286</b>	<b>682,243</b>

\* Fully redeemed and unwound in 2015

### Bumper 2

LeasePlan completed an asset backed securitisation transaction named Bumper 2 in March 2008. Future lease instalment receivables and related residual value receivables for a total amount of EUR 875.6 million originated by LeasePlan Deutschland GmbH (the "originator") were sold to Bumper 2 S.A., a company incorporated for the purpose of securitisation transactions under the laws of Luxembourg. Debt securities were issued by Bumper 2 S.A. to finance this transaction. The residual value receivables are created through the expectancy rights purchaser (ERP), Bumper Car Sales GmbH, a German special purpose company that purchased the expectancy rights which the originator has against the issuer. The ERP in turn contracted with the originator to pay the vehicle realisation proceeds as the purchase price for the expectancy rights. These claims the originator has against the ERP were sold to the issuer. The originator must pay the contractually residual value at the end of the lease contract to the ERP.

In 2008 Bumper 2 S.A. issued under this securitisation transaction debt securities with a final legal term of 15 years and a revolving period of five years, after which redemption takes place. Bumper 2 S.A. and Bumper Car Sales GmbH are special purpose companies and are included in the consolidated financial statements of the Company. The debt securities issued in March 2008 were divided into A-notes (EUR 663.3 million), B-notes (EUR 74.4 million) and C-notes (EUR 137.9 million). The notes were listed on the Irish Stock Exchange. The transaction was assessed by Standard & Poor's resulting in an AAA-rating for the A-notes and an A-rating for the B-notes.

#### **Note 4 - Financial assets held-to-maturity (continued)**

In March 2011 the Company restructured the Bumper 2 whereby Bumper 2 S.A. repurchased all Bumper 2 notes issued in 2008 and issued new notes. The debt securities issued in March 2011 were divided into A-notes (EUR 602.4 million), B-notes (EUR 47.3 million) and C-notes (EUR 225.9 million) which were listed on the Irish Stock Exchange. The transaction was assessed by Standard & Poor's and Fitch Ratings, resulting in an AAA-rating for the A-notes and AA-rating for the B-notes. The final legal term and the revolving period, after which redemptions were to take place were unchanged. During and after the restructuring process the Company successfully sold the A-notes and B-notes to external investors, the C-notes were held by the Company. The interest payable on the notes on a monthly basis was equal to one-month Euribor plus a mark-up. The C-notes were subordinated to the B-notes and the B-notes were subordinated to the A-notes.

In July 2015, the A-notes and B-notes were completely redeemed. Thereafter, the Bumper 2 transaction was unwound.

#### **Bumper 5**

The Bumper 5 transaction was completed in April 2012 whereby GBP 837.7 million of future lease instalment receivables and associated residual value receivables originated by LeasePlan UK Ltd. (the "originator") were sold to Bumper 5 Finance Plc, a limited liability company specially incorporated for the purpose of a securitisation transaction under the laws of England and Wales. Debt securities were issued by Bumper 5 Finance Plc in EUR and GBP to finance this transaction. To hedge the currency risk arising from purchasing GBP receivables and issuing EUR A1-notes Bumper 5 Finance Plc concluded a currency swap. The title to the underlying objects was retained by the originator (except for vehicles under an Employee Car Ownership Scheme).

The notes issued under this securitisation transaction had a final legal term of ten years and a revolving period of nine months. Bumper 5 Finance Plc is a limited liability company, but is included in the consolidated financial statements of the Company.

The debt securities issued in April 2012 were divided into A1-notes (EUR 445.8 million), A2-notes (GBP 212.1 million), B-notes (GBP 46.1 million) and C-notes (GBP 209.5 million). The notes were listed on the Irish Stock Exchange. The transaction was assessed by Standard & Poor's and Fitch Ratings resulting in an AAA-rating for the A-notes and an Aa+ rating by Fitch and an AA+ rating by S&P for the B-notes.

The A-notes and B-notes were sold to external investors, the C-notes were held by the Company. The interest payable on the notes on a monthly basis was equal to one month Euribor plus a mark-up for the EUR notes and one month Libor plus a mark-up for the GBP notes. The C-notes were subordinated to the B-notes and the B-notes were subordinated to the A-notes.

In March 2015, the A-notes and the B-notes were completely redeemed. Thereafter, the Bumper 5 transaction was unwound.

#### **Bumper France**

The Bumper France transaction was completed in March 2013 whereby EUR 799 million of future lease instalment receivables and associated residual value receivables originated by LeasePlan France S.A.S. (the "originator") were sold to Bumper France FCT, a limited liability company specially incorporated for the purpose of a securitisation transaction under the laws of France. Debt securities were issued by Bumper France FCT in USD and EUR to finance this transaction. To hedge the currency risk arising from purchasing EUR receivables and issuing USD A-notes Bumper France FCT concluded a currency swap. The title to the underlying objects is retained by the originator.

The notes issued under this securitisation transaction have a final legal term of nine years and an initial revolving period of one year, which in 2014 was extended for one year and in 2015 was

#### **Note 4 - Financial assets held-to-maturity (continued)**

extended until June 2016. Bumper France FCT is a limited liability company and is included in the consolidated financial statements of the Company. The debt securities issued in March 2013 are divided into A-notes (USD 733.1million), and B-notes (EUR 231.8 million).

The A-notes were sold to an external investor, the B-notes are held by the Group. The interest payable on the notes on a monthly basis is equal to one month Libor plus a mark-up for the USD notes and a fixed rate for the EUR notes. The B-notes are subordinated to the A-notes. Bumper France FCT is included in the consolidated financial statements of the Company.

##### **Bumper DE**

The Bumper DE transaction is a private transaction and uses a securitisation structure under German law common for operating and finance lease securitisations and closed on 9 April 2014. As per 31 December 2015 future discounted cash flows amounting to EUR 714.3 million were transferred from LeasePlan Deutschland GmbH (the "originator") to Bumper DE S.A., a special purpose limited liability company incorporated under the laws of Luxembourg. With this transaction Bumper DE S.A. concluded an asset backed securitisation warehousing facility with one bank. The volume of this facility is EUR 500 million and the full amount was drawn in August 2015. The revolving period, keeping the financing volume stable, lasts until April 2016.

Bumper DE S.A. issued A-notes for an amount of EUR 500.0 million which were bought by one bank and B-notes for an amount of EUR 214.3 million, which were bought by the Company. Bumper DE S.A. is included in the consolidated financial statements of the Company.

##### **Bumper 6**

The Bumper 6 transaction was completed in November 2014 whereby EUR 715 million of future lease instalment receivables and associated residual value receivables originated by LeasePlan Nederland N.V. (the "originator") were sold to Bumper 6 (NL) Finance B.V., a special purpose company specially incorporated for the purpose of securitisation transactions under the laws of the Netherlands. Debt securities issued by Bumper 6 (NL) Finance B.V. and a subordinated loan received from the Company are used to finance this transaction. The title to the underlying objects is retained by the originator.

The notes issued under this securitisation transaction have a final legal term of 15 years and a revolving period of one year. During this revolving period Bumper 6 (NL) Finance B.V. can use available funds to purchase new receivables.

The debt securities issued in November 2014 are divided into A-notes (EUR 501 million), B-notes (EUR 36 million) and a subordinated loan of EUR 178 million. The notes are listed on Euronext Amsterdam. The transaction is assessed by Standard and Poor's, Moody's and DBRS, resulting in an AAA-rating (S&P and DBRS), and an Aaa-rating (Moody's) for the A-notes. The B-notes are rated AAA (S&P), Aa1 (Moody's), and AA high (DBRS).

The A-notes and B-notes were sold to external investors. The interest payable on the notes on a monthly basis is equal to one-month Euribor plus a mark-up. The B-notes are subordinated to the A-notes. The subordinated loan provided by the Company to Bumper 6 (NL) Finance B.V. is subordinated to the A-notes and the B-notes. Bumper 6 (NL) Finance B.V. is included in the consolidated financial statements of the Company.

##### **Bumper NL**

The Bumper NL transaction is a private transaction and uses a securitisation structure under Dutch law common for operating lease securitisations and closed December 2014. Bumper NL B.V. entered into a master hire purchase agreement with LeasePlan Nederland N.V. (the "originator"). Based on this agreement Bumper NL B.V. can buy future discounted cash flows of lease receivables and residual values from the originator. As per 31 December 2014 future

#### Note 4 - Financial assets held-to-maturity (continued)

discounted cash flows amounting to EUR 333 million were transferred from the originator to Bumper NL B.V. With this transaction Bumper NL B.V. concluded an asset backed securitisation warehousing facility with one bank. The volume of this facility is EUR 249.8 million and was fully drawn since 31 December 2014. The revolving period, keeping the financing volume stable, lasts until December 2016. The committed facility is rated AAA by DBRS.

Bumper NL B.V. is a special purpose limited liability company incorporated under Dutch law for this transaction and is included in the consolidated financial statements of the Company.

#### Note 5 - Investments in and loans to subsidiaries

Movements in investments in Group companies are as follows:

	2015	2014
<b>Balance as at 1 January</b>	<b>2,454,659</b>	<b>2,211,999</b>
Purchase and increase	115,525	121,000
Reclassifications	12,556	—
Equity deductions	(329,631)	(273,975)
Result of the year	421,401	374,289
Direct changes in equity	(25)	(3,029)
Exchange rate differences	16,261	24,375
<b>Balance as at 31 December</b>	<b>2,690,746</b>	<b>2,454,659</b>

Reclassifications relate to the negative net asset value of subsidiaries based on Group accounting standards. The direct changes in equity relate to fair value changes in cash flow hedges.

The maturity analysis on the loans is as follows;

	2015	2014
Three months or less	1,872,454	1,609,981
Longer than three months, less than a year	3,113,665	2,607,982
Longer than a year, less than five years	6,359,223	4,763,421
Longer than five years	1,635	43,464
<b>Balance as at 31 December</b>	<b>11,346,977</b>	<b>9,024,848</b>

#### Note 6 - Investments in and loans to jointly controlled entities

The investment relates to jointly controlled entities in Turkey and the United Arab Emirates. Movements in jointly controlled entities are as follows:

	2015	2014
<b>Balance as at 1 January</b>	<b>39,555</b>	<b>32,099</b>
Transfer of equity interest to subsidiaries	24 (32,929)	—
Share of results	3,573	6,962
Exchange rate differences	1,098	494
<b>Balance as at 31 December</b>	<b>11,297</b>	<b>39,555</b>

In February 2015 the Company acquired the remaining 49% of the share capital of LPD Holding A.Ş, the holding company of LeasePlan Turkey. From the moment control was obtained, the figures of LeasePlan Turkey were consolidated in the Group figures. Reference is made to note 20 of the consolidated financial statements.

The loans relate to jointly controlled entities of the Company (Turkey and the United Arab Emirates) and of the Group (Belgium and France).

## Note 6 - Investments in and loans to jointly controlled entities (continued)

The maturity analysis on the loans is as follows:

	2015	2014
Three months or less	10,500	68,000
Longer than three months, less than a year	36,750	88,314
Longer than a year, less than five years	55,550	132,041
<b>Balance as at 31 December</b>	<b>102,800</b>	<b>288,355</b>

The company has entered into loan commitments of EUR 141 million (2014: EUR 371 million) of which EUR 103 million has been drawn at year-end 2015 (2014: EUR 288 million). There are no other material contingent liabilities of the jointly controlled entities.

## Note 7 - Other assets

Besides derivative financial instruments this caption includes a corporate income tax receivable from fiscal authorities and Group companies forming part of the fiscal unity. The Company settles corporate income tax due or receivable on taxable income with its Group companies forming part of the fiscal unity as if these Group companies were responsible for their tax filings on a stand-alone basis.

The other assets are carried at fair value and are made up as follows:

	2015	2014
Derivative financial instruments	158,936	175,973
Tax receivables	8,372	8,195
Other	143,873	125,224
<b>Balance as at 31 December</b>	<b>311,181</b>	<b>309,392</b>

Derivative financial instruments are carried at fair value and are made up as follows:

	2015			2014		
	Notional amounts	Fair value		Notional amounts	Fair value	
		Assets	Liabilities		Assets	Liabilities
Fair value hedge						
Interest rate swaps	4,032,309	78,002	15,953	3,232,099	90,927	14,689
Currency swaps	85,948	3,343	1,053	126,303	1,254	8,404
Cash flow hedge						
Interest rate swaps	1,805,000	—	12,178	1,845,000	—	14,396
<b>Total derivatives in hedge</b>	<b>5,923,257</b>	<b>81,345</b>	<b>29,184</b>	<b>5,203,402</b>	<b>92,181</b>	<b>37,489</b>
Interest rate swaps	15,364,293	32,085	74,140	15,030,184	46,857	92,099
Currency swaps/currency forwards	3,544,514	45,506	20,256	3,096,411	36,935	40,440
<b>Total derivatives not in hedge</b>	<b>18,908,807</b>	<b>77,591</b>	<b>94,396</b>	<b>18,126,595</b>	<b>83,792</b>	<b>132,539</b>
<b>Total</b>	<b>24,832,064</b>	<b>158,936</b>	<b>123,580</b>	<b>23,329,997</b>	<b>175,973</b>	<b>170,028</b>

The fair value is based on the price including accrued interest (dirty price).

## Note 7 - Other assets (continued)

The unrealised gains/(losses) on financial instruments recognised in the income statement breaks down as follows:

	2015	2014
Derivatives not in hedges	1,239	(31,354)
Derivatives in fair value hedges	(15,295)	56,932
Derivatives in cash flow hedges (ineffectiveness)	20	(48)
	<b>(14,036)</b>	<b>25,530</b>
Financial liabilities used in fair value hedges	15,293	(54,730)
<b>Unrealised gains/(losses) on financial instruments</b>	<b>1,257</b>	<b>(29,200)</b>

## Note 8 - Intangible assets

	Software licences	Customer relationship	Customer contract	Total
Cost	3,510	—	—	3,510
Accumulated amortisation and impairment	(2,536)	—	—	(2,536)
<b>Carrying amount as at 1 January 2014</b>	<b>974</b>	<b>—</b>	<b>—</b>	<b>974</b>
<b>Carrying amount as at 1 January 2014</b>	<b>974</b>	<b>—</b>	<b>—</b>	<b>974</b>
Purchases	157	—	—	157
Amortisation	(422)	—	—	(422)
<b>Carrying amount as at 31 December 2014</b>	<b>709</b>	<b>—</b>	<b>—</b>	<b>709</b>
Cost	3,667	—	—	3,667
Accumulated amortisation and impairment	(2,958)	—	—	(2,958)
<b>Carrying amount as at 31 December 2014</b>	<b>709</b>	<b>—</b>	<b>—</b>	<b>709</b>
Purchases	721	—	—	721
Acquisition of subsidiary	—	3,659	13,104	16,763
Amortisation	(533)	(366)	(3,621)	(4,520)
<b>Carrying amount as at 31 December 2015</b>	<b>897</b>	<b>3,293</b>	<b>9,483</b>	<b>13,673</b>
Cost	4,388	3,659	13,104	21,151
Accumulated amortisation and impairment	(3,491)	(366)	(3,621)	(7,478)
<b>Carrying amount as at 31 December 2015</b>	<b>897</b>	<b>3,293</b>	<b>9,483</b>	<b>13,673</b>

The purchased software relates to a banking system for LeasePlan Bank. The increases in customer relationship and customer contracts relate to the acquisition of LPD Holding A.Ş (Turkey). Reference is made to note 24 of the consolidated financial statements.

## Note 9 - Shareholders' equity

### Share capital

As at 31 December 2015, the authorised capital amounted to EUR 250 million (2014: EUR 250 million), divided into 250,000,000 ordinary shares with a nominal value of EUR 1.00 each, of which EUR 71.6 million is issued and paid up. There were no movements in the issued and paid up capital in 2015 and 2014.



## Note 9 - Shareholders' equity (continued)

The movement in shareholders' equity is as follows:

	Share capital	Share premium	Legal reserves	Other reserves	Reserves Retained earnings	Profit for the year	Shareholders' equity
<b>Balance as at 1 January 2014</b> . . .	<b>71,586</b>	<b>506,398</b>	<b>372,235</b>	<b>(42,578)</b>	<b>1,347,467</b>	<b>326,447</b>	<b>2,581,555</b>
Profit for the year . . . . .						371,971	371,971
Other comprehensive income . . .				29,400			29,400
<b>Total comprehensive income</b> . . .	<b>—</b>	<b>—</b>	<b>—</b>	<b>29,400</b>	<b>—</b>	<b>371,971</b>	<b>401,371</b>
Transfer from/to . . . . .			68,575		(68,575)		—
Appropriation of result . . . . .					326,447	(326,447)	—
Dividend . . . . .					(140,000)		(140,000)
<b>Balance as at 31 December 2014</b> . . . . .	<b>71,586</b>	<b>506,398</b>	<b>440,810</b>	<b>(13,178)</b>	<b>1,465,339</b>	<b>371,971</b>	<b>2,842,926</b>
Profit for the year . . . . .						442,475	442,475
Other comprehensive income . . .				16,279	(216)		16,063
<b>Total comprehensive income</b> . . .	<b>—</b>	<b>—</b>	<b>—</b>	<b>16,279</b>	<b>(216)</b>	<b>442,475</b>	<b>458,538</b>
Transfer from/to . . . . .			(22,890)		22,890		—
Appropriation of result . . . . .					371,971	(371,971)	—
Dividend . . . . .					(230,000)		(230,000)
<b>Balance as at 31 December 2015</b> . . . . .	<b>71,586</b>	<b>506,398</b>	<b>417,920</b>	<b>3,101</b>	<b>1,629,984</b>	<b>442,475</b>	<b>3,071,464</b>

The share premium reserve includes the amount paid in excess of the nominal value of the share capital.

Legal reserves are non-distributable reserves relating to requirements to establish reserves for specific purposes either by the Articles of Association of the Company, Part 9, Book 2, of the Dutch Civil Code and/or by local law. The legal reserves relate to minimum reserves to be maintained for the non-distributable share in cumulated profits of subsidiaries and investments accounted for using the equity method.

The other comprehensive income comprises the translation reserve, the hedging reserve, the post-employment benefit reserve and the share of other comprehensive income in investments accounted for using the equity method. The translation reserve comprises all exchange rate differences arising from the translation of the financial statements of foreign operations that are not integral to the operations of the Company as of 1 January 2004. No translation differences related to discontinued operations are recycled to the income statement (2014: nil). The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred and that prove to be highly effective in relation to the hedged risk. The movement in cash flow hedges is disclosed in the consolidated statement of comprehensive income. The post-employment benefit reserve comprises the actuarial gains and losses recognised on defined benefit post-employment plans. The legal reserves and other comprehensive income are non-distributable reserves of the Company pursuant to the provisions of Part 9, Book 2, of the Dutch Civil Code.

There are no statutory reserves prescribed in the Articles of Association of the Company.

## Note 10 - Amounts due to banks

This caption includes amounts owed to credit institutions under government supervision.

The maturity of these loans is as follows:

	2015	2014
Three months or less	8,872	57,328
Longer than three months, less than a year	9,852	31,658
Longer than a year, less than five years	289,232	6,000
Longer than five years	11,380	—
<b>Balance as at 31 December</b>	<b>319,336</b>	<b>94,986</b>

Amounts due to banks include no outstanding balance (2014: EUR 1.6 million) which is non-euro currency denominated as at 31 December. In March 2015 the Company concluded a term loan of EUR 1.0 billion with two banks maturing in September 2017. As at 31 December 2015 EUR 250 million was drawn under this term loan.

## Note 11 - Funds entrusted

The maturity analysis of funds entrusted is as follows:

	2015	2014
Three months or less	3,003,439	2,481,555
Longer than three months, less than a year	1,146,671	1,201,451
Longer than a year, less than five years	846,965	601,088
<b>Balance as at 31 December</b>	<b>4,997,075</b>	<b>4,284,094</b>

This caption mainly includes savings deposits raised by LeasePlan Bank amounting to EUR 4.994 billion (2014: EUR 4.281 billion) of which 51.0% (2014: 60.1%) is deposited for a fixed term. LeasePlan Bank is the brand name under which savings deposits are raised by LeasePlan Corporation N.V. which holds a banking licence in the Netherlands. As of September 2015 LeasePlan Bank is also operating on the German banking market with a cross border offering from Almere office.

The average interest rates on the outstanding balances of the savings deposits in original maturity terms are as follows:

	2015	2014
On demand	1.10%	1.60%
A year or less	1.60%	2.03%
Longer than a year, less than or equal to two years	2.05%	2.26%
Longer than two years	2.93%	3.50%

The interest rate of the on demand accounts is set on a monthly basis.

The funds entrusted include an outstanding balance of EUR 1.6 million (2014: EUR 1.6 million) which is non-euro currency denominated as at 31 December. The remainder of the funds entrusted is denominated in euro.

## Note 12 - Debt securities issued

This caption includes negotiable, interest-bearing securities.

	2015	2014
Bonds and notes	6,293,359	5,638,341
Bonds and notes—fair value adjustment on hedged risk	46,142	61,435
<b>Balance as at 31 December</b>	<b>6,339,501</b>	<b>5,699,776</b>

The average interest rates applicable to the outstanding balances can be summarised as follows:

	2015	2014
Bonds and notes	1.9%	2.5%
<b>Average interest rate</b>	<b>1.9%</b>	<b>2.5%</b>

The maturity analysis of the debt securities issued is as follows:

	2015	2014
Three months or less	49,992	565,480
Longer than three months, less than a year	796,825	755,910
Longer than a year, less than five years	5,109,661	3,928,529
Longer than five years	383,023	449,857
<b>Balance as at 31 December</b>	<b>6,339,501</b>	<b>5,699,776</b>

The debt securities include an outstanding balance of EUR 3.1 billion (2014: EUR 2.0 billion) which is non-euro currency denominated as at 31 December. The remainder of the debt securities is denominated in euro.

## Note 13 - Other liabilities

	2015	2014
Loans from Group companies	1,291,349	1,324,338
Amounts payable to Group companies	60,122	52,246
Derivative financial instruments	123,580	170,028
Other accruals and other deferred income	80,483	99,029
Corporate income tax payable	28,145	3,106
<b>Balance as at 31 December</b>	<b>1,583,679</b>	<b>1,648,747</b>

For derivative financial instruments reference is made to the table in note 7.

The maturity analysis of the loans from Group companies is as follows:

	2015	2014
Three months or less	67,095	122,459
Longer than three months, less than a year	58,410	—
Longer than a year, less than five years	1,165,844	1,201,879
<b>Balance as at 31 December</b>	<b>1,291,349</b>	<b>1,324,338</b>

## Note 14 - Provisions

The provision relates to subsidiaries with a negative net asset value based on Group accounting standards. Reference is made to note 5.

## Note 15 - Staff

The Company does not directly employ any staff.

## Note 16 - Managing Board remuneration

Key management personnel is the Managing Board. In addition to their salaries, the Group provides non-cash benefits to the Managing Board and contributes to post-employment defined contribution plans on their behalf.

The statutory board remuneration is as follows:

	2015	2014
Fixed remuneration	2,899	2,114
Other short-term employee benefits	2,209	651
Post-employment benefits	286	548
Other long-term employee benefits	1,653	747
<b>Total</b>	<b>7,047</b>	<b>4,060</b>

Detailed information on remuneration of the Managing Board and the members of the Supervisory Board is included in Note 34 Related parties to the consolidated financial statements.

For information on the remuneration policy of the Managing Board, please refer to the Remuneration Report.

## Note 17 - Audit fees

The caption 'General and administrative expenses' (reference is made to note 8 of the consolidated financial statements) includes an amount of EUR 6.3 million (2014: EUR 5.5 million) of audit fees for services provided by PricewaterhouseCoopers Accountants N.V. and its network.

	2015			2014	
	PwC Accountants N.V.	Other PwC network	Total PwC network	Total PwC network*	Total
Audit services	1,476	4,200	5,676	4,660	
Audit related services	251	37	288	208	
Tax advice	—	270	270	131	
Other (non-audit) services	—	33	33	466	
<b>Total services</b>	<b>1,727</b>	<b>4,540</b>	<b>6,267</b>	<b>5,465</b>	

\* Expenses related to the quarterly reviews have been reclassified from audit related services to audit services

## Note 18 - Commitments

Loan commitments have been concluded with investments accounted for using the equity method amounting to EUR 141 million (2014: EUR 371 million) of which EUR 103 million (2014: EUR 288 million) is drawn (reference is made to note 6).

## Note 19 - Contingent liabilities

Pursuant to the provisions of Article 403 f, Part 9, Book 2, of the Dutch Civil Code, the Company has filed a declaration of joint and several liabilities with respect to the majority of the subsidiaries in the Netherlands. Abridged financial statements have accordingly been prepared for these subsidiaries.

The Company forms a fiscal unity with a number of Group companies in the Netherlands regarding corporate income tax and VAT. As a result the Company can be held jointly liable for tax returns of those subsidiaries.

## **Note 19 - Contingent liabilities (continued)**

As at 31 December 2015 guarantees had been provided on behalf of the consolidated subsidiaries outside the Netherlands. These guarantees had been provided in respect of commitments entered into by those companies and amount to a value of EUR 2.2 billion (2014: EUR 2.5 billion).

Almere, 7 March 2016

### **Managing Board**

Vahid Daemi, CEO and Chairman  
Guus Stoelinga, CFO  
Sven-Torsten Huster, COO  
Nick Salkeld CCO

### **Supervisory Board**

Frank Witter, Chairman  
Michael Klaus, Deputy Chairman  
Albrecht Möhle  
Christian Schlögell  
Herta von Stiegel  
Ada van der Veer-Vergeer

# Independent auditor's report



## Independent auditor's report

To: the Annual General Meeting of Shareholders and the Supervisory Board of LeasePlan Corporation N.V.

## Report on the financial statements 2014

### *Our opinion*

In our opinion:

- the consolidated financial statements give a true and fair view of the financial position of LeasePlan Corporation N.V. as at 31 December 2014 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;
- the company financial statements give a true and fair view of the financial position of LeasePlan Corporation N.V. as at 31 December 2014 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

### *What we have audited*

We have audited the financial statements 2014 of LeasePlan Corporation N.V., Amsterdam ('the Company'). The financial statements include the consolidated financial statements and the company financial statements.

The consolidated financial statements comprise:

- the consolidated balance sheet as at 31 December 2014;
- the following statements for 2014: the consolidated income statement and the consolidated statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising a summary of significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company balance sheet as at 31 December 2014;
- the company income statement for the year then ended; and
- the notes, comprising a summary of the accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the company financial statements.

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T: +31 (0) 88 792 00 20, F: +31 (0) 88 792 96 40, [www.pwc.nl](http://www.pwc.nl)*

'PwC' is the brand under which PricewaterhouseCoopers Accountants N.V. (Chamber of Commerce 34180285), PricewaterhouseCoopers Belastingadviseurs N.V. (Chamber of Commerce 34180284), PricewaterhouseCoopers Advisory N.V. (Chamber of Commerce 34180287), PricewaterhouseCoopers Compliance Services B.V. (Chamber of Commerce 51414406), PricewaterhouseCoopers Pensions, Actuarial & Insurance Services B.V. (Chamber of Commerce 54226368), PricewaterhouseCoopers B.V. (Chamber of Commerce 34180289) and other companies operate and provide services. These services are governed by General Terms and Conditions ('algemene voorwaarden'), which include provisions regarding our liability. Purchases by these companies are governed by General Terms and Conditions of Purchase ('algemene inkoopvoorwaarden'). At [www.pwc.nl](http://www.pwc.nl) more detailed information on these companies is available, including these General Terms and Conditions and the General Terms and Conditions of Purchase, which have also been filed at the Amsterdam Chamber of Commerce.





### *The basis for our opinion*

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the “Our responsibilities for the audit of the financial statements” section of our report.

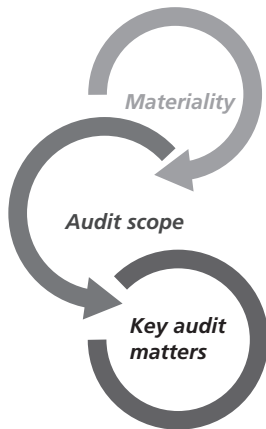
We are independent of LeasePlan Corporation N.V. in accordance with the “Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten” (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the “Verordening gedrags- en beroepsregels accountants” (VGBA).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Our audit approach*

#### *Overview*

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the Managing Board made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Managing Board that may represent a risk of material misstatement due to fraud.



#### **Materiality**

- Overall materiality: €16.5 million which represents 3.3% of the 2014 profit before tax.

#### **Audit scope**

- Audit work for consolidation purposes is conducted in all countries where the Company operates.
- The group engagement team is responsible for the audit of the leasing and banking activities in the Netherlands.
- We paid particular attention to the treasury and insurance activities located in Ireland by visiting local management and the component auditor.
- We also visited local management and the component auditors of two significant LeasePlan entities located in Spain and Belgium.

#### **Key audit matters**

- Valuation of vehicles leased out under operating lease contracts.
- Valuation of deferred income tax assets.
- Revenue recognition.
- Risk of management override of controls.



### *Materiality*

The scope of our audit is influenced by the application of materiality. Our audit opinion aims on providing reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

We set certain quantitative thresholds for materiality. These, together with qualitative considerations resulting from our risk analysis, helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on our opinion.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

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<b>Overall group materiality</b>	€16.5 million (2013: €14.2 million).
<b>How we determined it</b>	3.3% of the 2014 profit before tax.
<b>Rationale for benchmark applied</b>	We have applied this benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements. On this basis we believe that profit before tax is an important metric for the financial performance of the Company. The Company is a public interest entity and has various stakeholders. We therefore considered using a percentage lower than the commonly used 5%. Last year we also used 3.3% of the profit before tax. We consider a materiality level that is not significantly higher compared to previous year appropriate as the business activities and risks have not significantly changed. We believe that this is a proper reflection of the view of stakeholders.

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We also take misstatements and/or possible misstatements into account that, in our judgment, are material for qualitative reasons.

We agreed with the Supervisory Board and the Managing Board that we would report to them misstatements identified during our audit above €500,000 (2013: €500,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

### *The scope of our group audit*

LeasePlan Corporation N.V. is the head of a group of entities engaged in fleet and vehicle management services, mainly through operating lease and is active in 32 countries. The Company is managed on a decentralised basis with corporate functions located in the head office in Almere supporting the local operations. The Company has a banking license in the Netherlands and operates a retail bank, LeasePlan Bank. For this reason, the Company is supervised by the Dutch Central Bank and the Authority Financial Markets. The insurance activities of the Company are centralised in its subsidiary Euro Insurances Limited in Ireland which is supervised by the Irish regulator.

Considering our ultimate responsibility for the opinion on the company's consolidated financial statements we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the group to ensure that we performed enough work to be able to give an



opinion on the financial statements as a whole. Determining factors are the geographic structure of the group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the group operates. We selected all group entities for which an audit of financial information or specific balances was considered necessary.

On request of the Supervisory Board, a full scope audit on the financial information of less significant components has also been performed. Hence, a full scope audit for consolidation purposes is performed on the financial information for all countries where the Company is active. Group entities located in the Netherlands are audited by the group engagement team. For group entities located abroad we used component auditors from the PwC network firms, except for LeasePlan India Private Limited which is audited by another firm. The component auditors are familiar with the local laws and regulations to perform this audit work.

Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the group financial statements as a whole. In this respect we performed the following procedures:

- we have issued detailed audit instructions to the component auditors prescribing the scope of work to be performed, our risk assessment, the key audit areas, materiality to be applied and the reporting requirements to the group engagement team;
- on the November 2014 financial reporting (hard close) audit procedures have been performed for all group entities followed by year-end audit procedures (roll forward);
- the reports of the component auditors (hard close and roll forward) are assessed by the group engagement team and observations are discussed with the component auditors and with group management;
- the group engagement team visits management of local operations and component teams on a rotational basis. In the current year members of the group engagement team visited Spain and Belgium, which are significant components within the group as well as the treasury and insurance functions of the group located in Ireland.

The group consolidation, financial statements disclosures and various complex items are audited by the group engagement team at the head office in Almere, because central functions, such as financial reporting & controlling, tax department, risk management, treasury and group audit department are located there. Items audited by the group engagement team, amongst others, are:

- assessment of the necessity of a prospective depreciation adjustment on the carrying value of the vehicles leased out under operating lease;
- impairment testing of goodwill;
- provision on cars in stock;
- valuation of deferred tax asset positions and provisions for tax exposures;
- incurred But Not Reported credit risk provision.

Because of the importance of the IT environment for the audit of the financial statements our IT auditors assessed the IT environment. The IT environment of LeasePlan Information Services, LeasePlan Corporation, LeasePlan Bank and local LeasePlan entities has been assessed in the context of the audit of the financial statements. Besides our IT auditors the group engagement team includes valuation, banking, leasing, regulatory and tax specialists.



For our audit of the financial statements, we do not rely on the work performed by the group audit department. However, we liaise with the group audit department which performs on a rotational basis operational audits at corporate level and on local levels. Observations of the group audit department are periodically discussed and their findings are shared with the component auditors. The risk assessment of the group audit department, our risk assessment and audit approach is discussed with the Audit Committee and the Dutch Central Bank.

We have performed a review engagement on the condensed consolidated interim financial information for the six month period ended 30 June 2014 and issued a review report dated 20 August 2014. Furthermore, we have performed agreed upon procedures on the consolidated financial management reporting as per 31 March 2014 and as per 30 September 2014.

By performing the procedures above at components, combined with additional procedures at group level, we have obtained sufficient and appropriate audit evidence regarding the financial information of the group as a whole to provide a basis for our opinion on the consolidated financial statements.

#### *Key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the Supervisory Board, but they are not a comprehensive reflection of all matters that were identified by our audit and that we discussed. We described the key audit matters and included a summary of the audit procedures we performed on those matters.

The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters.

<b>Key audit matter</b>	<b>How our audit addressed the matter</b>
<b>Valuation of vehicles leased out under operating lease contracts</b>  The Company has recorded on the balance sheet €12.6 billion (2013: €12.2 billion) of vehicles leased out under operating lease contracts as disclosed in note 18 of the financial statements. Given the magnitude for the balance sheet and the income statement as well as the degree of judgment we have addressed the valuation of these vehicles as a key audit matter. These vehicles represent 64% of the group's total assets and are valued against cost less straight-line depreciation over the expected lease term while taking into consideration their estimated residual value. IAS 16, Property, Plant and Equipment, requires that the residual value and the useful life of an asset be reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate.	<p>Our audit procedures included, amongst others, obtaining an understanding of the asset risk management framework, the policies in place regarding managing asset risk and the way the asset risk position of the group is monitored by management. We determined if the policy for testing the carrying value of the vehicles is adequately applied by management. The component auditors performed detailed procedures regarding the fleet risk assessment per country such as:</p> <ul style="list-style-type: none"><li>● procedures and controls in place have been assessed and tested to ensure the reliability of the fleet risk assessment including the input of data and underlying assumptions, such as sales ratio, sales fees, trader fees and the impact of risk mitigation measures;</li></ul>



Key audit matter	How our audit addressed the matter
<p>A change in the estimated residual value results in a change of the depreciation expense and consequently impacts the carrying value of the vehicles.</p> <p>The Company's asset risk management department located in Almere is responsible for establishing and maintaining the asset risk management framework, monitoring the group's asset risk profile and reviewing the fleet risk assessments of the LeasePlan entities. Asset risk of the group is also monitored and discussed by the asset risk committee. On a quarterly basis all group entities compare the current estimated residual values of its vehicles leased out under operating lease to the most recent market information via the so called 'fleet risk assessment'. The fleet risk assessment requires a high degree of judgement and expertise and the applied assumptions are highly sensitive to volatile macro-economic and local developments. Taking into account the complexity and volatility surrounding the estimations there is a risk that the depreciation expense, and as such the carrying value of the vehicles, could be materially misstated.</p>	<ul style="list-style-type: none"> <li>● reasonableness of assumptions such as the sales ratio have been assessed with actual market information;</li> <li>● main developments and trends noted in the fleet risk assessment have been analysed;</li> <li>● it has been validated that all lease contracts recorded in the leasing operating system are included in the fleet risk assessment;</li> <li>● the duration and the residual value in the fleet risk assessment have been reconciled to the leasing operating system for a selection of lease contracts;</li> <li>● the expected sales price estimated in the fleet risk assessment has been compared to the actual sales price of the last period for a selection of lease contracts and identified unusual or large differences have been analysed.</li> </ul> <p>We concur with the accounting of management regarding the carrying value of vehicles leased out under operating lease contracts.</p>

**Valuation of deferred income tax assets**

The Company operates in various countries with local tax regulations and has recorded a net deferred tax asset on its balance sheet resulting from tax losses carried forward of €86.8 million (2013: €115.3 million) as disclosed in note 23 of the financial statements. The Company recognises these deferred tax assets to the extent that it is probable that future taxable profits will be available to utilize the carry forward taxable losses. The recoverability is impacted by uncertainties regarding future taxable income and potential changes in tax legislation. No deferred tax asset has been recorded for tax losses amounting to €55.7 million (2013: €87.2 million). Based on the degree of judgment, complexity and potential impact on the tax expense we addressed the valuation of deferred income tax assets as a key audit matter.

Our audit procedures included, amongst others, assessing and challenging the profit forecasts, assumptions and methodologies used by management on group level to determine the recoverable taxable amount per country. We challenged the quality of the profit forecasts included in the deferred tax asset calculations by comparing prior year forecasts with actual financial information. Reasonability of assumptions such as the growth rates and cost developments have been assessed. We reconciled the profit forecasts to the budgeted financial information as approved by the Supervisory Board as part of the annual business plan cycle. PwC tax specialists assisted us in assessing the deferred tax calculations made by management to verify that tax legislation is adequately reflected in the deferred tax asset calculations.

We concur with management's estimates regarding the valuation of deferred tax assets for tax carry forward losses.



Key audit matter	How our audit addressed the matter
<p data-bbox="177 324 454 362"><b>Revenue Recognition</b></p> <p data-bbox="177 380 774 750">The Company offers lease contracts that comprise a variety of bundled and stand-alone services tailored to the specific needs of clients. A lease contract typically contains multiple components such as, purchasing and selling of vehicles, financing of vehicles, vehicle maintenance and accident management in a single arrangement. The revenue and cost of revenue of these various elements need to be recognized and considered on a separate basis as outlined in note H of the summary of significant accounting policies.</p> <p data-bbox="177 772 782 1131">The outcome of the net result at the end of the lease contract depends on the type of contract (closed calculation versus open calculation contracts) as well as the benefits and expenses that will occur during the contract. Vendor bonuses related to the service components of the lease instalment are deducted from cost of revenues. As such estimating the revenue and cost of revenue during the term of the contract requires a degree of judgement. We have therefore addressed revenue recognition as a key audit matter.</p>	<p data-bbox="798 324 1410 817">Our audit procedures included, amongst others, obtaining an understanding of, and validating the internal controls surrounding the various revenue streams to ensure the correct recording of lease contracts. We validated the adequacy and consistency of the accounting policies applied. We paid particular attention to the appropriateness of revenue recognition of the lease services (repair, maintenance &amp; tyres) during the term of the lease contract by challenging management estimates. Cut-off of results on terminated contracts has been tested by us. We also performed substantive audit procedures on the year-end accruals (refunds to clients) of open calculation contracts.</p> <p data-bbox="798 840 1410 1086">We tested management’s controls within the vendor bonus processes. Additionally we tested a selection of bonus calculations based upon purchase volumes and vendor allowance agreements and we evaluated collections related to the prior year balances to verify the reliability of management’s estimates.</p> <p data-bbox="798 1108 1410 1176">We concur with the revenue recognition principles applied by management.</p>
<p data-bbox="177 1198 702 1236"><b>Risk of management override of controls</b></p> <p data-bbox="177 1254 790 1982">In view of the considerations outlined below, we addressed the risk of management override of controls as a key audit matter. The Company operates in multiple jurisdictions and is, due to its geographical footprint and decentralised structure, subject to the risk of (local) management override of controls and fraud. Furthermore, the Company is subject to supervision by the Dutch Central Bank due to its banking license which implies that the Company has to comply with significant ethical and compliance requirements. These ethical and compliance requirements are at a higher level than for the lease activities of the group, thus impacting the control environment, tone at the top, culture and behaviour of the Company’s management and employees. In order to address this risk, the Company has established a comprehensive governance structure as detailed in the corporate governance section of the annual report and has defined a compliance risk appetite to manage compliance risks divided into counterparty conduct, employee conduct, services conduct and organizational conduct.</p>	<p data-bbox="798 1198 1410 1870">In our audit, we performed procedures which allow us to rely, to the extent possible, on management’s governance structure. We performed audit procedures designed to identify the risk of management override of controls. These procedures included, amongst others, an assessment of the ‘tone-at-the-top’ and the compliance with LeasePlan’s policies, laws and regulations also in view of its banking license. Internal audit findings, budget to actual analysis, bonus schemes and key internal controls have been assessed. Furthermore, we assessed the follow up on whistle blower allegations and integrity incidents, business ethics, revenue recognition principles, cost cut off procedures and year-end estimates of accruals. We tested a selection of manual journal entries. Where necessary we extended our audit procedures and we included unpredictability as part of our audit. We made specific enquiries at different levels in the organisation.</p>





### ***Responsibilities of the Managing Board and the Supervisory Board***

The Managing Board is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the report of the Managing Board in accordance with Part 9 of Book 2 of the Dutch Civil Code, and for
- such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Managing Board is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Managing Board should prepare the financial statements using the going concern basis of accounting unless the Managing Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Managing Board should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

### ***Our responsibilities for the audit of the financial statements***

Our responsibility is to plan and perform an audit engagement to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit has been performed with a high but not absolute level of assurance which makes it possible that we did not detect all frauds or errors.

A more detailed description of our responsibilities is set out in the appendix to our report.

## **Report on other legal and regulatory requirements**

### ***Our report on the Managing Board's report and the other information***

Pursuant to the legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the report of the Managing Board and other information):

- we have no deficiencies to report as a result of our examination whether the report of the Managing Board, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed;
- we report that the report of the Managing Board, to the extent we can assess, is consistent with the financial statements.

### ***Our appointment***

We were appointed as auditors of LeasePlan Corporation N.V. as from the audit of the financial statements 2006 by the Supervisory Board following the passing of a resolution by the shareholders and has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of 9 years.

Amsterdam, 25 March 2015  
PricewaterhouseCoopers Accountants N.V.

Original has been signed by drs. R. Dekkers RA



## **Appendix to our auditor's report on the financial statements 2014 of LeasePlan Corporation N.V.**

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

### **The auditor's responsibilities for the audit of the financial statements**

We have exercised professional judgment and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among others of:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management;
- concluding on the appropriateness of the management's use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.



*The above auditor's report is the original auditor's report that was issued on 25 March 2015 with respect to the financial statements for the period ending 31 December 2014. These financial statements also contained the management report. For purposes of the Offering Memorandum the management report has been omitted. These financial statements are set forth on pages F-131 to F-235 in this Offering Memorandum.*

## Consolidated income statement for the year ended 31 December

In thousands of euros	Note	2014	2013
Revenues .....	3	7,619,371	7,421,546
Cost of revenues .....	3	6,695,206	6,599,803
<b>Gross profit</b> .....		<b>924,165</b>	<b>821,743</b>
Interest and similar income .....	4	794,226	859,327
Interest expenses and similar charges .....	5	377,727	479,668
<b>Net interest income</b> .....		<b>416,499</b>	<b>379,659</b>
Impairment charges on loans and receivables .....	7	20,143	25,083
<b>Net interest income after impairment charges on loans and receivables</b> .....		<b>396,356</b>	<b>354,576</b>
Unrealised gains/(losses) on financial instruments .....	14	(12,072)	25,716
Other financial gains/(losses) .....	6	—	(3,995)
<b>Net finance income</b> .....		<b>384,284</b>	<b>376,297</b>
<b>Total operating and net finance income</b> .....		<b>1,308,449</b>	<b>1,198,040</b>
Staff expenses .....	8	498,562	472,256
General and administrative expenses .....	9	263,453	256,763
Depreciation and amortisation .....	10	53,950	48,716
<b>Total operating expenses</b> .....		<b>815,965</b>	<b>777,735</b>
Share of profit of investments accounted for using the equity method .....	21	6,565	7,462
<b>Profit before tax</b> .....		<b>499,049</b>	<b>427,767</b>
Income tax expenses .....	11	127,078	101,320
<b>Profit for the year</b> .....		<b>371,971</b>	<b>326,447</b>
Profit attributable to Owners of the parent .....		371,971	326,447

*The notes to the Consolidated financial statements are an integral part of these statements.*

## Consolidated statement of comprehensive income for the year ended 31 December

In thousands of euros	Note	2014	2013
<b>Profit for the year</b> .....		<b>371,971</b>	<b>326,447</b>
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurement of post-employment benefit reserve, before tax .....	27	(5,524)	(289)
Income tax on post-employment benefit reserve .....	11	1,840	111
<b>Subtotal changes post-employment benefit reserve, net of income         tax</b> .....		<b>(3,684)</b>	<b>(178)</b>
<i>Items that may be subsequently reclassified to profit or loss</i>			
Changes in cash flow hedges, before tax .....		31,315	58,836
Cash flow hedges recycled from equity to profit and loss, before tax .....		(20,123)	(30,355)
Income tax on cash flow hedges .....	11	(2,798)	(7,120)
<b>Subtotal changes in cash flow hedges, net of income tax</b> .....	11	<b>8,394</b>	<b>21,361</b>
Exchange rate differences .....	27	24,794	(52,894)
Share of other comprehensive income in investments accounted for using the equity method .....	27	(104)	(112)
<b>Other comprehensive income, net of income tax</b> .....		<b>29,400</b>	<b>(31,823)</b>
<b>Total comprehensive income for the year</b> .....		<b>401,371</b>	<b>294,624</b>
<b>Comprehensive income attributable to Owners of the parent</b> .....		<b>401,371</b>	<b>294,624</b>

The notes to the Consolidated financial statements are an integral part of these statements.

## Consolidated balance sheet

In thousands of euros	Note	2014	2013
<b>Assets</b>			
Cash and balances at central banks .....	12	957,951	978,774
Receivables from financial institutions .....	13	1,222,829	1,439,051
Derivative financial instruments .....	14	183,023	120,438
Other receivables and prepayments .....	15	668,526	586,793
Inventories .....	16	205,314	202,000
Receivables from clients .....	17	2,952,126	2,829,949
Property and equipment under operating lease and rental fleet .....	18	12,681,312	12,226,631
Other property and equipment .....	19	82,888	82,696
Loans to investments accounted for using the equity method .....	20	290,130	258,369
Investments accounted for using the equity method .....	21	57,064	55,170
Intangible assets .....	22	162,846	163,752
Corporate income tax receivable .....		20,475	30,941
Deferred tax assets .....	23	161,828	154,835
		<b>19,646,312</b>	<b>19,129,399</b>
Assets classified as held-for-sale .....	24	9,437	—
<b>Total assets</b> .....		<b>19,655,749</b>	<b>19,129,399</b>
<b>Equity</b>			
Share capital .....	26	71,586	71,586
Share premium .....	26	506,398	506,398
Other reserves .....	27	(13,178)	(42,578)
Retained earnings .....	28	2,278,120	2,046,149
<b>Total equity</b> .....		<b>2,842,926</b>	<b>2,581,555</b>
<b>Liabilities</b>			
Trade and other payables and deferred income .....	29	2,061,974	1,945,350
Borrowings from financial institutions .....	30	1,991,356	2,523,337
Derivative financial instruments .....	14	130,284	197,490
Funds entrusted .....	31	4,378,891	4,320,156
Debt securities issued .....	32	7,638,038	6,988,740
Provisions .....	33	355,267	331,254
Corporate income tax payable .....		23,386	43,922
Deferred tax liabilities .....	23	233,627	197,595
<b>Total liabilities</b> .....		<b>16,812,823</b>	<b>16,547,844</b>
<b>Total equity and liabilities</b> .....		<b>19,655,749</b>	<b>19,129,399</b>

The notes to the Consolidated financial statements are an integral part of these statements.



## Consolidated statement of changes in equity

In thousands of euros Note	Attributable to the owners of the parent				Total equity
	Share capital 26	Share premium 26	Other reserves 27	Retained earnings 28	
<b>Balance as at 1 January 2013</b> .....	<b>71,586</b>	<b>506,398</b>	<b>(13,239)</b>	<b>1,822,686</b>	<b>2,387,431</b>
Profit for the year .....				326,447	326,447
Other comprehensive income .....			(31,823)		(31,823)
Settlement pension plan .....			2,484	(2,484)	
<b>Total comprehensive income</b> .....			<b>(29,339)</b>	<b>323,963</b>	<b>294,624</b>
Dividend relating to 2012 .....				(94,500)	(94,500)
Dividend relating to 2013 .....				(6,000)	(6,000)
<b>Total transactions with owners of the parent</b> .....				<b>(100,500)</b>	<b>(100,500)</b>
<b>Balance as at 31 December 2013</b> .....	<b>71,586</b>	<b>506,398</b>	<b>(42,578)</b>	<b>2,046,149</b>	<b>2,581,555</b>
Profit for the year .....				371,971	371,971
Other comprehensive income .....			29,400		29,400
<b>Total comprehensive income</b> .....			<b>29,400</b>	<b>371,971</b>	<b>401,371</b>
Dividend relating to 2013 .....				(134,000)	(134,000)
Dividend relating to 2014 .....				(6,000)	(6,000)
<b>Total transactions with owners of the parent</b> .....				<b>(140,000)</b>	<b>(140,000)</b>
<b>Balance as at 31 December 2014</b> .....	<b>71,586</b>	<b>506,398</b>	<b>(13,178)</b>	<b>2,278,120</b>	<b>2,842,926</b>

*The notes to the Consolidated financial statements are an integral part of these statements.*

## Consolidated statement of cash flows for the year ended 31 December

In thousands of euros	Note	2014	2013
<b>Operating activities</b>			
Profit before tax .....		499,049	427,767
Adjustments			
Interest income .....	4	(794,226)	(859,327)
Interest expense .....	5	377,727	479,668
Impairment on receivables .....	17	20,143	25,083
Bargain purchase gain .....	25	—	(4,016)
Valuation allowance on inventory .....	16	(200)	(10,000)
Depreciation operating lease portfolio and rental fleet .....	18	2,808,162	2,814,015
Depreciation other property and equipment .....	19	25,403	24,096
Amortisation and impairment intangible assets .....	22	28,547	24,620
Share of profit of investments accounted for using the equity method .....	21	(6,565)	(7,462)
Financial instruments at fair value through profit and loss .....	14	12,072	(25,716)
Changes in			
Increase/(decrease) provisions .....		24,013	4,426
Derivative financial instruments .....		(133,469)	86,837
Increase/(decrease) trade and other payables and other receivables .....		21,673	152,684
(Increase)/decrease inventories .....	16	160,302	184,130
Amounts received for disposal of objects under operating lease .....	18	1,861,964	1,749,087
Amounts paid for acquisition of objects under operating lease .....	18	(5,203,404)	(4,542,590)
Acquired new finance leases and other increases of receivables from clients .....		(1,162,719)	(896,946)
Repayment finance leases .....		1,031,201	1,194,252
<b>Cash generated from operations .....</b>		<b>(430,327)</b>	<b>820,608</b>
Interest paid .....		(390,727)	(524,073)
Interest received .....		795,592	860,804
Income taxes paid .....		(138,064)	(88,655)
Income taxes received .....		34,494	18,680
<b>Net cash inflow/(outflow) from operating activities .....</b>		<b>(129,032)</b>	<b>1,087,364</b>
<b>Investing activities</b>			
Acquisition of subsidiary, net of cash acquired .....	25	—	(26,701)
Proceeds from sale of other property and equipment .....	19	13,566	8,763
Acquisition of other property and equipment .....	19	(38,061)	(30,484)
Acquisition of intangible assets .....	22	(24,810)	(20,674)
Divestments of intangible assets .....	22	115	159
Loans provided to investments accounted for using the equity method .....	20	(199,316)	(136,827)
Redemption on loans to investments accounted for using the equity method .....	20	167,555	102,147
Dividend received from investments accounted for using the equity method .....	21	1,740	960
<b>Net cash inflow/(outflow) from investing activities .....</b>		<b>(79,211)</b>	<b>(102,657)</b>

In thousands of euros	Note	2014	2013
<b>Financing activities</b>			
Receipt of receivables from financial institutions .....		6,340,508	4,425,588
Balances deposited to financial institutions .....		(6,184,175)	(4,887,393)
Receipt of borrowings from financial institutions .....		6,442,045	5,325,529
Repayment of borrowings from financial institutions .....		(7,033,194)	(4,609,641)
Receipt of funds entrusted .....		141,012	264,706
Repayment of funds entrusted .....		(82,277)	(55,970)
Receipt of debt securities .....		3,174,375	2,958,378
Repayment of debt securities .....		(2,525,077)	(4,492,866)
Dividends paid to Company's shareholders .....		(140,000)	(100,500)
<b>Net cash inflow/(outflow) from financing activities .....</b>		<b>133,217</b>	<b>(1,172,169)</b>
<b>Cash and balances with banks at 1 January .....</b>		<b>994,196</b>	<b>1,183,236</b>
Net movement in cash and balances with banks .....		(75,026)	(187,462)
Exchange gains/(losses) on cash and balances with banks .....		518	(1,578)
<b>Cash and balances with banks at 31 December</b>	12	<b>919,688</b>	<b>994,196</b>

*The notes to the Consolidated financial statements are an integral part of these statements.*

# General notes

## 1. General information

### LeasePlan Corporation N.V.

LeasePlan Corporation N.V. (the "Company") is a company domiciled in and operating from Almere, the Netherlands and having its statutory seat in Amsterdam, the Netherlands. The address of its registered office is P.J. Oudweg 41, 1314 CJ Almere. The consolidated financial statements of the Company as at and for the year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in investments accounted for using the equity method. The Group consists of a growing international network of companies engaged in fleet and vehicle management services, mainly through operating leasing. At the end of 2014, the Group employed just over 6,800 people worldwide and had offices in 32 countries. A list of the principal consolidated subsidiaries is included on page F-221.

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

The income statement in the Company's financial statements has been presented in abridged form pursuant to the provisions of Article 402, Part 9, Book 2, of the Dutch Civil Code.

### Global Mobility Holding B.V.

Global Mobility Holding B.V. holds 100% of the Company's shares. Global Mobility Holding B.V. is a limited liability company established in the Netherlands and jointly owned by Volkswagen Group headed by Volkswagen AG (50%) and Fleet Investments B.V. (50%).

### Volkswagen Group

The Volkswagen Group with its headquarters in Wolfsburg is one of the world's leading automobile manufacturers and the largest carmaker in Europe. The group is made up of twelve brands from seven European countries: Volkswagen, Audi, SEAT, ŠKODA, Bentley, Bugatti, Lamborghini, Porsche, Ducati, Volkswagen Commercial Vehicles, Scania and MAN. The Volkswagen Group operates 118 production plants in 20 European countries and a further eleven countries in the Americas, Asia and Africa.

### Fleet investments B.V.

Fleet Investments B.V. is an investment company of the German banker Friedrich von Metzler. The heart of the Metzler group is the Frankfurt based bank B. Metzler seel. Sohn & Co. KGaA. Founded more than 330 years ago, it is the oldest private bank in Germany with an unbroken tradition of family ownership. Main group activities focus on asset management, corporate finance, equities, financial markets and private banking. In addition to the head office in Frankfurt, Metzler has offices in Munich, Stuttgart, Cologne/Düsseldorf, Hamburg, Atlanta, Los Angeles, Seattle, Tokyo, Dublin and Beijing. The aforementioned activities of Volkswagen Group and Metzler operate independently from the business and banking activities of LeasePlan.

### Status ownership of LeasePlan

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

## 2. Basis of preparation

### (i) Statement of compliance

The consolidated financial statements for the year ended 31 December 2014 were authorised for issue by the Managing Board on 25 March 2015. The Managing Board may decide to amend the financial statements as long as these are not adopted by the General Meeting of Shareholders. The General Meeting of Shareholders may decide not to adopt the financial statements, but may not amend these. In accordance with Article 362 paragraph 6, Book 2 of the Dutch Civil Code the Managing Board can, after adoption, at any time disclose facts which seriously affect the adopted financial statements. Such disclosure has to be filed at the Chamber of Commerce.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and its interpretations as adopted by the European Union (EU).

#### *New and amended standards adopted by the Group*

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2014 that have a material impact on the Group.

The following new standards, amendments and interpretations to published standards are mandatory for the first time for the financial year beginning 1 January 2014 and are relevant for the Group:

- Amendment to IAS 19 'Employee benefits' (effective 1 July 2014). The amendment applies to contributions from employees or third parties to defined benefit plans and clarifies the treatment of such contributions. There is no material impact on the Group.
- IAS 27 (revised 2011) 'Separate financial statements' (effective 1 January 2014) includes the requirements relating to separate financial statements. There is no material impact on the Group.
- IAS 28 (revised 2011) 'Associates and joint ventures' (effective 1 January 2014) includes the requirements for associates and jointly controlled entities that have to be equity accounted following the issue of IFRS 11. There is no material impact on the Group.
- Amendment to IAS 32 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities (effective 1 January 2014). This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. There is no material impact on the Group.
- Amendment to IAS 36 'Impairment of assets' on the recoverable amount disclosures for non-financial assets (effective 1 January 2014). This amendment removed certain disclosures of the recoverable amount of CGU's which had been included in IAS 36 by the issue of IFRS 13. There is no material impact on the Group.
- Amendment to IAS 39 'Financial instruments: recognition and measurement' on the novation of derivatives and the continuation of hedge accounting (effective 1 January 2014). This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under IAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. There is no material impact on the Group.

## 2. Basis of preparation (continued)

- IFRS 10 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether a company should be included within the consolidated financial statements of the parent company (effective date 1 January 2014). The standard provides additional guidance to assist in the determination of control where this is difficult to assess. There is no material impact on the Group.
- IFRS 11 'Joint arrangements' is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form (effective date 1 January 2014). There is no material impact on the Group.
- IFRS 12 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other companies, including joint arrangements, associates, special purpose companies and other off-balance sheet vehicles (effective date 1 January 2014). There is no material impact on the Group.
- IFRIC 21 'Levies' sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions' (effective date 1 January 2014). This interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognised. There is no material impact on the Group.
- Annual improvements 2012 (effective 1 July 2014). These annual improvements amend standards from the 2010- 2012 reporting cycle. There is no material impact on the Group.
- Annual improvements 2013 (effective 1 July 2014). These annual improvements amend standards from the 2011- 2013 reporting cycle. There is no material impact on the Group.

### *New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2014 and not early adopted*

The following new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2014 and have not been early adopted in preparing these consolidated financial statements.

- IFRS 9 (2013) 'Financial instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018 and early adoption is permitted. The Group is yet to assess the full impact of IFRS 9 and has not yet decided on the date of adoption. IFRS 9 has not yet been adopted by the EU.



## 2. Basis of preparation (continued)

- IFRS 14 'Regulatory deferral accounts' permits first-time adopters of IFRS to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. The standard is effective for accounting periods beginning on or after 1 January 2016. There is no material impact on the Group.
- IFRS 15 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's control of a good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier adoption is permitted. The Group is assessing the impact of IFRS 15.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

### *Exposure drafts published that are relevant for the Group*

The following exposure drafts are relevant for the Group:

- Leases: In May 2013 the IASB and FASB (the boards) issued a (re)exposure draft (ED) on Leases. The boards have developed a new approach to lease accounting that would require a lessee to recognise assets and liabilities for the rights and obligations created by leases. The model reflects that, at the start of a lease, the lessee obtains a right to use the underlying asset for a period of time, and the lessor has provided or delivered that right. Both the asset and the liability are initially measured at the present value of lease payments. In August 2014 the IASB issued a Project update on Leases. Based on this update, a lessee would present amortisation of the right-of-use asset in the same line item as other similar expenses (for example, depreciation of property, plant, and equipment) and interest on the lease liability in the same line item as interest on other, similar financial liabilities. There are no changes proposed to the accounting applied by lessors. The Group is yet to assess the full impact of the ED. Furthermore, the Group is investigating how it can support its lessees in calculating the right of use asset and corresponding liability.

### *Basis of measurement*

The consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instruments which are measured at fair value.

#### **(ii) Functional and presentation currency**

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

#### **(iii) Use of estimates, assumptions and judgements**

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

## 2. Basis of preparation (continued)

The main estimates and underlying assumptions relate to the residual values at the end of the contract date, the assessment of the impairment of the lease portfolio, the defined benefit pensions obligations, the fair value of the derivatives, the assessment of the income tax position and damage risk provision, the impairment of intangibles and goodwill and revenue recognition. Information on the above-mentioned areas of estimation and judgement is provided in note X - Critical accounting estimates, assumptions and judgements.

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

## 3. Summary of significant accounting policies

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

### Note A - Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries all of which prepare financial statements up to 31 December.

#### (i) *Subsidiaries*

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

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

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

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

### **3. Summary of significant accounting policies (continued)**

#### **Note A - Basis of consolidation (continued)**

##### ***(ii) Transactions with non-controlling interests and disposals***

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

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

##### ***(iii) Associates***

Associates are those companies over which the Group has significant influence but not control, generally accompanying a shareholding between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

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

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses exceeds its interest in an equity accounted associate, including any other unsecured receivables, the Group does not recognise further losses, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate. Accounting policies of the associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Reference is made to note 5 for the impairment of non-financial assets.

##### ***(iv) Joint arrangements***

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

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

### 3. Summary of significant accounting policies (continued)

#### Note A - Basis of consolidation (continued)

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### (v) *Special purpose companies*

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

#### Note B - Foreign currency

#### (i) *Foreign currency transactions*

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

#### (ii) *Foreign subsidiaries*

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

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

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

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

### 3. Summary of significant accounting policies (continued)

#### Note C - Financial assets and liabilities

##### *(i) Classification*

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

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

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

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

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

##### *Loans and receivables*

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

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

##### *Held-to-maturity financial assets*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Were the Group to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale.

After initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment losses.

##### *Available-for-sale financial assets*

Available-for-sale investments are those investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Available-for-sale financial assets are subsequently carried at fair value.

### 3. Summary of significant accounting policies (continued)

#### Note C - Financial assets and liabilities (continued)

Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in other comprehensive income should be recognised in the income statement. However, interest calculated using the effective interest method is recognised in the income statement.

##### *Financial liabilities measured at amortised cost*

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

##### **(ii) Recognition**

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

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

##### **(iii) Derecognition**

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

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

##### **(iv) Offsetting**

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

Income and expenses are presented on a net basis only when permitted by IFRSs.

#### Note D - Derivative financial instruments and hedge accounting

Derivative financial instruments (derivatives) are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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



### 3. Summary of significant accounting policies (continued)

#### Note D - Derivative financial instruments and hedge accounting (continued)

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

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

Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

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

#### *(i) Cash flow hedging*

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

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

In case ineffectiveness arises because insufficient cash flows are available but forecasted cash flows are still likely to occur or hedge ineffectiveness lies beyond a certain range, then hedge accounting ceases prospectively. This implies that the entire change in the net present value of the swaps in the period is recognised in the income statement, whereas the gain or loss previously recorded in equity is amortised to the income statement over the average remaining term of the swaps.

#### *(ii) Fair value hedging*

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

The future cash flows on the fixed leg of the swaps (hedging instrument), which the Group will apply to change the interest profile of the notes, will match the cash flows of the notes but in an

### 3. Summary of significant accounting policies (continued)

#### Note D - Derivative financial instruments and hedge accounting (continued)

opposite way thus creating a highly effective hedge. The change in the fair value of the debt attributable to the change of the underlying swap rate is in principle equal and opposite to the change in the fair value of the swap. As the hedging period always matches the period of life-time of the note, the basis adjustments are fully reversed at maturity and no further amortisation of basis adjustments is necessary.

Changes in the fair value of a hedging instrument designated as a fair value hedge are recognised in the income statement.

The carrying amount of the hedged item measured at amortised cost has been adjusted by gains or losses attributable to the hedged risk. These gains or losses are recognised in the income statement in the caption 'Unrealised gains/(losses) on financial instruments'.

#### *(iii) Derivatives*

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

#### Note E - Lease contracts

##### *(i) Lease classification*

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

Various criteria are used to determine the lease classification of which the two most important are:

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

##### *(ii) Finance lease portfolio*

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

The finance lease instalments can comprise various components each having its own revenue recognition. The instalments are classified and presented in the following categories in the income statement: (i) interest income (the difference between the gross receivable and the present value of the receivable is unearned finance income and is recognised over the term of the lease using the effective interest method); and (ii) revenues (to the extent that services are included in the lease).

##### *(iii) Operating lease portfolio*

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

### 3. Summary of significant accounting policies (continued)

#### Note E - Lease contracts (continued)

operating lease instalments are recognised in the financial statements in their entirety on a straight-line basis over the lease term. The instalments are classified and presented in the following categories in the income statement: (i) revenues; and (ii) interest income (effective interest method).

#### *(iv) Lease products*

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

#### *(a) Closed calculation contracts*

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

#### *(b) Open calculation contracts*

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

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

#### Note F - General and presentation format

The Group considers the presentation model for banks as the most appropriate format. Within the banking model interest income and interest expenses are separately shown on the face of the income statement whereas the operating expenses are presented under the categorical method. For its main activity—leasing—the related revenues and costs are shown separately based on the functional method taking into account IFRSs presentation requirements. As IFRSs do not define an income statement for leasing business within the banking industry, the Group makes this distinction to give the reader a better understanding of the performance of the business. Revenues only include the gross inflow of economic benefits received and receivable by the Group on its own account; amounts collected on behalf of third parties are therefore excluded.

#### Note G - Net interest income

Interest and similar income and interest expenses and similar charges for all interest-bearing assets and liabilities are recognised in the income statement on an accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability to the carrying amount of the financial asset or liability.

### 3. Summary of significant accounting policies (continued)

#### **Note G - Net interest income (continued)**

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

The interest income component in operating lease instalments, which is charged on a straight-line basis to the client, is presented based on the effective interest method in interest income using the interest rate included in the lease contract and based on the net investment value of the leased asset. The correction required to arrive at a total straight-line recognition for operating lease contracts is part of revenues.

Interest income on finance lease contracts is recognised in the income statement on the basis of accruing interest income on the net investment (using the effective interest method). The receipts under the lease are allocated by the lessor between reducing the net investment and recognising interest income, so as to produce a constant rate of return on the net investment.

#### **Note H - Revenues and cost of revenues**

##### **(i) Revenues**

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

Revenues include the various components of the lease instalment, such as repair, maintenance and tyres (RMT), damage risk retention, depreciation and management fees. The lease instalments may include passed on costs such as fuel, road taxes and other taxes which do not represent the inflow of economic benefits and/or are collected on behalf of third parties and are therefore not presented as revenues.

Revenues from operating lease instalments are presented straight-line over the lease term. For closed calculation income related to lease services is recognised over the term of the contract based on historical statistics and expected service costs. For open calculation contracts the income related to lease services that will be earned by the Group is not certain until final settlement takes place and accordingly is not recognised until that time and is recognised in the sales result settlements. Expected losses are recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenues.

The interest portion of the lease instalment is classified under the caption 'Net interest income' (see note G), using the effective interest method. As the total revenues from the lease instalments are presented straight-line the adjustment required to present the interest portion income on the effective interest method is included in the category 'Other'.

Revenues also include the proceeds of the sale of vehicles from terminated lease contracts and rental revenues from renting out the rental fleet portfolio. The proceeds from the sale of vehicles are recognised when the objects are sold. The rental revenues are recognised on a straight-line basis over the term of the rental agreement.

Other revenues that cannot be categorised as any of the revenues specified above, but are income categories of regular business operations such as (volume related) bonuses earned in connection with pass-on costs, are included in the category 'Other'. Other revenues are generally recognised when services are rendered.

### 3. Summary of significant accounting policies (continued)

#### Note H - Revenues and cost of revenues (continued)

##### *(ii) Cost of revenues*

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

Cost of revenues also includes the carrying amount of the sold vehicles and the costs associated with the rental activities.

#### Note I - Employee benefits

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

##### *(i) Pension obligations*

###### *(a) Defined contribution plans*

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

Obligations for contributions to defined contribution pension plans are recognised as expenses in the income statement as incurred. One less significant multi-employer defined benefit plans exists, which is accounted for as defined contribution plan as the Company does not have access to information about the plan to satisfy the requirements for presenting it as a defined benefit plan.

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

###### *(b) Defined benefit plans*

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

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

A qualified independent actuary performs the calculation of the present value of the defined benefit obligation annually using the projected unit credit method. When the benefits of a plan are improved and the changes to the pension plan are conditional on the employees remaining

### 3. Summary of significant accounting policies (continued)

#### Note I - Employee benefits (continued)

in service for a specific period of time (the vesting period), the portion of the increased benefit relating to past services by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expenses are recognised immediately in the income statement.

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

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

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

#### *(c) Other post-employment services*

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

#### *(ii) Other post-employment obligations*

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

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

#### *(iii) Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates:

(a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognises costs for restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In case an offer is made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.



### 3. Summary of significant accounting policies (continued)

#### Note I - Employee benefits (continued)

##### *(iv) Bonus plans*

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

#### *Note J - Income tax*

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

##### *(i) Current income tax*

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

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

##### *(ii) Deferred income tax*

Deferred income tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes and providing for available income tax losses and tax credits.

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

A deferred income tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences and available income tax losses and tax credits can be utilised. Deferred income tax assets are reviewed annually and reduced to the extent that it is no longer probable that the related income tax benefit will be realised.

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

#### **Note K - Receivables from financial institutions**

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

### 3. Summary of significant accounting policies (continued)

#### Note L - Receivables from clients

This caption includes lease instalments receivable from the finance and operating lease portfolio, from the rental portfolio and receivables arising from other business activities. These receivable balances are shown after any accumulated impairment losses and are initially measured at fair value and subsequently at amortised cost using the effective interest method.

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

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

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

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

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

#### Note N - Intangible assets

##### (i) Goodwill

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

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

##### (ii) Software

Capitalised software relates to purchased software from third parties and to internally developed software for Group use. Expenditure on research activities undertaken to gain new technical knowledge and understanding is recognised in the income statement when incurred. Expenditure on development of software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use of the software in a manner that will generate future economic benefits and can measure the costs to complete the development. The capitalised cost of internally developed software includes all costs directly

### 3. Summary of significant accounting policies (continued)

#### Note N - Intangible assets (continued)

attributable to developing software and are amortised over its useful life. Capitalised internally developed and externally purchased software are measured at cost less accumulated amortisation and any accumulated impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

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

#### *(iii) Other intangible assets*

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

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

#### *(iv) Amortisation*

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

#### Note O - Other property and equipment

#### *(i) Measurement*

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

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

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

#### *(ii) Depreciation*

The cost of other property and equipment is depreciated to its estimated residual value and recognised in the income statement on a straight-line basis over the estimated useful life of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. The residual value and the useful life of the leased assets are reviewed at least at each financial year-end and, if expectations differ from previous estimates,

### 3. Summary of significant accounting policies (continued)

#### Note O - Other property and equipment (continued)

the changes are accounted for as a change in accounting estimate. Land is not depreciated.

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

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

#### Note P - Property and equipment under operating lease and rental fleet

Property and equipment under operating lease and rental fleet are measured at cost less accumulated depreciation and impairment losses. The assets subject to operating leases are presented in the balance sheet according to the nature of the asset. The depreciation policy for depreciable leased assets is consistent with the Company's normal depreciation policy for similar assets. The leased assets are depreciated on a straight-line basis over its contract period to its residual value. The contract period ranges on average between three to four years. Upon termination of the lease or rental contract the relevant assets are reclassified to the caption 'Inventories' at their carrying amount. The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

#### Note Q - Inventories

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

#### Note R - Other receivables and prepayments

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

#### Note S - Impairment

##### (i) *(Leased) assets and assets for own use*

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

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

##### (ii) *(Lease) receivables*

Impairment on a receivable is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms of the receivable. The

### 3. Summary of significant accounting policies (continued)

#### Note 5 - Impairment (continued)

amount of the impairment is the difference between the carrying amount and the recoverable amount, being the value of expected cash flows, including amounts recoverable from guarantees and collateral.

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

Impairment loss on receivables is recognised in the income statement and is separately disclosed as part of net finance income.

#### *(iii) Non-financial assets*

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

#### *(iv) Assets carried at amortised cost*

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

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

#### *(v) Assets classified as available-for-sale*

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

If any such evidence exists for available-for-sale financial assets, the cumulative loss—measured as the difference between the acquisition costs and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss—is removed from equity and recognised in the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to

### 3. Summary of significant accounting policies (continued)

#### Note S - Impairment (continued)

an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

##### *(vi) Reversal of impairment*

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

#### Note T - Capital and dividends

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

#### Note U - Provisions

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

##### *(i) Damage risk provision*

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

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

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

##### *(ii) Other provisions*

Other provisions include amounts for litigation and claims as well as onerous contracts. For litigation and claims the best estimate of the future outflow of resources has been recognised. Regarding onerous contracts, the present obligation under a contract that is onerous is



### **3. Summary of significant accounting policies (continued)**

#### **Note U - Provisions (continued)**

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

The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

#### **Note V - Statement of cash flows**

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

##### ***(i) Operating cash flows***

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

##### ***(ii) Investing cash flows***

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

##### ***(iii) Finance cash flows***

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

##### ***(iv) Cash and balances with banks***

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

### 3. Summary of significant accounting policies (continued)

#### Note W - Segment reporting

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

Leasing activities comprise the main activity of the Group which is providing fleet management services including the purchase, financing, service and remarketing of vehicles. The Group offers a mono-line product through all of its LeasePlan subsidiaries allowing for some differentiation based on the maturity of local markets. As a result the subsidiaries are grouped in categories based on maturity of the market and to a lesser extent maturity of the subsidiary.

Group activities provide services in the area of treasury, damage risk retention, procurement and infrastructure to support the leasing activities.

#### Note X - Critical accounting estimates, assumptions and judgements

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

##### **(i) Impairment of goodwill and intangible assets**

Determining whether goodwill or intangible assets are impaired requires an estimation of the value in use of the groups of cash generating units to which the goodwill and intangible assets have been allocated. The key assumptions calculating the value in use are those regarding discount rates, growth rates and other expected changes in cash flows. The sensitivity to estimates and assumptions used is disclosed in note 22 of the consolidated financial statements of the Company.

##### **(ii) Review of depreciable amount and depreciation period of (leased) assets**

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

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

##### **(iii) Impairment losses on (lease) receivables**

The Group reviews its outstanding receivables in its lease portfolio to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows of a lease portfolio before the decrease can be identified with an individual lease contract in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or in national or local economic conditions that correlate with defaults on assets in the Group.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when

### 3. Summary of significant accounting policies (continued)

#### Note X - Critical accounting estimates, assumptions and judgements (continued)

scheduling its future cash flows. This method makes use of the probability of default (PD), the loss given default (LGD) and the exposure at default (EAD). The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. The sensitivity to estimates and assumptions used is disclosed in the financial risk section (Credit risk).

#### *(iv) Post-employment benefits*

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

#### *(v) Damage risk retention*

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

#### *(vi) Income taxes*

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

#### *(vii) Fair value of derivatives*

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

#### *(viii) Revenue recognition*

Income related to lease services (closed calculation) is recognised over the term of the contract based on historical statistics and on assumptions regarding expected service costs. The assumptions may differ from the actual data as a result of changes in economic and market conditions.

#### Note Y - Comparatives

Where this is necessary, comparative figures have been adjusted to conform to changes in presentation in the current year. The adjustments made have neither an impact on profit for the year nor on total equity. The adjustments can be summarised as follows:

- Presentation of Equity in Balance Sheet and Statement of changes in equity. In 2013 Other comprehensive income was shown separately which in 2014 is included in Other reserves and the Retained earnings are in 2014 shown separately from Other reserves where in 2013 these were shown in Other reserves.
- Presentation in Statement of changes in equity: Total comprehensive income is split in the various components.

## Financial risk management

All amounts are in thousands of euros, unless stated otherwise

This section presents information about the Group's exposure to a number of financial risks, the Group's objectives, policies and processes for measuring and managing these risks and the Group's management of capital. In line with IFRS 7 various disclosures on the Group's financial assets and liabilities are included in this section. The fact that the Group is mainly transacting operating leases, which under IFRS do not qualify as financial assets, results in a significant difference between financial assets and financial liabilities.

	2014	2013
<b>Financial assets</b>		
Cash and balances at central banks . . . . .	957,951	978,774
Receivables from financial institutions . . . . .	1,222,829	1,439,051
Derivative financial instruments . . . . .	183,023	120,438
Rebates and bonuses and commissions receivable . . . . .	204,512	173,046
Reclaimable damages . . . . .	24,111	25,491
Interest to be received . . . . .	99	1,465
Receivables from clients . . . . .	2,952,126	2,829,949
Loans to investments accounted for using the equity method . . . . .	290,130	258,369
<b>Total</b> . . . . .	<b>5,834,781</b>	<b>5,826,583</b>
<b>Non-financial assets</b> . . . . .	<b>13,820,968</b>	<b>13,302,816</b>
<b>Total assets</b> . . . . .	<b>19,655,749</b>	<b>19,129,399</b>
<b>Financial liabilities</b>		
Trade payables . . . . .	641,414	582,085
Interest payable . . . . .	112,468	125,468
Borrowings from financial institutions . . . . .	1,991,356	2,523,337
Derivative financial instruments . . . . .	130,284	197,490
Funds entrusted . . . . .	4,378,891	4,320,156
Debt securities issued . . . . .	7,638,038	6,988,740
<b>Total</b> . . . . .	<b>14,892,451</b>	<b>14,737,276</b>
<b>Non-financial liabilities</b> . . . . .	<b>1,920,372</b>	<b>1,810,568</b>
<b>Total liabilities</b> . . . . .	<b>16,812,823</b>	<b>16,547,844</b>

### A. Strategy in using financial instruments

The Group's activities are principally related to vehicle leasing and fleet management. The Group accepts and offers lease contracts to clients at both fixed and floating interest rates, for various periods and in various currencies. The Group seeks to balance the spread between interest rates charged in lease contracts and the interest rates paid on various borrowings and at the same time needs to control its exposure towards future movements in interest rates and currencies. The risk control is important to continuously meet the solvency and liquidity requirements and targets as set by the Dutch Central Bank and as expected by external stakeholders. The Group uses various non-derivative and derivative financial instruments to achieve that goal.

Derivatives are financial instruments, of which the value changes in response to the change in an underlying variable. Derivatives require little to no initial investment and are settled at a future date. Under IFRS derivatives are initially and subsequently recognised on the balance sheet at fair value. Examples of derivatives used by the Group are interest rate swaps, currency swaps and currency interest rate swaps. Derivative transactions are contracted to hedge the interest rate and currency exposures associated with the funding of lease contracts. In particular the interest

## A. Strategy in using financial instruments (continued)

rate swaps cover the interest rate positions between lease contracts and borrowed funds and currency (interest rate) swaps cover the mismatch between the currency structure of lease contracts and borrowed funds.

The operating lease portfolio has not been designated to a fair value hedge following IAS 32 AG9. The Group has applied cash flow and fair value hedges of the interest rate risk and other types of market risks on the issued debt securities and other borrowings to mitigate both current and future income statement volatility arising due to the variability of cash flows attributable to currency and interest rate movements, and due to the exposure to changes in fair values of recognised liabilities. It should be noted that while as a result of the above the Group mitigates interest rate risk and currency risk from an economic perspective, these derivatives do not always qualify for hedge accounting from an accounting perspective and in such cases the unrealised gains and losses are recognised in the income statement.

The contracted notional amounts of all derivatives are listed below:

	2014			2013		
	Interest rate contracts	Currency contracts	Total	Interest rate contracts	Currency contracts	Total
Fair value hedge . . . .	3,271,599	126,303	3,397,902	4,018,659	134,986	4,153,645
Cash flow hedge . . . .	1,845,000	—	1,845,000	2,650,558	—	2,650,558
Not in hedge . . . . .	10,917,026	3,662,425	14,579,451	11,029,960	3,147,805	14,177,765
<b>Total . . . . .</b>	<b>16,033,625</b>	<b>3,788,728</b>	<b>19,822,353</b>	<b>17,699,177</b>	<b>3,282,791</b>	<b>20,981,968</b>

### (i) Cash flow hedges

The company hedges the exposure to variability in future interest payments on recognised floating rate bonds and notes issued and on highly probable forecast transactions (short-term rolling over liabilities) attributable to changes in underlying swap and money market rates. In cash flow hedging, the hedged risks are future changes in cash flows stemming from anticipated repricings and/or roll-overs of borrowings due to interest rate movements. To apply highly effective cash flow hedges the forecasted cash flows, which are subject to a hedge, must be 'highly probable'. Based on the business activity of the Group and the financial/operational ability of the Group to carry out the transactions, the likelihood that forecasted cash flows will take place is very high. These forecasted cash flows are expected to occur and to affect the income statement in the period 2015-2018.

The Group applies a cash flow hedge as an aggregate hedging of a similar group of assets/liabilities. A group of derivatives sharing the same characteristics is designated to the hedge with a group of borrowings with the same characteristics. Any ineffectiveness resulting from these cash flow hedges is recognised in the income statement when incurred.

### (ii) Fair value hedges

Fair value hedge accounting is applied in such a way that the changes in fair value of the recognised liability (issued note) attributable to the hedged risk fully offsets the changes in fair value of the receive leg of the derivative transaction (interest rate swap, currency swap or currency interest rate swap). In other words, the cash flows on the note and the receive leg of the swap are equal and opposite.

Fair value hedge accounting entails that the hedged item (i.e. the note) that is measured at amortised cost is constantly being adjusted for gains/losses attributable to the risk being hedged. This adjustment is booked in the income statement, where it offsets the measurement of the fair value of the hedging instrument that is also recorded in the income statement.

## **A. Strategy in using financial instruments (continued)**

### **(iii) Risk-weighting**

The notional amounts of the derivatives provide an indication of the size of the contracts but do not indicate the extent of the cash flows and risks attached hereto. In determining the capital adequacy requirement, both existing and potential future credit risk is taken into account. The current potential loss on derivatives, which is the fair value based on market conditions at the balance sheet date (positive replacement cost) is increased by a percentage of the relevant notional amounts, depending on the nature and remaining term of the contract (potential future credit risk). This non-weighted credit risk is risk-weighted based on the credit rating of the counterparty and the remaining term.

The Group maintains control limits from a credit risk point of view and (for a significant part of the derivative portfolio) uses Credit Support Annexes (CSAs) to International Swaps and Derivatives Association (ISDA) master agreements to mitigate the risk through periodic margin calls. This credit risk exposure is managed as part of the overall lending limits with financial institutions.

## **B. Capital adequacy**

As of 1 January 2014 capital metrics and risk exposures are reported under the EU endorsed Basel III framework (CRR/CRD IV) where in 2013 figures were reported according to the Basel II framework. To monitor the adequacy of its capital the Group uses ratios from the Basel III framework.

These ratios measure capital adequacy by comparing the Group's eligible regulatory capital with its risk-weighted assets for credit risk, operational risk and market risk (currency risk). In November 2008 the Company received approval from the Dutch Central Bank to use the Advanced Internal Ratings Based (AIRB) approach for credit risk of the corporate portfolio and the Advanced Measurement Approach (AMA) for operational risk, for determining the risk-weighting. In June 2013 the Company received approval from the Dutch Central Bank to use the AIRB approach for the trade receivables and the retail portfolios in the United Kingdom and the Netherlands and applies the AIRB approach as of 1 January 2014.

Credit risk, mainly due to leases with counterparties, is risk-weighted based on the outcome of models as developed by the Group. These models were developed based on defined rules as laid down in the CRR/CRD IV framework and are regularly monitored for their predictive quality. Regularly these models are being validated by external parties and approved by the Dutch Central Bank. The models for credit risk relate especially to the determination of:

- the probability of default (PD), being the likelihood of the default of a client in the next 12 months (expressed in %);
- the loss given default (LGD), being the loss the Group expects to incur at the moment of a default (expressed in %);
- the exposure at default (EAD), being the total exposure to a client expressed as the expected amount if a client would go into default; and
- remaining maturity—the contractual remainder of the lease contract.

The models for credit risk are applied to all corporate client exposures and retail client exposures in the United Kingdom and the Netherlands. In the calculation of the related capital requirement a confidence level of 99.9% is used.



## B. Capital adequacy (continued)

For the exposures related to governments, banks and retail clients in other entities the Group applies the Standardised Approach of the CRR/CRD IV framework which prescribes fixed percentages for risk weighting depending on characteristics and conditions of the exposure.

In respect of operational risk no on-balance sheet exposures exist. Therefore capital requirements for this risk are derived from the outcome of the models that track historic losses and anticipate low frequency—high risk scenarios. These models predict with a 99.9% confidence level the necessary capital to cover the maximum envisaged (operational) loss the Group can incur under extreme circumstances.

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

The following table illustrates the reconciliation between the total assets on the balance sheet and the risk weighted assets.

	2014			2013		
	Carrying amount	Risk-weighted	Risk-weight	Carrying amount	Risk-weighted	Risk-weight
Lease contract portfolio . . . .	15,121,053	7,462,490	49%	14,534,854	8,302,302	57%
Other assets . . . . .	4,534,696	2,261,675	50%	4,594,545	2,098,814	46%
<b>Total assets . . . . .</b>	<b>19,655,749</b>	<b>9,724,165</b>	<b>49%</b>	<b>19,129,399</b>	<b>10,401,116</b>	<b>54%</b>
Off-balance sheet exposures . . . . .		3,237,299			3,443,861	
<b>Total risk exposure amount . . . . .</b>		<b>12,961,464</b>	<b>66%</b>		<b>13,844,977</b>	<b>72%</b>

On 1 January 2014 the EU's adoption of the third Basel capital accord (Basel III) was implemented, by means of the amended Capital Requirements Directive (Directive 2013/36/EU) and the Capital Requirements Regulation (Regulation No 575/2013). With the adoption of this regime and as available capital is largely above the minimum threshold as determined by regulation, the capital floor ceases to have impact on the Group's capital ratios. In addition, the Group processed a number of other changes as per 1 January 2014 that impacted on risk-weighted assets such as (i) the implementation of updated models for PD and LGD, (ii) the implementation of AIRB models for a large part of the retail portfolio and trade receivables, (iii) the application of the 1/t formula for risk-weighting of the residual value of the portfolio for which the standardised method is applied, and (iv) inclusion of commitments in connection with the forward purchase of property and equipment under operating lease.

The eligible regulatory capital that is compared against the risk-weighted exposures of the Group only consists of Common Equity Tier 1 capital. The Common Equity Tier 1 capital is derived from the Group's total equity position. In order to arrive at the Common Equity Tier 1 capital, adjustments to the total equity are required for the IFRS prudential filters as defined by the CRR/CRD IV framework.

The following table illustrates the reconciliation between Group equity and Common Equity Tier 1 capital.

	2014	2013
<b>Total equity . . . . .</b>	<b>2,842,926</b>	<b>2,581,555</b>
Exclude profit for the year . . . . .	(371,971)	—
Foreseeable dividend . . . . .	—	(140,000)
Interim dividend paid out of retained earnings . . . . .	6,000	6,000
Regulatory adjustments . . . . .	(249,365)	(109,907)
<b>Common Equity Tier 1 capital . . . . .</b>	<b>2,227,590</b>	<b>2,337,648</b>

## B. Capital adequacy (continued)

Based on EU endorsed frameworks for Basel III (CRR/CRD IV; 2014) and Basel II (2013) the solvency ratio as at 31 December is as follows:

	2014	2013
Total risk exposure amount	12,961,464	13,844,977
Common Equity Tier 1 capital	2,227,590	2,337,648
<b>Common Equity Tier 1 ratio</b>	<b>17.2%</b>	<b>16.9%</b>

The regulatory scope of consolidation for the above mentioned Common Equity Tier 1 ratio comprises LeasePlan Corporation N.V. and its subsidiaries (the "Group") and is in regulatory reporting terms referred to as sub-consolidated level. The Group also submits regulatory reporting on a consolidated level (including parent company Global Mobility Holding B.V.) and on a solo level (LeasePlan Corporation N.V. stand-alone). The sub-consolidated level of consolidation is equal to the IFRS scope of consolidation as applied in these consolidated financial statements. In calculating the Common Equity Tier 1 capital the possibility of phasing in certain capital deductions is not applied. The Common Equity Tier 1 ratio is equal to the Total Capital Ratio.

In monitoring the adequacy of its capital the Group is constantly reviewing the development in (risk-weighted) exposures on the one hand and in eligible capital on the other hand. Stress testing forms a part of the aforementioned monitoring. Developments in (risk-weighted) exposures typically represent relative movements in the portfolio of the Group's core business. The eligible capital normally will grow with retained profits after dividend distribution. The Company has a dividend policy that supports the maintenance of adequate capital ratios.

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

## C. Credit risk

### Credit risk definition

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

### Credit risk management structure and organisation

LeasePlan's Managing Board sets authority levels for all Group companies, based on which each Group company is allowed to decide on (vehicle leasing and fleet management) counterparty acceptance and renewal. The authority levels are granted based on the relative size of the Group company and the perceived quality of credit risk management and are reviewed by the Group's Credit Committee in its quarterly meetings. Above a Group company's authority, the Group's credit risk management department, the Group's Credit Committee, the Credit Committee of the Supervisory Board or the Supervisory Board is authorised to decide on credit acceptance and renewal thereof depending on the size of the counterparty limit requested by the Group company. The Group has a custom built web-based global credit risk management system in place that enables the Group to efficiently and in accordance with granted authorities handle and monitor credit requests and defaults.

## C. Credit risk (continued)

The Group's credit risk management department advises the Group's Credit Committee in quarterly meetings on items concerning adjustments of delegated authorities, development of credit risk in local portfolios, internal credit risk models performance, stress testing, development of trade receivables and doubtful debtors, watch accounts and provisions, and introduction and adjustment of credit risk management policies and guidelines. Furthermore, the Group's credit risk management department initiates the introduction and review of counterparty rating models and score cards.

Quantitative specialists within the Company are responsible for monitoring and analysing performance of the internal risk models and underlying risk components. In the model development phase this function performs an internal pre-validation of the model and advises on the expected performance of the models to be validated and implemented. The quantitative specialists work in consultation with several corporate risk management disciplines and are supported by external parties, among others for validation of the models.

The tasks of credit risk management organisations within the Group companies, including the local credit committee comprise among others, the following:

- define a clear internal credit acceptance policy;
- decide on credit requests;
- regularly review the overdue trade receivables and the doubtful debtors; and
- regularly review the local watch account list, containing all counterparties that need special attention with regard to credit risk management.

In principle, the Managing Director and the Finance Director of a Group company form part of the local credit risk committee. The local credit risk committees act independently from the commercial business area. The Group's audit department pays, during the audits, specific attention to the way credit risk management has been organised and embedded in the organisation. For this purpose the group audit department has defined specific activities in its working programme.

The Group does not maintain trading or investment books. The policy for counterparty credit risk for banking and treasury counterparties in the banking book which applies to all Group companies (including the Group's central Treasury operations) is set by the Group's Credit Committee. The Group's treasury risk management department reviews adherence to limits on a daily basis. On a daily basis, the treasury risk management department reviews the current spread on Credit Default Swaps (CDS) of all relevant banking counterparties and sovereigns. The spread of a CDS, securing debt holders against a counterparty or sovereign defaulting on its debt, highlights the market participants perceived credit risk on such a counterparty. For credit risk in respect of reinsurance reference is made to the section on motor insurance risk.

Annually the Group's risk management department prepares the risk appetite, which includes all risk areas and is subject to approval by the Managing Board and Supervisory Board. On a quarterly basis the risk management department reports on actual performance against the risk appetite to the Supervisory Board. This report includes the credit risk position of the Group. The credit risk position is furthermore discussed in the Group's Credit Committee and is shared with the Managing Board.

### **Credit risk management policy**

The Group has issued policies to its Group companies, which regulate the governance of the local credit risk management organisation and set limits to industry sectors with which Group companies can do business. Group companies are required to define their risk appetite and set

## C. Credit risk (continued)

their limits in respect of counterparty and concentration risks, as well as the types of business and conditions thereof in local policies. Further policies and guidelines exist on the data and reports to be provided. The Group distinguishes policies and portfolio between corporate clients, retail clients, governments, banks and others. In this respect, retail clients are defined as clients with a vehicle fleet with an investment value not exceeding EUR 1 million with which there is no active commercial relationship.

Except for retail customers, which are assessed whenever a credit application is received, the credit risk of all counterparties is assessed at least once a year.

Each Group company is required to maintain a special attention list and a watch list which are based on the internal rating grades and other available information. These lists are reviewed in regular meetings by the credit committees. Credit risk exposures on companies included in these lists are monitored on a daily basis by the respective risk management teams on both local level and Group level. A qualitative analysis of our total credit exposures, defaults and losses is reported on a quarterly basis to the Group's Credit Committee.

As per above, credit risk arising from the use of the relationship with banking and treasury counterparties is laid down in a specific counterparty policy. Limits are set on a single-name basis and are aligned with the Group's risk appetite. Key criteria used in setting limits are among others long term debt rating, credit risk assessment on the related banks and participation in the revolving credit facility. The Group, equally, puts in place acceptance criteria for reinsurance of motor insurance risks.

### Credit risk measurement

The Group uses an internally developed risk measurement system to measure the probability of default and the exposure to potential defaults for the corporate lease portfolio. The Group uses this measurement system to be able to report on such credit risk to external regulators.

A summary of the approximation of the concentration of the financial assets in geographical sectors as at 31 December can be shown as follows:

	Member states of the European Union		Rest of the world	Total
	(euro)	(non-euro)		
<b>Financial assets</b>				
Cash and balances at central banks . . . . .	957,936	13	2	957,951
Receivables from financial institutions . . . . .	1,147,239	63,824	11,766	1,222,829
Derivative financial instruments . . . . .	183,023			183,023
Rebates and bonuses and commissions receivable . . . . .	168,299	18,756	17,457	204,512
Reclaimable damages . . . . .	22,055	663	1,393	24,111
Interest to be received . . . . .	95		4	99
Receivables from clients . . . . .	781,523	690,328	1,480,275	2,952,126
Loans to investments accounted for using the equity method . . . . .	290,130			290,130
<b>Total as at 31 December 2014 . . . . .</b>	<b>3,550,300</b>	<b>773,584</b>	<b>1,510,897</b>	<b>5,834,781</b>
<b>Total as at 31 December 2013 . . . . .</b>	<b>3,660,617</b>	<b>743,307</b>	<b>1,422,659</b>	<b>5,826,583</b>

### C. Credit risk (continued)

A summary of the approximation of the concentration of the financial assets per industry as at 31 December can be shown as follows:

	Financial institutions	Manu- facturing	Wholesale trade	Transport and public utilities	Public sector	Other industries	Total
<b>Financial assets</b>							
Cash and balances at central banks . . . . .	957,951						957,951
Receivables from financial institutions . .	1,222,829						1,222,829
Derivative financial instruments . . . . .	183,023						183,023
Rebates and bonuses and commissions receivable . . . . .		204,512					204,512
Reclaimable damages . . .						24,111	24,111
Interest to be received . .	99						99
Receivables from clients . . . . .	198,485	769,537	523,422	249,972	97,830	1,112,880	2,952,126
Loans to investments accounted for using the equity method . . . . .						290,130	290,130
<b>Total as at 31 December 2014 . . . . .</b>	<b>2,562,387</b>	<b>974,049</b>	<b>523,422</b>	<b>249,972</b>	<b>97,830</b>	<b>1,427,121</b>	<b>5,834,781</b>
<b>Total as at 31 December 2013 . . . . .</b>	<b>2,731,782</b>	<b>891,920</b>	<b>534,114</b>	<b>247,600</b>	<b>114,542</b>	<b>1,306,625</b>	<b>5,826,583</b>

Information on past due and/or impaired financial assets as at 31 December can be shown as follows:

	Carrying amount	Neither past due nor impaired	Past due but not impaired	Impaired	Allowance for impairment
<b>Financial assets</b>					
Cash and balances at central banks . . . . .	957,951	957,951			
Receivables from financial institutions . . . . .	1,222,829	1,222,829			
Derivative financial instruments . . . . .	183,023	183,023			
Rebates and bonuses and commissions receivable . . . . .	204,512	204,512		1,269	(1,269)
Reclaimable damages . . . . .	24,111	24,111		6,331	(6,331)
Interest to be received . . . . .	99	99			
Receivables from clients . . . . .	2,952,126	2,472,433	476,880	91,973	(89,160)
Loans to investments accounted for using the equity method . . . . .	290,130	290,130		7,325	(7,325)
<b>Total as at 31 December 2014 . . . . .</b>	<b>5,834,781</b>	<b>5,355,088</b>	<b>476,880</b>	<b>106,898</b>	<b>(104,085)</b>
<b>Financial assets</b>					
Cash and balances at central banks . . . . .	978,774	978,774			
Receivables from financial institutions . . . . .	1,439,051	1,439,051			
Derivative financial instruments . . . . .	120,438	120,438			
Rebates and bonuses and commissions receivable . . . . .	173,046	173,046		1,287	(1,287)
Reclaimable damages . . . . .	25,491	25,491		5,360	(5,360)
Interest to be received . . . . .	1,465	1,465			
Receivables from clients . . . . .	2,829,949	2,394,385	434,417	87,409	(86,262)
Loans to investments accounted for using the equity method . . . . .	258,369	258,369		7,325	(7,325)
<b>Total as at 31 December 2013 . . . . .</b>	<b>5,826,583</b>	<b>5,391,019</b>	<b>434,417</b>	<b>101,381</b>	<b>(100,234)</b>

## C. Credit risk (continued)

### Cash and balances at central banks/receivables from financial institutions

The Group maintains liquid assets at central banks and a diversified group of solid commercial banks.

### Derivative financial instruments

In addition to its natural exposure to credit risk in the leasing of vehicles, the Group is also exposed to credit risk because of its use of derivative financial instruments and because of excess cash being deposited with banks. Both credit risks arising from the Group's central Treasury operations are controlled by setting specific nominal limits for the limited number of financial institutions that such transactions are being concluded with and the requirement of minimal external rating grades that such counterparties are assigned. Exposures on derivative financial instruments are mitigated by using CSAs (reference is made to paragraph 'Strategy in using financial instruments'). At year-end 2014 the Group received EUR 49 million cash collateral under these CSAs (2013: EUR 27 million).

### Receivables from clients

Receivables from clients are individually assessed on indications for impairment. The sources for such indications can be internal, such as internal credit rating, payment behaviour and receivable ageing or external, such as external credit ratings and solvency information. Impairment is recognised when collection of receivables is at risk and when the recoverable amount is lower than the carrying amount of the receivable, also taking into account cash collateral amounting to EUR 42.9 million at year-end 2014 (2013: EUR 37.6 million) and the fact the Group retains legal ownership of the leased asset until transfer of such ownership at the end of the lease contract.

Receivables from clients less than 90 days past due are not considered to be impaired, unless other information is available to indicate the contrary. Gross amounts of receivables from clients that were past due but not impaired were as follows:

	2014	2013
<b>Receivables from clients past due, but not impaired</b>		
Past due up to 90 days	430,801	381,586
Past due between 90 - 180 days	25,798	18,975
Past due between 180 days - 1 year	12,861	16,291
Past due 1 - 2 years	3,247	8,454
Past due over 2 years	4,173	9,111
<b>Total</b>	<b>476,880</b>	<b>434,417</b>

When invoiced lease instalments for finance leases are past due also the remaining not yet invoiced finance lease receivables (relating to the remaining contract duration) become past due and are included in the above balance of receivables from clients past due but not impaired. This balance of not yet invoiced finance lease receivables amounts to EUR 309 million (2013: EUR 279 million).

Receivables from clients impaired and the allowance for impairment were as follows:

	2014	2013
<b>Impaired loans and receivables from clients</b>	<b>91,973</b>	<b>87,409</b>
Provision on clients provided for	83,805	80,262
Incurred but not reported loss provision	5,355	6,000
<b>Total allowance for impairment</b>	<b>89,160</b>	<b>86,262</b>



## C. Credit risk (continued)

The total impairment allowance for loans and receivables is EUR 89.2 million (2013: EUR 86.3 million) of which EUR 83.8 million (2013: EUR 80.3 million) represents the impaired receivables and the remaining amount of EUR 5.4 million (2013: EUR 6.0 million) represents the incurred but not reported loss provision. Reference is made to note 17 to the consolidated balance sheet.

The Group assessed the levels of forbearance activities. In this assessment the operating leases are not taken into account as forbearance is only applicable to financial assets. Considering the asset backed nature and relatively short duration of the lease contracts the level of forbearance activities is not material.

### Loans to investments accounted for using the equity method

Credit risk for the Group arises on lending to investments accounted for using the equity method. The underlying business of the respective investments accounted for using the equity method is very similar to the Group's core activities conducted through subsidiaries. In shareholder agreements the Group has agreed with its respective partners the ability to provide debt funding under specific credit documentation. Such provision of credit is committed and established limits are reviewed regularly. In the control on its investments accounted for using the equity method, the Group also monitors and manages its credit exposures to such ventures. The impairment in the table on past due and/or impaired financial assets relates to loans to Overlease, a jointly controlled entity in Italy. In June 2009 the shareholders of Overlease decided to enter into a liquidation scenario for this company. As a result it is expected that Overlease will not be able to fully repay loans received from the Group.

### Credit risk measurement including non-financial assets

Corporate counterparties of the Group (the lease contract portfolio) are segmented into 14 non-default rating classes. The Group's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The governance framework built around models ensures that the rating tools are kept under constant review and are renewed when necessary. For this purpose the Group monitors on a quarterly basis if the performance of the models meets internal and external requirements. Annually, all models are validated by an external party. The Group's internal ratings scale and mapping of external ratings are:

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

The ratings of Standard & Poor's shown in the table above are mapped to the Group's rating classes based on the long-term average default rates for each external grade. The Group uses the

## C. Credit risk (continued)

external ratings where available to benchmark its internal credit risk assessment. Observed defaults per rating category vary year on year, especially over an economic cycle.

All balances at central banks are deposited at the Dutch Central Bank. The table below summarises the credit rating of the other most relevant financial assets of the Group, except for the lease contract portfolio which includes both financial assets (finance leases) and non-financial assets (operating leases) as credit rating is performed on the total lease contract portfolio. The credit rating of the finance lease portfolio is, however, not substantially different from the credit rating of the total lease contract portfolio. Counterparties included in the lease contract portfolio that are subject to the AIRB models and for which no external rating is available, the 'external' rating is based on the internal Group's rating equivalent as mentioned in the mapping table above. Internally scored relates to AIRB retail counterparties in the United Kingdom and the Netherlands. The unrated part mainly includes the lease contract portfolio to retail clients for which the Standardised Approach is applied. There are no defaults included in the unrated part of the lease contract portfolio.

External rating	2014			2013		
	Lease contract portfolio	Derivative financial instruments	Receivables from financial institutions	Lease contract portfolio	Derivative financial instruments	Receivables from financial institutions
AAA to AA- . . . . .	938,862	69,228	375,918	968,763	36,770	181,007
A+ to A- . . . . .	4,241,804	110,053	825,031	3,810,872	79,671	1,218,289
BBB+ to BBB- . . . . .	5,438,171	3,742	9,556	4,493,904	3,997	24,694
BB+ to BB- . . . . .	1,306,605		155	2,280,998		5,399
B+ to B- . . . . .	166,437		6,148	228,459		5,485
CCC+ to C . . . . .	9,537		606	5,213		181
At default . . . . .	12,580			65,545		
Internally scored . . . . .	1,335,990					
Unrated . . . . .	1,671,067		5,415	2,681,100		3,996
<b>Total . . . . .</b>	<b>15,121,053</b>	<b>183,023</b>	<b>1,222,829</b>	<b>14,534,854</b>	<b>120,438</b>	<b>1,439,051</b>

In addition to the (financial) assets included in the table above the Group recognises other unrated financial assets such as (i) rebates and bonuses and commissions receivable and (ii) loans to investments accounted for using the equity method. The receivables are due from counterparties that are contracted for purchasing goods and rendering services. The loans are provided to investments in which the Group has joint control.

The Company applies a local judgement criterion in its default definition. As a consequence of this local judgement criterion, the probability of default of AIRB counterparties is somewhat lower than when applying a default definition solely based on a definition of default as being over 90 days past due (as per the CRR/CRD IV definition) whereas the loss given default is somewhat higher. The local judgement criterion is used to avoid disputes with counterparties being reported as defaults and reflects the automotive service nature of our business.

Loss given default or loss severity represents the Group's expectation of the extent of a loss should default occur. It is expressed as percentage loss of the exposure at the time a counterparty is declared in default and typically varies by country and transactional features like the leased object. The average credit risk exposure weighted estimated loss given default percentage of the AIRB portfolio and applicable to the capital calculation of the Group in 2014 amounted to 28% (2013: 30% for the AIRB corporate portfolio). The remaining maturity of the lease portfolio on average amounts to 1.93 years (2013: 1.96 years).

On a quarterly basis the Group's credit risk management department performs stress testing on the AIRB lease portfolio by assuming deterioration in counterparties' scores and ratings in combination with a deterioration of LGDs. The worst case scenario calculated under these stress

## **C. Credit risk (continued)**

tests assumes the following: (i) for all counterparties in countries with a Standard & Poor's rating equal to or higher than BBB a decrease with 1 notch of the counterparties' rating and in countries with a Standard & Poor's rating below BBB a decrease with 2 notches of the counterparties' rating and (ii) in all countries a deterioration of the average LGD by 5% for corporate counterparties and 10% for retail counterparties. Such scenario would for the Group result in an increase of required capital amounting to approximately EUR 89 million which includes an additional AIRB provision shortfall of EUR 17 million.

## **D. Asset risk**

### **Asset risk definition**

Within the Group, asset risk is split into two main underlying risk components being residual value risk and risk related to the services repair, maintenance and tyre replacement. The residual value risk is defined by the Group as the exposure to potential loss at contract end date due to the resale values of assets declining below the estimates made at lease inception. The risk related to repair, maintenance and tyre replacement is considered the Group's exposure to potential loss due to the actual costs of the services repair, maintenance and tyre replacement exceeding the estimates made at lease inception.

### **Asset risk management structure and organisation**

The Managing Board is the highest governing authority on asset risk management within the Group. The Managing Board decides on the content and potential changes of policies and is informed about all relevant and significant developments with regard to the Group's asset risk profile. Trends in relevant asset risk related elements are monitored by and discussed in the Group's Asset Risk Committee. The committee also discusses changes to Group policies regarding asset risk and the Group's asset risk position. The Group's asset risk management department is responsible for establishing and maintaining the asset risk management framework and monitoring the Group's asset risk profile.

The Group's risk management department prepares the risk appetite annually, which includes all risk areas and is subject to approval by the Managing Board and Supervisory Board. On a quarterly basis the Group's asset risk management department reports on actual performance against the risk appetite to the Supervisory Board. The report includes the asset risk position of the Group. The asset risk position is furthermore discussed in the Group's Asset Risk Committee and shared with the Managing Board.

A Group company's management is responsible for the adequate management (risk identification, risk assessment and response, risk control, monitoring and communication) of asset risks in their respective lease portfolios. All Group companies have an asset risk management position in place. The Group's audit department during their audits pays, specific attention to the way asset risk management has been organised and embedded. This department also verifies compliance with the Group policies. For these purposes the group audit department has defined specific activities in its working programme.

### **Asset risk management policy**

The Group has a robust policy in place with respect to asset risk management that applies to the whole Group. The policy, among others, outlines a limit structure which is based on the Group's defined residual value risk appetite, whereby the level of risk taking is determined for three echelons within the Group (i.e. country, region and Group). Furthermore, the policy describes that due to the complexity involved all Group companies should establish an asset risk committee including the Managing Director and/or the Finance Director. This committee convenes with a minimum frequency of once every quarter and its primary task is to oversee the adequate

## **D. Asset risk (continued)**

management of asset risks on behalf of the local management team. Equally, the committee ensures that the management team of a Group company is informed on all relevant issues. The local asset risk committee assesses influences on asset risk exposure (both internal as well as external) and, based on its assessment, decides on the level of pricing and risk mitigating measures. The Group companies have internal reporting in place regarding asset risk management. The internal reporting should include the trends in termination results, trends in risk mitigation and asset risk measurements. The policy also describes the minimum standard with respect to risk mitigating techniques. The purpose of these risk mitigating techniques is to ensure that Group companies are placed in a position where asset risks can be managed. Examples of risk mitigation are charging end-of-contract damages and charging the costs related to premature terminations. Additionally, the Group in many cases is allowed to recalculate the asset risk parameters in a contract in case of deviations of actual mileage versus budgeted mileage.

### **Asset risk measurement**

Asset risk is analysed throughout the term of the lease contracts: starting at lease inception, following it through its term up to lease termination. Measuring asset risk at all three stages of the lease contracts assists in tracing developments with respect to asset risk elements and identifying adverse trends.

- Contract Inception; on a monthly and quarterly basis the contractual residual values and the pricing applied for vehicle repair, maintenance and tyre replacement risk of the Group companies are reviewed. Any developments arising from the pricing reviews are then discussed with local and regional management.
- During Contract Life; the Group companies measure the residual value risk and repair, maintenance and tyre replacement risk on vehicles under lease contracts and report the estimated results of these exposures at lease termination to the corporate centre on a quarterly basis. These measurements are referred to as fleet risk assessments. In many cases these measurements are calculated through statistical analysis (such as multiplicative models or linear regressions) based on the Group companies' historical vehicle sales proceeds. Estimates in respect of residual values and results from vehicle repair, maintenance and tyre replacement are made at an individual vehicle level and aggregated to portfolio level. The outcomes of these measurements are reviewed and discussed within local asset risk management committees and reported to the corporate centre. The outcomes can also serve as a basis for the determination of any prospective depreciation of the Group's consolidated portfolio.
- Contract Termination; for vehicle leases terminated within the relevant monthly or quarterly reporting period, the actual sales proceeds from the vehicle and the result from vehicle repair, maintenance and tyre replacement are monitored and reviewed in comparison to the estimates made at lease inception and adjusted during the term of the lease.

On a quarterly basis all Group companies assess the exposures in the existing lease portfolios for future years and inter alia compare contracted residual values to the latest expectations of future market prices. With a view to the consolidated Group outcome of the assessment of expected residual value results in future years, no additional depreciation charge was taken in 2014 (2013: nil). Reference is made to note 3 and note 18 to the consolidated financial statements.

In determining additional depreciation charges not only the outcome of the comparison between residual value and expected market price is relevant, but also the risk mitigating measures which the Group actively pursues to manage residual value risk prior to, at inception of, during and at the end of a lease contract are of importance. Examples of such measures are forward looking in respect of estimated numbers of early terminations, mileage variation adjustments to lease rentals and amounts of end of contract damages invoiced at contract termination. Additional

## D. Asset risk (continued)

management actions and compensating elements as well as other risk bearing elements of the product (i.e. maintenance, tyre replacement and repair) are included in the Group's exposure and in the determination of additional depreciation charges.

The Group monitors this exposure on a continuous basis and adjusts its residual values for new leases accordingly. New leases are originated in general for original terms of three to four years, but are in practice also regularly adjusted during the term of the lease (either extended or early terminated).

The Group's residual position in relation to the total lease portfolio can be illustrated as follows:

	2014	2013
Future lease payments .....	6,717,669	6,442,577
Residual value .....	8,403,384	8,092,277
<b>Total .....</b>	<b>15,121,053</b>	<b>14,534,854</b>

The above table includes both operating and finance leases. The Group is therefore not effectively exposed to the entire residual value, since part of this represents its finance lease portfolio. On the remaining amount that the Group is exposed to risk mitigating measures as described above have an important (reducing) impact. Taking also into account the geographical and make/model diversification of the Group's portfolio of vehicles, it is appropriate to conclude that the Group is well set up for managing volatility in used vehicle prices.

The Group performs stress testing as part of the above-mentioned quarterly assessment. A one percentage point movement in the latest expectation of future (used car) market prices would lead to a EUR 54 million movement in estimated termination results for the year 2015.

## E. Treasury risk

### Treasury risk definitions

Treasury risk in this respect entails a combination of three individual risks, being liquidity risk, interest rate risk and currency risk. Liquidity risk is the risk that the Group is not able to meet its obligations for (re)payments, due to a mismatch between the (re)financing of its assets and liabilities. Interest rate risk is the risk that the profitability and shareholder's equity of the Group is affected by movements in interest rates. Currency risk entails the risk that currency fluctuations have an adverse impact on the Group's result and shareholder's equity.

### Treasury risk management structure and organisation

Annually the Group's risk management department prepares the risk appetite, which includes all risk areas and is subject to approval by the Managing Board and Supervisory Board. On a quarterly basis the Group's risk management department reports on actual performance against the risk appetite to the Supervisory Board. This report includes the treasury risk positions of the Group, including liquidity, currency and interest rate risk. The treasury risk positions are furthermore discussed in the Group's Funding and Treasury Committee (FTRC) and shared with the Managing Board.

As risk committees like the FTRC are meant for going-concern situations, a Liquidity Crisis Committee (LCC) and a Capital Crisis Committee (CCC) exist at Group level to manage liquidity and capital levels in a crisis scenario. The LCC and CCC includes among others all Managing Board members, all regional senior vice-presidents that are responsible for LeasePlan Group and senior corporate vice-presidents of Risk Management, Strategic Finance, Control, Reporting & Tax and Corporate Strategy & Development. The activation, role and mandate of the LCC and CCC are governed by the Liquidity Contingency Plan and Capital Contingency Plan respectively. As of 2013 the Dutch Central Bank has required all Dutch banks to have a recovery plan in place, for the

## **E. Treasury risk (continued)**

hypothetical situation the Group nears critical levels for survival. Although not limited to, such a case would presumably materialise via the liquidity or capital position of the Group.

The compliance of the Group and Group companies (including the Group's central Treasury and LeasePlan Bank) is monitored on, at least, a monthly basis by the Group's treasury risk management (TRM) department whereas treasury risk positions of the Group's central Treasury are monitored daily. The department TRM is part of Corporate Risk Management, is physically present at the Group's central Treasury and has the responsibility to monitor treasury risk limits, achievement of liquidity targets and to identify control breakdowns, inadequacy of processes and unexpected events. Non-compliance and follow-up measures are discussed with the FTRC.

### **Treasury risk management policy**

#### ***Liquidity risk policy***

The liquidity risk appetite and tolerance levels are based on the following key principles:

- compliance with minimum regulatory liquidity requirements at all times;
- maintaining sufficient liquid assets to meet financial obligations under severe but plausible stress events for a period of at least one month without negatively affecting ongoing business; and
- maintaining access to liquidity buffers and developing a set of possible management actions to meet the financial obligations during a period of continuing stress for at least nine months.

Liquidity risk is not perceived as a driver for profit by the Group, hence the policy is aimed at matched funding and diversification of funding sources. Liquidity risk is managed by seeking to conclude funding that matches the estimated run-off profile of the leased assets. This matched funding principle is applied both at a consolidated group and at subsidiary level taking into account specific mismatch tolerance levels depending on the asset total of the subsidiary. Group companies' local management is responsible to adhere to the matched funding policy and has the possibility to attract funding directly via external banks or to attract funding at the Group's central Treasury. For the latter situation, a fund transfer pricing policy is applied. The fund transfer price is adjusted monthly and approved by the Managing Board.

A key instrument in the liquidity risk management is the funding planning maintained at Group level and is a recurring item on the FTRC agenda. The funding planning forecasts issuances and redemptions for each funding source, resulting in a multi-year projection of the liquidity position. Apart from the actual forecast, a stress-tested forecast is calculated based on stress assumptions. The governance of the liquidity stress testing process is outlined in the Liquidity Stress Testing Policy. The Group maintains a number of stress scenarios addressing idiosyncratic and market wide risk drivers in both specific and combined scenarios. On a monthly basis a high-level stress test is performed based on fixed parameterisation of cash flow forecasting, in addition to the quarterly stress testing cycle.

Stress testing results are used both for contingency planning as for going-concern funding and risk activities, for instance to set the target level for the liquidity buffer to meet financial obligations during a period of severe stress. Stress testing is also input for periodic recalibration of the risk appetite for liquidity risk.

Liquid assets are maintained to meet regulatory liquidity requirements at all times. In addition to liquidity assets to meet a longer term stress period of at least nine months, the Group has established several committed credit facilities from solid financial institutions, diversified across countries inside and outside the European Monetary Union and from Volkswagen Group.



## **E. Treasury risk (continued)**

In addition to the Group's own internal policies and controls, liquidity risk is also supervised by and reported to the Dutch Central Bank on a monthly basis. The liquidity supervision by the Dutch Central Bank is focused on identifying available sources of liquidity and required liquidity.

### ***Interest rate risk policy***

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

- Group companies and jointly controlled entities, carrying interest-bearing assets (mainly lease contracts) and funding on their balance sheet, which mainly is inter-company funding supplied by the Group's central treasury;
- the Group's central treasury, concluding external funding, external derivatives and granting inter-company loans to Group companies.

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

The Group's central Treasury provides loans to Group companies and attracts funds from the market in conjunction with interest rate derivatives entered into for hedging purposes. Derivative financial instruments are concluded by the Group's central Treasury as an end user only. Due to the accounting treatment of derivative financial instruments the Group is exposed to volatility in the Group's income statement.

To enable the Group's central Treasury to achieve economies of scale, smaller inter-company assets are grouped into larger size external funding transactions. Some timing differences are unavoidable in this process and interest rate risk exposures are inherent to the central treasury process. To manage this risk, limits are set for the level of mismatch of interest rate repricing that may be undertaken by currency and time period.

During 2014 the Group developed a model to measure the liquidity and interest typical duration of flexible savings from a behavioural perspective, as will be in use as of 2015. LeasePlan Bank will invest the flexible savings funds received by placing deposits with the Group's central Treasury in line with the analysed interest profile of flexible savings, thereby replicating the flexible savings' maturity profile. The model adoption is not expected to change the overall measured interest rate risk of the Group.

### ***Currency risk policy***

Due to its activities in countries worldwide, the Group is exposed to currency exchange rates and uses the euro as its functional currency. Whenever reasonably possible, hedging is applied by means of matching assets and liabilities or by means of financial derivatives.

Nearly all debt funding, directly or via derivatives, is concluded in the currency in which assets are originated, thereby protecting balance sheets ratios against currency fluctuations. This principle

## E. Treasury risk (continued)

is applied both at Group level, and at the local Group companies. This is required both when obtaining funds at local banks or at the Group's central Treasury. In order to facilitate this, the Group's central Treasury has limits per currency in line with the Group's approved risk appetite.

The Group is exposed to the currency risk on its equity holdings of its subsidiaries, including annual results. The Company has in general the policy not to hedge translation risk, but keeps open the possibility to do so when operations are denominated in highly volatile currencies or in a high inflation environment.

### Treasury risk measurement

#### Liquidity risk measurement

The table below presents the contractual undiscounted cash flows payable of the financial liabilities of the Group in the relevant contractual maturity groupings. The cash flows do not reconcile to the balance sheet because the balance sheet amounts are presented on an amortised cost basis. As a result of the diversified funding strategy funds entrusted increased (savings deposits of LeasePlan Bank) and funding in the debt capital markets reduced.

	0-3 months	3-12 months	1-5 years	> 5 years	Total
<b>Financial liabilities</b>					
Trade payables . . . . .	641,414				641,414
Borrowings from financial institutions . . . . .	376,504	893,281	721,571		1,991,356
Funds entrusted . . . . .	2,491,409	1,225,931	661,104	447	4,378,891
Debt securities issued . . . . .	647,373	1,116,571	5,424,237	449,857	7,638,038
Future payments (interest and commitment fees) . . . . .	92,304	164,798	309,854	167,572	734,528
<b>Total as at 31 December 2014 . . . . .</b>	<b>4,249,004</b>	<b>3,400,581</b>	<b>7,116,766</b>	<b>617,876</b>	<b>15,384,227</b>
<b>Financial liabilities</b>					
Trade payables . . . . .	582,085				582,085
Borrowings from financial institutions . . . . .	181,706	1,371,669	969,962		2,523,337
Funds entrusted . . . . .	2,550,184	1,170,326	596,431	3,215	4,320,156
Debt securities issued . . . . .	411,755	1,958,319	3,840,813	777,853	6,988,740
Future payments (interest and commitment fees) . . . . .	95,197	213,135	351,987	147,844	808,163
<b>Total as at 31 December 2013 . . . . .</b>	<b>3,820,927</b>	<b>4,713,449</b>	<b>5,759,193</b>	<b>928,912</b>	<b>15,222,481</b>

For interest rate swaps the undiscounted cash flows are presented on a net basis into the relevant maturity groupings, whereas the undiscounted cash flows on currency swaps are presented on a gross basis.

	0-3 months	3-12 months	1-5 years	> 5 years	Total
Interest rate swaps/forward rate agreements, netted cash flow . . . . .	715	1,287	58,199	134,466	194,667
Currency swaps cash inflow . . . . .	2,668,821	893,220	834,225	—	4,396,266
Currency swaps cash outflow . . . . .	(2,652,618)	(914,622)	(838,515)	—	(4,405,755)
<b>Total as at 31 December 2014 . . . . .</b>	<b>16,918</b>	<b>(20,115)</b>	<b>53,909</b>	<b>134,466</b>	<b>185,178</b>
Interest rate swaps/forward rate agreements, netted cash flow . . . . .	(15,022)	12,172	47,924	126,585	171,659
Currency swaps cash inflow . . . . .	1,937,863	776,903	1,039,278	—	3,754,044
Currency swaps cash outflow . . . . .	(1,928,339)	(808,548)	(1,067,819)	—	(3,804,706)
<b>Total as at 31 December 2013 . . . . .</b>	<b>(5,498)</b>	<b>(19,473)</b>	<b>19,383</b>	<b>126,585</b>	<b>120,997</b>

## **E. Treasury risk (continued)**

### **Treasury risk measurement (continued)**

As a precaution to the risk of not having continued access to financial markets for funding the Company maintains a liquidity buffer. This buffer includes committed (standby) credit facilities to safeguard the Group's ability to continue to write new business also when temporarily no new funding could be obtained and hence to reduce the liquidity risk for the Group.

- A three year committed revolving credit facility was renewed in December 2012 with a consortium of 13 banks (EUR 1.25 billion) maturing in December 2015. Furthermore, in December 2012 a three year credit facility with Volkswagen A.G., through its subsidiary Volkswagen International Luxemburg S.A., (EUR 1.25 billion) maturing December 2015 was renewed. None of these facilities include material adverse change clauses. During 2014 and 2013 no withdrawals were made on the above-mentioned facilities.
- The Group concluded a range of public asset backed securitisation transactions under the name of Bumper 2 (2008/2011: EUR 876 million), Bumper 5 (2012: GBP 838 million), Bumper 6 (2014: EUR 715 million) and three private asset backed securitisation transactions under the name Bumper France (2013 extended in 2014: EUR 799 million), Bumper DE (2014: EUR 624 million) and Bumper NL (2014: EUR 333 million). These transactions involve the sale of lease receivables and related residual value receivables originated by various Group companies to special purpose companies. Debt securities were issued by these special purpose companies to finance these transactions, except for Bumper NL which entails a committed credit facility. The higher rated notes were sold to external investors and the non-rated subordinated notes were retained by the Company or Group entities. Reference is made to the consolidated financial statements of the Company (note 13 and note 18) and the Company financial statements (note 4).
- LeasePlan Bank, the Group's internet savings bank in the Netherlands, launched in February 2010, targets private individuals. Through the savings bank, the Company aims to fund to 30% and 35% of its balance sheet total over time. By the end of 2014, LeasePlan Bank raised EUR 4.281 billion (2013: EUR 4.165 billion).
- In the last quarter of 2008 and in the first half of 2009 the Group has availed of the possibility to issue debt under the Credit Guarantee Scheme of the State of the Netherlands. In 2014 the last tranche of EUR 1 billion was repaid of the notes issued under the Credit Guarantee Scheme (reference is made to note 32 to the consolidated balance sheet of the Company).

The Dutch Central Bank sets out minimum liquidity level requirements demanding that available liquidity exceeds required liquidity at all times. The Group is in compliance with this minimum liquidity requirement.

The Group's liquidity stress testing program includes the integration of risk drivers and review of stress scenarios, governance, tools used and documentation of the stress testing process. The Group maintains a number of stress scenarios addressing idiosyncratic and market wide risk drivers in both specific and combined scenarios. On a monthly basis a high-level stress test is performed based on fixed parameterisation of cash flow forecasting, in addition to the quarterly stress testing cycle. Stress testing results are used both for contingency and going-concern activities, for instance to measure against the target level for the liquidity buffer under severe stress, which is a minimum of 9 months.

### ***Interest rate risk measurement***

Interest rate risk within LeasePlan is managed separately for:

- Group companies and jointly controlled entities, carrying interest bearing assets (mainly lease contracts), on their balance sheet,
- the Group's central Treasury, concluding external funding, external derivatives and granting inter-company loans to Group companies.

## **E. Treasury risk (continued)**

### **Treasury risk measurement (continued)**

Group companies' interest rate exposure resulting from covering interest-bearing assets by both interest-bearing liabilities and non-interest bearing working capital and equity is EUR 2.9 billion. Due to accounting treatment of lease contracts, this does not lead to gains or losses in the Group's income statement or in shareholder's equity.

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

### ***Currency risk measurement***

The Group has a limited exposure to effects of fluctuations in currencies on its financial position and cash flows. The main cause for this limited exposure is that nearly all debt funding, directly or via derivatives, is concluded in the currency in which assets are originated. Also the Group's equity is allocated to the currencies in which assets are denominated. The Group monitors the relative currency exposure, by comparing the Group's RWA and regulatory capital per currency. The Group's aim is to neutralise the Group's capital ratio due to currency exchange rate fluctuations.

Being active largely in the Eurozone, the Group is exposed to the possible exit of one or more individual member states.

## E. Treasury risk (continued)

### Treasury risk measurement (continued)

The table below summarises the Group's exposure to currency risk as at 31 December.

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

## **E. Treasury risk (continued)**

### **Treasury risk measurement (continued)**

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

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

## **F. Motor insurance risk**

### **Motor insurance risk definition**

As a result of its normal business activities the Group is exposed to motor insurance risk. Motor insurance risk is the exposure to potential loss due to costs related to damages incurred for the Group's account exceeding the compensations included in lease rental payments. This risk consists of long-tail risks (a.o. motor third party liability and legal defence) and short-tail risks (a.o. motor material damage and passenger indemnity).

### **Motor insurance risk management structure and organisation**

The Managing Board is the highest ruling authority with respect to motor insurance risk management within the Group. The Managing Board decides on the content of policies as well as amendments to these policies. Parts of the responsibilities of the Managing Board are delegated to the Group's Motor Insurance Risk Committee. The Group's motor insurance risk management department is responsible for establishing and maintaining the motor insurance risk framework and monitoring Group's motor insurance risk profile. The motor insurance risks are retained by the Group's insurance subsidiary, Euro Insurances based in Dublin, Ireland, (these risks are referred to as insurance risk). In addition, some LeasePlan subsidiaries have a local risk retention scheme for motor material damages and retain the damage risk, while also offering insurance coverage through either Euro Insurances or external providers. Euro Insurances is regulated by the Central Bank of Ireland and its 'European passport' enables it to support Group companies in all EU countries. Euro Insurances is currently in the process of preparing for implementation of Solvency II (standardised approach). Euro Insurances arranges reinsurance cover on an excess loss basis for two principal risks motor third party liability and catastrophic events. Euro Insurances reinsures these risks up to certain prescribed coverage limits with an external reinsurance panel in order to minimise the financial impact of a single large accident and/or event.

Annually the Group's risk management department prepares the risk appetite, which includes all risk areas and requires approval by the Managing Board and the Supervisory Board. On a quarterly basis the Group's risk management department prepares reporting to the Supervisory Board on performance against the risk appetite, including developments within motor insurance within the Group. The motor insurance position is furthermore discussed in the Group's Motor Insurance Risk Committee and shared with the Managing Board.

### **Motor insurance risk management policy**

The overall approach is to selectively accept damage and insurance risk in LeasePlan subsidiaries and Euro Insurances.

The Group's objective is to identify and develop the motor insurance risk profile and to continuously monitor and manage these risks in line with Group's risk appetite for motor insurance risk. In principal the Group only accepts damage and insurance risk positions arising from its own operating and (to a lesser extent) finance lease portfolio, no material third party



## **F. Motor insurance risk (continued)**

business exists. Damage and insurance specialists in each Group company accept damage or insurance risk in accordance with the strict guidelines of a pre-agreed risk selection and pricing procedures. These procedures set out the scope and nature of the risks to be accepted (or not) as well as the authority rules. Special perils falling outside the scope of the procedures are transferred to external insurance companies.

Settlement of damages is outsourced to specialised independent damage handling companies in accordance with the strict terms of a service level agreement and following a pro-active approach to damage handling, from expert investigation to early settlement at the lowest possible cost. Settlement of damages will be done in-house by specialised damage handling teams when a local risk retention scheme is in place.

In order to clearly identify, monitor, manage and limit the risks, principles are laid down in a motor insurance risk policy that needs to be adhered to by all Group companies. Main requirements are the existence of motor insurance risk function within all Group Companies which is independent from the insurance (pricing) department and a local motor insurance risk committee which is required to monitor exposure and discuss trends and developments thereof. Clear authorisation structures are in place for intended launches of and changes in insurance structures and programmes. (Re)insurers are selected on the basis of their financial strength, price, capacity and service and are monitored, also in respect of credit ratings, on a quarterly basis. The Group ensures that the damage and insurance risk policy's terms and conditions are mapped against the reinsurance cover in place in order to prevent any uncovered risks.

### **Motor insurance risk measurement**

The Group monitors the damage and insurance risk acceptance process and the financial performance using actuarial and statistical methods for estimating liabilities and determining adequate pricing levels. Regular analysis of damage and loss ratio statistics, strict compliance with damage handling procedures and policies and when necessary, reviews of damage and insurance risk pricing, ensure a healthy balance between revenues and damages at both an aggregate level and an individual fleet level. The provision for damages is regularly assessed and periodically verified by (external) actuaries.

The price for acceptance of damage and insurance risk is set in each market based on prevailing local market conditions after determining appropriate levels of (re)insurance cover and the expected costs of managing and settling damages. Regular external actuarial assessments support internal actuary assessments of the individual programme loss ratios, which are influenced by statistical evidence of accident frequency in the local market and the cost per large damage. These support the Incurred But Not Reported (IBNR) and Incurred But Not Enough Reported (IBNER) factors used to determine appropriate reserve levels necessary to meet projected short-tail and long-tail damages.

Under the motor insurance risk policy, Group companies measure and monitor their motor insurance risk exposure by performing a yearly damage and insurance risk self-assessment. On a quarterly basis Euro Insurances and Group companies measure and report their risk exposures by means of premium developments and loss ratios to central management. These loss ratios are consolidated on Group level and monitored against our defined risk appetite.

## G. Fair value of financial instruments

The table below summarises the Group's financial assets and financial liabilities of which the derivatives are measured at fair value and the other financial assets and other financial liabilities are measured at amortised costs on the balance sheet as at 31 December.

	Carrying value		Fair value	
	2014	2013	2014	2013
<b>Level 1</b>				
<b>Financial assets</b>				
Loans and receivables				
Cash and balances at central banks . . . . .	957,951	978,774	957,951	978,774
<b>Total . . . . .</b>	<b>957,951</b>	<b>978,774</b>	<b>957,951</b>	<b>978,774</b>
<b>Level 2</b>				
<b>Financial assets</b>				
Derivative financial instruments in hedge . . . . .	95,853	65,024	95,853	65,024
Financial assets at fair value through the income statement				
Derivative financial instruments not in hedge . .	87,170	55,414	87,170	55,414
Loans and receivables				
To financial institutions . . . . .	1,222,829	1,439,051	1,222,805	1,439,270
Rebates and bonuses and commissions receivable . . . . .	204,512	173,046	204,512	173,046
Reclaimable damages . . . . .	24,111	25,491	24,111	25,491
Interest to be received . . . . .	99	1,465	99	1,465
To investments accounted for using the equity method . . . . .	290,130	258,369	300,949	269,173
<b>Total . . . . .</b>	<b>1,924,704</b>	<b>2,017,860</b>	<b>1,935,499</b>	<b>2,028,883</b>
<b>Financial liabilities</b>				
Derivative financial instruments in hedge . . . . .	37,490	79,534	37,490	79,534
Financial liabilities at fair value through the income statement				
Derivative financial instruments not in hedge . .	92,794	117,956	92,794	117,956
Other liabilities measured at amortised cost				
Trade payables . . . . .	641,414	582,085	641,414	582,085
Interest payable . . . . .	112,468	125,468	112,468	125,468
Borrowings from financial institutions . . . . .	1,991,356	2,523,337	2,025,433	2,560,934
Funds entrusted . . . . .	4,378,891	4,320,156	4,460,713	4,396,624
Debt securities issued . . . . .	7,638,038	6,988,740	7,841,730	7,195,851
<b>Total . . . . .</b>	<b>14,892,451</b>	<b>14,737,276</b>	<b>15,212,042</b>	<b>15,058,452</b>
<b>Level 3</b>				
<b>Financial assets</b>				
Loans and receivables				
To clients . . . . .	2,952,126	2,829,949	2,994,807	2,880,948
<b>Total . . . . .</b>	<b>2,952,126</b>	<b>2,829,949</b>	<b>2,994,807</b>	<b>2,880,948</b>

There were no transfers between levels 1 and 2 during the year. There were also no changes in valuation techniques during the year.

### Financial instruments in level 1

The fair value of financial instruments which are traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are

## **G. Fair value of financial instruments (continued)**

readily and regularly available from an exchange, dealer, broker, industry, group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. Cash and balances with central banks are the only financial instruments held by the Group that are included in level 1.

### **Financial instruments in level 2**

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques which maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of the interest rate swaps and cross currency swaps is calculated as the present value of the estimated future cash flows based on observable yield curves at commonly quoted intervals, while taking into account the current creditworthiness of the counterparties.
- The yield curve for all collateralised derivatives is based on the overnight index swap (OIS) rate (a vast majority of the Group's derivatives is collateralised).
- The valuation methodology of the cross currency swaps includes a liquidity premium (which swaps less liquid currencies into those that are considered more liquid in the market and vice versa).
- The counterparty's probability of default is estimated using market CDS spreads resulting in credit valuation allowances.
- The Groups own creditworthiness and probability of default is estimated using input such as secondary spreads and cost of funding curve as well as information from counterparties resulting in a debit valuation allowance.
- Other techniques such as discounted cash flow analysis based on observable yield curves at commonly quoted intervals, are used to determine the fair value for the remaining financial instruments.
- For certain other receivables (Rebates and bonuses and commissions receivable, Reclaimable damages and Interest to be received) and payables (Trade payables and Interest payable) with a remaining term well below one year the carrying value is deemed to reflect the fair value.

The derivative financial instruments not in hedge are to a large extent derivatives that mitigate interest rate risk and currency risk from an economic perspective but do not qualify for hedge accounting from an accounting perspective. The Group is not involved in active trading of derivatives.

### **Financial instruments in level 3**

If one or more of the significant inputs is not based on observable market data, the financial instrument is included in level 3. Receivables from clients are included in level 3 as well as the finance leases included in Assets classified as held-for-sale as the pricing is not based on observable market data. The fair value of the receivables to clients and the finance leases included in Assets classified as held-for-sale are calculated as the present value of the (estimated) future cash flows based on yield curves that next to observable market data also include client specific pricing considerations, while also taking into account the current creditworthiness of the client.

## H. Offsetting financial assets and financial liabilities

The following financial assets and financial liabilities are subject to offsetting, enforceable master netting agreements and similar agreements.

	Gross amounts of recognised financial instruments	Gross amounts of recognised financial instruments offset in the balance sheet	Net amounts of financial instruments presented in the balance sheet	Related amounts not offset in the balance sheet		
				Financial instruments	Cash collateral received	Net amount
<b>As at 31 December 2014</b>						
Derivative financial assets . . . .	183,023	—	183,023	(130,284)	(49,200)	3,539
Derivative financial liabilities . . . . .	130,284	—	130,284	(130,284)	—	—
<b>As at 31 December 2013</b>						
Derivative financial assets . . . .	120,438	—	120,438	(99,952)	(16,681)	3,805
Derivative financial liabilities . . . . .	197,490	—	197,490	(99,952)	(62,173)	35,365

For the financial assets and liabilities subject to enforceable master netting agreements or similar agreements above, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

Except for derivative financial instruments there are no other financial assets or liabilities subject to offsetting.

## I. Transfer of (financial) assets

The Group engages in various securitisation transactions (reference is made to note 13 and note 18 of the consolidated financial statements of the Company and note 4 of the Company Financial Statements). As a consequence of such transactions (financial) assets are transferred from the originating group subsidiaries to special purpose companies that are included in the consolidated financial statements of the Group. In view of this the transferred (financial) assets are not derecognised in their entirety from a Group perspective.

## I. Transfer of (financial) assets (continued)

The table below summarises the Group's transferred (financial) assets and financial liabilities that are not derecognised in their entirety at 31 December.

	Loans and receivables			Total
	Receivables from clients (finance leases)	Receivables from financial institutions (collateral deposited)	Property and equipment under operating lease	
<b>As at 31 December 2014</b>				
<i>Carrying amount</i>				
Assets .....	135,542	130,937	2,917,805	3,184,284
Associated liabilities				
Bonds and notes originated from securitisation transactions .....				1,730,099
Borrowings from financial institutions .....				249,750
<b>Net carrying amount position .....</b>				<b>1,204,435</b>
For those liabilities that have recourse only to the transferred assets				
<i>Fair value</i>				
Assets .....	137,499	131,512	2,952,401	3,221,412
Associated liabilities				
Bonds and notes originated from securitisation transactions .....				1,741,423
Borrowings from financial institutions .....				246,716
<b>Net fair value position .....</b>				<b>1,233,273</b>
<b>As at 31 December 2013</b>				
<i>Carrying amount</i>				
Assets .....	157,629	196,401	2,942,752	3,296,782
Associated liabilities				
Bonds and notes originated from securitisation transactions .....				1,455,924
Borrowings from financial institutions .....				479,618
<b>Net carrying amount position .....</b>				<b>1,361,240</b>
For those liabilities that have recourse only to the transferred assets				
<i>Fair value</i>				
Assets .....	161,012	195,705	2,997,654	3,354,371
Associated liabilities				
Bonds and notes originated from securitisation transactions .....				1,469,757
Borrowings from financial institutions .....				487,747
<b>Net fair value position .....</b>				<b>1,396,867</b>

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All amounts are in thousands of euros, unless stated otherwise

## Note 1—Country by country reporting

This note is pursuant to the 'Besluit uitvoering publicatieverplichtingen richtlijn kapitaalvereisten' that implements articles 89 and 90 of the Capital Requirement Directive (CRD IV). The list of entities is equal to the 'List of principal consolidated participating interests' and 'Principal associates and jointly controlled entities that are accounted for under the equity method' as included on page F-221. The amount of Government subsidies is negligible and therefore not disclosed. The return on assets is 1.94% for the year 2014.

Country of activity	Principal subsidiary or participating interest	Main activity	FTEs (average)	Turnover	Profit/(loss) before tax	Income tax expenses
Netherlands	LeasePlan Corporation N.V.	Holding /Treasury/ Retail banking Treasury International client coordination Leasing Mobility services Fuel card services	933	1,038,215	43,917	4,541
	LeasePlan Finance N.V.					
	LeasePlan International B.V.					
United Kingdom	LeasePlan Nederland N.V. Mobility Mixx B.V. Travelcard Nederland B.V.		554	934,280	56,379	4,323
	Globalines Reinsurance Limited LeasePlan UK Limited	Motor Insurance Leasing				
Italy	LeasePlan Italia S.p.A.	Leasing	515	716,491	27,367	12,841
France	LeasePlan France S.A.S.	Leasing	425	617,177	44,102	19,737
Spain	LeasePlan Servicios S.A.	Leasing	430	518,471	33,873	17,168
Germany	LeasePlan Deutschland GmbH	Leasing	339	519,766	41,222	12,902
Australia	LeasePlan Australia Limited	Leasing	340	390,027	7,888	2,396
Belgium	LeasePlan Fleet Management N.V.	Leasing	226	394,729	46,297	12,240
Portugal	LeasePlan Portugal Comércio e Aluguer de Automóveis e Equipamentos Unipessoal Lda.	Leasing	348	398,188	10,445	1,119
Norway	LeasePlan Norge A/S	Leasing	109	286,505	12,222	3,299
United States	LeasePlan USA, Inc.	Leasing	493	306,833	21,753	8,111
Sweden	LeasePlan Sverige AB	Leasing	100	195,698	7,202	1,607
Finland	LeasePlan Finland Oy	Leasing	72	173,723	14,170	2,850
Austria	LeasePlan Österreich		137	156,810	7,561	1,891
	Fuhrparkmanagement GmbH	Leasing				
Switzerland	LeasePlan Supply Services AG LeasePlan (Schweiz) AG	Procurement Leasing	127	121,543	22,163	2,122
Denmark	LeasePlan Danmark A/S	Leasing	76	108,608	14,016	3,185
Poland	LeasePlan Fleet Management (Polská) Sp. z o.o.	Leasing	126	117,333	11,748	2,890
Czech Republic	LeasePlan Česká republika s.r.o.	Leasing	117	95,650	11,529	2,240
New Zealand	LeasePlan New Zealand Limited	Leasing	83	74,718	4,928	1,426
Ireland			265	85,800	29,753	3,880
	Euro Insurances Limited LeasePlan Information Services Limited	Motor Insurance Information Services				
	LeasePlan Fleet Management Services (Ireland) Limited	Leasing				
Luxembourg	LeasePlan Luxembourg S.A.	Leasing	71	68,758	3,625	1,139
Greece	LeasePlan Hellas S.A.	Leasing	76	54,231	5,348	1,522
Brazil	LeasePlan Brasil Ltda.	Leasing	81	60,072	6,938	3,820
Hungary	LeasePlan Hungária Gépjárműpark Kezelő és Finanszírozó Zártkörű Részvénytársaság	Leasing	72	47,911	4,406	648
Romania	LeasePlan Romania SRL	Leasing	61	37,418	3,452	(133)
Slovakia	LeasePlan Slovakia s.r.o.	Leasing	39	42,287	2,790	144
India	LeasePlan India Private Limited	Leasing	91	28,187	874	297
Mexico	LeasePlan México S.A. de C.V.	Leasing	82	29,256	(674)	(931)
Russia	LeasePlan Rus LLC	Leasing	20	686	(3,207)	(196)
Turkey	LeasePlan Otomotiv Servis ve Ticaret A.Ş. <sup>1</sup>	Leasing	77	—	4,242	—
United Arab Emirates	LeasePlan Emirates Fleet Management—LeasePlan Emirates LLC <sup>1</sup>	Leasing	40	—	2,720	—
<b>Total as at 31 December 2014</b>			<b>6,525</b>	<b>7,619,371</b>	<b>499,049</b>	<b>127,078</b>

<sup>1</sup> Jointly controlled entity accounted for under the equity method (Turkey 51%, United Arab Emirates 49%). LeasePlan I Annual Report 2014 | 109

## **Note 2 - Segment information**

Operating segments are reported in accordance with the internal reporting provided to the Group's key management (the chief operating decision-maker). The Group's key management is responsible for allocating resources to the reportable segments and assesses its performance. Segment information is presented in the consolidated financial statements in respect of the Group's leasing activities (LeasePlan) and Group activities, which are the basis of segment reporting.

### **Leasing activities**

Leasing activities comprise the main activity of the Group which is providing fleet management services including the purchase, financing, maintenance and remarketing of vehicles. The Group offers a mono-line product through all of its LeasePlan subsidiaries allowing for some differentiation based on the maturity of local markets. As a result the subsidiaries are grouped in categories based on maturity of the market and to a lesser extent maturity of the subsidiary. Segmentation is presented as follows:

#### **- Mature**

The focus in this segment is on innovation of services and products as well as cost excellence by means of harmonisation and standardisation. Also expansion in the SME market is focused upon. Geographies in these segments are: Australia, Belgium, France, Germany, Italy, the Netherlands, Norway (moved from developing to mature in 2014), Portugal, Spain, United Kingdom and United States.

#### **- Developing**

The focus in this segment is on a seamless and efficient organisational structure facilitating a further development of the business. Geographies in this segment are: Austria, Czech Republic, Denmark, Finland, Ireland, Luxembourg, New Zealand, Poland, Sweden and Switzerland.

#### **- Emerging**

The focus in this segment is on client segmentation and differentiation of services from competitors as well as on a high quality management and service excellence while investing in sales force. Geographies in this segment are: Brazil, Greece, Hungary, India, Mexico, Romania, Russia, Slovakia, Turkey and United Arab Emirates.

### **Group activities**

These activities provide services in the area of treasury, damage risk retention, procurement and infrastructure to support the leasing activities. Companies included are: LeasePlan Supply Services, LeasePlan Information Services, LeasePlan International, Euro Insurances as well as the Group's central Treasury (including LeasePlan Bank) and other support activities.

The segment reporting format reflects the Group's management and internal reporting structure and is based on the internal system of management accounting. The main purpose of the management accounting is to enable a comparison between leasing subsidiaries. This results in an allocation of income and expense from Group activities to the leasing activities as well as a zero equity assumption for the leasing activities in order to facilitate comparison. There are no asymmetrical allocations as both the leasing activities and the Group activities are measured on the basis of the same internal system of management accounting. The Group activities allocate all relevant revenues and related costs to the leasing activities.

Segment revenues, operating income, operating expenses and operating result include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Inter-segment pricing is determined on an arm's length basis. Internal segment revenues are not presented separately given their insignificance.

## Note 2 - Segment information (continued)

The segment information is presented in the table below as at 31 December.

Segment	LeasePlan						Group activities		Total	
	Mature		Developing		Emerging					
In millions of euros	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
<b>Volume</b>										
Total assets	13,706	12,534	2,688	3,405	738	636	2,524	2,554	19,656	19,129
Total liabilities	6,450	6,190	1,551	1,722	394	361	11,261	10,856	19,656	19,129
<b>Profitability</b>										
Revenues	6,127	5,656	1,177	1,471	300	274	15	21	7,619	7,422
Cost of revenues	5,390	5,046	1,021	1,297	258	237	26	20	6,695	6,600
<b>Gross profit</b>	<b>737</b>	<b>610</b>	<b>156</b>	<b>174</b>	<b>42</b>	<b>37</b>	<b>(11)</b>	<b>1</b>	<b>924</b>	<b>822</b>
<b>Net finance income</b>	<b>233</b>	<b>223</b>	<b>45</b>	<b>43</b>	<b>17</b>	<b>14</b>	<b>89</b>	<b>96</b>	<b>384</b>	<b>376</b>
<b>Total operating and net finance income</b>										
	<b>970</b>	<b>833</b>	<b>201</b>	<b>217</b>	<b>59</b>	<b>51</b>	<b>78</b>	<b>97</b>	<b>1,308</b>	<b>1,198</b>
Staff expenses	333	311	70	75	22	21	74	66	499	473
General and administrative expenses	233	206	45	48	19	17	(34)	(15)	263	256
Depreciation and amortisation	43	40	6	5	2	2	3	2	54	49
<b>Total operating expenses</b>	<b>609</b>	<b>557</b>	<b>121</b>	<b>128</b>	<b>43</b>	<b>40</b>	<b>43</b>	<b>53</b>	<b>816</b>	<b>778</b>
Share of profit investments accounted for using equity method	(2)	1	—	—	7	5	2	1	7	7
<b>Profit before tax</b>	<b>359</b>	<b>277</b>	<b>80</b>	<b>89</b>	<b>23</b>	<b>16</b>	<b>37</b>	<b>45</b>	<b>499</b>	<b>427</b>
Income tax expenses	109	75	17	19	4	2	(3)	5	127	101
<b>Profit for the year</b>	<b>250</b>	<b>202</b>	<b>63</b>	<b>70</b>	<b>19</b>	<b>14</b>	<b>40</b>	<b>40</b>	<b>372</b>	<b>326</b>
<b>Net finance income</b>										
Net interest income	251	244	46	44	18	17	101	74	416	379
Impairment charges	44	38	2	3	2	3	—	—	48	44
Reversal of impairment	(26)	(17)	(1)	(2)	(1)	—	—	—	(28)	(19)
<b>Net interest income after impairment charges</b>	<b>233</b>	<b>223</b>	<b>45</b>	<b>43</b>	<b>17</b>	<b>14</b>	<b>101</b>	<b>74</b>	<b>396</b>	<b>354</b>
Unrealised gains/(losses) on financial instruments	—	—	—	—	—	—	(12)	26	(12)	26
Other financial gains/(losses)	—	—	—	—	—	—	—	(4)	—	(4)
<b>Net finance income</b>	<b>233</b>	<b>223</b>	<b>45</b>	<b>43</b>	<b>17</b>	<b>14</b>	<b>89</b>	<b>96</b>	<b>384</b>	<b>376</b>

Revenues and other key figures of the subsidiaries are distributed relatively evenly over the segments and in principle there are no individual subsidiaries that contribute more than 10% to the overall revenues except for LeasePlan in the Netherlands. The Netherlands is also the domicile country of the Group. Key figures for the Netherlands are: Revenues EUR 959 million (2013: EUR 956 million) and Lease contracts EUR 1.9 billion (2013: EUR 1.9 billion).

The Group is predominantly funded from the Group's central Treasury and therefore the majority of the Group's financial liabilities are included in the segment 'Group activities'.

## Note 2 - Segment information (continued)

The geographical information is presented in the following table:

In millions of euros	Revenues		Assets		Liabilities	
	2014	2013	2014	2013	2014	2013
Europe (euro) . . . . .	4,826	4,711	12,498	12,415	16,570	15,480
Europe (non-euro) . . . . .	1,904	1,829	4,536	4,228	2,040	2,261
Rest of the world . . . . .	889	882	2,622	2,486	1,046	1,388
<b>Total</b> . . . . .	<b>7,619</b>	<b>7,422</b>	<b>19,656</b>	<b>19,129</b>	<b>19,656</b>	<b>19,129</b>

## Note 3 - Revenues and cost of revenues

Revenues and cost of revenues comprise the various service components as included in the lease instalment, such as repair, maintenance and tyres, damage risk retention and depreciation, as well as the proceeds and costs of the sale of vehicles sold.

### (i) Revenues

	2014	2013
Depreciation . . . . .	2,838,863	2,850,389
Lease services . . . . .	919,833	919,049
Damage risk retention . . . . .	548,220	530,531
Rental . . . . .	180,252	176,051
Management fees . . . . .	202,237	199,775
Proceeds of cars and trucks sold . . . . .	2,557,552	2,495,497
Other . . . . .	372,414	250,254
<b>Total</b> . . . . .	<b>7,619,371</b>	<b>7,421,546</b>

Damage risk retention includes EUR 79.7 million (2013: EUR 73.4 million) for third party liability risk retained by Euro Insurances, the Group's own internal insurance company.

The caption 'Other' mainly includes bonuses earned in connection with costs recharged to clients and income related to various non-leasing activities. In 2013 the caption 'Other' includes a bargain purchase gain of EUR 4 million arising from the acquisition of the Italian fleet and vehicle leasing activities of Banco Bilbao Vizcaya Argentaria, S.A. (BBVA), reference is made to note 25.

### (ii) Cost of revenues

	2014	2013
Depreciation . . . . .	2,795,576	2,802,671
Lease services . . . . .	767,800	775,730
Damage risk retention . . . . .	373,879	363,487
Rental . . . . .	165,138	158,910
Cost of cars and trucks sold . . . . .	2,311,216	2,341,630
Other . . . . .	281,597	157,375
<b>Total</b> . . . . .	<b>6,695,206</b>	<b>6,599,803</b>

The caption 'Other' includes a charge of EUR 8.5 million (2013: nil) in relation to the Resolution Levy imposed by the State of the Netherlands.

The Group reviews whether as a result of changes in the estimated residual value and/or the useful life of the property and equipment under operating lease prospective adjustments to the depreciation charges are required. For 2014 this did not result in additional depreciation charges (2013: nil). Reference is made to note 18 and the financial risk section (Asset risk).

### Note 3 - Revenues and cost of revenues (continued)

#### (iii) Gross profit

The gross profit (revenues -/- cost of revenues) can be shown as follows:

	2014	2013
Depreciation .....	43,287	47,718
Lease services .....	152,033	143,319
Damage risk retention .....	174,341	167,044
Rental .....	15,114	17,141
Management fees .....	202,237	199,775
Result of vehicles sold (results terminated contracts) .....	246,336	153,867
Other .....	90,817	92,879
<b>Total</b> .....	<b>924,165</b>	<b>821,743</b>

The results of vehicles sold increased by EUR 92.5 million. This positive development is mainly caused by strong second hand car markets for terminated lease vehicles, in almost all geographies where the Group operates.

### Note 4 - Interest and similar income

This caption mainly includes interest income from operating and finance leases and to a lesser extent also interest income on deposits placed by the Group with financial institutions amounting to EUR 12.6 million (2013: EUR 12.0 million).

### Note 5 - Interest expenses and similar charges

	2014	2013
Interest expense on debt securities issued .....	183,392	267,251
Interest expense on funds entrusted .....	88,373	102,204
Interest on borrowings with financial institutions .....	105,962	110,213
<b>Total</b> .....	<b>377,727</b>	<b>479,668</b>

### Note 6 - Other financial gains/(losses)

In September 2013 the Company repurchased in full the USD 500 million bond raised under the Credit Guarantee Scheme of the State of the Netherlands (maturity date June 2014) resulting in a loss of EUR 4.0 million.

### Note 7 - Impairment charges on loans and receivables

The net impairment charges can be detailed as follows:

	Note	2014	2013
<i>Trade receivables</i>			
Impairment .....		47,962	44,099
Reversal of impairment .....		(28,253)	(20,332)
	17	<b>19,709</b>	<b>23,767</b>
<i>Other</i>			
Reclaimable damages .....		199	970
Rebates and bonuses .....		235	346
<b>Total</b> .....		<b>20,143</b>	<b>25,083</b>

## Note 8 - Staff expenses

	2014	2013
Wages and salaries	373,894	357,874
Social security charges	57,744	54,841
Defined contribution pension costs	22,529	22,670
Defined benefit post-employment costs	4,106	3,500
Other staff costs	40,289	33,371
<b>Total</b>	<b>498,562</b>	<b>472,256</b>

The average number of staff employed (including temporary staff) by the Group during the year was 6,408 (2013: 6,203), of whom 933 (2013: 912) were employed in the Netherlands. At year-end the nominal number of staff employed by the Group was 6,838 (2013: 6,571).

The breakdown of post-employment costs is as follows:

	Note	2014	2013
Current service costs	33 (ii)	3,425	2,876
Interest expense/(income)	33 (ii)	780	699
Curtailments and settlements	33 (ii)	(99)	(75)
<b>Defined benefit post-employment costs</b>		<b>4,106</b>	<b>3,500</b>
Defined contribution pension costs		22,529	22,670
<b>Total post-employment costs</b>		<b>26,635</b>	<b>26,170</b>

## Note 9 - General and administrative expenses

This item includes office overheads, automation costs, advertising costs, professional fees and other general expenses.

## Note 10 - Depreciation and amortisation

	Note	2014	2013
Depreciation other property and equipment	19	25,403	24,096
Amortisation intangible fixed assets	22	28,547	24,620
<b>Total</b>		<b>53,950</b>	<b>48,716</b>

## Note 11 - Income tax expenses

The income tax expenses in the income statement can be shown as follows:

	Note	2014	2013
<i>Current tax</i>			
Current tax on profits for the year		108,689	86,102
Adjustments in respect of prior years		(6,981)	6,038
<b>Total current tax</b>		<b>101,708</b>	<b>92,140</b>
<i>Deferred tax</i>			
Origination and reversal of temporary differences		31,375	29,643
Changes in tax rates		12,594	(5,426)
Adjustments in respect of prior years		(18,599)	(15,037)
<b>Total deferred tax</b>	23	<b>25,370</b>	<b>9,180</b>
<b>Total</b>		<b>127,078</b>	<b>101,320</b>



## Note 11 - Income tax expenses (continued)

The deferred tax adjustments in respect of prior years mainly include: (i) a reduction in valuation allowances on deferred tax assets in relation to tax losses and tax credits of EUR 8.3 million (2013: EUR 2.6 million), (ii) a release of EUR 2.9 million for anticipated adjustments of prior years' tax returns (2013: release EUR 9.2 million) and (iii) the recognition of additional tax credits granted amounting to EUR 5.9 million (2013: nil).

Further information on deferred income tax assets and liabilities is presented in note 23.

### Effective tax rate reconciliation

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the basic nominal tax rate of the domicile country (25%) of the parent and is as follows:

	2014		2013	
<b>Profit before tax</b> .....		<b>499,049</b>		<b>427,767</b>
Tax calculated at domicile country nominal tax rate .....	25.0%	124,762	25.0%	106,941
Effect of different tax rates in foreign countries .....		8,137		8,226
<b>Weighted average taxation</b> .....	<b>26.6%</b>	<b>132,899</b>	<b>26.9%</b>	<b>115,167</b>
Income not subject to tax .....		(2,852)		(3,642)
Expenses not deductible for tax purposes .....		10,017		4,220
Changes in tax rates .....		12,594		(5,426)
Adjustments in respect of prior years				
Current tax .....		(6,981)		6,038
Deferred tax .....		(18,599)		(15,037)
<b>Total effective taxation</b> .....	<b>25.5%</b>	<b>127,078</b>	<b>23.7%</b>	<b>101,320</b>

The weighted average of the local tax rates applicable to the Group for 2014 is 26.6% (2013: 26.9%) which is higher than the domicile country nominal tax rate of 25.0% predominantly as a result of the fact that the Group realises on average, relatively more profits in jurisdictions with a tax rate higher than 25.0%.

Expenses not deductible for tax purposes includes the Resolution Levy (reference is made to note 3) amounting to EUR 8.5 million (2013: nil) which has an impact on the increased effective tax rate of 25.5% in 2014 (2013: 23.7%).

The tax (charge)/credit relating to components of other comprehensive income is as follows:

	2014			2013		
	Before tax	Tax (charge) /credit	After tax	Before tax	Tax (charge) /credit	After tax
Cash flow hedges .....	11,192	(2,798)	8,394	28,481	(7,120)	21,361
Post-employment benefit reserve .....	(5,524)	1,840	(3,684)	(289)	111	(178)
Exchange rate differences .....	24,794	—	24,794	(52,894)	—	(52,894)
Share of other comprehensive income of investments .....	(104)	—	(104)	(112)	—	(112)
<b>Total</b> .....	<b>30,358</b>	<b>(958)</b>	<b>29,400</b>	<b>(24,814)</b>	<b>(7,009)</b>	<b>(31,823)</b>

## Note 12 - Cash and balances at banks

	Note	2014	2013
Cash and balances at central banks .....		957,951	978,774
Call money, cash at banks included in Receivables from financial institutions .....	13	79,375	139,265
Call money and bank overdrafts included in Borrowings from financial institutions .....	30	(117,638)	(123,843)
<b>Balance as at 31 December for the purposes of the statement of cash flows .....</b>		<b>919,688</b>	<b>994,196</b>

All cash and balances at (central) banks are available at call except for the mandatory reserve deposits at the Dutch Central Bank. A monetary policy instrument of the European Central Bank is the minimum reserve requirement, whereby credit institutions in the euro area are obliged to maintain a specified average amount of cash reserves—the so-called minimum reserves—with their respective national banks for successive periods of four to five weeks. The cash reserve requirements serve to create a liquidity shortage in the euro area, so that banks depend on the European Central Bank's liquidity-providing mechanism for their liquidity needs. The mandatory reserve deposits amounting to EUR 47.1 million (2013: EUR 50.1 million) are not used in the Group's day-to-day operations and form part of the 'Cash and balances at central banks'.

The average interest rate on the outstanding cash and balances at central banks is -0.2% (2013: 0.0%).

## Note 13 - Receivables from financial institutions

This caption includes amounts receivable from Dutch and foreign banks. Amounts receivable from financial institutions includes call money and current account bank balances that form part of the cash and balances with banks in the cash flow statement.

	Note	2014	2013
Amounts receivable from banks .....		971,626	1,031,527
Call money, cash at banks .....	12	79,375	139,265
Cash collateral deposited for securitisation transactions .....		130,937	196,401
Cash collateral deposited for derivative financial instruments .....		38,230	69,000
Other cash collateral deposited .....		2,661	2,858
<b>Balance as at 31 December .....</b>		<b>1,222,829</b>	<b>1,439,051</b>

The cash collateral deposited for securitisation transactions relates to the Bumper securitisation transactions, reference is made to the financial risk section (Liquidity risk) and to note 4 of the Company financial statements. The cash collateral deposited for derivative financial instruments originates from Credit Support Annexes (CSAs) to International Swaps and Derivatives Association (ISDA) master agreements and reference is made to the financial risk section (Strategy in using financial instruments).

The average interest rate on the receivables from financial institutions is 0.0% (2013: 0.2%).

The maturity analysis is as follows:

	2014	2013
Three months or less .....	1,048,944	1,170,757
Longer than three months, less than a year .....	23	—
Longer than a year, less than five years .....	173,858	268,294
Longer than five years .....	4	—
<b>Balance as at 31 December .....</b>	<b>1,222,829</b>	<b>1,439,051</b>

## Note 14 - Derivative financial instruments

Derivative financial instruments are carried at fair value and are made up as follows:

	2014			2013		
	Notional amounts	Fair value		Notional amounts	Fair value	
		Assets	Liabilities		Assets	Liabilities
Fair value hedge						
Interest rate swaps . . . . .	3,271,599	94,599	14,690	4,018,659	64,815	27,571
Currency swaps . . . . .	126,303	1,254	8,404	134,986	5	18,270
Cash flow hedge						
Interest rate swaps . . . . .	1,845,000	—	14,396	2,650,558	204	33,693
<b>Total derivatives in hedge . . . . .</b>	<b>5,242,902</b>	<b>95,853</b>	<b>37,490</b>	<b>6,804,203</b>	<b>65,024</b>	<b>79,534</b>
Interest rate swaps . . . . .	10,917,026	15,255	52,352	11,029,960	29,030	60,858
Currency swaps/ currency forwards . . . . .	3,662,425	71,915	40,442	3,147,805	26,384	57,098
<b>Total derivatives not in hedge . . . . .</b>	<b>14,579,451</b>	<b>87,170</b>	<b>92,794</b>	<b>14,177,765</b>	<b>55,414</b>	<b>117,956</b>
<b>Total . . . . .</b>	<b>19,822,353</b>	<b>183,023</b>	<b>130,284</b>	<b>20,981,968</b>	<b>120,438</b>	<b>197,490</b>

The fair value is based on the price including accrued interest (dirty price). Reconciliation between the fair value of the derivative financial instruments and the hedging reserve included in Group equity is as follows:

	2014	2013
Fair value cash flow hedges—assets . . . . .	—	204
Fair value cash flow hedges—liabilities . . . . .	(14,396)	(33,693)
Less: accrued interest on cash flow hedges . . . . .	5,156	13,106
<b>Total net position cash flow hedges . . . . .</b>	<b>(9,240)</b>	<b>(20,383)</b>
Less: cumulative fair value gains/(losses) through income statement (hedge ineffectiveness) . . . . .	20	(29)
Tax on cash flow hedges . . . . .	2,305	5,103
<b>Hedging reserve . . . . .</b>	<b>(6,915)</b>	<b>(15,309)</b>
<b>Movement hedging reserve 2014 . . . . .</b>	<b>8,394</b>	

The unrealised gains/(losses) on financial instruments recognised in the income statement break down as follows:

	2014	2013
Derivatives not in hedges . . . . .	(14,019)	28,761
Derivatives in fair value hedges . . . . .	56,774	(68,200)
Derivatives in cash flow hedges (ineffectiveness) . . . . .	(49)	2
	<b>42,706</b>	<b>(39,437)</b>
Financial liabilities used in fair value hedges . . . . .	(54,778)	65,153
<b>Unrealised gains/(losses) on financial instruments . . . . .</b>	<b>(12,072)</b>	<b>25,716</b>

A number of fixed rate bonds are included in a fair value hedge whereby the bonds (hedged items) are measured at amortised cost and are constantly being adjusted for gains/losses attributable to the risk being hedged. This adjustment is recognised in the income statement, where it offsets (to a large extent) the remeasurement of the fair value of the hedging instruments that is also recognised in the income statement.

In 2014 certain EUR fixed-pay interest rate swap derivatives that were part of a cash flow hedge were de-designated as the forecast transaction is no longer expected to occur as a result of

## Note 14 - Derivative financial instruments (continued)

changes in the pricing policy of funds entrusted (no longer directly linked to Euribor). This designation is the main reason for the unrealised loss in Derivatives not in hedges.

## Note 15 - Other receivables and prepayments

This item includes prepayments in respect of expenses attributable to a subsequent period and amounts still to be received, as well as to amounts that are not classified under any other asset.

	2014	2013
Rebates and bonuses and commissions receivable	204,512	173,046
Prepaid motor vehicle tax and insurance premiums	88,265	111,918
VAT and other taxes	48,521	31,507
Reclaimable damages	24,111	25,491
Other prepayments and accrued income	135,168	51,955
Interest to be received	99	1,465
Reinsurance assets	20,225	24,991
Other	147,625	166,420
<b>Balance as at 31 December</b>	<b>668,526</b>	<b>586,793</b>

The majority of the other receivables and prepayments has a remaining maturity of less than one year.

The caption 'Other' mainly includes pass on costs to be invoiced to clients for leasing related services such as fuel, maintenance and insurances.

## Note 16 - Inventories

	Note	2014	2013
Cars and trucks from terminated lease contracts	18	181,480	185,736
Valuation allowance		(1,600)	(1,800)
<b>Carrying amount cars and trucks from terminated lease contracts</b>		<b>179,880</b>	<b>183,936</b>
New cars and trucks in stock	18	25,434	18,064
<b>Balance as at 31 December</b>		<b>205,314</b>	<b>202,000</b>

Inventories are stated at the lower of cost or net realisable value. The inventories are expected to be settled within 12 months after balance sheet date.

## Note 17 - Receivables from clients

This item includes amounts receivable under lease contracts and trade receivables, after deduction of allowances for impairment, where necessary

	2014	2013
Amounts receivable under finance lease contracts	2,430,306	2,308,222
Trade receivables	521,820	521,727
<b>Balance as at 31 December</b>	<b>2,952,126</b>	<b>2,829,949</b>

The maturity analysis is as follows:

	2014	2013
Three months or less	689,570	780,107
Longer than three months, less than a year	369,268	414,936
Longer than a year, less than five years	1,816,932	1,564,955
Longer than five years	76,356	69,951
<b>Balance as at 31 December</b>	<b>2,952,126</b>	<b>2,829,949</b>

## Note 17 - Receivables from clients (continued)

The fair value of the receivables does not significantly differ from the carrying amount, as a significant part of these receivables is contracted at a floating interest rate and due to the short-tail of the average remaining term. Reference is made to the financial risk section (Fair value of financial instruments).

### (i) Impairment allowance

The movement in impairment allowance on trade receivables is as follows:

	Note	2014	2013
<b>Balance as at 1 January</b> .....		<b>86,262</b>	<b>79,859</b>
Net impairment charges .....	7	19,709	23,767
Receivables written off during the year as uncollectable .....		(16,924)	(16,685)
Exchange rate differences .....		113	(679)
<b>Balance as at 31 December</b> .....		<b>89,160</b>	<b>86,262</b>

For a description of the criteria used to determine whether receivables to clients are impaired reference is made to the financial risk section (Credit risk). The Group recognises, next to specific impairment allowances of EUR 83.9 million (2013: EUR 80.3 million), an incurred but not reported loss provision of EUR 5.3 million (2013: EUR 6.0 million) based on the probability of default (PD) and the loss given default (LGD).

### (ii) Finance lease contracts

The amounts receivable from clients include finance lease receivables, which may be analysed as follows:

Gross investment in finance leases, with remaining maturities.

	2014	2013
Not longer than a year .....	602,984	730,177
Longer than a year, less than five years .....	1,938,062	1,694,123
Longer than five years .....	84,333	75,290
	<b>2,625,379</b>	<b>2,499,590</b>
Unearned finance income on finance leases .....	195,073	191,368
<b>Net investment in finance leases</b> .....	<b>2,430,306</b>	<b>2,308,222</b>

Net investment in finance leases, with remaining maturities.

	2014	2013
Not longer than a year .....	537,017	673,312
Longer than a year, less than five years .....	1,816,933	1,564,959
Longer than five years .....	76,356	69,951
<b>Balance as at 31 December</b> .....	<b>2,430,306</b>	<b>2,308,222</b>

The accumulated allowance for uncollectable minimum lease payments receivable amount to EUR 6.2 million (2013: EUR 6.6 million).

A part of the financial leased assets is encumbered (securitised) as a result of the asset backed securitisation transactions concluded by the Group. The total value of the securitised financial leased assets amounts to EUR 135.5 million (2013: EUR 157.6 million). For further details on the transactions reference is made to the financial risk section (Treasury risk), note 18 of the consolidated financial statements and note 4 of the Company financial statements.

## Note 18 - Property and equipment under operating lease and rental fleet

	Note	Operating lease	Rental fleet	Total
Cost		17,607,859	77,163	17,685,022
Accumulated depreciation and impairment		(5,250,335)	(15,053)	(5,265,388)
<b>Carrying amount as at 1 January 2013</b>		<b>12,357,524</b>	<b>62,110</b>	<b>12,419,634</b>
<b>Carrying amount as at 1 January 2013</b>		<b>12,357,524</b>	<b>62,110</b>	<b>12,419,634</b>
Purchases		4,506,283	36,307	4,542,590
Acquisition of subsidiary	25	300,827	—	300,827
Transfer from inventories		20,503	—	20,503
Transfer to inventories	16	(185,736)	—	(185,736)
Disposals		(1,723,967)	(25,120)	(1,749,087)
Depreciation		(2,802,671)	(11,344)	(2,814,015)
Exchange rate differences		(308,021)	(64)	(308,085)
<b>Carrying amount as at 31 December 2013</b>		<b>12,164,742</b>	<b>61,889</b>	<b>12,226,631</b>
Cost		17,506,295	75,795	17,582,090
Accumulated depreciation and impairment		(5,341,553)	(13,906)	(5,355,459)
<b>Carrying amount as at 31 December 2013</b>		<b>12,164,742</b>	<b>61,889</b>	<b>12,226,631</b>
Purchases		5,151,103	52,301	5,203,404
Transfer from inventories	16	18,064	—	18,064
Transfer to inventories	16	(181,480)	—	(181,480)
Disposals		(1,828,944)	(33,020)	(1,861,964)
Depreciation		(2,795,576)	(12,586)	(2,808,162)
Exchange rate differences		84,918	(99)	84,819
<b>Carrying amount as at 31 December 2014</b>		<b>12,612,827</b>	<b>68,485</b>	<b>12,681,312</b>
Cost		18,126,213	82,880	18,209,093
Accumulated depreciation and impairment		(5,513,386)	(14,395)	(5,527,781)
<b>Carrying amount as at 31 December 2014</b>		<b>12,612,827</b>	<b>68,485</b>	<b>12,681,312</b>

The Group concluded a number of asset backed securitisation transactions under the names of Bumper 2 (2008/2011), Bumper 4 (2011), Bumper 5 (2012), Bumper CARS NL (2013), Bumper France (2013 extended in 2014), Bumper DE (2014), Bumper 6 (2014) and Bumper NL (2014). These transactions involve the sale of future lease instalment receivables and related residual value receivables originated by various LeasePlan subsidiaries to special purpose companies (which are included in the consolidated financial statements of the Company). As a result of this sale this caption includes encumbered (securitised) operating lease assets amounting to EUR 2.9 billion (2013: EUR 2.9 billion), which can be detailed as follows:

	2014	2013
Bumper 2	308,985	548,468
Bumper 4	—	427,228
Bumper 5	217,136	473,397
Bumper CARS NL	—	694,444
Bumper France	798,224	799,215
Bumper DE	575,165	—
Bumper 6	703,506	—
Bumper NL	314,789	—
<b>Total</b>	<b>2,917,805</b>	<b>2,942,752</b>

For further details on the transactions reference is made to the financial risk section (Treasury risk) and note 4 of the Company financial statements.



## Note 18 - Property and equipment under operating lease and rental fleet (continued)

The Group reviews whether as a result of changes in the estimated residual value and/or the useful life of the property and equipment under operating lease prospective adjustments to the depreciation charges are required. For 2014 this did not result in additional depreciation charges (2013: nil). Reference is made to note 3 and the financial risk section (Asset risk).

In 2014 and 2013 there were no impairments on leased assets.

An approximation of the future minimum lease payments under non-cancellable operating leases in aggregate and for each of the following periods can be summarised as follows:

	Nominal value	
	2014	2013
Not longer than a year	2,602,664	2,799,708
Longer than a year, less than five years	4,631,316	4,435,457
Longer than five years	25,336	49,623
<b>Total</b>	<b>7,259,316</b>	<b>7,284,788</b>

## Note 19 - Other property and equipment

	Note	Property	Equipment	Total
Cost		38,468	193,404	231,872
Accumulated depreciation and impairment		(23,370)	(121,175)	(144,545)
<b>Carrying amount as at 1 January 2013</b>		<b>15,098</b>	<b>72,229</b>	<b>87,327</b>
<b>Carrying amount as at 1 January 2013</b>		<b>15,098</b>	<b>72,229</b>	<b>87,327</b>
Purchases		562	29,922	30,484
Acquisition of subsidiary	25	42	—	42
Disposals		(47)	(8,716)	(8,763)
Depreciation	10	(1,253)	(22,843)	(24,096)
Exchange rate differences		(100)	(2,198)	(2,298)
<b>Carrying amount as at 31 December 2013</b>		<b>14,302</b>	<b>68,394</b>	<b>82,696</b>
Cost		38,900	200,540	239,440
Accumulated depreciation and impairment		(24,598)	(132,146)	(156,744)
<b>Carrying amount as at 31 December 2013</b>		<b>14,302</b>	<b>68,394</b>	<b>82,696</b>
Purchases		1,641	36,420	38,061
Disposals		(9)	(13,557)	(13,566)
Depreciation	10	(1,284)	(24,119)	(25,403)
Exchange rate differences		325	775	1,100
<b>Carrying amount as at 31 December 2014</b>		<b>14,975</b>	<b>67,913</b>	<b>82,888</b>
Cost		40,952	215,951	256,903
Accumulated depreciation and impairment		(25,977)	(148,038)	(174,015)
<b>Carrying amount as at 31 December 2014</b>		<b>14,975</b>	<b>67,913</b>	<b>82,888</b>

The title to the other property and equipment is not restricted and these assets are not pledged as security for liabilities.

## Note 20 - Loans to investments accounted for using the equity method

The loans to investments accounted for using the equity method are accounted for at amortised cost (less impairment) and the maturity analysis is as follows:

	2014	2013
Loans deposited .....	297,455	265,694
Impairment .....	(7,325)	(7,325)
<b>Carrying amount as at 31 December .....</b>	<b>290,130</b>	<b>258,369</b>
	2014	2013
Three months or less .....	68,000	8,241
Longer than three months, less than a year .....	90,089	97,014
Longer than a year, less than five years .....	132,041	153,114
<b>Balance as at 31 December .....</b>	<b>290,130</b>	<b>258,369</b>

## Note 21 - Investments accounted for using the equity method

Principal investments in the consolidated financial statements are:

	% of ownership interest	Country of incorporation	Activity	Measurement method
<b>Associates</b>				
Terberg Leasing B.V. ....	24.0%	Netherlands	Leasing	Equity
<b>Jointly controlled entities</b>				
LeasePlan Emirates Fleet Management—LeasePlan Emirates LLC .....				
LPD Holding A.Ş .....	49.0%	United Arab Emirates	Leasing	Equity
Exelease N.V. ....	51.0%	Turkey	Leasing	Equity
Overlease S.r.L. ....	51.0%	Belgium	Leasing	Equity
Please S.C.S. ....	51.0%	Italy	Leasing	Equity
Flottenmanagement GmbH .....	99.3%	France	Leasing	Equity
	49.0%	Austria	Leasing	Equity

All jointly controlled entities in the table are interests in joint ventures.

The equity method is based on whether the Group has significant influence or joint control. In the situations where the Group has a majority shareholding in the companies listed above these companies still qualify as jointly controlled entities as the Group has contractually agreed to sharing of control whereby the strategic and operating decisions relating to the company require the unanimous consent of the parties sharing control. This is also applicable to Please S.C.S. Please is a Société en Commandite Simple (SCS) under French law, whereby the Group is one of the partners. Please is governed by a steering committee and a strategic committee whereby the Group can nominate two of the four members of each committee. In the steering committee decisions require a majority of its member votes and in the strategic committee decisions can only be taken unanimously. The accounting period of the principal investments accounted for using the equity method aligns with the accounting period of the Group.

In 2014 the Group decided to discontinue one of its investments accounted for using the equity method whereby the business activities will be phased out. The concept of going concern is therefore no longer applied to this investment. Consequently, the investment was remeasured to the lower of carrying amount and liquidation value in the balance sheet. This remeasurement amounting to EUR 2.2 million is recognised within Share of profit of investments accounted for using the equity method in 2014.

## Note 21 - Investments accounted for using the equity method (continued)

The amounts recognised in the balance sheet are as follows:

	2014	2013
Associates	10,715	10,719
Jointly controlled entities	46,349	44,451
<b>Balance as at 31 December</b>	<b>57,064</b>	<b>55,170</b>

The amounts recognised in the income statement are as follows:

	2014	2013
Associates	1,557	1,496
Jointly controlled entities	5,008	5,966
<b>Balance as at 31 December</b>	<b>6,565</b>	<b>7,462</b>

There are no material contingent liabilities of the investments accounted for using the equity method other than loan commitments (reference is made to note 34).

The summarised financial information for the material interests in investments accounted for using the equity method can be shown as follows:

	2014			2013		
	Associates	Jointly controlled entities	Total	Associates	Jointly controlled entities	Total
Cash and cash equivalents	109	253	362	85	1,379	1,464
Other current assets	21,046	74,720	95,766	21,870	56,863	78,733
<b>Total current assets</b>	<b>21,155</b>	<b>74,973</b>	<b>96,128</b>	<b>21,955</b>	<b>58,242</b>	<b>80,197</b>
<b>Total non-current assets</b>	<b>304,394</b>	<b>508,891</b>	<b>813,285</b>	<b>293,249</b>	<b>405,443</b>	<b>698,692</b>
Current financial liabilities	7,563	25,128	32,691	7,311	12,697	20,008
Other current liabilities	26,210	63,059	89,269	29,125	52,899	82,024
<b>Total current liabilities</b>	<b>33,773</b>	<b>88,187</b>	<b>121,960</b>	<b>36,436</b>	<b>65,596</b>	<b>102,032</b>
Non-current financial liabilities	246,339	407,393	653,732	233,244	320,413	553,657
Other non-current liabilities	786	2,861	3,647	862	1,752	2,614
<b>Total non-current liabilities</b>	<b>247,125</b>	<b>410,254</b>	<b>657,379</b>	<b>234,106</b>	<b>322,165</b>	<b>556,271</b>
<b>Net assets (100%)</b>	<b>44,651</b>	<b>85,423</b>	<b>130,074</b>	<b>44,662</b>	<b>75,924</b>	<b>120,586</b>

The summarised statement of comprehensive income for the material interests in investments accounted for using the equity method is as follows:

	2014			2013		
	Associates	Jointly controlled entities	Total	Associates	Jointly controlled entities	Total
Revenue	25,300	15,995	41,295	24,400	15,525	39,925
Depreciation and amortisation	1,068	816	1,884	711	611	1,322
Interest income	12,289	30,720	43,009	12,294	28,253	40,547
Interest expense	7,559	14,149	21,708	7,766	13,576	21,342
<b>Profit before tax</b>	<b>8,586</b>	<b>16,049</b>	<b>24,635</b>	<b>8,419</b>	<b>15,580</b>	<b>23,999</b>
Income tax expenses	2,097	1,627	3,724	2,186	3,967	6,153
<b>Profit/loss for the year</b>	<b>6,489</b>	<b>14,422</b>	<b>20,911</b>	<b>6,233</b>	<b>11,613</b>	<b>17,846</b>
Other comprehensive income	—	(426)	(426)	—	(222)	(222)
<b>Total comprehensive income for the year</b>	<b>6,489</b>	<b>13,996</b>	<b>20,485</b>	<b>6,233</b>	<b>11,391</b>	<b>17,624</b>
Dividends received	1,560	180	1,740	960	—	960

## Note 21 - Investments accounted for using the equity method (continued)

Reconciliation of summarised financial information is as follows:

	2014			2013		
	Associates	Jointly controlled entities	Total	Associates	Jointly controlled entities	Total
<b>Net assets (100%) as at</b>						
1 January .....	<b>44,662</b>	<b>75,924</b>	<b>120,586</b>	<b>42,429</b>	<b>66,395</b>	<b>108,824</b>
Transfer .....	—	(3,993)	(3,993)	—	—	—
Profit/(loss) for the year .....	6,489	14,422	20,911	6,233	11,613	17,846
Other comprehensive income .....	—	(426)	(426)	—	(222)	(222)
Dividend paid .....	(6,500)	(2,317)	(8,817)	(4,000)	(1,548)	(5,548)
Exchange rate differences .....	—	1,591	1,591	—	(314)	(314)
Other equity changes .....	—	222	222	—	—	—
<b>Net assets (100%) as at</b>						
31 December .....	<b>44,651</b>	<b>85,423</b>	<b>130,074</b>	<b>44,662</b>	<b>75,924</b>	<b>120,586</b>
Percentage of interest .....	24%	various		24%	various	
Interest in associates/jointly controlled entities .....	10,715	41,266	51,981	10,719	39,368	50,087
Goodwill .....	—	5,083	5,083	—	5,083	5,083
<b>Carrying value .....</b>	<b>10,715</b>	<b>46,349</b>	<b>57,064</b>	<b>10,719</b>	<b>44,451</b>	<b>55,170</b>

## Note 22 - Intangible assets

	Note	Internally generated software development costs	Software licences	Customer relationship	Customer contract	Goodwill	Total
Cost .....		113,414	51,632	25,494	4,808	98,604	293,952
Accumulated amortisation and impairment .....		(64,724)	(44,460)	(19,226)	(2,119)		(130,529)
<b>Carrying amount as at 1 January 2013 .....</b>		<b>48,690</b>	<b>7,172</b>	<b>6,268</b>	<b>2,689</b>	<b>98,604</b>	<b>163,423</b>
<b>Carrying amount as at 1 January 2013 .....</b>		<b>48,690</b>	<b>7,172</b>	<b>6,268</b>	<b>2,689</b>	<b>98,604</b>	<b>163,423</b>
Purchases .....		13,859	6,815				20,674
Acquisition of subsidiary ....	25		273	2,942	8,000		11,215
Divestments .....			(159)				(159)
Amortisation .....	9	(16,216)	(4,780)	(1,550)	(2,074)		(24,620)
Exchange rate differences ...		(6,611)	(170)				(6,781)
<b>Carrying amount as at 31 December 2013 .....</b>		<b>39,722</b>	<b>9,151</b>	<b>7,660</b>	<b>8,615</b>	<b>98,604</b>	<b>163,752</b>
Cost .....		112,707	56,608	28,437	12,808	98,604	309,164
Accumulated amortisation and impairment .....		(72,985)	(47,457)	(20,777)	(4,193)		(145,412)
<b>Carrying amount as at 31 December 2013 .....</b>		<b>39,722</b>	<b>9,151</b>	<b>7,660</b>	<b>8,615</b>	<b>98,604</b>	<b>163,752</b>
Purchases .....		21,096	3,714				24,810
Divestments .....			(115)				(115)
Amortisation .....	9	(18,434)	(5,050)	(2,140)	(2,923)		(28,547)
Exchange rate differences ...		2,837	109				2,946
<b>Carrying amount as at 31 December 2014 .....</b>		<b>45,221</b>	<b>7,809</b>	<b>5,520</b>	<b>5,692</b>	<b>98,604</b>	<b>162,846</b>
Cost .....		137,348	61,524	28,447	12,808	98,604	338,731
Accumulated amortisation and impairment .....		(92,127)	(53,715)	(22,927)	(7,116)		(175,885)
<b>Carrying amount as at 31 December 2014 .....</b>		<b>45,221</b>	<b>7,809</b>	<b>5,520</b>	<b>5,692</b>	<b>98,604</b>	<b>162,846</b>

The remaining amortisation period for the majority of the intangible assets with a finite life is approximately six years. The title to the intangible assets is not restricted and the intangible assets are not pledged as security for liabilities. In 2014 the Group recognised EUR 2.8 million (2013: EUR 5.4 million) of research and development expenditure as an expense.

In 2014 and 2013 no indications for impairment or reversal of impairment on intangibles with a finite life were identified and consequently no impairment charge was recognised or reversed. The increase in 2013 in the intangible assets (Customer relationship and Customer contract) relates to the acquisition of the Italian fleet and vehicle leasing activities of Banco Bilbao Vizcaya Argentaria, S.A. (BBVA) and to the acquisition of BAWAG P.S.K. Fuhrparkleasing GmbH, reference is made to note 25.

The goodwill relates to the acquisition in 2005 of three companies of Europcar Fleet Services in Italy, Spain and Portugal, to the acquisition in 2008 of Daimler Chrysler Fleet Management France S.A.S., which operates under the brand name DCS fleet and to the acquisition in 2011 of

## Note 22-Intangible assets (continued)

Multirent—Aluguer e Comércio de Automóveis, S.A., which operates under the name of Santander Consumer Multirent (Multirent). All acquired companies were engaged in providing leasing services. Goodwill is allocated to the Group's cash generating units which have incorporated the above mentioned acquisitions and can be presented as follows:

Cash generating unit	Acquisition	Year	Discount rate	Goodwill
LeasePlan Italy . . . . .	Europcar	2005	11.35%	46,646
LeasePlan Spain . . . . .	Europcar	2005	11.65%	14,413
LeasePlan Portugal . . . . .	Europcar	2005	13.05%	14,799
LeasePlan France . . . . .	DCS	2008	9.85%	10,313
LeasePlan Portugal . . . . .	Multirent	2011	13.05%	12,433
<b>Total</b> . . . . .				<b>98,604</b>

Annually, or more frequently if events or changes in circumstances indicate a potential impairment, goodwill is reviewed for impairment. There was no impairment recognised in 2014 (2013: nil). The impairment test is identical for all cash generating units and based on value in use. The value in use was determined by discounting future cash flows generated from the continuing use of the cash generating units in which the acquired operating companies were incorporated. Cash flows were projected on actual financial results and the 5-year business plans. The growth rates included in the business plans exceed the long term average growth rate for this business as a reflection of the relative growth potential of the markets and to allow for an improvement in market position. In order to align the planned growth rate to the long-term growth rate, the cash flows were extrapolated for a further 10 years based on a gradually declining growth rate. A discount rate was applied which is built up of (i) a risk free rate (1%), (ii) a market premium (6.5%) multiplied by a market specific  $\beta$  (1.3) and (iii) a country specific risk premium (ranging between 0.4% and 3.6%).

There are no cash generating units with relatively little headroom between the carrying amount and the value in use.

## Note 23 - Deferred tax assets and deferred tax liabilities

Deferred tax assets and liabilities as at 31 December are attributable to the following:

	Deferred tax assets		Deferred tax liabilities	
	2014	2013	2014	2013
Goodwill . . . . .	11,412	10,324	—	—
Property and equipment under operating lease . . . . .	21,580	16,162	321,799	288,900
Other property and equipment . . . . .	6,300	5,979	7,347	11,012
Provisions . . . . .	23,231	18,565	146	54
Deferred leasing income . . . . .	61,251	61,862	8,162	5,774
Tax value of losses carried forward recognised . . . . .	86,816	115,294	—	—
Tax credits and prepayments . . . . .	5,971	7,661	—	—
Other receivables . . . . .	63,769	36,985	3,395	5,689
Other payables . . . . .	17,816	14,991	29,096	19,154
<b>Tax assets/liabilities</b> . . . . .	<b>298,146</b>	<b>287,823</b>	<b>369,945</b>	<b>330,583</b>
Offset of deferred tax assets and liabilities . . . . .	(136,318)	(132,988)	(136,318)	(132,988)
<b>Balance as at 31 December</b> . . . . .	<b>161,828</b>	<b>154,835</b>	<b>233,627</b>	<b>197,595</b>
<b>Net tax position</b> . . . . .			<b>71,799</b>	<b>42,760</b>
<b>Movement net tax position 2014</b> . . . . .	<b>(29,039)</b>			



## Note 23 - Deferred tax assets and deferred tax liabilities (continued)

The movement in the net deferred tax position can be summarised as follows:

	Note	2014	2013
<b>Balance as at 1 January</b> .....		<b>(42,760)</b>	<b>(37,884)</b>
Acquisition of subsidiary .....	25	—	9,123
Income statement (charge)/credit .....	11	(25,370)	(9,180)
Tax (charge)/credit relating to components of other comprehensive income .....	11	(958)	(7,009)
Exchange rate differences .....		(2,711)	2,190
<b>Balance as at 31 December</b> .....		<b>(71,799)</b>	<b>(42,760)</b>

The income statement (charge)/credit can be broken down as follows:

	Note	Deferred tax assets		Deferred tax liabilities	
		2014	2013	2014	2013
Goodwill .....		919	(1,844)	—	(113)
Property and equipment under operating lease .....		5,418	(9,502)	30,332	5,772
Other property and equipment .....		191	43	(3,665)	6,687
Provisions .....		4,329	3,488	92	(564)
Deferred leasing income .....		(611)	16,933	2,319	(6,153)
Tax value of losses carried forward recognised .....		(28,478)	(32,173)	(458)	(9,382)
Tax credits and prepayments .....		(1,690)	(26,564)	(253)	(195)
Other receivables .....		26,784	(24,974)	(5,256)	(25,629)
Other payables .....		821	(13,699)	9,942	(49,535)
<b>Movement in deferred tax</b> .....		<b>7,683</b>	<b>(88,292)</b>	<b>33,053</b>	<b>(79,112)</b>
Movement in deferred tax liabilities .....		(33,053)	79,112		
<b>Income statement (charge)/credit</b> .....	11	<b>(25,370)</b>	<b>(9,180)</b>		

The Group recognises deferred income tax assets for the tax value of losses and tax credits carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

The Group has not recognised identifiable tax losses for an amount of EUR 55.7 million (2013: EUR 87.2 million) and has not recognised tax credits for an amount of EUR 10.1 million (2013: EUR 9.1 million) as the Group considers it not probable that future taxable profits will be available to utilise these tax credits and tax losses (also taking into account expiry dates when applicable).

The expiration profile of the losses carried forward can be illustrated as follows:

	2014	2013
Expire within a year .....	—	—
Expire after a year, less than five years .....	36,688	36,241
Expire after five years .....	70,974	118,475
No expiry date .....	188,058	231,659
<b>Total</b> .....	<b>295,720</b>	<b>386,375</b>
Tax value .....	86,816	115,294

The total tax value of losses carried forward is presented before offsetting the corresponding deferred tax liabilities (which are reflected in the offset of deferred tax assets and liabilities as shown in the first table of this note).

## Note 23 - Deferred tax assets and deferred tax liabilities (continued)

The deferred tax liability relating to property and equipment under operating leases reverses over the remaining term of the operating lease contracts which ranges from three to four years.

Were the actual final outcome on the largest net deferred tax asset positions of expected cash flows to differ by 10% from expected financial results (forecasted period of seven years), the Group would need to:

- increase the income tax liability by EUR 4.2 million, if unfavourable; or
- decrease the income tax liability by EUR 2.4 million, if favourable.

## Note 24 - Assets classified as held-for-sale

Assets classified as held-for-sale include finance leases that the Group entered into in the United States with the aim to sell onward to debt investors.

## Note 25 - Effect of acquisitions

In 2013 the Group concluded two acquisitions, namely the Italian fleet and leasing activities of Banco Bilbao Vizcaya Argentaria, S.A. (BBVA) and BAWAG P.S.K., Fuhrparkleasing GmbH.

The following table summarises the consideration paid, the fair value of assets acquired and liabilities assumed at acquisition date.

Consideration at:	Note	BBVA	BAWAG	Total
Cash .....		14,786	11,915	26,701
<b>Total consideration</b> .....		<b>14,786</b>	<b>11,915</b>	<b>26,701</b>
<b>Acquisition related expenses</b> (included in the general and administrative expenses in the consolidated income statement for the year ended 31 December 2013) .....		4,336	200	4,536
<b>Recognised amount of identifiable assets acquired and liabilities assumed</b>				
Receivables from clients .....		23,686	64,130	87,816
Corporate income tax receivable .....		1,869	—	1,869
Inventories .....		9,304	146	9,450
Other receivables and prepayments .....		13,690	125	13,815
Property and equipment under operating lease and rental fleet .....	18	255,760	45,067	300,827
Other property and equipment .....	19	33	9	42
Intangible assets .....	22	273	—	273
Deferred tax assets .....	23	11,683	175	11,858
Customer relationship (included in intangible assets) .....	22	—	2,942	2,942
Customer contract (included in intangible assets) .....	22	—	8,000	8,000
Borrowings from financial institutions .....		(257,383)	(95,842)	(353,225)
Trade and other payables and deferred income .....		(37,126)	(9,687)	(46,813)
Provision for post-employment benefits .....	33	(1,531)	(289)	(1,820)
Other provisions .....		(1,456)	(126)	(1,582)
Deferred tax liabilities .....	23	—	(2,735)	(2,735)
<b>Total identifiable net assets</b> .....		<b>18,802</b>	<b>11,915</b>	<b>30,717</b>
Bargain purchase gain .....		(4,016)	—	(4,016)
<b>Total</b> .....		<b>14,786</b>	<b>11,915</b>	<b>26,701</b>

## **Note 25 - Effect of acquisitions (continued)**

### **Italian fleet and vehicle leasing activities of Banco Bilbao Vizcaya Argentaria, S.A.**

On 13 December 2012 the Group signed an agreement to acquire the Italian fleet and vehicle leasing activities of Banco Bilbao Vizcaya Argentaria, S.A. (BBVA). The total BBVA lease portfolio consisted of approximately 20,000 vehicles and the acquisition allowed the Group to further expand into the Italian fleet and leasing market. The acquisition further supported the Group's selective growth strategy. The transaction was completed on 27 February 2013 and on that date the Group acquired the entire share capital of two Italian entities, BBVA Renting S.p.A. and BBVA Autorenting S.p.A. and the Group refinanced the entire business with its own funding.

The opportunity for this acquisition arose from the trend that banks are concentrating on their core business and consequently selling off non-core businesses especially outside their home market. This resulted in a bargain purchase gain of EUR 4 million which is included in the caption 'Other revenues' (reference is made to note 3).

The fair value of acquired receivables from clients amounts to EUR 23.7 million. The gross contractual amount for receivables from clients due was EUR 38.9 million, of which EUR 15.2 million was expected to be uncollectible. No contingent liabilities were recognised.

Since 27 February 2013 the acquisition contributed EUR 169.2 million to the 2013 revenues included in the consolidated income statement, and also contributed net profit of EUR 0.2 million over the same period.

Had the acquisition been consolidated from 1 January 2013, the consolidated income statement of the combined entity (LeasePlan Italy and the acquired company) for the year ended 31 December 2013 would show pro-forma revenue of EUR 685.8 million and pro-forma loss of EUR 5.1 million.

### **BAWAG P.S.K. Fuhrparkleasing GmbH**

On 2 July 2013 the Group signed an agreement with BAWAG P.S.K. Leasing GmbH, the leasing subsidiary of BAWAG P.S.K., to purchase their vehicle leasing and fleet management activities based in Vienna, Austria. The acquisition entailed some 6,500 cars and allowed the Group to further expand into the profitable Austrian small and medium enterprise sector, an area of the fleet and vehicle management industry in which the Group already had considerable expertise globally. The acquisition further supported the Group's selective growth strategy. The transaction was completed on 30 September 2013 and on that date the Group acquired the entire share capital of BAWAG P.S.K. Fuhrparkleasing GmbH and the Group refinanced the entire business with its own funding.

The fair value of acquired receivables from clients amounted to EUR 0.6 million. The gross contractual amount for receivables from clients due was EUR 1.7 million, of which EUR 1.1 million was expected to be uncollectible. No contingent liabilities were recognised.

Since 30 September 2013 the acquisition contributed EUR 7.3 million to the 2013 revenues included in the consolidated income statement, and also contributed net profit of EUR 0.1 million over the same period.

Had the acquisition been consolidated from 1 January 2013, the consolidated income statement of the combined entity (LeasePlan Austria and the acquired company) for the year ended 31 December 2013 would show pro-forma revenue of EUR 164.6 million and pro-forma profit of EUR 5.0 million.

## **Note 26 - Share capital and premium**

At 31 December 2014, the authorised capital amounted to EUR 250 million (2013: EUR 250 million), divided into 250,000,000 ordinary shares with a nominal value of EUR 1.00 each,

## Note 26 - Share capital and premium (continued)

of which EUR 71.6 million is issued and paid up. The holders of the ordinary shares are entitled to receive dividend as declared from time to time and are entitled to vote per share at meetings of the Company.

The share premium reserve is a reserve in which the amount paid in excess of the nominal value is included.

## Note 27 - Other reserves

	Translation reserve	Post-employment benefit reserve	Hedging reserve	Other	Total
<b>Balance as at 1 January 2013</b> .....	<b>31,839</b>	<b>(8,408)</b>	<b>(36,670)</b>	<b>—</b>	<b>(13,239)</b>
Gains/(losses) arising during the year .....	(52,894)	(289)	28,481	(112)	(24,814)
Related income tax .....		111	(7,120)		(7,009)
Transfer to retained earnings .....		2,484			2,484
<b>Balance as at 31 December 2013</b> .....	<b>(21,055)</b>	<b>(6,102)</b>	<b>(15,309)</b>	<b>(112)</b>	<b>(42,578)</b>
Gains/(losses) arising during the year .....	24,794	(5,524)	11,192	(104)	30,358
Related income tax .....		1,840	(2,798)		(958)
<b>Balance as at 31 December 2014</b> .....	<b>3,739</b>	<b>(9,786)</b>	<b>(6,915)</b>	<b>(216)</b>	<b>(13,178)</b>

### Translation reserve

The translation reserve comprises all exchange rate differences arising from the translation of the financial statements of foreign operations that are not integral to the operations of the Company. In 2014 no translation differences related to discontinued operations were recycled to the income statement (2013: nil). The significant movement in 2013 is mainly caused by appreciation of the euro against the Australian dollar and the Norwegian kroner. The movement in 2014 is mainly caused by depreciation of the euro against the Pound sterling and United States dollar.

### Post-employment benefit reserve

The post-employment benefit reserve comprises the actuarial gains and losses recognised on defined benefit post-employment plans. In 2013 an amount of EUR 2.5 million was transferred from the post-employment benefit reserve to other as a result of the settlement of the defined benefit pension plan in the United States of America (reference is made to note 33).

### Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments where the hedged transaction has not yet occurred.

### Other

Other comprises the share of other comprehensive income in investments accounted for using the equity method.

## Note 28 - Retained earnings

### Dividend

In March 2014 a final dividend payment was made of EUR 134.0 million (EUR 0.54 cent per share) related to 2013 and in December 2014 an interim dividend was paid of EUR 6.0 million (EUR 0.02 cent per share). A further dividend of EUR 230 million (EUR 0.92 cent per share), bringing the total dividend for the year to EUR 236 million (EUR 0.94 cent per share), was paid in February 2015.

## Note 28 - Retained earnings (continued)

### Profit appropriation

Reference is made to the Company financial statements on the appropriation of profit for the year and the movements in the reserves.

## Note 29 - Trade and other payables and deferred income

	2014	2013
Trade payables . . . . .	641,414	582,085
Deferred leasing income . . . . .	598,222	580,508
Lease related accruals . . . . .	341,038	322,402
Other accruals and other deferred amounts owed . . . . .	257,598	230,434
Interest payable . . . . .	112,468	125,468
Accrual for contract settlements . . . . .	92,380	80,250
VAT and other taxes . . . . .	18,854	24,203
<b>Balance as at 31 December . . . . .</b>	<b>2,061,974</b>	<b>1,945,350</b>

The majority of the trade and other payables and deferred income has, except for deferred leasing income, a remaining maturity less than one year. Deferred leasing income relates to amounts received in advance, as part of the monthly lease instalments, to cover lease expenses in a subsequent period. Lease related accruals mainly consist of accruals for lease related service expenses.

## Note 30 - Borrowings from financial institutions

This item includes amounts owed to banks under government supervision.

The maturity analysis of these loans is as follows:

	Note	2014	2013
On demand . . . . .	12	117,638	123,843
Three months or less . . . . .		258,866	57,863
Longer than three months, less than a year . . . . .		893,281	1,371,669
Longer than a year, less than five years . . . . .		721,571	969,962
<b>Balance as at 31 December . . . . .</b>		<b>1,991,356</b>	<b>2,523,337</b>

On demand amounts owed to financial institutions relating to call money and bank overdraft balances form part of the cash and balances with banks in the cash flow statement. Borrowings from financial institutions include an outstanding balance of EUR 1.2 billion (2013: EUR 1.5 billion) which is non-euro currency denominated as at 31 December. The remainder of the borrowings from financial institutions is denominated in euro. Reference is made to the financial risk section (Currency risk).

In December 2012 a three year committed revolving credit facility was renewed with a consortium of 13 banks (EUR 1.25 billion) maturing in December 2015. During 2014 and 2013 no amounts were drawn under this facility.

In December 2012 Bumper CARS NL concluded an asset backed securitisation warehousing facility of EUR 500 million with two banks. This facility was committed for two years and is fully repaid in November 2014. For further details on the Bumper CARS NL transaction reference is made to note 4 of the Company financial statements.

In December 2014 Bumper NL concluded an asset backed securitisation warehousing facility of EUR 250 million with a bank. This facility is committed for two years. At 31 December 2014 the facility is fully drawn. For further details on the Bumper NL transaction reference is made to note 4 of the Company financial statements.

## Note 31 - Funds entrusted

This item includes all non-subordinated loans not included in the caption 'Borrowings from financial institutions' or 'Debt securities issued'.

The maturity analysis of these loans is as follows:

	2014	2013
Three months or less	2,491,409	2,550,184
Longer than three months, less than a year	1,225,931	1,170,326
Longer than a year, less than five years	661,104	596,431
Longer than five years	447	3,215
<b>Balance as at 31 December</b>	<b>4,378,891</b>	<b>4,320,156</b>

This caption includes savings deposits raised by LeasePlan Bank amounting to EUR 4.281 billion (2013: EUR 4.165 billion) of which 60.1% (2013: 54.7%) is deposited for a fixed term. LeasePlan Bank is the brand name under which savings deposits are raised by LeasePlan Corporation N.V. which holds a universal banking licence in the Netherlands.

The average interest rates on the outstanding balances of the savings deposits in original maturity terms are as follows:

	2014	2013
On demand	1.60%	1.96%
A year or less	2.03%	2.30%
Longer than a year, less than or equal to two years	2.26%	2.75%
Longer than two years	3.50%	3.69%

The interest rate of the on demand accounts is set on a monthly basis.

The funds entrusted include an outstanding balance of EUR 1.6 million (2013: EUR 1.6 million) which is non-euro currency denominated as at 31 December. The remainder of the funds entrusted is denominated in euro. Reference is made to the financial risk section (Currency risk).

## Note 32 - Debt securities issued

This item includes negotiable, interest bearing securities, other than those of a subordinated nature.

	2014	2013
Bonds and notes—originated from securitisation transactions	1,730,099	1,455,924
Bonds and notes—other	5,843,826	5,452,866
Bonds and notes—fair value adjustment on hedged risk	64,113	9,336
Commercial Paper	—	70,614
<b>Balance as at 31 December</b>	<b>7,638,038</b>	<b>6,988,740</b>

There is no pledge of security for these debt securities except for the bonds and notes which are originated from asset backed securitisation transactions.

The debt securities issued include an outstanding balance of EUR 2.8 billion (2013: EUR 2.6 billion) which is non-euro currency denominated as at 31 December. The remainder of the debt securities is denominated in euro. The fair value adjustment is attributable to the hedged risk on bonds and notes in fair value hedges. This fair value hedging policy is commented on in the financial risk section (Strategy in using financial instruments).



## Note 32 - Debt securities issued (continued)

The average interest rates applicable to the outstanding balances can be summarised as follows:

	2014	2013
Bonds and notes	2.2%	2.8%
Commercial Paper	—	2.0%
<b>Average interest rate</b>	<b>2.2%</b>	<b>2.8%</b>

The maturity analysis of these debt securities issued is as follows:

	2014	2013
Three months or less	647,373	411,755
Longer than three months, less than a year	1,116,571	1,958,319
Longer than a year, less than five years	5,424,237	3,840,813
Longer than five years	449,857	777,853
<b>Balance as at 31 December</b>	<b>7,638,038</b>	<b>6,988,740</b>

The caption 'Bonds and notes—originated from securitisation transactions' can be detailed as follows:

	2014	2013
Bumper 2	128,408	385,597
Bumper 4	—	171,797
Bumper 5	26,533	366,947
Bumper France	604,539	531,583
Bumper DE	435,718	—
Bumper 6	534,902	—
<b>Total</b>	<b>1,730,100</b>	<b>1,455,924</b>

Further reference is made to the financial risk section (Treasury risk) and note 4 of the Company financial statements.

In May 2014 the remaining outstanding bond raised under the Credit Guarantee Scheme of the State of the Netherlands was repaid. The 2014 annual fee payable to the State of the Netherlands amounted to EUR 3.6 million (2013: EUR 12.2 million) and is included in 'Interest expenses and similar charges' (note 5).

A number of fixed rate bonds are included in a fair value hedge whereby the bonds (hedged items) are measured at amortised cost and are constantly being adjusted for gains/losses attributable to the risk being hedged. This adjustment is recognised in the income statement, where it offsets (to a large extent) the remeasurement of the fair value of the hedging instruments that is also recognised in the income statement.

## Note 33 - Provisions

	2014	2013
Damage risk retention provision	(i) 289,621	268,845
Post-employment benefits	(ii) 32,264	26,350
Other provisions	(iii) 33,382	36,059
<b>Balance as at 31 December</b>	<b>355,267</b>	<b>331,254</b>

The majority of provisions is expected to be recovered or settled after more than 12 months.

## Note 33 - Provisions (continued)

### (i) Damage risk retention provision

	2014	2013
Provision for Third Party Liability (TPL) .....	130,483	127,322
Provision for damage claims .....	32,970	38,448
Incurred but not reported (IBNR) .....	126,168	103,075
<b>Balance as at 31 December .....</b>	<b>289,621</b>	<b>268,845</b>

The damage risk retention provision breaks down as follows:

	2014			2013		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Damages reported .....	163,453	(10,193)	153,260	165,770	(11,871)	153,899
Damages IBNR .....	126,168	(10,032)	116,136	103,075	(13,120)	89,955
<b>Total damage risk provision ...</b>	<b>289,621</b>	<b>(20,225)</b>	<b>269,396</b>	<b>268,845</b>	<b>(24,991)</b>	<b>243,854</b>
Current .....	69,194	—	69,194	45,192	—	45,192
Non-current .....	220,427	(20,225)	200,202	223,653	(24,991)	198,662
<b>Total damage risk provision ...</b>	<b>289,621</b>	<b>(20,225)</b>	<b>269,396</b>	<b>268,845</b>	<b>(24,991)</b>	<b>243,854</b>

The development of the third party liability (TPL) exposures provides a measure of the Group's ability to estimate the ultimate value of damages. The top half of the table below illustrates how the Group's estimate of total damages outstanding for each accident year has changed at successive year-ends. The bottom half of the table below reconciles the cumulative damages to the amounts appearing in the balance sheet for TPL. The accident year basis is considered the most appropriate for the business written by the Group.

Accident year	< 2009	2009	2010	2011	2012	2013	2014	Total
At end of accident year .....	354,525	49,325	45,753	64,201	71,744	70,452	55,854	
One year later .....	335,521	45,177	37,305	53,396	68,425	84,761		
Two years later .....	333,516	43,162	31,679	50,267	73,010			
Three years later .....	327,076	40,839	29,276	38,111				
Four years later .....	316,763	39,822	28,617					
Five years later .....	311,251	37,996						
More than five years later ...	301,821							
Estimate of cumulative claims .....	301,821	37,996	28,617	38,111	73,010	84,761	55,854	
Cumulative payments to date .....	(262,702)	(29,187)	(22,604)	(19,724)	(33,000)	(30,439)		
<b>Gross outstanding damage liabilities .....</b>	<b>39,119</b>	<b>8,809</b>	<b>6,013</b>	<b>18,387</b>	<b>40,010</b>	<b>54,322</b>	<b>55,854</b>	<b>222,514</b>
Less: IBNR .....	4,845	3,826	1,770	11,674	20,901	32,610	16,405	92,031
<b>Total provision for TPL, excluding IBNR</b>	<b>34,274</b>	<b>4,983</b>	<b>4,243</b>	<b>6,713</b>	<b>19,109</b>	<b>21,712</b>	<b>39,449</b>	<b>130,483</b>

### Note 33 - Provisions (continued)

The total provision for TPL, excluding IBNR for the year prior to 2009 can be detailed as follows:

	Gross outstanding damage liabilities	Less: IBNR	Total provision for TPL, excluding IBNR
2008 .....	5,653	1,016	4,637
2007 .....	5,181	1,888	3,293
2006 .....	4,382	211	4,171
2005 .....	8,279	416	7,863
2004 .....	6,674	220	6,454
2003 .....	2,837	677	2,160
2002 .....	4,957	24	4,933
< 2001 .....	1,156	393	763
<b>Total .....</b>	<b>39,119</b>	<b>4,845</b>	<b>34,274</b>

The expected maturity analysis of the gross outstanding damage liabilities is as follows:

	2014	2013
Not longer than a year .....	133,509	113,113
Between 1-2 years .....	26,702	40,550
Between 2-5 years .....	31,152	44,818
Longer than 5 years .....	31,151	14,939
<b>Total</b>	<b>222,514</b>	<b>213,420</b>

#### (ii) Provision for post-employment benefits

The provision for post-employment benefits comprises both defined benefit pension plans and other post-employment benefits. The Group operates a number of pension plans around the world. Most of these pension plans are defined contribution plans. In four countries, the Group has defined benefit pension plans, which for the majority are not open to new participants. The total number of participants in these pension plans is 409 (2013: 414). The plans are final salary pension plans, which provide benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. In the plans, pensions generally do not receive inflationary increases once in payment. The benefit payments are from trustee administered funds. Plan assets held in trusts are governed by local regulations and practice, as is the nature of the relationship between the company and the trustees (or equivalent) and their composition. In addition, the Group operates other post-employment benefit plans in five countries for legally required termination indemnities, which are payable at either the retirement date or the date the employee leaves the Group. The amount of the benefit depends on the length of service of the employee at the dismissal or retirement date. The majority of these plans is unfunded where the company meets the benefit payment obligation as it falls due. The total number of participants of these other post-employment benefit plans is 1,201 (2013: 1,213).

The amounts recognised in the balance sheet are as follows:

	2014	2013
Present value of funded obligations .....	51,468	45,359
Fair value of plan assets .....	(33,709)	(31,568)
<b>Deficit of funded plans .....</b>	<b>17,759</b>	<b>13,791</b>
Present value of unfunded obligations .....	14,505	12,559
<b>Total deficit of defined benefit pension plans as per 31 December</b>	<b>32,264</b>	<b>26,350</b>

### Note 33 - Provisions (continued)

The impact of minimum funding requirement/asset ceiling is nil in 2014 (2013: nil).

The valuations of provisions for post-employment benefits are performed by independent qualified actuaries on an annual basis. The following tables summarise the impact on the balance sheet, payment obligations, assets and economic assumptions in respect of the main post-employment benefits in the various countries.

	Note	Present value of obligation	Fair value of plan assets	Total
<b>Balance as at 1 January 2013</b> .....		<b>62,897</b>	<b>(34,646)</b>	<b>28,251</b>
Current service cost .....	8	2,876	—	2,876
Interest expense/(income) .....	8	1,334	(635)	699
Past service cost and (gains) and losses on settlements ..	8	(11,036)	10,402	(634)
		<b>(6,826)</b>	<b>9,767</b>	<b>2,941</b>
<b>Remeasurements</b>				
Return on plan assets, excluding amounts included in interest expense/(income) .....		—	187	187
(Gain)/loss from changes in demographic assumptions .....		(12)	—	(12)
(Gain)/loss from changes in financial assumptions .....		330	—	330
Experience (gains)/losses .....		(26)	—	(26)
		<b>292</b>	<b>187</b>	<b>479</b>
Exchange differences .....		(929)	627	(302)
<b>Contributions</b>				
Employers .....		283	(6,387)	(6,104)
Plan participants .....		—	(276)	(276)
<b>Payments from plans</b>				
Benefit payments .....		381	(840)	(459)
Acquired in a business combination .....	25	1,820	—	1,820
<b>Balance as at 31 December 2013</b> .....		<b>57,918</b>	<b>(31,568)</b>	<b>26,350</b>
<b>Balance as at 1 January 2014</b> .....		<b>57,918</b>	<b>(31,568)</b>	<b>26,350</b>
Current service cost .....	8	3,425	—	3,425
Interest expense/(income) .....	8	1,626	(846)	780
Past service cost and (gains) and losses on settlements ..	8	13	(112)	(99)
		<b>5,064</b>	<b>(958)</b>	<b>4,106</b>
<b>Remeasurements</b>				
Return on plan assets, excluding amounts included in interest expense/(income) .....		—	47	47
(Gain)/loss from changes in demographic assumptions .....		709	—	709
(Gain)/loss from changes in financial assumptions .....		6,239	—	6,239
Experience (gains)/losses .....		(1,280)	(91)	(1,371)
		<b>5,668</b>	<b>(44)</b>	<b>5,624</b>
Exchange differences .....		(90)	47	(43)
<b>Contributions</b>				
Employers .....		—	(3,033)	(3,033)
Plan participants .....		309	(309)	—
<b>Payments from plans</b>				
Benefit payments .....		(2,896)	2,156	(740)
<b>Balance as at 31 December 2014</b> .....		<b>65,973</b>	<b>(33,709)</b>	<b>32,264</b>

### Note 33 - Provisions (continued)

In the course of 2013 the defined benefit pension plan in the United States of America was settled by means of a transfer of all obligations and plan assets to an insurance company. The balance sheet impact of this settlement is included in the table above.

Reference is made to note 8 for the details on the amounts recognised in the income statement in respect of the Group's post-employment defined benefit plans. Expected contributions to post-employment defined benefit plans are EUR 2.8 million for the year ending 31 December 2015.

There are no defined benefit pension plans that are wholly unfunded and none of the collective and individual pension plans in the various countries are fully funded.

The weighted averages of the main actuarial assumptions used to determine the value of the provision for post-employment defined benefits as at 31 December were as follows:

	2014	2013
Discount rate .....	2.3%	2.6%
Inflation .....	1.4%	1.3%
Salary growth rate .....	2.5%	2.3%
Pension growth rate .....	0.1%	0.0%

The rates used for interest discount factors, inflation, salary developments and future pension increases reflect country specific conditions. The expected return on plan assets is determined by considering the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk free premium associated with the respective asset classes and the expectations for future returns on each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets. The expected returns of the individual plans have been weighted on the basis of the fair value of the assets of the plans in order to determine the average expected return on plan assets. All other assumptions are weighted on the basis of the post-employment benefit obligations.

Assumptions regarding future mortality experience are set based on published statistics and actuarial advice. The average life expectancy is in years of a pensioner retiring at age 65 on the balance sheet date as follows:

	2014	2013
Male .....	21.5	21.6
Female .....	25.0	24.8

Plan assets are comprised as follows:

	2014			2013		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Equities .....	85	—	85	75	—	75
Debt instruments .....	1,386	—	1,386	1,174	—	1,174
Property .....	53	—	53	47	—	47
Investment funds .....	14,375	17,810	32,185	13,631	16,641	30,272
<b>Total .....</b>	<b>15,899</b>	<b>17,810</b>	<b>33,709</b>	<b>14,927</b>	<b>16,641</b>	<b>31,568</b>

The expected maturity analysis of undiscounted post-employment benefits is:

	Not longer than a year	Between 1-2 years	Between 2-5 years	Longer than 5 years	Total
Post-employment benefits .....	4,614	3,416	8,708	85,224	101,962

## Note 33 - Provisions (continued)

### (iii) Other provisions

	Other long-term employee benefits	Termination benefits	Litigation	Miscellaneous	Total
<b>Balance as at 1 January 2013</b> .....	<b>11,880</b>	<b>1,491</b>	<b>5,775</b>	<b>11,358</b>	<b>30,504</b>
Charge/(credit) to the income statement					
Additional provisions .....	3,561	1,110	7,335	11,485	23,491
Unused amounts reversal .....	(838)	(83)	(567)	(4,466)	(5,954)
Usage during the year .....	(677)	(1,345)	(223)	(9,932)	(12,177)
Transfer .....	180	(221)	—	41	—
Exchange rate differences .....	(343)	—	120	418	195
<b>Balance as at 31 December 2013</b> .....	<b>13,763</b>	<b>952</b>	<b>12,440</b>	<b>8,904</b>	<b>36,059</b>
<b>Balance as at 1 January 2014</b> .....	<b>13,763</b>	<b>952</b>	<b>12,440</b>	<b>8,904</b>	<b>36,059</b>
Charge/(credit) to the income statement					
Additional provisions .....	4,649	2,826	7,225	2,735	17,435
Unused amounts reversal .....	(3,364)	—	(8,475)	(3,057)	(14,896)
Usage during the year .....	(3,273)	(354)	(130)	(2,668)	(6,425)
Exchange rate differences .....	484	—	279	446	1,209
<b>Balance as at 31 December 2014</b> .....	<b>12,259</b>	<b>3,424</b>	<b>11,339</b>	<b>6,360</b>	<b>33,382</b>
Usage within a year .....	7,968	231	7,857	2,348	18,404
Usage after a year .....	4,291	3,193	3,482	4,012	14,978

#### (a) Other long-term employee benefits

Other long-term employee benefits include provisions for medium-term bonus schemes, jubilee payments and extra vacation entitlements.

#### (b) Termination benefits

The provision for termination benefits relates to expected payments in order to terminate the employment of an employee or group of employees before the normal termination date. The balance relates to a small number of employee related litigations and obligations of relatively small size.

#### (c) Litigation

Litigation provisions have been set up to cover legal and administrative proceedings that arise in the ordinary course of business. These provisions are not employee related.

#### (d) Miscellaneous

Miscellaneous provisions include items which cannot be classified under one of the other captions. The nature of the items is diverse and long-term and includes provisions for guarantee payments and onerous contracts.



## Note 34 - Commitments

The Group has entered into commitments in connection with the forward purchase of property and equipment under operating lease and rental fleet amounting to EUR 1.6 billion (2013: EUR 1.2 billion) as at the balance sheet date. These commitments are entered into in the ordinary course of business and are back-to-back matched with lease contracts entered into with customers. Furthermore, the Group has entered into commitments in connection with long-term rental and lease contracts. The future aggregate minimum lease payments under these contracts are as follows:

	2014	2013
Not longer than a year . . . . .	32,546	32,055
Longer than a year, less than five years . . . . .	82,939	85,151
Longer than five years . . . . .	55,165	49,285
<b>Total</b>	<b>170,650</b>	<b>166,491</b>

For a number of clients, residual value guarantees have been given to a total of EUR 308 million (2013: EUR 270 million).

Credit facilities have been concluded with investments accounted for using the equity method amounting to EUR 395 million (2013: EUR 290 million) of which EUR 297 million (2013: EUR 266 million) is drawn.

## Note 35 - Related parties

### Identity of related parties

Related parties and enterprises, as defined by IAS 24, are parties and enterprises which can be influenced by the Company or which can influence the Company. Global Mobility Holding B.V. is shareholder of the Company. The business relations between the two companies and its indirect shareholders are handled on normal market terms. No transactions occurred in 2014 and 2013.

The Group purchases cars and trucks manufactured by the Volkswagen Group. These purchases are entered into in the ordinary course of business and are handled on normal market conditions. These cars and trucks are not directly obtained from the Volkswagen Group but indirectly through importers and dealers in these brands and are sold based on the price lists and terms that would be available to third parties.

In December 2012 the Company renewed a EUR 1.25 billion credit facility from Volkswagen A.G. through its subsidiary Volkswagen International Luxemburg S.A. for a period of 3 years ending December 2015. No amounts were drawn under this facility in 2014 and 2013.

All business relations with investments accounted for using the equity method are in the ordinary course of business and handled on normal market terms. An amount of EUR 297 million (2013: EUR 266 million) is provided as loans to investments accounted for using the equity method (reference is made to note 20). The interest income recognised by the Group on these funding transactions amounts to EUR 10.3 million (2013 EUR 9.6 million). Furthermore, the Group charged a service fee amounting to EUR 1.0 million (2013: EUR 0.5 million) to the investments accounted for using the equity method.

### Transactions with key management personnel

Key management personnel are considered to be the Managing Board and the Senior Vice-Presidents.

In addition to their salaries, the Group also provides non-cash benefits to key management and contributes to post-employment defined benefit and defined contribution plans on their behalf.

## Note 35 - Related parties (continued)

The key management personnel compensations are as follows:

	2014	2013
Fixed remuneration	5,214	4,966
Other short-term employee benefits	1,841	1,282
Post-employment benefits	1,261	1,414
Other long-term employee benefits	3,030	2,304
<b>Total</b>	<b>11,346</b>	<b>9,966</b>

The increase in the other short-term and long-term employee benefits in 2014 is mainly caused by higher variable remuneration as a consequence of the increase of the Managing Board by one member and the fact that the Managing Board is entitled to variable remuneration since the date of repayment (May 2014) of the last remaining outstanding bond raised under the Credit Guarantee Scheme of the State of the Netherlands (reference is made to note 32).

In addition, the increase in other long-term employee benefits is further caused by a revaluation of the phantom share units (PSUs) granted in February 2011, 2012 and 2013 to the February 2015 PSU valuation.

In both 2014 and 2013 there were no termination benefits.

The compensations are distributed as follows:

	2014	2013
Managing Board	4,060	2,789
Senior Vice-Presidents	7,286	7,177
<b>Total</b>	<b>11,346</b>	<b>9,966</b>

The total remuneration is included in the caption 'Staff expenses' (reference is made to note 8). The remuneration of the Managing Board is further disclosed in note 15 of the Company financial statements.

The Group has not granted any loans, guarantees or advances to the members of the Managing Board.

## Remuneration of the members of the Supervisory Board

Ada van der Veer-Vergeer is the only Supervisory Board member compensated by LeasePlan for the tasks and responsibilities as a member of the Supervisory Board. The total expenses for the Group amounted to EUR 60 thousand for 2014 (2013: EUR 60 thousand). Neither the company nor any of its Group companies has granted any loans, guarantees or advances to the members of the Supervisory Board.

## Note 36 - Contingent assets and liabilities

As at year-end 2014, guarantees had been provided on behalf of the consolidated subsidiaries in respect of commitments entered into by those companies with an equivalent value of EUR 2.5 billion (2013: EUR 3.1 billion). The Company charges a guarantee fee to the respective subsidiaries based on normal market terms.

The probability of any inflow of economic benefits arising from the contingent assets is difficult to estimate and remote. Accordingly no asset is recognised in the balance sheet.

## **Note 37 - Events occurring after balance sheet date**

### **LeasePlan Turkey**

On 5 November 2014 the Group signed an agreement to acquire the 49% stake Doğuş Group holds in LPD Holding A.S, the holding company of LeasePlan Turkey. Following the purchase of Doğuş' 49% shareholding, the Group will have full ownership of LeasePlan Turkey. Turkey is considered an attractive growth market and by having full control the Group can independently pursue future business opportunities in the Turkish market. The transaction was completed on 16 February 2015, and involved a purchase consideration of EUR 30.6 million. The Group has not finalised the purchase price allocation and therefore the initial accounting for this business combination is incomplete. The Group is in the process of determining the fair value of the previously held interest and the fair value of the consideration given for the controlling interest. Consequently, the Group is not able to determine to what level this business combination will result in goodwill.

### **Status ownership of LeasePlan**

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

## List of principal consolidated participating interests

Pursuant to Article 379, Part 9, Book 2, of the Dutch Civil Code a full list of Group companies and investments accounted for using the equity method complying with the relevant statutory requirements has been filed with the Chamber of Commerce of Gooi-, Eem- en Flevoland. Unless stated otherwise, the percentage interest is 100% or nearly 100%.

Principal subsidiaries, which are fully included in the consolidated financial statements, are:

LeasePlan Australia Limited, Australia  
LeasePlan Brasil Ltda., Brazil  
LeasePlan Česká republika s.r.o., Czech Republic  
LeasePlan Danmark A/S, Denmark  
LeasePlan Deutschland GmbH, Germany  
LeasePlan Finland Oy, Finland  
LeasePlan Fleet Management N.V., Belgium  
LeasePlan Fleet Management (Polská) Sp. z.o.o., Poland  
LeasePlan Fleet Management Services Ireland Limited, Ireland  
LeasePlan France S.A.S., France  
LeasePlan Hellas S.A., Greece  
LeasePlan Hungária Gépjárműpark Kezelő és Finanszírozó Zártkörű Részvénytársaság, Hungary  
LeasePlan India Private Limited, India  
LeasePlan Italia S.p.A., Italy  
LeasePlan Luxembourg S.A., Luxembourg  
LeasePlan México S.A. de C.V., Mexico  
LeasePlan Nederland N.V., the Netherlands  
LeasePlan New Zealand Limited, New Zealand  
LeasePlan Norge A/S, Norway  
LeasePlan Österreich Fuhrparkmanagement GmbH, Austria  
LeasePlan Portugal Comércio e Aluguer de Automóveis e Equipamentos Unipessoal Lda., Portugal  
LeasePlan Romania SRL, Romania  
LeasePlan Rus LLC, Russia  
LeasePlan (Schweiz) AG, Switzerland  
LeasePlan Servicios S.A., Spain  
LeasePlan Slovakia s.r.o., Slovakia  
LeasePlan Sverige AB, Sweden  
LeasePlan UK Limited, United Kingdom  
LeasePlan USA, Inc., USA

Euro Insurances Limited, Ireland  
Globalines Reinsurance Limited, United Kingdom  
LeasePlan Finance N.V., the Netherlands  
LeasePlan Information Services Limited., Ireland  
LeasePlan International B.V., the Netherlands  
LeasePlan Supply Services AG, Switzerland  
Mobility Mixx B.V., the Netherlands  
Travelcard Nederland B.V., the Netherlands

All holdings are in the ordinary share capital of the undertaking concerned and are unchanged from 2013.

Special purpose companies with no shareholding by the Group are:

Bumper France FCT, France  
Bumper DE S.A., Luxembourg  
Bumper Car Sales GmbH, Germany  
Bumper 2 S.A., Luxembourg

Bumper 5 Finance Plc, United Kingdom  
Bumper 6 (NL) Finance B.V., the Netherlands  
Bumper NL B.V., the Netherlands

Principal investments accounted for using the equity method in the consolidated financial statements are:

LeasePlan Emirates Fleet Management—LeasePlan Emirates LLC, United Arab Emirates (49%)  
LPD Holding A.Ş, Turkey (51%)  
Exelease N.V., Belgium (51%)  
Overlease S.r.L., Italy (51%)  
Please S.C.S., France (99.3%)  
Flottenmanagement GmbH, Austria (49%)  
Terberg Leasing B.V., the Netherlands (24%)

The net equity accounting treatment is based on whether the company has significant influence or joint control. In the situations where the Group has a majority shareholding in the companies listed above these companies still qualify as jointly controlled entities as the Group has contractually agreed to sharing of control whereby the strategic and operating decisions relating to the company require the unanimous consent of the parties sharing control.

Pursuant to the provisions of Article 403 f, Part 9, Book 2, of the Dutch Civil Code, a declaration of joint and several liability with respect to the financial obligations of the majority of the participating interests in the Netherlands is filed. Such declaration is filed for the following participating interests.

AALH Participaties B.V.  
Accident Management Services B.V.  
Energie LeasePlan B.V.  
Firenta B.V.  
Lease Beheer N.V.  
Lease Beheer Holding B.V.  
Lease Beheer Vastgoed B.V.  
LeasePlan Finance N.V.  
LeasePlan International B.V.  
LeasePlan Nederland N.V.  
LPC Auto Lease B.V.  
Mobility Mixx B.V.  
Transport Plan B.V.  
Travelcard Nederland B.V.

## Balance sheet of the company for the year ended 31 December (before profit appropriation)

In thousands of euros	Note	2014	2013
<b>Assets</b>			
Cash and balances with central banks .....	2	957,918	978,732
Amounts due from banks .....	3	812,850	923,112
Financial assets held-to-maturity .....	4	682,243	477,513
Loans to group companies .....	5	9,024,848	8,544,301
Loans to jointly controlled entities .....	6	288,355	248,926
Investments in subsidiaries .....	5	2,454,659	2,211,999
Investments in jointly controlled entities .....	6	39,555	32,099
Other assets .....	7	309,392	344,502
Intangible assets .....	8	709	974
<b>Total assets</b> .....		<b>14,570,529</b>	<b>13,762,158</b>
<b>Equity</b>			
Share capital .....		71,586	71,586
Share premium .....		506,398	506,398
Legal reserves .....		440,810	372,235
Other reserves .....		(13,178)	(42,578)
Retained earnings .....		1,465,339	1,347,467
Profit for the year .....		371,971	326,447
<b>Shareholders' equity</b> .....	9	<b>2,842,926</b>	<b>2,581,555</b>
<b>Liabilities</b>			
Amounts due to banks .....	10	94,986	118,485
Funds entrusted .....	11	4,284,094	4,167,513
Debt securities issued .....	12	5,699,776	5,309,589
Other liabilities .....	13	1,648,747	1,585,016
<b>Total liabilities</b> .....		<b>11,727,603</b>	<b>11,180,603</b>
<b>Total equity and liabilities</b> .....		<b>14,570,529</b>	<b>13,762,158</b>

## Income statement of the company

In thousands of euros	Note	2014	2013
Result from subsidiaries after taxation .....	5	374,289	329,852
Other results after taxation .....		(2,318)	(3,405)
<b>Profit for the year</b> .....		<b>371,971</b>	<b>326,447</b>



# Notes to the company financial statements

All amounts are in thousands of euros, unless stated otherwise

## Note 1 - General

For certain notes to the Company's balance sheet, reference is made to the notes to the consolidated balance.

The Company's financial statements are prepared pursuant to the provisions in Part 9, Book 2, of the Dutch Civil Code, by applying the accounting policies used in the consolidated financial statements under IFRSs pursuant to the provisions of Article 362 sub 8, Part 9, Book 2, of the Dutch Civil Code.

The income statement in the Company's financial statements has been presented in abridged form pursuant to the provisions of Article 402, Part 9, Book 2, of the Dutch Civil Code.

Under reference to Article 362 sub 8, Part 9, Book 2 of the Dutch Civil Code, the investments accounted for using the equity method are measured and valued in accordance with the same IFRSs accounting standards as adopted in the consolidated financial statements of the Company.

The accounting policies set out before in preparing the consolidated financial statements for the year ended 31 December 2014 and the consolidated financial statements for the year ended 31 December 2013 are also applied in the Company's financial statements, with the exception of the valuation of investments in subsidiaries.

### Investments in subsidiaries and in investments accounted for using the equity method

The investments in subsidiaries that are not classified as held-for-sale are accounted for in accordance with the net value of assets and liabilities, based upon accounting policies used in the consolidated financial statements.

When the Group's share of losses exceeds its interest in a subsidiary, jointly controlled entity or associate, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations, which are expected to result in an outflow of resources, or made payments on behalf of the subsidiary, jointly controlled entity or associate.

## Note 2 - Cash and balances with central banks

The majority of this amount is cash deposited at the Dutch Central Bank of which a part is the mandatory reserve deposit that amount to EUR 47.1 million (2013: EUR 50.1 million) which is not available for use in the Group's day-to-day operations.

## Note 3 - Amounts due from banks

A breakdown of this caption is as follows:

	2014	2013
Call money and cash at banks	143	177
Cash collateral Bumper transactions	—	3,255
Cash collateral derivative financial instruments	37,730	60,930
Deposits with banks	774,977	858,750
<b>Balance as at 31 December</b>	<b>812,850</b>	<b>923,112</b>

## Note 4 - Financial assets held-to-maturity

This caption includes investments in bonds resulting from securitisation programmes concluded by the Group. The following securitisation transactions were initiated by the Group:

Programme	Originator	Special purpose company	Currency	Transaction
Bumper 2	LeasePlan Deutschland GmbH	Bumper 2 S.A.	EUR	875,600
Bumper 4*	LeasePlan Nederland N.V.	Bumper 4 (NL) Finance B.V.	EUR	1,019,681
Bumper 5	LeasePlan UK Ltd.	Bumper 5 Finance Plc	GBP	837,714
Bumper CARS NL*	LeasePlan Nederland N.V.	Bumper CARS NL B.V.	EUR	694,444
Bumper France	LeasePlan France S.A.S.	Bumper France FCT	EUR	799,215
Bumper DE	LeasePlan Deutschland GmbH	Bumper DE S.A.	EUR	623,762
Bumper 6	LeasePlan Nederland N.V.	Bumper 6 (NL) Finance B.V.	EUR	715,000
Bumper NL	LeasePlan Nederland N.V.	Bumper NL B.V.	EUR	333,000

\* Unwound in 2014

These transactions involve the sale of future lease instalment receivables and related residual value receivables originated by various LeasePlan subsidiaries to special purpose companies. Debt securities were issued by most of these special purpose companies to finance these transactions. The special purpose companies are responsible for making interest and principal payments to the note-holders. The note-holders do not have recourse on the Company or other Group companies in case of non-performance or default by the special purpose companies. The Group has deposited cash collateral for these securitisation transactions, reference is made to note 13 of the consolidated financial statements of the Company. The higher rated notes are sold to external investors and the other (non-rated) notes are bought by the Company.

The Bumper notes bought by the Company are as follows:

	2014	2013
Bumper 2 . . . . .	225,900	225,900
Bumper 5 . . . . .	269,214	251,613
Bumper DE . . . . .	187,129	—
<b>Total . . . . .</b>	<b>682,243</b>	<b>477,513</b>

### Bumper 2

LeasePlan completed an asset backed securitisation transaction named Bumper 2 in March 2008. Future lease instalment receivables and related residual value receivables for a total amount of EUR 875.6 million originated by LeasePlan Deutschland GmbH (the "originator") were sold to Bumper 2 S.A., a company incorporated for the purpose of securitisation transactions under the laws of Luxembourg. Debt securities were issued by Bumper 2 S.A. to finance this transaction. The residual value receivables are created through the expectancy rights purchaser (ERP), Bumper Car Sales GmbH, a German special purpose company that purchased the expectancy rights which the originator has against the issuer. The ERP in turn contracted with the originator to pay the vehicle realisation proceeds as the purchase price for the expectancy rights. These claims the originator has against the ERP were sold to the issuer. The originator must pay the contractually residual value at the end of the lease contract to the ERP.

In 2008 Bumper 2 S.A. issued under this securitisation transaction debt securities with a final legal term of 15 years and a revolving period of five years, after which redemption takes place. Bumper 2 S.A. and Bumper Car Sales GmbH are special purpose companies and are included in the consolidated financial statements of the Company. The debt securities issued in March 2008 were divided into A-notes (EUR 663.3 million), B-notes (EUR 74.4 million) and C-notes (EUR 137.9 million).

#### **Note 4 - Financial assets held-to-maturity (continued)**

The notes were listed on the Irish Stock Exchange. The transaction was assessed by Standard & Poor's resulting in an AAA-rating for the A-notes and an A-rating for the B-notes.

In March 2011 the Company restructured the Bumper 2 whereby Bumper 2 S.A. repurchased all Bumper 2 notes issued in 2008 and issued new notes. The debt securities issued in March 2011 are divided into A-notes (EUR 602.4 million), B-notes (EUR 47.3 million) and C-notes (EUR 225.9 million) which are listed on the Irish Stock Exchange. The transaction was assessed by Standard & Poor's and Fitch Ratings, resulting in an AAA-rating for the A-notes and AA-rating for the B-notes. The final legal term and the revolving period, after which redemptions take place are unchanged. During and after the restructuring process the Company successfully sold the A-notes and B-notes to external investors, the C-notes are held by the Company. The interest payable on the notes on a monthly basis is equal to one-month Euribor plus a mark-up. The C-notes are subordinate to the B-notes and the B-notes are subordinate to the A-notes.

##### **Bumper 4**

The Bumper 4 transaction was completed in April 2011 whereby EUR 1,019.6 million of future lease instalment receivables and associated residual value receivables originated by LeasePlan Nederland N.V. (the "originator") were sold to Bumper 4 (NL) Finance B.V., a special purpose company specially incorporated for the purpose of securitisation transactions under the laws of the Netherlands. Debt securities issued by Bumper 4 (NL) Finance B.V. and a subordinated loan received from the Company were used to finance this transaction. The title to the underlying objects was retained by the originator.

The notes issued under this securitisation transaction had a final legal term of 15 years and a revolving period of one year. During this revolving period Bumper 4 (NL) Finance B.V. could use available funds to purchase new receivables. Bumper 4 (NL) Finance B.V. was a limited liability company and is included in the consolidated financial statements of the Company up to and including till September 2014.

The debt securities issued in April 2011 were divided into A-notes (EUR 703.5 million), B-notes (EUR 40.7 million) and a subordinated loan of EUR 275.5 million. The notes were listed on Euronext Amsterdam. The transaction was assessed by Standard and Poor's and Moody's, resulting in an AAA-rating (S&P) and an Aaa-rating (Moody's) for the A-notes. The class B-notes were rated AAA by Standard and Poor's and Aa2 by Moody's.

The A-notes and B-notes were sold to external investors. The interest payable on the notes on a monthly basis was equal to one-month Euribor plus a mark-up. The B-notes were subordinate to the A-notes. The loan (EUR 275.5 million) provided by the Company to Bumper 4 (NL) Finance B.V. was subordinate to the A-notes and the B-notes.

In September 2014 the Bumper 4 transaction was unwound.

##### **Bumper 5**

The Bumper 5 transaction was completed in April 2012 whereby GBP 837.7 million of future lease instalment receivables and associated residual value receivables originated by LeasePlan UK Ltd. (the "originator") were sold to Bumper 5 Finance Plc, a limited liability company specially incorporated for the purpose of a securitisation transaction under the laws of England and Wales. Debt securities were issued by Bumper 5 Finance Plc in EUR and GBP to finance this transaction. To hedge the currency risk arising from purchasing GBP receivables and issuing EUR A1-notes Bumper 5 Finance Plc concluded a currency swap. The title to the underlying objects is retained by the originator (except for vehicles under an Employee Car Ownership Scheme).

#### **Note 4 - Financial assets held-to-maturity (continued)**

The notes issued under this securitisation transaction have a final legal term of ten years and a revolving period of nine months. Bumper 5 Finance Plc is a limited liability company, but is included in the consolidated financial statements of the Company.

The debt securities issued in April 2012 are divided into A1-notes (EUR 445.8 million), A2-notes (GBP 212.1 million), B-notes (GBP 46.1 million) and C-notes (GBP 209.5 million). The notes are listed on the Irish Stock Exchange. The transaction was assessed by Standard & Poor's and Fitch Ratings resulting in an AAA-rating for the A-notes and an Aa+ rating by Fitch and an AA+ rating by S&P for the B-notes.

The A-notes and B-notes were sold to external investors, the C-notes are held by the Company. The interest payable on the notes on a monthly basis is equal to one month Euribor plus a mark-up for the EUR notes and one month Libor plus a mark-up for the GBP notes. The C-notes are subordinate to the B-notes and the B-notes are subordinate to the A-notes.

#### **Bumper CARS NL**

The Bumper CARS transaction is a private transaction with two banks and uses a securitisation structure under Dutch law common for operating lease securitisations and closed on 6 December 2012. Bumper CARS NL B.V. entered into a master hire purchase agreement with LeasePlan Nederland N.V. (the "originator"). Based on this agreement Bumper CARS NL B.V. can buy future discounted cash flows of lease receivables and residual values from the originator. As per 31 December 2013 future discounted cash flows amounting to EUR 694 million were transferred from the originator to Bumper CARS NL B.V. With this transaction Bumper CARS NL B.V. concluded an asset backed securitisation warehousing facility with two banks. The volume of this facility is EUR 500 million and is fully drawn in 2014 (31 December 2013: EUR 480 million). The committed facility is rated AAA by DBRS. Bumper CARS NL B.V. is a special purpose limited liability company incorporated under Dutch law for this transaction and is included in the consolidated financial statements of the Company.

In November 2014 the Bumper CARS NL transaction was unwound and a part of the lease receivables and residual values were transferred to the Bumper 6 transaction, which is described further below.

#### **Bumper France**

The Bumper France transaction was completed in March 2013 whereby EUR 799 million of future lease instalment receivables and associated residual value receivables originated by LeasePlan France S.A.S. (the "originator") were sold to Bumper France FCT, a limited liability company specially incorporated for the purpose of a securitisation transaction under the laws of France. Debt securities were issued by Bumper France FCT in USD and EUR to finance this transaction. To hedge the currency risk arising from purchasing EUR receivables and issuing USD A-notes Bumper France FCT concluded a currency swap. The title to the underlying objects is retained by the originator.

The notes issued under this securitisation transaction have a final legal term of nine years and an initial revolving period of one year, which in 2014 was extended for another year. Bumper France FCT is a limited liability company and is included in the consolidated financial statements of the Company. The debt securities issued in March 2013 are divided into A-notes (USD 733 million), and B-notes (EUR 232 million).

The A-notes were sold to an external investor, the B-notes are held by the Group. The interest payable on the notes on a monthly basis is equal to one month Libor plus a mark-up for the USD notes and a fixed rate for the EUR notes. The B-notes are subordinate to the A-notes.

## **Note 4 - Financial assets held-to-maturity (continued)**

### **Bumper DE**

The Bumper DE transaction is a private transaction and uses a securitisation structure under German law common for operating and finance lease securitisations and closed on 9 April 2014. As per 31 December 2014 future discounted cash flows amounting to EUR 624 million were transferred from LeasePlan Deutschland GmbH (the "originator") to Bumper DE S.A. With this transaction Bumper DE S.A. concluded an asset backed securitisation warehousing facility with one bank. The volume of this facility is EUR 500 million and EUR 437 million was drawn as per 31 December 2014.

Bumper DE S.A. issued class A notes (senior loans being 70% of the total portfolio) for an amount of EUR 437 million which were bought by one bank and class B notes (junior loans being 30% of the total portfolio) for an amount of EUR 187 million, which were bought by the Company. The notes have a revolving period of two years.

Bumper DE S.A. is a special purpose limited liability company incorporated under the laws of Luxembourg for this transaction and is included in the consolidated financial statements of the Company.

### **Bumper 6**

The Bumper 6 transaction was completed in November 2014 whereby EUR 715 million of future lease instalment receivables and associated residual value receivables originated by LeasePlan Nederland N.V. (the "originator") were sold to Bumper 6 (NL) Finance B.V., a special purpose company specially incorporated for the purpose of securitisation transactions under the laws of the Netherlands. Debt securities issued by Bumper 6 (NL) Finance B.V. and a subordinated loan received from the Company are used to finance this transaction. The title to the underlying objects is retained by the originator.

The notes issued under this securitisation transaction have a final legal term of 15 years and a revolving period of one year. During this revolving period Bumper 6 (NL) Finance B.V. can use available funds to purchase new receivables. Bumper 6 (NL) Finance B.V. is a limited liability company and is included in the consolidated financial statements of the Company.

The debt securities issued in November 2014 are divided into class A-notes (EUR 501 million), class B-notes (EUR 36 million) and a subordinated loan of EUR 178 million. The notes are listed on Euronext Amsterdam. The transaction is assessed by Standard and Poor's, Moody's and DBRS, resulting in an AAA-rating (S&P and DBRS), and an Aaa-rating (Moody's) for the class A-notes. The class B-notes are rated AAA (S&P), Aa2 (Moody's), and AA high (DBRS).

The class A-notes and class B-notes were sold to external investors. The interest payable on the notes on a monthly basis is equal to one-month Euribor plus a mark-up. The class B-notes are subordinate to the class A-notes. The loan (EUR 178 million) provided by the Company to Bumper 6 (NL) Finance B.V. is subordinate to the class A-notes and the class B-notes.

### **Bumper NL**

The Bumper NL transaction is a private transaction and uses a securitisation structure under Dutch law common for operating lease securitisations and closed December 2014. Bumper NL B.V. entered into a master hire purchase agreement with LeasePlan Nederland N.V. (the "originator"). Based on this agreement Bumper NL B.V. can buy future discounted cash flows of lease receivables and residual values from the originator. As per 31 December 2014 future discounted cash flows amounting to EUR 333 million were transferred from the originator to Bumper NL B.V. With this transaction Bumper NL B.V. concluded an asset backed securitisation warehousing facility with one bank. The volume of this facility is EUR 250 million and is fully drawn as per 31 December 2014. The committed facility is rated AAA by DBRS. Bumper NL B.V. is

#### Note 4 - Financial assets held-to-maturity (continued)

a special purpose limited liability company incorporated under Dutch law for this transaction and is included in the consolidated financial statements of the Company.

#### Note 5 - Investments in and loans to subsidiaries

Movements in investments in Group companies are as follows:

	2014	2013
<b>Balance as at 1 January</b> .....	<b>2,211,999</b>	<b>2,175,887</b>
Purchase and increase .....	121,000	29,403
Equity deductions .....	(273,975)	(273,358)
Result of the year .....	374,289	329,852
Direct changes in equity .....	(3,029)	2,496
Exchange rate differences .....	24,375	(52,281)
<b>Balance as at 31 December</b> .....	<b>2,454,659</b>	<b>2,211,999</b>

The direct changes in equity relate to fair value changes in cash flow hedges.

The maturity analysis on the loans is as follows:

	2014	2013
Three months or less .....	1,609,981	1,532,998
Longer than three months, less than a year .....	2,607,982	2,119,473
Longer than a year, less than five years .....	4,763,421	4,614,657
Longer than five years .....	43,464	277,173
<b>Balance as at 31 December</b> .....	<b>9,024,848</b>	<b>8,544,301</b>

#### Note 6 - Investments in and loans to jointly controlled entities

The investment relates to jointly controlled entities in Turkey and the United Arab Emirates.

Movements in jointly controlled entities are as follows:

	2014	2013
<b>Balance as at 1 January</b> .....	<b>32,099</b>	<b>27,296</b>
Share of results .....	6,962	4,933
Exchange rate differences .....	494	(130)
<b>Balance as at 31 December</b> .....	<b>39,555</b>	<b>32,099</b>

The loans relate to jointly controlled entities of the Company (Turkey and the United Arab Emirates) and of the Group (Belgium and France).

The maturity analysis on the loans is as follows:

	2014	2013
Three months or less .....	68,000	4,187
Longer than three months, less than a year .....	88,314	91,625
Longer than a year, less than five years .....	132,041	153,114
<b>Balance as at 31 December</b> .....	<b>288,355</b>	<b>248,926</b>

The company has entered into loan commitments of EUR 371 million (2013: EUR 267 million) of which EUR 288 million has been drawn at year-end 2014 (2013: EUR 249 million). There are no other material contingent liabilities of the jointly controlled entities.



## Note 7 - Other assets

Besides derivative financial instruments this caption includes a corporate income tax receivable from fiscal authorities and Group companies forming part of the fiscal unity. The Company settles corporate income tax due or receivable on taxable income with its Group companies forming part of the fiscal unity as if these Group companies were responsible for their tax filings on a stand-alone basis.

Derivative financial instruments are carried at fair value and are made up as follows:

	2014	2013
Derivative financial instruments .....	175,973	140,189
Tax receivables .....	8,195	12,948
Other .....	125,224	191,365
<b>Balance as at 31 December .....</b>	<b>309,392</b>	<b>344,502</b>

Derivative financial instruments are carried at fair value and are made up as follows:

	2014			2013		
	Notional amounts	Fair value		Notional amounts	Fair value	
		Assets	Liabilities		Assets	Liabilities
Fair value hedge						
Interest rate swaps .....	3,232,099	90,927	14,689	3,979,159	61,000	27,571
Currency swaps .....	126,303	1,254	8,404	134,986	5	18,270
Cash flow hedge						
Interest rate swaps .....	1,845,000	—	14,396	2,570,558	204	32,533
<b>Total derivatives in hedge ....</b>	<b>5,203,402</b>	<b>92,181</b>	<b>37,489</b>	<b>6,684,703</b>	<b>61,209</b>	<b>78,374</b>
Interest rate swaps .....	15,030,184	46,857	92,099	14,079,078	58,341	71,401
Currency swaps/ currency forwards .....	3,096,411	36,935	40,440	2,365,142	20,639	16,234
<b>Total derivatives not in hedge .....</b>	<b>18,126,595</b>	<b>83,792</b>	<b>132,539</b>	<b>16,444,220</b>	<b>78,980</b>	<b>87,635</b>
<b>Total .....</b>	<b>23,329,997</b>	<b>175,973</b>	<b>170,028</b>	<b>23,128,923</b>	<b>140,189</b>	<b>166,009</b>

The fair value is based on the price including accrued interest (dirty price).

The unrealised gains/(losses) on financial instruments recognised in the income statement breaks down as follows:

	2014	2013
Derivatives not in hedges .....	(31,354)	382
Derivatives in fair value hedges .....	56,932	(66,536)
Derivatives in cash flow hedges (ineffectiveness) .....	(48)	35
	<b>25,530</b>	<b>(66,119)</b>
Financial liabilities used in fair value hedges .....	(54,730)	63,500
<b>Unrealised gains/(losses) on financial instruments .....</b>	<b>(29,200)</b>	<b>(2,619)</b>

## Note 8 - Intangible assets

	Purchased software	
	2014	2013
Cost .....	3,510	2,632
Accumulated depreciation and impairment .....	(2,536)	(2,284)
<b>Carrying amount as at 1 January .....</b>	<b>974</b>	<b>348</b>
<b>Carrying amount as at 1 January .....</b>	<b>974</b>	<b>348</b>
Purchases .....	157	878
Depreciation .....	(422)	(252)
<b>Carrying amount as at 31 December .....</b>	<b>709</b>	<b>974</b>
Cost .....	3,667	3,510
Accumulated depreciation and impairment .....	(2,958)	(2,536)
<b>Carrying amount as at 31 December .....</b>	<b>709</b>	<b>974</b>

The purchased software relates to a banking system for LeasePlan Bank.

## Note 9 - Shareholders' equity

### Share capital

As at 31 December 2014, the authorised capital amounted to EUR 250 million (2013: EUR 250 million), divided into 250,000,000 ordinary shares with a nominal value of EUR 1.00 each, of which EUR 71.6 million is issued and paid up. There were no movements in the issued and paid up capital in 2014 and 2013.

The movement in shareholders' equity is as follows:

	Share capital	Share premium	Reserves			Profit for the year	Shareholders' equity
			Legal reserves	Other reserves	Retained earnings		
<b>Balance as at 1 January 2013 ...</b>	<b>71,586</b>	<b>506,398</b>	<b>424,518</b>	<b>(13,239)</b>	<b>1,156,868</b>	<b>241,300</b>	<b>2,387,431</b>
Profit for the year .....						326,447	326,447
Other comprehensive income ...				(31,823)			(31,823)
Settlement pension plan .....				2,484	(2,484)		
<b>Total comprehensive income ...</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(29,339)</b>	<b>(2,484)</b>	<b>326,447</b>	<b>294,624</b>
Transfer from/to .....			(52,283)		52,283		
Appropriation of result .....					241,300	(241,300)	
Dividend .....					(100,500)		(100,500)
<b>Balance as at 31 December</b>							
<b>2013 .....</b>	<b>71,586</b>	<b>506,398</b>	<b>372,235</b>	<b>(42,578)</b>	<b>1,347,467</b>	<b>326,447</b>	<b>2,581,555</b>
Profit for the year .....						371,971	371,971
Other comprehensive income ...				29,400			29,400
<b>Total comprehensive income ...</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>29,400</b>	<b>—</b>	<b>371,971</b>	<b>401,371</b>
Transfer from/to .....			68,575		(68,575)		
Appropriation of result .....					326,447	(326,447)	
Dividend .....					(140,000)		(140,000)
<b>Balance as at 31 December</b>							
<b>2014 .....</b>	<b>71,586</b>	<b>506,398</b>	<b>440,810</b>	<b>(13,178)</b>	<b>1,465,339</b>	<b>371,971</b>	<b>2,842,926</b>

## Note 9 - Shareholders' equity Share capital (continued)

The share premium reserve is a reserve in which the amount paid in excess of the nominal value is included.

Legal reserves are non-distributable reserves relating to requirements to establish reserves for specific purposes either by the Articles of Association of the Company, Part 9, Book 2, of the Dutch Civil Code and/or by local law.

The legal reserves relate to minimum reserves to be maintained for the non-distributable share in cumulated profits of subsidiaries and investments accounted for using the equity method.

The other comprehensive income comprises the translation reserve, the hedging reserve, the post-employment benefit reserve and the share of other comprehensive income in investments accounted for using the equity method. The translation reserve comprises all exchange rate differences arising from the translation of the financial statements of foreign operations that are not integral to the operations of the Company as of 1 January 2004. No translation differences related to discontinued operations are recycled to the income statement (2013: nil). The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred and that prove to be highly effective in relation to the hedged risk. The movement in cash flow hedges is disclosed in the consolidated statement of comprehensive income. The post-employment benefit reserve comprises the actuarial gains and losses recognised on defined benefit post-employment plans.

The legal reserves and other comprehensive income are non-distributable reserves of the Company pursuant to the provisions of Part 9, Book 2, of the Dutch Civil Code.

There are no statutory reserves prescribed in the Articles of Association of the Company.

## Note 10 - Amounts due to banks

This caption includes amounts owed to credit institutions under government supervision.

The maturity of these loans is as follows:

	2014	2013
Three months or less	57,328	26,469
Longer than three months, less than a year	31,658	52,550
Longer than a year, less than five years	6,000	39,466
<b>Balance as at 31 December</b>	<b>94,986</b>	<b>118,485</b>

Amounts due to banks include an outstanding balance of EUR 1.6 million (2013: EUR 1.4 million) which is non-euro currency denominated as at 31 December. The remainder of the amounts due to banks is denominated in euro.

## Note 11 - Funds entrusted

The maturity analysis of funds entrusted is as follows:

	2014	2013
Three months or less	2,481,555	2,535,136
Longer than three months, less than a year	1,201,451	1,134,600
Longer than a year, less than five years	601,088	497,777
Longer than five years	—	—
<b>Balance as at 31 December</b>	<b>4,284,094</b>	<b>4,167,513</b>

### Note 11 - Funds entrusted (continued)

This caption mainly includes savings deposits raised by LeasePlan Bank amounting to EUR 4.281 billion (2013: EUR 4.165 billion) of which 60.1% (2013: 54.7%) is deposited for a fixed term. LeasePlan Bank is the brand name under which savings deposits are raised by LeasePlan Corporation N.V. which holds a universal banking licence in the Netherlands.

The average interest rates on the outstanding balances of the savings deposits in original maturity terms are as follows:

	2014	2013
On demand .....	1.60%	1.96%
A year or less .....	2.03%	2.30%
Longer than a year, less than or equal to two years .....	2.26%	2.75%
Longer than two years .....	3.50%	3.69%

The interest rate of the on demand accounts is set on a monthly basis.

The funds entrusted are fully denominated in euro as at 31 December 2014 and 2013.

### Note 12 - Debt securities issued

This caption includes negotiable, interest-bearing securities, other than those of a subordinated nature. The debt securities issued include a number of bonds, which were raised under the Credit Guarantee Scheme of the State of the Netherlands.

In May 2014 the remaining outstanding bond raised under this scheme was repaid. Reference is made to note 32 of the consolidated financial statements of the Company.

	2014	2013
Bonds and notes .....	5,638,341	5,267,961
Bonds and notes—fair value adjustment on hedged risk .....	61,435	6,706
Commercial Paper .....	—	34,922
<b>Balance as at 31 December .....</b>	<b>5,699,776</b>	<b>5,309,589</b>

	2014	2013
Bonds and notes .....	2.5%	3.0%
Commercial Paper .....	—	0.5%
<b>Average interest rate .....</b>	<b>2.5%</b>	<b>3.0%</b>

The maturity analysis of the debt securities issued is as follows:

	2014	2013
Three months or less .....	565,480	22,912
Longer than three months, less than a year .....	755,910	1,227,632
Longer than a year, less than five years .....	3,928,529	3,281,192
Longer than five years .....	449,857	777,853
<b>Balance as at 31 December .....</b>	<b>5,699,776</b>	<b>5,309,589</b>

The debt securities include an outstanding balance of EUR 2.0 billion (2013: EUR 1.7 billion) which is non-euro currency denominated as at 31 December. The remainder of the debt securities is denominated in euro.

## Note 13 - Other liabilities

	2014	2013
Loans from Group companies	1,324,338	1,245,097
Amounts payable to Group companies	52,246	50,180
Derivative financial instruments	170,028	166,009
Other accruals and other deferred income	99,029	117,568
Corporate income tax payable	3,106	6,162
<b>Balance as at 31 December</b>	<b>1,648,747</b>	<b>1,585,016</b>

For derivative financial instruments reference is made to the table in note 7.

The maturity analysis of the loans from Group companies is as follows:

	2014	2013
Three months or less	122,459	81,683
Longer than three months, less than a year	—	837,933
Longer than a year, less than five years	1,201,879	50,000
Longer than five years	—	275,481
<b>Balance as at 31 December</b>	<b>1,324,338</b>	<b>1,245,097</b>

## Note 14 - Staff

The Company does not directly employ any staff.

## Note 15 - Managing Board remuneration

In addition to their salaries, the Group also provides non-cash benefits to the Managing Board and contributes to post-employment defined contribution plans on their behalf. The Managing Board is also the statutory board of the Company. In 2013 in compliance with the Bonus Prohibition Act no variable remuneration is rewarded or paid to the Managing Board during the term of the Bonus Prohibition Act. Since the date of repayment (May 2014) of the last remaining outstanding bond raised under the Credit Guarantee Scheme of the State of the Netherlands the Managing Board is entitled to variable remuneration (reference is made to note 35 of the consolidated financial statements of the Company).

The statutory board remuneration is as follows:

	2014	2013
Fixed remuneration	2,114	1,864
Other short-term employee benefits	651	194
Post-employment benefits	548	731
Other long-term employee benefits	747	—
<b>Total</b>	<b>4,060</b>	<b>2,789</b>

The increase in the fixed remuneration and in other short-term and long-term employee benefits in 2014 is mainly caused by higher remuneration as a consequence of the increase of the Managing Board by one member and the fact that the Managing Board is entitled to variable remuneration since the date of repayment (May 2014) of the last remaining outstanding bond raised under the Credit Guarantee Scheme of the State of the Netherlands (reference is made to note 35 of the consolidated financial statements of the Company).

In both 2014 and 2013 there were no termination benefits. The Dutch crisis levy ('crisishheffing') in relation to the Managing Board remuneration amounted to EUR 148 thousand in 2013 is not included in the table above and is no longer applicable in 2014. The Group has not granted any loans, guarantees or advances to members of the Managing Board.

## Note 15 - Managing Board remuneration (continued)

### Remuneration of the members of the Supervisory Board

Ada van der Veer-Vergeer is the only Supervisory Board member compensated by LeasePlan for the tasks and responsibilities as a member of the Supervisory Board. The total expenses for the Group amounted to EUR 60 thousand for 2014 (2013: EUR 60 thousand). Neither the company nor any of its Group companies has granted any loans, guarantees or advances to the members of the Supervisory Board.

## Note 16 - Audit fees

The caption 'General and administrative expenses' (reference is made to note 9 in the consolidated financial statements) includes an amount of EUR 5.1 million (2013: EUR 5.3 million) of audit fees for services provided by PricewaterhouseCoopers Accountants N.V. and its network.

			2014	2013
	PwC Accountants N.V.	Other PwC network	Total PwC network	Total PwC network
Audit services . . . . .	816	3,067	3,883	4,026
Audit related services . . . . .	465	520	985	969
Tax advice . . . . .	—	131	131	104
Other (non-audit) services . . . . .	292	174	466	155
<b>Total services . . . . .</b>	<b>1,573</b>	<b>3,892</b>	<b>5,465</b>	<b>5,254</b>

## Note 17 - Commitments

Loan commitments have been concluded with investments accounted for using the equity method amounting to EUR 371 million (2013: EUR 267 million) of which EUR 288 million (2013: EUR 249 million) is drawn (reference is made to note 6).

## Note 18 - Contingent liabilities

Pursuant to the provisions of Article 403 f, Part 9, Book 2, of the Dutch Civil Code, the Company has filed a declaration of joint and several liability with respect to the majority of the subsidiaries in the Netherlands. Abridged financial statements have accordingly been prepared for these subsidiaries.

The Company forms a fiscal unity with a number of Group companies in the Netherlands regarding corporate income tax and VAT. As a result the Company can be held jointly liable for tax returns of those subsidiaries.

As at 31 December 2014, guarantees had been provided on behalf of the consolidated subsidiaries outside the Netherlands. These guarantees had been provided in respect of commitments entered into by those companies and amount to a value of EUR 2.5 billion (2013: EUR 3.1 billion).

Almere, 25 March 2015

### Managing Board

Vahid Daemi, CEO and Chairman  
Guus Stoelinga, CFO  
Sven-Torsten Huster, COO  
Nick Salkeld, CCO

### Supervisory Board

Frank Witter, Chairman  
Michael Klaus, Deputy Chairman  
Albrecht Möhle  
Christian Schlögell  
Ada van der Veer-Vergeer



# Independent auditor's report



## Independent auditor's report

To: the general meeting of LeasePlan Corporation N.V.

### *Report on the financial statements*

We have audited the accompanying financial statements 2013 of LeasePlan Corporation N.V., Amsterdam as set out on pages 57-137. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2013, the consolidated income statement, the consolidated statement of comprehensive income, changes in equity and cash flows for the year then ended and the notes, comprising a summary of significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at 31 December 2013, the company income statement for the year then ended and the notes, comprising a summary of accounting policies and other explanatory information.

### *Managing Board's responsibility*

The Managing Board is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the report of the Managing Board in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Managing Board is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Managing Board, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion with respect to the consolidated financial statements*

In our opinion, the consolidated financial statements give a true and fair view of the financial position of LeasePlan Corporation N.V. as at 31 December 2013, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

In our opinion, the company financial statements give a true and fair view of the financial position of LeasePlan Corporation N.V. as at 31 December 2013, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

***Report on other legal and regulatory requirements***

Pursuant to the legal requirement under Section 2: 393 sub 5a e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the report of the Managing Board, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2: 392 sub 1 at b-h has been annexed. Further we report that the report of the Managing Board, to the extent we can assess, is consistent with the financial statements as required by Section 2: 391 sub 4 of the Dutch Civil Code.

Amsterdam, 25 March 2014  
PricewaterhouseCoopers Accountants N.V.

Original has been signed by E. Hartkamp RA

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\*PwC is the brand under which PricewaterhouseCoopers Accountants N.V. (Chamber of Commerce 34180285), PricewaterhouseCoopers Belastingadviseurs N.V. (Chamber of Commerce 34180284), PricewaterhouseCoopers Advisory N.V. (Chamber of Commerce 34180287), PricewaterhouseCoopers Compliance Services B.V. (Chamber of Commerce 51414406), PricewaterhouseCoopers Pensions, Actuarial & Insurance Services B.V. (Chamber of Commerce 54226368), PricewaterhouseCoopers B.V. (Chamber of Commerce 34180289) and other companies operate and provide services. These services are governed by General Terms and Conditions ('algemene voorwaarden'), which include provisions regarding our liability. Purchases by these companies are governed by General Terms and Conditions of Purchase ('algemene inkoopvoorwaarden'). At [www.pwc.nl](http://www.pwc.nl) more detailed information on these companies is available, including these General Terms and Conditions and the General Terms and Conditions of Purchase, which have also been filed at the Amsterdam Chamber of Commerce.

*The above auditor's report is the original auditor's report that was issued on 25 March 2014 with respect to the financial statements for the period ending 31 December 2013. These financial statements also contained the management report. For purposes of the Offering Memorandum the management report has been omitted. Furthermore the page references in the original auditor's report refer to the financial statements, which page reference compares to pages F-238 to F-338 in this Offering Memorandum.*

## Consolidated income statement for the year ended 31 December

In thousands of euros	Note	2013	2012
Revenues .....	2	7,421,546	7,684,169
Cost of revenues .....	2	6,599,803	6,963,601
<b>Gross profit</b> .....		<b>821,743</b>	<b>720,568</b>
Interest and similar income .....	3	859,327	943,635
Interest expenses and similar charges .....	4	479,668	582,919
<b>Net interest income</b> .....		<b>379,659</b>	<b>360,716</b>
Impairment charges on loans and receivables .....	6	25,083	23,157
<b>Net interest income after impairment charges on loans and receivables</b> .....		<b>354,576</b>	<b>337,559</b>
Unrealised gains/(losses) on financial instruments .....	12	25,716	(3,866)
Other financial gains/(losses) .....	5	(3,995)	(10,139)
<b>Net finance income</b> .....		<b>376,297</b>	<b>323,554</b>
<b>Total operating and net finance income</b> .....		<b>1,198,040</b>	<b>1,044,122</b>
Staff expenses .....	7	472,256	455,165
General and administrative expenses .....	8	256,763	241,933
Depreciation and amortisation .....	9	48,716	45,705
<b>Total operating expenses</b> .....		<b>777,735</b>	<b>742,803</b>
Share of profit of associates and jointly controlled entities .....	18	7,462	11,792
<b>Profit before tax</b> .....		<b>427,767</b>	<b>313,111</b>
Income tax expenses .....	10	101,320	71,811
<b>Profit for the year</b> .....		<b>326,447</b>	<b>241,300</b>
<b>PROFIT ATTRIBUTABLE TO</b>			
Owners of the parent .....		326,447	241,300

*The notes to the Consolidated Financial Statements are an integral part of these statements.*

## Consolidated statement of comprehensive income for the year ended 31 December

In thousands of euros	Note	2013	2012 Restated
<b>COMPREHENSIVE INCOME</b>			
<b>Profit for the year</b> .....		<b>326,447</b>	<b>241,300</b>
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Changes post-employment benefit reserve, before tax .....		(289)	(6,989)
Income tax on post-employment benefit reserve .....		111	2,364
<b>Subtotal changes post-employment benefit reserve, net of income tax</b> .....	10	<b>(178)</b>	<b>(4,625)</b>
<i>Items that may be subsequently reclassified to profit or loss</i>			
Changes in cash flow hedges, before tax .....		58,836	31,032
Cash flow hedges recycled from equity to profit and loss, before tax .....		(30,355)	(35,951)
Income tax on cash flow hedges .....	10	(7,120)	1,223
<b>Subtotal changes in cash flow hedges, net of income tax</b> .....	10	<b>21,361</b>	<b>(3,696)</b>
Exchange rate differences .....	30	(52,894)	9,851
<b>Other comprehensive income, net of income tax</b> .....		<b>(31,711)</b>	<b>1,530</b>
<b>Total comprehensive income for the year</b> .....		<b>294,736</b>	<b>242,830</b>
<b>ATTRIBUTABLE TO</b>			
Owners of the parent .....		294,736	242,830

The notes to the Consolidated Financial Statements are an integral part of these statements.

## Consolidated balance sheet

In thousands of euros	Note	31 December 2013	31 December 2012 Restated	1 January 2012 Restated
<b>ASSETS</b>				
Cash and balances at central banks . . . . .	11	978,774	1,015,429	61,946
Receivables from financial institutions . . .	13	1,439,051	1,186,096	1,870,069
Derivative financial instruments . . . . .	12	120,438	188,920	243,758
Other receivables and prepayments . . . . .	16	586,793	636,959	645,696
Inventories . . . . .	15	202,000	201,448	225,460
Receivables from clients . . . . .	14	2,829,949	3,093,213	2,964,060
Property and equipment under operating lease and rental fleet . . . . .	19	12,226,631	12,419,634	12,194,828
Other property and equipment . . . . .	20	82,696	87,327	80,875
Loans to associates and jointly controlled entities . . . . .	17	258,369	223,689	192,588
Investments in associates and jointly controlled entities . . . . .	18	55,170	48,935	37,760
Intangible assets . . . . .	21	163,752	163,423	169,080
Corporate income tax receivable . . . . .		30,941	48,857	38,112
Deferred tax assets . . . . .	22	154,835	174,001	146,921
		<b>19,129,399</b>	<b>19,487,931</b>	<b>18,871,153</b>
Assets classified as held-for-sale and discontinued operations . . . . .		—	—	5,132
<b>Total assets</b> . . . . .		<b>19,129,399</b>	<b>19,487,931</b>	<b>18,876,285</b>
<b>LIABILITIES</b>				
Trade and other payables and deferred income . . . . .	27	1,945,350	1,888,075	1,927,849
Borrowings from financial institutions . . .	24	2,523,337	1,776,693	1,535,899
Derivative financial instruments . . . . .	12	197,490	226,212	258,216
Funds entrusted . . . . .	25	4,320,156	4,111,419	2,985,400
Debt securities issued . . . . .	26	6,988,740	8,523,227	9,535,928
Provisions . . . . .	28	331,254	323,248	272,599
Corporate income tax payable . . . . .		43,922	39,741	55,285
Deferred tax liabilities . . . . .	22	197,595	211,885	154,764
		<b>16,547,844</b>	<b>17,100,500</b>	<b>16,725,940</b>
Liabilities classified as held-for-sale and discontinued operations . . . . .		—	—	244
<b>Total liabilities</b> . . . . .		<b>16,547,844</b>	<b>17,100,500</b>	<b>16,726,184</b>
<b>EQUITY</b>				
Share capital . . . . .	29	71,586	71,586	71,586
Share premium . . . . .	29	506,398	506,398	506,398
Other comprehensive income . . . . .		(42,466)	(13,239)	(14,762)
Other reserves . . . . .	30	2,046,037	1,822,686	1,586,879
<b>Total equity</b> . . . . .		<b>2,581,555</b>	<b>2,387,431</b>	<b>2,150,101</b>
<b>Total equity and liabilities</b> . . . . .		<b>19,129,399</b>	<b>19,487,931</b>	<b>18,876,285</b>

The notes to the Consolidated Financial Statements are an integral part of these statements.

## Consolidated statement of changes in equity

In thousands of euros	Attributable to the owners of the parent				Total equity
	Share capital	Share premium	Retained earnings	Other comprehensive income	
<b>Balance as at 1 January 2012 (as previously reported)</b> .....	<b>71,586</b>	<b>506,398</b>	<b>1,586,879</b>	<b>(10,979)</b>	<b>2,153,884</b>
Effect of adoption IAS19R .....				(3,783)	(3,783)
<b>Balance as at 1 January 2012 (restated)</b> .....	<b>71,586</b>	<b>506,398</b>	<b>1,586,879</b>	<b>(14,762)</b>	<b>2,150,101</b>
Total comprehensive income .....				1,530	1,530
Transfer from/to .....			7	(7)	—
Profit for the year .....			241,300		241,300
Transactions with owners of the parent—Dividend relating to 2012 ..			(5,500)		(5,500)
<b>Balance as at 31 December 2012 (restated)</b> .....	<b>71,586</b>	<b>506,398</b>	<b>1,822,686</b>	<b>(13,239)</b>	<b>2,387,431</b>
Total comprehensive income .....				(31,711)	(31,711)
Transfer from/to .....			(2,484)	2,484	—
Profit for the year .....			326,447		326,447
Post-employment plans in associates ..			(112)		(112)
Transactions with owners of the parent—Dividend relating to 2012 ..			(94,500)		(94,500)
Transactions with owners of the parent—Dividend relating to 2013 ..			(6,000)		(6,000)
<b>Balance as at 31 December 2013</b> .....	<b>71,586</b>	<b>506,398</b>	<b>2,046,037</b>	<b>(42,466)</b>	<b>2,581,555</b>

## Other comprehensive income

In thousands of euros	Translation reserve	Post employment benefit reserve	Hedging reserve	Total
<b>Balance as at 1 January 2012 (as previously reported)</b> .....	<b>21,988</b>	<b>—</b>	<b>(32,967)</b>	<b>(10,979)</b>
Effect of adoption IAS19R .....		(5,272)		(5,272)
Related income tax .....		1,489		1,489
<b>Balance as at 1 January 2012 (restated)</b> .....	<b>21,988</b>	<b>(3,783)</b>	<b>(32,967)</b>	<b>(14,762)</b>
Gains/(losses) arising during the period .....	9,851	(6,989)	(4,919)	(2,057)
Related income tax .....		2,364	1,223	3,587
Transfer to other reserves .....			(7)	(7)
<b>Balance as at 31 December 2012 (restated)</b> .....	<b>31,839</b>	<b>(8,408)</b>	<b>(36,670)</b>	<b>(13,239)</b>
Gains/(losses) arising during the period .....	(52,894)	(289)	28,481	(24,702)
Related income tax .....		111	(7,120)	(7,009)
Transfer to other reserves .....		2,484		2,484
<b>Balance as at 31 December 2013</b> .....	<b>(21,055)</b>	<b>(6,102)</b>	<b>(15,309)</b>	<b>(42,466)</b>

The notes to the Consolidated Financial Statements are an integral part of these statements.



## Consolidated statement of cash flows for the year ended 31 December

In thousands of euros	Note	2013	2012 Restated
<b>OPERATING ACTIVITIES</b>			
Profit before tax .....		427,767	313,111
Adjustments			
Interest income .....	3	(859,327)	(943,635)
Interest expense .....	4	479,668	582,919
Impairment on receivables .....	6	25,083	23,157
Bargain purchase gain .....	23	(4,016)	—
Valuation allowance on inventory .....	15	(10,000)	(9,700)
Depreciation operating lease portfolio and rental fleet .....	19	2,814,015	2,774,235
Depreciation other property and equipment .....	20	24,096	23,583
Amortisation and impairment intangible assets .....	21	24,620	22,122
Investment income, share of profit and impairments of associates and joint ventures .....	18	(7,462)	(11,792)
Financial instruments at fair value through profit and loss .....	12	(25,716)	3,866
Changes in			
Increase/(decrease) provisions .....		4,426	43,659
Derivative financial instruments .....		86,837	15,272
Increase/(decrease) trade and other payables and other receivables .....		152,684	(75,643)
(Increase)/decrease inventories .....	15	184,130	207,431
Amounts received for disposal of objects under operating lease .....	19	1,749,087	1,989,906
Amounts paid for acquisition of objects under operating lease .....	19	(4,542,590)	(5,059,022)
Acquired new finance leases and other increases of receivables from clients .....		(896,946)	(708,557)
Repayment finance leases .....		1,194,252	581,375
<b>Cash generated from operations .....</b>		<b>820,608</b>	<b>(227,713)</b>
Interest paid .....		(524,073)	(568,572)
Interest received .....		860,804	944,780
Income taxes paid .....		(88,655)	(70,020)
Income taxes received .....		18,680	8,309
<b>Net cash inflow/(outflow) from operating activities .....</b>		<b>1,087,364</b>	<b>86,784</b>
<b>INVESTING ACTIVITIES</b>			
Proceeds from sale of other property and equipment .....	20	8,763	13,188
Acquisition of subsidiary, net of cash acquired .....	23	(26,701)	—
Acquisition of other property and equipment .....	20	(30,484)	(43,169)
Acquisition of intangible assets .....	21	(20,674)	(18,372)
Divestments of intangible assets .....	21	159	2,207
Capital (increase)/decrease in associates and jointly controlled entities .....	18	—	(754)
Redemption on loans/(loans provided) to associates and jointly controlled entities .....	17	(34,680)	(31,101)
Dividend received from associates and jointly controlled entities .....	18	960	1,371
(Increase)/decrease in held-for-sale investments .....		—	4,888
<b>Net cash inflow/(outflow) from investing activities .....</b>		<b>(102,657)</b>	<b>(71,742)</b>
<b>FINANCING ACTIVITIES</b>			
Receipt of receivables from financial institutions .....		4,425,588	7,368,028
Balances deposited to financial institutions .....		(4,887,393)	(7,278,992)
Receipt of borrowings from financial institutions .....		5,325,529	5,765,466
Repayment of borrowings from financial institutions .....		(4,609,641)	(5,652,519)
Receipt of funds entrusted .....		264,706	1,228,757
Repayment of funds entrusted .....		(55,970)	(102,737)
Receipt of debt securities .....		2,958,378	6,334,217
Repayment of debt securities .....		(4,492,866)	(7,346,917)
Dividends paid to Company's shareholders .....		(100,500)	(5,500)
<b>Net cash inflow/(outflow) from financing activities .....</b>		<b>(1,172,169)</b>	<b>309,803</b>
<b>CASH AND BALANCES WITH BANKS AT 1 JANUARY .....</b>		<b>1,183,236</b>	<b>860,480</b>
Net movement in cash and balances with banks .....		(187,462)	324,845
Exchange gains/(losses) on cash and balances with banks .....		(1,578)	(2,089)
<b>Cash and balances with banks at 31 December .....</b>	11	<b>994,196</b>	<b>1,183,236</b>

The notes to the Consolidated Financial Statements are an integral part of these statements.

# General notes

## 1. General information

### LeasePlan Corporation N.V.

LeasePlan Corporation N.V. (the "Company") is a company domiciled in and operating from Almere, the Netherlands and having its statutory seat in Amsterdam, the Netherlands. The address of its registered office is P.J. Oudweg 41, 1314 CJ Almere. The consolidated financial statements of the Company as at and for the year ended 31 December 2013 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities. The Group consists of a growing international network of companies engaged in fleet and vehicle management services, mainly through operating leasing. At the end of 2013, the Group employed just over 6,500 people worldwide and had offices in 31 countries. A list of the principal consolidated subsidiaries is included on page F-325. The Company has held a universal banking licence in the Netherlands since 1993 and is regulated by the Dutch central bank. Therefore, specific additional (IFRS) disclosures are included that focus on the Company's liquidity and solvency and on the risks associated with the assets and liabilities recognised on its balance sheet and with its off-balance sheet items. The income statement in the Company's financial statements has been presented in abridged form pursuant to the provisions of Article 402, Part 9, Book 2, of the Dutch Civil Code.

### Global Mobility Holding B.V.

Global Mobility Holding B.V., a company owned by Volkswagen group headed by Volkswagen AG (50%) and Fleet Investments B.V. (50%)., holds 100% of the Company's shares. Global Mobility Holding B.V. is a limited liability company established in the Netherlands.

### Volkswagen Group

The Volkswagen group with its headquarters in Wolfsburg is one of the world's leading automobile manufacturers and the largest carmaker in Europe. The group is made up of twelve brands from seven European countries: Volkswagen, Audi, SEAT, ŠKODA, Bentley, Bugatti, Lamborghini, Porsche, Ducati, Volkswagen Commercial Vehicles, Scania and MAN. The Volkswagen group operates 106 production plants in 19 European countries and a further eight countries in the Americas, Asia and Africa.

### Fleet Investments B.V.

Fleet Investments B.V. is an investment company of the German banker Friedrich von Metzler. The heart of the Metzler group is the Frankfurt based bank B. Metzler seel. Sohn & Co. KGaA. Founded more than 330 years ago, it is the oldest private bank in Germany with an unbroken tradition of family ownership. Main group activities focus on asset management, corporate finance, equities, financial markets and private banking. In addition to the head office in Frankfurt, Metzler has offices in Munich, Stuttgart, Cologne/Düsseldorf, Hamburg, Atlanta, Los Angeles, Seattle, Tokyo, Dublin and Beijing.

The aforementioned activities of Volkswagen group and Metzler operate independently from the business and banking activities of LeasePlan.

## 2. Basis of preparation

### (i) Statement of compliance

The consolidated financial statements for the year ended 31 December 2013 were authorised for issue by the Managing Board on 25 March 2014. The Managing Board may decide to amend the financial statements as long as these are not adopted by the General Meeting of Shareholders. The General Meeting of Shareholders may decide not to adopt the financial statements, but may

## 2. Basis of preparation (continued)

not amend these. In accordance with Article 362 paragraph 6, Book 2 of the Dutch Civil Code the Managing Board can, after adoption, at any time disclose facts which seriously affect the adopted financial statements. Such disclosure has to be filed at the Chamber of Commerce. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and its interpretations as adopted by the European Union (EU). The sequence of assets and liabilities in the consolidated balance sheet for the year ended 31 December 2013 has changed compared to the consolidated balance sheet for the year ended 31 December 2012. The reason for this change in sequence is to better reflect the order of liquidity for assets and liabilities resulting in reliable and more relevant financial information. This change in presentation of assets and liabilities does not constitute a change in classification. The comparative numbers have been adjusted to conform to changes in presentation in the current year. The adjustments made have neither an impact on profit for the period nor on total equity.

### *New and amended standards adopted by the Group*

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2013 that would be expected to have a material impact on the Group.

The following new standards, amendments and interpretations to published standards are mandatory for the first time for the financial year beginning 1 January 2013 and are relevant for the Group:

- Amendment to IAS 1 'Financial statement presentation' regarding other comprehensive income (effective 1 July 2012). The main change resulting from these amendments is a requirement for entities to group items presented in 'Other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. There is no material impact on the Group.
- IAS 19 'Employee benefits' was amended in June 2011 (effective date 1 January 2013). The impact on the Group is as follows: elimination of the corridor approach and recognition of all actuarial gains and losses in other comprehensive income as they occur; immediate recognition of all past service costs and replacing interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). Adoption of IAS 19 revised resulted in the retrospective recognition of unrecognised actuarial losses of EUR 3.8 million at 1 January 2012 (EUR 8.4 million at 31 December 2012) with a corresponding restatement of comparative figures.
- Amendment to IFRS 1 'First time adoption' on hyperinflation and fixed dates (effective 1 January 2013). The first amendment replaces references to a fixed date of '1 January 2004' with 'the date of transition to IFRSs', thus eliminating the need for companies adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation. There is no material impact on the Group.
- Amendment to IFRS 1 'First time adoption' on government loans (effective 1 January 2013). This amendment addresses how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRS. It also adds an exception to the retrospective application of IFRS, which provides the same relief to first-time adopters granted to existing preparers of IFRS financial statements when the requirement was incorporated into IAS 20 in 2008. There is no material impact on the Group.

## 2. Basis of preparation (continued)

- Amendment to IFRS 7 'Financial instruments: Disclosures' on asset and liability offsetting (effective 1 January 2013). This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP. These new disclosures are included in the financial risk paragraph (Offsetting financial assets and liabilities).
- IFRS 13 'Fair value measurement' (effective 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. There is no material impact on the Group.
- Annual improvements 2011 (effective 1 January 2013). These annual improvements address six issues in the 2009-2011 reporting cycle. It includes changes to:
  - IFRS 1 'First time adoption';
  - IAS 1 'Financial statement presentation';
  - IAS 16 'Property plant and equipment';
  - IAS 32 'Financial instruments: Presentation';
  - IAS 34 'Interim financial reporting'.

There is no material impact on the Group.

- IFRIC 20 'Stripping costs in the production phase of a surface mine' (effective 1 January 2013). This interpretation sets out the accounting for overburden waste removal (stripping) costs in the production phase of a surface mine. The interpretation may require mining entities reporting under IFRS to write off existing stripping assets to opening retained earnings if the assets cannot be attributed to an identifiable component of an ore body. There is no material impact on the Group.

### ***New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2013 and not early adopted***

The following new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2013 and have not been early adopted in preparing these consolidated financial statements.

- IAS 27 (revised 2011) 'Separate financial statements' (effective 1 January 2014) includes the requirements relating to separate financial statements. No material impact on the Group is expected.
- IAS 28 (revised 2011) 'Associates and joint ventures' (effective 1 January 2014) includes the requirements for associates and jointly controlled entities that have to be equity accounted following the issue of IFRS 11. No material impact on the Group is expected.
- Amendment to IAS 32 'Financial instruments: Presentation' on asset and liability offsetting (effective 1 January 2014). These amendments are to the application guidance in IAS 32 'Financial instruments: Presentation' and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. No material impact on the Group is expected.
- IFRS 9 (2013) 'Financial instruments' consists of three phases.

## 2. Basis of preparation (continued)

*Phase one* addresses the classification and measurement of financial assets and financial liabilities and was issued in November 2009. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the company's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to a company's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

*Phase two* addresses credit losses and therefore the impairment methodology for financial instruments and an exposure draft was published in March 2013. The IASB proposes that expected credit losses would be recognised for all financial instruments subject to impairment accounting. Expected credit losses would be recognised from the point at which financial instruments are originated or purchased. There would no longer be a threshold before expected credit losses would start to be recognised. The amount of expected credit losses that are recognised would depend on the change in credit quality since initial recognition to reflect the link between expected credit losses and the pricing of the financial instrument.

*Phase three* addresses hedge accounting and was issued in November 2013. The new hedge accounting model enables companies to better reflect their risk management activities in the financial statements. As a principle-based approach, IFRS 9 looks at whether a risk component can be identified and measured and does not distinguish between types of items. This will enable more entities to apply hedge accounting that reflects their risk management activities. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data.

The Group is yet to assess the full impact of IFRS 9 and has not yet decided on the date of adoption.

- IFRS 10 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether a company should be included within the consolidated financial statements of the parent company (effective date 1 January 2014). The standard provides additional guidance to assist in the determination of control where this is difficult to assess. No material impact on the Group is expected.
- IFRS 11 'Joint arrangements' is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form (effective date 1 January 2014). No material impact on the Group is expected.
- IFRS 12 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other companies, including joint arrangements, associates, special purpose companies and other off-balance sheet vehicles (effective date 1 January 2014). No material impact on the Group is expected.
- IFRIC 21 'Levies' (effective date 1 January 2014). This interpretation addresses the accounting for a liability to pay a levy. The obligating event that gives rise to a liability to pay a levy is that activity that triggers the payment of the levy, as identified by the legislation. No material impact on the Group is expected.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

## 2. Basis of preparation (continued)

### *Exposure drafts published that are relevant for the Group*

The following exposure drafts are relevant for the Group:

- IFRS 9 Credit losses; reference is made to the aforementioned description of IFRS 9
- Leases: In May 2013 the IASB and FASB (the boards) issued a (re)exposure draft (ED) on Leases. The boards have developed a new approach to lease accounting that would require a lessee to recognise assets and liabilities for the rights and obligations created by leases. The model reflects that, at the start of a lease, the lessee obtains a right to use the underlying asset for a period of time, and the lessor has provided or delivered that right. Both the asset and the liability are initially measured at the present value of lease payments. The ED proposes a dual approach to the recognition, measurement and presentation of expenses and cash flows arising from a lease. The principle for determining which approach to apply is based on the amount of consumption of the underlying asset. This reflects that there is a difference between a lease for which the lessee pays for the part of the underlying asset that it consumes (or uses up) during the lease term, and a lease for which the lessee merely pays for use. An entity would classify a lease largely on the basis of the nature of the underlying asset, i.e.:
  - (a) most leases of equipment or vehicles would be classified as Type A leases;
  - (b) most leases of property would be classified as Type B leases.

For type A leases, a lessee would present amortisation of the right-of-use asset in the same line item as other similar expenses (for example, depreciation of property, plant, and equipment) and interest on the lease liability in the same line item as interest on other, similar financial liabilities.

For type B leases, a lessee would present lease payments as one amount in a lessee's income statement and recognise on a straight-line basis. There are few changes proposed to the accounting applied by lessors of finance leases. For operating leases, the extent of change would depend on whether the underlying asset is property or equipment. A lessor would distinguish between most property and most equipment leases in the same way that a lessee would under the proposals. For operating leases of property, the accounting applied by the lessor is essentially unchanged. For operating leases of equipment or vehicles, however, the changes proposed are significant. A lessor of most equipment or vehicles leases would:

- (a) recognise a lease receivable and a retained interest in the underlying asset (the residual asset), and derecognise the underlying asset; and
- (b) recognise interest income on both the lease receivable and the residual asset over the lease term.

While the Group is yet to assess the full impact of the ED it is clear that in view of the nature of the underlying asset the Group will have to recognise a lease receivable and a retained interest in the underlying asset which represents a significant change. Furthermore, the Group is investigating how it can support its lessees in calculating the right of use asset and corresponding liability.

### **(ii) Basis of measurement**

The consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instruments which are measured at fair value.

### **(iii) Functional and presentation currency**

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



## **2. Basis of preparation (continued)**

### **(iv) Use of estimates, assumptions and judgements**

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

The main estimates and underlying assumptions relate to the residual values at the end of the contract date, the assessment of the impairment of the lease portfolio, the defined benefit pensions obligations, the fair value of the derivatives, the assessment of the income tax position and damage risk provision and the impairment of intangibles and goodwill.

Information on the above-mentioned areas of estimation and judgement is provided in note Y—Critical accounting estimates, assumptions and judgements.

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

## **3. Summary of significant accounting policies**

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

### **Note A - Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries all of which prepare financial statements up to 31 December.

#### **(i) Subsidiaries**

Subsidiaries are all companies (including special purpose companies) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than 50% of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another company. The Group also assesses existence of control when it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and deconsolidated from the date that control ceases.

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at its fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. Acquisition-related costs are expensed as incurred.

### 3. Summary of significant accounting policies (continued)

#### Note A - Basis of consolidation (continued)

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

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

#### *(ii) Transactions with non-controlling interests and disposals*

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

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

#### *(iii) Associates*

Associates are those companies over which the Group has significant influence but not control, generally accompanying a shareholding between 20% and 50% of the voting rights. Investments in associates are accounted for applying the equity method of accounting. Under the equity method, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

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

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses exceeds its interest in an equity accounted associate, including any other unsecured receivables, the Group does not recognise further losses, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Reference is made to note 5 for the impairment of non-financial assets.

#### *(iv) Jointly controlled entities*

Jointly controlled entities are those companies over which the Group has joint control, established by contractual agreement. The consolidated financial statements include the Group's share of the total income and expenses of jointly controlled entities under the equity method, which is recognised from the date that joint control commences until the date that joint control ceases.

### 3. Summary of significant accounting policies (continued)

#### Note A - Basis of consolidation (continued)

##### *(v) Special purpose companies*

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

#### Note B - Foreign currency

##### *(i) Foreign currency transactions*

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

##### *(ii) Foreign subsidiaries*

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

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

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

Goodwill and fair value adjustments arising on the acquisition of a foreign subsidiary are treated as assets and liabilities of the foreign subsidiary and translated at the closing rate.

#### Note C - Financial assets and liabilities

##### *(i) Classification*

Financial assets are initially recognised at fair value. Subsequent measurement depends on the classification described below. The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for

### 3. Summary of significant accounting policies (continued)

#### Note C - Financial assets and liabilities (continued)

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

##### *Financial assets at fair value through profit or loss*

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

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

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable.

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

##### *Held-to-maturity*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Were the Group to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale.

After initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment losses.

##### *Available-for-sale*

Available-for-sale investments are those investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Available-for-sale financial assets are subsequently carried at fair value.

Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in other comprehensive income should be recognised in the income statement. However, interest calculated using the effective interest method is recognised in the income statement.

#### **(ii) Recognition**

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

### **3. Summary of significant accounting policies (continued)**

#### **Note C - Financial assets and liabilities (continued)**

##### ***(iii) Derecognition***

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

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

##### ***(iv) Offsetting***

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

Income and expenses are presented on a net basis only when permitted by IFRSs.

#### **Note D - Derivative financial instruments and hedge accounting**

Derivative financial instruments (derivatives) are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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

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

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

Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

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

##### ***(i) Cash flow hedging***

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

### **3. Summary of significant accounting policies (continued)**

#### **Note D - Derivative financial instruments and hedge accounting (continued)**

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

In case ineffectiveness arises because insufficient cash flows are available but forecasted cash flows are still likely to occur or hedge ineffectiveness lies beyond a certain range, then hedge accounting ceases prospectively. This implies that the entire change in the net present value of the swaps in the period is recognised in the income statement, whereas the gain or loss previously recorded in equity is amortised to the income statement over the average remaining term of the swaps.

#### **(ii) Fair value hedging**

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

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

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

#### **(iii) Derivatives**

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

#### **Note E - Lease contracts**

#### **(i) Lease classification**

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



### 3. Summary of significant accounting policies (continued)

#### Note E - Lease contracts (continued)

Various criteria are used to determine the lease classification of which the two most important are:

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

#### *(ii) Finance lease portfolio*

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

The finance lease installments can comprise various components each having its own revenue recognition. The installments are classified and presented in the following categories in the income statement: (i) interest income (the difference between the gross receivable and the present value of the receivable is unearned finance income and is recognised over the term of the lease using the effective interest method); and (ii) revenues (to the extent that services are included in the lease).

#### *(iii) Operating lease portfolio*

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

The operating lease instalments are recognised in the financial statements in their entirety on a straight-line basis over the lease term. The instalments are classified and presented in the following categories in the income statement: (i) revenues; and (ii) interest income (effective interest method).

#### *(iv) Lease products*

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

##### *(a) Closed calculation contracts*

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

##### *(b) Open calculation contracts*

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

### 3. Summary of significant accounting policies (continued)

#### Note E - Lease contracts (continued)

the net positive result, such as maintaining a certain number of leased objects during the year or that a certain number of leased objects must be included in the calculation of the net result.

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

#### Note F - General and presentation format

The Group considers the presentation model for banks as the most appropriate format. Within the banking model interest income and interest expenses are separately shown on the face of the income statement whereas the operating expenses are presented under the categorical method. For its main activity—leasing—the related revenues and costs are shown separately based on the functional method taking into account IFRSs presentation requirements. As IFRSs do not define an income statement for leasing business within the banking industry, the Group makes this distinction to give the reader a better understanding of the performance of the business. Revenues only include the gross inflow of economic benefits received and receivable by the Group on its own account; amounts collected on behalf of third parties are therefore excluded.

#### Note G - Net interest income

Interest and similar income and interest expenses and similar charges for all interest-bearing assets and liabilities are recognised in the income statement on an accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability to the carrying amount of the financial asset or liability.

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

The interest income component in operating lease instalments, which is charged on a straight-line basis to the client, is presented based on the effective interest method in interest income using the interest rate included in the lease contract and based on the net investment value of the leased asset. The correction required to arrive at a total straight-line recognition for operating lease contracts is part of revenues.

Interest income on finance lease contracts is recognised in the income statement on the basis of accruing interest income on the net investment (using the effective interest method). The receipts under the lease are allocated by the lessor between reducing the net investment and recognising interest income, so as to produce a constant rate of return on the net investment.

#### Note H - Revenues and cost of revenues

##### (i) Revenues

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

Revenues include the various components of the lease instalment, such as repair, maintenance and tyres (RMT), damage risk retention, depreciation and management fees. The lease instalments may include passed on costs such as fuel, road taxes and other taxes which do not represent the inflow of economic benefits and/or are collected on behalf of third parties and are therefore not presented as revenues.

### 3. Summary of significant accounting policies (continued)

#### Note H - Revenues and cost of revenues (continued)

Revenues from operating lease instalments are presented straight-line over the lease term. For closed calculation income related to lease services is recognised over the term of the contract based on historical statistics and expected service costs. For open calculation contracts the income related to lease services that will be earned by the Group is not certain until final settlement takes place and accordingly is not recognised until that time and is recognised in the sales result settlements. Expected losses are recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenues.

The interest portion of the lease instalment is classified under the caption 'Net interest income' (see note G), using the effective interest method. As the total revenues from the lease instalments are presented straight-line the adjustment required to present the interest portion income on the effective interest method is included in the category 'Other'.

Revenues also include the proceeds of the sale of vehicles from terminated lease contracts and rental revenues from renting out the rental fleet portfolio. The proceeds from the sale of vehicles are recognised when the objects are sold. The rental revenues are recognised on a straight-line basis over the term of the rental agreement.

Other revenues that cannot be categorised as any of the revenues specified above, but are income categories of regular business operations such as (volume related) bonuses earned in connection with pass-on costs, are included in the category 'Other'. Other revenues are generally recognised when services are rendered.

#### *(ii) Cost of revenues*

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

Cost of revenues also includes the carrying amount of the sold vehicles and the costs associated with the rental activities.

#### Note I - Employee benefits

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

#### *(i) Pension obligations*

##### *(a) Defined contribution plans*

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

Obligations for contributions to defined contribution pension plans are recognised as expenses in the income statement as incurred. One less significant multi-employer defined benefit plans exists, which is accounted for as defined contribution plan as the Company does not have access to information about the plan to satisfy the requirements for presenting it as a defined benefit plan.

### 3. Summary of significant accounting policies (continued)

#### Note I - Employee benefits (continued)

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

##### *(b) Defined benefit plans*

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

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

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

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

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

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

##### *(c) Other post-employment benefits*

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

##### *(ii) Other post-employment obligations*

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

### **3. Summary of significant accounting policies (continued)**

#### **Note I - Employee benefits (continued)**

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

#### **(iii) Termination benefits**

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

#### **(iv) Bonus plans**

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

#### **Note J - Income tax**

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

#### **(i) Current income tax**

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

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

#### **(ii) Deferred income tax**

Deferred income tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes and providing for available income tax losses and tax credits.

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

A deferred income tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences and available income

### **3. Summary of significant accounting policies (continued)**

#### **Note J - Income tax (continued)**

tax losses and tax credits can be utilised. Deferred income tax assets are reviewed annually and reduced to the extent that it is no longer probable that the related income tax benefit will be realised.

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

#### **Note K - Receivables from financial institutions**

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

#### **Note L - Receivables from clients**

This caption includes lease instalments receivable from the finance and operating lease portfolio, from the rental portfolio and receivables arising from other business activities. These receivable balances are shown after any accumulated impairment losses and are initially measured at fair value and subsequently at amortised cost using the effective interest method.

#### **Note M - (Non-current) assets held-for-sale and discontinued operations**

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

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

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

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

#### **Note N - Intangible assets**

##### **(i) Goodwill**

All business combinations are accounted for by applying the acquisition method. Goodwill is recognised on acquisitions of subsidiaries. Goodwill represents the excess of the consideration transferred over the Group's interest in the net fair value of the identifiable assets, liabilities and



### **3. Summary of significant accounting policies (continued)**

#### **Note N - Intangible assets (continued)**

contingent liabilities of the acquiree. Goodwill is measured at cost less any accumulated impairment losses. When the excess is negative (negative goodwill), it is recognised immediately in the income statement.

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

#### **(ii) Software**

Capitalised software relates to purchased software from third parties and to internally developed software for Group use.

Expenditure on research activities undertaken to gain new technical knowledge and understanding is recognised in the income statement when incurred.

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

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

#### **(iii) Other intangible assets**

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

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

#### **(iv) Amortisation**

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

### 3. Summary of significant accounting policies (continued)

#### Note O - Other property and equipment

##### (i) Measurement

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

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

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

##### (ii) Depreciation

The cost of other property and equipment is depreciated to its estimated residual value and recognised in the income statement on a straight-line basis over the estimated useful life of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. The residual value and the useful life of the leased assets are reviewed at least at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for as a change in accounting estimate. Land is not depreciated.

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

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

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#### Note P - Property and equipment under operating lease and rental fleet

Property and equipment under operating lease and rental fleet are measured at cost less accumulated depreciation and impairment losses. The assets subject to operating leases are presented in the balance sheet according to the nature of the asset. The depreciation policy for depreciable leased assets is consistent with the Company's normal depreciation policy for similar assets. The leased assets are depreciated on a straight-line basis over its contract period to its residual value. The contract period ranges on average between three to four years. Upon termination of the lease or rental contract the relevant assets are reclassified to the caption 'Inventories' at their carrying amount. The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

#### Note Q - Inventories

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

### 3. Summary of significant accounting policies (continued)

#### **Note R - Other receivables and prepayments**

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

#### **Note S - Impairment**

##### **(i) (Leased) assets and assets for own use**

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

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

##### **(ii) (Lease) receivables**

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

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

Impairment loss on receivables is recognised in the income statement and is separately disclosed as part of net finance income.

##### **(iii) Non-financial assets**

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

##### **(iv) Assets carried at amortised cost**

At each balance sheet date the Group assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the

### 3. Summary of significant accounting policies (continued)

#### **Note S - Impairment (continued)**

asset (a 'loss event') and that loss event (or events) has (have) an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

#### **(v) Assets classified as available-for-sale**

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

If any such evidence exists for available-for-sale financial assets, the cumulative loss—measured as the difference between the acquisition costs and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss—is removed from equity and recognised in the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

#### **(vi) Reversal of impairment**

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

#### **Note T - Interest-bearing loans and borrowings**

Interest-bearing loans and borrowings are the Group's sources of debt funding and relate to borrowings from financial institutions, funds entrusted and debt securities issued. Interest-bearing loans and borrowings are recognised initially at fair value plus any transaction costs attributable to these loans. Subsequent to initial recognition, interest-bearing loans and borrowings are measured at their amortised cost using the effective interest method. Any difference between cost and redemption value is recognised in the income statement over the term of the loans and borrowings.

#### **Note U - Capital and dividends**

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

#### **Note V - Provisions**

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will

### 3. Summary of significant accounting policies (continued)

#### Note V - Provisions (continued)

be required to settle the obligation and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability.

##### *(i) Damage risk provision*

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

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

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

##### *(ii) Other provisions*

Other provisions include amounts for litigation and claims as well as onerous contracts. For litigation and claims the best estimate of the future outflow of resources has been recognised. Regarding onerous contracts, the present obligation under a contract that is onerous is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

#### Note W - Statement of cash flows

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

##### *(i) Operating cash flows*

Operating cash flows comprise all cash flows during the period that do not qualify as either investing cash flows or financing cash flows. In the net cash flow from operating activities, the

### **3. Summary of significant accounting policies (continued)**

#### **Note W - Statement of cash flows (continued)**

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

#### **(ii) Investing cash flows**

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

#### **(iii) Finance cash flows**

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

#### **(iv) Cash and balances with banks**

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

#### **Note X - Segment reporting**

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

Leasing activities comprise the main activity of the Group which is providing fleet management services including the purchase, financing, service and remarketing of vehicles. The Group offers a mono-line product through all of its 31 LeasePlan subsidiaries allowing for some differentiation based on the maturity of local markets. As a result the subsidiaries are grouped in categories based on maturity of the market and to a lesser extent maturity of the subsidiary.

Group activities provide services in the area of treasury, damage risk retention, procurement and infrastructure to support the leasing activities.



### 3. Summary of significant accounting policies (continued)

#### Note Y - Critical accounting estimates, assumptions and judgements

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

##### *(i) Impairment of goodwill and intangible assets*

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

##### *(ii) Review of depreciable amount and depreciation period of (leased) assets*

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

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

##### *(iii) Impairment losses on (lease) receivables*

The Group reviews its outstanding receivables in its lease portfolio to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows of a lease portfolio before the decrease can be identified with an individual lease contract in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or in national or local economic conditions that correlate with defaults on assets in the Group.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. This method is fully aligned with Basel II and makes use of the probability of default (PD), the loss given default (LGD) and the exposure at default (EAD). The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. The sensitivity to estimates and assumptions used is disclosed in the financial risk section (Credit risk).

##### *(iv) Post-employment benefits*

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

### **3. Summary of significant accounting policies (continued)**

#### **Note Y - Critical accounting estimates, assumptions and judgements (continued)**

##### **(v) Damage risk retention**

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

##### **(vi) Income taxes**

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

##### **(vii) Fair value of derivatives**

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

#### **Note Z - Comparatives**

Where this is necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

The adjustments made have neither an impact on profit for the year nor on total equity with the exception of the application of IAS 19 revised which resulted in the recognition of an actuarial loss in equity of EUR 3.8 million at 1 January 2012 and EUR 8.4 million at 31 December 2012.

The adjustments can be summarised as follows:

##### ***Consolidated balance sheet***

- The sequence of assets and liabilities in the condensed consolidated balance sheet for the year ended 31 December 2013 changed compared to the consolidated balance sheet for the year ended 31 December 2012. The reason for this change in sequence is to better reflect the order of liquidity for assets and liabilities resulting in reliable and more relevant financial information. This change in presentation of assets and liabilities does not constitute a change in classification. The comparative numbers have been adjusted to conform to changes in presentation in the current year. The adjustments made have neither an impact on profit for the period nor on total equity.

##### ***Consolidated statement of changes in equity***

- Adoption of IAS 19 revised resulted in the retrospective recognition of unrecognised actuarial losses of EUR 3.8 million at 1 January 2012 (EUR 8.4 million at 31 December 2012) in equity.

### **3. Summary of significant accounting policies (continued)**

#### **Note Z - Comparatives (continued)**

##### ***Credit risk***

- In the external rating table the unrated part of the lease contract portfolio was restated whereby the banking and government clients (amounting to EUR 819 million) were reclassified to the relevant rating class corresponding with their external rating.

##### ***Liquidity risk***

- Future payments in the liquidity risk table were restated resulting in a lower balance of EUR 786 million. The adjustment reflects the exclusion of previously included future loan redemptions.

# Financial risk management

All amounts are in thousands of euros, unless stated otherwise

## Introduction

This section presents information about the Group's exposure to a number of financial risks, the Group's objectives, policies and processes for measuring and managing these risks and the Group's management of capital. In line with IFRS 7 various disclosures on the Group's financial assets and liabilities are included in this section. The fact that the Group is mainly transacting operating leases, which under IFRS do not qualify as financial assets, results in a significant difference between financial assets and financial liabilities.

	2013	2012
<b>FINANCIAL ASSETS</b>		
Cash and balances at central banks .....	978,774	1,015,429
Receivables from financial institutions .....	1,439,051	1,186,096
Derivative financial instruments .....	120,438	188,920
Rebates and bonuses and commissions receivable .....	173,046	197,286
Reclaimable damages .....	25,491	24,882
Interest to be received .....	1,465	2,941
Receivables from clients .....	2,829,949	3,093,213
Loans to associates and jointly controlled entities .....	258,369	223,689
<b>Total .....</b>	<b>5,826,583</b>	<b>5,932,456</b>
<b>NON-FINANCIAL ASSETS .....</b>	<b>13,302,816</b>	<b>13,555,475</b>
<b>TOTAL ASSETS .....</b>	<b>19,129,399</b>	<b>19,487,931</b>
<b>FINANCIAL LIABILITIES</b>		
Trade payables .....	582,085	565,008
Interest payable .....	125,468	169,873
Borrowings from financial institutions .....	2,523,337	1,776,693
Derivative financial instruments .....	197,490	226,212
Funds entrusted .....	4,320,156	4,111,419
Debt securities issued .....	6,988,740	8,523,227
<b>Total .....</b>	<b>14,737,276</b>	<b>15,372,432</b>
<b>NON-FINANCIAL LIABILITIES .....</b>	<b>1,810,568</b>	<b>1,728,068</b>
<b>TOTAL LIABILITIES .....</b>	<b>16,547,844</b>	<b>17,100,500</b>

## A. Strategy in using financial instruments

The Group's activities are principally related to vehicle leasing and fleet management. The Group accepts and offers lease contracts to clients at both fixed and floating interest rates, for various periods and in various currencies. The Group seeks to balance the spread between interest rates charged in lease contracts and the interest rates paid on various borrowings and at the same time needs to control its exposure towards future movements in interest rates and currencies. The risk control is important to continuously meet the solvency and liquidity requirements and targets as set by the Dutch central bank and as expected by external stakeholders. The Group uses various non-derivative and derivative financial instruments to achieve that goal.

Derivatives are financial instruments, of which the value changes in response to the change in an underlying variable. Derivatives require little to no initial investment and are settled at a future date. Under IFRSs derivatives are initially and subsequently recognised on the balance sheet at fair value. Examples of derivatives used by the Group are forward rate agreements, interest rate swaps, currency swaps and currency interest rate swaps. Derivative transactions are contracted to

## A. Strategy in using financial instruments (continued)

hedge the interest rate and currency exposures associated with the funding of lease contracts. In particular the interest rate swaps cover the interest rate positions between lease contracts and borrowed funds and currency (interest rate) swaps cover the mismatch between the currency structure of lease contracts and borrowed funds.

The operating lease portfolio has not been designated to a fair value hedge following IAS 32 AG9. The Group has applied cash flow and fair value hedges of the interest rate risk and other types of market risks on the issued debt securities and other borrowings to mitigate both current and future income statement volatility arising due to the variability of cash flows attributable to currency and interest rate movements, and due to the exposure to changes in fair values of recognised liabilities. It should be noted that while as a result of the above the Group mitigates interest rate risk and currency risk from an economic perspective, these derivatives do not always qualify for hedge accounting from an accounting perspective and in such cases the unrealised gains and losses are recognised in the income statement.

The contracted notional amounts of all derivatives are listed below:

	2013			2012		
	Interest rate contracts	Currency contracts	Total	Interest rate contracts	Currency contracts	Total
Fair value hedge . . . .	4,018,659	134,986	4,153,645	2,959,446	120,905	3,080,351
Cash flow hedge . . . .	2,650,558	—	2,650,558	2,315,993	—	2,315,993
Not in hedge . . . . .	11,029,960	3,147,805	14,177,765	13,430,819	4,126,184	17,557,003
<b>Total . . . . .</b>	<b>17,699,177</b>	<b>3,282,791</b>	<b>20,981,968</b>	<b>18,706,258</b>	<b>4,247,089</b>	<b>22,953,347</b>

### (i) Cash flow hedges

The company hedges the exposure to variability in future interest payments on recognised floating rate bonds and notes issued and on highly probable forecast transactions (short-term rolling over liabilities) attributable to changes in underlying swap and money market rates. In cash flow hedging, the hedged risks are future changes in cash flows stemming from anticipated re-pricings and/or roll-overs of borrowings due to interest rate movements. To apply highly effective cash flow hedges the forecasted cash flows, which are subject to a hedge, must be 'highly probable'. Based on the business activity of the Group and the financial/operational ability of the Group to carry out the transactions, the likelihood that forecasted cash flows will take place is very high. These forecasted cash flows are expected to occur and to affect the income statement in the period 2014-2017.

The Group applies a cash flow hedge as an aggregate hedging of a similar group of assets/liabilities. A group of derivatives sharing the same characteristics is designated to the hedge with a group of borrowings with the same characteristics. Any ineffectiveness resulting from these cash flow hedges is recognised in the income statement when incurred.

### (ii) Fair value hedges

Fair value hedge accounting is applied in such a way that the changes in fair value of the recognised liability (issued note) attributable to the hedged risk fully offsets the changes in fair value of the receive leg of the derivative transaction (interest rate swap, currency swap or currency interest rate swap). In other words, the cash flows on the note and the receive leg of the swap are equal and opposite.

Fair value hedge accounting entails that the hedged item (i.e. the note) that is measured at amortised cost is constantly being adjusted for gains/losses attributable to the risk being hedged. This adjustment is booked in the income statement, where it offsets the measurement of the fair value of the hedging instrument that is also recorded in the income statement.

## **A. Strategy in using financial instruments (continued)**

### **(iii) Risk weighting**

The notional amounts of the derivatives provide an indication of the size of the contracts but do not indicate the extent of the cash flows and risks attached hereto. In determining the capital adequacy requirement, both existing and potential future credit risk is taken into account. The current potential loss on derivatives, which is the fair value based on market conditions at the balance sheet date (positive replacement cost) is netted applying the relevant Basel II netting criteria and increased by a percentage of the relevant notional amounts, depending on the nature and remaining term of the contract (potential future credit risk). This non-weighted credit risk is risk weighted based on the credit rating of the counterparty and the remaining term.

The Group maintains control limits from a credit risk point of view and (for a significant part of the derivative portfolio) uses Credit Support Annexes (CSAs) to International Swaps and Derivatives Association (ISDA) master agreements to mitigate the risk through periodic margin calls. This credit risk exposure is managed as part of the overall lending limits with financial institutions. The positive replacement cost of the derivative financial instruments amounting to EUR 120 million (2012: EUR 189 million) converts to a risk-weighted equivalent of EUR 35 million (2012: EUR 50 million) taking into account Basel II netting requirements and the inclusion of the potential future credit risk.

## **B. Capital adequacy**

To monitor the adequacy of its capital the Group uses ratios established by the Basel Committee of the Bank for International Settlements (BIS). These ratios measure capital adequacy by comparing the Group's eligible regulatory capital with its risk-weighted assets for credit risk, operational risk and market risk (currency risk). In November 2008 the Company received approval from the Dutch central bank to use the Advanced Internal Ratings Based (AIRB) approach for credit risk of the corporate portfolio and the Advanced Measurement Approach (AMA) for operational risk, for determining the risk-weighting. Following a project in 2011 and 2012, in June 2013 the Company received approval from the Dutch central bank to use the AIRB approach for the various retail portfolios in the United Kingdom and the Netherlands. The Company will implement this approach as from 1 January 2014.

Credit risk, mainly due to leases with counterparties, is risk weighted based on the outcome of models as developed by the Group. These models are developed based on defined rules as set out by the Basel Committee (and as laid down in the Capital Requirements Directive) and are regularly monitored for their predictive quality. Regularly these models are being validated by external parties. The models for credit risk relate especially to the determination of:

- the probability of default (PD), being the likelihood of a client that is assigned a rating getting into default in the next 12 months (expressed in %);
- the loss given default (LGD), being the loss the Group expects to incur at the moment of a default (expressed in %); and
- the exposure at default (EAD), being the actual exposure to a client expressed as the expected amount if a client would go into default (in nominal currency represented by the remaining amortising book value of lease contracts).

The models for credit risk are applied to all corporate client exposures and in the calculation of the related capital requirement a confidence level of 99.9% is used.

For the exposures related to governments, banks and retail clients the Group applies the Standardised Approach of the Capital Requirements Directive which prescribes fixed percentages for risk weighting depending on characteristics and conditions of the exposure.



## B. Capital adequacy (continued)

In respect of operational risk no on-balance sheet exposures exist. Therefore capital requirements for this risk are obtained from the outcome of the models that track historic losses and anticipate low frequency—high risk scenarios and predict from this the capital that is needed to cover the maximum (operational) loss the Group could incur under extreme circumstances. The confidence level which is used for this calculation amounts to 99.9%.

For the calculation of risk-weights of other on-balance sheet and off-balance sheet exposures the standard approaches as described in the Capital Requirements Directive are used.

The following table illustrates the reconciliation between the total assets on the balance sheet and the risk weighted assets.

	2013			2012		
	Carrying amount	Risk-weighted	Risk-weight	Carrying amount	Risk-weighted	Risk-weight
AIRB approach . . . . .	11,110,129	5,365,790	48%	11,751,872	5,552,590	47%
Standardised approach . . . . .	3,424,725	2,936,512	86%	3,185,474	2,691,465	84%
<b>Lease contract portfolio . . . . .</b>	<b>14,534,854</b>	<b>8,302,302</b>	<b>57%</b>	<b>14,937,346</b>	<b>8,244,055</b>	<b>55%</b>
Cash and balances at central banks . . . . .	978,774	—	0%	1,015,429	—	0%
Receivables from financial institutions . . . . .	1,439,051	339,577	24%	1,186,096	295,850	25%
Derivative financial instruments . . . . .	120,438	35,129	29%	188,920	44,393	23%
Other assets . . . . .	2,056,282	1,724,108	84%	2,160,140	1,802,793	83%
<b>Total assets . . . . .</b>	<b>19,129,399</b>	<b>10,401,116</b>	<b>54%</b>	<b>19,487,931</b>	<b>10,387,091</b>	<b>53%</b>
Off-balance sheet exposures . . . . .		3,443,861			3,790,246	
<b>Risk-weighted assets</b>						
<b>Basel II . . . . .</b>		<b>13,844,977</b>	<b>72%</b>		<b>14,177,337</b>	<b>73%</b>

The eligible regulatory capital (BIS capital) that is compared against the risk-weighted exposures of the Group only consists of Core Tier 1 capital. The Core Tier 1 capital is derived from the Group's total equity position. In order to arrive at the Core Tier 1 capital, adjustments to the total equity are required for the IFRS prudential filters as implemented in the Decree on Prudential Rules pursuant to the Act on Financial Supervision (Wft).

The following table illustrates the reconciliation between Group equity and Core Tier 1 capital.

	2013	2012
<b>Total equity . . . . .</b>	<b>2,581,555</b>	<b>2,387,431</b>
Prudential filter m-t-m derivatives . . . . .	15,309	36,670
Deduction goodwill . . . . .	(98,604)	(98,604)
Deduction intangible assets . . . . .	(16,287)	(8,959)
Dividend accrual . . . . .	(134,000)	(94,500)
AIRB provision shortfall . . . . .	(10,336)	(8,243)
<b>Core Tier 1 capital . . . . .</b>	<b>2,337,637</b>	<b>2,213,795</b>

## B. Capital adequacy (continued)

The following table analyses actual capital and the minimum required capital, which are based on Basel II (Pillar 1), as at 31 December.

	2013		2012	
	Minimum required	Actual	Minimum required	Actual
Risk-weighted assets Basel II . . . . .		13,844,977		14,177,337
Risk-weighted assets excluding capital floor . . . . .		12,946,265		12,941,350
BIS capital . . . . .	1,107,598	2,337,637	1,134,187	2,213,795
BIS ratio . . . . .	8.0%	16.9%	8.0%	15.6%
Core Tier 1 capital . . . . .		2,337,637		2,213,795
Core Tier 1 ratio . . . . .		16.9%		15.6%
Core Tier 1 ratio excluding capital floor . . . . .		18.1%		17.1%

In monitoring the adequacy of its capital the Group is constantly reviewing the development in (risk-weighted) exposures on the one hand and in eligible capital on the other hand. Stress testing forms a part of the aforementioned monitoring. Developments in (risk-weighted) exposures typically represent relative movements in the portfolio of the Group's core business. The eligible capital normally will grow with retained profits after dividend distribution. The Company has a dividend policy that supports the maintenance of adequate capital ratios.

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

The Group's preliminary assessment is that the above-mentioned changes will result in a Core Tier 1 ratio under CRR/CRD IV ranging between 16%-18%.

## C. Credit risk

### Credit risk definition

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

### Credit risk management structure and organisation

LeasePlan's Managing Board sets authority levels for all Group companies, based on which each Group company is allowed to decide on (vehicle leasing and fleet management) counterparty acceptance and renewal. The authority levels are granted based on the relative size of the Group company and the perceived quality of credit risk management and are reviewed by the Group's Credit Committee in its quarterly meetings. Above a Group company's authority, the Group's credit risk management department, the Group's Credit Committee, the Credit Committee of the

## C. Credit risk (continued)

Supervisory Board or the Supervisory Board is authorised to decide on credit acceptance and renewal thereof depending on the size of the counterparty limit requested by the Group company. The Group has a custom built web-based global credit risk management system in place that enables the Group to efficiently and in accordance with granted authorities handle and monitor credit requests and defaults.

The Group's credit risk management department advises the Group's Credit Committee in quarterly meetings on items concerning adjustments of delegated authorities, development of credit risk in local portfolios, internal credit risk models performance, stress testing, development of account receivables and doubtful debtors, watch accounts and provisions, and introduction and adjustment of credit risk management policies and guidelines. Furthermore, the Group's credit risk management department initiates the introduction and review of counterparty rating models and score cards.

Quantitative specialists within the Company are responsible for monitoring and analysing performance of the internal risk models and underlying risk components. In the model development phase this function performs an internal pre-validation of the model and advises on the expected performance of the models to be validated and implemented. The quantitative specialists work in consultation with several corporate risk management disciplines and are supported by external parties, among others for validation of the models.

The tasks of credit risk management organisations within the Group companies, including the local credit committee comprise among others, the following:

- define a clear internal credit acceptance policy;
- decide on credit requests;
- regularly review the overdue account receivables and the doubtful debtors; and
- regularly review the local watch account list, containing all counterparties that need special attention with regard to credit risk management.

In principle, the Managing Director and the Finance Director of a Group company form part of the local credit risk committee. The local credit risk committees act independently from the commercial business area. The Group's audit department pays, during the audits, specific attention to the way credit risk management has been organised and embedded in the organisation. For this purpose the group audit department has defined specific activities in its working programme.

The policy for counterparty credit risk for banking and treasury counterparties which applies to all Group companies (including the Group's central Treasury operations) is set by the Group's Credit Committee. The Group's treasury risk management department reviews adherence to limits on a daily basis. For credit risk in respect of reinsurance reference is made to the section on motor insurance risk.

Annually the Group's risk management department prepares the risk appetite, which includes all risk areas and is subject to approval by the Managing Board and Supervisory Board. On a quarterly basis the risk management department reports on actual performance against the risk appetite to the Supervisory Board. This report includes the credit risk position of the Group. The credit risk position is furthermore discussed in the Group's Credit Committee and is shared with the Managing Board.

### **Credit risk management policy**

The Group has issued policies to its Group companies, which regulate the governance of the local credit risk management organisation and set limits to industry sectors with which Group

## C. Credit risk (continued)

companies can do business. Group companies are required to define their risk appetite and set their limits in respect of counterparty and concentration risks, as well as the types of business and conditions thereof in local policies. Further policies and guidelines exist on the data and reports to be provided.

The Group distinguishes policies and portfolio between corporate clients, retail clients, governments, banks and others. In this respect, retail clients are defined as clients with a vehicle fleet with an investment value not exceeding EUR 1 million with which there is no active commercial relationship.

Except for retail customers, which are assessed whenever a credit application is received, the credit risk of all counterparties is assessed at least once a year.

Each Group company is required to maintain a special attention list and a watch list which are based on the internal rating grades and other available information. These lists are reviewed in regular meetings by the credit committees. Credit risk exposures on companies included in these lists are monitored on a daily basis by the respective risk management teams on both local level and Group level. A qualitative analysis of our total credit exposures, defaults and losses is reported on a quarterly basis to the Group's Credit Committee.

As per above, credit risk arising from the use of the relationship with banking and treasury counterparties is laid down in a specific counterparty policy. Limits are set on a single-name basis and are aligned with the Group's risk appetite. Key criteria used in setting limits are among others long term debt rating, credit risk assessment on the related banks and participation in the revolving credit facility. The Group, equally, puts in place acceptance criteria for reinsurance of motor insurance risks.

### Credit risk measurement

The Group uses an internally developed risk measurement system to measure the probability of default and the exposure to potential defaults for the corporate lease portfolio. The Group uses this measurement system to be able to report on such credit risk to external regulators.

A summary of the approximation of the concentration of the financial assets in geographical sectors as at 31 December can be shown as follows:

	Europe (euro)	Europe (non-euro)	Rest of the world	Total
<b>FINANCIAL ASSETS</b>				
Cash and balances at central banks . . . . .	978,753	21		978,774
Receivables from financial institutions . . . . .	1,268,145	112,805	58,101	1,439,051
Derivative financial instruments . . . . .	120,438			120,438
Rebates and bonuses and commissions receivable . . . . .	141,205	22,098	9,743	173,046
Reclaimable damages . . . . .	23,526	1,605	360	25,491
Interest to be received . . . . .	1,435	30		1,465
Receivables from clients . . . . .	869,330	684,381	1,276,238	2,829,949
Loans to associates and jointly controlled entities . . . . .	258,369			258,369
<b>Total as at 31 December 2013 . . . . .</b>	<b>3,661,201</b>	<b>820,940</b>	<b>1,344,442</b>	<b>5,826,583</b>
<b>Total as at 31 December 2012 . . . . .</b>	<b>3,521,998</b>	<b>858,790</b>	<b>1,551,668</b>	<b>5,932,456</b>

### C. Credit risk (continued)

A summary of the approximation of the concentration of the financial assets per industry as at 31 December can be shown as follows:

	Financial institutions	Manufacturing	Wholesale trade	Transport and public utilities	Public sector	Other industries	Total
<b>FINANCIAL ASSETS</b>							
Cash and balances at central banks . . . . .	978,774						978,774
Receivables from financial institutions . . . . .	1,439,051						1,439,051
Derivative financial instruments . . . . .	120,438						120,438
Rebates and bonuses and commissions receivable . . . . .		173,046					173,046
Reclaimable damages . . . . .						25,491	25,491
Interest to be received . . . . .	1,465						1,465
Receivables from clients . . . . .	192,054	718,874	534,114	247,600	114,542	1,022,765	2,829,949
Loans to associates and jointly controlled entities . . . . .						258,369	258,369
<b>Total as at 31 December 2013 . . . . .</b>	<b>2,731,782</b>	<b>891,920</b>	<b>534,114</b>	<b>247,600</b>	<b>114,542</b>	<b>1,306,625</b>	<b>5,826,583</b>
<b>Total as at 31 December 2012 . . . . .</b>	<b>2,608,620</b>	<b>965,524</b>	<b>603,373</b>	<b>268,223</b>	<b>135,942</b>	<b>1,350,774</b>	<b>5,932,456</b>

Information on past due and/or impaired financial assets as at 31 December can be shown as follows:

	Carrying amount	Neither past due nor impaired	Past due but not impaired	Impaired	Allowance for impairment
<b>FINANCIAL ASSETS</b>					
Cash and balances at central banks . . . . .	978,774	978,774			
Receivables from financial institutions . . . . .	1,439,051	1,439,051			
Derivative financial instruments . . . . .	120,438	120,438			
Rebates and bonuses and commissions receivable . . . . .	173,046	173,046		1,287	(1,287)
Reclaimable damages . . . . .	25,491	25,491		5,360	(5,360)
Interest to be received . . . . .	1,465	1,465			
Receivables from clients . . . . .	2,829,949	2,394,385	434,417	87,409	(86,262)
Loans to associates and jointly controlled entities . . . . .	258,369	258,369		7,325	(7,325)
<b>Total as at 31 December 2013 . . . . .</b>	<b>5,826,583</b>	<b>5,391,019</b>	<b>434,417</b>	<b>101,381</b>	<b>(100,234)</b>
<b>FINANCIAL ASSETS</b>					
Cash and balances at central banks . . . . .	1,015,429	1,015,429			
Receivables from financial institutions . . . . .	1,186,096	1,186,096			
Derivative financial instruments . . . . .	188,920	188,920			
Rebates and bonuses and commissions receivable . . . . .	197,286	197,286		1,239	(1,239)
Reclaimable damages . . . . .	24,882	24,882		3,245	(3,245)
Interest to be received . . . . .	2,941	2,941			
Receivables from clients . . . . .	3,093,213	2,719,710	374,462	78,900	(79,859)
Loans to associates and jointly controlled entities . . . . .	223,689	223,689		7,325	(7,325)
<b>Total as at 31 December 2012 . . . . .</b>	<b>5,932,456</b>	<b>5,558,953</b>	<b>374,462</b>	<b>90,709</b>	<b>(91,668)</b>

## C. Credit risk (continued)

### Cash and balances at central banks/receivables from financial institutions

The Group maintains liquid assets at central banks and a diversified group of solid commercial banks.

### Derivative financial instruments

In addition to its natural exposure to credit risk in the leasing of vehicles, the Group is also exposed to credit risk because of its use of derivative financial instruments and because of excess cash being deposited with banks. Both credit risks arising from the Group's central Treasury operations are controlled by setting specific nominal limits for the limited number of financial institutions that such transactions are being concluded with and the requirement of minimal external rating grades that such counterparties are assigned. Exposures on derivative financial instruments are mitigated by using CSAs (reference is made to paragraph 'A. Strategy in using financial instruments'). At year end 2013 the Group received EUR 27 million cash collateral under these CSAs (2012: EUR 41 million).

### Receivables from clients

Receivables from clients are individually assessed on indications for impairment. The sources for such indications can be internal, such as internal credit rating, payment behaviour and receivable ageing or external, such as external credit ratings and solvency information. Impairment is recognised when collection of receivables is at risk and when the recoverable amount is lower than the carrying amount of the receivable, also taking into account cash collateral (amounting to EUR 37.6 million at year-end 2013 (2012: EUR 13.1 million)) and the fact the Group retains legal ownership of the leased asset until transfer of such ownership at the end of the lease contract.

Receivables from clients less than 90 days past due are not considered to be impaired, unless other information is available to indicate the contrary. Gross amounts of receivables from clients that were past due but not impaired were as follows:

	2013	2012
<b>Receivables from clients past due, but not impaired</b>		
Past due up to 90 days	381,586	302,427
Past due between 90 - 180 days	18,975	27,158
Past due between 180 days - 1 year	16,291	25,112
Past due 1 - 2 years	8,454	10,150
Past due over 2 years	9,111	9,615
<b>Total</b>	<b>434,417</b>	<b>374,462</b>

When invoiced lease instalments for finance leases are past due also the remaining not yet invoiced finance lease receivables (relating to the remaining contract duration) become past due and are included in the above balance of receivables from clients past due but not impaired. This balance of not yet invoiced finance lease receivables amounts to EUR 279 million (2012: EUR 202 million).

Receivables from clients impaired and the allowance for impairment were as follows:

	2013	2012
<b>Impaired loans and receivables from clients</b>	<b>87,409</b>	<b>78,900</b>
Provision on clients provided for	80,262	73,399
Incurred but not reported loss provision	6,000	6,460
<b>Total allowance for impairment</b>	<b>86,262</b>	<b>79,859</b>



## C. Credit risk (continued)

The total impairment allowance for loans and receivables is EUR 86.3 million (2012: EUR 79.9 million) of which EUR 80.3 million (2012: EUR 73.4 million) represents the impaired receivables and the remaining amount of EUR 6.0 million (2012: EUR 6.5 million) represents the incurred but not reported loss provision. Reference is made to note 14 to the consolidated balance sheet.

The Group is in the process of assessing the levels of forbearance activities. In view of the asset backed nature and relatively short duration of the lease contracts the impact of forbearance activities is estimated to be not material, also taking into account the limited levels of credit losses the Group experiences.

### Loans to associates and jointly controlled entities

Credit risk for the Group arises on lending to associates and jointly controlled entities. The underlying business of the respective associates and jointly controlled entities is very similar to the Group's core activities conducted through subsidiaries. In shareholder agreements the Group has agreed with its respective partners the ability to provide debt funding under specific credit documentation. Such provision of credit is committed and established limits are reviewed regularly. In the control on its investments in associates and jointly controlled entities, the Group also monitors and manages its credit exposures to such ventures. The impairment in the table above relates to loans to Overlease, a jointly controlled entity in Italy. In June 2009 the shareholders of Overlease decided to enter into a liquidation scenario for this company. As a result it is expected that Overlease will not be able to fully repay loans received from the Group.

### Credit risk measurement including non-financial assets

Corporate counterparties of the Group (the lease contract portfolio) are segmented into 14 non-default rating classes. The Group's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The governance framework built around models ensures that the rating tools are kept under constant review and are renewed when necessary. For this purpose the Group monitors on a quarterly basis if the performance of the models meets internal and external requirements. Annually, all models are validated by an external party. The Group's internal ratings scale and mapping of external ratings are:

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

The ratings of Standard & Poor's shown in the table above are mapped to the Group's rating classes based on the long-term average default rates for each external grade. The Group uses the external ratings where available to benchmark its internal credit risk assessment. Observed defaults per rating category vary year on year, especially over an economic cycle.

### C. Credit risk (continued)

The table below summarises the credit rating of the relevant financial assets of the Group, except for the lease contract portfolio which includes both financial assets (finance leases) and non-financial assets (operating leases) as credit rating is performed on the total lease contract portfolio. The credit rating of the finance lease portfolio is, however, not substantially different from the credit rating of the total lease contract portfolio. Counterparties included in the lease contract portfolio that are subject to the AIRB models and for which no external rating is available, the 'external' rating is based on the internal Group's rating equivalent as mentioned in the mapping table above. The unrated part mainly includes the lease contract portfolio to retail clients for which there is not an internal ratings model. As of 2014 AIRB models will be applied to the retail clients in the United Kingdom and the Netherlands amounting to EUR 1.2 billion. There are no defaults included in the unrated part of the lease contract portfolio.

External rating	2013			2012		
	Lease contract portfolio	Derivative financial instruments	Receivables from financial institutions	Lease contract portfolio	Derivative financial instruments	Receivables from financial institutions
AAA to AA- . . . . .	968,763	36,770	181,007	1,055,466	63,415	269,999
A+ to A- . . . . .	3,810,872	79,671	1,218,289	3,939,949	115,015	896,805
BBB+ to BBB- . . . . .	4,493,904	3,997	24,694	5,105,469	10,490	15,211
BB+ to BB- . . . . .	2,280,998		5,399	2,129,471		3,779
B+ to B- . . . . .	228,459		5,485	266,233		
CCC+ to C . . . . .	5,213		181	6,537		302
At default . . . . .	65,545			67,253		
Unrated . . . . .	2,681,100		3,996	2,366,968		
<b>Total . . . . .</b>	<b>14,534,854</b>	<b>120,438</b>	<b>1,439,051</b>	<b>14,937,346</b>	<b>188,920</b>	<b>1,186,096</b>

The Company applies a local judgement criterion in its default definition. As a consequence of this local judgement criterion, the PD of the corporate counterparties is somewhat lower than when applying a default definition solely based on a definition of default as being over 90 days in arrears (as per the Basel II definition) whereas the LGD of the corporate counterparties is somewhat higher. The local judgement criterion is used to avoid disputes with counterparties being reported as defaults and reflects the automotive service nature of our business.

Loss given default or loss severity represents the Group's expectation of the extent of a loss should default occur. It is expressed as percentage loss of the exposure at the time a counterparty is declared in default and typically varies by country and transactional features like the leased object. The average credit risk exposure weighted estimated loss given default percentage of the corporate portfolio and applicable to the capital calculation of the Group in 2013 amounted to 30% (2012: 30%). The remaining maturity of the AIRB lease portfolio on average amounts to 1.96 years (2012: 2.03 years).

On a quarterly basis the Group's credit risk management department performs stress testing on the corporate lease portfolio by assuming deterioration in counterparties' ratings in combination with a deterioration of LGDs. The worst case scenario calculated under these stress tests assumes an average decrease in all corporate counterparties' ratings by 2 notches and a deterioration of the average LGD by 10%. Such scenario would for the Group result in an increase of required capital amounting to approximately EUR 150 million which includes an additional AIRB provision shortfall of EUR 24 million.

## **D. Asset risk**

### **Asset risk definition**

Within the Group, asset risk is split into two main underlying risk components being residual value risk and risk related to the services repair, maintenance and tyre replacement. The residual value risk is defined by the Group as the exposure to potential loss at contract end date due to the resale values of assets declining below the estimates made at lease inception. The risk related to repair, maintenance and tyre replacement is considered the Group's exposure to potential loss due to the actual costs of the services repair, maintenance and tyre replacement exceeding the estimates made at lease inception.

### **Asset risk management structure and organisation**

The Managing Board is the highest ruling authority on asset risk management within the Group. The Managing Board decides on the content and potential changes of policies and is informed about all relevant and significant developments with regard to the Group's asset risk profile. Trends in relevant asset risk related elements are monitored by and discussed in the Group's Asset Risk Committee. This committee also discusses changes to Group policies regarding asset risk and the Group's asset risk position. The Group's asset risk management department is responsible for establishing and maintaining the asset risk management framework and monitoring the Group's asset risk profile.

Annually the Group's risk management department prepares the risk appetite, which includes all risk areas and is subject to approval by the Managing Board and Supervisory Board. On a quarterly basis the Group's asset risk management department reports on actual performance against the risk appetite to the Supervisory Board. This report includes the asset risk position of the Group. The asset risk position is furthermore discussed in the Group's Asset Risk Committee and shared with the Managing Board.

A Group company's management is responsible for the adequate management (risk identification, risk assessment and response, risk control, monitoring and communication) of asset risks in their respective lease portfolios. All Group companies have an asset risk management role in place. The Group's group audit department pays, during their audits, specific attention to the way asset risk management has been organised and embedded. This department also verifies compliance with the Group policies. For these purposes the group audit department has defined specific activities in its working programme.

### **Asset risk management policy**

The Group has a robust policy in place with respect to asset risk management that applies to all Group companies bearing such risk. The policy, among others, outlines a limit structure which is based on the Group's defined residual value risk appetite, whereby the level of risk taking is determined for three echelons within the Group (i.e. country, region and Group). Furthermore, the policy describes that due to the complexity involved all Group companies should establish an asset risk committee including the Managing Director and/or the Finance Director. This committee convenes with a minimum frequency of once every quarter and has as a primary task to oversee the adequate management of asset risks on behalf of the local management team. Equally, it is the task of this committee to ensure that the management team of a Group company is informed on all relevant issues. The local asset risk committee assesses influences on asset risk exposure (both internal as well as external) and, based on its assessment, decides on the level of pricing and risk mitigating measures. The Group companies have internal reporting in place regarding asset risk management. The internal reporting should include the trends in termination results, trends in risk mitigation and asset risk measurements. The policy also describes the minimum standard with respect to risk mitigating techniques. The purpose of these risk mitigating techniques is to ensure that Group companies are placed in a position where asset risks can be managed. Examples of risk mitigation are charging end-of-contract damages and

## D. Asset risk (continued)

charging the costs related to premature terminations. Additionally, the Group is in many cases allowed to recalculate the asset risk parameters in a contract in case of deviations of actual mileage versus budgeted mileage.

### Asset risk measurement

Asset risk is analysed throughout the term of the lease contracts: starting at lease inception, following it through its term up to lease termination. Measuring asset risk at all three stages of the lease contracts assists in tracing developments with respect to asset risk elements and identifying adverse trends.

- Contract Inception; on a monthly and quarterly basis the contractual residual values and the pricing applied for vehicle repair, maintenance and tyre replacement risk of the Group companies are reviewed. Any developments arising from the pricing reviews are then discussed with local and regional management.
- During Contract Life; the Group companies measure the residual value risk and repair, maintenance and tyre replacement risk on vehicles under lease contracts and report the estimated results of these exposures at lease termination to the corporate centre on a quarterly basis. These measurements are referred to as fleet risk assessments. In many cases these measurements are calculated through statistical analysis (such as multiplicative models or linear regressions) based on the Group's historical vehicle sales results. Estimates in respect of residual values and results from vehicle repair, maintenance and tyre replacement are made at an individual vehicle level and aggregated to portfolio level. The outcomes of these measurements are reviewed and discussed within local asset risk management committees. The outcomes can also serve as a basis for the determination of any prospective depreciation of the Group's consolidated portfolio.
- Contract Termination; for vehicle leases terminated within the relevant monthly or quarterly reporting period, the actual sales proceeds from the vehicle and the result from vehicle repair, maintenance and tyre replacement are monitored and reviewed in comparison to the estimates made at lease inception and adjusted during the term of the lease.

On a quarterly basis all Group companies assess the exposures in the existing lease portfolios for future years and inter alia compare contracted residual values to the latest expectations of future market prices. With a view to the consolidated Group outcome of the assessment of expected residual value results in future years, no additional depreciation charge was taken in 2013 (2012: nil). Reference is made to note 2 and note 19 to the consolidated financial statements.

In determining additional depreciation charges not only the outcome of the comparison between residual value and expected future market price is relevant. Also the risk mitigating measures which the Group actively pursues to manage residual value risk prior to, during and at the end of a lease contract are of importance. Examples of such measures are forward looking in respect of estimated numbers of early terminations, mileage variation adjustments to lease rentals and amounts of end of contract damages invoiced at contract termination. Additional management actions and compensating elements as well as other risk bearing elements of the product (i.e. maintenance, tyre replacement and repair) are included in the Group's exposure and in the determination of additional depreciation charges.

The Group monitors this exposure on a continuous basis and adjusts its residual values for new leases accordingly. New leases are originated for original terms of three to four years, but are in practice also regularly adjusted during the term of the lease (either extended or early terminated).

## D. Asset risk (continued)

The Group's residual position in relation to the total lease portfolio can be illustrated as follows:

	2013	2012
Future lease payments .....	6,442,577	6,745,323
Residual value .....	8,092,277	8,192,023
<b>Total .....</b>	<b>14,534,854</b>	<b>14,937,346</b>

The above table includes both operating and finance leases. The Group is therefore not effectively exposed to the entire residual value, since part of this represents its finance lease portfolio. On the remaining amount that the Group is exposed to risk mitigating measures as described above have an important (reducing) impact. Taking also into account the geographical and make/model diversification of the Group's portfolio of vehicles, it is appropriate to conclude that the Group is well set up for managing volatility in used vehicle prices.

The Group performs stress testing as part of the above-mentioned quarterly assessment. A one percentage point movement in the latest expectation of future (used car) market prices would lead to a EUR 51 million movement in estimated termination results for the year 2014.

## E. Treasury risk

### Treasury risk definitions

Treasury risk in this respect entails a combination of three individual risks, being liquidity risk, interest rate risk and currency risk. Liquidity risk is the risk that the Group is not able to meet its obligations for (re)payments, due to a mismatch between the (re)financing of its assets and liabilities. Interest rate risk is the risk that the profitability and shareholder's equity of the Group is affected by movements in interest rates. Currency risk entails the risk that currency fluctuations have an adverse impact on the Group's result and shareholder's equity.

### Treasury risk management structure and organisation

Annually the Group's risk management department prepares the risk appetite, which includes all risk areas and is subject to approval by the Managing Board and Supervisory Board. On a quarterly basis the Group's risk management department report on actual performance against the risk appetite to the Supervisory Board. This report includes the treasury risk positions of the Group, including liquidity, currency and interest rate risk. The treasury risk positions are furthermore discussed in the Group's Funding and Treasury Committee (FTRC) and shared with the Managing Board.

As risk committees like the FTRC are meant for going-concern situations, a Liquidity Crisis Committee (LCC) and Capital Crisis Committee (CCP) exists at the Group's level to handle critical liquidity and capital situations. The LCC and CCP includes among others all Managing Board members, all regional senior vice-presidents that are responsible for LeasePlan Group and senior corporate vice-presidents of Risk Management, Strategic Finance, Control, Reporting & Tax and Corporate Strategy & Development. The activation, role and mandate of the LCC are governed by the Liquidity Contingency Plan and Capital Contingency Plan. As of 2013 the Dutch central bank has required all Dutch banks to have a recovery plan in place, for the hypothetical situation the Group nears critical levels for survival. Although not limited to, such a case would presumably materialise via the liquidity or capital position of the Group.

The compliance of the Group and Group companies (including the Group's central Treasury and LeasePlan Bank) is monitored on, at least, a monthly basis by the Group's treasury risk management (TRM) department whereas treasury risk positions of the Group's central Treasury are monitored daily. The department TRM is part of Corporate Risk Management, is physically present at the Group's central Treasury. and has the responsibility to monitor treasury risk limits,

## **E. Treasury risk (continued)**

achievement of liquidity targets and to identify control breakdowns, inadequacy of processes and unexpected events. Non-compliance and follow-up measures are discussed with the FTRC.

### **Treasury risk management policy**

#### **Liquidity risk policy**

The liquidity risk appetite and tolerance levels are based on the following key principles:

- compliance with minimum regulatory liquidity requirements at all times;
- maintaining sufficient liquid assets to meet financial obligations under severe but plausible stress events for a period of at least one month without negatively affecting ongoing business; and
- maintaining access to liquidity buffers and developing a set of possible management actions to meet the financial obligations during a period of continuing stress for at least nine months.

Liquidity risk is not perceived as a driver for profit by the Group, hence the policy is aimed at matched funding and diversification of funding sources. Liquidity risk is managed by seeking to conclude funding that matches the estimated run-off profile of the leased assets. This matched funding principle is applied both at a consolidated group and at subsidiary level taking into account specific mismatch tolerance levels depending on the asset total of the subsidiary. Group companies' local management is responsible to adhere to the matched funding policy and has the possibility to attract funding directly via external banks or to attract funding at the Group's central Treasury. For the latter situation, a fund transfer price is applied. The fund transfer price is adjusted monthly and approved by the Managing Board.

A key instrument in the liquidity risk management is the funding planning maintained at Group level and is a recurring item on the FTRC agenda. The funding planning forecasts issuances and redemptions for each funding source, resulting in a multi-year projection of the liquidity position. Apart from the actual forecast, a stress-tested forecast is calculated based on stress assumptions. The governance of the liquidity stress testing process is outlined in the Liquidity Stress Testing Policy.

The Group maintains a number of stress scenarios addressing idiosyncratic and market wide risk drivers in both specific and combined scenarios. On a monthly basis a high-level stress test is performed based on fixed parameterisation of cash flow forecasting, in addition to the quarterly stress testing cycle.

Stress testing results are used both for contingency planning as for going-concern funding and risk activities, for instance to set the target level for the liquidity buffer to meet a period of severe stress. Stress testing is also input for periodic recalibration of the risk appetite for liquidity risk.

Liquid assets are maintained to meet a one month stress period. To meet a longer term stress period of at least nine months, the Group has established several committed credit facilities from solid financial institutions, diversified across countries inside and outside the European Monetary Union and of Volkswagen group. In addition to the Group's own internal policies and controls, liquidity risk is also supervised by and reported to the Dutch central bank on a monthly basis. The liquidity supervision by the Dutch central bank is focused on identifying available sources of liquidity and required liquidity.



## **E. Treasury risk (continued)**

### **Interest rate risk policy**

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

- Group companies and jointly controlled entities, carrying interest-bearing assets (mainly lease contracts) and funding on their balance sheet, which mainly is inter-company funding supplied by the Group's central treasury;
- the Group's central treasury, concluding external funding, external derivatives and granting inter-company loans to Group companies.

The interest rate risk policy is to match the interest rate profile of the lease contract portfolio with a corresponding interest rate funding profile to minimise the interest rate risk, as measured by interest rate gap reports per Group company. Group companies carry interest-bearing assets on their balance sheet funded by interest-bearing liabilities (loans and other indebtedness). Where interest-bearing sensitive liabilities fall short to cover interest-bearing assets, non-interest sensitive working capital and subsidiary's equity are allowed to cover interest-bearing assets, as part of the matched funding policy. Given LeasePlan's capital position, the Group is comfortable by not fully hedging the interest rate exposure due to Group company's lease portfolios. Due to accounting treatment of lease contracts, this does not lead to gains or losses in the Group's income statement or in shareholder's equity. Thereby derivative financial instruments are entered into to mitigate or reduce interest rate exposures and are not used for trading purposes. Due to the accounting treatment of derivative financial instruments, the Group is exposed to volatility in the Group's income statement due to interest rate fluctuations.

The Group's central Treasury provides loans to Group companies and attracts funds from the market in conjunction with interest rate derivatives entered into for hedging purposes. Derivative financial instruments are concluded by the Group's central Treasury as an end user only. To enable the Group's central Treasury to achieve economies of scale, smaller inter-company assets are grouped into larger size external funding transactions. Some timing differences are unavoidable in this process and interest rate risk exposures are inherent to the central treasury process. To manage this risk, limits are set for the level of mismatch of interest rate re-pricing that may be undertaken by currency and time period.

### **Currency risk policy**

Due to its activities in 31 countries, the Group is exposed to currency exchange rates and uses the euro as its functional currency. Whenever reasonably possible, hedging is applied by means of matching assets and liabilities or by means of financial derivatives.

Nearly all debt funding, directly or via derivatives, is concluded in the currency in which assets are originated, thereby protecting balance sheets ratios against currency fluctuations. This principle is applied both at Group level, and at the local Group companies. This is required both when obtaining funds at local banks or at the Group's central Treasury. In order to facilitate this, the Group's central Treasury has limits per currency in line with the Group's approved risk appetite.

The Group is exposed to the currency risk on its equity holdings of its subsidiaries, including annual results. The Company has in general the policy not to hedge translation risk, but keeps open the possibility to do so when operations are denominated in highly volatile currencies or in a high inflation environment.

## E. Treasury risk (continued)

### Treasury risk measurement

#### Liquidity risk measurement

The table below presents the contractual undiscounted cash flows payable of the financial liabilities of the Group in the relevant contractual maturity groupings. The cash flows do not reconcile to the balance sheet because the balance sheet amounts are presented on an amortised cost basis. As a result of the diversified funding strategy funds entrusted increased (savings deposits of LeasePlan Bank) and funding in the debt capital markets reduced.

	0-3 months	3-12 months	1-5 years	> 5 years	Total
<b>FINANCIAL LIABILITIES</b>					
Trade payables	582,085				582,085
Borrowings from financial institutions	181,706	1,371,669	969,962		2,523,337
Funds entrusted	2,550,184	1,170,326	596,431	3,215	4,320,156
Debt securities issued	411,755	1,958,319	3,840,813	777,853	6,988,740
Future payments (interest and commitment fees)	95,197	213,135	351,987	147,844	808,163
<b>Total as at 31 December 2013</b>	<b>3,820,927</b>	<b>4,713,449</b>	<b>5,759,193</b>	<b>928,912</b>	<b>15,222,481</b>
<b>FINANCIAL LIABILITIES</b>					
Trade payables	565,008				565,008
Borrowings from financial institutions	463,461	298,583	1,014,649		1,776,693
Funds entrusted	2,303,455	1,263,981	537,464	6,519	4,111,419
Debt securities issued	943,282	2,120,769	5,321,413	137,763	8,523,227
Future payments (interest and commitment fees)	131,324	245,045	400,247	107,351	883,967
<b>Total as at 31 December 2012</b>	<b>4,406,530</b>	<b>3,928,378</b>	<b>7,273,773</b>	<b>251,633</b>	<b>15,860,314</b>

For interest rate swaps and forward rate agreements the undiscounted cash flows are presented on a net basis into the relevant maturity groupings, whereas the undiscounted cash flows on currency swaps are presented on a gross basis. Compared to 2012 the decrease in cash inflow and outflow from currency swaps in the 0-3 months bucket is due to the fact that more funding is attracted in local currency in 2013.

	0-3 months	3-12 months	1-5 years	> 5 years	Total
Interest rate swaps/forward rate agreements, netted cash flow	(15,022)	12,172	47,924	126,585	171,659
Currency swaps cash inflow	1,937,863	776,903	1,039,278	—	3,754,044
Currency swaps cash outflow	(1,928,339)	(808,548)	(1,067,819)	—	(3,804,706)
<b>Total as at 31 December 2013</b>	<b>(5,498)</b>	<b>(19,473)</b>	<b>19,383</b>	<b>126,585</b>	<b>120,997</b>
Interest rate swaps/forward rate agreements, netted cash flow	(13,259)	(9,688)	10,198	109,257	96,508
Currency swaps cash inflow	2,824,788	577,222	1,002,507	—	4,404,517
Currency swaps cash outflow	(2,831,339)	(587,478)	(1,012,561)	—	(4,431,378)
<b>Total as at 31 December 2012</b>	<b>(19,810)</b>	<b>(19,944)</b>	<b>144</b>	<b>109,257</b>	<b>69,647</b>

As a precaution the continued access to financial markets for funding the Company maintains a liquidity buffer. This buffer includes committed (standby) credit facilities to safeguard its ability to continue to write new business also when temporarily no new funding could be obtained and hence to reduce the liquidity risk for the Group.

## E. Treasury risk (continued)

The following funding arrangements have been concluded by the Group:

- A committed standby facility was renewed bilaterally with an individual bank (EUR 125 million maturing in October 2014). In addition a three year committed revolving credit facility was renewed in December 2012 with a consortium of 13 banks (EUR 1.25 billion) maturing in December 2015. Furthermore, in December 2012 a three year credit facility with Volkswagen A.G., through its subsidiary Volkswagen International Luxemburg S.A., (EUR 1.25 billion) maturing December 2015 was renewed. None of these facilities include material adverse change clauses. During 2013 and 2012 no withdrawals were made on the above-mentioned facilities.
- The Group concluded a range of public asset backed securitisation transactions under the name of Bumper 2 (2008/2011: EUR 876 million), Bumper 4 (2011: EUR 1 billion), Bumper 5 (2012: GBP 838 million) and a private asset backed securitisation transaction under the name Bumper France (2013: EUR 799 million). These transactions involve the sale of lease receivables and related residual value receivables originated by various Group companies to special purpose companies. Debt securities were issued by these special purpose companies to finance these transactions. The higher rated notes were sold to external investors and the subordinated notes were retained by the Group. For further details on the transactions reference is made to the consolidated financial statements of the Company (note 13 and note 19) and the Company financial statements (note 4).
- The Group concluded in December 2012 a structured finance transaction under the name 'Bumper CARS NL'. This is a private transaction and uses a securitisation structure under Dutch law common for operating lease securitisations. As per year-end 2013 the committed credit facility in this transaction is drawn for EUR 480 million (2012: nil). For further details on the transaction reference is made to the consolidated financial statements of the Company (note 19) and the Company financial statements (note 4).
- LeasePlan Bank, the Group's internet savings bank in the Netherlands, launched in February 2010, targets private individuals. Through the savings bank, the Company aims to fund to 30% and 35% of its balance sheet total over time. By the end of 2013, LeasePlan Bank raised EUR 4.165 billion (2012: EUR 3.949 billion).
- In the last quarter of 2008 and in the first half of 2009 the Group has availed of the possibility to issue debt under the Credit Guarantee Scheme of the State of the Netherlands. At the end of 2013 EUR 1 billion was outstanding under this scheme (reference is made to note 26 to the consolidated balance sheet of the Company). The Credit Guarantee Scheme is a public scheme, available for Dutch banks, drawing under this scheme is subject to approval of the Dutch central bank. The scheme contains important terms and conditions that the Group is comfortable to adhere to.

The Dutch central bank sets out minimum liquidity level requirements demanding that available liquidity exceeds required liquidity at all times. The Group is in compliance with this minimum liquidity requirement.

The Group's liquidity stress testing program includes the integration of risk drivers and review of stress scenarios, governance, tools used and documentation of the stress testing process. The Group maintains a number of stress scenarios addressing idiosyncratic and market wide risk drivers in both specific and combined scenarios. On a monthly basis a high-level stress test is performed based on fixed parameterisation of cash flow forecasting, in addition to the quarterly stress testing cycle. Stress testing results are used both for contingency and going-concern activities, for instance to measure against the target level for the liquidity buffer under severe stress, which is a minimum of 9 months.

## **E. Treasury risk (continued)**

### **Interest rate risk measurement**

Interest rate risk within LeasePlan is managed separately for:

- Group companies and jointly controlled entities, carrying interest bearing assets (mainly lease contracts), on their balance sheet,
- the Group's central treasury, concluding external funding, external derivatives and granting inter-company loans to Group companies.

Group companies' interest rate exposure resulting from covering interest-bearing assets by both interest-bearing liabilities and non-interest bearing working capital and equity is EUR 2.6 billion. Due to accounting treatment of lease contracts, this does not lead to gains or losses in the Group's income statement or in shareholder's equity.

Stress testing takes place regularly on central treasury exposures during the year by analysing the profit and loss effect of an unexpected increase of 200 basis points parallel yield curve shift in all currencies. The results on the interest positions are due to the fact that the Group's central Treasury leaves interest exposures open by not fully hedging the inter-company funding. These interest rate positions are held in different currencies yet mainly in EUR, USD, GBP and CHF, for which limits have been approved as part of risk appetite. The Managing Board has approved absolute limits for all these currencies. The open interest positions are sensitive to a change in interest rates. The analysis is performed by calculating the impact of an increase in rates on the future cash flows of all transactions (including the off-balance transactions) categorised as open interest rate position. Based on this analysis it can be concluded that with an increase in interest rates of 200 basis points the results on the open interest positions will decrease the profit before tax for the year ending 31 December 2013 by approximately EUR 6.9 million (2012: EUR 5.6 million). The calculation is based on a blended yield curve of cash rates and swap rates derived from Bloomberg. This methodology is also used within the Pillar 2 capital calculation.

### **Currency risk measurement**

The Group has a limited exposure to effects of fluctuations in currencies on its financial position and cash flows. The main cause for this limited exposure is that nearly all debt funding, directly or via derivatives, is concluded in the currency in which assets are originated. Also the Group's equity is allocated to the currencies in which assets are denominated. The Group monitors the relative currency exposure, by comparing the Group's RWA and regulatory capital per currency area. The Group's aim is to neutralise the Group's capital ratio due to currency exchange rate fluctuations. Being active largely in the euro currency zone, the Group is exposed to the possible exit of one or more individual member states.

## E. Treasury risk (continued)

The table below summarises the Group's exposure to currency risk as at 31 December.

	EUR	GBP	USD	AUD	Other	Total
<b>As at 31 December 2013</b>						
<b>FINANCIAL ASSETS</b>						
Cash and balances at central banks .....	978,558	46	1	22	147	978,774
Receivables from financial institutions .....	1,264,946	96,302		51,355	26,448	1,439,051
Rebates and bonuses and commissions receivable .....	139,859	3,805	7,022	2,140	20,220	173,046
Reclaimable damages .....	23,526				1,965	25,491
Interest to be received .....	1,383	1	51		30	1,465
Receivables from clients .....	868,967	249,080	1,014,732	242,632	454,538	2,829,949
Loans to associates and jointly controlled entities .....	226,013		12,237		20,119	258,369
<b>Total .....</b>	<b>3,503,252</b>	<b>349,234</b>	<b>1,034,043</b>	<b>296,149</b>	<b>523,467</b>	<b>5,706,145</b>
<b>FINANCIAL LIABILITIES</b>						
Trade payables .....	400,015	17,635	27,420	25,050	111,965	582,085
Interest payable .....	100,109	440	3,993	5,637	15,289	125,468
Borrowings from financial institutions .....	991,442	420,577	22,675	411,147	677,496	2,523,337
Funds entrusted .....	4,318,557				1,599	4,320,156
Debt securities issued .....	4,410,943	168,226	1,415,554	165,468	828,549	6,988,740
<b>Total .....</b>	<b>10,221,066</b>	<b>606,878</b>	<b>1,469,642</b>	<b>607,302</b>	<b>1,634,898</b>	<b>14,539,786</b>
<b>NON-FINANCIAL ASSETS AND LIABILITIES</b>						
<b>Net on-balance position .....</b>	<b>912,148</b>	<b>1,122,008</b>	<b>(263,914)</b>	<b>126,840</b>	<b>761,525</b>	<b>2,658,607</b>
Derivatives position .....	922,064	(920,478)	337,869	(1,137)	(415,370)	(77,052)
<b>CURRENCY POSITION .....</b>		<b>201,530</b>	<b>73,955</b>	<b>125,703</b>	<b>346,155</b>	
Net investment subsidiaries ...		194,260	77,307	126,626	342,850	
Other .....		7,270	(3,352)	(923)	3,305	
<b>As at 31 December 2012</b>						
Total financial assets .....	3,295,517	380,491	1,201,938	332,128	533,462	5,743,536
Total financial liabilities .....	11,277,179	918,870	765,158	715,994	1,469,019	15,146,220
Non-financial assets and liabilities .....	7,654,792	1,440,059	140,267	596,861	1,995,428	11,827,407
<b>Net on-balance position .....</b>	<b>(326,870)</b>	<b>901,680</b>	<b>577,047</b>	<b>212,995</b>	<b>1,059,871</b>	<b>2,424,723</b>
Derivatives position .....	1,994,904	(723,030)	(508,228)	(82,883)	(718,055)	(37,292)
<b>CURRENCY POSITION .....</b>		<b>178,650</b>	<b>68,819</b>	<b>130,112</b>	<b>341,816</b>	
Net investment subsidiaries ...		180,595	69,385	133,750	334,792	
Other .....		(1,945)	(566)	(3,638)	7,024	

At 31 December the Group has assessed the difference between RWA and regulatory capital at Group level and for individual currency areas, as the relative currency exposure. The logic behind this is that if the relative RWA/regulatory capital position is the same as for the Group both RWA and regulatory capital allocated to the non-functional currency will deviate, but will not impact the Group's capital ratio. Taking a 10% presumed currency shock on all currencies against euro, an instantaneous impact on the Group's capital would be EUR 18.2 million.

## **E. Treasury risk (continued)**

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

## **F. Motor insurance risk**

### **Motor insurance risk definition**

As a result of its normal business activities the Group is exposed to motor insurance risk. Motor insurance risk is the exposure to potential loss due to costs related to damages incurred for the Group's account exceeding the compensations included in lease rental payments. This risk consists of long-tail risks (motor third party liability and legal defence) and short-tail risks (motor material damage and passenger indemnity).

### **Motor insurance risk management structure and organisation**

The Managing Board is the highest ruling authority with respect to motor insurance risk management within the Group. The Managing Board decides on the content of policies as well as amendments to these policies. Parts of the responsibilities of the Managing Board are delegated to the Group's Motor Insurance Risk Committee. The Group's motor insurance risk management department is responsible for establishing and maintaining the motor insurance risk framework and monitoring Group's motor insurance risk profile. The motor insurance risks are retained by the Group's insurance subsidiary, Euro Insurances based in Dublin, Ireland, (these risks are referred to as insurance risk). In addition, some LeasePlan subsidiaries have a local risk retention scheme for motor material damages and retain the damage risk, while also offering insurance coverage through either Euro Insurances or external providers. Euro Insurances is regulated by the Central Bank of Ireland and its 'European passport' enables it to support Group companies in all EU countries. Euro Insurances is currently in the process of preparing for implementation of Solvency II (standardised approach). The Group's reinsurance subsidiary, Globalines Reinsurance, seeks to reinsure the third party liability and catastrophic events liability of Euro Insurances up to certain defined limits of coverage, while external reinsurance providers are used for any coverage required outside of Globalines Reinsurance's coverage limits, to minimise the financial impact of a single large accident and/or event.

Annually the Group's risk management department prepares the risk appetite, which includes all risk areas and requires approval by the Managing Board and is discussed in the Supervisory Board. On a quarterly basis the Group's risk management department prepares reporting to the Supervisory Board on performance against the risk appetite, including developments within motor insurance within the Group. The motor insurance position is furthermore discussed in the Group's Motor Insurance Risk Committee and shared with the Managing Board.

### **Motor insurance risk management policy**

The overall approach is to selectively accept damage and insurance risk in LeasePlan subsidiaries and Euro Insurances. The Group's objective is to identify and develop the motor insurance risk profile and to continuously monitor and manage these risks in line with Group's risk appetite for motor insurance risk. In principal the Group only accepts damage and insurance risk positions arising from its own operating and (to a lesser extent) finance lease portfolio, no material third party business exists. Damage and insurance specialists in each Group company accept damage or insurance risk in accordance with the strict guidelines of a pre-agreed risk selection and pricing procedures. These procedures set out the scope and nature of the risks to be accepted (or not) as well as the authority rules. Special perils falling outside the scope of the procedures are transferred to external insurance companies.

Settlement of damages is outsourced to specialised independent damage handling companies in accordance with the strict terms of a service level agreement and following a pro-active approach to damage handling, from expert investigation to early settlement at the lowest possible cost.



## **F. Motor insurance risk (continued)**

In order to clearly identify, monitor, manage and limit the risks, principles are laid down in a motor insurance risk policy that needs to be adhered to by all Group companies. Main requirements are the existence of motor insurance risk function with all Group Companies which is independent from the insurance (pricing) department and a local motor insurance risk committee which is required to monitor exposure and discuss trends and developments thereof. Clear authorisation structures are in place for intended launches of and changes in insurance structures and programmes. Reinsurers are selected on the basis of their financial strength, price, capacity and service and are monitored, also in respect of credit ratings, on a quarterly basis. The Group ensures that the damage and insurance risk policy's terms and conditions are mapped against the reinsurance cover in place in order to prevent any uncovered risks.

### **Motor insurance risk measurement**

The Group monitors the damage and insurance risk acceptance process and the financial performance using actuarial and statistical methods for estimating liabilities and determining adequate pricing levels. Regular analysis of damage and loss ratio statistics, strict compliance with damage handling procedures and policies and when necessary, reviews of damage and insurance risk pricing, ensure a healthy balance between revenues and damages at both an aggregate level and an individual fleet level. The provision for damages is regularly assessed and periodically verified by (external) actuaries.

The price for acceptance of damage and insurance risk is set in each market based on prevailing local market conditions after determining appropriate levels of (re)insurance cover and the expected costs of managing and settling damages. Regular external actuarial assessments support internal actuary assessments of the individual programme loss ratios, which are influenced by statistical evidence of accident frequency in the local market and the cost per large damage. These support the Incurred But Not Reported (IBNR) and Incurred But Not Enough Reported (IBNER) factors used to determine appropriate reserve levels necessary to meet projected short-tail and long-tail damages.

Under the motor insurance risk policy, Group companies measure and monitor their motor insurance risk exposure by performing a yearly damage and insurance risk self-assessment. On a quarterly basis Euro Insurances, Globalines Reinsurance and Group companies measure and report their risk exposures by means of premium developments and loss ratios to central management. These loss ratios are consolidated on group level and monitored against our defined risk appetite.

## G. Fair value of financial instruments

The table below summarises the Group's financial assets and financial liabilities of which the derivatives are measured at fair value and the other financial assets and other financial liabilities are measured at amortised costs on the balance sheet as at 31 December.

	Carrying value		Fair value	
	2013	2012	2013	2012
<b>LEVEL 1</b>				
<b>Financial assets</b>				
Loans and receivables				
Cash and balances at central banks . . . . .	978,774	1,015,429	978,774	1,015,429
<b>Total</b> . . . . .	<b>978,774</b>	<b>1,015,429</b>	<b>978,774</b>	<b>1,015,429</b>
<b>LEVEL 2</b>				
Derivative financial instruments in hedge . . . .	65,024	100,922	65,024	100,922
Financial assets at fair value through the income statement				
Derivative financial instruments not in hedge . . . . .	55,414	87,998	55,414	87,998
Loans and receivables				
To financial institutions . . . . .	1,439,051	1,186,096	1,439,270	1,186,475
Rebates and bonuses and commissions receivable . . . . .	173,046	197,286	173,046	197,286
Reclaimable damages . . . . .	25,491	24,882	25,491	24,882
Interest to be received . . . . .	1,465	2,941	1,465	2,941
To associates and jointly controlled entities . . . . .	258,369	223,689	269,173	232,394
<b>Total</b> . . . . .	<b>2,017,860</b>	<b>1,823,814</b>	<b>2,028,883</b>	<b>1,832,898</b>
<b>Financial liabilities</b>				
Derivative financial instruments in hedge . . . .	79,534	67,997	79,534	67,997
Financial liabilities at fair value through the income statement				
Derivative financial instruments not in hedge . . . . .	117,956	158,215	117,956	158,215
Other liabilities measured at amortised cost				
Trade payables . . . . .	582,085	565,008	582,085	565,008
Interest payable . . . . .	125,468	169,873	125,468	169,873
Borrowings from financial institutions . . . .	2,523,337	1,776,693	2,560,934	1,812,505
Funds entrusted . . . . .	4,320,156	4,111,419	4,396,624	4,219,440
Debt securities issued . . . . .	6,988,740	8,523,227	7,195,851	8,737,910
<b>Total</b> . . . . .	<b>14,737,276</b>	<b>15,372,432</b>	<b>15,058,452</b>	<b>15,730,948</b>
<b>LEVEL 3</b>				
Loans and receivables				
To clients . . . . .	2,829,949	3,093,213	2,880,948	3,170,689
<b>Total</b> . . . . .	<b>2,829,949</b>	<b>3,093,213</b>	<b>2,880,948</b>	<b>3,170,689</b>

There were no transfers between levels 1 and 2 during the year.

### Financial instruments in level 1

The fair value of financial instruments which are traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry, group, pricing service,

## **G. Fair value of financial instruments (continued)**

or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. Cash and balances with central banks are the only financial instruments held by the Group that are included in level 1.

### **Financial instruments in level 2**

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques which maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of the interest rate swaps and cross currency swaps is calculated as the present value of the estimated future cash flows based on observable yield curves at commonly quoted intervals, while taking into account the current creditworthiness of the counterparties.
- The yield curve for all collateralised derivatives is based on the overnight index swap (OIS) rate (a vast majority of the Group's derivatives is collateralised).
- The valuation methodology of the cross currency swaps includes a liquidity premium (which swaps less liquid currencies into those that are considered more liquid in the market and vice versa).
- The counterparty's probability of default is estimated using market CDS spreads resulting in credit valuation allowances.
- The Groups own creditworthiness and probability of default is estimated using input such as secondary spreads and cost of funding curve as well as information from counterparties resulting in a debit valuation allowance.
- Other techniques such as discounted cash flow analysis based on observable yield curves at commonly quoted intervals, are used to determine the fair value for the remaining financial instruments.
- For certain other receivables (Rebates and bonuses and commissions receivable, Reclaimable damages and Interest to be received) and payables (Trade payables and Interest payable) with a remaining term well below one year the carrying value is deemed to reflect the fair value.

The derivative financial instruments not in hedge are to a large extent derivatives that mitigate interest rate risk and currency risk from an economic perspective but do not qualify for hedge accounting from an accounting perspective. The Group is not involved in active trading of derivatives.

### **Financial instruments in level 3**

If one or more of the significant inputs is not based on observable market data, the financial instrument is included in level 3. Receivables from clients are included in level 3 as the pricing is not based on observable market data. The fair value of the receivables to clients is calculated as the present value of the (estimated) future cash flows based on yield curves that next to observable market data also include client specific pricing considerations, while also taking into account the current creditworthiness of the client.

## H. Offsetting financial assets and financial liabilities

The following financial assets and financial liabilities are subject to offsetting, enforceable master netting agreements and similar agreements.

	Gross amounts of recognised financial instruments	Gross amounts of recognised financial instruments set off in the balance sheet	Net amounts of financial instruments presented in the balance sheet	Related amounts not set off in the balance sheet		Net amount
				Financial instruments	Cash collateral received	
<b>As at 31 December 2013</b>						
Derivative financial assets .....	120,438	—	120,438	(99,952)	(16,681)	3,805
Derivative financial liabilities .....	197,490	—	197,490	(99,952)	(62,173)	35,365
<b>As at 31 December 2012</b>						
Derivative financial assets .....	188,920	—	188,920	(148,906)	(40,014)	—
Derivative financial liabilities .....	226,212	—	226,212	(148,906)	(68,846)	8,460

For the financial assets and liabilities subject to enforceable master netting agreements or similar agreements above, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

Except for derivative financial instruments there are not other financial assets or liabilities subject to offsetting.

## I. Transfer of (financial) assets

The Group engages in various securitisation transactions (Reference is made to note 13 and note 19 of the consolidated financial statements of the Company and note 4 of the Company Financial Statements). As a consequence of such transactions (financial) assets are transferred from the originating group subsidiaries to special purpose companies that are included in the consolidated financial statements of the Group. In view of this the transferred (financial) assets are not derecognised in their entirety from a Group perspective.

## I. Transfer of (financial) assets (continued)

The table below summarises the Group's transferred (financial) assets and financial liabilities that are not derecognised in their entirety at 31 December.

	Loans and receivables			Total
	Receivables from clients (finance leases)	Receivables from financial institutions (collateral deposited)	Property and equipment under operating lease	
<b>As at 31 December 2013</b>				
<i>Carrying amount</i>				
Assets . . . . .	157,629	196,401	2,942,752	3,296,782
Associated liabilities				
Bonds and notes originated from securitisation transactions . . . . .				1,455,924
Borrowings from financial institutions . . . . .				479,618
<b>Net carrying amount position . . . . .</b>				<b>1,361,240</b>
For those liabilities that have recourse only to the transferred assets				
<i>Fair value</i>				
Assets . . . . .	161,012	195,705	2,997,654	3,354,371
Associated liabilities				
Bonds and notes originated from securitisation transactions . . . . .				1,469,757
Borrowings from financial institutions . . . . .				487,747
<b>Net fair value position . . . . .</b>				<b>1,396,867</b>
<b>As at 31 December 2012</b>				
<i>Carrying amount</i>				
Assets . . . . .	248,133	250,460	2,418,408	2,917,001
Associated liabilities				
Bonds and notes originated from securitisation transactions . . . . .				1,894,864
Borrowings from financial institutions . . . . .				—
<b>Net carrying amount position . . . . .</b>				<b>1,022,137</b>
For those liabilities that have recourse only to the transferred assets				
<i>Fair value</i>				
Assets . . . . .	255,164	250,460	2,484,649	2,990,273
Associated liabilities				
Bonds and notes originated from securitisation transactions . . . . .				1,917,535
<b>Net fair value position . . . . .</b>				<b>1,072,738</b>

## Specific notes

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- 3 Interest and similar income
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# Explanatory notes to the consolidated financial statements

All amounts are in thousands of euros, unless stated otherwise

## Note 1 - Segment information

Operating segments are reported in accordance with the internal reporting provided to the Group's key management (the chief operating decision-maker), which is responsible for allocating resources to the reportable segments and assesses its performance. Segment information is presented in the consolidated financial statements in respect of the Group's leasing activities (LeasePlan) and Group activities, which are the basis of segment reporting.

### Leasing activities

Leasing activities comprise the main activity of the Group which is providing fleet management services including the purchase, financing, maintenance and remarketing of vehicles. The Group offers a mono-line product through all of its 31 LeasePlan subsidiaries allowing for some differentiation based on the maturity of local markets. As a result the subsidiaries are grouped in categories based on maturity of the market and to a lesser extent maturity of the subsidiary. Segmentation is presented as follows:

- Mature

The focus in this segment is on innovation of services and products as well as cost excellence by means of harmonisation and standardisation. Geographies in these segments are: Australia, Belgium, France, Germany, Italy, the Netherlands, Portugal, Spain, United Kingdom and United States.

- Developing

The focus in this segment is on a seamless and efficient organisational structure facilitating a further development of the business. Geographies in this segment are: Austria, Czech Republic, Denmark, Finland, Ireland, Luxembourg, New Zealand, Norway, Poland, Sweden and Switzerland.

- Emerging

The focus in this segment is on client segmentation and differentiation of services from competitors as well as on a high quality management and service excellence while investing in sales force. Geographies in this segment are: Brazil, Greece, Hungary, India, Mexico, Romania, Russia, Slovakia, Turkey and United Arab Emirates.

### Group activities

These activities provide services in the area of treasury, damage risk retention, procurement and infrastructure to support the leasing activities. Companies included are: LeasePlan Supply Services, LeasePlan Information Services, LeasePlan International, Euro Insurances as well as the Group's central Treasury (including LeasePlan Bank) and other support activities.

The segment reporting format reflects the Group's management and internal reporting structure and is based on the internal system of management accounting. The main purpose of the management accounting is to enable a comparison between leasing subsidiaries. This results in an allocation of income and expense from Group activities to the leasing activities as well as a zero equity assumption for the leasing activities in order to facilitate comparison. There are no asymmetrical allocations as both the leasing activities and the Group activities are measured on the basis of the same internal system of management accounting. The Group activities allocate all relevant revenues and related costs to the leasing activities.

Segment revenues, operating income, operating expenses and operating result include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

## Note 1 - Segment information (continued)

Segment assets include property and equipment under operating lease and rental fleet and amounts receivable under finance lease contracts.

Inter-segment pricing is determined on an arm's length basis. Internal segment revenues are not presented separately given their insignificance.

The segment information is presented in the table below as at 31 December.

Segment In millions of euros	LeasePlan						Group activities		Total	
	Mature		Developing		Emerging		2013	2012	2013	2012
	2013	2012	2013	2012	2013	2012				
<b>VOLUME</b>										
Lease contracts	10,882	11,308	3,125	3,126	528	503	—	—	14,535	14,937
<b>PROFITABILITY</b>										
Revenues	5,656	5,923	1,471	1,450	274	288	21	23	7,422	7,684
Cost of revenues	5,046	5,401	1,297	1,298	237	258	20	7	6,600	6,964
<b>Gross profit</b>	<b>610</b>	<b>522</b>	<b>174</b>	<b>152</b>	<b>37</b>	<b>30</b>	<b>1</b>	<b>16</b>	<b>822</b>	<b>720</b>
<b>Net finance income</b>	<b>223</b>	<b>226</b>	<b>43</b>	<b>48</b>	<b>14</b>	<b>14</b>	<b>96</b>	<b>36</b>	<b>376</b>	<b>324</b>
<b>Total operating and net finance income</b>	<b>833</b>	<b>748</b>	<b>217</b>	<b>200</b>	<b>51</b>	<b>44</b>	<b>97</b>	<b>52</b>	<b>1,198</b>	<b>1,044</b>
<b>Total operating expenses</b>	<b>557</b>	<b>539</b>	<b>128</b>	<b>122</b>	<b>40</b>	<b>33</b>	<b>53</b>	<b>49</b>	<b>778</b>	<b>743</b>
Share of profit of associates	1	—	—	—	5	10	1	2	7	12
<b>Profit before tax</b>	<b>277</b>	<b>209</b>	<b>89</b>	<b>78</b>	<b>16</b>	<b>21</b>	<b>45</b>	<b>5</b>	<b>427</b>	<b>313</b>
Income tax expenses	75	59	19	18	2	2	5	(7)	101	72
<b>Profit for the year</b>	<b>202</b>	<b>150</b>	<b>70</b>	<b>60</b>	<b>14</b>	<b>19</b>	<b>40</b>	<b>12</b>	<b>326</b>	<b>241</b>
<b>NET FINANCE INCOME DETAILS</b>										
Net interest income	244	248	44	48	17	15	74	50	379	361
Impairment charges	38	40	3	3	3	2	—	—	44	45
Reversal of impairment	(17)	(18)	(2)	(3)	—	(1)	—	—	(19)	(22)
<b>Net interest income after impairment charges</b>	<b>223</b>	<b>226</b>	<b>43</b>	<b>48</b>	<b>14</b>	<b>14</b>	<b>74</b>	<b>50</b>	<b>354</b>	<b>338</b>
Unrealised gains/(losses) on financial instruments	—	—	—	—	—	—	26	(4)	26	(4)
Other financial gains/ (losses)	—	—	—	—	—	—	(4)	(10)	(4)	(10)
<b>Net finance income</b>	<b>223</b>	<b>226</b>	<b>43</b>	<b>48</b>	<b>14</b>	<b>14</b>	<b>96</b>	<b>36</b>	<b>376</b>	<b>324</b>

Revenues and other key figures of the subsidiaries are distributed relatively evenly over the segments and in principle there are no individual subsidiaries that contribute more than 10% to the overall revenues except for LeasePlan in the Netherlands. The Netherlands is also the domicile country of the Group. Key figures for the Netherlands are: Revenues EUR 956 million (2012: EUR 983 million) and Lease contracts EUR 1.9 billion (2012: EUR 1.9 billion).

The Group is predominantly funded from the Group's central Treasury and therefore the majority of the Group's financial liabilities are included in the segment 'Group activities'.

## Note 1 - Segment information (continued)

The geographical information is presented in the following table:

In millions of euros	Revenues		Lease contracts	
	2013	2012	2013	2012
Europe (euro) .....	4,711	4,765	8,537	8,411
Europe (non-euro) .....	1,829	1,795	3,850	3,989
Rest of the world .....	882	1,124	2,148	2,537
<b>Total</b> .....	<b>7,422</b>	<b>7,684</b>	<b>14,535</b>	<b>14,937</b>

## Note 2 - Revenues and cost of revenues

Revenues and cost of revenues comprise the various service components as included in the lease instalment, such as repair, maintenance and tyres, damage risk retention and depreciation, as well as the proceeds and costs of the sale of vehicles sold.

### (i) Revenues

	2013	2012
Depreciation .....	2,850,389	2,807,342
Lease services .....	919,049	952,477
Damage risk retention .....	530,531	525,708
Rental .....	176,051	232,469
Management fees .....	199,775	196,152
Proceeds of cars and trucks sold .....	2,495,497	2,593,402
Other .....	250,254	376,619
<b>Total</b> .....	<b>7,421,546</b>	<b>7,684,169</b>

Damage risk retention includes EUR 73.4 million (2012: EUR 86.4 million) for third party liability risk retained by Euro Insurances, the Group's own internal insurance company.

The caption 'Other' mainly includes bonuses earned in connection with costs recharged to clients and income related to various non-leasing activities.

### (ii) Cost of revenues

	2013	2012
Depreciation .....	2,802,671	2,759,928
Lease services .....	765,130	794,916
Damage risk retention .....	374,087	346,034
Rental .....	158,910	209,099
Cost of cars and trucks sold .....	2,341,630	2,565,931
Other .....	157,375	287,693
<b>Total</b> .....	<b>6,599,803</b>	<b>6,963,601</b>

The Group reviews whether as a result of changes in the estimated residual value and/or the useful life of the property and equipment under operating lease prospective adjustments to the depreciation charges are required. For 2013 this did not result in additional depreciation charges (2012: nil). Reference is made to note 19 and the financial risk section (Asset risk).

## Note 2 - Revenues and cost of revenues (continued)

### (iii) Gross profit

The gross profit (revenues -/- cost of revenues) can be shown as follows:

	2013	2012
Depreciation .....	47,718	47,414
Lease services .....	153,919	157,561
Damage risk retention .....	156,444	179,674
Rental .....	17,141	23,370
Management fees .....	199,775	196,152
Results of vehicles sold (results terminated contracts) .....	153,867	27,471
Other .....	92,879	88,926
<b>Total</b> .....	<b>821,743</b>	<b>720,568</b>

## Note 3 - Interest and similar income

This caption mainly includes interest income from operating and finance leases, and to a lesser extent also interest income on deposits placed by the Group with financial institutions amounting to EUR 12.0 million (2012: EUR 17.1 million).

## Note 4 - Interest expenses and similar charges

	2013	2012
Interest expense on debt securities issued .....	267,251	359,511
Interest expense on funds entrusted .....	102,204	128,519
Interest expense on borrowings with financial institutions .....	110,213	94,889
<b>Total</b> .....	<b>479,668</b>	<b>582,919</b>

## Note 5 - Other financial gains/(losses)

In September 2013 the Company repurchased in full the USD 500 million bond raised under the Credit Guarantee Scheme of the State of the Netherlands (maturity date June 2014) resulting in a loss of EUR 4.0 million.

In December 2012 the Company repurchased above par part (EUR 500 million notional) of a bond raised under the Credit Guarantee Scheme of the State of the Netherlands (maturity date May 2014, total issued notional amount EUR 1.5 billion) resulting in a loss of EUR 10.1 million.

## Note 6 - Impairment charges on loans and receivables

The net impairment charges can be detailed as follows:

	Note	2013	2012
<i>Trade receivables</i>			
Impairment .....		44,099	44,924
Reversal of impairment .....		(20,332)	(22,150)
	14	<b>23,767</b>	<b>22,774</b>
<i>Other</i>			
Reclaimable damages .....		970	398
Rebates and bonuses .....		346	(15)
<b>Total</b> .....		<b>25,083</b>	<b>23,157</b>

## Note 7 - Staff expenses

	2013	2012
Wages and salaries	357,874	347,010
Social security charges	54,841	52,102
Defined contribution pension costs	22,670	23,844
Defined benefit post-employment costs	3,500	3,886
Other staff costs	33,371	28,323
<b>Total</b>	<b>472,256</b>	<b>455,165</b>

The average number of staff employed (including temporary staff) by the Group during the year was 6,203 (2012: 6,041), of whom 894 (2012: 860) were employed in the Netherlands. At year-end the nominal number of staff employed by the Group was 6,571 (2012: 6,296).

The breakdown of post-employment costs is as follows:

	Note	2013	2012
Current service costs	28 (ii)	2,876	2,202
Interest expense/(income)	28 (ii)	699	596
Curtailments and settlements	28 (ii)	(75)	(13)
Other		—	1,101
<b>Defined benefit post-employment costs</b>		<b>3,500</b>	<b>3,886</b>
Defined contribution pension costs		22,670	23,844
<b>Total post-employment costs</b>		<b>26,170</b>	<b>27,730</b>

## Note 8 - General and administrative expenses

This item includes office overheads, automation costs, advertising costs, professional fees and other general expenses.

## Note 9 - Depreciation and amortisation

	Note	2013	2012
Depreciation other property and equipment	20	24,096	23,583
Amortisation intangible fixed assets	21	24,620	22,122
<b>Total</b>		<b>48,716</b>	<b>45,705</b>

## Note 10 - Income tax expenses

The income tax expenses in the income statement can be shown as follows:

	Note	2013	2012
<i>Current tax</i>			
Current tax on profits for the year		86,102	48,990
Adjustments in respect of prior years		6,038	(7,721)
<b>Total current tax</b>		<b>92,140</b>	<b>41,269</b>
<i>Deferred tax</i>			
Origination and reversal of temporary differences		29,643	34,041
Changes in tax rates		(5,426)	(4,919)
Adjustments in respect of prior years		(15,037)	1,420
<b>Total deferred tax</b>	<b>22</b>	<b>9,180</b>	<b>30,542</b>
<b>Total</b>		<b>101,320</b>	<b>71,811</b>

## Note 10 - Income tax expenses (continued)

The deferred tax adjustments in respect of prior years mainly include: (i) valuation allowances on deferred tax assets in relation to tax losses and tax credits amounting to a release of EUR 2.6 million (2012: EUR 2.3 million; charge) as the Group considers it not probable that future taxable profits will be available, also taken into account the statutory limitations for loss compensation, against which these tax losses and tax credits can be utilised; and (ii) a release of EUR 9.2 million for anticipated adjustments of prior years' tax returns (2012: release EUR 1.0 million).

Further information on deferred income tax assets and liabilities is presented in note 22.

### Effective tax rate reconciliation

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the basic nominal tax rate of the domicile country (25%) of the parent and is as follows:

		2013		2012	
<b>Profit before tax</b> .....		<b>427,767</b>		<b>313,111</b>	
Tax calculated at domicile country nominal tax rate ....	25.0%	106,941	25.0%	78,278	
Effect of different tax rates in foreign countries .....		8,226		3,784	
<b>Weighted average taxation</b> .....	<b>26.9%</b>	<b>115,167</b>	<b>26.2%</b>	<b>82,062</b>	
Income not subject to tax .....		(3,642)		(3,915)	
Expenses not deductible for tax purposes .....		4,220		4,884	
Changes in tax rates .....		(5,426)		(4,919)	
Adjustments in respect of prior years					
Current tax .....		6,038		(7,721)	
Deferred tax .....		(15,037)		1,420	
<b>Total effective taxation</b> .....	<b>23.7%</b>	<b>101,320</b>	<b>22.9%</b>	<b>71,811</b>	

The weighted average of the local tax rates applicable to the Group for 2013 is 26.9% (2012: 26.2%) which is higher than the domicile country nominal tax rate of 25.0% predominantly as a result of the fact that the Group realises on average, relatively more profits in jurisdictions with a tax rate higher than 25.0%. The increase of the weighted average of the local tax rates in 2013 is a result of both lower profits in jurisdictions with a tax rate below the average and higher profits in jurisdictions with a tax rate above the average.

The effective tax rate in 2013 of 23.7% is higher than 2012 (22.9%), which is partly caused by the higher weighted average tax rate and partly as a result of the difference in the adjustments in respect to prior years.

The tax (charge)/credit relating to components of other comprehensive income is as follows:

	2013			2012		
	Before tax	Tax (charge)/credit	After tax	Before tax	Tax (charge)/credit	After tax
Cash flow hedges .....	28,481	(7,120)	21,361	(4,919)	1,223	(3,696)
Post-employment benefit reserve .....	(289)	111	(178)	(6,989)	2,364	(4,625)
Exchange rate differences .....	(52,894)	—	(52,894)	9,851	—	9,851
<b>Total</b> .....	<b>(24,702)</b>	<b>(7,009)</b>	<b>(31,711)</b>	<b>(2,057)</b>	<b>3,587</b>	<b>1,530</b>



## Note 11 - CASH AND BALANCES WITH BANKS

	Note	2013	2012
<b>Cash and balances with banks</b>			
Cash and balances at central banks .....		978,774	1,015,429
Call money, cash at banks included in Receivables from financial institutions .....	13	139,265	348,115
Call money and bank overdrafts included in Borrowings from financial institutions .....	24	(123,843)	(180,308)
<b>Balance as at 31 December for the purposes of the statement of cash flows .....</b>		<b>994,196</b>	<b>1,183,236</b>

All cash and balances at (central) banks are available at call except for the mandatory reserve deposits at the Dutch central bank. These mandatory reserve deposits amounting to EUR 50.1 million (2012: EUR 47.7 million) are not available for use in the Group's day-to-day operations. The mandatory reserve deposits form part of the 'Cash and balances at central banks'.

## Note 12 - Derivative financial instruments

Derivative financial instruments are carried at fair value and are made up as follows:

	2013			2012		
	Notional amounts	Fair value		Notional amounts	Fair value	
		Assets	Liabilities		Assets	Liabilities
<b>Fair value hedge</b>						
Interest rate swaps/ forward rate agreements .....	4,018,659	64,815	27,571	2,959,446	100,704	473
Currency swaps .....	134,986	5	18,270	120,905	218	4,021
<b>Cash flow hedge</b>						
Interest rate swaps/ forward rate agreements .....	2,650,558	204	33,693	2,315,993	—	63,503
<b>Total derivatives in hedge ....</b>	<b>6,804,203</b>	<b>65,024</b>	<b>79,534</b>	<b>5,396,344</b>	<b>100,922</b>	<b>67,997</b>
Interest rate swaps/ forward rate agreements .....	11,029,960	29,030	60,858	13,430,819	66,897	123,531
Currency swaps/ currency forwards .....	3,147,805	26,384	57,098	4,126,184	21,101	34,684
<b>Total derivatives not in hedge .....</b>	<b>14,177,765</b>	<b>55,414</b>	<b>117,956</b>	<b>17,557,003</b>	<b>87,998</b>	<b>158,215</b>
<b>Total .....</b>	<b>20,981,968</b>	<b>120,438</b>	<b>197,490</b>	<b>22,953,347</b>	<b>188,920</b>	<b>226,212</b>

## Note 12 - Derivative financial instruments (continued)

The fair value is based on the price including accrued interest (dirty price). Reconciliation between the fair value of the derivative financial instruments and the hedging reserve included in group equity is as follows:

	2013	2012
Fair value cash flow hedges—assets	204	—
Fair value cash flow hedges—liabilities	(33,693)	(63,503)
Less: accrued interest on cash flow hedges	13,106	14,636
<b>Total net position cash flow hedges</b>	<b>(20,383)</b>	<b>(48,867)</b>
Less: cumulative fair value gains/(losses) through income statement (hedge ineffectiveness)	(29)	(27)
Tax on cash flow hedges	5,103	12,224
<b>Hedging reserve</b>	<b>(15,309)</b>	<b>(36,670)</b>
<b>Movement hedging reserve 2013</b>	<b>21,361</b>	

The unrealised gains/(losses) on financial instruments recognised in the income statement break down as follows:

	2013	2012
Derivatives not designated as hedges	28,761	(5,278)
Derivatives at fair value hedges	(68,200)	5,203
Derivatives at cash flow hedges (ineffectiveness)	2	6
	<b>(39,437)</b>	<b>(69)</b>
Bond and notes used in fair value hedges	65,153	(3,797)
<b>Unrealised gains/(losses) on financial instruments</b>	<b>25,716</b>	<b>(3,866)</b>

A fixed rate bond (reference is made to note 26) is included in a fair value hedge whereby the bond (hedged item) is measured at amortised cost and is constantly being adjusted for gains/losses attributable to the risk being hedged. This adjustment is recognised in the income statement, where it offsets (to a large extent) the remeasurement of the fair value of the hedging instrument that is also recognised in the income statement.

## Note 13 - Receivables from financial institutions

This caption includes amounts receivable from Dutch and foreign banks. Amounts receivable from financial institutions includes call money and current account bank balances that form part of the cash and balances with banks in the cash flow statement.

	Note	2013	2012
Amounts receivable from banks		1,031,527	511,649
Call money, cash at banks	11	139,265	348,115
Cash collateral deposited for securitisation transactions		196,401	250,460
Cash collateral deposited for derivative financial instruments		69,000	74,080
Other cash collateral deposited		2,858	1,792
<b>Balance as at 31 December</b>		<b>1,439,051</b>	<b>1,186,096</b>

The cash collateral deposited for securitisation transactions relates to the Bumper securitisation transactions, reference is made to the financial risk section (Liquidity risk) and to note 4 of the Company financial statements.

The cash collateral deposited for derivative financial instruments originates from Credit Support Annexes (CSAs) to International Swaps and Derivatives Association (ISDA) master agreements and reference is made to the financial risk section (Strategy in using financial instruments).

## Note 13 - Receivables from financial institutions (continued)

The maturity analysis is as follows:

	2013	2012
Three months or less	1,170,757	859,790
Longer than three months, less than a year	—	—
Longer than a year, less than five years	268,294	326,306
<b>Balance as at 31 December</b>	<b>1,439,051</b>	<b>1,186,096</b>

## Note 14 - Receivables from clients

This item includes amounts receivable under lease contracts and trade receivables, after deduction of allowances for impairment, where necessary.

	2013	2012
Amounts receivable under finance lease contracts	2,308,222	2,517,711
Trade receivables	521,727	575,502
<b>Balance as at 31 December</b>	<b>2,829,949</b>	<b>3,093,213</b>

The maturity analysis is as follows:

	2013	2012
Three months or less	780,107	813,409
Longer than three months, less than a year	414,936	548,179
Longer than a year, less than five years	1,564,955	1,651,836
Longer than five years	69,951	79,789
<b>Balance as at 31 December</b>	<b>2,829,949</b>	<b>3,093,213</b>

The fair value of the receivables does not significantly differ from the carrying amount, as a significant part of these receivables is contracted at a floating interest rate and due to the short-tail of the average remaining term. Reference is made to the financial risk section (Fair value of financial instruments).

### (i) Impairment allowance

The movement in impairment allowance on receivables is as follows:

	Note	2013	2012
<b>Balance as at 1 January</b>		<b>79,859</b>	<b>75,687</b>
Net impairment charges	6	23,767	22,774
Receivables written off during the year as uncollectable		(16,685)	(18,754)
Exchange rate differences		(679)	152
<b>Balance as at 31 December</b>		<b>86,262</b>	<b>79,859</b>

For a description of the criteria used to determine whether receivables to clients are impaired reference is made to the financial risk section (Credit risk). The Group recognises, next to specific impairment allowances of EUR 80.3 million (2012: EUR 73.4 million), an incurred but not reported loss provision of EUR 6.0 million (2012: EUR 6.5 million) based on the probability of default (PD) and the loss given default (LGD).

## Note 14 - Receivables from clients (continued)

### (ii) Finance lease contracts

The amounts receivable from clients include finance lease receivables, which may be analysed as follows:

Gross investment in finance leases, with remaining maturities.

	2013	2012
Not longer than a year	730,177	870,270
Longer than a year, less than five years	1,694,123	1,763,758
Longer than five years	75,290	90,370
	<b>2,499,590</b>	<b>2,724,398</b>
Unearned finance income on finance leases	191,368	206,687
<b>Net investment in finance leases</b>	<b>2,308,222</b>	<b>2,517,711</b>

Net investment in finance leases, with remaining maturities.

	2013	2012
Not longer than a year	673,312	786,086
Longer than a year, less than five years	1,564,959	1,651,836
Longer than five years	69,951	79,789
<b>Balance as at 31 December</b>	<b>2,308,222</b>	<b>2,517,711</b>

The accumulated allowance for uncollectable minimum lease payments receivable amount to EUR 6.6 million (2012: EUR 7.0 million).

A part of the financial leased assets is encumbered (securitised) as a result of the asset backed securitisation transactions concluded by the Group. The total value of the securitised financial leased assets amounts to EUR 157.6 million (2012: EUR 248.1 million). For further details on the transactions reference is made to the financial risk section (Treasury risk), note 19 of the consolidated financial statements and note 4 of the Company financial statements.

## Note 15 - Inventories

	Note	2013	2012
Cars and trucks from terminated lease contracts	19	185,736	192,744
Valuation allowance		(1,800)	(11,800)
<b>Carrying amount cars and trucks from terminated lease contracts</b>		<b>183,936</b>	<b>180,944</b>
New cars and trucks in stock	19	18,064	20,504
<b>Balance as at 31 December</b>		<b>202,000</b>	<b>201,448</b>

Inventories are stated at the lower of cost or net realisable value. The inventories are expected to be settled within 12 months after balance sheet date.

## Note 16 - Other receivables and prepayments

This item includes prepayments in respect of expenses attributable to a subsequent period and amounts still to be received, as well as to amounts that are not classified under any other asset.

	2013	2012
Rebates and bonuses and commissions receivable	173,046	197,286
Prepaid motor vehicle tax and insurance premiums	111,918	147,953
VAT and other taxes	31,507	26,927
Reclaimable damages	25,491	24,882
Other prepayments and accrued income	51,955	47,101
Interest to be received	1,465	2,941
Reinsurance assets	24,991	23,555
Other	166,420	166,314
<b>Balance as at 31 December</b>	<b>586,793</b>	<b>636,959</b>

The majority, of the other receivables and prepayments, has a remaining maturity of less than one year.

The caption 'Other' mainly includes pass on costs to be invoiced to clients for leasing related services such as fuel, maintenance and insurances.

## Note 17 - Loans to associates and jointly controlled entities

The loans to associates and jointly controlled entities are accounted for at amortised cost and the maturity analysis is as follows:

	2013	2012
Loans deposited	265,694	231,014
Impairment	(7,325)	(7,325)
<b>Carrying amount as at 31 December</b>	<b>258,369</b>	<b>223,689</b>
Three months or less	8,241	30,517
Longer than three months, less than a year	97,014	49,022
Longer than a year, less than five years	153,114	144,150
<b>Balance as at 31 December</b>	<b>258,369</b>	<b>223,689</b>

## Note 18 - Investments in associates and jointly controlled entities

Principal jointly controlled entities and associates that are accounted for under the equity method in the consolidated financial statements are:

### Jointly controlled entities

LeasePlan Emirates Fleet Management—LeasePlan Emirates LLC, United Arab Emirates (49%)  
LPD Holding A.Ş., Turkey (51%)  
Exelease N.V., Belgium (51%)  
Overlease S.r.L., Italy (51%)  
Please S.C.S., France (99.3%)  
E Lease S.A.S., France (5%)  
Flottenmanagement GmbH, Austria (49%)

### Associates

Terberg Leasing B.V., the Netherlands (24%)

The equity method is based on whether the Group has significant influence or joint control. In the situations where the Group has a majority shareholding in the companies listed above these

## Note 18 - Investments in associates and jointly controlled entities (continued)

companies still qualify as jointly controlled entities as the Group has contractually agreed to sharing of control whereby the strategic and operating decisions relating to the company require the unanimous consent of the parties sharing control. The accounting period of the principal associates and jointly controlled entities aligns with the accounting period of the Group.

The Group's share of the result, in its principal jointly controlled entities and associates, is as follows:

	2013			2012		
	Associates	Jointly controlled entities	Total	Associates	Jointly controlled entities	Total
<b>Balance as at 1 January</b> .....	<b>10,183</b>	<b>38,752</b>	<b>48,935</b>	<b>10,264</b>	<b>27,496</b>	<b>37,760</b>
Share of results .....	1,496	5,966	7,462	1,526	10,266	11,792
Capital increase .....	—	—	—	—	754	754
Dividend received .....	(960)	—	(960)	(1,607)	236	(1,371)
Other .....	—	(267)	(267)	—	—	—
<b>Balance as at 31 December</b>	<b>10,719</b>	<b>44,451</b>	<b>55,170</b>	<b>10,183</b>	<b>38,752</b>	<b>48,935</b>

There are no material contingent liabilities of the associates and jointly controlled entities other than loan commitments (reference is made to note 31).

The summarised financial information for the material interests in associates and jointly controlled entities can be shown as follows:

	2013			2012		
	Associates	Jointly controlled entities	Total	Associates	Jointly controlled entities	Total
Assets .....	75,241	279,835	355,076	72,317	328,989	401,306
Liabilities .....	64,523	240,467	304,990	62,135	302,644	364,779
Total income .....	42,435	16,649	59,084	45,600	17,613	63,213
Net income .....	1,496	5,966	7,462	1,526	10,266	11,792
Dividend paid .....	960	—	960	1,371	—	1,371



## Note 19 - Property and equipment under operating lease and rental fleet

	Note	Operating lease	Rental fleet	Total
<b>Carrying amount as at 1 January 2012</b> .....		<b>12,129,275</b>	<b>65,553</b>	<b>12,194,828</b>
Purchases .....		5,008,809	50,213	5,059,022
Transfer from inventories .....	15	19,025	—	19,025
Transfer to inventories .....	15	(192,744)	—	(192,744)
Disposals .....		(1,950,465)	(39,441)	(1,989,906)
Depreciation .....		(2,759,928)	(14,307)	(2,774,235)
Exchange rate differences .....		103,552	92	103,644
<b>Carrying amount as at 31 December 2012</b> .....		<b>12,357,524</b>	<b>62,110</b>	<b>12,419,634</b>
Cost .....		17,607,859	77,163	17,685,022
Accumulated depreciation and impairment .....		(5,250,335)	(15,053)	(5,265,388)
<b>Carrying amount as at 31 December 2012</b> .....		<b>12,357,524</b>	<b>62,110</b>	<b>12,419,634</b>
Purchases .....		4,506,283	36,307	4,542,590
Transfer from inventories .....	15	20,503	—	20,503
Acquisition of subsidiary .....	23	300,827	—	300,827
Transfer to inventories .....	15	(185,736)	—	(185,736)
Disposals .....		(1,723,967)	(25,120)	(1,749,087)
Depreciation .....		(2,802,671)	(11,344)	(2,814,015)
Exchange rate differences .....		(308,021)	(64)	(308,085)
<b>Carrying amount as at 31 December 2013</b> .....		<b>12,164,742</b>	<b>61,889</b>	<b>12,226,631</b>
Cost .....		17,506,295	75,795	17,582,090
Accumulated depreciation and impairment .....		(5,341,553)	(13,906)	(5,355,459)
<b>Carrying amount as at 31 December 2013</b> .....		<b>12,164,742</b>	<b>61,889</b>	<b>12,226,631</b>

The Group concluded five securitisation transactions under the names of Bumper 2 (2008/2011), Bumper 4 (2011), Bumper 5 (2012), Bumper CARS NL (2013) and Bumper France (2013). These transactions involve the sale of future lease instalment receivables and related residual value receivables originated by various LeasePlan subsidiaries to special purpose companies (which are included in the consolidated financial statements of the Company). As a result of this sale this caption includes encumbered (securitised) operating lease assets for an amount of EUR 2.9 billion (2012: EUR 2.4 billion), which can be detailed as follows:

	2013	2012
Bumper 2 .....	548,468	822,045
Bumper 4 .....	427,228	762,774
Bumper 5 .....	473,397	833,589
Bumper CARS NL .....	694,444	—
Bumper France .....	799,215	—
<b>Total</b> .....	<b>2,942,752</b>	<b>2,418,408</b>

For further details on the transactions reference is made to the financial risk section (Treasury risk) and note 4 of the Company financial statements.

The Group reviews whether as a result of changes in the estimated residual value and/or the useful life of the property and equipment under operating lease prospective adjustments to the depreciation charges are required. For 2013 this did not result in additional depreciation charges (2012: nil). Reference is made to note 2 and the financial risk section (Asset risk). In 2013 and 2012 there were no impairments on leased assets.

## Note 19 - Property and equipment under operating lease and rental fleet (continued)

An approximation of the future minimum lease payments under non-cancellable operating leases in aggregate and for each of the following periods can be summarised as follows:

	Nominal value	
	2013	2012
Not longer than a year	2,799,708	3,112,634
Longer than a year, less than five years	4,435,457	4,747,933
Longer than five years	49,623	53,876
<b>Total</b>	<b>7,284,788</b>	<b>7,914,443</b>

## Note 20 - Other property and equipment

	Note	Property	Equipment	Total
<b>Carrying amount as at 1 January 2012</b>		<b>14,908</b>	<b>65,967</b>	<b>80,875</b>
Purchases		1,485	41,684	43,169
Disposals		(42)	(13,146)	(13,188)
Depreciation	9	(1,201)	(22,382)	(23,583)
Exchange rate differences		(52)	106	54
<b>Carrying amount as at 31 December 2012</b>		<b>15,098</b>	<b>72,229</b>	<b>87,327</b>
Cost		38,468	193,404	231,872
Accumulated depreciation and impairment		(23,370)	(121,175)	(144,545)
<b>Carrying amount as at 31 December 2012</b>		<b>15,098</b>	<b>72,229</b>	<b>87,327</b>
Purchases		562	29,922	30,484
Acquisition of subsidiary	23	42	—	42
Disposals		(47)	(8,716)	(8,763)
Depreciation	9	(1,253)	(22,843)	(24,096)
Exchange rate differences		(100)	(2,198)	(2,298)
<b>Carrying amount as at 31 December 2013</b>		<b>14,302</b>	<b>68,394</b>	<b>82,696</b>
Cost		38,900	200,540	239,440
Accumulated depreciation and impairment		(24,598)	(132,146)	(156,744)
<b>Carrying amount as at 31 December 2013</b>		<b>14,302</b>	<b>68,394</b>	<b>82,696</b>

The title to the other property and equipment is not restricted and these assets are not pledged as security for liabilities.

## Note 21 - Intangible assets

	Note	Internally generated software development costs	Software licenses	Customer relationship	Customer contract	Goodwill	Total
<b>Carrying amount as at</b>							
<b>1 January 2012</b> .....		<b>49,632</b>	<b>8,734</b>	<b>7,931</b>	<b>4,179</b>	<b>98,604</b>	<b>169,080</b>
Purchases .....		13,469	4,903				18,372
Divestments .....		(118)	(2,089)				(2,207)
Amortisation .....	9	(14,581)	(4,388)	(1,663)	(1,490)		(22,122)
Exchange rate differences .....		288	12				300
<b>Carrying amount as at</b>							
<b>31 December 2012</b> .....		<b>48,690</b>	<b>7,172</b>	<b>6,268</b>	<b>2,689</b>	<b>98,604</b>	<b>163,423</b>
Cost .....		113,414	51,632	25,494	4,808	98,604	293,952
Accumulated amortisation and impairment .....		(64,724)	(44,460)	(19,226)	(2,119)		(130,529)
<b>Carrying amount as at</b>							
<b>31 December 2012</b> .....		<b>48,690</b>	<b>7,172</b>	<b>6,268</b>	<b>2,689</b>	<b>98,604</b>	<b>163,423</b>
Purchases .....		13,859	6,815				20,674
Acquisition of subsidiary ...	23		273	2,942	8,000		11,215
Divestments .....			(159)				(159)
Amortisation .....	9	(16,216)	(4,780)	(1,550)	(2,074)		(24,620)
Exchange rate differences .....		(6,611)	(170)				(6,781)
<b>Carrying amount as at</b>							
<b>31 December 2013</b> .....		<b>39,722</b>	<b>9,151</b>	<b>7,660</b>	<b>8,615</b>	<b>98,604</b>	<b>163,752</b>
Cost .....		112,707	56,608	28,437	12,808	98,604	309,164
Accumulated amortisation and impairment .....		(72,985)	(47,457)	(20,777)	(4,193)		(145,412)
<b>Carrying amount as at</b>							
<b>31 December 2013</b> .....		<b>39,722</b>	<b>9,151</b>	<b>7,660</b>	<b>8,615</b>	<b>98,604</b>	<b>163,752</b>

The remaining amortisation period for the majority of the intangible assets with a finite life is approximately three years. The title to the intangible assets is not restricted and the intangible assets are not pledged as security for liabilities.

In 2013 the Group recognised EUR 5.4 million of research and development expenditure as an expense.

In 2013 and 2012 no indications for impairment or reversal of impairment on intangibles with a finite life were identified and consequently no impairment charge was recognised or reversed.

The increase in 2013 in the intangible assets (Customer relationship and Customer contract) relates to the acquisition of the Italian fleet and vehicle leasing activities of Banco Bilbao Vizcaya Argentaria, S.A. (BBVA) and to the acquisition of BAWAG P.S.K. Fuhrparkleasing GmbH, reference is made to note 23.

## Note 21 - Intangible assets (continued)

The goodwill relates to the acquisition in 2005 of three companies of Europcar Fleet Services in Italy, Spain and Portugal, to the acquisition in 2008 of Daimler Chrysler Fleet Management France S.A.S., which operates under the brand name DCS fleet and to the acquisition in 2011 of Multirent—Aluguer e Comércio de Automóveis, S.A., which operates under the name of Santander Consumer Multirent (Multirent). All acquired companies were engaged in providing leasing services. Goodwill is allocated to the Group's cash generating units which have incorporated the above mentioned acquisitions and can be presented as follows:

Cash generating unit	Acquisition	Year	Discount rate	Goodwill
LeasePlan Italy	Europcar	2005	12.45%	46,646
LeasePlan Spain	Europcar	2005	12.70%	14,413
LeasePlan Portugal	Europcar	2005	13.70%	14,799
LeasePlan France	DCS	2008	10.75%	10,313
LeasePlan Portugal	Multirent	2011	13.70%	12,433
<b>Total</b>				<b>98,604</b>

Annually, or more frequently if events or changes in circumstances indicate a potential impairment, goodwill is reviewed for impairment. There was no impairment recognised in 2013 (2012: nil). The impairment test is identical for all cash generating units and based on value in use. The value in use was determined by discounting future cash flows generated from the continuing use of the cash generating units in which the acquired operating companies were incorporated. Cash flows were projected on actual financial results and the 5-year business plans. The growth rates included in the business plans exceed the long term average growth rate for this business as a reflection of the relative growth potential of the markets and to allow for an improvement in market position. In order to align the planned growth rate to the long-term growth rate, the cash flows were extrapolated for a further 10 years based on a gradually declining growth rate. A discount rate was applied which is built up of (i) a risk free rate (2%), (ii) a market premium (6.5%) multiplied by a market specific  $\beta$  (1.3) and (iii) a country specific risk premium (ranging between 0.3% and 3.25%).

There are no cash generating units with relatively little headroom between the carrying amount and the value in use.

## Note 22 - Deferred tax assets and deferred tax liabilities

Deferred tax assets and liabilities as at 31 December are attributable to the following:

	Deferred tax asset		Deferred tax liability	
	2013	2012	2013	2012
Goodwill	10,324	12,168	—	—
Property and equipment under operating lease	16,162	15,621	288,900	283,127
Other property and equipment	5,979	4,201	11,012	1,589
Provisions	18,565	14,100	54	10
Deferred leasing income	61,862	38,571	5,774	11,021
Tax value of losses carried forward recognised	115,294	147,467	—	—
Tax credits and prepayments	7,661	34,225	—	—
Other receivables	36,985	57,671	5,689	24,193
Other payables	14,991	26,552	19,154	68,520
<b>Tax (assets)/liabilities</b>	<b>287,823</b>	<b>350,576</b>	<b>330,583</b>	<b>388,460</b>
Offset of deferred tax assets and liabilities	(132,988)	(176,575)	(132,988)	(176,575)
<b>Balance as at 31 December</b>	<b>154,835</b>	<b>174,001</b>	<b>197,595</b>	<b>211,885</b>
<b>Net tax position</b>			<b>42,760</b>	<b>37,884</b>
<b>Movement net tax position 2013</b>	<b>(4,876)</b>			

## Note 22 - Deferred tax assets and deferred tax liabilities (continued)

The movement in the net deferred tax position can be summarised as follows:

	Note	2013	2012
<b>Balance as at 1 January</b> .....		<b>(37,884)</b>	<b>(7,842)</b>
Acquisition of subsidiary .....	23	9,123	—
Income statement (charge)/credit .....	10	(9,180)	(30,542)
Tax (charge)/credit relating to components of other comprehensive income .....	10	(7,009)	3,587
Exchange rate differences .....		2,190	(3,087)
<b>Balance as at 31 December</b> .....		<b>(42,760)</b>	<b>(37,884)</b>

The income statement (charge)/credit can be broken down as follows:

	Note	Deferred tax asset		Deferred tax liability	
		2013	2012	2013	2012
Goodwill .....		(1,844)	(1,803)	(113)	—
Property and equipment under operating lease .....		(9,502)	(27,063)	5,772	10,074
Other property and equipment .....		43	227	6,687	443
Provisions .....		3,488	454	(564)	10
Deferred leasing income .....		16,933	(11,021)	(6,153)	(7,681)
Tax value of losses carried forward recognised ..		(32,173)	12,995	(9,382)	—
Tax credits and prepayments .....		(26,564)	14,049	(195)	—
Other receivables .....		(24,974)	10,474	(25,629)	(7,845)
Other payables .....		(13,699)	(4,108)	(49,535)	29,745
<b>Movement in deferred tax</b> .....		<b>(88,292)</b>	<b>(5,796)</b>	<b>(79,112)</b>	<b>24,746</b>
Offsetting movement in deferred tax liability ...		79,112	(24,746)		
<b>Income statement (charge)/credit</b> .....	10	<b>(9,180)</b>	<b>(30,542)</b>		

The Group recognises deferred income tax assets for the tax value of losses and tax credits carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

The Group has not recognised identifiable tax losses for an amount of EUR 87.2 million (2012: EUR 89.6 million) and has not recognised tax credits for an amount of EUR 9.1 million (2012: EUR 10.6 million) as the Group considers it not probable that future taxable profits will be available (also taking into account expiry dates when applicable) against which these tax losses and tax credits can be utilised.

The expiration profile of the losses carried forward can be illustrated as follows:

	2013	2012
Expire within a year .....	—	—
Expire after a year, less than five years .....	36,241	43,505
Expire after five years .....	118,475	138,299
No expiry date .....	231,659	316,152
<b>Total</b> .....	<b>386,375</b>	<b>497,956</b>
Tax value .....	115,294	147,467

The total tax value of losses carried forward is presented before offsetting the corresponding deferred tax liabilities (which are reflected in the offset of deferred tax assets and liabilities as shown in the disclosure of tax assets and liabilities).

The deferred tax liability relating to property and equipment under operating leases reverses over the remaining term of the operating lease contracts which ranges from three to four years.

## Note 23 - Effect of acquisitions

In 2013 the Group concluded two acquisitions, namely the Italian fleet and leasing activities of Banco Bilbao Vizcaya Argentaria, S.A. (BBVA) and BAWAG P.S.K., Fuhrparkleasing GmbH.

The following table summarises the consideration paid, the fair value of assets acquired and liabilities assumed at acquisition date.

Consideration at:	Note	BBVA	BAWAG	Total
Cash		14,786	11,915	26,701
<b>Total consideration</b>		<b>14,786</b>	<b>11,915</b>	<b>26,701</b>
<b>Acquisition related expenses</b> (included in the general and administrative expenses in the consolidated income statement for the period ended 31 December 2013)		4,336	200	4,536
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>				
Receivables from clients		23,686	64,130	87,816
Corporate income tax receivable		1,869	—	1,869
Inventories		9,304	146	9,450
Other receivables and prepayments		13,690	125	13,815
Property and equipment under operating lease and rental fleet	19	255,760	45,067	300,827
Other property and equipment	20	33	9	42
Intangible assets	21	273	—	273
Deferred tax asset	22	11,683	175	11,858
Customer relationship (included in intangible assets)	21	—	2,942	2,942
Customer contract (included in intangible assets)	21	—	8,000	8,000
Borrowings from financial institutions		(257,383)	(95,842)	(353,225)
Trade and other payables and deferred income		(37,126)	(9,687)	(46,813)
Provision for post-employment benefits	28	(1,531)	(289)	(1,820)
Other provisions		(1,456)	(126)	(1,582)
Deferred tax liabilities	22	—	(2,735)	(2,735)
<b>Total identifiable net assets</b>		<b>18,802</b>	<b>11,915</b>	<b>30,717</b>
Bargain purchase gain		(4,016)	—	(4,016)
<b>Total</b>		<b>14,786</b>	<b>11,915</b>	<b>26,701</b>

### Italian fleet and vehicle leasing activities of Banco Bilbao Vizcaya Argentaria, S.A.

On 13 December 2012 the Group signed an agreement to acquire the Italian fleet and vehicle leasing activities of Banco Bilbao Vizcaya Argentaria, S.A. (BBVA). The total BBVA lease portfolio currently consists of approximately 20,000 vehicles and the acquisition allows the Group to further expand into the Italian fleet and leasing market. The acquisition further supports the Group's selective growth strategy. The transaction was completed on 27 February 2013 and on that date the Group acquired the entire share capital of two Italian entities, BBVA Renting S.p.A. and BBVA Autorenting S.p.A. and the Group has refinanced the entire business with its own funding.

The opportunity for this acquisition arose from the trend that banks are concentrating on their core business and consequently selling off non core businesses especially outside their home market. This resulted in a bargain purchase gain of EUR 4 million which is included in the caption 'Other revenues' (reference is made to note 2).

The fair value of acquired receivables from clients amounts to EUR 23.7 million. The gross contractual amount for receivables from clients due is EUR 38.9 million, of which EUR 15.2 million is expected to be uncollectible. No contingent liabilities were recognised.

## Note 23 - Effect of acquisitions (continued)

Since 27 February 2013 the acquisition contributed EUR 169.2 million to the 2013 revenues included in the consolidated income statement, and also contributed net profit of EUR 0.2 million over the same period.

Had the acquisition been consolidated from 1 January 2013, the consolidated income statement of the combined entity (LeasePlan Italy and the acquired company) for the year ended 31 December 2013 would show pro-forma revenue of EUR 685.8 million and pro-forma loss of EUR 5.1 million.

### **BAWAG P.S.K. Fuhrparkleasing GmbH**

On 2 July 2013 the Group signed an agreement with BAWAG P.S.K. Leasing GmbH, the leasing subsidiary of BAWAG P.S.K., to purchase their vehicle leasing and fleet management activities based in Vienna, Austria. The acquisition entails some 6,500 cars and allows the Group to further expand into the profitable Austrian small and medium enterprise sector, an area of the fleet and vehicle management industry in which the Group already has considerable expertise globally. The acquisition further supports the Group's selective growth strategy. The transaction was completed on 30 September 2013 and on that date the Group acquired the entire share capital of BAWAG P.S.K. Fuhrparkleasing GmbH and the Group has refinanced the entire business with its own funding.

The fair value of acquired receivables from clients amounts to EUR 0.6 million. The gross contractual amount for receivables from clients due is EUR 1.7 million, of which EUR 1.1 million is expected to be uncollectible. No contingent liabilities were recognised.

Since 30 September 2013 the acquisition contributed EUR 7.3 million to the 2013 revenues included in the consolidated income statement, and also contributed net profit of EUR 0.1 million over the same period.

Had the acquisition been consolidated from 1 January 2013, the consolidated income statement of the combined entity (LeasePlan Austria and the acquired company) for the year ended 31 December 2013 would show pro-forma revenue of EUR 164.6 million and pro-forma profit of EUR 5.0 million.

## Note 24 - Borrowings from financial institutions

This item includes amounts owed to banks under government supervision.

The maturity analysis of these loans is as follows:

	Note	2013	2012
On demand .....	11	123,843	180,308
Three months or less .....		57,863	283,153
Longer than three months, less than a year .....		1,371,669	298,583
Longer than a year, less than five years .....		969,962	1,014,649
<b>Balance as at 31 December .....</b>		<b>2,523,337</b>	<b>1,776,693</b>

On demand amounts owed to financial institutions relating to call money and bank overdraft balances form part of the cash and balances with banks in the cash flow statement.

Borrowings from financial institutions include an outstanding balance of EUR 1,532 million (2012: EUR 1,195 million) which is non-euro currency denominated as at 31 December 2012. The remainder of the borrowings from financial institutions is denominated in euro. Reference is made to the financial risk section (Currency risk).



## Note 24 - Borrowings from financial institutions (continued)

In December 2012 a three year committed revolving credit facility was renewed with a consortium of 13 banks (EUR 1.25 billion) maturing in December 2015. During 2013 and 2012 no amounts were drawn under this facility.

In December 2012 Bumper CARS NL B.V. concluded an asset backed securitisation warehousing facility of EUR 500 million with two banks. This facility is part of the Bumper CARS transaction and is committed for two years, thereafter the facility will be repaid in line with the amortisation of the securitised assets. At 31 December 2013 the facility is drawn for EUR 480 million (2012: nil). For further details on the Bumper CARS transaction reference is made to note 4 of the Company financial statements.

## Note 25 - Funds entrusted

This item includes all non-subordinated loans not included in the caption 'Borrowings from financial institutions' or 'Debt securities issued'.

The maturity analysis of these loans is as follows:

	2013	2012
Three months or less	2,550,184	2,303,455
Longer than three months, less than a year	1,170,326	1,263,981
Longer than a year, less than five years	596,431	537,464
Longer than five years	3,215	6,519
<b>Balance as at 31 December</b>	<b>4,320,156</b>	<b>4,111,419</b>

This caption includes savings deposits raised by LeasePlan Bank amounting to EUR 4.165 billion (2012: EUR 3.949 billion) of which 54.7% (2012: 68.7%) is deposited for a fixed term. LeasePlan Bank is the brand name under which savings deposits are raised by LeasePlan Corporation N.V. which holds a universal banking licence in the Netherlands.

The average interest rates on the outstanding balances of the savings deposits in original maturity terms are as follows:

	2013	2012
On demand	1.96%	2.31%
A year or less	2.30%	3.35%
Longer than a year, less than or equal to two years	2.75%	3.24%
Longer than two years	3.69%	3.82%

The interest rate of the on demand accounts is set on a monthly basis.

The funds entrusted include an outstanding balance of EUR 1.6 million (2012: EUR 1.5 million) which is non-euro currency denominated as at 31 December 2013. The remainder of the funds entrusted is denominated in euro. Reference is made to the financial risk section (Currency risk).

## Note 26 - Debt securities issued

This item includes negotiable, interest bearing securities, other than those of a subordinated nature.

	2013	2012
Bonds and notes—originated from securitisation transactions	1,455,924	1,894,864
Bonds and notes—other	5,452,866	6,421,619
Bonds and notes—fair value adjustment on hedged risk	9,336	74,488
Commercial Paper	70,614	77,599
Certificates of Deposit	—	54,657
<b>Balance as at 31 December</b>	<b>6,988,740</b>	<b>8,523,227</b>

## Note 26 - Debt securities issued (continued)

There is no pledge of security for these debt securities except for the bonds and notes which are originated from asset backed securitisation transactions.

The debt securities issued include an outstanding balance of EUR 2.6 billion (2012: EUR 2.5 billion) which is non-euro currency denominated as at 31 December 2013. The remainder of the debt securities is denominated in euro. The fair value adjustment is attributable to the hedged risk on bonds and notes in fair value hedges. This fair value hedging policy is commented on in the financial risk section (Strategy in using financial instruments).

The average interest rates applicable to the outstanding balances can be summarised as follows:

	2013	2012
Bonds and notes	2.8%	2.8%
Commercial Paper	2.0%	2.0%
Certificates of Deposit	—	1.1%
<b>Average interest rate</b>	<b>2.8%</b>	<b>2.8%</b>

The maturity analysis of these debt securities issued is as follows:

	2013	2012
Three months or less	411,755	943,282
Longer than three months, less than a year	1,958,319	2,120,769
Longer than a year, less than five years	3,840,813	5,321,413
Longer than five years	777,853	137,763
<b>Balance as at 31 December</b>	<b>6,988,740</b>	<b>8,523,227</b>

At year-end 2013 the caption 'Bonds and notes—originated from securitisation transactions' can be detailed as follows:

	2013	2012
Bumper 2	385,597	649,056
Bumper 4	171,797	486,525
Bumper 5	366,947	759,283
Bumper France	531,583	—
<b>Total</b>	<b>1,455,924</b>	<b>1,894,864</b>

Further reference is made to the financial risk section (Treasury risk) and note 4 of the Company financial statements.

At year-end 2013 the caption 'Bonds and notes—other' includes the following bonds raised under the Credit Guarantee Scheme of the State of the Netherlands. The 2013 annual fee payable to the State of the Netherlands amounted to EUR 12.2 million (2012: EUR 25.4 million) and is included in 'Interest expenses and similar charges' (note 4).

Term	Rate option	Interest rate	Maturity date	Currency	Notional amount
Five year	Fixed	3.250%	May 2014	EUR	1,000,020

The fixed rate bond listed above is included in a fair value hedge whereby the bond (hedged item) is measured at amortised cost and is constantly being adjusted for gains/losses attributable to the risk being hedged. This adjustment is recognised in the income statement, where it offsets (to a large extent) the remeasurement of the fair value of the hedging instrument that is also recognised in the income statement.

## Note 27 - Trade and other payables and deferred income

	2013	2012
Trade payables	582,085	565,008
Deferred leasing income	580,508	546,104
Other accruals and other deferred income	215,972	198,680
Other amounts owed	230,434	215,988
Interest payable	125,468	169,873
Advance lease instalments received	106,430	93,404
Accruals for contract settlements	80,250	74,339
VAT and other taxes	24,203	24,679
<b>Balance as at 31 December</b>	<b>1,945,350</b>	<b>1,888,075</b>

The majority of the trade and other payables and deferred income has, except for deferred leasing income, a remaining maturity less than one year. Deferred leasing income relates to amounts received in advance, as part of the monthly lease instalments, to cover lease expenses in a subsequent period.

## Note 28 - Provisions

		2013	2012
Damage risk retention provision	(i)	268,845	264,489
Post-employment benefits	(ii)	26,350	28,255
Other provisions	(iii)	36,059	30,504
<b>Balance as at 31 December</b>		<b>331,254</b>	<b>323,248</b>

The majority of provisions is expected to be recovered or settled after more than 12 months.

### (i) Damage risk retention provision

	2013	2012
Provision for Third Party Liability (TPL)	127,322	159,592
Provision for damage claims	38,448	18,990
Incurred but not reported (IBNR)	103,075	85,907
<b>Balance as at 31 December</b>	<b>268,845</b>	<b>264,489</b>

The damage risk retention provision breaks down as follows:

	2013			2012		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Damages reported	165,770	(11,871)	153,899	178,582	(14,198)	164,384
Damages IBNR	103,075	(13,120)	89,955	85,907	(9,357)	76,550
<b>Total damage risk provisions</b>	<b>268,845</b>	<b>(24,991)</b>	<b>243,854</b>	<b>264,489</b>	<b>(23,555)</b>	<b>240,934</b>
Current	45,192	—	45,192	38,829	—	38,829
Non-current	223,653	(24,991)	198,662	225,660	(23,555)	202,105
<b>Total damage risk provisions</b>	<b>268,845</b>	<b>(24,991)</b>	<b>243,854</b>	<b>264,489</b>	<b>(23,555)</b>	<b>240,934</b>

## Note 28 - Provisions (continued)

The development of the third party liability (TPL) exposures provides a measure of the Group's ability to estimate the ultimate value of damages. The top half of the table below illustrates how the Group's estimate of total damages outstanding for each accident year has changed at successive year-ends. The bottom half of the table below reconciles the cumulative damages to the amounts appearing in the balance sheet for TPL. The accident year basis is considered the most appropriate for the business written by the Group.

Accident year	< 2008	2008	2009	2010	2011	2012	2013	Total
At end of accident year . . .	308,863	57,619	49,325	45,753	64,201	100,559	70,452	
One year later . . . . .	297,324	48,282	45,177	37,305	53,396	68,425		
Two years later . . . . .	287,239	51,016	43,162	31,679	49,857			
Three years later . . . . .	282,500	46,087	40,839	27,119				
Four years later . . . . .	280,988	42,312	39,822					
Five years later . . . . .	274,451	41,390						
More than five years later . . . . .	269,861							
Estimate of cumulative claims . . . . .	269,861	41,390	39,822	27,119	49,857	68,425	70,452	
Cumulative payments to date . . . . .	(228,827)	(32,965)	(27,904)	(18,172)	(19,605)	(26,033)		
<b>Gross outstanding damage liabilities . . . . .</b>	<b>41,034</b>	<b>8,425</b>	<b>11,918</b>	<b>8,947</b>	<b>30,252</b>	<b>42,392</b>	<b>70,452</b>	<b>213,420</b>
Less: IBNR . . . . .	4,393	2,670	4,059	4,694	15,741	25,668	28,873	86,098
<b>Total provision for TPL, excluding IBNR . . . . .</b>	<b>36,641</b>	<b>5,755</b>	<b>7,859</b>	<b>4,253</b>	<b>14,511</b>	<b>16,724</b>	<b>41,579</b>	<b>127,322</b>

The total provision for TPL, excluding IBNR for the years prior to 2008 can be detailed as follows:

	Gross outstanding damage liabilities	Less: IBNR	Total provision for TPL, excluding IBNR
2007 . . . . .	6,013	1,851	4,162
2006 . . . . .	4,685	627	4,058
2005 . . . . .	13,250	1,020	12,230
2004 . . . . .	7,747	505	7,242
2003 . . . . .	3,979	235	3,744
2002 . . . . .	5,616	94	5,522
< 2001 . . . . .	(256)	61	(317)
<b>Total . . . . .</b>	<b>41,034</b>	<b>4,393</b>	<b>36,641</b>

The expected maturity analysis of the gross outstanding damage liabilities is as follows:

	Not longer than a year	Between 1-2 years	Between 2-5 years	Longer than 5 years	Total
Gross outstanding damage liabilities . . . . .	113,113	40,550	44,818	14,939	213,420

### (ii) Provision for post-employment benefits

The provision for post-employment benefits comprises both defined benefit pension plans and other post-employment benefits. The Group operates a number of pension plans around the world. Most of these pension plans are defined contribution plans. In four countries, the Group has defined benefit pension plans, which for the majority are not open to new participants. The total number of participants in these pension plans is 414 (2012: 431). In addition, the Group

## Note 28 - Provisions (continued)

operates other post-employment benefit plans in five countries for legally required termination indemnities, which are payable at either the retirement date or the date the employees leave the Group. The total number of participants of these other post-employment benefit plans is 1,213 (2012: 1,098).

The valuations of provisions for post-employment benefits are performed by independent qualified actuaries on an annual basis. The following tables summarise the impact on the balance sheet, payment obligations, assets and economic assumptions in respect of the main post-employment benefits in the various countries.

	Note	2013	2012
<b>Balance as at 1 January</b> .....		<b>62,897</b>	<b>53,739</b>
Movements in projected benefit obligations			
Current service costs .....	7	2,876	2,202
Interest expense .....	7	1,334	1,984
Employer's contributions/(refunds) .....		283	240
Remeasurements			
(Gain)/loss from change in demographic assumptions .....		(12)	(88)
(Gain)/loss from change in financial assumptions .....		330	7,007
Experience (gains)/losses .....		(26)	(442)
Benefits paid .....		381	(1,762)
Past service costs .....	7	(634)	(13)
Settlements .....	7	(10,402)	(54)
Liabilities acquired in business combination .....	23	1,820	—
Exchange rate differences .....	7	(929)	84
<b>Balance as at 31 December: benefit obligations</b> .....		<b>57,918</b>	<b>62,897</b>
<b>Balance as at 1 January</b> .....		<b>34,646</b>	<b>31,355</b>
Movements in plan assets			
Interest income .....	7	635	1,388
Remeasurements			
Return on plan assets, excluding amounts included in interest expense .....		(187)	53
Employer's contribution .....		6,387	2,506
Plan participants contribution .....		276	626
Benefits paid .....		840	(1,361)
Settlements .....	7	(10,402)	—
Exchange rate differences .....	7	(618)	79
<b>Balance as at 31 December: plan assets</b> .....		<b>31,577</b>	<b>34,646</b>
<b>Funded status: surplus/(deficit) as at 1 January</b> .....		<b>(28,251)</b>	<b>(22,384)</b>
<b>Funded status: surplus/(deficit) as at 31 December</b> .....		<b>(26,341)</b>	<b>(28,251)</b>
Prepaid pension cost (included in other assets) .....		(9)	(4)
<b>Prepaid/(accrued) benefit cost as at 31 December</b> .....		<b>(26,350)</b>	<b>(28,255)</b>

In the course of 2013 the defined benefit pension plan in the United States of America was settled by means of a transfer of all obligations and plan assets to an insurance company. The balance sheet impact of this settlement is included in the table above.

Reference is made to note 7 for the details on the amounts recognised in the income statement in respect of the Group's post-employment defined benefit plans. Expected contributions to post-employment defined benefit plans are EUR 1.4 million for the year ending 31 December 2014.

## Note 28 - Provisions (continued)

There are no defined benefit pension plans that are wholly unfunded and none of the collective and individual pension plans in the various countries are fully funded.

The weighted averages of the main actuarial assumptions used to determine the value of the provision for post-employment defined benefits as at 31 December were as follows:

	2013	2012
Discount rate/Expected return on plan assets	2.6%	2.6%
Inflation rate	1.3%	2.3%
Expected increment in salaries	2.3%	2.3%
Future pension increases	0.0%	0.0%

The rates used for interest discount factors, inflation, salary developments and future pension increases reflect country specific conditions.

The expected return on plan assets is determined by considering the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk free premium associated with the respective asset classes and the expectations for future returns on each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets. The expected returns of the individual plans have been weighted on the basis of the fair value of the assets of the plans in order to determine the average expected return on plan assets. All other assumptions are weighted on the basis of the post-employment benefit obligations.

Assumptions regarding future mortality experience are set based on published statistics and actuarial advice. The average life expectancy is in years of a pensioner retiring at age 65 on the balance sheet date as follows:

	2013	2012
Male	21.6	19.8
Female	24.8	22.7

The plan assets comprise the following:

	2013	2012
Equity instruments	1%	15%
Debt instruments	4%	48%
Other assets	95%	37%
<b>Total</b>	<b>100%</b>	<b>100%</b>

The experience adjustments on plan assets and plan liabilities are as follows:

	2013	2012	2011	2010	2009
Present value of defined benefit obligations	57,918	61,710	52,552	70,543	61,752
Fair value of plan assets	31,577	34,531	31,240	49,952	43,917
<b>Deficit/(surplus) in the plans</b>	<b>26,341</b>	<b>27,179</b>	<b>21,312</b>	<b>20,591</b>	<b>17,835</b>
Experience adjustments on plan liabilities	(36)	95	(609)	(413)	455
Experience adjustments on plan assets	229	222	(1,588)	(1,039)	2,346

## Note 28 - Provisions (continued)

### (iii) Other provisions

	Other long-term employee benefits	Termination benefits	Litigation	Miscellaneous	Total
<b>Balance as at 1 January</b> .....	<b>11,880</b>	<b>1,491</b>	<b>5,775</b>	<b>11,358</b>	<b>30,504</b>
Charge/(credit) to the income statement					
Additional provisions .....	3,561	1,110	7,335	11,485	23,491
Unused amounts reversal .....	(838)	(83)	(567)	(4,466)	(5,954)
Usage during the year .....	(677)	(1,345)	(223)	(9,932)	(12,177)
Transfer .....	180	(221)	—	41	—
Exchange rate differences .....	(343)	—	120	418	195
<b>Balance as at 31 December</b>	<b>13,763</b>	<b>952</b>	<b>12,440</b>	<b>8,904</b>	<b>36,059</b>

The transferred amounts in the movement schedule above reflect a few reclassifications between the various provision categories.

#### (a) *Other long-term employee benefits*

Other long-term employee benefits include provisions for medium-term bonus schemes, jubilee payments and extra vacation entitlements. Due to its nature these provisions will largely not be settled within 12 months.

#### (b) *Termination benefits*

The provision for termination benefits relates to expected payments in order to terminate the employment of an employee or group of employees before the normal termination date. The balance relates to a small number of employee related litigations and obligations of relatively small size and are expected to be settled within 12 months.

#### (c) *Litigation*

Litigation provisions have been set up to cover legal and administrative proceedings that arise in the ordinary course of business. These provisions are not employee related and are not expected to be settled within 12 months.

#### (d) *Miscellaneous*

Miscellaneous provisions include items which cannot be classified under one of the other captions. The nature of the items is diverse and long-term and includes provisions for guarantee payments and onerous contracts.

## Note 29 - Share capital and premium

At 31 December 2013, the authorised capital amounted to EUR 250 million (2012: EUR 250 million), divided into 250,000,000 ordinary shares with a nominal value of EUR 1.00 each, of which EUR 71.6 million is issued and paid up.

The holders of the ordinary shares are entitled to receive dividend as declared from time to time and are entitled to vote per share at meetings of the Company.

The share premium reserve is a reserve in which the amount paid in excess of the nominal value is included.



## Note 30 - Other reserves

### Translation reserve

The translation reserve comprises all exchange rate differences arising from the translation of the financial statements of foreign operations that are not integral to the operations of the Company. In 2013 no translation differences related to discontinued operations were recycled to the income statement (2012: nil). The significant movement in 2013 is mainly caused by appreciation of the euro against the Australian dollar and the Norwegian kroner.

### Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments where the hedged transaction has not yet occurred.

### Post-employment benefit reserve

The post-employment benefit reserve comprises the actuarial gains and losses recognised on defined benefit post-employment plans. In 2013 an amount of EUR 2.5 million was transferred from the post-employment benefit reserve to retained earnings as a result of the settlement of the defined benefit pension plan in the United States of America (reference is made to note 28).

### Dividend

In March 2013 a final dividend payment was made of EUR 94.5 million (EUR 0.38 cent per share) related to 2012 and in December 2013 an interim dividend was paid of EUR 6.0 million (EUR 0.02 cent per share).

### Profit appropriation

Reference is made to the Company financial statements on the appropriation of profit for the year and the movements in the reserves.

## Note 31 - Commitments

The Group has entered into commitments in connection with the forward purchase of property and equipment under operating lease and rental fleet amounting to EUR 1.2 billion (2012: EUR 1.1 billion) as at the balance sheet date. These commitments are entered into in the ordinary course of business and are back-to-back matched with lease contracts entered into with customers. Furthermore, the Group has entered into commitments in connection with long-term rental and lease contracts. The future aggregate minimum lease payments under these contracts are as follows:

	2013	2012
Not longer than a year	32,055	31,841
Longer than a year, less than five years	85,151	87,098
Longer than five years	49,285	60,503
<b>Total</b>	<b>166,491</b>	<b>179,442</b>

For a number of clients, residual value guarantees have been given to a total of EUR 270 million (2012: EUR 274 million).

Credit facilities have been concluded with associates and jointly controlled entities amounting to EUR 290 million (2012: EUR 272 million) of which EUR 266 million (2012: EUR 231 million) is drawn. Reference is made to note 17.

## Note 32 - Related parties

### Identity of related parties

Related parties and enterprises, as defined by IAS 24, are parties and enterprises which can be influenced by the Company or which can influence the Company. Global Mobility Holding B.V. is shareholder of the Company. The business relations between the two companies and its indirect shareholders are handled on normal market terms. No transactions occurred in 2013 and 2012.

The Group purchases cars and trucks manufactured by the Volkswagen Group. These purchases are entered into in the ordinary course of business and are handled on normal market conditions. These cars and trucks are not directly obtained from the Volkswagen Group but indirectly through importers and dealers in these brands and are sold based on the price lists and terms that would be available to third parties.

In December 2012 the Company renewed a EUR 1.25 billion credit facility from Volkswagen A.G. through its subsidiary Volkswagen International Luxemburg S.A. for a period of 3 years ending December 2015. No amounts were drawn under this facility in 2013 and 2012.

All business relations with associates and jointly controlled entities are in the ordinary course of business and handled on normal market terms. An amount of EUR 266 million (2012: EUR 231 million) is provided as loans to associates and jointly controlled entities (reference is made to note 17).

### Transactions with key management personnel

Key management personnel are considered to be the Managing Board and the Senior Vice-Presidents.

In addition to their salaries, the Group also provides non-cash benefits to key management and contributes to post-employment defined benefit and defined contribution plans on their behalf.

The key management personnel compensations are as follows:

	2013	2012
Fixed remuneration . . . . .	4,966	4,809
Other short-term employee benefits . . . . .	1,282	1,131
Post-employment benefits . . . . .	1,414	1,033
Other long-term employee benefits . . . . .	2,304	1,305
<b>Total . . . . .</b>	<b>9,966</b>	<b>8,278</b>

The increase in the other short-term employee benefits in 2013 is mainly caused by higher short-term variable remuneration as a consequence of the significantly higher net result in 2013.

The increase in other long-term employee benefits is largely caused by a revaluation of the (2011) phantom share units (PSUs) granted in February 2012 to the February 2013 PSU valuation (EUR 0.4 million) and caused by higher long-term variable remuneration as a consequence of the significantly higher net result in 2013 (EUR 0.5 million).

In both 2013 and 2012 there were no termination benefits.

The compensations are distributed as follows:

	2013	2012
Managing Board . . . . .	2,789	2,361
Senior Vice-Presidents . . . . .	7,177	5,917
<b>Total . . . . .</b>	<b>9,966</b>	<b>8,278</b>

### **Note 32 - Related parties (continued)**

The total remuneration is included in the caption 'Staff expenses' (reference is made to note 7). The remuneration of the Managing Board is further disclosed in note 15 of the Company financial statements. Both in 2013 and 2012 in compliance with the Bonus Prohibition Act no variable remuneration is rewarded or paid to the Managing Board during the term of the Bonus Prohibition Act.

The Group has not granted any loans, guarantees or advances to the members of the Managing Board.

#### **Remuneration of the members of the Supervisory Board**

Ada van der Veer-Vergeer is the only Supervisory Board member compensated by LeasePlan for the tasks and responsibilities as a member of the Supervisory Board. The total expenses for the Group amounted to EUR 60 thousand for 2013 (2012: EUR 55 thousand). Neither the company nor any of its Group companies has granted any loans, guarantees or advances to the members of the Supervisory Board.

### **Note 33 - Contingent assets and liabilities**

As at year-end 2013, guarantees had been provided on behalf of the consolidated subsidiaries in respect of commitments entered into by those companies with an equivalent value of EUR 3.1 billion (2012: EUR 2.6 billion). The Company charges a guarantee fee to the respective subsidiaries based on normal market terms.

In 2014 the Company is subject to the 'Resolution Levy' imposed by the State of the Netherlands on the Dutch banking sector if the Dutch deposit guarantee scheme for banks is applicable to the Company on 1 February 2013 as well as on 31 March 2014, 31 May 2014 and 31 July 2014. If this is the case the Company estimates that the total levy payable will amount to EUR 8.5 million.

The probability of any inflow of economic benefits arising from the contingent assets is difficult to estimate and remote. Accordingly no asset is recognised in the balance sheet.

### **Note 34 - Events occurring after the reporting date**

No material events have occurred after the reporting date.

## List of principal consolidated participating interests

Pursuant to Article 379, Part 9, Book 2, of the Dutch Civil Code a full list of Group companies and associates and jointly controlled entities complying with the relevant statutory requirements has been filed with the Chamber of Commerce of Gooi-, Eem- en Flevoland. Unless stated otherwise, the percentage interest is 100% or nearly 100%.

Principal subsidiaries, which are fully included in the consolidated financial statements, are:

LeasePlan Australia Limited, Australia  
LeasePlan Brasil Ltda., Brazil  
LeasePlan Česká republika s.r.o., Czech Republic  
LeasePlan Danmark A/S, Denmark  
LeasePlan Deutschland GmbH, Germany  
LeasePlan Finland Oy, Finland  
LeasePlan Fleet Management N.V., Belgium  
LeasePlan Fleet Management (Polská) Sp. z.o.o., Poland  
LeasePlan Fleet Management Services Ireland Limited, Ireland  
LeasePlan France S.A.S., France  
LeasePlan Hellas S.A., Greece  
LeasePlan Hungária Gépjármű Kezelő és Finanszírozó Részvénytársaság, Hungary  
LeasePlan India Private Limited, India  
LeasePlan Italia S.p.A., Italy  
LeasePlan Luxembourg S.A., Luxembourg  
LeasePlan Mexico S.A. de C.V., Mexico  
LeasePlan Nederland N.V., the Netherlands  
LeasePlan New Zealand Limited, New Zealand  
LeasePlan Norge A/S, Norway  
LeasePlan Österreich Fuhrparkmanagement GmbH, Austria  
LeasePlan Portugal Comércio e Aluguer de Automóveis e Equipamentos Unipessoal Lda., Portugal  
LeasePlan Romania SRL, Romania  
LeasePlan Rus LLC, Russia  
LeasePlan (Schweiz) AG, Switzerland  
LeasePlan Servicios S.A., Spain  
LeasePlan Slovakia s.r.o., Slovakia  
LeasePlan Sverige AB, Sweden  
LeasePlan UK Limited, United Kingdom  
LeasePlan USA, Inc., USA

Euro Insurances Limited, Ireland  
Globalines Reinsurance Limited, United Kingdom  
LeasePlan Finance N.V., the Netherlands  
LeasePlan Information Services Limited., Ireland  
LeasePlan International B.V., the Netherlands  
LeasePlan Supply Services AG, Switzerland  
Mobility Mixx B.V., the Netherlands  
Travelcard Nederland B.V., the Netherlands

All holdings are in the ordinary share capital of the undertaking concerned and are unchanged from 2012.

Special purpose companies with no shareholding by the Group are:

Bumper 2 S.A., Luxembourg  
Bumper Car Sales GmbH, Germany  
Bumper 4 (N L) Finance B.V., the Netherlands

Bumper 5 Finance Plc, United Kingdom  
Bumper CARS NL B.V., the Netherlands  
Bumper France FCT, France

Principal associates and jointly controlled entities that are accounted for under the equity method in the consolidated financial statements are:

LeasePlan Emirates Fleet Management—LeasePlan Emirates LLC, United Arab Emirates (49%)  
LPD Holding A.S.Turkey (51%)  
Excelease N.V., Belgium (51%)  
Overlease S.r.L., Italy (51%)  
Please S.C.S., France (99.3%)  
E Lease S.A.S., France (5%)  
Flottenmanagement GmbH, Austria (49%)  
Terberg Leasing B.V., the Netherlands (24%)

The net equity accounting treatment is based on whether the company has significant influence or joint control. In the situations where the Group has a majority shareholding in the companies listed above these companies still qualify as jointly controlled entities as the Group has contractually agreed to sharing of control whereby the strategic and operating decisions relating to the company require the unanimous consent of the parties sharing control.

Pursuant to the provisions of Article 403 f, Part 9, Book 2, of the Dutch Civil Code, a declaration of joint and several liability with respect to the financial obligations of the majority of the participating interests in the Netherlands is filed. Such declaration is filed for the following participating interests.

AALH Participaties B.V.  
Accident Management Services B.V.  
Energie LeasePlan B.V.  
Firenta B.V.  
Lease Beheer N.V.  
Lease Beheer Holding B.V.  
Lease Beheer Vastgoed B.V.  
LeasePlan Finance N.V.  
LeasePlan International B.V.  
LeasePlan Nederland N.V.  
LPC Auto Lease B.V.  
Mobility Mixx B.V.  
Transport Plan B.V.  
Travelcard Nederland B.V.

## Balance sheet of the company for the year ended 31 December (before profit appropriation)

In thousands of euros	Note	2013	2012
<b>ASSETS</b>			
Cash and balances with central banks .....	2	978,732	1,015,392
Amounts due from banks .....	3	923,112	698,928
Debt securities .....	4	477,513	483,029
Loans to group companies .....	5	8,544,301	8,692,749
Loans to jointly controlled entities .....	6	248,926	205,011
Investments in group companies .....	5	2,211,999	2,175,887
Investments in jointly controlled entities .....	6	32,099	27,296
Other assets .....	7	344,502	303,083
Intangible assets .....	8	974	348
<b>Total assets .....</b>		<b>13,762,158</b>	<b>13,601,723</b>
<b>LIABILITIES</b>			
Amounts due to banks .....	9	118,485	132,709
Funds entrusted .....	10	4,167,513	3,952,420
Debt securities issued .....	11	5,309,589	5,766,727
Other liabilities .....	12	1,585,016	1,362,436
<b>Total liabilities .....</b>		<b>11,180,603</b>	<b>11,214,292</b>
<b>EQUITY</b>			
Share capital .....		71,586	71,586
Share premium .....		506,398	506,398
Other comprehensive income .....		(42,466)	(13,239)
Legal reserves .....		372,235	424,518
Other reserves .....		1,347,355	1,156,868
Profit for the year .....		326,447	241,300
<b>Shareholders' equity .....</b>	13	<b>2,581,555</b>	<b>2,387,431</b>
<b>Total equity and liabilities .....</b>		<b>13,762,158</b>	<b>13,601,723</b>

## Income statement of the company

In thousands of euros	Note	2013	2012
Result from subsidiaries after taxation .....	5	329,852	245,990
Other results after taxation .....		(3,405)	(4,690)
<b>Profit for the year .....</b>		<b>326,447</b>	<b>241,300</b>

# Notes to the company financial statements

All amounts are in thousands of euros, unless stated otherwise

## Note 1 - General

For certain notes to the Company's balance sheet, reference is made to the notes to the consolidated balance sheet unless stated otherwise.

The Company's financial statements are prepared pursuant to the provisions in Part 9, Book 2, of the Dutch Civil Code, by applying the accounting policies used in the consolidated financial statements under IFRSs pursuant to the provisions of Article 362 sub 8, Part 9, Book 2, of the Dutch Civil Code.

The income statement in the Company's financial statements has been presented in abridged form pursuant to the provisions of Article 402, Part 9, Book 2, of the Dutch Civil Code.

Under reference to Article 362 sub 8, Part 9, Book 2 of the Dutch Civil Code, the associates and jointly controlled entities are measured and valued in accordance with the same IFRSs accounting standards as adopted in the consolidated financial statements of the Company.

The accounting policies set out before in preparing the consolidated financial statements for the year ended 31 December 2013 and the consolidated financial statements for the year ended 31 December 2012 are also applied in the Company's financial statements, with the exception of the valuation of investments in subsidiaries.

### Investments in subsidiaries, associates and jointly controlled entities

The investments in subsidiaries that are not classified as held-for-sale are accounted for in accordance with the net value of assets and liabilities, based upon accounting policies used in the consolidated financial statements.

When the Group's share of losses exceeds its interest in a subsidiary, jointly controlled entity or associate, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations, which are expected to result in an outflow of resources, or made payments on behalf of the subsidiary, jointly controlled entity or associate.

## Note 2 - Cash and balances with central banks

The majority of this amount is cash deposited at the Dutch central bank of which a part is the mandatory reserve deposit that amount to EUR 50.1 million (2012: EUR 47.7 million) which is not available for use in the Group's day-to-day operations.

## Note 3 - Amounts due from banks

A break down of this caption is as follows:

	2013	2012
Call money and cash at banks	177	260,777
Cash collateral Bumper transactions	3,255	6,591
Cash collateral derivative financial instruments	60,930	46,860
Deposits with banks	858,750	384,700
<b>Balance as at 31 December</b>	<b>923,112</b>	<b>698,928</b>



## Note 4 - Debt securities

This caption includes investments in bonds resulting from securitisation programmes concluded by the Company. The following debt securities are issued:

Programme	Originator	Special purpose company	Currency	Transaction value*
Bumper 2 . . . . .	LeasePlan Deutschland GmbH	Bumper 2 S.A.	EUR	875,600
Bumper 4 . . . . .	LeasePlan Nederland N.V.	Bumper 4 (NL) Finance B.V.	EUR	1,019,681
Bumper 5 . . . . .	LeasePlan UK Ltd.	Bumper 5 Finance Plc	GBP	837,714
Bumper France . .	LeasePlan France S.A.S.	Bumper France FCT	EUR	799,215

\*Transaction value at issue date. The transaction value of Bumper 2 is at re-issue date in 2011.

These transactions involve the sale of future lease instalment receivables and related residual value receivables originated by various LeasePlan subsidiaries to special purpose companies. Debt securities were issued by these special purpose companies to finance these transactions. The special purpose companies are responsible for making interest and principal payments to the note-holders. The note-holders do not have recourse on the Company or other Group companies in case of non-performance or default by the special purpose companies. The Group has deposited cash collateral for these securitisation transactions, reference is made to note 13 of the consolidated financial statements of the Company. The higher rated notes are sold to external investors and the other notes are bought by the company.

The Bumper notes bought by the Company are as follows:

	2013	2012
Bumper 2 . . . . .	225,900	225,900
Bumper 5 . . . . .	251,613	257,129
<b>Total . . . . .</b>	<b>477,513</b>	<b>483,029</b>

The Company provided in 2011 a subordinated loan to Bumper 4 (NL) Finance B.V. for an amount of EUR 275.5 million, which is included in note 5.

The maturity of the Bumper notes bought by the Company is as follows:

	2013	2012
Longer than a year, less than five years . . . . .	477,478	480,393
Longer than five years . . . . .	35	2,636
<b>Balance as at 31 December . . . . .</b>	<b>477,513</b>	<b>483,029</b>

### Bumper 2

LeasePlan completed an asset backed securitisation transaction named Bumper 2 in March 2008. Future lease instalment receivables and related residual value receivables for a total amount of EUR 875.6 million originated by LeasePlan Deutschland GmbH (the "originator") were sold to Bumper 2 S.A., a company incorporated for the purpose of securitisation transactions under the laws of Luxembourg. Debt securities were issued by Bumper 2 S.A. to finance this transaction. The residual value receivables are created through the expectancy rights purchaser (ERP), Bumper Car Sales GmbH, a German special purpose company that purchased the expectancy rights which the originator has against the issuer. The ERP in turn contracted with the originator to pay the vehicle realisation proceeds as the purchase price for the expectancy rights. These claims the originator has against the ERP were sold to the issuer. The originator must pay the contractually residual value at the end of the lease contract to the ERP.

#### **Note 4 - Debt securities (continued)**

In 2008 Bumper 2 S.A. issued under this securitisation transaction debt securities with a final legal term of 15 years and a revolving period of five years, after which redemption takes place.

Bumper 2 S.A. and Bumper Car Sales GmbH are special purpose companies, but are included in the consolidated financial statements of the Company. The debt securities issued in March 2008 were divided into A-notes (EUR 663.3 million), B-notes (EUR 74.4 million) and C-notes (EUR 137.9 million). The notes were listed on the Irish Stock Exchange. The transaction was assessed by Standard & Poor's resulting in an AAA-rating for the A-notes and an A-rating for the B-notes.

In 2011 a new ECB rule became effective which requires that all notes (including existing notes) which are used for collateral purposes with the ECB need to be assessed by at least two rating agencies. In 2011 the Company restructured the Bumper 2 transaction in order to have the notes rated by two rating agencies. In March 2011 Bumper 2 S.A. bought back all Bumper 2 notes issued in 2008 and issued new notes. The debt securities issued in March 2011 are divided into A-notes (EUR 602.4 million), B-notes (EUR 47.9 million) and C-notes (EUR 225.9 million) which are listed on the Irish Stock Exchange. The transaction was assessed by Standard & Poor's and Fitch Ratings, resulting in an AAA-rating for the A-notes and AA-rating for the B-notes. The final legal term and the revolving period, after which redemptions take place are unchanged. During and after the restructuring process the Company successfully sold the A-notes and B-notes to external investors, the C-notes are held by the Company. The interest payable on the notes on a monthly basis is equal to one-month Euribor plus a mark-up. The C-notes are subordinate to the B-notes and the B-notes are subordinate to the A-notes.

#### **Bumper 4**

The Bumper 4 transaction was completed in April 2011 whereby EUR 1,019.6 million of future lease instalment receivables and associated residual value receivables originated by LeasePlan Nederland N.V. (the "originator") were sold to Bumper 4 (NL) Finance B.V., a special purpose company specially incorporated for the purpose of securitisation transactions under the laws of the Netherlands. Debt securities were issued by Bumper 4 (NL) Finance B.V. and a subordinated loan received from the Company are used to finance this transaction. The title to the underlying objects is retained by the originator.

The notes issued under this securitisation transaction have a final legal term of 15 years and a revolving period of one year. During this revolving period Bumper 4 (NL) Finance B.V. can use available funds to purchase new receivables. Bumper 4 (NL) Finance B.V. is a limited liability company, but is included in the consolidated financial statements of the Company.

The debt securities issued in April 2011 are divided into A-notes (EUR 703.5 million), B-notes (EUR 40.7 million) and a subordinated loan of (EUR 275.5 million). The notes are listed on Euronext Amsterdam. The transaction is assessed by Fitch Ratings and Moody's, resulting in an AAA-rating (Fitch) and an Aaa-rating (Moody's) for the A-notes. The class B-notes are rated AAA by Fitch Ratings and Aa2 by Moody's.

The A-notes and B-notes are sold to external investors. The interest payable on the notes on a monthly basis is equal to one-month Euribor plus a mark-up. The B-notes are subordinate to the A-notes. The loan (EUR 275.5 million) provided by the Company to Bumper 4 (NL) Finance B.V. is subordinate to the A-notes and the B-notes.

#### **Bumper 5**

The Bumper 5 transaction was completed in April 2012 whereby GBP 837.7 million of future lease instalment receivables and associated residual value receivables originated by LeasePlan UK Ltd. (the "originator") were sold to Bumper 5 Finance Plc, a limited liability company specially incorporated for the purpose of a securitisation transaction under the laws of England and Wales. Debt securities were issued by Bumper 5 Finance Plc in EUR and GBP to finance this

#### **Note 4 - Debt securities (continued)**

transaction. To hedge the currency risk arising from purchasing GBP receivables and issuing EUR A1-notes Bumper 5 Finance Plc concluded a currency swap. The title to the underlying objects is retained by the originator (except for vehicles under an Employee Car Ownership Scheme).

The notes issued under this securitisation transaction have a final legal term of ten years and a revolving period of nine months. Bumper 5 Finance Plc is a limited liability company, but is included in the consolidated financial statements of the Company.

The debt securities issued in April 2012 are divided into A1-notes (EUR 445.8 million), A2-notes (GBP 212.1 million), B-notes (GBP 46.1 million) and C-notes (GBP 209.5 million). The notes are listed on the Irish Stock Exchange. The transaction was assessed by Standard & Poor's and Fitch Ratings resulting in an AAA-rating for the A-notes and an AA-rating for the B-notes.

The A-notes and B-notes were sold to external investors, the C-notes are held by the Company. The interest payable on the notes on a monthly basis is equal to one month Euribor plus a mark-up for the EUR notes and one month Libor plus a mark-up for the GBP notes. The C-notes are subordinate to the B-notes and the B-notes are subordinate to the A-notes.

#### **Bumper CARS NL**

The Bumper CARS transaction is a private transaction with two banks and uses a securitisation structure under Dutch law common for operating lease securitisations and closed on 6 December 2012. Bumper CARS NL B.V. entered into a master hire purchase agreement with LeasePlan Nederland N.V. (the "originator"). Based on this agreement Bumper CARS NL B.V. can buy future discounted cash flows of lease receivables and residual values from the originator. As per 31 December 2013 future discounted cash flows amounting to EUR 694 million were transferred from the originator to Bumper CARS NL B.V. With this transaction Bumper CARS NL B.V. concluded an asset backed securitisation warehousing facility with two banks. The volume of this facility is EUR 500 million and is drawn for EUR 480 million as per 31 December 2013 (December 2012: nil). The committed facility is rated AAA by DBRS. Bumper CARS NL B.V. is a special purpose limited liability company incorporated under Dutch law for this transaction and is included in the consolidated financial statements of the Company.

#### **Bumper France**

The Bumper France transaction was completed in March 2013 whereby EUR 799 million of future lease instalment receivables and associated residual value receivables originated by LeasePlan France S.A.S. (the "originator") were sold to Bumper France FCT, a limited liability company specially incorporated for the purpose of a securitisation transaction under the laws of France. Debt securities were issued by Bumper France FCT in USD and EUR to finance this transaction. To hedge the currency risk arising from purchasing EUR receivables and issuing USD A-notes Bumper France FCT concluded a currency swap. The title to the underlying objects is retained by the originator.

The notes issued under this securitisation transaction have a final legal term of nine years and a revolving period of one year. Bumper France FCT is a limited liability company, but is included in the consolidated financial statements of the Company. The debt securities issued in March 2013 are divided into A-notes (USD 733 million), and B-notes (EUR 232 million).

The A-notes were sold to an external investor, the B-notes are held by the Group. The interest payable on the notes on a monthly basis is equal to one month Libor plus a mark-up for the USD notes and a fixed rate for the EUR notes. The B-notes are subordinate to the A-notes.

## Note 5 - Investments in and loans to group companies

Movements in investments in group companies are as follows:

	2013	2012
<b>Balance as at 1 January</b> .....	<b>2,175,887</b>	<b>2,018,739</b>
Purchase of and increase in subsidiaries .....	29,403	9,702
Reductions in subsidiaries .....	(273,358)	(102,861)
Result of subsidiaries .....	329,852	245,990
Direct changes in equity .....	2,496	(5,533)
Exchange rate differences .....	(52,281)	9,850
<b>Balance as at 31 December</b> .....	<b>2,211,999</b>	<b>2,175,887</b>

The direct changes in equity relate to fair value changes in cash flow hedges.

The maturity analysis on the loans is as follows:

	2013	2012
Three months or less .....	1,532,998	1,283,659
Longer than three months, less than a year .....	2,119,473	1,842,988
Longer than a year, less than five years .....	4,614,657	5,288,875
Longer than five years .....	277,173	277,227
<b>Balance as at 31 December</b> .....	<b>8,544,301</b>	<b>8,692,749</b>

## Note 6 - Investments in and loans to jointly controlled entities

The investment relates to jointly controlled entities in Turkey and the United Arab Emirates.

Movements in jointly controlled entities are as follows:

	2013	2012
<b>Balance as at 1 January</b> .....	<b>27,296</b>	<b>14,740</b>
Share of results .....	4,933	9,974
Investments .....	—	2,582
Exchange rate differences .....	(130)	—
<b>Balance as at 31 December</b> .....	<b>32,099</b>	<b>27,296</b>

The investment in 2012 relates to the transfer of the shares of the jointly controlled entity in the United Arab Emirates from a subsidiary to the Company.

The loans relate to jointly controlled entities in France, Turkey and the United Arab Emirates.

The maturity analysis on the loans is as follows:

	2013	2012
Three months or less .....	4,187	24,500
Longer than three months, less than a year .....	91,625	42,277
Longer than a year, less than five years .....	153,114	138,234
<b>Balance as at 31 December</b> .....	<b>248,926</b>	<b>205,011</b>

The company has entered into loan commitments of EUR 267 million (2012: EUR 240 million) of which EUR 249 million has been drawn at year-end 2013 (2012: EUR 205 million). There are no other material contingent liabilities of the jointly controlled entities.

## Note 7 - Other assets

Besides derivative financial instruments this caption includes a corporate income tax receivable from fiscal authorities and Group companies forming part of the fiscal unity. The Company settles corporate income tax due or receivable on taxable income with its Group companies forming part of the fiscal unity as if these Group companies were responsible for their tax filings on a stand-alone basis.

	2013	2012
Derivative financial instruments	140,189	225,462
Tax receivables	12,948	29,588
Other	191,365	48,033
<b>Balance as at 31 December</b>	<b>344,502</b>	<b>303,083</b>

Derivative financial instruments are carried at fair value and are made up as follows:

	2013			2012		
	Notional amounts	Fair value		Notional amounts	Fair value	
		Assets	Liabilities		Assets	Liabilities
Fair value hedge						
Interest rate swaps/ forward rate agreements	3,979,159	61,000	27,571	2,850,881	94,707	473
Currency swaps	134,986	5	18,270	102,280	218	3,686
Cash flow hedge						
Interest rate swaps/ forward rate agreements	2,570,558	204	32,533	2,030,993	—	58,513
<b>Total derivatives in hedge</b>	<b>6,684,703</b>	<b>61,209</b>	<b>78,374</b>	<b>4,984,154</b>	<b>94,925</b>	<b>62,672</b>
Interest rate swaps/ forward rate agreements	14,079,078	58,341	71,401	15,335,359	114,607	114,827
Currency swaps/ currency forwards	2,365,142	20,639	16,234	3,484,220	15,930	24,749
<b>Total derivatives not in hedge</b>	<b>16,444,220</b>	<b>78,980</b>	<b>87,635</b>	<b>18,819,579</b>	<b>130,537</b>	<b>139,576</b>
<b>Total</b>	<b>23,128,923</b>	<b>140,189</b>	<b>166,009</b>	<b>23,803,733</b>	<b>225,462</b>	<b>202,248</b>

The fair value is based on the price including accrued interest (dirty price).

The unrealised gains/(losses) on financial instruments recognised in the income statement breaks down as follows:

	2013	2012
Derivatives not designated as hedges	382	18,404
Derivatives at fair value hedges	(66,536)	15,038
Derivatives at cash flow hedges (ineffectiveness)	35	(5)
	<b>(66,119)</b>	<b>33,437</b>
Financial liabilities used in fair value hedges	63,500	(13,826)
<b>Unrealised gains/(losses) on financial instruments</b>	<b>(2,619)</b>	<b>19,611</b>

## Note 8 - Intangible assets

	Purchased software	
	2013	2012
<b>Carrying amount as at 1 January</b> .....	<b>348</b>	<b>670</b>
Purchases .....	878	312
Depreciation .....	(252)	(634)
<b>Carrying amount as at 31 December</b> .....	<b>974</b>	<b>348</b>
Cost .....	3,510	2,632
Accumulated depreciation and impairment .....	(2,536)	(2,284)
<b>Carrying amount as at 31 December</b> .....	<b>974</b>	<b>348</b>

The purchased software in 2013 relates to the purchase of licences for a finance system. The purchased software in 2012 and earlier relates to a banking system for LeasePlan Bank.

## Note 9 - Amounts due to banks

This caption includes amounts owed to credit institutions under government supervision.

The maturity of these loans is as follows:

	2013	2012
Three months or less .....	26,469	48,096
Longer than three months, less than a year .....	52,550	24,063
Longer than a year, less than five years .....	39,466	60,550
<b>Balance as at 31 December</b> .....	<b>118,485</b>	<b>132,709</b>

Amounts due to banks include an outstanding balance of EUR 1.4 million (2012: EUR 2.4 million) which is non-euro currency denominated as at 31 December 2013. The remainder of the amounts due to banks is denominated in euro.

## Note 10 - Funds entrusted

The maturity analysis of funds entrusted is as follows:

	2013	2012
Three months or less .....	2,535,136	2,288,143
Longer than three months, less than a year .....	1,134,600	1,226,788
Longer than a year, less than five years .....	497,777	437,489
Longer than five years .....	—	—
<b>Balance as at 31 December</b> .....	<b>4,167,513</b>	<b>3,952,420</b>

This caption mainly includes savings deposits raised by LeasePlan Bank amounting to EUR 4.165 billion (2012: EUR 3.949 billion) of which 54.7% (2012: 68.7%) is deposited for a fixed term. LeasePlan Bank is the brand name under which savings deposits are raised by LeasePlan Corporation N.V. which holds a universal banking licence in the Netherlands.

The average interest rates on the outstanding balances of the savings deposits in original maturity terms are as follows:

	2013	2012
On demand .....	1.96%	2.31%
A year or less .....	2.30%	3.35%
Longer than a year, less than or equal to two years .....	2.75%	3.24%
Longer than two years .....	3.69%	3.82%

## Note 10 - Funds entrusted (continued)

The interest rate of the on demand accounts is set on a monthly basis.

The funds entrusted are fully denominated in euro as at 31 December 2013 and 2012.

## Note 11 - Debt securities issued

This caption includes negotiable, interest-bearing securities, other than those of a subordinated nature. The debt securities issued include a number of bonds, which were raised under the Credit Guarantee Scheme of the State of the Netherlands. An overview of these bonds is included in note 26 of the consolidated financial statements of the Company.

	2013	2012
Bonds and notes	5,274,667	5,656,440
Commercial Paper	34,922	54,657
Certificates of Deposit	—	55,630
<b>Balance as at 31 December</b>	<b>5,309,589</b>	<b>5,766,727</b>

	2013	2012
Bonds and notes	3.0%	3.1%
Commercial Paper	0.5%	1.2%
Certificates of Deposit	—	1.1%
<b>Average interest rate</b>	<b>3.0%</b>	<b>3.1%</b>

The maturity analysis of the debt securities issued is as follows:

	2013	2012
Three months or less	22,912	201,333
Longer than three months, less than a year	1,227,632	1,335,260
Longer than a year, less than five years	3,281,192	4,092,371
Longer than five years	777,853	137,763
<b>Balance as at 31 December</b>	<b>5,309,589</b>	<b>5,766,727</b>

The debt securities include an outstanding balance of EUR 1.7 billion (2012: EUR 1.5 billion) which is non-euro currency denominated as at 31 December 2013. The remainder of the debt securities is denominated in euro.

## Note 12 - Other liabilities

	2013	2012
Loans from Group companies	1,245,097	966,340
Amounts payable to Group companies	50,180	26,438
Derivative financial instruments	166,009	202,248
Other accruals and other deferred income	117,568	152,928
Corporate income tax payable	6,162	14,482
<b>Balance as at 31 December</b>	<b>1,585,016</b>	<b>1,362,436</b>

For derivative financial instruments reference is made to the table in note 7.



## Note 12 - Other liabilities (continued)

The maturity analysis of the loans from Group companies is as follows:

	2013	2012
Three months or less	81,683	143,566
Longer than three months, less than a year	837,933	60,000
Longer than a year, less than five years	50,000	487,293
Longer than five years	275,481	275,481
<b>Balance as at 31 December</b>	<b>1,245,097</b>	<b>966,340</b>

## Note 13 - Shareholders' equity

### Share capital

As at 31 December 2013, the authorised capital amounted to EUR 250 million (2012: EUR 250 million), divided into 250,000,000 ordinary shares with a nominal value of EUR 1.00 each, of which EUR 71.6 million is issued and paid up. There were no movements in the issued and paid up capital in 2013 and 2012.

The movement in shareholders' equity is as follows:

	Share capital	Share premium	Legal reserves	Reserves			Profit for the year	Shareholders' equity
				Other comprehensive income	Other reserves			
<b>Balance as at 1 January</b>								
2012	71,586	506,398	370,326	(14,762)	992,266	224,287	2,150,101	
Total comprehensive income				1,530			1,530	
Transfer from/to				(7)	7			
Profit for the year						241,300	241,300	
<b>Total recognised income/ (expenses) for the year</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,523</b>	<b>7</b>	<b>241,300</b>	<b>242,830</b>	
Transfer from/to			54,192		(54,192)			
Appropriation of result					224,287	(224,287)		
Dividend					(5,500)		(5,500)	
<b>Balance as at 31 December</b>								
2012	71,586	506,398	424,518	(13,239)	1,156,868	241,300	2,387,431	
Total comprehensive income				(31,711)			(31,711)	
Transfer from/to				2,484	(2,484)			
Profit for the year						326,447	326,447	
Post-employment plans in associates					(112)		(112)	
<b>Total recognised income/ (expenses) for the year</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(29,227)</b>	<b>(2,596)</b>	<b>326,447</b>	<b>294,624</b>	
Transfer from/to			(52,283)		52,283			
Appropriation of result					241,300	(241,300)		
Dividend					(100,500)		(100,500)	
<b>Balance as at 31 December</b>								
2013	71,586	506,398	372,235	(42,466)	1,347,355	326,447	2,581,555	

### Note 13 - Shareholders' equity (continued)

The share premium reserve is a reserve in which the amount paid in excess of the nominal value is included.

Legal reserves are non-distributable reserves relating to requirements to establish reserves for specific purposes either by the Articles of Association of the Company, Part 9, Book 2, of the Dutch Civil Code and/or by local law.

The legal reserves relate to minimum reserves to be maintained for the non-distributable share in cumulated profits of subsidiaries and associates and jointly controlled entities.

The Other comprehensive income comprises the translation reserve, the hedging reserve and the post-employment benefit reserve. The translation reserve comprises all exchange rate differences arising from the translation of the financial statements of foreign operations that are not integral to the operations of the Company as of 1 January 2004. No translation differences related to discontinued operations are recycled to the income statement (2012: nil). The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred and that prove to be highly effective in relation to the hedged risk. The movement in cash flow hedges is disclosed in the consolidated statement of comprehensive income. The post-employment benefit reserve comprises the actuarial gains and losses recognised on defined benefit post-employment plans.

The legal reserves, translation reserves, hedging reserves and post-employment benefit reserve are non-distributable reserves of the Company pursuant to the provisions of Part 9, Book 2, of the Dutch Civil Code.

There are no statutory reserves prescribed in the Articles of Association of the Company.

### Note 14 - Staff

The Company does not directly employ any staff.

### Note 15 - Managing board remuneration

In addition to their salaries, the Group also provides non-cash benefits to the Managing Board and contributes to post-employment defined contribution plans on their behalf. The Managing Board is also the statutory board of the Company. Both in 2013 and 2012 in compliance with the Bonus Prohibition Act no variable remuneration is rewarded or paid to the Managing Board during the term of the Bonus Prohibition Act.

	2013	2012
Fixed remuneration	1,864	1,787
Other short-term employee benefits	194	187
Post-employment benefits	731	387
<b>Total</b>	<b>2,789</b>	<b>2,361</b>

The increase in post-employment benefits is mainly caused by one-off additional pension payments for two of the Managing Board members, fulfilling contractual commitments which arose in previous years, one of them dating back to a change in the Dutch pension scheme in 2003. All LeasePlan employees who were affected by that change in 2003, were granted a similar entitlement.

In both 2013 and 2012 there were no termination benefits. The Dutch crisis levy ('crisisheffing') in relation to the Managing Board remuneration amounted to EUR 148 thousand (2012: EUR 133 thousand) and is not included in the table above. The Group has not granted any loans, guarantees or advances to members of the Managing Board.

## Note 15 - Managing board remuneration (continued)

### Remuneration of the members of the Supervisory Board

Ada van der Veer-Vergeer is the only Supervisory Board member compensated by LeasePlan for the tasks and responsibilities as a member of the Supervisory Board. The total expenses for the Group amounted to EUR 60 thousand for 2013 (2012: EUR 55 thousand). Neither the company nor any of its Group companies has granted any loans, guarantees or advances to the members of the Supervisory Board.

## Note 16 - Audit fees

The caption 'General and administrative expenses' in the consolidated financial statements includes an amount of EUR 5.3 million (2012: EUR 5.2 million) of audit fees for services provided by PricewaterhouseCoopers Accountants N.V. and its network.

	2013			2012
	PwC Accountants N.V.	Other PwC network	Total PwC network	Total PwC network
Audit services .....	793	3,233	4,026	3,808
Audit related services .....	522	447	969	1,175
Tax advice .....	—	104	104	97
Other (non-audit) services .....	112	43	155	124
<b>Total services .....</b>	<b>1,427</b>	<b>3,827</b>	<b>5,254</b>	<b>5,204</b>

## Note 17 - Commitments

Credit facilities have been concluded with associates and jointly controlled entities amounting to EUR 267 million (2012: EUR 240 million) of which EUR 249 million (2012: EUR 205 million) is drawn (reference is made to note 6).

## Note 18 - Contingent liabilities

Pursuant to the provisions of Article 403 f, Part 9, Book 2, of the Dutch Civil Code, the Company has filed a declaration of joint and several liability with respect to the majority of the subsidiaries in the Netherlands. Abridged financial statements have accordingly been prepared for these subsidiaries.

The Company forms a fiscal unity with a number of Group companies in the Netherlands regarding corporate income tax and VAT. As a result the Company can be held jointly liable for tax returns of those subsidiaries.

As at 31 December 2013, guarantees had been provided on behalf of the consolidated subsidiaries outside the Netherlands. These guarantees had been provided in respect of commitments entered into by those companies and amount to a value of EUR 3.1 billion (2012: EUR 2.6 billion).

In 2014 the Company is subject to the 'Resolution Levy' imposed by the State of the Netherlands on the Dutch banking sector if the Dutch deposit guarantee scheme for banks is applicable to the Company on 1 February 2013 as well as on 31 March 2014, 31 May 2014 and 31 July 2014. If this is the case the Company estimates that the total levy payable will amount to EUR 8.5 million.

Almere, 25 March 2014

### Managing Board

Vahid Daemi, Chairman and CEO  
Guus Stoelinga, CFO  
Sven-Torsten Huster, COO

### Supervisory Board

Frank Witter, Chairman  
Michael Klaus, Deputy Chairman  
Albrecht Möhle  
Christian Schlögell  
Ada van der Veer-Vergeer

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**Lincoln Finance Limited**

**€1,250,000,000 6.875% Senior Secured Notes due 2021**

**\$400,000,000 7.375% Senior Secured Notes due 2021**

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**J.P. Morgan**

**Goldman Sachs International**

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**April 15, 2016**